

**PRA RULEBOOK: CRR FIRMS: DEFINITION OF CAPITAL AMENDMENT INSTRUMENT  
2020**

**Powers exercised**

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

**Pre-conditions to making**

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

**PRA Rulebook: CRR Firms: Definition of Capital Instrument 2020**

- D. The PRA makes the rules in the Annex.

**Commencement of this instrument**

- E. This instrument comes into force on 1 April 2020.

**Citation**

- F. This instrument may be cited as PRA Rulebook: CRR Firms: Definition of Capital Instrument 2020.

**By order of the Prudential Regulation Committee**

24 February 2020

## Annex

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

Part

## DEFINITION OF CAPITAL

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### 1 APPLICATION AND DEFINITIONS

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1.2 In this Part the following definitions shall apply:

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**Side agreement** means any document containing an agreement or other arrangement, including a proposed agreement or other arrangement, related to the capital instrument (whether or not explicitly referred to in the instrument) which could affect the assessment of compliance of the instrument with Part Two of CRR.

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### 2 HOLDINGS OF OWN FUNDS INSTRUMENTS ISSUED BY FINANCIAL SECTOR ENTITIES INCLUDED IN THE SCOPE OF CONSOLIDATED SUPERVISION

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2.1 For the purposes of calculating *own funds* on an individual basis and a *sub-consolidated basis*, *firms* subject to supervision on a *consolidated basis* must deduct at least the relevant percentage of holdings of *own funds instruments* issued by *financial sector entities* included in the scope of consolidated supervision in accordance with Part Two of the *CRR*, except where the exception in 2.3 or 2.7 applies.

2.2 For the purposes of 2.1 the relevant percentage is as follows:

(1) ~~50% for the period from 1 January 2014 to 31 December 2014;~~

(2) ~~60% for the period from 1 January 2015 to 31 December 2015;~~

(3) ~~70% for the period from 1 January 2016 to 31 December 2016;~~

(4) ~~80% for the period from 1 January 2017 to 31 December 2017;~~

(5) ~~90% for the period from 1 January 2018 to 31 December 2018; and~~

(6) ~~100% for the period after 31 December 2018. [Deleted.]~~

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### 4 CONNECTED FUNDING OF A CAPITAL NATURE

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- 4.5 A firm must report to the *PRA* all connected funding of a capital nature at least ~~30 days~~ one month in advance of entry into the relevant funding transaction and identify each relevant transaction with sufficient detail to allow the *PRA* to evaluate it.

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- 4.11 For the purposes of 4.9(2), a person is an associate of a *firm* if it is:

...

- (2) an appointed representative (in the sense of section 39 of *FSMA*) or tied agent (as described in Article 4(1)(~~25~~ 29) of MiFID) of the *firm* or a member of the *firm's* group; or

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## **5 CONNECTED TRANSACTIONS [DELETED]**

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- 5.1 ~~In determining whether an item of capital qualifies as a *Common Equity Tier 1 item*, an *additional Tier 1 item* or a *Tier 2 item* a firm must take into account any connected transaction which, when taken together with the item of capital, would cause it not to display the characteristics of a *Common Equity Tier 1 item*, an *Additional Tier 1 item* or a *Tier 2 item*. [Deleted]~~

- 5.2 ~~A firm must report to the *PRA* all connected transactions described in 5.1 at least 30 days in advance of entry into the relevant transaction and identify each relevant transaction with sufficient detail to allow the *PRA* to evaluate it. [Deleted]~~

## **5A SIDE AGREEMENTS**

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- 5A.1 ~~A firm must send to the *PRA* any *side agreement* not previously sent to the *PRA* and must do so at least one month in advance of entry into the *side agreement* together with sufficiently detailed information to allow the *PRA* to evaluate it.~~

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## **7 NOTIFICATION REGIME – ISSUANCE [DELETED]**

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- 7.1 ~~A firm must notify the *PRA* in writing of its intention, or the intention of another member of its *group* that is not a *firm* but is included in the supervision on a consolidated basis of the *firm*, to issue a capital instrument that it considers will qualify under the *CRR* as an *own funds instrument*, including a situation where the issuer intends to issue the instrument pursuant to a note issuance programme (NIP). This rule does not apply in the situation described in 7.5 below. [Deleted]~~

- 7.2 ~~A firm must give the notice required by 7.1 at least one month before the intended date of issuance unless there are exceptional circumstances which make it impracticable to give such a period of notice, in which event the *firm* must give as much notice as is reasonably practicable in those circumstances. [Deleted]~~

- 7.3 ~~When giving notice under 7.1, the firm must:~~

- (1) ~~complete and submit the form referred to in 7.9(1) (Pre-Issuance Notification (PIN) Form);~~
- (2) ~~provide a copy of the draft terms and conditions of the capital instrument;~~

- (3)- subject to 7.4, provide a properly reasoned independent draft legal opinion from an appropriately qualified individual confirming that the capital instrument meets the conditions for qualification as the relevant type of own funds instrument; and
- (4)- where it considers that the capital instrument in 7.1 will qualify as an Additional Tier 1 instrument, provide a properly reasoned draft opinion by its auditors as to that capital instrument's treatment under the applicable accounting framework. [Deleted]
- 7.4 Where a firm considers that the capital instrument notified in accordance with 7.1 will qualify as a Common Equity Tier 1 instrument, the rule in 7.3(3) does not apply. In this case, a firm must instead complete and submit the form referred to in 7.9(2) (CET1 Compliance Template). [Deleted]
- 7.5 Where:
- (1) a firm has, within the 12 months prior to submission of a notified issuance, previously issued an own funds instrument and has complied with 7.1 in respect of that previous issuance;
- (2) that firm intends the notified issuance in (1) to be in the same tier of capital as those previously issued own funds instruments and to be issued on identical terms to them, excluding (i) the issue date, (ii) the maturity date, (iii) the amount of the issuance, (iv) the currency of the issuance, or (v) the rate of interest payable by the issuer; and
- (3) the notified issuance in (1) is designed so that it will constitute a compliant own funds instrument, as evidenced either by the legal opinion referred to in 7.3(3) or, in the case of a Common Equity Tier 1 instrument, by the form referred to in 7.9(2) (CET1 Compliance Template);
- that firm must notify the PRA in writing, no later than the date of issue, of its intention or the intention of another member of its group that is not a firm but is included in the supervision on a consolidated basis to issue a capital instrument. [Deleted]
- 7.6 The rule in 7.5 applies whether or not the notified issuance is pursuant to a NIP. [Deleted]
- 7.7 The firm shall notify the PRA in writing of any change to the intended date of issue,, type of investors, type of own funds instrument or any other feature of the capital instrument to that previously notified to the PRA under 7.1. [Deleted]
- 7.8 A firm shall provide the PRA with a copy of the final terms and conditions as referred to in 7.3(2), a copy of the final legal opinion referred to in 7.3(3) and, if applicable, a copy of the final accounting opinion referred to in 7.3(4) without delay after the capital instrument is issued. [Deleted]
- 7.9
- (1) The Pre-Issuance Notification (PIN) Form can be found here: [Deleted]
- (2) The CET1 Compliance Template can be found here: [Deleted]

## **7A PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR COMMON EQUITY TIER 1 INSTRUMENT**

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7A.1 Where a firm, or another member of its group that is not a firm but is included in the supervision on a consolidated basis of the firm, intends to:

- (1) issue a capital instrument that it considers will qualify under Part Two of CRR as a Common Equity Tier 1 instrument, or
- (2) amend or otherwise vary the terms of such an instrument included in its own funds or the own funds of its consolidation group;

the firm shall, at least one month before the intended date of issuance or intended date of amendment or variation, as applicable, notify the PRA of that intention, except that where there are exceptional circumstances which make it impracticable to give such a period of notice, the firm must give as much notice as is reasonably practicable in those circumstances.

7A.2 When notifying PRA under 7A.1 the firm must:

- (1) complete and submit the form referred to in 7D.3(1) (Pre/Post-Issuance Notification (PIN) Form);
- (2) provide a copy of the draft terms and conditions of the capital instrument together with any side agreement;
- (3) provide a properly reasoned draft independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as a Common Equity Tier 1 instrument under Part Two of CRR; and
- (4) complete and submit the form referred to in 7D.3(2) (CET1 Compliance Template).

7A.3 Where a firm intends to make use of the derogation in the second subparagraph of Article 26(3) of the CRR, 7A.1 shall not apply. The firm must instead send to the PRA at the same time as it sends the notification under point (b) of the second paragraph of Article 26(3):

- (1) written confirmation that the capital instrument:
  - (a) meets the condition in point (a) of the second subparagraph of Article 26(3) of CRR; and
  - (b) qualifies as a Common Equity Tier 1 instrument under Part Two of CRR;
- (2) a completed form referred to in 7D.3 (1) (Pre/Post-Issuance Notification (PIN) Form); and
- (3) a copy of the terms and conditions of the instrument together with any side agreement.

## **7B PRE-ISSUANCE NOTIFICATION (PIN) REGIME FOR ADDITIONAL TIER 1 INSTRUMENT**

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7B.1 Where a firm, or another member of its group that is not a firm but is included in the supervision on a consolidated basis of the firm, intends to:

- (1) issue a capital instrument that it considers will qualify under Part Two of CRR as an Additional Tier 1 instrument, or

- (2) amend or otherwise vary the terms of such an instrument included in its own funds or the own funds of its consolidation group;

the firm shall, at least one month before the intended date of issuance or intended date of amendment or variation, as applicable, notify the PRA of that intention, except that where there are exceptional circumstances which make it impracticable to give such a period of notice, the firm must give as much notice as is reasonably practicable in those circumstances.

7B.2 When notifying the PRA under 7B.1 the firm must:

- (1) complete and submit the form referred to in 7D.3(1) (Pre/Post-Issuance Notification (PIN) Form);
- (2) provide a copy of the draft terms and conditions of the capital instrument together with any side agreement;
- (3) provide a properly reasoned draft independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as an Additional Tier 1 instrument under Part Two of CRR; and
- (4) provide a properly reasoned draft opinion by its auditors as to the capital instrument's treatment under the applicable accounting framework.

7B.3 Where a firm has previously complied with these rules in respect of the issuance of an Additional Tier 1 instrument and that firm or another member of its group that is not a firm but is included in the supervision on a consolidated basis of the firm, intends to:

- (1) issue a capital instrument on substantially the same terms as the previously notified issuance; or
- (2) amend or otherwise vary the previously notified issuance in a way which will result in the instrument taking effect on substantially the same terms as that issuance;

7B.1 and 7B.2 shall not apply.

7B.4 Where 7B.1 and 7B.2 does not apply by virtue of 7B.3 the firm shall:

- (1) give the notice of the issuance to the PRA sufficiently in advance of the capital instrument's classification as an Additional Tier 1 instrument or, in the case of an amendment or variation, sufficiently in advance of that amendment or variation taking effect;
- (2) send to the PRA written confirmation that the capital instrument will:
- (a) be issued on substantially the same terms as the previously notified issuance or in the case of an amendment or variation, the instrument as so amended or varied, will take effect on substantially the same terms as the previously notified issuance; and
- (b) qualify as an Additional Tier 1 instrument under Part Two of CRR;
- (3) complete and submit the form referred to in 7D.3(1) (Pre/Post-Issuance Notification (PIN) Form); and
- (4) send to the PRA a copy of the terms and conditions of the instrument or, in the case of an amendment or variation, the instrument as it is proposed to be amended or varied, together with any side agreement.

**7C POST ISSUANCE NOTIFICATION (PIN) REGIME FOR TIER 2 INSTRUMENT**

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7C.1 Where a *firm*, or another member of its *group* that is not a *firm* but is included in the supervision on a *consolidated basis* of the *firm*:

- (1) has issued a capital instrument that it considers will qualify under *CRR* as a Tier 2 instrument; or
- (2) has amended or otherwise varied the terms of a Tier 2 instrument included in its *own funds* or the *own funds* of its *consolidation group*;

the *firm* shall on or immediately after the date of issuance or the date of amendment or other variation, as applicable, notify the *PRA* of that issuance, amendment or variation.

7C.2 When giving notice under 7C.1 the *firm* must:

- (1) complete and submit the form referred to in 7D.3(1) (Pre/Post Issuance Notification (PIN) Form);
- (2) provide a copy of the terms and conditions of the capital instrument together with any *side agreement*; and
- (3) provide a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the capital instrument qualifies as a Tier 2 instrument under Part Two of *CRR*.

7C.3 The requirement in 7C.2(3) for the provision of a legal opinion shall not apply where the issuance of the instrument is on substantially the same terms as a previously issued instrument notified under these rules.

**7D FURTHER NOTIFICATIONS ETC.**

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7D.1 The *firm* shall immediately notify the *PRA* in writing of any change to the intended date of issue, type of investors, type of *own funds* instrument or any other feature of the capital instrument to that previously notified to the *PRA* under 7A to 7B.

7D.2 The *firm* shall on, or immediately after, the date of issuance or the date of amendment or other variation, as applicable provide the *PRA* with a copy of the final terms and conditions, a copy of the final legal opinion referred to in 7A.2(3) and 7B.2(3) and if applicable the final accounting opinion referred to in 7B.2(4).

7D.3

- (1) The Pre/Post Issuance Notification (PIN) Form can be found [here](#).
- (2) The CET1 Compliance Template can be found [here](#).

**8 NOTIFICATION REGIME – AMENDMENT [DELETED]**

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8.1 A *firm* shall notify the *PRA* in writing of its intention, or the intention of another member of its *group* that is not a *firm* but is included in the supervision on a consolidated basis of the *firm*, to amend or otherwise vary the terms of any *own funds instrument* included in its *own funds* or the *own funds* of its consolidated group at least thirty days before the intended date of such amendment or other variation. [Deleted]

## 9 NOTIFICATION REGIME – REDUCTION OF OWN FUNDS ~~[DELETED]~~

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- 9.1 ~~A firm shall notify the PRA of its intention, or the intention of another member of its group that is not a firm but is included in the supervision on a consolidated basis of the firm, to carry out in respect of an own funds instrument any of the actions described in Article 77 of the CRR. [Deleted]~~

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## 11 TRANSITIONAL PROVISIONS FOR OWN FUNDS

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- 11.1 ~~The Common Equity Tier 1 capital ratio which firms must under Article 465(1)(a) of the CRR meet or exceed for the period from 1 January 2014 until 31 December 2014 shall be 4.0%.~~

~~**[Note: Art 465(1)(a) of the CRR]** [Deleted]~~

- 11.2 ~~The Tier 1 capital ratio which firms must under Article 465(1)(b) of the CRR meet or exceed for the period from 1 January 2014 until 31 December 2014 shall be 5.5%.~~

~~**[Note: Art 465(1)(b) of the CRR]** [Deleted]~~

- 11.3 ~~The applicable percentage for the purposes of Article 467(1) of the CRR shall be:~~

~~(1) 100% during the period from 1 January 2014 to 31 December 2014;~~

~~(2) 100% during the period from 1 January 2015 to 31 December 2015;~~

~~(3) 100% during the period from 1 January 2016 to 31 December 2016; and~~

~~(4) 100% for the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 467 of the CRR]** [Deleted]~~

- 11.4 ~~The applicable percentage for the purposes of Article 468(1) of the CRR shall be:~~

~~(1) 0% during the period from 1 January 2015 to 31 December 2015;~~

~~(2) 0% during the period from 1 January 2016 to 31 December 2016; and~~

~~(3) 0% for the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 468(1)-(3) of the CRR]** [Deleted]~~

- 11.5 ~~The applicable percentage for the purposes of Article 468(4) of the CRR shall be:~~

~~(1) 100% for the period from 1 January 2014 to 31 December 2014;~~

~~(2) 100% for the period from 1 January 2015 to 31 December 2015;~~

~~(3) 100% for the period from 1 January 2016 to 31 December 2016; and~~

~~(4) 100% for the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 468(4), 478(1) of the CRR]** [Deleted]~~

- 11.6 ~~The applicable percentage for the purposes of Article 469(1)(a) of the CRR as it applies to the items referred to in points (a)-(b) and (d)-(h) of Article 36(1) shall be:~~



- (1) 100% during the period from 1 January 2014 to 31 December 2014;
- (2) 100% during the period from 1 January 2015 to 31 December 2015;
- (3) 100% during the period from 1 January 2016 to 31 December 2016; and
- (4) 100% for the period from 1 January 2017 to 31 December 2017.

**[Note: Art 469(1)(a), 478(1) of the CRR]** [Deleted]

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- 11.8 The applicable percentage for the purposes of Article 469(1)(c) of the CRR as it applies to the items referred to in point (c) of Article 36(1) that did not exist prior to 1 January 2014 and the items referred to in point (i) of Article 36(1) shall be:

- (1) 100% during the period from 1 January 2014 to 31 December 2014;
- (2) 100% during the period from 1 January 2015 to 31 December 2015;
- (3) 100% during the period from 1 January 2016 to 31 December 2016; and
- (4) 100% for the period from 1 January 2017 to 31 December 2017.

**[Note: Art 469(1)(c), 478(1) of the CRR]** [Deleted]

- 11.9 The applicable percentage for the purposes of Article 474(a) of the CRR shall be:

- (1) 20% during the period from 1 January 2014 to 31 December 2014;
- (2) 40% during the period from 1 January 2015 to 31 December 2015;
- (3) 60% during the period from 1 January 2016 to 31 December 2016; and
- (4) 80% for the period from 1 January 2017 to 31 December 2017.

**[Note: Art 474(a), 478(1) of the CRR]** [Deleted]

- 11.10 The applicable percentage for the purposes of Article 476(a) of the CRR shall be:

- (1) 20% during the period from 1 January 2014 to 31 December 2014;
- (2) 40% during the period from 1 January 2015 to 31 December 2015;
- (3) 60% during the period from 1 January 2016 to 31 December 2016; and
- (4) 80% for the period from 1 January 2017 to 31 December 2017.

**[Note: Art 476(a), 478(1) of the CRR]** [Deleted]

- 11.11 The applicable percentage for the purposes of Article 479(2) of the CRR shall be:

- (1) 0% for the period from 1 January 2014 to 31 December 2014;
- (2) 0% for the period from 1 January 2015 to 31 December 2015;
- (3) 0% for the period from 1 January 2016 to 31 December 2016; and

~~(4) 0% for the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 479 of the CRR]**~~ ~~[Deleted]~~

11.12 ~~The applicable factor for the purposes of Article 480(1) of the CRR as it applies to point (b) of Article 84(1) shall be:~~

~~(1) 1 in the period from 1 January 2014 to 31 December 2014;~~

~~(2) 1 in the period from 1 January 2015 to 31 December 2015;~~

~~(3) 1 in the period from 1 January 2016 to 31 December 2016; and~~

~~(4) 1 in the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 480 of the CRR]**~~ ~~[Deleted]~~

11.13 ~~The applicable factor for the purposes of Article 480(1) of the CRR as it applies to point (b) of Article 85(1) and point (b) of Article 87(1) shall be:~~

~~(1) 0.2 in the period from 1 January 2014 to 31 December 2014;~~

~~(2) 0.4 in the period from 1 January 2015 to 31 December 2015;~~

~~(3) 0.6 in the period from 1 January 2016 to 31 December 2016; and~~

~~(4) 0.8 in the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 480 of the CRR]**~~ ~~[Deleted]~~

11.14 ~~The applicable percentage for the purposes of Article 481(1) of the CRR shall be:~~

~~(1) 0% for the period from 1 January 2014 to 31 December 2014;~~

~~(2) 0% for the period from 1 January 2015 to 31 December 2015;~~

~~(3) 0% for the period from 1 January 2016 to 31 December 2016; and~~

~~(4) 0% for the period from 1 January 2017 to 31 December 2017.~~

~~**[Note: Art 481 of the CRR]**~~ ~~[Deleted]~~

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**PRA RULEBOOK: NON CRR FIRMS: CREDIT UNIONS INSTRUMENT 2020**

**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); and
  - (2) section 137T (General supplementary powers); and
- 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Non CRR Firms: Credit Unions Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 16 March 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non CRR Firms: Credit Unions Instrument 2020.

**By order of the Prudential Regulation Committee**

24 February 2020

## Annex A

## Amendments to the Credit Unions Part

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

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## 2 SHARES AND DEPOSITS

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2.5 A credit union must not:

- (1) pay different dividends on different accounts unless:
  - (a) at the time of the payment of any dividends it has a *capital-to-total assets* ratio of at least 5%; and
  - (b) the payment of any of those dividends does not reduce the *capital-to-total assets* ratio to below 5%; or
- (2) pay dividends out of interim profits more than once a year unless it has *capital* of at least 8% of *total assets*, ~~and, other than in a stress scenario in which case such buffer may be employed to absorb losses, a capital buffer at least equal to a further 2% of total assets.~~

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## 8 CAPITAL

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8.5 A credit union must have:

- (1) subject to ~~(2)~~8.5A, *capital* of at least 3% of *total assets*;
- (2) subject to (3), *capital* of at least 5% of *total assets*, if that *credit union* has *total assets* of more than £5 million or more than 5,000 *members*~~[deleted]~~;
- (3) *capital* of at least 8% of *total assets* and a *capital* buffer at least equal to a further 2% of *total assets*, save in the event of a stress scenario in which case such buffer may be employed to absorb losses, if that *credit union* has *total assets* of more than £10 million, more than 15,000 *members* or undertakes an *additional activity* other than the *additional activity* of providing *transactional accounts*~~[deleted]~~.

8.5A A credit union that has *total assets* of more than £5 million must have:

- (1) *capital* of at least 5% of *total assets* up to and including £10 million; and

- (2) capital of at least 8% of total assets above £10 million up to and including £50 million;  
and
- (3) capital of at least 10% of total assets above £50 million.

...

8.7 ~~In the event that a credit union employs its capital buffer in a stress scenario it must plan for the restoration of its capital buffer to the level stipulated in 8.5 within a reasonable period. [Deleted.]~~

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## 10 GOVERNANCE

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10.1 A credit union must ensure that the governing body reports to the members at the annual general meeting of the credit union on the following matters.

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- (2) whether the credit union has maintained at all times a policy of insurance complying with 2.10; ~~and~~
- (3) any additional activities the credit union is carrying out and whether or not it is in compliance with any requirement in this Part applicable to those additional activities; ~~and~~
- (4) if the credit union has more than 15,000 members, whether or not it is in compliance with any requirement in this Part applicable to a credit union with more than 15,000 members.

...

10.3 A credit union that is carrying out any additional activity or has more than 15,000 members must:

...

- (3) ensure that its governing body monitors and assesses the risks associated with the carrying on of such activities or with having more than 15,000 members on at least a monthly basis.

**PRA RULEBOOK: NON-AUTHORISED PERSONS: FSCS MANAGEMENT EXPENSES LEVY  
LIMIT AND BASE COSTS INSTRUMENT 2020**

**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.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to any representations made.

**PRA Rulebook: Non Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 1 April 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non Authorised Persons: FSCS Management Expenses Levy Limit and Base Costs Instrument 2020.

**By order of the Prudential Regulation Committee**

17 March 2020

## 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.

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#### **2 LIMIT ON MANAGEMENT EXPENSES LEVIES**

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- 2.1 The total of all *management expenses levies* attributable to the period 1 April ~~2019-2020~~ to 31 March ~~2020~~ 2021 of the *deposit guarantee scheme*, the *dormant account scheme* or the *policyholder protection scheme* may not exceed ~~£79,555,000~~ £83,167,893 less whatever *management expenses levies* the *FSCS* has imposed in accordance with *FCA compensation scheme rules* attributable to that period.

**PRA RULEBOOK: SOLVENCY II FIRMS: INSURANCE SPECIAL PURPOSE VEHICLES  
INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Solvency II Firms: Insurance Special Purpose Vehicles Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 26 May 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Insurance Special Purpose Vehicles Instrument 2020.

**By order of the Prudential Regulation Committee**

18 May 2020.



**Annex**

**Amendments to the Insurance Special Purpose Vehicles Part**

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

**6 FORMS**

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6.1 The *MISPV new risk assumption notification form* can be found [here](#).

**PRA RULEBOOK: PRA FEES AMENDMENT INSTRUMENT 2020****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.

**Pre-conditions to making**

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

**PRA Rulebook: PRA Fees Amendment Instrument 2020**

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

Part	Annex
Glossary	A
Fees	B

**Commencement**

- E. This instrument comes into force on 7 July 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: PRA Fees Amendment Instrument 2020.

**By order of the Prudential Regulation Committee**

3 July 2020

**Annex A**

**Amendments to the Glossary**

In this Annex, striking through indicates deleted text.

*life policy*

~~has the meaning given in the *PRA Handbook* as at 31 July 2015.~~

## Annex B

## Amendments to the Fees Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.2 In this part, the following definitions shall apply:

...

*general insurance fee block*

means *firms* whose *Part 4A permission* includes effecting or carrying out *contracts of general insurance* or *contracts of long term insurance* other than ~~life policies~~ life policies or *firms* whose *Part 4A permission* is insurance risk transformation.

...

*life policy*

means:

- (1) a contract of long-term insurance other than a pure protection contract,
- (2) a long-term care insurance contract which is a pure protection contract, and
- (3) a pension term assurance policy.

...

*pension term assurance policy*

means a personal pension policy which is a pure protection contract and in connection with which tax relief is available under Chapter 4 of Part 4 of the Finance Act 2004.

...

*personal pension policy*

means a pension policy under which contributions (single or regular) are paid to a personal pension scheme.

*pure protection contracts*

means:

- (1) a contract of long-term insurance in respect of which the following conditions are met:
  - (a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;
  - (b) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium; and

(c) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with (a) or (b); or

(2) a reinsurance contract covering all or part of a risk to which a person is exposed under a contract of long-term insurance that meets the conditions in (1).

...

Ring-fencing fee(s)

means the fee or fees in 3.18A

...

### 3 PERIODIC FEES

---

...

#### *Ring-fencing fee*

- 3.18A
- (1) ~~The PRA will charge a ring-fencing fee to recover the annual cost to the PRA, as determined by the PRA, of fulfilling its functions in relation to ring-fencing. [Deleted.]~~
  - (2) ~~All firms within ring-fencing fees groups are subject to ring-fencing fees, based on the total modified eligible liabilities of the ring-fenced bodies within the group, and payable in accordance with Table IX of the Periodic Fees Schedule. The PRA may require that a single firm pays all ring-fencing fees due to the PRA by the group. [Deleted.]~~
  - (3) ~~Fee payers must comply with directions from the PRA or its collection agent as to payment of ring-fencing fees arising from any variance between the PRA's budgeted costs under 3.18A (1) and its actual costs once final, audited figures are available in relation to any fee year. A surplus of fee income against the PRA's actual costs may result in a credit to the firms making payment and a shortfall may necessitate a call for additional fees. [Deleted.]~~

~~Transitional rules (A3 and A4 fee payers) for the 2017/18 fee year.~~

...

#### **PERIODIC FEES SCHEDULE – FEE RATES AND EEA/TREATY FIRM MODIFICATIONS FOR THE PERIOD FROM 1 MARCH 2019 TO 29 FEBRUARY 2020 1 MARCH 2020 TO 28 FEBRUARY 2021**

---

TABLE IA MINIMUM PERIODIC FEE RATES

Fee Payer	Fee payable (£)
Credit Unions with MELs under £2.0 million:	

With <i>modified eligible liabilities</i> of 0-£0.5 million	80.00
With <i>modified eligible liabilities</i> greater than £0.5 million and less than £2.0 million	270.00
<p><i>Non-directive friendly societies</i> which either:</p> <p>(1) fall within the A3, but not the A4, <i>fee block</i> and have, in relation to their A3 activities <i>gross written premium for fees purposes</i> of 0 - £0.5million and <i>best estimate liabilities for fees purposes</i> of 0-£1.0 million; or</p> <p>(2) fall within the A4, but not the A3, <i>fee block</i> and have, in relation to their A4 activities, <del><i>gross written premium for fees purposes</i></del> of 0-£1.0 million and <del><i>best estimate liabilities for fees purposes</i></del> of 0-£1.0 million; or</p> <p>(3) fall within both the A3 and A4 <i>fee blocks</i> and meet condition (1) above in relation to their A3 activities and condition (2) above in relation to their A4 activities.</p>	215.00
All other firms	500.00

...

Table IIIA – PERIODIC FEE RATES APPLICABLE TO PRA FEE BLOCKS OTHER THAN THE MINIMUM FEE BLOCK FOR THE FEE YEAR ~~2019-20~~ 2020-21

Column 1	Column 2	Column 3	Column 4
<i>Fee block</i>	<i>Tariff base</i>	<i>Tariff bands</i>	<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 of part million of <i>MELs</i> (£)
		>10 -140	<del>31.50</del> <u>33.459</u>
		>140 - 630	<del>31.50</del> <u>33.459</u>
		>630 -1,580	<del>31.50</del> <u>33.459</u>
		>1,580 – 13,400	<del>39.38</del> <u>41.824</u>
		>13,400	<del>51.98</del> <u>55.207</u>
		Band width (£million of <i>gross</i>	Fee payable per million of <i>gross</i>

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>	<i>written premium for fees purposes</i>	<i>written premium for fees purposes (£)</i>
		>0.5	<del>546.05</del> <u>595.90</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	<del>34.26</del> <u>40.97</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 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>
		>1	<del>229.96</del> <u>217.84</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	<del>46.44</del> <u>15.81</u>
A5 managing agents at Lloyd's	<i>active capacity</i>	Band Width (£million of <i>active capacity</i> )	Fee payable per million of <i>active capacity (£)</i>
		>50	<del>49.57</del> <u>50.55</u>
A6 Society of Lloyd's	Flat fee	N/A	<b>General periodic fee (£)</b>  1,802,787.50 <u>1,975,132.27</u>
A10 Firms dealing as principal fee block	<i>total assets for fees purposes</i>	Band width (£million of <i>total assets for fees purposes</i> )	Fee payable per million or part million of <i>total assets for fees purposes (£)</i>

<i>total assets for fees purposes, total operating income for fees purposes</i>		<b>N/A</b>	<u>2.30-2.48</u>
	<i>total operating income for fees purposes</i>	Band width (£million of <i>total operating income for fees purposes</i> )	Fee payable per million or part million of <i>total operating income for fees purposes</i> (£)
		N/A	<u>307.05 381.05</u>

...

TABLE VI – EU WITHDRAWAL COSTS ALLOCATION

Fee Payer	Tariff base for allocations to firms
All <i>firms</i> , except those paying only the minimum fee and <i>insurance special purpose vehicles</i>	Total <i>periodic fees</i> under 3.3(3) payable by the <i>firm</i> multiplied by <u>0.044588</u> <u>0.057857</u>

...

TABLE IX – RING-FENCING FEE

[Deleted.]

Fee Payer	Tariff base for allocations to firms
All <i>firms</i> within <i>ring-fencing fees groups</i>	Total <i>periodic fees</i> under <del>3.3(3)</del> payable by the <i>ring-fenced bodies</i> within the <i>ring-fencing fees group</i> multiplied by <u>0.093379</u>

#### 4 REGULATORY TRANSACTION FEES

---

...

- 4.5 Regulatory transaction fees for applications for new authorisations *new authorisations* are payable in accordance with Table B. as follows:



- (1) ~~[Deleted.] All applications for new authorisations other than from credit unions are first assigned to the complexity groupings in Tables B and C to assist the PRA in determining the appropriate fee. Fees are then payable in accordance with:~~
- (a) ~~Table B if the permission sought does not include consumer credit activities; and~~
- (b) ~~Table C if the permission sought involves consumer credit related activities.~~

<b>Table B – New authorisations not involving consumer credit related activities</b>	
<b>Application Type</b>	<b>£</b>
Straightforward  <i>A3 or A4 fee payer which is a friendly society or a fee payer which is an A1 credit union</i>	750.00
Moderately complex  <i>A3 fee payer seeking permission as a UK insurance special purpose vehicle</i>  <i>A5 fee payer seeking permission as a managing agent at Lloyd's</i>	2,500.00
Complex  <i>A1 fee payer (other than a credit union) seeking permission to accept deposits or operate dormant accounts</i>  <i>A3 fee payer (other than a friendly society or UK insurance special purpose vehicle)</i>  <i>A4 fee payer other than a friendly society</i>	12,500.00

<b>Table C – New authorisations involving consumer credit related activities <u>[Deleted.]</u></b>		
<b>Application Type</b>	<b>£</b>	
<del>Straightforward:  Fee payer seeking permission for credit broking or providing information services.</del>	<del>Annual consumer credit income £</del>	<del>Fee £</del>
	<del>50,000.00 or less</del>	<del>300.00</del>

	Greater than 50,000.00 and less than 100,000.00	<b>375.00</b>
	Greater than 100,000.00 and less than 250,000.00	<b>500.00</b>
	Greater than 250,000.00 and less than 1,000,000.00	<b>750.00</b>
	<b>Greater than 1,000,000.00</b>	<b>2,500.00</b>
Moderately complex:  <i>Fee payer seeking permission for:</i>  (1) debt administration/debt collecting;  (2) entering into regulated consumer hire agreement as lender (other than in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements);  (3) exercising or having the right to exercise the owners' rights under a regulated consumer hire agreement;  (4) exercising or having the right to exercise the lender's rights and duties under a regulated consumer hire agreement (other than in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements); or  (5) operating an electronic system in relation to lending.	Annual consumer credit income £	Fee £
	50,000 or less	<b>400.00</b>
	Greater than 50,000.00 and less than 100,000.00	<b>500.00</b>
	Greater than 100,000.00 and less than 250,000.00	<b>750.00</b>
	Greater than 250,000.00 and less than 1,000,000.00	<b>2,500.00</b>
	Greater than 1,000,000.00	<b>5,000.00</b>
Complex:  <i>Fee payer seeking permission for:</i>  (1) debt adjusting/debt counselling;	Annual consumer credit income £	Fee £
	<b>50,000 or less</b>	<b>500.00</b>

(2) entering into a regulated credit agreement as lender in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements;	Greater than 50,000.00 and less than 100,000.00	625.00
(3) exercising, or having the right to exercise, the lender's rights and duties under a credit agreement as lender in relation to high-cost short term credit, bill of sale loan agreements and home credit loan agreements; or	Greater than 100,000.00 and less than 250,000.00	1,000.00
(4) providing credit references.	Greater than 250,000.00 and less than 1,000,000.00	3,500.00
	Greater than 1,000,000.00	7,500.00

(2) ~~[Deleted.] Credit unions applying for new authorisations pay fees as follows:~~

- (a) ~~any credit union applying for a Part 4A permission for consumer credit related activities £100.00;~~
- (b) ~~a credit union which, prior to 3rd February 2016, would have been categorised as a Version 1 credit union applying for Part 4A permission not limited to consumer credit related activities £150.00;~~
- (c) ~~a credit union which, prior to 3rd February 2016, would have been categorised as a Version 2 credit union applying for a Part 4A permission not limited to consumer credit related activities £900.00.~~

...

(5) ~~[Deleted.] Where an applicant for a new authorisation is FCA authorised, the applicant will be treated as a variation of permission and fees will be payable in accordance with 4.7.~~

...

#### 4.7

- (1) ~~[Deleted.] if the firm is extending the scope of its Part 4A permission to include additional regulated activities, the fee will be 50% of the highest fee which would have been payable by that firm had it been applying for a new authorisation under 4.5; and~~
- (2) ~~[Deleted.] no fee is payable if the variation involves a reduction in scope of a Part 4A permission with no increases in permission.~~
- (3) ~~Subject to paragraph (4), Where where a fee payer or FCA authorised firm seeks to vary its existing Part 4A permission or is an FCA authorised firm seeking to obtain or~~

vary a *Part 4A permission* in relation to *PRA regulated activity*, ~~regulatory transaction fees~~ are applicable as follows: to:

- (a) include a *PRA regulated activity*, or
- (b) include, in relation to a *PRA regulated activity*, the activity of providing services to retail clients,

the fee payable shall be £12,500.

- (4) In a case where the *fee payer* or *FCA* authorised firm seeks to vary its existing *Part 4A permission* to include a *PRA regulated activity* described in:

- (a) *fee block A1* in respect of a *credit union* or *fee block A3* in respect of a *friendly society*, it shall be £750;
- (b) *fee block A3* in respect of an *ISPV* or *friendly society* or *fee block A5* in respect of a *Lloyd's managing agent*, it shall be £2,500.

...

## 5 SPECIAL PROJECT FEE FOR RESTRUCTURING

---

...

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

...

- (2) Next, multiply the applicable rate in the table of *SPF* hourly rates below by the number of hours or part hours arrived at under 5.7(1):

SPF hourly rates	
Pay grade of persons employed by the PRA	Hourly rate
Administrator	£50.00 <u>£55.00</u>
Associate	£105.00 <u>£115.00</u>
Technical specialist	£155.00 <u>£170.00</u>
Manager	£195.00 <u>£215.00</u>
Any other persons employed by the <i>PRA</i>	£290.00 <u>£320.00</u>

...

**PRA RULEBOOK: CRR FIRMS, NON-CRR FIRMS AND NON-AUTHORISED PERSONS: DEPOSITOR PROTECTION (TEMPORARY HIGH BALANCES) INSTRUMENT 2020**

**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);
  - (3) section 213 (The compensation scheme); and
  - (4) section 214 (General).
- 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms, Non-CRR Firms and Non-Authorised Persons: Depositor Protection (Temporary High Balances) Instrument 2020**

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

Part	Annex
Depositor Protection	A
Depositor Protection	B
Depositor Protection	C

**Commencement**

- E. Annex A comes into force on 6 August 2020.
- F. Annex B comes into force on 1 February 2021.
- G. Annex C comes into force on 1 February 2022.

**Citation**

- H. This instrument may be cited as the PRA Rulebook: CRR Firms, Non-CRR Firms and Non-Authorised Persons: Depositor Protection (Temporary High Balances) Instrument 2020.

**By order of the Prudential Regulation Committee**

31 July 2020

## Annex A

## Amendments in the Depositor Protection Part

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

## 10 TEMPORARY HIGH BALANCES

---

...

10.7 Subject to 10.7A, the ~~The~~ protection for *temporary high balances* under 4.3 shall run for a period of six months from the later of:

...

10.7A The protection for *temporary high balances* under 4.3 shall run for a period of 12 months instead of 6 months where the later date under 10.7 (1) and (2) falls before 1 February 2021.

...

## 16 FIRMS' DISCLOSURE OBLIGATIONS - INFORMATION AND EXCLUSIONS

---

...

16.2A For the purposes of 16.2 (2), a *firm's information sheet* may be considered up-to-date notwithstanding that it does not refer to the 12 month period of protection for certain *temporary high balances* provided for in 10.7A.

...

## ANNEX 1 – INFORMATION SHEET (CHAPTER 16)

---

...

<sup>2</sup> General limit of protection

...

In some cases eligible deposits which are categorised as “temporary high balances” are protected above £85,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable (temporarily extended to 12 months for eligible deposits which are credited or become legally transferable (whichever is later) before 1 February 2021). These are eligible deposits connected with certain events including:

...

## Annex B

## Amendments in the Depositor Protection Part

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

**16 FIRMS' DISCLOSURE OBLIGATIONS - INFORMATION AND EXCLUSIONS**

---

...

16.2A ~~For the purposes of 16.2 (2), a *firm's information sheet* may be considered up to date notwithstanding that it does not refer to the 12 month period of protection for certain *temporary high balances* provided for in 10.7A. [Deleted.]~~

...

**ANNEX 1 – INFORMATION SHEET (CHAPTER 16)**

---

...

<sup>2</sup> General limit of protection

...

In some cases eligible deposits which are categorised as “temporary high balances” are protected above £85,000 for six months after the amount has been credited or from the moment when such eligible deposits become legally transferable ~~(temporarily extended to 12 months for eligible deposits which are credited or become legally transferable (whichever is later) before 1 February 2024)~~. These are eligible deposits connected with certain events including:

...

## Annex C

## Amendments in the Depositor Protection Part

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

**10 TEMPORARY HIGH BALANCES**

---

...

10.7 ~~Subject to 10.7A, the~~ The protection for *temporary high balances* under 4.3 shall run for a period of six months from the later of:

...

10.7A ~~The protection for *temporary high balances* under 4.3 shall run for a period of 12 months instead of 6 months where the later date under 10.7 (1) and (2) falls before 1 February 2021. [Deleted.]~~

...



**PRA RULEBOOK: NON-SOLVENCY II FIRMS: INSURANCE COMPANY – MATHEMATICAL RESERVES INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

**PRA Rulebook: Non-Solvency II Firms: Insurance Company – Mathematical Reserves Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 8 September 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Non-Solvency II Firms: Insurance Company – Mathematical Reserves Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

**Annex**

**Amendments to the Insurance Company - Mathematical Reserves Part**

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

...

**REINSURANCE**

---

...

18.3 For purposes of 18.2:

...

(2) *reinsurance* cash outflows need not to be valued provided that:

...

(b) the conditions in 18.4 are satisfied;

...

18.4 The conditions referred to in 18.3(2)(b) are that:

...

(2) the present value of the future *reinsurance* cash outflows that may be disregarded under 18.3(2) must not at any time exceed the value of the aggregate net cash inflows that have already been received by the *firm* under the contract of *reinsurance* accumulated at an assumed rate of ~~LIBOR~~ SONIA + 6% per annum.

...

**PRA RULEBOOK: CRR FIRMS: NON-CRR FIRMS: BRANCH RULES (AMENDMENT)  
INSTRUMENT 2020**

**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); and
- (2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Non-CRR Firms: Branch Rules (Amendment) Instrument 2020**

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

**Commencement**

E. This instrument comes into force on 8 September 2020.

**Citation**

F. This instrument may be cited as the PRA Rulebook: CRR Firms: Non-CRR Firms: Branch Rules (Amendment) Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

**Annex**

**Amendments to the Regulatory Reporting Part**

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

...

**22 BRANCH RETURN REPORTING**

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...

22.3 The Branch Return Form can be found ~~here~~ [here](#).

**PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING (CAPITAL+) AMENDMENT  
INSTRUMENT 2020**

**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); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Regulatory Reporting (Capital+) Amendment Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 8 September 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Regulatory Reporting (Capital +) Amendment Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

**Annex**

**Amendments to the Regulatory Reporting Part**

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

**16 DATA ITEMS AND OTHER FORMS**

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...

16.26 PRA101 can be found here [here](#).

...

**PRA RULEBOOK: CRR FIRMS: NON-CRR FIRMS: SOLVENCY II FIRMS: NON-SOLVENCY II FIRMS: SENIOR MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS (AMENDMENT) INSTRUMENT 2020**

**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 60 (Applications for Approval);
  - (2) Section 62A (Changes to responsibilities of senior managers);
  - (3) Section 137G (The PRA’s general rules); and
  - (4) Section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Non-CRR Firms: Solvency II Firms: Non-Solvency II Firms: Senior Managers Regime – Applications and Notifications (Amendment) Instrument 2020**

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

Part	Annex
Senior Managers Regime – Applications and Notifications	A
Insurance – Senior Managers Regime – Applications and Notifications	B
Large Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications	C
Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications	D

**Commencement**

- E. This instrument comes into force on 25 October 2020

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Non-CRR Firms: Solvency II Firms: Non-Solvency II Firms: Senior Managers Regime – Applications and Notifications (Amendment) Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

## Annex A

### Amendments to Senior Managers Regime – Applications and Notifications Part

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

...

## **2 APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION**

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...

2.7

...

(2) A *statement of responsibilities* must be in the form set out [here](#)~~here~~.

...

## **8 FORMS**

---

8.1 (1) Form A (long form) may be found [here](#)~~here~~.

(2) Form A (shortened form) may be found [here](#)~~here~~.

(3) Form B may be found [here](#)~~here~~.

(4) Form C may be found [here](#)~~here~~.

(5) Form D may be found [here](#)~~here~~.

(6) Form E may be found [here](#)~~here~~.



**Annex B****Amendments to Insurance – Senior Managers Regime – Applications and Notifications Part**

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

...

**7 FORMS**

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## 7.1

- (1) Form A (long form) may be found [here](#)~~here~~.
- (2) Form A (shortened form) may be found [here](#)~~here~~.
- (3) Form B may be found [here](#)~~here~~.
- (4) Form C may be found [here](#)~~here~~.
- (5) Form D may be found [here](#)~~here~~.
- (6) Form E may be found [here](#)~~here~~.
- (7) The *statement of responsibilities form* may be found [here](#)~~here~~.

## Annex C

### Amendments to Large Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications Part

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

...

## 7 FORMS

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### 7.1

- (1) Form A (long form) may be found [here](#)~~here~~.
- (2) Form A (shortened form) may be found [here](#)~~here~~.
- (3) Form B may be found [here](#)~~here~~.
- (4) Form C may be found [here](#)~~here~~.
- (5) Form D may be found [here](#)~~here~~.
- (6) Form E may be found [here](#)~~here~~.
- (7) The *statement of responsibilities form* may be found [here](#)~~here~~.

## Annex D

**Amendments to Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications Part**

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

**7 FORMS**

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## 7.1

- (1) Form A (long form) may be found [here](#)~~here~~.
- (2) Form A (shortened form) may be found [here](#)~~here~~.
- (3) Form B may be found [here](#)~~here~~.
- (4) Form C may be found [here](#)~~here~~.
- (5) Form D may be found [here](#)~~here~~.
- (6) Form E may be found [here](#)~~here~~.
- (7) The *statement of responsibilities form* may be found [here](#)~~here~~.

**PRA RULEBOOK: SOLVENCY II: REPORTING AMENDMENT INSTRUMENT 2020**

**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); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA RULEBOOK: SOLVENCY II: REPORTING AMENDMENT INSTRUMENT 2020**

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

**Commencement**

- E. This instrument comes into force on 30 November 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II: Reporting Amendment Instrument 2020.

**By order of the Prudential Regulation Committee**

2 September 2020

## Annex

### Amendments to the Reporting Part

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

#### REPORTING

---

...

#### 2 Reporting to the PRA

...

2.6 Subject to 2.7, a *firm* falling within categories (1) to (7) must submit to the *PRA* the corresponding *national specific templates* on an annual basis:

(1) [Deleted]

(1A) All *firms* must submit template NS.00: Basic Information;

...

#### 8 National Specific Templates

8.0 NS.00 can be found [here](#).

...

8.7 NS.07 can be found [here](#) here.

...

8.10 NS.10 can be found [here](#) here.

...

**PRA RULEBOOK: SOLVENCY II FIRMS: NON SOLVENCY II FIRMS: NON AUTHORISED PERSONS: FSCS LIMIT FOR BUILDING GUARANTEE INSURANCE INSTRUMENT 2020**

**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);
  - (3) section 213 (The compensation scheme); and
  - (4) section 214 (General).
- 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.
- D. In accordance with section 138L(2) of the Act, the PRA considered that the delay in complying with sections 138J(1)(b) and (2) to (5) and 138K of the Act would be prejudicial to securing the appropriate degree of protection for policyholders and therefore those provisions did not apply.

**PRA Rulebook: Solvency II Firms: Non Solvency II Firms: Non Authorised Persons: FSCS Limit For Building Guarantee Insurance Instrument 2020**

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

**Commencement**

- F. This instrument comes into force on 8 October 2020.

**Citation**

- G. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Non Solvency II Firms: Non Authorised Persons: FSCS Limit For Building Guarantee Insurance Instrument 2020.

**By order of the Prudential Regulation Committee**

7 October 2020

## Annex

## Amendments to Policyholder Protection 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:

...

building guarantee insurance

means a contract of general insurance providing building guarantee, construction warranty and/or structural defects cover in relation to newly built, converted or renovated residential property, including but not limited to the risk of physical damage and/or defect arising from non-compliance with relevant building or fire regulations or standards.

...

## 6 LIMITS WHEN SECURING CONTINUITY AND TAKING MEASURES IN RELATION TO RELEVANT PERSONS IN FINANCIAL DIFFICULTIES

---

...

6.2 If the FSCS takes measures for the purpose of safeguarding the rights of *eligible claimants* under 5.1 in respect of a *contract of general insurance*:

(1) where claims:

- (a) arise in respect of a *liability subject to compulsory insurance*; or
- (b) arise in respect of a *liability subject to professional indemnity insurance*; or
- (c) arise from the death or incapacity of the *policyholder* due to injury, sickness or infirmity; or
- (d) arise in respect of a liability subject to *building guarantee insurance*;

it must ensure that the *claimant* will receive 100% of any benefit under his *contract of general insurance*; and

...

## 17 LIMITS ON COMPENSATION PAYABLE

---

...

17.2 (1) For a *protected contract of insurance* when the contract is a *relevant general insurance contract*:

(a) if the *claim*:

- (i) is in respect of a *liability subject to compulsory insurance*; or
- (ii) is in respect of a liability subject to *professional indemnity insurance*; or
- (iii) is in respect of and arises from the death or incapacity of the *policyholder* due to injury, sickness, or infirmity; or
- (iv) is in respect of a liability subject to *building guarantee insurance*;

the level of cover is 100% of the *claim*; and

...

...

---



**PRA RULEBOOK: CRR FIRMS AND NON-AUTHORISED PERSONS: STAY IN RESOLUTION AMENDMENT INSTRUMENT 2020**

**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) section 192JB (Rules requiring parent undertakings to facilitate resolution).
- B. The PRA exercises the following powers in the Act to make those terms in the Glossary that are used in this instrument in rules applicable to qualifying parent undertakings:
- (1) section 137T (General supplementary powers); and
  - (2) section 192JB (Rules requiring parent undertakings to facilitate resolution).
- C. 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**

- D. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms and Non-Authorised Persons: Stay in Resolution Amendment Instrument 2020**

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

Part	Annex
Stay In Resolution	Annex A
Stay In Resolution	Annex B

**Commencement**

- F. The Rules in Annex A come into force on 28 December 2020.
- G. The Rules in Annex B come into force on IP Completion Day as defined in the European (Withdrawal Agreement) Act 2020.

