Draft Regulations laid before Parliament under sections 4(9) and 84(3) of the Financial Services and Markets Act 2023, for approval by resolution of each House of Parliament.

D R A F T S T A T U T O R Y I N S T R U M E N T S

2026 No.

FINANCIAL SERVICES AND MARKETS

The Overseas Prudential Requirements Regime (Credit Institutions and Investment Firms) Regulations 2026

Made - - - -	***
Coming into force - -	*1st January 2027*

The Treasury make these Regulations in exercise of the powers conferred by sections 4, 84(2) and 86(5) of the Financial Services and Markets Act 2023(**a**).

A draft of these Regulations has been laid before, and approved by a resolution of, each House of Parliament in accordance with sections 4(9) and 84(3) of the Financial Services and Markets Act 2023.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Overseas Prudential Requirements Regime (Credit Institutions and Investment Firms) Regulations 2026.

(2) These Regulations come into force on 1st January 2027.

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

Interpretation

2.—(1) Unless otherwise provided, in these Regulations—

"credit institution" has the meaning given in section 417(1) of FSMA 2000 (definitions)(**b**);

"CRR consolidation entity" has the meaning given in the glossary of the PRA Rulebook;

"CRR firm" has the meaning given in section 144B(1) of FSMA 2000 (terms used in this Part)(**c**);

"exposure" means an asset or off-balance sheet item;

"exposure to an institution" means an exposure which meets the requirements specified in paragraph A1 of article 119 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;

(**a**) 2023 c. 29.
(**b**) "FSMA 2000" is defined in section 80(1) of the Financial Services and Markets Act 2023 (c. 29). The definition of "credit institution" was inserted into section 417(1) by S.I. 2019/632.
(**c**) Section 144B(1) was inserted by paragraph 1 of Schedule 3 to the Financial Services Act 2021 (c. 22).

"intermediate financial holding company" means a financial holding company (as defined in section 417(1) of FSMA 2000)(**a**) which is not the ultimate parent of the group;

"investment firm" has the meaning given in section 424A of FSMA 2000 (investment firm) but it does not include a credit institution;

"overseas jurisdiction" means a country or territory outside the United Kingdom;

"PRA Rulebook" means the rulebook published by the PRA containing rules made by that Authority under FSMA 2000 as amended from time to time(**b**);

"public sector entity" has the meaning given in the glossary of the PRA Rulebook;

"subsidiary undertaking" has the meaning given in section 1162 of, and Schedule 7 to, the Companies Act 2006 (parent and subsidiary undertakings)(**c**);

"territory" includes the European Union and any other international organisation or authority comprising countries or territories.

(2) For the purposes of these Regulations, a public sector entity is established in an overseas jurisdiction if either or both of the following apply—

(a) the public sector entity is incorporated or formed under the law of the overseas jurisdiction;

(b) its central management is exercised in the overseas jurisdiction.

Designation of overseas jurisdiction

3.—(1) The Treasury may by regulations designate an overseas jurisdiction in relation to one or more of regulations 4, 5, 6(1), (3) or (4), or 7 (effects of designation).

(2) The Treasury may make regulations under this regulation only if they consider that those regulations are compatible with—

(a) protecting the stability of the financial system of the United Kingdom,

(b) the safety and soundness of CRR firms, and

(c) one or both of—

(i) promoting effective competition in the interests of consumers in financial services and markets;

(ii) facilitating the international competitiveness of the economy of the United Kingdom and its growth in the medium to long term.

(3) When considering whether to designate an overseas jurisdiction, the Treasury may, in addition to any other matter they consider relevant, have regard to—

(a) the law and practice of that overseas jurisdiction in relation to the following—

(i) the authorisation of credit institutions and investment firms;

(ii) the prudential regulation of credit institutions, investment firms and exchanges, including the treatment of exposures to these persons;

(iii) the supervision of, and the enforcement of prudential requirements applying to, credit institutions, investment firms and exchanges;

(iv) the regulation and supervision of bonds (including supervisory arrangements designed to protect bondholders);

(v) the handling and sharing of confidential information by public authorities (including any person currently or previously employed or instructed by them) supervising

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(**a**) The definition of "financial holding company" is to be inserted into section 417 by S.I. 2026/480 (with effect from 1st January 2027).

(**b**) "PRA" is defined in section 80(1) of the Financial Services and Markets Act 2023. The PRA Rulebook can be found at https://www.prarulebook.co.uk/ and a copy can be obtained from the Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA.

