

A response to the

The PRA's CP16/22

Executive summary – Appendix: Index - Recommendations

March 2023

Chapter	Reference	Recommendations
2	Scope and Application	
2.1	Application of the simpler-firms regime to foreign banks	The Simpler-regime should also be applied to regulated subsidiaries of 3 rd country banks.
2.2	Transparency of criteria	The criteria a firm should meet to be eligible for the Simpler-regime should be incorporated into the PRA Rulebook and the new regime implemented at the same time as Basel 3.
2.3	Intermediate firms and the Basel 3.1	The PRA should consider allowing 'Intermediate' firms to opt out of the requirement to move to Basel 3.1.
2.4	Use of fixed size thresholds	Thresholds should be subject to regular review and indexation.
2.5	Opting into the regime	Firms should be able to opt in and subsequently out of the regime when further detail of the simpler firms regime become known.
2.6	Mortgages risk weights	Transitional banks should be permitted to use the Basel 3.1 risk weights for mortgage exposures.
2.7	Transitioning out of the regime	The PRA should clarify more precisely its expectations of firms transitioning out of the Simpler-regime.
2.8	Increase in the threshold from £15bn to £20bn	The MREL lower total asset size threshold should be increased to £20 billion.
2.9	Consistency with other thresholds	The Bank of England's multi layered threshold regime should be simplified.
2.10	Simplified Pillar 2 approach	Firms should only be required to undertake a full ICAAP in the year in which the PRA performs a C-SREP.
2.11	Interaction of Simpler-regime with Basel 3.1	PRA should provide further clarity on how the strong and simple regime will interact with Basel 3.1.
2.12	Q & A function	As an alternative to a Q&A process the PRA should convene a forum of its own technical subject matter experts and representative industry experts to address issues of interpretation and operationalisation of its requirements.
3	Credit Risk – Standardised Approach	
3.1	External Credit Rating	The PRA should encourage the BCBS consider the creation of an SA approach to credit risk for unrated corporates. The PRA should provide additional guidance on how and when firms may supersede ECAI credit ratings with internal judgement.
3.2	Proposed definition of commitment and proposed conversion factors (CF) for commitments	The PRA should: <ul style="list-style-type: none"> • Clarify its intent for unrecognised exposure adjustments • Exclude facilities under bank control from the definition

		<ul style="list-style-type: none"> Exclude facilities awaiting regulatory approval from the definition Ensure appropriate alignment between definition of commitment and conversion factor Clarify further the exact scope of “other commitments with certain drawdowns” which are in scope for a 100% conversion factor per Table A1 in Article 111. Introduce a transitional framework for Unconditionally Cancellable Commitments that is aligned to EBA proposals Introduce a credit conversion factor of 40% for other commitments that relate to non-residential real estate exposures
3.3	Credit risk treatment of quasi sovereign, Export Credit Agencies (ECAs)	The PRA should permit certain quasi sovereigns (i.e. those ECAs classed as PSEs) to be treated as sovereigns under the proposed mandatory standardised approach.
3.4	Application of Ratings to central governments and central banks	The PRA should clarify that ECAI sovereign ratings can be applied to both the central government and central banks when the rating methodology applied by the ECAI reflects the connection between the central government and central bank specifically when the central bank is not that of a monetary union e.g. ECB where they are managing the monetary policy of several nations.
3.5	Exposures to Institutions	For institutional exposures with original maturities of six months or less to benefit from lower risk weights, UK Finance recommends that the criteria be expanded to include exposures arising from the movement of goods and services within the United Kingdom or across national borders.
3.6	Exposures in the Form of Covered Bonds	UK Finance recommends that the PRA removes the maturity-based criterion from the eligibility requirements for covered bonds collateralised by exposures to institutions.
3.7	Valuation Requirements and SA issuers of Regulatory Covered Bonds (RCBs)	UK Finance recommends that SA lenders that are also issuers of RCBs be excluded from the proposed requirement to revalue properties on default.
3.8	Unrated Corporates	An option should be provided for third country banks to adopt either the UKs approach to risk weighting unrated corporates or to import their home country’s approach.
3.9	Unrated Funds	A separate exposure class more appropriate to the characteristics of funds and other financial corporates should be created and an appropriate 100% risk weight applied to this exposure class.
3.10	Treatment of SPVs	For SPVs, which would otherwise fall into the standardised approach to credit risk category of unrated corporates, a specific carve out is created which allows for the risk weight to be determined by direct reference to the CQS which would apply to a direct exposure to the SPV collateral assets.
3.11	Specialised lending exposures and data	<p>The PRA should:</p> <ul style="list-style-type: none"> Provide more granularity in the risk weighting of specialised lending category by distinguishing “high quality” exposures from rest of the “object finance” exposures. Provide additional guidance on the criteria for an object finance exposure to be considered as high quality. Re-consider a RW of 100% for object finance (aviation and shipping) exposures

