

**PRA RULEBOOK: CRR FIRMS: NON-AUTHORISED PERSONS: RECOVERY PLANS:
PREPARATIONS FOR SOLVENT EXIT 2024**

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).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. The PRA published a draft of the proposed rules in accordance with section 138J(1)(b) of the Act, accompanied by the information listed in section 138J(2). After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Non-authorised Persons: Recovery Plans: Preparations for Solvent Exit Instrument 2024

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 1 October 2025.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Non-authorised Persons: Recovery Plans: Preparations for Solvent Exit Instrument 2024.

By order of the Prudential Regulation Committee

20 February 2024

Annex

Amendments to the Recovery Plans Part

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

Part

RECOVERY PLANS

Chapter content

1. APPLICATION AND DEFINITIONS
2. RECOVERY PLANS
3. GROUP RECOVERY PLANS
4. REVIEW OF RECOVERY PLAN AND GROUP RECOVERY PLAN
5. GOVERNANCE ARRANGEMENTS
6. RECOVERY PLAN AND GROUP RECOVERY PLAN INDICATORS
7. PREPARATION FOR SOLVENT EXIT – NON-SYSTEMIC BANKS AND BUILDING SOCIETIES

1. APPLICATION AND DEFINITIONS

...

1.2. In this Part, the following definitions shall apply:

...

solvent exit

means the process through which a *firm* ceases to carry on its *PRA regulated activities* while remaining solvent.

solvent exit analysis

means a document setting out a *firm's* preparations for *solvent exit*.

...

7. PREPARATIONS FOR SOLVENT EXIT – NON-SYSTEMIC BANKS AND BUILDING SOCIETIES

7.1 This Chapter applies to every *firm* that is a *UK bank* or *building society* but is not:

(1) itself, or part of a group that is, a *G-SII*, a *non-UK G-SII* or an *O-SII*; or

(2) a *firm* to which the Operational Continuity Part applies.

7.2 A *firm* must prepare for *solvent exit* so that, if the need arises, it can effect a *solvent exit* in an orderly manner.

7.3 A *firm* must produce a *solvent exit analysis* and update it whenever a material change has taken place that may affect its preparations for a *solvent exit*, and at least once every three years.

7.4 A *firm* must be able to provide to the *PRA* on request the current version of its *solvent exit analysis*.

**PRA RULEBOOK: NON-AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY
LIMIT AND BASE COSTS INSTRUMENT 2024**

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 137T (General supplementary powers);
 - (2) section 213 (The compensation scheme);
 - (3) section 214 (General); and
 - (4) section 223 (Management expenses).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2024

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

Commencement

- D. This instrument comes into force on 1 April 2024.

Citation

- E. This instrument may be cited as the PRA Rulebook: Non-Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2024.

By order of the Prudential Regulation Committee

12 March 2024

Annex**Amendments to the FSCS Management Expenses Levy Limit and Base Costs Part**

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

...

2 LIMIT ON MANAGEMENT EXPENSES LEVIES

...

2.1A The amount which the FSCS may recover from the sums levied under the *compensation scheme* as *management expenses* attributable to the period 1 April ~~2023~~2024 to 31 March ~~2024~~2025 may not exceed ~~£109,815,710~~£108,111,085.

...

PRA RULEBOOK: CRR FIRMS, NON-CRR FIRMS, SOLVENCY II FIRMS, NON-SOLVENCY II FIRMS: SECURITISATION (AND MISCELLANEOUS AMENDMENTS) INSTRUMENT 2024

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 192XA (Rules applying to holding companies); and
 - (3) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms, Non-Solvency II Firms: Securitisation (and Miscellaneous Amendments) Instrument 2024

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

Part	Annexes
Securitisation	A
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Notes

- D. In Annex A to this instrument, the “notes” (indicated by “[Note:]”) are included for the convenience of readers but do not form part of the legislative text.
- E. The rules in this instrument include any forms referred to in the rules. Where indicated by “here”, the rules when published electronically will include a hyperlink to the appropriate document.

Commencement

- F. The Annexes to this instrument come into force on 1 November 2024.

Citation

- G. This instrument may be cited as the PRA Rulebook: CRR Firms, Non-CRR Firms, Solvency II Firms, Non-Solvency II Firms: Securitisation (and Miscellaneous Amendments) Instrument 2024.

By order of the Prudential Regulation Committee

23 April 2024

Annex A

Securitisation Part

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

Part

SECURITISATION

Chapter content

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ARTICLE 3 INSIDE INFORMATION TEMPLATES

ARTICLE 4 SIGNIFICANT EVENT TEMPLATES

ARTICLE 5 FORMAT OF INFORMATION

ANNEXES

1. APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *UK undertaking*.

1.2 Unless otherwise stated, this Part applies to:

- (1) *securitisations* the securities of which are issued; and
- (2) in the case of *securitisations* which do not involve the issuance of securities, *securitisations* the initial or new *securitisation positions* of which are created, on or after 1 January 2019.

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

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.

ABCP transaction

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

active underlying exposure

means an underlying exposure which, at the *data cut-off date*, may be expected to generate cash inflows or outflows in the future.

contingent form of retention

means retention of a material net economic interest through the use of guarantees, letters of credit and other similar forms of credit support ensuring an immediate enforcement of the retention.

data cut-off date

means the reference date of the information being reported in accordance with this Part.

debt service coverage ratio

means the annual rental income generated by commercial real estate that is wholly or partially financed by debt, net of taxes and net of any operational expenses to maintain the property's value, relative to the annual combined interest and principal repayment on a borrower's total debt over a given period on the loan secured by the property.

established in the UK

means constituted under the law of a part of the *United Kingdom*:

- (a) with a registered office in any part of the *United Kingdom*; or
- (b) if the person does not have a registered office, with a head office in any part of the *United Kingdom*.

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*.

fully supported ABCP programme

means an *ABCP programme* that its *sponsor* directly and fully supports by providing to the *SSPE* one or more *liquidity facilities* covering at least all of the following:

- (1) all liquidity and credit risks of the *ABCP programme*;
- (2) any material dilution risks of the exposures being securitised; and
- (3) any other *ABCP transaction*-level and *ABCP programme*-level costs if necessary to guarantee to the *investor* the full payment of any amount under the asset-backed commercial paper.

fully supported ABCP transaction

means an *ABCP transaction* supported by a *liquidity facility*, at transaction level or at *ABCP programme* level, that covers at least all of the following:

- (1) all liquidity and credit risks of the *ABCP transaction*;
- (2) any material dilution risks of the exposures being securitised in the *ABCP transaction*; and
- (3) any other *ABCP transaction*-level and *ABCP programme*-level costs if necessary to guarantee to the *investor* the full payment of any amount under the asset-backed commercial paper.

inactive underlying exposure

means an underlying exposure that has defaulted with no further recoveries expected or that has been redeemed, prepaid, cancelled, repurchased or substituted.

institutional investor

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

- (1) an insurance undertaking as defined in section 417(1) of *FSMA*;
- (2) a reinsurance undertaking as defined in section 417(1) of *FSMA*;
- (3) the trustees or managers of an *occupational pension scheme*;
- (4) a fund manager of an *occupational pension scheme* appointed under section 34(2) of the Pensions Act 1995 that, in respect of activity undertaken pursuant to that appointment, is authorised for the purposes of section 31 of *FSMA*;
- (5) an AIFM (as defined in regulation 4(1) of the Alternative Investment Fund Managers Regulations 2013 (2013/1797)):
 - (a) with *permission* under Part 4A of *FSMA* in respect of the activity specified by article 51ZC of the *Regulated Activities Order* (managing an AIF); and
 - (b) which markets or manages an AIF (as defined in regulation 3 of the Alternative Investment Fund Managers Regulations 2013) in the *UK*,
and for the purposes of (b), an AIFM markets an AIF when the AIFM makes a direct or indirect offering or placement of units or shares of an AIF managed by it to or with an *investor* domiciled or with a registered office in the *UK*, or when another person makes such an offering or placement at the initiative of, or on behalf of, the AIFM;
- (6) a small registered *UK* AIFM as defined in Regulation 2(1) of the Alternative Investment Fund Managers Regulations 2013;
- (7) a management company as defined in section 237(2) of *FSMA*;
- (8) a UCITS as defined by section 236A of *FSMA*, which is an authorised open-ended investment company as defined in section 237(3) of *FSMA*;
- (9) a CRR firm as defined by Article 4(1)(2A) of *CRR*; or
- (10) an FCA investment firm as defined by Article 4(1)(2AB) of *CRR*.

interest coverage ratio

means the gross annual rental income, before operational expenses and taxes, accruing from a buy-to-let property or the net annual rental income accruing from commercial real estate relative to the annual interest cost of the loan secured by the property.

investor

means a person holding a *securitisation position*.

liquidity facility

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

non-performing exposure or NPE

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

non-refundable purchase price discount

means the difference between the outstanding balance of the exposures in the underlying pool and the price at which those exposures are sold by the *originator* to the *SSPE*, where neither the *originator* nor the *original lender* are reimbursed for that difference.

NPE securitisations

means a *securitisation* backed by a pool of *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.

occupational pension scheme

means a scheme within the meaning set out in section 1(1) of the Pension Schemes Act 1993 that also has its main administration in the *UK*.

original lender

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

originator

means an entity which:

- (1) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposures being securitised; or
- (2) purchases a third party's exposures on its own account and then securitises them.

reporting entity

means the entity designated in accordance with the first subparagraph of Article 7(2) of Chapter 2.

resecuritisation

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

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.

revolving securitisation

means a *securitisation* where the *securitisation* structure itself revolves by exposures being added to or removed from the pool of exposures irrespective of whether the exposures revolve or not.

securitisation

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

- (1) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- (2) the subordination of *tranches* determines the distribution of losses during the ongoing life of the transaction or scheme; and
- (3) the transaction or scheme does not create exposures which possess all of the following characteristics:
 - (a) the exposure is to an entity which was created specifically to finance or operate physical assets or is an economically comparable exposure;
 - (b) the contractual arrangements give the lender a substantial degree of control over the assets and the income that they generate; and
 - (c) the primary source of repayment of the obligation is the income generated by the assets being financed, rather than the independent capacity of a broader commercial enterprise.

securitisation position

means an exposure to a *securitisation*.

Securitisation Regulations

means the Securitisation Regulations 2024 (SI 2024/102).

securitisation repository

means a *body corporate* that centrally collects and maintains the records of *securitisations*.

servicer

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

sponsor

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

- (1) is not an *originator*, and
- (2) either:
 - (a) establishes and manages an *ABCP programme* or other *securitisation* that purchases exposures from third party entities; or
 - (b) establishes an *ABCP programme* or other *securitisation* that purchases exposures from third party entities and delegates the day-to-day active portfolio management involved in that *securitisation* to an entity which is authorised to

manage assets belonging to another *person* in accordance with the law of the country or *territory* in which the entity is established.

SSPE or securitisation special purpose entity

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

STS securitisation

has the meaning given in regulation 9 of the *Securitisation Regulations*.

synthetic form of retention

means retention of a material net economic interest through the use of derivative instruments.

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*.

territory

includes the *EU* and any other international organisation or authority comprising countries or territories.

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*.

tranche

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

2. SECURITISATION: GENERAL PROVISIONS

ARTICLE 5 DUE-DILIGENCE REQUIREMENTS FOR INSTITUTIONAL INVESTORS

1. Prior to holding a *securitisation position*, an *institutional investor*, other than the *originator*, *sponsor* or *original lender*, shall verify that:
 - (a) where the *originator* or *original lender* is *established in the UK* and is not a CRR firm or an FCA investment firm as defined in points (2A) and (2AB) of Article 4(1) of CRR, the *originator* or *original lender* grants all the credits giving rise to the underlying exposures (unless they are trade receivables not originated in the form of a loan) on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in accordance with Article 9(1) of this Chapter (or equivalent FCA rules);
 - (b) where the *originator* or *original lender* is not *established in the UK*, the *originator* or *original lender* grants all the credits giving rise to the underlying exposures (unless they are trade receivables not originated in the form of a loan) on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness;
 - (c) if *established in the UK*, the *originator*, *sponsor* or *original lender* retains on an ongoing basis a material net economic interest in accordance with Article 6 of this Chapter and Chapter 4 (or equivalent FCA rules) and the risk retention is disclosed to the *institutional investor* in accordance with Article 7 of this Chapter and Chapters 5 and 6 (or equivalent FCA rules);
 - (d) if not *established in the UK*, the *originator*, *sponsor* or *original lender* retains on an ongoing basis a material net economic interest which, in any event, shall not be less than 5%, determined in accordance with Article 6 of this Chapter and Chapter 4 (or equivalent FCA rules), and discloses the risk retention to *institutional investors*;
 - (e) the *originator*, *sponsor* or *SSPE* has made available sufficient information to enable the *institutional investor* independently to assess the risks of holding the *securitisation position* and has committed to make further information available on an ongoing basis, as appropriate. That information must include at least the following:
 - (i) in the case of a *securitisation* which is not an *ABCP programme* or an *ABCP transaction*, details of the underlying exposures, which is to be provided on at least a quarterly basis;
 - (ii) in the case of an *ABCP programme* or an *ABCP transaction*, information on the underlying receivables or credit claims, which is to be provided on at least a *monthly* basis;
 - (iii) *investor* reports providing periodic updates on the credit quality and performance of the underlying exposures, any relevant financial or other triggers contained in the transaction documentation including information on events which trigger changes to the priority of payments or a substitution of any counterparty to the transaction, data on the cash flows generated by the underlying exposures and by the liabilities of the *securitisation* and the calculation and modality of retention of a material net economic interest in the transaction by the *originator*, *sponsor* or *original lender*, which is to be

provided on at least a quarterly basis in the cases referred to in point (i) and on at least a *monthly* basis in the cases referred to in point (ii);

- (iv) all information on the legal documentation needed to understand the transaction, including detail of the legal provisions governing the structure of the transaction, any credit enhancement or liquidity support features, the cash flows and loss waterfalls, *investors'* voting rights and any triggers or other events that could result in a material impact on the performance of the *securitisation position*, which is to be provided:
 - for primary market investments, in draft or initial form before pricing or commitment to invest and in final form no later than 15 days after closing of the transaction, or
 - for secondary market investments, in final form before a commitment to invest,
 - and for both primary and secondary market investments an updated version as soon as practicable following any material change;
 - (v) information describing any changes or events materially affecting the transaction, including breaches of obligations under the transaction documents, which is to be provided as soon as practicable following the material change or event;
 - (vi) any approved prospectus or other offering or marketing document prepared with the cooperation of the *originator* or *sponsor* which is to be provided:
 - for primary market investments, in draft or initial form before pricing or commitment to invest and in final form no later than 15 days after closing of the transaction, or
 - for secondary market investments, in final form before a commitment to invest; and
 - (vii) if there is an STS notification or a notification falling within regulation 12(3)(b) of the *Securitisation Regulations* in respect of the transaction, that STS notification, which is to be provided:
 - for primary market investments, in draft or initial form before pricing or commitment to invest and in final form no later than 15 days after closing of the transaction, or
 - for secondary market investments, in final form before a commitment to invest,
 - and for both primary and secondary market investments an updated version as soon as practicable following any material change.
2. As regards *fully supported ABCP transactions*, the requirement specified in point (a) of paragraph 1 of this Article shall apply to the *sponsor* and not to the *institutional investor*. In such cases, the *sponsor* shall verify that the *originator* or *original lender* which is not a CRR firm or an FCA investment firm as defined in points (2A) and (2AB) of Article 4(1) of *CRR* grants all the credits giving rise to the underlying exposures on the basis of sound and well-defined criteria and clearly established processes for approving, amending, renewing and financing those credits and has effective systems in place to apply those criteria and processes in accordance with Article 9(1) of this Chapter (or equivalent *FCA* rules).
3. Prior to holding a *securitisation position*, an *institutional investor*, other than the *originator*, *sponsor* or *original lender*, shall carry out a due-diligence assessment which enables it to assess the risks involved. That assessment shall consider at least all of the following:
- (a) the risk characteristics of the individual *securitisation position* and of the underlying exposures;
 - (b) all the structural features of the *securitisation* that can materially impact the performance of the *securitisation position*, including the contractual priorities of payment and priority of payment-related triggers, credit enhancements, liquidity enhancements, market value triggers, and transaction-specific definitions of default;

- (c) with regard to a *securitisation* included on the list maintained under regulation 10(2) of the *Securitisation Regulations*, compliance with the STS criteria and with any applicable designated activity rules relating to the notification mentioned in regulation 10(1) of the *Securitisation Regulations*;
- (d) with regard to a *securitisation* that appears to the *institutional investor* to be an overseas STS securitisation as defined in regulation 12(2) of the *Securitisation Regulations*, whether the *securitisation* falls within a description of *securitisation* specified in regulations made from time to time under regulation 13(1) of the *Securitisation Regulations* in relation to a country or territory designated under such regulations;
- (e) with regard to a securitisation falling within paragraph (3)(b) and (c) of regulation 12 of the *Securitisation Regulations*, compliance with the requirements referred to in paragraph (3)(a) of that regulation and with Article 27 of Regulation (EU) 2017/2402 as it had effect in relation to the *European Union* at the time of the notification mentioned in paragraph (3)(b) of that regulation;
- (f) in considering the matter referred to in point (c), an *institutional investor* may rely to an appropriate extent on the STS notification and on the information disclosed by the *originator*, *sponsor* and *SSPE* concerning compliance with the STS criteria, without solely or mechanistically relying on that notification or information;
- (g) in considering the matter referred to in point (e), an *institutional investor* may rely to an appropriate extent on the notification referred to in regulation 12(3)(b) of the *Securitisation Regulations* and on the information disclosed by the *originator*, *sponsor* and *SSPE* to the European Securities and Markets Authority concerning compliance with the requirements referred to in regulation 12(3)(a) of the *Securitisation Regulations*, without solely or mechanistically relying on that notification or information; and

Notwithstanding points (a) and (b) of the first subparagraph, in the case of a *fully supported ABCP programme*, *institutional investors* in the commercial paper issued by that *ABCP programme* shall consider the features of the *ABCP programme* and the full liquidity support.

