

PRA RULEBOOK: CRR FIRMS: LARGE EXPOSURE OMNIBUS INSTRUMENT 2025

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 (Disapplication or modification of CRR rules in individual cases);
 - (4) section 144H (Relationship with the capital requirements regulation);
 - (5) section 192J (Rules requiring provision of information by parent undertakings);
 - (6) section 192XA (Rules applying to holding companies); and
 - (7) section 192XC (Disapplication or modification of rules in individual cases).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

PRA Rulebook: CRR Firms: Large Exposure Omnibus Instrument 2025

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

Part	Annex
Large Exposures (CRR)	A
Large Exposures	B
Reporting (CRR)	C

Templates, Annexes and instruction documents

- D. The rules in this instrument include any template or Annex or instruction document referred to in the rules. Where indicated by “here”, the rules when published electronically will include a hyperlink to the appropriate document.

Commencement

- E. This instrument comes into force on 1 January 2026.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Large Exposure Omnibus Instrument 2025.

By order of the Prudential Regulation Committee

25 June 2025

Annex A

Amendments to the Large Exposures (CRR) Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

control

means the relationship between a *parent undertaking* and a *subsidiary undertaking*:

(1) as defined in either:

- (a) the accounting standards referred to in section 403(1) of the Companies Act 2006; or
- (b) section 1162 of the Companies Act 2006; or

(2) a similar relationship between any natural or legal *person* and an *undertaking*.

~~(a)-~~exposure

subject to Article 390(6), means any asset or off balance sheet item referred to in Part Three, Title II, Chapter 2 of ~~the CRR~~, without applying the risk weights or degrees of risk.

[Note: This definition corresponds to Article 389 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

group of connected clients

means any of the following:

- (1) two or more natural or legal *persons* who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has *control* over the other or others; or
- (2) two or more natural or legal *persons* between whom there is no relationship of *control* as described in point (1) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or others would also be likely to encounter funding or repayment difficulties,

provided that:

- (3) notwithstanding points (1) and (2), where a central government has direct *control* over, or is directly interconnected with, more than one natural or legal *person*, the set consisting of the central government and all of the natural or legal *persons* directly or indirectly *controlled* by it in accordance with point (1), or interconnected with it in accordance with point (2), may be considered as not constituting a group of connected clients. Instead the existence of a group of connected clients formed by the central government and other natural or legal *persons* may be assessed separately for each of the natural or legal *persons* directly *controlled* by it in accordance with point (1), or directly interconnected with it in accordance with point (2), and all of the natural or legal *persons* which are *controlled* by that natural or legal *person* according to point (1) or

interconnected with that natural or legal *person* in accordance with point (2), including the central government. The same applies in cases of regional governments or local authorities to which Article 115(2) of *CRR* applies and in the *United Kingdom* regional governments means the Scottish Government, the Welsh Government and the Northern Ireland Executive; and

- (4) two or more natural or legal *persons* who fulfil the conditions set out in point (1) or (2) because of their direct exposure to the same *central counterparty* for clearing activities purposes are not considered as constituting a group of connected clients.

~~(b)~~ *large exposure*

means ~~a *firm's* an institution's~~ exposure to a client or ~~group of connected clients~~ group of *connected clients* where the value of the *exposure* is equal to or exceeds 10% of its *Tier 1 capital*.

[Note: This definition corresponds to Article 392 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

- 1.3 For the purposes of calculating the value of *exposures* in accordance with this Part the term 'institution' shall include a private or public *undertaking*, including its branches, which, were it established in the *United Kingdom*, would fulfil the definition of the term 'institution' and has been authorised in a *third country* that applies prudential supervisory and regulatory requirements determined by the *Treasury* to be at least equivalent to those applied in the *United Kingdom*.

[Note: Rule 1.3 corresponds to the first subparagraph of Article 391 of ~~the CRR~~. The second subparagraph of Article 391 containing the power for the *Treasury* to determine equivalence remains in ~~the CRR~~. The third subparagraph of Article 391 of ~~the CRR~~ contains transitional provisions]

- 1.4 For the purposes of Chapter 5 of this ~~Large Exposures (CRR)~~ Part of the ~~PRA Rules~~ the following definitions shall apply:

(a) '*transactions*'

mean transactions referred to in points (m) and (o) of Article 112 of ~~the CRR~~ and other transactions where there is an *exposure* to underlying assets;

(b) '*unknown client*'

means a single hypothetical client to which the ~~*firm*~~ institution assigns all *exposures* for which it has not identified the obligor, provided that Article 6(2)(a) and (b) and Article 6(3)(a) of Chapter 5 of this ~~Large Exposures (CRR)~~ Part are not applicable.

[Note: This rule corresponds to Article 2 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

2 LEVEL OF APPLICATION

Application of requirements on an individual basis

- 2.1 ~~An institution shall~~ A *firm* must comply with this Part on an individual basis.

[Note: Rule 2.1 sets out an equivalent provision to Article 6(1) of ~~the CRR~~ that applies to this Part]

- 2.2 Where ~~an institution~~ a *firm* has been given permission under Article 9(1) of ~~the CRR~~ it ~~shall~~ must incorporate relevant subsidiaries in the calculation undertaken to comply with rule 2.1.

[Note: Rule 2.2 applies Article 9(1) of ~~the CRR~~ to this Part where a permission under that Article has been given]

- 2.3 But rule 2.1 ~~shall~~does not apply to the second and third paragraphs of Article 394(1), to Article 394(2) and to the third paragraph of Article 395(1), which obligations shall only be complied with on a consolidated basis~~consolidated basis~~.

Application of requirements on a consolidated basis

- 2.4 A *CRR consolidation entity* ~~shall~~must comply with this Part on the basis of its consolidated situation.

[Note: Rule 2.4 sets out an equivalent provision to the first sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

- 2.5 For the purposes of applying this Part on a consolidated basis~~consolidated basis~~, the terms '*firm*', '*institution*' and '*UK parent institution*' ~~shall~~ include a *CRR consolidation entity* (if it would not otherwise have been included).

