Consultation Paper

CP11/6**

Financial Services Authority

Use of non-EEA rules in calculating group capital requirements

March 2011

FSA®
Financial Services Authority

Contents

The Financial Services Authority invites comments on this Consultation Paper. Comments should reach us by 30 June 2011.

Comments may be sent by electronic submission using the form on the FSA's website at: www.fsa.gov.uk/Pages/Library/Policy/CP/2011/cp11_06_response.shtml.

Alternatively, please send comments in writing to:

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise. A standard confidentiality statement in an email message will not be regarded as a request for non-disclosure.

A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

Acronyms used in this paper

BIPRU	Prudential Sourcebook for Banks, Building Societies and Investment Firms
CBA	Cost benefit analysis
CRD	Capital Requirements Directive
EEA	European Economic Area
EU	European Union
FSMA	Financial Services and Markets Act
GENPRU	General Prudential Sourcebook

1 Overview

Purpose

1.1 This Consultation Paper (CP) sets out our proposals for removing the rules permitting the use of non-EEA regulators' rules in calculating the group capital requirements of a UK banking/investment firm group on a standardised approach.[1]

Background

1.2 Under our rules in BIPRU 8, a firm that is a member of a UK consolidation group must calculate the consolidated capital requirements of its group under our rules, as set out in GENPRU and BIPRU.

1.3 The standardised requirements of all EEA competent authorities are equivalent by definition since all EEA Member States have implemented the Capital Requirements Directive (CRD).

Non-EEA equivalence

1.4 At present (and as set out in BIPRU 8.7.35R), a UK consolidation group may use non-EEA regulators' rules for calculating the standardised requirements of a non-EEA subsidiary, which are then aggregated into the group's consolidated capital requirements. This allows firms operating in foreign jurisdictions to use non-EEA rules, so they do not need to maintain two sets of capital calculations for the same business.

1 The standardised approach is the standard method available to firms to calculate their minimum credit, market and operational risk capital requirements under Pillar 1 of Basel II/ the Capital Requirements Directive (CRD).

1.5 A firm may make use of this rule where we have determined that the non-EEA regulators' standardised rules are considered to be 'equivalent' to the FSA's rules (a list of such non-EEA regulators is set out in BIPRU 8 Annex 6R by reference to the individual risk components); and either:

- the firm has no reason to believe that applying those rules to the relevant group member would produce a capital requirement figure that is lower than would be produced under FSA rules; or
- the firm increases the capital requirement produced under those rules, and the firm has no reason believe that the use of this amount would produce a lower figure than would be produced under FSA rules.

1.6 However, where a firm wishes to include in its group calculation local requirements calculated under the rules of a non-EEA regulator that we have not assessed as equivalent under the CRD, it will need to apply for a waiver. As well as demonstrating that it meets the grounds for a waiver (under s148 of the Financial Services and Markets Act – FSMA), the firm will need to demonstrate that the local capital requirements will result in a capital charge that is at least as much as is required under the FSA rules that implement the CRD.

1.7 This approach is for standardised calculations only.[2]

Rationale for our current approach

1.8 When we implemented the CRD in 2006 we proceeded on the basis that a non-EEA regulator's local requirements may be relied on for the aggregation of a non-EEA subsidiary's capital requirements for the purpose of the group consolidated capital requirements on the basis that its rules would have to be either equivalent to the CRD, or broadly equivalent with any identified gaps appropriately addressed. For example, we deemed a US banking subsidiary to be CRD-equivalent for credit risk purposes when using US Basel I credit risk rules only if it was in the 'well capitalised' category (and therefore subject to a 10% capital ratio, rather than the Basel minimum of 8%) and included an uplift of 25% in the calculation.

1.9 In the assessment of whether a non-EEA regulator's implementation of Basel II for risk calculations would be deemed equivalent to the CRD, we considered the distinct aspects of firstly, where the content of a non-EEA regulator's Basel II risk rules were, in principle, likely to achieve a result that was equivalent to the CRD for the type of firm concerned; and secondly, where, in practice the result of a calculation under the non-EEA regulator's rules would not be lower than the equivalent CRD calculation. Further, we included these as conditions for using our rule BIPRU 8.7.35R.