- 3A. The requirements in paragraphs 1 and 3 of this Article continue to apply where a third party has provided services under SECN 2.5.2R of the *FCA Handbook*.
- 4. An *institutional investor*, other than the *originator*, *sponsor* or *original lender*, holding a *securitisation position*, shall at least:
 - (a) establish appropriate written procedures that are proportionate to the risk profile of the *securitisation position* and, where relevant, to the *institutional investor's* trading and non-trading book, in order to monitor, on an ongoing basis, compliance with paragraphs 1 and 3 of this Article and the performance of the *securitisation position* and of the underlying exposures. Where relevant with respect to the *securitisation* and the underlying exposures, those written procedures shall include monitoring of the exposure type, the percentage of loans more than 30, 60 and 90 days past due, default rates, prepayment rates, loans in foreclosure, recovery rates, repurchases, loan modifications, payment holidays, collateral type and occupancy, and frequency distribution of credit scores or other measures of credit worthiness across underlying exposures, industry and geographical diversification, frequency distribution of loan to value ratios with band widths that facilitate adequate sensitivity analysis. Where the underlying exposures are themselves *securitisation positions*, in accordance with Article 8 of this Chapter or SECN 7.2.1(2)(b) of the *FCA Handbook*, *institutional investors* shall also monitor the exposures underlying those positions;
 - (b) in the case of a *securitisation* other than a *fully supported ABCP programme*, regularly perform stress tests on the cash flows and collateral values supporting the underlying

exposures or, in the absence of sufficient data on cash flows and collateral values, stress tests on loss assumptions, having regard to the nature, scale and complexity of the risk of the *securitisation position*;

- (c) in the case of *fully supported ABCP programmes*, regularly perform stress tests on the solvency and liquidity of the *sponsor*;
 - (d) ensure internal reporting to its *management body* so that the *management body* is aware of the material risks arising from the *securitisation position* and so that those risks are adequately managed;
 - (e) be able to demonstrate to the *PRA*, upon request, that it has a comprehensive and thorough understanding of the *securitisation position* and its underlying exposures and that it has implemented written policies and procedures for the risk management of the *securitisation position* and for maintaining records of the verifications and due diligence in accordance with paragraphs 1 and 2 of this Article and of any other relevant information; and
 - (f) in the case of exposures to a *fully supported ABCP programme*, be able to demonstrate to the *PRA*, upon request, that it has a comprehensive and thorough understanding of the credit quality of the *sponsor* and of the terms of the *liquidity facility* provided.
5. Without prejudice to paragraphs 1 to 4 of this Article, where an *institutional investor* has been given authority by the *institutional investor* described below to make investment management decisions that might expose it to a *securitisation*, the following paragraphs apply in respect of any exposure to a *securitisation* arising from those decisions. Unless specified below, the responsibility for fulfilling the obligations under paragraphs 1, 3 and 4 shall remain with the *institutional investor*.

Where an *institutional investor* who is subject to this Article ('the managing party') is instructed under this paragraph to fulfil any of the obligations of another *institutional investor* who is subject to this Article and fails to do so, the managing party is responsible for the failure to comply with the relevant obligation and not the *institutional investor* who is exposed to the *securitisation*.

Where an *institutional investor* who is subject to this Article ('the managing party') is instructed under this paragraph to fulfil any of the obligations of another *institutional investor* who is subject to equivalent rules made by the *FCA* or to regulations 32A to 32D of the *Securitisation Regulations* and fails to do so, the managing party is responsible for the failure to comply with the relevant obligation.

Where an *institutional investor* who is subject to equivalent rules made by the *FCA* is instructed under this paragraph to fulfil any of the obligations of another *institutional investor* who is subject to this Article and fails to do so, the *institutional investor* who is exposed to the *securitisation* is not responsible for the failure to comply.

ARTICLE 6 RISK RETENTION

1. The *originator*, *sponsor* or *original lender* of a *securitisation* shall retain on an ongoing basis a material net economic interest in the *securitisation* of not less than 5%. That interest shall be measured at the origination and shall be determined by the notional value for off-balance-sheet items.

Where the *originator*, *sponsor* or *original lender* have not agreed between them who will retain the material net economic interest, the *originator* shall retain the material net economic interest.

There shall be no multiple applications of the retention requirements for any given *securitisation*.

The material net economic interest shall not be split amongst different types of retainers and shall not be subject to any credit-risk mitigation or hedging.

For the purposes of this Article and Chapter 4, an entity shall not be considered to be an *originator* where the entity has been established or operates for the sole purpose of securitising exposures.

2. Subject to paragraph 2A of this Article, *originators* shall not select assets to be transferred to the *SSPE* with the aim of rendering losses on the assets transferred to the *SSPE*, measured over the life of the transaction, or over a maximum of four years where the life of the transaction is longer than four years, higher than the losses over the same period on comparable assets held on the balance sheet of the *originator*.
- 2A. *Originators* may select assets to be transferred to the *SSPE* that ex ante have a higher than average credit risk profile as compared to the average credit risk profile of comparable assets, if any, that remain on the balance sheet of the *originator* provided that the higher credit risk profile of the assets transferred to the *SSPE* is clearly communicated to the *investors* or potential *investors*.
3. Only the following shall qualify as a retention of a material net economic interest of not less than 5% within the meaning of paragraph 1 of this Article:
 - (a) the retention of not less than 5% of the nominal value of each of the *tranches* sold or transferred to *investors*;
 - (b) in the case of *revolving securitisations* or *securitisations* of *revolving exposures*, the retention of the *originator's* interest of not less than 5% of the nominal value of each of the securitised exposures;
 - (c) the retention of randomly selected exposures, equivalent to not less than 5% of the nominal value of the securitised exposures, where such non-securitised exposures would otherwise have been securitised in the *securitisation*, provided that the number of potentially securitised exposures is not less than 100 at origination;
 - (d) the retention of the *first loss tranche* and, where such retention does not amount to 5% of the nominal value of the securitised exposures, if necessary, other *tranches* having the same or a more severe risk profile than those transferred or sold to *investors* and not maturing any earlier than those transferred or sold to *investors*, so that the retention equals in total not less than 5% of the nominal value of the securitised exposures; or
 - (e) the retention of a first loss exposure of not less than 5% of every securitised exposure in the *securitisation*.
- 3A. By way of derogation from paragraph 3 of this Article, in the case of *NPE securitisations*, where a *non-refundable purchase price discount* has been agreed, the retention of a material net economic interest for the purposes of that paragraph shall not be less than 5% of the sum of the net value of the securitised exposures that qualify as *non-performing exposures* and, if applicable, the nominal value of any performing securitised exposures.

The net value of a *non-performing exposure* shall be calculated by deducting the *non-refundable purchase price discount* agreed at the level of the individual securitised exposure at the time of origination or, where applicable, a corresponding share of the *non-refundable purchase price discount* agreed at the level of the pool of underlying exposures at the time of origination from the exposure's nominal value or, where applicable, its outstanding value at the time of origination.

In addition, for the purpose of determining the net value of the securitised *non-performing exposures*, the *non-refundable purchase price discount* may include the difference between the nominal amount of the *tranches* of the *NPE securitisation* underwritten by the *originator* for subsequent sale and the price at which these *tranches* are first sold to unrelated third parties.

4. Where:

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

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

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

In this paragraph:

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

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

- (a) central governments or *central banks*;
- (b) regional governments, local authorities and public sector entities within the meaning of point (8) of Article 4(1) of *CRR*;
- (c) institutions to which a 50% risk weight or less is assigned under Part Three, Title II, Chapter 2 of *CRR* and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part;
- (d) national promotional banks or institutions within the meaning of point (3) of Article 2 of Regulation (EU) 2015/1017; or
- (e) the multilateral development banks listed in Article 117 of *CRR*.

6. Paragraph 1 of this Article shall not apply to transactions based on a clear, transparent and accessible index, where the underlying reference entities are identical to those that make up an index of entities that is widely traded, or are other tradable securities other than *securitisation positions*.

ARTICLE 7 TRANSPARENCY REQUIREMENTS

1. The *originator, sponsor and SSPE* of a *securitisation* shall, in accordance with paragraph 2 of this Article and Chapters 5 and 6, make at least the following information available to holders of a *securitisation position*, to the *PRA* and, upon request, to potential *investors*:
 - (a) information on the underlying exposures on a quarterly basis, or, in the case of asset-backed commercial paper, information on the underlying receivables or credit claims on a *monthly* basis;
 - (b) all underlying documentation essential for the understanding of the transaction, including but not limited to, where applicable, the following documents:
 - (i) the final offering document or the prospectus together with the closing transaction documents, excluding legal opinions;
 - (ii) for *traditional securitisation* the asset sale agreement, assignment, novation or transfer agreement and any relevant declaration of trust;
 - (iii) the derivatives and guarantee agreements, as well as any relevant documents on collateralisation arrangements where the exposures being securitised remain exposures of the *originator*;
 - (iv) the servicing, back-up servicing, administration and cash management agreements;
 - (v) the trust deed, security deed, agency agreement, account bank agreement, guaranteed investment contract, incorporated terms or master trust framework or master definitions agreement or such legal documentation with equivalent legal value;
 - (vi) any relevant inter-creditor agreements, derivatives documentation, subordinated loan agreements, start-up loan agreements and *liquidity facility* agreements; and
 - (vii) a detailed description of the priority of payments of the *securitisation*;
 - (c) where section 85 of *FSMA* (prohibition of dealing etc in transferable securities without approved prospectus) and rules made by the *FCA* for the purposes of Part 6 of *FSMA* (official listing) do not require a prospectus to be drawn up, a transaction summary or overview of the main features of the *securitisation*, including, where applicable:
 - (i) details regarding the structure of the deal, including the structure diagrams containing an overview of the transaction, the cash flows and the ownership structure;
 - (ii) details regarding the exposure characteristics, cash flows, loss waterfall, credit enhancement and liquidity support features;
 - (iii) details regarding the voting rights of the holders of a *securitisation position* and their relationship to other secured creditors; and
 - (iv) a list of all triggers and events referred to in the documents provided in accordance with point (b) of this subparagraph that could have a material impact on the performance of the *securitisation position*;
 - (d) in the case of *STS securitisations*, the *STS* notification referred to in SECN 2.5 of the *FCA Handbook*;
 - (e) quarterly *investor* reports, or, in the case of asset-backed commercial paper programme, *monthly investor* reports, containing at least the following:

- (i) all materially relevant data on the credit quality and performance of underlying exposures;
 - (ii) information on events which trigger changes in the priority of payments or the replacement of any counterparties, and, in the case of a *securitisation* which is not an *ABCP transaction* or *ABCP programme*, data on the cash flows generated by the underlying exposures and by the liabilities of the *securitisation*; and
 - (iii) information about the risk retained, including information on which of the modalities provided for in Article 6(3) of this Chapter has been applied, in accordance with Article 6 of this Chapter and Chapters 5 and 6;
- (f) any inside information relating to the *securitisation* that the *originator*, *sponsor* or *SSPE* is obliged to make public in accordance with Article 17 of Regulation (EU) No 596/2014; and
- (g) where point (f) of this subparagraph does not apply, any significant event, such as:
- (i) a material breach of the obligations provided for in the documents made available in accordance with point (b) of this subparagraph, including any remedy, waiver or consent subsequently provided in relation to such a breach;
 - (ii) a change in the structural features that can materially impact the performance of the *securitisation*;
 - (iii) a change in the risk characteristics of the *securitisation* or of the underlying exposures that can materially impact the performance of the *securitisation*;
 - (iv) in the case of *STS securitisations*, where the *securitisation* ceases to meet the STS requirements or where the *PRA* or *FCA* has taken remedial or administrative actions; and
 - (v) any material amendment to transaction documents.

The information described in points (a) and (e) of the first subparagraph shall be made available simultaneously each quarter at the latest one *month* after the due date for the payment of interest or, in the case of *ABCP transactions*, at the latest one *month* after the end of the period the report covers.

The information described in points (b), (c) and (d) of the first subparagraph shall be made available in draft or initial form before pricing or original commitment to invest and in final form no later than 15 days after closing of the transaction.

In the case of asset-backed commercial paper, the information described in points (a), (c)(ii) and (e)(i) of the first subparagraph shall be made available in aggregate form to holders of *securitisation positions* and, on request, to potential *investors*. Loan-level data shall be made available to the *sponsor* and, on request, to the *PRA*.

Without prejudice to Regulation (EU) No 596/2014, the information described in points (f) and (g) of the first subparagraph shall be made available without delay.

The *originator*, *sponsor* and *SSPE* may provide the information specified in this paragraph in anonymised or aggregated form or, in relation to point (b) of the first subparagraph, as a summary of the specified documentation, where and to the extent that is necessary in order to comply with the law applicable in the *United Kingdom* governing the protection of confidentiality of information and the processing of personal data and with any confidentiality obligation relating to customer, *original lender* or debtor information.

2. The *originator*, *sponsor* and *SSPE* of a *securitisation* must designate one of their number to be the entity responsible for fulfilling the information requirements pursuant to points (a), (b), (d),

(e), (f) and (g) of the first subparagraph of paragraph 1 of this Article. Such designation does not relieve the other parties of their responsibilities set out in paragraph 1.

The *reporting entity* shall make the information for a *securitisation* transaction available by means of a *securitisation repository* registered by the *FCA*.

The *reporting entity* and the *securitisation repository* shall be indicated in the *securitisation's* documentation.

The obligations referred to in the second and fifth subparagraphs shall not apply to *securitisations* for which section 85 of *FSMA* and rules made by the *FCA* for the purposes of Part 6 of *FSMA* do not require a prospectus to be drawn up.

Where no *securitisation repository* is registered in accordance with regulation 14 of the *Securitisation Regulations*, the *reporting entity* shall make the information available by means of a website that:

- (a) includes a well-functioning data quality control system;
- (b) is subject to appropriate governance standards and to maintenance and operation of an adequate organisational structure that ensures the continuity and orderly functioning of the website;
- (c) is subject to appropriate systems, controls and procedures that identify all relevant sources of operational risk;
- (d) includes systems that ensure the protection and integrity of the information received and the prompt recording of the information; and
- (e) makes it possible to keep record of the information for at least five years after the maturity date of the *securitisation*.