**Citation**

- H. This instrument may be cited as the PRA Rulebook: CRR Firms and Non-Authorised Persons: Stay in Resolution Amendment Instrument 2020.

**By order of the Prudential Regulation Committee**

15 December 2020

**Annex A**

**Amendments to the Stay In Resolution Part**

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.4 In this Part, the following definitions shall apply:

*crisis management measure*

~~has the meaning given in section 48Z(1) of the Banking Act 2009.~~

*crisis management measure*

has the meaning given in section 48Z(1) of the Banking Act 2009.

...

**Annex B**

**Amendments to the Stay In Resolution Part**

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

**APPLICATIONS AND DEFINITIONS**

---

...

1.4 In this Part, the following definitions shall apply:

*~~crisis management measure~~*

~~has the meaning given in section 48Z(1) of the Banking Act 2009.~~

*crisis management measure*

has the meaning given in section 48Z(1) of the Banking Act 2009.

...

**PRA RULEBOOK: CRR FIRMS AND NON-AUTHORISED PERSONS: CONTRACTUAL RECOGNITION OF BAIL-IN AMENDMENT INSTRUMENT 2020**

**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) section 192JB (Rules requiring parent undertakings to facilitate resolution).
- B. The PRA exercises the following powers in the Act to make those terms in the Glossary that are used in this instrument in rules applicable to qualifying parent undertakings:
- (1) section 137T (General supplementary powers); and
  - (2) section 192JB (Rules requiring parent undertakings to facilitate resolution).
- C. 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**

- D. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms and Non-Authorised Persons: Contractual Recognition of Bail-In Amendment Instrument 2020**

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

Part	Annex
Contractual Recognition of Bail In	A
Contractual Recognition of Bail In	B

**Commencement**

- F. In this instrument, Annex A comes into force on 28 December 2020.
- G. In this instrument, Annex B comes into force on IP completion day as defined in the European Union (Withdrawal Agreement) Act 2020.

**Citation**

- H. This instrument may be cited as the PRA Rulebook: CRR Firms and Non-Authorised Persons: Contractual Recognition of Bail-In Amendment Instrument 2020.

**By order of the Prudential Regulation Committee**

15 December 2020

## Annex A

## Amendments to the Contractual Recognition of Bail-In Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to a *BRRD undertaking* which is:

- (1) a *CRR firm*;
- (2) a *financial holding company*;
- (3) a *mixed financial holding company*; or
- (4) a *mixed activity holding company* which has at least one *subsidiary* which is an *institution* which is not the *subsidiary* of a *financial holding company* which is also a *subsidiary* of the *mixed activity holding company*.

1.1A In this Part, 2.1 to 2.3 shall not apply from 28 December 2020 until *IP completion day*.

1.2 In this Part, the following definitions shall apply:

...

*IP completion day*

has the meaning given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.

...

## Annex B

## Amendments to the Contractual Recognition of Bail-In Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to a *BRRD undertaking* which is:

- (1) a *CRR firm*;
- (2) a *financial holding company*;
- (3) a *mixed financial holding company*; or
- (4) a *mixed activity holding company* which has at least one *subsidiary* which is an *institution* which is not the *subsidiary* of a *financial holding company* which is also a *subsidiary* of the *mixed activity holding company*.

1.1A ~~In this Part, 2.1 to 2.3 shall not apply from 28 December 2020 until IP completion day as defined in the European Union (Withdrawal Agreement) Act 2020. [Deleted.]~~

1.2 In this Part, the following definitions shall apply:

...

~~*excluded liability*~~

~~means any *liability* listed in section 48B(8) of the Banking Act 2009 except, in respect of *liabilities* created after 31 July 2016, a *liability* shall not be regarded as secured for the purposes of section 48(B)(8)(b) of the Banking Act 2009 if, at the time at which it is created, it is not a *fully secured liability*.~~

*excluded liability*

means any *liability* listed in section 48B(8) of the Banking Act 2009 except, in respect of *liabilities* created after 31 July 2016, a *liability* shall not be regarded as secured for the purposes of section 48(B)(8)(b) of the Banking Act 2009 if, at the time at which it is created, it is not a *fully secured liability*.

...

~~*IP completion day*~~

~~has the meaning given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.~~

...

**PRA RULEBOOK: GLOSSARY (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT  
2020**

**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) section 192V (Rules imposing consolidated requirements).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Glossary (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Glossary (Capital Requirements Directive V) Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

## Amendments to the Glossary

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

...

*Article 18(5) relationship* means a relationship where undertakings are linked by participations or capital ties other than those referred to in paragraphs (1) and ~~(2)~~ (4) of Article 18 of the CRR.

...

~~*Article 12(1) relationship*~~

~~means a relationship where undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.~~

...

*Article 22(7) relationship*

means a relationship where undertakings are linked by a relationship within the meaning of Article 22(7) of Directive 2013/34/EU.

...

*Article 109 undertaking*

means a UK bank, a building society, a UK designated investment firm, a PRA approved parent holding company, a PRA designated parent holding company, a PRA approved intermediate holding company, a PRA designated intermediate holding company, or a PRA designated institution.

...

Key function holder

(1) means any person who is responsible for discharging a key function;

(2) in the Regulatory Reporting Part, means an individual who has significant influence over the direction of the activities of the branch, but who is neither a member of the management body nor the CEO.

...

*PRA approved parent holding company*

means an EEA parent financial holding company or EEA parent mixed financial holding company that is approved under Part 12B of FSMA.

...

*PRA designated parent holding company*



means an EEA parent financial holding company or EEA parent mixed financial holding company that is designated under Part 12B of FSMA.

...

PRA approved intermediate holding company

means a financial holding company or mixed financial holding company within the meaning of points (20) and (21) respectively of Article 4(1) of the CRR that this not an EEA parent financial holding company or an EEA parent mixed financial holding company and that is approved under Part 12B of FSMA.

...

PRA designated intermediate holding company

means a financial holding company or mixed financial holding company within the meaning of points (20) and (21) respectively of Article 4(1) of the CRR that this not an EEA parent financial holding company or an EEA parent mixed financial holding company and that is designated under Part 12B of FSMA.

...

PRA designated institution

means a CRR firm that is designated under Part 12B of FSMA or regulation 5(5) of the Financial Holding Companies (Approval etc.) and Capital Requirements (Capital Buffers and Macro-prudential Measures) (Amendment) (EU Exit) Regulations 2020.

...

**PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V)  
INSTRUMENT 2020**

**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) section 192V (Rules imposing consolidated requirements).
- 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Capital Buffers (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Capital Buffers (Capital Requirements Directive V) Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

## Amendments to the Capital Buffers Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part, save for Chapter 4, applies to ~~every firm that is a CRR firm~~ Article 109 undertakings and references to a firm in Chapters 2-3 should, as appropriate, be read to include all Article 109 undertakings.

1.1A Chapter 4 applies to every firm that is a CRR firm.

...

## 4 CAPITAL CONSERVATION MEASURES

---

Combined buffer

4.1 A firm does not meet the *combined buffer* if the *common equity tier 1 capital* maintained by the firm which is not used to meet the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the CRR does not meet the *combined buffer*.

[Note: ~~Art 129(5) (part) and 130(5) (part)~~ Art 128 (part) and Art 141a of the CRD]

...

4.3 ...

(4) A firm must calculate the *MDA* by multiplying the sum calculated in accordance with (5) by the factor determined in accordance with (6). The *MDA* shall be reduced by any amount resulting from any of the actions referred to in point (a), (b) or (c) of (2).-

(5) The sum to be multiplied in accordance with (4) shall consist of:

(a) any interim profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the CRR ~~that have been generated since the most recent decision on the net of any~~ distribution of profits or any of payment resulting from the actions referred to in points (a), (b) or (c) of (2);

plus

(b) any year-end profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the CRR ~~that have been generated since the most recent decision on the net of any~~ distribution of profits or any of payment resulting from the actions referred to in points (a), (b) or (c) of (2);

minus

(c) amounts which would be payable by tax if the items specified in points (a) and (b) were to be retained.

(6) The factor referred to in (4) shall be determined as follows:

- (a) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the first (that is, the lowest) quartile of the *combined buffer*, the factor shall be 0;
- (b) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the second quartile of the *combined buffer*, the factor shall be 0.2;
- (c) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount* is within the third quartile of the *combined buffer*, the factor shall be 0.4; and
- (d) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet any of the ~~own funds requirement~~ capital requirements under paragraphs (a), (b) and (c) of Article 92(1)(e) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the fourth (that is, the highest) quartile of the *combined buffer*, the factor shall be 0.6.

...

## 5 APPLICATION ON AN INDIVIDUAL BASIS AND CONSOLIDATED BASIS

---

...

5.3 ~~A UK bank or building society controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State PRA approved parent holding company, a PRA designated parent holding company, a PRA designated intermediate holding company or a PRA designated institution responsible for meeting CRR requirements on a consolidated basis must comply with this Part on the basis of the consolidated situation of that holding company a consolidated basis, if the PRA is responsible for supervision of the UK bank or building society on a consolidated basis under Article 111 of the CRD.~~

5.4 ~~A UK designated investment firm controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State must comply with this Part on the basis of the consolidated situation of that holding company, if:~~

~~(1) there is no subsidiary of the holding company which is a credit institution to which 5.3 applies; and~~

~~(2) the PRA is responsible for the supervision of the UK designated investment firm on a consolidated basis under Article 111 of the CRD.~~

[Deleted.]

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*, ~~have~~has an *institution* or *financial institution* as a *subsidiary* in a *third country* or holds a *participation* in such an *institution* or *financial institution*.

Extent and manner of prudential consolidation

- 5.6 If this Part applies to ~~a firm~~ an Article 109 undertaking on a *consolidated basis* or on a *sub-consolidated basis*, the ~~firm~~ Article 109 undertaking must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Four and Part Seven of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.

[Note: Art 129(1) (part) and 130(1) (part) of the CRD]

**PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V)  
No2 INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Capital Buffers (Capital Requirements Directive V) No2 Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on IP completion day, as defined in the European Union (Withdrawal Agreement) Act 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Capital Buffers (Capital Requirements Directive V) No2 Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

## Amendments to the Capital Buffers Part

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

...

#### 4 CAPITAL CONSERVATION MEASURES

---

...

~~Restrictions on distributions~~

- 4.2 ~~A firm that meets the combined buffer must not make a distribution in connection with common equity tier 1 capital to an extent that would decrease its common equity tier 1 capital to a level where the combined buffer is no longer met.~~

[Note: Art 141(1) of the CRD]

[Deleted.]

4.3 ...

- (5) The sum to be multiplied in accordance with (4) shall ~~consist of:~~ be the sum of the profits earned in each of the past four calendar quarters less, in each case:
- (a) any distributions of profits or payments resulting from the actions referred to in points (a), (b) or (c) of (2), or
  - (b) amounts which would be payable by tax if the undistributed profits of the past four calendar quarters were to be retained.
- ~~(a) any interim profits not included in common equity tier 1 capital pursuant to Article 26(2) of the CRR net of any distribution of profits or any payment resulting from the actions referred to in points (a), (b) or (c) of (2);~~
- plus
- ~~(b) any year-end profits not included in common equity tier 1 capital pursuant to Article 26(2) of the CRR net of any distribution of profits or any payment resulting from the actions referred to in points (a), (b) or (c) of (2);~~
- minus
- ~~(c) amounts which would be payable by tax if the items specified in points (a) and (b) were to be retained.~~

...

**PRA RULEBOOK: CRR FIRMS: ARRANGEMENTS, PROCESSES AND MECHANISMS  
(CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

**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) section 192V (Rules imposing consolidated requirements).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Arrangements, Processes and Mechanisms (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Arrangements, Processes and Mechanisms (Capital Requirements Directive V) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020



## Annex A

## Amendments to the Group Risk Systems Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to a *CRR firm* that is a member of a *group* save that 2.3 applies to an *Article 109 undertaking*.

...

1.3 In this Part, the following definitions shall apply:

*group*

means, in relation to a *person* ("A"), A and any *person*:

...

(2) who has an *Article 12(4) 22(7) relationship* with A;

(3) who has an *Article 12(4) 22(7) relationship* with any *person* in (1);

...

...

## 2 GROUP SYSTEMS AND CONTROLS

---

...

2.3 An *Article 109 undertaking firm* must comply with 2.1(2) in relation to any *UK consolidation group* or *non-EEA sub-group* of which it is a member, as well as in relation to its *group*.

[Note: Art 109(2) of the *CRD*]

...

## Annex B

### 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

---

1.1 This Part applies to ~~every firm that is~~ a *CRR firm* ~~save that 14.4A to 14.10, 14.12, 14.12A, 14.13, 14.15 and 14.16 apply, as appropriate, to an Article 109 undertaking.~~

1.2 In this Part the following definitions shall apply:

...

*group*

means in relation to a *person* ("A"), A and any *person*:

...

(c) who has a ~~Article 12(1) 22(7)~~ relationship with A;

(d) who has a ~~Article 12(1) 22(7)~~ relationship with any *person* who falls into (a);

...

...

#### 3 STRATEGIES, PROCESSES AND SYSTEMS

---

Overall Pillar 2 rule

3.1 A *firm* must have in place sound, effective and comprehensive strategies, processes and systems:

...

(3) to ensure that the *firm's own funds* can absorb potential losses resulting from stress scenarios, including those identified under the supervisory stress test.

Additional Notes

[Note: Art 73 (part) and Art 104b (part) of the *CRD*]

...

#### 10 OPERATIONAL RISK

---

10.1 A *firm* must implement policies and processes to evaluate and manage the exposure to operational risk, including model risk and risks resulting from outsourcing and to cover low-

frequency high severity events. Without prejudice to the definition of *operational risk*, a firm must articulate what constitutes *operational risk* for the purposes of those policies and procedures.

[Note: Art 85(1) of the CRD]

...

## 14 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS, A CONSOLIDATED BASIS AND A SUB-CONSOLIDATED BASIS

---

### The ICAAP rules

...

14.4 ~~A firm controlled by a parent mixed financial holding company in a Member State or a parent mixed financial holding company in a Member State must comply with the ICAAP rules on the basis of the consolidated situation of that holding company, if the PRA is responsible for supervision of the firm on a consolidated basis under Article 111 of the CRD.~~[Deleted]

14.4A A PRA approved parent holding company or a PRA designated parent holding company must comply with the ICAAP rules on the basis of its consolidated situation and a PRA designated intermediate holding company or a PRA designated institution responsible for meeting CRR requirements on a consolidated basis must comply with the ICAAP rules on the basis of the consolidated situation of its parent financial holding company in a Member State or parent mixed financial holding company in a Member State.

14.4B A PRA designated institution controlled by a parent financial holding company in a Member State or a parent mixed financial holding company in a Member State must comply with the ICAAP rules on the basis of the consolidated situation of that holding company, if the PRA is responsible for supervision of the firm on a consolidated basis under Article 111 of the CRD.

[Note: Art 108(2) of the CRD]

14.5 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 the ICAAP rules 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 or an asset management company as a subsidiary in a third country or holds a participation in such an undertaking.

[Note: Art 108(4) of the CRD]

14.6 If the ICAAP rules apply to ~~a firm~~ an Article 109 undertaking on a consolidated basis or on a sub-consolidated basis ~~the firm~~ that person must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in ~~Parts Two to Four and Part Seven~~ Parts Two to Four and Part Seven of the CRR on a consolidated basis or sub-consolidated basis.

14.7 For the purpose of the ICAAP rules as they apply on a consolidated basis or on a sub-consolidated basis:

- (1) the ~~firm~~ Article 109 undertaking must ensure that the consolidation group or sub-consolidation group has the processes, strategies and systems required by the overall Pillar 2 rule in 3.1;

...

- (3) the reference in the overall Pillar 2 rule in 3.1 to amounts and types of financial resources, *own funds* and internal capital (referred to in this *rule* as resources) must be read as being to the amounts and types that the ~~firm~~ Article 109 undertaking considers should be held by the members of the consolidation group or sub-consolidation group;

...

- (7) ~~a firm~~ an Article 109 undertaking must be able to explain how it has aggregated the risks referred to in the overall Pillar 2 rule in 3.1 and the financial resources, *own funds* and internal capital required by each member of the consolidation group or sub-consolidation group; and

- (8) in particular, to the extent that the transferability of resources affects the assessment in (2), ~~a firm~~ an Article 109 undertaking must be able to explain how it has satisfied itself that resources are transferable between members of the group in question in the stressed cases and the scenarios referred to in the general stress test and scenario analysis rule in 12.1.

14.8 ~~A firm~~ An Article 109 undertaking must allocate the total amount of financial resources, *own funds* and internal capital identified as necessary under the overall Pillar 2 rule in 3.1 (as applied on a consolidated basis or on a sub-consolidated basis) between different parts of the consolidation group or sub-consolidation group.

14.9 The ~~firm~~ Article 109 undertaking must carry out the allocation in 14.8 in a way that adequately reflects the nature, level and distribution of the risks to which the consolidation group or sub-consolidation group is subject.

14.10 ~~A firm~~ An Article 109 undertaking must also carry out the allocation in 14.8 in a way that:

- (a) takes into account the nature, level and distribution of the risks between all entities within the consolidated group or sub-consolidation group; and
- (b) ensures the amount allocated to each ~~firm~~ Article 109 undertaking adequately reflects the risks to which that ~~firm~~ Article 109 undertaking is exposed on an individual basis.

...

#### **Level of application of the overall financial adequacy rule**

14.12 Where a firm, a PRA approved parent holding company, a PRA designated parent holding company, a PRA designated intermediate holding company or a PRA designated institution is responsible for meeting CRR requirements on a consolidated basis, ~~is a member of a consolidation group, the firm~~ it must ensure that the risk management processes and internal control mechanisms at the level of the consolidation group of which it is a member comply with the obligations meet the standards set out in the *risk control rules* on a consolidated basis (~~or a sub-consolidated basis~~).

14.12A Where 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* is responsible for meeting *CRR* requirements on a *sub-consolidated basis*, it must ensure that the risk management processes and internal control mechanisms at the level of the *sub-consolidation group* of which it is a member meet the standards set out in the *risk control rules on a sub-consolidated basis*.

14.13 Compliance with the obligations referred to in 14.12 and 14.12A must enable the *consolidation group or sub-consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) (part) of the *CRD*]

...

14.15 The overall financial adequacy rule in 2.1 applies to an ~~*firm*~~ *Article 109 undertaking* on a *consolidated basis* if the *ICAAP rules* apply to it on a *consolidated basis* and applies to an ~~*firm*~~ *Article 109 undertaking* on a *sub-consolidated basis* if the *ICAAP rules* apply to it on a *sub-consolidated basis*.

14.16 When the overall financial adequacy rule in 2.1 applies on a *consolidated basis* or *sub-consolidated basis*, the ~~*firm*~~ *Article 109 undertaking* must ensure that at all times its *consolidation group or sub-consolidation group* maintains overall financial resources, including *own funds* and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that the liabilities of any members of its *consolidation group or sub-consolidation group* cannot be met as they fall due.

## Annex C

## Amendments to the Internal Liquidity Adequacy Assessment Part

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

## 1 APPLICATION AND DEFINITIONS

---

- 1.1 This Part applies to a *CRR firm* save that 14.2, 14.2A, 14.3, 14.6, 14.6A, 14.7 and 14.8 apply, as appropriate, to an Article 109 undertaking.

...

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

---

...

- 14.2 Where a *firm*, a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA designated intermediate holding company* or a *PRA designated institution* is a member of a *consolidation group*, ~~the firm~~ that person must ensure that the arrangements, processes and mechanisms at the level of the *consolidation group* of which it is a member comply with the obligations set out in 3 – 13 on a *consolidated basis*.

- 14.2A Where 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* is a member of a *sub-consolidation group*, that person must ensure that the arrangements, processes and mechanisms at the level of the *sub-consolidation group* of which it is a member comply with the obligations set out in 3 – 13 on a *sub-consolidated basis*.

- 14.3 Compliance with 14.2 and 14.2A must enable the *consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) (part) of the CRD]

...

- 14.6 A *PRA designated institution* that is a ~~A~~ *UK bank* or *building society* controlled by an *EEA parent financial holding company* or by an *EEA parent mixed financial holding company* must comply with this Part on the basis of the *consolidated situation* of that holding company if the *PRA* is responsible for supervision of the *UK bank* or *building society* on a *consolidated basis* under Article 111 of the *CRD*.

- 14.6A A *PRA approved parent holding company* or a *PRA designated parent holding company* must comply with this Part on the basis of its *consolidated situation* and a *PRA designated intermediate holding company* responsible for compliance with the *CRR* on a *consolidated basis* must comply with this Part on the basis of the *consolidated situation* of the *EEA parent financial holding company* or *EEA parent mixed financial holding company*.

- 14.7 *A PRA designated institution that is a UK designated investment firm controlled by an EEA parent financial holding company or by an EEA parent mixed financial holding company must comply with this Part on the basis of the consolidated situation of that holding company if:*
- (1) there is no *subsidiary* of the holding company which is a *credit institution* to which 14.6 applies; and
  - (2) the *PRA* is responsible for the supervision of the *UK designated investment firm* on a *consolidated basis* under Article 111 of the *CRD*.
- 14.8 If this Part applies to ~~a firm~~ *an Article 109 undertaking* on a *consolidated basis* or on a *sub-consolidated basis*, the *Article 109 undertaking* ~~firm~~ must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Part Six of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.

## Annex D

## Amendments to the Risk Control Part

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

...

#### 4 GROUP ARRANGEMENTS

---

- 4.1 Where an Article 109 undertaking firm is a member of a consolidation group or a sub-consolidation group, ~~the firm it~~ must ensure that the risk management processes and internal control mechanisms at the level of the consolidation group or sub-consolidation group of which it is a member comply with the obligations set out in 2.3, 2.7 and Chapter 3 on a consolidated basis or a sub-consolidated basis.
- 4.1A ~~If~~ Where this Part applies to a ~~firm~~ on a consolidated basis or on a sub-consolidated basis, the ~~firm~~ an Article 109 undertaking must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the CRR on a consolidated basis or sub-consolidated basis.
- 4.2 Compliance with the obligations referred to in 4.1 must enable the consolidation group or sub-consolidation group to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the CRD]



## Annex E

## Amendments to the Skills, Knowledge and Expertise Part

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

...

## 6 GROUP ARRANGEMENTS

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...

- 6.1 Where an Article 109 undertaking ~~firm~~ is a member of a consolidation group or a sub-consolidation group, it ~~the firm~~ must ensure that the risk management processes and internal control mechanisms at the level of the consolidation group or sub-consolidation group of which it is a member comply with the obligations set out in 3.2 on a consolidated basis or a sub-consolidated basis.
- 6.1A ~~If~~ ~~Where~~ this Part applies to a ~~firm~~ on a consolidated basis or on a sub-consolidated basis, ~~the firm~~ an Article 109 undertaking must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the CRR on a consolidated basis or a sub-consolidated basis.
- 6.2 Compliance with the obligations referred to in 6.1 must enable the consolidation group or sub-consolidation group to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the CRD]

**PRA RULEBOOK: CRR FIRMS: CREDIT RISK INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Credit Risk Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 28 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Credit Risk Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

**Annex****Amendments to the Credit Risk Part**

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

...

**4 CRITERIA FOR CERTAIN EXPOSURES SECURED BY MORTGAGES ON COMMERCIAL IMMOVABLE PROPERTY**

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4.1 For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat *exposures* as fully and completely secured by mortgages on commercial immovable property located in the *UK* in accordance with Article 126 of the *CRR* only where annual average *losses* stemming from lending secured by mortgages on commercial property located in the *UK* do not exceed 0.5% of risk-weighted exposure amounts over a representative period. A *firm* shall calculate the loss level referred to in this rule on the basis of the aggregate market data for commercial property lending published by the *PRA* in accordance with ~~Article 101(3)~~ Article 430a(3) of the *CRR*.

4.1A For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat an *exposure* or any part of an *exposure* that is located in a jurisdiction that is not an *EEA State* as fully and completely secured for the purposes of Article 126 (1) of the *CRR* only if all of the following conditions are met:

- (1) annual average losses stemming from lending secured by mortgages on commercial property located in that jurisdiction did not exceed 0.5% of the exposure value over a representative period where:
  - (a) there is sufficient evidence that the data used to determine the loss level referred to in this rule are of the same or better quality as the data required to be published under ~~Article 101(3)~~ Article 430a(3) of the *CRR*; and
  - (b) it is reasonable to rely on such data;

...

**PRA RULEBOOK: CRR FIRMS: GROUPS (CAPITAL REQUIREMENTS DIRECTIVE V)  
INSTRUMENT 2020**

**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); and
  - (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 instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Groups (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Groups (Capital Requirements Directive V) Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

### Amendments to the Groups Part

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

#### 1 APPLICATION AND DEFINITIONS

---

...

1.2

...

##### **intermediate EU parent undertaking**

means a parent undertaking with its head office in one of the EEA states.

...

#### 2 METHODS OF PRUDENTIAL CONSOLIDATION

---

2.1 (1) In 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 an:

(a) ~~Article 12(1)~~22(7) relationship; or

...

...

[Note: Art 18(3) and (6) of the *CRR*]

2.2 In 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 ~~include the proportion of~~ 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.

[Note: Art 18(4) of the *CRR*]

2.3 In 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 ~~a full consolidation~~ of any undertaking with whom it has an *Article 18(5) relationship*.

[Note: Art 18(5) of the *CRR*]

...

#### 4 INTERMEDIATE PARENT UNDERTAKINGS

---

4.1 (1) Subject to (2), this chapter applies to every firm that is an institution where both of the following tests are met:

(a) the firm belongs to a third country banking and investment group that includes the firm and at least one other institution in the EU; and

(b) the total value of the assets in the EU of the third country banking and investment group to which the firm belongs is equal to or greater than 40 billion euros, calculated in accordance with 4.3.

(2) This chapter shall not apply to a firm if it is a member of a third country banking and investment group operating through more than one institution in the EU that had total assets in the EU equal to or greater than 40 billion euros on 27 June 2019.

4.2 A firm referred to in 4.1 must have a single intermediate EU parent undertaking that is either:

(1) a credit institution authorised in accordance with Article 8 CRD;

(2) a financial holding company or mixed financial holding company approved in accordance with Article 21a CRD; or

(3) where none of the institutions subject to 4.1 is a credit institution, an investment firm that is authorised in accordance with Article 5.1 MiFID and is subject to BRRD.

4.3 The calculation in 4.1(1)(b) shall be as follows:

(1) The total value of the assets in the EU of the third country banking and investment group is the sum of:

(a) the total value of the assets of each institution in the EU belonging to the third country banking and investment group; and

(b) the total value of the assets of each branch of the third country banking and investment group authorised in the EU in accordance with CRD, MiFIDII or MiFIR.

(2) The total value of the assets of an institution shall be assessed:

(a) if the institution is at the head of a consolidation group, on the basis of its own consolidated situation; and otherwise

(b) on an individual basis.

(3) In making this calculation no asset or value of an asset shall be double counted.

**PRA RULEBOOK: CRR FIRMS: GROUPS (CAPITAL REQUIREMENTS DIRECTIVE V) (No 2)  
INSTRUMENT 2020**

**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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Groups (Capital Requirements Directive V) (No 2) Instrument 2020**

- D. The PRA makes the rules in the Annex to this instrument, amending the Groups Part of the Rulebook.

**Commencement**

- E. This instrument comes into force on IP Completion Day, as defined in the European Union (Withdrawal Agreement) Act 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Groups (Capital Requirements Directive V) (No 2) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

## Amendments to the Groups Part

In this Annex, there is no new text and deleted text is struck through.

....

## 1 APPLICATION AND DEFINITIONS

---

...

### 1.2

...

#### ***intermediate EU parent undertaking***

means

~~a parent undertaking with its head office in one of the EEA states.~~

....

## 4 INTERMEDIATE PARENT UNDERTAKINGS

---

4.1 (1) Subject to (2), this chapter applies to every *firm* that is an *institution* where both of the following tests are met:

~~(a) the *firm* belongs to a *third country banking and investment group* that includes the *firm* and at least one other *institution* in the *EU*; and~~

~~(b) the total value of the assets in the *EU* of the *third country banking and investment group* to which the *firm* belongs is equal to or greater than 40 billion euros, calculated in accordance with 4.3.~~

~~(2) This chapter shall not apply to a *firm* if it is a member of a *third country banking and investment group* operating through more than one *institution* in the *EU* that had total assets in the *EU* equal to or greater than 40 billion euros on 27 June 2019.~~

4.2 A *firm* referred to in 4.1 must have a single *intermediate EU parent undertaking* that is either:

~~(1) a *credit institution* authorised in accordance with Article 8 *CRD*; or~~

~~(2) a *financial holding company* or *mixed financial holding company* approved in accordance with Article 21a *CRD*; or~~

~~(3) where none of the *institutions* subject to 4.1 is a *credit institution*, an *investment firm* that is authorised in accordance with Article 5.1 *MiFID* and is subject to *BRRD*.~~

4.3 The calculation in 4.1 (1) (b) shall be as follows:

~~(1) The total value of the assets in the *EU* of the *third country banking and investment group* is the sum of:~~

~~(a) the total value of the assets of each *institution* in the *EU* belonging to the *third country banking and investment group*; and~~



- ~~\_\_\_\_\_ (b) the total value of the assets of each branch of the *third country banking and investment group* authorised in the *EU* in accordance with *CRD, MiFIDII* or *MiFIR*.~~
- ~~\_\_\_\_\_ (2) The total value of the assets of an *institution* shall be assessed:~~
  - ~~\_\_\_\_\_ (a) if the *institution* is at the head of a *consolidation group*, on the basis of its own consolidated situation; and otherwise~~
  - ~~\_\_\_\_\_ (b) on an individual basis.~~
- ~~\_\_\_\_\_ (3) In making this calculation no asset or value of an asset shall be double counted.~~

**PRA RULEBOOK: CRR FIRMS: INTEREST RATE RISK ARISING FROM NON TRADING  
ACTIVITIES INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Interest Rate Risk Arising from Non Trading Activities Instrument  
2020**

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

**Commencement**

- E. This instrument comes into force on 31 December 2021.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Interest Rate Risk Arising from Non Trading Activities Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

## Amendments to the Internal Capital Adequacy Assessment Part

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

## Internal Capital Adequacy Assessment

## 1 Application and Definitions

---

...

1.2 In this Part the following definitions shall apply:

...

credit spread risk

means the risk driven by changes in the market perception about the price of credit risk, liquidity premium and potentially other components of credit-risky instruments inducing fluctuations in the price of credit risk, liquidity premium and other potential components, which is not explained by interest rate risk arising from non-trading book activities or by expected credit/(jump-to-) default risk.

EVE

means the economic value of equity of a firm.

option risk

means risk arising from option derivative positions or from optional elements embedded in a firm's assets, liabilities and off-balance sheet items, where the firm or its counterparty can alter the level and timing of their cash flows.

## 9 INTEREST RATE RISK ARISING FROM NON-TRADING BOOK ACTIVITIES

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General requirements

9.1 A firm must implement systems to identify, evaluate and manage the risk arising from potential changes in interest rates that affect a firm's non-trading activities including the risks of such changes impacting either or both of the following:

- (1) the economic value of the firm's non-trading activities;
- (2) the earnings in respect of the firm's non-trading activities.

9.1A A firm must in addition implement systems to monitor and assess credit spread risk in respect of its non-trading activities.

9.1B As an alternative to implementing internal systems under 9.1(1), and only where appropriate to its nature, size and complexity as well as business activities and overall risk profile, a firm may elect to implement the standardised framework set out in 9.13 to 9.43 to identify, evaluate and manage the risk arising from potential changes in interest rates that affect the economic value of the firm's non-trading activities.

- 9.1C A *firm* shall notify the *PRA* prior to any implementation of the standardised framework pursuant to 9.1B or, if it elects to cease implementing the standardised framework, prior to doing so.
- 9.2 As part of its obligations under the overall Pillar 2 rule in 3.1, a *firm* must carry out an evaluation of its exposure to the interest rate risk arising from its non-trading activities, including an evaluation of its exposure to risk arising from potential changes in interest rates that affect either or both of the following:
- (1) the economic value of the *firm*'s non-trading activities;
  - (2) the earnings in respect of the *firm*'s non-trading activities.
- ~~9.3 The evaluation under 9.2 must cover the effect of a sudden and unexpected change in interest rates of 200 basis points in both directions. [Deleted.]~~
- ~~9.4 A *firm* must immediately notify the *PRA* if any evaluation under this rule suggests that, as a result of the change in interest rates described in 9.3, the economic value of the *firm* would decline by more than 20% of its own funds. [Deleted.]~~
- 9.4A A *firm* must regularly carry out an evaluation in respect of the interest rate shock scenarios in 9.7 and immediately notify the *PRA* if any evaluation under this rule indicates that, as a result of the application of the interest rate scenarios in 9.7, the *EVE* would decline by more than 15% of the sum of its *common equity tier one capital* and its *additional tier one capital*.
- 9.5 A *firm* must carry out the evaluation under 9.2 as frequently as necessary for it to be reasonably satisfied that it has at all times a sufficient understanding of the degree to which it is exposed to the risks referred to in 9.2 and the nature of that exposure. In any case it must carry out those evaluations no less frequently than once a year.
- 9.6 A *firm*'s *management body* must oversee and approve the *firm*'s risk appetite and risk management framework for managing interest rate risk from non-trading book activities.

#### Interest rate shock scenarios

- 9.7 For the purposes of the evaluation in 9.4A, a *firm* must apply the following prescribed interest rate scenarios to all material currencies as determined in 9.8:
- scenario 0: current interest rates;
- scenario 1: parallel shock up;
- scenario 2: parallel shock down;
- scenario 3: steepener shock (short rates down and long rates up);
- scenario 4: flattener shock (short rates up and long rates down);
- scenario 5: short rates shock up; and
- scenario 6: short rates shock down.
- 9.8 For the purposes of 9.7 and 9.15, a *firm* shall determine which currencies are material currencies using the following tests:
- (1) each currency that has non-trading book assets in that currency more than 5% of total non-trading book assets shall be a material currency;
  - (2) where the sum of non-trading book assets in material currencies as identified under (1) does not exceed 90% of total non-trading book assets, a *firm* must select additional currencies to be deemed material currencies such that the sum of non-

trading book assets in material currencies as identified under (1) and (2) is at least 90% of total non-trading book assets;

- (3) each currency that has non-trading book liabilities in that currency more than 5% of total non-trading book liabilities shall be a material currency; and
- (4) where the sum of non-trading book liabilities in material currencies as identified under (3) does not exceed 90% of total non-trading book liabilities, a firm must select additional currencies to be deemed material currencies such that the sum of non-trading book liabilities in material currencies as identified under (3) and (4) is at least 90% of total non-trading book liabilities.

9.9 For the interest rate scenarios specified in 9.7, a firm shall determine the change to interest rates in accordance with the following formulae:

for scenario 0:  $\Delta R_c(t_k) = 0$

for scenario 1:  $\Delta R_c(t_k) = +\bar{R}_c^{parallel}$

for scenario 2:  $\Delta R_c(t_k) = -\bar{R}_c^{parallel}$

for scenario 3:  $\Delta R_c(t_k) = -0.65 \cdot |\Delta R_{short,c}(t_k)| + 0.9 \cdot |\Delta R_{long,c}(t_k)|$

for scenario 4:  $\Delta R_c(t_k) = +0.8 \cdot |\Delta R_{short,c}(t_k)| - 0.6 \cdot |\Delta R_{long,c}(t_k)|$

for scenario 5:  $\Delta R_c(t_k) = +\Delta R_{short,c}(t_k)$

for scenario 6:  $\Delta R_c(t_k) = -\Delta R_{short,c}(t_k)$

Where:

$c$  = the index that denotes currency;

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17 below;

$t_k$  = the bucket midpoint of bucket  $k$ , measured in years;

$\Delta R_c(t_k)$  = the change in interest rate at the point  $t_k$  for currency  $c$ ;

$\bar{R}_c^{parallel}$  = the prescribed parallel interest rate shock for currency  $c$  determined in accordance with column two of Table 1 in 9.11;

$\Delta R_{short,c}(t_k)$  = the change in short interest rate at the point  $t_k$  for currency  $c$  determined in accordance with the formulae in 9.10; and

$\Delta R_{long,c}(t_k)$  = the change in long interest rate at the point  $t_k$  for currency  $c$  determined in accordance with the formulae in 9.10.

9.10 For the purposes of 9.9, a firm shall determine the value of  $\Delta R_{short}(t_k)$  and  $\Delta R_{long}(t_k)$  in accordance with the following formulae:

(1) for  $\Delta R_{short,c}(t_k)$ :  $\Delta R_{short,c}(t_k) = +\bar{R}_{short,c} \cdot e^{-\frac{t_k}{x}}$

(2) for  $\Delta R_{long,c}(t_k)$ :  $\Delta R_{long,c}(t_k) = +\bar{R}_{long,c} \cdot \left(1 - e^{-\frac{t_k}{x}}\right)$

Where:

$c$  = the index that denotes currency;

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17 below;

$e$  = the mathematical constant that is the base of the natural logarithm;

$x = 4$ ;

$t_k$  = the bucket midpoint of bucket  $k$ , measured in years;

$\Delta R_{short,c}(t_k)$  = the change in short interest rate at the point  $t_k$  for currency  $c$ ;

$\Delta R_{long,c}(t_k)$  = the change in long interest rate at the point  $t_k$  for currency  $c$ ;

$\bar{R}_c^{short}$  = the prescribed short interest rate shock for currency  $c$  determined in accordance with column three of Table 1 in 9.11; and

$\bar{R}_c^{long}$  = the prescribed long interest rate shock for currency  $c$  determined in accordance with column four of Table 1 in 9.11.

9.11 For the purposes of 9.9, the interest rate shock scenarios for individual currencies are those in Table 1 below:

Table 1. Specified size of interest rate shocks for each currency (bps)

<b>Currency</b>	<b>Parallel</b>	<b>Short</b>	<b>Long</b>
ARS	400	500	300
AUD	300	450	200
BRL	400	500	300
CAD	200	300	150
CHF	100	150	100
CNY	250	300	150
EUR	200	250	100
GBP	250	300	150
HKD	200	250	100
IDR	400	500	350
INR	400	500	300
JPY	100	100	100
KRW	300	400	200
MXN	400	500	300
RUB	400	500	300
SAR	200	300	150
SEK	200	300	150

<u>SGD</u>	<u>150</u>	<u>200</u>	<u>100</u>
<u>TRY</u>	<u>400</u>	<u>500</u>	<u>300</u>
<u>USD</u>	<u>200</u>	<u>300</u>	<u>150</u>
<u>ZAR</u>	<u>400</u>	<u>500</u>	<u>300</u>

9.12 For material positions in currencies not listed in 9.11, a *firm* must use appropriate shocks for the scenarios listed in 9.7.

### Standardised Framework

#### Calculating Loss in Economic Value

9.13 Using the standardised framework, a *firm* shall carry out the evaluation in 9.1(1) by calculating the loss in *EVE* ( $EVE_{loss}$ ) in accordance with the following formula:

$$EVE_{loss} = \max_{i \in \{1,2,\dots,6\}} \left\{ \sum_{c: \Delta EVE_{i,c} > 0} \Delta EVE_{i,c} \right\}$$

Where:

$i$  = the index that denotes the interest rate shock scenarios in accordance with 9.15;

$c$  = the index that denotes the material currencies in accordance with 9.15; and

$\Delta EVE_{i,c}$  = the change in economic value in currency  $c$  for interest rate scenario  $i$  as calculated in accordance with 9.14.

9.14 For the purposes of 9.13, a *firm* must calculate the change in economic value in a given currency for a given interest rate scenario in accordance with the following formula:

$$\Delta EVE_{i,c} = NAO_{i,c} + KAO_{i,c}$$

Where:

$i$  = the index that denotes the interest rate shock scenarios in accordance with 9.15;

$c$  = the index that denotes the material currencies in accordance with 9.15;

$\Delta EVE_{i,c}$  = the change in economic value in currency  $c$  for interest rate scenario  $i$ ;

$NAO_{i,c}$  = the non-automatic *option risk* in currency  $c$  for interest rate scenario  $i$  as calculated in accordance with 9.16; and

$KAO_{i,c}$  = the automatic *option risk* in currency  $c$  for interest rate scenario  $i$  as calculated in accordance with 9.41.

9.15 For the purposes of 9.13 and 9.14, a *firm* must calculate the change in economic value in a given currency for a given interest rate scenario,  $\Delta EVE_{i,c}$ , for every possible pair of:

(1) interest rate scenarios,  $i$  in 9.7; and

(2) each material currency,  $c$  as determined in 9.8.

9.16 For the purposes of 9.14, a *firm* must calculate the non-automatic *option risk* in currency  $c$  for interest rate scenario  $i$  ( $NAO_{i,c}$ ) in accordance with the following formula:

$$NAO_{i,c} = \sum_{k=1}^{19} CF_{0,c}(k) \cdot DF_{0,c}(t_k) - \sum_{k=1}^{19} CF_{i,c}(k) \cdot DF_{i,c}(t_k)$$

Where:

$i$  = the index that denotes the interest rate shock scenarios in accordance with 9.15;

$c$  = the index that denotes the material currencies in accordance with 9.15;

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17;

$DF_{i,c}(t_k)$  (respectively  $DF_{0,c}(t_k)$ ) = the discount factor for bucket  $k$  in currency  $c$  for interest rate scenario  $i$  (respectively for interest rate scenario 0), calculated in accordance with 9.18; and

$CF_{i,c}(k)$  (respectively  $CF_{0,c}(k)$ ) = the net repricing cash flow for bucket  $k$  in currency  $c$  for interest rate scenario  $i$  (respectively for interest rate scenario 0), calculated in accordance with 9.19 to 9.40.

9.17 For the calculation of discount factors and notional repricing cash flows in 9.18 and 9.19, a firm must project all notional repricing cashflows on to the following bucket intervals or bucket midpoints:

Table 2

Time bucket intervals and mid points (M = months, Y = years)			
	Bucket number (k)	Bucket interval	Bucket midpoint
Short-term rates	1	Overnight	0.0028Y
	2	> Overnight and <= 1M	0.0417Y
	3	> 1M and <= 3M	0.1667Y
	4	> 3M and <= 6M	0.375Y
	5	> 6M and <= 9M	0.625Y
	6	> 9M and <= 1Y	0.875Y
	7	> 1Y and <= 1.5Y	1.25Y
	8	> 1.5Y and <= 2 Y	1.75Y
Medium-term rates	9	>2 Y and <= 3Y	2.5Y
	10	> 3Y and <= 4Y	3.5Y
	11	> 4Y and <= 5Y	4.5Y
	12	> 5Y and <= 6Y	5.5Y
	13	> 6Y and <= 7Y	6.5Y
Long-term rates	14	> 7Y and <= 8Y	7.5Y
	15	> 8Y and <= 9Y	8.5Y
	16	>9 Y and <= 10Y	9.5Y
	17	> 10Y and <= 15Y	12.5Y
	18	> 15Y and <= 20Y	17.5Y
	19	> 20Y	25Y

9.18 (1) For the purposes of 9.16, a firm must calculate the discount factor for bucket  $k$  in currency  $c$  for interest rate scenario  $i$  ( $DF_{i,c}(t_k)$ ) in accordance with the following formula:

$$DF_{i,c}(t_k) = e^{-R_{i,c}(t_k) \cdot t_k}$$

Where:

$i$  = the index that denotes the interest rate shock scenarios in accordance with 9.15;

$c$  = the index that denotes the material currencies in accordance with 9.15;

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17;



$e$  = the mathematical constant that is the base of the natural logarithm;

$t_k$  = the bucket midpoint of bucket  $k$  in accordance with Table 2 in 9.17; and

$R_{i,c}(t_k)$  = subject to (2), the risk-free zero coupon rate at bucket midpoint  $t_k$  in currency  $c$  for interest rate scenario  $i$ , including any commercial margin and other spread components.

- (2) A firm may elect to use the risk-free zero coupon rate  $R_{i,c}(t_k)$  excluding commercial margin and other spread components, provided the firm either (i) implements a prudent and transparent methodology for deducting commercial margins and other spread components from the initial repricing cash flows  $CF^a$  in 9.26 or (ii) determines that the effect of deducting commercial margins and other spread components is not material.

9.19 In accordance with 9.21, 9.22, 9.23 and 9.24, a firm must assign each interest rate risk position arising from non-trading activities to one of the following categories:

category 1: automatic interest rate options;

category 2: non-maturing deposits;

category 3: fixed rate loans with retail borrowers that are subject to prepayment risk;

category 4: term deposits by retail depositors subject to early redemption risk; and

category 5: other positions.

9.20 A firm must perform the allocation in 9.19 for all interest rate-sensitive non-trading book:

(1) assets, excluding assets that are:

(a) deducted from common equity tier one capital;

(b) fixed assets, including real estate and intangible assets; or

(c) equity exposures in the non-trading book;

(2) liabilities, including all non-remunerated deposits and excluding common equity tier one capital; and

(3) off-balance sheet items.

9.21 Under 9.19, term deposits that satisfy either of the following conditions may be treated as other positions in 9.19:

(1) the depositor has no legal right to withdraw the deposit; or

(2) an early withdrawal results in a significant penalty that at least compensates for the loss of interest between the date of withdrawal and the contractual maturity date and the economic cost of breaking the contract.

9.22 For the purposes of 9.19, and subject to 9.23, a firm must bifurcate any position with an embedded automatic interest rate option into two positions:

(1) a position excluding the embedded automatic interest rate option, which must be allocated to the other positions category in 9.19; and

(2) the embedded automatic interest rate option, which must be allocated to the category of automatic interest rate options in 9.19.

9.23 Where a firm is able to demonstrate that the embedded optionality is not material, the firm may choose not to perform the bifurcation in 9.22 and may directly allocate the position to the other positions category in 9.19.

9.24 For the purposes of 9.19, automatic interest rate options include:

- (1) term deposits by wholesale depositors that do not meet the conditions in 9.21;
- (2) wholesale fixed rate loans subject to prepayment risk; and
- (3) mortgage loans with embedded caps and/or floors.
- 9.25 For each position allocated to the categories 2 to 5 in 9.19, a firm must determine a set of initial repricing cash flows,  $CF^\alpha$ , per currency, in accordance with 9.26 and 9.27.
- 9.26 For each position, a firm must determine a set of initial repricing cash flows  $CF^\alpha$  as:
- (1) any repayment of principal;
- (2) any repricing of principal; and
- (3) any interest payment on a tranche of principal that has not yet been repaid or repriced.
- 9.27 A firm must determine the set of initial repricing cash flows  $CF^\alpha$  for floating rate positions as:
- (1) a series of coupon payments until the next repricing; and
- (2) a par notional cash flow at the point of the next repricing.
- 9.28 In accordance with 9.32 to 9.40 for each material currency  $c$  identified in accordance with 9.15 and for interest rate scenario  $i$ , a firm must allocate each notional repricing cash flow  $CF_{i,c}$  to one of the buckets in Table 2 in 9.17 based on the repricing date, where repricing date means the date of each repayment, repricing or interest payment.
- 9.29 A firm may first choose to split an initial repricing cash flow determined in 9.25,  $CF^\alpha$ , into two cash flows with tenors equal to the two bucket mid-point tenors in column 4 of Table 2 in 9.17 that are adjacent to the tenor of the initial repricing cash flow  $CF^\alpha$ .
- 9.30 Where a firm chooses to apply the methodology in 9.29, that firm must:
- (1) split each initial repricing cash flow determined in 9.25,  $CF^\alpha$  such that:
- (a) the sum of the resulting two cash flows is equal to the initial repricing cash flow,  $CF^\alpha$ ; and
- (b) the weighted average maturity of the resulting two cash flows equals the initial repricing cash flows' maturity; and
- (2) document the methodology that the firm implements to split cash flows.
- 9.31 For 9.16, the net repricing cash flow for bucket  $k$  in currency  $c$  for interest rate scenario  $i$ , ( $CF_{i,c}(k)$ ) shall be determined as the sum of  $CF_{i,c}$  as determined in 9.28 which:
- (1) are derived from initial repricing cash flows  $CF^\alpha$  that are allocated to currency  $c$  for interest rate scenario  $i$  in accordance with 9.28; and
- (2) allocated to bucket  $k$  in accordance with Table 2 in 9.17.

#### Non-maturing deposits

- 9.32 For non-maturing deposits as determined in 9.19, a firm must allocate each position into one of the following categories:
- (1) retail deposits defined as deposits placed with a firm by a natural person and where either regular transactions are carried out or the deposits are non-interest bearing;

- (2) any other deposits with a firm by a natural person which are not covered in (1); or
- (3) other deposits.

9.33 For the purposes of 9.32(1) deposits made by small businesses, legal entities, sole proprietorships or partnerships managed as retail exposures provided the total aggregated liabilities are less than £877,000 may also be treated as retail deposits.

9.34 For each category in 9.32, a firm must allocate each position to the following categories:

- (1) the core portion, consisting of deposits that are found to remain undrawn with a high degree of likelihood using data history of an appropriate length, and unlikely to reprice even under significant changes in the interest rate environment; and
- (2) the non-core portion, consisting of deposits not allocated to the core portion.

