

**PRUDENTIAL REGULATION AUTHORITY HANDBOOK DESIGNATION
(CORRECTION NO 1) INSTRUMENT 2013**

WHEREAS:

- A. By virtue of Article 2 (1) of the Designation Order, the PRA made the FCA and PRA Handbook Designation Instrument to designate any relevant instrument, or part of a relevant instrument, which was made, issued, given or imposed by the Financial Services Authority as the PRA considered it necessary or expedient in accordance with the 2012 Act.
- B. By virtue of Article 4(3) of the Designation Order, the PRA may designate a relevant FSA instrument on or after the commencement date where such instrument was not designated before the commencement date.

Interpretation

- 1. In this Instrument (including the Recitals):
 - i. “Designation Order” means the Financial Services Act 2012 (Transitional Provisions) (Rules and Miscellaneous Provisions) Order 2013 (SI 2013/161);
 - ii. “the 2000 Act” means the Financial Services and Markets Act 2000;
 - iii. “the 2012 Act” means the Financial Services Act 2012;
 - iv. “PRA” means the Prudential Regulation Authority, the body corporate referred to in section 2A(1) of the 2000 Act, as amended by section 6 of the 2012 Act;
 - v. “Handbook” means the Financial Services Authority’s Handbook of Rules and Guidance (and including, for this purpose, the Handbook Guides and Regulatory Guides published by the Authority alongside the Handbook of Rules and Guidance) in each case as published on the FSA’s Handbook website at 11h59 pm on 27 February 2013;
 - vi. “Relevant Instrument” has the meaning in section 119(6)(b) of the 2012 Act;
 - vii. “FSA Instrument” means an instrument published by the FSA, by which the FSA made, issued, gave, imposed or amended a Relevant Instrument;
 - viii. “PRA Relevant Instrument” means a Relevant Instrument designated by the Prudential Regulation Authority under paragraph 2;
 - ix. “Commencement date” means 1 April 2013.
 - x. “FCA and PRA Handbook Designation Instrument 2013” means the PRA Instrument 2013/3 which the PRA made on 7 March 2013.

Designation of rules etc by the Prudential Regulation Authority

- 2. In exercise of the power in Articles 2(1) and 4(3) and in accordance with Article 3(1) of the Designation Order the Prudential Regulation Authority designates the following Relevant Instruments:
 - i. the rules set out in each FSA Instrument (or part of such instrument) by which the FSA made, issued, gave, imposed or amended the part or provision of the Handbook identified with an “x” in the columns headed “PRA designated” in Schedule B to this instrument;
 - ii. (if a part or provision of the Handbook was made, issued, given, imposed or amended by the FSA other than by an FSA Instrument), the rules as set out in the part or provision of the Handbook identified with an “x” in the column headed “PRA designated” in Schedule B to this Instrument.

3. As required by Article 3(1) of the Designation Order, the Prudential Regulation Authority specifies that:
 - i. the PRA Relevant Instruments falling within paragraph 2(i) were made, issued, given or imposed by the FSA under the provisions set out in the relevant FSA Instrument;
 - ii. the PRA Relevant Instruments collectively were made, issued, given or imposed by the FSA under the provisions set out in column 1 of Schedule A to this Instrument; and
 - iii. the PRA Relevant Instruments collectively are treated as made, issued, given or imposed by the Prudential Regulation Authority under the corresponding provisions set out in column 2 of Schedule A to this Instrument.
4. In accordance with Article 2(2)(a) of the Designation Order, each PRA Relevant Instrument is treated as having been made, issued, given or imposed by the Prudential Regulation Authority.
5. As required by Article 3(1) of the Designation Order, the Prudential Regulation Authority specifies that the designation of each PRA Relevant Instrument comes into effect on 4 April 2013.
6. In accordance with Article 3(1) of the Designation Order, the Prudential Regulation Authority modifies each PRA Relevant Instrument (or part of such Instrument) as specified in Part 2 of Schedule B to this instrument.

Citation

7. This instrument may be cited as the Prudential Regulation Authority Handbook Designation (Correction No 1) Instrument 2013.

By order of the Board of the Prudential Regulation Authority

4 April 2013

Schedule A

<u>Column 1</u>	<u>Column 2</u>
Provisions of the 2000 Act under which the FSA made rules	Corresponding provisions: Prudential Regulation Authority
Section 138 (General rule-making power)	Section 137G
Section 150(2) (Actions for damages)	Section 138D(1)
Section 156 (General supplementary powers)	Section 137T

Schedule B

Designation of certain rules in the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

Part 1

Provision	Table/row refs (for Annexes, TPs and Schedule)	Status letter	PRA designated
7.11.20		R	X
TP 22	22.1	R	X
	22.2	R	X
	22.3	R	X
	22.4	R	X
	22.5	R	X
	22.6	R	X
	22.7	R	X
	22.8	R	X
	22.9	G	

Part 2

This part shows the Handbook rules which have been designated by the PRA by virtue of this instrument.

In this Part, underlining indicates new text and striking through indicates deleted text. Terms in italics have the meaning given to them by the PRA Glossary.

