PRA RULEBOOK: CRR FIRMS: SDDT REGIME INSTRUMENT 2023

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.

PRA Rulebook: CRR Firms: SDDT Regime Instrument 2023

C. The PRA makes the rules in the Annexes to this instrument.

Part	Annex
Glossary	A
SDDT Regime – General Application	B
Disclosure (CRR)	C
Liquidity (CRR)	D
Reporting (CRR)	E

Commencement

D. Annexes A, B and C come into force on 1 January 2024.

E. Annexes D and E come into force on 1 July 2024.

Citation

F. This instrument may be cited as the PRA Rulebook: CRR Firms: SDDT Regime Instrument 2023.

By order of the Prudential Regulation Committee
28 November 2023

Annex A

Amendments to the Glossary Part

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

…

<u>*SDDT*</u>

<u>has the meaning given in SDDT Regime – General Application 3.1.</u>

<u>*SDDT consolidation entity*</u>

<u>has the meaning given in SDDT Regime – General Application 3.2.</u>

…

Annex B

SDDT Regime – General Application Part

In this Annex, the text is all new and is not underlined.

Part

SDDT REGIME – GENERAL APPLICATION

Chapter content

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

(1) a *firm* that is a *CRR firm*; and

(2) a *CRR consolidation entity*.

1.2 In this Part, the following definitions shall apply:

MLAR

means the Mortgage Lenders and Administrators Return at SUP 16 Annex 19A R of the *FCA Handbook*.

parent undertaking

has the meaning given in section 1162 of (together with Schedule 7 to) the Companies Act 2006.

relevant credit exposures

means the exposures referred to in template C 09.04 of Annex 1 to the Reporting (CRR) Part and in the instructions for completion of that template in point 3.4.3 of Part II of Annex II to the Reporting (CRR) Part.

SDDT consolidation criteria

has the meaning given in 2.2.

SDDT criteria

has the meaning given in 2.1.

total assets

means:

(1) for a *firm* that is required to submit *data item* template F 01.01 of Annex III Part 1 of Reporting (CRR) Part, the sum of the *firm's* assets as required to be recorded at row 380 of that *data item*; or

(2) for a *firm* that is required to submit *data item* template F 01.01 of Annex IV Part 1 of Reporting (CRR) Part, the sum of the *firm's* assets as required to be recorded at row 380 of that *data item*.

2 SMALL DOMESTIC DEPOSIT TAKERS CRITERIA

2.1 The *SDDT criteria*, in respect of a *UK bank* or *building society*, are the following criteria.

(1) Either:

(a) the recent average of the *firm's total assets*, calculated in accordance with 2.3, does not exceed £20 billion, or

(b) if the *firm* has not yet been required to report its *total assets*, the *firm* reasonably forecasts that its *total assets* will not exceed £20 billion on the first occasion on which it will be required to report them.

(2) At least 75% of the *firm's* total *relevant credit exposures* are located in the *UK*, and either:

(a) the recent average of the ratio of the *firm's relevant credit exposures* that are located in the *UK* to the *firm's* total *relevant credit exposures*, calculated in accordance with 2.4, is at least 85%, or

(b) if the *firm* has not yet been required to report the geographical location of its *relevant credit exposures*, the *firm* reasonably forecasts that, on the first occasion on which it will be required to do so, at least 85% of the *firm's* total *relevant credit exposures* will be located in the *UK*.

(3) Subject to 2.7, the size of the *firm's* on- and off- balance-sheet trading book business was less than or equal to both £44 million and 5% of the *firm's* total assets, on the basis of the assessment set out in Article 94(3) of Chapter 3 of Trading Book (CRR) Part:

(a) on the last day of at least one of the preceding three *months*, and

(b) on the last day of at least six of the preceding twelve *months*.

(4) The *firm's* overall net foreign-exchange position, calculated using the method set out in Article 352 of *CRR*, does not exceed 3.5% of its own funds and, subject to 2.7, did not on average exceed 2% of its own funds:

(a) in one or more of the preceding three *months*, and

(b) in six or more of the preceding twelve *months*,

as determined in accordance with 2.8.

(5) The *firm* does not hold positions in commodities or commodity derivatives.

(6) The *firm* does not apply the Internal Ratings Based Approach to calculate its risk-weighted exposure amounts for credit risk.

(7) The *firm* does not provide clearing, transaction settlement, custody or correspondent banking services to a *UK bank,* a *building society*, or a *non-UK credit institution*, including by acting as an intermediary for a *UK bank,* a *building society,* or a *non-UK credit institution* to access the facilities or services of:

(a) a *payment system*, *CSD*, *third-country CSD*, *SSS* or *central counterparty* in which the *firm* is a direct or indirect participant or member, or

(b) an exchange, other trading facility, clearing house or any other financial market utility or infrastructure, either directly or indirectly,

except that the *firm* may provide clearing, transaction settlement, custody or correspondent banking services in sterling to a *UK bank*, *building society* or *non-UK credit institution* that is a member of the *firm's immediate group*.

(8) The *firm* is not an *operator* of a *payment system*.

(9) Any *parent undertaking* of the *firm* is a *UK undertaking*.

2.2 The *SDDT consolidation criteria*, in relation to members of a *consolidation group*, are the following criteria.

(1) Criteria (1) to (6) of the *SDDT criteria* are satisfied:

(a) in respect of the *CRR consolidation entity* on a *consolidated basis*, and

(b) subject to 2.7, in respect of each *UK bank* and *building society* in the *consolidation group*,

and for this purpose references in those criteria to the *firm* are to be read accordingly.

(2) Criteria (7) and (8) of the *SDDT criteria* are satisfied in respect of each *UK bank* and *building society* in the *consolidation group*, and for this purpose references in those criteria to the *firm* are to be read accordingly.