9.35 For non-maturing deposits as determined in 9.34, the notional repricing cash flows in currency  $c$  for each interest rate scenario  $i$ ,  $CF_{i,c}$ , must be:

- (1) for the core portion, the initial notional repricing cash flows  $CF_{i,c}^\alpha$  in currency  $c$  for interest rate scenario  $i$  with the firm's own estimates of tenors; and
- (2) for the non-core portion, the initial notional repricing cash flows  $CF_{i,c}^\alpha$  in currency  $c$  for interest rate scenario  $i$  with an overnight tenor.

9.36 For the allocation in 9.34 and the calculation of  $CF_i$  in 9.35, a firm must ensure that the proportion and average repricing date of core deposits is no greater than the caps in Table 3:

Table 3: Caps on core deposits

	<u>Cap on proportion of core deposits (%)</u>	<u>Cap on average repricing date of core deposits (years)</u>
<u>Transactional retail deposits (as referred to in 9.32(1))</u>	<u>90</u>	<u>5</u>
<u>Other retail deposits (as referred to in 9.32(2))</u>	<u>70</u>	<u>4.5</u>
<u>Other deposits (as referred to in 9.32(3))</u>	<u>50</u>	<u>4</u>

#### Fixed Rate Loans

9.37 For fixed rate loans with borrowers that are subject to prepayment risk as determined in 9.19, a firm must:

- (1) allocate each position to a single portfolio of homogeneous positions  $p$  denominated in a single currency  $c$ ;

(2) for each portfolio of homogeneous positions, determine and notify the PRA a baseline monthly conditional prepayment rate ( $CPR_{0,c}^p$ ) in currency  $c$  under the current term structure of interest rates;

(3) for each portfolio of homogeneous positions, determine the conditional prepayment rate in currency  $c$  for interest rate scenario  $i$ , ( $CPR_{i,c}$ ) in accordance with the following formula:

$$CPR_{i,c}^p = \min(1, \gamma_i \cdot CPR_{0,c})$$

where  $\gamma_i$  refers to the prescribed scalar multiplier for each interest rate shock scenarios given in Table 4 below.

Table 4

<u>Scenario number</u> $i$	<u>Interest rate shock scenarios</u>	$\gamma_i$ (scenario multiplier)
<u>0</u>	<u>Current interest rates</u>	<u>1</u>
<u>1</u>	<u>Parallel up</u>	<u>0.8</u>
<u>2</u>	<u>Parallel down</u>	<u>1.2</u>
<u>3</u>	<u>Steepener</u>	<u>0.8</u>
<u>4</u>	<u>Flattener</u>	<u>1.2</u>
<u>5</u>	<u>Short rate up</u>	<u>0.8</u>
<u>6</u>	<u>Short rate down</u>	<u>1.2</u>

(4) for each portfolio of homogeneous positions, determine the notional repricing cash flows  $CF_{i,c}$  allocated to bucket 1 in accordance with Table 2 in 9.17,  $CF_{i,c}(1)$ , in accordance with the following formula:

$$CF_{i,c}(1) = CF_{i,c}^\alpha(1) + 0.05 \cdot CPR_{i,c} \cdot N_i(0)$$

Where:

$CF_{i,c}^\alpha(1)$  = the initial repricing cash flows  $CF^\alpha$  for interest rate scenario  $i$  with tenor that corresponds to bucket 1 in accordance with Table 2 in 9.17; and

$N_i(0)$  = the notional currently outstanding before any repayments.

(5) for each portfolio of homogeneous positions, determine the notional repricing cash flows  $CF_{i,c}$  allocated to each bucket  $k$  in Table 2 where  $k > 1$ ,  $CF_{i,c}(k)$ , in accordance with the following recursive formula:

$$CF_{i,c}(k) = \min \left( \frac{CF_{i,c}^\alpha(k) + \min(1, W(k) \cdot CPR_{i,c}) \cdot N_i(k-1);}{\sum_{k=1}^{19} CF_{i,c}^\alpha(k) - \sum_{q=1}^{k-1} CF_{i,c}(q)} \right)$$

Where:

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17;

$W(k)$  = the width of bucket  $k$  measured in months and capped at 1200;

$CF_{i,c}^\alpha(k)$  = the initial repricing cash flows  $CF^\alpha$  in currency  $c$  for interest rate scenario  $i$  with tenor that corresponds to bucket  $k$ ;

$N(k - 1)$  = the notional outstanding after notional repricing cash flows in bucket  $k - 1$  have transpired; and

$\sum_{q=1}^{k-1} CF_{i,c}(q)$  = the sum of  $CF_i$  determined for preceding buckets 1 to  $k - 1$ .

9.38 For the purpose of 9.37, firms may adjust the formulas in 9.37 (4) and (5) to reflect a base monthly conditional prepayment rate  $CPR_{0,c}^p(k)$  that varies over the life of each loan in the portfolio. In that case, it is denoted as for each time bucket  $k$  or time bucket midpoint  $tk$  in accordance with Table 2 in 9.17.

Term Deposits Subject to Early Redemption Risk

9.39 For term deposits by depositors subject to early redemption risk as determined in 9.19, a firm must:

- (1) allocate each position to a single portfolio of homogeneous positions  $p$  denominated in each material currency  $c$ ;
- (2) for each portfolio of homogeneous positions, determine and notify the PRA a baseline term deposit redemption ratio ( $TDRR_{0,c}^p$ ) in currency  $c$  under the current term structure of interest rates;
- (3) for each portfolio of homogeneous loans, determine the conditional term deposit redemption ratio in currency  $c$  for interest rate scenario  $i$ , ( $TDRR_{i,c}^p$ ) in accordance with the following formula:

$$TDRR_{i,c}^p = \min(1, u_i \cdot TDRR_{0,c}^p)$$

where  $u_i$  refers to the prescribed scalar multiplier for each interest rate shock scenarios given in Table 5 below.

Table 5.

Scenario number ( $i$ )	Interest rate shock scenarios	$u_i$ (scenario multiplier)
0	Current interest rates	1
1	Parallel up	1.2
2	Parallel down	0.8
3	Steepener	0.8
4	Flattener	1.2
5	Short rate up	1.2
6	Short rate down	0.8

- (4) for each portfolio of homogeneous positions, determine the notional repricing cash flows  $CF_{i,c}$  allocated to bucket 1 in Table 2 in 9.17,  $CF_{i,c}(1)$ , in accordance with the following formula:

$$CF_{i,c}(1) = CF_{i,c}^\alpha(1) + TDRR_{i,c}^p \cdot TD_c$$

Where:

$CF_i^\alpha(1)$  = the initial repricing cash flows  $CF^\alpha$  in currency  $c$  for interest rate scenario  $i$  with tenor that corresponds to bucket 1 in accordance with Table 2 in 9.17; and

$TD_c$  = the total term deposits subject to early redemption for currency  $c$ .

- (5) for each portfolio of homogeneous positions, determine the notional repricing cash flows  $CF_i$  allocated to bucket  $k$  in Table 2 other than bucket 1,  $CF_i(k)$ , in accordance with the following formula:

$$CF_{i,c}(k) = CF_{i,c}^\alpha(k) \cdot (1 - TDRR_{i,c}^p)$$

Where:

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17; and

$CF_{i,c}^\alpha(k)$  = the initial repricing cash flows  $CF^\alpha$  in currency  $c$  for interest rate scenario  $i$  with tenor that corresponds to bucket  $k$ .

#### Other positions

- 9.40 For other positions as determined in 9.19, a firm must determine the notional repricing cash flows  $CF_{i,c}$  allocated to bucket  $k$  in Table 2 other than bucket 1,  $CF_i(k)$ , in accordance with the following formula:

$$CF_{i,c}(k) = CF_{i,c}^\alpha(k)$$

Where:

$k$  = the index that denotes the buckets in accordance with Table 2 in 9.17; and

$CF_{i,c}^\alpha(k)$  = the initial repricing cash flows  $CF_{i,c}^\alpha$  in currency  $c$  for interest rate scenario  $i$  with tenor that corresponds to bucket  $k$ .

#### Automatic interest rate options

- 9.41 For 9.14, and subject to 9.42, a firm must determine the automatic option risk in currency  $c$  for interest rate scenario  $i$  ( $KAO_{i,c}$ ) for all automatic interest rate options as determined in 9.19 and 9.22 in accordance with the following formula:

$$KAO_{i,c} = \sum_{p=1}^{n_c} \Delta FVAO_{i,c}^p - \sum_{q=1}^{m_c} \Delta FVAO_{i,c}^q$$

Where:

$n_c$  = the index that denotes the number of all sold automatic options in currency  $c$ ;

$m_c$  = the index that denotes the number of all bought automatic options in currency  $c$ ;

$\Delta FVAO_{i,c}^p$  = the change in value of sold automatic option  $p$  for interest rate scenario  $i$ , calculated in accordance with 9.43; and

$\Delta FVAO_{i,\epsilon}^q$  = the change in value of bought automatic option  $q$  for interest rate scenario  $i$ , calculated in accordance with 9.43.

- 9.42 A firm may choose to include in the calculation of  $\sum_{q=1}^{m_c} \Delta FVAO_{i,\epsilon}^q$  only bought automatic options that are used for hedging sold automatic interest rate options, provided that the firm must add to  $KAO_{i,\epsilon}$  in 9.41 the value of bought automatic options that are not for hedging sold automatic interest rate options that is included in the firm's own funds.
- 9.43 (1) For 9.41, a firm must calculate the change in value of sold automatic option  $p$  (respectively bought automatic option  $q$ ) for interest rate scenario  $i$  other than interest rate scenario 0,  $\Delta FVAO_{i,\epsilon}^p$  (respectively  $\Delta FVAO_{i,\epsilon}^q$ ), as the increase in value of the option to the option holder:
- (a) from the value of the option for interest rate scenario 0; and
  - (b) to the value of the option for interest rate shock scenario  $i$  with a relative increase in implied volatility of 25%.
- (2) For 9.41, a firm must set the change in value of sold automatic option  $p$  (respectively bought automatic option  $q$ ) for interest rate scenario 0,  $\Delta FVAO_{0,\epsilon}^p$  (respectively  $\Delta FVAO_{0,\epsilon}^q$ ), as 0.
- (3) A firm must notify the PRA of the methodology used to estimate the value of automatic options in (1).

**PRA RULEBOOK: CRR FIRMS: GENERAL ORGANISATIONAL REQUIREMENTS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

**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) section 192V (Rules imposing consolidated requirements).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: General Organisational Requirements (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: General Organisational Requirements (Capital Requirements Directive V) Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020



## Annex

### Amendments to the General Organisational Requirements Part

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

...

#### 5 MANAGEMENT BODY

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5.2 A *firm* must ensure that the members of the *management body* of the *firm*:

...

(6) act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of *senior management* where necessary and to effectively oversee and monitor management decision-making. Being a member of the management body of *affiliated companies* does not in itself constitute an obstacle to acting with independence of mind.

Additional Notes

[Note: Art. 91(1)-(2) and (7)-(8) of the *CRD* and Art. 9(1) and (4) of *MiFID II*]

...

#### 7 GROUP ARRANGEMENTS

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7.1 Where an *Article 109 undertaking*~~*firm*~~ is a member of a *consolidation group* or a *sub-consolidation group*, the *Article 109 undertaking*~~*firm*~~ must ensure that the governance arrangements, risk management processes and internal control mechanisms at the level of the *consolidation group* or *sub-consolidation group* of which it is a member comply with the obligations set out in 2.1, 2.6, Chapter 5 and Chapter 6 of this Part and 2.3 to 2.5 in the Related Party Transaction Risk Part on a *consolidated basis* or a *sub-consolidated basis*.

7.1A If this Part applies to an *Article 109 undertaking*~~*firm*~~ on a *consolidated basis* or on a *sub-consolidated basis*, the *Article 109 undertaking*~~*firm*~~ must carry out consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Parts Two to Eight of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.

...

[Note: Art 109(2) of the *CRD*]

**PRA RULEBOOK: CRR FIRMS: REPORTING PILLAR 2 (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

**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); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Reporting Pillar 2 (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Reporting Pillar 2 (Capital Requirements Directive V) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

**Annex**

**Amendments to the Reporting Pillar 2 Part**

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

**4 DATA ITEMS**

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...

4.7 FSA079 can be found ~~here~~ [here](#).

...

**PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: REGULATORY REPORTING – BRANCH REPORTING (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

**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); and
  - (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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Non CRR Firms: Regulatory Reporting – Branch Reporting (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Non CRR Firms: Regulatory Reporting – Branch Reporting (Capital Requirements Directive V) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

**Annex**  
**Amendments to the Regulatory Reporting Part**

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

...

**22     ~~Branch Return~~ Reporting**

...

22.4     A *third country firm* that is a *bank* must report the following information to the *PRA*:

(1) information on the liquid assets available to the *branch*, in particular the availability of liquid assets in *EEA state* currencies;

(2) the *own funds* that are at the disposal of the *branch*;

(3) the deposit protection arrangements available to depositors in the *branch*;

(4) the risk management arrangements;

(5) the governance arrangements, including *key function holders* for the activities of the *branch*; and

(6) the recovery plans covering the *branch*.

[Note: Article 47 (1a) of the *CRD*]

22.5     A *firm* must report the information set out in 22.4 annually. The information must be reported within 7 months from the end of the *firm's* financial year.

[Note: Article 47 (1a) of the *CRD*]

22.6     A *firm* must submit the information set out in 22.4 by email to their usual supervisory contact at the *PRA*. If the *firm* has already submitted the information in the context of another data request in relation to the *firm's* financial year, the *firm* can refer to that submission instead.

Externally defined glossary links	
Term	Definition source
<i>own funds</i>	Article 4 (1) (118) CRR

**PRA RULEBOOK: CRR FIRMS: RELATED PARTY TRANSACTION RISK (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020**

**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); and
  - (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 instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Related Party Transaction Risk (Capital Requirements Directive V) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 29 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Related Party Transaction Risk (Capital Requirements Directive V) Instrument 2020

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex

### Amendments to the Related Party Transaction Risk 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:

...

*related parties*

means in relation to a firm:

...

(h) direct and related interests of any *person* listed in (a) to (g) above, which includes a commercial entity in which a member of the *management body* or any of their *close family members*:

(i) has a *qualifying holding* of 10% or more of capital or of voting rights;

(ii) exercises significant influence;

(iii) holds a senior management position; or

(iv) is a member of management body; and

...

### Additional Notes

[Note: Art. 88(1) of the CRD]

...

## 2 RELATED PARTY TRANSACTION RISK

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...

2.5 A *firm* must provide the *PRA* with details on ~~aggregate~~ exposures to *related parties* if requested by the *PRA*. The details must be provided by the date set by the *PRA* at the time of the request.

...

### Additional Notes

[Note: Art. 88(1) of the CRD]



Part

**RELATED PARTY TRANSACTION RISK**

---

Externally defined glossary terms

<b>Term</b>	<b>Definition source</b>
<i>qualifying holding</i>	<i>Art. 4(1)(36) of the CRR</i>

**PRA RULEBOOK: CRR FIRMS: REMUNERATION (CAPITAL REQUIREMENTS DIRECTIVE V)  
INSTRUMENT 2020**

**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); and
  - (4) section 192V (Rules imposing consolidated requirements).
- 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Remuneration (Capital Requirements Directive V) Instrument 2020**

- D. The PRA makes the rules in Annexes A and B.

**Commencement**

- E. Annex A comes into force on 29 December 2020.
- F. Annex B comes into force on IP completion day, as defined in the European Union (Withdrawal Agreement) Act 2020.

**Citation**

- G. This instrument may be cited as the PRA Rulebook: CRR Firms: Remuneration (Capital Requirements Directive V) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

## Annex A

## Amendments to the Remuneration Part

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

...

## 1 APPLICATION AND DEFINITIONS

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...

1.3 In this Part, the following definitions shall apply:

...

### Article 273a(3) method

means the method for calculating the size of a firm's on- and off-balance- sheet derivative business set out in Article 273(a)(3) of CRR amended by point (73) of CRR2.

### average total assets

means the arithmetic mean of the firm's total assets over its last four accounting reference dates.

...

### consolidation group entity

means an *institution* or *financial institution* which is, ~~in relation to a CRR firm responsible for consolidation:~~

- (1) ~~the CRR firm~~ an undertaking responsible for consolidation;
- (2) ~~a subsidiary of the CRR firm~~ undertaking responsible for consolidation; or
- (3) where the consolidation group contains a PRA designated institution, a subsidiary of the EEA parent financial holding company or EEA parent mixed financial holding company by which the CRR firm responsible for consolidation PRA designated institution is controlled.

...

### control functions

has the meaning provided in Article 3 of the Material Risk Takers Regulation.

### CRR2

means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019.

### ~~CRR firm responsible for consolidation~~

~~means a CRR firm which is either:~~

- (1) ~~an EEA parent institution; or~~

~~(2) — controlled by an EEA parent financial holding company or by an EEA parent mixed financial holding company and to which supervision on a consolidated basis by the PRA applies in accordance with Article 111 of CRD.~~

...

group

has the meaning in section 421 FSMA.

...

higher paid material risk taker

means a material risk taker:

(a) whose annual variable remuneration exceeds 33% of their total remuneration, and

(b) whose total remuneration exceeds £500,000.

...

large institution

has the meaning provided in point 146 of Article 4 of the CRR.

...

managerial responsibility

has the meaning provided in Article 2 of the Material Risk Takers Regulation.

material business unit

has the meaning provided in Article 4 of the Material Risk Takers Regulation.

...

Material Risk Takers Regulation

means the draft regulatory technical standards on criteria to define managerial responsibility and control functions, a material business unit and a significant impact on its risk profile, and categories of staff whose professional activities have a material impact on an institution's risk profile published by the EBA on 18 June 2020, Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with

...

significant firm

means a firm which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities.

significant impact on the relevant business unit's risk profile

has the meaning provided in Article 5 of the *Material Risk Takers Regulation*.

small CRR firm

means a CRR firm that satisfies both Condition 1 and Condition 2, where:

(1) Condition 1 is that the firm is not a large institution and either:

- (a) has average total assets not exceeding €5 billion; or
- (b) the firm has average total assets exceeding €5 billion but not exceeding €15 billion;

and where (in the case of Condition 1(b)):

- (i) it is appropriate for the firm not to be required to comply with the rules specified in 5.3, taking into account the nature, scope, and complexity of its activities, its internal organisation and, if applicable, the characteristics of the group to which it belongs;
- (ii) the firm has a small trading book;
- (iii) the total value of the firm's derivative positions held with trading intent does not exceed 2% of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5%, both calculated in accordance with the Article 273a(3) method; and
- (iv) the firm is not subject to any obligations, or is subject to simplified obligations, in relation to recovery and resolution planning;

and

(2) Condition 2 is that the firm is not part of a group containing another firm which:

- (a) is subject to this Part on an individual basis; and
- (b) has average total assets exceeding €15 billion either on an individual basis, consolidated basis or sub-consolidated basis.

**[Note: Art. 94(3) and (4) of the CRD]**

small third country CRR firm

means a third country CRR firm that satisfies both Condition 1 and Condition 2, where

(1) Condition 1 is that the average total assets that relate to the activities of the branch operation of the third country CRR firm in the UK either:

- (a) do not exceed €5 billion; or
- (b) exceed €5 billion but do not exceed €15 billion;

and where (in the case of Condition 1(b)):

- (i) it is appropriate for the *third country CRR firm* not to be required to comply with the rules specified in 5.3, taking into account the nature, scope, and complexity of the activities and internal organisation of its *branch* operation in the *UK* and, if applicable, the characteristics of the *group* to which it belongs;
- (ii) the *firm's branch* operation in the *UK* has a *small trading book*; and
- (iii) the total value of the derivative positions held with trading intent relating to its *branch* operation in the *UK* does not exceed 2% of its total on- and off-balance-sheet assets and the total value of its overall derivative positions does not exceed 5%, both calculated in accordance with the *Article 273a(3) method*.

and

- (2) Condition 2 is that the *third country CRR firm* is not part of a *group* containing another *firm* which:
  - (a) is subject to this Part on an individual basis; and
  - (b) has *average total assets* exceeding €15 billion either on an individual basis, *consolidated basis* or *sub-consolidated basis*.

#### *small trading book*

means the size of the *firm's* (or for the purposes of a *small third country CRR firm*, the size relating to the activities of the *branch* operations in the *UK* of the *firm*) on- and off-balance-sheet trading-book business is equal to or less than both:

- (a) 5% of the *firm's* total assets; and
- (b) €50 million

on the basis of the assessment provided in Article 94 of the *CRR*, as amended by point (48) of Article 1 of *CRR2*.

...

#### *undertaking responsible for consolidation*

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

## **2 APPLICATION DATES AND TRANSITIONAL PROVISIONS**

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...

2.5 A firm must apply this Part to remuneration awarded in respect of a performance year starting on or after 29 December 2020.

2.6 A firm must apply this Part in accordance with 2.1 to 2.4 as it applied under those rules as of 28 December 2020 to remuneration awarded in respect of a performance year starting before 29 December 2020.

...

### 3 MATERIAL RISK TAKERS

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3.1 A firm must, save where otherwise stated, apply the requirements of this Part in relation to a person (a “material risk taker”) who is:

- (1) an *employee* of a *CRR firm* whose professional activities have a material impact on the *firm’s* risk profile, including: ~~any employee who is deemed to have a material impact on the firm’s risk profile in accordance with criteria set out in articles 3 to 5 of the *Material Risk Takers Regulation*; or~~
- (a) all members of the *management body* and *senior management*;
  - (b) employees with *managerial responsibility* over the *firm’s* control functions or *material business units*;
  - (c) employees entitled to significant total *remuneration* in the preceding financial year, where:
    - (i) that total *remuneration* was equal to or greater than €500,000 and equal to or greater than the average *remuneration* awarded to the members of the *firm’s* *management body* and *senior management* referred to in (a); and
    - (ii) the *employee* performs the professional activity within a *material business unit* and the activity is of a kind that has a *significant impact* on the *relevant business unit’s* risk profile;
  - (d) employees whose professional activities are deemed to have a material impact on the *firm’s* risk profile under Articles 6 and 7 of the *Material Risk Takers Regulation*; or
- (2) ~~Subject to 3.2,~~ an *employee* of a *third country CRR firm* who would fall within 3.1(1) if it had applied in relation to him or her.

[Note: Article 92 of the *CRD* and the *Material Risk Takers Regulation*]

3.2 [Deleted.]

3.3 [Deleted.]

...

### 4 GROUPS

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4.1 [Deleted.]

4.2 A *firm* that is a member of a *group* must:

(1A) comply with this Part on an individual basis;

(1B) comply, and ensure that the other members of the *group* comply, with the obligations set out in this Part on a *consolidated basis* or *sub-consolidated basis* including those members of the *group* established in a country or territory which is not in an *EEA State*;

(1) ensure that the risk management processes and internal control mechanisms of the other members of the *group* of which it is a member comply with the obligations set out in this Part on a *consolidated basis* or *sub-consolidated basis* including those members of the *group* established in a country or territory which is not in an *EEA State*; and

(2) ensure that compliance with (1A), (1B) and (1) enables the members of the *group* of which it is a member to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

4.3 Subject to 4.4, for the purposes of the application of 4.2(1B), (1) and (2) on a *consolidated basis*, *firm* includes a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA approved intermediate holding company*, a *PRA designated intermediate holding company*, or a *PRA designated institution*.

4.4 For the purposes of the application of 4.2(1B), (1) and (2) in respect of the obligation to comply, and ensure other members of the *group* comply, with Chapter 16 on a *consolidated basis*, *firm* does not include a *PRA approved parent holding company*, a *PRA designated parent holding company*, a *PRA approved intermediate holding company*, or a *PRA designated intermediate holding company*.

**[Note: Arts. ~~92(1)~~ and 109 of the *CRD*]**

...

## 5 PROPORTIONALITY

---

5.1 A *firm* must comply with this Part in a way ~~and to the extent~~ that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities, when establishing and applying the total *remuneration* policies for *material risk takers*.

5.2 5.1 does not apply to the requirement in 7.4 for significant *firms* to have a *remuneration* committee.

**[Note: Art. 92(2) of the *CRD*]**

5.3 12.2 and 15.15 to 15.19 do not apply to *firm* that is a *small CRR firm* or a *small third country CRR firm*.

**[Note: Art 94(3) and (4) of the *CRD*.]**

...



## 12. PENSION POLICY

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12.1 A *firm* must ensure that:

- (4) its pension policy is in line with its business strategy, objectives, values and long-term interests;
- ~~(2) when an *employee* leaves the *firm* before retirement, any discretionary pension benefits are held by the *firm* for a period of five years in the form of instruments referred to in 15.15; and~~
- ~~(3) when an *employee* reaches retirement, discretionary pension benefits are paid to the *employee* in the form of instruments referred to in 15.15 and subject to a five-year retention period~~

12.2 A *firm* that is not a *small CRR firm* or a *small third country CRR firm* must ensure that:

- (1) when an *employee* leaves the *firm* before retirement, any discretionary pension benefits are held by the *firm* for a period of five years in the form of instruments referred to in 15.15; and
- (2) when an *employee* reaches retirement, discretionary pension benefits are paid to the *employee* in the form of instruments referred to in 15.15 and subject to a five-year retention period.

unless the annual variable *remuneration* of the *employee*:

- (a) does not exceed €50,000; and
- (b) does not represent more than one third of the *employee's* total annual *remuneration*.

...

## 15 REMUNERATION STRUCTURES

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15.A1 In this Chapter:

- (1) All the requirements of this Chapter apply to a *firm* that is neither a *small CRR firm* nor a *small third country CRR firm*.
- (2) 15.1 to 15.14, 15.20(1), (2) and 15.21 to 15.23 apply to a *small CRR firm* or a *small third country CRR firm*.
- (3) A *firm* is not required to comply with 15.15 to 15.19 in respect of an *employee* whose annual variable *remuneration*:
  - (a) does not exceed €50,000; and
  - (b) does not represent more than one third of the *employee's* total annual *remuneration*.

...

15.15 A *firm* must ensure that:

- (1) a substantial portion, which is at least 50%, of any variable *remuneration* consists of an appropriate balance of:

- (a) ~~shares or equivalent ownership interests, subject to the legal structure of the firm concerned, equivalent ownership interests; or, subject to the legal structure of the firm concerned, share-linked instruments or equivalent non-cash instruments in the case of a non-listed firm; and~~

...

15.17 (1) Unless a longer deferral period is required under (2), A firm must not award, pay or provide a variable *remuneration* component unless a substantial portion of it, which is at least 40%, is deferred over a period which is not less than:

- (a) in the case of a *material risk taker* who is not subject to (b) ~~or (c)~~, three four years, vesting no faster than on a pro-rata basis; or
- (b) in the case of a *material risk taker* who ~~does not perform a PRA senior management function, but is a member of the management body or senior management of a significant firm, five years, vesting no faster than on a pro-rata basis;~~ or

(2) A firm must not award, pay or provide a variable remuneration component to a higher paid material risk taker unless a substantial portion of it, which is at least 40%, is deferred over a period which is not less than:

(a) in the case of a higher paid material risk taker who does not perform a PRA senior management function, but

(i) who meets the criteria in 3.1(1)(a) or (b); or

(ii) whose professional activities meet the qualitative criteria set out in Article 3 6(1) to 3(9), 3 6(10 2) (but only by virtue of being responsible for a committee referred to therein), 3(13) or 3 6(15) of the Material Risk Takers Regulation

five years, vesting no faster than on a pro-rata basis; or

~~(c)~~

(b) in the case of a *higher paid material risk taker* who performs a *PRA senior management function*, seven years, with no vesting to take place until three years after award, and vesting no faster than on a pro-rata basis thereafter.

...

15.20 A firm must ensure that:

- (1) any variable *remuneration*, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the *firm* as a whole, and justified on the basis of the performance of the firm, the business unit and the individual concerned;
- (2) any variable *remuneration* is subject to clawback, such that it is only awarded if an amount corresponding to it can be recovered from the individual by the firm if the recovery is justified on the basis of the circumstances described in 15.21(2) or in respect of a higher paid material risk taker, 15.23; and
- (3A) unless 15.20A applies, any variable remuneration is subject to a clawback period from the date on which the variable remuneration is awarded, in the case of:

- (a) the deferred portion of variable remuneration of a material risk taker who is a member of the management body or senior management of a significant firm, of at least six years.
  - (b) the deferred portion of variable remuneration of a material risk taker who is not subject to (a), of at least five years.
  - (c) an undeferred portion of variable remuneration, of at least one year.
- (3) ~~any variable remuneration is subject to clawback for a period of at least 7 years from the date on which the variable remuneration is awarded;~~
- (4) ~~in the case of a material risk taker who performs a PRA senior management function, the firm can, by notice to the employee to be given no later than 7 years after the variable remuneration was awarded, extend the period during which variable remuneration is subject to clawback to at least 10 years from the date on which the variable remuneration is awarded, where:~~
- ~~(a) the firm has commenced an investigation into facts or events which it considers could potentially lead to the application of clawback were it not for the expiry of the clawback period; or~~
  - ~~(b) the firm has been notified by a regulatory authority (including an overseas regulatory authority) that an investigation has been commenced into facts or events which the firm considers could potentially lead to the application of clawback by the firm were it not for the expiry of the clawback period; and~~
- ~~(5) it considers on an ongoing basis whether to use the power in (4).~~

...

15.20A In respect of a higher paid material risk taker, a firm must ensure that:

- (1) any variable remuneration is subject to a clawback period from the date on which the variable remuneration is awarded of at least 7 years from the date on which the variable remuneration is awarded;
- (2) in the case of a higher paid material risk taker who performs a PRA senior management function, the firm can, by notice to the employee to be given no later than 7 years after the variable remuneration was awarded, extend the period during which variable remuneration is subject to clawback to at least 10 years from the date on which the variable remuneration is awarded, where:
  - (a) the firm has commenced an investigation into facts or events which it considers could potentially lead to the application of clawback were it not for the expiry of the clawback period; or
  - (b) the firm has been notified by a regulatory authority (including an overseas regulatory authority) that an investigation has been commenced into facts or events which the firm considers could potentially lead to the application of clawback by the firm were it not for the expiry of the clawback period; and
- (3) it considers on an ongoing basis whether to use the power in (2).

...

15.22 In respect of a higher paid material risk taker:

- (1) Aa firm should reduce unvested deferred variable remuneration when, as a minimum:

...

- 15.23 In respect of a *higher paid material risk taker*, a *A-firm* must make all reasonable efforts to recover an appropriate amount corresponding to some or all vested variable *remuneration* where either of the following circumstances arise during the period in which clawback applies (including any part of such period occurring after the relevant employment has ceased):

...

## 17 REMUNERATION BENCHMARKING REPORTING REQUIREMENT

---

...

- 17.5 A *firm* that is not, and does not have in its *consolidation group*, an *undertaking responsible for consolidation* ~~EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company~~ must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year.
- 17.6 ~~An undertaking responsible for consolidation~~ A *firm* that is a ~~CRR firm responsible for consolidation~~ must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* of all *consolidation group entities* in its *consolidation group* in the last completed financial year.

...

## 18 HIGH EARNERS REPORTING REQUIREMENT

---

...

- 18.4 A *firm* that is not, and does not have in its *consolidation group*, an *undertaking responsible for consolidation* ~~EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company~~ must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *EEA*.
- 18.5 ~~An undertaking responsible for consolidation~~ A *firm* that is a ~~CRR firm responsible for consolidation~~ must complete that report on a *consolidated basis* in respect of *remuneration* awarded in the last completed financial year to all *high earners of the consolidation group entities* who mainly undertook their professional activities within the *EEA* at:
- (1) ~~the EEA parent institution, EEA parent financial holding company or the EEA parent mixed financial holding company~~ *PRA approved parent holding company, PRA designated parent holding company, PRA approved intermediate holding company, PRA designated intermediate holding company or PRA designated institution* of the *consolidation group*;
  - (2) each *consolidation group entity* that has its registered office (or if it has no registered office, its head office) in an *EEA State*; and
  - (3) each *branch* of any other *consolidation group entity* that is established or operating in an *EEA State*.

...

## Annex B

## Amendments to the Remuneration Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.3 In this Part, the following definitions shall apply:

...

### *small CRR firm*

...

- (1) Condition 1 is that the *firm* is not a *large institution* and either:
- (a) has *average total assets* not exceeding ~~€5~~ £4 billion; or
  - (b) the *firm* has *average total assets* exceeding ~~€5~~ £4 billion but not exceeding ~~€15~~ £13 billion;

...

- (2) Condition 2 is that the *firm* is not part of a *group* containing another *firm* which:
- (a) ...
  - (b) has *average total assets* exceeding ~~€15~~ £13 billion either on an individual, *consolidated* or *sub-consolidated* basis.

...

### *small third country CRR firm*

...

- (1) Condition 1 is that the *average total assets* that relate to the activities of the *branch* operation of the *third country CRR firm* in the *UK* either:

- (a) do not exceed ~~€5~~ £4 billion; or
- (b) exceed ~~€5~~ £4 billion but do not exceed ~~€15~~ £13 billion;

...

- (2) Condition 2 is that the *third country CRR firm* is not part of a *group* containing another *firm* which:

- (a) is subject to this Part on an individual basis and
- (b) has *average total assets* exceeding ~~€15~~ £13 billion either on an individual basis, *consolidated* or *sub-consolidated* basis.

...

### 3 MATERIAL RISK TAKERS

---

3.1 A *firm* must, save where otherwise stated, apply the requirements of this Part in relation to a *person* (a “material risk taker”) who is:

(1) an *employee* of a *CRR firm* whose professional activities have a material impact on the *firm’s* risk profile, including:

...

(c) *employees* entitled to significant total remuneration in the preceding financial year, where:

(i) that total remuneration was equal to or greater than ~~€500,000~~ £440,000 and equal to or greater than the average *remuneration* awarded to the members of the *firm’s management body* and *senior management* referred to in (a); and

...

### 12. PENSION POLICY

---

...

12.2 A *firm* that is not a *small CRR firm* or a *small third country CRR firm* must ensure that:

(1) when an *employee* leaves the *firm* before retirement, any discretionary pension benefits are held by the *firm* for a period of five years in the form of instruments referred to in 15.15; and

(2) when an *employee* reaches retirement, discretionary pension benefits are paid to the *employee* in the form of instruments referred to in 15.15 and subject to a five-year retention period.

unless the annual variable remuneration of the *employee*:

(A) does not exceed ~~€50,000~~ £44,000; and

...

### 15 REMUNERATION STRUCTURES

---

15.A1 In this Chapter:

...

(3) A *firm* is not required to apply 15.15 to 15.19 in respect of an *employee* whose annual variable *remuneration*:

(c) does not exceed ~~€50,000~~ £44,000; and

...

**PRA RULEBOOK: CRR FIRMS: DESIGNATION (CONSOLIDATION) INSTRUMENT  
2020**

**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); and
  - (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 instruments) 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. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Designation (Consolidation) Instrument 2020**

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

**Commencement**

- E. This instrument comes into force on 28 December 2020.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Designation (Consolidation) Instrument 2020.

**By order of the Prudential Regulation Committee**

28 December 2020

**Annex**  
**Designation Part**

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

---

**1 APPLICATION AND DEFINITIONS**

---

1.1 This Part applies to a *CRR firm* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* that would be under an obligation to comply with *CRR* requirements on a *consolidated basis* if Article 11(2) *CRR* was in force as it had effect in the *UK* on 27 December 2020.

1.2 In this Part, the following definitions shall apply:

*parent financial holding company in a Member State*

has the meaning set out at point (30) of Article 4(1) *CRR*.

*parent mixed financial holding company in a Member State*

has the meaning set out at point (31) of Article 4(1) *CRR*.

---

**2 CONSOLIDATION REQUIREMENTS**

---

2.1 Subject to 2.2, a *firm* must comply with all *CRR* consolidation requirements with which its *parent financial holding company in a Member State* or *parent mixed financial holding company in a Member State* would be required to comply if it was approved or designated under Part 12B FSMA for the purpose of ensuring that *CRR* requirements are applied on a *consolidated basis*.

2.2 A *firm* is not required to comply with 2.1 if the *PRA* has approved or designated under Part 12B FSMA another undertaking within the *firm's consolidation group* for the purpose of ensuring that *CRR* requirements are applied on a *consolidated basis*.



**PRA RULEBOOK: (EU EXIT) INSTRUMENT 2020****Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) being the appropriate regulator within the meaning of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (“the Regulations”), having carried out consultations pursuant to regulation 5 of the Regulations and with the approval of the Treasury to the following instrument, makes the instrument in exercise of the powers conferred by regulation 3 of the Regulations.
- B. In respect of matters falling within Section 213(3)(b) and 213(4) of the Financial Services and Markets Act 2000 (“the Act”), the PRA makes the instrument in exercise of the following powers in the Act:
- (1) section 137G (The PRA’s general rules)
  - (2) section 137T (General supplementary powers)
  - (3) section 213(1) (The compensation scheme); and
  - (4) section 214 (General)
- C. The PRA makes the instrument in the exercise of paragraph 31(Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB of the Act in respect of the matters falling within that paragraph.
- D. The PRA makes the instrument in the exercise of regulation 209(1) of The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 in respect of the matters falling within that regulation.
- E. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

**Pre-conditions to making**

- F. A draft of this instrument has been approved by the Treasury, having been satisfied that it makes appropriate provision to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law, arising from the withdrawal of the United Kingdom from the European Union.
- G. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority in respect of the matters referred to at paragraphs B and C above. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**Revocation of PRA Rulebook: (EU Exit) Instrument 2019**

- H. The PRA Rulebook: (EU Exit) Instrument 2019 is revoked.

**PRA Rulebook: (EU Exit) Instrument 2020**

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

Part	Annex
Glossary	A
Interpretation	B
Fundamental Rules	C
Algorithmic Trading	D
Allocation of Responsibilities	E
Audit Committee	F
Auditors	G
Capital Buffers	H
Certification	I

Change in Control	J
Close Links	K
Compliance and Internal Audit	L
Conditions Governing Business	M
Conduct Rules	N
Contractual Recognition of Bail-In	O
Credit Risk	P
Credit Unions	Q
Depositor Protection	R
Designation	S
Dormant Account Scheme	T
External Audit	U
Fees	V
Financial Conglomerates	W
Fitness and Propriety	X
Friendly Society – Liability Valuation	Y
FSCS Management Expenses Levy Limit and Base Costs	Z
General Organisational Requirements	AA
General Provisions	AB
Group Financial Support	AC
Group Risk Systems	AD
Group Supervision	AE
Groups	AF
Housing	AG
Incoming Firms & Third Country Firms	AH
Insurance – Allocation of Responsibilities	AI
Insurance – Certification	AJ
Insurance – Conduct Standards	AK
Insurance – Fitness and Propriety	AL
Insurance – Senior Management Functions	AM
Insurance – Senior Managers Regime – Applications and Notifications	AN
Insurance – Supervised Run-off	AO
Insurance Company – Exposure Limits	AP
Insurance Company – Technical Provisions	AQ
Insurance General Application	AR
Insurance Special Purpose Vehicles	AS
Internal Capital Adequacy Assessment	AT
Internal Governance of Third Country Branches	AU
Internal Liquidity Adequacy Assessment	AV
Large Exposures	AW
Leverage Ratio	AX
Liquidity Coverage Requirement – UK Designated Investment Firms	AY
Minimum Capital Requirement	AZ
Notifications	BA
Outsourcing	BB
Passporting	BC
Policyholder Protection	BD
Public Disclosures	BE
Record Keeping	BF
Recovery Plans	BG

Regulatory Reporting	BH
Regulatory Reporting	BI
Related Party Transaction Risk	BJ
Remuneration	BK
Reporting	BL
Reporting Leverage Ratio	BM
Reporting Pillar 2	BN
Resolution Assessment	BO
Resolution Pack	BP
Ring-Fenced Bodies	BQ
Risk Control	BR
Run-Off Operations	BS
Senior Management Functions	BT
Senior Managers Regime – Applications and Notifications	BU
Skills, Knowledge & Expertise	BV
Stay In Resolution	BW
Supervised Run-Off	BX
Technical Provisions	BY
Third Country Branches	BZ
Transitional Measures	CA
Undertakings in Difficulty	CB

### Commencement

- J. Subject to paragraphs K and L below, this instrument comes into force on IP completion day, as defined in the European Union (Withdrawal Agreement) Act 2020.
- K. Paragraph H of this instrument comes into force on the making of this instrument.
- L. Annex BI comes into force on 1 April 2021.

### Citation

- M. This instrument may be cited as the PRA Rulebook: (EU Exit) Instrument 2020.

### By order of the Prudential Regulation Committee

28 December 2020

## Annex A

## Amendments to the Glossary

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

**alternative investment fund** ~~has the meaning given in article 4(1)(a) of AIFMD~~ means a collective investment undertaking, including investment compartments thereof which:

- (1) raises capital from a number of investors, with the intention of investing it in accordance with a defined investment policy for the benefit of those investors; and
- (2) does not require authorisation pursuant to article 5 of the UCITS Directive.

**alternative investment fund manager** ~~has the meaning given in article 4(1)(b) of AIFMD~~ means a legal person whose regular business is managing one or more alternative investment funds.

...

**ancillary own funds**

- (1) (in relation to a *UK Solvency II firm* and Lloyd's) has the meaning given in *Own Funds* 2.3 and are determined in accordance with *Own Funds* 2.3 to 2.7; or
- ~~(2) (in relation to a *Solvency II undertaking* other than a *UK Solvency II firm*) means an *own funds* item referred to in Article 89 of the *Solvency II Directive*, determined in accordance with the applicable *Solvency II EEA implementing measures*; or~~
- ~~(3)~~(2) (in relation to an *insurance holding company*) means an *own funds* item referred to in Article 89 of the *Solvency II Directive*, determined in accordance with (1) as if it were a *UK Solvency II firm*; or
- ~~(4)~~(3) (in relation to a *third country branch undertaking*) means an *own funds* item referred to in Article 89 of the *Solvency II Directive*, determined in accordance with (1) as if it were a *UK Solvency II firm*.

**ancillary service** means any of the services ~~listed in Section B of Annex I to MiFID II~~ listed in Part 3A of Schedule 2 to the *Regulated Activities Order*.

...

**approved credit institution** means a *credit institution* recognised or permitted under the law of the UK ~~an EEA State~~ to carry on any of the activities set out in Annex 1 to the *CRD*.

...

**approved financial institution** means any of the following:

...

(12) the *EU*; ~~and~~

(13) the European Atomic Energy Community; and

(14) the *Bank of England*.

...

**approved State**

means any of the following:

(A1) the *UK*;

(1) an *EEA state*;

(2) The United States of America;

(3) Canada;

(4) Japan; or

(5) Australia,

other than when that country has rescheduled its external debt.

...

**~~Article 22(7) relationship~~**

~~means a relationship where undertakings are linked by a relationship within the meaning of Article 22(7) of Directive 2013/34/EU.~~

...

**asset management company**

~~means a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an undertaking with a *Part 4A permission* under Article 51ZA of the *Regulated Activities Order (Managing a UCITS)* or an undertaking, the registered office of which is not in an *EEA State* outside the *UK* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* such permission if it had its registered office within an *EEA State* the *UK*.~~

...

**bank**

means:

(1) a firm with a *Part 4A permission* to carry on the regulated activity of accepting deposits and is a credit institution, but is not a credit union, friendly society or a building society;

(2) an *EEA bank*.

...

**basic own funds** ...

~~(2)~~ (in relation to a *Solvency II undertaking* other than a *UK Solvency II firm*) means an *own funds* item referred to in Article 88 of the *Solvency II Directive*, determined in accordance with the applicable *Solvency II EEA implementing measures*; or

~~(3)~~(2) (in relation to an *insurance holding company*) means an *own funds* item referred to in Article 88 of the *Solvency II Directive*, determined in accordance with (1) as if it were a *UK Solvency II firm*; or

~~(4)~~(3) (in relation to a *third country branch undertaking*) means an *own funds* item referred to in article 88 of the *Solvency II Directive*, determined in accordance with (1) as if it were a *UK Solvency II firm*.

...

**branch**

means

(1) (in relation to a *credit institution*):

~~(a)~~ a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*.

~~(b)~~ for the purposes of the *CRD* and in accordance with Article 38 of the *CRD*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(2) (in relation to an *investment firm*) ~~has the meaning given in Article 4(1)(30) of *MiFID II*~~ a place of business which:

(a) is not the *firm's* head office;

(b) is part of the *firm*;

(c) has no legal personality; and

(d) provides *investment services and/or activities*; and

(e) may also perform *ancillary services* for which the *investment firm* has *permission* under Part 4A of *FSMA*.

- (3) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in the ~~UK an EEA State other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:~~

...

- (4) (in relation to an *IDD insurance intermediary*):
- (a) — a place of business which is a part of an *IDD insurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *insurance distribution* for which the *IDD insurance intermediary* has been registered.
- (b) — ~~for the purposes of the *Insurance Distribution Directive*, all the places of business set up in the same *EEA State* by an *IMD insurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.~~

- (5) (in relation to an *IDD reinsurance intermediary*):
- (a) — a place of business which is a part of an *IDD reinsurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *reinsurance distribution* for which the *IDD reinsurance intermediary* has been registered.
- (b) — ~~for the purposes of the *Insurance Distribution Directive*, all the places of business set up in the same *EEA State* by an *IDD reinsurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.~~

...

**certification function**

means:

(1) for a *CRR firm*, a *credit union* and a *third country CRR firm* in relation to the activities of its establishment in the *UK* or if it does not have an establishment in the *UK* its activities in the *UK*, has the meaning given in Certification 2.2 – 2.4;

(2) for a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*) and a *UK ISPV* has the meaning given in Insurance – Certification 2;

(3) for a *large non-directive insurer* and a *Swiss general insurer* has the meaning given in Large Non-Solvency II Firms – Certification 2; and

(4) for a *small non-directive insurer* has the meaning given in Non-solvency II Firms – Certification 2.

...

**common management relationship**

means:

- (1) (in the CRR firms and Non-CRR firms sectors of the PRA Rulebook) has the meaning given in Article 4(1) CRR;
- (2) (in the Solvency II firms and Non-Solvency II firms sectors of the PRA Rulebook) has the meaning given in regulation 2 of the *Solvency 2 Regulations*;
- (3) (in the Financial Conglomerates Part of the PRA Rulebook) has the meaning given in Article 4(1) CRR.

...

**Community co-insurance operation**

~~means a co-insurance operation which relates to one or more risks classified under *general insurance business classes* 3 to 16 and which fulfils the conditions set out in Article 190(1)(a) to (f) of the *Solvency II Directive*.~~

...

**compensation funds**

means any *policyholder* compensation scheme ~~in any EEA State~~ in the UK.

...

**competent authority**

means:

- (1) the PRA, in respect of *PRA-authorised persons* within the meaning of section 2B(5) of *FSMA*;
- (2) in relation to a *MiFID investment firm* the authority designated before *IP completion day* by each ~~EEA State~~ the UK in accordance with Article 67 of *MiFID II*; ~~unless otherwise specified in *MiFID II*.~~
- (3) the FCA, in respect of any other *person*.

...

**conduct standards**

- (1) for a UK Solvency II firm, the *Society*, a *managing agent* and a *UK ISPV*, means the standards of expected conduct specified in *Insurance – Conduct Standards* 3;
- (2) for a *third country branch undertaking* (other than a ~~UK deposit insurer~~ or a *Swiss general insurer*), means the standards of expected conduct specified in *Insurance* -



*Conduct Standards 3.1 to 3.3 and, taking account only of matters relevant to the operations of the third country branch, Insurance – Conduct Standards 3.4 to 3.8;*

~~(3)~~ — for a *UK deposit insurer*, means the standards of expected conduct specified in ~~Insurance – Conduct Standards 3.1 to 3.3 and, taking account only of matters relevant to the operations of the third country branch and all the third country undertaking EEA branches, Insurance – Conduct Standards 3.4 to 3.8;~~

~~(4)~~(3) for a *small non-directive insurer*, means the standards of expected conduct specified in *Non-Solvency II Firms - Conduct Standards 2;*

~~(5)~~(4) for a *large non-directive insurer*, means the standards of expected conduct specified in *Large Non-Solvency II Firms - Conduct Standards 3;* and

~~(6)~~(5) for a *Swiss general insurer*, means the standards of expected conduct specified in *Large Non-Solvency II Firms - Conduct Standards 3* taking account only of matters relevant to the operations of the *third country branch*.

...

**consolidating supervisor**

means the competent authority responsible for the exercise of supervision on a consolidated basis of:

(1) a UK parent institution; or

(2) an institution controlled by a UK parent financial holding company or UK parent mixed financial holding company.

...

**control**

(in the *Solvency II Firms Sector* of the *PRA Rulebook*) means the relationship between a *parent undertaking* and a *subsidiary undertaking* where that relationship falls within (1) to ~~(7)~~ (6) of the definition of *parent undertaking*, or a similar relationship between any *person* and an *undertaking*.

...

**coordinator**

~~means, in relation to a financial conglomerate, the competent authority appointed as coordinator in accordance with Article 10(1) of the Financial Groups Directive~~ has the meaning given in regulation 1(2) of The Financial Conglomerates Regulations.

...