2 Our rules on advanced approaches do not provide for an equivalence route; rather, a firm can self assess its internal model built under a non-EEA regulator's rules compared against the minimum standards under the FSA's rules. In doing this, the firm must provide a gap analysis and a plan for remedying any gaps. This forms the starting point for discussion with us on whether the firm may use those models in group calculations. This approach remains unchanged and, as a result, we are not covering advanced approaches in this paper.

1.10 To implement this approach, we carried out equivalence assessments in 2006, publishing Annex 6R to BIPRU 8 outlining which non-EEA regulators were deemed equivalent to the CRD for each of the three main Pillar 1 risk components (credit, market and operational risk).[3] For those found to be equivalent, in addition to the assessment above, our decision to rely on the local requirements of a non-EEA regulator was influenced further by our assessment that the non-EEA regulator's:

- general regulatory environment and ability/willingness to share information was adequate; and
- proposed implementation of Basel II was independent, adequately resourced and of a sufficiently high standard to give us confidence that we would be justified in relying on the work they had done because its quality would be equivalent to that we undertook and any decisions taken were likely to be robust.

Approach taken by other EU Member States

1.11 We understand the proposal in this CP is consistent with the general approach taken by other Members States.

Why are we looking at this now?

1.12 The equivalence provisions were included in the Handbook, at the time we implemented the CRD/Basel II, partly because of the differing (sometimes delayed) timelines for Basel II implementation by different regulators. Now that sufficient time has passed, it is appropriate to review them.

1.13 Similarly, given that the equivalence assessments were carried out in 2006 when the non-EEA regulators were in various stages of implementing Basel II, it is likely that those assessments are no longer up to date. This lack of certainty has created an asymmetry of information between the FSA and firms on capital levels. This asymmetry could also be reflected in investor uncertainty of capital levels.

1.14 In 2010 we carried out an internal review of the equivalence rules; and, as part of this, we considered whether the rules were still relevant. To be clear, this review was not a reassessment of the local requirements in the jurisdictions and regulators that we currently deem to be equivalent, so there is no change in this respect. We have simply considered the continuing validity of the equivalence approach as a whole.

1.15 This CP also takes into account the results of a pre-consultation survey we sent to potentially-affected firms, the results of which are discussed in Chapter 2.

3 We carried out equivalence assessments for regulators from: Australia, Canada, Guernsey, Hong Kong, Isle of Man, India, Japan, Jersey, Korea, Singapore, South Africa, Switzerland and the USA.

Summary of policy proposals

1.16 We propose to revoke the equivalence rules in BIPRU 8. That is, we propose to delete BIPRU 8.7.35R, 8.7.36G and 8.7.38R from the FSA Handbook. This will mean that for the purpose of aggregating the capital requirements of a non-EEA subsidiary into the consolidated capital requirements of a UK consolidation group, firms will use the FSA rules rather than local (i.e. non-EEA) rules in calculating the capital requirements of that subsidiary. The proposed Handbook changes are designed to ensure that the group capital requirements of a UK banking/investment firm group, on a standardised approach, are calculated under FSA rules.

1.17 We propose that the rule changes come into force on 30 December 2011. We will, of course, take account of the views expressed by firms in setting the final date in the Policy Statement.

CONSUMERS

Our prudential requirements for BIPRU firms are a means of achieving our consumer protection and market confidence objectives. Removing these equivalency provisions will provide greater market transparency and ensure adequately capitalised groups, thereby meeting our objectives.

Next steps

This consultation will close on 30 June 2011. We will then finalise the Handbook changes in light of the responses to this CP with the intention of publishing a Policy Statement giving feedback in the third quarter of 2011.

2

Policy proposals

2.1 In 2010, we carried out an internal review of the equivalence rules, and, as part of this, we considered the continuing relevance of the rules. As a result of the review, we have concluded that the rationale for introducing the equivalence approach when the CRD was implemented is no longer certain. So we are proposing to revoke the equivalence rules.

2.2 That is, we propose to delete BIPRU 8.7.35R, 8.7.36G and 8.7.38R from the FSA Handbook. This will mean that for the purpose of aggregating the capital requirements of a non-EEA subsidiary into the consolidated capital requirements of a UK consolidation group, firms will use the FSA rules rather than local (i.e. non-EEA) rules in calculating the capital requirements of that subsidiary.

2.3 As part of our review, an alternative approach was considered; namely, to revoke the blanket equivalence process and replace it with firm-specific equivalence assessments via a formal waiver process. That is, to consider on a case-by-case basis whether to permit the use of the standardised capital requirements of a non-EEA regulator for the purpose of aggregating the capital requirements of a non-EEA subsidiary into the consolidated capital requirements of a UK consolidation group.

