

**PRA RULEBOOK: CRR FIRMS: INTERNAL CAPITAL ADEQUACY ASSESSMENT (No. 2)
INSTRUMENT 2018**

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Internal Capital Adequacy Assessment (No. 2) Instrument 2018

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 1 January 2019.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firm Internal Capital Adequacy Assessment (No. 2) Instrument 2018.

By order of the Prudential Regulation Committee

25 April 2018

Annex

Amendments to the Internal Capital Adequacy Assessment Part

In this Annex new text is underlined and deleted text is struck through.

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14 APPLICATION OF THIS PART ON AN INDIVIDUAL BASIS, A CONSOLIDATED BASIS AND A SUB-CONSOLIDATED BASIS

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14.10 A *firm* must also carry out the allocation in 14.8 ~~allocate the total amount of financial resources, *own funds* and internal capital identified as necessary under the overall Pillar 2 rule in 3.1 as applied on a *consolidated basis* or on a *sub-consolidated basis* between each *firm* which is a member of the *consolidated group* on the following basis in a way that:~~

- (a) takes into account the nature, level and distribution of the risks between all entities within the *consolidation group* ~~the amount allocated to each *firm* must be decided on the basis of the principles in 14.9; and~~
- (b) ensures the amount allocated to each *firm* adequately reflects the risks to which that *firm* is exposed on an individual basis ~~f the process in (a) were carried out for each group member, the total so allocated would equal the total amount of financial resources, *own funds* and internal capital identified as necessary under the overall Pillar 2 rule in 3.1 as applied on a *consolidated basis* or on a *sub-consolidated basis*.~~

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