

WRITTEN NOTICE IMM PERMISSION (Abridged)

To: **NatWest Group Plc (FRN 228174) (the “company”)**

Date: 23 December 2021

DECISIONS

1. In accordance with the discretions afforded to the PRA by Section 6, Chapter 6, Title II, Part 3 of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the “CRR”), the PRA has decided to grant the company, on the basis of its consolidated situation, permission to use the Internal Model Method in its calculation of own funds requirements for counterparty credit risk on the terms and conditions set out in Annex 1 (the “IMM Permission”).
2. If the company ceases to comply with the conditions for the grant of this IMM Permission set out in Section 6, Chapter 6, Title II, Part 3 of the CRR, and the terms of the IMM Permission set out in Annex 1, the PRA will re-consider the terms and conditions of the IMM Permission and the requirements relevant to it, including a revocation of the IMM Permission in whole or in part.
3. The IMM Permission takes effect on 20 December 2021.



4. Details of the IMM Permission will be published. The full text of this Written Notice will not be published. However, in the interests of transparency, the PRA's policy is to publish an abridged version of the Written Notice as a record that the IMM permission has been granted.

5. Annex 2 sets out any previous versions of the permission granted by the PRA in connection with the IMM Permission.

This decision was taken by SRPC

ANNEX 1

THE INTERNAL MODEL METHOD PERMISSION

Definition

1. The IMM Permission means that the company may use, for the legal entities listed below, on a consolidated basis, the internal model method in its calculation of own funds requirements for counterparty credit risk in relation to the exposures described in paragraph 2 of this Annex in accordance with Section 6, Chapter 6, Title II, Part 3 of Regulation 575/2013, on the following basis:
 - a. NatWest Group Plc, National Westminster Bank Plc, The Royal Bank of Scotland Plc, Coutts & Company, Ulster Bank Ltd and NatWest Markets Plc on the basis of the consolidated situation of NatWest Group Plc in relation to exposures incurred by NatWest Markets Plc, and NatWest Markets NV.
2. In accordance with Article 283(1) of the CRR, the company must use the IMM Permission to calculate the exposure value for the asset classes and products in Table 1 below:

Table 1

Asset Classes and Products			Counterparty Groups		
Asset Class	Product	Exceptions	All	Group 1	Group 2
Interest Rate Derivatives	Non path dependent and others specified below. ⁽¹⁾		✓		
FX Derivatives	Non path dependent and others specified below. ⁽²⁾		✓		
Credit Derivatives					
Equity Derivatives					
Commodity Derivatives					

Notes:

(1) Includes interest rate options (caps and floors), swaptions (vanilla and straddles), overnight index swaps, non-deliverable overnight index swaps, zero coupon swaps and 'parametric' zero coupon inflation swaps, base rates swaps, constant maturity swaps (swaps and cap/floors) and RPI swaps (bond style and revenue style), de-compounded CMS and spread options only.

(2) Includes non-deliverable currency basis swaps only.

Exposure value: estimates of alpha

3. The company is required to use an alpha of $\alpha = 1.4$ pursuant to Article 284(4) of the CRR.

Margining

4. For margined netting sets and for the purposes of Article 285(1) of the CRR, the company may use the model's Expected Exposure ("EE") (measure directly in the equation in Article 284(5) of the CRR).
5. For margined netting sets, the collateral requirements set out in CRR Article 284(2) apply.

Informing the PRA

6. The company must inform the PRA in a timely manner of any event that may have a significant impact on its IMM Permission, including in particular:
 - a. changes to the list of products listed in Table 1 of Annex 1;
 - b. use of a different model for exposure calculations under the IMM Permission;
 - c. changes to governance or senior management arrangements in relation to the IMM Permission;
 - d. changes to the volumes or trends of trading for products listed in Table 1 of Annex 1;
and
 - e. changes to the volumes or trends of trading for the legal entities in the scope of the IMM Permission.

ANNEX 2

VERSION CONTROL

Version	Comments	Authorisation	Date	Reference
1.0	CRR IMM Permission issued	M Hempstead	19 December 2013	1712888, 1712876, 1712881
2.0	Name change reflected	Marjolein Van Veldhuizen, Senior Manager, Major UK Banks	30 April 2018	1712876
3.0	National Westminster Bank Plc, Ulster Bank Ltd and Ulster Bank Ireland DAC removed from the permission	Simon Morley, Head of Division, Major UK Banks	25 June 2018	4948928
4.0	IMM permission extension to NWM NV (consolidated level)	Simon Dixon, Head of Major UK Banks Division	22 March 2019	5196771
5.0	Variation of Annex 2B reporting requirements.	Andrea Lottering, Acting Head of Major UK Banks Division	1 September 2019	5319847
6.0	Update to legal entities included in the permission	Simon Dixon Head of Division UK Large Banks	21 December 2020	00002334
7.0	IMM permission updated to reflect the withdrawal of Credit Derivatives from the IMM permission.	Simon Dixon Head of Division UK Large Banks	30 November 2021	00003587
8.0	Permission granted to the Holding Company on a consolidated basis.	SRPC	20 December 2021	N/A

Note on disclosure

The PRA has decided not to publish the full text and annexes of IMM permission notices as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the company concerned.

However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice, as a record that the IMM permission has been granted.