

Securitisations (CRR) part

Related Links

SS9/13 – Securitisation: Significant Risk Transfer	SS9/13 – Securitisation: Significant Risk Transfer Prudential Regulation Authority Handbook & Rulebook
SS10/18 – Securitisation: General requirements and capital framework	SS10/18 – Securitisation: General requirements and capital framework Prudential Regulation Authority Handbook & Rulebook
SoP7/25 – The PRA’s approach to waivers and permissions under the Securitisation (CRR) Part of the PRA Rulebook	SoP7/25 – The PRA’s approach to waivers and permissions under the Securitisation (CRR) Part of the PRA Rulebook Bank of England

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1 Application and definitions

1.1 This Part applies to JIBs.

1.2 In this Part, the following definitions shall apply:

Clean-Up Call Option

means a contractual option that entitles the originator to call the Securitisation positions before all of the Securitised exposures have been repaid, either by repurchasing the underlying exposures remaining in the pool in the case of traditional Securitisations or by terminating the credit protection in the case of Synthetic Securitisations, in both cases when the amount of outstanding underlying exposures falls to or below certain pre-specified levels.

Credit-Enhancing Interest-Only Strip

means an on-balance sheet asset that represents a valuation of cash flows related to future margin income and is a subordinated tranche in the Securitisation.

Due Diligence Rules

means the due diligence rules in either Article 5 of Chapter 2 or Chapter 3 of the PRA's Securitisation Part.

Early Amortisation Provision

means a contractual clause in a securitisation of revolving exposures or a revolving securitisation, as defined in the Securitisation Part of the PRA, which requires, on the occurrence of defined events, investors' securitisation positions to be redeemed before the originally stated maturity of those positions.

Investor

means a person holding a securitisation position.

IRB pool

means a pool of underlying exposures of a type in relation to which the JIB has variances from the JFSC to use the IRB Approach and is able to calculate risk-weighted exposure amounts in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part for all of these exposures.

Liquidity Facility

means the securitisation position arising from a contractual agreement to provide funding to ensure timeliness of cash flows to investors.

Mezzanine Securitisation Position

means a position in the securitisation which is subordinated to the Senior Securitisation Position and more senior than the First Loss Tranche, and which is subject to a risk weight lower than 1250% and higher than 25% in accordance with Articles 254 to 266.

Mixed Pool

means a pool of underlying exposures of a type in relation to which the JIB has variances from the JFSC to use the IRB Approach and is able to calculate risk-weighted exposure amounts in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part for some, but not all, of the exposures.

Overcollateralisation

means any form of credit enhancement by virtue of which underlying exposures are posted in value which is higher than the value of the Securitisation Positions.

Promotional Entity

means any undertaking or entity:

- (a) which is established by a government department or devolved administration or by a local authority in any part of the UK ('the establishing body');
- (b) which grants promotional loans or guarantees;
- (c) whose primary goal is not to make profit or maximise market share, but is to promote public policy objectives of the establishing body; and
- (d) in relation to which:
 - (i) the establishing body is obliged to protect its economic basis and maintain its viability throughout its lifetime; or
 - (ii) at least 90% of its original capital or funding or the promotional loan it grants is directly or indirectly guaranteed by a government department, a devolved administration or a local authority in any part of the UK.

Qualifying Securitisation

means a Synthetic Securitisation where:

- (a) the underlying exposure consists of a single regulatory residential real estate exposure that is not materially dependent on the cash flows generated by the property in accordance with Article 124E of the Credit Risk: Standardised Approach (CRR) Part;
- (b) the Securitisation arises only by reason of the tranching transfer of risk at the level of the underlying exposure; and
- (c) all credit protection at the level of the underlying exposure has the same maturity date.

Rated Position

means a securitisation position which has an eligible credit assessment in accordance with Articles 270B, 270C, 270D and 270F.

Revolving Exposure

means an exposure whereby borrowers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

SEC-ERBA

means the securitisation external ratings based approach under Articles 263 and 264.

SEC-IRBA

means the securitisation internal ratings based approach under Articles 258 to 260A.

SEC-SA

means the securitisation standardised approach under Articles 261 to 262A.

Senior Securitisation Position

means a position backed or secured by a first claim on the whole of the underlying exposures,

disregarding for these purposes amounts due under interest rate or currency derivative contracts, fees or other similar payments, and irrespective of any difference in maturity with one or more other senior tranches with which that position shares losses on a pro-rata basis.

Simple, Transparent and Standardised Securitisation or STS Securitisation

means:

- (a) an STS securitisation as defined in regulation 9 of the Securitisation Regulations 2024;
- (b) an overseas STS securitisation as defined in regulation 12(2) of the Securitisation Regulations 2024; or
- (c) a qualifying EU securitisation as defined in regulation 12(3) of the Securitisation Regulations 2024.

Unrated Position

means a Securitisation Position which does not have an eligible credit assessment in accordance with Articles 270B, 270C, 270D and 270F.