The *reporting entity* and the *securitisation repository* where the information is made available shall be indicated in the documentation regarding the *securitisation*.

ARTICLE 8 BAN ON RESECURITISATION

1. The underlying exposures used in a *securitisation* shall not include *securitisation positions*.
The first subparagraph shall not apply to:
 - (a) any *securitisation* the securities of which were issued before 1 January 2019; or
 - (b) any *securitisation* in respect of which the *PRA* has disapplied or modified the first subparagraph such that the underlying exposures can include *securitisation positions*.
2. [Note: Provision left blank]
3. [Note: Provision left blank]
4. A *fully supported ABCP programme* shall not be considered to be a *resecuritisation* for the purposes of this Article provided that none of the *ABCP transactions* within that programme is a *resecuritisation* and that the credit enhancement does not establish a second layer of *tranching* at the programme level.

ARTICLE 9 CRITERIA FOR CREDIT-GRANTING

1. *Originators*, *sponsors* and *original lenders* shall apply to exposures to be securitised (unless they are trade receivables not originated in the form of a loan) the same sound and well-defined

criteria for credit-granting which they apply to non-securitised exposures. To that end, the same clearly established processes for approving and, where relevant, amending, renewing and refinancing credits shall be applied. *Originators, sponsors and original lenders* shall have effective systems in place to apply those criteria and processes in order to ensure that credit-granting is based on a thorough assessment of the obligor's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the obligor meeting the obligor's obligations under the credit agreement.

2. Where the underlying exposures of *securitisations* are residential loans made on or after 20 March 2014, the pool of those loans shall not include any loan that is marketed and underwritten on the premise that the loan applicant or, where applicable, intermediaries were made aware that the information provided by the loan applicant might not be verified by the lender.
3. Where an *originator* purchases a third party's exposures for its own account and then securitises them, that *originator* shall verify that the entity which was, directly or indirectly, involved in the original agreement which created the obligations or potential obligations to be securitised fulfils the requirements referred to in paragraph 1 of this Article (or equivalent *FCA* rules).
4. Paragraph 3 of this Article does not apply if:
 - (a) the original agreement which created the obligations or potential obligations of the debtor or potential debtor was entered into before 20 March 2014; and
 - (b) the *originator* that purchases a third party's exposures for its own account and then securitises them meets the obligations that *originators* were required to meet under Article 21(2) of Commission Delegated Regulation (EU) No 625/2014 before 1 January 2019.

ARTICLE 43 TRANSITIONAL PROVISIONS RELATING TO PRE-2019 SECURITISATIONS

1. [Note: Provision left blank]
2. [Note: Provision left blank]
3. [Note: Provision left blank]
4. [Note: Provision left blank]
5. In respect of *securitisations* the securities of which were issued on or after 1 January 2011 but before 1 January 2019 and in respect of *securitisations* the securities of which were issued before 1 January 2011 where new underlying exposures have been added or substituted after 31 December 2014, the due diligence requirements set out in *CRR* and Commission Delegated Regulation (EU) 2015/35 respectively shall continue to apply in the version applicable on 31 December 2018 as if they still had effect and were set out expressly here.

For the purposes of this paragraph:

- (a) Article 256 of Commission Delegated Regulation (EU) 2015/35 is to be read as if it still has effect notwithstanding its deletion by Article 1(7) of Commission Delegated Regulation (EU) 2018/1221; and
- (b) for the purposes of point (a) of paragraph 3(f) of Article 256 of Commission Delegated Regulation (EU) 2015/35, Article 254 of Commission Delegated Regulation (EU) 2015/35 is to be read as if it still has effect notwithstanding its deletion by Article 1(7) of Commission Delegated Regulation (EU) 2018/1221, together with the following modifications:

- (i) paragraph 1 is to be read as if for 'Article 135(2)(a) of Directive 2009/138/EC' there were substituted 'rule 6.1 of the Investments Part of the *PRA* Rulebook as it had effect on *IP completion day*'; and
 - (ii) paragraph 2(b) is to be read as if for 'Article 242(12) of Regulation (EU) No 575/2013' there were substituted 'rule 1.3 of the Securitisation Part of the *PRA* Rulebook'.
6. In respect of *securitisations* the securities of which were issued before 1 January 2019 a CRR firm (as defined by Article 4(1)(2A) of *CRR* as *CRR* had effect on *IP completion day*), an insurance undertaking (as defined in section 417(1) of *FSMA*) and a reinsurance undertaking (as defined in section 417(1) of *FSMA*) shall continue to apply Article 405 of *CRR* and Chapters I, II and III and Article 22 of Commission Delegated Regulation (EU) No 625/2014, Articles 254 and 255 of Commission Delegated Regulation (EU) 2015/35 respectively as in the version applicable on 31 December 2018 as if they still had effect and were set out expressly here. For the purposes of this paragraph, Article 405 of *CRR* is to be read with the following modifications:
- (a) read paragraph 2 as if:
 - (i) for the first subparagraph, substitute:

'Where:

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

as an *originator* or *sponsor*, securitises exposures from one or more credit institutions, investment firms or other financial institutions which are included in the scope of supervision on a *consolidated basis*, the requirement set out in paragraph 1 may be satisfied on the basis of the consolidated situation of the mixed financial holding company, UK parent institution or financial holding company concerned';
 - (ii) in the second subparagraph for the words from 'in a timely manner' to the end there were substituted 'the information needed to satisfy the requirements set out in Article 409, in a timely manner, to the *originator* or *sponsor* and, if the *originator* or *sponsor* is a subsidiary, to the mixed financial holding company, UK parent institution or financial holding company which is the parent undertaking of the subsidiary'; and
 - (iii) after the second subparagraph there were inserted:

'In this paragraph:

 - (a) 'credit institution', 'financial holding company', 'financial institution', 'investment firm', 'subsidiary' and 'UK parent institution' have the meaning given in Article 4(1) of *CRR*; and
 - (b) 'mixed financial holding company' has the meaning given in the *PRA* Rulebook'

; and
 - (b) in paragraph 3, in point (b) ignore 'of Member States'.
7. [Note: Provision left blank]
8. [Note: Provision left blank]
9. For the purpose of this Article, in the case of *securitisations* which do not involve the issuance of securities, any references to '*securitisations* the securities of which were issued' shall be

deemed to mean '*securitisations* the initial *securitisation positions* of which are created'. When applying this Article to *securitisations* which do not involve the issuance of securities, any references in this Article to '*securitisations* the securities of which were issued before 1 January 2019' shall be deemed to mean '*securitisations* the initial *securitisation positions* of which are created before 1 January 2019' such that this Part applies to any *securitisations* that create new *securitisation positions* on or after 1 January 2019.

3. TRANSITIONAL PROVISIONS RELATING TO POST-2019 SECURITISATIONS

3.1. As regards *securitisations*:

- (1) the securities of which are issued; and
- (2) (in the case of *securitisations* which do not involve the issuance of securities) *securitisations* the initial or new *securitisations positions* of which are created,

on or after 1 January 2019 but before 1 November 2024, this Part does not apply and instead a *firm* must comply with the provisions identified in 3.2 as if they still had effect and were set out expressly here.

3.2. For the purposes of 3.1, the relevant provisions are the following as they applied immediately before their revocation on 31 October 2024 which are to be read in accordance with 3.3:

- (1) Article 5, Article 6 (excluding paragraph 7), Article 7 (excluding paragraphs 3 and 4), Article 8 (excluding paragraphs 2, 3 and 5), Article 9 and Article 43(5) and 43(6), together with relevant terms defined in Article 2, of Regulation (EU) 2017/2402 of the European Parliament and of the Council;
- (2) Chapters I, II and III and Article 22 of Commission Delegated Regulation (EU) 625/2014;
- (3) Commission Delegated Regulation (EU) 2020/1224; and
- (4) Commission Implementing Regulation (EU) 2020/1225.

3.3 The provisions referred to in 3.2 are to be read as follows:

- (1) in paragraph 5 of Article 5, as if the relevant references to '*institutional investor*' did not include an AIFM unless the AIFM falls within paragraph 5 of the definition of '*institutional investor*' in Chapter 1; and
- (2) in sub-paragraph (b) of Article 8(1), as if it read '*any securitisation in respect of which the PRA has disapplied or modified the first sub-paragraph such that the underlying exposures can include securitisation positions*'.

4. RISK RETENTION

ARTICLE 2 RETAINERS OF MATERIAL NET ECONOMIC INTEREST

1. The requirement that the retained material net economic interest shall not be split amongst different types of retainers under Article 6(1) of Chapter 2 shall be fulfilled by any of the following:

- (a) the *originator* or *originators*;
- (b) the *sponsor* or *sponsors*; or
- (c) the *original lender* or *original lenders*.

2. Where more than one *originator* is eligible to fulfil the retention requirement each *originator* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *originator*.
3. Where more than one *original lender* is eligible to fulfil the retention requirement, each *original lender* shall fulfil that requirement on a pro rata basis by reference to the securitised exposures for which it is the *original lender*.
4. By way of derogation from paragraphs 2 and 3, the retention requirement may be fulfilled in full by a single *originator* or *original lender* provided that either of the following conditions is met:
 - (a) the *originator* or *original lender* has established and is managing the *ABCP programme* or other *securitisation*; or
 - (b) the *originator* or *original lender* has established the *ABCP programme* or other *securitisation* and has contributed over 50% of the total securitised exposures measured by nominal value at origination.
5. Where more than one *sponsor* is eligible to fulfil the retention requirement, the retention requirement shall be fulfilled by either:
 - (a) the *sponsor* whose economic interest is most appropriately aligned with *investors* as agreed by the multiple *sponsors* on the basis of objective criteria including, but not limited to, the transaction's fee structure, the *sponsor's* involvement in the establishment and management of the *ABCP programme* or other *securitisation* and exposure to credit risk of the *securitisations*; or
 - (b) by each *sponsor* in proportion to the total number of *sponsors*.
6. The following must be taken into account when assessing whether an entity has been established or operates for the sole purpose of securitising exposures, as referred to in the fifth sub-paragraph of Article 6(1) of Chapter 2:
 - (a) the entity has a business strategy and the capacity to meet payment obligations consistent with a broader business model and involving material support from capital, assets, fees or other income available to the entity, relying neither on the exposures being securitised, nor on any interests retained or proposed to be retained in accordance with Article 6 of Chapter 2, as well as any corresponding income from such exposures and interests; and
 - (b) the members of the management body have the necessary experience to enable the entity to pursue the established business strategy, as well as adequate corporate governance arrangements.

ARTICLE 3 FULFILMENT OF THE RETENTION REQUIREMENT THROUGH A SYNTHETIC FORM OF RETENTION OR CONTINGENT FORM OF RETENTION

1. The fulfilment of the retention requirement in a manner equivalent to one of the options set out in Article 6(3) of Chapter 2 through a *synthetic form of retention* or *contingent form of retention*, shall meet all of the following conditions:
 - (a) the amount retained is at least equal to the amount required under the option which the *synthetic form of retention* or *contingent form of retention* corresponds to; and
 - (b) the retainer has explicitly disclosed in the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* that it will retain a material net economic interest in the *securitisation* through a *synthetic form of retention* or *contingent form of retention* on an ongoing basis.

For the purposes of point (b), the retainer shall disclose in the final offering document, prospectus transaction summary or overview of the main features of the *securitisation*, all the details on the applicable *synthetic form of retention* or *contingent form of retention*, including, the methodology used in its determination of the material net interest retained and an explanation on which of the options in Article 6(3) of Chapter 2 the retention is equivalent to.

2. Where an entity other than a *CRR firm* or a *UK Solvency II Firm*, retains an economic interest through a *synthetic form of retention* or *contingent form of retention*, that interest retained on a synthetic or contingent basis shall be fully collateralised in cash and held on a segregated basis as client money as referred to in CASS 7.12.1R of the *FCA Handbook*.

ARTICLE 4 RETENTION OF NOT LESS THAN 5% OF THE NOMINAL VALUE OF EACH OF THE TRANCHES SOLD OR TRANSFERRED TO INVESTORS

1. The retention of not less than 5% of the nominal value of each of the *tranches* sold or transferred to the *investors* as referred to in Article 6(3)(a) of Chapter 2 may be complied with through any of the following methods:
 - (a) the retention of not less than 5% of the nominal value of each of the securitised exposures, provided that the retained credit risk ranks *pari passu* with or is subordinated to the credit risk securitised in relation to the same exposures;
 - (b) the provision, in the context of an *ABCP programme*, of a *liquidity facility*, where the following conditions are met:
 - (i) the *liquidity facility* covers 100% of the share of the credit risk of the securitised exposures of the relevant *securitisation* transaction that is being funded by the respective *ABCP programme*;
 - (ii) the *liquidity facility* covers the credit risk for as long as the retainer has to retain the material net economic interest by means of such *liquidity facility* for the relevant *securitisation* transaction;
 - (iii) the *liquidity facility* is provided by the *originator*, *sponsor* or *original lender* in the *securitisation* transaction; and
 - (iv) the *investors* becoming exposed to such *securitisation* have been given access to appropriate information with the initial disclosure to enable them to verify that points (i), (ii) and (iii) are complied with; or
 - (c) the retention of an exposure which exposes its holder to the credit risk of each issued *tranche* of a *securitisation* transaction on a pro-rata basis (*vertical tranche*) of not less than 5% of the total nominal value of each of the issued *tranches*.

ARTICLE 5 RETENTION OF THE ORIGINATOR'S INTEREST IN A REVOLVING SECURITISATION OF REVOLVING EXPOSURES

1. The retention of the *originator's* interest of not less than 5% of the nominal value of each of the securitised exposures as referred to in point (b) of Article 6(3) of Chapter 2 shall only be considered fulfilled where the retained credit risk of such exposures ranks *pari passu* with or is subordinated to the credit risk securitised in relation to the same exposures.

ARTICLE 6 RETENTION OF RANDOMLY SELECTED EXPOSURES EQUIVALENT TO NOT LESS THAN 5% OF THE NOMINAL VALUE OF THE SECURITISED EXPOSURES

1. The pool of at least 100 potentially securitised exposures from which retained non-securitised and securitised exposures are to be randomly selected, as referred to in point (c) of Article 6(3) of Chapter 2, shall be sufficiently diverse to avoid an excessive concentration of the retained interest.
2. When selecting the exposures referred to in paragraph 1, retainers shall take into account quantitative and qualitative factors that are appropriate for the type of securitised exposures to ensure that the distinction between retained non-securitised and securitised exposures is random. For that purpose, and where relevant, retainers shall take into consideration the following factors when selecting exposures:
 - (a) the time of the origination of the loan (vintage);
 - (b) the type of securitised exposures;
 - (c) the geographical location;
 - (d) the origination date;
 - (e) the maturity date;
 - (f) the loan to value ratio;
 - (g) the collateral type;
 - (h) the industry sector;
 - (i) the outstanding loan balance; and
 - (j) any other factor deemed relevant by the retainer.
3. Retainers shall not select different individual exposures at different points in time, except where that may be necessary to fulfil the retention requirement in relation to a *securitisation* in which the securitised exposures fluctuate over time, either due to new exposures being added to the *securitisation* or to changes in the level of the individual securitised exposures.
4. Where the retainer is the *securitisation's servicer*, the selection conducted in accordance with this Article shall not lead to a deterioration in the servicing standards applied by the retainer on the transferred exposures relative to the retained exposures.

