Draft Regulations laid before Parliament under section 9N(1) of the Bank of England Act 1998, sections 22B(3)(a) and 429(2) of the Financial Services and Markets Act 2000, section 258A(3)(b) of the Banking Act 2009, and sections 3(7), 45(4) and 46(3) of the Financial Services Act 2021 for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2021 No. 0000

FINANCIAL SERVICES

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

Made - - - - ***

Coming into force in accordance with regulation 1(2) and (3)

The Treasury, in exercise of the powers conferred by sections 9I(2) and 9L(1) and (4)(a) of the Bank of England Act 1998(**a**), sections 22A, 144F(1) and 428(3) of the Financial Services and Markets Act 2000(**b**), section 258A(2)(b) of the Banking Act 2009(**c**), section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018(**d**), and sections 3(1), (5) and (6) and 45(1) and (3) of the Financial Services Act 2021(**e**) make the following Regulations.

In accordance with section 3(4) of the Financial Services Act 2021, the Treasury consider that the provisions of the Capital Requirements Regulation(**f**) revoked by these Regulations have been adequately replaced by general rules made by the Prudential Regulation Authority.

In accordance with section 9L(2)(a) of the Bank of England Act 1998, the Treasury have consulted the Financial Policy Committee.

In the opinion of the Treasury, one of the effects of these Regulations is that an activity will become a PRA-regulated activity within the meaning of the Financial Services and Markets Act 2000(**g**).

(**a**) 1998 c. 11; sections 9I and 9L were inserted by section 4(1) of the Financial Services Act 2012 (c. 21).
(**b**) 2000 c. 8; section 22A was inserted by section 9 of the Financial Services Act 2012; section 144F was inserted by paragraph 1 of Schedule 3 to the Financial Services Act 2021 (c. 22).
(**c**) 2009 c. 1; section 258A was inserted by section 21 of the Financial Services Act 2012. Section 258A has been amended by S.I. 2013/3115, 2018/1392 and 2020/1385.
(**d**) 2018 c. 16; section 8 was amended by section 27 of the European Union (Withdrawal Agreement) Act 2020 (c. 1).
(**e**) 2021 c. 22.
(**f**) 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, 660, 710 and 1232, 2020/1301, 1385 and 1470 and 2021/558.
(**g**) See section 22B(2)(a)(i) of the Financial Services and Markets Act 2000.

A draft of these Regulations has been laid before and approved by a resolution of each House of Parliament, in accordance with section 9N(1) of the Bank of England Act 1998(**a**), sections 22B (3)(a) and 429(2) of the Financial Services and Markets Act 2000(**b**), section 258A(3)(b) of the Banking Act 2009 and sections 3(7), 45(4) and 46(3) of the Financial Services Act 2021.

PART 1

Introduction

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Financial Services Act 2021 (Prudential Regulation of Credit Institutions and Investment Firms) (Consequential Amendments and Miscellaneous Provisions) Regulations 2021.

(2) This Part and Part 6 come into force on the day after the day on which these Regulations are made.

(3) The remaining Parts come into force on 1st January 2022.

(4) These Regulations extend to England and Wales, Scotland and Northern Ireland.

PART 2

Amendment of Primary Legislation and Northern Ireland Legislation

Insolvency Act 1986

2.—(1) Section 387A (financial institutions and their non-preferential debts) of the Insolvency Act 1986(**c**) is amended as follows.

(2) In subsection (1)—

(a) after paragraph (d) insert—

"(da) an investment holding company,";

(b) for paragraph (e) substitute—

"(e) a financial institution which is—

(i) a subsidiary of an entity referred to in paragraphs (a) to (da), and

(ii) covered by the supervision of that entity on a consolidated basis by the Financial Conduct Authority in accordance with Part 9C rules or by the Prudential Regulation Authority in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms(**d**) or CRR rules, or,".

(3) At the end of subsection (2) insert ", except for the definitions of "consolidated basis" and "consolidated situation"".

(4) After subsection (2) insert—

"(2A) For the purposes of subsection (1)—

(**a**) 1998 c. 11; section 9N was inserted by section 4(1) of the Financial Services Act 2012.

(**b**) 2000 c. 8; section 22B was inserted, with section 22A, by section 9 of the Financial Services Act 2012; "PRA-regulated activity" is defined in section 22 of the Financial Services and Markets Act 2000, which has been amended by section 7(1) of the Financial Services Act 2012; section 144F was inserted by paragraph 1 of Schedule 3 to the Financial Services Act 2021 (c. 22); and section 429(2) was amended by section 5 and paragraph 19 of Schedule 3 to that Act.

(**c**) 1986 c. 45; section 387A was inserted by S.I. 2018/1244.

(**d**) 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, 660, 710 and 1232, 2020/1301, 1385 and 1470 and 2021/558.

"on a consolidated basis" means on the basis of the consolidated situation;

"consolidated situation" means the situation that results from an entity being treated, for the purposes of Part 9C rules, Regulation (EU) 575/2013 or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity;

"CRR rules" has the meaning given in section 144A of the Financial Services and Markets Act 2000(**a**);

"Part 9C rules" has the meaning given in section 143F of the Financial Services and Markets Act 2000(**b**).".

Insolvency (Northern Ireland) Order 1989

3.—(1) Article 347A (financial institutions and their non-preferential debts) of the Insolvency (Northern Ireland) Order 1989(**c**) is amended as follows.

(2) In paragraph (1)—

(a) after sub-paragraph (d) insert—

"(da) an investment holding company,";

(b) for sub-paragraph (e) substitute—

"(e) a financial institution which is—

(i) a subsidiary of an entity referred to in sub-paragraphs (a) to (da), and

(ii) covered by the supervision of that entity on a consolidated basis by the Financial Conduct Authority in accordance with Part 9C rules or by the Prudential Regulation Authority in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms or CRR rules, or,".

(3) At the end of paragraph (2) insert "except for the definitions of "consolidated basis" and "consolidated situation"".

(4) After paragraph (2) insert—

"(2A) For the purposes of paragraph (1)—

"on a consolidated basis" means on the basis of the consolidated situation;

"consolidated situation" means the situation that results from an entity being treated, for the purposes of Part 9C rules, Regulation (EU) 575/2013 or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity;

"CRR rules" has the meaning given in section 144A of the Financial Services and Markets Act 2000;

"Part 9C rules" has the meaning given in section 143F of the Financial Services and Markets Act 2000.".

Financial Services and Markets Act 2000

4.—(1) The Financial Services and Markets Act 2000(**d**) is amended as follows.

(2) In section 3M(1) (directions relating to consolidated supervision of groups)(**e**)—

(a) at the end of paragraph (a), omit "or";

(b) after paragraph (b) insert—

(**a**) Section 144A was inserted by paragraph 1 of Schedule 3 to the Financial Services Act 2021.
(**b**) Section 143F was inserted by paragraph 1 of Schedule 2 to the Financial Services Act 2021.
(**c**) S.I. 1989/2405 (N.I. 19); article 347A was inserted by S.I. 2018/1244 and modified by S.I. 2020/1350.
(**d**) 2000 c. 8.
(**e**) Section 3M was inserted by the Financial Services Act 2012 (c. 21) and amended by S.I. 2019/632.

"(c) Part 9C rules;

(d) CRR rules; or

(e) rules made under section 192XA.".

(3) In section 55J(6A)(c) (variation or cancellation on initiative of regulator)(**a**), for the words from "the capital requirements regulation" to the end substitute "Part 9C rules".

(4) In section 55PB(6) (requirements relating to general meetings)(**b**), in the definition of "investment firm", for "section 258A of the Banking Act 2009" substitute "Article 4(1)(2) of the capital requirements regulation(**c**)".

(5) In section 71I(1)(c) (sections 71B to 71H: interpretation)(**d**), for "section 258A of the Banking Act 2009" substitute "Article 4(1)(2) of the capital requirements regulation".

(6) In section 137J(6) (rules about recovery plans: duty to consult)(**e**), in the definition of "institution", for paragraph (b) substitute—

"(b) a designated investment firm as defined in Article 4(1)(2AA) of the capital requirements regulation(**f**);".