(**c**) 2006 c. 46.

credit institutions and investment firms, including the sharing of information by such public authorities with other public authorities;

(b) the alignment of the overseas jurisdiction with relevant international standards;

(c) whether the PRA and the FCA(**a**) have established effective cooperation arrangements with the competent authorities of the overseas jurisdiction.

(4) In this regulation, "consumer" has the meaning given in section 1G of FSMA 2000 (meaning of "consumer")(**b**).

Effect of designation: exposures to overseas credit institutions, investment firms and exchanges

4.—(1) This regulation applies where—

(a) a CRR firm or a CRR consolidation entity calculates risk weights for exposures for the purpose of satisfying the own funds requirements specified in article 92 of the Required Level of Own Funds (CRR) Part of the PRA Rulebook, and

(b) Regulations are in force under regulation 3(1) in respect of an overseas jurisdiction in relation to this regulation.

(2) Subject to paragraphs (3) and (5), a CRR firm or a CRR consolidation entity may treat an exposure to an overseas person as an exposure to an institution for the purpose of applying articles 119 to 121 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

(3) Paragraph (2) only applies to exposures to an overseas exchange if the competent authority which is responsible for the prudential regulation of credit institutions in the overseas jurisdiction in which the exchange is incorporated or formed treats the exposure to the exchange in the same manner as an exposure to a credit institution.

(4) Regulations made under regulation 3(1) in relation to this regulation—

(a) must specify whether an overseas jurisdiction is designated in respect of exposures to overseas credit institutions, overseas investment firms or overseas exchanges (or any combination of them), and —

(b) may specify—

(i) the type of exposures in respect of which an overseas jurisdiction is designated, or

(ii) one or more conditions that must be satisfied for the treatment referred to in paragraph (2) to apply to an exposure to an overseas person.

(5) Where Regulations made under regulation 3(1) in relation to this regulation specify one or more of the following—

(a) the type of exposures (see paragraph (4)(b)(i));

(b) a condition that must be satisfied for the treatment referred to in paragraph (2) to apply to an exposure to an overseas person (see paragraph (4)(b)(ii)),

paragraph (2) applies as if the reference in that paragraph to—

(i) an exposure to an overseas person were a reference to an exposure, of the specified type, to that person, and

(ii) the treatment of exposures to an overseas person were a reference to that treatment subject to the specified condition.

(6) In this regulation—

"overseas credit institution" means a credit institution which—

(a) has its registered office, or, if it has no registered office, its head office in an overseas jurisdiction designated under regulation 3(1) in relation to this regulation, and

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(**a**) "FCA" is defined in section 80(1) of the Financial Services and Markets Act 2023.

(**b**) Section 1G of FSMA 2000 was substituted by section 6(1) of the Financial Services Act 2012 (c. 21) and amended by S.I. 2013/655 and 2018/1253.

(b) is authorised in that overseas jurisdiction;

"overseas exchange" means an exchange incorporated in, or formed under the law of an overseas jurisdiction designated under regulation 3(1) in relation to this regulation;

"overseas investment firm" means an investment firm which—

(a) has its registered office, or, if it has no registered office, its head office in an overseas jurisdiction designated under regulation 3(1) in relation to this regulation, and

(b) is authorised in that overseas jurisdiction;

"overseas person" means—

(a) an overseas credit institution,

(b) an overseas investment firm, or

(c) an overseas exchange;

"specified" means specified in Regulations made under regulation 3(1) in relation to this regulation.

Effect of designation: overseas eligible covered bonds

5.—(1) This regulation applies—

(a) where a CRR firm or a CRR consolidation entity calculates risk weights for exposures in accordance with the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook, and

(b) Regulations are in force under regulation 3(1) in respect of an overseas jurisdiction in relation to this regulation.

(2) Subject to paragraph (4), a CRR firm or a CRR consolidation entity may treat an overseas eligible covered bond as an eligible covered bond for the purpose of applying article 129 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

(3) Regulations made under regulation 3(1) in relation to this regulation may specify one or more conditions that must be satisfied for the treatment referred to in paragraph (2) to apply to an overseas eligible covered bond.

(4) Where Regulations made under regulation 3(1) in relation to this regulation specify a condition in accordance with paragraph (3), paragraph (2) applies as if the treatment of an overseas eligible covered bond were subject to the specified condition.

(5) In this regulation—

"eligible covered bond" means a bond which meets the requirements specified in paragraph A1 of article 129 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;

"overseas eligible covered bond" means a bond which meets the requirements specified in paragraph A1 of article 129 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook (reading the reference in that paragraph to an issuer that has its registered office in the United Kingdom as a reference to an issuer that is a credit institution which satisfies the following conditions—

(a) it has its registered office in an overseas jurisdiction designated under regulation 3(1) in relation to this regulation, and

(b) is authorised in that overseas jurisdiction);

"specified" means specified in Regulations made under regulation 3(1) in relation to this regulation.