2 Level of application

- 2.1 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance in accordance with the Risk-Based Capital Requirements Part.
- 2.2 Parent undertakings and their subsidiaries must ensure that the arrangements, processes and mechanisms required to ensure compliance with the due diligence rules are consistent and well-integrated, and that any data and information relevant to the purpose of supervision can be produced, across the consolidation group. In particular, they shall ensure that subsidiaries that are not subject to the JFSC's rules for JIBs implement arrangements, processes and mechanisms to ensure compliance with those provisions.

3 Securitisation (CRR) Part

Section 1 Criteria for simple, transparent and standardised securitisations

Article 242 Definitions

[Note: Provision left blank]

Article 243 Criteria for STS securitisations qualifying for differentiated capital treatment

- 1. Positions in an ABCP Programme or ABCP Transaction that qualify as positions in an STS securitisation shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:
 - (a) the underlying exposures meet, at the time of their inclusion in the ABCP programme, to the best knowledge of the originator or the original lender, the conditions for being assigned, under either the Standardised Approach taking into account any eligible credit risk mitigation, or, where relevant and applicable, paragraph 10 of Article 255, a risk weight equal to or smaller than 75% on an individual exposure basis where the exposure is a regulatory retail exposure or 100% for any other exposures; and
 - (b) the aggregate exposure value of all exposures to a single obligor at ABCP programme level does not exceed 2% of the aggregate exposure value of all exposures within the ABCP programme at the time the exposures were added to the ABCP programme. For the purposes of this calculation, loans or leases to a group of connected clients, to the best knowledge of the sponsor, shall be considered as exposures to a single obligor.

In the case of trade receivables, point (b) of the first subparagraph shall not apply where the credit risk of those trade receivables is fully covered by eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part, provided that in that case the protection provider is a JIB, an investment firm, an insurance undertaking or a reinsurance undertaking. For the purposes of this subparagraph, only the portion of the trade receivables remaining after taking into account the effect of any purchase price discount and Overcollateralisation shall be used to determine whether they are fully covered and whether the concentration limit is met.

In the case of Securitised residual value of leased assets, point (b) of the first subparagraph shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1) of the Credit Risk Mitigation (CRR) Part.

By way of derogation from point (a) of the first subparagraph, where a JIB applies Article 248(3) or is permitted to apply the Internal Assessment Approach in accordance with Article 265, the risk weight that JIB would assign to a liquidity facility that completely covers the ABCP issued under the programme is equal to or smaller than 100%.

2. Positions in a securitisation, other than an ABCP programme or ABCP transaction, that qualify as positions in an STS securitisation, shall be eligible for the treatment set out in Articles 260, 262 and 264 where the following requirements are met:
 - (a) at the time of inclusion in the Securitisation, the aggregate exposure value of all exposures to a single obligor in the pool does not exceed 2% of the exposure values of the aggregate outstanding exposure values of the pool of underlying exposures. For the purposes of this calculation, loans or leases to a group of connected clients shall be considered as exposures to a single obligor. In the case of securitised residual value of leased assets, the first subparagraph of this point shall not apply where those values are not exposed to refinancing or resell risk due to a legally enforceable commitment to repurchase or refinance the exposure at a pre-determined amount by a third party eligible under Article 201(1) of the Credit Risk Mitigation (CRR) Part;
 - (b) at the time of their inclusion in the securitisation, the underlying exposures meet the conditions for being assigned, under either the Standardised Approach taking into account any eligible credit risk mitigation, or, where relevant and applicable, paragraph 10 of Article 255, a risk weight equal to or smaller than:
 - (i) 40% on an exposure value-weighted average basis for the portfolio where each exposure is a regulatory residential real estate exposure;
 - (ii) 50% on an individual exposure basis where the exposure is any of the following:
 - (1) a residential real estate exposure that is not a regulatory real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;
 - (2) a mixed real estate exposure as defined in the Credit Risk: Standardised Approach (CRR)

Part;

- (iii) 60% on an individual exposure basis where the exposure is a commercial real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;
- (iv) 75% on an individual exposure basis where the exposure is a regulatory retail exposure;
- (v) for any other exposures, 100% on an individual exposure basis;
- (c) where points (b)(i) to (b)(iii) apply, the loans secured by lower ranking security rights on a given asset shall only be included in the securitisation where all loans secured by prior ranking security rights on that asset are also included in the securitisation;
- (d) where point (b)(i) of this paragraph applies, no loan in the pool of underlying exposures shall have a loan-to-value ratio higher than 100%, at the time of inclusion in the securitisation, measured in a manner that is consistent with the relevant provisions in Article 129(1)(d) of the Credit Risk: Standardised Approach (CRR) Part and, subject to the exclusions in Article 129(3)(b) of the Credit Risk: Standardised Approach (CRR) Part, Article 229(1) of the Credit Risk Mitigation (CRR) Part.

