

PRA RULEBOOK: CRR FIRMS: LARGE EXPOSURE OMNIBUS INSTRUMENT 2025

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 (Disapplication or modification of CRR rules in individual cases);
 - (4) section 144H (Relationship with the capital requirements regulation);
 - (5) section 192J (Rules requiring provision of information by parent undertakings);
 - (6) section 192XA (Rules applying to holding companies); and
 - (7) 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) (Rule-making instrument) of the Act.

PRA Rulebook: CRR Firms: Large Exposure Omnibus Instrument 2025

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

Part	Annex
Large Exposures	A
Large Exposures (CRR)	B
Large Exposures (CRR)	C
Reporting (CRR)	D

Commencement

- D. Annexes A, B and D come into effect on [1 June 2025].
- E. Annex C comes into effect on [1 January 2026].

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Large Exposure Omnibus Instrument 2025.

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Large Exposures Part

This Part is deleted.

LARGE EXPOSURES [DELETED]

This Part has been deleted in its entirety.

Annex B

Amendments to the Large Exposures (CRR) Part

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

1 APPLICATION AND DEFINITIONS

1.1 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:

~~(a)~~ *exposure*

means any asset or off balance sheet item referred to in Part Three, Title II, Chapter 2 of ~~the CRR~~, without applying the risk weights or degrees of risk, but excludes the assets and off balance sheet items listed in Article 390(6).

[Note: This definition corresponds to Article 389 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Higher NCLEG exemption

means the exemption in Article 400(5) that arises from a *firm* having obtained a *Higher NCLEG permission*.

Higher NCLEG permission

means a permission given by the *PRA* to apply the *Higher NCLEG exemption* under Article 400(2)(c).

~~(b)~~ *large exposure*

means ~~a *firm's* an institution's~~ *exposure* to a client or group of connected clients where the value of the *exposure* is equal to or exceeds 10% of its *Tier 1 capital*.

[Note: This definition corresponds to Article 392 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

legacy NCLEG permission

means a *legacy NCLEG non-trading book permission* or a *legacy NCLEG trading book permission*.

legacy NCLEG non-trading book permission

means a permission given by the *PRA* to apply the *NCLEG non-trading book exemption* under one of the following:

(a) prior to *IP completion day*, Article 400(2)(c) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

(b) from *IP completion day* to 31 December 2021, Article 400(2)(c) of *CRR*; or

(c) on or after 1 January 2022 and on or before [31 May 2025], Article 400(2)(c).

legacy NCLEG trading book permission

means a permission given by the *PRA* to apply the *NCLEG trading book exemption* under one of the following:

(a) prior to *IP completion day*, Article 400(2)(c) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

(b) from *IP completion day* to 31 December 2021, Article 400(2)(c) of *CRR*; or

(c) on or after 1 January 2022 and on or before [31 May 2025], Article 400(2)(c).

legacy sovereign large exposures exemption

means the exemption in 3.1 of the Large Exposures Part, as it had effect on [31 May 2025]).

legacy sovereign large exposures permission

means a permission given by the *PRA* to apply the *legacy sovereign large exposures exemption* under one of the following:

(a) prior to *IP completion day*, Article 400(2)(g) or (h) of Regulation of the European Parliament and of the Council (575/2013/EU) on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

(b) from *IP completion day* to 31 December 2021, Article 400(2)(g) or (h) of *CRR*; or

(c) on or after 1 January 2022 and on or before [31 May 2025], Article 400(2)(g) or (h).

NCLEG exemption

means the exemption in Article 400(5) that arises from a *firm* having obtained an *NCLEG permission*.

NCLEG non-trading book exemption

means the exemption in 2.1 of the Large Exposures Part, as it had effect on [31 May 2025].

NCLEG permission

means on or after [1 June 2025] a permission given by the *PRA* to apply the *NCLEG exemption* under Article 400(2)(c).

NCLEG trading book exemption

means the exemption in 2.2 of the Large Exposures Part, as it had effect on [31 May 2025].

non-core large exposures group or NCLEG

means all counterparties that:

- (a) are listed in a firm's NCLEG permission, Higher NCLEG permission or legacy NCLEG permission (as applicable); and
- (b) in relation to a firm, satisfy the applicable conditions in Article 400(5) to (6C).

resolution exemption

means the exemption in Article 400(1A).

resolution exposure

means an exposure to resolution liabilities that ensures that losses can be absorbed and passed from the *firm* to its resolution entity.

resolution liabilities

means liabilities that meet the following criteria:

- (a) the instrument that creates the liabilities must be issued and fully paid up;
- (b) the liabilities are not secured or guaranteed by, the firm, its parent undertaking or any subsidiaries of the firm or its parent undertaking;
- (c) the liabilities have a minimum effective remaining maturity of one year (where liabilities include an incentive to redeem, the maturity date shall, for the purposes of determining eligibility, be considered to be the date at which the incentive arises);
- (d) the liabilities do not depend on derivatives for their value (put or call options will not in and of themselves be sufficient to disqualify a liability for this purpose absent any other dependency on derivatives);
- (e) the liabilities are not subject to contractual set-off or netting arrangements;
- (f) the liabilities are able to absorb losses and recapitalise the issuer of the liability, such as through being written down and/or converted to equity, without the use of stabilisation or resolution powers at the level of the issuer of the liability;
- (g) the liabilities are subordinated to the operating liabilities of the issuer; and
- (h) the liabilities do not take the form of equity.

trading book exposure allocation

means the allocation in Article 400(6B)(a) or (b) (as applicable).

1.2A To the extent that the rules in this Part are not CRR rules, rule 2.13 of the Interpretation Part shall apply to the rules as if they were CRR rules.

1.3 For the purposes of calculating the value of *exposures* in accordance with this Part the term 'institution' shall include a private or public *undertaking*, including its branches, which, were it established in the *United Kingdom*, would fulfil the definition of the term 'institution' and has been authorised in a *third country* that applies prudential supervisory and regulatory requirements determined by the *Treasury* to be at least equivalent to those applied in the *United Kingdom*.

[Note: Rule 1.3 corresponds to the first subparagraph of Article 391 of ~~the CRR~~. The second subparagraph of Article 391 containing the power for the *Treasury* to determine equivalence remains in ~~the CRR~~. The third subparagraph of Article 391 of ~~the CRR~~ contains transitional provisions]

1.4 For the purposes of Chapter 5 of this Large Exposures (CRR) Part of the *PRA* Rules the following definitions shall apply:

(a) '*transactions*'

mean transactions referred to in points (m) and (o) of Article 112 of ~~the CRR~~ and other transactions where there is an *exposure* to underlying assets;

(b) '*unknown client*'

means a single hypothetical client to which the ~~firm~~institution assigns all *exposures* for which it has not identified the obligor, provided that Article 6(2)(a) and (b) and Article 6(3)(a) of Chapter 5 of this ~~Large Exposures (CRR)~~ Part are not applicable.

