

UK CRR REFERENCES (AMENDMENT) INSTRUMENT 2026

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 139A (Power of the FCA to give guidance);
 - (4) section 143D (Duty to make rules applying to parent undertakings); and
 - (5) section 143E (Powers to make rules applying to parent undertakings).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2027.

Amendments to the FCA Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General Prudential sourcebook (GENPRU)	Annex C
Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)	Annex D
Supervision manual (SUP)	Annex E
Collective Investment Schemes sourcebook (COLL)	Annex F
Regulated Covered Bonds sourcebook (RCB)	Annex G
Securitisation sourcebook (SECN)	Annex H

Amendments to material outside the FCA Handbook

- E. The Enforcement Guide (ENFG) is amended in accordance with Annex I to this instrument.

Notes

- F. In the Annexes to this instrument, the notes (indicated by “**Note:**”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the UK CRR References (Amendment) Instrument 2026.

By order of the Board
22 October 2026

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definition in the appropriate alphabetical position. The text is not underlined.

public sector entity (in *SECN*) has the meaning in the Glossary Part of the *PRA Rulebook*.

Amend the following definitions as shown.

Annex I activities ~~has the meaning in article 4(1)(26A) of the UK CRR.~~ the following activities:

- (1) taking deposits and other repayable funds;
- (2) lending, including:
 - (a) providing consumer credit;
 - (b) entering into credit agreements relating to immovable property;
 - (c) factoring (with or without recourse); and
 - (d) financing commercial transactions (including forfeiting);
- (3) financial leasing;
- (4) payment services as defined in regulation 2 of the *Payment Services Regulations*;
- (5) issuing and administering means of payment (including travellers' cheques and bankers' drafts) where such activities are not covered by (4);
- (6) providing guarantees and entering into commitments;
- (7) trading for own account or for account of customers in any of the following:
 - (a) money market instruments (including cheques, bills, and certificates of deposit);
 - (b) foreign exchange;

- (c) financial futures and options;
- (d) exchange and interest-rate instruments;
- (e) transferable securities;
- (8) participation in securities issues and the provision of services relating to such issues;
- (9) providing:
 - (a) advice to *undertakings* on capital structure, industrial strategy and related matters;
 - (b) advice and services relating to mergers and the purchase of *undertakings*;
- (10) money broking;
- (11) providing portfolio management and advice;
- (12) safekeeping and administration of securities;
- (13) credit reference services;
- (14) safe custody services;
- (15) issuing electronic money; and
- (16) providing a service or carrying on an activity specified in Parts 3 and 3A of Schedule 2 to the *Regulated Activities Order* relating to any of the financial instruments provided for in Part 1 of that Schedule.

BIPRU firm a *firm*, as defined in article 4(1)(2)(c) of the *UK CRR* (in the form in which it stood at 31 December 2021) that satisfies the following conditions:

- (a) it is authorised to provide one or more of the following *investment services*:

...

- (b) ...

...

[**Note:** This definition refers to the *UK CRR* in the form in which it stood at 31 December 2021. That version of the *UK CRR* can be found on legislation.gov.uk.]

central bank ...

	(2)	~~has the meaning in article 4(1)(46) of the UK CRR~~ the Bank of England, the European Central Bank or the central banks of <i>third countries</i> .
<i>consolidated situation</i>	(1)	(in relation to a group to which the ~~UK CRR~~ <i>PRA Rulebook</i> applies) has the meaning in ~~article 4(1)(47) of the UK CRR~~ <u>the Glossary Part of the <i>PRA Rulebook</i></u> .
	...	
<i>credit institution</i>	(1)	(except in <i>REC</i> and <i>SUP</i> 16):
	(a)	has the meaning in ~~article 4(1)(1) of the UK CRR~~ <u>section 417(1) of the <i>Act</i></u> ; or
	...	
	...	
	(3)	(in relation to the definition of <i>electronic money issuer</i> and <i>payment service provider</i>) a credit institution as defined by (1)(a) and includes a ~~branch~~ <i>branch</i> of the credit institution ~~within the meaning of article 4(1)(17) of the UK CRR~~ which is situated within the <i>UK</i> and which has its head office in a territory outside the <i>UK</i> .
	...	
<i>CRR firm</i>	(1)	(for the purposes of <i>SYSC</i> and <i>SECN</i>) a <i>UK bank</i> , <i>building society</i> , and a <i>UK designated investment firm</i> .
	(2)	~~(in <i>SECN</i>) has the meaning given in Article 4(1)(2A) of the UK CRR.~~
<i>discretionary pension benefit</i>	...	
	(2)	(in <i>SYSC</i> 19G (MIFIDPRU Remuneration Code)) ~~has the meaning in article 4(1)(73) of the UK CRR~~ <u>enhanced pension benefits granted on a discretionary basis by a <i>firm</i> to an <i>employee</i> as part of that <i>employee's</i> variable remuneration package, which do not include accrued benefits granted to an <i>employee</i> under the terms of the company pension scheme.</u>
<i>exempt CAD firm</i>	(1)	(except in <i>SYSC</i> and ~~<i>IPRU(INV)</i>~~ <i>IPRU-INV</i>) a ~~firm~~ <i>firm</i> as defined in article 4(1)(2)(c) of the <i>UK CRR</i> <u>(in the form in which it stood at 31 December 2021)</u> that is authorised to provide only one or more of the following <i>investment services</i> :
	...	