[Note: Rule 2.5 sets out an equivalent provision to the first sub-paragraph of Article 11(2) of ~~the CRR~~ that applies to this Part]

- 2.6 The expression '*consolidated situation*' applies for the purposes of this Part as it does for the purposes of Parts Two and Three of ~~the CRR~~.

[Note: The term '*consolidation situation*' is defined in Article 4(1)(47) of ~~the CRR~~]

Application of requirements on a sub-consolidated basis

- 2.7 ~~An institution~~A firm that is required to comply with Parts Two and Three of ~~the CRR~~ on a sub-consolidated basis, ~~shall~~must comply with this Part on the same basis.

[Note: This rule sets out Article 11(6) of ~~the CRR~~ that applies to this Part]

3 ORGANISATIONAL STRUCTURE AND CONTROL MECHANISMS

- 3.1 A *CRR consolidation entity* and ~~an institution~~a firm ~~shall~~must set up a proper organisational structure and appropriate *internal control* mechanisms in order to ensure that the data required for consolidation for the purposes of this Part ~~is~~are duly processed and forwarded.

[Note: Rule 3.1 sets out an equivalent provision to the second sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

- 3.2 A *CRR consolidation entity* and ~~an institution~~a firm ~~shall~~must ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.

[Note: Rule 3.2 sets out an equivalent provision to the third sentence of Article 11(1) of ~~the CRR~~ that applies to this Part]

- 3.3 ~~An institution shall~~A firm must monitor and control its *large exposures* in accordance with this Part.

[Note: Rule 3.3 corresponds to Article 387 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

- 3.4 A firm must have sound administrative and accounting procedures and adequate *internal control* mechanisms for the purposes of identifying, managing, monitoring, reporting and recording all *large exposures* and subsequent changes to them, in accordance with this Part.

[Note: This rule corresponds to Article 393 of *CRR* as it applied immediately before revocation by the *Treasury*.]

4 LARGE EXPOSURES (PART FOUR CRR)

Article 387 SUBJECT MATTER

[Note: Provision left blank]

[Note: Refer to rule 3.3]

Article 388 NEGATIVE SCOPE

[Note: Provision left blank]

[Note: Refer to rule 1.1]

Article 389 DEFINITION

[Note: Provision left blank]

[Note: The definition of “exposures” formerly contained in Article 389 of the CRR is in rule 1.2]

Article 390 CALCULATION OF EXPOSURE VALUE

1. ~~A firm must calculate the~~ The total exposures to a group of connected clients ~~group of connected clients shall be calculated by adding together the exposures to individual clients in that group.~~
2. ~~A firm must calculate the~~ The overall exposures to individual clients shall be calculated by adding the exposures to the relevant individual client in the trading book and the exposures to the relevant individual client in the non-trading book.
3. For exposures in the trading book, ~~institutions~~ a firm may:
 - (a) ~~offset their~~ offset its long positions and short positions in the same financial instruments issued by a given client, with the net position in each of the different instruments being calculated in accordance with the methods laid down in Chapter 2 of Title IV of Part Three of CRR;
 - (b) ~~offset their~~ offset its long positions and short positions in different financial instruments issued by a given client, but only where the financial instrument underlying the short position is junior to the financial instrument underlying the long position or where the underlying instruments are of the same seniority.

For the purposes of points (a) and (b), financial instruments may be allocated into buckets on the basis of different degrees of seniority in order to determine the relative seniority of positions.

4. ~~Institutions shall~~ A firm must calculate the exposure values of the derivative contracts listed in Annex II of ~~the CRR~~ and of credit derivative contracts directly entered into with a client in accordance with one of the methods set out in Sections 3, 4 and 5 of the Counterparty Credit Risk (CRR) Part ~~Sections 3, 4 and 5 of Chapter 6 of Title II of Part Three~~, as applicable. The exposure value for securities financing transactions ~~shall~~ must be calculated by a firm in accordance with the methods referred to in Section 4 of Chapter 4 of Title II of Part Three of CRR, as applicable. Exposures resulting from the transactions referred to in Articles 378, 379 and 380 of CRR ~~shall~~ must be calculated by a firm in the manner laid down in those Articles.

When calculating the exposure value for the contracts referred to in the first subparagraph, where those contracts are allocated to the trading book, ~~institutions shall~~ a firm must also comply with the principles set out in Article 299 of CRR.

By way of derogation from the first subparagraph, ~~a firm~~ institutions with permission to use the method referred to in Section 6 of Chapter 6 of Title II of Part Three of CRR may use that method for calculating the exposure value for securities financing transactions.

5. ~~Institutions shall~~ A firm must add to the total *exposure* to a client the *exposures* arising from derivative contracts listed in Annex II of ~~the CRR~~ and credit derivative contracts, where the contract was not directly entered into with that client but the underlying debt or equity instrument was issued by that client.
6. ~~The term exposures~~ Exposures shall ~~does~~ not include any of the following:
...
 - (d) in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking, intra-day *exposures* to institutions providing those services; and
 - (e) *exposures* deducted from Common Equity Tier 1 items or Additional Tier 1 items in accordance with Articles 36 of the Own Funds and Eligible Liabilities (CRR) Part and Article 56 of CRR or any other deduction from those items that reduces the solvency ratio.
7. To determine the overall *exposure* to a client or a ~~group of connected clients~~ group of connected clients, in respect of clients to which the ~~institution~~ firm has *exposures* through transactions referred to in points (m) and (o) of Article 112 of CRR or through other transactions where there is an *exposure* to underlying assets, ~~an institution shall~~ a firm must assess its underlying *exposures* taking into account the economic substance of the structure of the transaction and the risks inherent in the structure of the transaction itself, in order to determine whether it constitutes an additional *exposure*.
8. [Note: ~~Provision left blank.~~ Rules for determining the overall *exposure* to a client or a ~~group of connected clients~~ group of connected clients corresponding to Delegated Regulation 2014/1187 are set out in Chapter 5 of this Part]
9. [Note: ~~Provision left blank.~~][~~Deleted~~]

[Note: This rule corresponds to Article 390 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

...