2.4 However, we did not find this to be a viable option, given that the likely slight reduction in information asymmetry would not be sufficient to justify the resources it would entail for both firms and the FSA. The benefits to be gained from such an approach, in our view, are outweighed by the costs.

Merits of revoking the rules

2.5 This approach removes the risk of information asymmetry between the FSA and firms, as non-EEA regulators would no longer be relied on to verify capital levels used to determine consolidated capital levels.

2.6 The removal of this rule will also bring us in line with other EU member states providing for a transparent and consistent application by a UK consolidation group of group capital rules. This ensures that the full benefits of the CRD capital standards are realised.

2.7 The proposal is **not expected to** result in overall higher capital requirements for the groups currently using the FSA equivalence provisions. This is because firms who are currently using the equivalence provisions can only do so if they have no reason to believe that using non-EEA rules would produce a lower figure than if they used the FSA's rules. Removing the equivalence rules does away with any uncertainty in compliance with the calculation of group capital adequacy figures. Additionally the subjectivity inherent in the equivalence assessments will be removed.

2.8 This approach may be beneficial to the UK financial system through the enhanced investor certainty of dealing with adequately capitalised groups.

Costs of revoking the rules

2.9 We recognise that some firms may see this as burdensome, as firms might, as a consequence of the proposals, be required to perform dual calculations under both FSA and local non-EEA regulator rules. This is estimated to be a one-off cost of no more than £2m per firm, see Annex 1 for details.

2.10 Some firms applying the equivalence provisions have had to report additional calculations (using the FSA rules) in order to satisfy the requirements of BIPRU 8.7.35R that the non-EEA rules that they are using do not produce capital levels less than what would have resulted from FSA rules. Indeed, we are aware of one firm that currently undertakes such a calculation on at least a quarterly basis.

2.11 On balance we believe the benefits in removing this provision outweigh the one-off costs of this approach. Given the small number of firms which could be affected, we expect a minimal impact on the market.

2.12 As a result of the changes proposed in this CP, some firms may choose to apply for (or extend their existing) advanced approaches to cover non-EEA subsidiaries. Should a firm choose to go down this route, it will undoubtedly incur some costs. However, these costs are attributable to a firm electing to apply for advanced approaches as opposed to costs associated with using the FSA's standardised rules.

Q1: Do you agree with our proposal to revoke the equivalence provisions and require the consolidated capital requirements of a UK consolidation group to be calculated under FSA rules (for standardised approaches)?

Transitional

2.13 Although we are keen to effect the proposed changes as soon as is reasonably practicable, we understand that the small number of affected firms may require some time to implement systems changes. So, we are proposing a reasonable transitional period of up until the end of this year. We therefore propose that the rule changes come into force on 30 December 2011.

2.14 Firms benefiting from existing waivers under BIPRU 8.7.36G should bear in mind that these waivers will lapse when the proposed rules lapse.

Q2: Do you have any reason for believing that this is not a suitable transitional timeframe?

Annex 1

Cost benefit analysis and compatibility statement

1. When proposing new rules, we are obliged – under section 155 of the Financial Services and Markets Act 2000 (FSMA) – to publish a cost benefit analysis (CBA), unless we consider that the proposals will give rise to no costs or to an increase in costs of minimal significance. As a matter of policy, we also provide a CBA for significant proposed guidance relating to rules.

2. The CBA is an estimate of the costs and an analysis of the benefits that will arise from the proposals. It is a statement of the differences between the baseline (broadly speaking the current position) and the position that will arise if we implement the proposals.

3. This CBA is informed by a pre-consultation cost survey sent to a selected population of firms, which included large banks and small investment firms. The survey population was identified based on analysis of regulatory returns.

Population of firms that use the equivalence rules

4. As part of our internal review, we identified firms that use the aggregation method for calculating their consolidated capital requirements (since using this method necessarily means they must be aggregating solo non-EEA requirements into the group requirements). The population was narrowed further according to those that had non-EEA entities in their UK consolidation groups.

Pre-consultation survey

5. We then asked these firms, via normal supervisory channels, if they were affected and discovered that only three relationship-managed firms were using the equivalence provisions.