(2) ...

[Note: This definition refers to the UK CRR in the form in which it stood at 31 December 2021. That version of the UK CRR can be found on legislation.gov.uk.]

*exempt IFPRU
commodities
firm*

an *IFPRU investment firm* which falls within the meaning in articles 493(1) and 498(1) of the *UK CRR* (in the form in which it stood at 31 December 2021).

[Note: This definition refers to the UK CRR in the form in which it stood at 31 December 2021. That version of the UK CRR can be found on legislation.gov.uk.]

*FCA investment
firm*

(in *SECN*) has the meaning given in Article 4(1)(2AB) of the UK CRR, a Part 4A investment firm (as defined in section 417(1) of the *Act*) that:

- (a) is an authorised person; and
- (b) is not a designated investment firm.

*fee-paying
electronic
money issuer*

any of the following when they issue *electronic money*:

...

- (d) a *full credit institution*, including a ~~branch~~ *branch* of the *full credit institution* ~~within the meaning of article 4(17) of the UK CRR~~ which is situated in the *United Kingdom* and which has its head office in a territory outside the *United Kingdom* ~~in accordance with article 47 of the UK CRR;~~

...

*financial
holding
company*

has the meaning in ~~article 4(1)(20) of the UK CRR~~ section 417(1) of the *Act*.

*financial
institution*

...

- (3) (except in (5)) has the meaning in ~~article 4(1)(26) of the UK CRR~~ section 417(1) of the *Act*.

...

- (5) (for the purposes of *MIFIDPRU* and *SYSC 19G*) an *undertaking* that fulfils the following conditions:

- (a) it is a *financial holding company*, a *mixed financial holding company*, an *investment holding company*, an *authorised payment institution* or an *asset management company*, *AIFM* or any other *undertaking* the principal activity of which is to acquire holdings or to pursue one

or more of the activities listed in ~~points 2 to 12, point 15 and the final paragraph of the Annex I activities~~
Schedule 19D of the Act; and

...

financial sector entity any of the following:

- (a) a financial sector entity as defined in ~~article (4)(1)(27) of the UK CRR~~ the Glossary Part of the PRA Rulebook;

...

IFPRU investment firm an *investment firm*, as defined in article 4(1)(2) of the UK CRR (in the form in which it stood at 31 December 2021) (including a *collective portfolio management investment firm*), that satisfies the following conditions:

...

- (c) ...

...

[Note: This definition refers to the UK CRR in the form in which it stood at 31 December 2021. That version of the UK CRR can be found on legislation.gov.uk.]

initial capital ...

- (3A) (in ~~IPRU(INV) 11~~ IPRU-INV 11) the amount of *own funds* referred to in article 26(1)(a) to (e) of the UK CRR (in the form in which it stood at 31 December 2021) and calculated in line with Part Two of those Regulations (Own funds).

~~[Note: article 28(1) of the CRD]~~ [Note: This definition refers to the UK CRR in the form in which it stood at 31 December 2021. That version of the UK CRR can be found on legislation.gov.uk.]

...

institution (1) (except in (2)) ~~has the meaning in article 4(1)(3) of the UK CRR~~ means a credit institution or a designated investment firm.

...

mixed-activity holding company (1) (in SYSC 12) has the meaning given to the definition of “mixed-activity holding company” in ~~article 4(1)(22) of the UK CRR~~ the Glossary Part of the PRA Rulebook;

...

<i>mutual society share</i>	a <i>share</i>, excluding a deferred share issued by a <i>credit union</i>, which: (a) meets the requirements for common equity Tier 1 capital instruments under article 28 or 29; and (b) is issued by an institution which is of a type listed in article 27; in each case of the ~~UK CRR~~ <u>Own Funds (CRR) Part of the <i>PRA Rulebook</i>.</u>
<i>non-performing exposure</i>	~~an exposure that meets any of the conditions set out in Article 47a(3) of the UK CRR 'non-performing exposure' as defined in rule 1.2 of the Non-Performing Exposures Securitisation (CRR) Part of the <i>PRA Rulebook</i>.~~
<i>off-balance sheet items</i>	the <u>following</u> items ~~listed in Annex 1 of the UK CRR~~: (1) <u>Full risk:</u> (a) <u>guarantees having the character of credit substitutes (eg, guarantees for the good payment of credit facilities);</u> (b) <u>credit derivatives;</u> (c) <u>acceptances;</u> (d) <u>endorsements on bills not bearing the name of another institution or a MIFIDPRU investment firm;</u> (e) <u>transactions with recourse (eg, factoring, invoice discount facilities);</u> (f) <u>irrevocable standby letters of credit having the character of credit substitutes;</u> (g) <u>assets purchased under outright forward purchase agreements;</u> (h) <u>forward deposits;</u> (i) <u>the unpaid portion of partly-paid shares and securities;</u> (j) <u>the following other off-balance sheet items:</u> (i) <u>including agreements where the transferee is merely entitled to return the assets at the purchase price or for a different amount agreed in advance on a date specified or to be specified, the transaction in question shall be deemed to be a sale with an option to purchase; and</u>

