

WRITTEN NOTICE

IRB PERMISSION

To: **Standard Chartered Bank (FRN: 114276)** ("the firm")
Standard Chartered plc (FRN: 212572) (the "holding company")
(together "the addressees")

Ref: 00005787

Of: 1 Basinghall Ave, London EC2V 5DD

Date: 03 February 2023

DECISIONS

1. On 1 January 2008, the firm was granted an IRB waiver under s138A of the Financial Services and Markets Act 2000 (the "Act"). In accordance with Waivers Transitional Provisions 2.1(2) of the PRA Rulebook the firm's IRB waiver took effect on 1 January 2014 as permissions granted by the PRA on an individual and consolidated basis under Chapter 3, Title II, Part Three 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"). Accordingly the firm has been granted the permission to calculate its risk weighted exposure amounts using the Internal Ratings Based Approach ("IRB Approach") on the terms and conditions set out in Annex 1 and Annex 5 (the "IRB Permission"). The permission to use the IRB approach on a consolidated basis was transferred to the company on 20 December 2021.
2. Further to 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. PRA expects the holding company to submit the information requested at Annex 3.



3. If an addressee ceases to comply with the conditions for granting of this IRB Permission set out in Chapter 3, Title II, Part Three of the CRR, the terms and conditions of the IRB Permission set out in Annex 1, and/or any of the requirements set out in Annex 2, the PRA will re-consider the terms and conditions of the IRB Permission and the requirements relevant to it, including a revocation of the IRB Permission in whole or in part.
4. The IRB Permission with the requirements in Annex 2 takes effect on 30 December 2022. This Written Notice replaces Written Notice 00005195 issued to the firm and holding company on 05 September 2022.

PROCEDURAL MATTERS

5. If an addressee wishes to challenge the decisions taken by the PRA in relation to the IRB Permission, the addressee may refer the matter to the Upper Tribunal.
6. Details of the IRB Permission will be published on the Financial Services Register and the Bank of England's website.
7. Further details of procedural matters are contained in Annex 4.
8. Annex 5 summarises any previous variations of the IRB Permission.

Simon Jackson

Head of UKDT Supervision, Globally Systemically Important Banks

ANNEX 1

THE INTERNAL RATINGS BASED PERMISSION

Legal Entities

1. The IRB Permission means that
 - a. the firm may apply the internal ratings based approach in its calculation of own funds requirements on an individual basis.
 - b. the holding company may apply the internal ratings based approach to the legal entities in its calculation of own funds requirements on a consolidated basis in respect of Standard Chartered Bank and any other firm authorised by the PRA or FCA within the Standard Chartered Bank Group consolidation in accordance with Part One, Title II, Chapter 2 of the CRR as at the date of this Notice.
2. The company must inform the PRA within 30 days of the composition of its consolidation group changing.
3. In accordance with art 143(3) of the CRR, the addressees must calculate the risk-weighted exposure amounts for the categories of exposure identified in Table 1 of Schedule 1 (with the exception of the permanent exemptions and any exposures still subject to sequential implementation) using the IRB Approach, to the extent, in the manner and subject to the conditions set out in this IRB Permission, and in accordance with Table 1 in Schedule 1.

Ratings Systems

4. The addressees are permitted to use the ratings systems and internal models approaches to equity exposures (together the "Ratings Systems") as specified in the documentation contained in the firm's IRB case file (reference ACTS 34839) comprising its IRB application documentation, as modified by all changes and specifications notified to the addressees by the PRA, including those specified in this IRB Permission Notice, all changes and extensions notified by the addressees and accepted by the PRA, and all material changes and extensions for which permission has been granted by the PRA noted in Annex 5.

Permanent partial use

5. The addressees are permitted to apply the Standardised Approach for the exposures listed in Table 2 in Schedule 1 in accordance with art 150 of the CRR.

Reversion to the Standardised Approach under art 149

6. The addressees are permitted to revert to the use of the Standardised Approach for the calculation of risk-weighted exposure amounts for the exposure classes or types of exposure listed in Table 3 in Schedule 1.

Reversion to CRR art 151(8) LGD/Conversion factors under CRR art 149

7. This paragraph does not apply to this IRB Permission.

Sequential implementation

8. In accordance with art 148 of the CRR, the addressees are permitted to implement the IRB Approach sequentially in accordance with the roll-out plan agreed with the PRA.

