Powers exercised

A. The Financial Services Authority makes this instrument in the exercise of:

(1) the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

   (a) section 138 (General rule-making power);
   (b) section 150(2) (Actions for damages);
   (c) section 156 (General supplementary powers);
   (d) section 157(1) (Guidance); and

(2) the other powers listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 31 December 2010.

Amendments to the Handbook

D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
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</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
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<tr>
<td>General Prudential sourcebook (GENPRU)</td>
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<tr>
<td>Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)</td>
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<td>Supervision manual (SUP)</td>
<td>Annex D</td>
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</tbody>
</table>

Notes

E. In the Annexes to this instrument, the “notes” (indicated by “Note:”) are included for the convenience of readers but do not form part of the legislative text.
Citation

F. This instrument may be cited as the Capital Requirements Directive (Handbook Amendments) Instrument 2010.

By order of the Board
22 July 2010
Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

**deferred share** in relation to a *building society*, a deferred share as defined in the Building Societies (Deferred Shares) Order 1991.

**hybrid capital** an item of capital that is stated in GENPRU 2.2 as eligible for inclusion at stage B1, B2 or C of the calculation in the *capital resources table*.

**mezzanine securitisation positions** for the purposes of BIPRU 9.3.7R, 9.4.11R and 9.5.1R(6), *securitisation positions* to which a *risk weight* lower than 1250% applies and which are more junior than the most senior position in the relevant *securitisation* and more junior than any *securitisation position* in the relevant *securitisation* to which:

(a) in the case of a *securitisation position* subject to the *standardised approach to securitisation* set out in BIPRU 9.11.1R and 9.11.2R, a *credit quality step* 1 is assigned; or

(b) in the case of a *securitisation position* subject to the *IRB approach to securitisation* set out in BIPRU 9.12.10R and 9.12.11R, a *credit quality step* 1 or 2 is assigned under BIPRU 9.7.2R, 9.8.2R to 9.8.7R and regulation 23 of the Capital Requirements Regulations 2006.

[Note: *BCD*, Annex IX, Part 2, Point 1, paragraph 1b]

**ongoing basis** in BIPRU 9.15, maintaining on an ongoing basis means that the retained positions, interest or exposures are not hedged or sold.

[Note: *BCD*, Article 122a, paragraph 1]

Amend the following definition as shown.

**netting set** (in accordance with Part 1 of Annex III of the Banking Consolidation Directive (Definitions) and for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of transactions with a single counterparty that are subject to a legally
enforceable bilateral netting arrangement and for which netting is recognised under *BIPRU* 13.7 (Contractual netting), *BIPRU* 5 (Credit risk mitigation) and, if applicable, *BIPRU* 4.10 (The IRB approach: Credit risk mitigation); each transaction that is not subject to a legally enforceable bilateral netting arrangement, which is recognised under *BIPRU* 13.7 must be interpreted as its own *netting set* for the purpose of *BIPRU* 13. Under the method set out at *BIPRU* 13.6, all *netting sets* with a single counterparty may be treated as a single *netting set* if negative simulated market values of the individual sets are set to zero in the estimation of *expected exposure (EE)*.

[Note: *BCD*, Annex III, Part 1, point 5]
Annex B

Amendments to the General Prudential sourcebook (GENPRU)

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

Table: Arrangement of GENPRU 2.2

<table>
<thead>
<tr>
<th>Topic</th>
<th>Location of text</th>
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</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Limits on the use of different forms of capital for banks and building societies (certain types of capital resources cannot be used for certain purposes)</td>
<td>GENPRU 2.2.42R to GENPRU 2.2.48R</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Limits on the use of different forms of capital for BIPRU investment firms (certain types of capital resources cannot be used for certain purposes)</td>
<td>GENPRU 2.2.42R to GENPRU 2.2.48R</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Tier one capital instruments: general</td>
<td>GENPRU 2.2G to GENPRU 2.2.10G; GENPRU 2.2.62R to GENPRU 2.2.69G; GENPRU 2.2.80R to GENPRU 2.2.82G</td>
</tr>
<tr>
<td>Tier one capital: payment of coupons (BIPRU firm only)</td>
<td>GENPRU 2.2.69AR to GENPRU 2.2.69FG</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>Core tier one capital: deferred shares (building society only)</td>
<td>GENPRU 2.2.108AR to GENPRU 2.2.108BG</td>
</tr>
<tr>
<td>Tier one capital: perpetual non-cumulative preference shares (insurer only)</td>
<td>GENPRU 2.2.109R to GENPRU 2.2.110G</td>
</tr>
<tr>
<td>Tier one capital: PIBS</td>
<td>GENPRU 2.2.76R to GENPRU 2.2.76FG</td>
</tr>
</tbody>
</table>
2.2.9 G Tier one capital typically has the following characteristics:

(1) it is able to absorb losses;

(2) it is permanent or (in the case of a BIPRU firm) available when required;

…

2.2.10 G The forms of capital that qualify for Tier one capital are set out in the capital resources table and include, for example, share capital, reserves, partnership and sole trader capital, verified interim net profits and, for a mutual, the initial fund plus permanent members' accounts. Tier one capital is divided into:

(1) in the case of an insurer, core tier one capital, perpetual non-cumulative preference shares, permanent interest bearing shares (PIBS) and innovative tier one capital; and

(2) in the case of a BIPRU firm, core tier one capital and hybrid capital. Hybrid capital is further divided into the different stages B1, B2 and C of the calculation in the capital resources table.

…

Limits on the use of different forms of capital: Use of higher tier capital in lower tiers

| Innovative tier one capital (excluding issues through SPVs) (insurer only) | GENPRU 2.2.111R to GENPRU 2.2.112G |
| Hybrid capital (excluding issues through SPVs) (BIPRU firm only) | GENPRU 2.2.115AR to GENPRU 2.2.119G |
| Innovative tier one capital Hybrid capital (issues through SPVs) (BIPRU firm only) | GENPRU 2.2.123R to GENPRU 2.2.137R |
| … | … |
| Redemption of tier one instruments | GENPRU 2.2.64R(3); GENPRU 2.2.70R to GENPRU 2.2.79G |
| Purchases of tier one instruments: BIPRU firm only | GENPRU 2.2.79AR to GENPRU 2.2.79HG |
| … | … |
2.2.25 R A firm may include in a lower stage of capital, capital resources which are eligible for inclusion in a higher stage of capital if the capital resources gearing rules would prevent the use of that capital in that higher stage of capital. However:

... 

(2) (subject to GENPRU 2.2.26R and GENPRU 2.2.26AR) the rules in GENPRU governing the eligibility of capital in that lower stage of capital continue to apply.

... 

2.2.26A R A dated item of tier one capital which is included in a BIPRU firm’s tier two capital resources under GENPRU 2.2.25R is not subject to the requirement to have no fixed maturity date in GENPRU 2.2.177R(1).

2.2.27 R A BIPRU firm may include in a lower stage of capital, innovative tier one capital that it is prohibited from using under GENPRU 2.2.42R (BIPRU firms may not use innovative tier one capital to meet the CRR). However:

(1) the capital resources gearing rules applicable to that lower stage of capital apply to that innovative tier one capital; and

(2) (subject to GENPRU 2.2.28R) the rules in GENPRU governing the eligibility of capital in that lower stage of capital continue to apply.

[deleted]

2.2.28 R The In the case of a BIPRU firm, the requirement to obtain a legal opinion in GENPRU 2.2.159R(12) does not apply to innovative tier one capital hybrid capital treated under GENPRU 2.2.27R 2.2.25R but the requirements to obtain a legal opinion in GENPRU 2.2.118R continue to apply.

Limits on the use of different forms of capital: Limits relating to tier one capital applicable to all firms except BIPRU investment firms insurers

2.2.29 R In relation to the tier one capital resources of an insurer, bank or building society, calculated at stage F of the calculation in the capital resources table (Total tier one capital after deductions), at least 50% must be accounted for by core tier one capital.

Limits on the use of different forms of capital: Limits relating to tier one capital applicable to all firms

2.2.30 R In relation to the tier one capital resources of an insurer, and subject to GENPRU 2.2.42R (Restriction on the use of innovative tier one capital), those of a BIPRU firm, calculated at stage F of the calculation in the capital resources table (Total tier one capital after deductions), no more than 15% may be accounted for by innovative tier one capital.

Limits on the use of different forms of capital: Limits relating to tier one capital
applicable to BIPRU firms

2.2.30A R In relation to the tier one capital resources of a BIPRU firm, calculated at stage F of the calculation in the capital resources table (Total tier one capital after deductions):

(1) no more than 50% may be accounted for by hybrid capital;

(2) no more than 35% may be accounted for by hybrid capital included at stages B2 and C of the calculation in the capital resources table; and

(3) no more than 15% may be accounted for by hybrid capital included at stage C of the calculation in the capital resources table.

Limits on the use of different forms of capital: Limits relating to tier one capital:

Purpose of the requirements

2.2.31 G The purpose of the requirements in GENPRU 2.2.29R and GENPRU 2.2.30AR(1) is to ensure that at least 50% of the firm’s tier one capital resources (net of tier one capital deductions) is met by includes a minimum proportion of core tier one capital which provides maximum loss absorbency on a going concern basis to protect the firm from insolvency the highest quality capital. Although a perpetual non-cumulative preference share or a PIBS is in legal form a share, it behaves in many ways like a perpetual fixed interest debt instrument. Within the 50% limit on non-core tier one capital:

(1) GENPRU 2.2.30R places a further sub-limit on the amount of innovative tier one capital that a firm an insurer may include in its tier one capital resources; and

(2) GENPRU 2.2.30AR(2) and GENPRU 2.2.30AR(3) place further sub-limits on the amounts of hybrid capital included at stages B2 and C of the calculation in the capital resources table that a BIPRU firm may include in its tier one capital resources.

This limit is These limits are necessary to ensure that most of a firm’s tier one capital comprises items of capital of the highest quality.

Limits on the use of innovative tier one capital: BIPRU firm

2.2.42 R For the purpose of meeting the main BIPRU firm Pillar 1 rules, a BIPRU firm may not include innovative tier one capital in its tier one capital resources. [deleted]

2.2.43 G A BIPRU firm may include innovative tier one capital in its tier one capital resources for the purpose of GENPRU 1.2 (Adequacy of financial resources) and BIPRU 10 (Concentration risk). A firm may also include it in its upper tier two capital resources under GENPRU 2.2.25R (Limits on the use of different forms of capital: Use of higher tier capital in lower tiers) for all
purposes as long as it meets the conditions for treatment as *upper tier two capital*. [deleted]

...  

2.2.52 G This table belongs to *GENPRU 2.2.51G*

<table>
<thead>
<tr>
<th>Description of the stage of the capital resources calculation</th>
<th>Stage in the capital resources table</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total <em>tier one capital</em> after deductions (excluding innovative tier one instruments—see GENPRU 2.2.53G)</td>
<td>Stage F</td>
<td>80</td>
</tr>
<tr>
<td>Total <em>tier two capital</em> (including innovative tier one instruments—see GENPRU 2.2.53G)</td>
<td>Stage K</td>
<td>80</td>
</tr>
<tr>
<td>Deductions</td>
<td>Stage M</td>
<td>(20)</td>
</tr>
<tr>
<td>Total <em>tier one capital</em> and <em>tier two capital</em> after deductions</td>
<td>Stage N</td>
<td>140</td>
</tr>
</tbody>
</table>

*Upper tier three capital* (this example assumes the firm has no lower tier three capital (trading book profits))

<table>
<thead>
<tr>
<th>Stage in the capital resources table</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage Q</td>
<td>50</td>
</tr>
</tbody>
</table>

Total *capital resources* | Stage T | 190 |

2.2.53 G *GENPRU 2.2.42R* (Limits on the use of innovative tier one capital) prohibits the inclusion of innovative tier one instruments in the *tier one capital* of a BIPRU firm for the purpose of meeting the capital resources requirement. Thus they are not included in the calculation of stage F of the capital resources table. Instead all innovative tier one instruments have been included in *tier two capital* in accordance with *GENPRU 2.2.25R* (Use of higher tiers of capital in lower tiers). [deleted]

...  

2.2.61 G The explanation for *GENPRU 2.2.60R* can be found in *GENPRU 2.2.43G 2.1.43G* (Base capital resources requirement). ...

...  

2.2.63 R The categories referred to in *GENPRU 2.2.62R*(1) are:

(1) permanent share capital;
(2) eligible partnership capital;

(3) eligible LLP members’ capital;

(4) sole trader capital;

(5) (in the case of an insurer) a perpetual non-cumulative preference share;

(6) (in the case of a building society) PIBS; and [deleted]

(7) (in the case of an insurer) an innovative tier one instrument; and

(8) (in the case of a BIPRU firm) hybrid capital.

General conditions for eligibility as tier one capital

2.2.64 R The conditions that an item of capital of a firm must comply with under GENPRU 2.2.62R(2) are as follows:

(1) it is issued by the firm;

(2) it is fully paid and the proceeds of issue are immediately and fully available to the firm;

(3) it:

   (a) cannot be redeemed at all or can only be redeemed on a winding up of the firm; or

   (b) complies with the conditions in GENPRU 2.2.70R (Basic requirements for redeemability) and GENPRU 2.2.76R (Redeemable instrument subject to a step-up);

(4) the item of capital meets the following conditions in relation to any coupon:

   (a) the firm is under no obligation to pay a coupon; or

   (b) (if the firm is obliged to pay the coupon) the coupon is payable in the form of an item of capital that is:

      (i) in the case of a BIPRU firm, core tier one capital; and

      (ii) in the case of an insurer, included in a higher stage of capital or the same stage of capital as that first item of capital;

(5) any coupon is either:

   (a) non-cumulative; or
(b) (if it is cumulative) it must, if deferred, be paid by the firm in the form of tier one capital complying with (4)(b);

(6) it is able to absorb losses to allow the firm to continue trading and:

(a) in the case of an insuror, in particular it complies with GENPRU 2.2.80R to GENPRU 2.2.81R (Loss absorption) and, in the case of an innovative tier one instrument, GENPRU 2.2.116R to GENPRU 2.2.118R (Innovative tier one instrument should not constitute a liability) (Other tier one capital: loss absorption); and

(b) in the case of a BIPRU firm, it does not, through appropriate mechanisms, hinder the recapitalisation of the firm, and in particular it complies with:

(i) GENPRU 2.2.80R to GENPRU 2.2.81R (Loss absorption); and

(ii) in the case of hybrid capital, GENPRU 2.2.116R to GENPRU 2.2.118R (Other tier one capital: loss absorption);

(7) the amount of the item included must be net of any foreseeable tax charge at the moment of its calculation or must be suitably adjusted in so far as such tax charges reduce the amount up to which that item may be applied to cover risks or losses;

(8) it is available to the firm for unrestricted and immediate use to cover risks and losses as soon as these occur;

(9) it ranks for repayment upon winding up, administration or any other similar process;

(a) in the case of an insuror, no higher than a share of a company incorporated under the Companies Act 2006 (whether or not it is such a share); or

(b) in the case of a BIPRU firm, lower than any items of capital that are:

(i) eligible for inclusion within the firm's tier two capital resources; and

(ii) not eligible for inclusion within the firm's tier one capital resources; and

(10) the description of its characteristics used in its marketing is consistent with the characteristics required to satisfy (1) to (9) and, where it applies, GENPRU 2.2.271R (Other requirements: insurers carrying on with-profits business (Insurers only)).
2.2.68 A BIPRU firm must not include a capital instrument in its tier one capital resources if:

(1) the capital instrument is affected by a dividend stopper; and

(2) the dividend stopper operates in a way that hinders recapitalisation.

2.2.68G A dividend stopper prevents the firm from paying any coupon on more junior or pari passu instruments in a period in which the firm omits payments to the holder of the capital instrument containing the dividend stopper, and so may hinder the recapitalisation of the firm contrary to GENPRU 2.2.64R(6).

Tier one capital: payment of coupons (BIPRU firm only)

2.2.69 A BIPRU firm must not make a payment of a coupon on an item of hybrid capital if the firm has no distributable reserves.

2.2.69B A BIPRU firm must cancel the payment of a coupon on an item of hybrid capital if the BIPRU firm does not meet its capital resources requirement or if the payment of that coupon would cause it to breach its capital resources requirement.

2.2.69C A BIPRU firm must not pay a coupon on an item of hybrid capital in the form of core tier one capital in accordance with GENPRU 2.2.64R(4)(b) unless:

(1) the firm meets its capital resources requirement; and

(2) such a substituted payment preserves the firm’s financial resources.

2.2.69D The FSA considers that a BIPRU firm’s financial resources are not preserved under GENPRU 2.2.69CR(2) unless, among other things, the conditions of the substituted payment are that:

(1) there is no decrease in the amount of the firm’s core tier one capital;

(2) the deferred coupon is satisfied without delay using newly issued core tier one capital that has an aggregate fair value no more than the amount of the coupon;

(3) the firm is not obliged to find new investors for the newly issued instruments; and

(4) if the holder of the newly issued instruments subsequently sells the instruments and the sale proceeds are less than the value of the coupon, the firm is not obliged to issue further new instruments to
cover the loss incurred by the holder of the instruments.

2.2.69E R A BIPRU firm must cancel the payment of a coupon if circumstances arise whereby the payment of the coupon by newly issued instruments, in accordance with GENPRU 2.2.64R(4)(b), does not comply with the requirements of GENPRU 2.2.69CR.

2.2.69F G (1) In relation to the cancellation or deferral of the payment of a coupon in accordance with GENPRU 2.2.64R(4) and (5), GENPRU 2.2.69AR, or GENPRU 2.2.69BR, the FSA expects that situations where a coupon may need to be cancelled or deferred will be resolved through analysis and discussion between the firm and the FSA. If the FSA and the firm do not agree on the cancellation or deferral of the payment of a coupon, then the FSA may consider using its powers under section 45 of the Act to, on its own initiative, vary a firm’s Part IV permission to require it to cancel or defer a coupon in accordance with the FSA’s view of the financial and solvency situation of the firm.

(2) In considering a firm’s financial and solvency situation, the FSA will normally take into account, among other things, the following:

(a) the firm’s financial and solvency position before and after the payment of the coupon, in particular whether that payment, or other foreseeable internal and external events or circumstances, may increase the risk of the firm breaching its capital resources requirement or the overall financial adequacy rule;

(b) an appropriately stressed capital plan, covering 3-5 years, which includes the effect of the proposed payment of the coupon; and

(c) an evaluation of the risks to which the firm is or might be exposed and whether the level of tier one capital ensures the coverage of those risks, including stress tests on the main risks showing potential loss under different scenarios.

(3) If the BIPRU firm is required to cancel or defer the payment of a coupon by the FSA, it may still be able to pay the coupon by way of newly issued core tier one capital in accordance with GENPRU 2.2.64R(4)(b) and GENPRU 2.2.69CR. The FSA may consider using its powers under section 45 of the Act to, on its own initiative, vary a firm’s Part IV permission to impose conditions on the use of such a mechanism or to require its cancellation, based on the factors outlined in this guidance.

Redemption of tier one instruments

2.2.70 R A firm may not include a capital instrument in its tier one capital resources, unless its contractual terms are such that:
(1) (if it is redeemable other than in circumstances set out in GENPRU 2.2.64R(3)(a) (redemption on a winding-up)) it is redeemable only at the option of the firm or, in the case of a BIPRU firm, on the date of maturity; and

(2) the firm cannot exercise that redemption right:

(a) before the fifth anniversary of its date of issue;

(b) unless it has given notice to the FSA in accordance with GENPRU 2.2.74R; and

(c) unless at the time of exercise of that right it complies with GENPRU 2.1.13R (the main capital adequacy rule for insurers) or the main BIPRU firm Pillar 1 rules and will continue to do so after redemption;

(3) (in the case of a BIPRU firm and if it is undated) if it provides for a moderate incentive for the BIPRU firm to redeem it, that incentive does not occur before the tenth anniversary of its date of issue; and

(4) (in the case of a BIPRU firm and if it is dated):

(a) it has an original maturity date of at least 30 years after its date of issue; and

(b) it does not provide an incentive to redeem on any date other than its maturity date.

2.2.70A G In the case of a BIPRU firm, an incentive to redeem is a feature of a capital instrument that would lead a reasonable market participant to have an expectation that the firm will redeem the instrument. The FSA considers that interest rate step-ups and principal stock settlements, in conjunction with a call option, are incentives to redeem. Only instruments with moderate incentives to redeem are permitted as tier one capital, in accordance with the limited conversion ratio in GENPRU 2.2.138R and the rule on step-ups in GENPRU 2.2.147R.

2.2.71 R A firm may include a term in a tier one instrument allowing the firm to redeem it before the date in GENPRU 2.2.70R(2)(a) if the following conditions are satisfied:

(1) the other conditions in GENPRU 2.2.70R are met;

(2) the circumstance that entitles the firm to exercise that right is:

(a) (in the case of an insurer) a change in law or regulation in any relevant jurisdiction or in the interpretation of such law or regulation by any court or authority entitled to do so; and

(b) (in the case of a BIPRU firm) a change in the applicable tax
(3) (a) (in the case of an insurer) it would be reasonable for the firm to conclude that it is unlikely that that circumstance will occur, judged at the time of issue or, if later, at the time that the term is first included in the terms of the tier one instrument; and

(b) (in the case of a BIPRU firm) the circumstance that entitles the firm to exercise that right was not reasonably foreseeable at the date of issue of the tier one instrument; and

(4) the firm’s right is conditional on it obtaining the FSA’s consent in the form of a waiver of GENPRU 2.2.72R.

2.2.74 R A firm must not redeem any tier one instrument that it has included in its tier one capital resources unless it has notified the FSA of its intention at least one month before it becomes committed to do so. When giving notice, the firm must provide details of its position after such redemption in order to show how it will:

(1) meet its capital resources requirement; and

(2) have sufficient financial resources to meet the overall financial adequacy rule; and

(3) in the case of a BIPRU firm, not otherwise suffer any undue effects to its financial or solvency conditions.

2.2.74A G The FSA considers that, in order to comply with GENPRU 2.2.74R, the firm should, at a minimum, provide the FSA with the following information:

(1) a comprehensive explanation of the rationale for the redemption;

(2) the firm’s financial and solvency position before and after the redemption, in particular whether that redemption, or other foreseeable internal and external events or circumstances, may increase the risk of the firm breaching its capital resources requirement;

(3) an appropriately stressed capital plan covering 3-5 years, which includes the effect of the proposed redemption; and

(4) an evaluation of the risks to which the firm is or might be exposed and whether the level of tier one capital ensures the coverage of such risks including stress tests on the main risks showing potential loss under different scenarios.

2.2.74B R If a BIPRU firm does not comply with its capital resources requirement or if the redemption of any dated tier one instrument would cause it to breach its
capital resources requirement, it must suspend the redemption of its dated tier one instruments.

...

Step-ups and redeemable tier one instruments: Insurer only

2.2.76 R In the case of an insurer, in relation to an innovative tier one instrument or a PIBS which is redeemable and which satisfies the following conditions:

...

Purchases of tier one instruments: BIPRU firm only

2.2.79A R A BIPRU firm must not purchase a tier one instrument that it has included in its tier one capital resources unless:

(1) the firm initiates the purchase;

(2) it is on or after the fifth anniversary of the date of issue of the instrument; and

(3) the firm has given notice to the FSA in accordance with GENPRU 2.2.79GR.

2.2.79B G In exceptional circumstances a BIPRU firm may apply for a waiver of GENPRU 2.2.79AR(2) under section 148 (Modification or waiver of rules) of the Act.