Article 393 CAPACITY TO IDENTIFY AND MANAGE LARGE EXPOSURES [DELETED]

~~An institution shall have sound administrative and accounting procedures and adequate internal control mechanisms for the purposes of identifying, managing, monitoring, reporting and recording all large exposures and subsequent changes to them, in accordance with this Part.~~ [Deleted]

~~[Note: This rule corresponds to Article 393 of the CRR as it applied immediately before revocation by the Treasury.]~~

Article 394 REPORTING REQUIREMENTS

1. ~~Institutions shall~~ A firm must report the following information to their ~~competent authority~~ PRA for each *large exposure* that ~~they~~ it holds, including *large exposures* exempted from the application of Article 395(1):

- (a) the identity of the client or the ~~group of connected clients~~ group of connected clients to which the ~~institution~~ firm has a *large exposure*;
- (b) the exposure value before taking into account the effect of the credit risk mitigation, where applicable;
- (c) where used, the type of funded or unfunded credit protection; and
- (d) the exposure value, after taking into account the effect of the credit risk mitigation calculated for the purposes of Article 395(1), where applicable.

~~Institutions~~ A firm that ~~are~~ is subject to Chapter 3 of Title II of Part Three of CRR ~~shall~~ must report their 20 largest exposures to their competent authority PRA on a consolidated basis ~~consolidated basis~~, excluding the *exposures* exempted from the application of Article 395(1).

~~Institutions shall~~ A firm must also report to the PRA *exposures* of a value greater than or equal to GBP 260 million but less than 10% of the ~~institution's~~ firm's *Tier 1 capital* ~~to their competent authority~~ on a consolidated basis ~~consolidated basis~~.

2. In addition to the information referred to in paragraph 1 of this Article, ~~institutions shall~~ a firm must report the following information to their ~~competent authority PRA~~ competent authority PRA in relation to their 10 largest exposures to institutions on a consolidated basis ~~consolidated basis~~, as well as their 10 largest exposures to shadow banking entities which carry out banking activities outside the regulated framework on a consolidated basis ~~consolidated basis~~, including *large exposures* exempted from the application of Article 395(1):
 - (a) the identity of the client or the ~~group of connected clients~~ group of connected clients to which ~~an institution~~ the firm has a *large exposure*;
 - (b) the exposure value before taking into account the effect of the credit risk mitigation, when applicable;
 - (c) where used, the type of funded or unfunded credit protection; and
 - (d) the exposure value after taking into account the effect of the credit risk mitigation calculated for the purpose of Article 395(1), where applicable.
3. ~~Institutions shall~~ A firm must report the information referred to in paragraphs 1 and 2 to their ~~competent authority PRA~~ competent authority PRA on at least a semi-annual basis.
4. ~~[Note: Provision left blank]~~ [Deleted]

[Note: This rule corresponds to Article 394 of the ~~CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 395 LIMITS TO LARGE EXPOSURES

1. ~~An institution shall~~ A firm must not incur an *exposure*, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or ~~group of connected clients~~ group of connected clients the value of which exceeds 25% of its *Tier 1 capital*. Where that client is an institution or an investment firm or where a ~~group of connected clients~~ group of connected clients includes one or more institutions or investment firms, that value ~~shall~~ must not exceed 25% of the ~~institution's~~ firm's *Tier 1 capital* or GBP 130 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25% of the ~~institution's~~ firm's *Tier 1 capital*.

[Note: IFR 2019/2033 added “or an investment firm” and “or investment firms” to 1]

Where the amount of GBP 130 million is higher than 25% of the ~~institution's~~ firm's *Tier 1 capital*, the value of the *exposure*, after having taken into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of this Part, ~~shall~~ must not exceed a reasonable limit in

terms of the ~~institution's~~firm's *Tier 1 capital*. That limit ~~shall~~must be determined by the ~~institution~~firm in accordance with the policies and procedures referred to in Internal Capital Adequacy Assessment 6.1 required to address and control concentration risk. That limit ~~shall~~must not exceed 100% of the ~~institution's~~firm's *Tier 1 capital*.

By way of derogation from the first subparagraph of this paragraph, a *G-SII* ~~shall~~must not incur an *exposure* to another *G-SII* or to a *non-UK G-SII*, the value of which, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, exceeds 15% of its *Tier 1 capital*. A *G-SII* ~~shall~~must comply with such limit no later than 12 ~~months~~months from the date on which it came to be identified as a *G-SII*. Where the *G-SII* has an *exposure* to another institution or group which comes to be identified as a *G-SII* or as a *non-UK G-SII*, it ~~shall~~must comply with such limit no later than 12 ~~months~~months from the date on which that other institution or group came to be identified as a *G-SII* or as a *non-UK G-SII*.

1A. ~~[Note: Provision left blank]~~[Deleted]

3. Subject to Article 396, ~~an institution shall~~a firm must at all times comply with the relevant limit laid down in paragraph 1.

...

5. The limits laid down in this Article may be exceeded for the *exposures* in the ~~firm's~~institution's trading book, provided that all the following conditions are met:

- (a) the *exposures* in the non-trading book to the client or ~~group of connected clients~~group of connected clients in question does not exceed the limit laid down in paragraph 1, this limit being calculated with reference to *Tier 1 capital*, so that the excess arises entirely in the trading book;
- (b) the ~~institution~~firm meets an additional own funds requirement ~~in respect of~~on the part of the *exposures* in excess of the limit laid down in paragraph 1 of this Article which is calculated in accordance with Articles 397 and 398;
- (c) where 10 days or less have elapsed since the excess referred to in point (b) occurred, the trading-book *exposures* to the client or ~~group of connected clients~~group of connected clients in question does not exceed 500% of the ~~firm's~~institution's *Tier 1 capital*; and
- (d) any excesses that have persisted for more than 10 days do not, in aggregate, exceed 600% of the ~~institution's~~firm's *Tier 1 capital*.

Each time the limit has been exceeded, the ~~institution shall~~firm must report to the ~~competent authority~~PRA without delay the amount of the excess and the name of the client concerned and, where applicable, the name of the ~~group of connected clients~~group of connected clients concerned.

