

Prudential sourcebook for Investment Firms

IFPRU TP 1 GENPRU and BIPRU waivers: transitional

Application

1.1 R *IFPRU* TP 1 applies to an *IFPRU* investment firm.

1.2 R *IFPRU* TP 1 applies where immediately before 1 January 2014, a waiver given in relation to a rule listed in column A of the tables in *IFPRU* 1.9R (Internal model waivers) and TP 1.10R (Other waivers) has effect.

Duration of transitional

1.3 R This section applies to each waiver in *IFPRU* 1.2 R, until the direction given in respect of that waiver ceases to have effect on its terms, or is revoked, whichever is the earlier.

Transitional

1.4 R Subject to *IFPRU* TP 1.7R, each waiver given in relation to a *FCA* rule listed in column A of the tables in *IFPRU* TP 1.9R (Internal model waivers) and TP 1.10R (Other waivers) is treated as a permission from the *FCA* to the firm under the *EU CRR* article listed in the same row in column B of those tables.

1.5 R Each permission under *IFPRU* TP 1.4R shall continue to have effect until the expiry date specified in the direction of the relevant waiver.

1.6 R Where a waiver listed in *IFPRU* TP 1.9R (Internal model waivers) and TP 1.10R (Other waivers) specifies that it applies to a firm on a consolidated basis in accordance with a relevant provision in *BIPRU* 8 (Group risk consolidation), the permission applies to the firm on the basis of its consolidated situation in accordance with article 11 of the *EU CRR* (Application of requirements on a consolidated basis: general treatment).

1.7 R A waiver listed in *IFPRU* TP 1.9R (Internal model waivers) only has effect in accordance with this TP where the firm has confirmed to the *FCA* that it materially complies with the requirements relevant to the rules listed in Column A of the table, as waived or modified by the waiver, and any conditions relevant to the application of the waiver or the firm has a remediation plan.

Interpretation

1.8 R For the purpose of *IFPRU* TP 1:

- (1) "permission" includes a consent, approval or agreement conferred on the *FCA* as a competent authority under any *EU CRR* article listed in column B of the tables in *IFPRU* 1.9R (Internal waivers) and *IFPRU* TP 1.10R (Other waivers);
- (2) any expression used in *IFPRU* TP 1.9R (Internal model waivers) and TP 1.10R (Other waivers) which are defined in the *Glossary* has the meaning in the version of the *Glossary* in force on 31 December 2013; and
- (3) any reference to *GENPRU* and *BIPRU* is to the version in force on 31 December 2013.

Tables

1.9 R Table on internal model waivers

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR reference
1	Internal Ratings Based (IRB) permission for credit risk	- BIPRU 4 applies to a <i>firm</i> with an <i>IRB permission</i> - Rules waived or modified: (a) GENPRU 2.1.51 R (b) BIPRU 3.1.1 R	- Part Three, Title II, Chapter 3 - Art 143 - Art 178(1)(b) (where a <i>firm</i> is authorised to replace 90 days with 180 days for <i>exposures</i> secured by residential or SME commercial real estate in the retail <i>exposure</i> class)
2	Eligibility of physical collateral under the IRB Approach	- BIPRU 4.10.16 R (Where authorised by the <i>firm's IRB permission</i>)	Art 199(6)
3	Master netting agreement internal models approach	- BIPRU 5.6.1 R, in accordance with BIPRU 5.6.12 R	Art 221
4			[deleted]
5			[deleted]
6			[deleted]
7	Advanced Measurement Approach (AMA) permission	- BIPRU 6.5 applies to a <i>firm</i> with an <i>AMA permission</i> - <i>Rule</i> waived or modified: BIPRU 6.2.1 R	- Art. 312(2) - Part Three, Title III, Chapter 4
8	Combined use of different approaches for operational risk - AMA and Standardised Approach or Basic Indicator Approach	- BIPRU 6.2.9 R (in accordance with BIPRU 6.2.10 G and the <i>firm's AMA permission</i>)	Art 314(2) and (3)

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR reference
9	Permission to use internal models to calculate <i>own funds requirements</i> for market risk (Value at Risk)	- BIPRU 7.10 applies to a firm with a <i>VaR model permission</i> - <i>Standard market risk PRR rules</i> as specified and waived or modified by the <i>firm's VaR model permission waiver</i>	- Art. 363 - Part Three; Title IV; Chapter 5; Sections 2, 3 and 4
10	Permission to use internal models to calculate <i>own fund requirements</i> for the correlation trading portfolio	-GENPRU 2.1.52 R BIPRU 7.10.55T R to BIPRU 7.10.55ZA R (Where the <i>firm</i> is authorised to use the <i>all price risk measure</i> in its <i>VaR model permission waiver</i>)	Art 377