2.2.79C R GENPRU 2.2.79AR(2) does not apply if:

(1) the firm replaces the capital instrument it intends to purchase with a capital instrument that is included in a higher stage of capital or the same stage of capital; and

(2) the replacement capital instrument has already been issued.

2.2.79D R GENPRU 2.2.79AR(2) does not apply if:

(1) the firm intends to hold the purchased instrument for a temporary period as market maker; and

(2) the purchased instruments held by the firm do not exceed the lower of:

(a) 10% of the relevant issuance; or

(b) 3% of the firm’s total issued hybrid capital.

2.2.79E G In the circumstances provided for in GENPRU 2.2.79DR, a firm would purchase the instrument and, instead of cancelling it, the firm would hold the
instrument for a temporary period. In that case a firm should have in place adequate policies to take into account any relevant regulations and rules, which include those relating to market abuse.

2.2.79F R For the purposes of calculating its tier one capital resources, a firm must deduct the amount of any item of hybrid capital which it then holds.

2.2.79G R A BIPRU firm must not purchase a tier one instrument in accordance with GENPRU 2.2.79AR unless it has notified the FSA of its intention at least one month before it becomes committed to doing so. When giving notice, the firm must provide details of its position after the purchase in order to show how, over an appropriate timescale, adequately stressed, and without planned recourse to the capital markets, it will:

(1) meet its capital resources requirement; and

(2) have sufficient financial resources to meet the overall financial adequacy rule.

2.2.79H G The FSA considers that:

(1) in order to comply with GENPRU 2.2.79GR, the firm should, at a minimum, provide the FSA with the following information:

(a) a comprehensive explanation of the rationale for the purchase;

(b) the firm’s financial and solvency position before and after the purchase, in particular whether the purchase, or other foreseeable internal and external events or circumstances, may increase the risk of the firm breaching its capital resources requirement or the overall financial adequacy rule;

(c) an appropriately stressed capital plan covering 3-5 years, which includes the effect of the proposed purchase; and

(d) an evaluation of the risks to which the firm is or might be exposed and whether the level of tier one capital ensures the coverage of such risks including stress tests on the main risks showing potential loss under different scenarios; and

(2) the proposed purchase should not be on the basis that the firm reduces capital on the date of the purchase and then plans to raise new external capital during the following 3-5 years to replace the purchased capital.

Loss Absorption

2.2.80 R A firm may not include a share in its tier one capital resources unless (in addition to complying with the other relevant rules in GENPRU 2.2):
(2) (in the case of a building society) it is a deferred share as defined in the Building Societies (Deferred Shares) Order 1994; or

2.2.82 G There are additional loss absorption requirements for (in the case of an insurer) innovative tier one capital and (in the case of a BIPRU firm) hybrid capital in GENPRU 2.2.116R to GENPRU 2.2.118R (Innovative tier one instrument should not constitute a liability) (Other tier one capital: loss absorption).

Core tier one capital: permanent share capital

2.2.83 R Permanent share capital means an item of capital which (in addition to satisfying GENPRU 2.2.64R) meets the following conditions:

(1) it is:

(2) For these purposes material interim net losses mean unaudited interim losses arising from a firm’s trading book and non-trading book business which exceed 10% of the sum of its capital resources calculated at stages stage A (Core tier one capital) and B (Perpetual non-cumulative preference shares) in the capital resources table.

2.2.97 R The items permanent share capital and share premium account (which form part of core tier one capital) and perpetual non-cumulative preference shares (which forms stage B of the capital resources table) do not apply to a BIPRU firm that is a partnership or a limited liability partnership.
Core tier one capital: deferred shares (building society only)

2.2.108A R A building society may include a deferred share at stage A of the calculation in the capital resources table if (in addition to satisfying all the other requirements in relation to tier one capital) it is permanent share capital and is otherwise equivalent to an ordinary share in terms of its capital qualities, taking into account the specific constitution of building societies under the Building Societies Act 1986.

2.2.108B G The other main provisions relevant to inclusion of a deferred share in tier one capital are GENPRU 2.2.62R (Tier one capital: General), GENPRU 2.2.64R (General conditions for eligibility as tier one capital), GENPRU 2.2.65R (Connected transactions) and GENPRU 2.2.80R (Loss absorption).

Other tier one capital: perpetual non-cumulative preference shares (insurer only)

2.2.109 R In the case of an insurer, a perpetual non-cumulative preference share may be included at stage B of the calculation in the capital resources table if…

2.2.110 G The other main provisions relevant to the eligibility of a perpetual non-cumulative preference share for inclusion by an insurer in tier one capital are...

Other tier one capital: permanent interest bearing shares (building societies only)

2.2.111 R A building society may include a PIBS at stage B of the calculation in the capital resources table if (in addition to satisfying all the other requirements in relation to tier one capital) it is a “deferred share” as defined in the Building Societies (Deferred Shares) Order 1991. [deleted]

2.2.112 G The other main provisions relevant to inclusion of a PIBS in tier one capital are GENPRU 2.2.62R (Tier one capital: General), GENPRU 2.2.64R (General conditions for eligibility as tier one capital), GENPRU 2.2.65R (Connected transactions), GENPRU 2.2.70R to GENPRU 2.2.75R (Redemption of tier one instruments), GENPRU 2.2.76R (Step-ups and redeemable tier one instruments) and GENPRU 2.2.80R (Loss absorption). However many of the rules in this section about features of capital instruments that result in treatment as innovative tier one capital do not apply. [deleted]

Other tier one capital: innovative tier one capital: general (insurer only)

2.2.113 R If, in the case of an insurer, an item of capital is stated to be an innovative tier one instrument by the rules in GENPRU 2.2, it cannot be included in stages A (Core tier one capital) or B (Perpetual non-cumulative preference shares) of the calculation in the capital resources table.

Other tier one capital: innovative tier one capital: redemption (insurer only)
2.2.114 R If, in the case of an insurer, a tier one instrument, other than a PIBS:

(1) is redeemable; and

(2) a reasonable person would think that:

(a) the firm is likely to redeem it; or

(b) the firm is likely to have an economic incentive to redeem it;

that tier one instrument is an innovative tier one instrument.

2.2.115 G Any feature that in conjunction with a call would make a firm an insurer more likely to redeem a tier one instrument, other than a PIBS, would normally result in classification as innovative tier one capital resources.

Other tier one capital: conditions for eligibility for hybrid capital to be included at the different stages B1, B2 and C of the calculation in the capital resources table (BIPRU firm only)

2.2.115A R A BIPRU firm must not include a capital instrument at stage B1 of the calculation in the capital resources table unless (in addition to satisfying all the other requirements in relation to tier one capital and hybrid capital) its contractual terms are such that:

(1) it cannot be redeemed in cash but can only be converted into core tier one capital;

(2) it must be converted into core tier one capital by the firm during emergency situations;

(3) the emergency situations referred to in (2):

(a) are clearly defined within the terms of the capital instrument, legally certain and transparent; and

(b) occur at the latest, and include, when the BIPRU firm does not meet its capital resources requirement;

(4) the FSA may require its conversion into core tier one capital when the FSA considers it necessary;

(5) it may be converted into core tier one capital by the firm or the holder of the instrument at any time; and

(6) the maximum number of capital instruments which are core tier one capital into which it may be converted must:

(a) be determined at the date of its issue;

(b) be determined on the basis of the market value of those other instruments at the date of its issue;
(c) have an aggregate value equal to its par value; and

(d) not increase if the price of those other instruments decreases.

2.2.115B G The intention of GENPRU 2.2.115AR is to ensure that capital instruments included in stage B1 of the calculation in the capital resources table have the same permanence as core tier one capital; the presence of a call option for these instruments may reduce their permanence.

2.2.115C G

(1) In respect of GENPRU 2.2.115AR(4), the FSA may require the firm to convert the instrument into core tier one capital based on its financial and solvency situation. The FSA will take into account, among other things, the factors identified at GENPRU 2.2.69FG(2), adjusted to take into account the effects of a conversion rather than payment of a coupon.

(2) Even if a firm meets its capital resources requirement, the FSA may consider the amount or composition of the firm’s tier one capital as inadequate to cover the financial and solvency risks of the firm in which event the FSA may require the firm to convert the instrument into core tier one capital.

2.2.115D R A BIPRU firm may include a capital instrument at stage B2 of the calculation in the capital resources table if (while satisfying all the other requirements in relation to tier one capital and hybrid capital) it cannot be included at stage B1 of that calculation as it does not satisfy the requirements of GENPRU 2.2.115AR.

2.2.115E G

(1) The other main provisions relevant to the eligibility of a capital instrument to be included at stages B1 and B2 of the calculation in the capital resources table are GENPRU 2.2.62R (Tier one capital: General), GENPRU 2.2.64R (General conditions for eligibility as tier one capital), GENPRU 2.2.65R (Connected transactions), GENPRU 2.2.68AR (Dividend stoppers), GENPRU 2.2.70R to GENPRU 2.2.75R (Redemption of tier one instruments), GENPRU 2.2.80R (Loss absorption) and GENPRU 2.2.116R to GENPRU 2.2.118R (Other tier one capital: loss absorption).

(2) The rule about hybrid capital included at stage C of the calculation in the capital resources table in GENPRU 2.2.115FR is also relevant. Capital instruments that would otherwise qualify for inclusion at stages B1 or B2 of the calculation in the capital resources table may only be eligible for inclusion at stage C of that calculation.

2.2.115F R A BIPRU firm may include a capital instrument at stage C of the calculation in the capital resources table, and must not include it in stage B1 or B2 of that calculation, if (in addition to satisfying all the other requirements in relation to tier one capital and hybrid capital) it either:
(1) is dated; or

(2) provides an incentive for the firm to redeem it, as assessed at the date of its issue.

2.2.115G G An incentive to redeem is a feature of a capital instrument that would lead a reasonable market participant to have an expectation that the firm will redeem the instrument. The effect of GENPRU 2.2.115FR(2) is that the classification of an instrument that provides an incentive to redeem is always assessed at the date of its issue, and it cannot be reclassified.

Other tier one capital: innovative tier one capital: loss absorption

2.2.116 R A firm may An insurer must not include a capital instrument that is not a share in its innovative tier one capital resources unless (in addition to satisfying all the other requirements in relation to tier one capital and innovative tier one capital) it satisfies the condition in this rule. In addition a firm may not include any other capital in its innovative tier one capital resources unless it satisfies the condition in this rule. The condition in this rule is that the firm’s obligations under the instrument either:

(1) do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986; or

(2) do constitute such a liability…

…

2.2.116A R A BIPRU firm must not include a capital instrument that is not a share at stage B1, B2 or C of the calculation in the capital resources table unless (in addition to satisfying all the other requirements in relation to tier one capital and hybrid capital) the firm’s obligations under the instrument either:

(1) do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986; or

(2) do constitute such a liability but the terms of the instrument are such that:

(a) any such liability is not relevant for the purposes of deciding whether:

(i) the firm is, or is likely to become, unable to pay its debts; or

(ii) its liabilities exceed its assets;

(b) a person (including, but not limited to, a holder of the instrument) is not able to petition for the winding up or administration of the firm or for any similar procedure in relation to the firm on the grounds that the firm is or may
become unable to pay any such liability; and

(c) the firm is not obliged to take into account such a liability for the purposes of deciding whether or not the firm is, or may become, insolvent for the purposes of section 214 of the Insolvency Act 1986 (Wrongful trading).

2.2.117 The effect of GENPRU 2.2.116R and GENPRU 2.2.116AR is that if a potential tier one instrument does constitute a liability, this should only be the case when the firm is able to pay that liability but chooses not to do so. As tier one capital resources for an insurer should be undated, this will generally only be relevant on a solvent winding up of the firm. . . .

2.2.117A A BIPRU firm must not include a capital instrument at stage B1, B2 or C of the calculation in the capital resources table unless (in addition to satisfying all the other requirements in relation to tier one capital and hybrid capital) its contractual terms provide for a mechanism within the instrument which:

(1) is clearly defined and legally certain;

(2) is disclosed and transparent to the market;

(3) makes the recapitalisation of the firm more likely by adequately reducing the potential future outflows to a holder of the capital instrument at certain trigger points;

(4) enables the firm, at and after the trigger points, to operate the mechanism; and

(5) when initiated, operates in one of the following ways:

(a) the principal of the instrument is written down permanently; or

(b) the principal of the instrument is written down temporarily. During the write-down period any coupon payable on the instrument must be cancelled and any related dividend stoppers and pushers must operate in a way that does not hinder recapitalisation; or

(c) the instrument is converted into core tier one capital. The maximum number of capital instruments which are core tier one capital into which it must be converted must:

(i) be determined at the date of its issue;

(ii) be determined on the basis of the market value of those other instruments at the date of its issue;

(iii) have an aggregate value no more than 150% of its par value; and

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(iv) not increase if the share price decreases; or

(d) an alternative process applies which has the same or greater effect on the likelihood of recapitalisation as (a), (b), and (c).

2.2.117B  R The trigger points required by GENPRU 2.2.117AR(3) must:

(1) be clearly defined within the instrument and legally certain;

(2) be disclosed and transparent to the market; and

(3) be prudent and timely, and include trigger points which occur:

(a) before a breach of the firm’s capital resources requirement and both:

(i) when the firm’s losses lead to a significant reduction of the firm’s retained earnings or other reserves which causes a significant deterioration of the firm’s financial and solvency conditions; and

(ii) when it is reasonably foreseeable that the events described in (i) will occur; and

(b) when the firm is in breach of its capital resources requirement.

2.2.117C  G (1) The effects of the mechanisms described in GENPRU 2.2.117AR will be more meaningful if they happen immediately after losses cause a significant deterioration of the financial as well as the solvency situation and even before the reserves are exhausted.

(2) If a firm does not operate the loss absorption mechanism in a prudent and timely way, then the FSA may consider using its powers under section 45 of the Act to, on its own initiative, vary the firm’s Part IV permission to require it to operate the mechanism.

2.2.118  R (1) A firm An insurer may not include an innovative tier one instrument, unless it is a preference share, in its tier one capital resources unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in GENPRU 2.2.64R(6) (loss absorption) and GENPRU 2.2.80R to GENPRU 2.2.81R (Loss absorption) are met.

(2) A BIPRU firm may not include a capital instrument at stage B1, B2 or C of the calculation in the capital resources table unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in GENPRU 2.2.62R (Tier one capital: General), GENPRU 2.2.64R(1) to (9) (General conditions for eligibility as tier one capital) and GENPRU 2.2.80R to GENPRU 2.2.81R (Loss absorption) are met.
For the purposes of GENPRU 2.2.118R(2), the focus of the legal opinion in considering GENPRU 2.2.64R(6)(b) should be on whether appropriate mechanisms exist and are designed to operate to ensure that the value of the hybrid capital instrument and the position of the hybrid capital holder are not enhanced by recapitalisation.

Other tier one capital: innovative tier one capital: coupons (insurer only)

A In the case of an insurer, a tier one instrument, other than a PIBS, with a cumulative or mandatory coupon is an innovative tier one instrument.

Other tier one capital: innovative tier one capital: step-ups (insurer only)

If, in the case of an insurer:

(1) a potential tier one instrument, other than a PIBS, is or may become subject to a step-up;

(2) …

that potential tier one instrument is an innovative tier one instrument.

Other tier one capital: innovative tier one capital: indirectly issued tier one capital (BIPRU firm only)

A BIPRU firm may only count capital to which GENPRU 2.2.118R applies as innovative tier one capital at stage C of the calculation in the capital resources table.

The SPV referred to in GENPRU 2.2.124R (2)(a) must satisfy the following conditions:
(2) …; and
(3) …; and
(4) it is incorporated under, and governed by, the laws and jurisdiction of England and Wales, Scotland or Northern Ireland.

2.2.128A  R  *GENPRU 2.2.127R(4)* does not apply if the *firm* has conducted a properly reasoned analysis confirming that any potential risks, including legal and operational risks, associated with cross-border issues, which undermine the quality of the capital for the issuer, that arise from an *SPV* not being incorporated under or governed by the laws and jurisdiction of England and Wales, Scotland or Northern Ireland, are adequately mitigated.

2.2.128B  R  The analysis must be set out in writing and dated before the date of issue of the *capital instrument* and the *firm* must be able to show that the analysis has been fully considered as part of its decision to proceed with the issue. The analysis must be conducted by a person or persons appropriately qualified to assess the relevant risks and that person may be an independent adviser or an employee of the *firm* who is not part of the business unit responsible for the transaction (including the drafting of the issue documentation).

2.2.129  R  The *SPV* referred to in *GENPRU 2.2.124R(2)(a)* must fund its subscription for the capital issued by the *firm* by the issue of capital that satisfies the following conditions:

1. it must comply with the conditions for qualification as *tier one capital*, as amended by *GENPRU 2.2.130R*, as if the *SPV* was itself a *firm* seeking to include that capital in its *tier one capital resources*;

2. its terms must include an obligation on the *firm*, when the *capital resources* of the *firm* fall below, or are likely to fall below its *capital resources requirement*, to substitute for the instrument issued by the *SPV* a *tier one instrument* issued by the *firm* that:

   (a) is not an *innovative tier one instrument*; or
   
   (b) is an *innovative tier one instrument* provided that

      (i) it is only being classified as such because it is or may become subject to a *step-up*, and
      
      (ii) the terms of the original instrument issued by the *SPV* included a *step-up*.

      (a) its terms must include an obligation on the *firm* that, in the event of a collapse of the *SPV* structure, and if the mechanism contained within the instrument under *GENPRU*
2.2.117AR is a conversion, the firm must substitute the capital instrument issued by the SPV with core tier one capital issued by the firm; and

(b) there must be no obstacle to the firm’s issue of new securities;

(3) the conversion ratio in respect of the substitution described in (2) must be fixed when the SPV issues the capital instrument; and

(4) to the extent that investors have the benefit of an obligation by a person other than the SPV:

... (b) the extent of that obligation must be no greater than would be permitted by GENPRU if that obligation formed part of the terms of a capital instrument issued by that member which complied with the rules in GENPRU relating to innovative tier one capital tier one capital included at stage C of the calculation in the capital resources table; and

(5) if the SPV structure collapses, the holder of it has no better a claim against the firm than a holder of the same type of instrument directly issued by the firm.

... 

2.2.131R In relation to the obligation to substitute described in GENPRU 2.2.129R(2), a firm must take all reasonable steps to ensure that it has at all times authorised and unissued tier one instruments that are not innovative tier one instruments or that are innovative tier one instruments only because they are or may become subject to a step-up (and the authority to issue them) capital instruments which are core tier one capital (and the authority to issue them) sufficient to discharge its obligation to substitute.

2.2.131A GENPRU 2.2.129R(2) and GENPRU 2.2.131R allow a firm to replace the capital issued by the SPV with a capital instruments which are core tier one capital instrument that is not an innovative tier one instrument or that is an innovative tier one instrument provided that:

(1) it is only being classified as such because it is or may become subject to a step-up, and

(2) the terms of the original instrument issued by the SPV included a step-up.

In all other respects, the innovative tier one instrument issued by the firm must meet the conditions to be an item of tier one capital capable of inclusion in Stage B or higher of the capital resources table.
2.2.138  R  …

(2)  A firm must not include a potential tier one instrument to which this rule applies in its tier one capital resources if:

(a)  the conversion ratio as at the date of redemption may be greater than the conversion ratio as at the time of issue by more than 200%:

(i)  in the case of a BIPRU firm, 150%; and

(ii)  in the case of an insurer, 200%; or

…

2.2.143  G  (1)  The significance of the limitations on conversion in GENPRU 2.2.138R(2) can be seen in the example in this paragraph, which uses the conversion ratio applicable to an insurer.

(2)  A firm An insurer issues innovative notes with a par value of £100 each….

…

2.2.144  G  (1)  In addition to the maximum conversion ratio ratios of 200% for an insurer and 150% for a BIPRU firm, GENPRU 2.2.138R(2)(b) does not permit a firm to issue shares that would have a market value that exceeds the issue price of the instrument being redeemed.

…

2.2.147  R  …

(4)  A BIPRU firm may not include a capital instrument in its tier one capital resources if it is redeemable and subject to more than one step-up.

…

2.2.157  G  Tier two capital resources are split into upper and lower tiers. A major distinction between upper and lower tier two capital is that, except as provided by GENPRU 2.2.26AR for BIPRU firms, only perpetual instruments may be included in upper tier two capital whereas dated instruments, such as fixed term preference shares and dated subordinated debt, may be included in lower tier two capital.
2.2.179 G …

(3) *GENPRU 2.2.26AR* provides an exception, in the case of a *BIPRU firm*, to the *rule* that instruments must have no fixed maturity date to be eligible for *upper tier two capital resources*.