6. ~~[Note: Provision left blank]~~[Deleted]

[Note: This rule corresponds to Article 395 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 396 COMPLIANCE WITH LARGE EXPOSURES REQUIREMENTS

1. If, in an exceptional case, *exposures* exceed the limit set out in Article 395(1), the ~~institution shall~~firm must report the value of the *exposure* without delay to the ~~PRA~~competent authority which may, where the circumstances warrant it, allow the ~~institution~~firm a limited period of time in which to comply with the limit.

[Note: This is a permission under sections 144G and 192XC of *FSMA* to which Part 8 of the *Capital Requirements Regulations* applies]

Where the amount of GBP 130 million referred to in Article 395(1) is applicable, the ~~PRA competent authority~~ may allow the 100% limit in terms of the ~~institution's~~ firm's Tier 1 capital to be exceeded on a case-by-case basis.

[Note: This is a permission under sections 144G and 192XC of *FSMA* to which Part 8 of the *Capital Requirements Regulations* applies]

Where, in the exceptional cases referred to in the first and second subparagraph of this paragraph, the ~~PRA a competent authority~~ allows an ~~institution~~ firm to exceed the limit set out in Article 395(1) for a period longer than three ~~months~~, the ~~institution shall~~ firm must present a satisfactory plan for a timely return to compliance within that limit and ~~shall~~ must carry out that plan within the period agreed with the ~~PRA competent authority~~.

2. Where compliance by an ~~institution~~ firm on an individual or sub-consolidated basis with the obligations imposed in this Part is waived under Article 7(1), or the provisions of Article 9 are applied in the case of parent institutions, measures ~~must~~ shall be taken to ensure the satisfactory allocation of risks within the group.

[Note: This rule corresponds to Article 396 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 397 CALCULATING ADDITIONAL OWN FUNDS REQUIREMENTS FOR LARGE EXPOSURES IN THE TRADING BOOK

1. ~~A firm must calculate the~~ The excess referred to in Article 395(5)(b) ~~shall be calculated by selecting those components of the total trading exposure to the client or group of connected clients~~ group of connected clients in question which attract the highest specific-risk requirements in Part Three, Title IV, Chapter 2 of CRR and/or requirements in Article 299 of CRR and Part Three, Title V of CRR, the sum of which equals the amount of the excess referred to in point (a) of Article 395(5).

...

3. As from 10 days after the excess has occurred, the components of the excess, selected in accordance with paragraph 1, shall be allocated to the appropriate line in Column 1 of Table 1 in ascending order of specific-risk requirements in Part Three, Title IV, Chapter 2 of CRR and/or requirements in Article 299 of CRR and Part Three, Title V of CRR. The additional own funds requirement shall be equal to the sum of the specific-risk requirements in Part Three, Title IV, Chapter 2 of CRR and/or the Article 299 of CRR and Part Three, Title V of CRR requirements on these components, multiplied by the corresponding factor in Column 2 of Table 1.

...

Note: This rule corresponds to Article 397 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 398 PROCEDURES TO PREVENT INSTITUTIONS FROM AVOIDING THE ADDITIONAL OWN FUNDS REQUIREMENT

~~Institutions~~ A firm shall must not deliberately avoid the additional own funds requirements set out in Article 397 that ~~they~~ it would otherwise incur, on *exposures* exceeding the limit laid down in Article 395(1) once those *exposures* have been maintained for more than 10 days, by means of temporarily transferring the exposures in question to another company, whether within the same group or not, and/or by undertaking artificial transactions to close out the *exposure* during the 10-day period and create a new exposure.

~~Institutions shall~~ A firm must maintain systems which ensure that any transfer which has the effect referred to in the first subparagraph is immediately reported to the ~~competent authority~~ PRA.

[Note: This rule corresponds to Article 398 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 399 ELIGIBLE CREDIT RISK MITIGATION TECHNIQUES

1. ~~An institution shall~~ A firm must use a credit risk mitigation technique in the calculation of an *exposure* where it has used that technique to calculate capital requirements for credit risk in accordance with Title II of Part Three of CRR, provided that the credit risk mitigation technique meets the conditions set out in this Article.

For the purposes of Articles 400 to 403 the term 'guarantee' ~~shall include~~ credit derivatives recognised under Chapter 4 of Title II of Part Three of CRR other than credit linked notes.
2. Subject to paragraph 3 of this Article, ~~where, under Articles 400 to 403~~ the recognition of funded or unfunded credit protection in accordance with Articles 400 to 403 is only permitted if, this shall be subject to compliance with the eligibility requirements and other requirements set out in Part Three, Title II, Chapter 4 of CRR are met.
3. Credit risk mitigation techniques which are available ~~only to institutions~~ if a firm is permitted to using use one of the IRB approaches ~~shall not be used to reduce exposure values for large exposure purposes, except for exposures secured by immovable properties in accordance with Article 402.~~ shall must not be used to reduce exposure values for large exposure purposes, except for exposures secured by immovable properties in accordance with Article 402.
4. ~~Institutions shall~~ A firm must analyse, to the extent possible, ~~their~~ its exposures to collateral issuers, providers of unfunded credit protection and underlying assets pursuant to Article 390(7) for possible concentrations and where appropriate take action and report any significant findings to ~~their competent authority~~ the PRA.

[Note: This rule corresponds to Article 399 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 400 EXEMPTIONS

1. The following *exposures* shall be exempted from the application of Article 395(1):
 - (a) asset items constituting claims on central governments, central banks or public sector entities which, unsecured, would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - (b) asset items constituting claims on international organisations or multilateral development banks which, unsecured, would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - (c) asset items constituting claims carrying the explicit guarantees of central governments, central banks, international organisations, multilateral development banks or public sector entities, where unsecured claims on the entity providing the guarantee would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;
 - (d) other *exposures* attributable to, or guaranteed by, central governments, central banks, international organisations, multilateral development banks or public sector entities, where unsecured claims on the entity to which the *exposure* is attributable or by which it is guaranteed would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of CRR;

- (e) asset items constituting claims on regional governments or local authorities of the *United Kingdom* where those claims would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of *CRR* and other *exposures* to or guaranteed by those regional governments or local authorities, claims on which would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of *CRR*;
- (f) *exposures* to counterparties referred to in Article 113(6) or (7) of *CRR* if they would be assigned a 0% risk weight under Part Three, Title II, Chapter 2 of *CRR*. *Exposures* that do not meet those criteria, whether or not exempted from Article 395(1) ~~shall~~must be treated as *exposures* to a third party;

...