Section 2 Recognition of significant risk transfer

Article 244 traditional securitisation

1. A JIB that is the originator Institution of a traditional securitisation may exclude underlying exposures from its calculation of risk-weighted exposure amounts and, where relevant, expected loss amounts if either of the following conditions is fulfilled:
 - (a) significant credit risk associated with the underlying exposures has been transferred to third parties;
 - › the originator JIB applies a 1250% risk weight to all securitisation positions or deducts these securitisation positions from Common Equity Tier 1 items in accordance with the Own Funds (CRR) Part.
2. Significant credit risk shall be considered as transferred in either of the following cases provided the possible reduction in risk-weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties:
 - (a) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator Institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in this securitisation;
 - (b) the originator Institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation, provided that both of the following conditions are met:
 - (i) the originator can demonstrate that the exposure value of the first loss tranche exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin;
 - (ii) there are no mezzanine securitisation positions.

3. By way of derogation from paragraph 2:

- (a) an originator JIB may recognise significant credit risk transfer in relation to a securitisation where it has received a prior variance from the JFSC.
- (b) an originator Institution shall not recognise significant credit risk transfer where the JFSC has imposed a requirement on the originator Institution to preclude this or a direction to preclude this.

4. The following additional conditions shall be met by an originator Institution:

- (a) the transaction documentation reflects the economic substance of the securitisation;
- (b) the securitisation positions do not constitute payment obligations of the originator Institution;
- (c) the underlying exposures are placed beyond the reach of the originator Institution and its creditors in a manner that meets the requirement set out in SECN 2.2.2R of the FCA's Handbook, as it has effect from time to time;
- (d) the originator Institution does not retain control over the underlying exposures. It shall be considered that control is retained over the underlying exposures where the originator has the right to repurchase from the transferee the previously transferred exposures in order to realise their benefits or if it is otherwise required to re-assume transferred risk. The originator Institution's retention of servicing rights or obligations in respect of the underlying exposures shall not of itself constitute control of the exposure;
- (e) the securitisation documentation does not contain terms or conditions that:
 - (i) require the originator Institution to alter the underlying exposures to improve the average quality of the pool; or
 - (ii) increase the yield payable to holders of positions or otherwise enhance the positions in the securitisation in response to a deterioration in the credit quality of the underlying exposures;
- (f) where applicable, the transaction documentation makes it clear that the originator or the sponsor may only purchase or repurchase securitisation positions or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);
- (g) where there is a clean-up call option, that option shall also meet all of the following conditions:
 - (i) it can be exercised at the discretion of the Originator Institution;
 - (ii) it may only be exercised when 10% or less of the original value of the underlying exposures remains unamortised;
 - (iii) it is not structured to avoid allocating losses to credit enhancement positions or other positions held by investors in the securitisation and is not otherwise structured to provide credit enhancement;
- (h) the Originator Institution has received an opinion from a qualified legal counsel confirming that the Securitisation complies with the conditions set out in point (c) of this paragraph.

Article 245 Synthetic securitisation

1. The originator Institution of a synthetic securitisation may calculate risk-weighted exposure amounts, and, where relevant, expected loss amounts with respect to the underlying exposures in accordance with Articles 251 and 252, where one of the following conditions is met:
 - (a) significant credit risk has been transferred to third parties either through funded or unfunded credit protection;
 - (b) the originator Institution, if it is not an SDDT or an SDDT consolidation entity, applies a 1250% risk weight to all securitisation positions that it retains in the securitisation or deducts these securitisation positions from Common Equity Tier 1 items in accordance with the Own Funds (CRR) Part or, if it is an SDDT or an SDDT consolidation entity, applies the deduction from Common Equity Tier 1 items as determined in accordance with the Own Funds (CRR) Part;
 - (c) the securitisation is a qualifying securitisation and any of the following conditions is met:
 - (i) the underlying regulatory residential real estate exposure is not an exposure in relation to which the originator Institution has JFSC variances to use the IRB Approach or the originator Institution is not able to calculate risk-weighted exposure amounts for the underlying exposure in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part;
 - (ii) the originator Institution holds the entirety of all tranches in the qualifying securitisation for which $5 * A + D > 1$, where A and D are as specified in Article 256; or
 - (iii) there are two tranches in the qualifying securitisation and the originator Institution holds the entirety of the senior tranche.
2. Significant credit risk shall be considered transferred in either of the following cases provided the possible reduction in risk-weighted exposure amounts is justified by a commensurate transfer of credit risk to third parties:
 - (a) the risk-weighted exposure amounts of the mezzanine securitisation positions held by the originator Institution in the securitisation do not exceed 50% of the risk-weighted exposure amounts of all mezzanine securitisation positions existing in this securitisation;
 - (b) the originator Institution does not hold more than 20% of the exposure value of the first loss tranche in the securitisation, provided that both of the following conditions are met:
 - (i) the originator can demonstrate that the exposure value of the First Loss Tranche exceeds a reasoned estimate of the expected loss on the underlying exposures by a substantial margin;
 - (ii) there are no mezzanine securitisation positions.

3. By way of derogation from paragraph 2:

- (a) an originator Institution may recognise significant credit risk transfer in relation to a securitisation where it has received a prior variance from the JFSC.
- (b) an originator Institution shall not recognise significant credit risk transfer where the JFSC has imposed a requirement on the originator Institution to preclude or issued a direction to preclude this.