2.3 The recent average of a *firm's total assets* referred to in 2.1(1)(a) is to be calculated as follows.

(1) Identify the occasions (due dates) in the preceding 36 *months* by which the *firm* was required to report its *total assets*.

(2) Calculate the arithmetic mean of the *total assets* that the *firm* was required to report on those occasions.

2.4 The recent average of the ratio referred to in 2.1(2)(a) is to be calculated as follows.

(1) Identify the occasions (remittance dates) in the preceding 36 *months* by which the *firm* was required to report the geographical location of its *relevant credit exposures* using template C 09.04 of Annex I of Reporting (CRR) Part.

(2) For each of those occasions, using the information that the *firm* was required to report subject to any adjustment in accordance with 2.6, calculate the ratio of the amount of *relevant credit exposures* located in the *UK* to the total amount of *relevant credit exposures* across all jurisdictions.

(3) Calculate the arithmetic mean of those ratios (expressed as a percentage).

2.5 For the purpose of 2.1(2) and 2.4(2), whether a *relevant credit exposure* is located in the *UK* is to be determined in accordance with the instructions in point 3.4.3 of Part II of Annex II of Reporting (CRR) Part for completing template C 09.04 of Annex I of that Part, subject to any adjustment in accordance with 2.6.

2.6 A *firm* may treat *relevant credit exposures* as located in the *UK* if they would qualify as 'residential loans to individuals' for the purpose of the *MLAR* (whether or not they would otherwise be treated as located in the *UK*).

2.7 The criteria in 2.1(3)(a) and 2.1(4)(a) do not apply in respect of a *UK bank* or *building society* that was not a *firm* on the last day of the preceding *month* and the criteria in 2.1(3)(b) and 2.1(4)(b) do not apply in respect of a *UK bank* or *building society* that was not a *firm* on the last day of each of the preceding six *months*.

2.8 For the purpose of 2.1(4), a *firm's* overall net foreign-exchange position does not on average exceed 2% of its own funds in a given *month* if the arithmetic mean of the *firm's* daily overall net foreign-exchange positions over the course of the *month* is less than or equal to 2% of the *firm's* own funds on the last day of the *month*.

3 SMALL DOMESTIC DEPOSIT TAKERS

3.1 An *SDDT* means a *UK bank* or *building society* to which the *PRA* has given a *waiver* modifying the effect of this rule such that the *UK bank* or *building society* is an *SDDT*.

3.2 An *SDDT consolidation entity* means a *CRR consolidation entity* to which the *PRA* has given a *waiver* modifying the effect of this rule such that the *CRR consolidation entity* is an *SDDT consolidation entity*.

3.3 If a *firm* consents to a *waiver* modifying 3.1 such that the *firm* becomes an *SDDT*, the *firm* must certify to the *PRA* that, as of the day of giving the consent, the *firm* meets the *SDDT criteria*.

3.4 If an *SDDT* ceases to meet the *SDDT criteria*, it must notify the *PRA* within the period of 14 days beginning with the day on which the *firm* ceases to meet the *SDDT criteria*.

3.5 If a *CRR consolidation entity* consents to a *waiver* modifying 3.2 such that the *CRR consolidation entity* becomes an *SDDT consolidation entity*, the *CRR consolidation entity* must certify to the *PRA* that, as of the day of giving the consent, the *SDDT consolidation criteria* are satisfied.

3.6 If the *SDDT consolidation criteria* cease to be satisfied, the *SDDT consolidation entity* must notify the *PRA* within the period of 14 days beginning with the day on which the *SDDT consolidation criteria* cease to be satisfied.

EXTERNALLY DEFINED TERM

Term	Definition source
immediate group	Section 421ZA *FSMA*

Annex C

Amendments to the Disclosure (CRR) Part

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

Part

DISCLOSURE (CRR)

Chapter content

…

7. APPLICATION DATES AND TRANSITIONAL PROVISIONS

1 APPLICATIONS AND DEFINITIONS

…

1.2 In this Part, the following definitions shall apply:

…

non-listed institution

means an institution that has not issued securities that are admitted to trading on a *regulated market*.

small CRR firm

has the meaning given in the Remuneration Part.

…

4 DISCLOSURE (PART EIGHT CRR)

…

Article 433a DISCLOSURES BY LARGE INSTITUTIONS

…

2. By way of derogation from paragraph 1, large institutions other than G-SIIs that are ~~non-listed institutions~~*non-listed institutions* shall disclose the information outlined below with the following frequency:

   (a) all the information required under this Part on an annual basis;

   (b) the key metrics referred to in Article 447 on a semi-annual basis.

…

Article 433b DISCLOSURES BY SMALL DOMESTIC DEPOSIT TAKERS, SDDT CONSOLIDATION ENTITIES AND SMALL AND NON-COMPLEX INSTITUTIONS

1. *SDDTs* and *SDDT consolidation entities*~~Small and non-complex institutions~~ shall disclose the information outlined below with the following frequency:

   (a) on an annual basis the information referred to in:

   (i) ~~points (a), (e) and (f) of Article 435(1)~~[deleted];

   (ii) point (d) of Article 438;

   (iii) points (a) to (d), (h)(i) and (h)(ii)~~(h), and (i)~~ of Article 450(1);

   (b) on a semi-annual basis the key metrics referred to in Article 447.

2. By way of derogation from paragraph 1 of this Article, *SDDTs* ~~small and non-complex institutions~~that are *non-listed institutions* are not required to make the disclosures specified in that paragraph. ~~non-listed institutions shall disclose the key metrics referred to in Article 447 on an annual basis.~~

3. In relation to any disclosure relating to a period ending on or before 30 June 2027, this Article as it stood immediately before 1 January 2024 applies, with the modification in paragraph 4, to any institution that:

   (a) was a small and non-complex institution immediately before 1 January 2024 and continues to be so; and

   (b) is not *an SDDT* or *an SDDT consolidation entity*.