**covered bonds**

means a *debenture* that is issued by a *credit institution* which:

(1) has its head office in the UK or an ~~EEA State~~; and

...	
...	
<b>CRD credit institution</b>	means a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in <u>the UK an EEA State</u> , (excluding an institution to which the <i>CRD</i> does not apply under Article 2 of the <i>CRD</i> ).
...	
<b>credit risk</b>	means the risk of loss, or of adverse change, in the financial situation, resulting from fluctuations in the credit standing of issuers of <i>securities</i> , counterparties and any debtors to which a <del><i>Solvency II undertaking</i></del> <u><i>UK Solvency II firm</i></u> is exposed, in the form of <i>counterparty default risk</i> , or <i>spread risk</i> , or <i>market risk</i> concentrations.
...	
<del><b>cross border services</b></del>	means: <ol style="list-style-type: none"> <li>(1) <del>(in relation to a <i>UK firm</i>) services provided within an <i>EEA State</i> other than the <i>UK</i> under the freedom to provide services; and</del></li> <li>(2) <del>(in relation to an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>) services provided within the <i>UK</i> under the freedom to provide services.</del></li> </ol>
...	
<b><u>direct EU legislation</u></b>	<u>has the meaning given in section 3(2) of the European Union (Withdrawal) Act 2018.</u>
...	
<del><b>EEA bank</b></del>	<del>means an <i>incoming EEA firm</i> that is a <i>CRD credit institution</i>.</del>
<del><b>EEA parent financial holding company</b></del>	<del>means a <i>parent financial holding company in an EEA State</i> which is not a <i>subsidiary</i> of an <i>institution</i> authorised in any <i>EEA State</i> or of another <i>financial holding company</i> or <i>mixed financial holding company</i> set up in any <i>EEA State</i>.</del>
<del><b>EEA parent institution</b></del>	<del>means a <i>parent institution in an EEA State</i> which is not a <i>subsidiary</i> of another <i>institution</i> authorised in an <i>EEA State</i> or of a <i>financial holding company</i> or <i>mixed financial holding company</i> set up in any <i>EEA State</i>.</del>
<del><b>EEA parent mixed financial holding company</b></del>	<del>means a <i>parent mixed financial holding company in an EEA State</i> which is not a <i>subsidiary</i> of an <i>institution</i> authorised in any <i>EEA State</i> or of another <i>financial holding company</i> or <i>mixed financial holding company</i> set up in any <i>EEA State</i>.</del>

...

**eligible own funds**

means:

...

~~(7) as to compliance with the EEA SCR, means the aggregate of the third country branch undertaking's:~~

~~(a) Tier 1 own funds; and~~

~~(b) (i) Tier 2 own funds; and~~

~~(ii) Tier 3 own funds~~

~~that satisfy the limits in Own Funds 4.1, as if references to the "SCR" in those provisions were references to the EEA SCR; and the limits in the Solvency II Regulations.~~

~~(8) as to compliance with the EEA MCR, means the aggregate of the third country branch undertaking's:~~

~~(a) Tier 1 own funds; and~~

~~(b) Tier 2 basic own funds that satisfy the limits in Own Funds 4.2, as if references to the "MCR" in those provisions were references to the EEA MCR; and the limits in the Solvency II Regulations.~~

...

**EU-derived domestic legislation**

has the meaning given in section 2(2) of the European Union (Withdrawal) Act 2018.

**EU directive**

has the meaning given in section 20(1) of the European Union (Withdrawal) Act 2018.

**EU instrument**

has the meaning given in Part II of Schedule 1 to the European Communities Act 1972.

...

**Financial Conglomerates Regulations**

means the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

...

**financial instruments**

means the those instruments specified in Section C of Annex I to MiFID II Part 1 of Schedule 2 to the Regulated Activities Order, read with Part 2 of that Schedule.

...

<b>group</b>	(in the <i>Solvency II Firms Sector</i> of the <i>PRA Rulebook</i> ) means a <i>group of undertakings</i> that: <ol style="list-style-type: none"> <li>(1) consists of a <i>participating undertaking</i>, its <i>subsidiary undertakings</i> and the <i>undertakings</i> in which it holds a <i>participation</i>, as well as <i>undertakings</i> linked to each other by <del>an <i>Article 12(1) relationship</i></del> <u>a <i>common management relationship</i></u>; or</li> </ol>
...	
<b>home Member State</b>	has the meaning given in Article 4(1)(43) of the <i>CRR</i> .
...	
<b>incoming EEA firm</b>	<del>means an <i>EEA firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>UK</i> in accordance with Schedule 3 of <i>FSMA</i>.</del>
<b>incoming firm</b>	means an incoming firm within the meaning of section 193 of <i>FSMA</i> .
<b>incoming Treaty firm</b>	means a <i>Treaty firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>UK</i> in accordance with Schedule 4 of <i>FSMA</i> .
...	
<b><u>institution</u></b>	has the meaning set out at point 3 of Article 4(1) of the <i>CRR</i> .
<b>insurance holding company</b>	means a <i>parent undertaking</i> , other than a <del><i>Solvency II undertaking</i></del> <i>UK Solvency II firm</i> and a <i>mixed financial holding company</i> , the main business of which is to acquire and hold <i>participations</i> in <i>subsidiary undertakings</i> and which fulfils the following conditions: <ol style="list-style-type: none"> <li>(1) its <i>subsidiary undertakings</i> are either exclusively or mainly <del><i>Solvency II undertakings</i></del> <i>UK Solvency II firms</i>, <i>third country insurance undertakings</i> or <i>third country reinsurance undertakings</i>; and</li> <li>(2) at least one of those <i>subsidiary undertakings</i> is a <del><i>Solvency II undertaking</i></del> <u><i>UK Solvency II firm</i></u>.</li> </ol>
<b>insurance special purpose vehicle</b>	means an <u><i>UK ISPV</i></u>
...	
<b>ISPV</b>	means: <ol style="list-style-type: none"> <li>(1) <del>a <i>UK ISPV</i></del>; or</li> <li>(2) any other undertaking that is a <del><i>Solvency II special purpose vehicle</i></del>.</li> </ol>
...	

***investment services and/or activities*** means any of the services and activities listed in Section A of Annex I to ~~MiFID~~ Part 3 of Schedule 2 to the *Regulated Activities Order*, insofar as they relate to any of the instruments listed in Part I of Schedule 2 to that Order.

...

***intra-group transaction*** has the meaning given in point (18) of Article 2 of the ~~Financial Groups Directive~~. means all transactions by which regulated entities within a *financial conglomerate* rely directly or indirectly on other *undertakings* within the same *group* or on any natural or legal person linked to the *undertakings* within that *group* by *close links*, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.

***IP completion day*** has the meaning given in section 39(1) of the European Union (Withdrawal Agreement) Act 2020.

...

***key function***

...

(2) ~~in relation to a *third country branch undertaking* means, in relation to the carrying on of a *regulated activity* by the *third country branch undertaking*, each of the following *functions* performed in relation to the operations effected by the *third country branch* or, for a *UK deposit insurer*, in relation to the operations effected by the *third country branch* and all the *third country undertaking EEA branches*:~~

(2) in relation to a *third country branch undertaking* means, in relation to the carrying on of a *regulated activity* by the *third country branch undertaking*, each of the following *functions* performed in relation to the operations effected by the *third country branch*:

...

(e) ~~the *function* of effectively running the operations effected by the *third country branch* or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*;~~

...

(g) any other *function* which is of specific importance to the sound and prudent management of the *third country branch*; or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*.

(3) in relation to a *third country insurance service provider* means, in relation to the carrying on of a *regulated activity* by the *third country insurance services provider* in the UK:

- (a) the risk-management function;
- (b) the compliance function;
- (c) the internal audit function;
- (d) the actuarial function;
- (e) the function of effectively running the operations effected by the *third country insurance services provider*; and
- (f) any other function which is of specific importance to the sound and prudent management of the *third country insurance services provider*.

...

**leading insurer**

means (in relation to a *Community co-insurance operation*) a co-insurer that assumes the leader's role in co-insurance practice and in particular determines the terms and conditions of insurance and rating

...

**listed**

means:

- (1) included in ~~an~~ the official list, or
- (2) in respect of which facilities for *dealing* on a *regulated market* have been granted.

...

**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;
- (2) the *Solvency II Regulations* adopted under Article 86(1)(h) - (i) of the *Solvency II Directive*; ~~and~~
- (3) for the purposes of calculating technical provisions as at a point in time falling before *IP completion day*, any 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-
- (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*.

...

**MiFID investment firm** means a ~~firm to which MiFID applies~~ has the meaning given in paragraph 2.1A of MiFIR.

...

**mixed financial holding company** ~~(in the Solvency II Firms Sector of the PRA Rulebook) means a mixed financial holding company as defined in Article 2(15) of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate~~ means a parent undertaking other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the UK, and other entities constitutes a financial conglomerate.

...

**MTF** ~~has the meaning given in Article 4(1)(22) MiFID II.~~ means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with provisions implementing Title II of MiFID II.

...

**mutual-type group**

...

- (2) the establishment and dissolution of such relationships for the purposes of Title III of the ~~Solvency II Directive~~ are subject to prior approval by the ~~group supervisor, PRA,~~

where the *undertaking* exercising the centralised coordination shall be considered as the *parent undertaking*, and the other *undertakings* shall be considered as *subsidiary undertakings*.

...

**non-directive firm**

means (in accordance with the Financial Services and Markets Act 2000 (Controllers)(Exemption) Order 2009 (SI 2009/774)) a UK domestic *firm* other than:

- (1) a *credit institution* authorised under provisions which implemented the Banking Consolidation Directive;
- (2) an *investment firm* authorised under provisions which implemented *MiFID II*;
- (3) a management company as defined in article 2(1)(b) of the ~~European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC), 1 2, 3, 4,~~

~~as amended (the UCITS Directive), authorised under provisions which implemented that directive;~~

- (4) a ~~Solvency II undertaking~~ UK Solvency II firm, the Society and managing agents.

...

**non-directive insurer**

means a firm with a Part 4A permission to effect contracts of insurance or carry out contracts of insurance, other than

- (1) a UK Solvency II firm; ~~and~~
- (2) a third country branch undertaking; or
- (3) where the firm has the permission by reason only of the operation of the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018.

...

**non-UCITS retail scheme**

means an ICVC, authorised unit trust scheme, or an authorised contractual scheme which is not a collective investment scheme falling within provisions implementing the UCITS Directive or a qualified investor scheme.

...

**official list**

means:

- (1) ~~the list maintained by the FCA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA; and~~
- (2) ~~any corresponding list maintained by a competent authority for listing in another EEA State.~~

...

**OTF**

means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with provisions implementing Title II of MiFID II.

...

**overseas regulator**

means a regulator outside the United Kingdom.

**own funds**

...



~~(2)~~ (in relation to a *Solvency II undertaking* other than a *UK Solvency II firm*) ~~own funds determined in accordance with Solvency II EEA implementing measures; or~~

~~(3)~~(2) (in relation to an *insurance holding company*) own funds determined in accordance with (1) as if it were a *UK Solvency II firm*; or

~~(4)~~(3) (in relation to a *third country branch undertaking*) the firm's aggregate *basic own funds* and *ancillary own funds* as determined in accordance with (1) as if it were a *UK Solvency II firm*.

**parent undertaking**

...

~~(7)~~ (except as the *Group Supervision* Part of the *PRA Rulebook* applies to ~~members of the Society or to the Society or managing agents in respect of members~~) it is incorporated in or formed under the law of another *EEA State* and is a *parent undertaking* within the meaning of any rule of law in that *EEA State* for purposes connected with implementation of the Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC); or

~~(8)~~(7) where, in accordance with Article 212(2) of the *Solvency II Directive*, the opinion of the PRA, it effectively exercises a dominant influence over S;

and:

~~(9)~~(8) in relation to (2) and (4), the *undertaking* will be treated as a member of S if any of its *subsidiary undertakings* is a member of S, or if any *shares* in S are held by a person acting on behalf of the *undertaking* or any of its *subsidiary undertakings*;

~~(10)~~(9) the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (1) to (6).

...

**participating Solvency II undertaking**

means a *Solvency II undertaking* that holds a *participation* in another *undertaking*.

**participating UK Solvency II firm**

means a *UK Solvency II firm* that holds a *participation* in another *undertaking*.

**participating undertaking**

means an *undertaking* that holds a *participation* in another *undertaking* or an *undertaking* linked with another *undertaking* by an Article 12(1) relationship a common management relationship.

<b>participation</b>	...
	(2) where, in accordance with <del>Article 212(2) of the Solvency II Directive</del> , the definition of 'participating undertaking' in <u>Regulation 2(1) of the Solvency 2 Regulations</u> , an undertaking effectively exercises a significant influence over another undertaking.
	...
<del><b>passport activity</b></del>	means an activity carried on by an <del>EEA firm</del> or by a <del>UK firm</del> , under an <del>EEA right</del>
	...
<b>policyholder</b>	either:
	(1) means, in respect of a <i>contract of insurance</i> where the <i>insurance undertaking</i> is a <del>Solvency II undertaking</del> <u>Solvency II firm</u> , a <i>policyholder</i> which includes a <i>beneficiary</i> ;
	or
	...
	...
<b>PRA approved parent holding company</b>	means an <del>EEA</del> <u>UK</u> parent financial holding company or <del>EEA</del> <u>UK</u> parent mixed financial holding company that is approved under Part 12B FSMA.
<b>PRA designated parent holding company</b>	means an <del>EEA</del> <u>UK</u> parent financial holding company or <del>EEA</del> <u>UK</u> parent mixed financial holding company that is designated under Part 12B of FSMA.
<b>PRA approved intermediate holding company</b>	means a financial holding company or mixed financial holding company within the meaning of points (20) and (21) respectively of Article 4(1) of the CRR that this not an <del>EEA</del> <u>UK</u> parent financial holding company or an <del>EEA</del> <u>UK</u> parent mixed financial holding company and that is approved under Part 12B of FSMA.
<b>PRA designated intermediate holding company</b>	means a financial holding company or mixed financial holding company within the meaning of points (20) and (21) respectively of Article 4(1) of the CRR that this not an <del>EEA</del> <u>UK</u> parent financial holding company or an <del>EEA</del> <u>UK</u> parent mixed financial holding company and that is designated under Part 12B of FSMA.
	...
<b>PRA senior management function</b>	means
	...

(5) (in respect of a *third country insurance service provider* in relation to the carrying on by the *firm* of a *regulated activity* in the *UK*) any function specified in Insurance – Senior Management Functions 3 to 10.

...

**regulated institution**

means any of the following:

(1) a ~~Solvency II undertaking~~ UK Solvency II firm, the *Society*, a *managing agent* or a *third country branch undertaking*; or

...

**recognised scheme**

means a scheme recognised under:

~~(1) section 264 of FSMA (Schemes constituted in other EEA States);~~

~~(2)~~(1) section 270 of *FSMA* (Schemes authorised in designated countries or territories); or

~~(3)~~(2) section 272 of *FSMA* (Individually recognised overseas schemes).

...

**regulated market**

means:

(1) a regulated market ~~as defined in article 4(1)(21) of MiFID II~~ as defined in Article 2(1)(13) of MiFIR; or

(2) a market situated outside the ~~EEA States~~ UK which is characterised by the fact that:

...

**regulatory system**

means the arrangements for regulating a *firm* or other *person* in or under *FSMA*, the Bank of England Act 1998, the Banking Act 2009, the Friendly Societies Act 1974, the Friendly Societies Act 1992, the Credit Unions Act 1979, including the *threshold conditions*, the *Fundamental Rules* and other rules, the *Statements of Principle*, codes and guidance given by the *PRA*, the *Bank of England* or the *FCA* and including any relevant ~~directly applicable~~ provisions of an ~~EU Directive or Regulation~~ including those specified under section 204A(2) of *FSMA*.

...

**relevant insurance group undertaking**

means, in relation to a *group* falling within Group Supervision 2.1(1) or 2.1(2), each ~~UK Solvency II undertaking~~ UK Solvency II firm within that *group*.

<b>relevant insurer</b>	means, in relation to a <del>Community co-insurance operation</del> , an insurer which is concerned in the operation but is not the <del>leading insurer</del> .
<b>relevant legislation</b>	means:  ...  (5) any <del>directly applicable</del> EU regulation  ...
<b>relevant risk-free interest rate term structure</b>	means the relevant risk-free interest rate term structure, in accordance with:  (1) <i>Technical Provisions 5 and 8.3 to 8.4;</i>  (2) the <i>Solvency II Regulations</i> adopted under Article 86 of the <i>Solvency II Directive</i> ; and  (3) <u>for the purposes of calculating technical provisions as at a point in time falling before <i>IP completion day</i>, any the relevant technical information made by <i>EIOPA</i> under Article 77e(1)(a) of the <i>Solvency II Directive</i> and adopted in <i>Solvency II Regulations</i> under Article 77e(2) of the <i>Solvency II Directive</i>;</u>  (4) <u>for the purposes of calculating technical provisions as at a point in time falling on or after <i>IP completion day</i>, the relevant technical information made by the <i>PRA</i> in accordance with regulation 4B(1) of the <i>Solvency 2 Regulations</i>.</u>  ...
<b><u>retained direct EU legislation</u></b>	<u>has the meaning given in section 20(1) of the European Union (Withdrawal) Act 2018.</u>
<b><u>retained EU law</u></b>	<u>has the meaning given in section 6(7) of the European Union (Withdrawal) Act 2018.</u>  ...
<b>risk concentration</b>	<del>has the meaning given in point (18) of Article 2 of the <i>Financial Groups Directive</i></del> means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the regulated entities in a <i>financial conglomerate</i> , whether <u>such exposures are caused by counterparty risk/<i>credit risk</i>, investment risk, insurance risk, <i>market risk</i>, other risks, or a combination or interaction of such risks</u>
<b>risk-mitigation techniques</b>	means all techniques which enable a <del><i>Solvency II undertaking</i></del> <u>UK <i>Solvency II firm</i></u> to transfer part or all of its risks to another party.  ...

**section 59ZZA**

means:

- (1) in relation to a SRO firm, section 59ZZA of FSMA as applied to such a firm by regulation 69 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulation 2018; and
- (2) in all other cases, section 59ZZA of FSMA.

**section 59ZZA application**

means an application under section 60 of FSMA to the PRA made by an *authorised person* who could be given a notice under section 59ZZA of FSMA in relation to the person subject to the application,

**significant deviation from relevant assumptions**

~~means a significant deviation from the assumptions underlying the *matching adjustment* or the *volatility adjustment* or the transitional measures referred to in Articles 308c and 308d of the *Solvency II Directive*~~ means a significant deviation from the assumptions underlying the *matching adjustment*, the *volatility adjustment*, the *risk-free interest rate transitional measure* or the *transitional deduction*.

**Solvency II EEA implementing measures**

~~means any measures implementing the *Solvency II Directive* in an EEA State other than the UK.~~

...

**Solvency II special purpose vehicle**

~~means an *undertaking*, whether incorporated or not, other than a *Solvency II undertaking*, which has received authorisation in accordance with Article 211(1) or (3) of the *Solvency II Directive* and which:~~

- (1) ~~assumes risks from Solvency II undertakings; and~~
- (2) ~~fully funds its exposures to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the undertaking's obligations to the Solvency II undertaking in respect of the risks referred to in (1).~~

...

**Solvency II undertaking**

means:

- (1) ~~an *undertaking* authorised in accordance with *Solvency II EEA implementing measures* transposing Article 14 of the *Solvency II Directive*; or~~
- (2) ~~a UK *Solvency II firm*.~~

...

<b><u>SRO firm</u></b>	<u>means a firm to whom regulation 28 or 34 of Part 6 of the EEA Passport Rights (Amendment etc. and Transitional Provisions (EU Exit) Regulations 2018 applies.</u>
<b><u>SRO insurer</u></b>	<u>means a SRO firm with permission to effect contracts of insurance or carry out contracts of insurance.</u>
...	
<b><u>supervisory authority</u></b>	<del>means a national authority or the national authorities empowered by law or regulation of the UK an EEA State to supervise Solvency II undertakings UK Solvency II firms</del> <u>means a national authority or the national authorities empowered by law or regulation of the UK an EEA State to supervise Solvency II undertakings UK Solvency II firms for the purposes of the provisions implementing the Solvency II Directive, including being the PRA and FCA.</u>
...	
<b><u>third country</u></b>	<del>means any country or territory or country other than the United Kingdom that is not an EEA State.</del>
<b><u>third country CRR firm</u></b>	means an overseas firm that <ul style="list-style-type: none"> <li>(1) — is not an EEA firm;</li> <li>(2) — has its head office outside the European Economic Area; and</li> <li>(3) — would be a CRR firm if it had been a UK undertaking, had carried on all of its business in the UK and had obtained whatever authorisations for doing so as are required under FSMA.</li> </ul>
<b><u>third country firm</u></b>	<del>means an overseas firm, that is not an incoming firm.</del>
...	
<b><u>third country insurance services provider</u></b>	<u>means a third country insurance undertaking that has a permission to effect contracts of insurance or carry out contracts of insurance in the UK and does not have a permanent presence in the UK.</u>
<b><u>third country insurance undertaking</u></b>	means an undertaking that has its head office outside the <del>EEA</del> <u>UK</u> and that would require authorisation as an insurance undertaking in accordance with provisions implementing Article 14 of the Solvency II Directive if its head office was situated in the <del>EEA</del> <u>UK</u> .
<b><u>third country investment firm</u></b>	a firm which would be a MiFID investment firm if it had its head office in the <del>EEA</del> <u>UK</u> .
...	
<b><u>third country reinsurance undertaking</u></b>	means an undertaking that has its head office outside the <del>EEA</del> <u>UK</u> and that would require authorisation as a reinsurance undertaking in accordance with provisions implementing

Article 14 of the *Solvency II Directive* if its head office was situated in the ~~EEA~~ UK.

***third country undertaking  
EEA branch***

means a permanent presence of a *third country insurance undertaking* in an ~~EEA State~~ except the ~~UK~~, which has received authorisation in accordance with Article 162 of the ~~Solvency II Directive~~.

...

***top-up permission***

means a Part 4A permission given to an *incoming EEA firm* or an *incoming Treaty firm*

...

***UCITS***

~~undertakings~~ for collective investment in transferable securities that are established in accordance with the ~~UCITS Directive~~.

(1) an undertaking:

(a) with the sole object of collective investment in transferable securities or in other liquid financial instruments of capital raised from the public and which operate on the principle of risk-spreading; and

(b) with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (and for these purposes, action taken by the undertaking to ensure that the stock exchange value of its units does not significantly vary from their asset value is to be regarded as equivalent to such repurchase or redemption).

(2) undertakings for collective investment in transferable securities that are established in the European Economic Area in accordance with the UCITS Directive.

**UK-adopted international  
accounting standards**

has the meaning given to it in section 474(1) of the Companies Act 2006.

...

***UK-deposit insurer***

means a *third country branch undertaking* that has made a deposit in the ~~UK~~ under Article 162(2)(e) of the ~~Solvency II Directive~~ in accordance with Article 167 of the ~~Solvency II Directive~~.

***UK firm***

(1) has the meaning given in paragraph 10 of Schedule 3 to FSMA (EEA Passport Rights);<sub>i</sub>

(2) in the Depositor Protection Part and Policyholder Protection Part, means an authorised person who:

(a) has permission given under Part 4A of FSMA to carry on regulated activities that

consist of or include one or more PRA-regulated activities; and

(b) is incorporated in the UK.

**UK parent financial holding company**

means a *financial holding company firm* in the UK which is not itself a *subsidiary* of an *institution* authorised in the UK, or of a *financial holding company firm* or *mixed financial holding company* set up in the UK.

**UK parent institution**

means a parent institution authorised in the UK which has an institution or financial institution as *subsidiary* or which holds a *participation* in such an institution or financial institution, and which is not itself a *subsidiary* of another institution authorised in the UK or of a financial holding company or *mixed financial holding company* set up in the UK.

**UK parent mixed financial holding company**

means a *mixed financial holding company* in the UK which is not itself a *subsidiary* of an *institution* authorised in the UK, or of a *financial holding company firm* or *mixed financial holding company* set up in the UK.

**UK parent undertaking**

means a *UK parent institution*, a *UK parent financial holding company* or a *UK parent mixed financial holding company*.

**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*, ~~any~~ in accordance with the relevant technical information made by EIOPA under Article 77e(2) of the *Solvency II Directive* and adopted in *Solvency II Regulations* under Article 77e(2) of the *Solvency II Directive*; or -
- (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*.



## Annex B

## Amendments to the Interpretation Part

In this Annex new text is underlined.

...

## 2 INTERPRETATIVE PROVISIONS

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...

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.

2.8

- (1) The PRA Rulebook shall, after *IP completion day*, be construed, unless the contrary intention appears, as conferring rights and imposing obligations in relation to or in connection with Gibraltar corresponding to those which existed immediately before *IP completion day*.
- (2) Accordingly, any provision of the PRA Rulebook which immediately before *IP completion day* applied in relation to or in connection with Gibraltar shall, with any necessary modification to give effect to that corresponding right or obligation, continue to apply after *IP completion day*; and any provision which did not so apply shall continue not to apply, unless provision indicating a contrary intention is made.
- (3) In this rule reference to Gibraltar includes, but is not limited to, rights or obligations conferred or imposed in relation to or in connection with Gibraltar-based firms, public institutions established, persons resident, body corporates incorporated in Gibraltar and activities of UK firms in Gibraltar.
- (4) This rule does not apply to the Depositor Protection and Policyholder Protection Parts (which contain their own application provisions for Gibraltar-based firms).
- (5) In this rule 'a Gibraltar-based firm' has the same meaning as in the Financial Services and Markets Act (Gibraltar) Order 2001.

## Annex C

## Amendments to the Fundamental Rules Part

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

**3 RESTRICTIONS**

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3.1 ~~The *Fundamental Rules* apply to every *firm* except that:~~

(1) ~~for an *incoming firm*, the *Fundamental Rules* apply only in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's home state regulator*;~~

(2) ~~for an *incoming EEA firm* that is a *credit institution* without a *top-up permission*, *Fundamental Rule 4* does not apply; and~~

(3) ~~for an *incoming EEA firm* that has *permission* only for *cross border services* and does not carry on *regulated activities* in the *UK*, the *Fundamental Rules* do not apply. [Deleted.]~~

3.2 ~~A *firm* will not be subject to a *Fundamental Rule* to the extent that it would be contrary to the *UK's obligations* under *EU legislation*. [Deleted.]~~

...

## Annex D

## Amendments to the Algorithmic Trading Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.3 In this Part, the following definitions shall apply:

<i>algorithmic trading</i>	<del>has the meaning given in Article 4(1)(39) of MiFID II.</del> <u>means trading in financial instruments where a computer algorithm automatically determines individual parameters of orders such as whether to initiate the order, the timing, price or quantity of the order or how to manage the order after its submission, with limited or no human intervention, and does not include any system that is only used for the purpose of routing orders to one or more trading venues or for the processing of orders involving no determination of any trading parameters or for the confirmation of orders or the post-trade processing of executed transactions.</u>
<i>direct electronic access</i>	<del>has the meaning given in Article 4(1)(41) of MiFID II.</del> <u>means an arrangement where a member or participant or client of a trading venue permits a person to use its trading code so the person can electronically transmit orders relating to a financial instrument directly to the trading venue and includes arrangements which involve the use by a person of the infrastructure of the member or participant or client, or any connecting system provided by the member or participant or client, to transmit the orders (direct market access) and arrangements where such an infrastructure is not used by a person (sponsored access).</u>
<i>trading venue</i>	<del>has the meaning given in Article 4(1)(24) of MiFID II.</del> <u>means a regulated market, an MTF or an OTF.</u>

1.4 ~~The definitions in MiFID II referred to in 1.3 shall be read on the basis that references in that directive to a 'regulated market', an 'MTF' or an 'OTF' are references to:~~

- ~~(1) a system falling within any of Articles 4(1)(21), (22) and (23) of MiFID II respectively; and~~
- ~~(2) a system that is not situated in an EEA State that would have fallen within (1) had it been so situated. [Deleted.]~~

## Annex E

### Amendments to the Allocation of Responsibilities Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to:
  - (a) the activities of its establishment in the *UK*; or
  - (b) if it does not have an establishment in the *UK*, activities in the *UK*.

1.1A This Part does not apply to a *SRO firm*.

...

1.2 In this Part, the following definitions shall apply:

~~*UK branch third country CRR firm prescribed responsibility*~~

means one of the responsibilities in 6.2 or 6.3.

...

#### 2 STATEMENT OF RESPONSIBILITIES

---

2.2 A *firm* must ensure that the *statement of responsibilities* accompanying an application for approval to perform a *PRA senior management function* in relation to it includes any *prescribed responsibilities, small firm prescribed responsibilities, ~~UK branch third country CRR firm prescribed responsibilities,~~ FCA responsibilities* and other responsibilities allocated to, and which are to form part of the responsibilities of, that *person*.

2.3 A *firm* must ensure that any responsibilities allocated to, and that form part of the responsibilities of, a *person* who performs a *PRA senior management function* in relation to it are consistent with the scope of that *PRA senior management function* and of any *prescribed responsibilities, small firm prescribed responsibilities, ~~UK branch third country CRR firm prescribed responsibilities,~~ FCA responsibilities* and other responsibilities allocated to that *person*.

...

#### 3 ALLOCATION OF RESPONSIBILITIES

---

...

3.5 A *third country CRR firm* must allocate each of the ~~UK branch~~ *third country CRR firm prescribed responsibilities* to one or more *persons* who perform:

- (1) a *PRA senior management function*; or
- (2) subject to 3.6(3), an *FCA designated senior management function*

on behalf of the *third country CRR firm*.

...

## 6 **PRESCRIBED RESPONSIBILITIES: ~~UK BRANCHES~~ THIRD COUNTRY CRR FIRMS**

---

6.1 This chapter applies only to a *third country CRR firm* in relation to:

- (1) the activities of its establishment in the *UK*; or
- (2) if it does not have an establishment in the *UK*, its activities in the *UK*.

6.2 ~~Subject to 6.3, Each~~ each of the responsibilities set out in this rule is a ~~UK branch~~ *third country CRR firm prescribed responsibility*:

...

- (8) responsibility for the allocation of all ~~UK branch~~ *third country CRR firm prescribed responsibilities* in accordance with 3.5 (PR E);

...

- (11) if the *firm* has an establishment in the *UK*, responsibility for the *firm's* performance of its obligations under Internal Governance of Third Country Branches 7 (PR X1).

6.3 In relation to a *firm* who is treated, by virtue of the EEA Passport Rights (Amendment, etc and Transitional Provisions) (EU Exit) Regulations 2018, as having a *Part 4A permission* to carry on a *regulated activity*:

- (1) the *third country CRR firm prescribed responsibilities* in 6.2 do not apply; and
- (2) each of the responsibilities set out in this rule is a *third country CRR firm prescribed responsibility*:
  - (a) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm* (PR FF); and
  - (b) where the *firm* has applied for a *Part 4A permission* to carry on a *regulated activity*, until such time as the application has been determined or withdrawn, the responsibility for managing the process of obtaining such permission (including, without limitation, the completion and submission of the *firm's* application and providing the *PRA* with such co-operation and with all accurate and up to date information that it may reasonably require in order to determine whether the requirements for authorisation have been met).

## 7 RECORDS

---

...

7.2 A *management responsibilities map* must in particular include:

...

- (2) if any *PRA senior management functions* or *FCA designated senior management functions* are performed by more than one *person*, or any *prescribed responsibilities*, *small firm prescribed responsibilities* or ~~UK branch~~ *third country CRR firm* *prescribed responsibilities*, as the case may be, are allocated to more than one *person*, details of how the performance or discharge of the responsibilities is to be carried out by those *persons*;

...

...

## Annex F

## Amendments to the Audit Committee Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 This Part does not apply to a *firm* which is a *subsidiary undertaking* of ~~an EEA a UK parent undertaking~~ where the *parent undertaking* complies at *group level* with Chapter 2 or with requirements implementing Article 39 of the *Statutory Audit Directive* ~~in any other EEA State~~ and, where applicable, with Articles 11(1), 11(2) and 16(5) of the *Statutory Audit Regulation*, provided that:

- (1) the *firm* is not significant; or
- (2) if the *firm* is significant, its *governing body* is composed of the same *non-executive directors* as the *governing body* of that *parent undertaking*.

...

1.4 In this Part, the following definitions shall apply:

*Statutory Audit Regulation*

means Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC except that any reference to Article 16 of that Regulation, shall, where and to the extent that the effect of that Article has been reproduced in any of the following enactments in relation to a category of *firm*, be a reference to that enactment in relation to that category of *firm*:

- (1) for private companies, sections 485A to 485C and 494ZA of the Companies Act 2006;
- (2) for public companies, sections 489A to 489C and 494ZA of the Companies Act 2006;
- (3) for *building societies*, paragraphs 3B to 3E of Schedule 11 to the Building Societies Act 1986;
- (4) for *friendly societies*, paragraphs 2 to 5 of Schedule 14A to the Friendly Societies Act 1992;
- (5) for limited liability partnerships, sections 485A to 485C and 494ZA of the Companies Act 2006 as applied by regulations 36 and 38A of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008;
- (6) for *insurance undertakings* within the meaning given by regulation 2 of The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, sections 485A to 485C and 494ZA of the Companies Act 2006 as applied by regulation 6(1A) of those Regulations.

## 4 TRANSITIONAL PROVISIONS

---

...

- 4.2 Subject to 4.3, a *firm* that is not significant or is a *subsidiary undertaking* of a ~~non-EEA~~ third country parent undertaking may not have an *audit committee* until the commencement of a *firm's financial year* beginning on or after 17 June 2018 if its *governing body* is performing equivalent *functions* to an *audit committee*. In such a case 2.2 (1), 2.2 (2), 2.2 (5), 2.2 (6) and 2.2 (7) shall not apply, and the *firm* must disclose that the *governing body* carries out the *audit committee's functions* and how its *governing body* is composed.
- 4.3 Until the commencement of a *firm's financial year* beginning on or after 17 June 2018, where all members of the *audit committee* are *members* of the *governing body* of a *firm* that is not significant or is a *subsidiary undertaking* of a ~~non-EEA~~ third country parent undertaking, the *audit committee* is to be exempt from the independence requirements laid down in 2.2 (5), 2.2 (6) and 2.2 (7).
- 4.4 Chapter 2 shall not apply to a significant *firm* which is a *subsidiary undertaking* of an ~~EEA~~ a UK parent undertaking until the commencement of a *firm's financial year* beginning on or after 17 June 2018, where the *parent undertaking* complies at *group* level with Chapter 2 or with requirements implementing Article 39 of the *Statutory Audit Directive* in ~~any other EEA State~~ and, where applicable, with Articles 11(1), 11(2) and 16(5) of the *Statutory Audit Regulation*.



**Annex G**

**Amendments to the Auditors Part**

In this Annex deleted text is struck through.

**1 APPLICATION AND DEFINITIONS**

---

1.1 This Part applies to:

- (1) every *firm*, ~~except for an *incoming firm* that does not have a *top up permission*~~; and

...

## Annex H

## Amendments to the Capital Buffers 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:

...

*countercyclical buffer rate*

means (in accordance with ~~point (7) of Article 128 of the CRD~~ regulation 10 of The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014) the rate:

(a) expressed as a percentage of total risk exposure amount set by the ~~FPC or an EEA countercyclical buffer authority~~, or

...

*distribution in connection with common equity tier 1 capital*

includes ~~(in accordance with Article 141(10) of the CRD)~~:

...

*EEA countercyclical buffer authority*

means the authority or body of an ~~EEA State~~ other than the ~~UK~~ designated for the purpose of Article 136 of the CRD with responsibility for setting the ~~countercyclical buffer rate~~ for that ~~EEA State~~ or the ~~European Central Bank~~ when it carries out the task of setting a ~~countercyclical buffer rate~~ for an ~~EEA State~~ conferred on it by Article 5(2) of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of ~~credit institutions~~.

...

*parent financial holding company in a Member State*

means (in accordance with point (26) of Article 3(1) of the CRD) a ~~financial holding company~~ which is not itself a ~~subsidiary~~ of an ~~institution~~ authorised in the same ~~EEA State~~, or of a ~~financial holding company~~ or ~~mixed financial holding company~~ set up in the same ~~EEA State~~.

*parent institution in a Member State*

means (in accordance with point (24) of Article 3(1) of the CRD) an ~~institution~~ authorised in an ~~EEA State~~ which has an ~~institution~~ or ~~financial institution~~ as ~~subsidiary~~ or which holds a ~~participation~~ in such an ~~institution~~ or ~~financial institution~~, and which is not itself a ~~subsidiary~~ of another ~~institution~~ authorised in the same ~~EEA State~~ or of a ~~financial holding company~~ or ~~mixed financial holding company~~ set up in the same ~~EEA State~~.

*parent mixed financial holding company in a Member State*

means (in accordance with point (28) of Article 3(1) of the CRD) a ~~mixed financial holding company~~ which is not itself a ~~subsidiary~~ of an ~~institution~~ authorised in the same ~~EEA State~~, or

~~of a financial holding company or mixed financial holding company set up in the same EEA State.~~

*relevant credit exposures*

~~means (in accordance with Article 140(4) of the CRD) exposures other than those referred to in points (a) to (f) of Article 112 of the CRR that are subject to:~~

...

### 3 COUNTERCYCLICAL CAPITAL BUFFER

---

3.1 ...

(5) ~~The countercyclical buffer rate for an exposure located in an EEA State other than the UK is:~~

(a) ~~the rate set by the EEA countercyclical buffer authority for that jurisdiction; or~~

(b) ~~if that rate exceeds 2.5% and has not been recognised by the FPC, 2.5%.  
[Deleted.]~~

...

(10) ~~If the rate for an EEA State other than the UK is increased, subject to (5)(b) that increase takes effect from:~~

(a) ~~the date specified by the EEA countercyclical buffer authority for that jurisdiction, if the rate applied under this Chapter does not exceed 2.5%;~~

(b) ~~the date specified by the FPC if the rate applied under this Chapter exceeds 2.5%. [Deleted.]~~

...

3.2 ~~This rule applies until 31 December 2015 [Deleted.]~~

(1) ~~A firm must calculate a countercyclical capital buffer of common equity tier 1 capital equal to its total risk exposure amount multiplied by the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the firm's relevant credit exposures are located.~~

(2) ~~In order to calculate the weighted average referred to in (1), a firm must apply to each applicable countercyclical buffer rate its total own funds requirements for credit risk, specific risk, incremental default and migration risk that relates to the relevant credit exposures in the jurisdiction in question, divided by its total own funds requirements for credit risk that relates to all of its relevant credit exposures.~~

(3) ~~For the purposes of (2), firm must calculate its total own funds requirement for credit risk, specific risk, incremental default and migration risk in accordance with Part Three, Titles II and IV of the CRR.~~

(4) ~~The countercyclical buffer rate for an exposure is the rate recognised or set by the FPC for the jurisdiction in which that exposure is located.~~

(5) ~~If the FPC does not recognise or set a rate for the jurisdiction in which an exposure is located, the countercyclical buffer rate for that exposure is zero.~~

(6) ~~If the rate recognised or set by the FPC for a jurisdiction is increased, that increase takes effect from the date specified by the FPC.~~

~~(7) — If a rate is reduced, that reduction takes effect immediately.~~

...

## **5 APPLICATION ON AN INDIVIDUAL AND CONSOLIDATED BASIS**

---

...

5.2 A firm which is a *UK parent institution* in a Member State must comply with this Part on the basis of its *consolidated situation*.

...

## Annex I

## Amendments to the Certification Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to; ~~the activities of its establishment in the UK.~~
  - (a) the activities of its establishment in the UK; or
  - (b) if it does not have an establishment in the UK, its activities in the UK.

1.1A This Part does not apply to a *SRO firm*.

...

1.3 This Part does not apply to a function performed by:

...

- (5A) a *person* in relation to whom a notice under *section 59ZZA* has been given to an *authorised person*;

....

## Annex J

### Amendments to the Change in Control Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 (1) Unless otherwise stated, this Part applies to every *firm* except:

(a) ~~an *incoming firm*; [deleted.]~~

...

...

#### 3 OBLIGATIONS ON FIRMS

---

...

3.3 An *overseas firm* ~~other than an *incoming firm*~~ must notify the PRA of:

...

...

#### 4 ONGOING NOTIFICATION REQUIREMENTS

---

4.1 A *firm* must notify the PRA as soon as it becomes aware of any of the following matters in respect of one or more of its *controllers*:

...

(3) if a corporate *controller* undergoes a substantial change or series of changes in its *governing body*;

(4) ~~if a *controller*, who is authorised in another *EEA State* as a MiFID investment firm, CRD credit institution or UCITS management company or under the *Solvency II Directive* or the *Insurance Distribution Directive*, ceases to be so authorised (registered in the case of an *IDD insurance intermediary*). [deleted.]~~

...

...

**Annex K**

**Amendments to the Close Links Part**

In this Annex deleted text is struck through.

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to every *firm* ~~except an *incoming firm*~~.

...

## Annex L

## Amendments to the Compliance and Internal Audit Part

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

## 1 APPLICATION AND DEFINITIONS

---

- 1.1 Unless otherwise stated, this Part applies to a *CRR firm*
- ...
- (2) ~~with respect to the carrying on of *passport activities* by it from a *branch* in another *EEA state*; [deleted.]~~
- ...
- 1.1A 2.1 to ~~2.6~~ 2.2B do not apply to a *firm* with respect to the carrying on of *benchmarking activities* except to the extent that ~~they transpose an EU instrument before *IP completion day*, they were made for the purpose of transposing an EU instrument.~~
- 1.2 In this Part, the following definitions shall apply:
- ~~*host Member State*~~
- has the meaning given in Article 4(1)(56) of *MiFID II*.

## 2 COMPLIANCE

---

- ...
- 2.6 (1) ~~This rule applies to a *firm* conducting *investment services and activities* from a *branch* in another *EEA State*. [Deleted.]~~
- (2) ~~References to the *regulatory system* in 2.1 and 2.2A apply in respect of a *firm's branch* as if *regulatory system* includes a *host Member State's* requirements under *MiFID II* which are applicable to the *investment services and activities* conducted from the *firm's branch*. [Deleted.]~~



## Annex M

## Amendments to the Conditions Governing Business Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.2 In this Part, the following definitions shall apply:

*concentration risk*

means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of a ~~Solvency II undertaking~~ UK Solvency II firm.

...

## 2 GENERAL GOVERNANCE REQUIREMENTS

---

2.1 A *firm* must ensure its *governing body* is ultimately responsible for the *firm's* compliance with the rules and all applicable laws, regulations and administrative provisions ~~adopted in accordance with~~ implementing the *Solvency II Directive*.

...

## 4 INTERNAL CONTROL

---

...

4.2 The compliance *function* referred to in 4.1(2) must include:

- (1) advising the *governing body* on compliance with the rules and other laws, regulations and administrative provisions ~~adopted in accordance with~~ implementing the *Solvency II Directive*; and

...

## 11 STATISTICAL DATA

---

11.1 ~~A leading insurer and a relevant insurer must keep statistical data showing the extent of Community co-insurance operations in which they participate and the EEA States concerned.~~  
[Deleted.]

...

## Annex N

## Amendments to the Conduct Rules Part

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

## 1 APPLICATION AND DEFINITIONS

---

- 1.1 (1) This part applies to every function a *person* (P) performs in relation to a *firm* (A) that is:
- (a) a *CRR firm*;
  - (b) a *credit union*; or
  - (c) a *third country CRR firm* in relation to:
    - (i) the activities of its establishment in the *UK*; or
    - (ii) if it does not have an establishment in the *UK*, activities in the *UK*.
- (2) This Part only applies if P:
- ...
- (d) performs a *certification function* in relation to A; ~~or~~
  - (e) is a *Conduct Rules non-executive director* of A; or
  - (f) is a *person* in relation to whom a notice under *section 59ZZA* has been or could be given by the *PRA* to an *authorised person*.
- (3) 3.1 to 3.3 only apply to a *person* in (2)(a), ~~(b)~~, or (f).
- (4) 3.4 only applies to a *person* in (2)(a), (b), ~~(e)~~ or (f).

## Annex O

## Amendments to the Contractual Recognition of Bail In 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:

...

~~eligible deposit~~

~~has the meaning given in point 4 of Article 2(1) of Directive 2014/49/EU~~

...

*fully secured liability*

means a *liability* which, at the time it is created, is fully secured and governed by contractual terms that oblige the debtor to maintain the *liability* fully collateralised on a continuous basis in compliance with regulatory requirements of ~~EUUK~~ law or of the law of a *third country* achieving effects that can be deemed equivalent to ~~EUUK~~ law.

...

*micro, small and medium-sized enterprises*

means micro, small and medium-sized enterprises as defined with regard to the annual turnover criterion referred to in Article 2(1) of the Annex to the Commission Recommendation 2003/361/EC, taking into account all other provisions in the Annex to Commission Recommendation 2003/361/EC relevant to calculation of that criterion (including any relevant data from partner enterprises or linked enterprises in accordance with Article 3).

## 2 CONTRACTUAL RECOGNITION OF BAIL-IN

---

...

2.1A ~~2.1 does not apply~~ The inclusion of a contractual term in a contract is not required by this Part in respect of a *any phase two liability* where it would be impracticable for the *BRRD undertaking* to comply with 2.1 to include it in respect of that *phase two liability*.

2.1B Subject to 2.1C, the requirement in 2.1 shall not apply where the contract:

(1) was made before *IP completion day*; and

(2) is governed by the law of an *EEA State*.

2.1C Notwithstanding 2.1B, the requirement in 2.1 shall apply to a contract referred to in 2.1B from the time of any *material amendment* to the contract made on or after *IP completion day*.

2.2 In respect of a *liability to which 2.1 applies* that is:

- (1) an *additional tier 1 instrument*, or
- (2) a *tier 2 instrument*,

a *BRRD undertaking* that is a *CRR firm* must provide to the *PRA* a properly reasoned independent legal opinion from an individual appropriately qualified in the relevant *third country* on the enforceability and effectiveness of the term ~~referred to in~~ required by this Part. 2.1.

...

## Annex P

### Amendments to the Credit Risk Part

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

...

#### **3 SECURITISATION – RECOGNITION OF SIGNIFICANT RISK TRANSFER**

---

- 3.1 A firm must notify the PRA that it is relying on the deemed transfer of significant credit risk under paragraph 2 of ~~Article 243~~ Article 244 of the CRR or paragraph 2 of ~~Article 244~~ Article 245 of the CRR, including when this is for the purposes of Article 337(5) of the CRR, no later than one month after the date of the transfer.

....

#### **4 CRITERIA FOR CERTAIN EXPOSURES SECURED BY MORTGAGES ON COMMERCIAL IMMOVABLE PROPERTY**

---

...

- 4.1A For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat an *exposure* or any part of an *exposure* that is not located in ~~a jurisdiction that is not an EEA State~~ the UK as fully and completely secured for the purposes of Article 126 (1) of the *CRR* only if all of the following conditions are met:

...

## Annex Q

## Amendments to the Credit Unions Part

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

## 6 INVESTMENT

---

...

6.3 A *credit union* must not hold *investments*, save that it may hold an *investment* that is:

- (1) a *deposit* placed with a *credit institution* which is authorised in ~~an EEA State~~ the UK to *accept deposits* on terms that the *deposit* shall be repayable within at most twelve months from the date on which that *investment* is made;
- (2) a loan, other than a subordinated loan qualifying as *capital* within the meaning given in 8.2, to a *credit institution* which is authorised in ~~an EEA State~~ the UK to *accept deposits*, with a *maturity* of up to twelve months from the date on which that *investment* is made;
- (3) a sterling-denominated *security* issued by the government of ~~an EEA State~~ the UK with a *maturity* of up to twelve months from the date on which that *investment* is made;
- (4) a fixed-interest sterling-denominated security guaranteed by the government of ~~an EEA State~~ the UK, with a *maturity* of up to twelve months from the date on which that *investment* is made, provided that such *guarantee* is unconditional in respect of the payment of both principal and interest on the security; or

...

6.4 If a *credit union* complies with 10.3, it may hold an *investment* that is:

...

- (2) a loan, other than a subordinated loan qualifying as *capital* within the meaning given in 8.2, to a *credit institution* which is authorised in ~~the UK an EEA State~~ the UK to *accept deposits* with a *maturity* of up to five years from the date on which that *investment* is made;
- (3) a sterling-denominated security issued by the government of ~~the UK an EEA State~~ the UK, with a *maturity* of up to five years from the date on which that *investment* is made;
- (4) a fixed-interest sterling-denominated security guaranteed by the government of ~~the UK an EEA State~~ the UK, with a *maturity* of up to five years from the date on which that *investment* is made, provided that such *guarantee* is unconditional in respect of the payment of both principal and interest on the *security*; or
- (5) any other product provided by a *credit institution* authorised in ~~the UK an EEA State~~ the UK to *accept deposits*, with a *maturity* of up to five years from the date on which that *investment* is made, provided it satisfies the requirement in 6.2.

...

**6A INVESTMENT – TRANSITIONAL PROVISIONS**

---

- 6A.1 The references in 6.3 to the *UK* shall be read as references to the *UK* or an *EEA State* except that in the case of an *EEA State* where the investment was made after *IP completion day* the maturity referred to therein shall be no later than 31 March 2022.
- 6A.2 The references in 6.4 to the *UK* shall be read as references to the *UK* or an *EEA State* except that in the case of an *EEA State* where the investment was made after *IP completion day* the maturity referred to therein shall be no later than 31 March 2022.

## Annex R

## Amendments to the Depositor Protection Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

...

(6) an overseas firm, that if:

- (a) ~~is not an incoming firm; and~~ the firm has a Part 4A permission that includes accepting deposits; and
- (b) ~~has a Part 4A permission that includes accepting deposits~~ deposits are held by a UK establishment of the firm.

