

WRITTEN NOTICE

IMA PERMISSION

To: **Standard Chartered Bank (FRN: 114276) ("a firm")
Standard Chartered plc (FRN: 212572) ("the holding
company")
(together, "the addressees")**

Address: 1 Basinghall Avenue, London EC2V 5DD

Reference Number: 00005948

Date: 06 February 2023

DECISIONS

1. In accordance with Chapter 5, Title IV, Part 3, of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the "CRR"), the PRA has decided to grant the addressees permission to use the internal model approach in the calculation of own funds requirements for market risk, on the terms and conditions set out in Annex 1 (the "IMA Permission").
2. Further to regulations 34B and 35B of the Capital Requirements Regulations 2013 and an application made by the firms in accordance with section 55M(5) of the Financial Services and Markets Act 2000 (the "Act") for certain requirements the PRA has decided to grant the firms the requirements specified in Annex 2.
3. If an addressee ceases to comply with the conditions in Chapter 5, Title IV, Part 3, of the CRR, the requirements set out in Annex 1, or the requirements set out in Annex 2, the PRA will re-consider the terms and conditions of the



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IMA Permission and the requirements relevant to it, which may include a revocation of the IMA Permission in whole or in part.

4. The IMA Permission takes effect on 01 February 2023. This written notice replaces written notice 00003926.

PROCEDURAL MATTERS

5. If you wish to challenge the decisions taken by the PRA in relation to the IMA Permission, you may refer the matter to the Upper Tribunal.
6. Details of the IMA Permission and the attendant requirements imposed under section 55M will be published on the Financial Services Register. The full text of this Written Notice will be published.
6. Further details of procedural matters are contained in Annex 3.
7. Annex 4 summarises any permissions previously granted by the PRA under CRR in connection with the IMA Permission.

Simon Dixon

Head of UK Deposit Takers



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ANNEX 1

THE INTERNAL MODEL APPROACH PERMISSION

Legal Entities

1. The IMA Permission means that
 - a. the firm may use, for the legal entities listed in Table 1, on a solo and/or consolidated basis as indicated, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Section 1 and 2, Chapter 5, Title IV, Part 3 of the CRR.
 - b. the holding company may use, for the entities listed in Table 1, on a consolidated basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Sections 1 and 2, Chapter 5, Title IV, Part 3, of the CRR.

Table 1

Legal entity	Solo / Consolidated
Standard Chartered Bank	Individual and Consolidated
Standard Chartered Bank (Singapore) Limited	Consolidated
Standard Chartered Bank (Hong Kong) Limited	Consolidated
Standard Chartered Bank (China) Limited	Consolidated
Standard Chartered Bank Korea Limited	Consolidated
Standard Chartered Bank Malaysia Berhad	Consolidated
Standard Chartered Bank (Taiwan) Limited	Consolidated
Standard Chartered Bank (Thai) Public Limited Company	Consolidated
Standard Chartered Bank (Vietnam) Limited	Consolidated
Standard Chartered Bank AG	Consolidated



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Trading Locations

- The IMA Permission is granted on the basis that the following are the trading locations for the above legal entities to which the internal model approach has been permitted.

Table 2

Trading Location	Note
Singapore, Hong Kong, London, New York, China, Dubai/Dubai International Finance Centre, Japan, Korea, India, Indonesia, Malaysia, Philippines, South Africa, Taiwan, Thailand, Vietnam, Frankfurt	

- In accordance with Article 363(1) of the CRR, but subject to the specific inclusions or exclusions outlined in Table 4 below, the addressees must use the IMA Permission to calculate the own funds requirement for the following risk categories and categories of position.

Table 3

	Categories of Position (see Supervisory Statement SS13/13, para 9.4)			
Risk Categories	Category (1)	Category (2)	Category (3)	Category (4)
General Risk:				
Equity instruments	No	No	No	No
Debt instruments	Yes	Yes	Yes	Yes
Specific Risk:				
Equity instruments	No	No	No	No
Debt instruments	No	No	No	No
Foreign-exchange risk	Yes	Yes	Yes	Yes



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Commodities Risk	Yes	Yes	Yes	No
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4. The following are specific exclusions or inclusions with respect to the risk categories and categories of position outlined in Table 3 above, for which permission has been granted.
- 4.1. When what are specified in Table 4 for any particular Risk Category are “Exclusions” (or when there are no positions or sets of positions listed in Table 3), then permission is granted for all other types of positions or sets of positions within that Risk Category except for those specifically listed in Table 4.
 - 4.2. When what are specified in Table 4 for any particular Risk Category are “Inclusions”, then permission is granted within that specific Risk Category only for those types of positions or sets of positions listed in Table 4.
 - 4.3. Unless otherwise stated, references in Table 4 to Specific Risk models include models for Specific Risk VaR, Specific Risk Stressed VaR, Incremental Risk Charge, and Correlation Trading.