[Note: This rule corresponds to Article 2 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

2.1 ~~An institution shall~~ A firm must comply with this Part on an individual basis.

[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of ~~the CRR~~ that applies to this Part]

2.2 Where ~~an institution~~ a firm has been given permission under Article 9(1) of ~~the CRR~~ it ~~shall~~ must incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.

[Note: Rule 2.2 applies Article 9(1) of ~~the CRR~~ to this Part where a permission under that Article has been given]

2.3 But rule 2.1 ~~shall~~ does not apply to the second and third paragraphs of Article 394(1), to Article 394(2) and to the third paragraph of Article 395(1), which obligations shall only be complied with on a consolidated basis~~consolidated basis~~.

Application of requirements on a consolidated basis

2.4 A *CRR consolidation entity* ~~shall~~ must comply with this Part on the basis of its consolidated situation.

[Note: Rule 2.4 sets out an equivalent provision to the first sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

2.5 For the purposes of applying this Part on a ~~consolidated basis~~ consolidated basis, the terms '*firm*', '*institution*' and '*UK parent institution*' shall include a *CRR consolidation entity* (if it would not otherwise have been included).

[Note: Rule 2.5 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of ~~the CRR~~ that applies to this Part]

2.6 The expression '*consolidated situation*' applies for the purposes of this Part as it does for the purposes of Part Two and Three of ~~the CRR~~.

[Note: The term '*consolidation situation*' is defined in Article 4(1)(47) of ~~the CRR~~]

Application of requirements on a sub-consolidated basis

2.7 ~~An institution~~ A firm that is required to comply with Parts Two and Three of ~~the CRR~~ on a sub-consolidated basis, ~~shall~~ must comply with this Part on the same basis.

[Note: This rule sets out Article 11(6) of ~~the CRR~~ that it applies to this Part]

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS

3.1 A *CRR consolidation entity* and ~~an institution~~ a firm ~~shall~~ must set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part ~~is~~ are duly processed and forwarded.

[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

3.2 A *CRR consolidation entity* and ~~an institution~~ a firm ~~shall~~ must ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.

[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

3.3 ~~An institution shall~~ A firm must monitor and control its *large exposures* in accordance with this Part.

[Note: Rule 3.3 corresponds to Article 387 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

3.4 A firm must have sound administrative and accounting procedures and adequate *internal control* mechanisms for the purposes of identifying, managing, monitoring, reporting and recording all *large exposures* and subsequent changes to them, in accordance with this Part.

[Note: This rule corresponds to Article 393 of *CRR* as it applied immediately before revocation by the *Treasury*]

4 LARGE EXPOSURES (PART FOUR CRR)

Article 387 SUBJECT MATTER

[Note: Provision left blank]

[Note: Refer to rule 3.3]

Article 388 NEGATIVE SCOPE

[Note: Provision left blank]

[Note: Refer to rule 1.1]

Article 389 DEFINITION

[Note: Provision left blank]

[The definition of “exposures” formerly contained in Article 389 of the CRR is in rule 1.2]

Article 390 CALCULATION OF EXPOSURE VALUE

...

2. The overall *exposures* to individual clients shall be calculated by adding the *exposures to the relevant individual client* in the trading book and the *exposures to the relevant individual client* in the non-trading book.
3. For *exposures* in the trading book, ~~institutions~~ a firm may:
 - (a) offset ~~their~~ its long positions and short positions in the same financial instruments issued by a given client, with the net position in each of the different instruments being calculated in accordance with the methods laid down in Chapter 2 of Title IV of Part Three of CRR;
 - (b) offset ~~their~~ its long positions and short positions in different financial instruments issued by a given client, but only where the financial instrument underlying the short position is junior to the financial instrument underlying the long position or where the underlying instruments are of the same seniority.

For the purposes of points (a) and (b), financial instruments may be allocated into buckets on the basis of different degrees of seniority in order to determine the relative seniority of positions.

4. ~~Institutions shall~~ A firm must calculate the exposure values of the derivative contracts listed in Annex II of ~~the CRR~~ and of credit derivative contracts directly entered into with a client in accordance with one of the methods set out in Sections 3, 4 and 5 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook~~Sections 3, 4 and 5 of Chapter 6 of Title II of Part Three,~~ as applicable. The exposure value for securities financing transactions ~~shall~~ must be calculated by a firm in accordance with the methods referred to in Section 4 of Chapter 4 of Title II of Part Three of CRR, as applicable. *Exposures* resulting from the transactions referred to in Articles 378, 379 and 380 of CRR ~~shall~~ must be calculated by a firm in the manner laid down in those Articles.

When calculating the exposure value for the contracts referred to in the first subparagraph, where those contracts are allocated to the trading book, ~~institutions shall~~ a firm must also comply with the principles set out in Article 299 of CRR.

By way of derogation from the first subparagraph, ~~a firm~~ institutions with permission to use the method referred to in Section 6 of Chapter 6 of Title II of Part Three of CRR may use that method for calculating the exposure value for securities financing transactions.

5. ~~Institutions shall~~ A firm must add to the total *exposure* to a client the *exposures* arising from derivative contracts listed in Annex II of ~~the CRR~~ and credit derivative contracts, where the contract was not directly entered into with that client but the underlying debt or equity instrument was issued by that client.

6. For the purposes of this Part, the term *exposures* ~~Exposures shall~~ does not include any of the following:
...
 - (d) in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking, intra-day *exposures* to institutions providing those services; and
 - (e) *exposures* deducted from Common Equity Tier 1 items or Additional Tier 1 items in accordance with Articles 36 of the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook and Article 56 of CRR or any other deduction from those items that reduces the solvency ratio.

7. To determine the overall *exposure* to a client or a group of connected clients, in respect of clients to which the institution has *exposures* through transactions referred to in points (m) and (o) of Article 112 of CRR or through other transactions where there is an *exposure* to underlying assets, an institution shall assess its underlying *exposures* taking into account the economic substance of the structure of the transaction and the risks inherent in the structure of the transaction itself, in order to determine whether it constitutes an additional *exposure*.

