

**CAPITAL REQUIREMENTS DIRECTIVE IV (CONSEQUENTIAL AMENDMENTS)
INSTRUMENT 2013**

Powers exercised

- A. The Prudential Regulation Authority 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 138D (Actions for damages);
 - (4) section 213 (The compensation scheme); and
 - (5) paragraph 31 (Fees) of schedule 1ZB (The Prudential Regulation Authority).
- B. The rule-making powers listed 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 with the Financial Conduct Authority) (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on 1 January 2014.

Amendments to the PRA Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Principles for Businesses (PRIN)	Annex B
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex C
General Provisions (GEN)	Annex D
Fees manual (FEES)	Annex E
General Prudential sourcebook (GENPRU)	Annex F
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex G
Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))	Annex H
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex I
Supervision manual (SUP)	Annex J

Compensation sourcebook (COMP)	Annex K
Credit Unions New sourcebook (CREDS)	Annex L

Notes

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

Citation

- G. This instrument may be cited as the Capital Requirements Directive IV (Consequential Amendments) Instrument 2013.

By order of the Board of the Prudential Regulation Authority

16 December 2013

Annex A

Amendments to the Glossary of definitions

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

Part 1: New definitions

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

- | | | |
|---|-----|---|
| <i>article 12(1)
relationship</i> | (A) | <p>(in the <i>PRA Handbook</i>):</p> <p>means a relationship where <i>undertakings</i> are linked by a relationship within the meaning of article 12(1) of Directive 83/349 EEC.</p> |
| ... | | |
| <i>article 18(5)
relationship</i> | (A) | <p>(in the <i>PRA Handbook</i>):</p> <p>the relationship where there are participations or capital ties other than those referred to in article 18(1) and (2) of the <i>EU CRR</i> (Methods for prudential consolidation).</p> |
| ... | | |
| <i>consolidated situation</i> | (A) | <p>(in the <i>PRA Handbook</i>):</p> <p>the situation that results from applying the requirements of the <i>EU CRR</i> in accordance with Part One, Title II, Chapter 2 of the <i>EU CRR</i> to an <i>institution</i> as if that <i>institution</i> formed, together with one or more other <i>institutions</i>, a single <i>institution</i>.</p> |
| ... | | |
| <i>core UK group</i> | (A) | <p><u>(in the <i>PRA Handbook</i>):</u></p> <p><u>has the meaning given in the <i>PRA Rulebook</i>: Large Exposures rules.</u></p> |
| ... | | |
| <i>core UK group eligible
capital</i> | (A) | <p>(in the <i>PRA Handbook</i>):</p> |

has the meaning given in the PRA Rulebook: Large Exposures rules.

...

core UK group permission (A) (in the PRA Handbook):

has the meaning given in the PRA Rulebook: Large Exposures rules.

...

CRR firm (A) (in the PRA Handbook):

for the purposes of SYSC means *UK banks, buildings society and investment firms* that are subject to the *EU CRR*.

...

designated investment firm (A) (in the PRA Handbook):

an *authorised person* that has been designated by the PRA under article 3 of the *PRA-regulated Activities Order*.

...

EU CRR (A) (in the PRA Handbook):

Regulation of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (Regulation (EU) No 575/2013) and amending Regulation (EU) No 648/2012.

...

FINREP firm (A) (in the PRA Handbook):

- (a) a *credit institution* or *investment firm* subject to the *EU CRR* that is also subject to article 4 of Regulation (EC) No 1606/2002; or
- (b) a *credit institution* other than one referred to in Article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.

[**Note:** article 99 of the *EU CRR*]

...

IFPRU investment firm (A) (in the *PRA Handbook*):

an *investment firm*, as defined in article 4(1)(2) of the *EU CRR* that satisfies the following conditions:

- (a) it is an *FCA*-authorised *firm*;
- (b) its head office is in the *UK*; and
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (vi) an *ICVC*.

...

IFPRU limited-activity firm (A) (in the *PRA Handbook*):

a *limited activity firm* that meets the following conditions:

- (a) it is an *FCA*-authorised *firm*;
- (b) its head office is in the *UK*; and
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or

IFPRU limited-licence firm (A) (in the *PRA Handbook*):

a *limited activity firm* that meets the following conditions:

- (a) it is an *FCA-authorized firm*;
- (b) its head office is in the *UK*; and
- (c) it is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (i) an *incoming EEA firm*;

...

management body (A) (in the *PRA Handbook*):
 (in accordance with article 3(7) of *CRD*) the *governing body* and *senior personnel* of a *CRR firm* who are empowered to set the *firm's* strategy, objectives and overall direction, and which oversee and monitor management decision-making.

management body in its supervisory function (A) (in the *PRA Handbook*):
 the *management body* acting in its role of overseeing and monitoring management decision-making.

...

NCLEG non-trading book permission (A) (in the *PRA Handbook*):
has the meaning given in the *PRA Rulebook*: Large Exposures rules.

...

NCLEG trading book permission (A) (in the *PRA Handbook*):
has the meaning given in the *PRA Rulebook*: Large Exposures rules.

...

non-core large exposures group(A) (in the PRA Handbook):has the meaning given in the PRA Rulebook: Large Exposures rules.

...

own funds requirements(A) (in the PRA Handbook):as defined in article 92 (Own funds requirements) of the *EU CRR*.

...

PRA-regulated Activities Order(A) (in the PRA Handbook):[Financial Services and Markets Act 2000 \(PRA-regulated Activities\) Order 2013 \(SI 2013/556\).](#)

...

tier 2 instruments(A) (in the PRA Handbook):a capital instrument that qualify as tier 2 instruments under article 62 of the *EU CRR*.

...

UK designated investment firm(A) (in the PRA Handbook):(in BIPRU 12 and SUP 16) a designated investment firm which is a body corporate or partnership formed under the law of any part of the UK.

Amend the following definitions as shown.

*AMA permission*an Article 129 implementing measure, a requirement or a waiver that requires a BIPRU firm or ~~an institution~~ a CAD investment firm to use the advanced measurement approach to operational risk on a solo basis or, if the context requires, a consolidated basis.

<i>approved credit institution</i>	a <i>credit institution</i> recognised or permitted under the law of an <i>EEA State</i> to carry on any of the activities set out in Annex 1 to the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> .
<i>Branch</i>	<p>(a) (in relation to a <i>credit institution</i>):</p> <p>(i) ...</p> <p>(ii) for the purposes of the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> and in accordance with <u>article 38 of the <i>CRD</i></u>, any number of places of business set up in the same <i>EEA State</i> by a <i>credit institution</i> with headquarters in another <i>EEA State</i> are to be regarded as a single <i>branch</i>;</p> <p>...</p>
<i>capital resources gearing rules</i>	<p>(1) ...</p> <p>(2) (in relation to a <i>bank</i> or <i>building society</i>) <i>GENPRU 2.2.29R</i>, <i>GENPRU 2.2.30R</i>, <i>GENPRU 2.2.46R</i> and <i>GENPRU 2.2.49R</i>. [deleted]</p> <p>(3) (in relation to a <i>BIPRU investment firm</i>) <i>GENPRU 2.2.30R</i>, <i>GENPRU 2.2.46R</i> and <i>GENPRU 2.2.49R</i> and <i>GENPRU 2.2.50R</i>. [deleted]</p>
<i>capital resources table</i>	<p>(in relation to an <i>insurer</i> or <i>BIPRU firm</i>) the table specified in <i>GENPRU 2.2.19R</i> (Applicable capital resources calculation) which in summary is as follows:</p> <p>(1) (in the case of an <i>insurer</i>) <i>GENPRU 2 Annex 1R</i>.;</p> <p>(2) (in the case of a <i>bank</i>) <i>GENPRU 2 Annex 2R</i>; [deleted]</p> <p>(3) (in the case of a <i>building society</i>) <i>GENPRU 2 Annex 3R</i>; and [deleted]</p> <p>(4) (in relation to a <i>BIPRU investment firm</i>) whichever of the tables in <i>GENPRU 2 Annex 4R</i>, <i>GENPRU 2 Annex 5R</i> or <i>GENPRU 2 Annex 6R</i> applies to the <i>firm</i> under <i>GENPRU 2.2.19R</i>. [deleted]</p>
<i>CCR internal model method permission</i>	an <i>Article 129 implementing measure</i> , <i>Article 129 permission</i> , a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or an <i>institution</i> a <u><i>CAD investment firm</i></u> to use the <i>CCR internal model method</i> .