3.12	Removal of the infrastructure support factor	UK Finance recommend the retention of the infrastructure support factor, in order to stimulate investment in this important market and ensure UK banks are not disadvantaged compared to international competitors. If this cannot be retained, we request that a transitional period is introduced, where the treatment on existing exposures is grandfathered, in recognition of the long lead times to lend, the long-term nature of infrastructure contracts and the complex, strict and narrow application criteria that firms must meet to benefit.
3.13	Removal of the SME support factor	The SME support factor should not be completely and suddenly removed.
3.14	SME risk weight within loan splitting	The SME risk weight used within the loan splitting calculations should be set at 75%, to align with the SME regulatory retail exposures unsecured risk weight.
3.15	SME definition	Make the definition of SME simpler to implement by aligning to the Basel definition and set the thresholds to round GBP numbers.
3.16	Unhedged retail exposures: Currency Mismatch and 1.5 multiplier	<ol style="list-style-type: none"> 1. Limit the scope of application of the mismatch rules to regulatory residential real estate exposures. 2. Limit the scope of application of the mismatch rules to retail exposures in the form of instalment loans or non-revolving loans with pre-specified schedules of repayment of principal and interest. 3. Exclude revolving credit facilities in wealth lending from the requirement. 4. Other types of exposures, refer to 'obligor's main source of income to limit the requirement where the main income matches and would therefore serve to reduce operational complexity, i.e. firms will only be required to assess whether the multiplier is required where the exposure is not in the main source of income and whether the hedge criteria are met. 5. Broaden the scope for data gaps to include country of residence, origin and employer. 6. Ongoing assessment post origination embedded in terms via self-declaration for any change in circumstances in their annual statement.
3.17	Revolving retail credit facilities	Revolving credit facilities (that covers lending against marketable securities) in wealth management lending should be excluded.
3.18	Real Estate Basel 3.1 currency mismatch	<p>The PRA should permit natural hedges for real estate exposures with currency mismatch which should include:</p> <ul style="list-style-type: none"> • income and assets held in the currency of the obligation, regardless of whether they are the “main” source of income for the obligor, and • income and assets held in a currency other than that of the obligation, subject to a suitable haircut.
3.19	Determining origination value and prudent valuation criteria	<p>The PRA should:</p> <ul style="list-style-type: none"> • Revisit its valuation at origination proposals and reconsider the continued use of indexation for SA firms and align with the IRB approach. • Clarify how a valid revaluation event should be determined. • Confirm that Automated Valuation Models (AVMs) will continue to meet valuation requirements. • Align Article 124C(2)(b) with the requirements of Basel (CRE 20.74(1)). • Clarify expectations for discounted purchases.

3.20	A1: Regulatory Residential Real Estate Definition and Criteria	<ul style="list-style-type: none"> • Allow properties under construction that meet certain requirements to be included in regulatory real estate • Recognise monoline-insured loans as regulatory residential real estate where Basel requirements are met • Re-instate the risk weight cap in line with the Basel text for the risk weight of second charge junior liens where the base risk weight is multiplied by 1.25 • Consider providing guidance on the definition and level of metrics to determine good underwriting practices, per a national discretion allowed under the Basel text.
3.21	A2: 'Owner Occupier' (not materially dependent on cash flows generated by the property)	<ul style="list-style-type: none"> • Apply a 10% risk weight up to 55% LTV under the Loan Splitting Approach for UK mortgages. • Allow firms to opt in to either the Loan Splitting Approach or the Whole Loans approach.
3.22	A3: BTL/Residential materially dependent on cashflow	<ul style="list-style-type: none"> • Align risk weight proposals with current requirements set out in the CRR. • Failing which increased capital requirements should only be applied for new mortgage loans booked from 1 January 2025. • Align the three-property limit in light of the strong underwriting standards and low loss data unique to the UK including consideration of: <ul style="list-style-type: none"> ◦ A significantly higher limit ◦ Alignment of rulebook text in Article 124D (3)(b) with SS13/16 ◦ Addressing the practicalities in implementing the new methodology • Clarify definitions relating to Houses in multiple occupation. • Removal of the requirement to assess Materially dependent on cash flows generated from the property ('MDoCF') over a representative mix of good/bad years.
3.23	A4: Overview of 2nd Charge mortgage risk weight issue under standardised approach	Firms should be able to treat 2nd charge mortgages as secured loans and either allow them to choose between the two Basel approaches or allow firms to adopt the whole loan approach for regulatory real estate.
3.24	CRE not materially dependent on cash flows generated by the property	<ul style="list-style-type: none"> • To align with the Basel 3.1 standards, UK Finance propose that the PRA's proposed CRE floor for CRE exposures not materially dependent on cash flows generated from the property is not introduced, and the Basel loan-splitting approach in para Article 124G(2) is retained (i.e. both Article 124G(1) and (5) is removed). • Adopt vacant possession as one option for a prudently conservative valuation.
3.25	Article 124G(2) applicability	Remove 124G(2) providing loan splitting for non MDoCF CRE as redundant since based on the proposals there will not be case of a non MDOCF CRE exposure that will have a risk weight below 100% due to the proposed CRE floor.
3.26	CRE materially dependent on cash flows generated by the property (IPCRE)	<ul style="list-style-type: none"> • As a first proposal, the PRA's proposed CRE floor for CRE exposures that MDoCF generated from the property is not introduced (i.e. both Article 124G(1) and (5) are removed) and the Basel whole loan approach is adopted. As an alternative compromise, reduce the IPCRE floor to 75%/85% risk weight following the same levels as the current 100% risk weight for