4. The following additional conditions shall be met by the originator Institution:

- (a) the transaction documentation reflects the economic substance of the securitisation;
- (b) the credit protection by virtue of which credit risk is transferred complies with Article 249;
- (c) the securitisation documentation does not contain terms or conditions that:
 - (i) impose significant materiality thresholds below which credit protection is deemed not to be triggered if a credit event occurs;
 - (ii) allow for the termination of the protection due to deterioration of the credit quality of the underlying exposures;
 - (iii) require the originator Institution to alter the composition of the underlying exposures to improve the average quality of the pool; or
 - (iv) increase the Institution's cost of credit protection or the yield payable to holders of positions in the securitisation in response to a deterioration in the credit quality of the underlying pool;
- (d) the credit protection is enforceable in all relevant jurisdictions;
- (e) where applicable, the transaction documentation makes it clear that the originator or the sponsor may only purchase or repurchase securitisation positions or repurchase, restructure or substitute the underlying exposures beyond their contractual obligations where such arrangements are executed in accordance with prevailing market conditions and the parties to them act in their own interest as free and independent parties (arm's length);
- (f) where there is a clean-up call option, that option meets all the following conditions:
 - (i) it may be exercised at the discretion of the originator Institution;
 - (ii) it may only be exercised when 10% or less of the original value of the underlying exposures remains unamortised;
 - (iii) it is not structured to avoid allocating losses to credit enhancement positions or other positions held by investors in the securitisation and is not otherwise structured to provide credit enhancement;
- (g) the originator Institution has received an opinion from a qualified legal counsel confirm that the securitisation complies with the conditions set out in point (d) of this paragraph.

Article 245A Notification of significant risk transfer

1. A JIB must notify the JFSC that it is relying on the deemed transfer of significant credit risk under paragraph (2) of Article 244 or paragraph (2) of Article 245, including when this is for the purposes of the Market Risk: Simplified Standardised Approach (CRR) Part of the PRA, no later than one month after the date of transfer.
2. The notification in paragraph (1) must include sufficient information to allow the JFSC to assess whether the possible reduction in risk-weighted exposure amounts which would be achieved by the securitisation is justified by a commensurate transfer of credit risk to third parties.

Article 246 Operational requirements for early amortisation provisions

Where the securitisation includes revolving exposures and early amortisation provisions or similar provisions, significant credit risk shall only be considered transferred by the originator Institution where the requirements laid down in Articles 244 and 245 are met and the early amortisation provision, once triggered, does not:

- (a) subordinate the Institution's senior or pari passu claim on the underlying exposures to the other investors' claims;
- (b) subordinate further the Institution's claim on the underlying exposures relative to other parties' claims; or
- (c) otherwise increase the Institution's exposure to losses associated with the underlying revolving exposures.

Section 3 Calculation of risk-weighted exposure amounts sub-section 1 general provisions

Article 247 Calculation of risk-weighted exposure amounts

1. Where one of the conditions in Article 244(1) or Article 245(1) is met, a JIB that is an originator Institution may:
 - (a) in the case of a traditional securitisation, exclude the underlying exposures from its calculation of risk-weighted exposure amounts, and, as relevant, expected loss amounts;
 - (b) in the case of a synthetic securitisation, calculate risk-weighted exposure amounts, and, where relevant, expected loss amounts, with respect to the underlying exposures in accordance with Articles 251 and 252.
2. Where the JIB has decided to apply paragraph 1, it shall calculate the risk-weighted exposure amounts as set out in this Part for the positions that it may hold in the securitisation. Where none of the conditions in Article 244(1) or Article 245(1) are met, or where the JIB has decided not to apply paragraph 1, it shall not be required to calculate risk-weighted exposure amounts for any position it may have in the securitisation but shall continue including the underlying exposures in its calculation of risk-weighted exposure amounts and, where relevant, expected loss amounts as if they had not been

securitised.

3. Where there is an exposure to positions in different tranches in a securitisation, the exposure to each tranches shall be considered a separate securitisation position. The providers of credit protection to securitisation positions shall be considered as holding positions in the securitisation. Securitisation positions shall include exposures to a securitisation arising from interest rate or currency derivative contracts that the JIB has entered into with the transaction.
4. Unless a securitisation position is deducted from Common Equity Tier 1 items pursuant the Own Funds (CRR) Part, the risk-weighted exposure amount shall be included in the JIB's total of risk-weighted exposure amounts for the purposes of the Required Level of Own Funds (CRR) Part.
5. The risk-weighted exposure amount of a securitisation position shall be calculated by multiplying the exposure value of the position, calculated as set out in Article 248, by the relevant total risk weight.
6. The total risk weight shall be determined as the sum of the risk weight set out in this Part.