1.2 Chapter 23 and Rule 20.2 ~~applies~~ apply to a UK branch of ~~an incoming firm that is a credit institution.~~ a Gibraltar-based credit institution.

1.3 This Part also applies to a firm which used to have a Part 4A permission to accept deposits but which has ceased to have a Part 4A permission to accept new deposits, or which is subject to a requirement not to accept new deposits, and which is not a member of ~~a non-UK scheme~~ the Gibraltar DGS.

1.3A For the purposes of this Part, a deposit is held by a UK establishment or Gibraltar branch if it is assigned by the firm to an account of that UK establishment or Gibraltar branch (as applicable).

1.3B For the purposes of this Part, references to a Gibraltar establishment or branch (as applicable) of a UK firm, means an establishment or branch established pursuant to Gibraltar-market access rights.

1.4 Unless otherwise stated, in this Part, the following definitions shall apply:

...

*deposit*

means:

- (1) a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit, but excluding a credit balance where:
  - (a) its existence can only be proven by a financial instrument ~~financial instrument as defined in MIFID II,~~ unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which ~~exists~~ existed in the UK, Gibraltar or a Member State of the EU on 2 July 2014;

...



DGS EU Exit Regulations

means the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018.

*DGS member*

...

- (5) an overseas firm ~~if: that is not an incoming firm and~~
- (a) the firm has a *Part 4A permission* that includes *accepting deposits*; and
- (b) deposits are held by a UK establishment of the firm.

...

*EEA right*

~~means the entitlement of a person to establish a branch or provide services in an EEA State other than that in which they have their relevant office in accordance with the Treaty as applied in the European Economic Area; and subject to the conditions of the CRR and CRD.~~

*euro firm*

~~means an incoming firm that is a credit institution of an EEA State that has adopted the euro or that does not convert into their national currency the amount referred to in Article 6(1) of the DGSD, pursuant to Article 6(5) DGSD.~~

...

*exclusions list*

means:

...

- (1) up to and including 31 December 2016, a list in the form set out in Section A of Annex 3 to this Part; ~~and~~
- (2) from 1 January 2017 until IP completion day, a list in the form set out in Section B of Annex 3 to this Part; and
- (3) from IP completion day, a list in the form set out in Section C of Annex 3 to this Part.

...

Gibraltar-based credit institution

means a credit institution authorised as such by the Gibraltar Financial Services Commission that has its head office in and is incorporated in Gibraltar.

Gibraltar DGS

means the deposit guarantee scheme established in Gibraltar.

*Gibraltar market access rights*

means market access rights pursuant to which a *person* incorporated in the *UK* is entitled to establish a *branch* or provide services in Gibraltar.

~~*home state scheme*~~

~~means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *home Member State*.~~

~~*host state scheme*~~

~~means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *host Member State*.~~

...

*incoming firm*

means a *firm* which, immediately before *IP completion day*, was an incoming firm within the meaning of section 193 of *FSMA* as in force at that date.

...

*mandatory contributions*

means, at any time, the mandatory contributions described in Article 10(4) of the *DGSD* paid before that time by *credit institutions* to schemes of mandatory contributions established by the *UK* for the purposes of covering the costs related to systemic risk, failure and resolution of institutions, up to the *target level*, less any amounts of such mandatory contributions previously borrowed by the *FSCS* which have not been repaid.

*micro, small and medium-sized enterprises*

means micro, small and medium-sized enterprises as defined with regard to the annual turnover criterion referred to in Article 2(1) of the Annex to Commission Recommendation 2003/361/EC-, taking into account all other provisions in the Annex to Commission Recommendation 2003/361/EC relevant to calculation of that criterion (including any relevant data from partner enterprises or linked enterprises in accordance with Article 3).

...

*money laundering*

has the meaning given in Article 1(3) 4(2) of the *money laundering directive*.

*money laundering directive*

means ~~Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, Directive 2015/849/EU.~~

...

*non-UK scheme*

means a scheme established pursuant to the *DGSD* in an *EEA State*. ~~other than the UK.~~

...

*target level*

means ~~the amount of available financial means which the deposit guarantee scheme is required to reach, which is 0.8% of the amount of covered deposits (excluding temporary high balances) of DGS members.~~

## 2 ELIGIBILITY

---

...

2.2 The provisions in this rule determine whether a *deposit* is an *eligible deposit*:

- (1) A *deposit* is an *eligible deposit* only if it is held by:
  - (a) a UK establishment of a DGS member; or
  - (b) a branch of a DGS member established in ~~another EEA State under an EEA Right~~ Gibraltar pursuant to Gibraltar market access rights.
- (2) ~~A deposit is held by a UK establishment or a branch if it is assigned by the firm to an account of that UK establishment or that branch.~~ [Deleted.]
- (3) A *deposit* is, subject to the other rules in this Chapter, an *eligible deposit* if it is held by a UK or Gibraltar establishment of a firm which:
  - (a) had a *Part 4A permission* to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and
  - (b) is not now a ~~member of a non-UK scheme~~ the Gibraltar DGS which protects such *deposits*.

(4) The following are not *eligible deposits*:

...

- (f) a *deposit* the holder and any beneficial owner (as defined in regulation 3 of the Money Laundering Regulations, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017) of which have not, at the *compensation date* had their identity verified in accordance with:
  - (i) regulation 30 of the Money Laundering Regulations, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
  - (ii) if their identity was verified prior to 26 June 2017, regulation 9 of the Money Laundering Regulations 2007 (in which case, the term beneficial owner in (f) above shall have the meaning given in regulation 6 of the Money Laundering Regulations 2007); or
  - (iii) in each case, equivalent ~~European Economic Area~~ requirements:
    - (1) Gibraltar requirements, provided that, if their identity is so verified after IP completion day, the deposit referred to in (f) is held by a branch of a DGS member established in Gibraltar pursuant to Gibraltar market access rights; or
    - (2) European Economic Area requirements, provided that their identity was so verified prior to IP completion day.

### 3 CIRCUMSTANCES IN WHICH THE FSCS PAYS COMPENSATION IN RESPECT OF ELIGIBLE DEPOSITS

---

...

3.2 The FSCS must pay compensation in accordance with this Part in respect of an *eligible deposit* if it is satisfied that the *eligible deposit* is a *deposit* with either:

- (1) a DGS member which is *in default*; or
- (2) a firm which is *in default* and which:
  - (a) had a *Part 4A permission* to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and
  - (b) is not a ~~member of a non-UK scheme~~ the Gibraltar DGS which covers such *deposits*.

...

### 5 CALCULATING COMPENSATION

---

...

5.3 The limit provided for in 4.2 applies to the aggregate *eligible deposits* placed by a *depositor* with the same *credit institution*, irrespective of the number of accounts, the currency, or whether such *eligible deposits* are held by a UK establishment or a Gibraltar establishment of a DGS member the location within the EEA.

...

### 6 PAYING COMPENSATION

---

...

6.2 The FSCS must pay any compensation to the *depositor*, with the following exceptions:

- (1) where the FSCS ~~is required to~~ may make payments on behalf of a *non-UK scheme* in accordance with the ~~deposit guarantee scheme regulations~~ DGS EU Exit Regulations;
- (2) ~~where the FSCS must instruct a non-UK scheme to make payments on its behalf in accordance with 27.3; [deleted.]~~

...

6.9 In applying this Chapter to *deposits* held with a *branch* ~~outside the UK~~ of a *DGS member* in Gibraltar, the FSCS must interpret references to:

- (1) *persons* entitled as personal representatives, trustees, bare trustees, *operators* of *pension schemes* or *persons* carrying on the *regulated activity* of winding up *pension schemes*; or

- (2) *persons* having a *joint account* or joint interest in a *deposit* or carrying on business in partnership,

as references to *persons* entitled, under the law of ~~the relevant country or territory~~ Gibraltar, in a capacity appearing to the *FSCS* to correspond as nearly as may be to that capacity.

## 7 FORM AND METHOD OF COMPENSATION

---

...

7.2 The *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

- (1) by paying the compensation (on such terms as the *FSCS* considers appropriate) to a *DGS member* or ~~an incoming firm~~ a Gibraltar-based credit institution with an establishment in the UK which agrees to become liable to the *compensation recipient* in a like sum;
- (2) by paying compensation directly into an existing deposit account of (or for the benefit of) the *compensation recipient*, with a *DGS member* or ~~an incoming firm~~ a Gibraltar-based credit institution with an establishment in the UK (but before doing so the *FSCS* must take such steps as it considers appropriate to verify the existence of such an account and to give notice to the *depositor* of its intention to exercise this power);

...

## 8 CURRENCY OF COMPENSATION

---

...

8.2 ~~Subject to 8.3, the~~ The *FSCS* must make compensation payments in respect of *eligible deposits* in pounds sterling. Where the account in which the *eligible deposit* was held was maintained in a different currency, the *FSCS* must use the exchange rate applying on the *compensation date*.

8.3 ~~Where the FSCS is instructing a non-UK scheme to make a payment under 27.3, the FSCS must instruct the relevant non-UK scheme to make such payments in the currency of that host Member State [Deleted.]~~

## 9 TIME LIMITS

---

...

9.4 The *FSCS* may decide to defer the payment of compensation beyond the time period set out in 9.3 where:

...

- (5) the amount to be repaid is deemed to be part of a *temporary high balance*, in which case 10.8 applies; or
- (6) ~~the amount to be repaid is to be paid out by the host state scheme; or [deleted.]~~

...

...

## 12 SINGLE CUSTOMER VIEW REQUIREMENTS

---

...

12.9 A *firm* must ensure that each *single customer view* and *exclusions view* contains all the information set out in the table below.

...

---

39	Account branch jurisdiction.	<p>If the account is held in a branch outside the United Kingdom, please state in which jurisdiction the account is held [if applicable].</p> <p><u>Eligible deposits must be held by UK or Gibraltar establishments. State "GBR" or "GIB", as applicable.</u></p>	<p>ISO 3166-1 Alpha-3 or alternative code if ISO 3166-4 is unavailable</p> <p>Maximum number of characters in field: 3</p> <p>N/A</p>
40	<p><del>BRRD</del> Marking</p> <p><u>Bank recovery and resolution marking</u></p>	<p>Is the account marked under 13.2? [if applicable].</p>	<p>Value: Yes / No</p> <p>Maximum number of characters in field: 3</p>

---

## 13 BRRD BANK RECOVERY AND RESOLUTION MARKING AND CONTINUITY OF ACCESS

---

...

13.2 A *firm* must mark accounts which hold:

...

- (2) *deposits* that would be *eligible deposits* from natural persons or *micro, small and medium-sized enterprises* if the *deposit* had not been made through a *branch* of the *firm* located outside the ~~EEA~~ UK or Gibraltar

...

...

## 16 FIRMS' DISCLOSURE OBLIGATIONS – INFORMATION AND EXCLUSIONS

---

...

16.2 A *firm* must:

...

- (3) before entering into a contract on *deposit-taking* with the intending *depositor* of deposits to be held by a UK or Gibraltar establishment of the firm:

...

each such intending *depositor*.

- (4) before entering into a contract on *deposit-taking*, inform each intending *depositor* of deposits to be held at a UK or Gibraltar establishment of the firm of the exclusions from *deposit guarantee scheme* protection that fall within 2.2(4)(b) and 2.2(4)(k), if applicable.

16.3 ~~Where the depositor holds eligible deposits through a UK establishment, the~~ The information sheet must be in English, or, if different, in the language that was agreed between the *depositor* and the *firm* when the account was opened. ~~A firm which accepts eligible deposits through a branch established in another EEA State may provide the information sheet in the official language of that EEA State.~~

## 17 FIRMS' DISCLOSURE OBLIGATIONS – STATEMENTS OF ACCOUNT

---

17.1 A *firm* must:

...

- (2) include a reference to the *information sheet* and a reference to the *exclusions list* on a *depositor's* statement of account in respect of deposits held by a UK or Gibraltar establishment of the firm;

- (3) at least annually:

- (a) provide to the depositor of deposits held by a UK or Gibraltar establishment of the firm;

...

- (4) include the following information on a depositor's statement of account in respect of deposits held by a UK or Gibraltar establishment of the firm:

...

17.3 A firm which was, immediately before IP completion day, a credit institution and an incoming firm, and which is a DGS member immediately after IP completion day, must, within two months after IP completion day:

- (1) provide to the depositor of deposits held by a UK establishment of the firm:

- (a) the information sheet; and

- (b) the exclusions list; and

- (2) if applicable, inform the depositor of the exclusions from deposit guarantee scheme protection that fall within 2.2(4)(b) and 2.2(4)(k).



...

## 19 DISCLOSURE OF TRANSFER OF DEPOSITS

---

19.1 In the case of a merger, conversion of *subsidiaries* into *branches*, transfer or similar operations, a *firm* must:

...

- (2) give *depositors* a three month period following notification in accordance with (1), to withdraw or transfer to another *institution*, without incurring any penalty, such part of their *eligible deposits*, together with any accrued interest and other benefits, as exceed the coverage level pursuant to 4.2 (or, if applicable in the case of a *non-UK scheme*, other transposition of Article 6(1) of the *DGSD*) at the time of the operation.

## 20 DISCLOSURE OF WITHDRAWAL OR EXCLUSION FROM THE DEPOSIT GUARANTEE SCHEME

---

20.1 A *firm* must inform *depositors* within one month if it withdraws from or is excluded from the *deposit guarantee scheme* or any *non-UK scheme*.

20.2 A Gibraltar-based credit institution with an establishment in the UK must inform depositors of that establishment within one month if it withdraws from or is excluded from the Gibraltar DGS.

20.3 A firm must inform depositors of deposits which:

- (1) immediately prior to IP completion day, were eligible deposits; and  
 (2) on IP completion day, ceased to be eligible deposits by virtue of not being held at a UK or Gibraltar establishment,

that such deposits ceased to be eligible deposits on IP completion day; and must do so as soon as practicably possible after IP completion day and in any event within one month after IP completion day.

...

## 22 NOTIFICATION REQUIREMENTS ON TRANSFER TO A NON-UK SCHEME ~~[deleted.]~~

---

22.1 ~~If a firm which is a DGS member intends to transfer to become a member of a non-UK scheme, and cease to be a DGS member, it shall give at least six months' notice to the FSCS and the PRA of its intention to make such a transfer. During the six month period, the firm shall remain a DGS member. [Deleted.]~~

## 23 DEPOSIT COMPENSATION INFORMATION – BRANCHES AND WEBSITE

---

...

23.3 In this Chapter, references to “compensation leaflet” are:

- (1) in the case of a *DGS member*, references to the *FSCS*'s standard leaflet with respect to its protection of *deposits*; and  
 (2) in the case of ~~an incoming firm that it is a credit institution~~, a *Gibraltar-based credit institution* with an establishment in the *UK*, references to a leaflet with respect to the

protection of *deposits* by the *Gibraltar DGS* compensation scheme of its *home member state* where such a leaflet is provided electronically and in English by the *Gibraltar DGS* ~~home state scheme~~ or, where a leaflet is not available, a link to the ~~home state scheme's~~ *Gibraltar DGS'* website.

23.4 A firm that *accepts deposits* under a single brand or trading name must prominently display the compensation sticker and compensation poster in each UK branch (and, in the case of a UK firm with a branch in Gibraltar, each Gibraltar branch) in the following ways:

...

23.5 A firm that *accepts deposits* under multiple brands or trading names must prominently display the compensation sticker and compensation poster in each UK branch (and, in the case of a UK firm with a branch in Gibraltar, each Gibraltar branch) in the following ways:

...

23.10 ~~A firm that accepts eligible deposits through a branch or branches established in other EEA States may provide the information required by this Chapter in the official language(s) of the EEA State (which may be either the compensation sticker, compensation poster or compensation leaflet in that language or the firm's own translation of that compensation sticker, compensation poster or compensation leaflet). [Deleted.]~~

## 24 DUTIES OF THE FSCS

---

...

24.10 The FSCS must correspond with a *depositor* in any one of:

- (1) English; or
- (2) ~~any other official Union language or~~ Welsh if that language is used by the *firm* which holds the *eligible deposit* when communicating with that *depositor*.

...

## 26 CONFIDENTIALITY, INFORMATION SHARING AND CO-OPERATION

---

...

26.2 The FSCS must exchange with *host state schemes* (in relation to a *DGS member*), information: ~~[Deleted.]~~

- (1) ~~relating to the DGS member's compliance with this Part;~~
- (2) ~~necessary to prepare for a repayment of depositors, including markings made under Chapter 11;~~
- (3) ~~communicated to the FSCS by the PRA that the PRA has detected problems with a DGS member that are likely to give rise to the intervention of the deposit guarantee scheme.~~

26.3 ~~The FSCS must have appropriate procedures in place to enable it to share information and communicate effectively with non-UK schemes, the members of such schemes, and bodies outside the UK. The FSCS shall inform the PRA of any cooperation agreement it enters into with a non-UK scheme. [Deleted.]~~

26.4 ~~In order to facilitate effective co-operation, the FSCS shall have written co-operation agreements in place with non-UK schemes. Such agreements shall take account of 26.1. [Deleted.]~~

## **27 PAYMENTS IN RESPECT OF UK BRANCHES OF INCOMING FIRMS AND EEA BRANCHES OF DGS MEMBERS [deleted.]**

---

27.1 ~~This Chapter applies only to the FSCS. [Deleted.]~~

27.2 ~~Where the FSCS is required under the deposit guarantee scheme regulations to pay compensation on behalf of a non-UK scheme, the FSCS must inform the depositors concerned that the relevant credit institution is in default and of their right to compensation on behalf of the non-UK scheme. The FSCS may receive correspondence from those depositors on behalf of the non-UK scheme. [Deleted.]~~

27.3 ~~Where the FSCS is required, under this Part, to pay compensation to a depositor in respect of deposits held with a branch of a DGS member in an EEA state other than the UK, the FSCS must instruct the relevant non-UK scheme to make such payments on its behalf. The FSCS must provide the necessary funding prior to payout by the non-UK scheme and must compensate the non-UK scheme for costs incurred by the non-UK scheme with regard to acts done by the non-UK scheme in accordance with the instructions given by the FSCS. [Deleted.]~~

## **28 SUBROGATION**

---

...

28.3 (1) The FSCS may determine that, if it is necessary or desirable in conjunction with the exercise of the FSCS's powers under 28.2, that the *compensation recipient* shall be treated as having irrevocably and unconditionally appointed the chairman of the FSCS for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the UK, Gibraltar ~~another EEA State~~ or any other state or country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

## **30 RECOVERIES OF ELIGIBLE DEPOSITS: RETURN OF SURPLUS TO COMPENSATION RECIPIENT**

---

30.1 If the FSCS, in relation to a *claim* for *eligible deposits*, makes recoveries from the *credit institution* or any third party in respect of that *eligible deposit*, it must:

- (1) retain from those recoveries a sum equal to the aggregate of:
  - (a) the sum paid by the FSCS as compensation; and

...

- (b) ~~any amount paid or payable by a home state scheme to the compensation recipient, and [deleted.]~~

...

## 32 FUNDING – USE OF EXISTING MANDATORY CONTRIBUTIONS

---

...

- 32.2 If the PRA determines, in accordance with the *deposit guarantee scheme regulations*, that the FSCS is unable to raise a *DGS compensation costs levy* from *DGS members* to meet the liabilities of the *deposit guarantee scheme*, the FSCS may borrow an amount equal to the ~~amount of such mandatory contributions~~ in order to meet the liabilities of the deposit guarantee scheme.
- 32.3 The FSCS must impose a *DGS compensation costs levy* on *DGS members* sufficient to repay any amounts ~~borrowed in accordance with 32.2 equal to mandatory contributions borrowed in accordance with Article 10 (4) of the DGSD~~ within a reasonable time and in accordance with repayment deadlines under the applicable loan agreement and 34.3.

...

## 48 FUNDING – TRANSFER OF LEVIES ~~[deleted.]~~

---

- 48.1 ~~This Chapter applies only to the FSCS. [Deleted.]~~
- 48.2 ~~If a firm ceases to be a DGS member and joins a non-UK scheme, the FSCS must transfer the contributions paid by that firm to the available financial means of the deposit guarantee scheme during the 12 months preceding the end of the membership to the relevant non-UK scheme. [Deleted.]~~
- 48.3 ~~48.2 does not apply if the firm has been excluded from the deposit guarantee scheme pursuant to Article 4(5) of the DGSD. [Deleted.]~~
- 48.4 ~~If some of the activities of a DGS member are transferred to another Member State and become subject to a non-UK scheme, the contributions paid by that firm during the 12 months preceding the transfer shall be transferred to the relevant non-UK scheme in proportion to the amount of covered deposits transferred. [Deleted.]~~

...

## ANNEX 1 – INFORMATION SHEET (CHAPTER 16)

---

Currency of reimbursement:	<del>Pound sterling (GBP, £) or, for branches of UK banks operating in other EEA Member States, the currency of that State.</del>
----------------------------	---

## ANNEX 2 – CONTENT OF COMPENSATION STICKERS AND POSTERS (CHAPTER 23)

---

The compensation stickers must contain the following statements only:

---

*UK banks*

*building societies*

*credit unions*

*Northern Ireland credit unions*

An overseas firm, ~~that if:~~

(a) ~~is not an incoming firm;~~ the firm has a Part 4A permission that includes accepting deposits; and

(b) ~~has a Part 4A permission that includes accepting deposits~~ deposits are held by a UK establishment of the firm

...

---

(1) "Your eligible deposits ~~with~~ held by a UK/Gibraltar [delete as appropriate] establishment of [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit [www.fscs.org.uk](http://www.fscs.org.uk)."

As an alternative, for *credit unions* or *Northern Ireland credit unions* that *accept deposits* under a single brand or trading name:

"Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [www.fscs.org.uk](http://www.fscs.org.uk)."

---

~~Incoming firm that is a credit institution~~ UK branch of a Gibraltar-based credit institution

---

(2) "Your eligible deposits with [insert name of firm] are protected up to a total of ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltar coverage limit including applicable currency] by the Gibraltar Deposit Guarantee Scheme ~~[insert name of compensation scheme]~~ the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltar coverage limit including applicable currency] limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."

---

The compensation posters must contain the following statements only:

---

*UK banks*

---

*building societies*

*credit unions*

*Northern Ireland credit unions*

An overseas firm, ~~that if:~~

~~(a) is not an incoming firm~~ the firm has a *Part 4A permission* that includes *accepting deposits*; and

~~(b) has a Part 4A permission that includes accepting deposits~~ deposits are held by a UK establishment of the firm.

...

---

(1) *Firms that accept deposits under a single brand or trading name*

"Your eligible deposits ~~with~~ held by a UK/Gibraltar [delete as appropriate] establishment of [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit [www.fscs.org.uk](http://www.fscs.org.uk)."

As an alternative, for credit unions or Northern Ireland credit unions that accept deposits under a single brand or trading name: "Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit [www.fscs.org.uk](http://www.fscs.org.uk)."

(2) *Firms that accept deposits under multiple brands or trade names*

"Your eligible deposits ~~with~~ held by a UK/Gibraltar [delete as appropriate] establishment of [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. This limit is applied to the total of any deposits you have with the following: [insert name of brands as appropriate]. Any total deposits you hold above the limit between these brands are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit [www.fscs.org.uk](http://www.fscs.org.uk)."

---

~~Incoming firm that is a credit institution~~ UK branch of a Gibraltar-based credit institution

---

(3) ~~Incoming firm that is a credit institution and~~ UK branch of a Gibraltar-based credit institution that accepts deposits under a single brand or trading name

"Your eligible deposits with [insert name of firm] are protected up to a total of ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltarian coverage limit including applicable currency] by ~~[insert name of compensation scheme]~~ the [insert home state of compensation scheme] the Gibraltar-deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltarian coverage limit including applicable currency] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."

- (4) ~~Incoming firm~~ UK branch of a Gibraltar-based credit institution that accepts deposits under multiple brands or trading names

"Your eligible deposits with [insert name of firm] are protected up to a total of ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltarian coverage limit including applicable currency] by ~~[insert name of compensation scheme]~~ the [insert home state of compensation scheme] the Gibraltar deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits above the ~~[insert 100,000 euro or home state equivalent]~~ [insert Gibraltarian coverage limit including applicable currency] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."

...

### **ANNEX 3 – EXCLUSIONS LIST (CHAPTER 16)**

#### **Section C (from IP completion day)**

A deposit is excluded from protection if:

- (1) The holder and any beneficial owner of the deposit have never been identified in accordance with money laundering requirements. For further information, contact your bank, bank building society or credit union.
- (2) The deposit arises out of transactions in connection with which there has been a criminal conviction for money laundering.
- (3) It is a deposit made by a depositor which is one of the following:
  - credit institution
  - financial institution
  - investment firm
  - insurance undertaking
  - reinsurance undertaking
  - collective investment undertaking
  - pension or retirement fund<sup>1</sup>
  - public authority, other than a small local authority.
- (4) It is a deposit of a credit union to which the credit union itself is entitled.
- (5) It is a deposit which can only be proven by a financial instrument<sup>2</sup> unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed in the UK, Gibraltar or a Member State of the EU on 2 July 2014).
- (6) It is a deposit of a collective investment scheme which qualifies as a small company.<sup>3</sup>
- (7) It is a deposit of an overseas financial services institution which qualifies as a small company.<sup>4</sup>
- (8) It is a deposit of certain regulated firms (investment firms, insurance undertakings and reinsurance undertakings) which qualify as a small business or a small company<sup>5</sup> – refer to the FSCS for further information on this category.

- (9) It is not held by an establishment of a bank, building society or credit union in the UK or, in the case of a bank or building society incorporated in the UK, it is not held by an establishment in Gibraltar.

For further information about exclusions, refer to the FSCS website at [www.FSCS.org.uk](http://www.FSCS.org.uk)

---

<sup>1</sup> Deposits by personal pension schemes, stakeholder pension schemes and occupational pension schemes of micro, small and medium sized enterprises are not excluded

<sup>2</sup> As listed in Part I of Schedule 2 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, read with Part 2 of that Schedule

<sup>3</sup> Under the Companies Act 1985 or Companies Act 2006

<sup>4</sup> See footnote 3

<sup>5</sup> See footnote 3



## Annex S

### Amendments to the Designation Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to a *CRR firm* controlled by a UK parent financial holding company ~~in a Member State~~ or a UK parent mixed financial holding company ~~in a Member State~~ that would be under an obligation to comply with *CRR* requirements on a *consolidated basis* if Article 11(2) *CRR* was in force as it had effect in the *UK* on 27 December 2020.

1.2 ~~In this Part, the following definitions shall apply: [Deleted.]~~

~~*parent financial holding company in a Member State*~~

~~has the meaning set out at point (30) of Article 4(1) *CRR*.~~

~~*parent mixed financial holding company in a Member State*~~

~~has the meaning set out at [point (31) of Article 4(1) *CRR*.~~

#### 2 CONSOLIDATION REQUIREMENTS

---

2.1 Subject to 2.2, a *firm* must comply with all *CRR* consolidation requirements with which its UK parent financial holding company ~~in a Member State~~ or UK parent mixed financial holding company ~~in a Member State~~ would be required to comply if it was approved or designated under Part 12B FSMA for the purpose of ensuring that *CRR* requirements are applied on a *consolidated basis*.

...

## Annex T

### Amendments to the Dormant Account Scheme Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

...

- (5) an *overseas firm* ~~that if:~~
- (a) ~~is not an *incoming firm*; and [deleted.]~~
  - (b) the firm has a *Part 4A permission* that includes *accepting deposits*; and
  - (c) deposits are held by a UK establishment of the firm.

1.2 In this Part, the following definitions shall apply:

...

*DAS member*

means:

...

- (4) an *overseas firm*, if:
- (a) the firm ~~that is not an *incoming firm* and~~ has a *part 4A permission* that includes *accepting deposits*; and
  - (b) deposits are held by a UK establishment of the firm.

*Gibraltar-based credit institution*

has the meaning given in the Depositor Protection Part.

...

#### 7 FORM AND METHOD OF COMPENSATION

---

...

7.2 Subject to Chapter 6, the *FSCS* may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

- (1) by paying the compensation (on such terms as the *FSCS* considers appropriate) to a *firm* with a *Part 4A permission* to *accept deposits* or a *Gibraltar-based credit institution*

~~with an establishment in the UK an incoming firm~~ or another *dormant account fund operator* which agrees to become liable to the claimant in a like sum;

...

## 12 SUBROGATION

---

...

- 12.4 (1) The *FSCS* may determine that, if it is necessary or desirable in conjunction with the exercise of the *FSCS*'s powers under 12.3, that the claimant shall be treated as having irrevocably and unconditionally appointed the chairman of the *FSCS* for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the *UK*, Gibraltar ~~another EEA State~~ or any other state or law-country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

## Annex U

## Amendments to the External Audit Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.3 In this Part, the following definitions shall apply:

...

*group supervisor*

means the PRA in accordance with regulation 26 of The Solvency 2 Regulations ~~(in relation to a group) the authority designated as group supervisor in relation to that group, in accordance with Article 247 of the Solvency II Directive.~~

...

## 4 DUTIES ON THE EXTERNAL AUDITOR

---

...

4.2 Where the *relevant elements of the SFCR* in a *group SFCR* that:

- (1) pertains to an *undertaking* that is not a ~~Solvency II undertaking~~ UK Solvency II firm; and
- (2) information has been prepared in accordance with:
  - (a) *PRA* rules other than those implementing the *Solvency II Directive*; or
  - (b) ~~an EU instrument~~ UK law other than the *Solvency II Regulations*,

the external auditor shall state in the report under 4.1(2) that the information has been properly compiled in accordance with the relevant *PRA* rules and ~~EU instruments~~ UK law relating to that *undertaking* from information provided by *undertakings* in the *group* and the *relevant insurance group undertaking*.

...

## Annex V

## Amendments to the Fees 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:

...

cross border services

means:

- (1) for a former incoming EEA firm or a former incoming Treaty firm, services provided within the UK prior to IP completion day under the freedom to provide services and subsequently under any legislative provision which replaces it;
- (2) for Gibraltar-based firms, services provided under an entitlement conferred by the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 in the United Kingdom without using a physical presence there to offer or provide those services.

...

first fee year

means the *fee year* during which a *firm* becomes authorised or receives an extended *Part 4A permission* in relation to *PRA-regulated activity*, but for the purposes of the 2020-21 *fee year* this does not include *firms* which are *former incoming EEA firms* or *former incoming Treaty firms* and where the same legal entity receives new or extended *Part 4A permission* in relation to *PRA-regulated activity* during the course of that *fee year*.

former freedom of services provider

means *firms* which, immediately prior to *IP completion day*, relied on an EEA or Treaty right to provide services in the *United Kingdom* without using a physical presence there to offer or provide those services, and which immediately after *IP completion day*, are authorised by the *PRA* as a result of the EEA Passport Rights (Amendment, etc and Transitional Provisions) (EU Exit) Regulations 2018 in relation to those services, and continue not to use a physical presence in the *United Kingdom* to offer or provide them.

...

former incoming EEA firm

means a *person* who immediately before *IP completion day* was authorised to carry on a *regulated activity* by virtue of section 31(1)(b) of *FSMA*.

former incoming Treaty firm

means a person who immediately before *IP completion day* was authorised to carry on a regulated activity by virtue of section 31(1)(c) of *FSMA*.

...

*Gibraltar-based firms*

has the meaning in the Financial Services and Markets Act (Gibraltar) Order 2001.

...

~~*non-EEA branches*~~

~~means *United Kingdom* branches of *firms* which are incorporated outside the *EEA*~~

...

*passport activity*

means:

- (1) for *former incoming EEA firms* and *former incoming Treaty firms*, an activity carried on under an *EEA* right or *Treaty* right, prior to *IP completion day*, and subsequently under any legislative provision which replaces it;
- (2) for *Gibraltar-based firms*, an activity carried out under an entitlement conferred by the Financial Services and Markets Act 2000 (Gibraltar) Order 2001.

...

*third country branch*

means *United Kingdom* branches of *firms* which are incorporated elsewhere in the world, excluding *Gibraltar*.

...

~~*Treaty firm*~~

~~means, as defined in paragraph 1 of Schedule 4 of *FSMA*, a person whose head office is situated in an *EEA* state other than the *United Kingdom* and which is recognised by the law of that state as its national~~

### **3 PERIODIC FEES**

3.6 The following requirements apply to all *firms* whose activities give rise to *periodic fees*, other than *firms* which pay only a flat rate of fee:

...

(3) ~~for an *incoming EEA firm* or an *incoming Treaty firm* in the *deposit acceptors fee block*, the information required for the *tariff* base is in relation to the *regulated activities* of the *firm*~~

carried on in the ~~United Kingdom~~, other than those provided on a ~~cross-border services basis~~;[deleted]

(3A) for third country branches, former freedom of service providers and Gibraltar-based firms, the information required for the tariff base is in relation to PRA regulated activities of the firm carried on from offices in the United Kingdom.

...

3.11 The following modifications to *periodic fees* will apply:

(1) In relation to former incoming EEA firms and former incoming Treaty firms:

~~(a) the modifications in 3.7 apply only in relation to the relevant regulated activities of the firm which are EEA passported activities or activities of a former incoming Treaty firm exercising rights under Schedule 4 of FSMA. [deleted.]~~

...

(d) firms having the status of former incoming EEA firms and former incoming Treaty firms immediately after IP completion day shall retain this status for the purposes of this rule (3.11(1)) throughout the 2020-21 fee year.

(1A) In relation to Gibraltar-based firms, the modifications in 3.7 apply only in relation to the relevant regulated activities of the firm carried on from offices in the United Kingdom.

...

**Periodic Fees Schedule – Fee Rates and Modifications for Gibraltar-based Firms and former incoming EEA/Treaty Firms modifications for the Period from 1 March 2020 to 28 February 2021**

TABLE IV – MODIFICATIONS TO PERIODIC FEES FOR GIBRALTAR-BASED FIRMS, FORMER INCOMING EEA FIRMS AND FORMER INCOMING TREATY FIRMS WITH BRANCHES IN THE UK

Fee payer	Discount applied to <i>periodic fees</i>
A1 deposit acceptors fee block	50%
A3 general insurers fee block	90%
A4 life insurers fee block	90%
[deleted]	[deleted]
<u>Former incoming EEA firms and former incoming Treaty firms and Gibraltar-based firms offering cross border services only</u>	100%

[deleted]	[deleted]
[deleted]	[deleted]

#### 4 REGULATORY TRANSACTION FEES

4.1 This chapter does not apply to ~~EEA firms wishing to exercise an EEA right~~. Gibraltar-based firms exercising entitlements under the Financial Services and Markets Act 2000 (Gibraltar) Order 2001.

...

4.5 (6) Where a *new authorisation* under 4.5 or an exercise of ~~Treaty rights~~ entitlements by a Gibraltar-based firm ~~under~~ in line with 4.6A relates to more than one *PRA regulated activity*, a single fee, being the highest applicable *regulatory transaction fee*, is payable.

##### Exercise of Treaty rights

4.6 ~~Regulatory transaction fees are payable as follows by incoming Treaty firms seeking to exercise a Treaty right in order to qualify for authorisation under Schedule 4 FSMA in respect of PRA regulated activities for which it does not have EEA passporting rights and which are not restricted to providing cross border services:~~

(1) ~~unless 4.6(2) applies:~~

(a) ~~50% of the amount payable under 4.5 if the permitted activities are being undertaken through the firm's branch in the United Kingdom; or~~

(b) ~~25% of the amount payable under 4.5 if the permitted activities are being undertaken by providing cross border services in the United Kingdom.~~

(2) ~~No regulatory transaction fees are payable if HM Treasury has issued a certificate under paragraph 3(4) of Schedule 4 of FSMA confirming that equivalent protection is provided under the law of an EEA state other than the United Kingdom. [deleted]~~



## Annex W

## Amendments to the Financial Conglomerates Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* except:

- (1) ~~an incoming EEA firm; [deleted.]~~
- (2) ~~an incoming Treaty firm; and [deleted.]~~

...

1.4 In this Part, the following definitions shall apply:

*alternative investment fund manager*

means a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of the *AIFMD* or an *undertaking* which is outside the *EEA* and which would require authorisation in accordance with the *AIFMD* if it had its registered office within the *EEA*.

...

*asset management company*

means a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an *undertaking* the registered office of which is outside the *EEA* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* if it had its registered office within the *EEA*.

...

*competent authority*

means any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

...

*consolidation group*

means:

- (1) a *conventional group*; or
- (2) *undertakings* linked by an ~~Article 12(1) relationship~~ a common management relationship or an *Article 18(6) relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a consolidation ~~Article 12(1) relationship~~ common management relationship or an *Article 18(6) relationship* with another person (the second person), the second person, and any *subsidiary undertaking* of the second person, is also a member of the same *consolidation group*.

...

*CRD full-scope firm*

means an *investment firm* as defined in article 4(1)(2) of the *CRR* that is subject to the requirements imposed by virtue of MiFID, or which would be subject to ~~that Directive those requirements~~ if its head office were in the UK an EEA State, and that is not a *limited activity firm* or a *limited licence firm*.

...

*EEA insurer*

means an ~~undertaking whose head office is in any EEA State except the UK and which has received authorisation in accordance with article 14 of the Solvency II Directive.~~

*EEA prudential sectoral legislation*

means, in relation to a ~~financial sector~~, requirements applicable to ~~persons in that financial sector in accordance with EEA legislation with respect to prudential supervision of regulated entities in that financial sector.~~

*EEA UK regulated entity*

means a *regulated entity* that is ~~an EEA firm or a UK firm~~.

...

*financial conglomerate notification*

means a notification issued in respect of a *financial conglomerate* that has been identified as a *financial conglomerate* as contemplated by regulation 2 of the Financial Conglomerates Regulations Article 4(2) of the Financial Groups Directive.

*Financial Conglomerates Regulations*

means ~~The Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862)~~

...

*insurance sector*

means a sector composed of one or more of the following entities:

- (1) ~~a Solvency II undertaking~~ UK Solvency II firm;
- (2) *third country insurance undertaking* or a *third country reinsurance undertaking*;
- (3) an *insurance holding company*; and
- (4) in the relevant circumstances described in 5, an *asset management company* or an *alternative investment fund manager*.

...

*investment firm*

has the meaning given by Article 2(3) of the *Financial Groups Directive*

...

*mixed financial holding company*

has the meaning given in Article 2(15) of the *Financial Groups Directive* has the meaning given in regulation 1(2) of the *Financial Conglomerates Regulations*.

...

*parent undertaking*

has the meaning in Article 2(9) of the *Financial Groups Directive*.

*participation*

has the meaning given in ~~article Article~~ Article 2(11) of the *Financial Groups Directive* Article 4(1)(35) CRR.

...

*regulated entity*

means one of the following:

...

(2) ~~a *Solvency II undertaking*~~ UK Solvency II firm, a third country insurance undertaking, a third country reinsurance undertaking;

...

whether or not it is incorporated in, or has its head office in, ~~an EEA State~~ the UK.

*relevant competent authorities*

~~in relation to a *financial conglomerate*, means those *competent authorities* which are, or which have been appointed as, *relevant competent authorities* in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive*.~~

...

*sectoral rules*

means, in relation to a *financial sector*, the following rules and requirements relating to the prudential supervision of *regulated entities* within that *financial sector*:

~~(1) — for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (3);~~

(21) for the purpose of calculating *solo capital resources* and a *solo capital resources requirement*.

(a) to the extent provided for in paragraph 6.4 to 6.6 of Annex 2, rules and requirements that are referred to in those paragraphs; ~~and or~~

(b) the rules and requirements in (3); or

(32) for all other purposes, rules and requirements of the PRA.

and so that:

- (43) in relation to prudential rules about consolidated supervision for any financial sector, those requirements include ones relating to the form and extent of consolidation;
- (54) in relation to any financial sector, those requirements include ones relating to the eligibility of different types of capital;
- (65) in relation to any financial sector, those requirements include both ones applying on a solo basis and ones applying on a consolidated basis; and
- (76) references to the PRA's sectoral rules are to sectoral rules in the form of rules.

...

~~subsidiary undertaking~~

~~has the meaning given in Article 2(10) of the *Financial Groups Directive*.~~

~~third country financial conglomerate~~

~~a *financial conglomerate* that is of a type that falls under Article 5(3) of the *Financial Groups Directive* has the meaning given in regulation 7 of the Financial Conglomerates and Other Financial Groups Regulations 2004.~~

~~third country insurance undertaking~~

~~means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as an *insurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office was situated in the *EEA*.~~

~~third country reinsurance undertaking~~

~~means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as a *reinsurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office were situated in the *EEA*.~~

...

~~UK regulated EEA financial conglomerate~~

~~means a *financial conglomerate* other than a *third country financial conglomerate* that satisfies one of the following conditions:~~

- (1) ~~3.3 applies with respect to it; or~~
- (2) ~~a *firm* that is a *member* of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* or section 55M of *FSMA* to ensure that the *financial conglomerate* meets levels of capital adequacy based on or stated to be based on Annex I of the *Financial Groups Directive*.~~

### 3 CAPITAL ADEQUACY

---

- 3.4 (1) Subject to 3.5, the definitions of conglomerate capital resources and conglomerate capital resources requirement that apply for the purposes of 3.3 are the definitions from whichever of Part 1 or Part 2 of Annex 2 the firm has indicated to the PRA it will apply to the group or each part of the group.
- (2) The firm must indicate to the PRA in advance which Part of Annex 2 it intends to apply to the group or each part of the group.

...

### 4 RISK CONCENTRATION AND INTRA-GROUP TRANSACTIONS

---

- 4.2 A firm that is a member of a ~~UK regulated EEA~~ financial conglomerate in respect of which a financial conglomerate notification has been issued, and that is headed by a *mixed financial holding company* must ensure compliance with the *sectoral rules*, identified for these purposes in the table at 4.3, regarding *risk concentration and intra-group transactions* of the *most important financial sector* in that *financial conglomerate* with respect to that *financial sector* as a whole, including the *mixed financial holding company*.

...

### 5 ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUND MANAGERS

---

- 5.1 A firm must treat an *asset management company* and an *alternative investment fund manager* that is a member of a *financial conglomerate* of which that firm is a member:

...

- (2) In the case of a *financial conglomerate* for which the PRA is the *coordinator*, a firm must allocate an *asset management company* and an *alternative investment fund manager*:

- (a) to the *investment services sector* where a decision to that effect has been made by ~~the undertaking in the financial conglomerate that is the group member referred to in Article 4(2) of the Financial Groups Directive~~ the relevant member referred to in regulation 2(4) of the *Financial Conglomerates Regulations*;

...

### 6 THIRD COUNTRY FINANCIAL CONGLOMERATE

---

- 6.1 This Chapter applies to a firm that is a member of a *third country financial conglomerate* except:

- (1) ~~an incoming EEA firm; or [deleted.]~~
- (2) ~~an incoming Treaty firm; or [deleted.]~~

...

## 7 RISK SYSTEMS

---

7.1 This Chapter applies to a *firm* that is a member of a ~~UK regulated~~ *EEA financial conglomerate* in respect of which a *financial conglomerate notification* has been issued.

...

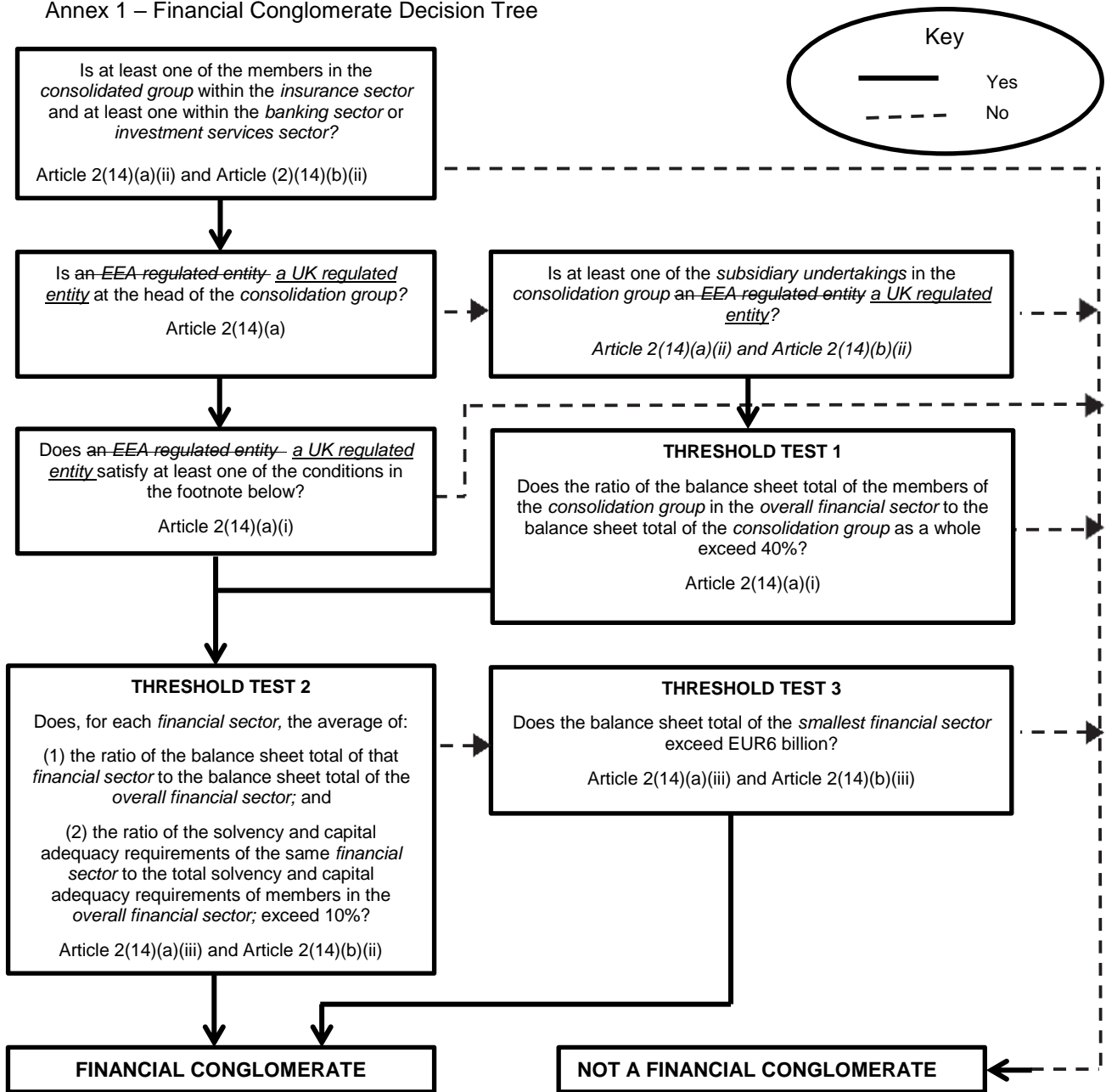
## 8 TRANSITIONALS

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8.2 Correlation table:

COLUMN A	COLUMN B	COLUMN C
Financial Conglomerates Directive	(PRA Handbook as at 31 December 2015)	Financial Conglomerates (PRA Rulebook)
<del>Art 3.3</del> Regulation 16 of the <i>Financial Conglomerates Regulations</i>	Rule 3.1.5 <i>waiver</i>	Rule 2.1 <i>waiver</i>
<del>Art 3.3a</del> Regulation 17 of the <i>Financial Conglomerates Regulations</i>		
<del>Art 3.5</del> Regulation 19 of the <i>Financial Conglomerates Regulations</i>	Rule 3.1.11 <i>waiver</i>	Rule 2.7 <i>waiver</i>
<del>Art 3.4(b)</del> Regulation 18(b) of the <i>Financial Conglomerates Regulations</i>		
<del>Art 6(5)</del> Regulation 24 of the <i>Financial Conglomerates Regulations</i>	Rule 3.1.29 <i>waiver</i>	Rule 3.3 <i>waiver</i>

Annex 1 – Financial Conglomerate Decision Tree



Footnote: The conditions are that the ~~EEA-regulated entity~~ UK regulated entity at the head of the consolidation group: (1) is a parent undertaking of a member of the consolidation group in the overall financial sector, (2) has a participation in a member of the consolidation group that is in the overall financial sector, or (3) has a ~~consolidation Article 12(1) relationship~~ common management relationship with a member of the consolidation group that is in the overall financial sector.

## Annex 2 – Capital Adequacy Calculations for Financial Conglomerates

...

### 3 Table

Types of financial conglomerate	<p>3.1 (1) This paragraph sets out how to determine the category of <i>financial conglomerate</i>.</p> <p>(2) If there is <del>an EEA</del> a <u>UK</u> regulated entity at the head of the <i>financial conglomerate</i>, then:</p> <p>(a) if that entity is in the <i>banking sector</i> or the <i>investment services sector</i>, the <i>financial conglomerate</i> is a <i>banking and investment services conglomerate</i>; or</p> <p>(b) if that entity is in the <i>insurance sector</i>, the <i>financial conglomerate</i> is an <i>insurance conglomerate</i>.</p> <p>(3) If (2) does not apply and the <i>most important financial sector</i> is the <i>banking and investment services sector</i>, it is a <i>banking and investment services conglomerate</i>.</p> <p>(4) If (2) and (3) do not apply, it is an <i>insurance conglomerate</i>.</p>
---------------------------------	--

...

### 5 Table Part 3: Principles applicable to all methods

...