<i>common platform firm</i>	<p>a <i>firm</i> that is:</p> <ul style="list-style-type: none"> (a) a <i>BIPRU firm</i>; or (aa) <u>a bank</u>; or (ab) <u>a building society</u>; or (ac) <u>a designated investment firm</u>; or (ad) <u>an IFPRU investment firm</u>; or ...
<i>consolidation group</i>	<ul style="list-style-type: none"> (1) the following: <ul style="list-style-type: none"> ... (2) <u>(in SYSC) the undertakings included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the EU CRR and IFPRU 8.1.3R to IFPRU 8.1.4R (Prudential consolidation) for which the FCA is the consolidating supervisor under [article 111 of the CRD].</u> (3) <u>For the purposes of SUP 16, the group of undertakings which are included in the consolidated situation of a parent institution in a Member State, an EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company (including any undertaking which is included in that consolidation because of an Article 12(1) relationship, Article 18(5) relationship or Article 18 relationship).</u>
<i>consumer</i>	<ul style="list-style-type: none"> ... (D) (for the purposes of (2A)(b)): <ul style="list-style-type: none"> (a) “credit institution” means: <ul style="list-style-type: none"> (i) a credit institution authorised under the <i>banking consolidation directive CRD</i>; or ...
<i>core concentration risk group counterparty</i>	<p>(in relation to a firm) a counterparty which is its parent undertaking, its subsidiary undertaking or a subsidiary undertaking of its parent undertaking, provided that (in each</p>

case) both the counterparty and the *firm* are:

- (a) ~~included within the scope of consolidation on a full basis with respect to the same *UK consolidation group*; and~~
- (b) ~~(where relevant) held by one or more intermediate *parent undertaking or financial holding company*, all of which are incorporated in the *United Kingdom*.~~

...

counterparty credit risk

(1) (in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

(2) (other than in (1)) has the meaning as used in the *EU CRR*.

covered bond

...

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the IRB approach or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1) collateralised in accordance with *BIPRU* 3.4.107R (Exposures in the form of covered bonds).

...

CRD implementation measure

(in relation to a *person* and for the purposes of *GENPRU* and *BIPRU* (except in *GENPRU* 3), a provision of the *Banking Consolidation Directive* or the *Capital Adequacy Directive* and an *EEA State* other than the *United Kingdom*) a measure implementing that provision of that Directive for that type of *person* in that *EEA State*.

credit institution

(1) (except in *REC*) ~~(in accordance with articles 4(1) and 107 of the *BCD*):~~

(a) ~~an undertaking whose business is to receive deposits and other repayable funds from the public and to grant credits for its own account~~ has the meaning in article 4(1)(1) of the *EU CRR*; or

(b) [deleted]

- (c) [deleted]
- (d) ~~for the purpose of BIPRU 10 (Large exposures requirements) it means:~~
- (i) ~~a credit institution defined by (1)(a) to (1)(b) that has been authorised in an EEA State; or~~
 - (ii) ~~any private or public undertaking which meets the definition in (1)(a)–(1)(b) and which has been authorised in a non-EEA State. [deleted]~~

~~(see also BCD credit institution, full credit institution, full BCD credit institution and Zone A credit institution.)~~

- (2) (in REC) and in SUP 11 (Controllers and close links and SUP 16 (Reporting requirements)):
- (a) a credit institution authorised under the *Banking Consolidation Directive CRD*;
 - (b) an institution which would satisfy the requirements for authorisation as a credit institution under the *Banking Consolidation Directive CRD* if it had its registered office (or if it does not have a registered office, its head office) in an EEA State.
- (3) (in relation to the definition of *electronic money issuer*) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of ~~Article 4(3) of the Banking Consolidation Directive~~ article 4(1)(17) of the *EU CRR* which is situated within the EEA and which has its head office in a territory outside the EEA in accordance with ~~Article 38 of the Banking Consolidation Directive~~ article 47 of the *CRD*.

DGD claim

a claim, in relation to a *protected deposit*, against a *BCD CRD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.

DLG by default

...

For these purposes:

- (iii) *credit institution* has the meaning used in SUP 16 (Reporting requirements), namely either of the following:
- (A) a credit institution authorised under the ~~*Banking Consolidation Directive*~~ CRD; or
 - (B) an institution which would satisfy the requirements for authorisation as a credit institution under the ~~*Banking Consolidation Directive*~~ CRD if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

...

EEA bank

an *incoming EEA firm* which is a ~~BCD~~ CRD *credit institution*.

EEA firm

(in accordance with paragraph 5 of Schedule 3 to the Act (EEA Passport Rights)) any of the following, if it does not have its relevant office in the *United Kingdom*:

...

- (b) a *credit institution* (as defined in article 4(1)(1) of the ~~*Banking Consolidation Directive*~~ EU CRR);
- (c) a financial institution (as defined in article 4(5)(1)(26) of the ~~*Banking Consolidation Directive*~~ EU CRR) which is a subsidiary of the kind mentioned in article 24 34 of the CRD and which fulfils the conditions in articles 23 33 and 24 34;

...

energy market participant

a *firm*:

...

- (b) which is not an *authorised professional firm*, *bank*, *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm*, *oil market participant*, *service company*, *insurance intermediary*, *home finance administrator*, *home finance provider*, *incoming EEA firm* (without a *top-up permission*), or *incoming*

Treaty firm without a top-up permission).

<i>fee-paying electronic money issuer</i>	any of the following when they issue <i>electronic money</i> : ... (d) a <i>full credit institution</i> , including a branch of the <i>full credit institution</i> within the meaning of article 4(3) (17) of the BCD <u>EU CRR</u> which is situated within the <i>EEA</i> and which has its head office in a territory outside the <i>EEA</i> in accordance with article 38 47 of the BCD <u>EU CRR</u> ; ...
<i>fixed overheads requirement</i>	(1) (except in <i>IPRU(INV)</i> and for the purposes of <u><i>GENPRU</i></u> (except in <i>GENPRU</i> 3) and <u><i>BIPRU</i></u> (except in <i>BIPRU</i> 12)) the part of the <i>capital resources requirement</i> calculated in accordance with <i>GENPRU</i> 2.1.53R (Calculation of the fixed overheads requirement). ...
<i>full BCD <u>CRD</u> credit institution</i>	a BCD <u>CRD</u> <i>credit institution</i> that falls within paragraph (1)(a) of the definition of <i>credit institution</i> .
<i>Home State</i>	(1) (in relation to a <i>credit institution</i>) the <i>EEA State</i> in which the <i>credit institution</i> has been authorised in accordance with the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u>
<i>Institution</i>	(1) (in accordance with Article 3(1)(e) of the <i>Capital Adequacy Directive</i> and Article 4(6) of the <i>Banking Consolidation Directive (Definitions)</i> and for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) a <i>credit institution</i> http://fshandbook.info/FS/glossary-html/handbook/Glossary/C?definition=G239n or a <i>CAD investment firm</i>, whether or not it is incorporated in, or has its head office in, an <u><i>EEA State</i></u> has the meaning in article 4(1)(3) of the <u><i>EU CRR</i></u>. (2) <u>(for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) includes a <i>CAD investment firm</i>.</u>
<i>Investment firm</i>	... (5) <u>(in <i>SYSC 19A</i>) a <i>firm</i> in (3) except for a <i>BIPRU firm</i></u>

investment management firm ~~(subject to BIPRU TP 1.3R (Revised definition of investment management firm for certain transitional purposes)), a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, BIPRU IFPRU investment firm, BIPRU firm, building society, collective portfolio management firm, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm (without a top-up permission), incoming Treaty firm (without a top-up permission), or UCITS qualifier (without a top-up permission), whose permission does not include a requirement that it comply with IPRU(INV) 3 or IPRU(INV) 13 (Personal investment firms) and which is within (a), (b) or (c):~~

...