		<p>IPCRE would be reduced by the SME support factor to reflect the current approach applied by firms.</p> <ul style="list-style-type: none"> • Adopt vacant possession as one option for a prudently conservative valuation. • Consideration is given to the interaction of the 100%/110% floor for CRE for Pillar 1 and the Pillar 2 slotting approach.
3.27	B2: CRE Definition/Specific inclusions as CRE: Holiday lets	Holiday lets should be treated as not materially dependent on cashflows
3.28	B3: Mixed Use/Semi-Commercial property	The PRA should clarify the approach to determining the risk weighting of residential and commercial elements for mixed use/semi-commercial property and exposures secured on multiple properties.
3.29	C: Acquisition development and construction (ADC) exposures	The PRA should clarify the treatment of exposures that meet the definition of both 'ADC exposure' and 'regulatory real estate exposure'.
3.30	Equity holdings made pursuant to national legislated programmes	The PRA should allow the preferential risk weight for equity holdings made pursuant to national legislated programmes.
3.31	Defaulted exposures	The PRA should adopt the Basel framework's national discretion of applying a 50% risk weight where the specific provision is no less than 50% of the outstanding loan amount.
3.32	High Risk	The PRA should remove the "High Risk" exposure classification and corresponding risk weight of 150% to align with the Basel 3.1 standards
3.33	Ongoing Additional Clarity and Consistency	The PRA should develop a Q&A type process.
3.34	Interaction of Pillar 2 with revised Standardised Credit Risk	The PRA detail how Pillar 1 standardised credit risk will interact with the credit risk parts of the Pillar 2 methodologies, in particular the comparison to the IRB benchmarks.
3.35	Standardised Credit Risk exposure class hierarchy cascade	The PRA should publish an exposure class hierarchy tree similar to the one set out in Annex II of the EBA's Reporting on Own Funds and Own Funds Requirements RTS.
3.36	Definition of Default	The PRA should clarify if its definition of a credit arrangement includes informal arrangements.
3.37	Speculative Unlisted Equity Exposures	Provide further clarity on the scope of "venture capital".
3.38	Corporate Clients and debt-equity swaps	Please reconsider the Basel exclusion from 400% risk weight for "investments in unlisted equities of corporate clients with which the bank has or intends to establish a long-term business relationship and debt-equity swaps for corporate restructuring purposes."
3.39	Diversification	Diversification be retained as a criteria to justify a lower risk weight for equity investment and venture capital investments.
3.40	Impact of realising collateral in the event of default	Review drafting and consider the use of 'and' instead of 'or' in Article 124D(1)(b).
4	Credit Risk - Internal ratings-based approach	
4.1	Implementation timelines	Where relevant firms should be able to submit models ahead of the July 2024 commencement date of model submission. An article 146 like risk-based approach to model review should be adopted.
4.2	Permission to use the IRB approach	<ul style="list-style-type: none"> • The PRA should affirm that compliance attestations need not be made by a Senior Management Function