- (ii) excluding agreements where the transferor is not entitled to show in their balance sheets the assets transferred;
 - (k) other items also carrying full risk.
- (2) Medium risk:
 - (a) trade finance off-balance sheet items – namely, documentary credits issued or confirmed (see also ‘Medium/low risk’);
 - (b) the following other off-balance sheet items:
 - (i) shipping guarantees, customs and tax bonds;
 - (ii) undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of more than 1 year;
 - (iii) note issuance facilities and revolving underwriting facilities;
 - (iv) other items also carrying medium risk and as communicated to the FCA.
- (3) Medium/low risk:
 - (a) trade finance off-balance sheet items:
 - (i) documentary credits in which underlying shipment acts as collateral, and other self-liquidating transactions;
 - (ii) warranties (including tender and performance bonds and associated advance payment and retention guarantees) and guarantees not having the character of credit substitutes;
 - (iii) irrevocable standby letters of credit not having the character of credit substitutes;
 - (b) the following other off-balance sheet items:
 - (i) undrawn credit facilities which comprise agreements to lend, purchase securities, provide guarantees, or acceptance facilities with an original maturity of up to and including 1 year which may not be cancelled unconditionally at any time without notice or that do not effectively provide for automatic

cancellation due to deterioration in a
borrower's creditworthiness; and

- (ii) other items also carrying medium/low risk and
as communicated to the FCA.

(4) Low risk:

- (a) undrawn credit facilities comprising agreements to lend,
purchase securities, provide guarantees or acceptance
facilities which may be cancelled unconditionally at any
time without notice, or that do effectively provide for
automatic cancellation due to deterioration in a
borrower's creditworthiness. Retail credit lines may be
considered as unconditionally cancellable if the terms
permit the *institution* or a *MIFIDPRU investment firm* to
cancel them to the full extent allowable under consumer
protection and related legislation;
- (b) undrawn credit facilities for tender and performance
guarantees which may be cancelled unconditionally at
any time without notice, or that do effectively provide
for automatic cancellation due to deterioration in a
borrower's creditworthiness; and
- (c) other items also carrying low risk and as communicated
to the FCA.

*parent
undertaking*

...

- (3) ~~(for the purposes of GENPRU 3) has the meaning in article
4(1)(15) of the UK CRR but so that article 4(1)(15)(b) applies for
the purpose of GENPRU 3. [deleted]~~

~~[Note: article 2(9) of the Financial Groups Directive]~~

- (4) (for the purposes of *GENPRU 3*, *MIFIDPRU*, *SYSC 19G*
(MIFIDPRU Remuneration Code) and otherwise in relation to an
investment firm group):

...

participation

...

- (2) ~~has the meaning in article 4(1)(35) of the UK CRR.~~ means:

- (a) the ownership, direct or indirect, of 20% or more of the
voting rights or capital in an *undertaking*; or
- (b) the ownership, direct or indirect, of voting rights or
capital in an *undertaking* for the purpose of maintaining

links with that *undertaking* on a long-term basis which contribute to the activities of the *undertaking* which owns those voting rights or that capital.

*recognised third
country
investment firm* ...

- (2) (in *GENPRU* 3 (Cross sector groups)) an *investment firm* that falls within the meaning of “investment firm” in ~~article 4(1)(2) of the UK CRR~~ regulation 1(2) of the *Financial Groups Directive Regulations* and which satisfies the following conditions:

...

...

*securitisation
position* ...

~~[Note: article 4(1)(62) and 245(3) of the UK CRR]~~

...

*senior
management* ...

- (2) (in *SYSC* (except *SYSC* 4.3.2-AR, *SYSC* 4.3A, *SYSC* 7.1.6R, *SYSC* 8.1.6-AR, *SYSC* 9.1.1BR, *SYSC* 10.1.6AAR, *SYSC* 19F and paragraph (1) of the definition of *supervisory function*) ~~and in accordance with article 4(1)(10) of the UK CRR~~) those *persons* who are a natural person and who exercise executive functions in an *institution* and who are responsible and accountable to the *management body* for the day-to-day management of the *institution*.

...

*small and
medium-sized
enterprise or
SME* ...