ARTICLE 7 RETENTION OF THE FIRST LOSS TRANCHE

1. The retention of the *first loss tranche* referred to in point (d) of Article 6(3) of Chapter 2 may be fulfilled by holding either on-balance sheet or off-balance sheet positions and by any of the following methods:
 - (a) provision of a *contingent form of retention* or of a *liquidity facility* in the context of an *ABCP programme*, which fulfils all of the following criteria:
 - (i) the exposure covers at least 5% of the nominal value of the securitised exposures;
 - (ii) the exposure constitutes a first loss position in relation to the *securitisation*;
 - (iii) the exposure covers the credit risk for the entire duration of the retention commitment;
 - (iv) the exposure is provided by the retainer; and
 - (v) the *investors* have been given access within the initial disclosure to all information necessary to verify that points (i) to (iv) are complied with; or

- (b) overcollateralisation, as defined to in point (9) of Article 242 of *CRR*, if that overcollateralisation operates as a 'first loss' position of not less than 5% of the nominal value of the securitised exposures.
2. Where the *first loss tranche* exceeds 5% of the nominal value of the securitised exposures, the retainer may chose to retain a pro-rata portion of such *first loss tranche* only, provided that that portion is equivalent to at least 5% of the nominal value of the securitised exposures.

ARTICLE 8 RETENTION OF A FIRST LOSS EXPOSURE OF NOT LESS THAN 5% OF EVERY SECURITISED EXPOSURE

1. The retention of a first loss exposure at the level of every securitised exposure as referred to in point (e) of Article 6(3) of Chapter 2 shall only be considered to be fulfilled where the retained credit risk is subordinated to the credit risk securitised in relation to the same exposures.
2. By way of derogation from paragraph 1 of this Article, the retention of a first loss exposure at the level of every securitised exposure as referred to in point (e) of Article 6(3) of Chapter 2 may also be fulfilled through the sale by the *originator* or *original lender* of the underlying exposures at a discounted value where each of the following conditions is met:
- (a) the amount of the discount is not less than 5% of the nominal value of each exposure; and
- (b) the discounted sale amount is refundable to the *originator* or *original lender* only if, that discounted sale amount is not absorbed by losses related to the credit risk associated to the securitised exposures.

ARTICLE 9 APPLICATION OF THE RETENTION OPTIONS ON NPE SECURITISATIONS

1. In the case of *NPE securitisations* as referred to in Article 6(3A) of Chapter 2, for the purposes of applying Article 4(1)(a) and Articles 5 to 8 of this Chapter to the share of *non-performing exposures* in the pool of underlying exposures of a *securitisation*, any reference to the nominal value of the securitised exposures shall be construed as a reference to the net value of the *non-performing exposures*.
2. For the purposes of Article 6 of this Chapter, the net value of the retained *non-performing exposures* shall be calculated using the same amount of the *non-refundable purchase price discount* that would have been applied had the retained *non-performing exposures* been securitised.
3. For the purposes of Article 4(1)(a), Article 5 and Article 8 of this Chapter, the net value of the retained part of the *non-performing exposures* shall be computed using the same percentage of the *non-refundable purchase price discount* that applies to the part that is not retained.
4. Where the *non-refundable purchase price discount* as referred to in the second subparagraph of Article 6(3A) of Chapter 2 has been agreed at the level of the pool of underlying *non-performing exposures*, the net value of individual securitised *non-performing exposures* included in the pool or sub-pool, as applicable, shall be calculated by applying a corresponding share of the *non-refundable purchase price discount* agreed at pool or sub-pool level to each of the securitised *non-performing exposures* in proportion to their nominal value or, where applicable, their outstanding value at the time of origination.
5. Where the *non-refundable purchase price discount* includes the difference between the nominal amount of one *tranche* or several *tranches* of a *NPE securitisation* underwritten by the *originator* for subsequent sale and the price at which that *tranche* or those *tranches* are first sold to unrelated third parties as referred to in the second subparagraph of Article 6(3A) of

Chapter 2, that difference shall be taken into account in the calculation of the net value of individual securitised *non-performing exposures* by applying a corresponding share of the difference to each of the securitised *non-performing exposures* in proportion to their nominal value.

ARTICLE 10 MEASUREMENT OF THE LEVEL OF RETENTION

1. When measuring the level of retention of the net economic interest, the following criteria shall be applied:
 - (a) the origination shall be considered as the time at which the exposures were first securitised;
 - (b) where the calculation of the level of retention is based on nominal values, it shall not take into account the acquisition price of assets;
 - (c) finance charge collections and other fee income in respect of the securitised exposures net of costs ('excess spread') shall not be taken into account when measuring the retainer's net economic interest; and
 - (d) the retention option and methodology used to calculate the net economic interest shall not be changed during the life of a *securitisation* transaction, unless exceptional circumstances require a change and that change is not used as a means to reduce the amount of the retained interest.
2. The retainer shall not be required to replenish or readjust its retained interest to at least 5% as losses are realised on its retained exposures or allocated to its retained positions.

ARTICLE 11 MEASUREMENT OF THE MATERIAL NET ECONOMIC INTEREST TO BE RETAINED FOR EXPOSURES IN THE FORM OF DRAWN AND UNDRAWN AMOUNTS OF CREDIT FACILITIES

1. The calculation of the net economic interest to be retained for credit facilities, including credit cards, shall be based on amounts already drawn, realised or received only and shall be adjusted in accordance with changes to those amounts.

ARTICLE 12 PROHIBITION OF HEDGING OR SELLING THE RETAINED INTEREST

1. The obligation in the first subparagraph of Article 6(1) of Chapter 2 to retain on an ongoing basis a material net economic interest in the *securitisation* shall be deemed to have been met only where, taking into account the economic substance of the transaction, both of the following conditions are met:
 - (a) the retained material net economic interest is not subject to any credit risk mitigation or hedging of either the retained *securitisation* positions or the retained exposures; and
 - (b) the retainer does not sell, transfer or otherwise surrender all or part of the rights, benefits or obligations arising from the retained net economic interest.
- 1A. By way of derogation of paragraph 1(a) of this Article, the retainer may hedge the net economic interest where the hedge:
 - (a) is not against the credit risk of either the retained *securitisation positions* or the retained exposures; or

- (b) is undertaken prior to the *securitisation* as a prudent element of credit granting or risk management and does not create a differentiation for the retainer's benefit between the credit risk of the retained *securitisation positions* or exposures and the *securitisation positions* or exposures transferred to *investors*.
2. The retainer may use retained exposures or *securitisation positions* as collateral for secured funding purposes including, where relevant, funding arrangements that involve a sale, transfer or other surrender of all or part of the rights, benefits or obligations arising from the retained net economic interest, provided that such use as collateral does not transfer the exposure to the credit risk of those retained exposures or *securitisation positions* to a third party.
 3. Paragraph 1(b) of this Article shall not apply:
 - (a) in the event of the insolvency of the retainer; or
 - (b) in the case of retention on a *consolidated basis*, in accordance with Article 14 of this Chapter.

ARTICLE 13 TRANSACTIONS FOR WHICH THE RETENTION REQUIREMENT DOES NOT APPLY AS REFERRED TO IN ARTICLE 6(6) OF CHAPTER 2

1. Transactions for which the retention requirement does not apply, as referred to in Article 6(6) of Chapter 2, shall include *securitisation positions* in the correlation trading portfolio which are either reference instruments satisfying the criterion in Article 338(1)(b) of *CRR* or which are eligible for inclusion in the correlation trading portfolio.

ARTICLE 14 RETENTION ON A CONSOLIDATED BASIS

1. A mixed financial holding company, a UK parent institution or financial holding company *established in the UK* (as defined in Article 6(4) of Chapter 2) satisfying, in accordance with Article 6(4) of Chapter 2, the retention requirement on the basis of its consolidated situation shall, in the case the retainer is no longer included in the scope of supervision on a *consolidated basis*, ensure that one or more of the remaining entities included in the scope of supervision on a *consolidated basis* fulfils the retention requirement.

ARTICLE 15 ARRANGEMENTS OR EMBEDDED MECHANISMS

1. Retainers shall not use arrangements or embedded mechanisms in the *securitisation* by virtue of which the retained interest at origination would decline faster than the interest transferred. In the allocation of the cash flows, the retained interest shall not be prioritised to preferentially benefit from being repaid or amortised ahead of the transferred interest.
2. The amortisation of the retained interest via cash flow allocation set out in paragraph 1 or through the allocation of losses that, in effect, reduce the level of retention over time, shall be allowed.

ARTICLE 16 FULFILMENT OF THE RETENTION REQUIREMENT IN SECURITISATIONS OF OWN ISSUED DEBT INSTRUMENTS

1. Where an entity securitises its own issued debt instruments, including covered bonds as defined in the *FCA Handbook*, and the underlying exposures of the *securitisation* comprise

exclusively those own-issued debt instruments, the retention requirement in Article 6(1) of Chapter 2 shall be considered complied with.

ARTICLE 17 RETENTION REQUIREMENT ON RESECURITISATIONS

1. Subject to paragraph 2 of this Article, in the context of a *resecuritisation* as far as enabled in accordance with Article 8 of Chapter 2, a retainer shall retain the material net economic interest in relation to each of the respective transaction levels.
2. The *originator* of a *resecuritisation* shall not be obliged to retain a material net economic interest at the transaction level of the *resecuritisation* where all of the following conditions are met:
 - (a) the *originator* of the *resecuritisation* is also the *originator* and the retainer of the underlying *securitisation*;
 - (b) the *resecuritisation* is backed by a pool of exposures comprising solely exposures or positions which were retained by the *originator* in the underlying *securitisation* in excess of the required minimum net economic interest prior to the date of origination of the *resecuritisation*; and
 - (c) there is no maturity mismatch between the underlying *securitisation* positions or exposures and the *resecuritisation*.
3. A *fully supported ABCP programme* which meets the requirements of Article 8(4) of Chapter 2 shall not be deemed a *resecuritisation* for the purposes of this Article.
4. The retranching by the *securitisation's originator* of an issued *tranche* into contiguous *tranches* shall not constitute a *resecuritisation* for the purposes of this Article.

ARTICLE 18 ASSETS TRANSFERRED TO SSPE

1. For the purposes of Article 6(2) of Chapter 2, assets held on the balance sheet of the *originator* that according to the documentation of the *securitisation* meet the eligibility criteria shall be deemed to be comparable to the assets to be transferred to the *SSPE* where, at the time of the selection of the assets, both of the following conditions are met:
 - (a) the expected performance of both the assets to be further held on the balance sheet and the assets to be transferred is determined by similar factors; and
 - (b) on the basis of indications including past performance and applicable models, it can be reasonably expected that the performance of the assets to be further held on the balance sheet will not be significantly better during the time period referred to in Article 6(2) of Chapter 2 than the performance of the assets to be transferred.
2. [Note: Provision left blank]
3. An *originator* shall be deemed to have complied with Article 6(2) of Chapter 2 where, after the *securitisation*, there are no exposures left on the *originator's* balance sheet that are comparable to the securitised exposures, other than the exposures which the *originator* is already contractually committed to securitise, and provided that that fact has been clearly communicated to *investors*.

ARTICLE 22 DISCLOSURE OF THE LEVEL OF THE COMMITMENT TO MAINTAIN A NET ECONOMIC INTEREST

1. The retainer shall disclose to *investors* within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* at least the following information regarding the level of its commitment to maintain a net economic interest in the *securitisation*:
 - (a) confirmation of the retainer's identity, whether it retains as *originator*, *sponsor* or *original lender* and, where the retainer is the *originator*, how it meets the requirements set out in the fifth subparagraph of Article 6(1) of Chapter 2 taking into account the principles set out in Article 2(6) of this Chapter;
 - (b) which of the modalities provided for in points (a), (b), (c), (d) or (e) of the second subparagraph of Article 6(3) of Chapter 2 has been applied to retain a net economic interest; and
 - (c) confirmation of the level of retention at origination and of the commitment to retain on an on-going basis, which shall relate only to the continuation of fulfilment of the original obligation and shall not require data on the current nominal or market value, or on any impairments or write-downs on the retained interest.
2. Where the exemptions referred to in paragraph 5 or 6 of Article 6 of Chapter 2 apply to a *securitisation* transaction, *firms* acting as *originator*, *sponsor* or *original lender* shall disclose within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* information on the applicable exemption to *investors*.
3. The disclosure referred to in paragraphs 1 and 2 of this Article shall be appropriately documented within the final offering document, prospectus, transaction summary or overview of the main features of the *securitisation* and made publicly available, except in bilateral or private transactions where private disclosure is considered by the parties to be sufficient. The inclusion of a statement on the retention commitment in the prospectus for the securities issued under the *securitisation* programme shall be considered an appropriate means of fulfilling the requirement.

5. THE INFORMATION AND THE DETAILS OF A SECURITISATION TO BE MADE AVAILABLE BY THE ORIGINATOR, SPONSOR AND SSPE

SECTION 1 INFORMATION TO BE MADE AVAILABLE FOR ALL SECURITISATION

ARTICLE 2 INFORMATION ON UNDERLYING EXPOSURES

1. The information to be made available for a non-ABCP *securitisation* pursuant to Article 7(1)(a) of Chapter 2 is specified in:
 - (a) Annex II for loans to private households secured by residential real estate, regardless of the purpose of those loans;
 - (b) Annex III for loans for the purposes of acquiring commercial real estate or secured by commercial real estate;
 - (c) Annex IV for corporate underlying exposures, including underlying exposures to micro, small and medium-sized enterprises;
 - (d) Annex V for automobile underlying exposures, including both loans and leases to legal or natural persons backed by automobiles;

- (e) Annex VI for consumer underlying exposures;
- (f) Annex VII for credit card underlying exposures;
- (g) Annex VIII for leasing underlying exposures; and
- (h) Annex IX for underlying exposures that do not fall within any of the categories set out in points (a) to (g).

For the purposes of point (a), residential real estate means any immovable property, available for dwelling purposes (including buy-to-let housing or property), acquired, built or renovated by a private household and that does not qualify as commercial real estate.

For the purposes of point (b), commercial real estate means any income-producing real estate, either existing or under development, and excludes social housing and property owned by end-users.

- 1A. For the purposes of point (a) and point (b) of paragraph 1, a property that has mixed commercial and residential use must, where possible, be treated as two separate properties, one commercial and one residential. Where it is not possible to separate the uses in this manner, the property must be treated as being entirely residential or entirely commercial, whichever is the dominant use of the property.
- 1B. Except as provided in paragraphs 2 and 3, where a non-ABCP *securitisation* includes more than one of the types of underlying exposures listed in paragraph 1, the *reporting entity* for that *securitisation* must make available the information specified in the applicable Annex for each underlying exposure type.
- 1C. Where the pool of underlying exposures for a non-ABCP *securitisation* is comprised entirely of automobile underlying exposures, the information specified in Annex V must be provided in respect of the entire pool, regardless of whether the automobile underlying exposures are loans or leases.
- 1D. Except in the circumstances contemplated in paragraph 1C, where the pool of underlying exposures for a non-ABCP *securitisation* is comprised entirely of leasing underlying exposures, the information specified in Annex VIII must be provided in respect of the entire pool.
- 2. Where a non-ABCP *securitisation* includes more than one of the types of underlying exposures listed in paragraph 1, the *reporting entity* for that *securitisation* shall make available the information specified in the applicable Annex for each underlying exposure type.
- 3. The *reporting entity* for a non-performing exposure securitisation shall make available the information specified in:
 - (a) the Annexes referred to in points (a) to (h) of paragraph 1, as relevant to the underlying exposure type; and
 - (b) Annex X.

For the purposes of this paragraph, a 'non-performing exposure securitisation' means a non-ABCP *securitisation* the majority of whose *active underlying exposures*, measured in terms of outstanding principal balance as at the *data cut-off date*, are one of the following:

- (a) non-performing exposures as referred to in paragraphs 213 to 239 of Annex V, Part 2 of Commission Implementing Regulation (EU) No 680/2014 as this provision had effect immediately before *IP completion day*; or
- (b)
 - (i) credit impaired financial assets as defined in Appendix A to International Financial Reporting Standard 9 in Commission Regulation (EC) No 1126/2008 as this provision had effect immediately before *IP completion day*;

- (ii) credit impaired financial assets as defined in Appendix A to International Financial Reporting Standard 9 as contained in *UK-adopted international accounting standards*;
 - (iii) financial assets accounted for as credit impaired under national rules applying the Generally Accepted Accounting Principles (GAAP) based on Council Directive 86/635/EEC; or
 - (iv) financial assets accounted for as credit-impaired under *UK* generally accepted accounting principles.
4. The *reporting entity* for an *ABCP transaction* shall make available the information specified in Annex XI.
 5. For the purposes of this Article, the information to be made available pursuant to paragraphs 1 to 4 of this Article shall be on:
 - (a) *active underlying exposures* as at the *data cut-off date*; and
 - (b) *inactive underlying exposures* that were *active underlying exposures* at the immediately preceding *data cut-off date*.