Effect of designation: exposures to overseas central governments, central banks, regional governments, local authorities and public sector entities

6.—(1) Where—

(a) Regulations are in force under regulation 3(1) in respect of an overseas jurisdiction in relation to this paragraph, and

(b) the competent authority of that overseas jurisdiction assigns a risk weight to a relevant exposure to the central government or the central bank of that jurisdiction,

a CRR firm or a CRR consolidation entity may assign that risk weight to that relevant exposure for the purpose of applying article 114 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

(2) For the purposes of paragraph (1), an exposure to the central government or the central bank of an overseas jurisdiction is relevant if the exposure is denominated and funded in the currency of that jurisdiction.

(3) A CRR firm or a CRR consolidation entity may treat an exposure to a regional government or a local authority of an overseas jurisdiction in the same manner as an exposure to the central government of that jurisdiction for the purpose of applying article 114 or 115 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook (as appropriate) if—

(a) Regulations are in force under regulation 3(1) in respect of the overseas jurisdiction in relation to this paragraph, and

(b) the following conditions are satisfied—

(i) the competent authority of that overseas jurisdiction treats the exposure to the regional government or the local authority in the same manner as the exposure to the central government, and

(ii) the exposure to the regional government or the local authority does not pose a higher risk than the exposure to the central government because—

(aa) the regional government or the local authority has adequate powers to raise revenue, and

(bb) institutional arrangements are in place to reduce the risk of default of the regional government or the local authority.

(4) Where—

(a) Regulations are in force under regulation 3(1) in respect of an overseas jurisdiction in relation to this paragraph, and

(b) the competent authority of that overseas jurisdiction assigns a risk weight to an exposure to a public sector entity established in that jurisdiction which corresponds to the treatment specified in article 116(1) or (2) of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook ("corresponding risk weight"),

a CRR firm or a CRR consolidation entity may assign the corresponding risk weight to that exposure for the purpose of applying article 116 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

(5) In this regulation, "competent authority" means the financial services regulator of an overseas jurisdiction, designated under regulation 3(1) in relation to paragraph (1), (3) or (4) (as appropriate), which is responsible for the prudential regulation of credit institutions authorised to provide services in the same jurisdiction.

Effect of designation: issuance of capital by overseas intermediate financial holding companies

7.—(1) Where—

(a) Regulations are in force under regulation 3(1) in respect of an overseas jurisdiction in relation to this regulation, and

(b) a CRR firm or a CRR consolidation entity calculates own funds on a consolidated basis in accordance with the Own Funds (CRR) Part of the PRA Rulebook (including those of a subsidiary undertaking where applicable),

the CRR firm or CRR consolidation entity may treat the capital instruments of an overseas intermediate financial holding company in the same manner as the capital instruments of a subsidiary undertaking which is subject to articles 81 and 82 of that Part of the PRA Rulebook.

(2) For the purposes of this regulation—

"Additional Tier 1 instruments", "Common Equity Tier 1 instruments", "Tier 1 capital", "Tier 2 capital" and "Tier 2 instruments" each has the meaning given in the glossary of the PRA Rulebook;

"capital instruments" includes Additional Tier 1 instruments, Common Equity Tier 1 instruments and Tier 2 instruments;

"on a consolidated basis" has the meaning given in section 192O(1) of FSMA 2000 (interpretation);

"overseas intermediate financial holding company" means an intermediate financial holding company which—

(i) is the subsidiary undertaking of a CRR firm or a CRR consolidation entity,

(ii) is incorporated in, or formed under the law of, an overseas jurisdiction designated under regulation 3(1) in relation to this regulation, and

(iii) is subject to prudential requirements which are at least as stringent as those applicable to credit institutions in the overseas jurisdiction where the intermediate financial holding company is incorporated;

"own funds" means the sum of Tier 1 capital and Tier 2 capital.

Overseas regulations: procedure

8.—(1) The power to make Regulations under regulation 3 is exercisable by statutory instrument.

(2) A statutory instrument which contains regulations made under regulation 3 is subject to annulment in pursuance of a resolution of either House of Parliament.

(3) Regulations made under regulation 3 may make—

(a) incidental, supplemental, consequential, transitional, transitory or saving provision;

(b) different provision for different purposes.