Table 4

	Exclusion / Inclusion	Types of Positions or Sets of Positions
Risk Categories		
General Risk:		
Equity instruments		
Debt instruments	Exclusion	Fair value adjustment internal transfer pricing hedge positions. Repo positions booked in APEX system.
Specific Risk:		
Equity instruments		
Debt instruments		
Foreign-exchange risk	Exclusion	Fair value adjustment internal transfer pricing hedge positions
Commodities Risk	Inclusions	Precious metals, base metals and financial contracts on oil, oil related products, coal and soft commodities



Other Matters

5. For the purposes of Article 366(2) of the CRR, the multiplication factor is the sum of 3.0 and an addend between 0 and 1 that will vary as specified in Table 1 of that Article.
6. In accordance with Article 363(3) of the CRR, the PRA grants permission for the initial stressed value-at-risk calculation submitted by the addressee.
7. For the purposes of paragraph 9.8 of Supervisory Statement 13/13, the addressee does not aggregate VaR across risk categories using empirical correlations and so the provisions of that paragraph do not apply.
8. The addressee should identify any risks that are not adequately captured by its models and hold additional own funds against those risks, as outlined in chapter 2 of Supervisory Statement 13/13.

Changes and extensions

9. In accordance with Article 363(3) of the CRR and Commission Delegated Regulation (EU) 529/2014 (the “Delegated Regulation”) as it forms part of retained EU law, the prior approval of the PRA is required for any material change to the models subject to the IMA Permission or any material extension of use of those models. All other changes to, or extensions of use of, the models must be notified to the PRA. As specified by the Delegated Regulation, in certain cases such notification must be made two weeks before the proposed date of implementation.
10. In accordance with Fundamental Rule 7, the PRA expects a firm to discuss with the PRA in advance of implementation details of any significant planned changes or extensions which are relevant to the internal models covered by this permission and which do not necessarily require the prior approval of the PRA under Article 363(1) of the CRR. Such changes might include, for example:
 - 10.1. new models and systems;
 - 10.2. changes to existing models and systems;
 - 10.3. the inclusion of significant new types of positions;



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- 10.4. the inclusion of significant new sets of positions, e.g. trading strategies, business units;
- 10.5. significant changes to existing types of position, e.g. currencies, geographies, sectors, maturities/tenors.

These details should include information about the nature of the change, including an estimate of the impact of the change on key risk measures (e.g. VaR) and on the addressee's own funds requirements for market risk. They should also include the impact on the own funds requirements for other risk types (such as CVA risk), where relevant.

For avoidance of doubt, this expectation is in addition to the requirements of prior approval or notification under Article 363(3) of the CRR and the Delegated Regulation and the ongoing reporting requirements referred to in Annex 2 below.



ANNEX 2

REQUIREMENTS RELEVANT TO THE IMA PERMISSION GRANTED FOLLOWING AN APPLICATION IN ACCORDANCE WITH SECTION 55M(5) OF THE ACT

Reporting Requirements

1. The firm must, no later than 20 business days after the end of each quarter, ending March, June, September and December, submit, in respect of that quarter, a report to the PRA with material information about developments and changes with respect to the internal models, as well as the systems and controls relating to them. Each report must outline at a minimum the following information in respect of that quarter:
 - 1.1. own funds requirements as calculated by the internal models, or as calculated to supplement risks not captured in the internal models, subdivided into appropriate categories (for instance, VaR, Stressed VaR, IRC, Correlation Trading, Risks Not in VaR), and preferably as a time series for all quarters since the initial granting of internal models permission;
 - 1.2. a summary of backtesting performance against both hypothetical and actual profit and loss figures (which must be provided in electronic format), by legal entity and line of business;
 - 1.3. (if the model permission covers specific risk) the results of the specific risk backtesting, including specific risk backtesting exceptions;
 - 1.4. an up-to-date list of products covered by the model permission, showing all changes made since model permission was granted;
 - 1.5. any material changes or additions to any of the matters referred to in the firm's internal documentation in relation to the models (as it exists at the date of the model permission, or in the period since the most recent report, as appropriate);
 - 1.6. any relevant changes in senior management;
 - 1.7. the models not accurately capturing risks, and any steps taken to address this, as referred to in clause 2 of Supervisory Statement 13/13, including:
 - 1.7.1. details of any changes to the Risk Not in VaR policy or procedures;
 - 1.7.2. an updated assessment of the nature and materiality of risks not captured by VaR;
 - 1.7.3. details of additions, deletions and modifications to internally-derived capital buffers against those risks deemed to be material;



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- 1.8. a summary of any material internal audit findings relevant to the models covered by the permission;
- 1.9. a graphed history of the ratio of Stressed VaR to VaR;
- 1.10. analysis on proxy usage, including review of the percentage of risk proxied and the percentage of risk netted through proxies;
- 1.11. to the extent these are not covered by any of the items above, additional information that is required to facilitate discussion of the items on the agenda for scheduled periodic reviews of the firm's permission (this agenda may be modified from time to time by the PRA).