IRB approach

one of the following:

- (a) the adjusted method of calculating the *credit risk capital component* set out in BIPRU 4 (IRB approach) and BIPRU 9.12 (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under BIPRU 14 (Capital requirements for settlement and counterparty risk);
- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the ²⁶ *appropriate regulator*,²⁶ whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

large exposure

~~has the meaning set out in BIPRU 10.5.1 R, which in summary is the *total exposure* of a *firm* to a *counterparty*, or a *group of connected clients*, whether in the *firm's non-trading book* or *trading book* or both, and *counterparties* falling within BIPRU 10.10A.1 R within the *trading book*, which in aggregate equals or exceeds 10% of the *firm's capital resources*.~~

(A) (In the *PRA Handbook*):

has the meaning given in the *PRA Rulebook*: Large

	<u>Exposures rules.</u>
<i>listed activity</i>	an activity listed in Annex 1 to the <i>Banking Consolidation Directive CRD</i> .
<i>main BIPRU firm Pillar 1 rules</i>	GENPRU 2.1.40R (Variable capital requirement for BIPRU firms), GENPRU 2.1.41R (Base capital resources requirement for BIPRU firms), GENPRU 2.1.48R (Table: Base capital resources requirement for a BIPRU firm) and, where applicable, GENPRU 2.1.60 R (Calculation of base capital resources requirement for banks authorised before 1993).
<i>MiFID investment firm</i>	... (in full) a firm which is: ... (2) a BCD <u>CRD</u> credit institution (only when providing an investment service or activity in relation to the rules implementing the Articles referred to in Article 1(2) of MiFID); ...
<i>mixed-activity holding company</i>	one of the following: (a) (in accordance with Article 4(20) of the Banking Consolidation Directive (Definitions)) a parent undertaking, other than a financial mixed activity holding company, a credit institution or a mixed financial holding company, the subsidiary undertakings of which include at least one credit institution; or (b) (in accordance with Articles 2(2) and 37(1) of the Capital Adequacy Directive (Supervision on a consolidated basis) and in relation to a banking and investment group without any credit institutions in it) a parent undertaking, other than a financial holding company, an investment firm or a mixed financial holding company, the subsidiary undertakings of which include at least one investment firm. <u>has the meaning given to the definition of “mixed activity holding company” in article 4(1)(22) of the EU CRR.</u>
<i>multilateral development bank</i>	...

- (b) ~~for the purposes of the *standardised approach* to credit risk the following are considered to be a multilateral development bank: [deleted]~~

...

oil market participant

a firm:

- (b) which is not an *authorised professional firm, bank, BIPRU investment firm*, (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society, credit union, friendly society, ICVC, insurer, MiFID investment firm* (unless it is an *exempt BIPRU commodities firm or exempt IFPRU commodities firm*), *media firm, service company, insurance intermediary, home finance administrator, mortgage intermediary, home finance provider, incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

operational risk

...

- (2) ~~(except in *COLL* and *FUND* in *GENPRU* (except *GENPRU 3* (Cross sector groups) and *BIPRU* (except *BIPRU 12* (Liquidity Standards)))~~ (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
- (3) (in *GENPRU 3*, *IFPRU*, and *BIPRU 12*) has the meaning in Article 4(1)(52) of the *EU CRR*.

option

...

but so that for the purposes of calculating capital requirements for *BIPRU firms* and ~~*BIPRU 10* (Large exposures requirements)~~ it also includes any of the items listed in the table in *BIPRU 7.6.18R* (Option PRR: methods for different types of option) and any case settled option.

own funds

- (1) (in *GENPRU* (except *GENPRU 3* (Cross sector groups) and *BIPRU* (except *BIPRU 12* (Liquidity standards))) own funds described in articles 56 to 57 of the *Banking Consolidation Directive*.

...

- (5) ((*except in (1) to (4)*) has the meaning in article 4(1)(118) of the *EU CRR*.

- parent financial holding company in a Member State*
- (1) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) (in accordance with Article 4(15) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.
- (2) (except in (1)) has the meaning in article 4(1)(30) of the *EU CRR*.
- parent institution in a Member State*
- (1) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) (in accordance with Article 4(14) of the *Banking Consolidation Directive* and Article 3 of the *Capital Adequacy Directive* (Definitions)) an *institution* which has an *institution* or a *financial institution* as a *subsidiary undertaking* or which holds a *participation* in such an *institution*, and which is not itself a *subsidiary undertaking* of another *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.
- (2) (except in (1)) has the meaning in article 4(1)(28) of the *EU CRR*.
- parent mixed financial holding company in a Member State*
- (1) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) (in accordance with Article 4(15a) of the *Banking Consolidation Directive* (Definitions)) a *mixed financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.
- (2) (except in (1)) has the meaning in article 4(1)(32) of the *EU CRR*.
- parent undertaking*
- (1) ...
- (c) for the purposes of *BIPRU (except BIPRU 12)*, *GENPRU (except GENPRU 3)* and *INSPRU* as they apply on a consolidated basis, ~~for the purposes of *BIPRU 10* (Large exposures requirements)~~ and for the purposes of *SYSC 12* (Group risk systems and controls requirement) and *SYSC 19A 19C* (Remuneration Code for BIPRU firms) and in relation to whether an *undertaking* is a *parent undertaking*) an

undertaking which has the following relationship to another *undertaking* ("S"):

...

...

(3) (for the purposes of GENPRU 3, BIPRU 12, IFPRU and SYSC 19A (Remuneration Code)) has the meaning in article 4(1)(15) of the EU CRR but so that (in accordance with article 2(9) of the Financial Groups Directive) article 4(1)(15)(b) applies for the purpose of GENPRU 3.

Participation

(1) (for the purposes of UPRU and GENPRU (except GENPRU 3) and for the purposes of BIPRU (except BIPRU 12) and INSPRU as they apply on a consolidated basis):

...

(2) (except in (1)) has the meaning in article 4(1)(35) of the EU CRR.

permanent interest bearing shares

any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest bearing shares and on terms which qualify them as own funds for the purposes of the *Banking Consolidation Directive EU CRR*.

personal investment firm

~~(subject to BIPRU TP 1 (Revised definition of personal investment firm for certain transitional purposes))~~ a firm whose permitted activities include *designated investment business*, which is not an *authorised professional firm*, bank, *BIPRU IFPRU investment firm*, *BIPRU firm*, *building society*, *collective portfolio management firm*, *credit union*, *energy market participant*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with *IPRU(INV) 3* (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c):

...

recognised third country investment firm

a *CAD investment firm* that satisfies the following conditions:

...

