

**This is a partial draft Instrument to accompany PS17/23. It includes provisions relating to 'market risk', 'CVA' and 'operational risk'. Provisions relating to credit risk will be the subject of another near-final policy statement.**

## **PRA RULEBOOK: CRR FIRMS: SDDT REGIME (INTERIM CAPITAL REGIME) INSTRUMENT 2024**

### **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);
  - (3) section 144G(1) (Disapplication or modification of CRR rules);
  - (4) section 144H(1) and (2) (Relationship with the CRR);
  - (5) section 192XA (Rules applying to holding companies); and
  - (6) section 192XC (Disapplication or modification of rules in individual cases).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) of the Act (Rule-making instruments).

### **PRA Rulebook: CRR Firms: SDDT Regime (Interim Capital Regime) Instrument 2024**

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

Part	Annex
Glossary	A
SDDT Regime – General Application	B
SDDT Regime – Interim Capital Regime	C

### **Commencement**

- D. Annexes A and B come into force on [DATE].
- E. Annex C comes into force on 1 July 2025.

### **Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: SDDT Regime (Interim Capital Regime) Instrument 2024.

**By order of the Prudential Regulation Committee**  
[DATE]

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## **Annex A**

### **Amendments to the Glossary Part**

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

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*ICR consolidation entity*

has the meaning given in SDDT Regime – General Application 4.2.

*ICR firm*

has the meaning given in SDDT Regime – General Application 4.1.

...

Near-final part 1

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## Annex B

### Amendments to the SDDT Regime – General Application Part

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

Part

## SDDT REGIME – GENERAL APPLICATION

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Chapter content

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### 4. INTERIM CAPITAL REGIME

Near-final part 1

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#### **4 INTERIM CAPITAL REGIME**

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- 4.1 An ICR firm 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 ICR firm.
- 4.2 An ICR consolidation entity means a CRR consolidation entity to which the PRA has given a waiver modifying the effect of this rule such that it is an ICR consolidation entity.
- 4.3 If a firm consents to a waiver modifying 4.1 such that the firm becomes an ICR firm, the firm must certify to the PRA that, as of the day of giving consent, the firm meets the SDDT criteria.
- 4.4 If an ICR firm 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.
- 4.5 If a CRR consolidation entity consents to a waiver modifying 4.2 such that the CRR consolidation entity becomes an ICR consolidation entity, the CRR consolidation entity must certify to the PRA that, as of the day of giving consent, the SDDT consolidation criteria are satisfied.
- 4.6 If the SDDT consolidation criteria cease to be satisfied, the ICR 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.

Near-final draft

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## **Annex C**

### **SDDT Regime – Interim Capital Regime Part**

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

**Part**

## **SDDT REGIME – INTERIM CAPITAL REGIME**

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### **Chapter content**

- 1. APPLICATION AND DEFINITIONS**
  - 2. LEVEL OF APPLICATION**
  - 3. REPRODUCED CRR PROVISIONS**
  - 4. REPRODUCED CRR PROVISIONS: MODIFICATIONS**
  - 5. REPRODUCED CRR TECHNICAL STANDARDS**
  - 6. REPRODUCED CRR TECHNICAL STANDARDS: MODIFICATIONS**
  - 7. DISAPPLICATION OF RULEBOOK AMENDMENTS**
- ANNEX 1: REPRODUCED CRR PROVISIONS AND SPECIFIC MODIFICATIONS**
- ANNEX 2: REPRODUCED CRR TECHNICAL STANDARDS AND SPECIFIC MODIFICATIONS**

Near-final part 1

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## **1 APPLICATION AND DEFINITIONS**

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1.1 Unless otherwise stated, this Part applies to:

- (1) an *ICR firm*;
- (2) an *ICR consolidation entity*.

1.2 In this Part, the following definitions shall apply:

### *CRR Amendment Regulations*

means [title of Treasury regulations which revoke or amend CRR provisions and CRR technical standards under section 3 of the Financial Services Act 2021].

### *CRR provision*

means a provision of CRR as it had effect in the UK as part of *retained EU law* immediately before the coming into force of the *CRR Amendment Regulations*.

### *CRR technical standard*

means a technical standard revoked by the *CRR Amendment Regulations* as it had effect in the UK as part of *retained EU law* immediately before it was revoked.

### *remaining CRR provision*

means a provision of the CRR that has not been revoked by the *CRR Amendment Regulations*.