Treatment by exposure class

9. The addressees are permitted to use the approaches in Article 155(3) and (4) for equity exposures as set out in Table 1 of Schedule 1.

10. The addressees are permitted to use its own estimates of LGDs and conversion factors for the exposure classes as set out in Table 1 of Schedule 1.

Maturity under art 162 of the CRR

11. To the extent that the addressees do not have permission to use own estimates of LGDs and conversion factors they shall calculate maturity as set out under CRR Article 162(2) and (3).

Definition of default

12. 90 days is replaced with 180 days in CRR Article 178(1)(b) for exposures secured by residential property or SME commercial immovable property in the retail exposure class, as well as exposures to public sector entities.

Unfunded credit protection

13. The addressees may recognise unfunded credit protection by adjusting PD and / or LGD.

Eligible collateral

14. The addressees may use as eligible collateral types of physical collateral other than those indicated in paragraphs 2, 3 and 4 of Article 199 of the CRR where permission is or has been granted in accordance with paragraph 6 of Article 199.

Further specifications

15. This paragraph does not apply to this IRB Permission.

Material, significant and other changes

16. In accordance with Article 143(3), (4) of the CRR and Commission Delegated Regulation (EU) No 529/2014 as it forms part of retained EU law,

- 1) the addressees will require a further permission from the PRA in respect of the following changes to the IRB Permission:

- a) material changes to the range of application of a ratings system or an internal models approach to equity exposures; or
 - b) material changes to a ratings system or an internal models approach to equity exposures; and
- 2) the addressees must notify the PRA of all changes to ratings systems and internal models approaches to equity exposures subject to the IRB Permission.
17. In accordance with Article 143(3) of the CRR, the PRA has granted permission for material changes as set out in Annex 5.

SCHEDULE 1

High level scope and coverage of IRB permission.

The PRA has granted the IRB permission for the categories and types of exposures identified in Table 1 below with the exception of the permanent exemptions in Table 2. Exposure classes that are not applicable to the addressees are marked N/A.

Table 1

IRB exposure classes	Sub-classes(& art 155 approach, if applicable)	Country	Own estimates of LGDs and Conversion Factors (tick if apply)	Additional provisions/
Exposures to central governments and central banks		All Countries	✓	
Exposures to institutions		All Countries	✓	
Exposures to corporates	Secured/ Development and investment lending on real estate	All Countries	N/A	Income Producing Real Estate is subject to the slotting approach.
	Specialised Lending as described in Article 147(8)	All Countries	✓	
	Other Corporate	All Countries	✓	

Retail exposures		All Countries	✓	
Equity exposures		All Countries	N/A	
Securitisation positions		All Countries	N/A	Treated according to hierarchy of methods in Article 259 including the use of the Internal Assessment Approach for ABCP.
Non credit-obligation assets		All Countries	N/A	

Table 2

Exposures permanently exempted from the IRB Approach under CRR Article 150		
<i>Exposure Class</i>	<i>Sub-classes</i>	<i>Portfolio/Business Unit</i>
Exposures to central governments and central banks (CRR Article 150(1)(a))	Central Governments and Central Banks	EEA Sovereigns and exposures covered by Article 150.1(d) only
Non significant businesses or immaterial exposure classes or exposure types(CRR Article 150(1)(c))	Retail (excluding Wealth Management)	All African portfolios
	Wealth management	Wealth management to be exempt in all locations
	Private Banking	Private Banking be exempt in all locations

	Wholesale	Development organisations; Private Equity; Purchased receivables; Jordan and Lebanon portfolios
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Table 3

Exposures for which permission has been given to revert to the Standardised Approach under CRR Article 149			
Category	Exposure class/Exposure type	Portfolio/Business Unit	Description
	Retail	Taiwan Credit Card Portfolio	
	Retail	Thailand Revolving Credit Card Portfolio	
	Retail	Indonesian Personal Loans Portfolio	
	Retail	Singapore Revolving Credit Card Portfolio	
	Wholesale	Hedge Funds	
	Wholesale	Global Commercial Portfolio excluding Hong Kong, Korea and Malaysia.	Corporates with sales turn over below USD 50mn and not subsidiaries of larger corporates
	Retail	UAE Personal Loans Portfolio	
	Retail	UAE Credit Cards Portfolio	
	Retail	Malaysia Medium Enterprise Portfolio	

ANNEX 2

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

Reporting Requirements

1. The firm must submit, on an annual basis, an inventory of
 - (i) all ratings systems
 - (ii) all internal approaches to equity exposures; and

which are included within the scope of its IRB Permission as of 30 September of that year. The firm must submit the inventory no later than 31 December of the relevant year.