- (d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the ~~EEA prudential sectoral legislation for the investment services sector~~ Banking Consolidation Directive and the Capital Adequacy Directive as applied under the third paragraph of article 95(2) of the EU CRR.

regulatory system

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance* and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, ~~and~~ the *MiFID Regulation* and the EU CRR.

remuneration

any form of remuneration, including salaries, *discretionary pension benefits* and benefits of any kind.

[Note: ~~paragraph 23 of Annex V to the Banking Consolidation Directive~~ article 92(2) of CRD]

Remuneration Code staff

(for a *BIPRU CRR firm* and a ~~third country BIPRU firm~~ an overseas firm in SYSC 19A1.1.1R(1)(f)) has the meaning given in SYSC 19A.3.4 R.

...

repurchase transaction

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions) and for the purposes of BIPRU) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

risk weight

(in relation to an *exposure* for the purposes of BIPRU) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*,

	including (in relation to a <i>securitisation position</i>) under <i>BIPRU 9</i> (Securitisation).
<i>risk weighted exposure amount</i>	(in relation to an <i>exposure for the purposes of BIPRU</i>) the value of an <i>exposure</i> for the purposes of the calculation of the <i>credit risk capital component</i> after application of a <i>risk weight</i> .
<i>securities and futures firm</i>	(subject to <i>BIPRU TP 1</i> (Revised definition of securities and futures firm for certain transitional purposes)) a firm whose permitted activities include <i>designated investment business</i> or <i>bidding in emissions auctions</i> , which is not an <i>authorised professional firm</i> , <i>bank</i> , <i>BIPRU investment firm</i> (unless it is an <i>exempt BIPRU commodities firm</i>), <i>IFPRU investment firm</i> (unless it is an <i>exempt IFPRU investment firm</i>), <i>building society</i> , <i>collective portfolio management firm</i> , <i>credit union</i> , <i>friendly society</i> , <i>ICVC</i> , <i>insurer</i> , <i>media firm</i> , <i>service company</i> , <i>incoming EEA firm</i> (without a <i>top-up permission</i>), <i>incoming Treaty firm</i> (without a <i>top-up permission</i>) or <i>UCITS qualifier</i> (without a <i>top-up permission</i>), whose <i>permission</i> does not include a <i>requirement</i> that it comply with <i>IPRU(INV) 5</i> (Investment management firms) or <i>13</i> (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), <u>(ga)</u> or (h):
	...
	(g) an <i>exempt BIPRU commodities firm</i> ;
	<u>(ga) an exempt IFPRU commodities firm</u> ;
	...
<i>securities or commodities lending or borrowing transaction</i>	(in accordance with Article 4(34) of the <i>Banking Consolidation Directive</i> and Article 3(1)(n) of the <i>Capital Adequacy Directive</i> (Definitions) <u>and for the purposes of <i>BIPRU</i></u>) any transaction in which an <i>undertaking</i> or its counterparty transfers securities or <i>commodities</i> against appropriate collateral subject to a commitment that the borrower will return equivalent securities or <i>commodities</i> at some future date or when requested to do so by the transferor, that transaction being <i>securities or commodities lending</i> for the <i>undertaking</i> transferring the securities or <i>commodities</i> and being <i>securities or commodities borrowing</i> for the <i>undertaking</i> to which they are transferred.
<i>securitisation position</i>	(in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the <i>Banking Consolidation Directive</i> <u>and for the purposes of <i>BIPRU</i></u>) an <i>exposure</i> to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of <i>securitisation</i> ; and so that:

securitisation special purpose entity

...

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of *securitisation*), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

securitised exposure

(for the purposes of *BIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

Single Market Directives

(a) the *Banking Consolidation Directive* (to the extent it applies to *CAD investment firms*)

(aa) the *CRD*;

...

standardised approach

(for the purposes of *BIPRU*) one of the following:

...

third country BIPRU firm

(1) (in *BIPRU* (except in *BIPRU 12* (Liquidity standards)) and *SYSC 19C*) an *overseas firm* that:

...

(2) (in *BIPRU 12* (Liquidity standards)) an *overseas firm* that:

(a) is a *bank*;

(b) is not an *EEA firm*; and

(c) has its head office outside the *EEA*.

trading book

...

(2) (in *BIPRU*, and *GENPRU*, ~~*BSOCS* and *IPRU(INV) 11*~~ and in relation to a *BIPRU firm*) has the meaning in *BIPRU 1.2* (Definition of the trading book) which is in summary, all that *firm's positions* in *CRD financial instruments* and *commodities* held either with trading

intent or in order to hedge other elements of the *trading book*, and which are either free of any restrictive covenants on their tradability or able to be hedged.

...

(4) (in IFPRU and in relation to an IFPRU investment firm) has the meaning in article 4(1)(86) of the EU CRR.

UK consolidation group

...

(A) (In the PRA Handbook):

The group of undertakings which are included in the consolidated situation of a parent institution in a Member State, an EEA parent institution, an EEA parent financial holding company or an EEA parent mixed financial holding company (including any undertaking which is included in that consolidation because of an Article 12(1) relationship, Article 18(5) relationship or Article 18 relationship).

UK lead regulated firm

...

For the purposes of this definition:

- (a) Consolidated supervision of a group of *persons* means supervision of the adequacy of financial and other resources of that group on a consolidated basis *consolidated basis*. For example, this includes supervision under *BIPRU 8* (Group risk consolidation).
- (d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and *EU CRR* or the *Financial Groups Directive*.
- (e) If the group is a *consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

...

Amend the following definitions and re-position them in the appropriate alphabetical position.

~~BCD~~ CRD *credit institution* a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the ~~BCD~~ CRD does not apply under article 2 of the ~~BCD~~ CRD (see also *full* ~~BCD~~ CRD *credit institution*).

~~EAD~~ CRD *bank* a *bank* which uses the ~~Capital Adequacy Directive~~ EU CRR to measure the capital requirement on its trading book.

Delete the following definitions altogether. The deleted text is not shown.

advanced prudential calculation approach permission

cash assimilated instrument

CNCOM

concentration risk capital component

connected lending of a capital nature

consolidated operational risk requirement

consolidated requirement component

consolidation UK integrated group

consolidation wider integrated group

conversion factor

credit enhancement

credit valuation adjustment

default

effective expected positive exposure

eligible institution

financial derivative instrument

free delivery

funded credit protection

group of connected clients

individual CNCOM

individual counterparty CNCOM

lending firm

master netting agreement internal models approach permission

matched principal exemption conditions

non-core concentration risk group counterparty

non-core large exposure group

one-sided credit valuation adjustment

payment leg

probability of default

protection buyer

protections seller

PRR item

public sector entity

qualifying equity index

risk capital requirement

secured lending transaction

simple capital issuer

specific risk position risk adjustment

standard market risk PRR rules

stressed VaR

synthetic securitisation

third country BIPRU 730K firm

total exposure

trading book concentration risk excess

traditional securitisation

tranche

unfunded credit protection

value at risk

VaR measure

VaR model position

Annex B

Amendments to the Principles for Business (PRIN)

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

3 Rules about application

3.1 Who?

3.1.1 R *PRIN* applies to every *firm*, except that:

- (1) for an *incoming EEA firm* or an *incoming Treaty firm*, the *Principles* 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* which is a ~~BCD~~ CRD *credit institution* without a *top-up permission*, *Principle 4* applies only in relation to the liquidity of a *branch* established in the *United Kingdom*

...

...