(7) In section 192JB(**g**) (rules requiring parent undertakings to facilitate resolution)—

(a) in subsection (3)(c), for "consolidating supervisor of the qualifying parent undertaking" substitute "PRA";

(b) omit subsection (4)(a).

(8) In section 192O(**h**) (interpretation of Part 12B – approval of certain holding companies)—

(a) in subsection (1)—

(i) omit the definition of "consolidated basis";

(ii) before the definition of "designated investment firm" insert—

""on a consolidated basis" means on the basis of the consolidated situation;

"consolidated situation" means the situation that results from an entity being treated, for the purposes of the capital requirements regulation or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity;";

(iii) for the definition of "sub-consolidated basis" substitute—

""on a sub-consolidated basis" means—

(a) on the basis of the consolidated situation of a parent institution, financial holding company or mixed financial holding company, excluding a sub-group of entities, or

(b) on the basis of the consolidated situation of a parent institution, financial holding company or mixed financial holding company that is not the ultimate parent institution, financial holding company or mixed financial holding company;";

(b) in subsection (2)(b), after "capital requirements regulation" insert ", CRR rules".

(9) In section 192R(3)(a) (grant of approval), after "Directive 2013/36/EU UK law" insert ", CRR rules".

(10) In section 192T (measures)—

(**a**) Sections 55A to 55Z and 55Z1 to 55Z4 were substituted for Part IV (sections 40 to 55) by the Financial Services Act 2012 (c. 21) and section 55J(6A) was inserted by S.I. 2013/1773 and amended by S.I. 2013/3115 and 2019/632.

(**b**) Section 55PB was inserted by S.I. 2016/1239.

(**c**) Relevant amending instruments are S.I. 2018/1401 and section 1(2) of the Financial Services Act 2021 (c. 22).

(**d**) Section 71I was inserted by S.I. 2016/1239.

(**e**) Section 137J was inserted by section 24(1) of the Financial Services Act 2012 (c. 21) and subsection (6) was amended by S.I. 2019/632.

(**f**) Article 4(1)(2AA) is inserted by section 1(4) of the Financial Services Act 2021 and will come into force on 1st January 2022; see S.I. 2021/671 (C. 27).

(**g**) Section 192JB was inserted by section 133(1) of the Financial Services (Banking Reform) Act 2013 (c. 33) and subsection (4) was substituted by S.I. 2014/3329.

(**h**) Sections 190O, 192R and 192T were inserted by S.I. 2020/1406 and were amended by paragraphs 4, 14, 15 and 16 of Schedule 3 to the Financial Services Act 2021.

(a) in subsection (1)(b), after "Directive 2013/36/ EU UK law" insert ", CRR rules";

(b) in subsection (2)(c), after "Directive 2013/36/ EU UK law" insert ", in CRR rules".

Terrorism Act 2000

5. In paragraph 3(1) of Schedule 3A to the Terrorism Act 2000(**a**) (interpretation of Part 1 – regulated sector), for the definition of "the Capital Requirements Regulation" substitute—

> ""the Capital Requirements Regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

Proceeds of Crime Act 2002

6. In paragraph 3(1) of Schedule 9 to the Proceeds of Crime Act 2002(**b**) (interpretation of Part 1 – regulated sector), for the definition of "the Capital Requirements Regulation" substitute—

> ""the Capital Requirements Regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

Banking (Special Provisions) Act 2008

7.—(1) Section 15 (interpretation) of the Banking (Special Provisions) Act 2008(**c**) is amended as follows.

(2) In subsection (1), after the definition of "pension scheme" insert—

> ""PRA Rulebook" means the rulebook published by the Prudential Regulation Authority containing rules made by that Authority under FSMA 2000 as that rulebook has effect on 1 January 2022;".

(3) In subsection (2), for "Title 1 of Part Two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council" substitute "Title 1 of Part Two of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and the Own Funds and Eligible Liabilities (CRR) Part of the PRA Rulebook".

Counter-Terrorism Act 2008

8. In paragraph 7 of Schedule 7 to the Counter-Terrorism Act 2008(**d**) (interpretation of Part 2 – persons to whom a direction may be given), for the definition of "the capital requirements regulation" substitute—

> ""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

Banking Act 2009

9.—(1) The Banking Act 2009(**e**) is amended as follows.

(2) In section 3 (interpretation: other expressions)—

(**a**) 2000 c. 11; Schedule 3A was inserted by section 3 and paragraphs 5(1) and (6) of Part 3 of Schedule 2 to the Anti-terrorism, Crime and Security Act 2001 (c. 24) and the definition of "Capital Requirements Regulation" in paragraph 3(1) of Schedule 3A was inserted by S.I. 2013/3115.

(**b**) 2002 c. 29; Part 1 of Schedule 9 was substituted by article 2 of S.I. 2007/3287; the definition of "Capital Requirements Regulation" was inserted by S.I. 2013/3115 and amended by S.I. 2017/692.

(**c**) 2008 c. 2; section 15(2) was amended by S.I. 2013/3115.

(**d**) 2008 c. 28; paragraph 7 of Part 2 of Schedule 7 was amended by S.I. 2013/3115.

(**e**) 2009 c. 1.

(a) in subsection (1)—

(i) after the definition of "the capital requirements regulation"(**a**) insert—

""CRR rules" has the meaning given in section 144A of the Financial Services and Markets Act 2000(**b**),";

(ii) in the definition of "own funds requirements", for "Articles 92 to 98 of the capital requirements regulation" substitute "Articles 92 to 93 of the capital requirements regulation and Article 94 of Chapter 3 of the Trading Book (CRR) Part of the PRA Rulebook";

(b) in subsection (4), for "IP completion day" substitute "1 January 2022".

(3) In section 6A (cases where mandatory write-down, conversion, etc applies)(**c**)—

(a) in subsection (8)(a), after "capital requirements regulation" insert "or CRR rules";

(b) in subsection (9), for the definitions of "consolidated basis" and "consolidating supervisor" substitute—

""on a consolidated basis" means on the basis of the consolidated situation,

"consolidated situation" means the situation that results from an entity being treated, for the purposes of the capital requirements regulation or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity,

"consolidating supervisor" means supervisor responsible for the exercise of supervision of an entity on a consolidated basis,".

Bankruptcy (Scotland) Act 2016

10.—(1) Section 129A (interpretation of section 129 – priority in distribution) of the Bankruptcy (Scotland) Act 2016(**d**) is amended as follows.

(2) In subsection (5)—

(a) after paragraph (d) insert—

"(da) an investment holding company,";

(b) for paragraph (e) substitute—

"(e) a financial institution which is—

(i) a subsidiary of an entity referred to in paragraphs (a) to (da), and

(ii) covered by the supervision of that entity on a consolidated basis by the Financial Conduct Authority in accordance with Part 9C rules or by the Prudential Regulation Authority in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms or CRR rules, or,".

(3) At the end of subsection (6) insert "except for the definitions of "consolidated basis" and "consolidated situation"".

(4) After subsection (6) insert—

"(7) For the purposes of subsection (5)—

"on a consolidated basis" means on the basis of the consolidated situation;

"consolidated situation" means the situation that results from an entity being treated, for the purposes of Part 9C rules, Regulation (EU) 575/2013 or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity;

(**a**) The definition of "the capital requirements regulation" in section 3(1) was inserted by S.I. 2014/3329 and amended by S.I. 2018/1394 and 2020/1385.

(**b**) 2000 c. 8; section 144A was inserted by paragraph 1 of Schedule 3 to the Financial Services Act 2021.

(**c**) Section 6A was inserted by S.I. 2014/3329 and amended by S.I. 2016/1239 and 2018/1394.

(**d**) 2016 asp 21; section 129A was inserted by S.I. 2018/1244.

"CRR rules" has the meaning given in section 144A of the Financial Services and Markets Act 2000;

"Part 9C rules" has the meaning given in section 143F of the Financial Services and Markets Act 2000.".