4. The modification referred to in paragraph 3 is that for any institution subject to that paragraph that is a *small CRR firm* the disclosure required in relation to the information referred to in Article 450 is as follows:

   (a) for a *non-listed institution*, no disclosure is required;

   (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).

Article 433c DISCLOSURES BY OTHER INSTITUTIONS

…

2. By way of derogation from paragraph 1 of this Article, other institutions that are ~~non-listed institutions~~*non-listed institutions* shall disclose the following information on an annual basis:

   (a) points (a), (e) and (f) of Article 435(1);

   (b) points (a), (b) and (c) of Article 435(2);

   (c) point (a) of Article 437;

   (d) points (c) and (d) of Article 438;

   (e) the key metrics referred to in Article 447;

   (f) points (a) to (d), (h) to (k) of Article 450(1).

3. Notwithstanding paragraphs 1 and 2, for institutions subject to this Article that are *small CRR firms*, the disclosure required in relation to the information referred to in Article 450 is as follows:

   (a) for *non-listed institutions*, no disclosure is required;

   (b) otherwise, points (a)-(d), (h)(i) and (h)(ii) of Article 450(1).

…

Article 447 DISCLOSURE OF KEY METRICS

…

   (h) their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.

[Note: With effect from 1 July 2024, paragraph (g) is disapplied for *SDDTs* and *SDDT consolidation entities* by Chapter 5 of the Liquidity (CRR) Part where certain conditions are met]

…

7 APPLICATION DATES AND TRANSITIONAL PROVISIONS

7.1 In relation to any disclosure made after 31 December 2023 but relating to a period ending on or before 31 December 2023, a *small CRR firm,* an *SDDT* and an *SDDT consolidation entity* must apply this Part in accordance with Articles 433b and 433c as those Articles had effect on 31 December 2023.

Annex D

Amendments to the Liquidity (CRR) Part

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

Part

LIQUIDITY (CRR)

Chapter content

…

4. LIQUIDITY (PART SIX CRR)

…

Article 428ai	**DEROGATION FOR SMALL AND NON-COMPLEX INSTITUTIONS [DELETED]**
Article 428aj	**SIMPLIFIED CALCULATION OF THE AMOUNT OF AVAILABLE STABLE FUNDING [DELETED]**
Article 428ak	**RESIDUAL MATURITY OF A LIABILITY OR OWN FUNDS [DELETED]**
Article 428al	**0% AVAILABLE STABLE FUNDING FACTOR [DELETED]**
Article 428am	**50% AVAILABLE STABLE FUNDING FACTOR [DELETED]**
Article 428an	**90% AVAILABLE STABLE FUNDING FACTOR [DELETED]**
Article 428ao	**95% AVAILABLE STABLE FUNDING FACTOR [DELETED]**
Article 428ap	**100% AVAILABLE STABLE FUNDING FACTOR [DELETED]**
Article 428aq	**SIMPLIFIED CALCULATION OF THE AMOUNT OF REQUIRED STABLE FUNDING [DELETED]**
Article 428ar	**RESIDUAL MATURITY OF AN ASSET [DELETED]**
Article 428as	**0% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428asa	**2.5% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428at	**5% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428au	**10% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428av	**20% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428aw	**50% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428ax	**55% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428axa	**65% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428ay	**85% REQUIRED STABLE FUNDING FACTOR [DELETED]**
Article 428az	**100% REQUIRED STABLE FUNDING FACTOR [DELETED]**

5. APPLICATION OF THE NET STABLE FUNDING REQUIREMENT TO SMALL DOMESTIC DEPOSIT TAKERS AND SDDT CONSOLIDATION ENTITIES

1 APPLICATION AND DEFINITIONS

1.1 The *Liquidity Parts* apply to:

(a) a *firm* that is a *CRR firm*; and

(b) a *CRR consolidation entity*.

[Note: Chapter 5 makes provision for the application of the *NSFR provisions* to *SDDTs* and *SDDT consolidation entities*]

1.2 …

NSFR provisions

means:

(a) Article 413(2);

(b) Article 415, as it relates to Articles 428a-428ah;

(c) Articles 416-428ah;

(d) Article 17 of the Reporting (CRR) Part; and

(e) Article 447(g) of the Disclosure (CRR) Part.

…

4 LIQUIDITY (PART SIX CRR)

…

Article 414 COMPLIANCE WITH LIQUIDITY REQUIREMENTS

…

3. An institution with *total assets*:

(a) equal to or greater than GBP 5 billion on an individual basis or consolidated basis must be capable at all times of reporting to the *competent authority* at a daily frequency by *the end of the business day* all of the following templates:

(i) (unless it is an *SDDT* or an *SDDT consolidation entity*) Annex XVIII Template C 70 as specified in the Reporting (CRR) Part of the *PRA* Rulebook;

…

CHAPTER 5 DEROGATION FOR SMALL AND NON-COMPLEX INSTITUTIONS [DELETED]

Article 428ai DEROGATION FOR SMALL AND NON-COMPLEX INSTITUTIONS [DELETED]

~~By way of derogation from Chapters 3 and 4 of Title IV (The Net Stable Funding Ratio), small and non-complex institutions may, subject to giving reasonable notice to the *competent authority*, calculate the ratio between an institution's available stable funding as referred to in Chapter 6 of Title IV (The Net Stable Funding Ratio), and the institution's required stable funding as referred to in Chapter 7 of Title IV (The Net Stable Funding Ratio), expressed as a percentage.~~