8. [~~Note: Provision left blank.~~ Rules for determining the overall *exposure* to a client or a group of connected clients corresponding to Delegated Regulation 2014/1187 are set out in Chapter 5 of this Part]

9. [~~Note: Provision left blank.~~]~~[Deleted]~~

[Note: This rule corresponds to Article 390 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 391 DEFINITION OF AN INSTITUTION FOR LARGE EXPOSURE PURPOSES

[Note: Article 391 is enacted in rule 1.3 of this Part]

Article 392 DEFINITION OF LARGE EXPOSURE

[Note: Article 392 is enacted in the definition of *large exposure* in rule 1.2 of this Part]

Article 393 CAPACITY TO IDENTIFY AND MANAGE LARGE EXPOSURES ~~[DELETED]~~

~~An institution shall have sound administrative and accounting procedures and adequate *internal control* mechanisms for the purposes of identifying, managing, monitoring, reporting and recording all *large exposures* and subsequent changes to them, in accordance with this Part.~~

~~[Note: This rule corresponds to Article 393 of the *CRR* as it applied immediately before revocation by the *Treasury*.]~~

Article 394 REPORTING REQUIREMENTS

1. ~~Institutions shall~~ A firm must report the following information to their ~~competent authority~~ PRA for each *large exposure* that ~~they~~ it holds, including *large exposures* exempted from the application of Article 395(1):

- (a) the identity of the client or the group of connected clients to which the ~~institution~~ firm has a *large exposure*;
- (b) the exposure value before taking into account the effect of the credit risk mitigation, where applicable;
- (c) where used, the type of funded or unfunded credit protection; and
- (d) the exposure value, after taking into account the effect of the credit risk mitigation calculated for the purposes of Article 395(1), where applicable.

~~Institutions~~ A firm that ~~are~~ is subject to Chapter 3 of Title II of Part Three of *CRR* shall ~~must~~ report their its 20 largest *exposures* to their ~~competent authority~~ PRA on a consolidated ~~consolidated~~ basis, excluding the *exposures* exempted from the application of Article 395(1).

~~Institutions shall~~ A firm must also report to the PRA *exposures* of a value greater than or equal to GBP 260 million but less than 10% of the ~~institution's~~ firm's *Tier 1 capital* to their ~~competent authority~~ on a consolidated ~~consolidated~~ basis.

2. In addition to the information referred to in paragraph 1 of this Article, ~~institutions shall~~ a firm must report the following information to their ~~competent authority~~ PRA in relation to their its 10 largest *exposures* to institutions on a consolidated ~~consolidated~~ basis, as well as their 10 largest *exposures* to shadow banking entities which carry out banking activities outside the regulated framework on a consolidated ~~consolidated~~ basis, including *large exposures* exempted from the application of Article 395(1):

- (a) the identity of the client or the group of connected clients to which ~~an institution~~ the firm has a *large exposure*;
- (b) the exposure value before taking into account the effect of the credit risk mitigation, when applicable;
- (c) where used, the type of funded or unfunded credit protection; and
- (d) the exposure value after taking into account the effect of the credit risk mitigation calculated for the purpose of Article 395(1), where applicable.

3. ~~Institutions shall~~ A firm must report the information referred to in paragraphs 1 and 2 to their ~~competent authority~~ PRA on at least a semi-annual basis.

4. ~~[Note: Provision left blank]~~~~[Deleted]~~

[Note: This rule corresponds to Article 394 of the CRR as it applied immediately before revocation by the Treasury.]

Article 395 LIMITS TO LARGE EXPOSURES

1. ~~An institution shall~~A firm must not incur an *exposure*, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or group of connected clients the value of which exceeds 25% of its *Tier 1 capital*. Where that client is an institution or an investment firm or where a group of connected clients includes one or more institutions or investment firms, that value shall not exceed 25% of the ~~institution's~~firm's *Tier 1 capital* or GBP 130 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25% of the institution's *Tier 1 capital*.

[Note: IFR 2019/2033 added “or an investment firm” and “or investment firms” to 1]

Where the amount of GBP 130 million is higher than 25% of the ~~institution's~~firm's *Tier 1 capital*, the value of the *exposure*, after having taken into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of this Part, ~~shall~~must not exceed a reasonable limit in terms of the ~~institution's~~firm's *Tier 1 capital*. That limit ~~shall~~must be determined by the ~~institution~~firm in accordance with the policies and procedures referred to in Internal Capital Adequacy Assessment 6.1 required to address and control concentration risk. That limit ~~shall~~must not exceed 100% of the ~~institution's~~firm's *Tier 1 capital*.

By way of derogation from the first subparagraph of this paragraph, a *G-SII* shall not incur an *exposure* to another *G-SII* or to a *non-UK G-SII*, the value of which, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, exceeds 15% of its *Tier 1 capital*. A *G-SII* ~~shall~~must comply with such limit no later than 12 ~~months~~months from the date on which it came to be identified as a *G-SII*. Where the *G-SII* has an *exposure* to another institution or group which comes to be identified as a *G-SII* or as a *non-UK G-SII*, it shall comply with such limit no later than 12 ~~months~~months from the date on which that other institution or group came to be identified as a *G-SII* or as a *non-UK G-SII*.

1A. ~~[Note: Provision left blank]~~~~[Deleted]~~

3. Subject to Article 396, ~~an institution shall~~a firm must at all times comply with the relevant limit laid down in paragraph 1.

...

5. The limits laid down in this Article may be exceeded for ~~exposures in the~~incurred by a firm to its parent undertaking (including through participations or other kinds of holdings), other subsidiaries of that parent undertaking or to its own subsidiaries and qualifying holdings in the firm's ~~institution's~~ trading book, provided that all the following conditions are met:

(a) the firm's total exposures in the non-trading book to ~~these entities~~client or group of connected clients in question ~~does do~~ not exceed the limit laid down in paragraph 1, this limit being calculated with reference to *Tier 1 capital*, so that the excess arises entirely in the trading book;

- (b) ~~the institution~~firm meets an additional own funds requirement ~~in respect of~~ the part of the exposures in excess of the limit laid down in paragraph 1 of this Article equal to 100% ~~of the amount of that excess which is calculated in accordance with Articles 397 and 398;~~ and
- (c) ~~where 10 days or less have elapsed since the excess referred to in point (b) occurred, the total trading-book exposures to these client or group of connected clients/entities in question does~~does not exceed ~~85%~~500% of the ~~institution's~~firm's Tier 1 capital;
- (d) ~~any excesses that have persisted for more than 10 days do not, in aggregate, exceed 600% of the institution's Tier 1 capital.~~[Deleted]

~~Each time the limit has been exceeded, the institution shall report to the competent authority without delay the amount of the excess and the name of the client concerned and, where applicable, the name of the group of connected clients concerned.~~

6. ~~[Note: Provision left blank]~~[Deleted]

[Note: This rule corresponds to Article 395 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 396 COMPLIANCE WITH LARGE EXPOSURES REQUIREMENTS

1. If, in an exceptional case, exposures exceed the limit set out in Article 395(1), ~~the institution shall~~the firm must report the value of the exposure without delay to the PRA~~competent authority~~ which may, where the circumstances warrant it, allow the ~~institution~~firm a limited period of time in which to comply with the limit.