Application of sectoral rules: general	<p>5.4 The following adjustments apply to the <i>applicable sectoral rules</i> as they are applied by the rules in this Annex.</p> <p>(1) If any of those rules would otherwise not apply to a situation in which they are applied by this Annex, those rules nevertheless still apply (and in particular, any of those rules that would otherwise have the effect of disapplying consolidated supervision do not apply).</p> <p>(2) If it would not otherwise have been included, an <i>ancillary insurance services undertaking</i> is included in the <i>insurance sector</i>.</p> <p>(3) The scope of those rules is amended so as to remove restrictions relating to where members of the <i>financial conglomerate</i> are incorporated or have their head office, so that the scope covers every member of the <i>financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in <u>the UK</u> <del>an EEA State</del>.</p> <p>(4) For the purposes of Parts 1 to 2, those rules must be adjusted, if necessary, when calculating the capital resources, capital resources requirements or solvency requirements for a particular <i>financial sector</i> to exclude those for a member of another <i>financial sector</i>.</p> <p>(5) Any <i>waiver</i> granted to a member of the <i>financial conglomerate</i> under those rules does not apply for the purposes of this annex.</p>
--	--

...

### 6 Table: Part 4: Definitions used in this Annex

...

Solo capital resources	<p>6.4 (1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>insurance sector</i> is:</p>
------------------------	--



requirement: insurance sector	(a)	in respect of a <i>UK Solvency II firm</i> , the SCR;
	(b)	<del>in respect of a <i>Solvency II undertaking</i> other than a <i>UK Solvency II firm</i>, the equivalent of the SCR as calculated in accordance with the <i>Solvency II EEA implementing measures</i> in the <i>EEA State</i> in which it has received authorisation in accordance with article 14 of the <i>Solvency II Directive</i>;</del> [deleted.]
	(c)	in respect of a <i>third country insurance undertaking</i> or <i>third country reinsurance undertaking</i> to which Group Supervision, 10.4(2) applies, the equivalent of the SCR as calculated in accordance with the applicable requirements in that <i>third country</i> ;
	(d)	in respect of any <i>undertaking</i> which is not within (a) to (c), the capital resources requirement calculated according to the rules for the calculation of the solo capital resources requirement applicable to that <i>undertaking</i> for the purposes of the calculation referred to in Group Supervision and Chapter I of Title II of the <i>delegated acts</i> or, if no rules are applicable for that calculation under Group Supervision and Chapter I of Title II of the <i>delegated acts</i> , in accordance with the <i>SCR Rules</i> .
Solo capital resources requirement: EEA firms in the banking sector or investment services sector [Deleted.]	6.5	<p>The <del>solo capital resources requirement</del> for an <i>EEA regulated entity</i> (other than a <i>bank</i>, <i>building society</i>, <i>designated investment firm</i>, <i>IFPRU investment firm</i> as defined in the <i>FCA Handbook</i>, <i>BIPRU firm</i> as defined in the <i>FCA Handbook</i>, an <i>insurer</i> or an <i>EEA insurer</i>) that is subject to the solo capital adequacy sectoral rules for its <i>financial sector</i> of the <del>competent authority</del> that authorised it is equal to the amount of capital it is obliged to hold under those <i>sectoral rules</i> provided that the following conditions are satisfied. [Deleted.]</p> <p>(1) <del>for the purposes of the <i>banking sector</i> and the <i>investment services sector</i>, those <i>sectoral rules</i> must correspond to the <i>PRA sectoral rules</i> identified in paragraph 6.2 as applying to that <i>financial sector</i>;</del></p> <p>(2) <del>the entity must be subject to those <i>sectoral rules</i> in (1); and</del></p> <p>(3) <del>paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.</del></p>
Solo capital resources requirement: non-EEA	6.6	The <i>solo capital resources requirement</i> for a <i>recognised third country credit institution</i> or a <i>recognised third country investment firm</i> is the amount of capital resources that it is obliged to hold

firms non-UK firms subject to equivalent regimes in the banking sector or investment services sector

under the *sectoral rules* for its *financial sector* that apply to it in the state or territory in which it has its head office provided that:

- (1) there is no reason for the *firm* applying the rules in this Annex to believe that the use of those *sectoral rules* would produce a lower figure than would be produced under paragraph 6.2; and
- (2) paragraph 6.3 applies to the entity and those *sectoral rules*.

**Annex 3 –Prudential Rules for Third Country Financial Conglomerates (6.2)**

...

2 Table: PART 2: Adjustment of scope

2.1	<p>The adjustments that must be carried out under this paragraph are that the scope of the rules referred to in Part 1 of this Annex, are amended:</p> <ul style="list-style-type: none"> <li>(1) to remove any provisions disapplying those rules for <i>third country financial conglomerates</i>;</li> <li>(2) to remove all limitations relating to where a member of the <i>third country financial conglomerate</i> is incorporated or has its head office; and</li> <li>(3) so that the scope covers every member of the <i>third country financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in, and were incorporated in, <del>and an EEA State</del> the <i>UK</i>.</li> </ul>
-----	---

**Annex X****Amendments to the Fitness and Propriety Part**

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
  - (a) the activities of its establishment in the UK; or
  - (b) if it does not have an establishment in the UK, activities in the UK.

...

## Annex Y

## Amendments to the Friendly Society – Liability Valuation Part

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

...

**11 RATES OF INTEREST**

---

...

- 11.8 For the purposes of 11.7, the *issuer's* profits after taxation from its ordinary activities for the relevant *financial year* must be derived from accounts drawn up in accordance with legislation implementing the *Accounts Directives* or, if accounts are not so drawn up in accordance with ~~the *Accounts Directives*~~, from accounts drawn up in accordance with International Accounting Standards Committee accounting standards or US generally accepted accounting practice.

...

## Annex Z

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

In this Annex new text is underlined.

**1 APPLICATION AND DEFINITIONS**

---

...

1.2 In this Part, the following definitions shall apply:

...

CRO insurer

has the meaning given in the Policyholder Protection Part.

...

*participant firm*

(1) has the meaning given in paragraph A (2) of the *PRA Handbook* Glossary definition of 'participant firm' as at 29 February 2016 for the purposes of the *PRA's* rules and has the meaning given in the *FCA Handbook* for the purposes of the *FCA's* rules in FEES 1; and

(2) includes CRO insurers.

## Annex AA

## Amendments to the General Organisational Requirements Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to a *CRR firm*:

...

(2) ~~with respect to the carrying on of *passport activities* by it from a *branch* in another *EEA state*; [deleted.]~~

...

1.1A 2.1 to 2.8 do not apply to a *firm* with respect to the carrying on of *benchmarking activities* except to the extent that ~~they transpose an *EU instrument* before *IP completion day*, they were made for the purpose of transposing an EU instrument..~~

## Annex AB

## Amendments to the General Provisions Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

~~incoming ECA provider~~

~~has the meaning given in the FCA Handbook.~~

...

SRO firm with a top-up permission

means a firm to which regulation 34 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions (EU Exit) Regulations 2018 applies.

SRO firm without a top-up permission

means a firm to which regulation 28 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

State of the risk

~~means references to the EEA State in which a risk is situated in accordance with paragraphs 6(3) and 6(4) of Schedule 12 to FSMA.~~

...

TPR firm

means a firm to which regulation 8 or regulation 11 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

TPR firm with a top-up permission

means a firm to which regulation 11 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions (EU Exit) Regulations 2018 applies.

TPR firm without a top-up permission

means a firm to which regulation 8 of the EEA Passport Rights Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

...

## 3 DISCLOSURE TO RETAIL CLIENTS

---

3.1 This Chapter

...

- (2) does not apply to:
- (a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~
  - (b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~
  - (c) ~~an incoming firm not falling under (a) and (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State; [deleted.]~~
  - ...
  - (e) general insurance business if:
    - (i) ~~the State of the risk is an EEA State other than the UK; or [deleted.]~~
    - (ii) ~~the State of the risk is outside the EEA UK and the policyholder is not in the UK when the contract of insurance is entered into;~~
    - ...
  - (f) long-term insurance business if:
    - (i) ~~the policyholder's habitual residence is in an EEA State other than the UK; or [deleted.]~~
    - (ii) ~~the policyholder's habitual residence is outside the EEA UK and the policyholder is not present in the UK when the contract of insurance is entered into; or~~
    - ...

3.2 A firm must take reasonable care to ensure that every letter (or electronic equivalent) which it or its employees send to a retail client, which a view to or in connection with the firm carrying on a regulated activity, includes the following disclosure:

- ...
- (2) for an overseas firm (which is not an incoming firm a TPR firm or a SRO firm)"[Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm's registered office (or, if it has no registered office, its head office)]]. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request."
- (a) If the overseas firm (which is not an incoming firm) translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear;
  - (b) An overseas firm (which is not an incoming firm) is not required to disclose its applicable authorisation or regulation by the overseas regulator if it is not so authorised or regulated.
- (3) for an incoming firm without a top-up permission either: [deleted.]
- (a) "Authorised by [name of home Member State regulator]"; or
  - (b) "Authorised by [name of home Member State regulator] and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation



~~Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request".~~

If the *incoming firm* without a *top-up permission*:

...

- ~~(c) translates the name of the *home Member State* regulator into English it must ensure that the State in which the regulator is based is clear;~~
- ~~(d) indicates or implies to a *customer* that is regulated by the *PRA* or the *FCA*, it must make the disclosure in (b).~~
- (4) ~~for an *incoming firm* with a *top-up permission*, "Authorised by [name of *home Member State* regulator] and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request"; [deleted.]~~

If the *incoming firm* with a *top-up permission* translates the name of the *home Member State* regulator into English it must ensure that the State in which the regulator is based is clear.

...

- (4A) for an *overseas firm* that is a *TPR firm without a top-up permission*, "Authorised and regulated by [name of the overseas regulator of the *overseas firm* in the jurisdiction of that *overseas firm's* registered office (or, if it has no registered office, its head office)]. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website."

If the *firm* translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

- (4B) for an *overseas firm* that is a *TPR firm with a top-up permission*, "Authorised and regulated by [name of the overseas regulator of the *overseas firm* in the jurisdiction of that *overseas firm's* registered office (or, if it has no registered office, its head office)]. Authorised by the Prudential Regulation Authority and with deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website."

If the *firm* translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

- (4C) for an *overseas firm* that is an *SRO firm without a top-up permission*, "Authorised and regulated by [name of the overseas regulator of the *overseas firm* in the jurisdiction of that *overseas firm's* registered office (or, if it has no registered office, its head office)]. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation

Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority's website."

If the *firm* translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

- (4D) for an overseas firm that is a SRO firm with a top-up permission, "Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm's registered office (or, if it has no registered office, its head office)]. Authorised by the Prudential Regulation Authority and with deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority's website."

If the *firm* translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

## 5 STATEMENTS ABOUT AUTHORISATION AND REGULATION BY THE PRA

---

5.1 This Chapter:

- (1) subject to (2), applies to:

...

- (b) activities carried on from an establishment maintained by the *firm* (or by its *appointed representative*) in the UK, provided that, in the case of the *MiFID or equivalent third country business of the firm* ~~business of an incoming EEA firm~~, it only applies to business conducted within the territory of the UK;

...

- (2) does not apply to:

- (a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~

- (b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~

- (c) ~~an incoming a third country firm not falling under (a) or (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State;~~

...

## 6 DISCLOSURE TO RETAIL CLIENTS ON ACTIVITIES FROM NON-UK ESTABLISHMENTS

---

6.1 This Chapter:

...

- (2) does not apply to:

- (a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~

- (b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~
- (c) ~~an incoming a third country firm not falling under (a) or (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State;~~

...

## **7 INSURANCE AGAINST FINANCIAL PENALTIES**

---

- 7.1 This Chapter applies to every *firm*, ~~but only with respect to business that can be regulated under section 137G of FSMA.~~

...

## Annex AC

## Amendments to the Group Financial Support Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.3 In this Part, the following definitions shall apply:

*competent authority*

means: ~~a public authority or body officially recognised by national law which is empowered by national law to supervise institutions as part of the supervisory system in operation in the EEA State concerned or the European Central Bank with regard to the specific tasks conferred on it by Article 4 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.~~

(1) the PRA, in respect of PRA-*authorised persons*;

(2) the FCA, in respect of any other *person*;

*conditions for early intervention*

means circumstances in which an *institution* infringes or is likely in the near future to infringe the requirements of the *CRR*, ~~the~~ or the requirements of provisions implementing CRD, MiFID II or any of Articles 3 - 7, 14 - 17 and 24, - 26 of *MiFIR*.

~~EEA consolidating supervisor~~

means ~~a competent authority responsible under the CRD for the exercise of supervision on a consolidated basis of:~~

(1) ~~an EEA parent institution; or~~

(2) ~~institutions controlled by an EEA parent financial holding company or an EEA parent mixed financial holding company.~~

~~EEA parent financial holding company~~

means ~~a parent financial holding company in an EEA State which is not a subsidiary of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company set up in any EEA State.~~

~~EEA parent institution~~

means ~~a parent institution in an EEA State which is not a subsidiary of another institution authorised in an EEA State or of a financial holding company or mixed financial holding company set up in any EEA State.~~

~~EEA parent mixed financial holding company~~

means ~~a parent mixed financial holding company in an EEA State which is not a subsidiary of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company set up in any EEA State.~~

~~EEAUK parent undertaking~~

means ~~an EEA a UK parent institution, an EEA a UK parent financial holding company or an EEA a UK parent mixed financial holding company.~~

...

*group financial support agreement*

means an agreement between:

- (1) ~~a UK parent institution, in an EEA State, an EEA parent institution or a qualifying parent undertaking, a financial holding company, a mixed financial holding company or a mixed-activity holding company established in an EEA State established in the UK; and~~
- (2) ~~a subsidiary of an entity referred to in (1) set up in a different EEA State to that of the entity referred in (1) or in a third country and that is an institution or a financial institution covered by the consolidated supervision of the entity referred to in (1),~~

to provide financial support to a party that is an *institution* at a time when that *institution* meets the *conditions for early intervention*.

...

*management body*

means a *BRRD undertaking's* body or bodies, which are appointed in accordance with ~~national UK~~ law, which are empowered to set the *BRRD undertaking's* strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the *persons* who effectively direct the business of the *BRRD undertaking*.

...

~~*parent institution in an EEA State*~~

~~means an institution authorised in an EEA State which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~*parent financial holding company in an EEA State*~~

~~means a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~*parent mixed financial holding company in an EEA State*~~

~~means a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

...

## 2 GROUP FINANCIAL SUPPORT AGREEMENT

---

...

2.2 A *BRRD undertaking* must not enter into a proposed *group financial support agreement* if:

- (1) the ~~EEA~~ consolidating supervisor has not granted permission to do so; or
- (2) at the time the proposed agreement is made, a the competent authority has decided that a party to the agreement that is an *institution* meets the *conditions for early intervention*.

## 3 SUBMISSION OF GROUP FINANCIAL SUPPORT AGREEMENT

---

3.1 This Chapter applies to a *BRRD undertaking* which is ~~an EEA a UK parent undertaking~~, unless the *FCA* is the ~~EEA~~ consolidating supervisor of its *group*.

3.2 If a *BRRD undertaking* or any member of its *group* intends to enter into a *group financial support agreement*, or amend a *group financial support agreement* previously authorised by ~~an EEA~~ the consolidating supervisor, the *BRRD undertaking* must submit to the ~~EEA~~ consolidating supervisor an application for authorisation of the proposed agreement or amendment.

...

## 4 CONDITIONS FOR GROUP FINANCIAL SUPPORT

---

4.1 A *BRRD undertaking* must not provide financial support in accordance with a *group financial support agreement* unless the following conditions are met:

...

- (7) where a *firm* provides the financial support, it complies at the time the financial support is provided, with the requirements of the provisions implementing CRD relating to capital or liquidity and any requirements of provisions implementing imposed pursuant to Article 104(2) of the CRD and the provision of the financial support does not cause the *firm* to infringe those requirements;

...

## 6 NOTIFICATION OF PROPOSED GROUP FINANCIAL SUPPORT

---

6.1 A *BRRD undertaking* that intends to provide financial support in accordance with a *group financial support agreement* must ensure that its *management body* notifies:

...

- (2) the *FCA* where it is the *consolidating supervisor* ~~where different from the authorities in (1) and (3), where applicable, the EEA consolidating supervisor~~;
- (3) ~~where different from the authorities in (1) and (2), the competent authority of the group member receiving the financial support; and [deleted.]~~
- (4) the ~~EBA~~; ~~[deleted.]~~

before it provides that financial support.

...

## 7 PROVISION AND NOTIFICATION OF GROUP FINANCIAL SUPPORT

---

...

7.3 Where the *management body* of a *BRRD undertaking* decides to provide the financial support, that *BRRD undertaking* must notify:

...

- (2) ~~the FCA where it is the consolidating supervisor, where different from the authorities in (1) and (3), where applicable, the EEA consolidating supervisor;~~
- (3) ~~where different from (1) and (2), the competent authority of the group member receiving the financial support; and [deleted.]~~
- (4) ~~the EBA. [deleted.]~~

## Annex AD

**Amendments to the Group Risk Systems Part**

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

**1 APPLICATION AND DEFINITIONS**

---

...

1.3 In this Part, the following definitions shall apply:

*group*

means, in relation to a *person* ("A"), A and any *person*:

...

(2) who has an ~~Article 22(7) relationship~~ a common management relationship with A;

(3) who has an ~~Article 22(7) relationship~~ a common management relationship with any *person* in (1);

...

**2 GROUP SYSTEMS AND CONTROLS**

---

...

2.3 An *Article 109 undertaking* must comply with 2.1(2) in relation to any *UK consolidation group* or non-~~EEA~~UK sub-group of which it is a member, as well as in relation to its *group*.

...



## Annex AE

## Amendments to the Group Supervision Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.1 ...

(1) ...

(b) that is a member of a *group* for which a *supervisory authority* (other than the *PRA*) is the *group supervisor*, subject to (c) and to the extent this Part gives effect to the *Solvency II EEA implementing measures* in the ~~EEA~~ State territory of its *group supervisor*; and

(c) where the *group supervisor* of a *group* of which a *firm* is a member is a *supervisory authority* in an ~~EEA State Gibraltar other than the UK~~, the requirements of the *Solvency II EEA implementing measures* in that ~~EEA~~ State territory apply to the *firm* in relation to its capacity as a member of that *group*;

1.2 In this Part, the following definitions shall apply:

...

*group supervisor*

means (in relation to a *group*) the authority designated as group supervisor in relation to that *group*, in accordance with *Solvency II EEA implementing measures* implementing Article 247 of the *Solvency II Directive* or in accordance with regulation 26 of the *Solvency 2 Regulations*.

...

*related undertaking*

means, in relation to an *undertaking* ("U"):

- (1) any *subsidiary undertaking* of U; or
- (2) any *undertaking* in which U or any of U's *subsidiary undertakings* holds a *participation*; or
- (3) any *undertaking* linked to U by an ~~Article 12(1) relationship~~ a common management relationship; or
- (4) any *undertaking* linked by an ~~Article 12(1) relationship~~ a common management relationship to an *undertaking* in (1), (2) or (3).

*Solvency II EEA implementing measures*

means any measures implementing the *Solvency II Directive* in Gibraltar.

Solvency II undertaking

means:

- (1) a Gibraltarian insurance undertaking as defined under Regulation 10(2) of The Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019;
- (2) a Gibraltarian reinsurance undertaking as defined under Regulation 10(2) of The Gibraltar (Miscellaneous Amendments) (EU Exit) Regulations 2019; or
- (3) a UK Solvency II firm.

supervisory authority

means the national authorities empowered by law or regulation of the *UK* or *Gibraltar* to supervise *Solvency II undertakings* for the purposes of the provisions implementing the *Solvency II Directive* including the *PRA*, *FCA* and *Financial Services Commission of Gibraltar (FSC)*.

...

## 2 CASES OF APPLICATION AND SCOPE OF GROUP SUPERVISION

---

2.1

...

...

- (2) the *parent undertaking* of a *UK Solvency II firm* is an *insurance holding company* or a *mixed financial holding company* which has its head office in the *UK* or *Gibraltar* ~~an *EEA State*; or~~
- (3) the *parent undertaking* of a *UK Solvency II firm* is an *insurance holding company* or a *mixed financial holding company* which does not have its head office in ~~an *EEA State*~~ the *UK* or *Gibraltar* or is a *third country insurance undertaking* or a *third country reinsurance undertaking*; or

...

2.2

Where, in accordance with 2.1, this Part applies at the level of a *group*, that *group* consists of all *undertakings* within the relevant *group*, subject to 2.3 and 3 and provided that:

- (1) where 2.1(1) applies, the definition of a *group* must be applied to the *participating Solvency II undertaking*, its *subsidiary undertakings*, the *undertakings* in which it holds a *participation* and *undertakings* to which it is linked by ~~an *Article 12(1) relationship*~~ a *common management relationship* or, where applicable, to the *undertakings* in a *mutual-type group*;
- (2) where 2.1(2) applies, the definition of a *group* must be applied to the *insurance holding company* or *mixed financial holding company*, its *subsidiary undertakings*, the *undertakings* in which it holds a *participation* and *undertakings* to which it is linked by

~~an Article 12(1) relationship~~ a common management relationship or, where applicable, to the *undertakings* in a *mutual-type group*;

- (3) where 2.1(3) applies, the definition of a *group* must be applied to the *insurance holding company* or *mixed financial holding company*, *third country insurance undertaking* or *third country reinsurance undertaking* (as applicable), its *subsidiary undertakings*, the *undertakings* in which it holds a *participation* and *undertakings* to which it is linked by ~~an Article 12(1) relationship~~ a common management relationship or, where applicable, to the *undertakings* in a *mutual-type group*; and
- (4) where 2.1(4) applies, the definition of a *group* must be applied to the *mixed activity insurance holding company*, its *subsidiary undertakings*, the *undertakings* in which it holds a *participation* and *undertakings* to which it is linked by ~~an Article 12(1) relationship~~ a common management relationship or, where applicable, to the *undertakings* in a *mutual-type group*.

2.3 Where the PRA as *group supervisor* has granted a *waiver* or where a *supervisory authority* which is the *group supervisor* has decided, in accordance with Solvency II EEA implementing measures implementing Article 214 of the *Solvency II Directive*, not to include an *undertaking* in the *group supervision* referred to in 2.1:

...

### 3 LEVELS

---

3.1 If the *participating Solvency II undertaking* or the *insurance holding company* or *mixed financial holding company* referred to in 2.1(1) or 2.1(2) is itself a *subsidiary undertaking* of another *Solvency II undertaking* or of another *insurance holding company* or *mixed financial holding company* which has its head office in the UK or Gibraltar ~~an EEA State~~, then 4 to 19 apply only at the level of the ultimate *Solvency II undertaking*, *insurance holding company*, or *mixed financial holding company* in the *group* which has its head office in the UK or Gibraltar ~~an EEA State~~.

3.2 If the PRA makes a decision ~~referred to in Article 216(1) or 217(1) of the Solvency II Directive to undertake~~ (group supervision at national level) in accordance with Regulation 13 of the Solvency 2 Regulations then 4 to 19 apply with any necessary changes, subject to the relevant requirements of Regulations 13, 14 and 16 of the *Solvency 2 Regulations* ~~Articles 216(6) and 217 of the Solvency II Directive~~ and the following:

...

### 4 GROUP SOLVENCY: GENERAL PROVISIONS

---

...

4.4 *Relevant insurance group undertakings* must:

...

- (4) ~~if the PRA has extended the period referred to (3) by reason of the declaration by EIOPA of an exceptional adverse situation affecting the group, submit a progress report to the PRA every three months setting out the measures taken and the progress made to re-establish the level of own funds covering the group SCR or to reduce the risk profile to ensure compliance~~

with the group SCR, if the PRA has extended the period referred to in (3) by reason of the declaration:

- (a) (before IP completion day) by EIOPA; or
- (b) (on or after IP completion day) by the PRA pursuant to regulation 4A of the Solvency 2 Regulations.

of an exceptional adverse situation affecting the group, submit a progress report to the PRA every three months setting out the measures taken and the progress made to re-establish the level of own funds covering the group SCR or to reduce the risk profile to ensure compliance with the group SCR.

...

## **5 GROUP SOLVENCY: FREQUENCY OF CALCULATIONS**

---

...

5.2

...

- (2) the UK holding company or such other undertaking in the group as may be determined by the group supervisor in accordance with regulation 15(1)(c) of the Solvency 2 Regulations or Solvency II EEA implementing measures implementing Article 219(1) of the Solvency II Directive in the case of the calculations referred to in 4.2

5.3

...

- (3) Upon request by the group supervisor, where there is evidence to suggest that the risk profile of the group has altered significantly since the date on which the group Solvency Capital Requirement was last reported in accordance with Article 219(2) of the Solvency II Directive, the group SCR must be recalculated without delay and reported to the group supervisor.

## **6 GROUP SOLVENCY: NOTIFICATION OF ISSUANCE OF OWN FUNDS ITEMS BY GROUP MEMBER**

---

...

6.2

...

- (2) When giving notice, a firm must:

...

- (g) for any item referred to in Article 82(3) of the delegated act (including after IP completion day the relevant national law provision), provide a draft of a properly reasoned independent accounting opinion from an appropriately qualified individual as to the item's treatment in the financial statements of the group member issuing the proposed item and of the group;

...

## **7 GROUP SOLVENCY: BASIC PRINCIPLES**

---

7.1

...

...

- (2) in accordance with *method 1*, unless the *group supervisor* has determined under *Solvency II EEA implementing measures* implementing Article 220(2) of the *Solvency II Directive* or imposed a *requirement* that *method 2* or a combination of *method 1* and *method 2* must be applied.

## 8 GROUP SOLVENCY: PROPORTIONAL SHARES

---

...

8.3 Notwithstanding 8.2:

- (1) where the *related undertaking* is a *subsidiary undertaking* and does not have sufficient *eligible own funds* to cover its *SCR*, the total *solvency deficit* of the *subsidiary undertaking* must be taken into account (or a proportional share of that *solvency deficit*, if the *group supervisor* so determines under regulation 17(4) of the *Solvency 2 Regulations* or *Solvency II EEA implementing measures* implementing Article 221(1) of the *Solvency II Directive*); and
- (2) the proportional share must be as determined by the *group supervisor* if such a determination is made under regulation 17(2) of the *Solvency 2 Regulations* or *Solvency II EEA implementing measures* implementing Article 221(2) of the *Solvency II Directive*.

## 9 GROUP SOLVENCY: ELIMINATION OF DOUBLE USE OF ELIGIBLE OWN FUNDS AND INTRA-GROUP CREATION OF CAPITAL AND VALUATION

---

...

9.2 Without prejudice to 9.1 or 9.3, the following must be excluded in the calculation of the solvency of a *group* unless they are, and only insofar as they are, eligible for covering the *SCR* of the *related undertaking* concerned:

- (1) surplus funds falling under Surplus Funds 2.2 or *Solvency II EEA implementing measures* implementing Article 91(2) of the *Solvency II Directive* arising in a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the solvency of a *group* is calculated; and

...

9.6 Any *eligible own funds* of a *related Solvency II undertaking* of the *participating Solvency II undertaking* for which the solvency of a *group* is calculated that are subject to prior authorisation from the *supervisory authority* of the *related Solvency II undertaking*, in accordance with regulation 44 of the *Solvency 2 Regulations* or *Solvency II EEA implementing measures* implementing Article 90 of the *Solvency II Directive*, must be included in the calculation of the group solvency only in so far as they have been duly authorised by that *supervisory authority*.

...

## 10 GROUP SOLVENCY: APPLICATION OF THE CALCULATION METHODS

---

- ...
- 10.2 In respect of a *related Solvency II undertaking* with its head office in ~~an EEA State Gibraltar~~ other than that of the *Solvency II undertaking* for which the group solvency calculation of the group is carried out, the group solvency calculation must take account of the SCR and the own funds eligible for the SCR as laid down in the *Solvency II EEA implementing measures* of ~~that other EEA State Gibraltar~~.
- 10.3 ...
- (4) Any *eligible own funds* of an *intermediate holding company*, which would require prior authorisation from a *supervisory authority* in accordance with regulation 44 of the Solvency 2 Regulations or Solvency II EEA implementing measures implementing Article 90 of the *Solvency II Directive*, may be included in the calculation of the *group solvency* of the group only in so far as they have been duly authorised by the *group supervisor*.
- 10.4 ...
- (2) If the third country in which that *third country insurance undertaking* or *third country reinsurance undertaking* has its head office makes it subject to authorisation and imposes on it a solvency regime that is assessed to be equivalent under ~~Article 227 of the Solvency II Directive~~ Article 379A of the delegated act, the calculation in (1) must take into account, as regards that *undertaking*, the requirement equivalent to the SCR and the capital items eligible to satisfy that requirement as laid down by that third country.
- 10.5 When calculating the group solvency of a *Solvency II undertaking* in a *group* which is a *participating undertaking* in a *credit institution, investment firm* or *financial institution*, the *participating Solvency II undertaking* must either:
- (1) apply *method 1* or *method 2* in ~~Annex I to Directive 2002/87/EC~~ Financial Conglomerates Annex 2 with any necessary changes, provided that *method 1* in that Annex must be applied only where the *group supervisor* is satisfied as to the level of integrated management and internal control regarding the *undertakings* which would be included in the scope of consolidation and provided always that the method chosen must be applied in a consistent manner over time; or
- 10.6 Where the information necessary for calculating the group solvency of a *Solvency II undertaking* in a *group*, concerning a *related undertaking* with its head office in ~~an EEA State or the UK or Gibraltar~~ or a third country is not available to the *group supervisor* then:

...

## 15 GROUPS WITH CENTRALISED RISK MANAGERMENTS [Deleted.]

---

- 15.1 ~~15.3 applies to any Solvency II undertaking in a group which is a subsidiary undertaking of another Solvency II undertaking or of an insurance holding company or mixed financial holding company where all of the following conditions are satisfied: [Deleted.]~~

- (1) ~~the subsidiary undertaking, in relation to which the group supervisor has not made a decision under Article 214(2) of the Solvency II Directive, is included in the group supervision carried out by the group supervisor at the level of the parent undertaking in accordance with this Part;~~
- (2) ~~the risk-management processes and internal control mechanisms of the parent undertaking cover the subsidiary undertaking and the parent undertaking satisfies the PRA regarding the prudent management of the subsidiary undertaking;~~
- (3) (a) ~~the parent undertaking; or~~  
 (b) ~~one or more relevant insurance group undertakings;~~

~~is permitted, under 17.2(3), to produce a single document covering all relevant ORSAs;~~

- (4) (a) ~~the parent undertaking; or~~  
 (b) ~~one or more relevant insurance group undertaking;~~

~~is permitted, under 18.1(2), to produce a single SFCR covering all relevant Solvency II undertakings and insurance holding companies and mixed financial holding company; and~~

- (5) ~~an application for permission to be subject to 15.3 has been submitted by the parent undertaking or one or more relevant insurance group undertakings and a favourable decision has been made on that application in accordance with the procedure in Article 237 of the Solvency II Directive.~~

15.2 An application for permission to be subject to 15.3 must be made to the PRA if the subsidiary undertaking is a UK Solvency II firm. ~~[Deleted.]~~

15.3 Without prejudice to 11.4 and subject to 15.4, if the conditions referred to in 15.1 are satisfied, the SCR of the subsidiary undertaking in the group must be calculated in accordance with any decisions taken in accordance with Article 238 of the Solvency II Directive. ~~[Deleted.]~~

15.4 (1) 15.3 ceases to apply where:

- (a) ~~the condition referred to in 15.1(1) is no longer complied with;~~
- (b) ~~the condition referred to in 15.1(2) is no longer complied with and the group does not restore compliance with this condition in an appropriate period of time;~~
- (c) ~~the conditions referred to in 15.1(3) and 15.1(4) are no longer complied with. [Deleted.]~~

(2) ~~The parent undertaking or relevant insurance group undertakings of a group to which 15.3 applies must ensure that the conditions referred to in 15.1(2) to (4) are complied with on an ongoing basis and in the event of non-compliance must:~~

- (a) ~~inform the group supervisor and the supervisory authority of the subsidiary undertaking concerned without delay; and~~

- (b) ~~present a plan to the supervisory authorities to restore compliance within an appropriate period of time.~~

...

## 20 THIRD COUNTRIES

---

- 20.1 When 2.1(3) applies, 4 to 14, 16 to 19 and External Audit 2 to 4 apply with any necessary changes at the level of the *insurance holding company* or *mixed financial holding company* which does not have its head office in ~~the UK or Gibraltar~~ an EEA State, *third country insurance undertaking* or *third country reinsurance undertaking* unless:
- (1) subject to 20.2, the *third country* in which that *undertaking* has its head office is assessed to be equivalent under provisions implementing Article 260 of the Solvency II Directive, Article 380 and 380A of the delegated act, or an equivalence direction under paragraph 12 of Schedule 1 of The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc) (EU Exit) Regulations 2019; or
  - (2) in the absence of equivalent group supervision referred to in Article 260 of the *Solvency II Directive*, the *PRA* has specified other methods in accordance with provisions implementing Article 262 of the Solvency II Directive, Article 380 and 380A of the delegated act, or an equivalence direction under paragraph 12 of Schedule 1 of The Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc) (EU Exit) Regulations 2019.
- ...
- 20.2 20.1(1) does not apply where, in the case of temporary equivalence under Article 260(5) of the *Solvency II Directive*, there is a *Solvency II undertaking* in the *group* that has a balance sheet total that exceeds the balance sheet total of the *parent undertaking* situated outside of the EEA UK and Gibraltar.
- 20.3 When calculating the solvency of a *group* falling within 2.1(3) for the purpose of 20.1, a *relevant insurance group undertaking* must treat the *parent undertaking* (being an *insurance holding company* which does not have its head office in ~~an EEA State~~ the UK or Gibraltar or a *third country insurance undertaking* or a *third country reinsurance undertaking*), solely for the purposes of that calculation, as a *UK Solvency II firm* to which 2.1(1)(a) applies.
- 20.4 Where the *parent undertaking* referred to in 2.1(3) is itself a *subsidiary undertaking* of an *insurance holding company* or *mixed financial holding company* which does not have its head office in ~~an EEA State~~ the UK or Gibraltar or a *third country insurance undertaking* or a *third country reinsurance undertaking*, 20.1 applies at the level of either:
- (1) the ultimate *parent undertaking* which is an *insurance holding company* or *mixed financial holding company* which does not have its head office in ~~an EEA State~~ the UK or Gibraltar or a *third country insurance undertaking* or a *third country reinsurance undertaking*; or
  - (2) such other *parent undertaking* as the *PRA* may determine in accordance with Article 263 of the Solvency II Directive Regulation 36A of the *Solvency 2 Regulations*.
- ...



## Annex AF

## Amendments to the Groups 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 banking and investment group*

means a *group* that meets the following conditions:

- (1) it is headed by a *third country undertaking* that would be:
  - (a) an *institution*;
  - (b) a *financial holding company*, or
  - (c) a *mixed financial holding company*,

if its head office was in the ~~EEA-UK~~; and

- (2) it is not part of a wider *consolidation group*.

...

## 2 METHODS OF PRUDENTIAL CONSOLIDATION

---

2.1 (1) In 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 ~~an~~:

- (a) ~~Article 22(7) relationship~~ a common management relationship; or
- (b) an Article 18(6) relationship.

...

...

## 3 THIRD COUNTRY BANKING AND INVESTMENT GROUPS

---

...

3.4 The scope of the *CRR* requirements and rules referenced in 3.2 and 3.3 is adjusted:

...

- (3) so that the scope covers every member of the *third country banking and investment group* that would have been included in the scope of those rules if those members had their head offices, and were incorporated in ~~an EEA State~~ the UK.

**Annex AG****Amendments to the Housing Part**

In this Annex deleted text is struck through.

**1 APPLICATION AND DEFINITIONS**

---

1.1 If either Condition A or Condition B is met, this Part applies to a *firm* with a *Part 4A permission* that includes entering into a *regulated mortgage* contract as lender, except:

- (1) ~~an *EEA Firm* with respect to an activity carried on in the *UK* under an *EEA right*, or~~  
[deleted.]

...

1.4 1.3 does not apply in relation to a *subsidiary undertaking* that:

- (1) ~~is an *EEA firm* with respect to an activity carried on in the *UK* under an *EEA right*,~~  
[deleted.]

...

## Annex AH

## Amendments to the Incoming Firms and Third Country Firms Part

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

## Part

~~Incoming Firms and Third Country Firms~~

---

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies only to:

- (1) ~~an *incoming firm*; or [deleted.]~~
- (2) a *third country firm*.

that is:

- (3) a *bank*; or
- (4) a *designated investment firm*.

...

## Annex AI

## Amendments to the Insurance – Allocation of Responsibilities Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(4A) a *third country insurance services provider*; and

...

1.1A This Part does not apply to a *SRO firm*.

1.2 In this Part, the following definitions shall apply:

...

*prescribed responsibility*

means

(1) for a *firm* (other than a *third country branch undertaking*, a *third country insurance services provider* or a *small run-off firm*) means the responsibilities in 3.1 and 3.3;

(2) for a *third country branch undertaking* (other than a ~~*UK deposit insurer*~~ or a *Swiss general insurer*) means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13;

(3) ~~for a *UK deposit insurer*, means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch* and all its *third country undertaking EEA branches*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13; [deleted.]~~

*third country insurance provider prescribed responsibility*

means the responsibilities set out in 3B.2.

...

## 2 ALLOCATION OF RESPONSIBILITIES

---

2.1 Subject to 3A.3 & 3B.3, a A firm (other than a *third country branch undertaking*, a *third country insurance services provider*, a *small run-off firm* or a *UK ISPV*) must allocate each of the *prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)) to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* by:

...

2.2 Subject to 3A.3 & 3B.3, a A firm (other than a *third country branch undertaking*, *third country insurance services provider*, a *small run-off firm* or a *UK ISPV*) must allocate each of the *prescribed responsibilities* set out in 3.1(10) and (11) and the *prescribed responsibility* set out in 3.3, if applicable, to one or more *non-executive directors* who perform:

2.3 Subject to 3A.3 & 3B.3, a A third country branch undertaking (other than a *Swiss general insurer*) must allocate each of the *prescribed responsibilities* set out in 3.1 to 3.1(1), (4), (5), (6), (7) and (12) and each of the *third country branch prescribed responsibilities* to one or more *persons* who, in relation to that *firm*, are approved under section 59 of *FSMA* or treated as so approved pursuant to a notice given under section 59ZZA, by:

- (1) the *PRA* to perform a *PRA senior management function*; or
- (2) in relation to *relevant senior management functions* only, the *FCA*

...

2.3A A third country insurance services provider who has been given a notice under section 59ZZA must allocate each of the *prescribed responsibilities* set out in chapter 3B to one or more *persons* who are treated under that section as approved under section 59.

## 3A PRESCRIBED RESPONSIBILITIES: UK BRANCHES

---

...

3A.3 In relation to a firm who is treated, by virtue of the EEA Passport Rights (Amendment, etc and Transitional Provisions) (EU Exit) Regulations 2018, as having permission under Part 4A of FSMA to carry on a regulated activity:

- (1) the prescribed responsibilities set out in 3.1 and the third country branch prescribed responsibilities set out in 3A.2 shall not apply; and
- (2) each of the responsibilities set out in this rule is a third country branch prescribed responsibility:
  - (i) responsibility for the firm's compliance with the UK regulatory system applicable to the firm (PR FF)
  - (ii) where the firm has applied for permission under Part 4A of FSMA to carry on a regulated activity, until such time as the application has been determined or withdrawn, the responsibility for managing the process of obtaining such permission, including, without limitation, the completion and submission of the firm's application, and providing the PRA with such co-operation and with all accurate and up to date information that it may reasonably require in order to determine whether the requirements for authorisation have been met).

### **3B PRESCRIBED RESPONSIBILITIES: UK SERVICES PROVIDERS**

---

3B.1 This Chapter applies only to a *third country insurance services provider*.

3B.2 Subject to 3B.3, each of these responsibilities is a *third country insurance provider prescribed responsibility*:

- (1) responsibility for management of the application of the *firm's* risk management processes to its *UK* activities;
- (2) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm*;
- (3) responsibility for the escalation of correspondence from the *PRA, FCA* and other regulators in respect of the *firm* to each of the *governing body* or the *management body* of the *firm* and, as appropriate, the *firm's parent undertaking* and the ultimate *parent undertaking* of the *firm's group*; and
- (4) responsibility for management of the application of the *firm's* systems and controls to its *UK* activities.

3B.3 In relation to a *firm* who is treated, by virtue of the EEA Passport Rights (Amendment, etc and Transitional Provisions) (EU Exit) Regulations 2018, as having permission under Part 4A of *FSMA* to carry on a *regulated activity*:

- (1) the *prescribed responsibilities* set out in 3.1 and the *third country insurance service provider prescribed responsibilities* set out in 3B.2 shall not apply; and
- (2) each of the responsibilities set out in this rule is a *third country insurance provider prescribed responsibility*:
  - (i) responsibility for the *firm's* compliance with the *UK regulatory system* applicable to the *firm*;
  - (ii) where the *firm* has applied for permission under Part 4A of *FSMA* to carry on a *regulated activity*, until such time as the application has been determined or withdrawn, the responsibility for managing the process of obtaining such permission, including, without limitation, the completion and submission of the *firm's* application and providing the *PRA* with such co-operation and with all accurate and up to date information that it may reasonably require in order to determine whether the requirements for authorisation have been met).

### **4 IDENTIFICATION OF KEY FUNCTIONS**

---

4.1 A *firm* must identify:

- (1) each of the *functions* that the *firm* considers to be a *key function*; and
- (2) any such *key function* that amounts to effectively running the firm (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively running the operations effected by the *third country branch*, or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking*

EEA branches) or for a third country insurance services provider, effectively running the activities carried out in the UK.

...

## 5 RECORDS

---

- 5.1 A firm must have and maintain a *management responsibilities map*, which is a clear and coherent document or series of documents with the following details:
- (1) a list of the *key functions* identified by the firm in accordance with 4.1 highlighting those that amount to effectively running the firm (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively running the operations effected by the *third country branch* ~~or, for a UK deposit insurer, the operations effected by the third country branch and all the third country undertaking EEA branches~~); or for a third country insurance services provider, effectively running the activities carried out by the third country insurance services provider, in the UK;
  - (2) the names of the persons who effectively run the firm (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively run the operations effected by the *third country branch* ~~or, for a UK deposit insurer, the operations effected by the third country branch and all the third country undertaking EEA branches~~) or who are responsible for other *key functions* listed pursuant to 5.1(1); or for a third country insurance services provider, effectively running the activities carried out by the third country insurance services provider, in the UK;
  - ...
  - (6) where a firm (other than a *third country branch undertaking* or third country insurance services provider) is a member of a group:
  - ...
  - (7) matters reserved to the *governing body* (including the terms of reference of its committees) and including, in the case of a *third country branch undertaking*, the equivalent body (or its committees) responsible for the management of the *third country branch undertaking's* business activities in the UK and in the case of a *third country insurance services provider*, the equivalent body (or its committees) responsible for the management of the firm's activities in the UK.

## Annex AJ

## Amendments to the Insurance – Certification Part

In this Annex new text is underlined.

## 1 APPLICATION AND DEFINITION

---

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*) in relation to the activities of the *third country branch* that are subject to the *regulatory system*; ~~and~~

(4A) a *third country insurance services provider* in relation to the activities carried out in the UK that are subject to the *regulatory system*; and

...

1.1A This Part does not apply to a *SRO firm*.

1.3A For the purposes of this Part, *large firm* includes a *third country insurance services provider* which would be a *large firm* if the amounts specified in (a) and (b) of the Glossary definition are only those amounts relating to the activities carried out in the UK by the *third country insurance services provider*.

1.4 This Part does not apply to a function performed by:

(1) a *PRA approved person*;

(1A) a *person* in relation to whom a notice under section 59ZZA has been given to an *authorised person*;

(2) a *person* who performs an *FCA controlled function*; or

(3) a *non-executive director* in relation to their *non-executive director* function.



## Annex AK

## Amendments to the Insurance – Conduct Standards Part

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

## 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, the *Society*, as modified by 4;
- (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 4;
- (4) a *third country branch undertaking* (other than a *Swiss general insurer*);
- (5) a *UK ISPV*; ~~and~~
- (5A) a *third country insurance services provider*; and
- (6) in relation to any of the foregoing *firms*, any *person* who is:
  - (a) a *Conduct Rules non-executive director*;
  - (b) an *employee* of a *firm* who is a *key function holder*;
  - (c) a *certification employee* (other than a *key function holder*);
  - (d) approved under section 59 of *FSMA* by either:
    - (i) the *PRA*; or
    - (ii) the *FCA*, in relation to a *relevant senior management function*;
  - (e) an *employee* who should have been approved under section 59 of *FSMA* by either:
    - (i) the *PRA*; or
    - (ii) the *FCA*, in relation to a *relevant senior management function*; ~~or~~
  - (f) an *employee* who is performing a function that would have been a *controlled function* but for Insurance - Senior Management Functions 2.4.; ~~or~~
  - (g) a *person* in relation to whom a notice under *section 59ZZA* has been or could be given by the *PRA* to an *authorised person*.

## 2 SCOPE OF CONDUCT STANDARDS

---

2.1 If you are a natural person who is:

- (1) an *employee* of a *firm* who is a *key function holder*, ~~or~~
- (2) approved under section 59 of *FSMA* by either:
  - (a) the *PRA*; or
  - (b) the *FCA*, in relation to a *relevant senior management function*; or
- (3) a person in relation to whom a notice under section 59ZZA has been given by the PRA to an authorised person.

you must comply at all times with all of the conduct standards.

2.1B If you are an *employee* of a type specified in 1.1(6)(c), (e), ~~(f)~~ or (g) you must comply at all times with the conduct standards specified in 3.1 to 3.3.

## Annex AL

## Amendments to the Insurance – Fitness and Propriety Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) a *UK ISPV*; ~~and~~

(6) a *third country insurance services provider*.

...

1.1A Any reference in this Part to assessing or deciding whether a *person* is a fit and proper *person*, shall, in relation to a *SRO firm*, be construed as a reference to assessing or deciding whether the *person* is fit and proper to perform the function of overseeing an orderly run-off of the *firm's regulated activities* in the *UK*.

**4 DISCLOSURE AND REPLACEMENTS**

---

4.1

(1) A *firm* (other than a *UK ISPV* ~~or *third country insurance services provider*~~) shall notify the *PRA* of any changes to the identity of *key function holders* and shall provide the *PRA* with:

...

## Annex AM

### Amendments to the Insurance – Senior Management Functions Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

...

(4) *a third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) *a UK ISPV*, in accordance with 12; and

(6) *a third country insurance services provider*.

...

#### 2 GENERAL

---

...

2.3 *A firm* (other than a *third country branch undertaking*, *a firm that does not have an establishment in the UK* or a *small run-off firm*) must ensure that one or more *persons* performs each of the following *PRA senior management functions* on its behalf:

...

#### 6 HEAD OF THIRD COUNTRY BRANCH

---

6.1 This Chapter applies only to a *firm* that is a *third country branch undertaking* or a *third country insurance services provider* (other than a *Swiss general insurer*).

6.1A (1) 6.2, 6.3, 6.4 and 6.5 shall not apply to a *SRO firm*.

(2) 6.6 and 6.7 apply only to a *SRO firm*.

6.2 The *Head of Third Country Branch function* (SMF19) is the function of having responsibility for:

(1) the conduct of all activities of the *third country branch undertaking* that are subject to the *regulatory system*; or

(2) the conduct of all activities of the *third country insurance services provider* that are subject to the *regulatory system*.

6.3 (1) *A third country branch undertaking* or a *third country insurance services provider* must have at least one *person* approved to perform the *Head of Third Country Branch function*.

- (2) If a vacancy arises in respect of the *Head of Third Country Branch function*, a *third country branch undertaking* or a *third country insurance services provider* must ensure that it appoints a *person* to fill that vacancy as soon as possible.
- 6.4 A *third country branch undertaking* or a *third country insurance services provider* that transacts *with-profits insurance business* must have at least one *person* approved to perform the *With-Profits Actuary function* (SMF20a).
- 6.5 A *third country branch undertaking* or a *third country insurance services provider* is not required to have any *person(s)* approved to perform any of the other *PRA senior management functions*.
- 6.6 A *SRO firm* must ensure that at least one *person* performs the *Head of Third Country Branch Function* on its behalf and if a vacancy arises in respect of that function it must ensure that it appoints a *person* to fill the vacancy as soon as possible.
- 6.7 For the purposes of 6.6 the *Head of Third Country Branch Function* (SMF 19) is the function of having responsibility to oversee the orderly run-off of the *firm's regulated activities* in the UK.

...

### 13. COMBINATION OF PRA SENIOR MANAGEMENT FUNCTIONS

---

- 13.1 This Chapter does not apply to a *third country branch undertaking* or to a *firm* that does not have an establishment in the UK.

## Annex AN

**Amendments to the Insurance – Senior Managers Regime – Applications and Notifications Part**

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

**1 APPLICATION AND DEFINITIONS**

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) a *UK ISPV*; ~~and~~

(6) a *third country insurance services provider*.

1.2 In this Part, the following definitions shall apply:

...

*current approved person approval*

means

(1) an approval granted to a *person* under section 59 of *FSMA* (Approval for particular arrangements):

(a) by the *PRA* for the performance of a *PRA senior management function*; or

(b) by the *FCA* for the performance of an *FCA designated senior management function* or a *significant influence function*;

but excludes a notice given under *section 59ZZA* of *FSMA* treating a *person* as approved;

...