CHAPTER 6 AVAILABLE STABLE FUNDING FOR THE SIMPLIFIED CALCULATION OF THE NET STABLE FUNDING RATIO [DELETED]

SECTION 1 GENERAL PROVISIONS [DELETED]

Article 428aj SIMPLIFIED CALCULATION OF THE AMOUNT OF AVAILABLE STABLE FUNDING [DELETED]

~~1. Unless otherwise specified in this Chapter 6 of Title IV (The Net Stable Funding Ratio), the amount of available stable funding shall be calculated by multiplying the accounting value of various categories or types of liabilities and own funds by the available stable funding factors to be applied under Section 2. The total amount of available stable funding shall be the sum of the weighted amounts of liabilities and own funds.~~

~~2. Bonds and other debt securities that are issued by the institution, sold exclusively in the retail market, and held in a retail account, may be treated as belonging to the appropriate *retail deposit* category. Limitations shall be in place, such that those instruments cannot be bought and held by parties other than retail customers.~~

Article 428ak RESIDUAL MATURITY OF A LIABILITY OR OWN FUNDS [DELETED]

~~1. Unless otherwise specified in this Chapter 6 of Title IV (The Net Stable Funding Ratio), institutions shall take into account the residual contractual maturity of their liabilities and own funds to determine the available stable funding factors to be applied under Section 2.~~

~~2. Institutions shall take into account existing options in determining the residual maturity of a liability or of own funds in a prudent manner. They shall do so on the assumption that the counterparty will redeem call options at the earliest possible date. For options exercisable at the discretion of the institution, the institution shall take into account reputational factors that may limit an institution's ability not to exercise the option, in particular market expectations that institutions should redeem certain liabilities before their maturity.~~

~~3. Institutions shall treat deposits with fixed notice periods in accordance with their notice period, and shall treat term deposits in accordance with their residual maturity. By way of derogation from paragraph 2 of this Article, institutions shall not take into account options for early withdrawals where the depositor has to pay a material penalty for early withdrawals which occur in less than one year, such penalty being laid down in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, to determine the residual maturity of term *retail deposits*.~~

~~4. In order to determine the available stable funding factors to be applied under Section 2, for liabilities with a residual contractual maturity of one year or more, any portion that matures in less than six *months* and any portion that matures between six *months* and less than one year, shall be treated as having a residual maturity of less than six *months* and between six *months* and less than one year, respectively.~~

SECTION 2 AVAILABLE STABLE FUNDING FACTORS [DELETED]

Article 428al 0% AVAILABLE STABLE FUNDING FACTOR [DELETED]

~~1. Unless otherwise specified in this Section, all liabilities without a stated maturity, including short positions and open maturity positions, shall be subject to a 0% available stable funding factor, with the exception of the following:~~

~~(a) deferred tax liabilities, which shall be treated in accordance with the nearest possible date on which such liabilities could be realised;~~

~~(b) minority interests, which shall be treated in accordance with the term of the instrument concerned.~~

~~2. Deferred tax liabilities and minority interests as referred to in paragraph 1 shall be subject to one of the following factors:~~

~~(a) 0%, where the effective residual maturity of the deferred tax liability or minority interest is less than one year;~~

~~(b) 100%, where the effective residual maturity of the deferred tax liability or minority interest is one year or more.~~

~~3. The following liabilities and capital items or instruments shall be subject to a 0% available stable funding factor:~~

~~(a) trade date payables arising from purchases of financial instruments, of foreign currencies and of commodities, that are expected to settle within the standard settlement cycle or period that is customary for the relevant exchange or type of transaction, or that have failed to settle but are nonetheless expected to settle;~~

~~(b) liabilities that are categorised as being interdependent with assets in accordance with Article 428f;~~

~~(c) liabilities with a residual maturity of less than one year provided by:~~

~~(i) the *Bank of England*;~~

~~(ii) the *central bank of a third country*;~~

~~(iii) *financial customers*;~~

~~(d) any other liabilities and capital items or instruments not referred to in this Article and Articles 428am to 428ap.~~

~~4. Institutions shall apply a 0% available stable funding factor to the absolute value of the difference, if negative, between the sum of fair values across all netting sets with positive fair value and the sum of fair values across all netting sets with negative fair value calculated in accordance with Article 428d.~~

~~The following rules shall apply to the calculation referred to in the first subparagraph:~~

~~(a) variation margin received by institutions from their counterparties shall be deducted from the fair value of a netting set with positive fair value, only up to the extent that it results in the netting set having zero fair value, where the collateral received as variation margin qualifies as a *level 1 asset* pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, excluding extremely high quality covered bonds specified in that Chapter, and where institutions are legally entitled and operationally able to reuse that collateral;~~

~~(b) all variation margin posted by institutions with their counterparties shall be deducted from the fair value of a netting set with negative fair value, only up to the extent that it results in the netting set having zero fair value.~~

Article 428am 50% AVAILABLE STABLE FUNDING FACTOR [DELETED]

~~The following liabilities and capital items or instruments shall be subject to a 50% available stable funding factor:~~

~~(a) deposits received that fulfil the criteria for operational deposits set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook;~~

~~(b) liabilities and capital items or instruments with a residual maturity of less than one year provided by:~~

~~(i) the central government of the *United Kingdom* or of a third country;~~

~~(ii) regional governments or local authorities in the *United Kingdom* or in a third country;~~

~~(iii) public sector entities of the *United Kingdom* or of a third country;~~

~~(iv) multilateral development banks referred to in Article 117(2) and international organisations referred to in Article 118;~~

~~(v) non-financial corporate customers;~~

~~(vi) *credit unions* authorised by the *competent authority*, *personal investment companies* and clients that are *deposit brokers*, with the exception of deposits received, that fulfil the criteria for operational deposits as set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook.~~