ARTICLE 3 INFORMATION ON INVESTOR REPORTS

1. The *reporting entity* for a non-*ABCP securitisation* shall make available the information on *investor reports* specified in Annex XII.
2. The *reporting entity* for an *ABCP securitisation* shall make available the information on *investor reports* specified in Annex XIII.

ARTICLE 4 INFORMATION GRANULARITY

1. The *reporting entity* shall make available the information specified in Annexes II to X and XII on the following:
 - (a) underlying exposures, in relation to each individual underlying exposure;
 - (b) collateral, where any of the following conditions is met and in respect of each item of collateral securing each underlying exposure:
 - (i) the underlying exposure is secured by a guarantee;
 - (ii) the underlying exposure is secured by physical or financial collateral; or
 - (iii) the lender may unilaterally create security over the underlying exposure without the need for any further approval from the obligor or guarantor;
 - (c) tenants, for each of the three largest tenants occupying a commercial real estate property, measured as the total annual rent payable by each tenant occupying the property;
 - (d) historical collections, for each underlying exposure and for each *month* in the period from the *data cut-off date* up to 36 *months* prior to that date;
 - (e) cash flows, for each in flow or outflow item in the *securitisation*, as set out in the applicable priority of receipts or payments as at the *data cut-off date*; and
 - (f) tests/events/triggers, for each test/event/trigger that triggers changes in the priority of payments or the replacement of any counterparties.

For the purposes of points (a) and (d), securitised loan parts shall be treated as individual underlying exposures.

For the purposes of point (b), each property acting as security for loans referred to in points (a) and (b) of Article 2(1) of this Chapter shall be treated as a single item of collateral.

2. The *reporting entity* shall make available the information specified in Annexes XI and XIII on the following:
 - (a) *ABCP transactions*, for as many *ABCP transactions* that exist in the *ABCP programme* as at the *data cut-off date*;
 - (b) each *ABCP programme* that is funding the *ABCP transactions* for which information is made available pursuant to point (a), as at the *data cut-off date*;
 - (c) tests/events/triggers, for each test/event/trigger in the *ABCP securitisation* that triggers changes in the priority of payments or the replacement of any counterparties; and
 - (d) underlying exposures, for each *ABCP transaction* on which information is made available pursuant to point (a) and for each exposure type that is present in that *ABCP transaction* as at the *data cut-off date*, in accordance with the list in field IVAL5 in Annex XI.

SECTION 2 INFORMATION TO BE MADE AVAILABLE FOR SECURITISATIONS FOR WHICH A PROSPECTUS HAS TO BE DRAWN UP (PUBLIC SECURITISATIONS)

ARTICLE 5 ITEM CODES

1. *Reporting entities* shall assign item codes to the information made available to *securitisation repositories*. For this purpose, *reporting entities* shall assign the item code specified in Table 3 of Annex I that best corresponds to that information.

ARTICLE 6 INSIDE INFORMATION

1. The *reporting entity* for a non-ABCP *securitisation* shall make available the inside information specified in Annex XIV.
2. The *reporting entity* for an ABCP *securitisation* shall make available the inside information specified in Annex XV.

ARTICLE 7 INFORMATION ON SIGNIFICANT EVENTS

1. The *reporting entity* for a non-ABCP *securitisation* shall make available the information on significant events specified in Annex XIV.
2. The *reporting entity* for an ABCP *securitisation* shall make available the information on significant events specified in Annex XV.

ARTICLE 8 INFORMATION GRANULARITY

1. The *reporting entity* shall make available the information specified in Annex XIV on the following:
 - (a) the *tranches/bonds* in the *securitisation*, for each *tranche* issuance in the *securitisation* or other instrument to which an International Securities Identification Number has been assigned and for each subordinated loan in the *securitisation*;
 - (b) accounts, for each account in the *securitisation*;

- (c) counterparties, for each counterparty in the *securitisation*;
- (d) where the *securitisation* is a *synthetic securitisation* that is a non-ABCP *securitisation*:
 - (i) synthetic coverage, for as many protection arrangements as exist in the *securitisation*; and
 - (ii) issuer collateral, for each individual collateral asset held by the *SSPE* on behalf of *investors* that exists for the given protection arrangement; and
- (e) where the *securitisation* is a Collateralised Loan Obligation (CLO) non-ABCP *securitisation*:
 - (i) the CLO manager, for each CLO manager in the *securitisation*; and
 - (ii) the CLO *securitisation*.

For the purposes of point (d)(ii), each asset for which an International Securities Identification Number exists shall be treated as an individual collateral asset, cash collateral of the same currency shall be aggregated and treated as an individual collateral asset, and cash collateral of different currencies shall be reported as separate collateral assets.

2. The *reporting entity* shall make available the information specified in Annex XV on the following:
 - (a) *ABCP transactions*, for as many *ABCP transactions* that exist in the *ABCP programme* as at the *data cut-off date*;
 - (b) *ABCP programmes*, for as many *ABCP programmes* that, at the *data cut-off date*, are funding the *ABCP transactions* on which information is made available pursuant to point (a);
 - (c) the *tranches/bonds* in the *ABCP programme*, for each *tranche* or commercial paper issuance in the *ABCP programme* or other instrument to which an International Securities Identification Number has been assigned and for each subordinated loan in the *ABCP programme*;
 - (d) accounts, for each account in the *ABCP securitisation*; and
 - (e) counterparties, for each counterparty in the *ABCP securitisation*.

SECTION 3 COMMON PROVISIONS

ARTICLE 9 INFORMATION COMPLETENESS AND CONSISTENCY

1. The information made available pursuant to Article 7 of Chapter 2 and this Chapter shall be complete and consistent.
2. Where the *reporting entity* identifies factual errors in any information that it has made available pursuant to Article 7 of Chapter 2 and this Chapter, it shall make available, without undue delay, a corrected report of all information about the *securitisation* required under Article 7 of Chapter 2 and this Chapter.
3. Where permitted in the corresponding Annex, the *reporting entity* may report one of the following 'No Data Option' (ND) values corresponding to the reason justifying the unavailability of the information to be made available:
 - (a) value 'ND1', where the required information has not been collected because it was not required by the lending or underwriting criteria at the time of origination of the underlying exposure;

- (b) value 'ND2', where the required information has been collected at the time of origination of the underlying exposure but is not loaded into the reporting system of the *reporting entity* at the *data cut-off date*;
- (c) value 'ND3', where the required information has been collected at the time of origination of the underlying exposure but is loaded into a separate system from the reporting system of the *reporting entity* at the *data cut-off date*;
- (d) value 'ND4-YYYY-MM-DD', where the required information has been collected but it will only be possible to make it available at a date taking place after the *data cut-off date*. 'YYYY-MM-DD' shall respectively refer to the numerical year, *month* and *day* corresponding to the future date at which the required information will be made available; or
- (e) value 'ND5', where the required information is not applicable to the item being reported.

For the purposes of this paragraph, the report of any ND values shall not be used to circumvent the requirements in this Article 7 of Chapter 2 and this Chapter.

Upon request by the *PRA*, the *reporting entity* shall provide to the *PRA* details of the circumstances that justify the use of those ND values.

ARTICLE 10 INFORMATION TIMELINESS

1. Where a *securitisation* is not an ABCP *securitisation*, the information made available pursuant to this Article 7 of Chapter 2 and this Chapter shall not have a *data cut-off date* later than two calendar *months* prior to the submission date.
2. Where a *securitisation* is an ABCP *securitisation*:
 - (a) the information specified in Annex XI and in the 'transaction information section' in Annexes XIII and XV shall not have a *data cut-off date* later than two calendar *months* prior to the submission date; and
 - (b) the information specified in all sections of Annexes XIII and XV other than the 'transaction information section' shall not have a *data cut-off date* later than one calendar *month* prior to the submission date.

ARTICLE 11 UNIQUE IDENTIFIERS

1. Each *securitisation* shall be assigned a unique identifier composed of the following elements, in sequential order:
 - (a) the Legal Entity Identifier of the *reporting entity*;
 - (b) the letter 'A' where the *securitisation* is an ABCP *securitisation* or the letter 'N' where the *securitisation* is a non-ABCP *securitisation*;
 - (c) the four-digit year corresponding to:
 - (i) the year in which the first securities of the *securitisation* were issued, where the *securitisation* is a non-ABCP *securitisation*; or
 - (ii) the year in which the first securities within the ABCP programme were issued, where the *securitisation* is an ABCP *securitisation*; and
 - (d) the number 01 or, where there is more than one *securitisation* with the same identifier as referred to in points (a), (b) and (c), a two-digit sequential number corresponding to the

order in which information about each *securitisation* is made available. The order of simultaneous *securitisations* shall be discretionary.

2. Each *ABCP transaction* in an *ABCP programme* shall be assigned a unique identifier composed of the following elements, in sequential order:
 - (a) the Legal Entity Identifier of the *reporting entity*;
 - (b) the letter 'T';
 - (c) the four-digit year corresponding to the first closing date of the *ABCP transaction*; and
 - (d) the number 01 or, where there is more than one *ABCP transaction* with the same identifier as referred to in points (a), (b) and (c) of this paragraph, a two-digit sequential number corresponding to the order of the first closing date of each *ABCP transaction*. The order of simultaneous *ABCP transactions* shall be discretionary.
3. Unique identifiers shall not be amended by the *reporting entity*.

ARTICLE 12 CLASSIFICATIONS REPORTING

1. The information relating to the System of Accounts classification shall be made available using the codes set out in Table 1 of Annex I.
2. The information relating to the Servicer Watchlist classifications shall be made available using the codes set out in Table 2 of Annex I.

SECTION 4 TEMPLATES

ANNEXES

1. Annex I (Classifications reporting and item codes) can be found [here](#).
2. Annex II (Underlying Exposures Information – Residential Real Estate (RRE)) can be found [here](#).
3. Annex III (Underlying Exposures Information – Commercial Real Estate (CRE)) can be found [here](#).
4. Annex IV (Underlying Exposures Information – Corporate) can be found [here](#).
5. Annex V (Underlying Exposures Information – Automobile) can be found [here](#).
6. Annex VI (Underlying Exposures Information – Consumer) can be found [here](#).
7. Annex VII (Underlying Exposures Information – Credit Card) can be found [here](#).
8. Annex VIII (Underlying Exposures Information – Leasing) can be found [here](#).
9. Annex IX (Underlying Exposures Information – Esoteric) can be found [here](#).
10. Annex X (Underlying Exposures Information – Add-On for Non-Performing Exposures) can be found [here](#).
11. Annex XI (Underlying Exposures Information – Asset-Backed Commercial Paper) can be found [here](#).
12. Annex XII (Investor Report Information – Non-Asset Backed Commercial Paper Securitisation) can be found [here](#).

13. Annex XIII (Investor Report Information – Asset-Backed Commercial Paper Securitisation) can be found [here](#).
14. Annex XIV (Inside Information or Significant Event Information – Non-Asset Backed Commercial Paper Securitisation) can be found [here](#).
15. Annex XV (Inside Information or Significant Event Information – Asset Backed Commercial Paper Securitisation) can be found [here](#).

6. FORMAT AND STANDARDISED TEMPLATES FOR MAKING AVAILABLE THE INFORMATION AND DETAILS OF A SECURITISATION BY THE ORIGINATOR, SPONSOR AND SSPE

SECTION 1 TEMPLATES FOR ALL SECURITISATIONS

ARTICLE 1 UNDERLYING EXPOSURES TEMPLATES

1. The information referred to in Article 2(1) and (2) of Chapter 5 shall be made available using the following templates:
 - (a) the template set out in Annex II to this Chapter for loans to private households secured by residential real estate, regardless of the purpose of those loans;
 - (b) the template set out in Annex III to this Chapter for loans for the purposes of acquiring commercial real estate or secured by commercial real estate;
 - (c) the template set out in Annex IV to this Chapter for corporate underlying exposures, including underlying exposures to micro, small and medium-sized enterprises;
 - (d) the template set out in Annex V to this Chapter for automobile underlying exposures, including loans and leases to legal or natural persons that are backed by automobiles;
 - (e) the template set out in Annex VI to this Chapter for consumer underlying exposures;
 - (f) the template set out in Annex VII to this Chapter for credit card underlying exposures;
 - (g) the template set out in Annex VIII to this Chapter for leasing underlying exposures; and
 - (h) the template set out in Annex IX to this Chapter for underlying exposures that do not fall within any of the categories set out in points (a) to (g).
2. The information referred to in Article 2(3) of Chapter 5 shall be made available using the following templates:
 - (a) the templates set out in paragraph 1 of this Article, as relevant to the underlying exposure type; and
 - (b) the template set out in Annex X for non-performing exposure securitisations as referred to in the second subparagraph of Article 2(3) of Chapter 5.
3. The information referred to in Article 2(4) of Chapter 5 shall be made available using the template set out in Annex XI.

ARTICLE 2 INVESTOR REPORT TEMPLATES

1. The information referred to in Article 3(1) of Chapter 5 shall be made available using the template set out in Annex XII.

2. The information referred to in Article 3(2) of Chapter 5 shall be made available using the template set out in Annex XIII.

SECTION 2 TEMPLATES FOR SECURITISATIONS FOR WHICH A PROSPECTUS HAS TO BE DRAWN UP (PUBLIC SECURITISATIONS)

ARTICLE 3 INSIDE INFORMATION TEMPLATES

1. The information referred to in Article 6(1) of Chapter 5 shall be made available using the template set out in Annex XIV.
2. The information referred to in Article 6(2) of Chapter 5 shall be made available using the template set out in Annex XV.

ARTICLE 4 SIGNIFICANT EVENT TEMPLATES

1. The information referred to in Article 7(1) of Chapter 5 shall be made available using the template set out in Annex XIV.
2. The information referred to in Article 7(2) of Chapter 5 shall be made available using the template set out in Annex XV.

SECTION 3 COMMON PROVISIONS

ARTICLE 5 FORMAT OF INFORMATION

1. The format of the information provided in the templates set out in Annexes I to XV shall conform to the corresponding format set out in Table 1 of Annex I.
2. The information shall be made available in an electronic and machine-readable form via common XML templates.

SECTION 4 TEMPLATES

ANNEXES

1. Annex I (Field format) can be found [here](#).
2. Annex II (Underlying Exposures Information – Residential Real Estate (RRE)) can be found [here](#).
3. Annex III (Underlying Exposures Information – Commercial Real Estate (CRE)) can be found [here](#).
4. Annex IV (Underlying Exposures Information – Corporate) can be found [here](#).
5. Annex V (Underlying Exposures Information – Automobile) can be found [here](#).
6. Annex VI (Underlying Exposures Information – Consumer) can be found [here](#).
7. Annex VII (Underlying Exposures Information – Credit Card) can be found [here](#).
8. Annex VIII (Underlying Exposures Information – Leasing) can be found [here](#).
9. Annex IX (Underlying Exposures Information – Esoteric) can be found [here](#).

10. Annex X (Underlying Exposures Information – Add-On for Non-Performing Exposures) can be found [here](#).
11. Annex XI (Underlying Exposures Information – Asset-Backed Commercial Paper) can be found [here](#).
12. Annex XII (Investor Report Information – Non-Asset Backed Commercial Paper Securitisation) can be found [here](#).
13. Annex XIII (Investor Report Information – Asset-Backed Commercial Paper Securitisation) can be found [here](#).
14. Annex XIV (Inside Information or Significant Event Information – Non-Asset Backed Commercial Paper Securitisation) can be found [here](#).
15. Annex XV (Inside Information or Significant Event Information – Asset Backed Commercial Paper Securitisation) can be found [here](#).