- (3) ~~(in *IFPRU*) has the meaning in article 4(1)(128D) of the UK CRR. [deleted]~~

subsidiary ...

- (3) (for the purposes of *MIFIDPRU*, *SYSC* 19G (*MIFIDPRU* Remuneration Code), *SECN* and in the definition of an *investment firm group*) an *undertaking* which is a subsidiary

undertaking under section 1162 of the Companies Act 2006, read with Schedule 7 to that Act.

...

UK consolidation group (1) (for the purposes of SYSC as it applies to a *CRR firm*) ~~the group of undertakings which are included in the consolidated situation of a UK parent institution, a UK parent financial holding company or a UK parent mixed financial holding company (including any undertaking which is included in that consolidation because of a consolidation article 12(1) relationship, article 18(5) relationship or article 18(6) relationship)~~ a ‘consolidation group’ as defined in the Glossary Part of the *PRA Rulebook*.

...

UK credit institution a credit institution that ~~meets the definition of “CRR firm” under article 4(1)(2A) of the UK CRR~~ is a CRR firm.

UK CRR (except where stated otherwise) the UK version of Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012, which is part of UK law by virtue of the *EUWA*, ~~read together with~~ and any CRR rules as defined in section 144A of the *Act*.

UK parent financial holding company has the meaning in ~~article 4(1)(30) of the UK CRR~~ section 192O of the Act.

UK parent institution has the meaning in ~~article 4(1)(28) of the UK CRR~~ 2 of the Bank Recovery and Resolution (No. 2) Order 2014 (SI 2014/3348).

Delete the following definitions. The text is not shown struck through.

article 18(5) relationship the relationship where there are participations or capital ties other than those referred to in article 18(1) and (4) of the *UK CRR* (Methods for prudential consolidation).

article 18(6) relationship (in accordance with article 18 of the *UK CRR* (Methods for prudential consolidation)) a relationship of one of the following kinds:

- (a) where an *institution* exercises a significant influence over one or more *institutions* or *financial institutions*, but without holding a *participation* or other capital ties in these *institutions*; or

- (b) where two or more *institutions* or *financial institutions* are placed under single management other than under a contract or clauses of their memoranda or articles of association.

*Capital
Requirements
Regulations
2013*

the Capital Requirements Regulations 2013 (SI 2013/3115).

large institution

has the meaning in article 4(1)(146) of the *UK CRR*.

*sub-
consolidated
basis*

(in relation to a *group* to which the *UK CRR* applies) has the meaning given in Article 4(1)(49) of the *UK CRR*.

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text and striking through indicates deleted text.

7 Risk control

7.1 Risk control requirements

...

Additional rules for CRR firms

...

7.1.17 R ...

- (2) The *management body* of a *CRR firm* must be actively involved in and ensure that adequate resources are allocated to the management of all material risks addressed in the ~~rules~~ assimilated law implementing the *CRD* and in the *UK CRR* as well as in the valuation of assets, the use of external ratings and internal models related to those risks.

...

...

7.1.21 R ...

- (3) A *CRR firm* must ensure that the risk management function is able to report directly to the *management body* in its supervisory function, independent from *senior management* and that it can raise concerns and warn the *management body*, where appropriate, where specific risk developments affect or may affect the *firm*, without prejudice to the responsibilities of the *management body* in its supervisory and/or managerial functions pursuant to the assimilated law implementing the *CRD* and the *UK CRR*.

...

...

Annex C

Amendments to the General Prudential Sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

3 Cross sector groups

...

3.2 Third-country groups

Application

...

- 3.2.1A R *GENPRU 3.2.9R* (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to an *investment firm* that falls within the definition of “investment firm” in ~~article 4(1)(2) of the UK CRR~~ regulation 1(2) of the *Financial Groups Directive Regulations*.

...

...

3 Annex 1 Capital adequacy calculations for financial conglomerates (GENPRU 3.1.29R)

...

7 Table

A mixed financial holding company	4.4	<i>A mixed financial holding company</i> must be treated in the same way as: (1) a <i>financial holding company</i> (if ~~Part One, Title II, Chapter 2 of the UK CRR and the PRA Rulebook~~ <u><i>PRA Rulebook: Groups Part</i></u> ~~are~~ <u>is</u> applied); (2) an <i>insurance holding company</i> (if the rules in ~~<i>PRA Rulebook</i>~~ <u><i>PRA Rulebook: Solvency II Firms: Group Supervision</i></u> are applied); or ...
-----------------------------------	-----	--

...

Annex D

Amendments to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

2 Level of application of requirements

...

2.3 Exemptions

...

2.3.2 R A *MIFIDPRU investment firm* will be exempt from *MIFIDPRU* 6 (Liquidity) on an individual basis where:

...

