
STATUTORY INSTRUMENTS

2021 No. 1376

The Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021

PART 4

Amendment of Retained Direct EU Legislation

Capital Requirements Regulation

25.—(1) The Capital Requirements Regulation⁽¹⁾ is amended as follows.

(2) In Article 1 (scope)—

- (a) in point (a), for “operational risk, settlement risk and leverage” substitute “operational risk and settlement risk”;
- (b) omit points (b) to (e).

(3) Omit Article 4(1)(149) (definition of “financial report”).

(4) In Article 5 (definitions specific to capital requirements for credit risk), after “Part Three, Title II” insert “and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(5) In Article 46(4) (deduction of holdings of Common Equity Tier 1 instruments where an institution does not have a significant investment in a financial sector entity), after “Title II of Part Three” insert “, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(6) In Article 49(2) (requirement for deduction where consolidation or supplementary supervision is applied)—

- (a) in paragraph 4, after “Title II of Part Three” insert “and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”;
- (b) in paragraph 5—
 - (i) omit “and Annex 1 of Chapter 3 of the FCA General Prudential sourcebook”;
 - (ii) for “Article 6 of and Annex I to that Directive” substitute “Chapter 3 and Annex 2 of the Financial Conglomerates Part of the PRA Rulebook”.

(7) In Article 60(4) (deduction of holdings of Additional Tier 1 instruments where an institution does not have a significant investment in a financial sector entity), after “Title II of Part Three”

(1) EUR 2013/575, amended, or prospectively amended, by sections 1 and 7 of, and Schedules 1 and 4 to, the Financial Services Act 2021 (c. 22) and [S.I. 2018/1401](#), [2019/264](#), [2019/660](#), [2019/710](#), [2019/1232](#), [2020/1301](#), [2020/1385](#), [2020/1470](#) and [2021/558](#).

(2) Article 49 was amended by [S.I. 2018/1401](#) and [S.I. 2019/264](#).

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insert “, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(8) In Article 62(c) (tier 2 items), after “Title II of Part Three”, in each place it occurs, insert “and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(9) In Article 63 (tier 2 instruments)(3), in points (n) and (o)—

- (a) for “a Member State” in all places substitute “the United Kingdom”;
- (b) for “Union” in all places substitute “United Kingdom”.

(10) In Article 70(4) (deduction of Tier 2 instruments where an institution does not have a significant investment in a relevant entity), after “Title II of Part Three” insert “, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(11) In Article 72i(4) (deduction of eligible liabilities where the institution does not have a significant investment in G-SII entities), after “Title II of Part Three” insert “, Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(12) In Article 74 (holdings of capital instruments issued by regulated financial sector entities that do not qualify as regulatory capital), after “Title II of Part Three” insert “and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(13) In Article 89(3)(a) (risk weighting and prohibition of qualifying holdings outside the financial sector)(4), after “Part Three” insert “and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(14) In Article 92(3) (own funds requirements)(5)—

- (a) in point (a), for “Title II and Article 379” substitute “Title II and Article 379 of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”;
- (b) in point (b)(i), omit “, excluding the approaches set out in Chapters 1a and 1b of that Title”;
- (c) in point (b)(ii), for “Part Four” substitute “the Large Exposures (CRR) Part of the PRA Rulebook”;
- (d) in point (c), omit “, excluding the approaches set out in Chapters 1a and 1b of that Title,”;
- (e) in point (f), after “Title II” insert “and Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(15) In Article 111(2) (exposure value), after “Chapter 6”, in each place it occurs, insert “of this Regulation and Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(16) In Article 124 (exposures secured by mortgages on immovable property)(6)—

- (a) in the first subparagraph of paragraph 2, after “Article 430a” insert “of Chapter 4 of the Reporting (CRR) Part of the PRA Rulebook”;
- (b) in paragraph 4, for “FCA and PRA may each” substitute “PRA may”.

(3) Article 63 was amended by [S.I. 2019/264](#).

(4) Article 89 was amended by [S.I. 2018/1401](#).

(5) Article 92 is prospectively amended by paragraph 3 of Schedule 4 to the Financial Services Act 2021.

(6) Article 124 was amended by [S.I. 2020/1385](#).

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(17) In Article 144(1)(g) (competent authorities' assessment of an application to use an IRB approach)(7), after "Article 430" insert "of Chapter 4 of the Reporting (CRR) Part of the PRA Rulebook".