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

Where the amount of GBP 130 million referred to in Article 395(1) is applicable, the PRA~~competent authority~~ may allow the 100% limit in terms of the ~~institution's~~firm's Tier 1 capital to be exceeded on a case-by-case basis.

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

Where, in the exceptional cases referred to in the first and second subparagraph of this paragraph, ~~the PRA a competent authority allows an institution a firm~~the firm to exceed the limit set out in Article 395(1) for a period longer than *three months*, the ~~institution shall~~firm must present a satisfactory plan for a timely return to compliance within that limit and ~~shall~~must carry out that plan within the period agreed with the PRA~~competent authority~~.

2. Where compliance by ~~an institution a firm~~the firm on an individual or sub-consolidated basis with the obligations imposed in this Part is waived under Article 7(1), or the provisions of Article 9 are applied in the case of parent institutions, measures ~~must~~shall be taken to ensure the satisfactory allocation of risks within the group.

[Note: This rule corresponds to Article 396 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 397 CALCULATING ADDITIONAL OWN FUNDS REQUIREMENTS FOR LARGE EXPOSURES IN THE TRADING BOOK [DELETED]

1. ~~The excess referred to in Article 395(5)(b) shall be calculated by selecting those components of the total trading exposure to the client or group of connected clients in question which attract the highest specific-risk requirements in Part Three, Title IV, Chapter 2 and/or requirements in Article 299 and Part Three, Title V, the sum of which equals the amount of the excess referred to in point (a) of Article 395(5).~~

2. ~~Where the excess has not persisted for more than 10 days, the additional capital requirement shall be 200% of the requirements referred to in paragraph 1, on these components.~~

3. ~~As from 10 days after the excess has occurred, the components of the excess, selected in accordance with paragraph 1, shall be allocated to the appropriate line in Column 1 of Table 1 in ascending order of specific-risk requirements in Part Three, Title IV, Chapter 2 and/or requirements in Article 299 and Part Three, Title V. The additional own funds requirement shall be equal to the sum of the specific-risk requirements in Part Three, Title IV, Chapter 2 and/or the Article 299 and Part Three, Title V requirements on these components, multiplied by the corresponding factor in Column 2 of Table 1. [Deleted]~~

Table 1:

Column 1: Excess over the limits (on the basis of a percentage of Tier 1 capital)	Column 2: Factors
Up to 40%	200%
From 40% to 60%	300%
From 60% to 80%	400%
From 80% to 100%	500%
From 100% to 250%	600%
Over 250%	900%

~~[Note: This rule corresponds to Article 397 of the CRR as it applied immediately before revocation by the Treasury.]~~

Article 398 PROCEDURES TO PREVENT INSTITUTIONS FROM AVOIDING THE ADDITIONAL OWN FUNDS REQUIREMENT [DELETED]

~~Institutions shall not deliberately avoid the additional own funds requirements set out in Article 397 that they would otherwise incur, on exposures exceeding the limit laid down in Article 395(1) once these exposures have been maintained for more than 10 days, by means of temporarily transferring~~

~~the exposures in question to another company, whether within the same group or not, and/or by undertaking artificial transactions to close out the exposure during the 10-day period and create a new exposure.~~

~~Institutions shall maintain systems which ensure that any transfer which has the effect referred to in the first subparagraph is immediately reported to the competent authority. [Deleted]~~

~~[Note: This rule corresponds to Article 398 of the CRR as it applied immediately before revocation by the Treasury.]~~

Article 399 ELIGIBLE CREDIT RISK MITIGATION TECHNIQUES

- ~~An institution shall~~ A firm must use a credit risk mitigation technique in the calculation of an *exposure* where it has used that technique to calculate capital requirements for credit risk in accordance with Title II of Part Three of CRR, provided that the credit risk mitigation technique meets the conditions set out in this Article.

For the purposes of Articles 400 to 403 the term 'guarantee' ~~shall include~~ credit derivatives recognised under Chapter 4 of Title II of Part Three of CRR other than credit linked notes.

- ~~Subject to paragraph 3 of this Article, where, under Articles 400 to 403 the recognition of funded or unfunded credit protection in accordance with Articles 400 to 403 is only permitted if, this shall be subject to compliance with the eligibility requirements and other requirements set out in Part Three, Title II, Chapter 4 are met.~~
- ~~Credit risk mitigation techniques which are available only to institutions~~ if a firm is permitted to use one of the IRB approaches ~~shall~~ must not be used to reduce exposure values for *large exposure* purposes, ~~except for exposures secured by immovable properties in accordance with Article 402.~~
- ~~Institutions~~ A firm must ~~shall~~ analyse, to the extent possible, ~~their~~ its *exposures* to collateral issuers, providers of unfunded credit protection and underlying assets pursuant to Article 390(7) for possible concentrations and where appropriate take action and report any significant findings to ~~their competent authority~~ the PRA.

~~[Note: This rule corresponds to Article 399 of the CRR as it applied immediately before revocation by the Treasury.]~~

Article 400 EXEMPTIONS

- The following *exposures* shall be exempted from the application of Article 395(1):
 - asset items constituting claims on central governments, central banks or public sector entities which, unsecured, would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - asset items constituting claims on international organisations or multilateral development banks which, unsecured, would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - asset items constituting claims carrying the explicit guarantees of central governments, central banks, international organisations, multilateral development banks or public sector

- entities, where unsecured claims on the entity providing the guarantee would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
- (d) other *exposures* attributable to, or guaranteed by, central governments, central banks, international organisations, multilateral development banks or public sector entities, where unsecured claims on the entity to which the *exposure* is attributable or by which it is guaranteed would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - (e) asset items constituting claims on regional governments or local authorities of the *United Kingdom* where those claims would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR and other *exposures* to or guaranteed by those regional governments or local authorities, claims on which would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - (f) *exposures* to counterparties referred to in Article 113(6) or (7) of CRR if they would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR. *Exposures* that do not meet those criteria, whether or not exempted from Article 395(1) ~~shall~~must be treated as *exposures* to a third party;
 - (g) asset items and other *exposures* secured by collateral in the form of cash deposits placed with the lending institution or with an institution which is the *parent undertaking* or a subsidiary of the lending institution;
 - (h) asset items and other *exposures* secured by collateral in the form of certificates of deposit issued by the lending institution or by an institution which is the *parent undertaking* or a subsidiary of the lending institution and lodged with either of them;
 - (i) *exposures* arising from undrawn credit facilities that are classified as low-risk off-balance sheet items in Annex I of ~~the~~ CRR and provided that an agreement has been concluded with the client or group of connected clients under which the facility may be drawn only if it has been ascertained that it will not cause the limit applicable under Article 395(1) to be exceeded;
 - (j) clearing members' trade *exposures* and default fund contributions to ~~qualified~~qualifying central counterparties;
 - (k) ~~*exposures* to the UK deposit guarantee scheme arising from the funding of that scheme;~~[deleted]
 - (l) clients' trade *exposures* referred to in Article 305(2) or (3) of the Counterparty Credit Risk (CRR) Part.

