

Bank of England

Prudential Regulation Authority

Direction

To: [Firm name] ('the firm')

Of: [Firm address]

Ref: [Insert reference]

Date: [Date of issuance]

Rule 3.1 of the Securitisation – Recognition of Significant Risk Transfer Chapter of the Credit Risk Part of the PRA Rulebook for CRR Firms

Power

1. This direction is given by the *PRA* under section 138A of the Financial Services and Markets Act 2000.

Duration

2. This direction takes effect on 26 October 2022.
3. This direction ends on the date that the relevant rule below is revoked, or no longer applies to the firm (in whole or in part).

Rules Modified

4. The *PRA* directs that the rule listed below applies to the firm with the modifications shown.

Rule 3.1 of the Securitisation – Recognition of Significant Risk Transfer Chapter of the Credit Risk Part of the PRA Rulebook for CRR Firms.

3.1 Save as provided in 3.3, a firm must notify the *PRA* that it is relying on the deemed transfer of significant credit risk under paragraph 2 of Article 244 of the *CRR* or paragraph 2 of Article 245 of the *CRR*, including when this is for the purposes of Article 337(5) of the *CRR*, no later than one month after the date of the transfer.

3.2 The notification in 3.1 must include sufficient information to allow the *PRA* to assess whether the possible reduction in risk weighted *exposure* amounts which

would be achieved by the *securitisation* is justified by a commensurate transfer of credit risk to third parties.

3.3 Where the deemed transfer of significant credit risk under paragraph 2 of Article 245 of the CRR that the firm is relying on is achieved in relation to one or more retail residential mortgage loans, protected by a first loss guarantee under a private mortgage insurance scheme with similar contractual features to the UK government's Mortgage Guarantee Scheme of April 2021,¹ a firm must notify the PRA only once in respect of each scheme. The notification must be provided within one month of underwriting the first such loan under the relevant private mortgage insurance scheme.

3.4 The notification in 3.3 must include sufficient information to allow the PRA to assess whether the possible reduction in risk weighted exposure amounts which would be achieved by the *securitisation* is justified by a commensurate transfer of credit risk to third parties.

Interpretation

Interpretive provisions (including definitions) of the *PRA Rulebook* apply to this direction in the same way they apply to the *PRA Rulebook*.

**Supervision, Risk and Policy Committee
Prudential Regulation Authority**

¹ MGS statement published by PRA (2021)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/978324/Mortgage_Guarantee_scheme_rules.pdf