

**PRA RULEBOOK: CRR FIRMS: (CRR 2 REVOCATIONS AND OTHER AMENDMENTS)
INSTRUMENT 2021**

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 137H (General rules about remuneration);
 - (3) section 137T (General supplementary powers);
 - (4) section 144G(1) (Disapplication or modification of CRR rules in individual cases);
 - (5) section 144H(1) and (2) (Relationship with the CRR);
 - (6) section 192XA (Rules applying to holding companies); and
 - (7) section 192XC (Disapplication or modification of rules in individual cases).
- B. The rule making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.
- C. The PRA makes the direction set out in 4.2 of Annex I (Permissions part) under Regulation 40(2)(a) of the Capital Requirements Regulations 2013.

Pre-conditions to making

- D. In so far as these rules are CRR rules within the meaning of section 144A (CRR rules) of the Act, the PRA, when making the rules, had regard to and considered the matters specified in section 144C (1), (2) and (3) of the Act insofar as those sub-sections are applicable to these rules¹.
- E. [In accordance with sections 144C (3) and 144E of the Act the PRA consulted the Treasury about the likely effect of the rules on relevant equivalence decisions within the meaning of section 144C (4) of the Act].²
- F. In accordance with section 138J(1)(a) of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority³.
- G. 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) and the explanation referred to in section 144D⁴ of the Act insofar as that section is applicable to the rules.
- H. The PRA had regard to representations made.

PRA Rulebook: CRR Firms: (CRR 2 Revocations and Other Amendments) Instrument 2021

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

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¹ Section 144D FSMA, section 144E(1) FSMA and section 144E(4-7) FSMA are applied by virtue of section 192 XB FSMA.

² This paragraph is relevant if there are relevant equivalence decisions.

³ Section 144D FSMA, section 144E(1) FSMA and section 144E(4-7) FSMA are applied by virtue of section 192 XB FSMA.

⁴ Save where s144E FSMA applies.

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Commencement

J. This instrument comes into force on 1 January 2022.

Citation

K. This instrument may be cited as the PRA Rulebook: CRR Firms: (CRR2 Revocations and Other Amendments) Instrument 2021.

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Glossary

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

CRR consolidation entity

means a UK parent institution, a PRA approved parent holding company, a PRA designated parent holding company or a PRA designated institution.

domestic liquidity sub-group

the *firms* supervised by the PRA for liquidity purposes as if they formed a single entity as a result of a permission granted to those *firms* under 2.2 of the Liquidity (CRR) Part of the PRA Rulebook ~~Article 8(2) of the CRR.~~

G-SII

has the meaning it has in Article 4(1)(133) of the CRR.

non-UK G-SII

has the meaning it has in Article 4(1)(134) of the CRR.

O-SII

means a person or group identified by the PRA in accordance with Part 5 of the *Capital Buffers Regulations*.

Annex B

Amendments to the Interpretation Part

In this Annex new text is underlined.

...

2 INTERPRETATIVE PROVISIONS

...

2.7 Unless the context otherwise requires, any reference in these rules to:

- (1) any provision of *direct EU legislation*, is a reference to it as it has effect as *retained direct EU legislation* ~~on IP completion day~~;
- (2) an *EU directive* is a reference to the directive as it had effect in EU law immediately before *IP completion day*;
- (3) the implementation or transposition of provisions of an *EU directive*, is a reference to the provisions of *EU-derived domestic legislation* which were relied on before *IP completion day* for that implementation or transposition;
- (4) an enactment which has been amended on or before *IP completion day* by regulations made under section 8 of the European Union (Withdrawal) Act 2018, is a reference to that enactment as so amended;
- (5) CRR rules is a reference to CRR rules within the meaning of section 144A of *FSMA*.

...

2.9 (1) Unless the contrary intention appears any reference in these rules to any provision of-

- (a) CRR or an instrument made under CRR which took effect as direct EU legislation on IP completion day shall –
 - (i) where that provision has been revoked pursuant to section 3 of the Financial Services Act 2021, be a reference to the corresponding provision in the rules, and for this purpose whether a rule corresponds to a revoked provision is to be determined by reference to the document, as that document is updated from time to time, published by the PRA under section 5(4) of that Act;
 - (ii) where that provision has not been so revoked, be a reference, subject to paragraph (2) below, to that provision as it had effect as direct EU legislation on IP completion day.
 - (b) Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms, shall, where that provision did not take effect as direct EU legislation on IP completion day, but has been transposed, with or without modification, into CRR rules, be a reference to that transposed provision in the rules.
- (2) Unless the contrary intention appears any reference in CRR rules or rules made under section 192XA FSMA to a provision of CRR or an instrument made under CRR is a reference to that provision as amended from time to time.