PART 3

Amendments to Secondary Legislation

Financial Services and Markets Act 2000 (Gibraltar) Order 2001

11. For article 2A(4) of the Financial Services and Markets Act 2000 (Gibraltar) Order 2001(**a**) (the passport rights regulations: Gibraltar-based firms) substitute—

"(4) Regulation 2A(2) is to be read as if the words from "to which" to "applies" were omitted.".

Financial Conglomerates and Other Financial Groups Regulations 2004

12. In regulation 1(2) (interpretation) of the Financial Conglomerates and Other Financial Groups Regulations 2004(**b**)—

(a) omit the definition of "the capital requirements directive";

(b) omit the definition of "the capital requirements regulation".

Electronic Money Regulations 2011

13. In regulation 2(1) (interpretation) of the Electronic Money Regulations 2011(**c**), for the definition of "the capital requirements regulation" substitute—

""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

Bank of England Act 1998 (Macro-prudential Measures) Order 2013

14. In article 1(2) (interpretation) of the Bank of England Act 1998 (Macro-prudential Measures) Order 2013(**d**), in the definition of "financial sector entity", for paragraph (e) substitute—

"(e) a financial institution within the meaning of Article 4(1)(26) of the capital requirements regulation,".

Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013

15.—(1) The Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013(**e**) is amended as follows.

(2) In article 1(3) (interpretation)—

(a) after the definition of "the Act" insert—

""controlled function" has the meaning given by section 59(3) of the Financial Services and Markets Act 2000;";

(**a**) S.I. 2001/3084, as amended by S.I. 2018/589. These Regulations are prospectively revoked by paragraph 19 of Schedule 8 to the Financial Services Act 2021.
(**b**) S.I. 2004/1862, as amended by S.I. 2013/3115; there are other amending instruments but none are relevant.
(**c**) S.I. 2011/99 as amended by S.I. 2013/3115; there are other amending instruments but none are relevant.
(**d**) S.I. 2013/644, as amended by S.I. 2018.1297; there are other amending instruments but none are relevant.
(**e**) S.I. 2013/556, amended by S.I. 2019/632; there is another amending instrument but it is not relevant.

(b) after the definition of "dealing in investments as principal" insert—

""FCA controlled function" means a controlled function specified in rules made by the FCA;

"PRA controlled function" means a controlled function specified in rules made by the PRA;".

(3) In article 3 (dealing in investments as principal: designation by the PRA)—

(a) at the end of paragraph (1)(a) insert "and";

(b) omit paragraph (1)(b) and the "and" following it;

(c) omit paragraph (3);

(d) in paragraph (4)(b)(i), for "conditions in paragraphs (2) and (3)" substitute "condition in paragraph (2)".

(4) In article 9 (statement of policy: procedure)—

(a) omit paragraph (1)(b);

(b) in paragraph (5)(a), omit "and Bank of England";

(c) in paragraph (7)(b), for "to" substitute "and".

(5) In article 10 (transitional provisions where an authorised person becomes a PRA-authorised person), for paragraph (6) substitute—

"(6) Where—

(a) approval is given to a person by the FCA under section 59 of the Act(**a**) in relation to PRA AP for the performance of an FCA controlled function, and

(b) that approval is given before the effective date,

that approval is to be treated from the effective date as approval given by the PRA for the performance by that person of a PRA controlled function.".

(6) In article 11 (transitional provisions where a person ceases to be a PRA-authorised person), for paragraph (6) substitute—

"(6) Where—

(a) approval is given to a person by the PRA under section 59 of the Act in relation to AP for the performance of a PRA controlled function, and

(b) that approval is given before the effective date,

that approval is to be treated from the effective date as approval given by the FCA for the performance by that person of an FCA controlled function.".

Capital Requirements Regulations 2013

16.—(1) The Capital Requirements Regulations 2013(**b**) are amended as follows.

(2) In regulation 2(1) (interpretation)—

(a) omit the definition of "appropriate regulator";

(b) omit the definition of "capital requirements directive";

(c) after the definition of "capital requirements regulation" insert—

""on a consolidated basis" means on the basis of the consolidated situation;

(**a**) Section 59 of the Financial Services and Markets Act 2000 was amended by section 18 of, and paragraph 1 of Schedule 3 to, the Financial Services (Banking Reform) Act 2013 (c. 33), paragraph 2 of Schedule 4 to the Bank of England and Financial Services Act 2016 (c. 14), section 14 of the Financial Services Act 2012 (c. 21) and S.I. 2013/1773.

(**b**) S.I. 2013/3115, amended by paragraphs 22 and 23 of Schedule 3 to the Financial Services Act 2021 (c. 22); relevant amending instruments are S.I. 2018/1401, S.I. 2019/264 and S.I. 2020/1406.

"consolidated situation" means the situation that results from an entity being treated, for the purposes of the capital requirements regulation or CRR rules (as appropriate), as if that entity and one or more other entities formed a single entity;

"CRR rules" has the meaning given in section 144A of FSMA;".

(3) In regulation 2A(1) (interpretation: regulators' rules)(**a**)—

(a) in paragraph (a), for "IP completion day" substitute "1 January 2022";

(b) omit paragraph (b);

(c) in paragraph (c)(i), for "IP completion day" substitute "1 January 2022".

(4) In regulation 4 (main provisions of the capital requirements regulation and Directive 2013/36/EU UK law) omit paragraph (b).

(5) In regulation 21 (assessment of equivalence of consolidated supervision by supervisory authorities in third countries)—

(a) in paragraph (1)—

(i) in sub-paragraph (a), omit "or FCA";

(ii) in sub-paragraph (c), omit "FCA or";

(iii) in sub-paragraphs (d) and (e)(ii), omit "or FCA";

(b) for paragraph (2) substitute—

"(2) The PRA must assess whether a relevant institution is subject to supervision on a consolidated basis by a supervisory authority of a country outside the United Kingdom which is equivalent to the standard of supervision on a consolidated basis applied by the PRA in accordance with Directive 2013/36/EU UK law, the capital requirements regulation and CRR rules.";

(c) in paragraph (4)—

(i) in the opening words, for "appropriate regulator", in both places it occurs, substitute "PRA";

(ii) in sub-paragraph (a), for "and capital requirements regulation" substitute ", the capital requirements regulation and CRR rules".

(6) In the heading of Part 7 (exercise of supervision by the PRA and FCA), omit "and FCA".

(7) In regulation 34 (supervisory powers: own funds)—

(a) in paragraph (1)—

(i) in the opening words, omit "and FCA";

(ii) for sub-paragraph (b) substitute—

"(b) the requirements of the capital requirements regulation and CRR rules relating to risks or elements of risks not covered by Article 1 of the capital requirements regulation or CRR rules;";

(b) in paragraph (2)—

(i) in sub-paragraph (b), for "or in the capital requirements regulation" substitute ", the capital requirements regulation or CRR rules";

(ii) in sub-paragraph (e), for "or the capital requirements regulation" substitute ", the capital requirements regulation or CRR rules";

(c) in paragraph (3), in the opening words, omit "and FCA";

(d) omit paragraph (3A).

(8) In regulation 34A(1) (supervisory review and evaluation process)(**b**)—

(**a**) Regulation 2A was inserted by S.I. 2018/1401.
(**b**) Regulation 34A and 34B were inserted by S.I. 2018/1401.

(a) in the opening words, for "and the capital requirements regulation" substitute ", the capital requirements regulation and CRR rules";

(b) omit sub-paragraph (b).

(9) In regulation 34B(1) (ongoing review of the permission to use internal approaches), after "the capital requirements regulation" insert "and CRR rules".

(10) In regulation 35 (specific liquidity requirements), in the opening words, for "appropriate regulator" substitute "PRA".

(11) Omit regulation 35A (application of supervisory measures to institutions with similar risk profiles).

(12) In regulation 35B (supervisory powers), in the opening words—

(a) after "Capital Requirements Regulation" insert ", CRR rules";

(b) for "competent authorities" substitute "competent authority".