(18) In Article 164(6) (loss given default)(8), after "Article 430a" insert "of Chapter 4 of the Reporting (CRR) Part of the PRA Rulebook".

(19) In Article 166(5) and (7) (exposures to corporates, institutions, central governments and central banks and retail exposures), after "Chapter 6" insert "of this Regulation and Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook".

(20) In Article 176(1) (data maintenance), for "Part Eight" substitute "the Disclosure (CRR) Part of the PRA Rulebook".

(21) In Article 181(1)(g) (requirements specific to own-LGD estimates)(9), for "Chapter 6, Section 5 or 6" substitute "Chapter 6, Section 6 of this Regulation or Section 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook".

(22) In Article 193(5)(b) and (6)(b) (principles for recognising the effect of credit risk mitigation techniques), after "Chapter 2" insert "of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook".

(23) In Article 197(8)(b) (eligibility of collateral under all approaches and methods)(10), omit "in point (k) of Article 400(2), in point (e) of Article 416(3),".

(24) In Article 222 (financial collateral simple method) —

(a) in paragraph (3), after "Chapter 2", in each place it occurs, insert "of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook";

(b) in paragraph (5), in the first sub-paragraph, after "Chapter 6" insert "of this Regulation and Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook".

(25) In Article 223(5A) (financial Collateral Comprehensive Method)(11), for "Chapter 6", in each place it occurs, substitute "Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook".

(26) In Article 235(1) (calculating risk-weighted exposure amounts under the Standardised Approach), after "Chapter 2", in both places it occurs, insert "of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook".

(27) In Article 249(2) (recognition of credit risk mitigation for securitisation positions)(12), after "Chapter 2" insert "of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook".

(28) In Article 251(1) (originator institutions' calculation of risk-weighted exposure amounts securitised in a synthetic securitisation), after "Chapter 2" insert "of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook".

(7) Article 144 was amended by [S.I. 2018/1401](#) and is prospectively amended by paragraph 5 of Schedule 4 to the Financial Services Act 2021.

(8) Article 164 was amended by [S.I. 2020/1385](#).

(9) Article 181 was amended by [S.I. 2018/1401](#) and is prospectively amended by paragraph 47 of Schedule 1 to the Financial Services Act 2021.

(10) Article 197 was amended by [S.I. 2018/1401](#) and is prospectively amended by paragraph 47 of Schedule 1 to the Financial Services Act 2021.

(11) Paragraph (5A) of Article 223 is prospectively inserted by paragraph 7 of Schedule 4 to the Financial Services Act 2021.

(12) Article 249 was amended by [S.I. 2019/660](#).

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(29) In Article 255(6) (determination of K_{IRB} and K_{SA})(13), after “Chapter 2” insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(30) In Article 267(2) (maximum risk weight for senior securitisation positions: look-through approach), for “Chapter 2 or 3” substitute “Chapter 2 of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook or Chapter 3”.

(31) In Article 268(1) (maximum capital requirements), for “Chapter 2 or 3” substitute “Chapter 2 of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook or Chapter 3 of this Regulation”.

(32) After Article 269 (re-securitisations) insert—

“Article 269a

NPE securitisations

1. The risk weight for a position in an NPE securitisation calculated in accordance with this Chapter is subject to the requirements laid down in the Non-Performing Exposures Securitisation (CRR) Part of the PRA Rulebook.

2. In this Article:

‘non-performing exposure’ means an exposure that meets any of the conditions set out in Article 47a(3);

‘NPE securitisation’ means a securitisation backed by a pool of non-performing exposures the nominal value of which makes up not less than 90% of the entire pool’s nominal value at the time of origination and at any later time where assets are added to or removed from the underlying pool due to replenishment or restructuring.”.

(33) In Article 283 (permission to use the internal model method)(14)—

- (a) in paragraph 1, in the last subparagraph, for “Sections 3 to 5” substitute “Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”;
- (b) in paragraph 3, for “Section 3 or Section 5” substitute “Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”;
- (c) in paragraph 4, for “Section 3” substitute “Section 3 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”;
- (d) in paragraph 5, for “Section 3 or Section 5” substitute “Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(34) In Article 291(5) (wrong-way risk), in point (d), after “Chapter 2” insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(35) In Article 298 (effects of recognition of netting as risk-reducing)(15), for “Sections 3 to 6” substitute “Section 6 of this Chapter, and Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(13) Article 255 was amended by [S.I. 2019/660](#) and is prospectively amended by paragraph 47 of Schedule 1 to the Financial Services Act 2021.

