

WRITTEN NOTICE IMA PERMISSION

To: **HSBC Bank Plc (HBEU) - FRN: 114216 ("the firm")**
8 Canada Square
London, E14 5HQ

HSBC Holdings Plc – FRN: 203795 ("the holding company")
8 Canada Square
London, E14 5HQ

(together, "the addressees")

Reference Number: 00006546 (HSBC Bank Plc)

Date: 12 July 2023

DECISIONS

1. In accordance with Chapter 5, Title IV, Part 3, of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the "CRR"), the PRA has decided to grant the addressees permission to use the internal model approach in their calculation of own funds requirements for market risk, on the terms and conditions set out in Annex 1 (the "IMA Permission").
2. Further to regulations 34B and 35B of the Capital Requirements Regulations 2013 and an application made by the firm in accordance with section 55M(5) of the Financial Services and Markets Act 2000 (the "Act") for certain requirements, the PRA has decided to grant the firm the requirements specified in Annex 2. The PRA expects the holding



company to submit the information requested and meet the conditions set out in Annex 3.

3. If an addressee ceases to comply with the conditions in Chapter 5, Title IV, Part 3, of the CRR, the requirements set out in Annex 1, or the requirements set out in Annex 2, the PRA will re-consider the terms and conditions of the IMA Permission and the requirements relevant to it, which may include a revocation of the IMA Permission in whole or in part.
4. The IMA Permission and the requirements in Annex 2 take effect on 12 July 2023. This written notice replaces notice 00006525 issued on 14 June 2023.

PROCEDURAL MATTERS

5. If an addressee wishes to challenge the decisions taken by the PRA in relation to the IMA Permission, the addressee may refer the matter to the Upper Tribunal.
6. Details of the IMA Permission and the attendant requirements imposed under section 55M will be published on the PRA Register. The full text of this Written Notice will not be published.
7. Annex 4 sets out any previous versions of the permission granted by the PRA in connection with the IMA Permission.

Simon Dixon

Head of GSIBs

ANNEX 1

THE INTERNAL MODEL APPROACH PERMISSION

Legal Entities

1. The IMA Permission means that
 - a) the firm may use, on a solo basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Sections 1, 2, 3 and 4, Chapter 5, Title IV, Part 3 of the CRR.
 - b) the holding company may use, for the entities below, on a consolidated basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Sections 1 and 2, Chapter 5, Title IV, Part 3, or the CRR:

- (1) HSBC Bank Plc
- (2) HSBC Continental Europe S.A.
- (3) HSBC Bank Plc. Moscow
- (4) HSBC Securities (South Africa) Limited
- (5) HSBC Armenia Bank
- (6) HSBC Bank Polska SA
- (7) HSBC Bank Malta Plc
- (8) Hong Kong and Shanghai Banking Corporation Ltd
- (9) Hang Seng Bank Ltd (HASE)
- (10) Hang Seng Bank (China) Limited
- (11) Hong Kong Bank of Australia Ltd (HBAU)
- (12) HSBC Bank China Limited
- (13) PT Bank HSBC Indonesia
- (14) HSBC Bank Taiwan
- (15) HSBC Securities (Japan) Limited
- (16) HSBC Bank Vietnam
- (17) HSBC Bank Malaysia Berhard (HBMV)
- (18) HSBC Amanah Malaysia Berhard
- (19) HSBC Bank (Singapore) Limited
- (20) HSBC Bank Mauritius Ltd
- (21) HSBC Savings Bank Philippines
- (22) HSBC Global Asset Management (UK) Ltd
- (23) Marks & Spencer Unit Trust Management Ltd

- (24) HSBC Alternative Investments Ltd
- (25) HSBC Securities Inc (HSI)
- (26) HSBC Bank USA NA
- (27) HSBC Bank Canada
- (28) HSBC Securities (Canada) Inc
- (29) HSBC Bank Middle East (HBME)
- (30) HSBC Bank AS
- (31) HSBC USA Inc (HUSI)
- (32) HSBC Qianhai Securities (IBCN)

Trading Locations

2. The IMA Permission is granted on the basis that the following are the trading locations for the above legal entities to which the internal model approach has been permitted.

Table 1

Trading Location	Note
All Locations.	