		<ul style="list-style-type: none"> Firms should be permitted to confirm model changes remain compliant rather than resubmitting a full refreshed self-assessment The PRA should confirm the 'Material compliance thresholds should apply immediately following the publication of the final rules
4.3	IRB exposure classes and sub-classes	The PRA should clarify treatment for certain types of government sponsored enterprises such as FMNA and FMCC (Fannie Mae/Freddie Mac).
4.4	Quasi sovereign – Public Sector Entity Export Credit Agencies (PSE-ECAs)	ECAs, which would fall into a category of public sector entities ('PSE-ECA'), should be treated as central government and central bank category where there is no difference in risk between the central government and the PSE-ECA.
4.5	PSE-specific equivalence framework	A UK designated list of ECAs should be established.
4.6	International competitiveness analysis	The definition of large corporates should be better aligned with Basel standards to ensure consistency of application globally. The PRA should provide about the classification and modelling treatment of entities that are part of group.
4.7	Financial corporates	The definition of financial corporate should be broadened to include other types of financial institutions such as funds.
4.8	Retail	The PRA should: <ul style="list-style-type: none"> restrict the retail SME limit to only drawn exposure amounts increase the threshold consider an alternative Euro threshold.
4.9	Specialised lending	The PRA should incorporate the full specialised lending definition in Basel CRE 30.07 into Article 147(4D).
4.10	Central Governments and central banks	The PRA should allow internally used sovereign models as input into other models such as for corporate rating systems.
4.11	Financial corporates	The PRA should confirm that funds also form part of financial corporate definition.
4.12	Covered bonds	The PRA should reconsider the application of the 11.25% Foundation LGD to only UK covered bonds and apply to non-UK covered bonds too.
4.13	PPU within roll-out classes	CRR Article 150B(4) sets the expectation that no more than 50% of RWA for each roll-out class is calculated using the Standardised Approach. UK Finance considers this to be reasonable.
4.14	1.06 scaling factor and the 1.25 asset value co-efficient of correlation multiplier	<ul style="list-style-type: none"> The size threshold for AVC application should be based on the borrower and its subsidiaries rather than total group asset. AVC should also explicitly not apply to funds and treasury entities of non-financial corporates which weren't intended to be captured to begin with.
4.15	Appropriateness of the IRB approach for SME exposures in the absence of the support factor	The SME support factor should be retained.
4.16	SME definition	The SME definition should be made simpler to implement by aligning to the Basel definition and set the thresholds to round GBP numbers.
4.17	Appropriateness of the IRB approach for infrastructure exposures in the absence of the support factor	We believe that the infrastructure support factor (ISF) should be retained.

		At the very least, we propose a transitional period for the removal of infrastructure support factor.
4.18	Calculation of risk-weighted assets and expected loss	The definition of commitment should be uniform across all approaches with no deviations under IRB. The unrecognised exposure adjustment should be removed to achieve this.
4.19	IRB model governance and validation	Provide further clarity how “material differences between established procedures and actual practice” would apply in practice (Para 4.175).
4.20	Adjustments to address lack of representativeness	It is recommended that paragraph 34 of EBA GL 2017/16 is included in Appendix 13 to maintain consistency with the EU guidelines supporting the regulatory requirements.
4.21	Seasoning assessment and adjustment	Extend the regulatory text stating that MoC would not be required if firms can demonstrate that seasoning effects are already captured by the model.
4.22	Continued use of MIA	Extend the PRA rulebook and explicitly allow the use of MIA as a substitute of “days past due”.
4.23	Treatment of forbore exposures / distressed restructuring	We welcome the regulatory amendments to the PRA rulebook but further suggest changes to provide clarity.
4.24	PD input floors for QRRE	We recommend aligning the final rule set for retail exposure PDs to the Basel 3.1 requirements.
4.25	Point in Time plus Buffer methodology	It is recommended to clarify and confirm the possibility in the final ruleset the use of the widely implemented “Point in Time Buffer” approach for retail unsecured portfolios.
4.26	LRA default rate calculation	Clarification is suggested in the final regulatory text on how the long run average PDs should be estimated – and whether this differs from the current regulatory framework provided in point (a) of CRR Article 180 (1) and (2) and Sections 5.3.3 and 5.3.4 of EBA GL 2017/16 (which align with 36.63 of Basel 3.1).
4.27	Representative mix of good and bad periods	<ul style="list-style-type: none"> • The PRA should specify ‘the years that constitute, for UK portfolios, ‘the representative mix of good and bad periods’. • The PRA should allow the use of macroeconomic data/other external factors to back-cast default/loss data.
4.28	Obligor grade adjustment, i.e. parental support	Firms should continue to be allowed to use parental support for PD adjustments without the need for documented parental support.
4.29	Ineligible collateral treatment	For disregarded and ineligible collateral, UK Finance recommends PRA retains the existing approach to include them in the model calibration.
4.30	Alternative methodology for collateral in LGD estimation	For the use of the alternative methodology for collateral in LGD estimation, UK Finance recommends the PRA clarifies what is meant by ‘relevant data points’.
4.31	Incomplete works	For the treatment incomplete workouts, UK Finance recommends the PRA clarifies the requirements for the treatment of costs and recoveries.
4.32	Calibration to a long-run average	For the calibration of long-run averages at the level of the calibration segment, UK Finance recommends that this is also available where discrete rating scales are used.
4.33	Structure of Appendix 13	In Appendix 13, LGD requirements are separated out into several sections. Section 12 is titled “LGD – Model Development” but includes some requirements that would be considered as general requirements, applying to both Model Development and Model Calibration. UK Finance recommends that a similar structure could be adopted to the EBA GL 2017/16, where general

