

PRA RULEBOOK: CRR FIRMS: CREDIT RISK INSTRUMENT 2020

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: Credit Risk Instrument 2020

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

Commencement

- E. This instrument comes into force on 28 December 2020.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Credit Risk Instrument 2020

By order of the Prudential Regulation Committee

28 December 2020

Annex**Amendments to the Credit Risk Part**

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

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4 CRITERIA FOR CERTAIN EXPOSURES SECURED BY MORTGAGES ON COMMERCIAL IMMOVABLE PROPERTY

4.1 For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat *exposures* as fully and completely secured by mortgages on commercial immovable property located in the *UK* in accordance with Article 126 of the *CRR* only where annual average *losses* stemming from lending secured by mortgages on commercial property located in the *UK* do not exceed 0.5% of risk-weighted exposure amounts over a representative period. A *firm* shall calculate the loss level referred to in this rule on the basis of the aggregate market data for commercial property lending published by the *PRA* in accordance with ~~Article 101(3)~~ Article 430a(3) of the *CRR*.

4.1A For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat an *exposure* or any part of an *exposure* that is located in a jurisdiction that is not an *EEA State* as fully and completely secured for the purposes of Article 126 (1) of the *CRR* only if all of the following conditions are met:

- (1) annual average losses stemming from lending secured by mortgages on commercial property located in that jurisdiction did not exceed 0.5% of the exposure value over a representative period where:
 - (a) there is sufficient evidence that the data used to determine the loss level referred to in this rule are of the same or better quality as the data required to be published under ~~Article 101(3)~~ Article 430a(3) of the *CRR*; and
 - (b) it is reasonable to rely on such data;

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