3.1.3 G *PRIN* 3.1.1R(2) reflects article 41 156 of the ~~*Banking Consolidation Directive*~~ CRD which provides that the *Host State regulator* retains responsibility in cooperation with the *Home State regulator* for the supervision of the liquidity of a *branch* of a ~~BCD~~ CRD *credit institution*.

...

Annex C

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

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

4 General Organisational Requirements

4.1 General requirements

...

Business continuity

...

4.1.7 R ...

[**Note:** article 5(3) of the *MiFID implementing Directive*, annex V paragraph 13 of the *Banking Consolidation Directive*, ~~and~~ article 4(3) of the *UCITS implementing Directive* and article 85(2) of the CRD.]

...

4.2 Persons who effectively direct the business

...

4.2.1 R ...

[**Note:** article 9(1) of *MiFID*, article 7(1)(b) of the *UCITS Directive*, article 8(1)(c) of *AIFMD*, ~~and~~ article 11(1) of the *Banking Consolidation Directive* and article 13(1) of the CRD].

...

5 Employees, agents and other relevant persons

5.1 Skills, knowledge and expertise

...

Segregation of functions

...

5.1.7 R The *senior personnel* of a *common platform firm* must define arrangements concerning the segregation of duties within the *firm* and the prevention of

conflicts of interest.

[**Note:** article 88 of the CRD and annex V paragraph 1 of the *Banking Consolidation Directive*].

...

6 Compliance, internal audit and financial crime

6.1 Compliance

...

6.1.4-A G In setting the method of determining the *remuneration* of *relevant persons* involved in the compliance function;

(1) *firms that SYSC 19A applies to will also need to comply with the Remuneration Code; and*

(2) *BIPRU firms will also need to comply with the BIPRU Remuneration Code.*

...

21 Risk control: additional guidance

21.1 Risk control: guidance on governance arrangements

...

21.1.2 G (1) A Chief Risk Officer should:

(a) ...

...

(j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration policy*. (~~W~~Where the *Remuneration Code* applies, see in particular SYSC 19A.3.15E. Where the *BIPRU Remuneration Code* applies, see in particular SYSC 19C.3.15E.);

Annex D

Amendments to the General Provisions (GEN)

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

2 **Interpreting the Handbook**

...

2.2 **Interpreting the Handbook**

...

2.2.25 G Examples of rules being interpreted as cut back by *GEN 2.2.23R* include the following:

(1) ~~*BIPRU 4 imposes capital requirements that, for a PRA-authorised person such as a bank, are the exclusive responsibility of the PRA; accordingly this section is not applied by the FCA to a PRA-authorised person.*~~[deleted]

(2) *SYSC 6.1.1R* requires a *firm* to maintain adequate policies and procedures to ensure compliance with its obligations under the *regulatory system*; *SYSC 6.1.1R* should be interpreted:

...

(b) as applied by the *PRA* in respect of a *PRA-authorised person*'s compliance with those regulatory obligations that are the responsibility of the *PRA* (for example, in respect of a *bank* maintaining policies and procedures to ensure compliance with financial resources requirements in *BIPRU* [the *PRA* Rulebook and the *EU CRR*]).

...

Annex E

Amendments to the Fees manual (FEES)

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

3.2 Obligation to pay fees

...

3.2.7A

(1) Fee payer	(2) Fee payable	(3) Due date
...		
<p>(f) Either:</p> <p>(i) a <i>firm</i> applying to the <i>appropriate regulator</i> for permission to use one of the <i>advanced prudential calculation approaches</i> <u><i>internal approaches</i></u> listed in FEES 3 Annex 6R <u>6BR</u> (or guidance on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the <i>appropriate regulator</i> as EEA consolidated supervisor <u>consolidating supervisor</u> under the <i>Capital Requirements Regulations 2006 EU CRR</i> any <i>firm</i> making such an application; or</p> <p>(ii) in the case of an application to a Home State regulator <u>the consolidating supervisor</u> other than the</p>	<p>(a) Unless (2) applies, <i>FEES 3 Annex 6R 6BR</i>. (2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6R <u>6BR</u>, but only in respect of that second application.</p> <p>(b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements.</p> <p>(c) No fee is payable where the Home State regulator <u>consolidating supervisor</u> has requested the assistance</p>	<p>Where the <i>firm</i> has made an application directly to the <i>appropriate regulator</i>, on or before the date the application is made, otherwise within 30 days after the <i>appropriate regulator</i> notifies the <i>firm</i> that its EEA parent's Home State regulator <u>consolidating supervisor</u> has requested assistance.</p>

<p><i>appropriate regulator</i> for the use of the Internal Ratings Based IRB approach and the Home State regulator consolidating supervisor requesting the <i>appropriate regulator's</i> assistance in accordance with the Capital Requirements Regulations 2006 <i>EU CRR</i>, any firm to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</p>	<p>described in paragraph (e)(ii) <u>(f)(ii)</u> of column 1 except in the cases specified in <i>FEES 3 Annex 6</i> R 6BR.</p>	
--	--	--

...

Delete FEES 3 Annex 6 and add FEES 3 Annex 6B

Annex 6B Part 1

R	<p><u>Fees payable in relation to internal approaches that require permission under Part Three of the <i>EU CRR</i> other than internal model method for counterparty credit risk:</u></p> <p><u>(1) Subject to (3), for applications made to the <i>appropriate regulator</i> to authorise a new internal approach:</u></p> <p><u>(i) where the application relates to <i>CRD credit institutions</i> or <i>designated investment firms</i> and to five or more significant overseas entities within the same group (Group 1) and the application is for a permission to use one of the internal approaches in Tables 1 or 2 or guidance on the availability of such a permission, the fees in Table 1 are applicable.</u></p> <p><u>(ii) for all other <i>CRD credit institutions</i> or <i>designated investment firms</i> the fees in Table 2 are applicable.</u></p> <p><u>(2) Subject to (3), for applications made to the consolidating supervisor other than the <i>appropriate regulator</i> for a joint decision under Article 20 of the <i>EU CRR</i> on the use of one of the internal approaches in Tables 1 or 2 and where the <i>appropriate regulator</i> is requested to assist the consolidating supervisor, the fees in Table 1 and Table 2 are applicable if the <i>firm</i> concerned meets the following conditions :</u></p> <p><u>(i) it is a <i>CRD credit institution</i>; and</u></p> <p><u>(ii) the <i>firm</i> does not fall within Group 4 as defined in Table 2.</u></p>
---	---

(3) If however the application or request for assistance is in relation to the use of the Advanced IRB approach and the *appropriate regulator* (in the case of (1)) or the relevant consolidating supervisor (in the case of (2)) has already granted permission for the use of the Foundation IRB approach then table 3 applies.

(4) References to the internal approaches in Tables 1, 2 and 3 shall be construed as follows:

(i) Foundation IRB means the *internal approach* for credit risk referred to in Article 143(1) of the *EU CRR*;

(ii) Advanced IRB means the internal approach for credit risk referred to in Article 151(4) and (9) of the *EU CRR*; and

(iii) AMA means the internal approach for operational risk referred to in 312(2) of the *EU CRR*.

(5) All fees are shown in £.