Article 428an 90% AVAILABLE STABLE FUNDING FACTOR [DELETED]

~~Sight *retail deposits*, *retail deposits* with a fixed notice period of less than one year and term *retail deposits* having a residual maturity of less than one year that fulfil the relevant criteria for stable *retail deposits* set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook shall be subject to a 95% available stable funding factor.~~

Article 428ao 95% AVAILABLE STABLE FUNDING FACTOR [DELETED]

~~Sight *retail deposits*, *retail deposits* with a fixed notice period of less than one year and term *retail deposits* having a residual maturity of less than one year that fulfil the relevant criteria for stable *retail deposits* set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook shall be subject to a 95% available stable funding factor.~~

Article 428ap 100% AVAILABLE STABLE FUNDING FACTOR [DELETED]

~~The following liabilities and capital items and instruments shall be subject to a 100% available stable funding factor:~~

~~(a) the Common Equity Tier 1 items of the institution before the adjustments required pursuant to Articles 32 to 35, the deductions pursuant to Article 36 and the application of the exemptions and alternatives laid down in Articles 48, 49 and 79;~~

~~(b) the Additional Tier 1 items of the institution before the deduction of the items referred to in Article 56 and before Article 79 has been applied thereto, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;~~

~~(c) the Tier 2 items of the institution before the deductions referred to in Article 66 and before the application of Article 79, having a residual maturity of one year or more, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;~~

~~(d) any other capital instruments of the institution with a residual maturity of one year or more, excluding any instruments with explicit or embedded options that, if exercised, would reduce the effective residual maturity to less than one year;~~

~~(e) any other secured and unsecured borrowings and liabilities with a residual maturity of one year or more, including term deposits, unless otherwise specified in Articles 428al to 428ao.~~

CHAPTER 7 REQUIRED STABLE FUNDING FOR THE SIMPLIFIED CALCULATION OF THE NET STABLE FUNDING RATIO [DELETED]

SECTION 1 GENERAL PROVISIONS [DELETED]

Article 428aq SIMPLIFIED CALCULATION OF THE AMOUNT OF REQUIRED STABLE FUNDING [DELETED]

~~1. Unless otherwise specified in this Chapter 7 of Title IV (The Net Stable Funding Ratio), for small and non-complex institutions the amount of required stable funding shall be calculated by multiplying the accounting value of various categories or types of assets and off-balance sheet items by the required stable funding factors to be applied in accordance with Section 2 of this Chapter. The total amount of required stable funding shall be the sum of the weighted amounts of assets and off-balance sheet items.~~

~~2. Assets that institutions have borrowed or otherwise acquired in securities financing transactions shall be subject to the required stable funding factors to be applied under Section 2 of this Chapter where those assets are accounted for on the balance sheet of the institution or where the institution is exposed to all or substantially all of the economic risk and reward in respect of those assets. Otherwise, such assets shall be excluded from the calculation of the amount of required stable funding.~~

~~3. Assets that institutions have lent or otherwise disposed of in securities financing transactions which the institution keeps on balance sheet or in respect of which the institution retains exposure to all or substantially all of the economic risk and reward, shall be considered as encumbered assets for the purposes of this Chapter 7 of Title IV (The Net Stable Funding Ratio) and shall be subject to required stable funding factors to be applied under Section 2. Otherwise, such assets shall be excluded from the calculation of the amount of required stable funding.~~

~~4. Assets that are encumbered for a residual maturity of six *months* or longer shall be assigned either the required stable funding factor that would be applied under Section 2 to those assets if they were held *unencumbered* or the required stable funding factor that is otherwise applicable to those encumbered assets, whichever factor is higher. The same shall apply where the residual maturity of the encumbered assets is shorter than the residual maturity of the transaction that is the source of encumbrance.~~

~~Assets that have less than six *months* remaining in the encumbrance period shall be subject to the required stable funding factors to be applied under Section 2 to the same assets if they were held *unencumbered*.~~

~~5. Where an institution reuses or repledges an asset that was borrowed, including in securities financing transactions, and that is accounted for off-balance sheet, the transaction through which that asset has been borrowed shall be treated as encumbered to the extent that the transaction cannot mature without the institution returning the asset borrowed.~~

~~6. The following assets shall be considered to be *unencumbered*:~~

~~(a) assets included in a pool which are available for immediate use as collateral to obtain additional funding under committed or, where the pool is operated by a central bank, uncommitted but not yet funded credit lines available to the institution;~~

~~(b) assets that the institution has received as collateral for credit risk mitigation purposes in secured lending, secured funding or collateral exchange transactions and that the institution may dispose of;~~

~~(c) assets attached as non-mandatory over-collateralisation to a covered bond issuance.~~

~~For the purposes of point (a) of the first subparagraph of this paragraph, institutions shall assume that assets in the pool are encumbered in order of increasing liquidity on the basis of the liquidity classification set out in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, starting with assets ineligible for the *liquidity buffer*.~~

~~8. Institutions shall exclude assets associated with collateral recognised as variation margin posted in accordance with point (b) of Article 428al(4) and Article 428az(2) or as initial margin posted or as contribution to the default fund of a CCP in accordance with points (a) and (b) of Article 428ay from other parts of calculation of the amount of required stable funding in accordance with this Chapter 7 of Title IV (The Net Stable Funding Ratio) in order to avoid any double counting. This paragraph 8 does not apply to collateral assets associated with excess variation margin posted and not already recognised in point (b) of Article 428al(4) or Article 428az(2), which institutions shall take into account in other parts of the calculation of the amount of required stable funding in accordance with this Chapter 7 of Title IV (The Net Stable Funding Ratio).~~