- 2.10 (1) Subject to paragraph (3), CRR restatement provisions shall apply as their corresponding provisions would have applied in accordance with the direction made by the Prudential Regulation Authority on 28 December 2020 under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 (including any limitation on the duration of the direction).
- (2) In this rule the reference to -
- (a) a CRR restatement provision is a reference to a CRR restatement provision within the meaning of section 144E (2) of FSMA;
- (b) a corresponding provision means the provision revoked under section 3(1) of the Financial Services Act 2021 which corresponds to the provision of the CRR restatement provision as determined by reference to the document published under section 5(4) of that Act, as that document is updated from time to time.
- (3) This rule shall not apply to CRR restatement provisions in the Liquidity (CRR) Part, the Liquidity Coverage Ratio (CRR) Part and, insofar as the provision relates to the reporting or disclosure of liquidity, the Reporting or Disclosure Parts of the PRA Rulebook.
- 2.11 Any reference in CRR rules or rules made under section 192XA FSMA to the granting of a waiver, approval, permission or other form of consent by the competent authority is a reference to the giving of a permission by the PRA pursuant to section 144G or section 192XC of FSMA, exercisable in accordance with the conditions as set out in those rules for the exercise of that waiver, approval, permission or other form of consent.
- 2.12 Nothing in the CRR, or in an instrument made under the CRR, shall prevent or otherwise restrict, expressly or impliedly, the making of-
- (1) a CRR rule to the extent it makes provision about a matter described in section 144A(3) FSMA or
- (2) a rule under section 192XA FSMA
- or the exercise of any other power by the PRA in relation to any matter on which such a rule may be made, and the CRR and the instrument shall be modified accordingly.
- 2.13 Unless the contrary intention appears, CRR rules shall be read as if they formed part of CRR, and accordingly words and expressions used in those rules shall bear the meaning they have in CRR (and not the meaning in the Glossary to the rulebook).

Annex C

Amendments to the Capital Buffers Part

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

5 APPLICATION ON AN INDIVIDUAL AND CONSOLIDATION BASIS

...

Sub-consolidation in cases of entities in third countries

- 5.5 *A firm, a PRA approved intermediate holding company, a PRA designated intermediate holding company, a PRA designated parent holding company or a PRA designated institution responsible for meeting CRR requirements on a sub-consolidated basis that is a subsidiary must apply this Part on a sub-consolidated basis if the firm, ~~or the parent undertaking where it is a financial holding company or mixed financial holding company,~~ has an institution or financial institution as a subsidiary in a third country or holds a participation in such an institution or financial institution.*

Annex D

Amendments to the Counterparty Credit Risk Part

This Part is deleted.

Part

COUNTERPARTY CREDIT RISK

Deleted

Annex E

Amendments to the Groups Part

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

...

2 METHODS OF PRUDENTIAL CONSOLIDATION

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

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

(a) a *common management relationship*; or

(b) an *Article 18(6) relationship*.

...

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

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

...

4 SCOPE OF PRUDENTIAL CONSOLIDATION

4.1 A *firm* must notify the *PRA* as soon as possible if it excludes a subsidiary or undertaking in which it has a participation from its *consolidation group* under the discretion in Article 19(1) of the *CRR*.

Annex F

Amendments to the Internal Capital Adequacy Assessment 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:

...

third country sub-group

means a group of *undertakings* identified in ~~Article 22 of the CRR~~ which:

- (1) includes at least one *institution* which has an *institution* or *financial institution* as a *subsidiary* in a *third country* or a which holds a *participation* in such an *undertaking*; and
- (2) are required to be supervised on a *sub-consolidated basis* ~~consolidated basis~~ as a result of a requirement under article 11(6) of CRR other than a requirement imposed on a *firm* as a *ring-fenced body* ~~Article 22 of the CRR.~~

Annex G

Amendments to the Internal Liquidity Adequacy Assessment Part

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

[...]

14 APPLICATION OF THIS PART ON AN INDIVIDUAL OR DOMESTIC LIQUIDITY SUB-GROUP BASIS AND A CONSOLIDATED BASIS

- 14.1 (1) This Part applies to a *firm* on an individual basis unless (2) applies.
- (2) Where the *PRA* has waived ~~in full~~ the application of 2.1 of the Liquidity (CRR) Part of the *PRA* Rulebook ~~Part Six of the *CRR*~~ to a *firm* and to all or some of its *subsidiaries* pursuant to a *permission* granted under 2.2 of the Liquidity (CRR) Part of the *PRA* Rulebook ~~Article 8(2) of the *CRR*~~, a *firm* must comply with this Part at the level of its *domestic liquidity sub-group*.
- (3) (1) and (2) apply to a *firm* whether or not this Part applies to the *firm* on a *consolidated basis*.