Article 248 Exposure value

The exposure value of a securitisation position shall be calculated as follows:

- (a) the exposure value of an on-balance sheet securitisation position shall be its accounting value remaining after any relevant specific credit risk adjustments on the Securitisation Position have been applied in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014;
- (b) the exposure value of an off-balance sheet Securitisation Position shall be its nominal value less any relevant specific credit risk adjustments on the Securitisation Position in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014, multiplied by the relevant Conversion Factor as set out in this point. The Conversion Factor shall be 100%, except in the case of cash advance facilities. To determine the exposure value of the undrawn portion of the cash advance facilities, a Conversion Factor of 10% may be applied to the nominal amount of a liquidity facility that is unconditionally cancellable provided that repayment of draws on the facility are senior to any other claims on the cash flows arising from the underlying exposures;
- (c) the exposure value for the counterparty credit risk of a Securitisation Position that results from a derivative instrument listed in Annex 1 of Chapter 3 of the Counterparty Credit Risk (CRR) Part, shall be determined in accordance with the Counterparty Credit Risk (CRR) Part;
- (d) a JIB that is an originator Institution may deduct from the exposure value of a securitisation position which is assigned a 1250% risk weight in accordance with Articles 247 to 270A or deducted from Common Equity Tier 1 in accordance the Own Funds (CRR) Part, the amount of the specific credit risk adjustments on the underlying exposures in accordance with Article 110 of the Credit Risk: General Provisions (CRR) Part and Commission Delegated Regulation (EU) No 183/2014, and any non-refundable purchase price discounts connected with such underlying exposures to the extent that

such discounts have caused the reduction of own funds.

2. Where a JIB has two or more overlapping positions in a securitisation, it shall include only one of the positions in its calculation of risk-weighted exposure amounts.

Where the positions partially overlap, the JIB may split the position into two parts and recognise the overlap in relation to one part only in accordance with the first subparagraph. Alternatively, the JIB may treat the positions as if they were fully overlapping by expanding for capital calculation purposes the position that produces the higher risk-weighted exposure amounts.

The JIB may also recognise an overlap between the specific risk own funds requirements for positions in the trading book and the own funds requirements for securitisation positions in the non-trading book, provided that the JIB is able to calculate and compare the own funds requirements for the relevant positions.

For the purposes of this paragraph, two positions shall be deemed to be overlapping where they are mutually offsetting in such a manner that the JIB is able to preclude the losses arising from one position by performing the obligations required under the other position.

3. Where point (d) of Article 270C applies to positions in an ABCP, the JIB may use the risk weight assigned to a liquidity facility in order to calculate the risk-weighted exposure amount for the ABCP, provided that the liquidity facility covers 100% of the ABCP issued by the ABCP programme and the liquidity facility ranks *pari passu* with the ABCP in a manner that they form an overlapping position. The JIB shall notify the JFSC where it has applied the provisions laid down in this paragraph. For the purposes of determining the 100% coverage set out in this paragraph, the JIB may take into account other liquidity facilities in the ABCP programme, provided that they form an overlapping position with the ABCP.

Article 249 Recognition of credit risk mitigation for securitisation positions

1. A JIB may recognise funded or unfunded credit protection with respect to a securitisation position (including any credit protection that applies to a tranche of a qualifying securitisation) where the requirements for credit risk mitigation laid down in this Part are met.
2. Eligible credit protection shall be limited to the following:
 - (a) in the case of eligible funded credit protection, financial collateral which is eligible for the calculation of risk-weighted exposure amounts under the applicable method in the Credit Risk Mitigation (CRR) Part;
 - (b) in the case of eligible unfunded credit protection and eligible unfunded credit protection providers, unfunded credit protection and unfunded credit protection providers which are eligible, respectively, in accordance with the applicable method in the Credit Risk Mitigation (CRR) Part.
3. In addition to the requirements in point (b) of paragraph 2, the eligible providers of unfunded credit

protection listed in points (a) to (h) of Article 201(1) of the Credit Risk Mitigation (CRR) Part (including where they provide a counter-guarantee or a guarantee of a counter-guarantee in accordance with Article 214 of the Credit Risk Mitigation (CRR) Part) shall have been assigned a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part which is credit quality step 2 or above as mapped in Article 136A of the Credit Risk: Standardised Approach (CRR) Part at the time the credit protection was first recognised and credit quality step 3 or above as mapped in Article 136A of the Credit Risk: Standardised Approach (CRR) Part thereafter. The requirement set out in this subparagraph shall not apply to:

- (a) qualifying central counterparties;
- (b) the UK or Jersey governments;
- (c) the Bank of England;
- (d) an entity listed in Credit Risk: Standardised Approach (CRR) Part Article 114(3), 115(2), 117(2) or 118(1).

3AA. For the purposes of paragraph 3, where a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available for an exposure to an eligible provider of unfunded credit protection listed in points (a), (b) or (e) of Article 201(1) of the Credit Risk Mitigation (CRR) Part, a JIB may assign to such an exposure the credit assessment for the central government of the jurisdiction of the protection provider, where a credit assessment by an ECAI that has been nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is available for that central government.

