

# PS19/24 – Strong and Simple Framework: The definition of an Interim Capital Regime (ICR) firm

Policy statement 19/24

Published on 29 November 2024

## **Content**

# 1: Overview

---

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides the final PRA statement of policy (SoP) – **Operating the Interim Capital Regime** and rules relating to the definition of an Interim Capital Regime (ICR) firm and an ICR consolidation entity,<sup>[1]</sup> which were published as near final in PS17/23 – **Implementation of the Basel 3.1 standards near-final part 1** (December 2023) and PS9/24 – **Implementation of the Basel 3.1 standards near-final part 2** (September 2024).

1.2 This PS should be of interest to ICR-eligible firms and firms that are considering becoming an ICR firm, and entities that do business with ICR-eligible firms. This PS explains the mechanism by which these firms can join the ICR. Joining the ICR will enable eligible firms essentially to preserve their current capital requirements from the implementation date (ie 1 January 2026) of the Basel 3.1 standards, as set out in PS17/23 and PS9/24, until the Small Domestic Deposit Taker (SDDT) capital regime is implemented.

1.3 This PS sets out the final definition of an ICR firm, which will enable the PRA to offer a modification to its rules to allow firms to become subject to the ICR (the ICR Modification by Consent (MbC)).<sup>[2]</sup> The final rules for the ICR definition and final version of the SoP about how firms would enter and exit the ICR are set out in the following appendices to this PS:

- SoP – Operating the Interim Capital Regime (Appendix 1); and
- PRA Rulebook: SDDT Regime (Interim Capital Regime) Instrument 2024 (Appendix 2).

## Background

1.4 In consultation paper (CP)16/22 – **Implementation of the Basel 3.1 standards**, the PRA proposed to:

- introduce a transitional capital framework so that small firms would not need to apply the Basel 3.1 standards before the future implementation date of the permanent capital framework for the SDDT regime (which was later proposed in CP7/24 – **The Strong and Simple Framework: The simplified capital regime for Small Domestic Deposit Takers** to be implemented on 1 January 2027);
- ensure the existing requirements and technical standards would still be legally operable as rules, differing by their scope of application to ICR firms only;
- allow firms that meet the SDDT criteria to choose whether to implement the Basel 3.1 standards on the same timetable as other firms or be subject to the ICR; and
- invite eligible firms to consent to a modification to be subject to the ICR. Firms that are part of a group based outside of the UK could apply for a modification of the SDDT criteria that would

enable them to be subject to the ICR.

1.5 In determining its policy, the PRA considered representations received in response to CP16/22. It published an account of those responses and the PRA's feedback in Chapter 8 of PS17/23.

1.6 In carrying out its policy making functions, the PRA is required to have regard to various matters. In CP16/22 the PRA explained how it had regard to the most relevant of these matters in relation to the proposed policy. The final policy is consistent with the proposals in CP16/22 and so the PRA considers that its analysis of its objectives and have regards in CP16/22 remains appropriate.

## Summary of responses

1.7 The PRA received 14 responses regarding the ICR proposals set out in CP16/22. In Chapter 8 of PS17/23, the PRA set out its feedback to those responses and the amendments made to the draft policy.

## Changes to draft policy

1.8 Compared to what was proposed in CP16/22, PS17/23 set out some minor changes to Annexes A and B of the ICR instrument. These changes are not expected to have any meaningful effect on the impact of the policy on ICR firms. The impact on ICR-eligible mutuals compared to the draft rules and compared to the impact on other ICR-eligible firms also remains unchanged.

1.9 Where implementing the Basel 3.1 standards further to the consultation in CP16/22, the PRA is required to comply with the various legal obligations set out in FSMA 2000 and has developed this PS in accordance with these obligations. New **obligations** introduced in FSMA 2023 do not apply to policy made further to CP16/22.

1.10 For such rules that are CRR rules or rules applying to holding companies, as well as publishing a summary of the purpose of the proposed rules, the PRA must publish an explanation of certain matters.<sup>[3]</sup> In CP16/22, the PRA published its explanation of why the rules proposed by the CP were compatible with its objectives and with its duty to have regard to the regulatory principles.<sup>[4]</sup> Where relevant, this explanation was updated in PS17/23 to reflect changes to the draft policy following consultation.

1.11 When making CRR Rules and certain rules applying to holding companies, the PRA must consider and consult HM Treasury (HMT) about the likely effect of the rules on relevant equivalence decisions. The PRA has done so and informed HMT that it has not identified any relevant effect on such decisions.

1.12 In addition, when making CRR rules or rules applying to certain holding companies, the PRA

must also publish a summary of the purpose of the proposed rules.<sup>[5]</sup> The purpose of the proposed rules is to allow eligible firms access to the ICR by way of modification to the rules that apply to the firm.

## Implementation and next steps

1.13 The rules relating to the definition of an ICR firm, and the ability for eligible firms and consolidation entities to become ICR firms and ICR consolidation entities, along with PRA Rulebook Glossary changes, application rules and definitions will take effect from 29 November 2024.

1.14 The final rules for the reproduced CRR provisions and technical standards, and the disapplied Rulebook amendments, for ICR firms<sup>[6]</sup> will be published separately alongside the final Basel 3.1 PS in 2025 Q1.

1.15 Proposals to revoke the ICR when the SDDT capital regime is implemented are set out in [CP7/24](#). That consultation will close on Thursday 12 December 2024.

1.16 Unless otherwise stated, any remaining references to EU or assimilated legislation refer to the version of that legislation which forms part of assimilated law.<sup>[7]</sup>

- 
1. For ease of reading, any references to ICR firms hereafter in this PS should be treated as applicable to both ICR firms and ICR consolidation entities, unless stated otherwise.
  2. See the [Waivers and modifications of rules](#) page on the Bank's website for a definition of a modification by consent.
  3. See in particular s144C-E and s192XA of FSMA, and SI 2023/936.
  4. Section 138J(2)(d) of FSMA.
  5. Section 144D(2)(a) of FSMA.
  6. Ie the final version of the near-final rules set out in Annex C of the near-final ICR instrument appended to PS9/24.
  7. For further information please see [Transitioning to post-exit rules and standards](#).

## Appendices

 [PRA Rulebook: CRR Firms: SDDT Regime \(Interim Capital Regime\) Instrument 2024 \(PDF\)](#)

[> Statement of policy - Operating the Interim Capital Regime](#)

Note: All content for this PS is included on this webpage. If you would like a PDF version of the PS, please use the button available below.