1A. A firm must exclude from the limit in Article 395(1) resolution exposures to:

- (a) its parent undertaking;
- (b) other subsidiaries of that parent undertaking; or
- (c) its own subsidiaries.

in so far as those undertakings are covered by the supervision on a consolidated basis to which the firm itself is subject, in accordance with CRR, provisions implementing Directive 2002/87/EC or with equivalent standards in force in a third country.

1B. Cash received under a credit linked note issued by the ~~firm~~institution and loans and deposits of a counterparty to or with the ~~firm~~institution which are subject to an on-balance sheet netting agreement recognised under Part Three, Title II, Chapter 4 of CRR shall be deemed to fall under point (g) of paragraph 1 of this Article.

2. ~~A firm may with the prior permission of the~~The ~~PRA~~competent authority may permit an institution to treat as fully or partially exempt from the application of Article 395(1) the following types of exposures:

(a) ~~[Note: Provision left blank];[Deleted]~~

(b) ~~[Note: Provision left blank];[Deleted]~~

(c) exposures incurred by ~~an institution~~a *firm*, including through participations or other kinds of holdings, to its *parent undertaking*, to other subsidiaries of that *parent undertaking*, or to its own subsidiaries and qualifying holdings, in so far as those *undertakings* are covered by the supervision on a ~~consolidated basis~~consolidated basis to which the ~~firm~~institution itself is subject, in accordance with the *CRR, United Kingdom* enactments and rules which implemented Directive 2002/87/EC or with equivalent standards in force in a *third country*; exposures that do not meet those criteria, whether or not exempted from Article 395(1), ~~shall~~must be treated as exposures to a third party;

~~[Note: "NCLEG trading book permissions", and "Higher NCLEG non-trading book permissions" and 'legacy NCLEG permissions' (as defined in rule 1.2 of the Large Exposures Part) are or have been granted by the PRA under this subparagraph]~~

(d) ~~[Note: Provision left blank];[Deleted]~~

(e) ~~[Note: Provision left blank];[Deleted]~~

(f) ~~[Note: Provision left blank];[Deleted]~~

(g) asset items constituting claims on central banks in the form of required minimum reserves held at those central banks which are denominated in their national currencies;

~~[Note: "Sovereign large exposures permissions" (as defined in rule 1.2 of the Large Exposures Part) are granted by the PRA under subparagraph (g)]~~

(h) asset items constituting claims on central governments in the form of statutory liquidity requirements held in government securities which are denominated and funded in their national currencies provided that the credit assessment of those central governments assigned by a nominated ECAI is investment grade;

~~[Note: "Sovereign large exposures permissions" and 'Legacy sovereign large exposures permissions' (as defined in rule 1.2 of the Large Exposures Part) are have been granted by the PRA under subparagraphs (g) and (h)]~~

(i) ~~[Note: Provision left blank];[Deleted]~~

(j) ~~[Note: Provision left blank];[Deleted]~~

(k) ~~[Note: Provision left blank];[Deleted]~~

~~[Note: This is aArticle 400(2) permissions are granted under sections 144G and 192XC of FSMA to which Part 8 of the Capital Requirements Regulations applies]~~

3. ~~[Note: Provision left blank];[Deleted]~~

4. ~~The simultaneous application of more than one exemption set out in paragraphs 1 and 2 to the same exposure shall not be permitted~~A *firm* must not simultaneously apply more than one exemption set out in set out in paragraphs 1 and 2 to the same *exposure*.

~~[Note: This rule corresponds to Article 400 of the CRR as it applied immediately before revocation by the Treasury.]~~

5. A firm with an NCLEG permission or Higher NCLEG permission may (in accordance with the applicable permission and subject to the applicable provisions of (6) to (6B)) exempt, from the application of Article 395(1):

- (a) non-trading book exposures;
- (b) trading book exposures up to its trading book exposure allocation;
- (c) participations or other kinds of holdings pertaining to (a) or (b),

incurred by the firm to members of its NCLEG that are its parent undertaking, other subsidiaries of that parent undertaking or its own subsidiaries, in so far as those undertakings are covered by the supervision on a consolidated basis to which the firm itself is subject, in accordance with CRR, provisions implementing Directive 2002/87/EC or with equivalent standards in force in a third country.

6. The following provisions apply in respect of both NCLEG permissions and Higher NCLEG permissions:

- (a) a firm may calculate the total amount of such exposures after taking into account the effect of credit risk mitigation in accordance with Articles 399 to 403; and
- (b) with respect to the application of the requirements in this Part on a consolidated basis, a firm must treat the total amount of exposures that are exempt in accordance with an NCLEG permission or Higher NCLEG permission on an individual basis as exempt from the limit in Article 395(1) on a consolidated basis.

6A. In respect of non-trading book exposures, a firm may only use the NCLEG exemption or Higher NCLEG exemption (as applicable) where the total amount of non-trading book exposures (whether or not exempted from Article 395(1)) from the firm to its NCLEG does not exceed 100% of the firm's Tier 1 capital;

6B. In respect of trading book exposures, the trading book exposure allocation for a firm is:

- (a) in the case of an NCLEG permission, 100% of the firm's Tier 1 capital less the total amount of non-trading book exposures (whether or not exempted from Article 395(1)) from the firm to its NCLEG; or
- (b) in the case of a Higher NCLEG permission, the percentage specified in the applicable permission, which must be above 100% but not exceed 250%, of the firm's Tier 1 Capital less the total amount of non-trading book exposures (whether or not exempted from Article 395(1)) from the firm to its NCLEG.

6C. A firm with a legacy NCLEG permission may exempt from the application of Article 395(1) exposures to the counterparties specified in the applicable permission in accordance with (5), subject to the provisions in (6), (6A) and (6B)(a).

[Note: Art 400(2)(c) of CRR]

7. A firm with a core UK group permission and either a Higher NCLEG permission or an NCLEG permission or a legacy NCLEG permission (as applicable) must give the PRA written notice whenever:

(a) the total amount of exposures from the core UK group (including the firm) to a particular member of the firm's NCLEG is likely to exceed, or has exceeded, 25% of the Tier 1 capital of the PRA-authorized firm with the largest Tier 1 capital base in the core UK group;

(b) the total exposures from the members of its core UK group (which are not firms) to the firm's NCLEG are likely to exceed, or have exceeded, 25% of the Tier 1 capital of the PRA-regulated firm with the largest Tier 1 capital base in the core UK group.

in each case setting out details of the size and expected duration of those exposures as well as an explanation of the reason the relevant exposures were incurred.