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ANNEX 3

PROCEDURAL MATTERS

Decision-Maker

1. The decision which gave rise to the obligation to give this Notice was made by the UKDT Head of Division [by delegation from the Senior Risk and Policy Committee (SRPC)].

Right to make representations

2. Each addressee has the right to make representations to the PRA in relation to the IMA Permission.
3. If an addressee wishes to make written representations, it must do so by 28 February 2023 or such later date as may be permitted by the PRA. Written representations should be made to SRPC and sent to its usual supervisory contact at the PRA, 20 Moorgate, London EC2R 6DA.
4. If an addressee wishes to make oral representations, it should inform its usual supervisory contact of that fact as soon as possible and in any event by no later than 28 February 2023. If the firm does not notify the PRA by 28 February 2023, it will not, other than in exceptional circumstances, be permitted to make oral representations.

The Tribunal

5. Each addressee has the right to refer the decision to grant the IMA Permission to the Upper Tribunal (the "Tribunal"). The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the PRA. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the firm has 28 days from the date on which this Written Notice is given to the addressee to refer the matter to the Tribunal.
6. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the addressee and filed with a copy of this Written Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk). Further details are contained in "Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)" which is available from the Tribunal website: <http://www.tribunals.gov.uk/financeandtax/FormsGuidance.htm>.



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7. The addressee should note that a copy of the reference notice (Form FTC3) must be sent to the PRA at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to Laurence Smith at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

8. For more information concerning this matter generally, the addressee should contact the Standard Chartered Supervision Team at prudential.StandardChartered@bankofengland.co.uk.

ANNEX 4

VERSION CONTROL

Version	Comment	Authorisation	Date	Reference Number
1.0	IMA Permission issued (reference number 1756718). Note: Originally this permission had the reference number "5089" but this permission is now saved with the seven digit reference referred to.	David Rule – Director International UK Banks	31 March 2014	1756718
2.0	IMA Permission extended to include general and specific equity risk for equity products, specifically equity instruments in respect of General and Specific Risk for Categories (1)-(4) as set out in Table 3 of Annex 1 (reference number 2000627).	Melanie Beaman – Head of Division, Major UK International Banks	11 March 2015	2000627
3.0	IMA Permission model change – transition of equity products capital from IMA to Standardised Approach	Melanie Beaman – Head of Division, Major	2 March 2017	4162926



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	(reference number 4162926, ACTS reference number 22755).	UK International Banks		
4.0	IMA Permission extended to include general and specific foreign exchange risk for Target Redemption Forward instruments (reference number 4162926, ACTS reference number 12333).	Melanie Beaman – Head of Division, Major UK International Banks	12 December 2017	4162926
5.0	IMA Multiplier change (reference number 5070749, ACTS reference number 31364).	Simon Morley Head of Division, Major UK International Banks	12 November 2018	5070749
5.1	IMA Permission model change – transition of capital requirements of fair value adjustment internal transfer pricing hedge positions from IMA to Standardised Approach (reference number 5070749, ACTS reference number 32573).	Simon Morley Head of Division, Major UK International Banks	12 November 2018	5070749
6.0	IMA Permission extended to include Standard Chartered Bank AG (reference number 5204977, ACTS reference number 34249).	Simon Morley Head of Division, Major UK International Banks	22 March 2019	5204977
7.0	IMA Permission model change – XVA hedges migration to SABRE VaR IT System (reference number 5327877, ACTS reference number 35932).	Simon Morley Head of Division, Major UK International Banks	5 September 2019	5327877
8.0	IMA Permission model	Russell	16	00002001



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	change – IMA reverse extension/India Repo trading. Removal of trading locations. (reference number 00002001, ACTS reference number 41355)	Jackson, Head of Division	November 2020	
9.0	IMA Permission model change – Discounting Covid-19 stress driven back-testing exceptions CRR Art 500c (reference number 00002428, ACTS reference number 41282)	Russell Jackson, Head of Division	19 January 2021	00002428
10.0	IMA permission model change – removal of mean adjustment from VaR-sVaR and theta from hypo P/L (reference number 00003926, RWM reference number D00000029)	Russell Jackson, Head of Division	14 December 2021	00003926
11.0	IMA permission model change – IBOR Transition Phase 2 – Discounting Switch and Fallback (reference number 00005948, RWM reference number D000005524)	Simon Dixon, Head of Division	01 February 2023	00005948