(13) In regulation 35C(1)(a) (specific publication requirements), for "Part 8 of the capital requirements regulation" substitute "the Disclosure (CRR) Part of the PRA Rulebook".

(14) In regulation 36 (employee remuneration)—

(a) in paragraph (1), in the opening words, for "appropriate regulator" substitute "PRA";

(b) in paragraph (2), from "means" to the end substitute "means rule 15.10 of the Remuneration Part of the PRA Rulebook".

(15) In regulation 37 (diversity practices), in the opening words before paragraph (a), for "appropriate regulator" substitute "PRA".

(16) In regulation 39 (meaning of "permission" and "protected item" in this Part)(**a**)—

(a) in paragraph (1), in the definition of "permission"—

(i) for "an appropriate regulator" substitute "the PRA";

(ii) for "the appropriate regulator" substitute "the PRA";

(iii) in sub-paragraph (c), omit "or FCA";

(b) omit paragraph (2).

(17) In regulation 40 (applications for permissions: process, information and documents), for "appropriate regulator", in each place it occurs, substitute "PRA".

(18) In regulation 41 (decisions: written notices), for "appropriate regulator", in each place it occurs, substitute "PRA".

(19) In regulation 43 (publication of written notices)—

(a) in paragraph (1), for "appropriate regulator" substitute "PRA";

(b) in paragraph (4)(a), for "a regulator" substitute "the PRA";

(c) for "the regulator", in each place it occurs, substitute "the PRA".

Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014

17.—(1) The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014(**b**) are amended as follows.

(2) In regulation 2(1) (interpretation)—

(a) omit the definition of "appropriate regulator";

(b) in the definition of "capital conservation buffer"—

(**a**) Regulation 39 is amended by paragraph 22 of Schedule 3 to the Financial Services Act 2021.
(**b**) S.I. 2014/894, as amended by S.I. 2018/1401.

(i) in paragraph (aa), from "is required to calculate" to the end substitute "must calculate in accordance with Chapter 2 of the Capital Buffers Part of the PRA Rulebook";

(ii) omit paragraph (b);

(c) in the definition of "institution-specific countercyclical capital buffer"—

(i) in paragraph (aa), from "is required to calculate" to the end substitute "must calculate in accordance with Chapter 3 of the Capital Buffers Part of the PRA Rulebook;";

(ii) omit paragraph (b).

(3) In regulation 2—

(a) paragraph (2A), as inserted by regulation 35(3) of the Capital Requirements (Amendment) (EU Exit) Regulations 2018(**a**), is renumbered as paragraph (3A);

(b) in paragraph (3A), as renumbered pursuant to sub-paragraph (a) above, omit sub-paragraph (b).

(4) Omit regulation 6 (exemption for small and medium-sized investment firms).

(5) In regulation 12A(1) (buffer rate rules)(**b**), omit "or paragraph 8 of Part 1 of Schedule 1ZA to FSMA" and "or the FCA".

(6) Omit regulation 20 (exemption for small and medium-sized investment firms).

(7) In regulation 34 (interpretation)—

(a) in paragraph (1)(c)(ii), after "capital requirements regulation" insert ", CRR rules";

(b) in paragraph (3), at the end insert "and "CRR rules" has the meaning given in section 144A of that Act".

(8) In regulation 35 (combined buffer requirement), for "appropriate regulator" substitute "PRA".

Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014

18.—(1) Article 1 (citation, commencement and interpretation) of the Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014(**c**) is amended as follows.

(2) In paragraph (4), for the definition of "liquid assets"(**d**) substitute—

""liquid assets" means assets which qualify towards the liquidity coverage requirement provided for in Article 412 of Chapter 4 (Liquidity (Part Six CRR)) of the Liquidity (CRR) Part of the PRA Rulebook as further specified in Chapter 2 (Rules on standards for the liquidity coverage requirement for credit institutions) of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook;".

(3) After paragraph (4) insert—

"(5) For the purposes of the definition of "liquid assets" in paragraph (4), "PRA Rulebook" means the rulebook published by the PRA containing rules made by that Authority under the Act as that rulebook has effect on 1 January 2022. ".

Bank Recovery and Resolution (No. 2) Order 2014

19.—(1) The Bank Recovery and Resolution (No. 2) Order 2014(**e**) is amended as follows.

(2) In article 2(1)(**f**) (interpretation)—

(**a**) S.I. 2018/1401.
(**b**) Regulation 12A was inserted by S.I. 2018/1401.
(**c**) S.I. 2014/2080.
(**d**) The definition of "liquid assets" was amended by S.I. 2019/632.
(**e**) S.I. 2014/3348.
(**f**) S.I. 2014/3348; the definitions of "appropriate regulator", "conditions for early intervention" and "consolidating supervisor" were amended by, and "investment firm" was inserted by, S.I. 2018/1394.

(a) in paragraph (a) of the definition of "appropriate regulator", for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules";

(b) for the definition of "the capital requirements regulation" substitute—

""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;";

(c) in the definition of "conditions for early intervention", at the end of subparagraph (i) insert "or CRR rules";

(d) for the definition of "the consolidating supervisor" substitute—

""consolidating supervisor" has the meaning given in section 6A(9) of the Banking Act 2009";

(e) after the definition of "critical functions" insert—

""CRR rules" has the meaning given in section 144A of FSMA;";

(f) for the definition of "investment firm" substitute—

""investment firm" has the meaning given in section 258A of the Banking Act 2009(**a**); ".

(3) In article 11(1)(a)(**b**) (application and interpretation of Chapter 1), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(4) In article 33(6)(a) (review of recovery plan), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(5) In article 36 (interpretation of Chapter 1), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(6) In article 53(4)(a) (review of resolution plan), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(7) In article 107 (interpretation of Chapter 1), in the definition of "relevant institution", for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(8) In article 121(1) (interpretation of Chapter 1), in the definition of "relevant institution", for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(9) In article 147(3)(b) (waiver of application of Chapter 4), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(10) In article 154 (interpretation), in the definition of "UK entity", in paragraph (a), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(11) In article 159(1)(a) (application and interpretation of Chapter 1), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(12) In article 181 (interpretation), in the definition of "undertaking", in paragraph (a), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

(13) In article 216(1) (interpretation of Part 17), in the definition of "the use of resolution tools, powers and mechanisms", in paragraph (c), after "capital requirements regulation" insert "and CRR rules".

(**a**) 2009 c. 1; section 258A was inserted by section 21 of the Financial Services Act 2012 (c. 21) and amended by S.I. 2013/3115 and S.I. 2018/1394.

(**b**) Articles 11(1)(a), 33(6)(a), 36, 53(4)(a), 107, 121(1), 147(3)(b), 154, 159(1)(a), 181 and paragraph 4 of Schedule 2 were amended by S.I. 2018/1394.

(14) In paragraph 4 of Schedule 2 (information to be contained in a group resolution plan), in the definition of "group resolution", in paragraph (a), for "Part 6 of the Capital Requirements Regulations 2013" substitute "the capital requirements regulation and CRR rules".

Solvency 2 Regulations 2015

20. In regulation 11 (equivalent provisions) of the Solvency 2 Regulations 2015(**a**), omit paragraph (5).

Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

21.—(1) The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017(**b**) are amended as follows.

(2) In regulation 3(1) (general interpretation), for the definition of "the capital requirements regulation" substitute—

> ""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

(3) In regulation 25(1) (supervisory action), for "or a qualifying parent undertaking (as defined by section 192B of FSMA)" substitute ", a qualifying parent undertaking (as defined by section 192B of FSMA) or a non-authorised parent undertaking (as defined by section 143B of FSMA)".

Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017

22. In regulation 6(6) (requirements applying to exempt investment firms) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2017(**c**), for the definition of "the capital requirements regulation" substitute—

> ""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;".

Payment Services Regulations 2017

23.—(1) The Payment Services Regulations 2017(**d**) are amended as follows.

(2) In regulation 2(1) (interpretation)—

(a) for the definition of "the capital requirements regulation" substitute—

> ""the capital requirements regulation" means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms;";

(b) in the definition of "group", in paragraph (b), omit "or (7)".