(2) the application in (1) demonstrates to the satisfaction of the *FCA* that:

(a) the *firm*:

(i) is supervised on a *consolidated basis* in accordance with ~~Chapter 2 of Title II of Part One of the UK CRR~~ the Groups Part of the *PRA Rulebook*; or

...

...

...

...

2.5 Prudential consolidation

...

2.5.3 G The table below is a guide to the content of this section.

Provisions of MIFIDPRU 2.5	Summary of content
<i>MIFIDPRU</i> 2.5.4G	The interaction between prudential consolidation under <i>MIFIDPRU</i> 2.5 and prudential consolidation

	under the ~~and prudential consolidation under the UK CRR~~ <u>Groups Part of the PRA Rulebook</u>
...	

...

Interaction between consolidation under MIFIDPRU and the ~~UK CRR~~ Groups Part of the PRA Rulebook

- 2.5.4 G (1) Under this section, prudential consolidation applies where there is an *investment firm group*. The definition of an *investment firm group* excludes a group which contains a *UK credit institution* (except where the *credit institution* is a *connected undertaking*). Where a *group* includes a *UK credit institution*, prudential consolidation applies in accordance with the ~~UK CRR~~ and the Groups Part of the PRA Rulebook.
- (2) However, a *group* may be an *investment firm group* where it contains both a *MIFIDPRU investment firm* and a *designated investment firm* subject to the ~~UK CRR~~ Groups Part of the PRA Rulebook, but no *UK credit institution*. In this case, the *MIFIDPRU investment firm* would trigger prudential consolidation under this section and the *designated investment firm* would trigger consolidation under the ~~UK CRR~~ Groups Part of the PRA Rulebook. Therefore, certain group structures may be subject to consolidation under both *MIFIDPRU* and the ~~UK CRR~~ Groups Part of the PRA Rulebook, with the same entities included within the scope of consolidation of each. In this situation, the relevant *group* must comply with both sets of consolidated requirements, which are aimed at addressing different types of risks.

...

Consolidated K-NPR and K-CMG requirements

...

2.5.34 R ...

(4) ...

[Note: This provision refers to the application of the *K-NPR requirement on a consolidated basis*. Therefore, as with the *K-NPR requirement* (see *MIFIDPRU* 4.12.2R), this provision includes references to the *UK CRR* in the form in which it stood at 31 December 2021. That version of the *UK CRR* can be found on [legislation.gov.uk](https://www.legislation.gov.uk).]

...

4 Own funds requirements

...

4.14 K-TCD requirement

...

Transactions to which K-TCD applies

- 4.14.3 R Subject to *MIFIDPRU* 4.14.5R, the transactions to which *MIFIDPRU* 4.14.1R applies are as follows:

- (1) derivative contracts listed in ~~Annex II to the UK CRR~~ *MIFIDPRU* 4 Annex 14 (Types of derivatives), with the exception of the following:

...

...

...

- 4.14.5 R The *K-TCD requirement* does not apply to transactions with the following counterparties:

- (1) central governments and central banks, where the underlying exposures would receive a 0% risk weight under article 114 of the ~~UK CRR~~ Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*;
- (2) multilateral development banks listed in article 117(2) of the ~~UK CRR~~ Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*; or
- (3) international organisations listed in article 118 of the ~~UK CRR~~ Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*.

...

Insert the following new annex, *MIFIDPRU* 4 Annex 14, after *MIFIDPRU* 4 Annex 13R (K-NPR requirement – provisions on closely correlated currencies). All the text is new and is not underlined.

4 Types of derivatives

Annex 14

- 4 R (1) The following interest-rate contracts:

Annex 14.1

- (a) single-currency interest rate swaps;

- (b) basis-swaps;
 - (c) forward rate agreements;
 - (d) interest-rate futures;
 - (e) interest-rate options;
 - (f) other contracts of a similar nature.
- (2) The following foreign-exchange contracts or contracts concerning gold:
- (a) cross-currency interest-rate swaps;
 - (b) forward foreign-exchange contracts;
 - (c) currency futures;
 - (d) currency options;
 - (e) other contracts of a similar nature;
 - (f) contracts of a nature similar to (a) to (e) concerning gold.
- (3) Contracts of a nature similar to those in points (1)(a) to (e) and (2)(a) to (d) concerning other reference items or indices. This includes, as a minimum, all instruments specified in paragraphs 4 to 7, 9, 10 and 11 of Part 1 of Schedule 2 to the *Regulated Activities Order* not otherwise included in (1) or (2).

Amend the following as shown.

5 Concentration risk

5.1 Application and purpose

...

Interpretation

...

5.1.15 G ...

- (2) The *PRA* maintains a list of all regional governments and local authorities within the *United Kingdom* which it treats as exposures to the central government of the *United Kingdom*, in accordance with article 115 of the ~~*UK CRR*~~ Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*. A *firm* may have regard to this

list when applying the test in *MIFIDPRU* 5.1.14R to regional governments and local authorities in the *United Kingdom*.

...

