

## PRA RULEBOOK (CRR NO. 2) INSTRUMENT 2021

### 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);
  - (2) section 137T (General supplementary powers);
  - (3) section 144G(1) (Disapplication or modification of CRR rules); and
  - (4) section 144H(1) and (2) (Relationship with the CRR).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.
- C. The PRA makes the direction set out in 2.3A of Annex B Liquidity (CRR) Part under Regulation 40(2)(a) of the Capital Requirements Regulations 2013.

### Pre-conditions to making

- D. In accordance with sections 144C(3) and 144E of the Act the PRA consulted the Treasury about the likely effect of the rules on relevant equivalence decisions within the meaning of section 144C(4) of the Act.
- E. In accordance with section 138J(1)(a) of the Act (consultation by the PRA), the PRA consulted the Financial Conduct Authority.
- F. The PRA published a draft of the proposed rules in accordance with section 138J(1)(b) of the Act, accompanied by the information listed in section 138J(2) and the explanation referred to in section 144D of the Act insofar as that section is applicable to the rules.
- G. The PRA had regard to representations made.

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- H. The PRA makes the PRA rules in the Annexes to this instrument.

CRR Firms: Part	Annex
Glossary	A
Liquidity (CRR)	B
Internal Liquidity Adequacy Assessment	C

### Notes

- I. In the Annex to this instrument, the “notes” (indicated by “[Note: ]”) are included for the convenience of readers but do not form part of the legislative text.

**Commencement**

J. This instrument comes into force on 1 January 2022.

**Citation**

K. This instrument may be cited as the PRA Rulebook (CRR No. 2) Instrument 2021.

**By order of the Prudential Regulation Committee**

2 November 2021

**ANNEX A**

**Amendments to the Glossary**

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

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*domestic liquidity sub-group*

means the firms supervised by the PRA for liquidity purposes as if they formed a single entity as a result of a permission granted to those firms under 2.2 of the Liquidity (CRR) Part of the PRA Rulebook Article 8(2) of the CRR.

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## ANNEX B

## Amendments to the Liquidity (CRR) Part

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

## 1 APPLICATION AND DEFINITIONS

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1.2 In the *Liquidity Parts*, the following definitions shall apply:

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*immediate parent undertaking*

means a parent undertaking within the meaning of section 1162 of the Companies Act 2006 disregarding for this purpose section 1162(5) of that Act.

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## 2 LEVEL OF APPLICATION

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### Application of requirements on an individual basis

2.1 An institution shall comply with the *Liquidity Parts* on an individual basis.

[Note: This rule sets out Article 6(4) of the *CRR* as it applies to the *Liquidity Parts*]

[Note: Rules for domestic liquidity sub-groups to be finalised]

### Domestic liquidity sub-groups

2.2 An institution may apply to the *PRA* for a permission that:

(a) disapplies the requirement in 2.1 in full or in part; and

(b) provides for the requirements in the *Liquidity Parts* to apply:

(i) on a consolidated basis or a sub-consolidated basis in relation to the institution and all or some of its subsidiary institutions; or

(ii) to the institution and one or more other institutions that are subsidiaries of the same *qualifying parent undertaking* as the institution.

as a single liquidity sub-group, with such modifications as may be specified in the permission.

[Note: This rule corresponds to Article 8(1) of the CRR as it applied immediately before revocation by the Treasury and sets out an equivalent provision to the second paragraph of Article 11(4) of the CRR as it applies to the Liquidity Parts]

[Note: This is a permission under section 144G of FSMA to which Part 8 of the Capital Requirements Regulations applies]

2.3 For the purpose of 2.2(b)(ii), the qualifying parent undertaking must be the immediate parent undertaking of one or more of the institutions referred to in 2.2(b)(ii).

2.3A If more than one institution subject to the Liquidity Parts is to be included in a domestic liquidity sub-group, the PRA directs that the application for permission must be made jointly by each such institution.

[Note: This is a direction under regulation 40(2) of the Capital Requirements Regulations]

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## ANNEX C

**Amendments to the Internal Liquidity 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 OR DOMESTIC LIQUIDITY SUB-GROUP BASIS AND A CONSOLIDATED BASIS**

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- 14.1 (1) This Part applies to a *firm* on an individual basis unless (2) applies.
- (2) ~~Where the PRA has waived in full the application of Part Six of the CRR to a *firm* and to all or some of its *subsidiaries* pursuant to a *permission* granted under Article 8(2) of the CRR, a *firm* must comply with this Part at the level of its *domestic liquidity sub-group*.~~ A *firm* must comply with this Part at the level of its *domestic liquidity sub-group* where the PRA has granted the firm permission under 2.2 of the Liquidity (CRR) Part of the PRA Rulebook.
- [Note: This rule corresponds to Article 8(5) of the CRR as it applied immediately before revocation by the Treasury]
- (3) (1) and (2) apply to a *firm* whether or not this Part applies to the *firm* on a *consolidated basis*.

~~[Note: Art 8(5) of the CRR and Art 109(1) of the CRD]~~

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**Externally defined terms**

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<b>Term</b>	<b>Definition source</b>
Treasury	Schedule 1, Interpretation Act 1978