Table 1

<u>Application Group</u>	<u>Description of Group</u>	<u>Application fee</u>		
		<u>Advanced IRB ('000)</u>	<u>Foundation IRB ('000)</u>	<u>AMA ('000)</u>
<u>Group 1</u>	<u>Five or more significant overseas entities as described in more detail in the definition of Group 1 in the introduction to Part 1 of this Annex</u>	<u>268</u>	<u>232</u>	<u>181</u>

Table 2

<u>Application Group</u>	<u>Description of Group</u>		<u>Application fee</u>		
	<u>Modified eligible liabilities</u>	<u>Number of traders as at 31 December prior to the <i>PRA</i>'s fee year in which the fee is payable</u>	<u>Advanced IRB ('000)</u>	<u>Foundation IRB ('000)</u>	<u>AMA ('000)</u>

<u>Group 2</u>	<u>>40,000</u>	<u>>200</u>	<u>232</u>	<u>198</u>	<u>146</u>
<u>Group 3</u>	<u>>5,000 – 40,000</u>	<u>26-200</u>	<u>94</u>	<u>72</u>	<u>51</u>
<u>Group 4</u>	<u>0-5,000</u>	<u>0-25</u>	<u>42</u>	<u>30</u>	<u>24</u>

- (1) For the purposes of Table 2, a firm's A.1 or A10 tariff data for the relevant period will be used to provide the value of modified eligible liabilities or number of traders.

Table 3 (Advanced IRB approach where the appropriate regulator or the consolidating supervisor has already given permission to use Foundation IRB)

<u>Application Group</u>	<u>Advanced IRB Application fee</u>
<u>Group 1</u>	<u>67,000</u>
<u>Group 2</u>	<u>58,000</u>
<u>Group 3</u>	<u>23,500</u>
<u>Group 4</u>	<u>10,500</u>
<u>The four application groups have the same meaning as they do in Tables 1 and 2</u>	

Part 2

- R Fees payable in relation to the application for a permission to use the internal model method for counterparty credit risk under Article 283 of the EU CRR: 54,000

...

6 Financial Services Compensation Scheme Funding

...

6.6 Incoming EEA firms

- 6.6.1 R If an *incoming EEA firm*, which is a ~~BCD~~ CRD *credit institution*, an *IMD insurance intermediary* or *MiFID investment firm*, is a *participant firm*, the *FSCS* must give the *firm* such discount (if any) as is appropriate on the share of any levy it would otherwise be required to pay, taking account of the nature of the levy and the extent of the compensation coverage provided by the firm's

Home State scheme.

Annex F

Amendments to the General Prudential sourcebook (GENPRU)

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

3 Cross sector groups

3.1 Application

...

- 3.1.16 G *GENPRU 3.1.26 29R* to *GENPRU 3.1.31R* and *GENPRU 3 Annex 1R* implement the detailed capital adequacy requirements of the *Financial Groups Directive*. They only deal with a *financial conglomerate* for which the *appropriate regulator* is the *coordinator*. If another *competent authority* is *coordinator* of a *financial conglomerate*, those *rules* do not apply with respect to that *financial conglomerate* and instead that *coordinator* will be responsible for implementing those detailed requirements.

...

Risk concentration and intragroup transactions: the main rule

- 3.1.35 R A *firm* must ensure that the *sectoral rules* regarding *risk concentration* and *intra-group transactions* of the *most important financial sector* in the *financial conglomerate* referred to in *GENPRU 3.1.34R* are complied with with respect to that *financial sector* as a whole, including the *mixed financial holding company*. The ~~*appropriate regulator's*~~ *sectoral rules* for these purposes are those identified in the table in *GENPRU 3.1.36R*.

Risk concentration and intra-group transactions: Table of applicable sectoral rules

- 3.1.36 R Table: application of sectoral rules
This table belongs to *GENPRU 3.1.35R*

The most important financial sector	Applicable sectoral rules	
	Risk concentration	Intra-group transactions

<i>Banking and investment services sector</i>	<i>BIPRU 8.9A (Consolidated large exposure requirements) including BIPRU TP as it applies to a UK consolidation group. the EU CRR</i>	<i>BIPRU 10 (Large exposures requirements) including BIPRU TP as it applies on a solo basis and relates to BIPRU 10. Part Four of the EU CRR</i>
...		

- 3.1.37 R (1) Where the sectoral rules for the *banking and investment services sector* are being applied, a *mixed financial holding company* must be treated as being a *financial holding company*.

...

- 3.1.38 R (1) This *rule* applies for the purposes of the definitions of:
- (a) a *core concentration risk group counterparty*; and
 - (b) a *non-core concentration risk group counterparty*;

as they apply for the purposes of the ~~rules for the banking and investment services sector as applied by GENPRU 3.1.36R. [deleted]~~

- (2) For the purposes of ~~BIPRU 10.9A.4R(1) and BIPRU 10.9A.4R(2) (as they apply to the definitions in GENPRU 3.1.38R(1)), the conditions are also satisfied if the counterparty and the firm are included within the scope of consolidated supervision on a full basis with respect to the same financial conglomerate under GENPRU 3.1 or the relevant implementation measures in another EEA State for the Financial Groups Directive. [deleted]~~

...

The financial sectors: asset management companies and alternative investment fund managers

- 3.1.39 R (1) ...
- (2) An *asset management company* or an *alternative investment fund manager* is in the *overall financial sector* and is a *regulated entity* for the purpose of:

...

- (c) any other provision of the *Handbook* or PRA Rulebook relating to the supervision of *financial conglomerates*.

...

- (5) This *rule* applies even if:
- (a) a *UCITS management company* is a ~~BIPRU~~ an IFPRU investment firm; or
- (b) an *asset management company* or an alternative investment fund manager is an *investment firm*.

3.2 Third-country groups

...

Purpose

- 3.2.2 G *GENPRU* 3.2 implements in part Article 18 of the *Financial Groups Directive* and Article ~~143~~ 127 of the ~~*Banking Consolidation Directive*~~ *CRD*.

Equivalence

- 3.2.3 G The first question that must be asked about a *third-country financial group* is whether the *EEA regulated entities* in that *third-country group* are subject to supervision by a *third-country competent authority*, which is equivalent to that provided for by the *Financial Groups Directive* (in the case of a *financial conglomerate*) or the *EEA prudential sectoral legislation* for the *banking sector* or the *investment services sector* (in the case of a *banking and investment group*). Article 18(1) of the *Financial Groups Directive* sets out the process for establishing equivalence with respect to *third-country financial conglomerates* and Article ~~143 (1) and (2) of the *Banking Consolidation Directive*~~ 127(1) and (2) of the *CRD* does so with respect to *third-country banking and investment groups*.

Other methods: General

- 3.2.4 G If the supervision of a *third-country group* by a *third-country competent authority* does not meet the equivalence test referred to in *GENPRU* 3.2.3G, the methods set out in the *CRD* and *EU CRR* will apply or *competent authorities* may apply other methods that ensure appropriate supervision of the *EEA regulated entities* in that *third-country group* in accordance with the aims of supplementary supervision under the *Financial Groups*

Directive or consolidated supervision under the applicable EEA prudential sectoral legislation.

Supervision by analogy: introduction

...

3.2.7 G *GENPRU 3.2.8R and GENPRU 3.2.9R and GENPRU 3 Annex 2R set out rules to deal with the situation covered in GENPRU 3.2.5G. Those rules do not apply automatically. Instead, they can only be applied with respect to a particular third-country group through the Part 4A permission of a firm in that third-country group. Broadly speaking the procedure described in GENPRU 3.1.22G also applies to this process.*

...

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

R

1 Table: PART 1: Method of Annex I of the Financial Groups Directive Groups Directive (Accounting Consolidation Method)

...