1.3 In this Part, *PRA approved person* also includes a *person* in relation to whom a notice under *section 59ZZA* has been given to an *authorised person*.

...

**2A SECTION 59ZZA APPLICATION**

2A.1 (1) In the case of a *section 59ZZA application*, the following directions shall have effect in substitution for any directions relating to the provision of information, documents, *statement of responsibilities* and form of application which would otherwise apply on the making of an application under section 60 of *FSMA*.

(2) The *PRA* directs that the application must contain the information and be accompanied by such documents as are set out in the form approved by the *PRA* for the purposes of this direction; except that where the application is in respect of a

person who holds a current approved persons approval, Form E may be used in accordance with 2.3 instead.

- (3) The PRA directs that the application must be accompanied by a statement of responsibilities in accordance with Insurance - Allocation of Responsibilities 5.4, containing such information as is set out in the form approved by the PRA for the purposes of this direction; except that where a Form E is used pursuant to (2) above, the application must provide a statement of responsibilities specified in 2.7.
- (4) A function performed by a person in relation to whom a notice under section 59ZZA of FSMA could be given, shall not (otherwise than for the purposes of making an application under section 60 of FSMA), be treated as a controlled function until the earliest of:
- (a) 12 weeks beginning on the day on which IP completion day occurs;
  - (b) the giving of the notice under section 59ZZA; or
  - (c) the notification by the PRA of its decision to grant or refuse the application.
- (5) In this Chapter statement of responsibilities form means for a firm making a section 59ZZA application the form to be completed by a firm containing:
- (a) the information referred to in Insurance – Allocation of Responsibilities 5.1(3);
  - (b) in respect of 2A.1(3), the information required by section 60(2A) of FSMA; and
  - (c) in respect of Insurance – Allocation of Responsibilities 5.5, the information required by section 60(2A) of FSMA.

...

## **2B SRO FIRMS**

---

2B.1 2A.1 shall apply to a SRO firm as if:

- (1) the reference in 2A.1 (2) and (3) to the forms approved by the PRA were references to the forms approved for the purposes of an application made by a SRO firm; and
- (2) the reference in 2A.1 (4)(a) to 12 weeks beginning on the day on which IP completion day occurs were a reference to 12 weeks beginning on the day the firm became a SRO firm.

## **6 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS**

---

6.1 The PRA directs that save as required by 6.1A or 6.2, a firm must make any applications, notifications or submissions required by this Part by submitting the form specified using the ONA system.

6.1A The PRA directs that a *firm* making a *section 59ZZA* application must make that application by submitting the information, documents, *statement of responsibilities* and forms required by 2A in the manner set out in Notifications 7.



## Annex AO

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

### Part

#### INSURANCE – SUPERVISED RUN OFF

---

##### Chapter content

1. APPLICATION AND DEFINITIONS
2. PROVISION OF RUN-OFF PLAN
3. CONTENT OF SCHEME OF OPERATIONS
4. NOTIFICATIONS AND ANNUAL UPDATES
5. THIRD COUNTRY BRANCHES

#### 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to *SRO insurers*.

1.2 In this Part, the following definitions shall apply:

*end date*

means the end of the relevant period determined in accordance with regulation 41 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

*material transaction*

means a transaction (when aggregated with any similar transactions) in which:

- (1) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or
- (2) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties;

exceeds:

- (a) in the case of a *firm* which carries on *long-term insurance business*, but not *general insurance business*, the sum of €20,000 and 5% of the *firm's* liabilities arising from its *long-term insurance business*, excluding *linked long-term liabilities* and net of *reinsurance ceded*; or
- (b) in the case of a *firm* which carries on *general insurance business*, but not *long-term insurance business*, the sum of €20,000 and 5% of the *firm's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or
- (c) in the case of a *firm* which carries on both *long-term insurance business* and *general insurance business*:

- (i) where the transaction is in connection with the *firm's long-term insurance business*, the sum of €20,000 and 5% of the *firm's liabilities* arising from its *long-term insurance business*, excluding *linked long-term liabilities* and net of *reinsurance ceded*; and
  - (ii) in all other cases, the sum of €20,000 and 5% of the *firm's liabilities* arising from its *general insurance business*, net of *reinsurance ceded*.
- and
- (d) a reference to the "*firm's liabilities*" is to be interpreted as a reference only to the liabilities relevant to the operations permitted under regulation 28 or 34 of Part 6 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

*scheme of operations*

means a scheme which:

- (1) describes the nature of the risks which the *insurer* is underwriting, or intends to underwrite, and the guiding principles which it intends to follow in reinsuring or covering those risks; and
- (2) contains the information required under 3.1.

## **2 PROVISION OF RUN-OFF PLAN**

---

2.1 A *firm* must, within 28 days of the date on which the *firm* becomes a *SRO firm*, submit a run-off plan to the *PRA* including:

- (1) a *scheme of operations*, in accordance with 3; and
- (2) an explanation of how, or to what extent:
  - (a) all *liabilities to policyholders* will be met in full as they fall due; and
  - (b) the *firm* will have ceased *effecting contracts of insurance* and *carrying out contracts of insurance* by the *end date*.

## **3 CONTENT OF SCHEME OF OPERATIONS**

---

3.1 In accordance with 3.2, a *scheme of operations* must:

- (1) describe the *firm's* run-off strategy;
- (2) include a description of the business underwritten by the *firm*;
- (3) in the case of *third country branch undertakings*, include financial projections (including appropriate scenarios and stress-tests) as follows:
  - (a) a forecast summary profit and loss account in accordance with 3.3;
  - (b) a forecast summary balance sheet in accordance with 3.4; and

- (c) forecast *MCR* and *SCR* at the end of each financial year or part financial year;
  - (4) as at the end of each financial year which falls (in whole or part) within the period to which the *scheme of operations* relates:
    - (a) in the case of *third country branch undertakings*, identify any *material transactions* proposed to be entered into or carried out with, or in respect of, any associate or any other *person* with whom the *firm* has *close links*; and
    - (b) describe the assumptions which underlie those forecasts and the reasons for adopting those assumptions; and
  - (5) cover the run-off period until all *liabilities to policyholders* will be met in full or otherwise transferred.
- 3.2 The information required by 3.1 must:
- (1) in the case of *third country branch undertakings*, reflect the nature and content of the rules relating to *eligible own funds* applicable to a *firm*;
  - (2) where a *firm* carries on both *long-term insurance business* and *general insurance business*, be separated for *long-term insurance business* and *general insurance business*; and
  - (3) in the case of *third country branch undertakings*, take account only of matters relevant to the operations effected by the *third country branch*.
- 3.3 The forecast summary profit and loss account referred to in 3.1(3)(a) must contain the following information:
- (1) *premiums* and *claims* (gross and net of *reinsurance*) analysed by accounting *class* of *insurance business*;
  - (2) investment return;
  - (3) expenses;
  - (4) other charges and income;
  - (5) taxation; and
  - (6) dividends paid and accrued.
- 3.4 The forecast summary balance sheet referred to in 3.1(3)(b) must contain the following information:
- (1) investments analysed by type;
  - (2) assets held to cover *linked long-term liabilities*;
  - (3) other assets and liabilities separately identifying cash at bank and in hand;
  - (4) capital and reserves analysed into called up share capital or equivalent funds, share premium account, revaluation reserve, other reserves and profit and loss account;
  - (5) subordinated liabilities;

- (6) the fund for future appropriations;
- (7) *technical provisions* gross and net of *reinsurance* analysed by accounting *class* of *insurance business* and separately identifying the provision for *linked long-term liabilities*, *unearned premiums*, *unexpired risks* and *equalisation*; and
- (8) other liabilities and credits.

#### 4 NOTIFICATIONS AND ANNUAL UPDATES

---

##### 4.1 A firm must:

- (1) notify the *PRA* at least 28 days before entering into or carrying out any *material transaction* with, or in respect of, an associate or any other *person* with whom the *firm* has *close links*, unless that transaction is in accordance with a *scheme of operations* which has been submitted to the *PRA*;
- (2) notify the *PRA* promptly of any matter which has happened or is likely to happen and which represents a significant departure from the *scheme of operations* and either:
  - (a) explain the nature of the departure and the reasons for it and in the case of *third country branch undertakings*, provide revised forecast financial information in 3.1(3) in the *scheme of operations* for its remaining term; or
  - (b) include an amended *scheme of operations* and explain the amendments and the reasons for them.

4.2 A firm must, at least annually, update the *PRA* in writing on progress against, or deviation from, the *firm's* run-off plan submitted in accordance with 2.

#### 5 THIRD COUNTRY BRANCHES

---

5.1 This Chapter applies to *third country branch undertakings*.

5.2 In this Part, reference to “*SCR*”, “*MCR*” and “*technical provisions*” is to be interpreted in accordance with Third Country Branches 10.2(1) to (3).

## Annex AP

## Amendments to the Insurance Company – Exposure Limits Part

In this Annex new text is underlined.

...

**9 EXPOSURES EXCLUDED FROM LIMITS**

---

...

- 9.4 (1) If a *firm* has a *counterparty exposure*, *asset exposure* or *reinsurance exposure* the whole or any part of which is:
- (a) guaranteed by a *credit institution* or an *investment firm* subject in either case to provisions implementing the CRD or supervision by a *third country* supervisory authority with a *CRD-equivalent* regime; or
  - (b) adequately mitigated by a credit *derivative*;

...

...

## Annex AQ

## Amendments to the Insurance Company – Technical Provisions Part

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

...

## 5 LOCALISATION

---

- 5.1 This Chapter does not apply:
- (1) to a *Swiss general insurer*;
  - (2) in respect of debts owed by *reinsurers*;
  - (3) in respect of *insurance business* carried on by a *UK firm* outside ~~an EEA State~~ the UK;  
or
  - (4) in respect of *general insurance business class* groups 3 (Marine and transport) and 4 (Aviation) of Insurance Company – Reporting 12.7.
- 5.2 In accordance with 5.3, a *firm* must hold *admissible assets* held pursuant to Insurance Company – Risk Management 3.2:
- (1) (where the *admissible assets* cover *technical provisions* in UK sterling), in the UK ~~any EEA State~~; and
  - (2) (where the *admissible assets* cover *technical provisions* in any currency other than UK sterling), ~~in any EEA State or~~ in the UK or in the country of that currency.

...

## Annex AR

## Amendments to the Insurance General Application Part

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

...

## 2 UK SOLVENCY II FIRM

---

...

2.3 Subject to 2.5, a *firm* of the kind mentioned in 2.2(5) or 2.2(6) is excluded if it fulfils all of the following conditions:

...

(2) the total of the *firm's technical provisions*, gross of the amounts recoverable from *reinsurance contracts* and UK ISPVs, as referred to in Technical Provisions 2.1 to 2.3 does not exceed 25,000,000 euro;

(3) where the *firm* belongs to a *group*, the total of the *technical provisions* of the *group* defined as gross of the amounts recoverable from *reinsurance contracts* and UK ISPVs does not exceed 25,000,000 euro;

...

(5) the business of the *firm* does not include *reinsurance* operations:

...

...

(ii) 2,500,000 euro of its *technical provisions* gross of the amounts recoverable from *reinsurance contracts* and UK ISPVs; or

(b) with more than 10% of its gross written premium income or more than 10% of its *technical provisions* gross of the amounts recoverable from *reinsurance contracts* and UK ISPVs.

2.4 A *firm* excluded under 2.3 shall cease to be excluded under that rule:

...

(2) ~~immediately and for as long as~~ for so long as it continues to carry out contracts of insurance effected before IP completion day if:

(a) it ~~exercises~~ exercised *EEA rights* under the *Solvency II Directive* before IP completion day;

....

2.5 Subject to 2.6, a *firm* of the kind mentioned in 2.2(6) is not excluded under 2.3 for so long as it continues to carry out contracts of insurance effected before IP completion day if;

...

(2) it ~~exercises~~ exercised *EEA rights* under the *Solvency II Directive* before IP completion day.

2.6 A *firm* of the kind mentioned in 2.2(4), 2.2(5) or 2.2(6) is excluded provided

(1) it is not exercising ~~*EEA rights*~~ under the ~~*Solvency II Directive*~~; and [deleted.]

...



## Annex AS

**Amendments to the Insurance Special Purpose Vehicles Part**

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to a *UK ISPV* (including a ~~UK ISPV that is a non-Solvency 2 transformer vehicle~~).

1.2 In this Part, the following definitions shall apply:

...

~~non-Solvency 2 transformer vehicle~~

has the meaning given in regulation 9(1) of the ~~Risk Transformation Regulations~~.

...

*UK multi-arrangement ISPV*

means:

(1) ~~a UK ISPV that is a multi-arrangement special purpose vehicle; and~~

(2) ~~a UK ISPV that is a non-Solvency 2 transformer vehicle which assumes risks under more than one separate contractual arrangement from one or more undertaking(s).~~

**2 GENERAL PROVISIONS**

---

2.1 A *UK ISPV* must ensure that at all times:

...

(2) if it is a ~~UK multi-arrangement~~ special purpose vehicle ~~ISPV~~, each group of cells (if any) is fully funded.

**3 APPLICATION OF SOLVENCY II REGULATIONS TO UK ISPVs WITH PART 4A PERMISSION [Deleted.]**

---

3.1 [deleted.]

3.1A ~~A UK ISPV that is a non-Solvency 2 transformer vehicle must apply any relevant provision of the Solvency II Regulations as at 1 January 2016 in order to achieve the same effect as that provision of the Solvency II Regulations would have (that is, conforming with the requirements of the relevant provision) when applied to a Solvency II special purpose vehicle. [deleted.]~~

**4 MULTI-ARRANGEMENT ISPVs SPECIAL PURPOSE VEHICLES**

---

- 4.1 This Chapter only applies to a *UK multi-arrangement special purpose vehicle (SPV)*.
- 4.2 A *UK multi-arrangement special purpose vehicle (SPV)* must be a *UK protected cell company*.
- ...

## Annex AT

## Amendments to the Internal Capital Adequacy Assessment Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*group*

means in relation to a *person* ("A"), A and any *person*:

...

(c) who has an ~~Article 22(7) relationship~~ a common management relationship with A;

(d) who has an ~~Article 22(7) relationship~~ a common management relationship with any *person* who falls into (a);

...

~~*parent financial holding company in a Member State*~~

means ~~(in accordance with point (26) of Article 3(1) of the CRD) a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~*parent institution in a Member State*~~

means ~~(in accordance with point (24) of Article 3(1) of the CRD) an institution authorised in an EEA State which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~*parent mixed financial holding company in a Member State*~~

means ~~(in accordance with point (28) of Article 3(1) of the CRD) a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

...

...

## 14 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS, A CONSOLIDATED BASIS AND A SUB-CONSOLIDATED BASIS

---

...

- 14.3 A firm which is a UK parent institution ~~in a Member State~~ must comply with the ICAAP rules on a consolidated basis.

...

...

- 14.4A A PRA approved parent holding company or a PRA designated parent holding company must comply with the ICAAP rules on the basis of its consolidated situation and a PRA designated intermediate holding company or a PRA designated institution responsible for meeting CRR requirements on a consolidated basis must comply with the ICAAP rules on the basis of the consolidated situation of its UK parent financial holding company ~~in a Member State~~ or UK parent mixed financial holding company ~~in a Member State~~.

- 14.4B A PRA designated institution controlled by a UK parent financial holding company ~~in a Member State~~ or a UK parent mixed financial holding company ~~in a Member State~~ must comply with the ICAAP rules on the basis of the consolidated situation of that holding company, if the PRA is responsible for supervision of the firm on a consolidated basis ~~under Article 111 of the CRD~~.

## Annex AU

## Amendments to the Internal Governance of Third Country Branches Part

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

**1 APPLICATIONS AND DEFINITIONS**

---

...

1.3 In this Part, the following definitions shall apply:

*auction regulation bidding*

means the *regulated activity of bidding in emissions auctions* where it is carried on by:

- (a) ~~a firm that is exempt from MiFID under article 2(1)(i); or~~ collective investment undertakings and pension funds and the depositaries and managers of such undertakings; or

...

## Annex AV

**Amendments to the Internal Liquidity Adequacy Assessment Part**

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

...

## **8 MANAGING LIQUIDITY ACROSS LEGAL ENTITIES, BUSINESS LINES, COUNTRIES AND CURRENCIES**

---

8.1 A *firm* must actively manage its *liquidity risk exposures* and related funding needs and take into account

- (1) existing legal, regulatory and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities, both within and outside the ~~EEA UK~~; and

...

...

## **12 LIQUIDITY CONTINGENCY PLAN**

---

...

12.3 The *liquidity contingency plan* must also set out adequate strategies and proper implementation measures in order to address possible liquidity shortfalls, ~~including in relation to branches established in another EEA State~~. Those plans must be tested at least annually, updated on the basis of the outcome of the alternative scenarios set out in 11.2, and be reported to and approved by the *firm's senior management*, so that internal policies and processes can be adjusted accordingly

12.4 A *firm* must take the necessary operational steps in advance to ensure that *liquidity contingency plans* can be implemented immediately, including holding collateral immediately available for central bank funding. This includes holding collateral where necessary in the ~~currency of another EEA State or~~ currency of a third country to which the firm has exposures, and where operationally necessary within the territory of ~~an EEA State or~~ the third country to whose currency it is exposed.

...

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

---

...

14.4 A firm which is ~~an EEA a UK parent institution~~ must comply with this Part on the basis of its *consolidated situation*.

...

14.6 A *PRA designated institution* ~~that is a UK bank or building society~~ controlled by ~~an EEA a UK parent financial holding company~~ or by ~~an EEA a UK parent mixed financial holding company~~ must comply with this Part on the basis of the *consolidated situation* of that holding company ~~if the PRA is responsible for supervision of the UK bank or building society on a consolidated basis under Article 111 of the CRD~~.

14.6A A PRA approved parent holding company, a PRA designated parent holding company or a PRA designated intermediate holding company responsible for compliance with the CRR on a consolidated basis must comply on the basis of the consolidated situation of the ~~EEA UK~~ parent financial holding company or ~~EEA UK~~ parent mixed financial holding company.

14.7 A PRA designated institution that is a UK designated investment firm controlled by an ~~EEA~~ parent financial holding company or by an ~~EEA~~ parent mixed financial holding company must comply with this Part on the basis of the consolidated situation of that holding company if:

(1) ~~there is no subsidiary of the holding company which is a credit institution to which 14.6 applies; and~~

(2) ~~the PRA is responsible for the supervision of the UK designated investment firm on a consolidated basis under Article 111 of the CRD; [Deleted.]~~

...

## 16 TRANSITION PROVISION ~~[Deleted.]~~

---

16.1 In 14.4—14.7 any reference to ~~EEA~~ is to be read as a reference to ~~EU~~. ~~[Deleted.]~~

## Annex AW

## 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:

...

~~parent financial holding company in a Member State~~

~~means (in accordance with point (26) of Article 3(1) of the CRD) a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~parent institution in a Member State~~

~~means (in accordance with point (24) of Article 3(1) of the CRD) an institution authorised in an EEA State which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~parent mixed financial holding company in a Member State~~

~~means (in accordance with point (28) of Article 3(1) of the CRD) a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

...

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

---

...

2.1 (1) A firm with an *NCLEG non-trading book permission* may (in accordance with that permission) exempt, from the application of Article 395(1) of the *CRR*, *non-trading book exposures*, including participations or other kinds of holdings, incurred by the *firm* to members of its *NCLEG* that are:

...

in so far as those undertakings are covered by the supervision on a *consolidated basis* to which the *firm* itself is subject, in accordance with the *CRR*, provisions implementing Directive 2002/87/EC or with equivalent standards in force in a third country.



...

NCLEG trading book exemption

- 2.2 (1) A *firm* with an *NCLEG trading book permission* may (in accordance with that permission) exempt, from the application of Article 395(1) of the *CRR*, *trading book exposures* up to its *trading book exposure allocation*, including *participations* or other kinds of holdings, incurred by the *firm* to members of its *NCLEG* that are:

...

in so far as those undertakings are covered by the supervision on a *consolidated basis* to which the *firm* itself is subject, in accordance with the *CRR*, provisions implementing Directive 2002/87/EC or with equivalent standards in force in a third country;

...

- 2.4 A *firm* must exclude from the limit in Article 395(1) of the *CRR* *resolution exposures* to:

...

in so far as those undertakings are covered by the supervision on a *consolidated basis* to which the *firm* itself is subject, in accordance with the *CRR*, provisions implementing Directive 2002/87/EC or with equivalent standards in force in a third country.

...

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

---

...

Level of application

- 5.3 A *firm* which is a UK parent institution in a Member State must comply with this Chapter on the basis of its *consolidated situation*.
- 5.4 A *firm* controlled by a UK parent institution in a Member State or a UK parent financial holding company in a Member State or a UK parent mixed financial holding company in a Member State must comply with this Chapter on the basis of the *consolidated situation* of that parent institution or holding company.

...

## Annex AX

### Amendments to the Leverage Ratio Part

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

#### 1 APPLICATIONS AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) every *firm* that is a *UK bank* or a *building society* that, on the *firm's* last *accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:
  - (a) an individual basis;
  - (b) if the *firm* is a *UK parent institution* ~~*in a Member State*~~, on the basis of its *consolidated situation*; or
  - (c) if the *firm* is controlled by a *UK parent financial holding company* ~~*in a Member State*~~ or by a *UK parent mixed financial holding company* ~~*in a Member State*~~ and the *PRA* is responsible for supervision of that holding company on a *consolidated basis* ~~under Article 111 of the CRD~~, on the basis of the *consolidated situation* of that holding company; and
- (2) a *ring-fenced body* that is a member of a *group* containing a *firm* falling within 1.1(1).

...

#### 2 BASIS OF APPLICATION

---

...

2.2 A *firm* that is a *UK parent institution* ~~*in a Member State*~~ must comply with this Part on the basis of its *consolidated situation*.

2.3 A *firm* that is controlled by a *UK parent financial holding company* ~~*in a Member State*~~ or a *UK parent mixed financial holding company* ~~*in a Member State*~~ for which the *PRA* is responsible for supervision on a *consolidated basis* ~~under Article 111 of the CRD~~ must comply with this Part on the basis of the *consolidated situation* of that holding company.

...

## Annex AY

**Amendments to the Liquidity Coverage Requirement – UK Designated Investment Firms Part**

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

...

## **2 LIQUIDITY COVERAGE REQUIREMENT**

---

- 2.1 (1) For the purpose of complying with Article 412 (1) of the *CRR*, a *firm* must comply with the obligations set out in the *Delegated Regulation* as they apply to a *credit institution* supervised ~~under~~ pursuant to the *CRD*, subject to the modifications in (2).

...

## **3 COMPLIANCE WITH LIQUIDITY REPORTING**

---

...

- 3.2 (1) A *firm* must comply with the reporting requirements laid down in Chapter 1 and Chapter 7 to Chapter 9 of the *COREP Regulation* with the exception of Article 15 as they apply to a *credit institution* supervised ~~under~~ pursuant to the *CRD*.

## **4 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS AND A CONSOLIDATED BASIS**

---

...

- 4.2 A *firm* which is ~~an EEA a UK parent institution~~ must comply with this Part on the basis of its *consolidated situation*.
- 4.3 A *firm* controlled by ~~an EEA a UK parent financial holding company~~ or by ~~an EEA a UK parent mixed financial holding company~~ must comply with this Part on the basis of the *consolidated situation* of that holding company if:

...

- (2) the *PRA* is responsible for the supervision of the *UK designated investment firm* on a *consolidated basis* ~~under Article 111 of the CRD~~.

...

## **5 TRANSITIONAL PROVISIONS**

---

- 5.1 In 4.2 and 4.3 any reference to ~~EEA~~ is to be read as a reference to EU. ~~[Deleted.]~~

## Annex AZ

## Amendments to the Minimum Capital Requirement Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*captive insurer*

means a ~~Solvency II undertaking~~ UK Solvency II firm owned by:

- (1) a financial *undertaking* other than a ~~Solvency II undertaking~~ UK Solvency II firm; or
- (2) a *group* of ~~Solvency II undertakings~~ UK Solvency II firms; or
- (3) a non-financial *undertaking*;

the purpose of which is to provide insurance cover exclusively for the risks of the undertaking or undertakings to which it belongs, or of an *undertaking*, or *undertakings*, of the *group* of which that ~~Solvency II undertaking~~ UK Solvency II firm is a member.

*captive reinsurer*

means a ~~Solvency II undertaking~~ UK Solvency II firm that is a *pure reinsurer* owned by:

- (1) a financial *undertaking* other than a ~~Solvency II undertaking~~ UK Solvency II firm; or
- (2) a *group* of ~~Solvency II undertakings~~ UK Solvency II firms; or
- (3) a non-financial *undertaking*;

the purpose of which is to provide *reinsurance* cover exclusively for the risks of the *undertaking* or *undertakings* to which it belongs or of an *undertaking* or *undertakings* of the *group* of which that *pure reinsurer* is a member.

## Annex BA

## Amendments to the Notifications Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

~~EEA~~ UK financial conglomerate

means a *financial conglomerate* that is of a type that falls under Article 5(2) of the ~~Financial Groups Directive~~ has:

- (1) a regulated entity at the head of the financial conglomerate;
- (2) a mixed financial holding company which has its head office in the UK; or
- (3) a regulated entity linked with another financial sector entity by a common management relationship.

...

*extraordinary public financial support*

means ~~State aid, or any other public financial support at supra-national level, which, if provided for at national level, would constitute State aid,~~ support of a kind described in section 3(1) of the Banking Act 2009 that is provided in order to preserve or restore the viability, liquidity or solvency of a BRRD undertaking or of a group of which a BRRD undertaking forms part.

...

*regulated entity*

means one of the following:

- (1) *a credit institution;*
- (2) *an insurance undertaking within the meaning of Article 13(1) of the Solvency II Directive; or*
- (3) *an investment firm,*

whether or not it is incorporated in, or has its head office in, ~~an EEA State~~ the UK.

...

~~State aid~~

means any aid granted by an *EEA State* or through an *EEA State's* resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods and which affects trade between *EEA States*.

...

1.3 This Part applies to incoming firms without a top-up permission as follows: [Deleted.]

- (1) 1 applies in full
- (2) 2.1-2.3 apply in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (3) 2.4-2.5 apply in full;
- (4) 2.6-2.9 apply in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (5) 3-4 do not apply;
- (6) 5.1-5.3 apply in full except that 5.2(2) does not apply to an *incoming EEA firm* without a *top-up permission*;
- (7) 5.4 applies in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (8) 5.5 applies in full; and
- (9) 6, 7 and 9 apply in full.

...

## 2 GENERAL NOTIFICATION REQUIREMENTS

---

...

2.3 A *firm* must give the *PRA* notice of:

- (1) any proposed restructuring, reorganisation or business expansion which could have a significant impact on the *firm's* risk profile or resources, including, but not limited to:

...

- (b) commencing the provision of *cross border services* into a new territory; [deleted.]

...

- (f) a substantial change or a series of changes in the *governing body* of an *overseas firm* (other than an *incoming firm*);

...

## 4 NOTIFIED PERSONS

---

4.1 (1) An *overseas firm*, which is not an *incoming firm*, must notify the *PRA* within 30 *business days* of any *person* taking up or ceasing to hold the following positions:

...

## 5 CORE INFORMATION REQUIREMENTS

---

...

- 5.4 A *firm* must notify the *PRA* immediately if it becomes subject to or ceases to be subject to the supervision of any *overseas regulator* ~~(including a *Home State regulator*)~~.

...

## 9 FINANCIAL CONGLOMERATE NOTIFICATION

---

...

- 9.5 (1) A *firm* must, at the level of the ~~EEA~~ *UK financial conglomerate*, regularly provide the *PRA* with details on the *UK financial conglomerate's* legal structure and governance and organisational structure, including all *regulated entities*, ~~and non-regulated subsidiaries and significant branches~~.
- (2) A *firm* must disclose publicly, at the level of the ~~EEA~~ *UK financial conglomerate*, on an annual basis, either in full or by way of references to equivalent information, a description of the *UK financial conglomerate's* legal structure and governance and organisational structure.
- (3) For the purposes of (1) and (2), where a *firm* is a member of ~~an EEA~~ *a UK financial conglomerate* which is part of a wider ~~UK regulated EEA~~ *financial conglomerate*, reporting applies only at the level of the ~~EEA~~ *UK parent mixed financial holding company* or ultimate ~~EEA~~ *UK mixed financial holding company*.

...

## Annex BB

## Amendments to the Outsourcing Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to a *CRR firm*:

...

(2) ~~with respect to the carrying on of *passport*ed activities by it from a *branch* in another *EEA state*;~~[deleted.]

(3) in a *prudential context* with respect to activities wherever they are carried on; and

(4) taking into account any activity of other members of a *group* of which the *firm* is a member.

...

## 2 OUTSOURCING

---

2.1 A *firm* must:

...

(2) not undertake the *outsourcing* of important operational functions in such a way as to impair materially:

(a) the quality of its internal control; and

(b) the ability of the *PRA* to monitor the *firm's* compliance with all obligations under the *regulatory system* and, if different, of a *competent authority* to monitor the *firm's* compliance with all obligations ~~under~~ implemented pursuant to *MiFID II*.

2.1A A *MiFID investment firm* must extend the arrangements and meet the requirements of the *Articles 30, 31 Outsourcing Requirements*, so they apply with respect to *other matters* on the following basis:

(1) references to "authorisation" under *MiFID II* are references to authorisation under section 31(2) of the Act;

(2) references to "obligations" ~~under~~ implemented pursuant to *MiFID II* are references to a firm's obligations under the *regulatory system*;



**Annex BC**

**Amendments to the Passporting Part**

This Part is deleted.

**Part**

**PASSPORTING**

---

**Deleted.**

## Annex BD

## Amendments to the Policyholder Protection Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

1.1A For the purposes of Chapter 21 and Annex 2, references to “firm” includes *CRO insurers*.

1.2 In this Part, the following definitions shall apply:

...

*CRO insurer*

a person to whom Regulation 47 of the *EEA Passport Exit Regulations* applies in respect of the activities of *effecting contracts of insurance or carrying out contracts of insurance*.

...

*EEA Passport Exit Regulations*

means the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

...

*money laundering*

has the meaning given in Article 1(3) of the Money Laundering Directive 2015/849/EU. ~~means any act which:~~

- ~~(1) constitutes an offence under section 18 (Money laundering) of the Terrorism Act 2000;~~
- ~~(2) constitutes an offence under section 327 (Concealing etc), section 328 (Arrangements) or section 329 (Acquisition, use and possession) of the Proceeds of Crime Act 2002;~~
- ~~(3) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (2)~~
- ~~(4) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (2); or~~
- ~~(5) would constitute an offence specified in paragraph (2), (3), or (4) if done in the *United Kingdom*.~~

...

*occupational pension fund management business*

...

- (2) (other than in connection with a *personal pension scheme*) *pension fund management* written as linked long-term business, for an *occupational pension scheme* or for an institution ~~falling within~~ referred to in article 2 of the Council Directive of 3 June 2003 on the activities and

supervision of institutions for occupation retirement provision (No 2003/43/EC), but only to the extent that:

...

*participant firm*

means:

- (1) a firm which is an *insurer*, or a *member* (except 21, 22.6 - 22.8 and Annex 2 in respect of a *member*); or
- (2) a CRO insurer.

...

TPR insurer

means in relation to a *contract of insurance*, a *person* to whom Regulation 8 or 11 of the EEA Passport Exit Regulations applied, at the time at which the *contract of insurance* was issued.

...

## 9 PROTECTED CLAIMS

---

...

9.2 A *protected contract of insurance* is:

- (A1) (if issued on or after *IP completion day*) a *contract of insurance* within 9.2A;
- (1) (if issued after 1 December 2001 and before *IP completion day*) a *contract of insurance* within 9.3; or
- (2) (if issued before 1 December 2001) a *contract of insurance* within 9.6.

9.2A A *contract of insurance* issued on or after *IP completion day* which:

- (1) relates to a protected risk or commitment as described in 9.2B;
- (2) was issued by a *relevant person* (whether or not there is now a *successor* in respect of that *relevant person*) through an establishment in:
  - (a) the UK; or
  - (b) (in relation only to a *TPR insurer*, a *SRO insurer* or a *CRO insurer* that (in each case) has no establishment in the UK) an *EEA State*; or
  - (c) the Channel Islands or the Isle of Man; or
  - (d) Gibraltar
- (3) is a *contract of long-term insurance* or a *relevant general insurance contract*;
- (4) is not a *reinsurance contract*; and
- (5) if it is a *contract of insurance* entered into by a *member*, was entered into on or after 1 January 2004;

is a protected contract of insurance.

9.2B A risk or commitment is a protected risk or commitment for the purpose of 9.2A if:

- (1) in the case of a contract of insurance falling within 9.2A(2)(a) it is situated in the UK, Gibraltar, the Channel Islands or the Isle of Man;
- (2) in the case of a contract of insurance falling within 9.2A(2)(b) it is situated in the UK;
- (3) in the case of a contract of insurance falling within 9.2A(2)(c), it is situated in the UK, the Channel Islands or the Isle of Man;
- (4) in the case of a contract of insurance falling within 9.2A(2)(d) where the relevant person is a UK firm, it is situated in the UK or Gibraltar;
- (5) in the case of a contract of insurance falling within 9.2A(2)(d) where the relevant person is incorporated in Gibraltar, it is situated in the UK; or
- (6) in the case of a contract of insurance falling within 9.2A(2)(d) where the relevant person is a TPR insurer, SRO insurer or CRO insurer, it is situated in the UK.

9.3 A contract of insurance issued after 1 December 2001 and before IP completion day which:

- (1) relates to a protected risk or commitment as described in 9.4;
- (2) was issued by a relevant person (whether or not there is now a successor in respect of that relevant person) through an establishment in:
  - ...
  - (b) ~~another~~ an EEA State other than the UK; or
  - (c) the Channel Islands or the Isle of Man; or
  - (d) Gibraltar.
  - ...

9.4 A risk or commitment is a protected risk or commitment for the purpose of 9.3 if:

- (1) in the case of a contract of insurance falling within 9.3(2)(a), it is situated in the UK, Gibraltar, an EEA State, the Channel Islands or the Isle of Man;
- (2) in the case of a contract of insurance where the relevant person was, at the time of issue, a UK firm within the meaning of paragraph 10 of Schedule 3 of FSMA (as in force immediately before IP completion day) is a UK firm issuing and issued that a contract of insurance through an establishment falling within 9.3(2)(b), it is situated in the UK, Gibraltar or an EEA State;
- (3) in the case of a contract of insurance where the relevant person was not, at the time of issue, a UK firm within the meaning of paragraph 10 of Schedule 3 of FSMA (as in force immediately before IP completion day) is a firm which is not a UK firm issuing and issued that contract of insurance through an establishment falling within 9.3(2)(b) or 9.3(2)(d), it is situated in the UK; or

...

9.5 For the purposes of 9.2B, 9.4 and 9.6, the situation of a risk or commitment is determined as follows:

...

...

## 10 RELEVANT PERSONS IN DEFAULT

---

...

10.4 The FSCS may determine a *relevant person* to be *in default* if it is satisfied that a *protected claim* exists, and the *relevant person* is the subject of one or more of the following proceedings in the *UK* (or of equivalent or similar proceedings in another jurisdiction):

...

- (2) a determination by the *relevant person's* ~~Home State regulator~~ regulator or ~~other competent authority~~ that the *relevant person* appears unable to meet claims against it and has no early prospect of being able to do so;

....

## 11 SUCCESSORS IN DEFAULT

---

...

11.4 The FSCS may determine a *successor* to be *in default* if it is satisfied that a *protected claim* exists, and the *successor* is the subject of one or more of the following proceedings in the *UK* (or of equivalent or similar proceedings in another jurisdiction):

...

- (2) where relevant, a determination by the *successor's* ~~Home State regulator~~ regulator or ~~other competent authority~~ that the *successor* appears unable to meet *claims* against it and has no early prospect of being able to do so;

...

...

## 12 ASSIGNMENT (AUTOMATIC, ELECTRONIC AND IN WRITING)

---

...

12.9 (1) The FSCS may determine that:

...

that claimant shall be treated as having irrevocably and unconditionally appointed the chairman of the FSCS for the time being to be his attorney and agent and on his behalf and in his name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the *UK*, ~~another EEA State Gibraltar~~ or any other state or country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

...

## ANNEX 2: METHODOLOGY FOR CALCULATION OF A PARTICIPANT FIRM'S LEVY SHARE

Insurance Class B1	General Insurance Provision
Firms with permission for:	...
Tariff base	<p>Insurance Class B1: Relevant net premium income and eligible liabilities.</p> <p>Relevant net premium income is calculated in accordance with the method applicable to the <i>firm</i> for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (2) (b) with the following adjustments:</p> <p>...</p> <p><del>(2) If an <i>incoming EEA firm</i> does not report relevant net premium income in the way contemplated in this table, the <i>participant firm's</i> relevant net premium income is calculated in the same way as they would be for a <i>UK firm</i>. [deleted.]</del></p> <p>Eligible liabilities are calculated in accordance with the method applicable to the <i>firm</i> for calculating 'best estimate liabilities for fees purposes' in Fees 1.2 and Fees 3.4 (2) (b) with the following adjustments:</p> <p>...</p> <p><del>(3) If an <i>incoming EEA firm</i> does not report liabilities in the way contemplated by this table, the <i>participant firm's</i> liabilities are calculated in the same way as they would be for a <i>UK firm</i>. [deleted.]</del></p> <p>...</p>

Insurance Class C1	Life and Pensions Provision
Firms with permission for:	...
Tariff base	<p>Insurance Class C1: Relevant net premium income and eligible liabilities.</p> <p>Relevant net premium income is calculated in accordance with the method applicable to the <i>firm</i> for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (3) (c) with the following adjustments:</p> <p>...</p> <p><del>(5) If an <i>incoming EEA firm</i> does not report relevant net premium income in the way contemplated in this table, the <i>participant firm's</i> relevant premium income is calculated in the same way as they would be for a <i>UK firm</i>. [deleted.]</del></p> <p>Eligible liabilities are calculated in accordance with the method applicable to the <i>firm</i> for calculating 'best estimate liabilities for fee purposes' as defined</p>

in Fees 1.2 and Fees 3.4 (3) (c) with the following adjustments.

...

~~(3) If an *incoming EEA firm* does not report liabilities in the way contemplated by this table, the *participant firm's* liabilities are calculated in the same way as they would be for a *UK firm*.[deleted.]~~

...

## Annex BE

## Amendments to the Public Disclosures Part

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

...

### 3 PUBLIC DISCLOSURE OF LEVERAGE RATIO

---

3.1 This Chapter applies to;

- (1) every *firm* that is a *UK bank* or a *building society* that, on the *firm's last accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:
  - (a) an individual basis;
  - (b) if the *firm* is a *UK parent institution* ~~*in a Member State*~~, on the basis of its *consolidated situation*; or
  - (c) if the *firm* is controlled by a *UK parent financial holding company* ~~*in a Member State*~~ or by a *UK parent mixed financial holding company* ~~*in a Member State*~~ and the *PRA* is responsible for supervision of that holding company on a *consolidated basis* ~~under Article 111 of the CRD~~, on the basis of the *consolidated situation* of that holding company.

...

Application on an individual or consolidated basis

3.2 A *firm* that is:

- (1) not a member of a *consolidation group* in relation to which (2) or (3) applies must comply with this Chapter on an individual basis;
- (2) a *UK parent institution* ~~*in a Member State*~~ must comply with this Chapter on the basis of its *consolidated situation*;
- (3) controlled by a *UK parent financial holding company* ~~*in a Member State*~~ or a *UK parent mixed financial holding company* ~~*in a Member State*~~ for which the *PRA* is responsible for supervision on a *consolidated basis* ~~under Article 111 of the CRD~~ must comply with this Chapter on the basis of the *consolidated situation* of that holding company.

...



## Annex BF

## Amendments to the Record Keeping Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to a *CRR firm*:

...

- (2) ~~with respect to the carrying on of *passport activities* by it from a *branch* in another *EEA state*; [deleted.]~~
- (3) in a *prudential context* with respect to activities wherever they are carried on; and
- (4) taking into account any activity of other members of a *group* of which the *firm* is a member.

...

## 2 RECORD KEEPING

---

2.1 A *firm* must arrange for orderly records to be kept of its business and internal organisation, including all services, activities and transactions undertaken by it, which must be sufficient to enable the *PRA* or ~~any other relevant competent authority under *MiFID II*~~ to:

- (1) fulfil its supervisory tasks and perform the enforcement actions under the *regulatory system*; and
- (2) in particular ascertain that the *firm* has complied with all obligations.

...

## Annex BG

## Amendments to the Recovery Plans Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*Article 1(1)(b) entity*

means a *financial institution* that is established in ~~an EEA State~~ the UK when the *financial institution* is a *subsidiary of a credit institution or investment firm*, or of an *Article 1(1)(c) entity* or an *Article 1(1)(d) entity* and is covered by the supervision of the *parent undertaking* on a *consolidated basis* in accordance with Articles 6 to 17 of *CRR*.

*Article 1(1)(c) entity*

means a *financial holding company, mixed financial holding company or mixed activity holding company* that is established in ~~an EEA State~~ the UK.

*Article 1(1)(d) entity*

means a UK parent financial holding company in an EEA State, an EEA parent financial holding company, a parent mixed financial holding company in an EEA State or an EEA a UK parent mixed financial holding company.

*competent authority*

means a public authority or body officially recognised by national law which is empowered by national law to supervise *institutions* as part of the supervisory system in operation in the ~~EEA State~~ concerned or the European Central Bank with regard to the specified tasks conferred on it by Article 4 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

means:

- (1) the PRA, in respect of PRA-*authorised persons*;
- (2) the FCA, in respect of any other *person*.

*conditions for early intervention*

means where an *institution* infringes or is likely in the near future to infringe the requirements of the *CRR*, ~~CRD, MiFID II~~ or any of Articles 3 to 7, 14 to 17 and 24, 25 and 26 of *MiFIR* or requirements implementing CRD or MiFID II.

~~EEA consolidating supervisor~~

means a *competent authority* responsible for the exercise of supervision on a *consolidated basis* of:

- (1) ~~an EEA a UK parent institution~~; or
- (2) ~~institutions controlled by an EEA a UK parent financial holding company or an EEA a UK parent mixed financial holding company.~~

...

*EEA parent undertaking*

~~means an EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company.~~

*extraordinary public financial support*

means *State aid*, or any other public financial support at supra-national level, which, if provided for at national level, would constitute *State aid*, support of a kind described in section 3(1) of the Banking Act 2009 that is provided in order to preserve or restore the viability, liquidity or solvency of a *BRRD undertaking* or of a group of which a *BRRD undertaking* forms part.

...

*parent financial holding company in an EEA State*

~~means a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

*parent mixed financial holding company in an EEA State*

~~means a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

*parent institution in an EEA State*

~~means an institution authorised in an EEA State which has an institution or financial institution as a subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

...

*significant branch*

~~means a branch of an institution that would be designated as being significant in accordance with Article 51(1) of the CRD.~~

*State aid*

~~means any aid granted by an EEA State or through an EEA State's resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods and which affects trade between EEA States.~~

## 2 RECOVERY PLANS

---

2.1 This Chapter applies to a *firm* that is not part of a *group* subject to consolidated supervision by a *consolidating supervisor* pursuant to Articles 111 and 112 of the CRD.

...

## 3 GROUP RECOVERY PLANS

---

3.1 This Chapter applies to a *BRRD undertaking* which is:

- (1) ~~an EEA a UK parent undertaking unless the FCA is the EEA consolidating supervisor of its group; or~~
- (2) ~~a firm controlled by an EEA parent financial holding company or an EEA parent mixed financial holding company if:~~[deleted.]
  - (a) ~~the EEA parent financial holding company or EEA parent mixed financial holding company is not incorporated in the UK and does not have a place of business in the UK; and~~
  - (b) ~~the PRA is the EEA consolidating supervisor of the firm~~

3.2 ~~If the EEA consolidating supervisor is the PRA, a BRRD undertaking must draw up a group recovery plan and submit the group recovery plan to the PRA. If the EEA consolidating supervisor is not the PRA, a BRRD undertaking that is a qualifying parent undertaking must make arrangements to ensure that a group recovery plan is drawn up and submitted to the EEA consolidating supervisor.~~

3.3 ~~The group recovery plan must consist of a recovery plan for the group headed by the EEA UK parent undertaking as a whole.~~

...

3.5 ~~The group recovery plan must identify measures that may be required to be implemented at the level of the EEA UK parent undertaking and each individual subsidiary.~~

...

3.7 ~~The group recovery plan must include arrangements to ensure the coordination and consistency of measures to be taken at the level of the EEA UK parent undertaking, at the level of an Article 1(1)(c) entity or Article 1(1)(d) entity, as well as measures to be taken at the level of a subsidiary, and, where applicable, in accordance with the CRD at the level of a significant branch.~~

- 3.8 The *group recovery plan* must include the elements specified in 2.6 – 2.9. The *group recovery plan* must include, where applicable, arrangements for intra-group financial support adopted pursuant to an agreement for intra-group financial support that has been concluded in accordance with ~~Articles 19 – 26 of the BRRD~~ The Bank Recovery and Resolution (No 2) Order 2014 (2014/3348) or Group Financial Support 2 – 8.

...

- 3.12 A *BRRD undertaking* that is a *qualifying parent undertaking* must make arrangements to ensure it is demonstrated to the ~~EEA-consolidating supervisor~~ that the *group recovery plan* meets the requirements set out in this Chapter and the following criteria:

...

...

## 5 GOVERNANCE ARRANGEMENTS

---

...

- 5.3 A *BRRD undertaking* which is required to draw up a *group recovery plan* must, taking into account the nature, scale and complexity of its business and the business of other members of its *group*, establish and maintain appropriate internal processes regarding the governance of the *group recovery plan* and must:

- (1) ensure that its *management body* oversees, assesses and approves the *group recovery plan* before the *BRRD undertaking* submits the *group recovery plan* to the ~~EEA consolidating supervisor~~;

...

## 6 RECOVERY PLAN AND GROUP RECOVERY PLAN INDICATORS

---

...

- 6.6 A *BRRD undertaking* that is a *qualifying parent undertaking* must:

- (1) notify the *PRA* without delay if it (or any member of its *group*) decides to take action under the *group recovery plan* or to refrain from taking action and the *PRA* is the ~~EEA consolidating supervisor~~; ~~and~~
- (2) ~~make arrangements to ensure the EEA-consolidating supervisor is notified without delay if it (or any member of its group) decides to take action under the group recovery plan or to refrain from taking action and the PRA is not the EEA consolidating supervisor [deleted.]~~

...



## Annex BH

## Amendments to the Regulatory Reporting Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* permitted to carry on the *regulated activities* listed in column (1) of the table in 6.1, ~~except an *incoming EEA firm* with *permission for cross border services* only.~~

1.2 In this Part, the following definitions shall apply:

....

*credit institution*

- (1) ~~a credit institution authorised under the *CRD*; or~~
- (2) ~~an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.~~

means an *undertaking* the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account, not including entities referred to in Art 2(5) of Directive 2013/36/EU.

...

*FINREP firm*

means

- (1) a *credit institution* or *investment firm* subject to the *CRR* that is also subject to section 403(1) of the Companies Act 2006 ~~article 4 of Regulation (EC) No 1606/2002; or~~
- (2) a *credit institution* other than one referred to in section 403(1) of the Companies Act 2006 ~~Article 4 of Regulation (EC) No 1606/2002~~ that prepares its consolidated accounts in conformity with the *UK-adopted international accounting standards* ~~adopted in accordance with the procedure laid down in article 6(2) of that Regulation.~~

...

*IFRS firm*

means a *firm* applying *UK-adopted international accounting standards* ~~as applicable under regulation (EC) No 1606/2002.~~

...

*non-EEA-UK bank*

means a *bank* which is a *body corporate* or *partnership* formed under the law of any country or territory outside the ~~*EEA-UK*~~.

...

*UK consolidation group*

means the *consolidation group* of a *firm* to which supervision on a *consolidated basis* by the PRA applies in accordance with Article 111 of CRD.

*UK regulated EEA financial conglomerate*

means a *financial conglomerate* (other than a *third-country financial conglomerate*) that satisfies one of the following conditions:

- (1) ~~GENPRU 3.1.29 R (Capital adequacy calculations for *financial conglomerates*) in the PRA Handbook applies with respect to it; or~~
- (2) ~~a *firm* that is a member of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* to ensure that *financial conglomerate* meets levels of capital adequacy based or stated to be based on Annex I of the *Financial Groups Directive*.~~

**2 REPORTING REQUIREMENTS – DATA ITEMS**

---

...

2.4 Unless otherwise stated, any *data items* to be submitted in accordance with 2.1 to 2.3 by a ~~*non-EEA non-UK bank*~~, or an ~~*EEA bank*~~, should cover the activities of the *branch* operation in the *UK* only.

...

2.10 ~~An incoming *firm* or a *third country firm*~~, that is a *bank* or *designated investment firm*, must also submit *data items* as required by Chapter 22.

...

**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>	<del><i>Non-EEA bank</i></del> <del><i>Non-UK bank</i></del>	<del><i>EEA bank that has permission to accept deposits and that has its registered office (or, if it has no registered office, its head office) outside the EU</i></del> [deleted.]	[deleted.]	[deleted.]
Description of <i>data item</i>							
...							



...

(35) A firm must complete this item separately on each of the following bases that are applicable.