8. A firm with a legacy sovereign large exposures permission may exempt the asset items in 2(g) and (h) from the application of Article 395(1) to the extent specified in the applicable legacy sovereign large exposures permission but subject to the condition in (9).

9. A firm with a legacy sovereign large exposures permission must not apply the exemption in accordance with (8) unless the asset items specified in the permission meet the relevant requirements in (2)(g) and (h) on a continuing basis.

[Note: Art 400(2)(g)-(h) of CRR]

[Note: This rule corresponds to Article 400 of CRR as it applied immediately before revocation by the Treasury]

Article 401 CALCULATING THE EFFECT OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

1. For calculating the value of *exposures* for the purposes of Article 395(1), ~~an institution~~ a firm may use the fully adjusted exposure value (E*) as calculated under Chapter 4 of Title II of Part Three of CRR taking into account the credit risk mitigation, volatility adjustments, and any maturity mismatch referred to in that Chapter.

2. With the exception of ~~institutions~~ a firm using the Financial Collateral Simple Method, for the purposes of the first paragraph, ~~institutions shall~~ a firm must use the Financial Collateral Comprehensive Method, regardless of the method used for calculating the own funds requirements for credit risk.

By way of derogation from paragraph 1, ~~institutions~~ a firm with permission to use the methods referred to in Section 4 of Chapter 4 of Title II of Part Three and Section 6 of Chapter 6 of Title II of Part Three of CRR, may use those methods for calculating the exposure value of securities financing transactions.

3. In calculating the value of *exposures* for the purposes of Article 395(1), ~~institutions shall~~ a firm must conduct periodic stress tests of ~~their~~ its credit-risk concentrations, including in relation to the realisable value of any collateral taken.

These periodic stress tests referred to in the first subparagraph ~~shall~~must address risks arising from potential changes in market conditions that could adversely impact the ~~institutions'~~firm's adequacy of own funds and risks arising from the realisation of collateral in stressed situations.

The stress tests carried out ~~shall~~must be adequate and appropriate for the assessment of those risks.

~~Institutions shall include the following in their strategies~~ A firm's strategy to address concentration risk must include the following:

- (a) policies and procedures to address risks arising from maturity mismatches between *exposures* and any credit protection on those *exposures*;
- (b) policies and procedures relating to concentration risk arising from the application of credit risk mitigation techniques, in particular from large indirect credit *exposures*, for example to a single issuer of securities taken as collateral.

4. Where ~~an institution~~ a firm reduces an *exposure* to a client using an eligible credit risk mitigation technique in accordance with Article 399(1), ~~and Article 403 applies,~~ the ~~firm~~institution, in the manner set out in Article 403, shall treat the part of the *exposure* by which the *exposure* to the client has been reduced as having been incurred for the collateral issuer or the protection provider rather than for the client.

[Note: This rule corresponds to Article 401 of the *CRR* as it applied immediately before revocation by the *Treasury*.]

Article 402 EXPOSURES ARISING FROM MORTGAGE LENDING

1. ~~For the calculation of exposure values for the purposes of Article 395, institutions may, except where prohibited by applicable national law, reduce the value of an exposure or any part of an exposure fully secured by residential property in accordance with Article 125(1) by the pledged amount of the market value or mortgage lending value of the property concerned, but by not more than 50% of the market or 60% of the mortgage lending value if rigorous criteria are in force at the time in the United Kingdom for the assessment of the mortgage lending value in statutory or regulatory provisions, provided that all of the following conditions are met:~~
- ~~(a) the competent authority has not, in rules, set a risk weight higher than 35% for exposures or parts of exposures secured by residential property in accordance with Article 124(2);~~
 - ~~(b) the exposure or part of the exposure is fully secured by any of the following:
 - ~~(i) one or more mortgages on residential property; or~~
 - ~~(ii) a residential property in a leasing transaction under which the lessor retains full ownership of the residential property and the lessee has not yet exercised their option to purchase;~~~~
 - ~~(c) the requirements laid down in Article 208 and Article 229(1) are met. [Deleted]~~
2. ~~For the calculation of exposure values for the purposes of Article 395, an institution may, except where prohibited by applicable national law, reduce the value of an exposure or any part of an exposure that is fully secured by commercial immovable property in accordance with Article 126(1) by the pledged amount of the market value or mortgage lending value of the property concerned, but not by more than 50% of the market value or 60% of the mortgage lending value if rigorous criteria are in force at the time in the United Kingdom for the assessment of the~~

~~mortgage lending value in statutory or regulatory provisions, provided that all of the following conditions are met:~~

- ~~(a) the competent authority has not, in rules, set a risk weight higher than 50% for exposures or parts of exposures secured by commercial immovable property in accordance with Article 124(2);~~
- ~~(b) the exposure is fully secured by any of the following:
 - ~~(i) one or more mortgages on offices or other commercial premises; or~~
 - ~~(ii) one or more offices or other commercial premises and the exposures related to property leasing transactions;~~~~
- ~~(c) the requirements in point (a) of Article 126(2) and in Article 208 and Article 229(1) are met;~~
- ~~(d) the commercial immovable property is fully constructed. [Deleted]~~

3. ~~An institution~~ A firm may treat an *exposure* to a counterparty that results from a reverse repurchase agreement under which the ~~institution~~ firm has purchased from the counterparty non-accessory independent mortgage liens on immovable property of third parties as a number of individual *exposures* to each of those third parties, provided that all of the following conditions are met:

- (a) the counterparty is an institution or an investment firm;
- (b) the *exposure* is fully secured by liens on the immovable property of those third parties that have been purchased by the ~~institution~~ firm and the ~~institution~~ firm is able to exercise those liens;
- (c) the ~~institution~~ firm has ensured that the requirements in Article 208 and Article 229(1) of CRR are met;
- (d) the ~~institution~~ firm becomes beneficiary of the claims that the counterparty has against the third parties in the event of default, insolvency or liquidation of the counterparty;
- (e) the ~~institution~~ firm reports to the ~~PRAC~~ competent authority in accordance with Article 394 the total amount of *exposures* to each other institution or investment firm that are treated in accordance with this paragraph.

For these purposes, the ~~institution shall~~ firm must assume that it has an *exposure* to each of those third parties for the amount of the claim that the counterparty has on the third party instead of the corresponding amount of the *exposure* to the counterparty. The remainder of the *exposure* to the counterparty, if any, shall continue to be treated as an *exposure* to the counterparty.

