

## **Chapter 2**

# **Commission Delegated Regulation (EU) No 529/2014**

## Article 4 Material changes to the IRB approach

(1) Changes to the IRB approach shall be considered material if they fulfil any of the following conditions:

(a) they fall under any of the changes to the range of application of a rating system or internal models approach to equity exposures described in Annex I, Part I, Section 1;

(b) they fall under any changes to the rating systems or internal models approach to equity exposures described in Annex I, Part II, Section 1;

(c) they result in either of the following:

(i) a decrease of 1,5 % of either of the following:

the overall UK parent institution's consolidated risk-weighted exposure amounts for credit and dilution risk,  
the overall risk-weighted exposure amounts for credit and dilution risk in the case of an institution which is neither a parent institution, nor a subsidiary;

(ii) a decrease of 15 % or more of the risk-weighted exposure amounts for credit and dilution risk associated with the range of application of the internal rating system or internal models approach to equity exposures.

(2) For the purposes of paragraph (1)(c)(i) of this Article, and in accordance with Article 3(2), the impact of the change shall be assessed as a ratio calculated as follows:

(a) in the numerator, the difference in the risk-weighted exposure amounts for credit and dilution risk associated with the range of application of the internal rating system or the internal models approach to equity exposures before and after the change at the EU parent institution's consolidated level or at the institution level which is neither a parent institution, nor a subsidiary;

(b) in the denominator the overall risk-weighted exposure amounts for credit and dilution risk before the change at the EU parent institution's consolidated level or, respectively, at the institution level which is neither a parent institution, nor a subsidiary.

The calculation shall refer to the same point in time.

The determination of the impact on risk-weighted exposure amounts shall refer only to the impact of the change to the IRB approach, and the set of exposures shall be assumed to remain constant.

(3) For the purposes of paragraph (1)(c)(ii) of this Article, and in accordance with Article 3(2), the impact of the change shall be assessed as a ratio calculated as follows:

(a) in the numerator, the difference in the risk-weighted exposure amounts for credit and dilution risk associated with the range of application of the internal rating system or the internal models approach to equity exposures before and after the change;

(b) in the denominator, the risk-weighted exposure amounts for credit and dilution risk before the change associated with the range of application of the rating system or the internal models approach to equity exposures.

The calculation shall refer to the same point in time.

The determination of the impact on risk-weighted exposure amounts shall refer only to impact of the change to the IRB approach, and the set of exposures shall be assumed to remain constant.