…

2 Annex 2R Capital resources table for a bank

<table>
<thead>
<tr>
<th>The capital resources calculation for a bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of capital</td>
</tr>
<tr>
<td>Core tier one capital</td>
</tr>
<tr>
<td><em>Permanent share capital</em></td>
</tr>
<tr>
<td>Profit and loss account and other reserves (taking into account interim net losses)</td>
</tr>
<tr>
<td><em>Eligible partnership capital</em></td>
</tr>
<tr>
<td>…</td>
</tr>
<tr>
<td><strong>Hybrid capital</strong> Perpetual-non-cumulative-preference shares</td>
</tr>
<tr>
<td>Stage B1 Perpetual non-cumulative-preference shares</td>
</tr>
<tr>
<td>Stage B2</td>
</tr>
<tr>
<td><strong>Innovative tier one capital</strong></td>
</tr>
<tr>
<td><em>Innovative tier one instruments</em></td>
</tr>
<tr>
<td>Total tier one capital before deductions = A + B B1 + B2 + C</td>
</tr>
</tbody>
</table>

…
### 2 Annex 3R  Capital resources table for a building society

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>Related text</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core tier one capital</strong></td>
<td></td>
<td>(A)</td>
</tr>
<tr>
<td><strong>Deferred shares</strong></td>
<td>GENPRU 2.2.108AR</td>
<td></td>
</tr>
<tr>
<td>Profit and loss account and other reserves (taking into account interim net losses)</td>
<td>GENPRU 2.2.85R to 2.2.90R</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td><strong>Perpetual non-cumulative preference shares</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>PIBS</em></td>
<td>GENPRU 2.2.111R</td>
<td>(B)</td>
</tr>
<tr>
<td><strong>Hybrid capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage B1</td>
<td>GENPRU 115AR to GENPRU 2.2.117BR</td>
<td>(B1)</td>
</tr>
<tr>
<td>Stage B2</td>
<td>GENPRU 2.2.115DR to GENPRU 2.2.117BR</td>
<td>(B2)</td>
</tr>
<tr>
<td><strong>Innovative tier one capital</strong></td>
<td></td>
<td>(C)</td>
</tr>
<tr>
<td><em>Innovative tier one instruments</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage C</td>
<td>GENPRU 2.2.113R to GENPRU 2.2.137R to GENPRU 2.2.117BR</td>
<td>(C)</td>
</tr>
<tr>
<td><strong>Total tier one capital before deductions = A + B + B1 + B2 + C</strong></td>
<td></td>
<td>(D)</td>
</tr>
<tr>
<td>...</td>
<td></td>
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</tr>
</tbody>
</table>
Note (3): Stage C must be omitted except where capital resources are being used for a purpose for which innovative tier one capital may be used (see GENPRU 2.2.27 R)

2 Annex 4R  Capital resources table for a BIPRU investment firm deducting material holdings

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>Related text</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core tier one capital</strong></td>
<td>(A)</td>
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<tr>
<td>Permanent share capital</td>
<td>GENPRU 2.2.83R</td>
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</tr>
<tr>
<td>Profit and loss account and other reserves</td>
<td>GENPRU 2.2.85R to 2.2.90R</td>
<td></td>
</tr>
<tr>
<td>Eligible partnership capital</td>
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<tr>
<td>...</td>
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<td></td>
</tr>
<tr>
<td><strong>Hybrid capital</strong></td>
<td>(B)</td>
<td></td>
</tr>
<tr>
<td>Perpetual non-cumulative preference shares</td>
<td>GENPRU 2.2.109R to GENPRU 2.2.117BR</td>
<td>(B1)</td>
</tr>
<tr>
<td>Stage B1 Perpetual non-cumulative preference shares</td>
<td>GENPRU 2.2.115AR to GENPRU 2.2.117BR</td>
<td></td>
</tr>
<tr>
<td>Stage B2</td>
<td>GENPRU 2.2.115DR to GENPRU 2.2.117BR</td>
<td>(B2)</td>
</tr>
<tr>
<td><strong>Innovative tier one capital</strong></td>
<td>(C)</td>
<td></td>
</tr>
<tr>
<td><strong>Innovative tier one instruments</strong></td>
<td>GENPRU 2.2.113R to GENPRU 2.2.117BR</td>
<td>(C)</td>
</tr>
<tr>
<td>Stage C</td>
<td>GENPRU 2.2.115FR to GENPRU 2.2.117BR</td>
<td></td>
</tr>
<tr>
<td>Total tier one capital before deductions</td>
<td>A + B + B1 + B2 + C</td>
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<td></td>
<td></td>
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<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note (3): Stage C must be omitted except where capital resources are being used for a purpose for which innovative tier one capital may be used (see GENPRU 2.2.27R)

2 Annex 5R  Capital resources table for a BIPRU investment firm deducting illiquid assets

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>Related text</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core tier one capital</strong></td>
<td></td>
<td>(A)</td>
</tr>
<tr>
<td>Permanent share capital</td>
<td>GENPRU 2.2.83R</td>
<td></td>
</tr>
<tr>
<td>Profit and loss account and other reserves (taking into account interim net losses)</td>
<td>GENPRU 2.2.85R to 2.2.90R</td>
<td></td>
</tr>
<tr>
<td><strong>Eligible partnership capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid capital Perpetual non-cumulative preference shares</td>
<td>GENPRU 2.2.109R to GENPRU 2.2.117BR</td>
<td>(B)</td>
</tr>
<tr>
<td><strong>Stage B1 Perpetual non-cumulative preference shares</strong></td>
<td>GENPRU 2.2.109R to GENPRU 2.2.117BR</td>
<td>(B1)</td>
</tr>
<tr>
<td><strong>Stage B2</strong></td>
<td>GENPRU 2.2.115DR to GENPRU 2.2.117BR</td>
<td>(B2)</td>
</tr>
<tr>
<td><strong>Innovative tier one capital</strong></td>
<td></td>
<td>(C)</td>
</tr>
<tr>
<td><strong>Innovative tier one instruments</strong> Stage C</td>
<td>GENPRU 2.2.113R to GENPRU 2.2.117BR</td>
<td>(C)</td>
</tr>
<tr>
<td>Total tier one capital before deductions = A + B1 + B2 + C</td>
<td></td>
<td>(D)</td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note (3): Stage C must be omitted except where capital resources are being used for a purpose for which innovative tier one capital may be used (see GENPRU 2.2.27R)

2 Annex 6R Capital resources table for a BIPRU investment firm with a waiver from consolidated supervision

<table>
<thead>
<tr>
<th>Type of capital</th>
<th>Related text</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core tier one capital</td>
<td></td>
<td>(A)</td>
</tr>
<tr>
<td><strong>Permanent share capital</strong></td>
<td><strong>GENPRU 2.2.83R</strong></td>
<td></td>
</tr>
<tr>
<td>Profit and loss account and other reserves (taking into account interim net losses)</td>
<td><strong>GENPRU 2.2.85R to 2.2.90R</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Eligible partnership capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hybrid capital Perpetual non-cumulative preference shares</strong></td>
<td></td>
<td>(B)</td>
</tr>
<tr>
<td><strong>Stage B1 Perpetual non-cumulative preference shares</strong></td>
<td><strong>GENPRU 2.2.109R to GENPRU 2.2.117BR</strong></td>
<td>(B1)</td>
</tr>
<tr>
<td><strong>Stage B2</strong></td>
<td><strong>GENPRU 2.2.115DR to GENPRU 2.2.117BR</strong></td>
<td>(B2)</td>
</tr>
<tr>
<td><strong>Innovative tier one capital</strong></td>
<td></td>
<td>(C)</td>
</tr>
<tr>
<td><strong>Innovative tier one instruments</strong></td>
<td><strong>GENPRU 2.2.113R to GENPRU 2.2.117BR</strong></td>
<td>(C)</td>
</tr>
<tr>
<td><strong>Total tier one capital before deductions = A + B B1 + B2 + C</strong></td>
<td></td>
<td>(D)</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
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</tbody>
</table>
After GENPRU TP 8 insert the following new transitional provisions. The text is not underlined.

TP 8A Further miscellaneous capital resources definitions for BIPRU firms

Application and interpretation

8A.1 R This section applies to a BIPRU firm. In this section a reference to 30 December 2010 means 23.59 on 30 December 2010.

Tier one capital

8A.2 R Until 31 December 2040 a BIPRU firm may treat a capital instrument as eligible for inclusion as hybrid capital, if it would not otherwise be eligible, if:

1) on 30 December 2010 the BIPRU firm was subject to GENPRU; and

2) as at 30 December 2010 the BIPRU firm included it, and was entitled to include it, at stage B or C of the calculation in the capital resources table.

8A.3 R If a BIPRU firm treats a capital instrument as eligible for inclusion as hybrid capital under GENPRU TP 8A.2R, then the firm:

1) if it included the capital instrument as innovative tier one capital as at 30 December 2010, must treat the capital instrument as hybrid capital included at stage C of the calculation in the capital resources table;

2) except where it is a building society, must apply the limit in GENPRU 2.2.30AR(3) to the aggregate of the capital instruments treated under (1) and the hybrid capital that is eligible under GENPRU 2.2 for inclusion at stage C of the calculation in the capital resources table;

3) in the case of a building society, must not include hybrid capital at stage C of the calculation in the capital resources table under GENPRU 2.2, except as provided by (4), if the amount of PIBS with incentives to redeem treated under GENPRU TP 8A.2R exceeds the limit in GENPRU 2.2.30AR(3);
(4) in the case of a building society, may include hybrid capital at stage C of the calculation in the capital resources table, notwithstanding (3), if the firm issued it after 30 December 2010 and:

(a) the capital instrument would otherwise be eligible for inclusion as hybrid capital at stage C of the calculation in the capital resources table under GENPRU 2.2; and

(b) the firm issued it in order to replace a PIBS with an incentive to redeem that the firm treated as hybrid capital under GENPRU TP 8A.2R;

(5) must not include hybrid capital at stage B2 of the calculation in the capital resources table under GENPRU 2.2, except as provided by GENPRU TP 8A.4R, if and to the extent that the aggregate of the following exceeds the limit in GENPRU 2.2.30AR(2):

(a) capital instruments included at stage C in the capital resources table under (1) and GENPRU 2.2; and

(b) capital instruments included at stage B of the calculation in the capital resources table as at 30 December 2010 and treated under GENPRU TP 8A.2R;

(6) if it includes hybrid capital at stage B2 of the calculation in the capital resources table under GENPRU 2.2, except as provided by GENPRU TP 8A.4R, must include capital instruments treated under GENPRU TP 8A.2R in the calculation of the limit in GENPRU 2.2.30AR(2);

(7) must not include hybrid capital at stage B1 of the calculation in the capital resources table under GENPRU 2.2, except as provided by GENPRU TP 8A.5R, if and to the extent that the aggregate of the following exceeds the limit in GENPRU 2.2.30AR(1):

(a) capital instruments included at stage C in the capital resources table under (1) and GENPRU 2.2; and

(b) capital instruments included at stage B of the calculation in the capital resources table as at 30 December 2010 and treated under GENPRU TP 8A.2R; and

(8) if it includes hybrid capital at stage B1 of the calculation in the capital resources table under GENPRU 2.2, except as provided by GENPRU TP 8A.5R, must include capital instruments treated under GENPRU TP 8A.2R in the calculation of the limit in GENPRU 2.2.30AR(1).

8A.4 R A BIPRU firm may include hybrid capital at stage B2 of the calculation in the capital resources table, notwithstanding GENPRU TP 8A.3R(5), if the firm issued it after 30 December 2010 and:
(1) the *capital instrument* would otherwise be eligible for inclusion as *hybrid capital* at stage B2 of the calculation in the *capital resources table* under *GENPRU 2.2*; and

(2) the *firm* issued it in order to replace another *capital instrument* that the *firm* treated as *hybrid capital* under *GENPRU TP 8A.2R*.

8A.5 R A *BIPRU firm* may include *hybrid capital* at stage B1 of the calculation in the *capital resources table*, notwithstanding *GENPRU TP 8A.3R(7)*, if the *firm* issued it after 30 December 2010 and:

(1) the *capital instrument* would otherwise be eligible for inclusion as *hybrid capital* at stage B1 of the calculation in the *capital resources table* under *GENPRU 2.2*; and

(2) the *firm* issued it in order to replace another *capital instrument* that the *firm* treated as *hybrid capital* under *GENPRU TP 8A.2R*.

8A.6 R In relation to the *tier one capital resources* of a *BIPRU firm*, calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions):

(1) from 31 December 2020 until 30 December 2030:
   (a) no more than 20% may be accounted for by items treated under *GENPRU TP 8A.2R* as *tier one capital*; and
   (b) in the case of a *building society*, any *PIBS* with an incentive to redeem treated under *GENPRU TP 8A.2R* is to be treated as *hybrid capital* included at stage C of the calculation in the *capital resources table* and as subject to the limit in *GENPRU 2.2.30AR(3)*; and

(2) from 31 December 2030 until 30 December 2040, no more than 10% may be accounted for by items treated under *GENPRU TP 8A.2R* as *tier one capital*.

8A.7 R *BIPRU firms* which do not comply by 31 December 2010 with the limits set out in *GENPRU 2.2.29R* to *GENPRU 2.2.30AR(3)* must develop strategies and processes on the necessary measures to resolve this situation before the dates set out in *GENPRU TP 8A.6R*. 
Schedule 2

Notification and reporting requirements

3 Table

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Contents of notification</th>
<th>Trigger events</th>
<th>Time allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td><strong>GENPRU 2.2.74R</strong></td>
<td>Intention to redeem <em>tier one instrument</em> included in <em>tier one capital resources</em></td>
<td>Fact of intention and details of the <em>firm’s</em> position after such redemption in order to show how it will meet the <em>capital resources requirement</em>, and how it will have sufficient financial resources to meet the <em>overall financial adequacy rule</em> and, in the case of a <em>BIPRU firm</em>, how it will not otherwise suffer any undue effects to its financial or solvency conditions</td>
<td>Intention to redeem</td>
<td>At least one month prior to becoming committed to redeem</td>
</tr>
<tr>
<td><strong>GENPRU 2.2.79GR</strong></td>
<td>Intention to purchase a <em>tier one instrument</em> in accordance with <em>GENPRU 2.2.79AR</em></td>
<td>Fact of intention and details of the <em>firm’s</em> position after the purchase in order to show how, over an</td>
<td>Intention to purchase</td>
<td>At least one month prior to becoming committed to purchase</td>
</tr>
<tr>
<td>appropriate timescale, adequately stressed, and without planned recourse to the capital markets, it will meet its capital resources requirement and have sufficient financial resources to meet the overall financial adequacy rule</td>
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</tr>
</tbody>
</table>

| … | … | … | … | … | … |
Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

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

1.2 Definition of the trading book

Internal hedges

1.2.16 R Notwithstanding By way of derogation from BIPRU 1.2.14R to BIPRU 1.2.15R, when a firm hedges a non-trading book credit risk exposure using a credit derivative booked in its trading book (using an internal hedge), the non-trading book exposure is not deemed to be hedged for the purposes of calculating capital requirements unless the firm purchases from an eligible third party protection provider a credit derivative meeting the requirements set out in BIPRU 5.7.13R (Additional requirements for credit derivatives) with regard to the non-trading book exposure. Where Without prejudice to the second sentence of BIPRU 14.2.10R, where such third party protection is purchased and is recognised as a hedge of a non-trading book exposure for the purposes of calculating capital requirements, neither the internal nor external credit derivative hedge must may be included in the trading book for the purposes of calculating capital requirements.

[Note: CAD Annex VII Part C point 3]

3.4 Risk weights under the standardised approach to credit risk

Exposures to institutions: Credit assessment based method

3.4.34 R Exposures to institutions with an original effective maturity of more than three months with a residual maturity of more than three months for which a credit assessment by a nominated ECAI is available must be assigned a risk weight according to the table in BIPRU 3.4.35R in accordance with the assignment by the FSA in accordance with the Capital Requirements Regulations 2006 of the credit assessments of eligible ECAIs to six steps in a credit quality assessment scale.

[Note: BCD Annex VI Part 1, point 29]
Table: Exposures to institutions with an original effective maturity of more than three months with a residual maturity of more than three months for which a credit assessment by a nominated ECAI is available

... 3.4.37  R  *Exposures to an institution* with an original effective maturity of three months or less with a residual maturity of three months or less for which a credit assessment by a nominated ECAI is available must be assigned a *risk weight* according to the table in BIPRU 3.4.38R in accordance with the assignment by the FSA in accordance with the *Capital Requirements Regulations 2006* of the credit assessments of eligible ECAIs to six steps in a *credit quality assessment scale*.

*[Note: BCD Annex VI Part 1, point 31]*

Table: Exposures to an institution with an original effective maturity of three months or less with a residual maturity of three months or less for which a credit assessment by a nominated ECAI is available

... 3.4.112  R  *Short term exposures*  *Exposures* to institutions and corporates with a *short-term credit assessment*  

... 3.4.113  R  Table: *Short term exposures on an institution or corporate Exposures* to institutions where BIPRU 3.4.34R to BIPRU 3.4.39R apply, and *exposures to corporates* for which a short-term credit assessment by a nominated ECAI is available must be assigned a *risk weight* according to the table in BIPRU 3.4.113R in accordance with the mapping by the FSA in accordance with the *Capital Requirements Regulations 2006* of the credit assessments of eligible ECAIs to six steps in a *credit quality assessment scale*.

*[Note: BCD Annex VI Part 1, point 73]*

3.4.134  R  The *exposure value* for leases must be the discounted minimum lease payments. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make and any bargain option (i.e. an option the exercise of which is reasonably certain). Any guaranteed residual value fulfilling the set of conditions in BIPRU 5.7.1R (Eligibility), regarding the eligibility of protection providers as well as the minimum requirements...
for recognising other types of guarantees provided in BIPRU 5.7.6R (Minimum requirements: General) to BIPRU 5.7.12R (Additional requirements for guarantees) must also be included in the minimum lease payments. These exposures must be assigned to the relevant exposure class in accordance with BIPRU 3.2.9R, BIPRU 3.2.10R, BIPRU 3.2.11R, BIPRU 3.2.12R, BIPRU 3.2.13R and BIPRU 3.2.14G. When the exposure is a residual value of leased properties, the risk weighted exposure amounts must be calculated as follows:

\[
\frac{1}{t} \times 100\% \times \text{exposure value};
\]

where \( t \) is the greater of 1 and the nearest number of whole years of the lease term remaining.

[Note: BCD Annex VI Part 1, point 90]

... 4.2.26 R ...

(5) A firm may apply the standardised approach to exposures to the central government governments of the United Kingdom EEA States and to its regional governments, local authorities and administrative bodies, provided that:

...

... 4.2.29 R For the purposes of BIPRU 4.2.26R(4), the equity exposure IRB exposure class of a firm must be considered material if its aggregate value, excluding equity exposures incurred under legislative programmes as referred to in BIPRU 4.2.26R(8), but including exposures in a CIU treated as equity exposures in accordance with BIPRU 4.9.11R to BIPRU 4.9.15R, exceeds, on average over the preceding year, 10% of the firm’s capital resources. If the number of those equity exposures is less than 10 individual holdings, that threshold is 5% of the firm’s capital resources.

[Note: BCD Article 89(2)]

...

... 4.4.67 R ...

(4) For exposures arising from fully or nearly-full collateralised financial derivative instruments transactions and fully or nearly-full collateralised margin lending transactions which are subject to a master netting agreement M must be the weighted average remaining maturity of the transactions where M must be at least 10 days. For repurchase transactions or securities or commodities lending or borrowing transactions which are subject to a master netting agreement, M must be the weighted average remaining maturity of transactions, where M must be at least 5 days. The notional amount
of each transaction must be used for weighting the maturity.

4.4.68 R Notwithstanding BIPRU 4.4.67R(2)-(3)(4) and (8)-(9), M shall be at least one day for:

4.7.24 R The risk weighted exposure amount is the potential loss on the firm's equity exposures as derived using internal value-at-risk models subject to the 99th percentile, one-tailed confidence interval of the difference between quarterly returns and an appropriate risk-free rate computed over a long-term sample period, multiplied by 12.5. The risk weighted exposure amounts at the individual exposure equity exposure portfolio level must not be less than the sum total of the sums of the minimum risk weighted exposure amounts required under the PD/LGD approach and the corresponding expected loss amounts multiplied by 12.5 and calculated on the basis of the PD values set out in BIPRU 4.7.18R(1) and the corresponding LGD values set out in BIPRU 4.7.20R and BIPRU 4.7.21R.

[Note: BCD Annex VII Part 1 point 25]

4.9.6 R The risk weighted exposure amounts must be calculated according to the formula:

Risk-weighted exposure amount = 100% * exposure value except for when the exposure is a residual value of leased properties in which case it should be provisioned for each year and will must be calculated as follows:

1/t * 100% * exposure value;

where t is the greater of 1 and the nearest number of whole years of the lease contract-term remaining.

[Note: BCD Annex VII Part 1 point 27]

4.9.11 R (1) Where exposures in the form of a CIU CIU meet the criteria set out in BIPRU 3.4.121R to BIPRU 3.4.122R (Conditions for look through treatment under the standardised approach) and the firm is aware of all of the underlying exposures of the CIU, the firm must look through to those underlying exposures in order to calculate risk weighted exposure amounts and expected loss amounts in accordance with the methods set out in BIPRU 4. BIPRU 4.9.12R applies to the part of the underlying exposures of the CIU of which the firm is not aware or could not reasonably be aware. In particular, BIPRU
4.9.12R must apply where it would be unduly burdensome for the firm to look through the underlying exposures in order to calculate risk weighted exposure amounts and expected loss amounts in accordance with methods set out in this rule.

(2) Where (1) applies but a firm does not meet the conditions for using the methods set out in BIPRU 4 for all or part of the underlying exposures of the CIU, risk weighted exposure amounts and expected loss amounts must be calculated in accordance with the following approaches.

…

(4) For all other underlying exposures, the standardised approach must be used, subject to the following modifications:

(a) the exposures are assigned to the appropriate exposure class under the standardised approach and attributed the risk weight of the credit quality step immediately above the credit quality step that would normally be assigned to the exposure; and [deleted]

(b) exposures assigned to the higher credit quality steps, to which a risk weight of 150% would normally be attributed, are assigned a risk weight of 200%. [deleted]

(c) for exposures subject to a specific risk weight for unrated exposures or subject to the credit quality step yielding the highest risk weight for a given exposure class, the risk weight must be multiplied by a factor of two, but cannot be higher than 1250%; and

(d) for all other exposures, the risk weight must be multiplied by a factor of 1.1 and subject to a minimum of 5%.

[Note: BCD Article 87(11)]

4.9.12 R …

(2) Alternatively to the method described in (1), a firm may calculate itself or rely on a third party to calculate and report the average risk weighted exposure amounts based on the CIU’s underlying exposures and calculated in accordance with the remaining provisions of this rule, approaches in BIPRU 4.9.11R(3) to BIPRU 4.9.11R(4), provided that the correctness of the calculation and the report is adequately ensured.

(3) For exposures belonging to the equity exposure IRB exposure class, the approach set out in BIPRU 4.7.9R—BIPRU 4.7.12R (Simple risk weight approach) must be used. If, for those purposes, a firm is unable to differentiate between private equity, exchange-traded and other equity exposures, it must treat the exposures concerned as other
equity exposures. [deleted]

(4) For all other underlying exposures, the standardised approach must be used, subject to the following modifications:

(a) the exposures must be assigned to the appropriate exposure class under the standardised approach and attributed the risk weight of the credit quality step immediately above the credit quality step that would normally be assigned to the exposure; and

(b) exposures assigned to the higher credit quality steps, to which a risk weight of 150% would normally be attributed, must be assigned a risk weight of 200%. [deleted]

... 4.10.25 R Where the ratio of the value of the collateral (C) to the exposure value (E) is below a threshold level of C* (the required minimum collateralisation level for the exposure) as laid down in BIPRU 4.10.28R, LGD* must be the LGD laid down in the other sections of BIPRU 4 for uncollateralised exposures to the counterparty. For this purpose, the exposure value of items listed in BIPRU 4.4.37R to BIPRU 4.4.39R and BIPRU 4.8.29R must be calculated using a conversion factor or percentage of 100% rather than the conversion factors or percentages indicated in those rules.

[Note: BCD Annex VIII Part 3 point 69]

... 4.10.41 R The requirements in BIPRU 4.10.40R(2) and BIPRU 4.10.42R - BIPRU 4.10.48R do not apply to guarantees provided by institutions, and central governments, and central banks and other corporate entities which meet the requirements in BIPRU 5.7.1R(7) if the firm has received approval under BIPRU 4.2 to apply the standardised approach for exposures to such entities. In this case the requirements of BIPRU 5 (credit risk mitigation) apply.

[Note: BCD Annex VII Part 4 point 96]

... 4.10.49 R ...
associated with senior claims.

(5) For any uncovered portion of the exposure value $E$ the PD must be that of the borrower and the LGD must be that of the underlying exposure.

(6) $G_A$ is the value of $G^*$ as calculated under BIPRU 5.7.17R (Valuation of unfunded credit protection) further adjusted for any maturity mismatch as laid down in BIPRU 4.10.51R (Maturity mismatches).

(7) $E$ is the exposure value as related to the following rules: BIPRU 4.4.38R, BIPRU 4.4.39R, BIPRU 4.4.71R to BIPRU 4.4.78R, BIPRU 4.7.7R, BIPRU 4.8.28R, BIPRU 4.8.29R and BIPRU 4.9.9R. For this purpose, the exposure value of the items referred to in BIPRU 4.4.37R to BIPRU 4.4.39R and BIPRU 4.8.29R must be calculated using a conversion factor or percentage of 100% rather than the conversion factors or percentages indicated in those rules.

[Note: BCD Annex VIII Part 3 points 90 to 92]

5.4.6 R (1) Units in CIUs may be recognised as eligible collateral if the following conditions are satisfied:

(a) they have a daily public quote; and

(b) the CIU is limited to investing in instruments that are eligible for recognition under BIPRU 5.4.2R to BIPRU 5.4.5R; and

(c) if the CIU is not limited to investing in instruments that are eligible for recognition under BIPRU 5.4.2R to BIPRU 5.4.5R, units may be recognised with the value of the eligible assets as collateral under the assumption that the CIU has invested to the maximum extent allowed under its mandate in non-eligible assets. In cases where non-eligible assets can have a negative value due to liabilities or contingent liabilities resulting from ownership, the firm must calculate the total value of the non-eligible assets and must reduce the value of the eligible assets by that of the non-eligible assets in case the latter is negative in total.