5.7 Calculating K-CON

...

- 5.7.6 G The following example shows how to calculate the *CON own funds requirement* for an excess to a *client* that has persisted for 10 *business days* or less:

...

- (2) The exposure is all due to debt securities that have a specific risk own funds requirement of 8% (according to Table 1 in article 336 of the UK CRR as applied and modified by MIFIDPRU 4.12.2R) for the purposes of K-NPR. There is zero K-TCD to this *client*.

In this example, the $OFR = 262 \times 8\% = 20.96$

...

- 5.7.7 G The following example shows how to calculate the *CON own funds requirement* for an excess that has persisted for more than 10 *business days*:

...

- (2) The exposure is all due to debt securities that have a specific risk own funds requirement of 8% (according to Table 1 in article 336 of the UK CRR as applied and modified by MIFIDPRU 4.12.2R) for the purposes of K-NPR. There is zero K-TCD to this client.

In this example, the $OFR = 780 \times 8\% = 62.4$

...

...

5.10 Exclusions

- 5.10.1 R The requirements in *MIFIDPRU* 5.4 to *MIFIDPRU* 5.9 do not apply to the following exposures:

...

- (3) exposures constituting claims against:
- (a) central governments, central banks, public sector entities, international organisations or multilateral development banks and exposures guaranteed by or attributable to such

persons, where those exposures would receive a 0% risk weight under ~~articles 114 to 118 of the UK CRR~~;

- (i) articles 114 to 118 of the UK CRR in the form in which it stood at 31 December 2021 (as applied and modified by MIFIDPRU 4.12.2R) for the component of total exposure due to the calculation of the K-NPR requirement; and

[Note: This paragraph refers to articles 114 to 118 of the UK CRR in the form in which it stood at 31 December 2021. That version of the UK CRR can be found on legislation.gov.uk]

- (ii) articles 114 to 118 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook for the component of total exposure due to the calculation of the K-TCD requirement;

...

- (4) exposures incurred by a *firm* to its *parent undertaking*, to other *subsidiaries* or *connected undertakings* of that *parent undertaking* or to its own *subsidiaries* or *connected undertakings*, insofar as those *undertakings* are supervised on a consolidated basis in accordance with MIFIDPRU 2.5 or ~~with UK CRR~~ the PRA Rulebook, are supervised for compliance with the *group capital test* in accordance with MIFIDPRU 2.6, or are supervised in accordance with comparable standards in force in a *third country*, and provided that the following conditions are met:

...

5.10.2 G (1) The calculation of the K-CON requirement is based on the component calculations of both:

- (a) the specific risk element of the K-NPR requirement (calculated in accordance with MIFIDPRU 4.12) which applies the UK CRR in the form in which it stood at 31 December 2021 (as applied and modified by MIFIDPRU 4.12.2R); and
- (b) the counterparty risk of the K-TCD requirement (in accordance with MIFIDPRU 4.14) which applies the UK CRR as it applied immediately before its revocation.

- (2) Accordingly, for the purposes of the cross-references to articles 114 to 118 of the UK CRR in MIFIDPRU 5.10.1R(3), a *firm* should apply:

- (a) when the component of total exposure arises due to the calculation of the K-NPR requirement, the UK CRR in the

form in which it stood at 31 December 2021 (as applied and modified by *MIFIDPRU* 4.12.2R); and

[Note: This paragraph refers to articles 114 to 118 of the *UK CRR* in the form in which it stood at 31 December 2021. That version of the *UK CRR* can be found on legislation.gov.uk]

- (b) when the component of total exposure arises due to the calculation of the *K-TCD requirement*, articles 114 to 118 of the Credit Risk: Standardised Approach (CRR) Part of the *PRA Rulebook*.

Annex E

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

16 **Reporting requirements**

...

16.29 **MIFIDPRU Remuneration Report**

Application

16.29.1 R This section applies to a *MIFIDPRU investment firm*, except where:

- (1) the *MIFIDPRU investment firm* is part of a *group* to which prudential consolidation applies in accordance with provisions of ~~the UK CRR~~ and the Groups Part of the PRA Rulebook; and

...

...

Annex F

Amendments to the Collective Investment Schemes sourcebook (COLL)

In this Annex, underlining indicates new text and striking through indicates deleted text.

5 Investment and borrowing powers

...

5.6 Investment powers and borrowing limits for non-UCITS retail schemes

...

Spread: general

5.6.7 R ...

- (9) For the purpose of calculating the limit in (5), *OTC derivative* positions with the same counterparty may be netted provided that the netting procedures:

- (a) comply with the conditions set out in ~~Part Three, Title II, Chapter 6, Section 7 (Contractual netting (Contracts for novation and other netting agreements)) of the UK CRR~~ Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook; and

...

...

...

5.7 Investment powers and borrowing limits for NURS operating as FAIFs

...