~~9. Institutions shall include in the calculation of the amount of required stable funding financial instruments, foreign currencies and commodities for which a purchase order has been executed. They shall exclude from the calculation of the amount of required stable funding financial instruments, foreign currencies and commodities for which a sale order has been executed, provided that those transactions are not reflected as derivatives or secured funding transactions on the institutions' balance sheet and that those transactions are to be reflected on the institutions' balance sheet when settled.~~

~~10. Institutions shall apply appropriate stable funding factors to off-balance sheet exposures that are not referred to in this Chapter 7 of Title IV (The Net Stable Funding Ratio) to ensure that they hold an appropriate amount of available stable funding for the portion of those exposures that are expected to require funding over the one-year horizon of the net stable funding ratio. When considering those factors, institutions shall, in particular, take into account the material reputational damage to the institution that could result from not providing that funding.~~

Article 428ar RESIDUAL MATURITY OF AN ASSET <u>[DELETED]</u>

~~1. Unless otherwise specified in this Chapter 7 of Title IV (The Net Stable Funding Ratio), institutions shall take into account the residual contractual maturity of their assets and off-balance sheet transactions when determining the required stable funding factors to be applied to their assets and off-balance sheet items under Section 2.~~

~~2. Institutions shall treat assets that have been segregated in accordance with Article 11(3) of Regulation (EU) No 648/2012 in accordance with the underlying exposure of those assets. Institutions shall, however, subject those assets to higher required stable funding factors, based on the term of encumbrance of those assets. For these purposes, segregated assets are encumbered when the institution is not able freely to dispose of or exchange such assets. Institutions shall consider the term of encumbrance to be the same as the term of the liabilities which generated the segregation requirement.~~

~~3. When calculating the residual maturity of an asset, institutions shall take options into account in a prudent manner. Institutions shall assume that the issuer or counterparty will exercise any option to extend the maturity of an asset. For options that are exercisable at the discretion of the institution, the institution shall take into account reputational factors that may limit the institution's ability not to exercise the option, in particular markets' and clients' expectations that the institution should extend the maturity of certain assets at their maturity date.~~

~~4. In order to determine the required stable funding factors to be applied in accordance with Section 2, for amortising loans with a residual contractual maturity of one year or more, the portions that mature in less than six *months* and between six *months* and less than one year~~

~~shall be treated as having a residual maturity of less than six *months* and between six *months* and less than one year respectively.~~

SECTION 2 REQUIRED STABLE FUNDING FACTORS [DELETED]

Article 428as 0% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~1. The following assets shall be subject to a 0% required stable funding factor:~~

~~(a) *unencumbered assets* that are eligible as level 1 high quality liquid assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, excluding extremely high quality covered bonds specified in that Chapter, regardless of whether they comply with the operational requirements as set out in that Chapter;~~

~~(b) all reserves held by the institution in the *Bank of England* or the *central bank of a third country*, including required reserves and excess reserves;~~

~~(c) all claims on the *Bank of England* or the *central bank of a third country* that have a residual maturity of less than six *months*;~~

~~(d) assets that are categorised as being interdependent with liabilities in accordance with Article 428f.~~

~~2. By way of derogation from point (b) of paragraph 1, institutions shall apply a higher required stable funding factor to required reserves which shall be:~~

~~(a) the required stable funding factor for required reserves that is prescribed by the national law of the third country in which the relevant central bank is located; or~~

~~(b) if there is no national law prescribing the required stable funding for required reserves, an appropriate required stable funding factor, taking into account, in particular, the extent to which reserve requirements exist over a one-year horizon and therefore require associated stable funding.~~

Article 428asa 2.5% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~Trade finance off-balance sheet related products as referred to in Annex I of the *CRR* with a residual maturity of less than one year shall be subject to a 2.5% required stable funding factor.~~

Article 428at 5% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~1. The undrawn portion of *committed credit and liquidity facilities* specified in Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook shall be subject to a 5% required stable funding factor.~~

~~2. Subject to Article 428da, for all netting sets of *derivative contracts*, institutions shall apply a 5% required stable funding factor to the absolute fair value of those netting sets of *derivative contracts*, gross of any collateral posted, where those netting sets have a negative fair value. For the purposes of this paragraph, institutions shall determine the fair value as gross of any collateral posted or settlement payments and receipts related to market valuation changes of such contracts.~~

~~3. Trade finance off-balance sheet related products as referred to in Annex I of the *CRR* with a residual maturity of one year or more shall be subject to a 5% required stable funding factor.~~

Article 428au 10% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~*Unencumbered assets* that are eligible as level 1 extremely high quality covered bonds pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook shall be subject to a 10%~~

~~required stable funding factor, regardless of whether they comply with the operational requirements and with the requirements on the composition of the *liquidity buffer* as set out in that Chapter.~~

Article 428av 20% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~*Unencumbered assets* that are eligible as level 2A assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, and *unencumbered* shares or units in CIUs pursuant to that Chapter shall be subject to a 20% required stable funding factor, regardless of whether they comply with the operational requirements and with the requirements on the composition of the *liquidity buffer* as set out in that Chapter.~~

Article 428aw 50% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~The following assets shall be subject to a 50% required stable funding factor:~~

- ~~(a) secured and unsecured loans with a residual maturity of less than one year and provided that they are encumbered less than one year;~~
- ~~(b) any other assets with a residual maturity of less than one year, unless otherwise specified in Articles 428as to 428av;~~
- ~~(c) assets encumbered for a residual maturity of at least six *months* but less than one year, except where those assets would be assigned a higher required stable funding factor in accordance with Articles 428ax, 428 axa, 428ay and 428az if they were held *unencumbered*, in which case the higher required stable funding factor that would apply to those assets if they were held *unencumbered* shall apply.~~