(3) In regulation 22(2)(b)(i) (capital requirements), for "under Part 6 of the Capital Requirements Regulations 2013" substitute "in accordance with the capital requirements regulation and CRR rules (as defined in section 144A of the 2000 Act)".

(**a**) S.I. 2015/575; regulation 11 was amended by S.I. 2019/407.
(**b**) S.I. 2017/692.
(**c**) S.I. 2017/701; the definition of "the capital requirements regulation" was inserted by S.I. 2017/1255.
(**d**) S.I. 2017/752, as amended by S.I. 2018/1201; there are other amending instruments but none are relevant.

PART 4

Amendment of Retained Direct EU Legislation

Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories

24.—(1) Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories(**a**) is amended as follows.

(2) In Article 2 (definitions)(**b**), after point (35) insert—

"(36) 'PRA Rulebook' means the rulebook published by the PRA containing rules made by that Authority under FSMA as that rulebook has effect on 1 January 2022.".

(3) In Article 3 (intragroup transactions)(**c**)—

(a) in paragraph (3)—

(i) in point (b), after "Capital Requirements Regulation", in both places it occurs, insert "or CRR rules";

(ii) after point (b) insert—

"or

(c) belong to a group covered by rules made by the FCA under Part 9C of the FSMA (prudential regulation of FCA investment firms) or in relation to a group the parent undertaking of which has its head office in a third country, belong to a group subject to supervision by a third country competent authority verified as equivalent to Part 9C rules;";

(b) at the end insert—

"4. In this Article:

'CRR rules' has the meaning given in section 144A of the FSMA;

'Part 9C rules' has the meaning given in section 143F(1) of the FSMA.".

(4) In Article 50a(1), for "Article 308 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms" substitute "Article 308 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook".

(5) For Article 50a(2) (calculation of KCCP) substitute—

"2. A CCP shall calculate the hypothetical capital as follows:

$$K_{CCP} = \sum_{i} EAD_i \cdot RW \cdot \text{capital ratio}$$

where:

K_{CCP} = the hypothetical capital;

i = the index denoting the clearing member;

EAD_i = the exposure amount of the CCP to clearing member i, including the clearing member's own transactions with the CCP, the client transactions guaranteed by the clearing member, and all values of collateral held by the CCP, including the clearing member's pre-funded default fund contribution, against those transactions, relating to

(**a**) EUR 2012/648, as amended by S.I. 2018/1184, S.I. 2018/1318, S.I. 2019/335, S.I. 2019/1416 and S.I. 2020/646.
(**b**) Points (32) to (35) were inserted by S.I. 2018/1184.
(**c**) Article 3 was amended by S.I. 2019/335 and S.I. 2019/685.

the valuation at the end of the regulatory reporting date before the margin called on the final margin call of that day is exchanged;

RW = a risk weight of 20%; and

capital ratio = 8%.".

(6) For Article 50b (general rules for the calculation of K_{CCP}) substitute—

"*Article 50b*

General rules for the calculation of K_{CCP}

For the purpose of calculating K_{CCP} referred to in Article 50a(2), the following provisions shall apply:

(a) CCPs shall calculate the value of the exposures they have to their clearing members as follows:

(i) for exposures arising from contracts and transactions listed in points (a) or (c) of Article 301(1) of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook, CCPs shall calculate the value in accordance with the method set out in Section 3 of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook by using a margin period of risk of 10 business days;

(ii) for exposures arising from contracts and transactions listed in point (b) of Article 301(1) of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook, CCPs shall calculate the value (EAD_i) in accordance with the following formula:

$$EAD_i = \max \{EBRM_i - IM_i - DF_i; 0\}$$

where:

EAD_i = the exposure value;

i = the index denoting the clearing member;

$EBRM_i$ = the exposure value before risk mitigation that is equal to the exposure value of the CCP to clearing member i arising from all the contracts and transactions with that clearing member, calculated without taking into account the collateral posted by that clearing member;

IM_i = the initial margin posted with the CCP by clearing member i;

DF_i = the pre-funded default fund contribution of clearing member i.

All values in this formula shall relate to the valuation at the end of the day before the margin called on the final margin call of that day is exchanged;

(iii) for situations referred to in the third sentence of the second subparagraph of Article 301(1) of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook, CCPs shall calculate the value of the transactions referred to in the first sentence of that subparagraph in accordance with the formula set out in point (a)(ii) of this Article, and shall determine $EBRM_i$ in accordance with Title V of Part Three of the Capital Requirements Regulation;

(b) for institutions that fall under the scope of the Capital Requirements Regulation the netting sets are the same as those defined in point (4) of Article 272 of that Regulation;

(c) a CCP that has exposures to one or more CCPs shall treat those exposures as if they were exposures to clearing members and include any margin or pre-funded contributions received from those CCPs in the calculation of K_{CCP};

(d) a CCP that has in place a binding contractual arrangement with its clearing members that allows that CCP to use all or part of the initial margin received from its clearing members as if they were pre-funded contributions shall consider that initial margin as pre-funded contributions for the purposes of the calculation in paragraph 1 and not as initial margin;

(e) where collateral is held against an account containing more than one of the types of contracts and transactions referred to in Article 301(1) of Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook, CCPs shall allocate the initial margin provided by their clearing members or clients, as applicable, in proportion to the EADs of the respective types of contracts and transactions calculated in accordance with point (a) of this paragraph, without taking into account initial margin in the calculation;

(f) CCPs that have more than one default fund shall carry out the calculation for each default fund separately;

(g) where a clearing member provides client clearing services, and the transactions and collateral of the clearing member's clients are held in sub-accounts which are separate from those of the clearing member's proprietary business, CCPs shall carry out the calculation of EAD_i for each sub-account separately and shall calculate the clearing member's total EAD_i as the sum of the EADs of the clients' sub-accounts and the EAD of the clearing member's proprietary business sub-account;

(h) for the purposes of point (f), where DF_i is not split between the clients' sub-accounts and the clearing member's proprietary business sub-accounts, CCPs shall allocate DF_i per sub-account according to the respective fraction the initial margin of that sub-account has in relation to the total initial margin posted by the clearing member or for the account of the clearing member;

(i) CCPs shall not carry out the calculation in accordance with Article 50a(2) where the default fund covers cash transactions only.

For the purposes of point (a)(ii) of this Article, the CCP shall use the method specified in Article 223 of the Capital Requirements Regulation with supervisory volatility adjustments set out in Article 224 of that Regulation to calculate the exposure value.".

(7) In Article 50c (reporting of information), in paragraph 1—

(a) in the opening words, for "Regulation (EU) No 575/2013" substitute "Chapter 3 of the Counterparty Credit Risk (CRR) Part of the PRA Rulebook";

(b) omit points (d) and (e).

(8) In Article 50d (calculation of specific items to be reported by the CCP), omit point (c).

Capital Requirements Regulation

25.—(1) The Capital Requirements Regulation(**a**) 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").

(**a**) 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.

(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(**a**) (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" 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)(**b**), 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)(**c**), 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)(**d**)—

(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";

(**a**) Article 49 was amended by S.I. 2018/1401 and S.I. 2019/264.
(**b**) Article 63 was amended by S.I. 2019/264.
(**c**) Article 89 was amended by S.I. 2018/1401.
(**d**) Article 92 is prospectively amended by paragraph 3 of Schedule 4 to the Financial Services Act 2021.

(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)(**a**)—

(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".

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

(18) In Article 164(6) (loss given default)(**c**), 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)(**d**), 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)(**e**), 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";

(**a**) Article 124 was amended by S.I. 2020/1385.
(**b**) 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.
(**c**) Article 164 was amended by S.I. 2020/1385.
(**d**) 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.
(**e**) 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.

(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)(**a**), 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)(**b**), 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".

(29) In Article 255(6) (determination of K_{IRB} and K_{SA})(**c**), 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)(**d**)—

(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";

(**a**) Paragraph (5A) of Article 223 is prospectively inserted by paragraph 7 of Schedule 4 to the Financial Services Act 2021.
(**b**) Article 249 was amended by S.I. 2019/660.
(**c**) 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.
(**d**) Paragraph 4 of Article 283 is prospectively substituted by paragraph 8 of Schedule 4 to the Financial Services Act 2021.