- (i) *exposures* arising from undrawn credit facilities that are classified as low-risk off-balance sheet items in Annex I of ~~the~~ *CRR* and provided that an agreement has been concluded with the client or ~~group of connected clients~~ group of connected clients under which the facility may be drawn only if it has been ascertained that it will not cause the limit applicable under Article 395(1) to be exceeded;
- (j) clearing members' trade *exposures* and default fund contributions to ~~qualified~~ qualifying central counterparties; and
- (k) ~~*exposures* to the UK deposit guarantee scheme arising from the funding of that scheme;~~ [deleted]
- (l) clients' trade *exposures* referred to in Article 305(2) or (3) of the Counterparty Credit Risk (CRR) Part.

1A. Cash received under a credit linked note issued by the ~~firm~~ institution and loans and deposits of a counterparty to or with the ~~firm~~ institution which are subject to an on-balance sheet netting agreement recognised under Part Three, Title II, Chapter 4 of CRR ~~shall be deemed to~~ must be treated as falling under point (g) of paragraph 1 of this Article.

2. ~~A firm may with the prior permission of the~~ The PRA competent authority may permit an institution to treat as fully or partially exempt from the application of Article 395(1) the following types of *exposures*:

- (a) ~~[Note: Provision left blank];~~ [Deleted]
- (b) ~~[Note: Provision left blank];~~ [Deleted]
- (c) *exposures* incurred by ~~an institution~~ a firm, including through participations or other kinds of holdings, to its *parent undertaking*, to other subsidiaries of that *parent undertaking*, or to its own subsidiaries and qualifying holdings, in so far as those *undertakings* are covered by the supervision on a ~~consolidated basis~~ consolidated basis to which the ~~firm~~ institution itself is subject, in accordance with ~~the CRR, United Kingdom enactments and rules which implemented Directive 2002/87/EC or with equivalent standards in force in a third country~~; *exposures* that do not meet those criteria, whether or not exempted from Article 395(1), ~~shall~~ must be treated as *exposures* to a third party;

[Note: "NCLEG trading book permissions" and "NCLEG non-trading book permissions" (as defined in rule 1.2 of the Large Exposures Part) are granted by the PRA under this subparagraph]

- (d) ~~[Note: Provision left blank];~~ [Deleted]
- (e) ~~[Note: Provision left blank];~~ [Deleted]
- (f) ~~[Note: Provision left blank];~~ [Deleted]
- (g) asset items constituting claims on central banks in the form of required minimum reserves held at those central banks which are denominated in their national currencies; and

~~[Note: "Sovereign large exposures permissions" (as defined in rule 1.2 of the Large Exposures Part) are granted by the PRA under subparagraph (g)]~~

- (h) asset items constituting claims on central governments in the form of statutory liquidity requirements held in government securities which are denominated and funded in their national currencies provided that the credit assessment of those central governments assigned by a nominated ECAI is investment grade;

[Note: "Sovereign large exposures permissions" (as defined in rule 1.2 of the Large Exposures Part) are granted by the PRA under subparagraphs (g) and (h)]

(i) ~~[Note: Provision left blank];[Deleted]~~

(j) ~~[Note: Provision left blank];[Deleted]~~

(k) ~~[Note: Provision left blank];[Deleted]~~

[Note: This is a Article 400(2) permissions are granted under sections 144G and 192XC of FSMA to which Part 8 of the *Capital Requirements Regulations* applies]

3. ~~[Note: Provision left blank];[Deleted]~~

- 4. ~~The simultaneous application of more than one exemption set out in paragraphs 1 and 2 to the same exposure shall not be permitted~~ A firm must not simultaneously apply more than one exemption set out in paragraphs 1 and 2 to the same exposure.

[Note: This rule corresponds to Article 400 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*]

Article 401 CALCULATING THE EFFECT OF THE USE OF CREDIT RISK MITIGATION TECHNIQUES

1. For calculating the value of *exposures* for the purposes of Article 395(1), ~~an institution~~ a firm may use the fully adjusted exposure value (E*) as calculated under Chapter 4 of Title II of Part Three ~~of CRR~~ taking into account the credit risk mitigation, volatility adjustments, and any maturity mismatch referred to in that Chapter.
2. With the exception of ~~institutions~~ a firm using the Financial Collateral Simple Method, for the purposes of the first paragraph, ~~institutions shall~~ a firm must use the Financial Collateral Comprehensive Method, regardless of the method used for calculating the own funds requirements for credit risk.

By way of derogation from paragraph 1, ~~institutions~~ a firm with permission to use the methods referred to in Section 4 of Chapter 4 of Title II of Part Three ~~of CRR~~ and Section 6 of Chapter 6 of Title II of Part Three ~~of CRR~~, may use those methods for calculating the exposure value of securities financing transactions.

3. In calculating the value of *exposures* for the purposes of Article 395(1), ~~institutions shall~~ a firm must conduct periodic stress tests of ~~their~~ its credit-risk concentrations, including in relation to the realisable value of any collateral taken.

These periodic stress tests referred to in the first subparagraph ~~shall~~ must address risks arising from potential changes in market conditions that could adversely impact the ~~institutions'~~ firm's adequacy of own funds and risks arising from the realisation of collateral in stressed situations.

The stress tests carried out ~~shall~~ must be adequate and appropriate for the assessment of those risks.

~~Institutions shall include the following in their strategies~~ A firm's strategy to address concentration risk must include the following:

- (a) policies and procedures to address risks arising from maturity mismatches between *exposures* and any credit protection on those *exposures*; and
 - (b) policies and procedures relating to concentration risk arising from the application of credit risk mitigation techniques, in particular from large indirect credit *exposures*, for example to a single issuer of securities taken as collateral.
4. Where ~~an institution~~ a firm reduces an *exposure* to a client using an eligible credit risk mitigation technique in accordance with Article 399(1), and Article 403 applies, the ~~firm~~ institution, in the manner set out in Article 403, ~~shall~~ must treat the part of the *exposure* by which the *exposure* to the client has been reduced as having been incurred for the protection provider rather than for the client.