		requirements and model development requirements are separated out into two separate sections.
4.34	Consistency of EAD estimation with other components	To preserve the consistency in estimation among the different risk parameters, it is recommended to keep the possibility to model EAD/CCF with a cohort approach, rather than using a fixed time horizon approach, which would give estimate to only one single point in the future rather than any possible event in the next 12 months.
4.35	EAD estimation for non-revolving exposures	It is recommended to specifically allow or discard the usage of the currently widely adopted methodologies for closed end loans (i.e., capital repayment mortgages, fixed term personal loans), using current balance adjusted with the expected number of missed payment related interest added to the balance as an EAD estimate.
4.36	1 year maturity floor	The PRA should use the Basel framework national discretion to include inter-bank deposits and nostro accounts as exempt from the one-year floor.
4.37	Purchased Receivables	Self-liquidating trade finance transactions should be eligible for the one-day maturity floor.
4.38	Object finance (i.e. physical collateral (aircraft/shipping))	We recommend that the PRA review the LGD floors for specialised lending to differentiate specialised global movable assets, like aircraft and ships, from general 'other physical collateral'. We also recommend that the PRA consider phase-in of LGD floors for specialised lending and the SA object finance RW of 80%.
4.39	Specialised lending category definitions – HVCRE	We recommend that the PRA do not introduce the HVCRE classification. Instead, the increased risk associated with HVCRE could be reflected in capital requirements by capturing the risk drivers of HVCRE in the assignment of slotting categories.
4.40	Introduction of additional risk-sensitivity in the slotting approach – maturity criteria	Continue to use the simple 2.5-year residual maturity criteria for the preferential risk weights, for all types of specialised lending.
4.41	Introduction of additional risk-sensitivity in the slotting approach – 'substantially stronger' criteria for IPRE	Revise the 'substantially stronger' criteria for assigning preferential risk weights to IPRE exposures with residual maturity of more than 2.5 years.
5	Credit Risk Mitigation	
5.1	Correlation	Paragraph 8.4 of SS17/13 should recognise that negatively correlated collateral assets may be recognised as eligible collateral.
5.2	Consequential impacts of reducing the scope of Articles to specific approaches	The PRA should: <ul style="list-style-type: none"> Clarify that statistical valuation models are permitted for valuation purposes under the SA for exposures secured by property. Clarify whether insurance against damage is required under the Standardised approach for exposures secured by property.
5.3	Drafting error in Article 230	Fix drafting error in Article 230.
5.4	Capital market-driven transactions	Article 224(2)(c) should be amended to ensure the correct types of SFTs are captured within the 'capital market-driven transaction' definition.
5.5	Funded credit protection under the Slotting Approach	PRA should: <ul style="list-style-type: none"> confirm On Balance Sheet Netting, a type of FCP, is an eligible CRM approach for slotting exposure, and