5.4.8 R (1) In addition to the collateral set out in BIPRU 5.4.2R to BIPRU 5.4.7R, where a firm uses the financial collateral comprehensive method, the following financial items may be recognised as eligible collateral:
units in CIUs if the following conditions are met:

(ii) the CIU is limited to investing in instruments that are eligible for recognition under BIPRU 5.4.2R to BIPRU 5.4.5R and the items mentioned in (a); and

(c) if the CIU is not limited to investing in instruments that are eligible for recognition under BIPRU 5.4.2R to BIPRU 5.4.5R and the items mentioned in (a) of this rule, units may be recognised with the value of the eligible assets as collateral under the assumption that the CIU has invested to the maximum extent allowed under its mandate in non-eligible assets. In cases where non-eligible assets can have a negative value due to liabilities or contingent liabilities resulting from ownership, the firm must calculate the total value of the non-eligible assets and must reduce the value of the eligible assets by that of the non-eligible assets, in case the latter is negative in total.

5.4.16 A firm must not use both the financial collateral simple method and the financial collateral comprehensive method, unless such use is for the purposes of BIPRU 4.2.17R to BIPRU 4.2.19R and BIPRU 4.2.26R, and such use is provided for by the firm’s IRB permission. A firm must demonstrate to the FSA that this exceptional application of both methods is not used selectively with the purpose of achieving reduced minimum capital requirements and does not lead to regulatory arbitrage.

[Note: BCD Annex VIII Part 3 point 24 (part)]

5.4.18 The risk weight that would be assigned under the standardised approach to credit risk if the lending firm had a direct exposure to the collateral instrument must be assigned to those portions of claims exposure values collateralised by the market value of recognised collateral. For this purpose, the exposure value of an off-balance sheet item listed in BIPRU 3.7.2R must be 100% of its value rather than the exposure value indicated in BIPRU 3.2.1R. The risk weight of the collateralised portion must be a minimum of 20% except as specified in BIPRU 5.4.19R to BIPRU 5.4.21R. The remainder of the exposure value receives the risk weight that would be applied to an unsecured exposure to the counterparty under the standardised approach.
[Note: BCD Annex VIII Part 3 point 26]

...  

5.4.28 R ...

(4) For the purpose of (3)(a), for a firm calculating risk weighted exposure amounts under the standardised approach the exposure value of an off-balance sheet items listed in BIPRU 3.7 must be 100% of its value rather than the percentages exposure value indicated in BIPRU 3.2.1R and BIPRU 3.7.2R.

[Note: BCD Annex VIII Part 3 point 33]

...

5.5.5 R For life insurance policies pledged to a lending firm to be recognised the following conditions must be met:

(1) the party providing the life insurance may be recognised as an eligible unfunded credit protection provider under BIPRU 5.7.1R must be subject to Directive 2002/83/EC and Directive 2001/17/EC of the European Parliament and of the Council, or is subject to supervision by a competent authority of a third country which applies supervisory and regulatory arrangements at least equivalent to those applied in the Community;

(2) the life insurance policy is openly pledged or assigned to the lending firm;

(3) the party providing the life insurance is notified of the pledge or assignment and as a result may not pay amounts payable under the contract without the consent of the lending firm;

(4) the declared surrender value of the policy the surrender value is declared by the company providing the life insurance and is non-reducible;

(4A) the surrender value must be paid in a timely manner upon request;

(4B) the surrender value must not be requested without the consent of the lending firm;

(5) the lending firm must have the right to cancel the policy and receive the surrender value in the event of the default of the borrower;

(6) the lending firm is informed of any non-payments under the policy by the policyholder;

(7) the credit protection must be provided for the maturity of the loan. Where this is not possible because the insurance relationship ends before the loan relationship expires, the lending firm must ensure that
the amount deriving from the insurance contract serves the **lending firm** as security until the end of the duration of the credit agreement; and

(8) the pledge or assignment must be legally effective and enforceable in all jurisdictions which are relevant at the time of the conclusion of the credit agreement.

[Note: BCD Annex VIII Part 2 point 13 (part)]

---

5.5.7  R  (1) Where the conditions set out in **BIPRU 5.5.5R** are satisfied, credit protection falling within the terms of **BIPRU 5.5.4R** may be treated as a guarantee by the party providing the life insurance. The value of the credit protection recognised must be the surrender value of the life insurance policy, the portion of the **exposure** collateralised by the current **surrender value** of credit protection falling within the terms of **BIPRU 5.5.4R** must be either:

(a) subject to the **risk weights** specified in (3) where the **exposure** is subject to the **standardised approach** to credit risk; or

(b) assigned an **LGD** of 40% where the **exposure** is subject to the **IRB approach** but not subject to the **firm’s own estimates of LGD**.

(2) In case of a currency mismatch, the current **surrender value** must be reduced according to **BIPRU 5.7.17R** and **BIPRU 5.5.18R**, the value of the credit protection being the current **surrender value** of the life insurance policy.

(3) For the purpose of (1)(a), the following **risk weights** must be assigned on the basis of the **risk weight** assigned to a senior unsecured **exposure** to the company providing the life insurance:

(a) a **risk weight** of 20%, where the senior unsecured **exposure** to the company providing the life insurance is assigned a **risk weight** of 20%;

(b) a **risk weight** of 35%, where the senior unsecured **exposure** to the company providing the life insurance is assigned a **risk weight** of 50%;

(c) a **risk weight** of 70%, where the senior unsecured **exposure** to the company providing the life insurance is assigned a **risk weight** of 100%; and

(d) a **risk weight** of 150%, where the senior unsecured **exposure** to the company providing the life insurance is assigned a **risk weight** of 150%.
5.7.9 R Where an exposure is protected by a guarantee which is counter-guaranteed by a central government or central bank, a regional government or local authority or a public sector entity, claims on which are treated as claims on the central government in whose jurisdiction they are established under the standardised approach, a multilateral development bank or an international organisation, to which a 0% risk weight is assigned under or by virtue of the standardised approach, or a public sector entity, claims on which are treated as claims on credit institutions under the standardised approach, the exposure may be treated as protected by a guarantee provided by the entity in question provided the following conditions are satisfied:

...
than the exposure value indicated in BIPRU 3.2.1R;

…

6.4.6 R The ORCR under the standardised approach is the average over three years of the risk-weighted relevant indicators calculated each year, calculated as the three-year average of the yearly summations of the capital requirements across the business lines referred to in BIPRU 6.4.15R.

[Note: BCD Annex X, Part 2 point 1 (part)]

6.4.7 R In each year, a negative capital requirement in one business line, resulting from a negative relevant indicator, may be imputed to the whole. However, where the aggregate capital charge across all business lines within a given year is negative, then the input to the average for that year must be zero. In any given year, negative capital requirements (resulting from negative gross income) in any business line may offset positive capital requirements in other business lines without limit. However, where the aggregate of the capital requirements across all business lines within a given year is negative, the input to the numerator for that year must be zero.

[Note: BCD Annex X, Part 2 point 1 (part)]

6.5.21 R …

(3) A firm must be able to map its historical internal loss data into the business lines defined in BIPRU 6.4.15R and into the event type categories defined in BIPRU 6.5.25R, and must be able to provide this data to the FSA upon request. Loss events which affect the entire firm may be allocated to an additional business line ‘corporate items’ due to exceptional circumstances. The firm must have documented, objective criteria for allocating losses to the specified business lines and event types. A firm’s operational risk losses that are related to credit risk and have historically been included in the internal credit risk databases must be recorded in the operational risk databases and be separately identified. Such losses will not be subject to the ORCR, as long as they continue to be treated as credit risk for the purposes of calculating the capital resources requirement. Operational risk losses that are related to market risks must be included in the scope of the capital requirement for operational risk.

…

6.5.27 R …
(9) The capital alleviation arising from the recognition of insurance insurances and other risk transfer mechanisms must not exceed 20% of the capital requirement before the recognition of risk mitigation techniques.

[Note: BCD Annex X Part 3 points 27 to 29]

6.5.29 G For the purposes of BIPRU 6.5.27R(9), a firm should be able to set out clearly how it made its assessment of the appropriate level of capital alleviation, including any assumptions made by the firm and how the insurances and other risk transfer mechanisms has have been factored into the firm’s risk measurement system.

6.5.30 R A firm may recognise a risk transfer mechanism other than insurance to the extent that a noticeable risk mitigating effect is achieved and the risk transfer mechanism is included in the firm’s AMA permission.

[Note: BCD Annex X Part 3 point 25]

7.2 Interest rate PRR

Specific risk calculation

7.2.44 R Table: specific risk PRAs

This table belongs to BIPRU 7.2.43R

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Residual maturity</th>
<th>PRA</th>
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<tbody>
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<td>(A) …</td>
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<td>(B) …</td>
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<tr>
<td>(C) …</td>
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<tr>
<td>(D) Debt securities issued or guaranteed by corporates which would qualify for credit quality step 1, 2 or 3 under the standardised approach to credit risk.</td>
<td>…</td>
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<tr>
<td>(E) …</td>
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</tbody>
</table>
(A) …  

(B) Debt securities issued or guaranteed by corporates which would qualify for credit quality step 3 or 4 under the standardised approach to credit risk.  

(C) …  

…  

[Note: CAD Annex I point 14 Table 1]  

…  

7.2.47  R  …  

7.2.47A  G  Originators, investors and sponsors of securitisations in the trading book will have to meet the requirements of BIPRU 9.3.1AR, BIPRU 9.3.15R to BIPRU 9.3.20R and BIPRU 9.15.  

7.2.47B  G  Subject to BIPRU 7.2.47CG, BIPRU 9.15.9R and BIPRU 9.15.10R, where the investor, originator or sponsor of a securitisation fails to meet any of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R (Disclosure requirements) and BIPRU 9.15.11R to BIPRU 9.15.16R (investor due diligence requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act to impose an additional capital charge of no less that 250% (capped at 1250%) of the PRR that would otherwise apply to the relevant securitisation positions under the rules in BIPRU 7.2. The additional capital charge imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R and BIPRU 9.15.11R to BIPRU 9.15.16R.  

7.2.47C  G  When calculating the additional capital charge it will impose under BIPRU 7.2.47BG, the FSA will take into account the exemption of certain securitisations from the scope of BIPRU 9.15.3R under BIPRU 9.15.9R and BIPRU 9.15.10R and, if those exemptions are relevant, reduce the capital charge it would otherwise impose.  

…  

7.11  Credit derivatives in the trading book  

…  

Establishment of positions created by credit derivatives: Treatment of the protection buyer
For the **protection buyer**, the **positions** are determined as the mirror **image principle** of the **protection seller**, with the exception of a credit linked note (which entails no short **position** in the issuer). If at a given moment there is a call option in combination with a **step-up**, such moment is treated as the maturity of the protection. In the case of **first-to-default credit derivatives** and **nth to default credit derivatives**, a **firm** that is a **protection buyer** may off-set specific risk for n-1 of the underlyings (i.e., the n-1 assets with the lowest specific risk **PRR**) the treatment in **BIPRU 7.11.12AR** and **BIPRU 7.11.12BR** applies instead of the mirror principle.

**[Note: CAD Annex I point 8.B]**

Where a **firm** obtains credit protection for a number of reference entities underlying a credit derivative under the terms that the first default among the assets will trigger payment and that this credit event will terminate the contract, the **firm** may off-set specific risk for the reference entity to which the lowest specific risk percentage charge among the underlying reference entities applies according to the Table in **BIPRU 7.2.44R**.

**[Note: CAD Annex I point 8.B]**

Where the nth default among the exposures triggers payment under the credit protection, the **protection buyer** may only off-set specific risk if protection has also been obtained for defaults 1 to n-1 or when n-1 defaults have already occurred. In those cases, the methodology set out in **BIPRU 7.11.12AR** for first-to-default credit derivatives must be followed, appropriately modified for nth-to-default products.

**[Note: CAD Annex I point 8.B]**

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9.1 Application and purpose

Application

9.1.1 **BIPRU 9** applies to a **BIPRU firm**, with the exception of the **rules** in **BIPRU 9.3.15R** to **BIPRU 9.3.20R** (dealing with origination criteria and disclosure requirements) and the **rules** in **BIPRU 9.15** (dealing with requirements for investors) which apply exclusively to **credit institutions**.

... General obligations: Systems

9.1.6 **R** The risks arising from **securitisation** transactions in relation to which a **firm** is **investor**, **originator** or **sponsor**, including reputational risks, must be evaluated and addressed through appropriate policies and procedures, to ensure in particular that the economic substance of the transaction is fully reflected in the risk assessment and management decisions.
Trading book and non-trading book

9.1.9 G  BIPRU 9 deals with:

(1) requirements for investors, originators and sponsors of securitisations of non-trading book exposures; and

(2) the calculation of risk weighted exposure amount for securitisation positions for the purposes of calculating either the credit risk capital component or the counterparty risk capital component; and

(3) the requirements that investors, originators and sponsors of securitisations in the trading book will have to meet (BIPRU 9.3.1AR, BIPRU 9.3.15R to BIPRU 9.3.20R and BIPRU 9.15).

9.3 Requirements for originators and sponsors

9.3.1A R The provisions of BIPRU 9.3.15R to BIPRU 9.3.20R apply with respect to:

(1) new securitisations issued on or after 1 January 2011; and

(2) from 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after that date.

[Note: BCD, Article 122a, paragraph 8]

9.3.2 G Subject to BIPRU 9.3.6G, for the purposes of BIPRU 9.4.1R and BIPRU 9.5.1R the transfer of credit risk to third parties should only be considered significant if the proportion of risk transferred is broadly commensurate with, or exceeds, the proportion by which risk weighted exposure amounts are reduced. [deleted]

9.3.3 G For measuring the reduction in risk and risk weighted exposure amounts, an originator should assess the securitisation positions it holds against the underlying exposures if they had never been securitised. [deleted]

9.3.4 G An originator should use an appropriate method, consistent with its own internal processes, to assess whether the risk transferred is significant. [deleted]

9.3.5 G If the result of,

(1) applying a risk weight of 1250% to all positions that an originator holds in the securitisation; or
deducting all those positions from capital resources;

is a reduction in the originator’s capital requirement compared to the capital requirements that would apply had it not transferred the securitised exposures, then the originator may treat the risk transferred as significant for the purposes of BIPRU 9.4.1R and BIPRU 9.5.1R. [deleted]

9.3.7 R Significant credit risk will be considered to have been transferred for originators in the following cases:

(1) the risk weighted exposure amounts of the mezzanine securitisation positions held by the originator in the securitisation do not exceed 50% of the risk weighted exposure amounts of all mezzanine securitisation positions existing in this securitisation;

(2) where there are no mezzanine securitisation positions in a given securitisation and the originator can demonstrate that the exposure value of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight exceeds a reasoned estimate of the expected loss on the securitised exposures by a substantial margin, the originator does not hold more than 20% of the exposure values of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1a and Point 2 paragraph 2a]

9.3.8 R An originator must notify the FSA that it is relying on the deemed transfer of significant credit risk under BIPRU 9.3.7R within a reasonable period before or after a relevant transfer, not being later than one month after the date of the transfer. The notification must include the following information:

(1) the risk weighted exposure amount of the securitised exposures and retained securitisation positions;

(2) the exposure value of the securitised exposures and the retained securitisation positions;

(3) details of the securitisation positions, including rating, exposure value broken down by securitisation positions sold and retained;

(4) a statement that sets out why the firm is satisfied that the reduction in risk weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties;

(5) any relevant supporting documents, for example, a summary of the transaction.

9.3.9 G In the event that the FSA decides that the possible reduction in risk weighted
exposure amounts which the originator would achieve by the securitisation referred to in BIPRU 9.3.7R is not justified by a commensurate transfer of credit risk to third parties, it will use its powers under section 45 of the Act (Variation etc on the Authority’s own initiative) to require the firm to increase its risk weighted exposure amount to an amount commensurate with the FSA’s assessment of the transfer of credit risk to third parties.

9.3.10 G An originator may be granted a waiver of the requirements in BIPRU 9.3.7R and BIPRU 9.3.8R.

9.3.11 D An originator’s application for a waiver of the requirements in BIPRU 9.3.7R and BIPRU 9.3.8R must demonstrate that the following conditions are satisfied:

(1) it has policies and methodologies in place which ensure that the possible reduction of capital requirements which the originator achieves by the securitisation is justified by a commensurate transfer of credit risk to third parties; and

(2) that such transfer of credit risk to third parties is also recognised for the purposes of the originator’s internal risk management and its internal capital allocation.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1c and Point 2 paragraph 2c]

9.3.12 G BIPRU 1.3.10G sets out the FSA’s approach to the granting of waivers. The conditions in BIPRU 9.3.11D are minimum requirements. Satisfaction of those does not automatically mean the FSA will grant the relevant waiver. The FSA will in addition also apply the tests in section 148 (Modification or waiver of rules) of the Act.

9.3.13 G When considering an application for a waiver of the requirements in BIPRU 9.3.7R and BIPRU 9.3.8R, the FSA may undertake a visit to the firm in order to examine the firm’s risk management and governance arrangements. Before such a visit, the FSA may request information from the firm additional or supplementary to that provided in the waiver application.

9.3.14 G An originator should clearly state the scope of the waiver of the requirements in BIPRU 9.3.7R and BIPRU 9.3.8R it is seeking in its application. For example, residential mortgage backed securities may be subdivided into prime and sub-prime with only one sub-category within the scope of the waiver. Relevant asset classes may therefore be defined according to a firm’s internal usage of terms.

Origination criteria

9.3.15 R A credit institution, whether acting as sponsor or originator, must apply the criteria used for credit-granting in respect of exposures held on their trading and non-trading book under SYSC 7.1.9R to exposures to be securitised. The criteria applied must include the processes for approving and, where
relevant, amending, renewing and re-financing credits.

[Note: BCD, Article 122a, paragraph 6]

9.3.16 R A credit institution, whether acting as sponsor or originator, must apply the same standards of analysis as are applied under BIPRU 9.3.15R to participations or underwritings in securitisation issues purchased from third parties regardless of whether those participations or underwritings are to be held on their trading book or non-trading book.

[Note: BCD, Article 122a, paragraph 6]

9.3.17 R Where a credit institution as originator fails to meet the requirements under BIPRU 9.3.15R to BIPRU 9.3.16R, it may not rely on and apply BIPRU 9.3.1R(1) to reduce its risk weighted exposure amounts or exclude the relevant securitised exposures from the calculation of its risk weighted exposure amounts, and, as relevant, expected loss amounts of those exposures.

[Note: BCD, Article 122a, paragraph 6]

Disclosure requirements

9.3.18 R The sponsor or originator credit institutions of a securitisation must disclose to investors the level of its commitment to maintain a net economic interest in the securitisation under BIPRU 9.15.3R.

[Note: BCD, Article 122a, paragraph 7]

9.3.19 R The sponsor or originator credit institutions of a securitisation must ensure that prospective investors have readily available access to all materially relevant data concerning it, including:

1. on the credit quality and performance of the individual underlying exposures;
2. cash flows and collateral supporting the securitisation exposure; and
3. such information as is necessary to conduct comprehensive and well-informed stress-tests on the cash flows and collateral values supporting the underlying exposures.

[Note: BCD, Article 122a, paragraph 7]

9.3.20 R Under BIPRU 9.3.19R, materially relevant data is determined as at the date of the securitisation and where appropriate due to the nature of the securitisation thereafter.

[Note: BCD, Article 122a, paragraph 7]

9.3.21 G Subject to BIPRU 9.3.22G, BIPRU 9.15.9R and BIPRU 9.15.10R, where the originator or sponsor of a securitisation fails to meet any of the
requirements in BIPRU 9.3.18R to BIPRU 9.3.20R (disclosure requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act to impose an additional risk weight of no less than 250% (capped at 1250%) of the risk weight that would otherwise apply to the relevant securitisation positions under the rules in BIPRU 9.11 to BIPRU 9.14. The additional risk weight imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R.

[Note: BCD, Article 122a, paragraph 5]

9.3.22 G When calculating the additional risk weight it will impose, the FSA will take into account the exemption of certain securitisations from the scope of BIPRU 9.15.3R under BIPRU 9.15.9R and BIPRU 9.15.10R and, if those exemptions are relevant, reduce the risk weight it would otherwise impose.

[Note: BCD, Article 122a, paragraph 5]

9.4 Traditional securitisation

Minimum requirements for recognition of significant credit risk transfer

9.4.1 R The originator of a traditional securitisation may exclude securitised exposures from the calculation of risk weighted exposure amounts and expected loss amounts if either of the following conditions is fulfilled:

(1) significant credit risk associated with the securitised exposures has is considered to have been transferred to third parties; or

(2) the originator applies a 1250% risk weight to all securitisation positions it holds in the securitisation or deducts these securitisation positions from capital resources according to GENPRU 2.2.237R;

and the transfer complies with the conditions in BIPRU 9.4.2R – BIPRU 9.4.10R 9.4.14R.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1 (part)]

...  

9.4.11 R Significant credit risk will be considered to be transferred for an originator in the following cases:

(1) the risk weighted exposure amounts of the mezzanine securitisation positions held by the originator in the securitisation do not exceed 50% of the risk weighted exposure amounts of all mezzanine securitisation positions existing in this securitisation;

(2) where there are no mezzanine securitisation positions in a given...
securitisation and the originator can demonstrate that the exposure value of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight exceeds a reasoned estimate of the expected loss on the securitised exposures by a substantial margin, the originator does not hold more than 20% of the exposure values of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1a]

9.4.12 R An originator must notify the FSA that it is relying on the deemed transfer of significant credit risk under BIPRU 9.4.11R within a reasonable period before or after a relevant transfer, not being later than one month after the date of the transfer. The notification must include the following information:

1. the risk weighted exposure amount of the securitised exposures and retained securitisation positions;
2. the exposure value of the securitised exposures and the retained securitisation positions;
3. details of the securitisation positions, including rating, exposure value broken down by securitisation positions sold and retained;
4. a statement that sets out why the firm is satisfied that the reduction in risk weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties;
5. any relevant supporting documents, for example, a summary of the transaction.

9.4.13 G In the event that the FSA decides that the possible reduction in risk weighted exposure amounts which the originator would achieve by the securitisation referred to in BIPRU 9.4.11R is not justified by a commensurate transfer of credit risk to third parties, it will use its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act to require the firm to increase its risk weight exposure amount to an amount commensurate with the FSA’s assessment of the transfer of credit risk to third parties.

9.4.14 G An originator may be granted a waiver of the requirements in BIPRU 9.4.11R and BIPRU 9.4.12R.

9.4.15 D An originator’s application for a waiver of the requirements in BIPRU 9.4.11R and BIPRU 9.4.12R must demonstrate that the following conditions are satisfied.

1. it has policies and methodologies in place which ensure that the possible reduction of capital requirements which the originator achieves by the securitisation is justified by a commensurate transfer of credit risk to third parties; and
(2) that such a transfer of credit risk to third parties is also recognised for the purposes of all the firm’s internal risk management and internal capital allocation.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1c]

9.4.16 G BIPRU 1.3.10G sets out the FSA’s approach to the granting of waivers. The conditions in BIPRU 9.4.15D are minimum requirements. Satisfaction of those does not automatically mean the FSA will grant the relevant waiver. The FSA will in addition also apply the tests in section 148 (Modification or waiver of rules) of the Act.