Article 428ax 55% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~Assets that are eligible as level 2B assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, and shares or units in CIUs pursuant to that Chapter shall be subject to a 55% required stable funding factor, regardless of whether they comply with the operational requirements and with the requirements on the composition of the *liquidity buffer* as set out in that Chapter, provided that they are encumbered less than one year. For these purposes Article 12(1)(c)(i) to (iii) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part shall be replaced with the following eligibility criteria:~~

- ~~(a) the shares form part of the Financial Times Stock Exchange 100 (FTSE 100) in the *United Kingdom* or a major stock index of a third country composed of leading companies in the relevant jurisdiction;~~
- ~~(b) the shares are denominated in the domestic currency of the institution's home jurisdiction or in the currency of the jurisdiction where the institution's liquidity risk is taken; and~~
- ~~(c) the shares have a proven record as a reliable source of liquidity in the markets (through repo or outright sale) even during stressed market conditions, i.e.:~~
  - ~~(i) a maximum decline of price over a 30-day period not exceeding 40%; or~~
  - ~~(ii) an increase in haircut over a 30-day period not exceeding 40 percentage points,~~

  ~~during a relevant period of significant liquidity stress.~~

Article 428axa 65% REQUIRED STABLE FUNDING FACTOR [DELETED]

~~1. *Unencumbered* loans secured by mortgages on residential property with a residual maturity of one year or more, provided that those loans are assigned a risk weight of 35% or less in~~

~~accordance with Chapter 2 of Title II of Part Three of the CRR, shall be subject to a 65% required stable funding factor.~~

~~2. Institutions shall apply a 65% required stable funding factor to the most senior tranche or, if the institution has retained all tranches, all tranches of *unencumbered* securitisations:~~

~~(a) with a residual maturity of one year or more;~~

~~(b) where the underlying exposures were originated by:~~

~~(i) the institution;~~

~~(ii) a subsidiary of the institution; or~~

~~(iii) a third party provided the exposures were purchased by any of the entities in paragraph (2)(b)(i) to (ii) of this Article prior to the securitisation; and~~

~~(c) whose underlying exposures would be subject to paragraph 1 of this Article had the underlying exposures not been securitised.~~

Article 428ay 85% REQUIRED STABLE FUNDING FACTOR <u>[DELETED]</u>

~~The following assets and off-balance sheet items shall be subject to a 85% required stable funding factor:~~

~~(a) any assets and off-balance sheet items, including cash, posted as initial margin for *derivative contracts* or posted as contribution to the default fund of a CCP, unless those assets would be assigned a higher required stable funding factor in accordance with Article 428az if held *unencumbered*, in which case the higher required stable funding factor that would apply to those assets if they were held *unencumbered* shall apply;~~

~~(b) *unencumbered* loans with a residual maturity of one year or more, excluding loans to *financial customers*, which are not past due for more than 90 days, unless otherwise specified in Article 428axa(1);~~

~~(c) trade finance on-balance sheet related products with non-*financial customers* with a residual maturity of one year or more;~~

~~(d) *unencumbered* securities with a residual maturity of one year or more that are not in default in accordance with Article 178 and that are not eligible as liquid assets pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, unless otherwise specified in Article 428axa(2);~~

~~(e) *unencumbered* exchange-traded equities that are not eligible as level 2B assets pursuant to Article 428ax;~~

~~(f) physically traded commodities, including gold but excluding commodity derivatives, unless otherwise specified in Article 428f;~~

~~(g) *unencumbered* loans secured by mortgages on residential property with a residual maturity of one year or more, provided that those loans are assigned a risk weight of more than 35% in accordance with Chapter 2 of Title II of Part Three of the *CRR*.~~

Article 428az 100% REQUIRED STABLE FUNDING FACTOR <u>[DELETED]</u>

~~1. The following assets shall be subject to a 100% required stable funding factor:~~

~~(a) any assets encumbered for a residual maturity of one year or more;~~

~~(b) any assets other than those referred to in Articles 428as to 428ay, including loans to *financial customers* having a residual contractual maturity of one year or more, non-~~

~~performing exposures, items deducted from own funds, fixed assets, non-exchange traded equities, retained interest, insurance assets, defaulted securities.~~

~~2. Institutions shall apply a 100% required stable funding factor to the difference, if positive, between the sum of fair values across all netting sets with positive fair value and the sum of fair values across all netting sets with negative fair value calculated in accordance with Article 428d.~~

~~The following rules shall apply to the calculation referred to in the first subparagraph:~~

~~(a) variation margin received by institutions from their counterparties shall be deducted from the fair value of a netting set with positive fair value, only up to the extent that it results in the netting set having zero fair value, where the collateral received as variation margin qualifies as a *level 1 asset* pursuant to Chapter 2 of the Liquidity Coverage Ratio (CRR) Part of the *PRA* Rulebook, excluding extremely high quality covered bonds specified in that Chapter, and where institutions are legally entitled and operationally able to reuse that collateral;~~

~~(b) all variation margin posted by institutions with their counterparties shall be deducted from the fair value of a netting set with negative fair value, only up to the extent that it results in the netting set having zero fair value.~~

5 APPLICATION OF THE NET STABLE FUNDING REQUIREMENT TO SMALL DOMESTIC DEPOSIT TAKERS AND SDDT CONSOLIDATION ENTITIES

5.1 This chapter applies only to *SDDTs* and *SDDT consolidation entities*.

5.2 An *SDDT* must comply with this chapter on an individual basis.

5.3 An *SDDT consolidation entity* must comply with this chapter on the basis of its consolidated situation and for that purpose the term *firm* shall be read as including an *SDDT consolidation entity* (if it would not otherwise be included).