6. In addition, we carried out a pre-consultation survey of nine non-relationship managed firms (that use the aggregation method) to ascertain whether they were using the equivalence rules. Eight of these have confirmed that they either do not have non-EEA entities or do not use the equivalence provisions. So only three firms use the rules, and there is only one (non-relationship managed) firm which we are unsure about at this point.

Costs

7. Our proposals only affect those firms that are currently using equivalence provisions since it is for these firms only that costs may arise.

8. We do not anticipate material increases in capital requirements for firms as a result of our proposals since, under our rules, non-EEA requirements may be used only on the basis that they do not result in lower capital requirements than would be the case under FSA rules. In order to assess the capital costs we sent a questionnaire to the 13 firms likely to be affected by our proposals. All those that responded confirmed they do not anticipate material increases in capital requirements.

9. However, the firms who currently use the equivalence provisions may incur compliance costs as a result of us removing these rules. Notably, there may be costs associated with a need to make changes to systems and controls in order to start calculating capital requirements based on FSA rules.

10. Three survey responses to the questionnaire included cost estimates of systems and controls changes: one firm estimated additional one-off costs imposed by the proposal to be approximately £2m[1]; a second firm was unable to quantify the costs but expected them to be significant; and the third firm stated that the costs would be immaterial.

11. To scale the one estimate we have to the whole industry would be misleading. We therefore see the £2m as an upper bound estimate of one-off cost for each firm. This is because the firm that provided the quantitative estimate is the largest and most complex of the affected firms. It is therefore likely that it will incur the greatest cost of implementing system changes.

12. The proposals have no cost implications to potential new entrants to the market as by definition they will not have to change legacy systems.

Benefits

13. Removing the equivalence rules will ensure that there is no information asymmetry between firms and the FSA as non-EEA regulators would no longer be relied on to verify calculations used to determine consolidated capital levels. Therefore, this removes any uncertainty about the equivalence of non-EEA regulatory rules with FSA rules.

1 This estimate is net of subsidiaries that currently perform dual calculations under both FSA and local non-EEA regulator rules.

14. The removal of this rule will bring the FSA in line with other EU member states providing for a transparent application of non-EEA group capital rules. This ensures that the full benefits of the CRD capital standards are realised.

15. Removing the equivalence provision will also remove the requirement for senior management attestation of capital level equivalence, which may reduce demands on senior management time.

Q3: Do you think that the CBA has identified the relevant costs and benefits?

Compatibility statement

16. Our proposal is aimed primarily at our regulatory objectives of market confidence and consumer protection. The requirement for UK banking/investment firm groups to use FSA-based rules for their non-EEA subsidiaries in calculating group capital requirements ensures adequate capitalisation of those groups which, in turn, aids these statutory objectives. We do not expect the proposals in this chapter to have an impact on the other statutory objectives.

17. We have considered the principles of good regulation and, in particular, that a burden should be proportionate to the expected benefits. As our analysis indicates, the net cost impact of our proposals is not likely to be large across the industry. Additionally we consider the removal of the equivalence provision to create greater net benefits for the market than the alternative case-by-case waiver option by reducing uncertainty. We are, therefore, satisfied that these proposals are compatible with our general duties under Section 2 of FSMA.

Equality and diversity issues

18. We have assessed that our proposals do not give rise to discrimination and that the proposals are of low relevance to the equality agenda. We would nevertheless welcome any comments respondents may have on any equality issues they believe arise.

Annex 2

List of questions

Q1: Do you agree with our proposal to revoke the equivalence provisions and require the consolidated capital requirements of a UK consolidation group to be calculated under FSA rules (for standardised approaches)?

Q2: Do you have any reason for believing that this is not a suitable transitional timeframe?

Q3: Do you think that the CBA has identified the relevant costs and benefits?

Appendix 1

Draft Handbook text

PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND INVESTMENT FIRMS (GROUP RISK CONSOLIDATION) INSTRUMENT 2011

Powers exercised

A. The Financial Services Authority 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 138 (General rule-making power);
(2) section 150(2) (Actions for damages);
(3) section 156 (General supplementary powers); and
(4) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 30 December 2011.

Amendments to the Handbook

D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with Annex A to this instrument.

E. The Supervision manual (SUP) is amended in accordance with Annex B to this instrument.

Citation

F. This instrument may be cited as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (Group Risk Consolidation) Instrument 2011.

