

Bank of England PRA

Appendix 1: Draft amendments to SS16/13 — Large Exposures

Consultation Paper | CP14/24

October 2024

Draft for consultation



Bank of England | Prudential Regulation Authority

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In this appendix, new text is underlined and deleted text is struck through.

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1. Introduction

1.1 This supervisory statement is aimed at CRR firms.

1.2 This statement outlines the Prudential Regulation Authority's (PRA's) expectations in relation to large exposure requirements within the Large Exposures (CRR) Part of the PRA Rulebook. It covers:

- Applications to include undertakings within a core UK Group (CRR Article 113(6)) and non-core large exposures group (CRR 400(2)(c)).
- Exemptions of exposures that support resolution (CRR Article 400(2)(c) of the Large Exposures (CRR) Part).
- Sovereign large exposures exemptions (CRR Article 400(2)(g) of (h) of the Large Exposures (CRR) Part) and exposures to trustees.

1.3 This statement should be read in conjunction with the specified CRR articles, the requirements in the ~~Large Exposures Part of the PRA Rulebook~~, the Large Exposures (CRR) Part of the PRA Rulebook and the high-level expectations outlined in The PRA's approach to banking supervision.¹ For RFBs, as defined in the Financial Services and Markets Act (FSMA), section 142A, or any other PRA-authorised person that is a member of a group containing an RFB, this statement should be read alongside the PRA's Supervisory Statement 8/16 'Ring-fenced bodies (RFBs)'.²

1.4 In this statement, reference to provisions of the CRR are references: (i) where the provision has not been revoked, to that provision in the CRR as it has effect in domestic law, and (ii) where the provision has been revoked, to the corresponding provision in PRA rules.

2. CRR Article 113(6): core UK group applications

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¹ [The Prudential Regulation Authority's approach to banking supervision July 2023](#)

² [SS8/16 Ring-fenced bodies \(RFBs\) | Bank of England](#)

3. ~~CRR Article 400(2)(c) — non-core large exposures group exemptions (trading book and non-trading book)~~

3.1 ~~CRR Article 400(2)(c) of the Large Exposures (CRR) Part~~ permits the PRA to fully or partially exempt exposures incurred by a firm to certain intra-group undertakings from the large exposures limit stipulated in ~~CRR Article 395(1) of the Large Exposures (CRR) Part~~. The PRA will consider exempting non-trading book and trading book exposures to intra-group undertakings that meet specified conditions set out in paragraph 3.1A, paragraph 3.8A, paragraph 3.8B and the Large Exposure rules. Guidance in respect of these conditions is outlined below. Firms should note however that under ~~CRR Article 400(2)(c) of the Large Exposures (CRR) Part~~ intra-group exposures that do not meet the criteria in Article 400(2)(c) are to be treated as exposures to a third party.

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Non-core large exposures group ~~non-trading book~~ and Higher NCLEG exemption

3.3 The PRA's rules fully exempt from the large exposures limit any non-trading book exposures from a firm to members of its non-core large exposures group (NCLEG), provided that the total such exposures are no greater than 100% of the firm's Tier 1 capital.

~~Non-core large exposures group trading book exemption~~

3.4 ~~A firm can also apply for a non-core large exposures group trading book exemption~~. The amount of trading book exposures that may be exempted will depend on a firm's trading book exposure allocation as defined in the PRA rules.

3.5 Any trading book exposures of a firm to its non-core large exposures group above the firm's trading book exposure exemption must be considered together with total exposures incurred by a firm to members of its group that are not included in a CUG permission, an NCLEG ~~non-trading~~ permission or an a Higher NCLEG trading book permission, and will be subject to the provisions in the Large Exposures (CRR) Part. ~~CRR large exposures regime (Part Four)~~. This includes the ability to have trading book exposures that exceed the limits laid down in ~~CRR Article 395 of the Large Exposures (CRR) Part~~ provided the conditions in this article are met, including the additional own funds requirement in ~~CRR Article 395(5)(b) of the Large Exposures (CRR) Part~~.

~~3.6 In addition to outlining how to calculate the size of the trading book exemption at any point in time, the PRA rules also specify that firms must allocate exposures to its trading book exposure allocation in order of ascending risk requirements. Therefore, a firm should first allocate the trading book exposures with the lowest risk requirements to its trading book exposure allocation. Once no further trading book exposures can be allocated within the firm's trading book exposure allocation, any remaining trading book exposures are subject to the CRR large exposures regime.~~

~~3.7 The PRA has judged that this approach represents the most appropriate way to retain our current intra-group large exposures policy under the CRR. Although there is a degree of additional complexity in calculating the amount of intra-group exposures that can be exempted under our rules the PRA judges that the policy outcome will be broadly similar to that under the current regime. The impact of this approach on the total own funds requirement for excess intra-group trading book exposures will depend on specific firm circumstances.~~

Application process

3.8 In its review of a firm's ~~non-core large exposures group non-trading book~~ NCLEG exemption, and/or ~~non-core large exposures group trading book~~ Higher NCLEG exemption application, the PRA expects to assess:

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3.8B In addition to the factors as set out in paragraph 3.8A, where a firm is applying for a Higher NCLEG permission, the PRA will also consider whether the firm meets the expectations as set out in Supervisory Statement (SS)1/22 — Trading activity wind-down.

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3.10 An RFB, or any other PRA-authorized person that is a member of a group containing an RFB, should note that the PRA will assess whether it remains appropriate to permit the treatment where the conditions as listed in paragraph 3.8, 3.8A and 3.8B are met, including an assessment of the impact of the proposed treatment on the PRA's general safety and soundness objective in relation to ring-fencing.³

³ See section 2B of FSMA.

4. ~~CRR~~ Article 400(2)(g) and (h) — sovereign large exposures exemption

4.1 ~~CRR~~ Article 400(2)(g) and (h) of the Large Exposures (CRR) Part allows the PRA to exempt exposures which constitute claims on central banks in the form of minimum reserves held at central banks and denominated in their national currencies, and claims on central governments in the form of statutory liquidity requirements held in government securities, which are denominated and funded in their national currencies.

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Application of criteria

4.5 It is the PRA's intention to continue to apply a high level of scrutiny to applications in respect of ~~CRR~~ Article 400(2)(g) or (h) of the Large Exposures (CRR) Part.

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6. ~~CRR~~ Article 400(2)(c) — Resolution exemption

6.1 Firms that exclude exposures pursuant to the resolution exemption in the Large Exposures (CRR) Part of the PRA Rulebook should notify the PRA if those exposures are not included in the MREL reporting as specified in the Supervisory Statement (SS) 19/13 'Resolution planning'.

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