[Note: This rule corresponds to Article 401 of the *CRR* as it applied immediately before revocation by the *Treasury*.]

Article 402 EXPOSURES ARISING FROM MORTGAGE LENDING

1. ~~For the calculation of exposure values for the purposes of Article 395, institutions may, except where prohibited by applicable national law, reduce the value of an exposure or any part of an exposure fully secured by residential property in accordance with Article 125(1) by the pledged amount of the market value or mortgage lending value of the property concerned, but by not more than 50% of the market or 60% of the mortgage lending value if rigorous criteria are in force at the time in the United Kingdom for the assessment of the mortgage lending value in statutory or regulatory provisions, provided that all of the following conditions are met:~~
 - ~~(a) the competent authority has not, in rules, set a risk weight higher than 35% for exposures or parts of exposures secured by residential property in accordance with Article 124(2);~~
 - ~~(b) the exposure or part of the exposure is fully secured by any of the following:~~
 - ~~(i) one or more mortgages on residential property; or~~
 - ~~(ii) a residential property in a leasing transaction under which the lessor retains full ownership of the residential property and the lessee has not yet exercised their option to purchase;~~
 - ~~(c) the requirements laid down in Article 208 and Article 229(1) are met. [Deleted]~~
2. ~~For the calculation of exposure values for the purposes of Article 395, an institution may, except where prohibited by applicable national law, reduce the value of an exposure or any part of an exposure that is fully secured by commercial immovable property in accordance with Article 126(1) by the pledged amount of the market value or mortgage lending value of the property concerned, but not by more than 50% of the market value or 60% of the mortgage lending value if rigorous criteria are in force at the time in the United Kingdom for the assessment of the mortgage lending value in statutory or regulatory provisions, provided that all of the following conditions are met:~~
 - ~~(a) the competent authority has not, in rules, set a risk weight higher than 50% for exposures or parts of exposures secured by commercial immovable property in accordance with Article 124(2);~~
 - ~~(b) the exposure is fully secured by any of the following:~~
 - ~~(i) one or more mortgages on offices or other commercial premises; or~~
 - ~~(ii) one or more offices or other commercial premises and the exposures related to property leasing transactions;~~

~~(c) the requirements in point (a) of Article 126(2) and in Article 208 and Article 229(1) are met;~~
~~(d) the commercial immovable property is fully constructed. [Deleted]~~

3. ~~An institution~~ A firm may treat an *exposure* to a counterparty that results from a reverse repurchase agreement under which the ~~institution~~ firm has purchased from the counterparty non-accessory independent mortgage liens on immovable property of third parties as a number of individual *exposures* to each of those third parties, provided that all of the following conditions are met:
- (a) the counterparty is an institution or an investment firm;
 - (b) the *exposure* is fully secured by liens on the immovable property of those third parties that have been purchased by the ~~institution~~ firm and the ~~institution~~ firm is able to exercise those liens;
 - (c) the ~~institution~~ firm has ensured that the requirements in Article 208 and Article 229(1) of CRR are met;
 - (d) the ~~institution~~ firm becomes beneficiary of the claims that the counterparty has against the third parties in the event of default, insolvency or liquidation of the counterparty; and
 - (e) the ~~institution~~ firm reports to the ~~PRA~~ competent authority in accordance with Article 394 the total amount of *exposures* to each other institution or investment firm that are treated in accordance with this paragraph.

For these purposes, the ~~institution~~ firm ~~shall~~ must assume that it has an *exposure* to each of those third parties for the amount of the claim that the counterparty has on the third party instead of the corresponding amount of the *exposure* to the counterparty. The remainder of the *exposure* to the counterparty, if any, shall continue to be treated as an *exposure* to the counterparty.

[Note: This rule corresponds to Article 402 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

Article 403 SUBSTITUTION APPROACH

1. Where an *exposure* to a client is guaranteed by a third party or is secured by collateral issued by a third party, ~~an institution~~ a firm may:
- (a) treat the portion of the *exposure* which is guaranteed as an *exposure* to the guarantor rather than to the client, provided that the unsecured *exposure* to the guarantor would be assigned a risk weight that is equal to or lower than the risk weight of the unsecured *exposure* to the client under Chapter 2 of Title II of Part Three of CRR;
 - (b) treat the portion of the *exposure* collateralised by the market value of recognised collateral as *exposure* to the third party rather than to the client, provided that the *exposure* is secured by collateral and provided that the collateralised portion of the *exposure* would be assigned a risk weight that is equal to or lower than the risk weight of the unsecured *exposure* to the client under Chapter 2 of Title II of Part Three of CRR.

The approach referred to in point (b) of the first subparagraph ~~shall~~ must not be used by ~~an institution~~ a firm where there is a mismatch between the maturity of the *exposure* and the maturity of the protection.

For the purpose of this Part, ~~an institution~~ a firm may use both the Financial Collateral Comprehensive Method and the treatment set out in point (b) of the first subparagraph of this paragraph only where it is permitted to use both the Financial Collateral Comprehensive Method and the Financial Collateral Simple Method for the purposes of Article 92 of CRR.