7 Table

A mixed financial holding company	4.4	<p><i>A mixed financial holding company must be treated in the same way as:</i></p> <p><i>(1) a financial holding company (if the rules in BIPRU 8 Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook are applied); or</i></p> <p><i>(2) an insurance holding company (if the rules in INSPRU 6.1 are applied).</i></p>
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8 Table: PART 5: Principles applicable to all methods

Transfer-ability of capital	5.1	<p>Capital may not be included in:</p> <p>(1) a firm's conglomerate capital resources under GENPRU 3.1.29R; or,</p> <p>(2) in the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R;</p>
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		...
Double counting	5.2	<p>Capital must not be included in:</p> <p>(1) a firm's conglomerate capital resources under GENPRU 3.1.29R ; or</p> <p>(2) the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R;</p> <p>if:</p> <p>(3)(1) it would involve double counting or multiple use of the same capital; or</p> <p>(4)(2) it results from any inappropriate intra-group creation of capital.</p>
Cross sectoral capital	5.3	<p>In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i> (Other technical principles and insofar as not already required in Parts 1-3):</p> <p>(1) the solvency requirements for each different <i>financial sector</i> represented in a <i>financial conglomerate</i> required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R must be covered by own funds elements in accordance with the corresponding <i>applicable sectoral rules</i>; and</p> <p>(2) if there is a deficit of own funds at the <i>financial conglomerate</i> level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R.</p>
		...
Application of sectoral rules: Banking sector and investment services sector	5.6	<p>The <u>In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms, the following</u> adjustments apply to the <i>applicable sectoral rules</i> for the <i>banking sector</i> and the <i>investment services sector</i> as they are applied by the <i>rules</i> in this annex.</p> <p>(1) References in those <i>rules</i> to <i>non-EEA sub-groups</i> do not apply.</p>

		<p>(2) (For the purposes of Parts 1 and 2), where those <i>rules</i> require a group to be treated as if it were a single <i>undertaking</i>, those <i>rules</i> apply to the <i>banking sector</i> and <i>investment services sector</i> taken together. <u>[deleted]</u></p> <p>...</p> <p><u>(Other than as above) the CRD and EU CRR applies for the banking sector and the investment services sector.</u></p>
No capital ties	5.7	<p>(1) This <i>rule</i> deals with a <i>financial conglomerate</i> in which some of the members are not linked by capital ties at the time of the notification referred to in GENPRU 3.1.28R(1) <u>3.1.29AR</u> (Capital adequacy requirements: Application of <u>Method 1 or 2</u> from Annex I of the Financial Groups Directive).</p> <p>(2) If:</p> <p>(a) GENPRU 3.1.26R (Capital adequacy requirements: Application of Annex I of the Financial Groups Directive) would otherwise apply with respect to a <i>financial conglomerate</i> under GENPRU 3.1.28R; and</p> <p>(b) all members of that <i>financial conglomerate</i> are linked directly or indirectly with each other by capital ties except for members that collectively are of negligible interest with respect to the objectives of supplementary supervision of <i>regulated entities</i> in a <i>financial conglomerate</i> (the "peripheral members"); GENPRU 3.1.28R continues to apply. Otherwise GENPRU 3.1.28R does not apply with respect to a <i>financial conglomerate</i> falling into (1). <u>[deleted]</u></p> <p>(3) If GENPRU 3.1.28R applies with respect to a <i>financial conglomerate</i> in accordance with (2) the peripheral members must be excluded from the calculations under GENPRU 3.1.26R. <u>[deleted]</u></p> <p>(4) If:</p> <p>(a) GENPRU 3.1.26R applies with respect to <i>financial conglomerate</i> falling into (1) under GENPRU 3.1.27R(2) (Use of <i>Part 4A</i> permission to apply Annex I of the <i>Financial</i></p>

		<p>Groups Directive); or [deleted]</p> <p>(b) <i>GENPRU</i> 3.1.29R (Capital adequacy requirements: Application of Methods 1, 2 or 3 <u>Method 1 or 2</u> from Annex I of the Financial Groups Directive) applies with respect to a <i>financial conglomerate</i> falling into (1);</p> <p>then:</p> <p>(c) the treatment of the links in (1) (including the treatment of any <i>solvency deficit</i>) is as provided for <u>in whichever of Part 1 or Part 2 of <i>GENPRU</i> 3 Annex 1R the firm has, under <i>GENPRU</i> 3.1.30R, indicated to the <i>appropriate regulator</i> it will apply or, if applicable, in the requirement referred to in <i>GENPRU</i> 3.1.30R <u>3.1.31R</u></u>; and</p> <p>(d) <i>GENPRU</i> 3.1.26R or <i>GENPRU</i> 3.1.29R ; as the case may be, <u>apply</u> applies even if the <i>applicable sectoral rules</i> do not deal with how <i>undertakings</i> not linked by capital ties are to be dealt with for the purposes of consolidated supervision (or, in the case of the <i>insurance sector</i>, supplementary supervision).</p> <p>(5) Once <i>GENPRU</i> 3.1.26R applies to a firm with respect to a <i>financial conglomerate</i> of which it is a member under <i>GENPRU</i> 3.1.27R(1) (automatic application of Method 4 from Annex I of the <i>Financial Groups Directive</i> on satisfaction of the condition in <i>GENPRU</i> 3.1.28R), the disapplication of <i>GENPRU</i> 3.1.28R under (2) ceases to apply with respect to that <i>financial conglomerate</i>. [deleted]</p>
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9 Table: PART 6: Definitions used in this Annex

...		
Solo capital resources requirement: Banking sector and investment service sector	6.2	<p>(1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> must be calculated in accordance with this <i>rule</i>, subject to paragraphs 6.5 and 6.6.</p> <p>(2) The <i>solo capital resources requirement</i> of a</p>

	<p><i>building society is its CRR <u>own funds requirements</u>.</i></p> <p>...</p> <p>(4) If there is a <i>credit institution</i> in the <i>financial conglomerate</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is, subject to (2) and (3), calculated in accordance with the rules <u>EU CRR</u> for calculating the CRR <u>own funds requirements</u> of a <i>bank</i> that is a BIPRU firm.</p> <p>(5) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>;</p> <p>(b) there is at least one CAD <i>investment firm</i> in the <i>financial conglomerate</i>; and</p> <p>(c) all the CAD <i>investment firms</i> in the <i>financial conglomerate</i> are <i>limited licence firms</i> or <i>limited activity firms</i>;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the rules <u>EU CRR</u> for calculating the CRR <u>own funds requirements</u> of:</p> <p>(d) (if there is a <i>limited activity firm</i> in the <i>financial conglomerate</i>), a BIPRU <u>IFPRU</u> <i>limited activity firm</i>; or</p> <p>(e) (in any other case), a BIPRU <u>IFPRU</u> <i>limited licence firm</i>.</p> <p>(6) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>; and</p> <p>(b) (5) does not apply;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the rules <u>EU CRR</u> for calculating the CRR <u>own funds</u></p>
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		<p><u>requirements of a full scope BIPRU IFPRU investment firm.</u></p> <p>(7) <u>In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms, Any any CRR capital resources requirements</u> calculated under a BIPRU TP may be used for the purposes of the <i>solo capital resources requirement</i> in this rule in the same way that the <u>CRR capital resources requirements</u> can be used under BIPRU 8.</p>
...		
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	<p>The <i>solo capital resources requirement</i> for an EEA regulated entity (other than a <i>bank, building society, designated investment firm, IFPRU investment firm, BIPRU firm, an insurer or an EEA insurer</i>) that is subject to the solo capital adequacy <i>sectoral rules</i> for its <i>financial sector</i> of the <i>competent authority</i> 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:</p> <p>...</p>
		...
...		

...

