

PRA RULEBOOK: CRR FIRMS: CRR RULE ADMINISTRATION INSTRUMENT 2022**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 192XA (Rules applying to holding companies).
- 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 so far as these rules are CRR rules within the meaning of section 144A (CRR rules) of the Act, the PRA, when making the rules, had regard to and considered the matters specified in section 144C (1), (2) and (3) of the Act insofar as those sub-sections are applicable to these rules.
- D. In accordance with sections 144C(3) and 144E of the Act the PRA consulted the Treasury about the likely effect of the rules on relevant equivalence decisions within the meaning of section 144C (4) of the Act.
- E. In accordance with section 138J of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority.
- F. The PRA published a draft of the proposed rules in accordance with section 138J(1)(b) of the Act, accompanied by the information listed in section 138J(2) and the statements of opinion referred to in sections 144E(5) and (6) of the Act by reference to, among other things, the matters specified in or under section 144C(1) of the Act in accordance with section 144E(7) of the Act.
- G. The PRA had regard to representations made.

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- H. The PRA makes the rules in Annexes A and B.
- I. The PRA clarifies a note to a rule in Annex C, which does not form part of the legislative text.

Part	Annex
Amendments to the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR)	A
Amendments to the Counterparty Credit Risk (CRR) Part	B
Amendments to a note to the Leverage Ratio (CRR) Part	C

Commencement

- J. This instrument comes into force on 1 September 2022.

Citation

- K. This instrument may be cited as the PRA Rulebook: CRR Firms: CRR Rule Administration Instrument 2022.

By order of the Prudential Regulation Committee

1 August 2022

Annex A

Amendments to the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part

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

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3 CREDIT RISK (PART THREE TITLE TWO CHAPTERS TWO AND THREE CRR)

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ARTICLE 152 TREATMENT OF EXPOSURES IN THE FORM OF UNITS OR SHARES IN CIUS

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4. Institutions that apply the look-through approach in accordance with paragraphs 2 and 3 of this Article and that meet the conditions for permanent partial use in accordance with Article 150, or that do not meet the conditions for using the methods set out in Chapter ~~23~~ or one or more of the methods set out in Chapter 5 for all or parts of the underlying exposures of the CIU, shall calculate risk-weighted exposure amounts and expected loss amounts in accordance with the following principles:

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Annex B

Amendments to the Counterparty Credit Risk (CRR) Part

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

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3 COUNTERPARTY CREDIT RISK (PART THREE, TITLE TWO, CHAPTER SIX CRR)

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Section 2 Methods for Calculating the Exposure Value

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Article 273a CONDITIONS FOR USING SIMPLIFIED METHODS FOR CALCULATING THE EXPOSURE VALUE

1. Subject to the restriction set out in Article ~~237b(2)~~273b(2), an institution may calculate the exposure value of its derivative positions in accordance with the method set out in Section 4, provided that the size of its on- and off-balance-sheet derivative business is equal to or less than both of the following thresholds on the basis of an assessment carried out on a monthly basis using the data as of the last day of the *month*:
 - (a) 10% of the institution's total assets;
 - (b) GBP 260 million.
2. Subject to the restriction set out in Article ~~237b(2)~~273b(2), an institution may calculate the exposure value of its derivative positions in accordance with the method set out in Section 5, provided that the size of its on- and off-balance-sheet derivative business is equal to or less than both of the following thresholds on the basis of an assessment carried out on a monthly basis using the data as of the last day of the *month*:
 - (a) 5% of the institution's total assets;
 - (b) GBP 88 million.

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Annex C

Amendments to a note to the Leverage Ratio (CRR) Part

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

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3 LEVERAGE RATIO (PART SEVEN CRR)

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Article 429a EXPOSURES EXCLUDED FROM THE TOTAL EXPOSURE MEASURE

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1. By way of derogation from Article 429(4) of this Chapter, an institution may exclude any of the following exposures from its *total exposure measure*:

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- (j) exposures that meet all the following conditions:
- (i) they are exposures to a public sector entity;
 - (ii) they are treated in accordance with Article 116(4) of the *CRR*;
 - (iii) they arise from deposits that the institution is legally obliged to transfer to the public sector entity referred to in point (i) for the purpose of funding general interest investments;

provided that the *PRA* has also granted permission under this rule.

[Note: This is a permission created under sections 144G and ~~and~~ 192XC of *FSMA* to which Part 8 of the *Capital Requirements Regulations* applies.]

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