(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)(**a**), 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".

(36) In Article 325 (approaches for calculating the own funds requirements for market risk)(**b**), 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)(**c**)—

(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 "$EADi^{total}$", 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".

(**a**) Article 298 was amended by S.I. 2018/1401.
(**b**) 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.
(**c**) Article 384 is prospectively amended by paragraph 11 of Schedule 4 to the Financial Services Act 2021.

(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).

(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)(**a**), 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".

Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012

26.—(1) Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012(**b**) is amended as follows.

(2) In Article 2(1) (definitions)(**c**), after point (55) insert—

"(56) A reference to the PRA Rulebook is to the rulebook published by the PRA containing rules made by that Authority under FSMA as that rulebook has effect on 1 January 2022.".

(3) In Article 46(1)(d) (investment policy)(**d**), for "and Regulation (EU) No. 575/2013" substitute ", Regulation (EU) No. 575/2013 and CRR rules".

(4) In Article 54 (authorisation and designation to provide banking-type ancillary services)(**e**)—

(a) in paragraph 3—

(i) in the first paragraph, in point (e), for "Part Eight of Regulation (EU) No 575/2013" substitute "the Disclosure (CRR) Part of the PRA Rulebook";

(ii) in the second paragraph, after "Regulation (EU) No 575/2013" insert ", CRR rules";

(b) in paragraph 4, in point (f), for "Part Eight of Regulation (EU) No 575/2013" substitute "the Disclosure (CRR) Part of the PRA Rulebook".

(**a**) 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.
(**b**) EUR 909/2014.
(**c**) Article 2 was amended by S.I. 2018/1320.
(**d**) Article 46(1) was substituted by S.I. 2018/1320.
(**e**) Article 54 was amended by S.I. 2018/1320.

Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive

27.—(1) Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive(**a**) is amended as follows.

(2) In Article 2 (definitions), after point (16)(**b**) insert—

"(16A) "Directive 2013/36/EU UK law" means the law of the United Kingdom or any part of it, which was relied on by the United Kingdom immediately before IP completion day to implement Directive 2013/36/EU(**c**) and its implementing measures:

(a) as it has effect on 1 January 2022, in the case of rules made by the PRA under FSMA; and

(b) as amended from time to time, in all other cases.

(16B) "Part 9C rules" has the meaning given in section 143F(1) of FSMA.

(16C) "CRR rules" has the meaning given in section 144A of FSMA.".

(3) In Article 41 (additional requirements in relation to advice, distribution and self-placement)(**d**), for paragraph 4 substitute—

"4. Investment firms which offer financial instruments that are issued by themselves or other group entities to their clients and that are included in the calculation of prudential requirements specified in Regulation (EU) No 575/2013, CRR rules, Directive 2013/36/EU UK law, Part 9C rules, or the law of the United Kingdom or any part of the United Kingdom ("the UK law") which was relied on by the United Kingdom immediately before IP completion day to implement Directive 2014/49/EU of the European Parliament and of the Council(**e**), must provide those clients with additional information explaining the differences between the financial instrument and bank deposits in terms of yield, risk, liquidity and any protection provided in accordance with the UK law which was relied on by the United Kingdom immediately before IP completion day to implement Directive 2014/49/EU of the European Parliament and of the Council.".

Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market

28.—(1) Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC(**f**) is amended as follows.

(2) In Article 1(5) (subject matter, scope and exemptions), in the second subparagraph, after point (c) insert—

"(ca) where the shares of an FCA investment firm result from the conversion of one class of instrument into another class of instrument because of rules made by the FCA under Part 9C of FSMA;".

(3) In Article 2 (definitions), after point (zf) insert—

(**a**) EUR 2017/565 OJ L 87, 31.3.2017, p. 1–83.
(**b**) Point (16) was inserted by S.I. 2018/1403.
(**c**) EUR 2013/36.
(**d**) Article 41 was amended by S.I. 2018/1403.
(**e**) EUR 2014/49/EU OJ L 173, 12.6.2014, p. 149–178.
(**f**) EUR 2017/1129, as amended by S.I. 2019/107 and 2020/628.

"(zg) 'FCA investment firm' has the meaning given in section 143A(1) of FSMA;".

Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds

29.—(1) Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds(**a**) is amended as follows.

(2) In Article 2 (definitions), following the sentence after paragraph 40 insert—

"Any reference to the PRA Rulebook is to the rulebook published by the PRA containing rules made by that Authority under FSMA as that rulebook has effect on 1 January 2022.".

(3) In Article 11(1)(a) (eligible securitisations and ABCPs), for "Article 13 of Commission Delegated Regulation (EU) 2015/61" substitute "Article 13 of Chapter 2 (Rules on standards for the liquidity coverage requirement for credit institutions) of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook".

(4) In Article 17(9) (diversification), for "point (f) of Article 10(1) or point (c) of Article 11(1) of Delegated Regulation (EU) 2015/61" substitute "point (f) of Article 10(1) or point (c) of Article 11(1) of Chapter 2 (Rules on standards for the liquidity coverage requirement for credit institutions) of the Liquidity Coverage Ratio (CRR) Part of the PRA Rulebook".

Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation

30.—(1) Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation(**b**) is amended as follows.

(2) In Article 2(12) (definitions), after point (g) insert—

"(h) an FCA investment firm as defined by Article 4(1)(2AB) of Regulation (EU) No 575/2013(**c**);".

(3) In Article 6 (risk retention)—

(a) in paragraph 4—

(i) at the start of the second subparagraph, for "The first subparagraph shall apply" substitute "Subject to the modifications for FCA investment firms in the third subparagraph, the first subparagraph applies";

(ii) after the second subparagraph insert—

"In the case of FCA investment firms, compliance with the requirements set out in Article 79(b) of Directive 2013/36/EU of the European Parliament and of the Council(**d**) are modified in accordance with this subparagraph—

(a) FCA investment firms must have internal methodologies that enable them to assess the credit risk of exposures to individual obligors, securities or securitisation positions and credit risk at the portfolio level;

(b) the internal methodologies must not rely solely or mechanistically on external credit ratings; and

(c) where an FCA investment firm determines the amount of own funds that it should hold by reference to a rating by an external credit assessment institution or by reference to the fact that an exposure is unrated, this does not exempt the FCA investment firm

(**a**) EUR 2017/1131, amended by S.I. 2019/394.
(**b**) EUR 2017/2402, amended by S.I. 2019/660.
(**c**) EUR 2013/575; point (2AB) is prospectively inserted by section 1(4) of the Financial Services Act 2021 (c. 22).
(**d**) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

from additionally considering other relevant information for assessing its allocation of internal capital.";

(iii) in the final subparagraph, in point (a), after "'credit institution'" insert ", 'FCA investment firm'";

(b) in paragraph 5—

(i) in point (c), after "Part Three, Title II, Chapter 2 of Regulation (EU) No 575/2013" 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";

(ii) after point (e) insert—

"In this paragraph 'PRA Rulebook' means the rulebook published by the PRA containing rules made by that Authority under the 2000 Act as that rulebook has effect on 1 January 2022.".

(4) In Article 29 (designation of competent authorities)—

(a) in paragraph 1, for point (e) substitute—

"(e) where the institutional investor is a CRR firm, by the PRA;

(f) where the institutional investor is an FCA investment firm, by the FCA.";

(b) in paragraph 3, for "or a CRR firm" substitute ", a CRR firm or an FCA investment firm";

(c) in paragraph 3B, after point (b) insert—

"(ba) 'FCA investment firm' has the meaning given by Article 4(1)(2AB) of Regulation (EU) No 575/2013;".

(5) In Article 43 (transitionals)—

(a) in paragraph 5, in the second subparagraph, in point (a), for "regulation 30(3) of the Securitisation (Amendment) (EU Exit) Regulations 2019" substitute "paragraph 6";

(b) in paragraph 6, in the first subparagraph, after "as defined by Article 4(1)(2A) of Regulation (EU) No 575/2013" insert "as that Regulation had effect on IP completion day".