9.4.17 G When considering an application for a waiver of the requirements in BIPRU 9.4.11R and BIPRU 9.4.12R, the FSA may undertake a visit to the firm in order to examine the firm’s risk management and governance arrangements. Before such a visit, the FSA may request information from the firm additional or supplementary to that provided in the waiver application.

9.4.18 G An originator should clearly state the scope of the waiver of the requirements in BIPRU 9.4.11R and BIPRU 9.4.12R it is seeking in its application. For example, residential mortgage backed securities may be subdivided into prime and sub-prime with only one sub-category within the scope of the waiver. Relevant asset classes may therefore be defined according to a firm’s internal usage of terms.

9.5 Synthetic securitisation

Minimum requirements for recognition of significant credit risk transfer

9.5.1 R (1) An originator of a synthetic securitisation may calculate risk weighted exposure amounts, and, as relevant, expected loss amounts, for the securitised exposures in accordance with BIPRU 9.5.3R and BIPRU 9.5.4R, if either of the following conditions is fulfilled:

(a) significant credit risk has is considered to have been transferred to third parties, either through funded or unfunded credit protection; or

(b) the originator applies a 1250% risk weight to all securitisation positions he holds in this securitisation or deducts these securitisation positions from capital resources according to GENPRU 2.2.237R;

and the transfer complies with the conditions in (2)-(58).

[Note: BCD, Annex IX, Part 2, Point 2, paragraph 2]
(6) Significant credit risk will be considered to have been transferred if either of the following conditions is met:

(a) the risk weighted exposure amounts of the mezzanine securitisation positions which are held by the originator in this securitisation do not exceed 50% of the risk weighted exposure amounts of all mezzanine securitisation positions existing in this securitisation;

(b) where there are no mezzanine securitisation positions in a given securitisation and the originator can demonstrate that the exposure value of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight exceeds a reasoned estimate of the expected loss on the securitised exposures by a substantial margin, the originator does not hold more than 20% of the exposure values of the securitisation positions that would be subject to deduction from capital resources or a 1250% risk weight.

[Note: BCD, Annex IX, Part 2, Point 2, paragraph 2a]

(7) An originator must notify the FSA that it is relying on the deemed transfer of significant credit risk under BIPRU 9.5.1.R(6) within a reasonable period before or after a relevant transfer, not being later than one month after the date of the transfer. The notification must include the following information:

(a) the risk weighted exposure amount of the securitised exposures and retained securitisation positions;

(b) the exposure value of the securitised exposures and the retained securitisation positions;

(c) details of the securitisation positions, including rating, exposure value broken down by securitisation positions sold and retained;

(d) a statement that sets out why the firm is satisfied that the reduction in risk weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties;

(e) any relevant supporting documents, for example, a summary of the transaction.

9.5.1A G An originator may be granted a waiver of the requirements in BIPRU 9.5.1.R(6) and (7).

9.5.1B D An originator’s application for a waiver of the requirements in BIPRU 9.5.1.R(6) and (7) must demonstrate that the following conditions are satisfied:
(1) it has policies and methodologies in place which ensure that the possible reduction of capital requirements which the originator achieves by the securitisation is justified by a commensurate transfer of credit risk to third parties; and

(2) that such transfer of credit risk to third parties is also recognised for the purposes of all the originator’s internal risk management and its internal capital allocation.

[Note: BCD, Annex IX, Part 2, Point 2, paragraph 2c]

9.5.1C G BIPRU 1.3.10G sets out the FSA’s approach to the granting of waivers. The conditions in BIPRU 9.5.1BD are minimum requirements. Satisfaction of those does not automatically mean the FSA will grant the relevant waiver. The FSA will in addition also apply the tests in section 148 (Modification or waiver of rules) of the Act.

9.5.1D G When considering an application for a waiver of the requirements in BIPRU 9.5.1.R(6) and (7), the FSA may undertake a visit to the firm in order to examine the firm’s risk management and governance arrangements. Before such a visit, the FSA may request information from the firm additional or supplementary to that provided in the waiver application.

9.5.1E G An originator should clearly state the scope of the waiver of the requirements in BIPRU 9.5.1.R(6) and (7) it is seeking in its application. For example, residential mortgage backed securities may be subdivided into prime and sub-prime with only one sub-category within the scope of the waiver. Relevant asset classes may therefore be defined according to a firm’s internal usage of terms.

9.5.1F G In the event that the FSA decides that the possible reduction in risk weighted exposure amounts which the originator credit institution would achieve by the securitisation referred to in BIPRU 9.5.1R(6) is not justified by a commensurate transfer of credit risk to third parties, it will use its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act to require the firm to increase its risk weight exposure amount to an amount commensurate with the FSA’s assessment of the transfer of credit risk to third parties.

Treatment of unrated liquidity facilities

9.11.10 R When the conditions in this paragraph have been met, and in order to determine its exposure value, a conversion figure of 20% may be applied to the nominal amount of a liquidity facility with an original maturity of one year or less and a conversion figure of 50% may be applied to the nominal amount of a liquidity facility with a nominal maturity of more than one year.

…

Liquidity facilities that may be drawn only in the event of a general market
To determine its exposure value a conversion figure of 0% may be applied to the nominal amount of a liquidity facility that may be drawn only in the event of a general market disruption (i.e. where more than one SSPE across different transactions are unable to roll over maturing commercial paper and that inability is not the result of an impairment of the SSPE’s credit quality or of the credit quality of the securitised exposures), provided that the conditions set out in BIPRU 9.11.10R are satisfied.

[Note: BCD Annex IX Part 4 point 14] [deleted]

... 9.12 Calculation of risk-weighted exposure amounts under the IRB approach ...

Ratings based method ...


...

9.12.16 R A firm may apply a risk weight of 6% to a position in the most senior tranche of a securitisation where that tranche is senior in all respects to another tranche of the securitisation positions which would receive a risk weight of 12% under BIPRU 9.12.10R, provided that:

(1) it can be demonstrated that this is justified due to the loss absorption qualities of subordinate tranches in the securitisation; and

(2) either the position has an external credit assessment which has been determined to be associated with credit quality step 1 in BIPRU 9.12.11R and BIPRU 9.12.12R or, if it is unrated, requirements (1) to (3) in BIPRU 9.12.7R are satisfied where ‘reference positions’ are taken to mean positions in the subordinate tranche which would receive a risk weight of 12% under BIPRU 9.12.10R.

[Note: BCD Annex IX Part 4 point 48] [deleted]

...

Liquidity facilities only available in the event of general market disruption

9.12.26 R A conversion figure of 20% may be applied to the nominal amount of a
liquidity facility that may only be drawn in the event of a general market disruption and that meets the conditions to be an eligible liquidity facility set out in BIPRU 9.11.10R.

[Note: BCD Annex IX Part 4 point 56] [deleted]

9.12.28 G (1) When it is not practical for the firm to calculate the risk weighted exposure amounts for the securitised exposures as if they had not been securitised and the position does not qualify for the ABCP internal assessment approach, a firm may apply to the FSA for a variation of its IRB permission under which, on an exceptional basis, it may temporarily apply the method in (2) for the calculation of risk weighted exposure amounts for an unrated securitisation position in the form of a liquidity facility that meets the conditions to be a liquidity facility set out in BIPRU 9.11.10R or that falls within the terms of BIPRU 9.12.26R.

(2) Under the method in this paragraph, the highest risk weight that would be applied under the standardised approach to any of the securitised exposures had they not been securitised may be applied to the securitisation position represented by the liquidity facility. To determine the exposure value of the position a conversion figure of 50% may be applied to the nominal amount of the liquidity facility, if the facility has an original maturity of one year or less. If the liquidity facility complies with the conditions in BIPRU 9.12.26R a conversion figure of 20% may be applied. In other cases a conversion factor of 100% must be applied.

After BIPRU 9.14 insert the following new section. The text is not underlined.

9.15 Requirements for investors

Application

9.15.1 R BIPRU 9.15 applies to:

(1) new securitisations issued on or after 1 January 2011; and

(2) from 31 December 2014, to existing securitisations where new underlying exposures are added or substituted after that date.

[Note: BCD, Article 122a, paragraph 8]

Purpose

9.15.2 G The purpose of BIPRU 9.15 is to implement Article 122a of the Banking Consolidation Directive, with the exception of those parts of Article 122a
that are implemented through the rules in BIPRU 9.3.

Exposures to transferred credit risk

9.15.3 R Subject to BIPRU 9.15.9R and BIPRU 9.15.10R, a credit institution, other than when acting as an originator, a sponsor or original lender, will be exposed to the credit risk of a securitisation position in its trading book or non-trading book only if the originator, sponsor or original lender has explicitly disclosed to the credit institution that it will retain, on an ongoing basis, a material net economic interest which, in any event, must not be less than 5%.

[Note: BCD, Article 122a, paragraphs 1 and 3]

Retention of net economic interest

9.15.4 R Retention of net economic interest means any of the following:

(1) retention of no less than 5% of the nominal value of each of the tranches sold or transferred to the investors;

(2) in the case of securitisations of revolving exposures, retention of the originator’s interest of no less than 5% of the nominal value of the securitised exposures;

(3) retention of randomly selected exposures, equivalent to no less than 5% of the nominal amount of the securitised exposures, where those exposures would otherwise have been securitised in the securitisation provided that the number of potentially securitised exposures is no less than 100 at origination;

(4) retention of the first loss tranche and, if necessary, other tranches having the same or a more severe risk profile than those transferred or sold to investors and not maturing any earlier than those transferred or sold to investors, so that the retention equals in total no less than 5% of the nominal value of the securitised exposures.

[Note: BCD, Article 122a, paragraph 1]

9.15.5 R Net economic interest is measured at the origination and must be maintained on an ongoing basis. It must not be subject to any credit risk mitigation or any short positions or any hedge. The net economic interest must be determined by the notional value for off-balance sheet items.

[Note: BCD, Article 122a, paragraph 1]

9.15.6 R Multiple applications of the retention of net economic interest requirements for any given securitisation are prohibited.

[Note: BCD, Article 122a, paragraph 1]

9.15.7 R Subject to BIPRU 9.15.8R, where an EEA parent credit institution or an EEA
financial holding company, or one of its subsidiaries, as an originator or a sponsor, securitises exposures from several credit institutions, investment firms or other institutions which are included within the scope of supervision on a consolidated basis, the requirement to retain a net economic interest referred to in BIPRU 9.15.3R may be satisfied on the basis of the consolidated situation of the related EEA parent credit institution or EEA financial holding company.

[Note: BCD, Article 122a, paragraph 2]

9.15.8 R BIPRU 9.15.7R only applies where the credit institutions, investment firms or institutions which created the securitised exposures have committed themselves to adhere to the requirements in BIPRU 9.3.15R to BIPRU 9.3.17R and deliver, in a timely manner, to the originator or sponsor and to the EEA parent credit institution or an EEA financial holding company the information needed to satisfy BIPRU 9.3.18R to BIPRU 9.3.20R.

[Note: BCD, Article 122a, paragraph 2]

9.15.9 R BIPRU 9.15.3R does not apply where the securitised exposures are claims or contingent claims on, or fully, unconditionally and irrevocably guaranteed by:

(1) central governments or central banks;

(2) regional governments, local authorities and public sector entities of EEA States;

(3) institutions to which a 50% risk weight or less is assigned under BIPRU 3.4.31R to BIPRU 3.4.46R; or

(4) multilateral development banks.

[Note: BCD, Article 122a, paragraph 3]

9.15.10 R The requirements in BIPRU 9.15.3R do not apply with respect to the following:

(1) transactions based on a clear, transparent and accessible index, where the underlying reference entities are identical to those that make up an index of entities that is widely traded, or are other tradable securities other than securitisation positions; or

(2) syndicated loans, purchased receivables or credit default swaps where these instruments are not used to package and/or hedge a securitisation that is within the scope of BIPRU 9.15.3R.

[Note: BCD, Article 122a, paragraph 3]

Investor due diligence

9.15.11 R Before investing, and as appropriate thereafter, a credit institution must be
able to demonstrate to the FSA for each of its individual securitisation positions, that it has a comprehensive and thorough understanding of, and has implemented, formal policies and procedures appropriate to its trading book and non-trading book and commensurate with the risk profile of its investments in securitised positions for analysing and recording:

1. information disclosed under BIPRU 9.15.3R, by originators or sponsors to specify the net economic interest that they maintain, on an ongoing basis, in the securitisation;

2. the risk characteristics of the individual securitisation position;

3. the risk characteristics of the exposures underlying the securitisation position;

4. the reputation and loss experience in earlier securitisations of the originators or sponsors in the relevant exposure classes underlying the securitisation position;

5. the statements and disclosures made by the originators or sponsors, or their agents or advisors, about their due diligence on the securitised exposures and, where applicable, on the quality of the collateral supporting the securitised exposures;

6. where applicable, the methodologies and concepts on which the valuation of collateral supporting the securitised exposures is based and the policies adopted by the originator or sponsor to ensure the independence of the valuer; and

7. all the structural features of the securitisation that can materially impact the performance of the credit institution’s securitisation position.

[Note: BCD, Article 122a, paragraph 4]

9.15.12 R A credit institution must regularly perform its own stress tests appropriate to its securitisation positions.

[Note: BCD, Article 122a, paragraph 4]

9.15.13 R For the purposes of BIPRU 9.15.12R, a credit institution may rely on financial models developed by an ECAI provided that the credit institution can demonstrate, when requested by the FSA, that they took due care prior to investing to validate the relevant assumptions in and structuring of the models and to understand methodology, assumptions and results.

[Note: BCD, Article 122a, paragraph 4]

Monitoring requirements

9.15.14 R A credit institution, other than when acting as originator or sponsor or original lender, must establish formal procedures appropriate to its trading
book and non-trading book, and commensurate with the risk profile of its investments in securitised positions, to monitor, on an ongoing basis and in a timely manner, performance information on the exposures underlying its securitisation positions.

[Note: BCD, Article 122a, paragraph 5]

9.15.15 R (1) Where relevant, the information required to be monitored under BIPRU 9.15.14R must include:

(a) the exposure type;

(b) the percentage of loans more than 30, 60 and 90 days past due, default rates, prepayment rates, loans in foreclosure;

(c) collateral type and occupancy;

(d) frequency distribution of credit scores or other measures of credit worthiness across underlying exposures;

(e) industry and geographical diversification; and

(f) frequency distribution of loan to value ratios with band widths that facilitate adequate sensitivity analysis.

(2) Where underlying exposures are themselves securitisation positions, a credit institution must have the information set out in paragraph (1) not only on the underlying securitisation tranches, such as the issuer name and credit quality, but also on the characteristics and performance of the pools underlying those securitisation tranches.

[Note: BCD, Article 122a, paragraph 5]

9.15.16 R A credit institution must have a thorough understanding of all structural features of a securitisation transaction that would materially impact the performance of its exposures to the transaction, such as the contractual waterfall and waterfall related triggers, credit enhancements, liquidity enhancements, market value triggers and deal-specific definition of default.

[Note: BCD, Article 122a, paragraph 5]

Consequences of failure to meet requirements

9.15.17 G Subject to BIPRU 9.3.22G, BIPRU 9.15.9R to BIPRU 9.15.10R and BIPRU 9.15.18G, where a credit institution fails to meet any of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R (disclosure requirements), and BIPRU 9.15.11R to BIPRU 9.15.16R (investor due diligence requirements) in any material respect by reason of its negligence or omission, the FSA will use its powers under section 45 (Variation etc on the Authority’s own initiative) of the Act to impose an additional risk weight of no less than 250% (capped at 1250%) of the risk weight that would otherwise apply to the relevant securitisation positions under BIPRU 9.11 to BIPRU 9.14. The additional
risk weight imposed will be progressively increased with each relevant, subsequent infringement of the requirements in BIPRU 9.3.18R to BIPRU 9.3.20R and BIPRU 9.15.11R to BIPRU 9.15.16R.

[Note: BCD, Article 122a, paragraph 5]

9.15.18 G When calculating the additional risk weight it will impose, the FSA will take into account the exemption of certain securitisations from the scope of BIPRU 9.15.3R under BIPRU 9.15.9R and BIPRU 9.15.10R and, if those exemptions are relevant, reduce the risk weight it would otherwise impose.

[Note: BCD, Article 122a, paragraph 5]

Amend the following as shown.

11 Disclosure (Pillar 3)

... 11.5.3 R A firm must disclose the following information regarding its capital resources:

(1) summary information on the terms and conditions of the main feature of all capital resources items and components thereof, including:

(a) hybrid capital;

(b) capital instruments which provide an incentive for the firm to redeem them; and

(c) capital instruments which the firm treats as tier one capital under GENPRU TP 8A;

(2) tier one capital resources less any innovative tier one capital resources, with separate disclosure of:

(a) all positive items and deductions;

(b) the overall amount of hybrid capital, with specification of those instruments treated as tier one capital under GENPRU TP 8A; and

(c) the overall amount of capital instruments that provide for an incentive to redeem them, with specification of those instruments treated as tier one capital under GENPRU TP 8A;

...
Disclosure: Use of VaR model for calculation of market risk capital requirement

11.5.13 R The following information must be disclosed by a *firm* which calculates its *market risk capital requirement* using a *VaR model*:

(1) for each sub-portfolio covered:

(a) the characteristics of the models used;

(b) a description of stress testing applied to the sub-portfolio;

(c) a description of the approaches used for back-testing and validating the accuracy and consistency of the internal models and modelling processes;

(d) the highest, the lowest and the mean of the daily *value-at-risk* measures over the reporting period and the *value-at-risk* measure as per the end of the period;

(e) a comparison of the daily end-of-day *value-at-risk* measures to the one-day changes of the portfolio’s value by the end of the subsequent *business day* together with an analysis of any important overshootings during the reporting period;

…

[Note: *BCD Annex XII, Part 2, point 10*]

…

11.6 Qualifying requirements for the use of particular instruments or methodologies

…

Disclosure: Insurance for the purpose of mitigating operational risk

11.6.6 R A *firm* using the *advanced measurement approach* for the calculation of its *operational risk capital requirement* must disclose a description of the use of insurance and other risk transfer mechanisms for the purpose of mitigating the risk.

[Note: *BCD Annex XII, Part 3, point 3*]

…

Exceptions

13.3.14 R When a *firm* purchases credit derivative protection against a *non-trading book exposure*, or against a *CCR exposure*, it must compute its capital requirement for the hedged asset in accordance with:
(1) **BIPRU 5.7.16R** to **BIPRU 5.7.25R** and **BIPRU 4.10.49R**(4) to (6) (Unfunded credit protection: Valuation and calculation of risk-weighted exposure amounts and expected loss amounts); or

(2) **BIPRU 4.4.79R** (Double default); or where a *firm* calculates *risk weighted exposure amounts* in accordance with the *IRB approach*:

(a) **BIPRU 4.4.79R** (Double default); or

(b) **BIPRU 4.10.40R** to **BIPRU 4.10.48R**. (Unfunded credit protection: Minimum requirements for assessing the effect of guarantees and credit derivatives).

(3) **BIPRU 4.10.40R** to **BIPRU 4.10.48R** (Unfunded credit protection: Minimum requirements for assessing the effect of guarantees and credit derivatives). [deleted]

[Note: *BCD* Annex III Part 2 point 3 (part)]

13.3.15 R In the cases in **BIPRU 13.3.14R**, a *firm* must set the *exposure value* for these credit derivatives to zero.

[Note: *BCD* Annex III Part 2 point 3 (part)]

(1) In the cases in **BIPRU 13.3.14R**, and where the option in the second sentence of **BIPRU 14.2.10R** is not applied, the *exposure value* for *CCR* for these *credit derivatives* is set to zero.

(2) However, a *firm* may choose consistently to include for the purposes of calculating capital requirements for *counterparty credit risk* all credit derivatives not included in the *trading book* and purchased as protection against a non-trading *exposure* or against a *CCR exposure* where the credit protection is recognised under the *BCD*.

[Note: *BCD* Annex III Part 2 point 3 (part)]

...  

13.5.6 R This table belongs to **BIPRU 13.5.5R**

<table>
<thead>
<tr>
<th>Transaction or instrument</th>
<th>Calculation of size of <em>risk position</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Credit default swap</td>
<td>The notional value of the reference debt instrument multiplied by the remaining maturity of the credit default swap.</td>
</tr>
<tr>
<td>‘Nth to default’ credit default</td>
<td>The effective notional value of the reference debt instrument, multiplied by</td>
</tr>
<tr>
<td>swap</td>
<td>the modified duration of the ‘nth to default’ derivative with respect to a change in the credit spread of the reference debt instrument.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Subject to BIPRU 13.5.9R to BIPRU 13.5.10R, financial derivative instrument with a non-linear risk profile, including options and swaptions except in the case of an underlying debt instrument.</td>
<td>Equal to the delta equivalent effective notional value of the financial instrument that underlies the transaction.</td>
</tr>
</tbody>
</table>

[Note: BCD Annex III Part 5 points 5 to 9 and 15 (part)]

... 13.5.15 R There is one hedging set for each issuer of a reference debt instrument that underlies a credit default swap. ‘Nth to default’ basket credit default swaps must be treated as follows:

(1) the size of a risk position in a reference debt instrument in a basket underlying an ‘nth to default’ credit default swap is the effective notional value of the reference debt instrument, multiplied by the modified duration of the ‘nth to default’ derivative, with respect to a change in the credit spread of the reference debt instrument;

(2) there is one hedging set for each reference debt instrument in a basket underlying a given ‘nth to default’ credit default swap; risk positions from different ‘nth to default’ credit default swaps must not be included in the same hedging set; and

(3) the CCR multiplier applicable to each hedging set created for one of the reference debt instruments of an ‘nth to default’ derivative is 0.3% for reference debt instruments that have a credit assessment from a recognised ECAI equivalent to credit quality step 1 to 3, and 0.6% for other debt instruments.

[Note: BCD Annex III Part 5 point 15]... 13.5.22 R This table belongs to BIPRU 13.5.21R.

<p>| Hedging set | CCR Multiplier (CCRM) |</p>
<table>
<thead>
<tr>
<th>categories</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>……</td>
<td>…</td>
</tr>
<tr>
<td>(9) Other commodities (excluding precious metals and electricity power)</td>
<td>10.0%</td>
</tr>
<tr>
<td>(10) Underlying instruments of financial derivative instruments that are not in any of the above categories</td>
<td>10.0% 0.3%</td>
</tr>
<tr>
<td>Reference debt instruments of an ‘nth to default’ derivative that have a credit assessment from a recognised ECAI equivalent to credit quality step 1 to 3</td>
<td></td>
</tr>
<tr>
<td>(11) Reference debt instruments of an ‘nth to default’ derivative that do not have a credit assessment from a recognised ECAI equivalent to credit quality step 1 to 3</td>
<td>0.6%</td>
</tr>
<tr>
<td>(12) Underlying instruments of financial derivative instruments that are not in any of the above categories.</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

[Note: BCD Annex III Part 5 Table 5 and Part 5 point 15 (c)]

... 14.2 Calculation of the capital requirement for CCR ...

Credit derivatives ...

14.2.10 Where a credit derivative included in the trading book forms part of an internal hedge and the credit protection is recognised under the BCD for the purposes of the calculation of the credit risk capital component, there is deemed to be no counterparty risk arising from the position in the credit derivative. Alternatively, a firm may consistently include for the purposes of calculating capital requirements for counterparty credit risk all credit derivatives included in the trading book forming part of internal hedges or purchased as protection against CCR exposure where the credit protection is recognised under the BCD.
[Note: CAD Annex II point 11]

...