Note: ~~Art 8(5) of the *CRR*~~ and Art 109(1) of the *CRD*

Annex H

Amendments to the Large Exposures 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:

...

exposure

~~has the meaning given to it in Article 389 of the CRR.~~ has the meaning it has in the Large Exposures (CRR) Part.

Note: Art 389 CRR.

...

~~G-SII~~

~~means a person identified by the PRA in accordance with Part 4 of the Capital Buffers Regulations.~~

NCLEG non-trading book permission

means a permission given by the PRA ~~in respect of Article 400(2)(c) of the CRR~~ to apply the NCLEG non-trading book exemption under of one of the following: -

- (a) prior to IP completion day, Article 400(2)(c) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;
- (b) from IP completion day to 31 December 2021, Article 400(2)(c) of the CRR; or
- (c) on or after 1 January 2022, Article 400(2)(c) of the Large Exposures (CRR) Part.

NCLEG trading book permission

means a permission given by the PRA ~~in respect of Article 400(2)(c) of the CRR~~ to apply the NCLEG trading book exemption under of one of the following: -

- (a) prior to IP completion day, Article 400(2)(c) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;
- (b) from IP completion day to 31 December 2021, Article 400(2)(c) of the CRR; or
- (c) on or after 1 January 2022, Article 400(2)(c) of the Large Exposures (CRR) Part.

~~O-SII~~

means a person or group identified by the PRA in accordance with Part 5 of the *Capital Buffers Regulations*.

sovereign large exposures permission

means a permission given by the *PRA* in respect of ~~Article 400(2)(g) or (h) of the *CRR*~~ to apply the *sovereign large exposures exemption* under one of the following: -

- (a) prior to *IP completion day*, Article 400(2)(g) or (h) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;
- (b) from *IP completion day* to 31 December 2021, Article 400(2)(g) or (h) of the *CRR*; or
- (c) on or after 1 January 2022, Article 400(2)(g) or (h) of the Large Exposures (*CRR*) Part.

Tier 1 capital

has the meaning it has in Article 25 *CRR*.

2 INTRA-GROUP EXPOSURES: NON-CORE LARGE EXPOSURES GROUP AND RESOLUTION EXEMPTIONS

2.1 ...

- (2) A firm may only use the NCLEG non-trading book exemption where the total amount of non-trading book exposures (whether or not exempted from Article 395(1) of the *CRR*) from the firm to its NCLEG does not exceed 100% of the firm's ~~eligible capital~~ *Tier 1 capital*.

2.2 ...

- (2) The trading book exposure allocation for a firm is 100% of the firm's ~~eligible capital~~ *Tier 1 capital* less the total amount of non-trading book exposures (whether or not exempted from Article 396(1) of the *CRR*) from the firm to its NCLEG.

2.3

- (1) A firm with a core UK group permission and an NCLEG trading book permission and/or an NCLEG non-trading book permission must give the *PRA* written notice whenever the firm:
 - (a) ...;
 - (b) becomes aware that the total amount of exposures from the core UK group (including the firm) to a particular member of the firm's NCLEG are likely to exceed, or have exceeded, 25% of the ~~eligible capital~~ *Tier 1 capital* of the PRA-regulated firm with the largest ~~eligible capital~~ *Tier 1 capital* base in the core UK group;
 - (c) becomes aware that the total exposures from members of its core UK group (which are not firms) to the firm's NCLEG are likely to exceed, or have exceeded, 25% of the ~~eligible capital~~ *Tier 1 capital* of the PRA-regulated firm with the largest ~~eligible capital~~ *Tier 1 capital* base in the core UK group.

3 SOVEREIGN LARGE EXPOSURES EXEMPTION

- 3.1 (1) If a firm has a large exposures permission, the exposures specified in that permission are exempt from Article 395(1) of the *CRR* to the extent specified in that permission.
- (2) For the purposes of the *sovereign large exposures permission*, and in relation to a *firm*, the *exposures* referred to in (1) are limited to the following:
- (a) asset items constituting claims on central banks in the form of required minimum reserves held at those central banks which are denominated in their national currencies; and
 - (b) asset items constituting claims on central governments in the form of statutory liquidity requirements held in government securities which are denominated and funded in their national currencies provided that, ~~at the discretion of the competent authority,~~ the credit assessment of those central governments assigned by a nominated ECAI is investment grade.

...

5 LARGE EXPOSURES – STRICTER REQUIREMENTS FOR EXPOSURES OF G-SIIS AND O-SIIS TO CERTAIN FRENCH COUNTERPARTIES

...

- 5.6 The reduced limit in 5.7 does not apply unless a firm meets each of the following conditions on the applicable basis determined in accordance with 5.3 to 5.5:

...