PART 5

Amendment of Equivalence Directions

Capital Requirements Regulation Equivalence Directions 2020

31. In paragraph 3 of the Capital Requirements Regulation Equivalence Directions 2020(**a**), omit ", 132(3)".

PART 6

Amendment of the Capital Requirements Regulation (Amendment) Regulations 2021

Capital Requirements Regulation (Amendment) Regulations 2021

32.—(1) The Capital Requirements Regulation (Amendment) Regulations 2021(**b**) are amended as follows.

(2) In regulation 4 (Title II of Part One: level of application of requirements)—

(a) https://www.legislation.gov.uk/uksi/2019/541/pdfs/uksiod_20190541_en_015.pdf. These Directions were made under S.I. 2019/541 and have effect subject to regulation 8(1) of S.I. 2020/1055.

(b) S.I. 2021/1078.

(a) in paragraph (2)—

(i) in sub-paragraph (a), in the text to be substituted into Article 6(1) of the capital requirements regulation, omit ", Article 451";

(ii) for sub-paragraphs (b) and (c) substitute—

"(b) omit paragraphs 3 to 5.";

(b) in paragraph (5)—

(i) for sub-paragraph (a) substitute—

"(a) in paragraph 1, for "Parts Two, Three, Four, Seven and Seven A on the basis of their consolidated situation, with the exception of point (d) of Article 430(1)" substitute "Parts Two and Three on the basis of their consolidated situation"";

(ii) for sub-paragraph (c) substitute—

"(c) in paragraph 6, in point (a) of the third subparagraph, for "2, 3, 4, 6, 7, 7A and 8" substitute "Two and Three".";

(c) for paragraph (6) substitute—

"(6) Omit Article 13(**a**) (application of disclosure requirements on a consolidated basis).".

(3) After regulation 8 (Part Six: liquidity) insert—

"**Part Seven: leverage**

8A. Omit Articles 429, 429a, 429b and 430(1)(**b**).".

(4) For regulation 10 (Part Eight: disclosure by institutions) substitute—

"**10.** Omit Part Eight (disclosure by institutions: comprising Articles 431 to 455)(**c**).".

(5) In regulation 11 (Part Nine: regulations, enhanced prudential measures and technical standards)—

(a) for paragraph (2)(a)(iv) substitute—

"(iv) omit points (i) and (j);";

(b) for paragraph (4)(a) substitute—

"(a) in the definition of "relevant prudential area", omit points (ii) to (iv);";

(c) for paragraph (5) substitute—

"(5) In Article 459 (Treasury power to make regulations: prudential requirements)(**d**), omit points (b) and (c).".

(6) In regulation 12 (Part Ten: transitional provisions, reports, reviews and amendments), after paragraph (5) insert—

"(5A) Omit Articles 499 (leverage), 500b (temporary exclusion of certain exposures to central banks from the total exposure measure in view of the COVID-19 pandemic) and 500d (temporary calculation of the exposure value of regular-way purchases and sales awaiting settlement in view of the COVID-19 pandemic)(**e**).".

(7) In regulation 13 (revocation and amendment of other retained direct EU legislation)—

(a) in paragraph (2)—

(i) after sub-paragraph (a) insert—

"(aa) Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to

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(**a**) Article 13 was amended by S.I. 2019/1232.
(**b**) Article 429 was amended by S.I. 2018/1401 and 2019/710; Article 430(1) was amended by S.I. 2018/1401.
(**c**) Part Eight was amended by S.I. 2018/1401 and 2019/1232 and is prospectively amended by paragraphs 40, 41 and 47 of Schedule 1 to the Financial Services Act 2021 (c. 22).
(**d**) Article 459 was amended by S.I. 2018/1401.
(**e**) Article 500d was amended by paragraph 12 of Schedule 4 to the Financial Services Act 2021 (c. 22).

supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council(**a**);";

(ii) after sub-paragraph (f) insert—

"(fa) Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council(**b**);";

(b) omit paragraph (4).

(8) After regulation 13 insert—

"**Saving for amendment of existing technical standards instruments made by the Financial Conduct Authority**

14. Notwithstanding the revocation of Articles 390(8), 394(4), 415(3a) and 419(5) of the Capital Requirements Regulation(**c**) made by regulations 7(a) and 8 of these Regulations, the Financial Conduct Authority ("FCA") retains the power to modify, revoke or amend any technical standards in force immediately before 1 January 2022 which were—

(a) adopted by the European Commission before IP completion day; or

(b) made by the FCA after IP completion day;

under those Articles.

Saving for permissions granted under the Capital Requirements Regulation

15.—(1) Where the effect of these Regulations is to revoke Articles of the Capital Requirements Regulation listed in column 1 of Table 1, any permission granted under an Article listed in column 1 of that Table has effect as if granted under the rule of the PRA Rulebook listed in column 2 of the same row of that Table.

Table 1

Capital Requirements Regulation	*PRA Rulebook*
Article 385	Article 385 of Chapter 3 of the Credit Valuation Adjustment Risk (CRR) Part
Article 422(8)	Article 422(8) of Chapter 4 of the Liquidity (CRR) Part
Article 425(1)	Article 425(1) of Chapter 4 of the Liquidity (CRR) Part
Article 425(4)	Article 425(4) of Chapter 4 of the Liquidity (CRR) Part
Article 396(1), paragraph 1	Article 396(1), paragraph 1 of Chapter 4 of the Large Exposures (CRR) Part
Article 396(1), paragraph 2	Article 396(1), paragraph 2 of Chapter 4 of the Large Exposures (CRR) Part
Article 400(2)(c)	Article 400(2)(c) of Chapter 4 of the Large Exposures (CRR) Part
Article 400(2)(g)	Article 400(2)(g) of Chapter 4 of the Large Exposures (CRR) Part
Article 400(2)(h)	Article 400(2)(h) of Chapter 4 of the Large Exposures (CRR) Part

(**a**) EUR 2014/680; this instrument was amended by the Technical Standards (Capital Requirements) (EU Exit) (No. 3) Instrument 2019 made by the Prudential Regulation Authority under S.I. 2018/1115 on 9th April 2019.

(**b**) EUR 2016/200; this instrument was amended by the Technical Standards (Capital Requirements) (EU Exit) (No. 3) Instrument 2019 made by the Prudential Regulation Authority under S.I. 2018/1115 on 9th April 2019.

(**c**) "the Capital Requirements Regulation" is defined in section 47 of the Financial Services Act 2021 (c. 22).

Article 429(7)	Article 429a(1)(c) of Chapter 3 of the Leverage Ratio (CRR) Part
Article 429(14)	Article 429a(1)(j) of Chapter 3 of the Leverage Ratio (CRR) Part

(2) Where the effect of these Regulations is to revoke Articles of Commission Delegated Regulation (EU) 2015/61(**a**) listed in column 1 of Table 2, any permission granted under an Article listed in column 1 of that Table has effect as if granted under the rule of the PRA Rulebook listed in column 2 of the same row of that Table.

Table 2

Commission Delegated Regulation (EU) 2015/61	*PRA Rulebook*
Article 8(3)	Article 8(3) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 12(3)	Article 12(3) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 17	Article 17 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 26	Article 26 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 29	Article 29 of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 33(2)	Article 33(2) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 33(3)	Article 33(3) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 33(4)	Article 33(4) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part
Article 34(1)	Article 34(1) of Chapter 2 of the Liquidity Coverage Ratio (CRR) Part

(3) In this regulation, "PRA Rulebook" means the rulebook published by the Prudential Regulation Authority containing rules made by that Authority under the Financial Services and Markets Act 2000(**b**) as that rulebook has effect on 1 January 2022.".

PART 7

Exclusion of certain investment firms from Banking Act 2009 provisions

Description of institution not included within the meaning of "investment firm"

33. An institution which is an "FCA Investment Firm" within the meaning of section 143A (FCA investment firms) of the Financial Services and Markets Act 2000(**c**) is specified for the purpose of section 258A(2)(b) ("investment firm") of the Banking Act 2009(**d**).