		<ul style="list-style-type: none"> reversion to Standardised approach is acceptable for slotting exposure where cash collateralisation is present, but no netting agreement is in place.
5.6	Eligibility of protection providers for slotted exposures	The PRA should confirm that all IRB risk weighted corporates should be eligible protection providers in the Risk-Weight Substitution Method when used for slotted exposures.
5.7	Collateral recognition in trading book SFTs	The PRA should establish specific criteria so firms can determine which the collateral can be effectively traded upon default of a client.
5.8	Transactions in scope of Article 299A	Maintain the inclusion of Margin Lending Transaction in the scope of Article 299A.
5.9	Material Positive Correlation treatment of own issued bonds	We recommend that the PRA consider broadening the wording for the scope of own issued securities which can still be eligible collateral under Article 207(2) to any securities which do not economically have material positive correlation in line with the principles of SS17/13.
5.10	CIU collateral	A simple look-through approach (LTA) should be allowed instead of a mandate-based approach (MBA).
5.11	Immovable property collateral valuation	Article 208 should include automated valuation model (AVM) validations as acceptable.
5.12	Scaling of supervisory volatility adjustments	The volatility adjustment formula to reflect longer or shorted liquidation period of collateral should be added Article 224(2).
5.13	Equities traded on a recognised exchange	Article 224 Table 3 should be amended to align with the amended text in Article 224(4).
5.14	Securities or commodities lending or borrowing transactions	A definition of 'securities or commodities borrowing or lending transaction' should be provided.
5.15	Group of securities vs. index that denotes separate securities, commodities, cash	The concept of 'group of securities' should be used consistently.
5.16	Signage of net position Enet in Art. 220(3)	The definition of Esecm should be re-worded to ensure it is always a positive value.
5.17	Interaction between Art. 220(2)(c) and Art. 220(3)	The exclusion of net ineligible collateral for volatility adjustments should be confirmed.
5.18	RW substitution	IRB parameter RW substitution should be permitted where IRB banks have underlying standardised exposures/portfolios.
5.19	Additional requirement for eligibility of UFCP	PRA to delete this new requirement, or to apply it only to new protection arrangements from 1/1/2025.
5.20	Expected Loss calculation	PRA should confirm how such exposures should be reported.
5.21	Unfunded Credit Protection reporting inconsistency	The PRA should follow the Basel 3.1 approach: to risk weight the unprotected part of the transaction according to the underlying counterparty, and the protected part of the transaction according to the protection provider.
5.22	Applicability of Funded Credit Protection to IMM	The reference of the non-applicability of the CRM section to IMM in article 191A(4) should be removed.
6	Market Risk	
6.1	Requirements for the IMA permissions	Provide guidance in advance on the extent of evidence required for model approval for IMA, as well as clarify the scope of those approvals from operational perspective.
6.2	FRTB SA Authorisations	Clarify the components of the SA that require supervisory approval, particularly when a firm wishes to use alternative sensitivities.
6.3	IMA Default Risk Charge (DRC)	Consider removing the 3 basis-point floor in the IMA DRC for the exposures subject to 0% risk weight in the SA DRC.

6.4	Risk Factor Eligibility Test (RFET) /Non-Modelled Risk Factor (NMRF)	Further engagement is required to find an appropriate solution to improve banks' ability to practically meet the requirements.
6.5	Profit and Loss Attribution test (PLAT)	Review the thresholds for the PLA test once banks are able to develop the system capabilities and produce sufficient and reliable data.
6.6	Collective Investment Undertakings (CIUs)	Include data vendors in the list of 3 rd party providers under the External Party Approach (EPA); for the calculation of risk-weighted (RW) exposures, introduce a correlation parameter rather than using an absolute simple sum and for DRC and RRAO RWs to be provided separately.
6.7	Residual Risk Add-on (RRAO) - clarification on the term "instrument"	Allow exemption of exactly matching back-to-back transactions from the RRAO, in line with the Basel standards, as well as recognising the hedge benefit for the same instrument.
6.8	Fair Valued Through P&L (FVTPL) trades	Amend the PRA's proposal so that TB would not capture instruments that are not held for trading purposes but are FVTPL.
6.9	Re-assignment	Clarify specific cases where notification or permission is required and the industry recommends specific cases that should fall out of scope for re-assignment.
7	Credit Valuation Adjustment & counter party credit risk	
7.1	Alpha factor recalibration	The alpha factor should be recalibrated to 1 for all applications of SA-CCR: un-floored CCR RWAs, output floor CCR RWAs, Leverage Ratio and Large Exposure.
7.2	Use of indices for hedge CVA risk	We ask for the use of indices used to hedge CVA risk, particularly in terms of their usage linked to the hedging of systemic credit risk to be better recognised.
7.3	Extension of the pension funds risk weight sub-buckets	The PRA should extend the pension funds risk weight sub-buckets in SA-CVA and BA-CVA to include: <ul style="list-style-type: none"> • prudentially regulated financial entities and • regulated funds
7.4	M-Factor cap	A 1-year M-Factor cap should be applied for the Standardised Credit Risk, Slotting and Securitisation risk weight methodologies
7.5	Phasing in of the CVA RWA	Where existing provisions for CVA exemptions for non-financial, sovereign, and pension scheme arrangement counterparties are to be removed, we ask that firms are permitted to gradually phase-in the fully loaded CVA RWA over the proposed five-year transition period.
7.6	Application timeline for SA-CVA permission	The PRA should work with industry to ensure the demanding timeline for application for SA-CVA permission can be met.
8	Operational Risk	
8.1	Reporting and disclosures of historic operational losses	The PRA should eliminate the disclosure and reporting requirements for historic operational losses.
8.2	Business indicator mapping	Business indicator components should be mapped to other regulatory reporting requirements.
8.3	Pillar 2 review timeline	The PRA should clarify the likely timeline of the planned Pillar 2 review.
8.4	Operational risk for Simpler-regime firms	The PRA should set out its 'Day 1' starting point for operational risk for Simpler-regime firms.