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

Financial sector	Appropriate regulator's sectoral <u>Sectoral rules</u>
<i>Banking sector</i>	<u>BIPRU 8 and BIPRU TP, as adjusted under paragraph 4.5 Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook</u>
<i>Insurance sector</i>	<u>INSPRU 6.1</u>
<i>Investment services sector</i>	<u>BIPRU 8 and BIPRU TP (in relation to a designated investment firm or IFPRU investment firm which is a member</u>

	<p><u>of a financial conglomerate for which the PRA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook;</u></p> <p><u>(in relation to an IFPRU investment firm which is a member of a financial conglomerate for which the FCA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and IFPRU 8.1;</u></p> <p><u>(in relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms for which the FCA is the coordinator) BIPRU 8 and BIPRU TP.-</u></p>
--	---

...

3 Annex 2 Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 3.2.9R)

R

1 Table: PART 1: Third-country financial conglomerates

...	
1.2	A firm must comply, with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1, with whichever of GENPRU 3.1.26R and GENPRU 3.1.29R <u>is as applied under paragraph 1.3.</u>
1.3	<p>For the purposes of paragraph 1.2:</p> <p>(1) the rule in GENPRU 3.1 that applies as referred to in paragraph 1.2 is the one that is specified by the requirement referred to in GENPRU 3.2.8R; [deleted]</p> <p>(2) (where GENPRU 3.1.29R is applied) the definitions of <i>conglomerate capital resources</i> and <i>conglomerate capital resources requirement</i> that apply for the purposes of that rule are the ones from whichever of Part 1; <u>or Part 2 or Part 3 of GENPRU 3 Annex 1R is specified in that requirement</u> <u>the requirement referred to in GENPRU 3.2.8R;</u> and</p> <p>...</p>
...	

2 Table: PART 2: Third-country banking and investment groups

...	
2.3	<p>The rules referred to in paragraph 2.2 are as follows:</p> <p>(1) the <u>applicable sectoral consolidation rules in BIPRU 8 paragraph 6.10 of</u></p>

	<u>GENPRU 3 Annex 1R</u> ; or (2) the <i>rules</i> in <i>ELM 7</i> .
...	

3 Annex 3 Guidance Notes for Classification of Groups

G

...

Please note the following:

...

(d) You will need to assign non-regulated financial entities to one of these sectors:

- **banking/investment** activities are listed in - Annex 1 to the ~~Banking Consolidation Directive~~ Capital Requirements Directive 2013/36/EU

- **insurance** activities are listed in - IPRU Insurers Annex 11.1 and 11.2 ~~p 163-168~~.

...

Annex G

Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

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

4 Capital resources

4.2 Capital resources requirements

...

Capital resources requirement: firms carrying on regulated activities including designated investment business

- 4.2.5 R The capital resources requirement for a *firm* (other than a *credit union*) carrying on *regulated activities*, including *designated investment business*, is the higher of:

...

- (2) the financial resource requirement which is applied by the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the *EU CRR* or the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment Firms.

...

4.4 Calculation of capital resources

The calculation of a firm's capital resources

- 4.4.1 R (1) ...
- (2) If the *firm* is subject to the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the *EU CRR*, the General Prudential sourcebook, the Prudential sourcebook for Banks, Building Societies and Investment Firms or the Credit Unions sourcebook, the capital resources are the higher of:
- (a) the amount calculated under (1); and

- (b) the financial resources calculated under those sourcebooks and regulations.

Annex H

Amendments to the Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))

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

7 Chapter 7: Definitions

PART I DEFINITIONS

7.1 In this Part of the *IPRU(FSOC)*, unless the contrary intention appears, the following definitions apply.

...
<i>approved credit institution</i> means an institution recognised or permitted under the law of an <i>EEA State</i> to carry on any of the activities set out in Annex 1 to the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> ;
...

Annex I

Amendments to the Interim Prudential sourcebook for Investment Businesses (IPRU(INV))

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

1 Chapter 1: Application and General Provisions

1.1 PURPOSE

1.1.1 ~~Before 1 January 2007, the Interim Prudential Sourcebook for Investment Businesses (IPRU(INV)) was the part of the *Handbook* that dealt with capital requirements for *investment firms* subject to the position risk requirements of the previous version of the *Capital Adequacy Directive*. Now, however, *investment firms* which are subject to the risk-based capital requirements of the *Capital Adequacy Directive* are subject to the General Prudential sourcebook (GENPRU) and the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU). [deleted]~~

...

1.2 APPLICATION

...

1.2.2 R (1) ...

(2) IPRU(INV) does not apply to:

...

(b) a *media firm*; or

(c) a *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*); or

(d) an IFPRU investment firm (unless it is an exempt IFPRU commodities firm).

...

1.2.3 G For the avoidance of doubt, *IPRU(INV)* does not apply to any of the following:

...

- (b) ...
- (ba) a designated investment firm; or
- (c) ...

...

1.2.5 R Table

This table belongs to IPRU(INV) 1.2.4R

...	
<i>Securities and futures firm</i> (which is an <i>exempt BIPRU commodities firm</i> or an <i>exempt IFPRU commodities firm</i>)	Chapters 1 and 3
...	

...

4 Chapter 4: Lloyd’s firms

...

4.2 Purpose

...

4.2.4 G *A members’ adviser is not regulated by the Society and accordingly this chapter specifies the financial resource and accounting requirements to be met. Firms which fall within the scope of this chapter will be firms with permission only to advise persons on syndicate participation at Lloyd’s. The nature of that advisory business is akin to corporate finance advice and so the applicable requirements are those in IPRU(INV) 3 relevant to firms giving corporate finance advice. Firms with other permissions will fall within the scope of other chapters of IPRU(INV), GENPRU, BIPRU, IFPRU (and the EU CRR) or INSPRU.*

...

Annex J

Amendments to the Supervision manual (SUP)

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

3.1.10 G Other relevant sections of the Handbook (see SUP 3.1.9G)

<i>Friendly society</i>	<i>IPRU(FSOC)</i>
<i>Insurer (other than a friendly society)</i>	<i>IPRU(INS)</i>
<i>Investment management firm, personal investment firm, securities and futures firm (other than <u>IFPRU investment firms</u> and BIPRU investment firms)</i>	<i>IPRU(INV)</i>
<i>UCITS firm</i>	<i>(UPRU)</i>
<i>Society of Lloyd's and Lloyd's managing agents</i>	<i>IPRU(INS)</i>

...

11.8 Changes in the circumstances of existing controllers

11.8.1 R A firm must notify the *appropriate regulator* immediately it becomes aware of any of the following matters in respect of one or more of its *controllers*:

...

- (4) if a *controller*, who is authorised in another *EEA State* as a *MiFID investment firm*, ~~BCD CRD credit institution~~ or *UCITS management company* or under the *Insurance Directives* or the *Insurance Mediation Directive*, ceases to be so authorised (registered in the case of an *IMD insurance intermediary*).

...

Annex K

Amendments to the Compensation sourcebook (COMP)

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

1 Introduction and Overview

...

1.4 EEA Firms

- 1.4.1 G *Incoming EEA firms* which are conducting *regulated activities* in the *United Kingdom* under a ~~BCD~~ CRD, *IMD* or *MiFID* passport are not required to participate in the *compensation scheme* in relation to those *passported activities*. They may apply to obtain the cover of, or ‘top-up’ into, the *compensation scheme* if there is no cover provided by the *incoming EEA firm’s Home State* compensation scheme or if the level or scope of the cover is less than that provided by the *compensation scheme*. This is covered by *COMP 14*.

Annex L

Amendments to the Credit Unions New sourcebook (CREDS)

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

- 2.2.2 G For *credit unions*, the arrangements, processes and mechanisms referred to in SYSC 4.1.1R should be comprehensive and proportionate to the nature, scale, and complexity of the risks inherent in the business model and of the *credit union's* activities. That is the effect of SYSC 4.1.2R and SYSC 4.1.2AG.