Spread: general

5.7.5 R ...

- (10) For the purpose of calculating the limit in (6), *OTC derivative* positions with the same counterparty may be netted provided that the netting procedures:

- (a) comply with the conditions set out in ~~Part Three, Title II, Chapter 6, Section 7 (Contractual netting (Contracts for novation and other netting agreements)) of the UK CRR~~ Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook; and

...

...

...

Annex G

Amendments to the Regulated Covered Bonds sourcebook (RCB)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 **Applications for registration**

...

2.3 **Determination of registration**

...

Covered bonds collateralised by real estate

- 2.3.13 G In assessing whether the *asset pool* is of sufficient quality, the *FCA* will have regard to the requirements in relation to the collateralisation of real estate referred to in article 208 ~~of the UK CRR~~ and the valuation rules in article 229(1) ~~of the UK CRR~~, both of the Credit Risk Mitigation (CRR) Part of the *PRA Rulebook*.

...

Annex H

Amendments to the Securitisation sourcebook (SECN)

In this Annex, underlining indicates new text and striking through indicates deleted text.

2 Requirements on STS securitisations

...

2.2 STS criteria: Simple, transparent and standardised non-ABCP securitisation

...

Simplicity requirements

...

2.2.12 R ...

- (2) At the time of selection, the underlying exposures must not include exposures in default within the meaning of Article 178(1) of the ~~UK CRR~~ Credit Risk: Internal Ratings Based Approach (CRR) Part of the PRA Rulebook or exposures to a credit-impaired debtor or guarantor who, to the best of the *originator's* or *original lender's* knowledge:

...

...

...

2.3 STS criteria: Simple, transparent and standardised asset backed commercial paper securitisation

...

Transaction-level requirements

...

2.3.10 R ...

- (2) At the time of selection, the underlying exposures must not include exposures in default within the meaning of Article 178(1) of the ~~UK CRR~~ Credit Risk: Internal Ratings Based Approach (CRR) Part of the PRA Rulebook or exposures to a credit-impaired debtor or guarantor who, to the best of the *originator's* or *original lender's* knowledge:

...

...

...

Requirements on the sponsor of an STS ABCP programme

...

2.3.25 R ...

- (2) The requirement referred to in (1) is fulfilled if the *PRA* has determined, ~~based on the review and evaluation referred to in regulation 34A(2) of the *Capital Requirements Regulations 2013*,~~ that:

...

2.3.26 R The *sponsor* must:

...

- (3) verify the seller has in place servicing capabilities and collection processes meeting the following requirements ~~specified in Article 265(2)(h)(p) of the *UK CRR* or equivalent requirements in a *third country*.~~:
- (a) the seller tracks the performance of its internal ratings over time to evaluate the performance of its internal assessment methodology and makes adjustments, as necessary, to that methodology when the performance of the *exposures* routinely diverges from that indicated by the internal ratings;
 - (b) the *ABCP programme* includes underwriting and liability management standards in the form of guidelines to the programme administrator on, at least:
 - (i) the asset eligibility criteria, subject to (c);
 - (ii) the types and monetary value of the *exposures* arising from the provision of *liquidity facilities* and credit enhancements;
 - (iii) the loss distribution between the *securitisation positions* in the *ABCP programme* or *ABCP transaction*; and
 - (iv) the legal and economic isolation of the transferred assets from the entity selling the assets;

- (c) the asset eligibility criteria in the *ABCP programme* provide for, at least:
 - (i) the exclusion of the purchase of assets that are significantly past due or defaulted;
 - (ii) the limitation of excessive concentration to individual obligor or geographic area; and
 - (iii) the limitation of the tenor of the assets to be purchased;
- (d) an analysis of the asset seller's credit risk and business profile is performed including, at least, an assessment of the seller's:
 - (i) past and expected future financial performance;
 - (ii) current market position and expected future competitiveness;
 - (iii) leverage, cash flow, interest coverage and debt rating; and
 - (iv) underwriting standards, servicing capabilities, and collection processes;
- (e) the *ABCP programme* has collection policies and processes that take into account the operational capability and credit quality of the *servicer* and comprises features that mitigate performance-related risks of the seller and the *servicer*. For the purposes of this point, performance-related risks may be mitigated through triggers based on the seller or *servicer's* current credit quality to prevent commingling of funds in the event of the seller's or *servicer's* default;
- (f) the aggregated estimate of loss on an asset pool that may be purchased under the *ABCP programme* takes into account all sources of potential risk, such as credit and dilution risk;
- (g) where the seller-provided credit enhancement is sized based only on credit-related losses and dilution risk is material for the particular asset pool, the *ABCP programme* comprises a separate reserve for dilution risk;
- (h) the size of the required enhancement level in the *ABCP programme* is calculated taking into account several years of historical information, including losses, delinquencies, dilutions, and the turnover rate of the receivables; and

- (i) the ABCP programme comprises structural features in the purchase of exposures in order to mitigate potential credit deterioration of the underlying portfolio. Such features may include wind-down triggers specific to a pool of exposures.