5.4 The *NSFR provisions* do not apply to a *firm* where the retail deposit ratio condition in 5.5 is met.

5.5 The retail deposit ratio condition is where a *firm's* four quarter moving average of its retail deposit ratio was greater than or equal to 50% on:

(1) the most recent quarterly reporting reference date in respect of which the quarterly reporting remittance date has occurred; and

(2) on each of the three quarterly reporting reference dates preceding the quarterly reporting reference date in (1).

5.6 Where a *firm* ceases to meet the retail deposit ratio condition in 5.5 the *NSFR provisions* do not apply for a period of one year beginning with the day after the remittance date on which the *firm* ceased to meet the retail deposit ratio condition.

5.7 A *firm* must notify the *PRA* without delay where:

(1) it ceases to meet the retail deposit ratio condition in 5.5; and

(2) it meets the retail deposit ratio condition in 5.5, having previously notified the *PRA* that it ceased to do so.

5.8 For the purpose of this chapter:

(1) The quarterly reporting reference date for each quarterly reporting period is the date specified in Article 2 of the Reporting (CRR) Part for template C 68.00 at 6.277 of Annex XVIII.

(2) The quarterly reporting remittance date for each quarterly reporting period is the date specified in Article 3 of the Reporting (CRR) Part for template C 68.00 at 6.277 of Annex XVIII.

(3) The retail deposit ratio is the ratio of the *firm's* total *retail deposits* to its total funding and shall be expressed as a percentage in accordance with the following formula:

$\frac{\textbf{Total } \boldsymbol{retail\ deposits}}{\textbf{Total funding}}$ = retail deposit ratio %

where total funding means the sum of the *firm's*:

total *retail deposits*;

unsecured wholesale funding as required to be reported in row 110 column 010 of template C 68.00 at 6.277 of Annex XVIII of the Reporting (CRR) Part; and

secured wholesale funding as required to be reported in row 150 column 010 of template C 68.00 at 6.277 of Annex XVIII of the Reporting (CRR) Part.

(4) The four quarter moving average of a *firm's* retail deposit ratio equals:

$$\frac{\mathrm{RDR}_{\mathrm{Qt}-3} + \mathrm{RDR}_{\mathrm{Qt}-2} + \mathrm{RDR}_{\mathrm{Qt}-1} + \mathrm{RDR}_{\mathrm{Qt}}}{4}$$

where:

RDR is the retail deposit ratio for a quarterly reporting reference date;

Qt is the quarterly reporting reference date to which the calculation relates;

Qt-1 is the quarterly reporting reference date immediately preceding that in Qt;

Qt-2 is the quarterly reporting reference date immediately preceding that in Qt-1; and

Qt-3 is the quarterly reporting reference date immediately preceding that in Qt-2.

Annex E

Amendments to the Reporting (CRR) Part

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

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5 REPORTING REQUIREMENTS

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Article 17 REPORTING ON STABLE FUNDING

In order to report information on stable funding in accordance with point (d) of Article 430(1) of the Reporting (CRR) Part of the *PRA* Rulebook on an individual and a consolidated basis, institutions shall submit the information specified in Annex XII, in accordance with the instructions in Annex XIII, with a quarterly frequency as follows:

(a) ~~small and non-complex institutions that have chosen to calculate their net stable funding ratio using the methodology set out in Chapters 6 and 7 of Title IV of Part Six of the *CRR*, with the prior permission of their *competent authority* in accordance with Article 428ai of the *CRR*, shall submit templates C 82.00 and C 83.00 of Annex XII, in accordance with the instructions in Annex XIII~~[deleted];

(b) all ~~other~~ institutions shall submit templates C 80.00 and C 81.00 of Annex XII, in accordance with the instructions in Annex XIII;

(c) all institutions shall submit template C 84.00 of Annex XII, in accordance with the instructions in Annex XIII.

[Note: Article 17 is disapplied for *SDDTs* and *SDDT consolidation entities* by Chapter 5 of the Liquidity (CRR) Part where certain conditions are met]

CHAPTER 9 FORMAT AND FREQUENCY OF REPORTING ON ADDITIONAL LIQUIDITY MONITORING METRICS ON AN INDIVIDUAL AND A CONSOLIDATED BASIS

Article 18 FORMAT AND FREQUENCY OF REPORTING ON ADDITIONAL LIQUIDITY MONITORING METRICS ON AN INDIVIDUAL AND A CONSOLIDATED BASIS

…

2. By way of derogation from paragraph 1:~~,~~

(a) an institution that is an *SDDT* or an *SDDT consolidation entity*:

(i) may omit the information on additional liquidity monitoring metrics specified in Templates C67, C69 and C70 of Annex XVIII and Template C71 in Annex XX; and

(ii) shall report the information on additional liquidity monitoring metrics specified in Template C68 in Annex XVIII with a quarterly frequency and without distinguishing product types showing concentrations greater than 1% of total liabilities from other product types.

(b) up to and including returns remitted in relation to the reporting reference date of 30 June 2027 an institution that ~~meets all the conditions set out in point (145) of Article 4(1) of the *CRR*~~ is not an *SDDT* or an *SDDT consolidation entity* but immediately before 1 July 2024 was a small and non-complex institution and continues to be so may report the information on additional liquidity monitoring metrics with a quarterly frequency.

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6 TEMPLATES AND INSTRUCTIONS

…

Annex XII

…

6.260 ~~Annex XII Template C 82.00 can be found here.~~[Deleted]

6.261 ~~Annex XII Template C 83.00 can be found here.~~[Deleted]

…

Annex XIII

…

6.263 Annex XIII can be found ~~here~~here.

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Annex XVIII

6.277 Annex XVIII Template C 68.00 can be found ~~here~~here.

…

Annex XIX

6.280 Annex XIX can be found ~~here~~here.