[Note: This rule corresponds to Article 402 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 403 SUBSTITUTION APPROACH

- 1. Where an *exposure* to a client is guaranteed by a third party or is secured by collateral issued by a third party, ~~an institution~~ a firm must may:
 - (a) treat the portion of the *exposure* which is guaranteed as an *exposure* to the guarantor rather than to the client, ~~provided that the unsecured exposures to the guarantor would be assigned a risk weight that is equal to or lower than the risk weight of the unsecured exposure to the client under Chapter 2 of Title II of Part Three; and~~ and

- (b) treat the portion of the *exposure* collateralised by the ~~market value~~ of recognised collateral as *exposure* to the third party rather than to the client, ~~provided that the *exposure* is secured by collateral and provided that the collateralised portion of the *exposure* would be assigned a risk weight that is equal to or lower than the risk weight of the unsecured *exposure* to the client under Chapter 2 of Title II of Part Three.~~

~~The approach referred to in point (b) of the first subparagraph shall not be used by an institution where there is a mismatch between the maturity of the *exposure* and the maturity of the protection.~~

~~For the purpose of this Part, an institution may use both the Financial Collateral Comprehensive Method and the treatment set out in point (b) of the first subparagraph of this paragraph only where it is permitted to use both the Financial Collateral Comprehensive Method and the Financial Collateral Simple Method for the purposes of Article 92.~~

For the purpose of point (b) of the first sub-paragraph, the recognised collateral is the:

(c) market value of the eligible financial collateral where a *firm* uses the Financial Collateral Simple Method in accordance with Article 222 of *CRR*;

(d) market value of eligible financial collateral adjusted after applying supervisory volatility adjustments and, where relevant, a maturity mismatch adjustment under the Financial Collateral Comprehensive Method in accordance with Articles 223 and 224 of *CRR*;

(e) value of collateral recognised in the calculation of the counterparty credit risk exposure value for any instruments with counterparty credit risk in accordance with Sections 3 to 5 of the Counterparty Credit Risk (*CRR*) Part of the PRA Rulebook.

2. Where an ~~institution~~ *firm* applies point (a) of paragraph 1, the ~~institution~~ *firm*:

(a) where the guarantee is denominated in a currency different from that in which the *exposure* is denominated, ~~shall~~ must calculate the amount of the *exposure* that is deemed to be covered in accordance with the provisions on the treatment of currency mismatch for unfunded credit protection set out in Part Three of *CRR*;

(b) ~~shall~~ must treat any mismatch between the maturity of the *exposure* and the maturity of the protection in accordance with the provisions on the treatment of maturity mismatch set out in Chapter 4 of Title II of Part Three of *CRR*;

(c) may recognise partial coverage in accordance with the treatment set out in Chapter 4 of Title II of Part Three of *CRR*.

3. For the purposes of point (b) of paragraph 1, ~~an institution~~ *firm* may replace the amount in point (a) of this paragraph with the amount in point (b) of this paragraph, provided that the conditions set out in points (c), (d) and (e) of this paragraph are met:

(a) the total amount of the ~~institution's~~ *firm's* *exposure* to a collateral issuer due to tri-party repurchase agreements facilitated by a tri-party agent;

(b) the full amount of the limits that the ~~institution~~ *firm* has instructed the tri-party agent referred to in point (a) to apply to the securities issued by the collateral issuer referred to in that point;

(c) the ~~institution~~ *firm* has verified that the tri-party agent has in place appropriate safeguards to prevent breaches of the limits referred to in point (b);

- (d) the ~~PRA~~competent authority has not, in a requirement imposed under *FSMA*, prohibited such replacement;
- (e) the sum of the amount of the limit referred to in point (b) of this paragraph and any other *exposures* of the ~~firm~~institution to the collateral issuer does not exceed the limit set out in Article 395(1).

[Note: This rule corresponds to Article 403 of the ~~CRR~~ as it applied immediately before revocation by the Treasury-]

5 RULES DETERMINING THE OVERALL EXPOSURE TO A CLIENT OR A GROUP OF CONNECTED CLIENTS IN RESPECT OF TRANSACTIONS WITH UNDERLYING ASSETS (PREVIOUSLY REGULATION (EU) NO 1187/2014)

Article 1 SUBJECT MATTER

~~A firm must use This Chapter 5 of this Large Exposures (CRR) Part of the PRA Rules specifies the conditions and methodologies specified in this Chapter 5 used to determine the overall exposure of a firm~~an institution to a client or a group of connected clients in respect of *exposures* through *transactions* with underlying assets and the conditions under which the structure of *transactions* with underlying assets does not constitute an additional *exposure*

[Note: This rule corresponds to Article 1 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the Treasury-]

...

Article 3 IDENTIFICATION OF EXPOSURES RESULTING FROM TRANSACTIONS

1. ~~An institution shall~~A firm must determine the contribution to the overall *exposure* to a certain client or group of connected clients that results from a certain *transaction* in accordance with the methodology set out in Articles 4, 5 and 6.

The ~~firm must~~institution shall determine separately for each of the underlying assets its *exposure* to this underlying asset in accordance with Article 5.

2. ~~A firm must~~An institution shall assess whether a certain *transaction* constitutes an additional *exposure* in accordance with Article 7.

[Note: This rule corresponds to Article 3 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the Treasury-]

Article 4 TRANSACTIONS WHICH THEMSELVES HAVE UNDERLYING ASSETS

1. When assessing the underlying *exposures* of a *transaction* (transaction A) which itself has an underlying *exposure* to another *transaction* (transaction B) for the purpose of Articles 5 and 6, ~~an institution shall~~a firm must treat the *exposure* to transaction B as replaced with the *exposures* underlying transaction B.

2. Paragraph 1 ~~applies shall apply~~ as long as the underlying *exposures* are *exposures* to *transactions* with underlying assets.

[Note: This rule corresponds to Article 4 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 5 CALCULATION OF THE EXPOSURE VALUE

1. The *exposure* of ~~a *firm*~~ ~~an institution~~ to an underlying asset of a *transaction* is the lower of the following:
 - (a) the exposure value of the *exposure* arising from the underlying asset;
 - (b) the total exposure value of the ~~*firm's*~~ ~~institution's~~ *exposures* to the underlying asset resulting from all *exposures* of the ~~institution~~ ~~*firm*~~ to the *transaction*.

2. For each *exposure* of ~~an institution~~ ~~a *firm*~~ to a *transaction*, the exposure value of the resulting *exposure* to an underlying asset shall be determined as follows:
 - (a) if the *exposures* of all investors in this *transaction* rank pari passu, the exposure value of the resulting *exposure* to an underlying asset shall be the pro rata ratio for the ~~institution's~~ ~~*firm's*~~ *exposure* to the *transaction* multiplied by the exposure value of the *exposure* formed by the underlying asset;
 - (b) in cases other than those referred to in point (a) the exposure value of the resulting *exposure* to an underlying asset shall be the pro rata ratio for the ~~institution's~~ ~~*firm's*~~ *exposure* to the *transaction* multiplied by the lower of:
 - (i) the exposure value of the *exposure* formed by the underlying asset;
 - (ii) the total exposure value of the ~~institution's~~ ~~*firm's*~~ *exposure* to the *transaction* together with all other *exposures* to this *transaction* that rank pari passu with the ~~institution's~~ ~~*firm's*~~ *exposure*.