TP 15  Commodities firm transitionals: Exemptions from capital requirements

...

Duration of exemption

15.4  R  BIPRU TP 15 applies until 31 December 2014.

[Note: CAD Article 48(1)]

...

TP 20  Standardised credit risk transitionals

...

20.5  R  Until 31 December 2015, a 0% risk weight applies to exposures to the central government of the United Kingdom and of the Bank of England denominated and funded in the currency of another EEA State.

...

20.7  R  BIPRU TP 20.6R applies until 31 December 2015 or any earlier date on which the relevant CRD implementation measure ceases to apply.
Annex D

Amendments to the Supervision manual (SUP)

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

15.3 General notification requirements

... Breaches of rules and other requirements in or under the Act

15.3.11 R (1) A firm must notify the FSA of:

... (e) a breach of any requirement in regulation 4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007; or

(f) it exceeding (or becoming aware that it will exceed) the limit in BIPRU 10.5.6R;

...

(2) ...

...

16.12 Integrated Regulatory Reporting

...

16.12.3A G The following is designed to assist firms to understand how the reporting requirements set out in this chapter operate when the circumstances set out in SUP 16.12.3R(1)(a)(ii) apply.

(1) Example 1

A BIPRU 730K firm that undertakes activities in both RAG 3 and RAG 7 Overlaying the requirements of RAG 3 (data items) with the requirements of RAG 7 shows the following:

<table>
<thead>
<tr>
<th>RAG 3 (SUP 16.12.11R) data items</th>
<th>RAG 7 (SUP 16.12.22AR) data items</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
</tr>
<tr>
<td>IRB portfolio risk</td>
<td>IRB portfolio risk</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Systems and Controls Questionnaire (if it is a non-ILAS BIPRU firm)</td>
<td>Systems and Controls Questionnaire (if it is a non-ILAS BIPRU firm)</td>
</tr>
</tbody>
</table>

From this, the additional reports that are required are:

... 

(2) Example 2

A UK bank in RAG 1 that also carries on activities in RAG 5

Again, overlaying the RAG 1 reporting requirements with the requirements for a RAG 5 firm gives the following:

<table>
<thead>
<tr>
<th>RAG 1 requirements (SUP 16.12.5R)</th>
<th>RAG 5 requirements (SUP 16.12.18AR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>IRB portfolio risk</td>
<td>IRB portfolio risk</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Currency Analysis (if it is an ILAS BIPRU firm)</td>
<td>Currency Analysis (if it is an ILAS BIPRU firm)</td>
</tr>
<tr>
<td></td>
<td>Lending - Business flow and rates</td>
</tr>
</tbody>
</table>

In this case, it is more obvious that the firm's reporting requirement in RAG 1 is not all the data items listed above. However, for the purposes of this exercise, it is the list of potential data items that is important. Thus comparing RAG 1 with RAG 5, the additional reporting requirements are:

... 

... 

Regulated Activity Group 1
16.12.5 R The applicable data items and forms or reports referred to in SUP 16.12.4R are set out according to firm type in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Prudential category of firm, applicable data items and reporting format (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UK bank</td>
</tr>
<tr>
<td>IRB portfolio risk</td>
<td>FSA045 (note 13)</td>
</tr>
<tr>
<td>Securitisation: non-trading book</td>
<td>FSA046 (note 14)</td>
</tr>
<tr>
<td>Currency Analysis</td>
<td>...</td>
</tr>
<tr>
<td>Securitisation: trading book</td>
<td>FSA058 (Note 23)</td>
</tr>
<tr>
<td>...</td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of undertakings. securitisations of non-trading book exposures.</td>
</tr>
<tr>
<td>Note 14</td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of trading book exposures.</td>
</tr>
</tbody>
</table>

16.12.6 R The applicable reporting frequencies for submission of data items and periods referred to in SUP 16.12.5R are set out in the table below according to firm type. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise.
<table>
<thead>
<tr>
<th>Data item</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly submission</th>
<th>Quarterly submission</th>
<th>Half yearly submission</th>
<th>Annual submission</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA046</td>
<td></td>
<td></td>
<td></td>
<td>20 business days (Note 3), 45 business days (Note 4)</td>
<td>30 business days (Note 3), 45 business days (Note 4)</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA054</td>
<td></td>
<td></td>
<td>...</td>
<td>...</td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>FSA058</td>
<td></td>
<td></td>
<td></td>
<td>20 business days (Note 3), 45 business days (Note 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regulated Activity Group 2.2

16.12.7 R The applicable due dates for submission referred to in SUP 16.12.4R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in SUP 16.12.6R, unless indicated otherwise.

16.12.9 R The applicable data items referred to in SUP 16.12.4R are set out according to type of firm in the table below. The applicable reporting frequencies for submission of data items and periods
referred to in *SUP 16.12.4R* are set out in the table below and are calculated from a firm's accounting reference date, unless indicated otherwise. The applicable due dates for submission referred to in *SUP 16.12.4R* are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

<table>
<thead>
<tr>
<th>Description of data item and data item</th>
<th>Member's adviser (note 3)</th>
<th>the Society (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Submission deadline</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large Exposures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA008 (note Notes 20, 21)</td>
<td>Quarterly</td>
<td>20 business days (note 19)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note 21</td>
<td>This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2G.</td>
<td></td>
</tr>
</tbody>
</table>

...  

Regulated Activity Group 3  

...  

16.12.11 R The applicable data items referred to in *SUP 16.12.4R* are set out according to firm type in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Firms' prudential category and applicable data items (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BIPRU firms (note 17)</td>
</tr>
<tr>
<td></td>
<td>730K 125K and UCITS investment firms</td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Large exposures</td>
<td>FSA008 (note Notes 2, 6)</td>
</tr>
</tbody>
</table>
...  

<table>
<thead>
<tr>
<th>Securitisation: non-trading book</th>
<th>FSA046 (note 23)</th>
<th>FSA046 (note 23)</th>
<th>FSA046 (note 23)</th>
</tr>
</thead>
</table>

...  

<table>
<thead>
<tr>
<th>Systems and Controls Questionnaire</th>
<th>...</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Securitisation: trading book</th>
<th>FSA058 (Note 32)</th>
<th>FSA058 (Note 32)</th>
<th>FSA058 (Note 32)</th>
</tr>
</thead>
</table>

...  

Note 6  
This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2G.

...  

Note 23  
Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of non-trading book exposures.

...  

Note 32  
Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of trading book exposures.

...  

16.12.12 R  
The applicable reporting frequencies for data items referred to in SUP 16.12.4R are set out in the table below according to firm type. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise.

<table>
<thead>
<tr>
<th>Data Item</th>
<th>BIPRU 730K firm</th>
<th>BIPRU 125K firm and UCITS investment firm</th>
<th>BIPRU 50K firm</th>
<th>UK consolidation group or defined liquidity group</th>
<th>Firm other than BIPRU firms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA046</td>
<td>Half yearly</td>
<td>Half yearly</td>
<td>Half yearly</td>
<td>Half yearly</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quarterly</td>
<td>Quarterly</td>
<td>Quarterly</td>
<td>Quarterly</td>
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</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA055</td>
<td>...</td>
<td></td>
<td>...</td>
<td>...</td>
<td></td>
</tr>
</tbody>
</table>

...
The applicable due dates for submission referred to in \textit{SUP} 16.12.4R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in \textit{SUP} 16.12.12R, unless indicated otherwise.

<table>
<thead>
<tr>
<th>Data item</th>
<th>Monthly</th>
<th>Quarterly</th>
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<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
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<td></td>
</tr>
<tr>
<td>FSA046</td>
<td></td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td>30 business days (Note 1), 45 business days (Note 2)</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA055</td>
<td></td>
<td></td>
<td>...</td>
<td></td>
</tr>
<tr>
<td>FSA058</td>
<td></td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td></td>
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<tr>
<td>...</td>
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</tbody>
</table>

Regulated Activity Group 4

...
### Securitisation: non-trading book

<table>
<thead>
<tr>
<th>FSA046 (note 19)</th>
<th>FSA046 (note 19)</th>
<th>FSA046 (note 19)</th>
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</table>

### Systems and Controls Questionnaire

<table>
<thead>
<tr>
<th>FSA058 (Note 29)</th>
<th>FSA058 (Note 29)</th>
<th>FSA058 (Note 29)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 6: This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2G.

Note 19: Only applicable to firms that hold securitisation positions, or are the originator or sponsor of undertaking securitisations of non-trading book exposures.

Note 29: Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of trading book exposures.

---

16.12.16 R The applicable reporting frequencies for data items referred to in SUP 16.12.15R are set out in the table below according to firm type. Reporting frequencies are calculated from a firm’s accounting reference date, unless indicated otherwise.

<table>
<thead>
<tr>
<th>Data item</th>
<th>Firms’ prudential category</th>
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<tr>
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<td>BIPRU 730K firm</td>
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<tr>
<td></td>
<td>Half yearly</td>
</tr>
<tr>
<td>FSA046</td>
<td>Quarterly</td>
</tr>
<tr>
<td>FSA055</td>
<td>...</td>
</tr>
</tbody>
</table>
The applicable due dates for submission referred to in SUP 16.12.4R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in SUP 16.12.16R, unless indicated otherwise.

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<th>Data item</th>
<th>Monthly</th>
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<th>Half yearly</th>
<th>Annual</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA046</td>
<td></td>
<td>20 business days (Note 2), 45 business days (Note 3)</td>
<td>30 business days (note 2), 45 business days (note 3)</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA055</td>
<td></td>
<td></td>
<td></td>
<td>...</td>
</tr>
<tr>
<td>FSA058</td>
<td></td>
<td>20 business days (Note 2), 45 business days (Note 3)</td>
<td></td>
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<tr>
<td>...</td>
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</tbody>
</table>

Regulated Activity Group 7

... 16.12.22A The applicable data items referred to in SUP 16.12.4R are set out according to type of firm in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>BIPRU730K firm</th>
<th>BIPRU 125K firm and UCITS investment firm</th>
<th>BIPRU 50K firm</th>
<th>Exempt CAD firms subject to IPRU (INV) Chapter 13</th>
<th>Firms (other than exempt CAD firms) subject to IPRU (INV) Chapter 13</th>
<th>Firms that are also in one or more of RAGs 1 to 6 and not subject to IPRU (INV) Chapter 13</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large exposures</td>
<td>FSA008 (Note)</td>
<td>FSA008 (Note)</td>
<td>FSA008 (Note)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Data item</td>
<td>Frequency</td>
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<td></td>
<td></td>
<td></td>
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<td>-----------</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unconsolidated BIPRU investment firm</td>
<td>Solo consolidated BIPRU investment firm</td>
<td>UK Consolidation Group or defined liquidity group</td>
<td>Annual regulated business up to and including £5 million</td>
<td>Annual regulated business revenue over £5 million</td>
<td></td>
</tr>
<tr>
<td>Securitisation: non-trading book</td>
<td>FSA046 (note 14)</td>
<td>FSA046 (note 14)</td>
<td>FSA046 (note 14)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Systems and Controls Questionnaire</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securitisation: trading book</td>
<td>FSA058 (Note 22)</td>
<td>FSA058 (Note 22)</td>
<td>FSA058 (Note 22)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Note 6</td>
<td>This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2G.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Note 14</td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of undertake securitisations of non-trading book exposures.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Note 22</td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of trading book exposures.</td>
<td></td>
<td></td>
<td></td>
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</table>

16.12.23 R The applicable reporting frequencies for data items referred to in SUP 16.12.22AR are set out in the table below. Reporting frequencies are calculated from a firm’s accounting reference date, unless indicated otherwise.
### 16.12.24 R

The applicable due dates for submission referred to in *SUP 16.12.4R* are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in *SUP 16.12.23R*, unless indicated otherwise.

<table>
<thead>
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<th>Data item</th>
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<tbody>
<tr>
<td>...</td>
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<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>FSA046</td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td>30 business days (Note 1), 45 business days (Note 2)</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>FSA055</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>FSA058</td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td>...</td>
<td>...</td>
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</tr>
</tbody>
</table>

### Regulated Activity Group 8

...
<table>
<thead>
<tr>
<th>Data item</th>
<th>BIPRU 730K firm</th>
<th>BIPRU 125K firm</th>
<th>BIPRU 50K firm</th>
<th>UK consolidation group or defined liquidity group</th>
<th>Firms other than BIPRU firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Securitisation: non-trading book</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FSA046 (note 19)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Securitisation: trading book</strong></td>
<td></td>
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</tr>
<tr>
<td>FSA058 (Note 27)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Systems and Controls Questionnaire</strong></td>
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</tr>
<tr>
<td>...</td>
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<td></td>
</tr>
<tr>
<td><strong>Note 6</strong></td>
<td></td>
<td></td>
<td></td>
<td>This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2G.</td>
<td></td>
</tr>
<tr>
<td><strong>Note 19</strong></td>
<td></td>
<td></td>
<td></td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of undertake securitisations of non-trading book exposures.</td>
<td></td>
</tr>
<tr>
<td><strong>Note 27</strong></td>
<td></td>
<td></td>
<td></td>
<td>Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of trading book exposures.</td>
<td></td>
</tr>
</tbody>
</table>

16.12.26 R The applicable reporting frequencies for data items referred to in SUP 16.12.25AR are set out according to the type of firm in the table below. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise.
The applicable due dates for submission referred to in SUP 16.12.4R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in SUP 16.12.26R, unless indicated otherwise.

<table>
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<th>Half yearly</th>
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</thead>
<tbody>
<tr>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA046</td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td>30 business days (note 1), 45 business days (note 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSA055</td>
<td></td>
<td></td>
<td></td>
<td>...</td>
</tr>
<tr>
<td>FSA058</td>
<td>20 business days (Note 1), 45 business days (Note 2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
16 Annex 24R Data items for SUP 16.12

…
FSA003
Capital adequacy

The firm completing this is subject to the capital rules for (tick one only):
1 A UK bank or a building society
2 A full scope BIPRU investment firm
3 A BIPRU limited activity firm
4 A BIPRU limited licence firm, including a UCITS investment firm

If you are a full scope BIPRU investment firm, do you meet the conditions in BIPRU TP 12.1R?

If you are a BIPRU investment firm, are you a:
6 BIPRU 730K firm
7 BIPRU 125K firm (excluding UCITS investment firms)
8 UCITS investment firm
9 BIPRU 50K firm
10 Do you have an investment firm consolidation waiver under BIPRU 8.4?
11 Have you notified the FSA, at least one month in advance of the date of this report, that you intend to deduct illiquid assets?

Basis of reporting
Unconsolidated/Solo-consolidated/Consolidated
If consolidated, please complete data elements 13 and 14, otherwise go straight to data element 15.

For consolidated reporting, provide

<table>
<thead>
<tr>
<th>Group reference</th>
<th>Group name</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>

For consolidated reporting, provide details of all other FSA authorised firms included in this consolidated report.

<table>
<thead>
<tr>
<th>FRN</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital resources for all other purposes</th>
<th>Capital resources omitting Stage C</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>

15 Total capital after deductions
16 Total tier one capital after deductions
17 Core tier one capital
18 Permanent share capital
19 Profit and loss account and other reserves
20 Interim net losses
21 Eligible partnership, LLP or sole trader capital
22 Share premium account
23 Externally verified interim net profits

135 Hybrid tier one capital
136 50% bucket
137 35% bucket
138 15% bucket

24 Other tier one capital
25 Perpetual non-cumulative preference shares subject to limit
26 Innovative tier one instruments subject to limit
## FSA003 continued

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Deductions from tier one capital</td>
</tr>
<tr>
<td>28</td>
<td>Investments in own shares</td>
</tr>
<tr>
<td>29</td>
<td>Intangible assets</td>
</tr>
<tr>
<td>139</td>
<td>Excess on limits for 50% bucket capital instruments</td>
</tr>
<tr>
<td>140</td>
<td>Excess on limits for 35% bucket capital instruments</td>
</tr>
<tr>
<td>141</td>
<td>Excess on limits for 15% bucket capital instruments</td>
</tr>
<tr>
<td>30</td>
<td>Excess on limits for non innovative tier one instruments</td>
</tr>
<tr>
<td>31</td>
<td>Excess on limits for innovative tier one instruments</td>
</tr>
<tr>
<td>32</td>
<td>Excess of drawings over profits for partnerships, LLPs or sole traders</td>
</tr>
<tr>
<td>33</td>
<td>Net losses on equities held in the available-for-sale financial asset category</td>
</tr>
<tr>
<td>34</td>
<td>Material holdings</td>
</tr>
<tr>
<td>35</td>
<td>Total tier two capital after deductions</td>
</tr>
<tr>
<td>36</td>
<td>Upper tier two capital</td>
</tr>
<tr>
<td>37</td>
<td>Excess on limits for tier one capital transferred to upper tier two capital</td>
</tr>
<tr>
<td>38</td>
<td>Upper tier two capital instruments</td>
</tr>
<tr>
<td>39</td>
<td>Revaluation reserve</td>
</tr>
<tr>
<td>40</td>
<td>General/collective provisions</td>
</tr>
<tr>
<td>41</td>
<td>Surplus provisions</td>
</tr>
<tr>
<td>42</td>
<td>Lower tier two capital</td>
</tr>
<tr>
<td>43</td>
<td>Lower tier two capital instruments</td>
</tr>
<tr>
<td>44</td>
<td>Excess on limits for lower tier two capital</td>
</tr>
<tr>
<td>45</td>
<td>Deductions from tier two capital</td>
</tr>
<tr>
<td>46</td>
<td>Excess on limits for tier two capital</td>
</tr>
<tr>
<td>47</td>
<td>Other deductions from tier two capital</td>
</tr>
<tr>
<td>48</td>
<td>Deductions from total of tiers one and two capital</td>
</tr>
<tr>
<td>49</td>
<td>Material holdings</td>
</tr>
<tr>
<td>50</td>
<td>Expected loss amounts and other negative amounts</td>
</tr>
<tr>
<td>51</td>
<td>Securitisation positions</td>
</tr>
<tr>
<td>52</td>
<td>Qualifying holdings</td>
</tr>
<tr>
<td>53</td>
<td>Contingent liabilities</td>
</tr>
<tr>
<td>54</td>
<td>Reciprocal cross-holdings</td>
</tr>
<tr>
<td>55</td>
<td>Investments that are not material holdings or qualifying holdings</td>
</tr>
<tr>
<td>56</td>
<td>Connected lending of a capital nature</td>
</tr>
<tr>
<td>57</td>
<td>Total tier one capital plus tier two capital after deductions</td>
</tr>
<tr>
<td>58</td>
<td>Total tier three capital</td>
</tr>
<tr>
<td>59</td>
<td>Excess on limits for total tier two capital transferred to tier three capital</td>
</tr>
<tr>
<td>60</td>
<td>Short term subordinated debt</td>
</tr>
<tr>
<td>61</td>
<td>Net interim trading book profit and loss</td>
</tr>
<tr>
<td>62</td>
<td>Excess on limit for tier three capital</td>
</tr>
<tr>
<td>63</td>
<td>Unused but eligible tier three capital (memo)</td>
</tr>
<tr>
<td>64</td>
<td>Total capital before deductions</td>
</tr>
<tr>
<td>65</td>
<td>Deductions from total capital</td>
</tr>
<tr>
<td>66</td>
<td>Excess trading book position</td>
</tr>
<tr>
<td>67</td>
<td>Illiquid assets</td>
</tr>
<tr>
<td>68</td>
<td>Free deliveries</td>
</tr>
<tr>
<td>69</td>
<td>Base capital resources requirement</td>
</tr>
</tbody>
</table>
## Total Variable Capital Requirement

### Variable Capital Requirement for UK Banks and Building Societies

### Variable Capital Requirement for Full Scope BIPRU Investment Firms

### Variable Capital Requirement for BIPRU Limited Activity Firms

### Variable Capital Requirement for BIPRU Limited Licence Firms

### Variable Capital Requirement for UCITS Investment Firms

### Variable Capital Requirements to Be Met from Tier One and Tier Two Capital

## Total Credit Risk Capital Component

### Credit Risk Calculated by Aggregation for UK Consolidation Group Reporting

### Credit Risk Capital Requirements Under the Standardised Approach

### Credit Risk Capital Requirements Under the IRB Approach

#### Under Foundation IRB Approach

#### Retail IRB

#### Under Advanced IRB Approach

#### Other IRB Exposures Classes

## Total Operational Risk Capital Requirement

### Operational Risk Calculated by Aggregation for UK Consolidation Group Reporting

### Operational Risk Basic Indicator Approach

### Operational Risk Standardised/Alternative Standardised Approaches

### Operational Risk Advanced Measurement Approaches

## Reduction in Operational Risk Capital Requirement Under BIPRU TP 12.1

## Counterparty Risk Capital Component

## Capital Requirements for Which Tier Three Capital May Be Used

## Total Market Risk Capital Requirement

### Market Risk Capital Requirement Calculated by Aggregation for UK Consolidation Group Reporting

### Position, Foreign Exchange and Commodity Risks Under Standardised Approaches (TSA)

#### Interest Rate PRR

#### Equity PRR

#### Commodity PRR

#### Foreign Currency PRR

#### CIU PRR

#### Other PRR

### Position, Foreign Exchange and Commodity Risks Under Internal Models (IM)

## Concentration Risk Capital Component

## Fixed Overhead Requirement

### Capital Resources Requirement Arising from Capital Floors

### Surplus (+) / Deficit (-) of Own Funds

### Solvency Ratio (%)

### Individual Capital Guidance - Total Capital Resources

### Individual Capital Guidance - General Purpose Capital

### Surplus/(Deficit) Total Capital Over ICG

### Surplus/(Deficit) General Purposes Capital Over ICG

## Memorandum Items

### Value of Portfolio Under Management - UCITS Investment Firms
FSA003 continued

**Prudential filters**

<table>
<thead>
<tr>
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<tr>
<td>113</td>
<td>Unrealised gains on available-for-sale assets</td>
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<tr>
<td>114</td>
<td>Unrealised gains (losses) on investment properties</td>
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<tr>
<td>115</td>
<td>Unrealised gains (losses) on land and buildings</td>
</tr>
<tr>
<td>116</td>
<td>Unrealised gains (losses) on debt instruments held in the available for sale category</td>
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<td>117</td>
<td>Unrealised gains (losses) on cash flow hedges of financial instruments</td>
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<td>118</td>
<td>Unrealised gains (losses) on fair value financial liabilities</td>
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<tr>
<td>119</td>
<td>Defined benefit asset (liability)</td>
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<tr>
<td>120</td>
<td>(Deficit reduction amount) if used</td>
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<tr>
<td>121</td>
<td>Deferred acquisition costs (deferred income) (DACs/DIRs)</td>
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**Minority interests**

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<tr>
<td>122</td>
<td>Minority interests included within capital resources</td>
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<tr>
<td>123</td>
<td>of which: innovative tier one instruments</td>
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**Profits**

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<td>Profits not externally verified at the reporting date but subsequently verified</td>
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<td>Total capital after deductions after profits have been externally verified</td>
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**Allocation of deductions between tier one and two capital**

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<td>Material insurance holdings excluded from allocation</td>
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<td>Allocated to tier one capital</td>
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<tr>
<td>128</td>
<td>Allocated to tier two capital</td>
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**Firms on the IRB/AMA approaches**