2. Where ~~an institution~~ a firm applies point (a) of paragraph 1, the ~~institution~~ firm:

- (a) where the guarantee is denominated in a currency different from that in which the *exposure* is denominated, ~~shall~~must calculate the amount of the *exposure* that is deemed to be covered in accordance with the provisions on the treatment of currency mismatch for unfunded credit protection set out in Part Three of CRR;
 - (b) ~~shall~~must treat any mismatch between the maturity of the *exposure* and the maturity of the protection in accordance with the provisions on the treatment of maturity mismatch set out in Chapter 4 of Title II of Part Three of CRR; and
 - (c) may recognise partial coverage in accordance with the treatment set out in Chapter 4 of Title II of Part Three of CRR.
3. For the purposes of point (b) of paragraph 1, ~~an institution~~a firm may replace the amount in point (a) of this paragraph with the amount in point (b) of this paragraph, provided that the conditions set out in points (c), (d) and (e) of this paragraph are met:
- (a) the total amount of the ~~firm's institution's~~ *exposure* to a collateral issuer due to tri-party repurchase agreements facilitated by a tri-party agent;
 - (b) the full amount of the limits that the ~~firm institution~~ has instructed the tri-party agent referred to in point (a) to apply to the securities issued by the collateral issuer referred to in that point;
 - (c) the ~~firm institution~~ has verified that the tri-party agent has in place appropriate safeguards to prevent breaches of the limits referred to in point (b);
 - (d) the ~~PRA competent authority~~ has not, in a requirement imposed under *FSMA*, prohibited such replacement;
 - (e) the sum of the amount of the limit referred to in point (b) of this paragraph and any other *exposures* of the ~~firm institution~~ to the collateral issuer does not exceed the limit set out in Article 395(1).

[Note: This rule corresponds to Article 403 of ~~the CRR~~ as it applied immediately before revocation by the *Treasury*.]

5 RULES DETERMINING THE OVERALL EXPOSURE TO A CLIENT OR A GROUP OF CONNECTED CLIENTS IN RESPECT OF TRANSACTIONS WITH UNDERLYING ASSETS (PREVIOUSLY REGULATION (EU) NO 1187/2014)

Article 1 SUBJECT MATTER

~~A firm must use This Chapter 5 of this Large Exposures (CRR) Part of the PRA Rules specifies the conditions and methodologies specified in this Chapter 5 used to determine the overall exposure of a firm an institution to a client or group of connected clients group of connected clients in respect of exposures through transactions with underlying assets and the conditions under which the structure of transactions with underlying assets does not constitute an additional exposure.~~

[Note: This rule corresponds to Article 1 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 3 IDENTIFICATION OF EXPOSURES RESULTING FROM TRANSACTIONS

1. ~~An institution shall~~ A firm must determine the contribution to the overall *exposure* to a certain client or ~~group of connected clients~~ group of connected clients that results from a certain *transaction* in accordance with the methodology set out in Articles 4, 5 and 6.

The ~~institution shall~~ firm must determine separately for each of the underlying assets its *exposure* to this underlying asset in accordance with Article 5.
2. ~~An institution shall~~ A firm must assess whether a certain *transaction* constitutes an additional *exposure* in accordance with Article 7.

[Note: This rule corresponds to Article 3 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 4 TRANSACTIONS WHICH THEMSELVES HAVE UNDERLYING ASSETS

1. When assessing the underlying *exposures* of a *transaction* (transaction A) which itself has an underlying *exposure* to another *transaction* (transaction B) for the purpose of Articles 5 and 6, ~~an institution shall~~ a firm must treat the *exposure* to transaction B as replaced with the *exposures* underlying transaction B.
2. Paragraph 1 ~~applies~~ shall apply as long as the underlying *exposures* are *exposures* to *transactions* with underlying assets.

[Note: This rule corresponds to Article 4 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 5 CALCULATION OF THE EXPOSURE VALUE

1. The *exposure* of ~~a firm~~ a firm ~~an institution~~ to an underlying asset of a *transaction* is the lower of the following:
 - (a) the *exposure* value of the *exposure* arising from the underlying asset;
 - (b) the total *exposure* value of the ~~institution's~~ firm's *exposures* to the underlying asset resulting from all *exposures* of the ~~institution~~ firm to the *transaction*.
2. For each *exposure* of ~~an institution~~ a firm to a *transaction*, the *exposure* value of the resulting *exposure* to an underlying asset shall be determined as follows:
 - (a) if the *exposures* of all investors in this *transaction* rank *pari passu*, the *exposure* value of the resulting *exposure* to an underlying asset shall be the pro rata ratio for the ~~institution's~~ firm's *exposure* to the *transaction* multiplied by the *exposure* value of the *exposure* formed by the underlying asset;
 - (b) in cases other than those referred to in point (a) the *exposure* value of the resulting *exposure* to an underlying asset shall be the pro rata ratio for the ~~institution's~~ firm's *exposure* to the *transaction* multiplied by the lower of:
 - (i) the *exposure* value of the *exposure* formed by the underlying asset;
 - (ii) the total *exposure* value of the ~~institution's~~ firm's *exposure* to the *transaction* together with all other *exposures* to this *transaction* that rank *pari passu* with the ~~institution's~~ firm's *exposure*.

3. The pro rata ratio for ~~a firm's~~ an institution's exposure to a *transaction* shall be the exposure value of the ~~firm's~~ institution's exposure divided by the total exposure value of the ~~firm's~~ institution's exposure together with all other exposures to this *transaction* that rank *pari passu* with the ~~firm's~~ institution's exposure.

[Note: This rule corresponds to Article 5 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 6 PROCEDURE FOR DETERMINING THE CONTRIBUTION OF UNDERLYING EXPOSURES TO OVERALL EXPOSURES

1. For each credit risk exposure for which the obligor is identified, ~~an institution~~ a firm ~~shall~~ must include the exposure value of its exposure to the relevant underlying asset when calculating the overall exposure to this obligor as an individual client or to the ~~group of connected clients~~ group of connected clients to which this obligor belongs.
2. If ~~a firm~~ an institution has not identified the obligor of an underlying credit risk exposure, or where ~~a firm~~ an institution is unable to confirm that an underlying exposure is not a credit risk exposure, the ~~firm~~ institution ~~shall~~ must assign this exposure as follows:
 - (a) where the exposure value does not exceed 0.25% of the ~~firm's~~ institution's Tier 1 capital, it ~~shall~~ must assign this exposure to the *transaction* as a separate client;
 - (b) where the exposure value is equal to or exceeds 0.25% of the ~~firm's~~ institution's Tier 1 capital and the ~~firm~~ institution can ensure, by means of the *transaction's* mandate, that the underlying exposures of the *transaction* are not connected with any other exposures in its portfolio, including underlying exposures from other *transactions*, it ~~shall~~ must assign this exposure to the *transaction* as a separate client;
 - (c) in cases other than those referred to in points (a) and (b), it ~~must~~ shall assign this exposure to the *unknown client*.
3. If ~~a firm~~ an institution is not able to distinguish the underlying exposures of a *transaction*, the ~~firm~~ institution ~~must~~ shall assign the total exposure value of its exposures to the *transaction* as follows:
 - (a) where this total exposure value does not exceed 0.25% of the ~~firm's~~ institution's Tier 1 capital, it ~~must~~ shall assign this total exposure value to the *transaction* as a separate client;
 - (b) in cases other than those referred to in point (a), it ~~must~~ shall assign this total exposure value to the *unknown client*.
4. For the purposes of paragraphs 1 and 2, ~~a firm~~ an institution ~~must~~ shall regularly, and at least on a ~~monthly~~ monthly basis, monitor such *transactions* for possible changes in the composition and the relative share of the underlying exposures.