By order of the Board
[XX] 2011

Annex A

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

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8 Group risk consolidation

…

8.7 Consolidated capital resources requirements

…

~~Use of the solo requirements of a regulator outside the EEA~~

8.7.35 R ~~(1)~~ ~~This *rule* applies where:~~

~~(a)~~ ~~an *institution* in a *firm's UK consolidation group* or *non-EEA sub-group* is subject to any of the *sectoral rules* applicable to its *financial sector* for a state or territory outside the *EEA* that correspond to the *FSA's rules* that would otherwise apply under this section;~~

~~(b)~~ ~~those *sectoral rules* are shown in *BIPRU* 8 Annex 6R (Non-EEA regulators' requirements deemed CRD-equivalent for individual risks) as having been assessed as being equivalent to the *FSA rules* in relation to the *consolidated requirement component* in question; and~~

~~(c)~~ ~~that *institution* is incorporated in and has its head office in that state or territory.~~ [deleted]

~~(2)~~ ~~If the conditions in this *rule* are satisfied, a *firm* may apply the *sectoral rules* referred to in (1) in order to calculate the *risk capital requirement* for the *institution* referred to in (1) provided that:~~

~~(a)~~ ~~the *firm* has no reason to believe that the use of the *sectoral rules* referred to in (1) would produce a lower figure for the *consolidated requirement component* than would be produced by calculating the *risk capital requirement* under the *FSA's rules* in accordance with this section; or~~

~~(b)~~ ~~the *firm* increases the amount produced under the *sectoral rules* referred to in (1) and the *firm* has no reason to believe that the use of such figures would produce a lower figure for the *consolidated requirement component* than would be~~

~~produced by calculating the *risk capital requirement* under the *FSA's rules* in accordance with this section.~~ [deleted]

8.7.36 G ~~If a *firm* wants to include in its *consolidated capital resources requirement* a solo capital resource requirement for an individual risk calculated under the rules of a non-*EEA* regulator not assessed as equivalent in *BIPRU* 8 Annex 6R (Non-EEA regulators' requirements deemed CRD-equivalent for individual risks) it will need to apply for a *waiver*. A *firm* applying for such a *waiver* should demonstrate that the local requirements result in a capital charge that is at least as much as required under the corresponding *FSA rules*.~~ [deleted]

…

~~Use of the consolidated requirements of a regulator outside the EEA~~

8.7.38 R ~~(1)~~ ~~This *rule* applies if:~~

~~(a) a *firm* is applying an accounting consolidation approach to part of its *UK consolidation group* or *non-EEA sub-group* under method three as described in *BIPRU* 8.7.13R(4)(a);~~

~~(b) the part of the group in (a) constitutes the whole of a group subject to the consolidated capital requirements of a *third country competent authority* under the *sectoral rules* for the *banking sector* or the *investment services sector*; and~~

~~(c) those *sectoral rules* are shown in *BIPRU* 8 Annex 6R (Non-EEA regulators' requirements deemed CRD-equivalent for individual risks) as having been assessed as being equivalent to the *FSA's rules* in relation to the *consolidated requirement component* in question.~~

~~(2) If the conditions in this *rule* are satisfied, a *firm* may apply the consolidated capital requirement in (1)(b) as the *risk capital requirement* for the group identified in (1)(a) so far as that consolidated capital requirement corresponds to the *FSA's rules* that would otherwise apply under this section. However a *firm* may only do this if it also complies with *BIPRU* 8.7.35R(2).~~ [deleted]

Prohibition on using the standardised rules of a regulator outside the EEA

8.7.38A R (1) This *rule* applies to a *firm* if:

(a) an *institution* in its *UK consolidation group* or *non-EEA sub-group* is subject to any of the *sectoral rules* applicable to its *financial sector* for a state or territory outside the *EEA*; or

(b) a part of its *UK consolidation group* or *non-EEA sub-group* constitutes the whole of a group subject to the consolidated capital requirements of a *third country competent authority* under the *sectoral rules* applicable to the *banking sector* or

the *investment services sector* for a state or territory outside the *EEA*.

(2) A *firm* may not use the requirements under any of the *sectoral rules* of a state or territory outside the *EEA* in order to calculate the *consolidated capital resources requirement* of its *UK consolidation group* or *non-EEA sub-group* for the purpose of this chapter.