1.10 R Table on other waivers and requirements

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR Reference
1	Individual consolidation method	- BIPRU 2.1.7 R (<i>Solo consolidation waivers</i>)	Art 9
2	Derogation to the application of <i>own funds requirements</i> on a <i>consolidated basis</i> for groups of <i>investment firms</i>	- BIPRU 8.4 applies to a <i>firm</i> with an <i>investment firm consolidation waiver</i> - Rules waived: (a) BIPRU 8.2.1 R (b) BIPRU 8.2.2 R (c) BIPRU 8.3.1 R (d) BIPRU 8.3.2 R	Art 15 Art 17
3	Entities excluded from the scope of prudential consolidation	- BIPRU 8.5.9 R -BIPRU 8.5.10 R	Art 19(2)
4	Permission to revert to the use of a less sophisticated approach for credit risk	- BIPRU 4.2.23 R (as modified in accordance with BIPRU 4.2.25 G) - BIPRU 4.2.24 R (as modified in accordance with BIPRU 4.2.25 G)	Art 149
5	Traditional <i>securitisation</i> - recognition of significant risk transfer	- BIPRU 9.4.11 R -BIPRU 9.4.12 R (subject to conditions in BIPRU 9.4.15 D)	Art 244(2), (3) and (4)

	Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR Reference
6	Synthetic <i>securitisation</i> -recognition of significant risk transfer	- BIPRU 9.5.1 R (6) and (7) (subject to conditions in BIPRU 9.5.1B D)	Art 245(2), (3) and (4)
7			[deleted]
8	Permission to revert to the use of a less sophisticated approach for <i>operational risk</i>	- BIPRU 6.2.5 R (as modified in accordance with BIPRU 6.2.6 G) - BIPRU 6.2.7 R (as modified in accordance with BIPRU 6.2.8 G)	Art 313
9	Combined use of different approaches for <i>operational risk</i> -Standardised Approach and Basic Indicator Approach	- BIPRU 6.2.12 R (as modified in accordance with BIPRU 6.2.13 G)	Art 314(4)
10	Waiver of the three-year average for calculating the <i>own funds requirement</i> under the Basic Indicator Approach for <i>operational risk</i>	- BIPRU 6.3.2 R (as modified in accordance with BIPRU 6.3.9 G)	Art. 315
11	Waiver of the three-year average for calculating the <i>own funds requirement</i> under the Standardised Approach for <i>operational risk</i>	- BIPRU 6.4.5 R (as modified in accordance with BIPRU 6.4.8 G)	Art. 317(4)
12	<i>Own funds requirements</i> for position risk for options and warrants on: (a) interest rates; (b) debt instruments; (c) equities; (d) equity indices; (e) financial futures; (f) swaps; and (g) foreign currencies	- BIPRU 7.9 applies to a <i>firm</i> with a CAD1 model waiver. - <i>Rules</i> waived or modified: (a) GENPRU 2.1.52 R (b) BIPRU 7.6.1 R	Art 329

		Permission	Column A FCA Rule (rule waiver or modification)	Column B EU CRR Reference
13		<i>Own funds requirements</i> for commodities risk for options and warrants on: (a) commodities; and (b) commodities derivatives	- BIPRU 7.9 applies to a <i>firm</i> with a <i>CAD1 model waiver</i> . - Rules waived or modified: (a) GENPRU 2.1.52 R (b) BIPRU 7.4.1 R	Art 358(3)
14		Interest rate risk on derivative instruments	- <i>CAD 1 model waiver</i> for the use of an interest rate pre-processing model in line with BIPRU 7.9.44 G - Rule waived: GENPRU 2.1.52 R	Art 331 Art 340
15		Waiver of 100% large exposure limits where the €150 million limit applies	- BIPRU 10.6.32 R (as waived in accordance with BIPRU 10.6.33 G) - SUP 15.3.11 R	Art 396 in relation to the 100% large exposure limit set out in Art 395(1)
16		Waiver of large exposure limits in relation to intra-group exposures: core group waivers	- BIPRU 3.2.25 R (2) - BIPRU 10.8A	Art 113(6) Art 400(1)(f)
17		Waiver of large exposure limits in relation to intra-group exposures: non-core group waivers	- BIPRU 10.9A	Art 400(2)(c), as implemented by IFPRU 8.2.4R to 8.2.13R (Intra-group exposures: non-core large exposures group)
1.11	G	The <i>requirement</i> imposed in relation to a FCA rule listed in column A of the table in IFPRU 1.12G (Requirements) is treated as imposed under the EU CRR article listed in the same row in column B of the table.		
1.12	G	Table on requirements		

		Requirement	Column A FCA Rule	Column B EU CRR Reference
1		Methods of prudential consolidation -art. 12(1) relationship	- BIPRU 8.5.6 R (2)	Art 18(3)
2		Methods of prudential consolidation- Significant influence or single management relationship	- BIPRU 8.5.6 R (2) - " <i>Article 134 relationship</i> "	Art 18(6)