[Note: This rule corresponds to Article 6 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 7 ADDITIONAL EXPOSURE CONSTITUTED BY THE STRUCTURE OF A TRANSACTION

1. The structure of a *transaction* ~~shall~~ does not constitute an additional exposure if the *transaction* meets both of the following conditions:
 - (a) the legal and operational structure of the *transaction* is designed to prevent the manager of the *transaction* or a third party from redirecting any cash flows which result from

the *transaction* to ~~persons~~persons who are not otherwise entitled under the terms of the *transaction* to receive these cash flows; and

- (b) neither the issuer nor any other ~~person~~person can be required, under the *transaction*, to make a payment to the ~~firm~~institution in addition to, or as an advance payment of, the cash flows from the underlying assets.
2. The condition in point (a) of paragraph 1 ~~shall be considered to be~~is met where the *transaction* is one of the following:
- (a) a UK UCITS (as defined in section 237 of *FSMA*); or
 - (b) an *undertaking* established in a *third country* that carries out activities similar to those carried out by a UCITS and which is subject to supervision pursuant to legislation of a *third country* which applies supervisory and regulatory requirements which are at least equivalent to those applied in the *UK* to UK UCITS.

[Note: This rule corresponds to Article 7 of Part 2 of Regulation (EU) No 1187/2014 as it applied immediately before revocation by the *Treasury*.]

Article 8 ENTRY INTO FORCE [DELETED]

[Note: Provision left blank][Deleted]

Annex B

Amendments to the Large Exposures Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part the following definitions shall apply:

...

French NFC

~~means a counterparty that has its registered office in France, and which, at its level and at the highest level of consolidation of its group, belongs to the non-financial corporations sector as defined in point 2.45 of Annex A to Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union.~~

group of connected French NFCs

means

~~(a) where a French NFC is part of a group and the ultimate parent of the group has its registered office in France, the group and all its connected entities within the meaning of point (39) of Article 4(1) of the CRR;~~

~~(b) where a French NFC is part of a group and the ultimate parent of the group has its registered office outside France, the set of French NFCs in the same group and all other entities in France or abroad over which those French NFCs have direct or indirect control, or which are economically dependent on them, within the meaning of point (39) of Article 4(1) of the CRR.~~

highly indebted

~~in relation to a French NFC or a group of connected French NFCs, means that, at the highest level of group consolidation, the following two conditions are met, each condition being calculated based on accounting items defined in accordance with the applicable standard, as presented in the group's financial statements, such statements certified where appropriate by a chartered accountant:~~

~~(a) the first condition is that the leverage ratio is greater than 100%, where the leverage ratio is the ratio between total debt net of cash, and equity; and~~

~~(b) the second condition is that the financial charges coverage ratio is less than 3, where the financial charges coverage ratio is the ratio between, on the one hand, earnings before interest and tax (EBIT), and, on the other hand, interest and similar charges.~~

...

5 LARGE EXPOSURES – STRICTER REQUIREMENT FOR EXPOSURES OF G-SIIS AND O-SIIS TO CERTAIN FRENCH COUNTERPARTIES [DELETED]

Application and interpretation ~~[Deleted]~~

- 5.1 ~~This Chapter applies only to firms that are CRR firms and are, or are controlled by, a G-SII or an O-SII. [Deleted]~~
- 5.2 ~~In 5.6 and 5.7, a reference to an exposure to multiple counterparties means the sum of the exposures to the individual counterparties. [Deleted]~~

Level of application ~~[Deleted]~~

- 5.3 ~~A firm which is a UK parent institution must comply with this Chapter on the basis of its consolidated situation. [Deleted]~~
- 5.4 ~~A firm controlled by a UK parent institution or a UK parent financial holding company or a UK parent mixed financial holding company must comply with this Chapter on the basis of the consolidated situation of that parent institution or holding company. [Deleted]~~
- 5.5 ~~A firm to which 5.3 and 5.4 do not apply must comply with this Chapter on an individual basis. [Deleted]~~

Materiality threshold ~~[Deleted]~~

- 5.6 ~~The reduced limit in 5.7 does not apply unless a firm meets each of the following conditions on the applicable basis determined in accordance with 5.3 to 5.5:~~
- ~~(1) The sum of the firm's exposures to all French NFCs is greater than €2 billion;~~
 - ~~(2) The firm has a qualifying exposure to a French NFC or a group of connected French NFCs, but considering, in the case of a group of connected French NFCs the ultimate parent of which is outside France, only exposures to the French NFCs in the group as required to be reported in templates C 28.00 and C 29.00 of Annex VIII to the Supervisory Reporting ITS; and~~
 - ~~(3) The firm has an exposure meeting the conditions in (2) which is greater than 5% of its Tier 1 capital, after taking into account the effect of the credit risk mitigation techniques and exemptions in accordance with Article 399 to 403 of the CRR. [Deleted]~~

Reduced limit on exposures ~~[Deleted]~~

- 5.7 ~~The limit on exposures as a proportion of Tier 1 capital referred to in Article 395(1) of the CRR is reduced to 5% in respect of a qualifying exposure to a highly indebted French NFC or a highly indebted group of connected French NFCs. [Deleted]~~

Annex C**Amendments to the Reporting (CRR) Part**

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

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6 TEMPLATES AND INSTRUCTIONS

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Annex IX

6.249 Annex IX can be found ~~here~~here.

...