Annex B**Amendments to the Liquidity Coverage Ratio (CRR) Part**

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

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

...

ARTICLE 13 LEVEL 2B SECURITISATIONS

1. Exposures in the form of asset-backed securities as referred to in Article 12(1)(a) shall qualify as level 2B securitisations where the following conditions are satisfied:

- (a) the designation 'STS' or 'simple, transparent and standardised', or a designation that refers directly or indirectly to those terms, is permitted to be used for the securitisation in accordance with ~~Regulation (EU) 2017/2402 of the European Parliament and of the Council~~ regulation 12 of the Securitisation Regulations 2024 (SI 2024/102) and is being so used;

...

Annex C

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

...

1.2 ...

Qualifying NPE securitisation

means an *NPE securitisation* that is a ~~traditional securitisation as defined in point (9) of Article 2 of Regulation (EU) 2017/2402~~traditional securitisation where the *non-refundable purchase price discount* is at least 50% of the outstanding amount of the underlying exposures at the time they were transferred to the *SSPE*.

SSPE

has the meaning given by point (2) of Article 2 of Regulation (EU) 2017/2402 in the Securitisation Part.

traditional securitisation

has the meaning given in the Securitisation Part.

...

PRA RULEBOOK: SOLVENCY II FIRMS: MATCHING ADJUSTMENT INSTRUMENT 2024**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).

The PRA also makes this instrument in the exercise of its powers under regulation 7 of the Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023 (2023/1347).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: Solvency II Firms: Matching Adjustment Instrument 2024

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

Part	Annex
Glossary	A
Matching Adjustment	B
Technical Provisions	C
Conditions Governing Business	D

Commencement

D. This instrument comes into force on 30 June 2024.

Citation

E. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Matching Adjustment Instrument 2024.

By order of the Prudential Regulation Committee

4 June 2024

Annex A**Amendments to the Glossary Part**

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

...

asset type

means a category of assets that have similar features and/or similar methodologies for the purposes of determining the *credit rating* or internal credit assessment for that type of asset.

assigned asset

means an asset contained in the *relevant portfolio of assets*, that falls within the scope of Matching Adjustment 4.4(1).

...

basic relevant risk-free interest rate term structure

means the *relevant risk-free interest rate term structure* without:

- (1) *a matching adjustment*,
- (2) *a volatility adjustment*, or
- (3) *a risk-free interest rate transitional measure*.

...

cash-flows that are not fixed

means any cash-flows that are not fixed or that are capable of being changed by *issuers* of the assets or any third parties, but excluding any cash-flows that fall within the scope of regulation 4(9)(b) or (c) of the *IRPR regulations*.

...

credit quality step

means the credit quality steps 0 to 6 set out in the Annex to Commission Implementing Regulation 2016/1800.

credit quality step pair

means a sequential pair of *credit quality steps*, paired in the order in which they are set out in the Annex to Commission Implementing Regulation 2016/1800.

credit rating

has the meaning given to that term in regulation 2(1) of the *IRPR regulations*.

credit rating agency

has the meaning given to that term in Regulation 2(1) of the *IRPR regulations*.

...

default

has the meaning given to that term in Article 4(4) of Commission Implementing Regulation 2016/1799.

...

expense risk

means the risk of loss, or of adverse change, in the value of insurance obligations, resulting from changes in the level, trend or volatility of the expenses incurred in servicing contracts of insurance or reinsurance contracts.

...

group death in service dependants' annuity

means a contract of insurance covering a specified group of persons which provides benefits in the form of regular payments to nominated dependant(s) upon the death of a person in that group, to the extent of and in accordance with the terms of that contract of insurance.

...

health revision risk

means the risk of loss, or of adverse change, in the value of insurance obligations, resulting from changes in the level, trend or volatility of the revision rates applied to annuities, due to changes in inflation, the legal environment or in the state of health of the person insured.

...

income protection policy

means a contract of insurance covering a person or specified group of persons that provides benefits in the form of regular payments to that person or those persons if they are unable, or have reduced capacity, to work because of illness or injury, to the extent of and in accordance with the terms of that contract of insurance.

...

IRPR regulations

means the Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023 (2023/1347).

...

life revision risk

means the risk of loss, or of adverse change, in the value of insurance obligations, resulting from changes in the level, trend or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.

line of business

means a line of business as set out in Annex I of Commission Delegated Regulation (Solvency II) 2015/35.

...

long-term insurance or reinsurance obligations

means insurance or reinsurance obligations falling within lines of business 29 to 36.

...

longevity risk

means the risk of loss, or of adverse change, in the value of insurance obligations, resulting from changes in the level, trend or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance obligations.

...

matching adjustment

means the adjustment to the *relevant risk-free interest rate term structure* to calculate the *best estimate of a relevant portfolio of insurance or reinsurance obligations* in accordance with:

- (1) ~~Technical Provisions 6 and 7~~ the Matching Adjustment Part; and
- (2) ~~the Solvency II Regulations adopted under Article 86(1)(h) — (i) of the Solvency II Directive; [deleted]~~
- (3) ~~for the purposes of calculating technical provisions as at a point in time falling before IP completion day, the relevant technical information made by EIOPA under Article 77e(1)(b) of the Solvency II Directive and adopted in the Solvency II Regulations under Article 77e(2) of the Solvency II Directive; and [deleted]~~
- (4) ~~for the purposes of calculating technical provisions as at a point in time falling on or after IP completion day, the relevant technical information published by the PRA in accordance with regulation 4B(1) of the Solvency 2 Regulations~~ regulation 3(1) of the IRPR regulations.

matching adjustment approval

~~means the approval granted to a firm by the PRA to permit it to apply a matching adjustment for the purposes of calculating the best estimate in relation to a relevant portfolio of insurance and reinsurance obligations.~~

matching adjustment eligibility conditions

means:

- (1) the conditions contained in regulation 4(3) to (9) and (11) of the IRPR regulations; and
- (2) the conditions contained in 2.2 to 2.4 (inclusive) of the Matching Adjustment Part.

matching adjustment permission

means the permission granted to a firm by the PRA pursuant to section 138BA of FSMA to apply a matching adjustment for the purposes of calculating the best estimate in relation to a relevant portfolio of insurance or reinsurance obligations.

matching adjustment permission application

means an application by a firm for a matching adjustment permission.

matching adjustment portfolio

means a relevant portfolio of insurance or reinsurance obligations and the corresponding relevant portfolio of assets.

...

mortality risk

means the risk of loss, or of adverse change, in the value of insurance obligations, resulting from changes in the level, trend or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance obligations.

...

rating notch

means, in respect of each *credit quality step*, the additional sub-categories (if relevant) which differentiate the relative credit quality of assets within that *credit quality step*.

...

recovery time risk

means the risk of loss, or of adverse change in the value of insurance obligations, resulting from changes in the expected time until the cessation of payments to those currently unable to work due to illness, injury or disability.

...

relevant portfolio of assets

means, in respect of a *relevant portfolio of insurance or reinsurance obligations*, the portfolio of assets, referred to in regulation 4(3) of the *IRPR regulations*, which is assigned to cover the *best estimate* of those insurance or *reinsurance obligations*.

relevant portfolio of insurance or reinsurance obligations

means a portfolio of ~~*long-term insurance or reinsurance obligations*~~~~insurance or reinsurance obligations falling within any *long-term insurance business class*, including annuities stemming from a *contract of general insurance*~~, in respect of which:

- (1) a *firm* has been granted a ~~*matching adjustment approval*~~*matching adjustment permission*; and
- (2) for the purposes of the Matching Adjustment Part only, a *firm* is applying for a *matching adjustment permission*.

relevant risk-free interest rate term structure

means the relevant risk-free interest rate term structure, in accordance with:

- (1) Technical Provisions 5 and 8.3 to 8.4; and
- (2) ~~the *Solvency II Regulations* adopted under Article 86 of the *Solvency II Directive*; and~~~~[deleted]~~
- (3) ~~for the purposes of calculating technical provisions as at a point in time falling before *IP completion day*, the relevant technical information made by *EIOPA* under Article 77e(1)(a) of the *Solvency II Directive* and adopted in *Solvency II Regulations* under Article 77e(2) of the *Solvency II Directive*;~~~~[deleted]~~
- (4) ~~for the purposes of calculating technical provisions as at a point in time falling on or after *IP completion day*, the relevant technical information made~~published by the *PRA* in accordance with ~~regulation 4B(1) of the *Solvency 2 Regulations*~~regulation 3(1) of the *IRPR regulations*.

...

revision risk

means *life revision risk* and/or *health revision risk*, as the context requires.

...

underwriting risk

means the risk of loss or of adverse change in the value of insurance ~~obligations~~liabilities, due to inadequate pricing and provisioning assumptions.

...

volatility adjustment

means the adjustment to the *relevant risk-free interest rate term structure* to calculate the *best estimate* in accordance with:

- (1) the *Solvency II Regulations* adopted under Article 86(1)(j) of the *Solvency II Directive*; and
- (2) ~~for the purposes of calculating technical provisions as at a point in time falling before *IP completion day*, in accordance with the relevant technical information made by EIOPA under Article 77e(1)(c) of the *Solvency II Directive* and adopted in *Solvency II Regulations* under Article 77e(2) of the *Solvency II Directive*; or [deleted]~~
- (3) ~~for the purposes of calculating technical provisions as at a point in time on or after *IP completion day*, in accordance with the relevant technical information published by the PRA in accordance with regulation 4B(1) of the *Solvency 2 Regulations*~~regulation 3(1) of the *IRPR regulations*.

...

Annex B**Matching Adjustment Part**

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

Part**MATCHING ADJUSTMENT**

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. ELIGIBILITY TO APPLY A MATCHING ADJUSTMENT**
- 3. MATCHING ADJUSTMENT PERMISSIONS**
- 4. CALCULATION OF THE MATCHING ADJUSTMENT**
- 5. ASSETS WITH CASH-FLOWS THAT ARE NOT FIXED**
- 6. REQUIREMENT FOR THE FUNDAMENTAL SPREAD TO REFLECT DIFFERENCES IN QUALITY BY RATING NOTCH**
- 7. INTERNAL CREDIT ASSESSMENTS AND CREDIT RATINGS**
- 8. ADDITIONS TO THE FUNDAMENTAL SPREAD IN RESPECT OF ASSETS WITH CASH-FLOWS THAT ARE HIGHLY PREDICTABLE**
- 9. ATTESTATION REQUIREMENTS**
- 10. INTERNAL GOVERNANCE FOR THE ATTESTATION**
- 11. DISCLOSURE OF THE ATTESTATION**
- 12. FORM OF THE ATTESTATION**
- 13. ON-GOING COMPLIANCE WITH ELIGIBILITY CONDITIONS**

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3.1, the *Society*; and
- (3) in accordance with Insurance General Application 3.2, *managing agents*.

1.2 In this part, the following definitions shall apply:

attestation reference date

means:

- (1) where 9.1(2)(a) applies, the effective date of the *firm's SFCR*; or
- (2) where 9.1(2)(b) applies, a date no later than three *months* after the material change in risk profile.

eligible element

means a portion of insurance or *reinsurance* obligations forming part of a wider *contract of insurance* or *reinsurance contract* and which:

- (1) comprises:
 - (a) the guaranteed element of a *with-profits policy* that is either an immediate annuity or a deferred annuity; or
 - (b) the in-payment element of a *group death in service dependants' annuity* or an *income protection policy*,in each case, where the element can be organised and managed separately in accordance with regulation 4(6) of the *IRPR regulations*; and
- (2) would otherwise meet the *matching adjustment eligibility conditions*, but for the fact that it forms part of a *contract of insurance* or *reinsurance contract* which does not so comply, when taken as a whole.

exposure limit

means any limit that forms part of the *firm's matching adjustment permission* in respect of the inclusion of a particular asset or assets in the *relevant portfolio of assets*.

highly predictable

has the meaning given to that term in Matching Adjustment 5.3.

2 ELIGIBILITY TO APPLY A MATCHING ADJUSTMENT

2.1 A *firm* must not apply a *matching adjustment* to the *relevant risk-free interest rate term structure* to calculate the *best estimate* of its insurance or *reinsurance* obligations unless it has a *matching adjustment permission*.

2.2 The conditions referred to in regulation 4(11) of the *IRPR regulations* are:

- (1) except as set out in 2.5, the contracts underlying the *relevant portfolio of insurance* or *reinsurance obligations* do not give rise to future premium payments;

- (2) the only *underwriting risks* connected to the *relevant portfolio of insurance or reinsurance obligations* are *longevity risk, expense risk, revision risk, mortality risk* or *recovery time risk*;
- (3) where the *underwriting risk* connected to the *relevant portfolio of insurance or reinsurance obligations* includes *mortality risk*, the *best estimate* of the *relevant portfolio of insurance or reinsurance obligations* does not increase by more than 5% under a *mortality risk* stress that is calibrated in accordance with Chapter 3 of the Solvency Capital Requirement – General Provisions Part and otherwise complies with 2.4;
- (4) the contracts underlying the *relevant portfolio of insurance or reinsurance obligations* include:
 - (a) no options for the *policyholder*; or
 - (b) only a surrender option with a *surrender value* not exceeding the value of the assets, valued in accordance with Valuation 2.1 and 2.2, covering the insurance or *reinsurance* obligations at the time the surrender option is exercised;
- (5) the *relevant portfolio of assets* cannot be used to cover losses arising from the other activities of the *firm*; and
- (6) the *relevant portfolio of assets* and each individual asset contained in it meets the requirements of the prudent person principle contained in Chapters 2 and 3 of the Investments Part.

2.3 For the purposes of this Part, the insurance or *reinsurance* obligations of an insurance or *reinsurance* contract must not be split into different parts when composing the *relevant portfolio of insurance or reinsurance obligations*, other than in the case of an *eligible element*.

2.4

- (1) The *mortality risk* stress referred to in 2.2(3) shall be the more adverse of the following two scenarios in terms of its impact on *basic own funds*:
 - (a) an instantaneous permanent increase of 15% in the mortality rates used for the calculation of the *best estimate*; or
 - (b) an instantaneous increase of 0.15 percentage points in the mortality rates (expressed as percentages) which are used in the calculation of *technical provisions* to reflect the mortality experience in the following 12 *months*.
- (2) For the purpose of (1) the increase in mortality rates shall only apply to those *policies* for which the increase in mortality rates leads to an increase in *technical provisions*, taking into account the following:
 - (a) multiple *policies* in respect of the same insured *person* may be treated as if they were one *policy*; and
 - (b) where the calculation of *technical provisions* is based on groups of *policies* as referred to in Article 35 of Commission Delegated Regulation (Solvency II) 2015/35, the identification of the *policies* for which *technical provisions* increase under an increase of mortality rates may also be based on those groups of *policies* instead of single *policies*, provided that it yields a result which is not materially different.
- (3) With regard to *reinsurance* obligations, the identification of the *policies* for which *technical provisions* increase under an increase of mortality rates shall apply to the underlying insurance *policies* only and shall be carried out in accordance with (2).

2.5 The condition set out in 2.2(1) does not apply in respect of an *eligible element* specified in 1.2 *eligible element* (1)(b).

[Note: In accordance with regulation 4(11) of the *IRPR regulations*, this Chapter sets out *matching adjustment eligibility conditions* in addition to those set out in regulation 4(3) to (9) and (11) of the *IRPR regulations*, under which a *firm* is eligible to apply a *matching adjustment*]

3 MATCHING ADJUSTMENT PERMISSIONS

- 3.1 A *firm* making a *matching adjustment permission application* must confirm to the *PRA* in writing and submit, as a minimum, documentary evidence that demonstrates that the *relevant portfolio of assets* and *relevant portfolio of insurance or reinsurance obligations*, and, if the context requires, the *firm*, satisfies the *matching adjustment eligibility conditions*.
- 3.2 A *firm* that applies the *matching adjustment* to a *relevant portfolio of insurance or reinsurance obligations* must not revert back to the approach that does not include a *matching adjustment*.