- (3) The firm has an exposure meeting the condition in (2) which is greater than 5% of its ~~eligible capital~~ *Tier 1 capital*, after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Article 399 to 403 of the *CRR*.
- 5.7 The limit on exposures as a proportion of ~~capital~~ *Tier 1 capital* referred to in Article 395(1) of the *CRR* is reduced to 5% in respect of a qualifying exposure to a highly indebted French NFC or a highly indebted group of connected French NFCs.

Annex I

Amendments to the Permissions Part

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

1 APPLICATION AND DEFINITIONS

1.1 ~~This Part applies~~ Rules 1, 2 and 3 of this part apply to every firm that is a CRR firm.

...

4 PERMISSIONS PURSUANT TO SECTION 144G OR SECTION 192XC OF FSMA

4.1 Rule 4 of this part applies to the giving of a permission by the PRA pursuant to section 144G or section 192XC of FSMA.

4.2 The PRA directs that an application for a permission referred to in rule 4.1 must be made in writing to the PRA.

4.3 The application must be accompanied by such information and documents as are necessary to demonstrate how the conditions contained in the relevant CRR2 rule have been satisfied.

4.4 Where a person has applied for or has been granted a permission, the person must notify the PRA immediately on becoming aware of any matter which could affect the continuing relevance or appropriateness of the application, the permission or any condition to which the permission is subject.

Annex J

Amendments to the Regulatory Reporting Part

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

...

7 REGULATED ACTIVITY GROUP 1

7.1 The applicable *data items* referred to in the table in 6.1 are set out according to *firm* type in the table below:

RAG 1		Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (1)					
	<i>UK bank other than a ring-fenced body</i>	<i>Ring-fenced body</i>	<i>Building society</i>	<i>Non-UK bank</i>	[deleted.]	[deleted.]	[deleted.]
Description of <i>data item</i>							
...							
IRB Portfolio Risk [deleted]	FSA045((2), and (11)) [deleted]	FSA045 ((2), (11)) and (28)) [deleted]	FSA045 ((2) and (11)) [deleted]	-	-	-	-

...

(11) ~~Only applicable to firms that have an CRR permission to use the IRB Approach.~~
[Deleted.]

...

7.2 The applicable reporting frequencies for submission of *data items* and periods referred to in 7.1 are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

RAG 1				
<i>Data item</i>	<i>UK banks and building societies (on an unconsolidated or</i>	[deleted.]	<i>UK banks and building societies (on a UK consolidation group, domestic liquidity sub-</i>	Other members of RAG 1

	individual consolidated basis) (9)		group, domestic liquidity sub-group or sub-consolidation group basis, as applicable)	
FSA045[deleted]	Quarterly[deleted]		Half yearly[deleted]	-
...				

...

- (9) A firm which has an individual consolidation permission must submit data items FSA005, FSA011, FSA015, FSA017, ~~FSA045~~, Templates 1.1, 1.2, 1.3, 2, 3, 4.3.1, 4.4.1, 5.1, 7.1, 9.1.1, 12.1, 12.2, 13.1, 18, 19, 20.4, 20.7, 23.1, 23.2, 23.3, 23.4, 23.5, 23.6, 24.1, 24.2, 24.3, 25.1, 25.2, 25.3, 26 and 47 at Annex III or IV of the Supervisory Reporting ITS, PRA104, PRA105, PRA106, PRA107 and PRA108 on an individual consolidated basis, and all other data items in this column on an unconsolidated basis. All other firms must submit all data items in this column on an unconsolidated basis.

...

- 7.3 The applicable due dates for submission referred to in the table in 6.1 are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in 7.2, unless indicated otherwise.

RAG 1						
Data item	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually
...						
FSA045[deleted]	-	-	-	20 business days[deleted]	45 business days (6)[deleted]	-
...						

...

9 REGULATED ACTIVITY GROUP 3

...

- 9.2 The applicable *data items* referred to in the table in 6.1 for a *UK designated investment firm* are set out in the table below:

RAG 3	
Description of data item	Applicable data items (1)
...	
IRB portfolio risk [deleted]	FSA045 (15) [deleted]
...	

...

(15) ~~Only applicable to firms that have a CRR permission to use the IRB Approach. [Deleted.]~~

9.3 The applicable reporting frequencies for submission of *data items* and periods referred to in 9.2 are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

RAG 3	
Data item	Reporting frequency
...	
FSA045 [deleted]	Quarterly [deleted.]
...	

...

9.4 The applicable due dates for submission referred to in the table in 6.1 are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in 9.3, unless indicated otherwise.

RAG 3						
Data item	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually
...						
FSA045 [deleted]	-	-	-	20 business days [deleted]	30 business days (1); 45 business days (2) [deleted]	
...						

16 DATA ITEMS AND OTHER FORMS

...

16.14 ~~FSA045 can be found here. [Deleted.]~~