…

8.8 Advanced prudential calculation approaches

…

Prohibition on using the rules of an overseas regulator

8.8.3 R Even if a *firm* has an *advanced prudential calculation approach permission* that allows it to use an *advanced prudential calculation approach* for the purposes of this chapter, the *firm* may not use the requirements of another state or territory to the extent they provide for that *advanced prudential calculation approach*. Therefore a *firm* may not use *BIPRU* 8.7.34R ~~to~~ and *BIPRU* ~~8.7.38R~~ 8.7.37R (Use of the capital requirements of ~~an overseas regulator~~ another EEA competent authority) if that would involve using an *advanced prudential calculation approach*.

Annex B

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

…

FSA003 - Capital adequacy

…

77A Total credit risk capital component

See *BIPRU* 3.1.5R, as modified if a firm has an IRB permission.

A further breakdown of this figure is provided quarterly in FSA004 for those firms that are required to report that data item.

For *UK consolidation group* reporting, this is the part of the *consolidated credit risk requirement* corresponding to the *credit risk capital component* (i.e. the capital requirements for credit risk excluding concentration risk and counterparty risk). This will be the sum of data elements ~~78A,~~ 79A and 80A.

[*CEBS' CA 2.1*]

~~78A Credit risk for UK consolidation group reporting calculated under non-EEA rules~~

~~This is only relevant for *UK consolidation groups*. The only amount to be included here is the part (if any) of data element 77A calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.~~

~~If the *UK consolidation group* is comprised wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.~~ [deleted]

This field no longer applies and should have a zero entered when being completed on a *UK consolidation group* basis. For any other reporting basis the element should not be submitted.

...

85A Total operational risk capital requirement

This is only relevant for *UK banks*, *building societies* and *full scope BIPRU investment firms*. It is also relevant for any *BIPRU limited activity firm* or *BIPRU limited licence firm* that has a waiver under *BIPRU* 6.1.2G (to apply an *ORCR* rather than a fixed overheads requirement).

See *BIPRU* 6.

A *full scope BIPRU investment firm* that meets the conditions set out in *BIPRU* TP 5.1R should enter here the full *ORCR* that would have applied but for *BIPRU* TP 5.7R. The reduction as a result of that rule should be reported in data element 90A.

A further breakdown of this figure is provided in FSA007 for firms on the standardised approach, alternative standardised approach or the advanced measurement approach.

For *UK consolidation group* reporting, this is the *consolidated operational risk requirement*. This will be the sum of data elements ~~86A,~~ 87A, 88A and 89A, but is subject to the restrictions in *BIPRU* 8 on combining certain methods of calculating *operational risk* capital requirements.

[*CEBS' CA 2.4*]

86A ~~Operational risk for UK consolidation group reporting calculated under non- EEA rules~~

~~This is only relevant for *UK consolidation groups*.~~

~~The only amount to be included here is the part (if any) of their *consolidated operational risk requirement* calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.~~

~~If the *UK consolidation group* consists wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.~~ [deleted]

This field no longer applies and should have a zero entered when being completed on a *UK consolidation group* basis. For any other reporting basis the element should not be submitted.

…

93A Total market risk capital requirement

See *BIPRU* 7 and also *GENPRU* 2.2.46R.

A further breakdown of this figure ~~(less 94A in the case of *UK consolidation group* reports)~~ is provided in FSA005 for firms that meet the reporting thresholds defined in *SUP* 16.12.5R (note 4), *SUP* 16.12.11R (note 4), *SUP* 16.12.15R (note 4), *SUP* 16.16.12.22AR (note 4) and *SUP* 16.12.25AR (note 4).

For *UK consolidation group* reporting, this is the *consolidated market risk requirement*. This will be the sum of data elements ~~94A,~~ 95A and 102A.

[*CEBS' CA 2.3*]

94A ~~Market risk capital requirement for UK consolidation group reporting calculated under non-EEA rules~~

~~This is only relevant for *UK consolidation groups*.~~

~~The only amount to be included here is the part (if any) of their *consolidated market risk requirement* calculated (when this is allowed under *BIPRU* 8) using the rules of a non-*EEA* regulator.~~

~~If the *UK consolidation group* consists wholly of firms authorised and incorporated in the *EEA*, this data element will not be applicable.~~ [deleted]

This field no longer applies and should have a zero entered when being completed on a *UK consolidation group* basis. For any other reporting basis the element should not be submitted.

…

PUB REF: 002567

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