

Supervisory Statement | SS20/13

# Third country equivalence aspects of the credit risk provisions in the CRR, and recognised exchanges

April 2017

(Updating January 2015)



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PRUDENTIAL REGULATION  
AUTHORITY







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## 1 Introduction

1.1 This supervisory statement (SS) sets out the approach of the Prudential Regulation Authority (PRA) in respect of the identification of recognised exchanges prior to the adoption by the European Commission of a European Securities and Markets Authority (ESMA) Implementing Technical Standard specifying the individual markets and exchanges that qualify as recognised exchanges under the Capital Requirements Regulation (CRR).<sup>1</sup>

1.2 This SS supplements SS17/13 and is aimed at firms to which CRD IV<sup>2</sup> applies.

## 2 Exposures to entities in third countries eligible for particular credit risk treatments during 2014

2.1 Update 23 January 2015. The part of SS20/13 dealing with third country equivalence aspects of the credit risk provisions in the CRR is no longer applicable with effect from 1 January 2015, and has been deleted. On 12 December 2014, the European Commission published a decision of binding effect as to which third countries apply supervisory and regulatory arrangements at least equivalent to those applied in the European Union. The decision came into effect on 1 January 2015 and is available on the Commission Implementing Acts webpage,<sup>3</sup> and has effect in place of the relevant part of SS20/13.

## 3 Recognised exchanges

3.1 The CRR defines the term 'recognised exchange'. This term is used in: the part of the CRR definitions of 'repurchase agreement' and 'repurchase agreement'; the criteria for determining own funds requirements for investment firms; and in determining aspects of collateral eligibility and collateral volatility adjustments. To qualify as a recognised exchange under the CRR, an exchange must, among other things, meet the definition of a 'regulated market' set out in Directive 2014/65/EU (the Markets in Financial Instruments Directive (MIFID II)). The MIFID II definition of a regulated market requires authorisation and functioning of that market in accordance with MIFID II.

3.2 Until such time as the ESMA implementing technical standards specifying the list of recognised exchanges are adopted by the European Commission, the PRA considers the following to qualify as recognised exchanges under the CRR:

- ICE Futures Europe;
- BATS Europe Regulated Market;
- ICAP Securities and Derivatives Exchange — Main Board;
- NYSE Euronext London;
- London Stock Exchange — Regulated Market;
- The London International Financial Futures and Options Exchange (LIFFE);

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1 On 28 April 2017 this SS was updated – see the annex for details.

2 Capital Requirements Directive (2013/36/EU) (CRD) and Capital Requirements Regulation (575/2013) (CRR) – jointly 'CRD IV'.

3 See [http://ec.europa.eu/finance/bank/regcapital/acts/implementing/index\\_en.htm](http://ec.europa.eu/finance/bank/regcapital/acts/implementing/index_en.htm).

- London Metal Exchange; and
- any other exchange that has been authorised by another EEA competent authority and has been found by that authority to meet the CRR definition of recognised exchange set out in CRR Article 4(1)(72).

(CRR Articles 4(1)(72), 4(1)(82), 96(1)(a), 197(4) and (8), 198(1) and 224)

## **Annex – SS20/13 updates**

This annex outlines changes made to SS20/13 since its publication in PS7/13 ‘Strengthening capital standards: implementing CRD IV, feedback and final rules’ in December 2013.<sup>1</sup>

### **April 2017**

28 April

This SS was updated following publication of PS9/17 ‘Implementation of MiFID II: Part 2’,<sup>2</sup> to update references in paragraph 3.1 from Markets in Financial Instruments Directive (MiFID) to MiFID II. The updates referring to MiFID II take effect from Wednesday 3 January 2018.

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1 [www.bankofengland.co.uk/prd/Pages/publications/implemcrdiv.aspx](http://www.bankofengland.co.uk/prd/Pages/publications/implemcrdiv.aspx).

2 [www.bankofengland.co.uk/prd/Pages/publications/ps/2017/ps917.aspx](http://www.bankofengland.co.uk/prd/Pages/publications/ps/2017/ps917.aspx).