

Changes to legislation: Financial Services Act 2021, SCHEDULE 4 is up to date with all changes known to be in force on or before 26 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

SCHEDULES

SCHEDULE 4 **U.K.**

Section 7

AMENDMENTS OF THE CAPITAL REQUIREMENTS REGULATION

1 The Capital Requirements Regulation is amended as follows.

Commencement Information

I1 Sch. 4 para. 1 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

2 In Article 4A(1)(a) (definitions: references to PRA rulebook), for “as the rulebook has effect on IP completion day” substitute “as amended from time to time”.

Commencement Information

I2 Sch. 4 para. 2 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

3 In Article 92(3) (own funds requirements), for points (b) and (c) substitute—

“(b) the own funds requirements for the trading-book business of an institution for the following—

- (i) market risk as determined in accordance with Title IV of this Part, excluding the approaches set out in Chapters 1a and 1b of that Title;
- (ii) large exposures exceeding the limits specified in Articles 395 to 401, to the extent that an institution is permitted to exceed those limits, as determined in accordance with Part Four;

(c) the own funds requirements for market risk as determined in accordance with Title IV of this Part, excluding the approaches set out in Chapters 1a and 1b of that Title, for all business activities that are subject to foreign exchange risk or commodity risk;

(ca) the own funds requirements for settlement risk calculated in accordance with Title V of this Part, with the exception of Article 379;”.

Commencement Information

I3 Sch. 4 para. 3 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

4 In Article 107(3) (approaches to credit risk), for “third-country investment firms and exposures to third country credit institutions and exposures to third country

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clearing houses and exchanges” substitute “ a third-country investment firm, a third-country credit institution and a third-country exchange ”.

Commencement Information

I4 Sch. 4 para. 4 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

5 In Article 144(1)(g) (competent authorities' assessment of an application to use an IRB Approach), for “Article 99” substitute “ Article 430 ”.

Commencement Information

I5 Sch. 4 para. 5 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

6 In Article 201(1) (eligibility of protection providers under all approaches), for point (h) substitute—
“(h) qualifying central counterparties.”

Commencement Information

I6 Sch. 4 para. 6 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

7 (1) Article 223 (Financial Collateral Comprehensive Method) is amended as follows.
(2) In paragraph 3, in the second subparagraph, for “institutions” substitute “ , institutions using the method laid down in Section 6 of Chapter 6 ”.
(3) After paragraph 5 insert—
“5A For the purposes of the calculation under paragraph 5, in the case of OTC derivative transactions, institutions using the methods laid down in Sections 3, 4 and 5 of Chapter 6 shall take into account the risk-mitigating effects of collateral in accordance with the provisions laid down in Sections 3, 4 and 5 of Chapter 6, as applicable.”

Commencement Information

I7 Sch. 4 para. 7 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

8 In Article 283 (permission to use the Internal Model Method), for paragraph 4 substitute—
“4 For all OTC derivative transactions, and for long settlement transactions for which an institution has not received permission under paragraph 1 to use the IMM, the institution shall use the methods set out in Section 3. Those methods may be used in combination on a permanent basis within a group.”

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I8 Sch. 4 para. 8 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

9 For Article 298 substitute—

“Article 298

Effects of recognition of netting as risk-reducing

Netting for the purposes of Sections 3 to 6 shall be recognised as set out in those Sections.”

Commencement Information

I9 Sch. 4 para. 9 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

10 In Article 299(2) (items in the trading book), omit point (a).

Commencement Information

I10 Sch. 4 para. 10 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

11 In Article 384(1) (standardised method), in the definition of “EAD_i^{total}” —
(a) for “Title II, Chapter 6” (in the first place those words occur) substitute “Chapter 6 of Title II”, and
(b) omit the words from “An institution using” to the end of the definition.

Commencement Information

I11 Sch. 4 para. 11 in force at 1.1.2022 by S.I. 2021/671, reg. 5(1)(c) (with reg. 5(2)) (as amended by S.I. 2021/1163, regs. 1(2), 2)

12 (1) Article 500d (temporary calculation of exposure value of regular-way purchases and sales awaiting settlement in view of COVID-19 pandemic) is amended as follows.
(2) In the heading, omit “Temporary”.
(3) In paragraph 1, omit “until 27 June 2021,”.

Commencement Information

I12 Sch. 4 para. 12 in force at 26.6.2021 by S.I. 2021/671, reg. 3(b)

13 (1) Annex 2 (types of derivatives) is amended as follows.
(2) In point 1, for point (e) substitute—
“(e) interest-rate options;”.

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(3) In point 2, for point (d) substitute—
“(d) currency options;”.

(4) For point 3 substitute—

“3 Contracts of a nature similar to those in points 1(a) to (e) and 2(a) to (d) of this Annex concerning other reference items or indices. This includes as a minimum all instruments specified in paragraphs 4 to 7, 9, 10 and 11 of Part 1 of Schedule 2 to the Regulated Activities Order not otherwise included in point 1 or 2 of this Annex.”

Commencement Information

I13 Sch. 4 para. 13 in force at 1.1.2022 by S.I. 2021/671, **reg. 5(1)(c)** (with **reg. 5(2)**) (as amended by S.I. 2021/1163, **regs. 1(2), 2**)

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Changes and effects yet to be applied to :

- specified provision(s) amendment to earlier commencing S.I. 2021/671, reg. 5 by [S.I. 2021/1163 reg. 2](#)