...

2.4 STS criteria: Homogeneity of underlying exposures

Qualifying conditions

- 2.4.1 R (1) For the purposes of *SECN* 2.2.9R and *SECN* 2.3.17R, underlying exposures are homogeneous if:
- (a) they correspond to one of the following asset types:
 - (i) residential loans either secured by one or more mortgages on residential immovable property or fully guaranteed by an eligible protection provider among those under Article 201(1) of the ~~UK CRR~~ Credit Risk Mitigation (CRR) Part of the PRA Rulebook and qualify for the credit quality step 2 or above under ~~Part Three, Title II, Chapter 2 of the UK CRR~~ Chapter 4 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;

...

...

...

...

5 Requirements on risk retention

...

5.2 Retention of a material net economic interest

...

- 5.2.9 R (1) Where:

...

- (d) a ~~subsidiary~~ subsidiary of such a company or institution,

...

- (2) Subject to the modifications for *FCA investment firms* in (3), (1) applies only if *CRR firms*, *FCA investment firms* or *financial institutions* which created the securitised exposures:

...

- (b) deliver the information needed to satisfy the requirements in *SECN 4* or equivalent *PRA rules*, in a timely manner, to the *originator* or *sponsor* and, if the *originator* or *sponsor* is a ~~subsidiary~~ *subsidiary*, to the *mixed financial holding company*, *UK parent institution* or *financial holding company* which is the parent undertaking of the ~~subsidiary~~ *subsidiary*.

...

- (4) ~~In SECN 5.2.9R ‘subsidiary’ has the meaning given in Article 4(1)(16) of UK CRR. [deleted]~~

5.2.10 R *SECN 5.2.1R to SECN 5.2.5R shall not apply where the securitised exposures are exposures to or exposures fully, unconditionally and irrevocably guaranteed by:*

...

- (2) regional governments, local authorities and ~~‘public sector entities’ within the meaning of Article 4(1)(8) of UK CRR~~ *public sector entities*;
- (3) institutions to which a 50% risk weight or less is assigned under ~~Part Three, Title II, Chapter 2 of UK CRR and articles 132a to 132e of Chapter 3 4 of the Credit Risk: Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook;~~

...

- (5) the multilateral development banks listed in Article 117 of ~~UK CRR~~ *the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook*.

...

5.13 Transactions for which the retention requirement does not apply as referred to in SECN 5.2.11R

- 5.13.1 R Transactions for which the retention requirement does not apply, as referred to in *SECN 5.2.11R*, shall include *securitisation positions* in the correlation trading portfolio, ~~for which are either reference the underlying instruments satisfying~~ *satisfy* the criterion in Article ~~338(1)(b) of the UK CRR~~ *325(6)(b)*

of the Market Risk: General Provisions (CRR) Part of the *PRA Rulebook* or
which are eligible for inclusion in the correlation trading portfolio.

Annex I

Amendments to the Enforcement Guide (ENFG)

In this Annex, underlining indicates new text and striking through indicates deleted text.

App 2 Non-FSMA powers

...

App 2.2 Other general policy

...

App 2.2.2 G The *FCA's* approach to the exercise of the powers listed in the table below is consistent with the use of powers under the *Act* and the *FCA's* general policy outlined in this guide, unless stated otherwise. Where the legislation gives the *FCA* powers equivalent to those in the *Act* to cancel, vary or impose a restriction on a *person's permission*, the *FCA's* approach is consistent with that outlined in *SUP 6B*.

Legislation	Description	Policy
...		
The Financial Conglomerates and Other Financial Groups Regulations 2004 (www.legislation.gov.uk/ukxi/2004/1862/contents)	These regulations implemented part of the Financial Conglomerates Directive (2002/87/EC), which imposed certain procedural requirements on the <i>FCA</i> as a competent authority under the Directive. These regulations also made specific provision about the exercise of certain supervisory powers in relation to financial conglomerates. The <i>FCA</i>'s powers to vary a <i>firm's Part 4A permission</i> or to impose requirements under sections 55J and 55L of the <i>Act</i> were extended under these regulations.	The <i>FCA</i> is able to use these powers where it is desirable to do so for the purpose of: • supervision in accordance with the <i>Financial Groups Directive Regulations</i>; and • ~~acting in accordance with specified provisions of the <i>Capital Requirements Regulations 2013</i>; and~~ • acting in accordance with specified provisions that implemented or supplemented <i>Solvency II Directive</i>. The duty imposed by section 55B(3) (The threshold conditions) of the <i>Act</i> does not prevent the <i>FCA</i> from exercising its own-initiative power for these purposes. But subject to that, when exercising this power under these regulations, the <i>FCA</i> will do so in a manner consistent with its approach generally to variation under the <i>Act</i>.
...		