4 CALCULATION OF THE MATCHING ADJUSTMENT

- 4.1 This Chapter applies to a *firm* that has been granted a *matching adjustment permission*.
- 4.2 A *firm* with a *matching adjustment permission* must calculate the *matching adjustment* in accordance with 4.3 to 4.8.
- 4.3 For each currency the *matching adjustment* must be equal to the difference of:
- (1) the annual effective rate, calculated as the single discount rate that, where applied to the cash-flows of the *relevant portfolio of insurance or reinsurance obligations*, results in a value that is equal to the value of the portfolio of *assigned assets*; and
 - (2) the annual effective rate, calculated as the single discount rate that, where applied to the cash-flows of the *relevant portfolio of insurance or reinsurance obligations*, results in a value that is equal to the value of the *best estimate* of the *relevant portfolio of insurance or reinsurance obligations* where the time value of money is taken into account using the *basic relevant risk-free interest rate term structure*.
- 4.4 For the purpose of the calculation referred to in 4.3:
- (1) *assigned assets* only includes assets whose expected cash-flows are required to replicate the cash-flows of the *relevant portfolio of insurance or reinsurance obligations*, excluding any assets in excess of that;
 - (2) valuations must be calculated in accordance with the Valuation Part.
- 4.5 In 4.4(1), the 'expected cash-flow' of an asset means the cash-flow of the asset adjusted to allow for the probability of default of the asset that corresponds to the element of the fundamental spread set out in 4.10(1) or, where no reliable credit spread can be derived from the default statistics, the portion of the long term average of the spread over the *basic relevant risk-free interest rate term structure* (as provided in 4.11 and 4.12).
- 4.6 The *matching adjustment* must not include the fundamental spread (as calculated in accordance with 4.10 to 4.17) reflecting the risks retained by the *firm*.
- 4.7 The deduction of the fundamental spread under 4.6 from the result of the calculation set out in 4.3 must include only the portion of the fundamental spread that has not already been reflected in the adjustment to the cash-flows of the assigned portfolio of assets in accordance with 4.3 to 4.5.
- 4.8 The fundamental spread referred to in 4.6 and 4.7 must be calculated in a transparent, prudent, reliable and objective manner that is consistent over time and based on relevant indices where available.

- 4.9 The fundamental spread must be calculated in accordance with 4.10 to 4.17.
- 4.10 The fundamental spread must be equal to the sum of the following:
- (1) the credit spread corresponding to the probability of default of the assets; and
 - (2) the credit spread corresponding to the expected loss resulting from downgrading of the assets.
- 4.11 For exposures to the central government of the *United Kingdom* and the *Bank of England*, where the fundamental spread would otherwise be lower than 30% of the long-term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class, as observed in financial markets (the 'average spread'), the fundamental spread must be 30% of the average spread.
- 4.12 For assets other than exposures to the central government of the *United Kingdom* and the *Bank of England*, where the fundamental spread would otherwise be lower than 35% of the long-term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class, as observed in financial markets (the 'average spread'), the fundamental spread must be 35% of the average spread.
- 4.13 For the purposes of 4.10 to 4.12:
- (1) the calculation of the 'credit spread' must be based on the assumption that in case of default 30% of the market value of the assets can be recovered;
 - (2) the 'probability of default' must be based on long-term default statistics that are relevant for the asset in relation to its duration, credit quality and asset class;
 - (3) the 'expected loss' must be based on long-term statistics that are relevant to changes in the credit quality of the asset and correspond to the probability-weighted loss the *firm* incurs where the asset is downgraded to a lower credit quality and is replaced immediately afterwards, and the calculation of the expected loss must be based on the assumption that the replacing asset meets all of the following criteria:
 - (a) the replacing asset has the same cash-flow pattern as the replaced asset before downgrade;
 - (b) the replacing asset belongs to the same asset class as the replaced asset; and
 - (c) the replacing asset has the same credit quality as the replaced asset before downgrade or a higher one;
 - (4) the 'long-term average of the spread over the risk-free interest rate' must be based on data relating to the previous 30 years;
 - (5) the methods to derive the fundamental spread of a bond must be the same for each currency and each country and may be different for government bonds and for other bonds.
- 4.14 For the purposes of 4.13(2) and (3), where no reliable credit spread can be derived from the default statistics, the fundamental spread must be equal to the portion of the long-term average of the spread over the risk-free interest rate set out in 4.11 or 4.12.
- 4.15 Where part of the data referred to in 4.13(4) is not available or where the available data is not reliable, constructed data based on prudent assumptions may be used; and the constructed data must be based on available and reliable data relating to the previous 30 years.
- 4.16 A *firm* must increase the fundamental spread calculated under 4.10 to 4.15 in accordance with 8.2.

4.17 A *firm* may increase the fundamental spread calculated under 4.10 to 4.16 where necessary to ensure it covers all risks retained by the *firm*.

[Note: This Chapter replicates the provisions for the calculation of the *matching adjustment* and fundamental spread contained in regulations 5 and 6 of the *IRPR regulations*]

[Note: The *IRPR regulations* refer to the 'assigned portfolio of assets'. This has the same meaning as the *relevant portfolio of assets*, except for regulation 5(5) which is replicated in 4.7 where the 'assigned portfolio of assets' is referring to *assigned assets* as set out at 4.3 and 4.4]

5 ASSETS WITH CASH-FLOWS THAT ARE NOT FIXED

- 5.1 For the purpose, and without limiting the generality, of the condition in regulation 4(9) of the *IRPR regulations*, assets with *cash-flows that are not fixed* are only capable of being included in a *firm's relevant portfolio of assets* without giving rise to material risks to the quality of matching if the *cash-flows that are not fixed* are *highly predictable*.
- 5.2 For the purposes of the condition in regulation 4(9)(a)(ii) of the *IRPR regulations*, the proportion of a *firm's relevant portfolio of assets* that comprises assets with *highly predictable* cash-flows is subject to the following limits:
- (1) no more than 10% of the *matching adjustment* benefit is attributable to an asset with *highly predictable* cash-flows, either on its own or when taken together with other assets with *highly predictable* cash-flows in the *relevant portfolio of assets*; and
 - (2) any applicable *exposure limit*.
- 5.3 The cash-flows of an asset are *highly predictable* for the purposes of 5.1 where:
- (1) the contractual terms of the asset provide for a bounded range of variability in respect of the timing and amount of the cash-flows; and
 - (2) failure to meet such contractual terms is a *default*.
- 5.4 In assessing asset cash-flows for the purposes of 5.3, a *firm* must:
- (1) base the best estimate of the cash-flows on the contractual payments of the asset;
 - (2) use assumptions consistent with the economics of the asset; and
 - (3) where expert judgment is used in determining the cash-flows, ensure that it is subject to the level of controls specified in Article 2 of Commission Delegated Regulation (Solvency II) 2015/35.
- 5.5 For the purposes of 5.2(1), the *matching adjustment* benefit means, where a *firm* has a *matching adjustment permission*, an amount equal to the impact on its *best estimate* of the scenario set out in Conditions Governing Business 3.2(2)(c) (and for the purposes of this calculation, ignoring any impact of rule 13.5).

6 REQUIREMENT FOR THE FUNDAMENTAL SPREAD TO REFLECT DIFFERENCES IN QUALITY BY RATING NOTCH

- 6.1 Where an *assigned asset* has a *credit rating* or internal credit assessment of a comparable standard (within the meaning of 7.1(1)) mapping to *credit quality steps* 1 to 5 (inclusive), a *firm* with a *matching adjustment permission* must make an adjustment to the fundamental spread derived from the *credit quality step* attributed to that asset in order to reflect the corresponding *rating notch*, in accordance with 6.3 and 6.4.
- 6.2 The obligation in 6.1 does not apply in the circumstances described in 6.5.
- 6.3 A *firm* must derive the adjustment referred to in 6.1 for at least:

- (1) the probability of default referred to in 4.5; and
 - (2) the overall fundamental spread,
- in each case, applicable to the cash-flows of that asset.

6.4 A *firm* must:

- (1) derive the adjustments referred to in 6.3 using linear interpolation of the information published by the *PRA* under regulation 3(1) of the *IRPR regulations*;
- (2) use linear interpolation for each consecutive *credit quality step pair*; and
- (3) assume for the purposes of this Chapter that each intermediate *rating notch* is evenly spread between each consecutive *credit quality step pair*.

6.5 Where there is no *rating notch* available for a particular asset falling within the scope of 6.1:

- (1) a *firm* must not adjust the fundamental spread, or component thereof, applied to the cash-flows of that asset, other than to account for additions to the fundamental spread in accordance with 4.16 and/or 4.17, as applicable; and
- (2) a *firm* must consider the appropriateness of the fundamental spread and *matching adjustment* in respect of that asset as part of its analysis and verification process and policy under Chapter 10, in relation to the attestation made under Chapter 9.

6.6 By way of derogation, during the period from, and including, 30 June 2024 to, and excluding, 31 December 2024, a *firm* may, but will not be required, to comply with the obligation in 6.1.

7 INTERNAL CREDIT ASSESSMENTS AND CREDIT RATINGS

7.1 Where a *firm* uses any internal credit assessment of assets within the *relevant portfolio of assets*, the *firm* must ensure on an ongoing basis:

- (1) that, as required by regulation 4(4) of the *IRPR regulations*, such internal credit assessment is of a comparable standard to a *credit rating*; and
- (2) the appropriateness of:
 - (a) its process to produce such internal credit assessments; and
 - (b) the outcomes of such internal credit assessments.

7.2 For the purposes of 7.1, the *firm* must ensure at a minimum that:

- (1) the internal credit assessments have considered all possible sources of *credit risk*, both qualitative and quantitative, and how these types of *credit risk* may interact;
- (2) the internal credit assessment outcomes lie within a plausible range of issue ratings that could have resulted from a *credit rating agency*;
- (3) both at the level of the *relevant portfolio of assets* and of each *asset type*, there is broad consistency and no bias between:
 - (a) internal credit assessment outcomes; and
 - (b) issue ratings that could have resulted from a *credit rating agency*;
- (4) the internal credit assessment process is subject to appropriate validation, and appropriate assessment of its on-going appropriateness;
- (5) the *firm* has obtained proportionate independent external assurance in respect of 7.2(2); and

(6) the *firm's* internal credit assessment function is independent and there are effective controls to manage any potential conflicts of interest.

7.3 Upon request, the *firm* must be able to demonstrate its compliance with 7.1 to the *PRA*.

7.4 The use of *credit ratings* in the calculation of the *matching adjustment* shall be in line with the specifications set out in Articles 4 - 6 of the Commission Delegated Regulation (EU) 2015/35 and Commission Implementing Regulation 2016/1800.

8 ADDITIONS TO THE FUNDAMENTAL SPREAD IN RESPECT OF ASSETS WITH CASH-FLOWS THAT ARE HIGHLY PREDICTABLE

8.1 A *firm* with a *matching adjustment permission* must identify all sources of uncertainty regarding the timing and amount of cash-flows from any asset in the *relevant portfolio of assets* with cash-flows that are *highly predictable*.

8.2 A *firm* must add to the fundamental spread an amount that reflects the risks arising from the uncertainties identified in accordance with 8.1 to ensure that the fundamental spread reflects risks retained by the *firm* in accordance with 4.6.

9 ATTESTATION REQUIREMENTS

9.1 A *firm* with a *matching adjustment permission* must provide to the *PRA* the attestation set out at (1) at the time set out in (2) by a *person* in (3) in the form set out in 12.1 in respect of each *relevant portfolio of assets* as a whole held by the *firm*.

(1) The attestation is that, as at the applicable *attestation reference date*:

- (a) the fundamental spread used by the *firm* in calculating the *matching adjustment* reflects compensation for all retained risks in accordance with 4.6; and
- (b) the *matching adjustment* can be earned with a high degree of confidence from the assets held in the *relevant portfolio of assets*.

(2) Subject to 9.2, the attestation must be provided:

- (a) annually, no later than 14 weeks after the *firm's* financial year-end, commencing with its first financial year-end after the *matching adjustment permission* took effect; and
- (b) where there is a material change in risk profile of the *firm*, as soon as reasonably practicable after the applicable *attestation reference date*.

(3) The attestation must be provided by the *PRA senior management function holder* in the *firm* responsible for the prescribed responsibility of the production and integrity of the *firm's* financial information and its regulatory reporting (PR Q), as provided for in Insurance – Allocation of Responsibilities 3.1(4).

9.2 In respect of a *firm* with a *matching adjustment permission* that took effect prior to 31 December 2024, that *firm* will not be required, but may nevertheless elect, to provide the attestation set out at 9.1(1) in respect of any financial year-end or material change in risk profile for which the applicable *attestation reference date* would fall within the period commencing on 30 June 2024, up to, and excluding, 31 December 2024.

10 INTERNAL GOVERNANCE FOR THE ATTESTATION

10.1 Before providing any attestation in accordance with 9.1, a *firm* must analyse and justify that the fundamental spread used by the *firm* reflects compensation for all retained risks, and that the *matching adjustment* can be earned with a high degree of confidence from the assets held in the *relevant portfolio of assets*.

- 10.2 A *firm* must have in place appropriate internal processes, systems and controls to allow it to produce the analysis and justification required by 10.1.
- 10.3 A *firm* must put in place and maintain a policy on providing the attestation at 9.1 and the analysis and justification required in 10.1 and must ensure that its *governing body* has approved that policy.

11 DISCLOSURE OF THE ATTESTATION

- 11.1 A *firm* with a *matching adjustment permission* must disclose in its *SFCR* whether it has or has not provided the attestation in accordance with 9.1 in respect of the financial year to which that *SFCR* relates.

12 FORM OF THE ATTESTATION

- 12.1 The attestation must be:
- (1) provided in the form of an attestation document and which must include the information set out at 12.2; and
 - (2) accompanied by a supporting attestation report as set out at 12.3.
- 12.2 The attestation document must include:
- (1) the attestation in 9.1;
 - (2) the name and role of the *PRA senior management function holder* giving the attestation;
 - (3) the *relevant portfolio of assets* to which the attestation applies; and
 - (4) the date of the attestation.
- 12.3 The supporting attestation report must include the following information:
- (1) either:
 - (a) a copy of the latest version of the policy referred to in 10.3; or
 - (b) confirmation that such policy has not been updated since it was last provided to the *PRA*;
 - (2) confirmation that the *firm* and attestor complied with the terms of the policy referred to in 10.3 in making the attestation, or if not:
 - (a) details of the alternative approach followed by the *firm* and the attestor; and
 - (b) an explanation as to why this occurred;
 - (3) a list detailing the evidence the attestor relied on in making the attestation; and
 - (4) in relation to any increase(s) in the fundamental spread that the *firm* has elected to use in accordance with 4.17, a list of:
 - (a) all assets in each *relevant portfolio of assets* to which these apply;
 - (b) the reasons for the increase(s); and
 - (c) the amount of the increase(s) and the *matching adjustment* resulting from those assets,

as at the applicable *attestation reference date*.

13 ON-GOING COMPLIANCE WITH ELIGIBILITY CONDITIONS

- 13.1 This Chapter applies to a *firm* that has been granted a *matching adjustment permission*.

- 13.2 A firm with a *matching adjustment permission* must comply with the *matching adjustment eligibility conditions* and the terms of its *matching adjustment permission*, including any applicable *exposure limits*, at all times.
- 13.3 A firm that applies the *matching adjustment* to a *relevant portfolio of insurance or reinsurance obligations* must not apply a *risk-free interest rate transitional measure* or *volatility adjustment* in respect of those obligations.
- 13.4 Where a firm that applies the *matching adjustment* is no longer able to comply with the *matching adjustment eligibility conditions*, it must immediately:
- (1) inform the PRA; and
 - (2) take the necessary measures to restore compliance with these conditions as soon as possible.
- 13.5 Where a firm is not able to restore compliance with the *matching adjustment eligibility conditions* within two *months* of the date of non-compliance it must then, on a *monthly* basis and for the duration of the period of non-compliance, adjust the *matching adjustment* it applies in respect of the *relevant portfolio of insurance or reinsurance obligations* according to the following formula:

$$MA^* = MA - (n - 1) \times p \times \max \{MA, 0\}$$

where:

MA^* is the reduced *matching adjustment* applied to the *relevant portfolio of insurance or reinsurance obligations*;

MA is the *matching adjustment*, where the *matching adjustment* is calculated assuming no restrictions relating to the breach of *matching adjustment eligibility conditions*;

n is the whole number of *months* since the date of non-compliance, and shall not be greater than 11; and

p is 10%.