8.5	Engagement with Basel Committee	The PRA should engage with other members of the Basel Committee to address operational risk shortcomings in the Basel framework.
9	Output Floor	
9.1	Level of application of the output floor	Consideration should be given to applying the output floor at the highest level of consolidation only.
9.2	Disapplication of output floor to overseas banks operating in the UK	The PRA should take into account any temporary or permanent sub-equivalent application of the output floor in its decision to apply it to 3 rd country banks.
9.3	Responsibility for equivalence determinations	HMT should take responsibility for making third-country equivalence determinations in relation to the floor.
9.4	PRA Buffer implications	For PRA buffer calculation purposes, the impact of the transitional impact of the output floor should be excluded.
9.5	Stress testing	The contribution of the output floor to declines in CET1 as a result of stress testing should be excluded.
9.6	Excess Expected Losses deduction/Surplus Provision	An RWA equivalent of the excess EL deduction should be added back to the total risk weighted assets for the purpose of making output floor comparisons.
9.7	Output floor and securitisation transactions	The PRA should engage with industry on the impact of the output floor on significant risk transfer transactions and a transitional measure introduced to adjust the p-factor during the UK's review of the Securitisation Regulation.
10	Pillar 2	
10.1	Proposed future review of the PRA's Pillar 2 framework	The Pillar 2 framework review should be completed as swiftly as possible.
10.2	Impact of Basel 3.1 ON Pillar 2	PRA should provide more granular detail about in which P2 categories offsetting capital reductions to offset Pillar 1 increases will be made.
10.3	Double Counting	Double counting in capital requirements between Pillar 1 and Pillar 2 must be avoided.
10.4	Derivation of MREL requirements	The PRA should amend the derivation of MREL requirements to be the higher of: <ul style="list-style-type: none"> • $(2 \times (P1 + P2A) + \text{RWA Buffers}) \times \text{RWAs}$ or; • $(6.5\% + \text{Leverage Buffers}) \times \text{Leverage Exposure}$
10.5	Capital Planning	The PRA should provide guidance on how Pillar 2 changes should be incorporated into capital planning before the outcome of the Pillar 2 review are known.
10.6	Credit risk (SA vs IRB) - benchmarks	The PRA should consider the removal of the SA vs IRB assessment given convergence in risk sensitivity between the two approaches. If the assessment is retained, the stated IRB benchmarks should be recalibrated.
10.7	Credit Risk (SA vs IRB) - Sovereign exposures	<ul style="list-style-type: none"> • The PRA should give clearer guidance about the intended treatment of UK sovereign exposures. • The PRA should update the leverage framework to exclude UK sovereign bonds from contributing to the reported leverage exposure and related O-SII assessments.
10.8	Credit Concentration risk	The HHI should be recalibrated, and if retained updated to adopt a non-midpoint approach to % scalars (to remove cliff edge effects between buckets).
10.9	Traded Market Risk	Clarity on PRA approach to isolate and thus eliminate overlap between P1 and P2a for 'illiquids'.
10.10	Timing	Firms should be able to apply adjusted Pillar 2 requirements as soon as the Basel 3.1 framework is applied.
10.11	Simplified Pillar 2 approach	Smaller firms should not need to prepare a full ICAAP every year.

