

## Chapter 5

# Concentration risk

## 5.10 Exclusions

The requirements in ■ MIFIDPRU 5.4 to ■ 5.9 do not apply to the following exposures:

- (1) exposures which are entirely deducted from a *MIFIDPRU investment firm's own funds*;
- (2) exposures incurred in the ordinary course of the settlement of payment services, foreign currency transactions, securities transactions and the provision of money transmission;
- (3) exposures constituting claims against:
  - (a) central governments, central banks, public sector entities, international organisations or multilateral development banks and exposures guaranteed by or attributable to such *persons*, where those exposures would receive a 0% risk weight under articles 114 to 118 of the *UK CRR*;
  - (b) regional governments and *local authorities* of the *UK* or a *third country* which pose no difference in risk compared to a central government covered by (a); and
  - (c) *central counterparties* and default fund contributions to *central counterparties*;
- (4) exposures incurred by a *firm* to its *parent undertaking*, to other *subsidiaries* or *connected undertakings* of that *parent undertaking* or to its own *subsidiaries* or *connected undertakings*, insofar as those *undertakings* are supervised on a consolidated basis in accordance with ■ MIFIDPRU 2.5 or with *UK CRR*, are supervised for compliance with the *group capital test* in accordance with ■ MIFIDPRU 2.6, or are supervised in accordance with comparable standards in force in a *third country*, and provided that the following conditions are met:
  - (a) there is no current or foreseen material practical or legal impediment to the prompt transfer of capital or repayment of liabilities; and
  - (b) the risk evaluation, measurement and control procedures of the *parent undertaking* include the *firm* and any relevant *subsidiary* or *connected undertaking*.