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<td>Total capital requirement under pre-CRD rules</td>
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<tr>
<td>130</td>
<td>Total credit risk capital component under pre-CRD</td>
</tr>
<tr>
<td>131</td>
<td>Expected loss amounts - wholesale, retail and purchased receivables</td>
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<tr>
<td>132</td>
<td>Expected loss amounts - equity</td>
</tr>
<tr>
<td>133</td>
<td>Total value adjustments and provisions eligible for the &quot;EL less provisions&quot; calculation under IRB</td>
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<tr>
<td>134</td>
<td>Total deductions from tier 1 and tier 2 capital according to pre-CRD rules</td>
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## Market risk

### Interest rate risk

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**General interest rate risk**

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**Specific interest rate risk**

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**Securitisation exposures/unrated liquidity facilities PRR**

**Ordinary CDS PRR**

**Securitisation CDS PRR**

**Basic interest rate PRR calculation for equity instruments**

**Option PRR for interest rate positions**

**CAD1 PRR for interest rate positions**

**Other PRR**

### Equity risk

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**General equity risk (or simplified)**

**Valuations of longs**

**Valuation of shorts**

**PRR**

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**Total interest rate PRR**

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**Total**
### Specific equity risk by risk bucket

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<tr>
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<td>CAD 1 PRR for equity positions</td>
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<td>Total Equity PRR</td>
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### Commodity Risk

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<td>Valuation of shorts</td>
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### Foreign currency risk

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<th>CHF</th>
<th>YEN</th>
<th>Other</th>
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<tr>
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<td>C</td>
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<td>D</td>
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**Collective investment undertaking risk**

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</table>

**Other PRR**

| | | | | | | | | | | | | |
| 56 | Any other PRR | | | | | | | | | | | |

**VaR model Risk Internal models-based charges**

| | | | | | | | | | | | | |
| 57 | Multiplier | | | | | | | | | | | |
| 58 | Previous day's VaR PRR | | | | | | | | | | | |
| 59 | Average of previous 60 days VaR | | | | | | | | | | | |
| 60 | Incremental Default Risk surcharge | | | | | | | | | | | |

**Add-ons**

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</table>

| 64 | Total Add-ons | | |
| 61 | VaR model based PRR Internal models-based PRR | | |

| 62 | GRAND TOTAL PRR | | |
FSA 2010/29

Large exposures

1. Is this report by a UK consolidation group under BIPRU 8 Ann 1R?
   - [ ] No

2. List the FSA Firm Reference Numbers of the members of the UK consolidation group
   - [ ]
   - [ ]

3. Is the firm a member of a UK integrated group?
   - [ ] Yes

Part 1: Large exposures at the reporting date (other than to members of integrated groups under BIPRU 10.8 or BIPRU 10.9)

4. Capital resources under BIPRU 10.5.5R

<table>
<thead>
<tr>
<th>Exposure no.</th>
<th>Counterparty name (or group name)</th>
<th>Gross exposure</th>
<th>% of capital resources under BIPRU 10.5.5R</th>
<th>Funded credit protection</th>
<th>Unfunded credit protection</th>
<th>Exposure after credit risk mitigation</th>
<th>Exempt exposures</th>
<th>Non-exempt exposures</th>
<th>Of which</th>
<th>Trading book concentration risk excesses</th>
<th>CNCOM</th>
<th>PD %</th>
<th>LGD %</th>
<th>EL %</th>
<th>Credit risk capital requirements</th>
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5. Total

I confirm that the firm has notified the FSA under BIPRU 10.5.9R and SUP 15.3.11R of all exposures that have exceeded, or will exceed, the limits set out in BIPRU 10.5.6R or 10.5.8R (tick to confirm)
   - [ ]

Part 2: Details of connected counterparties at the reporting date (excluding to members of integrated groups under BIPRU 10.8 or BIPRU 10.9)

6. Individual counterparties (each individually above 2.5% capital resources)

<table>
<thead>
<tr>
<th>Exposure no.</th>
<th>Individual counterparties (each individually above 2.5% capital resources)</th>
<th>Gross exposure</th>
<th>% of capital resources under BIPRU 10.5.5R</th>
<th>Funded credit protection</th>
<th>Unfunded credit protection</th>
<th>Exposure after credit risk mitigation</th>
<th>Exempt exposures</th>
<th>Non-exempt exposures</th>
<th>Of which</th>
<th>Trading book concentration risk excesses</th>
<th>CNCOM</th>
<th>PD %</th>
<th>LGD %</th>
<th>EL %</th>
<th>Credit risk capital requirements</th>
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1. Individually <2.5% of capital resources

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### Part 3: Trading book concentration risk excesses since the last reporting date (excluding any that exist in Part 1 at the reporting date)

<table>
<thead>
<tr>
<th>Counterparty name</th>
<th>Gross exposure</th>
<th>Non-exempt exposure</th>
<th>% of capital resources under BIPRU 10.5.4 R</th>
<th>Exposure after credit risk mitigation</th>
<th>Non-exempt exposure</th>
<th>% of capital resources under BIPRU 10.5.3 R</th>
<th>Is it a member of a diverse block or residual block?</th>
<th>Non-exempt exposures</th>
<th>% of capital resources under BIPRU 10.5.3 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
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<td>C</td>
<td>D</td>
<td>E</td>
<td>F</td>
<td>G</td>
<td>H</td>
<td>I</td>
<td>J</td>
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</table>

Unconsolidated or solo-consolidated reporters only

### Part 4: Significant transactions with the mixed activity holding company and its subsidiaries

<table>
<thead>
<tr>
<th>Transaction no</th>
<th>Counterparty name</th>
<th>Transaction or exposure value</th>
<th>% of capital resources</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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</tr>
<tr>
<td>3</td>
<td></td>
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</tr>
</tbody>
</table>
### Transaction level information - Where the firm is an originator or sponsor

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
<th>I</th>
<th>J</th>
<th>K</th>
<th>L</th>
<th>M</th>
<th>N</th>
<th>O</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programme Name</td>
<td>Asset Class</td>
<td>Originator’s Interest</td>
<td>Investors’ Interest</td>
<td>Location of Investors’ Reports</td>
<td>Assets appear on FSA002?</td>
<td>Conversion factor applied?</td>
<td>BIPRU 9.3.1.R applied?</td>
<td>Exposure value before securitisation</td>
<td>Capital requirement before securitisation</td>
<td>Exposure value after securitisation</td>
<td>Capital requirement after securitisation</td>
<td>Deductions from capital resources</td>
<td>Capital requirement after securitisation</td>
<td>Retention of net economic interest</td>
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### Risk positions - Standardised exposures

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
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<th>D</th>
<th>E</th>
<th>F</th>
</tr>
</thead>
<tbody>
<tr>
<td>CQS1</td>
<td>CQS2</td>
<td>CQS3</td>
<td>CQS4</td>
<td>CQS5</td>
<td>Deductions from capital</td>
</tr>
</tbody>
</table>

#### Originator

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
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</tbody>
</table>

#### Counterparty credit risk

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</thead>
<tbody>
<tr>
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<td>C</td>
</tr>
</tbody>
</table>

#### All other exposures

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</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
</tbody>
</table>

### Risk positions - IRB exposures

| A | B | C | D | E | F | G | H | I | J | K | L | M | N | O |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Exposure value | CQS1 | CQS2 | CQS3 | CQS4 | CQS5 | CQS6 | CQS7 | CQS8 | CQS9 | CQS10 | CQS11 | Below CQS11 | Supervisory formula Exposure Value | Supervisory formula Capital Requirement | Deductions from capital |

#### Originator

<table>
<thead>
<tr>
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<th>C</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>B</td>
<td>C</td>
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</table>

#### Counterparty credit risk

<table>
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</thead>
<tbody>
<tr>
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#### All other exposures

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</table>
Insert the following data item FSA058 into SUP 16 Annex 24R (Data items for SUP 16.7 and SUP16.12) in the appropriate numerical order. The text is all new and not underlined.

FSA058
Securitisation: Trading book

Transaction level information - Where the firm is an originator or sponsor

<table>
<thead>
<tr>
<th>Programme Name</th>
<th>Asset Class</th>
<th>Originator's Interest</th>
<th>Investors’ Interest</th>
<th>Location of Investor Reports</th>
<th>Assets appear on FSA001?</th>
<th>Retention of net economic interest (% to 2DP)</th>
<th>Method of retention of net economic interest</th>
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<td>n</td>
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</tr>
</tbody>
</table>

Additional capital requirements (BIPRU 7.2.47HG)
SUP 16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

FSA003 – Capital adequacy

Columns A and B
There are two different measures of capital resources. For the purposes of the capital resources requirement under GENPRU 2.1.40R onwards and for disclosure purposes under BIPRU 11, it is calculated and set out in Column B of this data item. This column excludes stage C in the capital resources calculation set out in GENPRU 2 Annexes 2R, 3R, 4R, 5R and 6R. For the purposes of GENPRU 2.2.17R, capital resources are set out in Column A. The difference between them is in relation to innovative tier one capital (ie Stage C) which, for the purposes of GENPRU 2.1.9R, cannot be included (GENPRU 2.2.42R). [deleted]

Data elements
These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

[Editor’s Note: There are no changes to data elements 1A to 13A]

13B For consolidated reporting, please provide the Group name
If 12A is completed as a consolidated report, then please enter the group name here. [deleted]

14B For consolidated reporting, please provide the names of the firms included
List here the names (against the FRN) of all FSA authorised firms included within the UK consolidation group. [deleted]

15B Total capital after deductions
This is equivalent to 15A, but excludes stage C (in GENPRU 2 Annexes 2R, 3R, 4R, 5R and 6R). It will only differ from 15A if the firm has issued innovative tier one capital. [deleted]

16B Total tier one capital after deductions
This is equivalent to 16A, but reflecting GENPRU 2.2.42R and GENPRU 2.2.43G. It will only differ from 16A if the firm has issued innovative tier one capital. [deleted]
17B Core tier one capital
This will have the same value as 17A. [deleted]

...24A Other tier one capital, subject to limits
Data elements 25A and 26A should only contain items that are subject to grandfathering as they are not compliant with the hybrid capital rules. Instruments that do comply with the hybrid capital rules should be included within elements 136A to 138A, as appropriate.
[CEBS’ CA 1.1.4]

24B Other tier one capital, subject to limits
This will have the same value as in 24A. (Although innovative tier one capital is not included for CRR purposes, it is included here and the disallowable portion is reported in 31B.) [deleted]

25A Perpetual non-cumulative preference shares
This data element (after deduction of data element 30A) is equivalent to Stage B in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
It includes perpetual non-cumulative preference shares (see GENPRU 2.2.109R) and PIBS (see GENPRU 2.2.111R). See also GENPRU TP 8.2R to GENPRU TP 8.6R 8.7R.
All the preceding references to GENPRU in this note are to the version of GENPRU in force on 30 December 2010.
See also GENPRU TP 8A.
[CEBS’ CA 1.1.4.1]

26A Innovative tier one instruments subject to limit
See GENPRU 2.2.113R to GENPRU 2.2.137R, before the application of GENPRU 2.2.30R. Also see GENPRU TP 8.7R 8.8R.
This data element (after deduction of data element 31A) is equivalent to Stage C in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
All the preceding references to GENPRU in this note are to the version of GENPRU in force on 30 December 2010.
See also GENPRU TP 8A.
[CEBS’ CA 1.1.4.2]

...
27B Deductions from tier one capital
This figure will differ from 27A only if a firm has issued innovative tier one instruments in 26A. [deleted]

... 

28B Investments in own shares
This is the same figure as in 28A. [deleted]

... 

29B Intangible assets
This is the same figure as in 29A. [deleted]

30A Excess on limits for non-innovative tier one instruments
The amount reported in 25A which is in excess of the limits set out in GENPRU 2.2.29R. See also GENPRU 2.2.25R. All the preceding references to GENPRU in this note are to the version of GENPRU in force on 30 December 2010. See also GENPRU TP 8A. [CEBS’ CA 1.1.5.2, but with the opposite sign]

30B Excess on limits for non-innovative tier one instruments
This is the same figure as in 30A. [deleted]

31A Excess on limits for innovative tier one instruments
The amount reported in 26A which is in excess of the limits set out in GENPRU 2.2.30R. See also GENPRU 2.2.25R. As set out in GENPRU 2.2.25R to GENPRU 2.2.27R, the excess is however available in upper tier two capital in 37A. All the preceding references to GENPRU in this note are to the version of GENPRU in force on 30 December 2010. See also GENPRU TP 8A. [CEBS’ CA 1.1.5.3, but with the opposite sign]

31B Excess on limits for innovative tier one instruments
In line with GENPRU 2.2.42R, innovative tier one capital cannot be included in tier one capital resources. This figure equates to the whole of the firm’s innovative tier one capital (26A). As set out in GENPRU 2.2.25R to GENPRU 2.2.27R, the capital is however available in upper tier two capital in 37B. It gives effect to Note (3) in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision. [deleted]

... 

32B Excess of drawings over profits for partnerships, LLPs and sole traders
This is the same figure as reported in 32A. [deleted]
33B Net losses on equities held in the available-for-sale financial assets category
This is the same figure as reported in 33A. [deleted]

34B Material holdings
This is the same figure as reported in 34A. [deleted]

35B Total tier two capital after deductions
This is broadly similar to 35A, except that it takes account of GENPRU 2.2.42R where a firm has innovative tier one capital that cannot be included in tier one. [deleted]

36B Upper tier two capital, subject to limits
This data element (after deducting 44B and 46B) is equivalent, after taking account of GENPRU 2.2.42R where a firm has innovative tier one capital, to Stage G in:
- GENPRU 2 Annex 2R for a UK bank;
- GENPRU 2 Annex 3R for a building society;
- GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
- GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
- GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision. [deleted]

37B Excess on limits for tier one capital transferred to upper tier two capital
As 37A, but includes all innovative tier one capital as none of it could be included in tier one capital resources as a result of GENPRU 2.2.42R. This will not exceed the sum of 30B and 31B. [deleted]

38B Upper tier two capital instruments, subject to limits
This is the same figure as reported in 38A. [deleted]

39B Revaluation reserve
This is the same figure as reported in 39A. [deleted]

40B General/collective provisions
This is the same figure as reported in 40A. [deleted]
41B Surplus provisions
This is the same figure as reported in 41A. [deleted]

... 

42B Lower tier two capital
This figure will differ from 42A if the firm had any innovative tier one capital reported in
26A. [deleted]

... 

43B Lower tier two capital instruments subject to limits
This is the same figure as reported in 43A. [deleted]

... 

44B Excess on limits for lower tier two capital
The amount reported in 43B that is in excess of the limits set out in GENPRU 2.2.46R (2). If
the firm has not reported innovative tier one capital instruments in 26A, this number will be
the same as 44A. [deleted]

... 

45B Deductions from tier two capital
If the firm has not reported innovative tier one instruments in 26A, this number will be the
same as 45A.
Otherwise, this data element (excluding 46B) is equivalent to Stage J (after taking account of
Note (3)) in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision. [deleted]

... 

46B Excess on limits for tier two capital
If the firm has not reported innovative tier one instruments in 26A, this number will be the
same as 46A. Otherwise it is the amounts reported in 36B and 42B in excess of the limits set
out GENPRU 2.2.46R (1). [deleted]

... 

47B Other deductions from tier two capital
This is the same figure as reported in 47A. [deleted]

... 

48B Deductions from total of tiers one and two
This is the same figure as reported in 48A. [deleted]
...  

57B **Total tier one capital plus tier two capital after deductions**
This may differ from 57A if the firm reported *innovative tier one instruments* in 26A. This is equivalent to Stage N of:
- **GENPRU 2 Annex 2R** for a UK bank;
- **GENPRU 2 Annex 3R** for a building society;
- **GENPRU 2 Annex 4R** for a BIPRU investment firm deducting material holdings;
- **GENPRU 2 Annex 5R** for a BIPRU investment firm deducting illiquid assets; and
- **GENPRU 2 Annex 6R** for a BIPRU investment firm with a waiver from consolidated supervision.
Firms should note that if this figure is less than the *base capital resources requirement* (reported in data element 69A), the firm’s *capital resources* are less than its *capital resources requirement*. See Note (2) in **GENPRU 2 Annexes 2R, 3R, 4R, 5R and 6R**. [(CEBS’ CA 1.4 plus 1.5 minus 1.3.10) [deleted]]

...  

58B **Total tier three capital**
This is broadly similar to 58A, except that it takes account of **GENPRU 2.2.42R** where a firm has *innovative tier one capital* that cannot be included in tier one. [deleted]

...  

59B **Excess on limits for tier two capital transferred to tier three capital**
See **GENPRU 2.2.25R to GENPRU 2.2.27R**. This will be no greater than the sum of 44B and 46B. If the firm has not reported *innovative tier one instruments*, the figure should be the same as 59A. [deleted]

...  

60B **Short term subordinated debt, subject to limits**
This figure will be the same as 60A. [(CEBS’ CA 1.6.3) [deleted]]

...  

61B **Net interim trading book profit and loss**
This figure will be the same as 61A. [(CEBS’ CA 1.6.2) [deleted]]

...  

62B **Excess on limit for tier three capital**
The amount reported in 59B and 60B in excess of the limits set out in **GENPRU 2.2.49R to GENPRU 2.2.50R**. It will only differ from 62A if the firm has reported *innovative tier one capital* in 26A. [deleted]

...  

63B **Unused but eligible tier three capital (memo)**
See GENPRU 2.2.47R.
This is the sum of data elements 58B less the amount shown in data element 92A. If the result is negative, enter 0. This is the surplus tier three capital which may only be used for the purposes set out in BIPRU 2.2.47R.
It may differ from 63A if the firm has reported innovative tier one capital in 26A. [deleted]

64B Total capital before deductions
This figure will differ from 64A if the firm had any innovative tier one capital reported in 26A. [deleted]

65B Deductions from total capital
This will be the same value as reported in 65A. [deleted]

[Editor’s Note: There are no changes to data elements 66A to 106A]

106B Surplus/deficit of own funds
This is 15B less 70A.
This should be a positive figure, showing the amount of excess capital over that required for the risks measured at the reporting date, as well as any requirements.
Firms that have adopted the IRB approach for credit risk or advanced measurement approach for operational risk should also be monitoring data element 105A against 15B.
Firms should note that although this figure may show a surplus, if this figure reported in data element 57B is less than the base capital resources requirement (reported in data element 69A), the firm’s capital resources are less than its capital resources requirement. See Note (2) in GENPRU 2 Annexes 2R, 3R, 4R, 5R and 6R.
This should be a positive figure and is the calculation required in GENPRU 2.1.40R. [deleted]

107B Overall solvency ratio
This is 15B divided by 70A, multiplied by 100 and represents the firm’s overall solvency for CRR purposes.
This ratio represents the firm’s solvency in relation to its variable capital requirement under GENPRU 2.1.9R(1). In most cases, it may be the same as figure as appears in Column A, but that will not be the case if data element 15 differs between Column A and Column B because of the different treatment of innovative tier one instruments (see GENPRU 2.2.43R). [deleted]

[Editor’s Note: There are no changes to data elements 108A to 134A]

135A Hybrid tier one capital
This element is equivalent to Stages B1, B2 and C in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
[See GENPRU 2.2.30AR to 2.2.30CR]

136A 50% Bucket
This data element (after deduction of data element 139A) is equivalent to Stage B1 in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
[See GENPRU 2.2.30AR]

137A 35% Bucket
This data element (after deduction of data element 140A) is equivalent to Stage B2 in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
[See GENPRU 2.2.30BR]

138A 15% Bucket
This data element (after deduction of data element 141A) is equivalent to Stage C in:
• GENPRU 2 Annex 2R for a UK bank;
• GENPRU 2 Annex 3R for a building society;
• GENPRU 2 Annex 4R for a BIPRU investment firm deducting material holdings;
• GENPRU 2 Annex 5R for a BIPRU investment firm deducting illiquid assets; and
• GENPRU 2 Annex 6R for a BIPRU investment firm with a waiver from consolidated supervision.
[See GENPRU 2.2.30CR]

139A Excess on limit for 50% bucket capital instruments
The amount reported in 136A which is in excess of the limit set out in GENPRU 2.2.30AR.

140A Excess on limit for 35% bucket capital instruments
The amount reported in 137A which is in excess of the limit set out in GENPRU 2.2.30BR.

141A Excess on limit for 15% bucket capital instruments
The amount reported in 138A which is in excess of the limit set out in GENPRU 2.2.30CR.
### FSA003 – Capital adequacy validations

#### Internal validations

Data elements are referenced by row then column.