3A. Where a JIB takes into account eligible credit protection for a securitisation position, other than as provided for in point (c) of Article 248(1), the effect of the credit protection shall be determined as follows:

- (a) where a JIB takes into account eligible unfunded credit protection not covered by eligible funded credit protection for a securitisation position, then the effect of the credit protection shall be determined in accordance with Appendix 1 Part Two and paragraphs 3B to 3C;
- (b) where a JIB takes into account eligible funded credit protection for a securitisation position, other than where the funded credit protection covers unfunded credit protection, then the effect of the credit protection shall be determined in accordance with the decision tree in Appendix 1 Part Three and paragraphs 3E to 3G;
- (c) where a JIB takes into account credit protection that consists of unfunded credit protection covered by eligible funded credit protection for a securitisation position, then when determining how the protection is taken into account the JIB shall apply the decision tree in Appendix 1 Part One.

- 3B. Where the Risk-Weight Substitution Method is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 235 of the Credit Risk Mitigation (CRR) Part:
- (a) the exposure value (E) shall be determined in accordance with Article 248 except that the conversion factor for cash advance facilities shall be 100%;
 - (b) the risk-weight of the exposure (rn) shall be the risk-weight of the tranche as if there were no unfunded credit protection, determined in accordance with this Part;
 - (c) maturity mismatch shall be accounted for in accordance with paragraph 3H; and Article 235(1A) of the Credit Risk Mitigation (CRR) Part shall not apply.
- 3C. Where the Parameter Substitution Method is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 236 of the Credit Risk Mitigation (CRR) Part:
- (a) the exposure value (E) shall be determined in accordance with Article 248 except that the conversion factor for cash advance facilities shall be 100%;
 - (b) the risk-weight of the exposure (rn) shall be the risk-weight of the tranche as if there were no unfunded credit protection, determined in accordance with this Part;
 - (c) the LGD of the exposure shall be 100% calculated as if there was no credit protection (LGD), except as provided for in Article 260A;
 - (d) the maturity of the exposure (M) shall be the maturity of the tranche determined in accordance with Article 257;
 - (e) maturity mismatch shall be accounted for in accordance with paragraph 3H;
 - (f) Article 236(1A) of the Credit Risk Mitigation (CRR) Part shall not apply; and
 - (g) the risk weight for the covered part (rg) shall be increased by $12.5 * PD * LGD$, where PD and LGD are as defined for the purposes of calculating (rg) in point (a) of Article 236(1) of the Credit Risk Mitigation (CRR) Part.
- 3D. Where, in accordance with point (c) of paragraph 3A, the JIB takes into account funded credit protection:
- (a) maturity and currency mismatch adjustments for the funded credit protection shall be determined by comparing the funded credit protection to the unfunded credit protection;
 - (b) the value of any recognised funded credit protection (after applying any applicable haircuts) shall be capped at the value of the unfunded credit protection as determined under Article 233 of the Credit Risk Mitigation (CRR) Part, further adjusted for any maturity mismatch in accordance with paragraph 3H; and
 - (c) where the JIB has not taken into account the unfunded credit protection, the decision tree in Appendix 1 Part Three and paragraphs 3E to 3G shall apply.

3E. Where, for the purpose of point (b) of paragraph 3A or point (c) of paragraph 3D, the Financial Collateral Simple Method is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 222 of the Credit Risk Mitigation (CRR) Part:

- (a) the exposure value (E) shall be determined in accordance with Article 248 except that the conversion factor for cash advance facilities shall be 100%;
- (b) maturity mismatch shall be accounted for in accordance with paragraph 3H and if there is any maturity mismatch then the funded credit protection shall not be recognised; and
- (c) in Article 222(3) of the Credit Risk Mitigation (CRR) Part, the JIB shall instead apply to the remainder of the exposure value the risk-weight of the tranche as if there were no funded credit protection.

3F. Where, for the purpose of point (b) of paragraph 3A or point (c) of paragraph 3D, the Financial Collateral Comprehensive Method is used to determine the effect of the credit risk protection, the following modifications shall apply to the application of Article 223 of the Credit Risk Mitigation (CRR) Part:

- (a) the exposure value (E) shall be determined in accordance with Article 248 except that the conversion factor for cash advance facilities shall be 100%;
- (b) maturity mismatch shall be accounted for in accordance with paragraph 3H; and
- (c) when calculating the risk-weighted exposure amount, the JIB shall multiply the adjusted value of the exposure (E*) by the risk-weight of the tranche as if there were no funded credit protection, determined in accordance with this Part.

3G. A JIB that chooses to use the Financial Collateral Simple Method in respect of exposures for which it calculates risk-weighted exposure amounts using SEC-SA or SEC-ERBA shall not use the Financial Collateral Comprehensive Method in respect of any such exposures, or any exposures for which it calculates risk-weighted exposure amounts using the Standardised Approach.

3H. The effect of maturity mismatch shall be determined as follows:

- (a) for the purpose of point (b) of paragraph 3D, Articles 237 to 239 of the Credit Risk Mitigation (CRR) Part shall apply;
- (b) otherwise, where Article 251 is applicable, then Article 252 shall determine the effect of maturity mismatch;
- (c) otherwise, Articles 237 to 239 of the Credit Risk Mitigation (CRR) Part shall apply and for this purpose the maturity of the exposure shall be the longest maturity of any of the underlying exposures of the securitisation position, subject to a maximum of 5 years.