Changes and extensions

3. In accordance with Article 363(3) of the CRR and Commission Delegated Regulation (EU) 529/2014 as it forms part of retained EU law (the "Delegated Regulation"), the prior approval of the PRA is required for any material change to the models subject to the IMA Permission or any material extension of use of those models. All other changes to, or extensions of use of, the models must be notified to the PRA. As specified by the Delegated Regulation, in certain cases such notification must be made two weeks before the proposed date of implementation.
4. In accordance with Fundamental Rule 7, the PRA expects the addressees to discuss with the PRA in advance of implementation details of any significant planned changes or extensions which are relevant to the internal models covered by this permission and which do not necessarily require the prior approval of the PRA under Article 363(1) of the CRR. Such changes might include, for example:
 - a) new models and systems;

- b) changes to existing models and systems;
- c) the inclusion of significant new types of positions;
- d) the inclusion of significant new sets of positions, e.g. trading strategies, business units;
- e) significant changes to existing types of position, e.g. currencies, geographies, sectors, maturities/tenors.

These details should include information about the nature of the change, including an estimate of the impact of the change on key risk measures (e.g. VaR) and on the addressees' own funds requirements for market risk. They should also include the impact on the own funds requirements for other risk types (such as CVA risk), where relevant.

For avoidance of doubt, this expectation is in addition to the requirements of prior approval or notification under Article 363(3) of the CRR and the Delegated Regulation and the ongoing reporting requirements and expectations referred to in Annexes 2 and 3 below.

ANNEX 2

REQUIREMENTS RELEVANT TO THE IMA PERMISSION GRANTED TO THE FIRM FOLLOWING AN APPLICATION IN ACCORDANCE WITH SECTION 55M(5) OF THE ACT

Reporting Requirements

1. The firm must comply with certain requirements relating to the use of its internal models under this IMA permission. This includes the submission of certain information to the PRA, in respect of each quarter, about developments and changes with respect to the internal models, as well as the systems and controls relating to them.

ANNEX 3

EXPECTATIONS RELEVANT TO THE IMA PERMISSION

Reporting Requirements

1. It is the PRA's expectation that the holding company will comply with certain requirements relating to the use of its internal models under this IMA permission. This includes the submission of certain information to the PRA, in respect of each quarter, about developments and changes with respect to the internal models, as well as the systems and controls relating to them.

ANNEX 4

VERSION CONTROL

Version	Comment	Authorisation	Date	Reference number
1.0	IMA Permission issued	David Rule, Director, International UK Banks	31/03/2014	1756484, 1756487, 1756489, 1756490, 1756495, 1756496
2.0	Material change approved to the IMA Permission	Simon Morley, Head of Division, Major UK Banks	11/11/2016	
3.0	Material change approved to the IMA Permission	Melanie Beaman, Head of Division, Major UK Investment Banks	21/12/2016	
4.0	Material change approved to the IMA Permission	Simon Morley, Head of Division, Major UK Investment Banks	14/03/2019	
5.0	Material change approved to the IMA Permission	Simon Morley, Head of Division, Major UK Investment Banks	26/03/2019	
6.0	Material change approved to the IMA Permission	Simon Morley, Head of Division, Major UK Investment Banks	28/03/2019	
7.0	Variation of IMA Permission to include additional subsidiaries	Russell Jackson, Head of Division, Major UK Global Banks	17/12/2020	00002309
8.0	Permission granted to the Holding Company on a consolidated basis	SRPC	20/12/2021	
9.0	Material change approved to the IMA Permission	Simon Dixon, Head of Division, Global Systemically Important Banks (G-SIBs)	06/04/2023	00006249
10.0	Variation of IMA Permission to include additional subsidiaries	Arran Salmon, on behalf of Simon Dixon, Head of Division, Global Systemically Important Banks (G-SIBs)	01/06/2023	00006456

11.0	Material change approved to the IMA Permission	Simon Dixon, Head of Division, Global Systemically Important Banks (G-SIBs)	14/06/2023	00006525
12.0	Material change approved to the IMA Permission	Simon Dixon, Head of Division, Global Systemically Important Banks (G-SIBs)	12/07/2023	00006546

NOTE ON DISCLOSURE

The PRA has decided not to publish the full text and annexes of IMA permission notices, as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable extent, the commercial interests of the firms concerned.

However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice, as a record that the IMA permission has been granted.