

**PRA RULEBOOK CREDIT RISK (AMENDMENT) INSTRUMENT 2014**

**Powers exercised**

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

**Pre-conditions to making**

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

**PRA Rulebook Credit Risk (Amendment) Instrument 2014**

- D. The Credit Risk Part of the PRA Rulebook is amended in accordance with the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 27 October 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook Credit Risk (Amendment) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

22 October 2014

## Annex

## Amendments to the Credit Risk Part of the Rulebook

In this Annex, new text is shown underlined and deleted text is shown strikethrough.

#### 4 CRITERIA FOR CERTAIN EXPOSURES SECURED BY MORTGAGES ON COMMERCIAL IMMOVABLE PROPERTY

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4.1 For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may ~~only~~ treat *exposures* as fully and completely secured by mortgages on commercial immovable property located in the *UK* in accordance with Article 126 of the *CRR* only where annual average *losses* stemming from lending secured by mortgages on commercial property located in the *UK* did not exceed 0.5% of risk-weighted exposure amounts over a representative period. A *firm* shall calculate the *loss* level referred to in this rule on the basis of the aggregate market data for commercial property lending published by the *PRA* in accordance with Article 101(3) of the *CRR*.

4.1A For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat an *exposure* or any part of an *exposure* that is located in a jurisdiction that is not an *EEA State* as fully and completely secured for the purposes of Article 126 (1) of the *CRR* only if all of the following conditions are met:

- (1) annual average *losses* stemming from lending secured by mortgages on commercial property located in that jurisdiction did not exceed 0.5% of the exposure value over a representative period where:
  - (a) there is sufficient evidence that the data used to determine the *loss* level referred to in this rule are of the same or better quality as the data required to be published under Article 101(3) of the *CRR*; and
  - (b) it is reasonable to rely on such data;
- (2) the risk-weight that would be applied to that *exposure* or part of an *exposure* by the relevant supervisory authority in that jurisdiction is 50% or less.

4.2 For the purposes of ~~this rule~~ 4.1 and 4.1A, a representative period shall be a time horizon of sufficient length and which includes a mix of good and bad years.

**[Note: Arts. 124(2) and 126(2) of the *CRR*]**