4. [Note: Provision left blank]

5. [Note: Provision left blank]

6. Where a securitisation position benefits from full credit protection or a partial credit protection on a

pro-rata basis, the following requirements shall apply:

- (a) A JIB providing credit protection shall calculate risk-weighted exposure amounts for the portion of the securitisation position benefiting from credit protection in accordance with Articles 258 to 266 as if it held that portion of the position directly;
 - (b) A JIB buying credit protection shall calculate risk-weighted exposure amounts in accordance with this Article for the protected portion.
7. In all cases not covered by paragraph 6 where a securitisation position benefits from credit protection, the following requirements shall apply:
- (a) A JIB providing credit protection shall treat the portion of the position benefiting from credit protection as a securitisation position and shall calculate risk-weighted exposure amounts as if it held that position directly in accordance with Articles 258 to 266, subject to paragraphs 8, 9 and 10;
 - (b) A JIB buying credit protection shall calculate risk-weighted exposure amounts for the protected portion of the position referred to in point (a) in accordance with this Article. The JIB shall treat the portion of the securitisation position not benefiting from credit protection as a separate securitisation position and shall calculate risk-weighted exposure amounts in accordance with Articles 258 to 266, subject to paragraphs 8, 9 and 10.
8. JIBs using the SEC-IRBA or the SEC-SA under Articles 258 to 266 shall determine the attachment point (A) and detachment point (D) separately for each of the positions derived in accordance with paragraph 7 as if these had been issued as separate securitisation positions at the time of origination of the transaction. The value of KIRB or KSA, respectively, shall be calculated taking into account the original pool of exposures underlying the Securitisation.
9. JIBs using the SEC-ERBA under Articles 258 to 266 for the original securitisation position shall calculate risk-weighted exposure amounts for the positions derived in accordance with paragraph 7 as follows:
- (a) where the derived position has the higher seniority, it shall be assigned the risk weight of the original Securitisation position;
 - (b) where the derived position has the lower seniority, it may be assigned an inferred rating in accordance with Article 263(7). In that case, thickness input T shall only be computed on the basis of the derived position. Where a rating may not be inferred, the JIB shall apply the higher of the risk weights resulting from either:
 - (i) applying the SEC-SA in accordance with paragraph 8 and Articles 258 to 266; or
 - (ii) the risk weight of the original securitisation position under the SEC-ERBA.
10. The derived position with the lower seniority shall be treated as a non-senior securitisation position even if the original securitisation position prior to protection qualifies as senior.

Article 250 Implicit support

1. A JIB that is a sponsor Institution, or an originator Institution which in respect of a securitisation has made use of Article 247(1) and (2) in the calculation of risk-weighted exposure amounts to the effect that it is no longer required to hold own funds for the risks of those instruments shall not provide support, directly or indirectly, to the securitisation beyond its contractual obligations with a view to reducing potential or actual losses to investors.
2. A transaction shall not be considered as support for the purposes of paragraph 1 where the transaction has been duly taken into account in the assessment of significant credit risk transfer and both parties have executed the transaction acting in their own interest as free and independent parties (arm's length). For these purposes, the JIB shall undertake a full credit review of the transaction and, at a minimum, take into account all of the following items:
 - (a) the repurchase price;
 - (b) the JIB's capital and liquidity position before and after repurchase;
 - (c) the performance of the underlying exposures;
 - (d) the performance of the securitisation positions;
 - (e) the impact of support on the losses expected to be incurred by the originator relative to investors.
3. A JIB that is originator Institution or the sponsor Institution shall notify the JFSC of any transaction entered into in relation to the securitisation in accordance with paragraph 2.
4. [Note: Provision left blank]
5. If a JIB that is an originator Institution or a sponsor Institution fails to comply with paragraph 1 in respect of a securitisation, the JIB shall include all of the underlying exposures of that securitisation in its calculation of risk-weighted exposure amounts as if they had not been securitised and disclose:
 - (a) that it has provided support to the securitisation in breach of paragraph 1; and
 - (b) the impact of the support provided in terms of own funds requirements.

Article 251 Originator Institution's calculation of risk-weighted exposure amounts securitised in a synthetic securitisation

1. For the purpose of calculating risk-weighted exposure amounts for the underlying exposures, a JIB that is the originator Institution of a synthetic securitisation shall use the calculation methodologies set out in Articles 247 to 270A as applicable instead of those set out in the Credit Risk: Standardised Approach (CRR) Part. For JIBs calculating risk-weighted exposure amounts and, where relevant, expected loss amounts with respect to the underlying exposures under the Credit Risk: Internal Ratings Based Approach (CRR) Part, the expected loss amount in respect of such exposures shall be zero.

2. The requirements set out in paragraph 1 of this Article shall apply to the entire pool of exposures backing the securitisation. Subject to Article 252, the originator Institution shall calculate risk-weighted exposure amounts with respect to all tranches in the securitisation in accordance with Articles 247 to 270A, including the positions in relation to which the institution is able to recognise credit risk mitigation in accordance with Article 249. The risk weight to be applied to positions which benefit from credit risk mitigation may be amended in accordance with the Credit Risk Mitigation (CRR) Part.