Treatment of exposures to Gibraltar credit institutions, Gibraltar investment firms, Gibraltar public sector entities and the Gibraltar Government

9.—(1) This regulation applies where a CRR firm or a CRR consolidation entity calculates risk weights for exposures for the purpose of satisfying the own funds requirements specified in article 92 of the Required Level of Own Funds (CRR) Part of the PRA Rulebook.

(2) A CRR firm or a CRR consolidation entity may—

(a) subject to paragraph (3), treat an exposure to a Gibraltar credit institution or a Gibraltar investment firm as an exposure to an institution for the purpose of applying articles 119 to 121 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;

(b) treat an exposure to a public sector entity established in Gibraltar as an exposure to a UK public sector entity for the purpose of applying article 116 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook;

(c) assign to exposures to the Government of Gibraltar the risk weight applicable to the Government of the United Kingdom for the purpose of applying article 114 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

(3) Paragraph (2)(a) only applies to exposures to a Gibraltar investment firm if the Gibraltar Financial Services Commission treats the exposures to investment firms as exposures to credit institutions.

(4) For the purposes of paragraph (2)(b), a public sector entity is established in Gibraltar if either or both of the following apply—

(a) the public sector entity is incorporated or formed under the law of Gibraltar;

(b) its central management is exercised in Gibraltar.

(5) In this regulation—

"Gibraltar credit institution" means a person which—

(i) has its head office in Gibraltar, and

(ii) is authorised by the Gibraltar Financial Services Commission to accept deposits under paragraph 3 of Schedule 2 to the Financial Services Act 2019 of Gibraltar(**a**);

"Gibraltar investment firm" means a person which—

(i) has its head office in Gibraltar, and

(ii) is authorised by the Gibraltar Financial Services Commission to carry on one or more of the activities listed in paragraphs 46 to 56 of Schedule 2 to the Financial Services Act 2019 of Gibraltar;

"UK public sector entity" means a public sector entity for which a weight treatment is specified in paragraph 1, 2 or 3 of article 116 of the Credit Risk: Standardised Approach (CRR) Part of the PRA Rulebook.

Overseas jurisdictions deemed designated

10.—(1) The Schedule to these Regulations specifies the overseas jurisdictions that are to be treated as designated under regulation 3 in relation to regulations 4, 6(1), (3) and (4) and 7 for the purpose of satisfying the own funds requirements specified in article 92 of the Required Level of Own Funds (CRR) Part of the PRA Rulebook in relation to exposures to—

(a) the following persons incorporated in, or formed under the law of, those overseas jurisdictions—

(i) credit institutions (Part 1 of the Schedule);

(ii) investment firms (Part 2 of the Schedule);

(iii) exchanges (Part 3 of the Schedule);

(iv) subsidiary undertakings of CRR firms which are intermediate financial holding companies (Part 4 of the Schedule);

(b) central governments, central banks, regional governments, local authorities of, and public sector entities established in those overseas jurisdictions (Part 5 of the Schedule).

(2) For the purposes of this regulation and the Schedule, "central bank" does not include the European Central Bank.

Amendment to the Financial Services (Overseas Recognition Regime Designations) Regulations 2025

11. In the Schedule to the Financial Services (Overseas Recognition Regime Designations) Regulations 2025(**b**) (overseas recognition regimes), after paragraph 2 insert—

"**3.** The Overseas Prudential Requirements Regime (Credit Institutions and Investment Firms) Regulations 2026, regulation 3.".

Name
Name
Two of the Lords Commissioners of His Majesty's Treasury

(**a**) Act No. 2019-26. This Act is published on https://www.gibraltarlaws.gov.gi/. A hard copy of provisions of the Act can be obtained from HM Treasury, 1 Horse Guards Road, SW1A 2HQ.
(**b**) S.I. 2025/1147.

SCHEDULE

Regulation 10

OVERSEAS JURISDICTIONS DEEMED DESIGNATED

PART 1

Overseas jurisdictions deemed designated in relation to exposures to credit institutions

Argentina

Australia

Brazil

Canada

China

The European Union

Faroe Islands

Greenland

Guernsey

Hong Kong

Iceland

India

Isle of Man

Japan

Jersey

Liechtenstein

Mexico

Monaco

New Zealand

Norway

Saudi Arabia

Serbia

Singapore

South Africa

South Korea

Switzerland

Turkey

The United States of America

PART 2

Overseas jurisdictions deemed designated in relation to exposures to investment firms

Australia

Brazil

Canada

China

The European Union

Hong Kong

Iceland

Indonesia

Japan (limited to Type I Financial Instruments Business Operators as defined in the financial services legislation of Japan as it has effect on the day on which these Regulations are made)