### *reproduced CRR provision*

means a *CRR provision* reproduced by virtue of this Part subject to any modifications made by this Part.

### *reproduced CRR technical standard*

means a *CRR technical standard* reproduced by virtue of this Part subject to any modifications made by this Part.

### *Rulebook Amendment Instrument*

means PRA Rulebook: CRR Firms: (CRR) Instrument [2024].

1.3 For the purposes of this Part:

- (1) in a *reproduced CRR provision* or a *reproduced CRR technical standard*:
  - (a) any reference to the CRR or to any of its divisions is to be read as including each relevant *remaining CRR provision* as it had effect in the UK as part of *retained EU law* immediately before the coming into force of the *CRR Amendment Regulations* and each relevant *reproduced CRR provision*;
  - (b) any reference to a *remaining CRR provision* is to be read as a reference to that provision as it had effect in the UK as part of *retained EU law* immediately before the coming into force of the *CRR Amendment Regulations*;
  - (c) any reference to a *CRR provision* which is the basis of a *reproduced CRR provision* is to be read as a reference to the *reproduced CRR provision*; and
  - (d) any term used which is defined in a *remaining CRR provision* has the meaning given in the *remaining CRR provision* as it had effect in the UK as part of *retained EU law* immediately before the coming into force of the *CRR Amendment Regulations*; and

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- (2) any other term used in a *reproduced CRR technical standard* shall have the meaning that it had in the corresponding *CRR technical standard*.

## **2 LEVEL OF APPLICATION**

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- 2.1 Title II of Part One (Level of application) of the *CRR* as it had effect immediately before the coming into force of the *CRR Amendment Regulations* applies to Chapters 3 and 4 and Annex 1 of this Part as that Title applied to Part Three (Capital Requirements) of the *CRR* at that point.

## **3 REPRODUCED CRR PROVISIONS**

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- 3.1 For the purposes of this Part, the *CRR provisions* referred to in Column 1 of the table in Annex 1 are reproduced (as *PRA* rules) subject to the modifications specified in 4 and apply to:

- (1) an *ICR firm*;
- (2) an *ICR consolidation entity*.

[Note: each *CRR* provision referred to in Column 1, which is reinstated subject to modifications by virtue of this rule, corresponds to the relevant provision of the *CRR* as it applied immediately before revocation by the *Treasury*]

## **4 REPRODUCED CRR PROVISIONS: MODIFICATIONS**

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- 4.1 For the purposes of 3.1, the *CRR provisions* referred to in Column 1 of the table in Annex 1 are subject to any corresponding modification specified in Column 2 of that table and to the following modifications:

- (1) Modification A is that any reference to the *PRA* or the *FCA* being permitted to make technical standards is omitted, together with any provisions concerning the content and purpose of such technical standards.
- (2) Modification B is that any reference to an obligation on the *PRA* is omitted.
- (3) Modification C is that any reference to the *Treasury* making regulations is omitted, together with any provisions concerning the content and purpose of such regulations.
- (4) Modification D is that any provision concerning the granting of a waiver, approval, permission or other form of consent by the competent authority (including as to its content and purpose) is a provision applying section 144G or 192XC of *FSMA* enabling the *PRA* to give a permission to disapply or modify the rule to the extent that the *CRR provision* enabled a waiver, approval, permission or other form of consent to be granted.
- (5) Modification E is that any reference to the Internal Ratings Based Approach is omitted, together with any provisions concerning the application of that approach.

## **5 REPRODUCED CRR TECHNICAL STANDARDS**

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- 5.1 For the purposes of this Part, the *CRR technical standards* listed in Annex 2 are reproduced (as *PRA* rules) subject to the modifications specified in 6 and apply to:

- (1) an *ICR firm*;
- (2) an *ICR consolidation entity*.

[Note: each *CRR technical standard* listed in Annex 2, which is reinstated subject to modifications by virtue of this rule, corresponds to the relevant *CRR technical standard* as it applied immediately before revocation by the *Treasury*]

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## **6 REPRODUCED CRR TECHNICAL STANDARDS: MODIFICATIONS**

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6.1 For the purposes of 5.1, the *CRR technical standards* listed in Annex 2 are subject to the following modifications:

- (1) Modification A is that any reference to an obligation on the *PRA* to assess, confirm or verify a matter in relation to a *ICR firm* or *ICR consolidation entity* shall be treated as an obligation on the *ICR firm* or *ICR consolidation entity* to demonstrate or be able to demonstrate that matter to the *PRA*.
- (2) Modification B is that any provision concerning the granting of a waiver, approval, permission or other form of consent by the competent authority (including as to its content and purpose) is a provision applying section 144G or 192XC of *FSMA* enabling the *PRA* to give a permission to disapply or modify the rule to the extent the *CRR provision* enabled a waiver, approval, permission or other form of consent to be granted.
- (3) Modification C is that any reference to the Internal Ratings Based Approach is omitted, together with any provisions concerning the application of that approach.