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<th>Validation number</th>
<th>Data element</th>
<th>Validation</th>
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</tr>
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</tr>
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<tr>
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<tr>
<td>24</td>
<td>29B</td>
<td>= 29A [deleted]</td>
</tr>
<tr>
<td>25</td>
<td>30B</td>
<td>= 30A [deleted]</td>
</tr>
<tr>
<td>26</td>
<td>31B</td>
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<td>32B</td>
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<td>28</td>
<td>33B</td>
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</tr>
<tr>
<td>29</td>
<td>34A</td>
<td>If 10A = no, then 0</td>
</tr>
<tr>
<td>30</td>
<td>34B</td>
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</tr>
<tr>
<td>31</td>
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</tr>
<tr>
<td>32</td>
<td>35A</td>
<td>= 36A + 42A - 45A</td>
</tr>
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<td>35B</td>
<td>= 36B + 42B – 45B [deleted]</td>
</tr>
<tr>
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<td>36A</td>
<td>= 37A + 38A + 39A + 40A + 41A</td>
</tr>
<tr>
<td>35</td>
<td>36B</td>
<td>= 37B + 38B + 39B + 40B + 41B [deleted]</td>
</tr>
<tr>
<td>36</td>
<td>37A</td>
<td>≤ 30A + 31A</td>
</tr>
<tr>
<td>37</td>
<td>37B</td>
<td>≤ 30B + 31B [deleted]</td>
</tr>
<tr>
<td>38</td>
<td>38B</td>
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<td>41B</td>
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</tr>
<tr>
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<td>45A</td>
<td>= 46A + 47A</td>
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<td>45B</td>
<td>= 46B + 47B [deleted]</td>
</tr>
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<td>47B</td>
<td>= 47A [deleted]</td>
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<td>48A</td>
<td>= 49A + 50A + 51A + 52A + 53A + 54A + 55A + 56A</td>
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<td>48B</td>
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</tr>
<tr>
<td>50</td>
<td>49A</td>
<td>If 11A = yes, then 0</td>
</tr>
<tr>
<td>51</td>
<td>52A</td>
<td>If 1A = no, then 0</td>
</tr>
<tr>
<td>52</td>
<td>53A</td>
<td>If 10A = no, then 0</td>
</tr>
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<td>53</td>
<td>55A</td>
<td>If 1A = no, then 0</td>
</tr>
<tr>
<td>54</td>
<td>56A</td>
<td>If 1A = no, then 0</td>
</tr>
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<td>= 16A + 35A − 48A</td>
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<td>58A</td>
<td>= 59A + 60A + 61A − 62A</td>
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<td>64A</td>
<td>= 57A + 58A</td>
</tr>
<tr>
<td>66</td>
<td>64B</td>
<td>= 57B + 58B [deleted]</td>
</tr>
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<td>67</td>
<td>65A</td>
<td>= 66A + 67A + 68A</td>
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<td>65B</td>
<td>= 65A [deleted]</td>
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<tr>
<td>69</td>
<td>66A</td>
<td>If 1A = no, then 0</td>
</tr>
<tr>
<td>70</td>
<td>67A</td>
<td>If 11A = no, then (if 10A = no, then 0)</td>
</tr>
<tr>
<td>71</td>
<td>69A</td>
<td>If 12A = consolidated, then 0, else &gt;0</td>
</tr>
<tr>
<td>72</td>
<td>70A</td>
<td>= 71A + 72A + 73A + 74A + 75A</td>
</tr>
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<td>[deleted – replaced by validation 105]</td>
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<td>[deleted]</td>
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<td>[deleted – replaced by validation 107]</td>
</tr>
<tr>
<td>77</td>
<td>[deleted]</td>
<td>[deleted – replaced by validation 108]</td>
</tr>
<tr>
<td>78</td>
<td>76A</td>
<td>= 77A + 85A − 90A +91A</td>
</tr>
<tr>
<td>79</td>
<td>[Not used]</td>
<td></td>
</tr>
<tr>
<td>80</td>
<td>77A</td>
<td>= 78A + 79A + 80A</td>
</tr>
<tr>
<td>81</td>
<td>78A</td>
<td>If 12A ≠ consolidated, then 0</td>
</tr>
<tr>
<td>82</td>
<td>80A</td>
<td>= 81A + 82A + 83A + 84A</td>
</tr>
<tr>
<td>83</td>
<td>85A</td>
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<td>Data element</td>
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<td>-------------------</td>
<td>--------------</td>
<td>------------</td>
</tr>
<tr>
<td>84</td>
<td>86A</td>
<td>If 12A ≠ consolidated, then 0</td>
</tr>
<tr>
<td>85</td>
<td>90A</td>
<td>If 5A = no, then 0</td>
</tr>
<tr>
<td>86</td>
<td>[deleted – replaced by validation 109]</td>
<td></td>
</tr>
<tr>
<td>87</td>
<td>93A</td>
<td>= 94A + 95A + 102A</td>
</tr>
<tr>
<td>88</td>
<td>94A</td>
<td>If 12A ≠ consolidated, then 0</td>
</tr>
<tr>
<td>89</td>
<td>95A</td>
<td>= 96A + 97A + 98A + 99A + 100A + 101A</td>
</tr>
<tr>
<td>90</td>
<td>104A</td>
<td>= If 1A = yes, then 0, else (if 2A = yes, then 0, else &gt; 0)</td>
</tr>
<tr>
<td>91</td>
<td>106A</td>
<td>= 15A – 70A</td>
</tr>
<tr>
<td>92</td>
<td>106B</td>
<td>= (15B/70A) * 100 [deleted]</td>
</tr>
<tr>
<td>93</td>
<td>[deleted – replaced by validation 110]</td>
<td></td>
</tr>
<tr>
<td>94</td>
<td>[deleted – replaced by validation 111]</td>
<td></td>
</tr>
<tr>
<td>95</td>
<td>110A</td>
<td>If 108A = 0, then 0, else (15B – 108A) [deleted – replaced by validation 118]</td>
</tr>
<tr>
<td>96</td>
<td>111A</td>
<td>If 109A = 0, then 0, else (57B – 109A) [deleted – replaced by validation 119]</td>
</tr>
<tr>
<td>97</td>
<td>[deleted – replaced by validation 112]</td>
<td></td>
</tr>
<tr>
<td>98</td>
<td>123A</td>
<td>≤ 26A</td>
</tr>
<tr>
<td>99</td>
<td>[deleted – replaced by validation 113]</td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>127A</td>
<td>≤ (15B/70A) * 100 [deleted – replaced by validation 120]</td>
</tr>
<tr>
<td>101</td>
<td>128A</td>
<td>≤ (35B/70A) * 100 [deleted – replaced by validation 121]</td>
</tr>
<tr>
<td>102</td>
<td>63A</td>
<td>= Max (59A + 60A + 61A – 62A – 92A), 0</td>
</tr>
<tr>
<td>103</td>
<td>63B</td>
<td>= Max (59B + 60B + 61B – 62B – 92A), 0 [deleted]</td>
</tr>
<tr>
<td>104</td>
<td>71A</td>
<td>If 1A = Yes, then 76A + 92A, else 0</td>
</tr>
<tr>
<td>105</td>
<td>72A</td>
<td>If 2A = Yes, then 76A + 92A, else 0</td>
</tr>
<tr>
<td>106</td>
<td>73A</td>
<td>If 3A = Yes, then 76A + 92A, else 0</td>
</tr>
<tr>
<td>107</td>
<td>74A</td>
<td>If 4A = Yes, then (if 8A = Yes, 0, else (Max (77A + 91A + 93A + 103A), 104A)), else 0</td>
</tr>
<tr>
<td>108</td>
<td>75A</td>
<td>If 8A = Yes, then (Max ((77A + 91A + 93A + 103A), 104A)), else 0</td>
</tr>
<tr>
<td>109</td>
<td>92A</td>
<td>= 93A + 103A + 104A</td>
</tr>
<tr>
<td>110</td>
<td>107A</td>
<td>= (15A/70A) * 100</td>
</tr>
<tr>
<td>111</td>
<td>107B</td>
<td>= (15B/70A) * 100 [deleted]</td>
</tr>
<tr>
<td>112</td>
<td>112A</td>
<td>If 8A = no, then 0</td>
</tr>
<tr>
<td>113</td>
<td>127A + 128A</td>
<td>= 49A + 50A + 51A – 126A</td>
</tr>
<tr>
<td>114</td>
<td>10A</td>
<td>If 1A = yes, then no</td>
</tr>
<tr>
<td>115</td>
<td>11A</td>
<td>If 1A = yes, then no</td>
</tr>
<tr>
<td>116</td>
<td>27B</td>
<td>= 28B + 29B + 30B + 31B + 32B + 33B + 34B [deleted]</td>
</tr>
<tr>
<td>117</td>
<td>135</td>
<td>= 136A + 137A + 138A</td>
</tr>
<tr>
<td>118</td>
<td>110A</td>
<td>If 108A = 0, then 0, else (15A – 108A)</td>
</tr>
<tr>
<td>119</td>
<td>111A</td>
<td>If 109A = 0, then 0, else (57A – 109A)</td>
</tr>
<tr>
<td>120</td>
<td>127A</td>
<td>≤ 16A</td>
</tr>
<tr>
<td>121</td>
<td>128A</td>
<td>≤ 35A</td>
</tr>
</tbody>
</table>

...
FSA005 – Market risk

...  

56 Any other PRR
PRR arising from other non-standard transactions as required by BIPRU 7.1.7R to BIPRU 7.1.13E and that is not attributable to any of the other categories e.g. PRR arising from nonfinancial spread betting.
This will have the same value as data element 101A in FSA003.

VAR model risk Internal models-based charges
See BIPRU 7.10.

57 Multiplier
This is the multiplication factor set out in BIPRU 7.10.118R to BIPRU 7.10.126G.
[CEBS’ MKR IM total positions column 7]

...  

60 Incremental default risk charge
This is the incremental default risk charge under BIPRU 7.10.116R. It also includes the specific risk surcharge under BIPRU 7.10.127G.
[CEBS’ MKR IM total positions columns 3 and 4]

61 VaR model-based PRR Internal models-based PRR
See BIPRU 7.10.113R to BIPRU 7.10.117G.
This will have the same value as data element 102A on FSA003.
[CEBS’ MKR IM total positions column 5]

...  

Add-ons

63 Add-ons
This comprises the add-ons to model based PRR under BIPRU 7.10

64 Total Add-ons
The total of items 1 to n in 63
FSA005 – Market risk validations
Internal validations

Data elements are referenced by row then column.

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<th>Validation number</th>
<th>Data element</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>64G</td>
<td>= SUM (63B)</td>
</tr>
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</table>

External validations

[Editor’s Note: No changes]
FSA008 – Large exposures

This data item captures information on large exposures, connected exposures within that, exposures by integrated/core/non-core groups, trading book concentration risk excesses, and also significant transactions with mixed activity holding companies and their subsidiaries.

Unless indicated otherwise, the valuation of items should follow GENPRU 1.3.

... 3A Are you a member of a UK integrated group
This is only relevant for unconsolidated or solo-consolidated reporters. The answer is either Yes or No.
If the answer to 3A is Yes, and the firm is part of a UK integrated group, one of the members of the UK integrated group is also required to submit FSA018 on behalf of all members of the UK integrated group for the reporting date.

Part 1 – Large exposures at the reporting date
This section should contain details of all large exposures at the reporting date, as defined in BIPRU 10.5.1R.

However, where a BIPRU firm is relying on BIPRU TP 33 has established a UK integrated group (as defined in BIPRU 10.8), it should exclude from Part 1 any large exposures to members of a wider integrated group (as defined in BIPRU 10.9) or to members of each diverse block (BIPRU 10.9) and the residual block (BIPRU 10.8 and BIPRU 10.9) (see BIPRU TP 33 for further details) – these exposures will be reported separately on FSA018 by the UK integrated group. They should obviously also be excluded from Part 2 (Connected counterparties) in these circumstances.

Exposures to connected counterparties (other than members of an integrated group) should be reported here in aggregate, with a more detailed breakdown provided in Part 2.

Where a firm has established a core UK group (as defined in BIPRU 10.8.2R), it should detail these exposures in Part 2.

... 5B Counterparty name
List here the names of the counterparties, groups of connected clients, and connected counterparties (as set out in BIPRU 10.3) that represent large exposures (excluding, as indicated above, by a member of a UK integrated group to members of the diverse blocks and the residual block, or by a core UK group). Details of individual counterparties comprising the connected counterparties will be shown in Part 2, although the aggregate should be shown here. (Details of exposures by members of a UK integrated group to a member of a diverse block within its wider integrated group or a member of its residual block will be reported in FSA018 and should be excluded from this section.)
5C Gross exposure
Report here the gross exposures calculated in accordance with BIPRU 10.2 and BIPRU 10.4.

5F Amount of the exposure that is exempt
That part of the amount reported in column E that is an exempt under BIPRU 10.6 and BIPRU 10.7.

5N Trading book concentration risk excess
This is the trading book concentration risk excess, arising under BIPRU 10.10.8R (or BIPRU 10.5.20R for those utilising TP33), expressed as a percentage of data element 4B. It should be entered to two decimal places, omitting the % sign.

5P Trading book concentration risk excesses that have existed for 10 business days or less
This is the amount of the trading book concentration risk excesses that have existed for 10 business days or less, as a percentage of data element 3B. A total is given for this column to monitor it against BIPRU 10.5.12R.

5Q Trading book concentration risk excesses that have persisted for more than 10 business days
This is the amount of the trading book concentration risk excesses that have persisted for more than 10 business days. A total for this column is given to monitor it against BIPRU 10.5.13R.

5R CNCOM
The amount of CNCOM calculated as set out in BIPRU 10.10.4G to 10.10.10R (or BIPRU 10.5.16G to 10.5.24G for those utilising TP33). It should agree with the amount reported in data element 103A on FSA003 for the same reporting date, except when the firm is a member of a UK integrated group/core UK group when there may some additional CNCOM attributable to the firm.

5W Funded credit protection
Report here the portion of the exposure being covered by collateral and for which the exposure is assigned to the issuer of the collateral.

5X Unfunded credit protection
Report here the portion of the exposure which is guaranteed and is assigned to the protection provider.

6A Confirmation
Firms should confirm that we have been notified under BIPRU 10.5.9R SUP 15.3.11R of all exposures that have exceeded, or will exceed, the limits set out in BIPRU 10.5.6R or 10.5.8R.

Part 2 – Details of connected counterparties at the reporting date

Details of connected counterparties
This part sets out details of any connected counterparties reported in aggregate in Part 1, but this time showing each counterparty whose individual exposure exceeds 2.5% of the capital resources calculated under BIPRU 10.5.3R (data element 4A). As with Part 1, this figure should exclude exposures by a member of a UK integrated group to members of a wider integrated group or to members of the diverse blocks and the residual block (which are reported in FSA018). If a firm has a core UK group, its exposures should be included here.

...  

7B Individual counterparty names, each individually above 2.5% of capital resources
Report here the individual counterparty names that make up a group of connected counterparties (see BIPRU 10.3.9R), where each counterparty’s exposure is individually 2.5% or more of capital resources (data element 4A).

As with Part 1, this figure should exclude exposures by a member of a UK integrated group to members of the diverse blocks and the residual block.

...  

7F Amount of the exposure that is exempt
That part of the amount reported in column E that is an exempt under BIPRU 10.6 and BIPRU 10.7.

...  

7N Funded credit protection
Report here the portion of the exposure being covered by collateral and for which the exposure is assigned to the issuer of the collateral.

7O Unfunded credit protection
Report here the portion of the exposure which is guaranteed and is assigned to the protection provider.

...  

Part 3 Trading book concentration risk excesses since the last reporting date
This part provides an analysis of those trading book concentration risk excesses that have occurred since the previous reporting date. It should therefore...
• exclude exposures to those counterparties that, at the reporting date, give rise to a trading book concentration risk excess (and are shown in Part 1);
• include exposures to counterparties that do not, at the reporting date, give rise to a trading book concentration risk excess but are nevertheless shown in Part 1 as there is a large exposure at that date; and
• include exposures to counterparties that do not appear in Part 1 (as they did not give rise to a large exposure at the reporting date).

If a counterparty gives rise to a trading book concentration risk excess on a number of separate occasions during the quarter, it should only be reported once in this Part. The highest gross exposure should be reported. This fulfils the requirements of BIPRU 10.5.13R.

8A Exposure number
Please number each large exposure consecutively.

8B Counterparty names
List here the names of the counterparties, groups of connected clients, and connected counterparties (as set out in BIPRU 10.3) that account for trading book concentration risk excesses that have occurred since the previous reporting date but do not exist at the current reporting date.

For those firms that are member so of a UK integrated group, they should report those exposures to individual members of the diverse and residual blocks that gave rise to a trading book concentration risk excess during the period.

8C Gross exposure
Report here the gross exposures calculated in accordance with BIPRU 10.2. This should be the highest value in the period.

8D % of capital resources
This is column C as a percentage of data element 4A and should be more than 25%. It should be entered to two decimal places, omitting the % sign.

8E Exposure after credit risk mitigation techniques
This is the figure reported in column D after credit risk mitigation.

8F Non-exempt exposures in the non-trading book
This is the amount of the non-exempt exposures that were in the non-trading book.

8G Non-exempt exposures in the trading book
This is the amount of the non-exempt exposures that were in the trading book.

8H Amount of non-exempted exposures in excess of 25% of capital resources under BIPRU 10.5.4R
This is the amount reported in columns F and G that was in excess of 25% of data element 4B.

8J Is it a member of a diverse block or residual block
This will only be relevant to a firm that answers Yes to data element 3A.
If the firm had a trading book concentration risk excess to a member (of the diverse blocks or residual block), it should be marked with an X to show it is a member of one of these blocks. [deleted]
FSA008 – Large exposures validations  
Internal validations

Data elements are referenced by row then column.

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<td>$8E$</td>
<td>$\leq$ $8C$ [deleted]</td>
</tr>
<tr>
<td>34</td>
<td>$8F$</td>
<td>$\leq$ $8E$ [deleted]</td>
</tr>
<tr>
<td>35</td>
<td>$8F+8G$</td>
<td>$\leq$ $8E$ [deleted]</td>
</tr>
<tr>
<td>36</td>
<td>$8H$</td>
<td>$=$ $8F + 8G$ [4B/4] [deleted]</td>
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</table>
FSA046 – Securitisation – non-trading book

This data item allows a greater understanding of the prudential risk profile of the firm and avoids reducing the need for ad hoc data requests from firms. It also enables the FSA to lead debate on credit risk transfer in international discussions.

This data item captures information on a firm’s non-trading book securitisation positions which fall under BIPRU 9 where they are acting as originator, sponsor or investor. Trading book securitisations are captured in FSA058.

... Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Transaction level information - Where the firm is an originator or sponsor

All securitisations where you have acted as an originator or sponsor where the assets are held in the non-trading book should be shown in this section, irrespective of whether you meet BIPRU 9.3.1 R.

3A Programme name

Enter the common name of the programme in the market.

[COREP CR SEC Details column 2]

3B Asset class

This is the class of assets securitised in accordance with the options in FSA004 with an additional entry for "Asset Backed Commercial Paper Programme”. Where the underlying exposures consist of different types of assets, a firm should indicate the most important type.

[COREP CR SEC Details column 9]

3C Originator's interest

For the purposes of reporting, originator’s interest means the exposure value of the notional part of a pool of drawn amounts sold into a securitisation, the proportion of which in relation to the amount of the total pool sold into the structure determines the proportion of the cash-flows generated by principal and interest collections and other associated amounts which are not available to make payments to those having securitisation positions in the securitisation. The originator’s interest may not be subordinate to the investors’ interest. See BIPRU 9.13.4R (1). The exposure value should be used.
3D Investors' interest
Investors’ interest means the exposure value of the remaining notional part of the pool of drawn amounts. See BIPRU 9.13.4R (3). The exposure value should be used.

[COREP CR SEC Details 7]

...

3G BIPRU 9.3.1 applied?
Yes/No to indicate whether the assets have been excluded from the calculation of risk weighted exposure amounts under BIPRU 9.3.1R.

[COREP CR SEC Details 25]

3H BIPRU 9.13 applies Conversion factor applied?
Yes/No to indicate whether the transaction is a securitisation of revolving exposures with an early amortisation provision to which a conversion factor is applied under BIPRU 9.13.

[COREP CR SEC Details 26]

Insert the following additional data elements.

3I Exposure Value before securitisation
Total exposure value of the exposures or pool of exposures which have been securitised.

[COREP CR SEC Details 7]

3J Capital requirement before securitisation
Total capital requirements held against the exposures or pool of exposures before they are securitised. For these purposes, where appropriate, firms should specify the capital requirements against the "investors' interest” as defined above.

[COREP CR SEC Details 14]

3K Exposure Value after securitisation
Total exposure value subject to risk weights under BIPRU 9.

[COREP CR SEC Details 16-26]
3L Exposure value deducted from capital resources

Exposure value applying BIPRU 9.10.2 R

[COREP CR SEC Details 27]

3M Capital requirement after securitisation before cap

Capital requirements derived from the risk weighted exposure amount without taking into account the provisions in BIPRU 9.11.5 R, BIPRU 9.12.8 R or BIPRU 9.13.9R regarding the maximum risk-weighted exposure amounts.

[COREP SR SEC Details 28]

3N - Capital requirement after securitisation after cap

Total capital requirements subject to securitisation treatment after applying the cap as specified in BIPRU 9.11.5 R, BIPRU 9.12.8 R or BIPRU 9.13.9R.

[COREP SR SEC Details 29]

3O – Retention of net economic interest (% to 2DP)

Percentage of the nominal value of the securitised exposures retained by an originator or sponsor as calculated under BIPRU 9.15.4R. Show the percentage to two decimal places (2DP).

3P – Method of retention of net economic interest

Please detail a number according to the method of retention as calculated under BIPRU 9.15.4R.

1. = BIPRU 9.15.4R(1);
2. = BIPRU 9.15.4R(2);
3. = BIPRU 9.15.4R(3);
4. = BIPRU 9.15.4R(4).

Risk positions – standardised exposures

All exposures that are treated under BIPRU 9.11 should be shown in this section broken down by credit quality and how the exposure arose.

Row 4: Originator

This is for exposures where the firm originated the underlying assets.
Row 5: Sponsor
This is for exposures to asset backed commercial paper programmes.

Row 6: Counterparty credit risk
This is the exposure values generated under BIPRU 13 where the exposure is also a securitisation position.

Row 7: All other exposures
This is for any standardised exposures not included in data elements 4 – 6 above.

Columns A – DE
Positions should be split by credit rating according to BIPRU 9.11.2R and BIPRU 9.11.3R.

Column EF
This is for positions deducted from capital at part 1 of stage M of the capital calculations in GENPRU 2, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

Risk positions – IRB exposures
All exposures that are treated under BIPRU 9.12 should be shown in this section, broken down by credit quality, granularity and how the exposure arose.

Rows 8 – 10: Originator
This is for exposures where the firm originated the underlying exposures.

Rows 11 – 13: Sponsor
This is for exposures to asset backed commercial paper programmes.

Rows 14 – 16: Counterparty credit risk
This is for exposure values generated under BIPRU 13 where the exposure is also a securitisation position.

Rows 17 – 19: All other exposures
This covers any IRB exposures not included above.

Columns AB – M
This should be split by credit rating according to BIPRU 9.12.11R and BIPRU 9.12.12R.

Column N
This is for positions calculated. Firms should state the exposure value calculated under BIPRU 9.12.21R to BIPRU 9.12.23R.
**Column O**
This is for positions deducted from capital at part 1 of stage M of the capital calculations in *GENPRU 2*, Annexes 2R, 3R, 4R, 5R or 6R as appropriate.

**Column P**
*Firms* should state the capital requirement calculated under *BIPRU 9.12.21R* to *BIPRU 9.12.23R*.

…
FSA046 – Securitisation: non-trading book validations

There are no validations for this data item.

External validations
There are no validations for this data item.

...
Insert the following new text as a new Data Item FSA058. The text is not underlined.

**FSA058 – Securitisation: trading book**

This data item allows a greater understanding of the prudential risk profile of the *firm*. It also enables the *FSA* to lead debate on credit risk transfer in international discussions.

This data item captures information on the *firm’s trading book securitisation positions* which fall under *BIPRU 7.2* where they are acting as *originator*, *sponsor* or investor. *Non-trading book securitisations* are captured in FSA046.

**Currency**

You should report in the currency of your annual audited accounts i.e. in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

**Data elements**

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

**Transaction level information - Where the firm is an originator or sponsor**

All *securitisations* where you have acted as an *originator* or *sponsor* where the assets are held in the *trading book* should be shown in this section, irrespective of whether you meet *BIPRU 9.3.1R*.

**3A Programme name**

Enter the common name of the programme in the market.

*[COREP CR SEC Details column 2]*

**3B Asset class**

This is the class of assets securitised in accordance with the options in FSA004 with an additional entry for "Asset Backed Commercial Paper Programme". Where the underlying *exposures* consist of different types of assets, a *firm* should indicate the most important type.

*[COREP CR SEC Details column 9]*
3C Originator’s interest
For the purposes of reporting, originator’s interest means the exposure value of the notional part of a pool of drawn amounts sold into a securitisation, the proportion of which in relation to the amount of the total pool sold into the structure determines the proportion of the cash-flows generated by principal and interest collections and other associated amounts which are not available to make payments to those having securitisation positions in the securitisation. The originator’s interest may not be subordinate to the investors’ interest.

3D Investors’ interest
Investors’ interest means the exposure value of the remaining notional part of the pool of drawn amounts.

[COREP CR SEC Details 7]

3E Location of investor reports
Provide either a URL to the location of the investor reports published on the performance of the assets or, if not available via the internet, a description of where to find the investor reports.

3F Assets appear in FSA001?
Yes/No to indicate whether the assets appear on the balance sheet provided in FSA001.

3O– Retention of net economic interest (% to 2DP)
Percentage of the nominal value of the securitised exposures retained by an originator or sponsor as calculated under BIPRU 9.15.4R.

3P– Method of retention of net economic interest
Please detail a number according to the method of retention as calculated under BIPRU 9.15.4R.

1. = BIPRU 9.15.4R(1);
2. = BIPRU 9.15.4R(2);
3. = BIPRU 9.15.4R(3);
4. = BIPRU 9.15.4R(4).
FSA058 – Securitisation: non-trading book validations

**Internal validations**
There are no validations for this data item.

**External validations**
There are no validations for this data item.