ANNEX 3

EXPECTATIONS RELEVANT TO THE IRB PERMISSION

1. It is the PRA's expectation that the company will submit, on an annual basis, an inventory of

(i) all ratings systems

(ii) all internal approaches to equity exposures; and

which are included within the scope of its IRB Permission as of 30 September of that year. It is the PRA's expectation that the company will submit the inventory no later than 31 December of the relevant year.

ANNEX 4

PROCEDURAL MATTERS

Decision-Maker

1. The decision which gave rise to the obligation to give this Notice was made by the Head of Division, UK Global Banks by delegation from the Supervision, Risk and Policy Committee (SRPC).

Right to make representations

2. The firm have the right to make representations to the PRA in relation to the IRB Permission. If a firm wishes to make written representations, it must do so by 27 January 2023 or such later date as may be permitted by the PRA. Written representations should be made to SRPC and sent to the Senior Manager of the Standard Chartered Supervision Team at the PRA, 20 Moorgate, London EC2R 6DA.
3. If the firm wishes to make oral representations, it should inform the Senior Manager of the Standard Chartered Supervision Team of that fact as soon as possible and in any event by no later 27 January 2023. If the firm does not notify the PRA by 27 January 2023, it will not, other than in exceptional circumstances, be permitted to make oral representations.

The Tribunal

4. Each addressee has the right to refer the decision to grant the IRB Permission to the Upper Tribunal (the "Tribunal"). The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the PRA. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the addressee has 28 days from the date on which this Written Notice is given to the addressee to refer the matter to the Tribunal.
5. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the addressee and filed with a copy of this Written Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk). Further details are contained in "Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)" which is available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/716231/t400-eng.pdf
6. The addressee should note that a copy of the reference notice (Form FTC3) must be sent to the PRA at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to the Senior Manager of the Standard Chartered Supervision Team at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

7. For more information concerning this matter generally, the addressee should contact the Standard Chartered Supervision Team at prudential.StandardChartered@bankofengland.co.uk.

ANNEX5**VERSION CONTROL SCHEDULE****NOTICES OF MATERIAL CHANGES AND EXTENSIONS TO IRB PERMISSION**

Version	Comment	Authorisation	Date
1.0	IRB Permission granted	Relationship Management Team Wholesale Firms Division FSA	01/01/2008
2.0	CRR Permission - IRB Model Change - Pre approval; Changes to the Commodity Traders and Buyers PD Model	Melanie Beaman	05/11/2015
3.0	CRR Permission - IRB Model Change - Emerging Middle Market PD model	Melanie Beaman	13/11/2015
4.0	CRR Permission - IRB Model Change - Pre approval; New Taiwan Mortgage IRB suite (PD, LGD, EAD)	Melanie Beaman	26/01/2016
5.0	CRR Permission - IRB Model Change - Pre approval; Permanent partial use of the Standardised Approach for EEA Sovereign exposures and equivalent.	Melanie Beaman	19/02/2016
6.0	CRR Permission - Removal of condition on IRB waiver regarding the 10% PD uplift on Retail portfolios	Melanie Beaman	21/06/2016
7.0	CRR Permission - IRB Model Change - Pre approval; Change to Mid Corporate PD Model coverage	Melanie Beaman	30/06/2016
8.0	CRR Permission - IRB Model Change - Pre approval; Application for SCB to apply the Overseas Model approach to the Hong Kong Credit Card and Revolving Credit (CCRC) portfolio.	Melanie Beaman	13/01/2017
9.0	CRR Permission - IRB Model Change - Pre approval; Moved from IRB to Standardised: Taiwan Credit Card Portfolio	Melanie Beaman	13/01/2017
10.0	CRR Permission - IRB Model Change - Pre approval;	Melanie Beaman	13/01/2017