(**a**) Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.
(**b**) 2000 c. 8.
(**c**) 2000 c. 8. Section 143A was inserted by Schedule 2 to the Financial Services Act 2021 (c. 22).
(**d**) 2009 c. 1. Section 258A was inserted by section 21 of the Financial Services Act 2012 (c. 21). Section 258A has been amended by S.I. 2013/3115 and 2018/1394.

PART 8

Savings and transitional provision

Saving for amendment of existing technical standards instruments made by the Financial Conduct Authority

34. Notwithstanding the amendment of Article 124(4) of the Capital Requirements Regulation(**a**) by regulation 26/15) of these Regulations which removes the power of the FCA to make, modify, amend or revoke technical standards, the Financial Conduct Authority ("FCA") retains the power to modify, amend or revoke any technical standards in force immediately before 1 January 2022 which were—

(a) adopted by the European Commission before IP completion day, or

(b) made by the FCA after IP completion day,

under those Articles.

Transitional provision in respect of Article 6(1) and (4) of Regulation (EU) 2017/2402

35.—(1) This regulation applies to securitisations the securities of which were issued or the initial securitisation positions of which were created before 1 January 2022.

(2) If the requirements set out in Article 6(1) of Regulation (EU) 2017/2402(**b**) were met in the manner specified in Article 6(4) of that Regulation before 1 January 2022, and were it not for the prudential regulation changes, the requirements set out in Article 6(1) of Regulation (EU) 2017/2402 would continue to be met in the manner specified in Article 6(4) of that Regulation in respect of such a securitisation after 1 January 2022, then the requirements set out in Article 6(1) of that Regulation are deemed to be met in respect of that securitisation.

Transitional provision in respect of Article 43(5) of Regulation (EU) 2017/2402

36.—(1) This regulation applies to securitisations to which Article 43(5) (transitional provisions) of Regulation (EU) 2017/2402 applies.

(2) For the purposes of Article 43(5) of Regulation (EU) 2017/2402, in Article 407 (additional risk weight) and Article 410 (uniform condition of application) of Regulation (EU) No 575/2013, a reference to Article 405 (retained interest of the issuer) of Regulation (EU) No 575/2013 is to be read as a reference to that Article in the version applicable on 31 December 2018 as modified by points (a) and (b) of Article 43(6) of Regulation (EU) 2017/2402 disregarding the effect of any of the prudential regulation changes on those modifications.

(3) In paragraph (2), references to Article 407 (additional risk weight) and Article 410 (uniform condition of application) of Regulation (EU) No 575/2013 are references to those Articles in the version applicable on 31 December 2018 as modified by points (a) to (c) of Article 43(5) of Regulation (EU) 2017/2402.

Transitional provision in respect of Article 43(6) of Regulation (EU) 2017/2402

37.—(1) This regulation applies to securitisations to which Article 43(6) (transitional provisions) of Regulation (EU) 2017/2402 applies.

(2) If the requirements set out in Article 405 (retained interest of the issuer) of Regulation (EU) No 575/2013 were met before 1 January 2022, and were it not for the effect of the prudential regulation changes on the modifications set out in points (a) and (b) of Article 43(6) of Regulation (EU) 2017/2402, the requirements set out in Article 405 of Regulation (EU) No 575/2013 would continue to be met in respect of such a securitisation after 1 January 2022, then the requirements

(**a**) "the Capital Requirements Regulation" is defined in section 47 of the Financial Services Act 2021 (c. 22).
(**b**) EUR 2017/2402; Article 6 was amended by S.I. 2019/660 and is amended by regulation 30 of this instrument.

set out in Article 405 of Regulation (EU) No 575/2013 are deemed to be met in respect of that securitisation.

(3) In paragraph (2), references to Article 405 of Regulation (EU) No 575/2013 are references to that Article in the version applicable on 31 December 2018 as modified by points (a) and (b) of Article 43(6) of Regulation (EU) 2017/2402.

Application and interpretation of regulations 41

38.—(1) The transitional provisions in regulations 35 to 37 apply from the beginning of 1 January 2022 and cease to have effect on 1 January 2023.

(2) In regulations 35 to 37 and this regulation—

(a) "FCA Handbook" means the Handbook made by the Financial Conduct Authority under the Financial Services and Markets Act 2000(**a**);

(b) "prudential regulation changes" means any one or more of the following—

(i) changes made by sections 1 or 2 of, or Schedules 1 or 2 to, the Financial Services Act 2021(**b**);

(ii) provision made by the Treasury under section 45 of the Financial Services Act 2021 (power to make consequential provision);

(iii) provision made by the Treasury under section 143B(2) of the Financial Services and Markets Act 2000 (other terms used in this Part)(**c**);

(iv) the deletion of the Prudential sourcebook for Investment Firms (IFPRU) or the creation of the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) in the FCA Handbook;

(c) "securitisation" has the meaning given in Article 2(1) of Regulation (EU) 2017/2402.

Name
Name

Date

Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

The primary purpose of this instrument is to make amendments to legislation that are consequential on changes made by sections 1 to 5 of, and Schedules 1 to 4 to, the Financial Services Act 2021 (c. 22) (the "Act").

This instrument also revokes some provisions of Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (known as the Capital Requirements Regulation or "CRR") using section 3 of the Act. These provisions will be replaced by rules to be made by the Prudential Regulation Authority ("PRA").

The rules made by the PRA to replace the provisions of the CRR revoked by this instrument can be found at https://www.bankofengland.co.uk/prudential-regulation and a copy can be obtained from the Prudential Regulation Authority, 20 Moorgate, London EC2R 6DA. Section 5(3) of the Act makes provision for certain references in the CRR to revoked provisions of the CRR to be read as references to corresponding rules made by the PRA (referred to in the Act as "CRR rules"). Under section 5(4) of the Act, the PRA has prepared a document setting out whether and how the proposed CRR rules correspond to the provisions of the CRR revoked by this instrument.

(**a**) 2000 c. 8.
(**b**) 2021 c. 22.
(**c**) 2000 c. 8; section 143B(2) was inserted by paragraph 1 of Schedule 2 to the Financial Services Act 2021 (c. 22).

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HM Treasury are also exercising powers in the Bank of England Act 1998 (c. 11), the Banking Act 2009 (c. 1) and the Financial Services and Markets Act 2000 (c. 8) ("FSMA") in order to update related elements of the prudential regimes for credit institutions and investment firms.

Provisions contained in regulations 12, 17, 24, 26, 28 and 31 of this instrument are made in exercise of the powers in section 8(1) of, and paragraph 21 of Schedule 7 to, the European Union (Withdrawal) Act 2018 (c. 16) in order to address failures of retained EU law to operate effectively, and other deficiencies arising from the withdrawal of the United Kingdom from the European Union (and in particular, the deficiencies under paragraphs (a) and (g) of section 8(2) of that Act).

Part 2 of this instrument makes amendments to primary legislation and Northern Ireland legislation.

Part 3 of this instrument makes amendments to secondary legislation. In particular, regulation 15 amends the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013 (S.I. 2013/556). That Order specifies, for the purposes of FSMA, which regulated activities are "PRA-regulated activities".

Part 4 of this instrument makes amendments to retained EU law.

Part 5 of this instrument makes amendments to the Capital Requirements Regulation Equivalence Directions 2020.

Part 6 of this instrument makes amendments to the Capital Requirements Regulation (Amendment) Regulations 2021 (S.I. 2021/1078).

Part 7 of this instrument exercises a power to remove certain investment firms from the definition of "investment firm" in the Banking Act 2009 (c. 1).

Part 8 of this instrument makes savings provision in respect of powers in Article 124(4) of the CRR to make, revoke and amend technical standards, and transitional provision in respect of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation.

A full impact assessment has not been produced for this instrument, as no, or no significant, impact on the private, voluntary or public sector is foreseen. A de minimis impact assessment is available from HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ and is published with the Explanatory Memorandum alongside this instrument on www.legislation.gov.uk.

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