Liechtenstein

Mexico

Norway

Saudi Arabia

Singapore

South Africa

South Korea

The United States of America

PART 3

Overseas jurisdictions deemed designated in relation to exposures to exchanges

Australia

Brazil

Canada

China

The European Union

Iceland

India

Indonesia

Japan

Liechtenstein

Mexico

Norway

Saudi Arabia

Singapore

South Africa

South Korea

The United States of America

PART 4

Overseas jurisdictions deemed designated in relation to exposures to subsidiary undertakings of CRR firms which are intermediate financial holding companies

Argentina

Australia

Brazil

Canada

China

The European Union

Faroe Islands

Greenland

Guernsey

Hong Kong

Iceland

India

Isle of Man

Japan

Jersey

Liechtenstein

Mexico

Monaco

New Zealand

Norway

Saudi Arabia

Serbia

Singapore

South Africa

South Korea

Switzerland

Turkey

The United States of America

PART 5

Overseas jurisdictions deemed designated in relation to exposures to central governments, central banks, regional governments, local authorities and public sector entities

Argentina

Australia

Brazil

Canada

China

The European Union

Faroe Islands

Greenland

Guernsey

Hong Kong

Iceland

India

Isle of Man

Japan

Jersey

Liechtenstein

Mexico

Monaco

New Zealand

Norway

Saudi Arabia

Serbia

Singapore

South Africa

South Korea

Switzerland

Turkey

The United States of America

EXPLANATORY NOTE

(This note is not part of the Regulations)

Section 1 of, and Schedule 1 to, the Financial Services and Markets Act 2023 (c. 29) revoke 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 amending Regulation (EU) No 648/2012 ("the Capital Requirements Regulation"). Articles 81(1)(a)(iii), 82(a)(iii), 107(4), 114(7), 115(4) and 116(5) of the Capital Requirements Regulation enable the Treasury to determine that a third country applies prudential and supervisory requirements equivalent to those applied in the United Kingdom in relation to credit institutions and other types of firms. The revocation of articles 81(1)(a)(iii), 82(a)(iii), 107(4), 114(7), 115(4) and 116(5) comes into force on 1st January 2027 by virtue of the Financial Services and Markets Act 2023 (Commencement No. 15 and Saving and Transitional Provisions) Regulations 2026 (S.I. 2026/682 (C. 56)).

The Capital Requirements Regulation is replaced by rules made by the Prudential Regulation Authority ("PRA"), which can be found at prarulebook.co.uk and a copy can be obtained from the PRA, 20 Moorgate, London EC2R 6DA.

These Regulations restate, with modifications, articles 81(1)(a)(iii), 82(a)(iii), 107(4), 114(7), 115(4) and 116(5) of the Capital Requirements Regulation.

Regulation 3 gives the Treasury a regulation-making power to designate an overseas jurisdiction in relation to exposures to overseas entities, such as credit institutions, investment firms, exchanges, public authorities and public sector entities. The Treasury may designate an overseas jurisdiction only if they consider that the regulations are compatible with certain objectives, including UK financial stability.

Regulations 4, 5, 6 and 7 provide for the legal effects of a designation made under regulation 3 and set out how CRR firms and CRR consolidation entities may treat—

- exposures to overseas credit institutions, investment firms and exchanges (regulation 4);
- overseas eligible covered bonds (regulation 5);
- exposures to overseas central governments, central banks, regional governments, local authorities and public sector entities (regulation 6);
- capital instruments of overseas intermediate financial holding companies (regulation 7).

Regulation 8 sets out the procedure for the regulation-making power in regulation 3.

Regulation 9 makes provision for the treatment by CRR firms and CRR consolidation entities of exposures to Gibraltar credit institutions, Gibraltar investment firms, Gibraltar public sector entities and the Government of Gibraltar.

Regulation 10 and the Schedule to these Regulations specify the overseas jurisdictions that are treated as designated under regulation 3 in relation to regulations 4, 6(1), (3) and (4) and 7. They replace—

- Commission Implementing Decision of 12 December 2014 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (2014/908/EU), and
- the Capital Requirements Regulation Equivalence Directions 2020 (made on 9th November 2020 under S.I. 2019/541) as saved by regulation 5 of the Financial Services

and Markets Act 2023 (Commencement No. 10 and Saving Provisions) Regulations 2025 (S.I. 2025/873 (C. 38)).

Regulation 11 adds these Regulations to the Schedule to the Financial Services (Overseas Recognition Regime Designations) Regulations 2025 (S.I. 2025/1147).

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

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