

**CAPITAL REQUIREMENTS DIRECTIVE IV AND BANK RECOVERY AND
RESOLUTION DIRECTIVE INSTRUMENT 2018**

Powers exercised

- A. The Financial Conduct 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 137A (General rule-making power);
 - (2) section 137T (General supplementary powers); and
 - (3) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 29 June 2018.

Amendments to the Handbook

- D. The Prudential sourcebook for Investment Firms (IFPRU) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Capital Requirements Directive IV and Bank Recovery and Resolution Directive Instrument 2018.

By order of the Board
28 June 2018

Annex

Amendments to the Prudential sourcebook for Investment Firms
(IFPRU)

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

3 Own funds

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3.2 Capital

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~~Own funds instruments issued under third country law~~

3.2.8 R ~~A firm must demonstrate to the FCA that any *additional tier 1 instrument* or tier 2 instrument issued by it that is governed by the law of a *third country* is by its terms capable, as part of a resolution of the *firm*, of being written down or converted into a common equity tier 1 instrument of the *firm* to the same extent as an equivalent *own funds* instrument issued under the law of the UK. [deleted]~~

3.2.9 R ~~A firm must include, in the materials it provides to the FCA under IFPRU 3.2.8R, a properly reasoned legal opinion from an individual appropriately qualified in the relevant *third country*. [deleted]~~

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11 Recovery and resolution

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11.5 Intra-group financial support

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Summary of RRD intra-group financial support conditions

- 11.5.3 G (1) *RRD* recognises a specific form of intra-group financial support. This allows an *RRD group member* in one *EEA State* or a *third country* to give financial support to an *RRD institution* in its *group* in another *EEA State* or *third country*, when that institution has infringed or is likely to infringe an *RRD early intervention condition*.
- (2) To give this specific form of financial support an *RRD group member* must use an *RRD group financial support agreement* and satisfy the applicable conditions.

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After IFPRU TP 8 (Countercyclical capital buffer: transitional), insert the following new transitional provision. The text is not underlined.

TP 9 Large exposures limits

	Application	
9.1	R	<i>IFPRU TP 9 applies to an IFPRU investment firm, unless it is an exempt IFPRU commodities firm.</i>
	Purpose	
9.2	G	<i>IFPRU TP 9 contains the rules that exercise the discretion afforded to the FCA as competent authority under article 493(4) to (7) of the EU CRR. The applicable limits in IFPRU TP 9 apply for the duration of the transitional.</i>
	Duration of transitional	
9.3	R	<i>IFPRU TP 9 applies until 31 December 2020.</i>
	Large exposures limits	
9.4	R	For the purposes of article 493(4) of the <i>EU CRR</i> , a <i>firm</i> may incur any of the exposures provided for in article 493(5) of the <i>EU CRR</i> meeting the conditions set out in article 493(6) of the <i>EU CRR</i> , up to the following limits:
	(1)	100% of the <i>firm's common equity tier 1 capital and additional tier 1 capital</i> until 31 December 2018;
	(2)	75% of the <i>firm's common equity tier 1 capital and additional tier 1 capital</i> until 31 December 2019; and
	(3)	50% of the <i>firm's common equity tier 1 capital and additional tier 1 capital</i> until 31 December 2020.