...

- (d) If it is an ~~an EU UK parent institution~~, it must complete the item on the basis of its consolidated situation if the PRA is responsible for supervision of the firm on a consolidated basis.
- (e) If it is a UK bank or building society controlled by an ~~an EU UK parent financial holding company~~ or by an ~~an EU UK parent mixed financial holding company~~ it must complete the item on the basis of the *consolidated situation* of that holding company if the PRA is responsible for supervision of the firm on a *consolidated basis* ~~under Article 111 of the CRD.~~
- (f) If it is a UK designated investment firm controlled by an ~~an EU UK parent financial holding company~~ or by an ~~an EU UK parent mixed financial holding company~~ the firm must complete the item on the basis of the *consolidated situation* of that holding company if: (1) there is no *subsidiary* of the holding company which is a *credit institution* to which (e) applies; and (2) the PRA is responsible for the supervision of the firm on a *consolidated basis* ~~under Article 111 of the CRD.~~

...

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>	<b>UK banks and building societies (on an unconsolidated or individual consolidated basis) (9)</b>	[deleted]	<b>UK banks and building societies (on a UK consolidation group, domestic liquidity sub-group or sub-consolidation group basis, as applicable)</b>	<b>Other members of RAG 1</b>
...				
PRA110	Daily, weekly or monthly (2) (13) (14)	-	Daily, weekly or monthly (2) (13) (14)	[deleted]
...				

...

(13)

- (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.
- (b) If the reporting frequency would otherwise be monthly, the item is to be reported:
  - (i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or *UK consolidation group* basis; and

- (ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and *UK consolidation group* basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm*, *branch* or group in question.

...

(14) The reporting frequency is as follows:

- (a) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal or greater than EUR 30 billion on either an individual basis or *UK consolidation group* basis. This requirement stops applying if the *total assets* of the *firm* on both an individual basis and *UK consolidation group* basis reduce to less than EUR 30 billion for at least four consecutive weekly reporting periods, in which case the *firm* is required to start reporting this *data item* monthly after the end of last consecutive reporting period; and
- (b) monthly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than EUR 30 billion on both an individual basis and *UK consolidation group* basis. This requirement stops applying if during any monthly reporting period the *total assets* of the *firm*, on either an individual basis or *UK consolidation group* basis, become equal to or greater than EUR 30 billion, in which case the *firm* is required to start reporting this *data item* weekly after the end of that reporting period.

...

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.

...

- (2) Applicable to ~~non-EEA~~ non-UK banks.

...

...

## 9 REGULATED ACTIVITY GROUP 3

---

...

9.2

...

(19) A *firm* must complete this item separately on each of the following bases that are applicable.

...

- (d) If it is an ~~EU~~ UK parent institution, it must complete the item on the basis of its consolidated situation if the PRA is responsible for supervision of the firm on a consolidated basis.

(e) If it is a *UK bank or building society* controlled by an ~~an EU UK parent financial holding company~~ or by an ~~an EU UK parent mixed financial holding company~~ it must complete the item on the basis of the *consolidated situation* of that holding company if the *PRA* is responsible for supervision of the *firm* on a *consolidated basis* ~~under Article 111 of the CRD.~~

(f) If it is a *UK designated investment firm* controlled by an ~~an EU UK parent financial holding company~~ or by an ~~an EU UK parent mixed financial holding company~~ the *firm* must complete the item on the basis of the *consolidated situation* of that holding company if: (1) there is no *subsidiary* of the holding company which is a *credit institution* to which (e) applies; and (2) the *PRA* is responsible for the supervision of the *firm* on a *consolidated basis* ~~under Article 111 of the CRD.~~

If the *data item* is required to be completed by the *firm* on a *consolidated basis* (pursuant to (d), (e) or (f) above) or on a *sub-consolidated basis* (pursuant to (c) above), the *firm* must carry out the consolidation or sub-consolidation to the same extent and in the same manner as it is required to comply with the obligations laid down in Part Six of the *CRR* on a *consolidated basis* or *sub-consolidated basis*.

...

- 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.

<b>RAG 3</b>	
<b>Data item</b>	<b>Reporting frequency</b>
...	...
PRA110	Daily, weekly or monthly (9) (10) (11)

...

(10)

- (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.
- (b) If the reporting frequency would otherwise be monthly, the item is to be reported:
- (i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or *UK consolidation group* basis; and
- (ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and *UK consolidation group* basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

...

- (11) The reporting frequency is as follows:

- (a) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal or greater than EUR 30 billion on

either an individual basis or *UK consolidation group* basis. This requirement stops applying if the *total assets* of the *firm* on both an individual basis and *UK consolidation group* basis reduce to less than EUR 30 billion for at least four consecutive weekly reporting periods, in which case the *firm* is required to start reporting this *data item* monthly after the end of last consecutive reporting period; and

- (b) monthly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than EUR 30 billion on both an individual basis and *UK consolidation group* basis. This requirement stops applying if during any monthly reporting period the *total assets* of the *firm*, on either an individual basis or *UK consolidation group* basis, become equal to or greater than EUR 30 billion, in which case the *firm* is required to start reporting this *data item* weekly after the end of that reporting period.

...

## 12 FINANCIAL CONGLOMERATES

---

12.1 This Chapter applies only to a *firm* that is a member of a *financial conglomerate* and either:

...

- (1) it is at the head of a UK-regulated ~~EEA~~ *financial conglomerate*; or
- (2) its *Part 4A permission* contains a requirement which either:

...

- (b) applies 12.3 to the *firm* unless the UK mixed financial holding company of the *financial conglomerate* to which the *firm* belongs submits the report required under this rule (as if the rule applied to it).

...

...

## 20 CAPITAL+ REPORTS

---

...

20.6 A *firm* satisfies *Capital+ condition 1*:

- (1) if the *firm* is a UK parent institution in a Member State, where it has *retail deposits* equal to or greater than £50 billion and *total assets* equal to or greater than £320 billion on the basis of its *consolidated situation*;
- (2) if the *firm* is controlled by a UK parent financial holding company in a Member State, a UK parent mixed financial holding company in a Member State or a UK parent institution in a Member State and the *PRA* is responsible for supervision of that holding company or UK parent institution in a Member State on a *consolidated basis* under Article 111 of the *CRD* where it has *retail deposits* equal to or greater than £50 billion and *total assets* equal to or greater than £320 billion on the basis of the *consolidated situation* of that UK holding company or UK parent institution in a Member State;

...

...

20.8 A firm satisfies *Capital+ condition 3*:

- (1) if the firm is a UK parent institution in a Member State, where it has *retail deposits* equal to or greater than £50 billion and *total assets* greater than £5 billion but less than £320 billion on the basis of its *consolidated situation*;
- (2) if the firm is controlled by a UK parent financial holding company in a Member State, a UK parent mixed financial holding company in a Member State or a UK parent institution in a Member State and the PRA is responsible for supervision of that UK holding company or UK parent institution in a Member State on a *consolidated basis* under Article 111 of the CRD, where it has *retail deposits* greater than or equal to £50 billion and *total assets* greater than £5 billion but less than £320 billion on the basis of the *consolidated situation* of that UK holding company or UK parent institution in a Member State;

...

20.10 A firm satisfies *Capital+ condition 5* if it:

- (1) is part of a *consolidation group*;
- (2) has *total assets* greater than £5 billion:
  - (a) if the firm is a UK parent institution in a Member State, on the basis of its *consolidated situation*
  - (b) if the firm is controlled by a UK parent financial holding company in a Member State, a UK parent mixed financial holding company in a Member State or a UK parent institution in a Member State and the PRA is responsible for supervision of that UK holding company or UK parent institution in a Member State on a *consolidated basis* under Article 111 of the CRD, on the basis of the *consolidated situation* of that UK holding company or UK parent institution in a Member State; and

...

20.22 Where a firm is required to submit a *data item* in accordance with this rule, that *data item* should be completed:

...

- (2) if the firm is a UK parent institution in a Member State and the firm satisfies *Capital+ condition 1* on the basis of 20.6(1) or *Capital+ condition 3* on the basis of 20.8(1), on the basis of its *consolidated situation*; or
- (3) if the firm is controlled by a UK parent financial holding company in a Member State, a UK parent mixed financial holding company in a Member State or a UK parent institution in a Member State and the PRA is responsible for supervision of that holding company or UK parent institution in a Member State on a *consolidated basis* under Article 111 of the CRD and the firm satisfies *Capital+ condition 1* on the basis of 20.6(2) or *Capital+ condition 3* on the basis of 20.8(2), on the basis of the *consolidated situation* of that holding company or UK parent institution in a Member State.

20.22A If a firm meets a *Capital+ condition* on the basis of 20.6(4), 20.8(4) or 20.10A, it must submit the *data item* on a *sub-consolidated basis* in addition to meeting any requirement to submit a *data item* on an individual basis or on the basis of its, its holding company's or its UK parent institution's in a Member State's consolidated situation.

...

20.24 Where a *firm* is required to submit a *data item* in accordance with this rule, as set out in the *Capital+ reporting table*, that *data item* should be completed:

- (1) if the *firm* is a UK parent institution ~~in a Member State~~ and the *firm* satisfies *Capital+ condition 5* on the basis of 20.10(2)(a) or *Capital+ condition 7* on the basis of 20.12, on the basis of its *consolidated situation*; or
- (2) if the *firm* is controlled by a UK parent financial holding company ~~in a Member State~~, a UK parent mixed financial holding company ~~in a Member State~~ or a UK parent institution ~~in a Member State~~ and the *PRA* is responsible for supervision of that holding company or UK parent institution ~~in a Member State~~ on a *consolidated basis* under Article 111 of the *CRD* and the *firm* satisfies *Capital+ condition 5* on the basis of 20.10(2)(b) or *Capital+ condition 7* on the basis of 20.12, on the basis of the *consolidated situation* of that holding company or UK parent institution ~~in a Member State~~.

...

## **22 BRANCH REPORTING**

---

22.1 This Chapter applies only to:

- (1) ~~an incoming firm; or [Deleted.]~~
  - (2) a *third country firm*;
- that is:
- (3) a *bank*; or
  - (4) a *designated investment firm*.

...

22.4 A *third country firm* that is a *bank* must report the following information to the *PRA*:

- (1) information on the liquid assets available to the *branch*, in particular the availability of liquid assets in ~~EEA state currencies;~~ pounds sterling;

...

## Annex BI

## Amendments to the Regulatory Reporting Part

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

...

## 2 REPORTING REQUIREMENTS – DATA ITEMS

---

...

- 2.11 A firm permitted to carry on the *regulated activity* of entering into a *regulated mortgage contract*, ~~except an incoming EEA firm with permission for cross border services only~~, must also submit *data items* as required by Chapter 23.

...

## 23 REGULATORY MORTGAGE CONTRACT REPORTING

---

...

- 23.1 This Chapter applies to every firm permitted to carry on the *regulated activity* of *entering into a regulated mortgage contract*, ~~except an incoming EEA firm with permission for cross border services only~~.

## Annex BJ

## Amendments to the Related Party Transaction Risk Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 This Part applies to:

- (1) a *UK bank*;
- (2) a *building society*; and
- (3) an *overseas firm* that:
  - (a) ~~is not an *incoming firm*; and [deleted.]~~
  - (b) has a *Part 4A permission* that includes permission to carry out *accepting deposits*.

...



## Annex BK

## Amendments to the Remuneration Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *CRR firm* in relation to its:
- (a) *UK activities; and*
  - (b) ~~*passport activities carried on from a branch in another EEA State; and*~~  
~~*[deleted.]*~~
  - (c) other activities wherever they are carried on, in a *prudential context*; and

...

1.3 (1) In this Part, the following definitions shall apply:

...

*consolidation group entity*

means an *institution* or *financial institution* which is:

- (1) an *undertaking responsible for consolidation*;
- (2) a *subsidiary* of the *undertaking responsible for consolidation*; or
- (3) where the *consolidation group* contains a *PRA designated institution*, a *subsidiary* of the ~~*EEA UK*~~ *parent financial holding company* or ~~*EEA UK*~~ *parent mixed financial holding company* by which the *PRA designated institution* is controlled.

...

*total assets*

means:

- (1) in relation to a *CRR firm* ~~or an *EEA bank*~~, its total assets as set out in its balance sheet on the relevant *accounting reference date*; and
- (2) in relation to a *third country CRR firm*, the total assets of the *third country CRR firm* as set out in its balance sheet on the relevant *accounting reference date* that cover the activities of the *branch* operation in the *UK*.

...

## 4 GROUPS

---

...

4.2 A *firm* that is a member of a *group* must:

...

(1B) comply, and ensure that the other members of the *group* comply, with the obligations set out in this Part on a *consolidated basis* or *sub-consolidated basis* including those members of the *group* established in a country or territory which is not in the UK ~~an EEA State~~;

(1) ensure that the risk management processes and internal control mechanisms of the other members of the *group* of which it is a member comply with the obligations set out in this Part on a *consolidated basis* or *sub-consolidated basis* including those members of the *group* established in a country or territory which is not in the UK ~~an EEA State~~; and

...

## 14 NON-COMPLIANCE

---

14.1 A *firm* must ensure that variable *remuneration* is not paid through vehicles or methods that facilitate non-compliance with obligations arising from *CRR*, ~~*CRD*~~ or this Part.

## 15 REMUNERATION STRUCTURES

---

...

15.11 A *firm* must ensure that any approval by the shareholders or owners or members of the *firm* for the purposes of 15.10 is carried out in accordance with the following procedure:

...

(3) the *firm* must, without delay, inform the *PRA* of the recommendation to its shareholders or owners or members, including the proposed higher ratio and the reasons therefor and must demonstrate to the *PRA* that the proposed higher ratio does not conflict with the firm's obligations under the ~~*CRD* and the *CRR*~~ and provisions implementing the *CRD*, having regard in particular to the *firm's own funds* obligations;

...

15.13 A *firm* may apply a discount rate to a maximum of 25% of an *employee's* total variable *remuneration* provided it is paid in instruments that are deferred for a period of not less than five years. ~~In applying this discount rate, firms must apply the EBA Guidelines on the applicable notional discount rate for variable remuneration of 27 March 2014.~~

...

## 18 HIGH EARNERS REPORTING REQUIREMENTS

---

...

18.4 A *firm* that is not, and does not have in its *consolidation group*, an *undertaking responsible for consolidation* must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the UK ~~EEA~~.

18.5 An *undertaking responsible for consolidation* must complete that report on a *consolidated basis* in respect of *remuneration* awarded in the last completed financial year to all *high*

earners of the *consolidation group entities* who mainly undertook their professional activities within the ~~EEA~~UK at:

- (1) ~~the~~ *PRA approved parent holding company, PRA designated holding company, PRA approved parent intermediate holding company, a PRA designated intermediate holding company or PRA designated institution of the consolidation group;*
- (2) each *consolidation group entity* that has its registered office (or if it has no registered office, its head office) in ~~the UK an EEA State~~; and
- (3) each *branch* of any other *consolidation group entity* that is established or operating in ~~the UK an EEA State~~.

...

## Annex BL

## Amendments to the Reporting Part

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

...

### **3 PUBLIC DISCLOSURE: SOLVENCY AND FINANCIAL CONDITION REPORT**

---

...

3.6 The disclosure required by 3.3(5)(b) must include the following:

...

- (2) the amount of any *capital add-on* imposed upon the *firm* ~~in accordance with Article 37 of the *Solvency II Directive*, by the *PRA*~~ together with concise information on the justification given by the *PRA* for its imposition; and
- (3) the impact of any *undertaking specific parameters* the *firm* is required to use in calculating the *standard formula* by the *PRA* ~~in accordance with Article 110 of the *Solvency II Directive*~~, together with concise information on the justification given by the *PRA* for requiring the use of those *undertaking specific parameters*.

## Annex BM

### Amendments to the Reporting Leverage Ratio Part

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

#### 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) every *firm* that is a *UK bank* or a *building society* that, on the *firm's last accounting reference date*, had *retail deposits* equal to or greater than £50 billion either on:
- (a) an individual basis;
  - (b) if the *firm* is a *UK parent institution in a Member State*, on the basis of its *consolidated situation*; or
  - (c) if the *firm* is controlled by a *UK parent financial holding company in a Member State* or by a *UK parent mixed financial holding company in a Member State* and the *PRA* is responsible for supervision of that holding company on a *consolidated basis under Article 111 of the CRD*, on the basis of the *consolidated situation* of that holding company; and

...

#### 2 BASIS OF APPLICATION

---

...

2.2 A *firm* that is a *UK parent institution in a Member State* must comply with this Part on the basis of its *consolidated situation*.

2.3 A *firm* that is controlled by a *UK parent financial holding company in a Member State* or a *UK parent mixed financial holding company in a Member State* for which the *PRA* is responsible for supervision on a *consolidated basis under 111 of the CRD* must comply with this Part on the basis of the *consolidated situation* of that holding company.

## Annex BN

## Amendments to the Reporting Pillar 2 Part

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

## 1 APPLICATION AND DEFINITIONS

---

...

- 1.4 A firm which is a UK parent institution ~~in a Member State~~ must comply with this Part on a consolidated basis.
- 1.5 A firm controlled by a UK parent financial holding company ~~in a Member State~~ or a UK parent mixed financial holding company ~~in a Member State~~ must comply with this Part on the basis of the consolidated situation of that holding company, if the PRA is responsible for supervision of the firm on a consolidated basis under ~~Article 111 of the CRD~~.
- 1.6 In this Part the following definitions shall apply:

...

~~parent financial holding company in a Member State~~

~~means (in accordance with point (26) of Article 3(1) of the CRD) a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~parent institution in a Member State~~

~~means (in accordance with point (24) of Article 3(1) of the CRD) an institution authorised in an EEA State which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution and which is not itself a subsidiary of another institution authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~parent mixed financial holding company in a Member State~~

~~means (in accordance with point (28) of Article 3(1) of the CRD) a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

## Annex BO

## Amendments to the Resolution Assessment Part

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

**1 APPLICATION AND DEFINITIONS**

---

- 1.1 Unless otherwise stated, this Part applies to a *firm* that is a *UK bank* or *building society* that, on the *firm's last accounting reference date*, had *retail deposits* equal to or greater than £50 billion on:
- (1) an individual basis;
  - (2) if the *firm* is a *UK parent institution* ~~*in a Member State*~~, the basis of its *consolidated situation*; or
  - (3) if the *firm* is controlled by a *UK parent financial holding company* ~~*in a Member State*~~ or by a *UK parent mixed financial holding company* ~~*in a Member State*~~ and the *PRA* is responsible for supervision of that holding company on a *consolidated basis* ~~under Article 111 of the *CRD*~~, the basis of the *consolidated situation* of that holding company.

...

## Annex BP

## Amendments to the Resolution Pack Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

*competent authority*

~~means a public authority or body officially recognised by national law which is empowered by national law to supervise institutions as part of the supervisory system in operation in the EEA State concerned or the European Central Bank with regard to the specific tasks conferred on it by Article 4 of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.~~

*EEA consolidating supervisor*

means a *competent authority* responsible under the GRD for the exercise of supervision on a consolidated basis of:

- (1) ~~an EEA a UK parent institution~~; or
- (2) institutions controlled by an EEA a UK parent financial holding company or an EEA a UK parent mixed financial holding company.

*EEA UK parent undertaking*

means ~~an EEA a UK parent institution, an EEA a UK parent financial holding company or an EEA a UK parent mixed financial holding company.~~

*group-level resolution authority*

means the *resolution authority* in the EEA State in which the *EEA consolidating supervisor* is situated.

...

*group resolution plan*

means a plan for the resolution of a *group* drawn up in accordance with Articles 12 and 13 of the BRRD Article 40 and Schedule 2 of The Bank Recovery and Resolution (No 2) Order 2014 (2014/3348).

*parent financial holding company in an EEA State*

means ~~a financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

*parent mixed financial holding company in an EEA State*



~~means a mixed financial holding company which is not itself a subsidiary of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~parent institution in an EEA State~~

~~means an institution authorised in an EEA State which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institutions authorised in the same EEA State or of a financial holding company or mixed financial holding company set up in the same EEA State.~~

~~resolution authority~~

~~means an authority designated by an EEA State in accordance with Article 3 of the BRRD the Bank of England.~~

...

### **3 GROUP RESOLUTION PACK**

---

3.1 This Chapter applies to a BRRD undertaking which is:

- (1) ~~an EEA a UK parent undertaking unless the FCA is the EEA consolidating supervisor of its group; or~~
- (2) ~~a firm controlled by an EEA parent financial holding company or an EEA parent mixed financial holding company if:~~
  - (a) ~~the holding company is not incorporated in the UK and does not have a place of business in the UK; and~~
  - (b) ~~the PRA is the EEA consolidating supervisor of the firm [deleted.]~~

...

3.4 ~~A BRRD undertaking must submit its group resolution pack to the PRA, if the PRA is the EEA consolidating supervisor and, in any other case, to the group-level resolution authority.~~

...

## Annex BQ

## Amendments to the Ring-Fenced Bodies Part

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

...

**16 ACCESS TO CENTRAL COUNTERPARTIES AND CENTRAL SECURITIES DEPOSITORIES**

---

...

- 16.3 For the purposes of this Chapter, if a *ring-fenced body* accesses the services of a *central counterparty* or a *central securities depository* not established in ~~an EEA state~~ the UK or any part of whose operations are not subject to the law of ~~an EEA state~~ the UK, the *ring-fenced body* will be considered to comply with the *rules* in this Chapter if it has taken necessary steps to ensure that its positions, if applicable, and assets are identifiable separately from the positions, if applicable, and assets of any other *person* by measures that deliver outcomes comparable to those set out in the *rules* in this Chapter.

...

## Annex BR

## Amendments to the Risk Control Part

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

**1 APPLICATIONS AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to a *CRR firm*

...

(2) ~~with respect to the carrying on of *passport*ed activities by it from a *branch* in another *EEA state*; [deleted.]~~

...

1.1A 2.1A to 2.2B do not apply to a *firm* with respect to the carrying on of *benchmarking activities* except to the extent that before *IP completion day*, they were made to transpose an *EU instrument* ~~they transpose an *EU instrument*.~~

## Annex BS

## Amendments to the Run-off Operations Part

In this Annex new text is underlined.

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II* firm; and
- (2) in accordance with 5, *third country branch undertakings* except:
  - (a) Swiss general insurers; and
  - (b) SRO insurers.

## Annex BT

## Amendments to the Senior Management Functions Part

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

## 1 APPLICATION AND DEFINITIONS

---

- 1.1 Unless otherwise stated, this Part applies to every *firm* that is:
- (1) a *CRR firm*;
  - (2) a *credit union*; or
  - (3) a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
    - (a) the activities of its establishment in the UK; or
    - (b) if it does not have an establishment in the UK, its activities in the UK.
- ...

## 7 UK BRANCH OF OVERSEAS FIRM

---

- 7.1 This Chapter applies only to a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
- (1) the activities of its establishment in the UK; or
  - (2) if it does not have an establishment in the UK, its activities in the UK.
- 7.1A (1) 7.2 and 7.3(1) do not apply to a *third country CRR firm* that is a *SRO firm*.
- (2) 7.4 and 7.5 apply only to a *SRO firm*.
- 7.2 The *Head of Overseas Branch Function* (SMF 19) is the function of having responsibility alone or jointly with others, for: ~~the conduct of all activities of the UK establishment of a third country firm which are subject to the UK regulatory system.~~
- (1) the conduct of all activities of the UK establishment of a *third country firm* which are subject to the UK regulatory system; or
  - (2) where the *firm* does not have an establishment in the UK, the conduct of all activities which are subject to the UK regulatory system.
- ...
- 7.4 A *SRO firm* must ensure that at least one *person* performs the *Head of Overseas Branch function* on its behalf.
- 7.5 For the purposes of 7.4, the *Head of Overseas Branch Function* (SMF 19) is the function of having responsibility to oversee the orderly run-off of the *firm's regulated activities* in the UK.

## Annex BU

## Amendments to the Senior Managers Regime – Applications and Notifications Part

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

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
  - (a) the activities of its establishment in the UK; or
  - (b) if it does not have an establishment in the UK, its activities in the UK.

1.2 In this Part, the following definitions shall apply:

...

*current approved person approval*

means

- (1) an approval granted to a *person* under section 59 of *FSMA* (Approval for particular arrangements):
  - (a) by the *PRA* for the performance of a *PRA senior management function*; or
  - (b) by the *FCA* for the performance for the performance of an *FCA designated senior management function* or a *significant influence function*;

but excludes a notice given under section 59ZZA of *FSMA* treating a *person* as approved for those purposes.

...

1.3 In this Part, *PRA approved person* also includes a *person* in relation to whom a notice under section 59ZZA has been given to an *authorised person*.

...

## 2A SECTION 59ZZA APPLICATION

---

2A.1 (1) In the case of a *section 59ZZA application*, the following directions shall have effect in substitution for any directions relating to the provision of information, documents, statement of responsibilities and the form of application that would otherwise apply on the making of an application under section 60 of *FSMA*.

- (2) The PRA directs that the application must contain the information and be accompanied by such documents as are set out in the form approved by the PRA for the purposes of this direction; except that where the application is in respect of a person who holds a current approved persons approval, Form E may be used in accordance with 2.3 instead.
- (3) The PRA directs that the application must be accompanied by a statement of responsibilities in accordance with Allocation of Responsibilities 2.1, containing such information as is set out in the form approved by the PRA for the purposes of this direction; except that where Form E is used pursuant to (2) above, the application must provide a statement of responsibilities in the form specified in 2.7(2).
- (4) A function performed by a person in relation to whom a notice under section 59ZZA of FSMA could be given, shall not (otherwise than for the purposes of making an application under section 60 of FSMA), be treated as a controlled function until the earliest of:
- (a) 12 weeks beginning on the day on which IP completion day occurs;
  - (b) the giving of the notice under section 59ZZA of FSMA; or
  - (c) the notification by the PRA of its decision to grant or refuse the application.

## **2B SRO FIRMS**

---

### **2B.1 2A.1 shall apply to a SRO firm as if:**

- (1) the reference in 2A.1(2) and (3) to the forms approved by the PRA were references to the forms approved for the purposes of an application made by a SRO firm; and
- (2) as if the reference in 2A.1(4)(a) to 12 weeks beginning on the day on which IP completion day occurs were a reference to 12 weeks beginning on the day the firm became a SRO firm.

## **7 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS**

---

- 7.1 (1) The PRA directs that:
- (a) subject to (aa) a firm other than a credit union must make any applications, notifications or submissions required by this Part by submitting the form specified using the ONA system; and
  - (aa) a firm making a section 59ZZA application must do so by submitting the information, documents, statement of responsibilities and forms required by 2A: in the manner set out in Notifications 7; and
- ...

## Annex BV

## Amendments to the Skills, Knowledge and Expertise Part

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

**1 APPLICATION AND DEFINITIONS**

---

1.1 Unless otherwise stated, this Part applies to a *CRR firm*

...

(2) ~~with respect to the carrying on of *passport*ed activities by it from a branch in another EEA state~~ [deleted.]

...

1.1A 2.1A to 2.1B do not apply to a *firm* with respect to the carrying on of *benchmarking activities* except to the extent that ~~they transpose an *EU instrument* before *IP completion day*, they were made to transpose an *EU instrument*.~~

...



## Annex BW

## Amendments to the Stay In Resolution Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.3 The condition in 1.2 is that the *subsidiary* is:

- (1) a *credit institution*;
- (2) an *investment firm* or an *undertaking* which would be an *investment firm* if it had its head office in ~~an EEA State~~ the UK; or
- (3) a *financial institution*; and

is not a *BRRD undertaking* which falls within 1.1.

1.4 In this Part, the following definitions shall apply:

...

*excluded person*

means:

...

- (b) ~~a person who has been designated by an EEA State as a system under Article 2(a) of the Directive 98/26/EC of the European Parliament and of the Council on settlement finality in payment and securities settlement systems or an operator of such a system; [deleted.]~~
- (c) an exchange, other trading facility, payment system, settlement system or other financial market utility or infrastructure established in a *third country* not within (a) ~~or~~ (b),

...

## 3 TRANSITIONAL PROVISIONS

---

3.1 From 1 June 2016 this Part applies in relation to a *third-country law financial arrangement* under 2.1 where a direct or indirect counterparty is:

- (1) a *credit institution*;
- (2) an *investment firm*; or
- (3) an *undertaking* which would be an *investment firm* if it had its head office in ~~an EEA State~~ the UK.

...

## Annex BX

### Amendments to the Supervised Run-Off Part

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

#### Part

#### SUPERVISED RUN-OFF

---

##### Chapter content

1. APPLICATION AND DEFINITIONS
2. PROVISION OF RUN-OFF PLAN
3. CONTENT OF RUN-OFF PLAN
4. NOTIFICATIONS AND ANNUAL UPDATES

#### 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to *SRO firms*, except *SRO insurers*.

1.2 In this Part, the following definitions shall apply:

*end date*

means the end of the relevant period determined in accordance with regulation 41 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

#### 2 PROVISION OF RUN-OFF PLAN

---

2.1 A *firm* must, within 28 days of the date on which the *firm* becomes an *SRO firm*, submit a run-off plan, in accordance with 3, to the *PRA*.

#### 3 CONTENT OF RUN-OFF PLAN

---

3.1 A *firm's* run-off plan must:

- (1) describe the *firm's* run-off strategy;
- (2) include a description of the business of the *firm*;
- (3) include an explanation of how, or to what extent, the *firm* will have ceased *accepting deposits* by the *end date*; and
- (4) cover the run-off period until all *deposits*, including any interest or premium payable, will be paid, repaid or returned to depositors or otherwise transferred.

#### 4 NOTIFICATIONS AND ANNUAL UPDATES

---

4.1 A *firm* must notify the *PRA* promptly of any matter which has happened or is likely to happen and which represents a significant departure from the run-off plan and either:

- (1) explain the nature of the departure and the reasons for it; or
- (2) include an amended run-off plan and explain the amendments and the reasons for them.

4.2 A *firm* must, at least annually, update the *PRA* in writing on progress against, or deviation from, its run-off plan submitted in accordance with 2.

## Annex BY

## Amendments to the Technical Provisions Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply;

...

*cost-of-capital rate*

means the rate (above the relevant risk-free interest rate) that must be used in the determination of the cost that a ~~Solvency II undertaking~~ UK Solvency II firm would incur in order to hold an amount of *eligible own funds* equal to the SCR necessary to support the insurance and *reinsurance obligations* over their lifetime, as specified in the *Solvency II Regulations* ~~adopted under Article 86 of the Solvency II Directive~~.

## 2 CALCULATION OF TECHNICAL PROVISIONS

---

...

2.2 The value of *technical provisions* must correspond to the current amount that the *firm* would have to pay if it were to transfer its insurance and *reinsurance obligations* immediately to another ~~Solvency II undertaking~~ UK Solvency II firm.

...

## 3 BEST ESTIMATE

---

3.1 The *best estimate* must:

...

(2) be calculated:

- (a) based upon up-to-date and credible information and realistic assumptions;
- (b) using adequate, applicable and relevant actuarial and statistical methods; and
- (c) gross, without deduction of the amounts recoverable from *reinsurance contracts* and UK ISPVs, which *firms* must calculate separately in accordance with 11.

## 4 RISK MARGIN

---

4.1 Where *firms* value the *best estimate* and *risk margin* separately, the *risk margin* must be an amount equal to the cost that a ~~Solvency II undertaking~~ UK Solvency II firm would incur in

order to hold *eligible own funds* to cover the *SCR* necessary to support the insurance and *reinsurance* obligations over their lifetime, determined using the *cost-of-capital rate*.

- 4.2 The *risk margin* must be such as to ensure that the value of the *technical provisions* is equivalent to the amount that a ~~Solvency II undertaking~~ *UK Solvency II firm* would be expected to require in order to take over and meet the insurance and *reinsurance* obligations over their lifetime.

## 7 CALCULATION OF THE MATCHING ADJUSTMENT

---

...

- 7.2 The *matching adjustment* shall be calculated for each currency in accordance with the following principles:

...

- (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*, ~~adopted under Article 111(1)(n) of the Solvency II Directive~~.

- 7.3 For the purposes of 7.2(2) and subject to 7.5, the fundamental spread shall be:

...

- (2) for exposures to ~~the UK's EEA States'~~ central governments and central banks, 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 EEA States'~~ central governments and central banks, 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;

...

## 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:

...

- (2) the *volatility adjustment* has been set out in *Solvency II Regulations* ~~adopted under Article 77e of the Solvency II Directive~~ or published by the PRA under regulation 4B of the *Solvency 2 Regulations*.

...

- 8.4 A firm must only apply a *volatility adjustment* that includes a relevant country increase referred to in ~~Article 77d(4) of the Solvency II Directive~~ 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.

...

**11 RECOVERABLES FROM REINSURANCE CONTRACTS AND ISPVS**

---

- 11.1 (1) *Firms* must calculate amounts recoverable from *reinsurance contracts* and UK *ISPVs* in accordance with 2 to 10.

...

**12 DATA QUALITY AND APPLICATION OF APPROXIMATIONS**

---

...

- 12.2 Where *firms* have insufficient data of appropriate quality to apply a reliable actuarial method to a set or subset of their insurance and *reinsurance* obligations, or amounts recoverable from their *reinsurance contracts* and UK *ISPVs*, *firms* may use appropriate approximations, including case-by-case approaches, in the calculation of the *best estimate*.

...

**15 COMMUNITY CO INSURANCE OPERATIONS**

---

- 15.1 ~~In relation to *Community co-insurance operations*, where a *firm* is a *leading insurer* or a *relevant insurer*, the amount of *technical provisions* shall be determined according to 2 to 13.~~  
~~[Deleted.]~~
- 15.2 ~~The *technical provisions* calculated by a *firm* which is a *relevant insurer* shall be at least equal to those determined by the *leading insurer*.~~  
~~[Deleted.]~~

## Annex BZ

## Amendments to the Third Country Branches Part

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

## 1 APPLICATIONS AND DEFINITIONS

---

...

1.2 In this Part, the following definitions shall apply:

...

*EEA MCR*

means a capital requirement calculated in accordance with the *Minimum Capital Requirement* Part of the *PRA* Rulebook but taking account only of the operations effected by the *third country branch* and all the *third country undertaking EEA branches*

*EEA SCR*

means a capital requirement calculated in accordance with the *SCR Rules* but taking account only of the operations effected by the *third country branch* and all the *third country undertaking EEA branches*

*EEA technical provisions*

means the technical provisions established in accordance with the *Technical Provisions Part* of the *PRA* Rulebook to cover the insurance and reinsurance obligations assumed by a *UK deposit insurer* in the *EEA*

*EEA deposit insurer*

means a *third country branch undertaking* that has made a deposit in an *EEA State* (other than the *UK*) under Article 162(2)(e) of the *Solvency II Directive* in accordance with Article 167 of the *Solvency II Directive*

...

*third country branch undertaking SCR*

means

- (1) for a *UK deposit insurer*, *EEA SCR*;
- (2) for an *EEA deposit insurer*, its solvency capital requirement calculated according to the relevant *Solvency II EEA implementing measures* in the *EEA State* that supervises the solvency of the entire business of the branches within the *EEA* in accordance with Article 167 of the *Solvency II Directive*;
- (3) for all other *third country branch undertakings*, the *branch SCR*.

## 2 ACCOUNTING RECORDS IN THE UK

---

- 2.1 A *third country branch undertaking* must maintain at a place of business in the *UK* all records relating to:
- (1) the activities carried on from its *third country branch*; and
  - (2) if it is a *UK deposit insurer*, the activities carried out from all the *third country undertaking EEA branches* ~~[deleted.]~~

## 3 LOCALISATION AND DEPOSIT OF ASSETS

---

- 3.1 A *third country branch undertaking* (except a *UK deposit insurer*, an *EEA deposit insurer* and a *third country branch undertaking* that has a *third country pure reinsurance branch*) must hold in the *UK* assets required to cover the *branch SCR*, as follows:
- (1) in the *UK*, assets representing the *branch SCR* up to the amount of the *branch MCR*; and
  - (2) in any *EEA State*, assets representing the amount of the *branch SCR* in excess of the amount of the *branch MCR*.
- 3.2 A *UK deposit insurer* must hold assets required to cover the *EEA SCR* as follows:
- (1) in any of the *EEA States* where the *UK deposit insurer* pursues its activities, assets representing the *EEA SCR* up to the amount of the *EEA MCR*; and
  - (2) in any *EEA State*, assets representing the amount of the *EEA SCR* in excess of the amount of the *EEA MCR* ~~[Deleted.]~~
- 3.3 A *third country branch undertaking* (except an *EEA deposit insurer* and a *third country branch undertaking* that has a *third country pure reinsurance branch*) must hold on deposit as security in the *UK* with a *CRD credit institution* assets of an amount equal to at least one quarter of the absolute floor of the *MCR* set out in Minimum Capital Requirement 3.2.

## 4 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

---

- 4.1 A *third country branch undertaking* ~~(except a *UK deposit insurer* and an *EEA deposit insurer*)~~ must:
- (1) calculate a *branch SCR*; and
  - (2) cover the *branch SCR* with *eligible own funds*.
- 4.2 A *third country branch undertaking* ~~(except a *UK deposit insurer* and an *EEA deposit insurer*)~~ must:
- (1) calculate a *branch MCR*; and
  - (2) cover the *branch MCR* with *eligible own funds*.
- ...
- 4.4 A *UK deposit insurer* must:



- (1) calculate an ~~EEA SCR~~; and
- (2) cover the ~~EEA SCR~~ with ~~eligible own funds~~ ~~[Deleted.]~~

4.5 A ~~UK deposit insurer~~ must:

- (1) calculate an ~~EEA MCR~~; and
- (2) cover the ~~EEA MCR~~ with ~~eligible own funds~~ ~~[Deleted.]~~

4.6 For the purposes of the calculations referred to in 4.4(1) and 4.5(1), the ~~UK deposit insurer~~ must take account only of the operations effected by the ~~third country branch~~ and all the ~~third country undertaking EEA branches~~ ~~[Deleted.]~~

...

## 6 TECHNICAL PROVISIONS AND OWN FUNDS

---

6.1 A ~~third country branch undertaking (except a UK deposit insurer and an EEA deposit insurer)~~ must establish adequate ~~branch technical provisions~~.

6.2 A ~~UK deposit insurer~~ must establish adequate ~~EEA technical provisions~~. ~~[Deleted.]~~

6.3 A ~~third country branch undertaking (except an EEA deposit insurer)~~ must value assets and liabilities in accordance with the Valuation Part of the PRA Rulebook for the purposes of establishing the ~~branch technical provisions (or, in the case of a UK deposit insurer, the EEA technical provisions)~~.

6.4 A ~~third country branch undertaking (except an EEA deposit insurer)~~ must determine and classify its ~~third country branch undertaking own funds~~ for the purposes of complying with its ~~branch SCR and branch MCR (or, in the case of a UK deposit insurer, its EEA SCR and EEA MCR)~~ in accordance with the Own Funds Part of the PRA Rulebook as if it were a UK Solvency II firm.

6.5 A ~~third country branch undertaking (except an EEA deposit insurer)~~ must fulfil the requirements in Own Funds 5 for the purposes of complying with its ~~branch SCR and branch MCR (or, in the case of a UK deposit insurer, its EEA SCR and EEA MCR)~~ as if it were a UK Solvency II firm.

## 7 CONDITIONS GOVERNING BUSINESS

---

...

- 7.2 (1) A reference to “SCR” is to be interpreted as a reference to “~~third country branch — undertaking SCR~~” the ~~branch SCR~~.
- (2) A reference to “MCR” is to be interpreted as a reference to:
- (a) for a ~~UK deposit insurer~~, the ~~EEA MCR~~; ~~[deleted.]~~
  - (b) for an ~~EEA deposit insurer~~, its minimum capital requirement calculated in accordance with the relevant ~~Solvency II EEA implementing measures~~ in the ~~EEA State~~ that supervises the solvency of the entire business of the branches within the ~~EEA~~ in accordance with Article 167 of the ~~Solvency II Directive~~; ~~[deleted.]~~

- (c) ~~for all other *third country branch undertakings*, the *branch MCR*.~~
- (3) A reference to “*technical provisions*” is to be interpreted as a reference to:
  - (a) ~~for a *UK deposit insurer*, the *EEA technical provisions*; [deleted.]~~
  - (b) ~~for an *EEA deposit insurer*, its *technical provisions* calculated in accordance with the relevant *Solvency II EEA implementing measures* in the *EEA State* that supervises the solvency of the entire business of the branches within the *EEA* in accordance with Article 167 of the *Solvency II Directive* [deleted.]~~
  - (c) ~~for all other *third country branch undertakings*, the *branch technical provisions*.~~

...

- (5) A reference to “*internal model*” is to be interpreted as a reference to any *internal model* used by a *third country branch undertaking* to calculate the ~~*third country branch undertaking SCR*~~ *branch SCR*

7.3 A ~~*third country branch undertaking (except a UK deposit insurer)*~~ must apply the requirements referred to in 7.1 taking account only of matters relevant to the operations effected by the *third country branch*.

7.4 A ~~*UK deposit insurer*~~ must apply the requirements referred to in 7.1 taking account only of matters relevant to the operations effected by the *third country branch* and all the ~~*third country undertaking EEA branches*~~. [Deleted.]

## 8 INVESTMENTS

---

8.1 A *third country branch undertaking* must fulfil the requirements laid down in the Investments Part of the *PRA Rulebook*, as modified by 8.2 ~~to~~ and 8.4~~8.3~~.

...

8.3 A ~~*third country branch undertaking (except a UK deposit insurer)*~~ must fulfil the requirements in the Investments Part of the *PRA Rulebook* taking account only of the operations effected by the *third country branch*.

8.4 A ~~*UK deposit insurer*~~ must fulfil the requirements in the Investments Part of the *PRA Rulebook* taking account only of the operations effected by the *third country branch* and all the ~~*third country undertaking EEA branches*~~. [Deleted.]

## 9 REPORTING

---

9.1 A *third country branch undertaking* must fulfil the requirements laid down in Reporting 2.1 to 2.5 as modified by 9.2 ~~and~~ 9.3.

9.2 A ~~*third country branch undertaking (except a UK deposit insurer)*~~ must fulfil the requirements referred to in 9.1 taking account only of matters relevant to the operations effected by the *third country branch*.

9.3 A ~~*UK deposit insurer*~~ must fulfil the requirements referred to in 9.1 taking account only of matters relevant to the operations effected by the *third county branch* and all the ~~*third country undertaking EEA branches*~~. [Deleted.]

## 10 THIRD COUNTRY BRANCH UNDERTAKINGS IN DIFFICULTY

---

- 10.1 A *third country branch undertaking* (~~except an EEA deposit insurer~~) must fulfil the requirements laid down in Undertakings in Difficulty 2 to 5 as modified by 10.2.
- 10.2 (1) A reference to “SCR” is to be interpreted as a reference to the *branch SCR*, ~~or, for a UK deposit insurer, to the EEA SCR.~~
- (2) A reference to “MCR” is to be interpreted as a reference to the *branch MCR*, ~~or, for a UK deposit insurer, to the EEA MCR.~~
- (3) A reference to “technical provisions” is to be interpreted as a reference to the *branch technical provisions* ~~or, for a UK deposit insurer, to the EEA technical provisions.~~

## 11 SEPARATION OF LONG-TERM BUSINESS AND GENERAL BUSINESS

---

- 11.1 ....
- (2) ~~Composites 3 and 4 do not apply to EEA deposit insurers. [deleted.]~~
- 11.2 (1) The requirements referred to in 11.1 must be fulfilled taking account only of the operations effected by the *third country branch*, ~~and, in the case of a UK deposit insurer, the operations effected by the third country branch and all the third country undertaking EEA branches.~~
- (2) The reference to “SCR” in Composites 4.6 is to be interpreted as a reference to the *branch SCR*, ~~and, for a UK deposit insurer, the EEA SCR.~~
- (3) The *notional life MCR*, *notional non-life MCR*, the *notional life SCR* and *notional non-life SCR* referred to in the Composites Part of the PRA Rulebook shall be calculated taking account only of the operations effected by the *third country branch* ~~and, in the case of a UK deposit insurer, the operations effected by the third country branch and all the third country undertaking EEA branches.~~

## 15 SOLVENCY II REGULATIONS

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- ...
- 15.2 In complying with requirements imposed on it in the Solvency II Firms Sector of the PRA Rulebook, a *third country branch undertaking* must ensure that any provisions of the *Solvency II Regulations* relevant to the *third country branch* ~~or, for a UK deposit insurer, all the third country undertaking EEA branches~~, is applied in order to achieve the same effect as that provision of the *Solvency II Regulations* would have (that is, complying with the requirements of the relevant provision) when applied to a *UK Solvency II firm*.

## Annex CA

## Amendments to the Transitional Measures Part

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

...

### 3 REPORTING TO THE PRA AND PUBLIC DISCLOSURE

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...

3.4 Where *Group Supervision 2.1(1) or (2)* applies, the submission under *Group Supervision 17.3* of the group regular supervisory report and annual quantitative templates required to be submitted in accordance with the *Solvency II Regulations* must be made by no later than:

- (1) 26 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 30 June 2016 but before 1 January 2017;
- (2) 24 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2017 but before 1 January 2018;
- (3) 22 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2018 but before 1 January 2019; and
- (4) 20 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2019 but before 1 January 2020.

3.5 A ~~participating Solvency II undertaking~~ participating UK Solvency II firm ~~that is a firm~~ or, if there are none, the *relevant insurance group undertakings* must disclose the solvency and financial condition at the level of the *group* under *Group Supervision 18.1* by no later than:

- (1) 26 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 30 June 2016 but before 1 January 2017;
  - (2) 24 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2017 but before 1 January 2018;
  - (3) 22 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2018 but before 1 January 2019; and
-

- (4) 20 weeks after the financial year end of the ~~participating Solvency II undertaking~~ participating UK Solvency II firm, ultimate *insurance holding company* or ultimate *mixed financial holding company* in relation to its financial year ending on or after 1 January 2019 but before 1 January 2020.

## 5 STANDARD FORMULA: THE BASIC SCR

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- 5.1 Notwithstanding Solvency Capital Requirement – General Provisions 2, 3.1, 3.3, 3.4 and Solvency Capital Requirement – Standard Formula 3.1 to 3.3, the standard parameters to be used when calculating the *market risk* concentrations sub-module and the spread risk sub-module in accordance with the *standard formula* must be adjusted as follows:

...

- (3) from 1 January 2019 the standard parameters must be reduced by 50% in relation to exposures to *EEA States*' central governments or central banks denominated and funded in the domestic currency of ~~any other an~~ an EEA State;
- (4) from 1 January 2020 and onwards, the standard parameters must not be reduced in relation to exposures to *EEA States*' central governments or central banks denominated and funded in the domestic currency of ~~any other an~~ an EEA State.

...

## 8 GROUPS – INTERNAL MODELS

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- 8.1 Notwithstanding Group Supervision 11.2, until 31 March 2022, the *group SCR* of a *group* based on consolidated data (consolidated *group SCR*) must be calculated on the basis of either:

...

- (3) approved *internal models*, where each approved *internal model* is applicable to a part of a *group* where both the ~~Solvency II undertaking~~ UK Solvency II firm and the ultimate *parent undertaking* are located in the ~~same EEA State~~ UK and that part of the *group* forms a distinct part having a significantly different risk profile from the rest of the *group*.

...

## 9 GROUPS

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...

- 9.2 Where *Group Supervision* 2.1(1) or (2) applies, if a ~~participating Solvency II undertaking~~ participating UK Solvency II firm ~~that is a firm~~ or any relevant *insurance group undertaking* complies with the *pre-Solvency II GCRR* but during 2016 does not comply with the *group SCR*:

...

...

**13 REPORT ON FINANCIAL AND SOLVENCY CONDITIONS**

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- 13.1 This Chapter applies to a disclosure of the *SFCR* by a *firm* or, as may be applicable, the report on solvency and financial condition at the level of the *group* by ~~participating Solvency II undertakings~~ participating UK Solvency II firms or the *relevant insurance group undertakings* within the *group*, made in relation to the first two relevant financial years starting on or after the *Solvency II implementation date*.
- 13.2 In the disclosure required by Reporting 3.1, a firm may, unless required under other legal or regulatory requirements (~~including any Solvency II EEA implementing measure~~), opt not to disclose the following separately when disclosing the amount of the *MCR* and *SCR* under Reporting 3.6:
- ...
- 13.3 In the disclosure required by Reporting 3.1 as applied to a *group* by Group Supervision 18.1, the ~~participating Solvency II undertakings~~ participating UK Solvency II firms ~~that are firms~~ or, if there are none, the *relevant insurance group undertakings* may, unless required under other legal or regulatory requirements (~~including any Solvency II EEA implementing measure~~), opt not to disclose the following separately when disclosing the amount of the *group SCR* under Reporting 3.6:
- ...

## Annex CB

## Amendments to the Undertakings in Difficulty Part

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

...

### 3 NON-COMPLIANCE WITH THE SCR

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...

3.2 If the *PRA* has extended the period referred to in 3.1(3), by reason of the declaration:

(1) before *IP completion day* by *EIOPA*; or

(2) on or after *IP completion day* by the *PRA* pursuant to regulation 4A of the *Solvency 2 Regulations*.

of *exceptional adverse situations* affecting the *firm*, the *firm* must submit a progress report to the *PRA* every three *months* setting out the measures taken and the progress made to re-establish the level of *eligible own funds* covering the *SCR* or to reduce its risk profile to ensure compliance with the *SCR*.

...