10.12	Interaction with the Output Floor	The PRA should ensure that capital increases arising solely from the interaction between the output floor and Pillar 2 are avoided.
11 & 12	Disclosures and Reporting	
11.1	Timeliness of disclosure and reporting templates and instructions	Firms ask the PRA to share the final rules at least a year prior to the implementation date.
11.2	Future reporting taxonomy	Firms ask the PRA to share the reporting taxonomy at least a year prior to the implementation date.
11.3	EBA Taxonomy 3.0 Guidance	Firms ask the PRA to review and endorse the original intention of the respective templates, as described in the guidance and clarifications, either within the future policy statement that responds to CP 16/22, or ideally include the guidance (can be found in the 'Summary of responses to the consultation and the EBA's analysis' from page 66 of EBA/ITS/2020/05) within the annexes containing the reporting instructions.
11.4	Clarifying examples	We would like to see the PRA revert to sharing increasing numbers of examples to support the regulations and demonstrate their intentions. Ideally this would be included within the PRA Rulebook itself alongside the requirement.
11.5	Validations	We ask the PRA to: <ul style="list-style-type: none"> Review and transpose the deactivation of validations in line with the EBAs actions. Review all validations that are 'warnings' to determine whether they continue to be relevant. Publish a separate list of cross-validations or expectations to demonstrate where data points reported in different data items (E.g. COREP vs FINREP/Leverage/Liquidity) or submitted through different systems (e.g. BEEDS vs RegData) are expected to be aligned
11.6	Tabulated Reporting & Disclosure Requirements	We request that: <ul style="list-style-type: none"> The PRA publishes tables in the same style and format as those included in the 'Regulatory Reporting'¹ part of the PRA Rulebook. The annex instructions for each data point as well as the templates are in excel. We suggest a supplementary item that is embedded within the "Annotated Table Layout" excel files as opposed to a unique document.
11.7	Naming convention of the annexes	Reporting and disclosure template workbooks and instructions should be named with the relevant annex number within the file name.
11.8	Submission platform	PRA should undertake robust testing to ensure that submission platform is 'fit for purpose'.
11.9	Mapping and alignment between disclosure and reporting templates	We urge the PRA to develop, publish and maintain a mapping tool as soon as possible.
11.10	Proportionality	We ask the PRA to: <ul style="list-style-type: none"> Accelerate the work to reduce the reporting and disclosure burden for intermediate firms. To consider a more proportionate approach and assess the thresholds and nature of these requirements (e.g. external market participation or MREL, instead of balance sheet size), reflecting the simpler business models.

		<ul style="list-style-type: none"> Provide clarity on whether non-UK large subsidiaries of UK parent institutions are expected to comply with the Disclosure (CRR) part of the Rulebook.
11.11	CRR2 Implementation: COREP and FINREP submission deadlines (i)	We propose that the COREP and FINREP submission deadline at year-end be extended to at least 2 months or 45 business days. This extension should apply to related returns that have the same submission timeframe as COREP or FINREP e.g. the MREL reporting suite.
11.12	CRR2 Implementation: COREP and FINREP submission deadlines (ii)	We propose that COREP, FINREP and other related return submission deadlines for non-year end quarters be amended to 30 working days, rather than a strict calendar date.
11.13	CRR 2 implementation: Scope of quarterly disclosure requirements	Members request that the PRA: <ul style="list-style-type: none"> Revisit quarterly Pillar 3 disclosure requirements and limit these to the highest level of consolidation of a UK banking group and align the frequency with financial disclosure requirements. Discuss the disclosure regime at the Basel Committee with the objectives of reviewing whether the regime achieves its objectives and how it helps to promote market discipline.
11.14	FINREP reporting	We ask PRA to consider whether there are consequential changes to FINREP instructions and definitions. The removal of legacy definitions and references in the EBA Annex V, on-shored in the Reporting (CRR) part of the Rulebook, should also be considered.
11.15	An interactive Q&A and validation process	We ask the PRA to provide a mechanism which allows firms to move easily between the rules, examples associated with them and Q&As for example a Wiki-style approach or EBA's embedded Q&A model.
11.16	BoE's BDR work and interaction with Basel 3.1 implementation	We suggest some quick wins that are not likely to interfere with strategic principles of the BDR work: <ul style="list-style-type: none"> Purpose of disclosure and reporting templates: for each new or replacement template proposed in CP 16/22, PRA should set out the objective and detailed purpose of the template. Mapping tool: As noted earlier, provide a mapping between COREP /FINREP, leverage and Pillar 3 templates. Frequency: critically review frequency and challenge users within the PRA on whether all quarterly templates are required. Could some be semi-annual or even annual? Scope: evaluate whether it is necessary to capture Solo COREP reporting to the extent required currently, where firms also produce consolidated returns. The PRA currently makes a significant distinction for FINREP between reporting required for Solo entities compared to group entities, should a similar review be undertaken for COREP? Volume and appropriateness: In respect of FINREP, re-evaluate whether the volume of reporting required at consolidated levels is proportionate.
11.17	Pillar 3 disclosures on ESG	We encourage the PRA not to embark on incorporating ESG related disclosures into Pillar 3 at this stage unilaterally. If, and when additional ESG Pillar 3 disclosures are deemed warranted by BCBS, members stress that the PRA co-ordinate such initiatives. We would encourage the PRA not to pre-empt its recommendations and should seek to harmonise as appropriate.
12.1	Recommendations on templates	Various recommendations: corrections, clarifications, rationale, applicability questions, references, suggested deletions across chapters

13	Currency redenomination	
13.1	Thresholds in other PRA regulations	The PRA needs to cover thresholds in other PRA regulations not covered by this consultation.
13.2	Rounded thresholds	The PRA should consider using rounded thresholds and monetary values (for example £50 million instead of £44m), rather than those linked to EU regulations now that that the UK is outside the EU.

Responsible executives

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