

**INTERIM PRUDENTIAL SOURCEBOOK FOR BANKS (AMENDMENT NO 2)
INSTRUMENT 2003**

Powers exercised

- A. The Financial Services Authority 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 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 March 2003.

Amendments to the Interim Prudential sourcebook for Banks

- D. The Interim Prudential sourcebook for Banks is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Interim Prudential Sourcebook for Banks (Amendment No 2) Instrument 2003.

By order of the Board
16 January 2003

Annex

Amendments to IPRU(BANK)

In this Annex, underlining indicates new text and striking through indicates deleted text.

Volume 1

Chapter BC: section 5

5 APPENDIX

5.1 Clearing houses and exchanges recognised for the purpose of the Chapter BC of IPRU(BANK). (Counterparty exposures to ~~CEDEL~~ Clearstream and Euroclear continue to attract a 20% weighting).

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Volume 2

Chapter LM: section 11

11 Appendix 1 – SECURITIES SETTLEMENT

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11.2 Domestic settlement systems

Country	Instrument	Settlement
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Japan	Treasury bills	T+3
	Government bonds	T+3
	Equities	T+3
Luxembourg	Most securities settled through Cedel <u>Clearstream</u>	See below
	When physical delivery required	T+3
Netherlands	Money market instruments	T+2
	Other securities (including government bonds)	T+3
...		

11.3 International settlement systems

- 5 Euroclear and ~~Cedel~~ Clearstream are the two major depositories and settlement organisations in international securities markets. They ~~were set up primarily to deal with Eurobonds, foreign bonds (securities issued in domestic capital markets by non-resident borrowers), and euro-notes. However, both organisations now~~ and accept and settle transactions involving domestic securities including equities.
- 6 Members hold cash deposits with Euroclear/~~Cedel~~ Clearstream which allows them to provide settlement facilities:
- (a) In ~~Cedel~~ Clearstream, funds can be received on the same day if instructions are issued by 11am, and otherwise settlement is on T+1.
 - (b) In Euroclear, settlement on T is provided. However, standard settlement is T+3.

11.4 Brady bonds/LDC debt

- 7 Brady bonds are almost always settled through Euroclear/~~Cedel~~ Clearstream.
- 8 LDC bank debt which has not been swapped for Brady bonds (or otherwise converted into a security) typically takes three weeks to settle once a price is agreed.
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Chapter LS: section 4

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4.4 Definitions relevant to both components

4.4.1 *The stock of sterling liquid assets*

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- (c) UK Treasury bills (including those denominated in Euro) and Bank of England Euro bills and notes;

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- (e) sterling international bonds issued by EEA government or certain international financial institutions, where they have been issued into Euroclear or /~~Cedel~~ Clearstream settlement systems;

- (f) Euro-denominated bonds issued by EEA governments or certain international financial institutions, where they have been issued into

Euroclear or ~~Cedel~~ Clearstream settlement systems and where they are eligible for use in ESCB monetary policy operations;

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- 12 Where a bank has *pledged out or charged* assets ~~otherwise qualifying which fail to be included as to be part of its~~ the stock, it may continue to include them as part of its stock provided it retains the title to them. Conversely it should not include ~~exclude~~ assets otherwise qualifying ~~falling to be included as part of its~~ the stock, which have been acquired as *pledged or charged assets*, unless it receives the title to them.

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