	Moved from IRB to Standardised: Thailand Revolving Credit Card Portfolio		
11.0	CRR Permission - IRB Model Change - Pre approval; Moved from IRB to Standardised: Indonesian Personal Loans Portfolio	Melanie Beaman	13/01/2017
12.0	CRR Permission - IRB Model Change - Pre approval; Moved from IRB to Standardised: Singapore Revolving Credit Card Portfolio	Melanie Beaman	13/01/2017
13.0	CRR Permission - IRB Model Change - Pre approval; Changes to the India Mortgage PD Model	Melanie Beaman	22/03/2017
14.0	CRR Permission - IRB Model Change - Pre approval; Changes to the UAE Credit Card Models (PD, LGD, EAD)	Melanie Beaman	22/03/2017
15.0	CRR Permission - IRB Model Change - Pre approval; Application for a new Singapore Mortgage IRB Models (PD, LGD, EAD)	Melanie Beaman	22/03/2017
16.0	CRR Permission - IRB Model Change - Pre approval; Move Islamic Diminishing Musyarakah (DM) loans from Standardised to IRB	Melanie Beaman	20/04/2017
17.0	CRR Permission - IRB Model Change - Pre approval; Application for new Singapore Credit Cards IRB Models (PD, LGD, EAD)	Simon Jackson	27/07/2017
18.0	CRR Permission - IRB Model Change - Pre approval; Application to remove the LGD Floor from the Aviation portfolio	Melanie Beaman	31/01/2018
19.0	CRR Permission - IRB Model Change - Pre approval; Application for Overseas Model Approach to the Korean Small and Medium Enterprise (SME) IRB models	Stephanie Courtin	18/05/2018
20.0	CRR Permission - IRB Model Change - Pre approval;	Stephanie Courtin	29/05/2018

	Changes to the Project Finance PD Model		
21.0	CRR Permission - IRB Model Change - Pre approval; Changes to the Corporate, Institutional and Commercial (CIC) LGD Model	SRPC	30/08/2018
22.0	CRR Permission - IRB Model Change - Pre approval; Application for a new Korea Personal Loans PD model	Simon Morley	21/09/2018
23.0	CRR Permission - IRB Model Change - Pre approval; Application for new India Credit Cards IRB Models (PD, LGD & EAD)	Simon Morley	21/11/2018
24.0	CRR Permission - IRB Model Change - Pre approval; Changes to the Bank IRB PD model	Simon Morley	09/12/2018
25.0	CRR Permission - IRB Model Change - Pre approval; Changes to the Sovereign IRB PD model	Simon Morley	21/02/2019
26.0	CRR Permission - IRB Model Change - Pre approval; Application for SCB to apply the Overseas Model approach to the Hong Kong Personal Loans IRB Model	Simon Morley	03/10/2019
27.0	CRR Permission Commercial Real Estate Slotting Model	Stephanie Courtin	29/10/2019
28.0	CRR Permission - IRB Model Change - Pre approval; Covered Bonds	Russell Jackson	25/03/2021
29.0	CRR Permission - IRB Model Change - pre approval - Treatment of collateral for SFT	Russell Jackson	07/05/2021
30.0	CRR Permission - IRB Model Change - pre approval - Korea personal loans LGD model	Russell Jackson	07/05/2021
31.0	CRR Permission - IRB Model Change - pre approval - specific wrong way risk	Russell Jackson	26/07/2021
32.0	Permission granted to the Holding Company on a consolidated basis	SRPC	20/12/2021

33.0	CRR Permission – IRB Model Change – Pre approval; Moved from IRB to Standardised: UAE Personal Loans	Simon Jackson	05/08/2022
34.0	CRR Permission – IRB Model Change – Pre approval; Moved from IRB to Standardised: UAE Credit Cards	Simon Jackson	05/08/2022
35.0	CRR Permission – IRB Model Change – Pre approval; Moved from IRB to Standardised: Malaysia Medium Enterprise	Simon Jackson	05/08/2022
36.0	CRR Permission – IRB Model Change – Pre approval, OMA; China Personal Loans, Hong Kong business clients, Hong Kong credit cards, Hong Kong personal loans, Korea credit cards, Korea business clients, Korea commercial clients, Korea personal loan, Singapore mortgages and Singapore credit cards	Simon Jackson	30/12/2022