(14) Paragraph 4 of Article 283 is prospectively substituted by paragraph 8 of Schedule 4 to the Financial Services Act 2021.

(15) Article 298 was amended by [S.I. 2018/1401](#).

(36) In Article 325 (approaches for calculating the own funds requirements for market risk)(16), omit paragraph 3 and paragraphs 5 to 9.

(37) Omit Article 325a (exemptions from specific reporting requirements for market risk).

(38) In Part Three (capital requirements), Title IV (own funds requirements for market risk)—

(a) omit Chapter 1a (alternative standardised approach) (Articles 325c to 325ay);

(b) omit Chapter 1b (alternative internal model approach) (Articles 325az to 325bp).

(39) In Article 350(4)(b) (specific methods for CIUs), omit “, provided that the CIU management company meets the criteria set out in Article 132(3)(a)”.

(40) In Article 353(2)(b) (foreign exchange risk of CIUs), omit “, provided that the CIU management company meets the criteria set out in point (a) of Article 132(3)”.

(41) In Article 379(2) (free deliveries), after “Part Three, Title II, Chapter 2” insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(42) In Article 381 (meaning of credit valuation adjustment), for “and Chapter 6 of Title II” substitute “, Chapter 6 of Title II of this Regulation and Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(43) In Article 383(4) (advanced method)—

(a) in the first paragraph, for “Section 3, Section 4 or Section 5 of Title II, Chapter 6”, in both places it occurs, substitute “Section 3, Section 4 or Section 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”;

(b) in point (b), for “Section 3, Section 4 or Section 5 of Title II, Chapter 6” substitute “Section 3, Section 4 or Section 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook”.

(44) In Article 384(1) (standardised method)(17)—

(a) in the paragraph starting “Counterparty ‘i’”, in point (b), after “Title II, Chapter 2” insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”;

(b) in the formula for “ EAD_i^{total} ”, for “Sections 3 to 6 of Chapter 6 of Title II” substitute “Sections 3 to 5 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook and Section 6 of this Chapter”.

(45) Omit Article 461a (alternative standardised approach for market risk).

(46) In Article 468(5) (temporary treatment in view of the COVID-19 pandemic), for “Part Eight” substitute “the Disclosure (CRR) Part of the PRA Rulebook”.

(47) Omit Article 470 (exemption from deduction from Common Equity Tier 1 items).

(48) Omit Article 472 (items not deducted from Common Equity Tier 1).

(49) In Article 473a(8) (introduction of IFRS 9), for “Part Eight” substitute “the Disclosure (CRR) Part of the PRA Rulebook”.

(50) Omit Article 475 (items not deducted from Additional Tier 1 items).

(51) Omit Article 477 (deductions from Tier 2 items).

(52) Omit Article 478 (applicable percentages for deduction from Common Equity Tier 1, Additional Tier 1 and Tier 2 items).

(16) Article 325 was amended by [S.I. 2019/1232](#) and is prospectively amended by paragraph 47 of Schedule 1 to the Financial Services Act 2021.

(17) Article 384 is prospectively amended by paragraph 11 of Schedule 4 to the Financial Services Act 2021.

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(53) Omit Article 481 (additional filters and deductions).

(54) Omit Article 495 (treatment of equity exposures under the IRB approach).

(55) In Article 501(1) (adjustment of risk-weighted non-defaulted SME exposures), after “Title II of Part Three” insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

(56) In Annex III (items subject to supplementary reporting of liquid assets)(18), after “Title II of Part Three”, in each place it occurs, insert “of this Regulation and Articles 132a to 132c of Chapter 3 of the Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part of the PRA Rulebook”.

Commencement Information

II Reg. 25 in force at 1.1.2022, see [reg. 1\(3\)](#)

(18) Annex III was amended by [S.I. 2018/1401](#) and is prospectively amended by paragraph 46 of Schedule 1 to the Financial Services Act 2021.

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Changes and effects yet to be applied to :

- Regulations power to modify conferred by [2023 c. 29 s. 3Sch. 1 Pt. 2](#)
- Regulations revoked by [2023 c. 29 Sch. 1 Pt. 2](#)