

Chapter 5

Credit risk mitigation

5.1 Application and purpose

Application

- 5.1.1 **R** ■ BIPRU 5 applies to a *BIPRU firm*.

Purpose

- 5.1.2 **G** Pursuant to the third paragraph of article 95(2) of the *UK CRR*, ■ BIPRU 5 applies requirements that correspond, in part, to Articles 78(1) and 91 to 93 and Annex VIII of the *Banking Consolidation Directive*.
- 5.1.3 **G** ■ BIPRU 5 sets out the principles for the recognition of *credit risk mitigation* in the calculation of *risk weighted exposure amounts* for the purposes of the calculation of the *credit risk capital component*.
- 5.1.4 **G** ■ BIPRU 4.10 applies requirements that correspond to those parts of Articles 91 to 93 and Annex VIII of the *Banking Consolidation Directive* which are specific to the recognition of *credit risk mitigation* by *firms* using the *IRB approach*, and modifies the application of the provisions in ■ BIPRU 5 to those *firms*.
- 5.1.5 **G** In certain cases provisions specific to the *IRB approach* have been kept in ■ BIPRU 5 in order to reduce duplication. The main examples are certain references to *expected loss* and references in the *IRB approach* in the provisions in ■ BIPRU 5.7 about basket *CRM* techniques.