## **7 DISAPPLICATION OF RULEBOOK AMENDMENTS**

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7.1 The following provisions apply to a *ICR firm* and a *ICR consolidation entity* as they stood immediately before the commencement of the *Rulebook Amendment Instrument* (and not as amended or modified by the *Rulebook Amendment Instrument* or any provision of a rule-making instrument that comes into force at the same time as, or later than, the *Rulebook Amendment Instrument*):

- (1) Trading Book (CRR) Part 1.2;
- (2) Trading Book (CRR) Part 2;
- (3) Trading Book (CRR) Part 3;
- (4) Trading Book (CRR) Part Articles 103 - 106;
- (5) Trading Book (CRR) Part Article 17;
- (6) Market Risk Part;
- (7) Credit Valuation Adjustment Risk (CRR) Part;
- (8) Counterparty Credit Risk (CRR) Part 1.2;
- (9) Counterparty Credit Risk (CRR) Part Article 274;
- (10) Counterparty Credit Risk (CRR) Part Article 306;
- (11) Counterparty Credit Risk (CRR) Part Article 308;
- (12) Counterparty Credit Risk (CRR) Part Article 309;
- (13) Benchmarking of Internal Approaches Part 2.1; and
- (14) Operational Risk (CRR) Part.

7.2 7.1 does not apply to the extent that an amendment or modification of a rule listed in 7.1 is expressed specifically to apply to a *ICR firm* or a *ICR consolidation entity*.



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**ANNEX 1: REPRODUCED CRR PROVISIONS AND SPECIFIC MODIFICATIONS**

<b>CRR Provision</b>	<b>Modification</b>
Article 312	[Note: Paragraphs (1) and (2) are subject to Modification D] [Note: These are permissions under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (4) is subject to Modification A]
Article 313	[Note: Paragraphs (2) and (3) is subject to Modification D] [Note: These are permissions under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 314	[Note: Paragraphs (1), (2), (3) and (4) are subject to Modification D] [Note: These are permissions under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (5) is subject to Modification A]
Article 315	[Note: Paragraph (3) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 317	[Note: Paragraph (4) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 318	[Note: Paragraph (3) is subject to Modification A]
Article 319	[Note: Paragraph (2) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 320	
Article 321	
Article 322	
Article 323	[Note: Paragraph (1) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] Article 323 is modified to omit the following text from Paragraph (2): 'which has been determined by the competent authority to be' and to insert 'is'.
Article 324	
Article 325	
Article 325b	[Note: This Article is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 326	
Article 327	Article 327 is modified to omit Paragraph (2).
Article 328	
Article 329	[Note: Paragraph (1) is subject to Modification D]

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	[Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (3) is subject to Modification A]
Article 330	
Article 331	[Note: Paragraph (1) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 332	
Article 333	
Article 334	
Article 335	
Article 336	[Note: Paragraph (2) is subject to Modification E]
Article 337	[Note: Paragraph (2) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (2) is subject to Modification E]
Article 338	
Article 339	
Article 340	
Article 341	[Note: Paragraph (3) is subject to Modification A]
Article 342	
Article 343	
Article 344	[Note: Paragraph (1) is subject to Modification A]
Article 345	
Article 346	
Article 347	
Article 348	
Article 349	
Article 350	
Article 351	
Article 352	[Note: Paragraphs (1) and (2) are subject to Modification D] [Note: These are permissions under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (6) is subject to Modification A]
Article 353	
Article 354	Article 354 is modified to insert the following text at the end of Paragraph (1):  'An institution may determine the list of currencies for which the treatment set out in this paragraph is available, based on the following criteria:

