

Appendix 1

1	Draft Glossary instrument	2
2	Draft Arrangements, Processes and Mechanisms instrument	5
3	Draft Capital Buffers instrument	14
4	Draft Credit Risk instrument	18
5	Draft General Organisational Requirements instrument	20
6	Draft Groups (Methods) instrument	22
7	Draft Remuneration instrument	24

Draft for consultation

1 Draft Glossary instrument

PRA RULEBOOK: GLOSSARY (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; 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) (No.2) 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) (No. 2) Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

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.

...

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.

...

Draft for consultation

2 Draft Arrangements, Processes and Mechanisms instrument

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”):
- (4) section 137G (The PRA’s general rules);
 - (5) section 137T (General supplementary powers; and
 - (6) 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

[DATE]

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 42(4)~~ 22(7) relationship with A;

(3) who has an ~~Article 42(4)~~ 22(7) relationship with any *person* in (1);

...

...

2 GROUP SYSTEMS AND CONTROLS

...

2.3 An Article 109 undertaking firm ~~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~~ 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);

...

...

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) ~~and 108(3)~~ of the CRD 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 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~~ 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~~ 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*, the ~~*firm*~~ 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 CRD*]

...

14.6 A *PRA designated institution* that is 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 AUK 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*.

Draft for consultation

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~~ *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

...

- 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~~ CRD]

3 Draft Capital Buffers instrument

PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS (CAPITAL REQUIREMENTS DIRECTIVE V) 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 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) Amendment 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) Amendment Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

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)(c) 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_1 , 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_1 , 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_1 , 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_1 , 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 FOR 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, ~~has~~ have 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]

Draft for consultation

4 Draft Credit Risk instrument

PRA RULEBOOK: CRR FIRMS: CREDIT RISK (CAPITAL REQUIREMENTS DIRECTIVE V) 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) (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 (Capital Requirements Directive V) Amendment Instrument 2020

- D. The PRA makes the rules in 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: Credit Risk (Capital Requirements Directive V) Amendment Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

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

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) and 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) and Article 430a(3)~~ of the *CRR*; and
 - (b) it is reasonable to rely on such data;

...

5 Draft General Organisational Requirements instrument

PRA RULEBOOK: CRR FIRMS: GENERAL ORGANISATIONAL REQUIREMENTS (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); 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: General Organisational Requirements (Capital Requirements Directive V) No.2 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) No.2 Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the General Organisational Requirements Part

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

7 GROUP ARRANGEMENTS

7.1 Where an Article 109 undertaking~~a 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]

Draft for consultation

6 Draft Groups (Methods) instrument

PRA RULEBOOK: CRR FIRMS: GROUPS (METHODS) (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 (Methods) (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 (Methods) (Capital Requirements Directive V) Instrument 2020

By order of the Prudential Regulation Committee
[DATE]

Annex

Amendments to the Groups Part

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

...

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 42(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*]...

7 Draft Remuneration instrument

PRA RULEBOOK: CRR FIRMS: REMUNERATION (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT (No.2) 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 (No.2) 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: Remuneration (Capital Requirements Directive V) (No. 2) Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Remuneration Part

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

...

1 APPLICATION AND DEFINITIONS

...

1.3 (1) In this Part, the following definitions shall apply:

...

consolidation group entity

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

- (1) an *CRR firm undertaking responsible for consolidation*;
- (2) a *subsidiary* of an *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.

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*.

...

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*.

4 GROUPS

4.1 [Deleted]

...

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

(1A) comply with this Part on an individual basis ~~and 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 an *EEA State*;

...

(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 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.

...

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 GRR 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 holding company, PRA designated 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.

...

Draft for consultation