

**CAPITAL REQUIREMENTS DIRECTIVE (HANDBOOK AMENDMENTS NO 3)
INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 August 2011.

Amendments to the Handbook

- D. The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) is amended in accordance with Annex A to this instrument.
- E. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Capital Requirements Directive (Handbook Amendments No 3) Instrument 2011.

By order of the Board
28 July 2011

Annex A

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

In this Annex, underlining indicates new text.

Operational risk

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7.1.16 R ...

7.1.16A G In meeting the general standard referred to in SYSC 7.1.16R, a BIPRU firm that undertakes market-related activities should be able to demonstrate to the FSA:

- (1) in the case of a BIPRU firm calculating its ORCR using the basic indicator approach or standardised approach, that it has considered;
or
- (2) in the case of a BIPRU firm with an AMA permission, compliance with

the Committee of European Banking Supervisors' Guidelines on the management of operational risk in market-related activities, published in October 2010. These can be found at
[http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-\(Guidelines-on-the-management-of-op-.aspx](http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-(Guidelines-on-the-management-of-op-.aspx)

Annex B

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

In this Annex, underlining indicates new text.

General risk management standards

- 6.3.16 G (1) In common with all *BIPRU firms*, a *firm* calculating its *ORCR* using the *basic indicator approach* is required to meet the general risk management standards set out in *SYSC 4.1.1R* to *SYSC 4.1.2R* and *SYSC 7.1.16R*.
- (2) In meeting those general risk management standards, a firm that undertakes market-related activities should be able to demonstrate to the FSA that it has considered the Committee of European Banking Supervisors' Guidelines on the management of operational risk in market-related activities, published in October 2010. These can be found at [http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-\(Guidelines-on-the-management-of-op-.aspx](http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-(Guidelines-on-the-management-of-op-.aspx)

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Eligibility

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- 6.4.1A G In meeting the general risk management standards referred to in *BIPRU 6.4.1R(1)*, a *firm* that undertakes market-related activities should be able to demonstrate to the *FSA* that it has considered the Committee of European Banking Supervisors' Guidelines on the management of operational risk in market-related activities, published in October 2010. These can be found at [http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-\(Guidelines-on-the-management-of-op-.aspx](http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-(Guidelines-on-the-management-of-op-.aspx)

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Minimum standards

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- 6.5.5A G In meeting the general risk management standards referred to in *BIPRU 6.5.5R(1)*, a *firm* that undertakes market-related activities should be able to demonstrate compliance with the Committee of European Banking Supervisors' Guidelines on the management of operational risk in market-related activities, published in October 2010. These can be found at

[http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-\(Guidelines-on-the-management-of-op-.aspx](http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-(Guidelines-on-the-management-of-op-.aspx)