3. The pro rata ratio for ~~a *firm's*~~ ~~an institution's~~ *exposure* to a *transaction* shall be the exposure value of the ~~institution's~~ ~~*firm's*~~ *exposure* divided by the total exposure value of the ~~institution's~~ ~~*firm's*~~ *exposure* together with all other *exposures* to this *transaction* that rank pari passu with the ~~institution's~~ ~~*firm's*~~ *exposure*.

[Note: This rule corresponds to Article 5 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 6 PROCEDURE FOR DETERMINING THE CONTRIBUTION OF UNDERLYING EXPOSURES TO OVERALL EXPOSURES

1. For each credit risk *exposure* for which the obligor is identified, ~~an institution~~ ~~a *firm*~~ shall include the exposure value of its *exposure* to the relevant underlying asset when calculating the overall *exposure* to this obligor as an individual client or to the group of connected clients to which this obligor belongs.

2. If ~~a *firm*~~ ~~an institution~~ has not identified the obligor of an underlying credit risk *exposure*, or where ~~a *firm*~~ ~~an institution~~ is unable to confirm that an underlying *exposure* is not a credit risk *exposure*, the ~~institution~~ ~~*firm*~~ shall ~~shall~~ must assign this *exposure* as follows:

- (a) where the exposure value does not exceed 0.25% of the ~~firm's institution's~~ *Tier 1 capital*, it ~~shall~~must assign this *exposure* to the *transaction* as a separate client;
 - (b) where the exposure value is equal to or exceeds 0.25% of the ~~firm's institution's~~ *Tier 1 capital* and the ~~firm's institution~~ can ensure, by means of the *transaction's* mandate, that the underlying *exposures* of the *transaction* are not connected with any other *exposures* in its portfolio, including underlying *exposures* from other *transactions*, it ~~shall~~must assign this *exposure* to the *transaction* as a separate client;
 - (c) in cases other than those referred to in points (a) and (b), it ~~must~~shall assign this *exposure* to the *unknown client*.
3. If a ~~firm~~firm ~~institution~~ is not able to distinguish the underlying *exposures* of a *transaction*, the ~~firm~~firm ~~must~~must ~~institution~~ ~~shall~~ assign the total *exposure* value of its *exposures* to the *transaction* as follows:
- (a) where this total exposure value does not exceed 0.25% of the institution's *Tier 1 capital*, it ~~must~~shall assign this total exposure value to the *transaction* as a separate client;
 - (b) in cases other than those referred to in point (a), it ~~must~~shall assign this total exposure value to the *unknown client*.
4. For the purposes of paragraphs 1 and 2, a ~~firm~~firm ~~must~~must ~~institution~~ ~~shall~~ regularly, and at least on a ~~monthly~~monthly basis, monitor such *transactions* for possible changes in the composition and the relative share of the underlying *exposures*.

[Note: This rule corresponds to Article 6 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 7 ADDITIONAL EXPOSURE CONSTITUTED BY THE STRUCTURE OF A TRANSACTION

1. The structure of a *transaction* ~~shall~~does not constitute an additional *exposure* if the *transaction* meets both of the following conditions:
- (a) the legal and operational structure of the *transaction* is designed to prevent the manager of the *transaction* or a third party from redirecting any cash flows which result from the *transaction* to ~~persons~~persons who are not otherwise entitled under the terms of the *transaction* to receive these cash flows;
 - (b) neither the issuer nor any other ~~person~~person can be required, under the *transaction*, to make a payment to the ~~firm~~firm ~~institution~~ in addition to, or as an advance payment of, the cash flows from the underlying assets.
2. The condition in point (a) of paragraph 1 ~~shall be considered to be~~is met where the *transaction* is one of the following:
- (a) a ~~UK~~UK UCITS (as defined in section 237 of *FSMA*);
 - (b) an *undertaking* established in a *third country* that carries out activities similar to those carried out by a UCITS and which is subject to supervision pursuant to legislation of a *third country* which applies supervisory and regulatory requirements which are at least equivalent to those applied in the *UK* to ~~UK~~UK UCITS.

[Note: This rule corresponds to Article 7 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 8 ENTRY INTO FORCE [DELETED]

~~{Note: Provision left blank}~~[Deleted]

Annex C

Amendments to the Large Exposures (CRR) Part

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

Article 390 CALCULATION OF EXPOSURE VALUE

...

4. A *firm* must calculate the exposure values of the derivative contracts listed in Annex II of ~~the CRR~~ and of credit derivative contracts directly entered into with a client in accordance with one of the methods set out in Sections 3, 4 and 5 of the Counterparty Credit Risk (CRR) Part of the *PRA* Rulebook, as applicable. The exposure value for securities financing transactions must be calculated by a *firm* in accordance with the methods referred to in Section 4 of ~~Chapter 4 of Title II of Part Three of CRR~~ the Credit Risk Mitigation (CRR) Part, as applicable. *Exposures* resulting from the transactions referred to in Articles 378, 379 and 380 of *CRR* must be calculated by a *firm* in the manner laid down in those Articles.

When calculating the exposure value for the contracts referred to in the first subparagraph, where those contracts are allocated to the trading book, a *firm* must also comply with the principles set out in Article 299 of *CRR*.

~~By way of derogation from the first subparagraph, a *firm* with permission to use the method referred to in Section 6 of Chapter 6 of Title II of Part Three of *CRR* may use that method for calculating the exposure value for securities financing transactions.~~

...

Article 401 CALCULATING THE EFFECT OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

...

2. With the exception of a *firm* using the Financial Collateral Simple Method, for the purposes of the first paragraph, a *firm* must use the Financial Collateral Comprehensive Method, regardless of the method used for calculating the own funds requirements for credit risk.

By way of derogation from paragraph 1, a *firm* with permission to use the methods referred to in Section 4 of the Credit Risk Mitigation (CRR) Part ~~Chapter 4 of Title II of Part Three and Section 6 of Chapter 6 of Title II of Part Three of *CRR*~~, may use those methods for calculating the exposure value of securities financing transactions.

...

Annex D

Amendments to the Reporting (CRR) Part

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

6 TEMPLATES AND INSTRUCTIONS

...

Annex IX

6.249 Annex IX can be found ~~here~~here.

...