

1 Draft [PRA Rulebook Instrument]

PRA RULEBOOK: SIMPLER-REGIME FIRMS (DEFINITION) INSTRUMENT 20xx

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Simpler-regime Firms (Definition) Instrument 20xx

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: Simpler-regime Firms (Definition) Instrument 20xx.

By order of the Prudential Regulation Committee

[DATE]

Annex

AMENDMENTS TO GLOSSARY

In this Annex, the text is all new and not underlined:

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Simpler-regime firm

means a *UK bank* or *building society* in respect of which the following conditions are satisfied:

- (1) Either
 - (a) if the *firm* has been required, in accordance with Chapters 6 and 7 of the Regulatory Reporting Part, to report its total assets using template F.01.01 of Annex III or IV to the Reporting (CRR) Part on one or more occasions in the preceding 36 *months*, the arithmetic mean of the total assets which it was required to report on those occasions does not exceed £15 billion; or
 - (b) If the *firm* has not yet been required to report its total assets as described above, the *firm* reasonably forecasts that, on the first occasion on which it will be required to do so, the figure that it will be required to report will not exceed £15 billion.
- (2) At least 85% of the *firm's* relevant credit exposures are located in the *UK*, as determined in accordance with the instructions in point 3.4.3 of Part II of Annex II to the Reporting (CRR) Part for the completion of template C 09.04 of Annex I to that Part.
- (3) On the last day of the preceding *month* the size of the *firm's* on- and off- balance-sheet trading book business was equal to or less than both 5% of the *firm's* total assets and £44 million, on the basis of the assessment set out in Article 94(3) of Chapter 3 of the Trading Book (CRR) Part.
- (4) The *firm's* total net foreign exchange positions, calculated using the method set out in Article 352 of the *CRR*, do not exceed in value 2% of its own funds, where own funds has the meaning given in the *CRR*.
- (5) The *firm* does not hold positions in commodities or commodity derivatives.
- (6) The *firm* does not apply the Internal Ratings Based Approach to calculate its risk-weighted exposure amounts for credit risk.
- (7) The *firm* does not provide clearing, transaction settlement, custody or correspondent banking services to a *UK bank* or *building society*, or to a *credit institution* whose registered office or, if it does not have a registered office, whose head office, is outside the *UK*, including by acting as an intermediary for a *UK bank* or *building society* or such a *credit institution* to access the facilities or services of:
 - (a) a *payment system*, *CSD*, *third-country CSD*, *SSS* or *central counterparty* in which the *firm* is a direct or indirect participant or member, or
 - (b) an exchange, other trading facility, clearing house or any other financial market utility or infrastructure, either directly or indirectly.
- (8) The *firm* is not an *operator* of a *payment system*.
- (9) Any *undertaking* of which the *firm* is a *subsidiary* is a *UK undertaking*.
- (10) If the *firm* is a member of a *consolidation group*:

(a) conditions (1) to (6) are satisfied in respect of:

(i) the *CRR consolidation entity* on a *consolidated basis*, and

(ii) each *UK bank* and *building society* in the *consolidation group*,

and for this purpose references in those conditions to the *firm* are to be read accordingly;
and

(b) conditions (7) and (8) are satisfied in respect of each *UK bank* and *building society* in the *consolidation group*, and for this purpose references in those conditions to the *firm* are to be read accordingly.

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CSD

has the meaning given in Article 2(1)(1) of *CSDR*.

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CSDR

means 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.

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operator

in relation to a *payment system* has the meaning given in section 183 of the Banking Act 2009.

...

payment system

has the meaning given in section 182 of the Banking Act 2009.

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SSS

has the meaning given in Article 2(1)(10A) of *CSDR*.

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third-country CSD

has the meaning given in Article 2(1)(2) of *CSDR*.

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