Annex C

Amendments to the Technical Provisions 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:

~~basic relevant risk-free interest rate term structure~~

~~means the relevant risk-free interest rate term structure without:~~

~~(1) a matching adjustment;~~

~~(2) a volatility adjustment; or~~

~~(3) a risk-free interest rate transitional measure.~~

...

~~relevant portfolio of assets~~

~~means the assigned portfolio of assets, consisting of bonds and other assets with similar cash-flow characteristics, to cover the best estimate of the relevant portfolio of insurance or reinsurance obligations, referred to in regulation 42(4)(a) and (b) of the Solvency 2 Regulations 2015.~~

...

6 MATCHING ADJUSTMENT TO THE RELEVANT RISK FREE INTEREST RATE TERM STRUCTURE [DELETED]

6.1 ~~A firm must not apply a matching adjustment to the relevant risk-free interest rate term structure to calculate the best estimate of its insurance or reinsurance obligations unless it has a matching adjustment approval.~~[Deleted]

6.2 ~~Firms that apply the matching adjustment to a relevant portfolio of insurance or reinsurance obligations shall not revert back to the approach that does not include a matching adjustment.~~[Deleted]

6.3 ~~Where a firm that applies the matching adjustment is no longer able to comply with the conditions specified in regulation 42(4) to (6) of the Solvency 2 Regulations 2015, it shall immediately:~~

~~(1) inform the PRA; and~~

~~(2) take the necessary measures to restore compliance with these conditions as soon as possible.~~[Deleted]

6.4 ~~Where a firm is not able to restore compliance with the conditions referred to in 6.3 within two months of the date of non-compliance, it shall cease to apply the matching adjustment to any of its insurance or reinsurance obligations.~~[Deleted]

~~[Note: Art. 77b of the Solvency II Directive]~~

7 CALCULATION OF THE MATCHING ADJUSTMENT ~~[DELETED]~~

- 7.1 ~~This Chapter applies to a firm that has been granted a matching adjustment approval.~~~~[Deleted]~~
- 7.2 ~~The matching adjustment shall be calculated for each currency in accordance with the following principles:~~
- ~~(1) the matching adjustment shall be equal to the difference of the following:

 - ~~(a) the annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the relevant portfolio of insurance or reinsurance obligations, results in a value that is equal to the value (in accordance with the Valuation Part of the PRA Rulebook) of the relevant portfolio of assets;~~
 - ~~(b) the annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the relevant portfolio of insurance or reinsurance obligations, results in a value that is equal to the value of the best estimate of the relevant portfolio of insurance or reinsurance obligations, where the time value is taken into account using the basic relevant risk-free interest rate term structure;~~~~
 - ~~(2) the matching adjustment shall not include the fundamental spread reflecting the risks retained by the firm;~~
 - ~~(3) notwithstanding (1), the fundamental spread shall be increased where necessary to ensure that the matching adjustment for assets with sub-investment grade credit quality does not exceed the matching adjustment for assets of investment grade quality, of the same duration and asset class; and~~
 - ~~(4) the use of external credit assessments in the calculation of the matching adjustment shall be in line with the specifications set out in the Solvency II Regulations.~~~~[Deleted]~~
- 7.3 ~~For the purposes of 7.2(2) and subject to 7.5, the fundamental spread shall be:~~
- ~~(1) equal to the sum of the following:

 - ~~(a) the credit spread corresponding to the probability of default of the assets; and~~
 - ~~(b) the credit spread corresponding to the expected loss resulting from downgrading of the assets;~~~~
 - ~~(2) for exposures to the UK's central government and central bank, no lower than 30% of the long term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class, as observed in financial markets;~~
 - ~~(3) for assets other than exposures to the UK's central government and central bank, no lower than 35% of the long term average of the spread over the risk-free interest rate of assets of the same duration, credit quality and asset class, as observed in financial markets;~~~~[Deleted]~~
- 7.4 ~~The probability of default referred to in 7.3(1)(a) shall be based on long term default statistics that are relevant for the asset in relation to its duration, credit quality and asset class.~~~~[Deleted]~~
- 7.5 ~~Where no reliable credit spread can be derived from the default statistics referred to in 7.3, the fundamental spread shall be equal to the portion of the long term average of the spread over the risk-free interest rate set out in 7.3(2) and 7.3(3).~~~~[Deleted]~~
- ~~[Note: Art. 77c and Art. 77e(3) of the Solvency II Directive]~~

8 VOLATILITY ADJUSTMENT

8.1 A firm must not apply a *volatility adjustment* to the *relevant risk-free interest rate term structure* to calculate the *best estimate* of its insurance or *reinsurance* obligations unless:

- (1) it has been granted a *volatility adjustment approval*; and
- (2) the *volatility adjustment* has been set out in *Solvency II Regulations* or published by the PRA under ~~regulation 4B of the *Solvency 2 Regulations*~~regulation 3 of the *IRPR regulations*.

...

8.4 A firm must only apply a *volatility adjustment* that includes a relevant country increase ~~referred to in regulation 4B(6) of the *Solvency 2 Regulations*~~ to calculate the *best estimate* of its insurance or *reinsurance* obligations of products sold in the insurance market of that country, respectively.

...

Annex D

Amendments to the Conditions Governing Business Part

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

...

3 RISK MANAGEMENT

3.1 ...

(4) Where a firm applies the *matching adjustment*, the firm must manage any risks that are identified in the analysis undertaken in accordance with Matching Adjustment 10.1.

~~[Note: Art. 44(1)-(2) of the Solvency II Directive]~~

3.2 As regards asset-liability management, a firm must:

...

(2) where the *matching adjustment* is applied, regularly assess:

- (a) the sensitivity of its *technical provisions* and *eligible own funds* to the assumptions underlying the calculation of the *matching adjustment*, including the calculation of the fundamental spread referred to in ~~Technical Provisions 7.2(2)~~Matching Adjustment 4, and the possible effect of a forced sale of assets on its *eligible own funds*;

...

3.8 ...

(2) The ORSA must include at least the following:

...

(b) the compliance, on a continuous basis, with:

- (i) the *SCR* and *MCR*; and
- (ii) the requirements regarding *technical provisions*, as set out in the Technical Provisions and Matching Adjustment Parts; and

...

PRA RULEBOOK: PRA FEES AMENDMENT INSTRUMENT 2024

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); and
 - (3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

PRA Rulebook: PRA Fees Amendment Instrument 2024

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

Commencement

- D. This instrument comes into force on 9 July 2024.

Citation

- E. This instrument may be cited as the PRA Rulebook: PRA Fees Amendment Instrument 2024.

By order of the Prudential Regulation Committee

25 June 2024

Annex

Amendments to the Fees Part

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

...

3 PERIODIC FEES

...

Periodic Fees Schedule – Fee Rates and Modifications for the Period from 1 March ~~2023~~2024 to ~~2928~~ February 202425

...

TABLE IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR ~~2023-24~~2024-25

Column 1 <i>Fee block</i>	Column 2 <i>Tariff base</i>	Column 3 <i>Tariff bands</i>	Column 4 <i>Tariff rates</i>
A1 deposit acceptors fee block	<i>modified eligible liabilities</i>	Band width (£million of <i>MELs</i>)	Fee payable per million or part million of <i>MELs</i> (£)
		>10 – 140	32.83 <u>35.410</u>
		>140 – 630	32.83 <u>35.410</u>
		>630 – 1,580	32.83 <u>35.410</u>
		>1,580 – 13,400	41.039 <u>44.263</u>
		>13,400	54.17 <u>58.427</u>
A3 general insurers fee block <i>gross written premium for fees purposes, best estimate liabilities for fees purposes</i>	<i>gross written premium for fees purposes</i>	Band width (£million of <i>gross written premium for fees purposes</i>)	Fee payable per million of <i>gross written premium for fees purposes</i> (£)
		>0.5	488.57 <u>482.62</u>
	<i>best estimate liabilities for fees purposes</i>	Band Width (£million of <i>best estimate liabilities for fees purposes</i>)	Fee payable per million of <i>best estimate liabilities for fees purposes</i> (£)
		>1	30.84 <u>30.180</u>
		For UK ISPVs the <i>tariff rates</i> are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .	
A4 Life insurers fee block <i>gross written premium</i>	<i>gross written premium for fees</i>	Band width (£million of <i>gross written premium for fees</i>)	Fee payable per million of <i>gross written premium for fees</i>

<i>for fees purposes, best estimate liabilities for fees purposes</i>	purposes	purposes)	purposes (£)
		>1	304.96 <u>249.22</u>
	best estimate liabilities for fees purposes	Band width (£million of best estimate liabilities for fees purposes)	Fee payable per million of best estimate liabilities for fees purposes (£)
		>1	20.30 <u>19.73</u>
A5 managing agents at Lloyd's	active capacity	Band width (£million of active capacity)	Fee payable per million of active capacity (£)
		>50	39.39 <u>39.10</u>
A6 Society of Lloyd's	flat fee	N/A	General periodic fee (£) 2,311,994.572 <u>470,048.27</u>
A10 Firms dealing as principal fee block <i>total assets for fees purposes, total operating income for fees purposes</i>	total assets for fees purposes	Band width (£million of total assets for fees purposes)	Fee payable per million or part million of total assets for fees purposes (£)
		N/A	2.412 <u>.741</u>
	total operating income for fees purposes	Band width (£million of total operating income for fees purposes)	Fee payable per million or part million of total operating income for fees purposes (£)
		N/A	316.08 <u>352.92</u>

...

TABLE VIII – MODEL MAINTENANCE FEES

Basis of scale, (aggregated figures for all UK firms within the scope of each model or model type)	Annual fee for CRR firms per model type (£)				Annual fee for UK Solvency II firms per group or solo internal model (£)	
	IMA	IMM	IRB	AMA	A3 fee block	A4 fee block
<i>CRD credit institutions with modified eligible liabilities in excess of £40,000million, or designated investment</i>	65,000 <u>67,500</u>	85,000 <u>90,000</u>	120,000 <u>125,000</u>	35,000	-	-

<i>firms with total assets for fees purposes in excess of £100,000million</i>						
<i>CRD credit institutions with modified eligible liabilities greater than £5,000million and less than £40,000million, or designated investment firms with total assets for fees purposes greater than £12,500million and less than £100,000million</i>	<u>25,000</u> <u>26,000</u>	<u>40,000</u> <u>42,000</u>	<u>50,000</u> <u>52,000</u>	15,000	-	-
...
The sum of a firm's best estimate liabilities for fees purposes and gross written premium for fees purposes is £1,000 million or more for firms in the general insurance fee block (A3), or for firms in the life insurance fee block (A4), £15,000million or more	-	-	-	-	<u>190,000</u> <u>200,000</u>	<u>250,000</u> <u>260,000</u>
The sum of a firm's best estimate liabilities for fees purposes and gross written premium for fees purposes is greater than £300million and less than £1,000million for firms in the general insurance fee block (A3) or greater than £5,000million and less than £15,000million, or for firms in the life	-	-	-	-	<u>75,000</u> <u>80,000</u>	<u>100,000</u> <u>105,000</u>

<i>insurance fee block (A4)</i>						
...

...

4 REGULATORY TRANSACTION FEES

...

4.8 The transferor seeking regulatory consent for an *insurance business transfer scheme* under Part VII of *FSMA* pays a *regulatory transaction fees* of ~~£20,000.00~~ £25,000, the *due date for payment* being on or before the date of any *application* to the *PRA* for the appointment of an independent expert.

...

4.14A

...

Table D – Model types under ~~CRR~~CRR

Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable).	Fee payable (£)	
Where the application relates to <i>CRD credit institutions</i> or <i>designated investment firms</i> and includes five or more significant overseas entities within the same group.	model type	£
	<i>advanced IRB, IMM or IMA</i>	345,000.00 <u>360,000</u>
	<i>foundation IRB</i>	300,000.00 <u>310,000</u>
	<i>AMA</i>	230,000.00 <u>240,000</u>
Where the applicant: (1) has <i>modified eligible liabilities</i> in excess of £40,000million; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> in excess of £100,000million.	model type	£
	<i>advanced IRB, IMM or IMA</i>	295,000.00 <u>305,000</u>
	<i>foundation IRB</i>	250,000.00 <u>260,000</u>
	<i>AMA</i>	185,000.00 <u>190,000</u>
Where the applicant: (1) has <i>modified eligible</i>	model type	£
	<i>advanced IRB, IMM or IMA</i>	120,000.00 <u>125,000</u>

<i>liabilities</i> greater than £5,000million and less than £40,000million; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> greater than £15,000million and less than £100,000million.		
	<i>foundation IRB</i>	90,000.00 <u>95,000</u>
	AMA	65,000.00 <u>70,000</u>
Where the applicant:	model type	£
(1) has <i>modified eligible liabilities</i> of £5,000million or less; or (2) is a <i>designated investment firm</i> with <i>total assets for fees purposes</i> of £15,000million or less.	<i>advanced IRB, IMM or IMA</i>	55,000.00
	<i>foundation IRB</i>	40,000.00
	AMA	35,000.00

4.14 B

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Table E – Internal model application fees

Applicant (groupings based on <i>tariff data</i> submitted by <i>firms</i> as at 31 December in the <i>fee year</i> prior to the <i>fee year</i> in which the fee is payable)	Fee payable (£)
Group Internal Model (Full and Partial)	
Sum of <i>best estimate liabilities for fees purposes</i> and <i>gross written premium for fees purposes</i> for <i>groups</i> in the <i>general insurance fee block</i> of £1,000million or more	320,000.00 <u>330,000</u>
Sum of <i>best estimate liabilities for fees purposes</i> and <i>gross written premium for fees purposes</i> for <i>groups</i> in the <i>general insurance fee block</i> greater than £300million and less than £1,000million	420,000.00 <u>125,000</u>
Sum of <i>best estimate liabilities for fees purposes</i> and <i>gross written premium for fees purposes</i> for <i>groups</i> in the <i>general insurance fee block</i> less than £300million	60,000.00 <u>62,500</u>
Sum of <i>best estimate liabilities for fees purposes</i> and <i>gross written premium for fees purposes</i> for <i>groups</i> in the <i>life insurance fee block</i> of £15,000million or more	320,000.00 <u>330,000</u>
Sum of <i>best estimate liabilities for fees purposes</i> and <i>gross written premium for fees purposes</i> for <i>groups</i> in the <i>life insurance fee block</i> greater than £5,000million and less than £15,000million	420,000.00 <u>125,000</u>

Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for groups in the life insurance fee block</i> less than £5,000million	60,000.00 <u>62,500</u>
Solo Internal Model (Full and Partial)	
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block</i> of £1,000million or more	280,000.00 <u>290,000</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block</i> greater than £300million and less than £1,000million	400,000.00 <u>105,000</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the general insurance fee block</i> less than £300million	50,000.00 <u>52,500</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block</i> of £15,000million or more	280,000.00 <u>290,000</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block</i> greater than £5,000million and less than £15,000million	400,000.00 <u>105,000</u>
Sum of <i>best estimate liabilities for fees purposes and gross written premium for fees purposes for firms in the life insurance fee block</i> less than £5,000million	50,000.00 <u>52,500</u>

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5 SPECIAL PROJECT FEE FOR RESTRUCTURING

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5.7 The *SPF* for restructuring is calculated as follows:

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SPF hourly rates	
Pay grade of persons employed by the PRA	Hourly rate
Administrator	£60.00 <u>£70</u>

Associate	£130.00 £150
Technical specialist	£190.00 £220
Manager	£250.00 £290
Any other persons employed by the <i>PRA</i>	£350.00 £405

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