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	<p>(a) daily percent currency movement shall be calculated on the basis of the following formula:</p> $\% \text{ Change} = \ln(\text{exchange}_t) - \ln(\text{exchange}_{t-1})$ <p>where:</p> <p>exchange = relevant currency pair</p> <p>(b) the resulting percentage shall be compared to the threshold of the maximum daily change in value within a pair of currencies of 1.265%. Any values exceeding this threshold shall be treated as breaches of the 4%, 10-day maximum loss;</p> <p>(c) only the unmatched positions in currencies shall be incorporated into the overall net open position in accordance with paragraph 4 of Article 352.'</p> <p>[Note: Paragraph (3) is subject to Modification A]          [Note: Paragraph (6) is subject to Modification D]          [Note: This is a permission under section 144G and 192XC of FSMA to which Part 9 of the <i>Capital Requirements Regulations</i> applies]</p>
Article 355	
Article 356	
Article 357	
Article 358	<p>[Note: Paragraph (3) is subject to Modification D]          [Note: This is a permission under section 144G and 192XC of FSMA to which Part 9 of the <i>Capital Requirements Regulations</i> applies]          [Note: Paragraph (4) is subject to Modification A]</p>
Article 359	
Article 360	
Article 361	
Article 362	
Article 363	<p>[Note: Paragraphs (1), (2) and (3) are subject to Modification D]          [Note: These are permissions under section 144G and 192XC of FSMA to which Part 9 of the <i>Capital Requirements Regulations</i> applies]          [Note: Paragraph (4) is subject to Modification A]</p>
Article 364	
Article 365	
Article 366	Article 366 is modified to omit Paragraph (4).
Article 367	
Article 368	
Article 369	
Article 370	
Article 371	
Article 372	
Article 373	[Note: This Article is subject to Modification D]

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	[Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 374	
Article 375	
Article 376	
Article 377	[Note: Paragraph (1) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies]
Article 381	
Article 382 (1), (2), (3), (4a), (4c), 4(d) and (5)	Article 382 is modified to omit the following text from Paragraph (2) 'the competent authority determines that the institution's' and to insert 'its'. [Note: Paragraph (5) is subject to Modification A]
Article 383	[Note: Paragraph (4) is subject to Modification D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (7) is subject to Modification A]
Article 384	[Note: Paragraph (1) is subject to Modification E]
Article 386	Article 386 is modified to omit the following text from Paragraph (1): 'If the basis between any individual counterparty spread and the spreads of index credit default swap hedges is not reflected to the satisfaction of the competent authority, then an institution shall reflect only 50 % of the notional amount of index hedges in the value-at-risk and the stressed value-at-risk.'
Article 482	
Article 501	[Note: Paragraph (1) is subject to Modification E]
Article 501a	
Annex I	
Article 92	
Article 107(1) and (2)	[Note: Paragraph (1) is subject to Modifications D] [Note: This is a permission under section 144G and 192XC of <i>FSMA</i> to which Part 9 of the <i>Capital Requirements Regulations</i> applies] [Note: Paragraph (1) is subject to Modification E]

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**ANNEX 2: REPRODUCED CRR TECHNICAL STANDARDS AND SPECIFIC MODIFICATIONS**

**Commission Delegated Regulation (EU) No 2018/959**

<b>CRR Technical Standard</b>	<b>Modification</b>
Article 1	[Note: This Article is subject to Modification A]
Article 2	
Articles 3 to 44	[Note: These Articles are subject to Modification A]
Article 7	Article 7 is modified to omit Paragraph (2).
Article 15	[Note: Paragraph (2) is subject to Modification B] [Note: This is a permission under section 144G and 192XC of FSMA to which Part 9 of the <i>Capital Requirements Regulations</i> applies]

**Commission Delegated Regulation (EU) No 529/2014**

<b>CRR Technical Standard</b>	<b>Modification</b>
Article 3	Article 3 is modified to omit the following text from Paragraph (6): 'within a period to be agreed with the competent authority'.
Article 4	This Article is omitted.
Article 5	This Article is omitted.
Article 6	
Article 7	
Article 8	[Note: This Article is subject to Modification C]
Annex I	This Annex is omitted.

**Commission Delegated Regulation (EU) 525/2014**

**Commission Delegated Regulation (EU) 526/2014**

**Commission Delegated Regulation (EU) 528/2014**

**Commission Implementing Regulation (EU) 2197/2015**

**Commission Implementing Regulation (EU) No 2016/2070**

**Commission Delegated Regulation (EU) 2018/728**

**Commission Implementing Regulation (EU) 2091/2019**