BIPRU 7.11	Credit Derivatives in the trading book	
...		
	Specific Risk Calculation	
7.11.20	R	The <i>specific risk</i> portion of the <i>interest rate PRR</i> for ¹ credit derivatives in the <i>trading book</i> must be calculated in accordance with ¹ BIPRU 7.2.43 R to BIPRU 7.2.46A G (Specific risk calculation), BIPRU 7.2.48A R to BIPRU 7.2.48K R (Specific risk: securitisations and re-securitisations), BIPRU 7.2.48L R (Specific risk: Correlation trading portfolio), BIPRU 7.2.49 R to BIPRU 7.2.51 G (Definition of a qualifying debt security) ¹ and the other provisions of BIPRU 7.11, as applicable.
...		
BIPRU TP 22	Solo Consolidation	
	Application	
22.1	R	This section applies to a <i>BIPRU firm</i> that:
	(1)	is a <i>bank</i> or <i>building society</i> ; and
	(2)	on 31 December 2006, was, in accordance with the provision of <i>IPRU</i> referred to in <i>BIPRU TP 22.2R</i> and in accordance with a concession (as defined in <i>BIPRU TP 22.8R</i>), solo-consolidating a <i>subsidiary undertaking</i> .
22.2	R	The provisions of <i>IPRU</i> referred to in <i>BIPRU TP 22.1R</i> are:
	(1)	(in the case of a <i>bank</i>) section 9 of chapter CS of <i>IPRU(BANK)</i> ; and
	(2)	(in the case of a <i>building society</i>) section 1.11 of chapter 1 of volume 1 of <i>IPRU(BSOC)</i> .
	Deemed solo consolidation waiver	
22.3	R	A concession referred to in <i>BIPRU TP 22.1R</i> is treated as a <i>solo consolidation waiver</i> with respect to the <i>subsidiary undertaking</i> to which it relates if the <i>firm</i> notifies the appropriate regulator <u>FSA</u> that the <i>firm</i> wishes to apply the treatment in BIPRU 2.1 (Solo consolidation) to that <i>subsidiary undertaking</i> .
	Notice to the appropriate regulator <u>FSA</u>	
22.4	R	The following requirements apply to a notice under <i>BIPRU TP 22.3R</i> :
	(1)	the <i>firm</i> must give the appropriate regulator <u>FSA</u> the notice on or after 1 June 2006

		and on or before 29 December 2006;
	(2)	the notice must contain details of the concession concerned;
	(3)	the notice must give the name of the <i>subsidiary undertaking</i> concerned and say where it is incorporated and has its head office; and
	(4)	the notice must say whether that <i>subsidiary undertaking</i> is a <i>body corporate</i> and state the legal form of that <i>subsidiary undertaking</i> .
Limitations		
22.5	R	Any condition, limitation or requirement to which a concession referred to in <i>BIPRU</i> TP 22.1R is subject continues to apply to the extent that it is compatible with <i>BIPRU</i> . In particular, if the concession was only for the purpose of large exposures it only has effect for the purposes of <i>BIPRU</i> 10 (Concentration risk) and if it was only for the purposes of capital adequacy it only has effect for the purposes of <i>GENPRU</i> 2.1.13 R (Obligation to hold capital resources equal to or greater than the capital resources requirement) or <i>GENPRU</i> 2.1.60 R (Calculation of base capital resources requirement for banks authorised before 1993).
Obligation to meet other qualifying conditions		
22.6	R	A <i>firm</i> with a deemed <i>solo consolidation waiver</i> under <i>BIPRU</i> TP 22.3R may not apply the treatment in <i>BIPRU</i> 2.1 (Solo consolidation) to the <i>subsidiary undertaking</i> concerned unless the conditions in <i>BIPRU</i> 2.1.20 R to <i>BIPRU</i> 2.1.24 R (Solo consolidation - Minimum standards) are met with respect to that <i>subsidiary undertaking</i> .
Notification of relevance etc of concession		
22.7	R	A <i>firm</i> which has the benefit of a concession that has effect under <i>BIPRU</i> TP 22.3R must notify the appropriate regulator <i>PRA</i> immediately if it becomes aware of any matter which is material to the relevance or appropriateness of the concession.
Meaning of concession		
22.8	R	A concession means for the purposes of <i>BIPRU</i> TP 22:
	(1)	a consent or approval <u>which was given</u> by the appropriate regulator <i>FSA</i> under the provisions of <i>IPRU(BANK)</i> or <i>IPRU(BSOC)</i> referred to in <i>BIPRU</i> TP 22.2R; and
	(2)	a concession also means for the purposes of <i>BIPRU</i> TP 22 a written concession as defined in <i>SUP</i> TP 1.4 (Grandfathering of concessions <u>which were granted</u> by the appropriate regulator's <i>FSA's</i> predecessor regulators: rules in the Handbook) or <i>SUP</i> TP 1.2.6A (Grandfathering of concessions <u>which were granted</u> by the appropriate regulator <i>FSA's</i> predecessor regulators: guidance in the Handbook) that had effect for the purposes of the provisions of <i>IPRU(BANK)</i> or <i>IPRU(BSOC)</i> referred to in <i>BIPRU</i> TP 22.2R.