Article 252 Treatment of maturity mismatches in synthetic securitisations

1. For the purposes of calculating risk-weighted exposure amounts in accordance with Article 251, any maturity mismatch between the credit protection by which the transfer of risk is achieved and the underlying exposures shall be calculated as follows:
- (a) the maturity of the underlying exposures shall be taken to be the longest maturity of any of those exposures subject to a maximum of five years. The maturity of the credit protection shall be determined in accordance with the Credit Risk Mitigation (CRR) Part;
 - (b) an originator Institution shall ignore any maturity mismatch in calculating risk-weighted exposure amounts for securitisation positions subject to a risk weight of 1250% in accordance with Articles 247 to 270A. For all other positions, the maturity mismatch treatment set out in the Credit Risk Mitigation (CRR) Part shall be applied in accordance with the following formula:

$$RW^* = RW_{SP} * \left[\frac{t - t^*}{T - t^*} \right] + RW_{Ass} * \left[\frac{T - t}{T - t^*} \right]$$

where:

$RW^* =$	risk-weighted exposure amounts for the purposes of the Required Level of Own Funds (CRR) Part;
$RW_{Ass} =$	risk-weighted exposure amounts for the underlying exposures as if they had not been securitised, calculated on a pro-rata basis;
$RW_{sp} =$	risk-weighted exposure amounts calculated under Article 251 as if there was no maturity mismatch;
$T =$	maturity of the underlying exposures, expressed in years;
$t =$	maturity of credit protection, expressed in years;
$t^* =$	0.25

Article 253 Reduction in risk-weighted exposure amounts

1. For a JIB, where a securitisation position is assigned a 1250% risk weight under Articles 247 to 270A, a JIB

may deduct the exposure value of such position from Common Equity Tier 1 capital in accordance with the Own Funds (CRR) Part as an alternative to including the position in their calculation of risk-weighted exposure amounts. For that purpose, the calculation of the exposure value may reflect eligible funded credit protection in accordance with Article 249.

2. Where a JIB makes use of the alternative set out in paragraph 1, it may subtract the amount deducted in accordance with the Own Funds (CRR) Part from the amount specified in Article 268 as maximum capital requirement that would be calculated in respect of the underlying exposures as if they had not been securitised.
3. [Note: Provision left blank]
4. [Note: Provision left blank]

Sub-Section 2 Hierarchy of methods and common parameters

Article 254 Hierarchy of methods

1. JIB's shall use one of the methods set out in Articles 258 to 266 to calculate risk-weighted exposure amounts in accordance with the following hierarchy:
 - (a) where the conditions set out in Article 258 are met, a JIB shall use the SEC-IRBA in accordance with Articles 259 and 260;
 - (b) where the SEC-IRBA may not be used, a JIB shall use the SEC-SA in accordance with Articles 261 and 262;
 - (c) where the SEC-SA may not be used, a JIB shall use the SEC-ERBA in accordance with Articles 263 and 264 for rated positions or positions in respect of which an inferred rating may be used.
2. For rated positions or positions in respect of which an inferred rating may be used, a JIB shall use the SEC-ERBA instead of the SEC-SA in each of the following cases:
 - (a) where the application of the SEC-SA would result in a risk weight higher than 25% for positions qualifying as positions in an STS Securitisation;
 - (b) where the application of the SEC-SA would result in a risk weight higher than 25% or the application of the SEC-ERBA would result in a risk weight higher than 75% for positions not qualifying as positions in an STS Securitisation;
 - (c) for securitisation transactions backed by pools of auto loans, auto leases and equipment leases.
3. A JIB shall notify the JFSC of a relevant decision no less than one month prior to it coming into effect. 'A relevant decision' is a decision made to apply the SEC-ERBA instead of the SEC-SA to all its rated securitisation positions or positions in respect of which an inferred rating may be used.

Any subsequent decision to further change the approach applied to all of its rated Securitisation Positions shall be notified by the JIB to the JFSC no less than one month prior to that decision coming into effect.

A decision to use a different approach may only be made once in each 12-month period.

4. By way of derogation from paragraph 1, a JIB shall not apply the SEC-SA where the JFSC has imposed a requirement or issued a direction to prohibit an JIB from doing so.
5. Without prejudice to paragraph 1 of this Article, a JIB may apply the Internal Assessment Approach to calculate risk-weighted exposure amounts in relation to an unrated position in an ABCP programme or ABCP transaction in accordance with Article 266, provided that the conditions set out in Article 265 are met. Unless a JIB has received a prior variance from the JFSC to apply the Internal Assessment Approach in accordance with Article 265(1), and a specific position in an ABCP programme or ABCP transaction falls within the scope of application covered by such variance, the JIB shall not apply that approach to calculate the risk-weighted exposure amount of that position.
6. For a position in a Resecuritisation, JIBs shall apply the SEC-SA in accordance with Article 261, with the modifications set out in Article 269.
7. In all other cases, a risk weight of 1250% shall be assigned to securitisation positions.

Article 255 Determination of KIRB and KSA

1. Where a JIB applies the SEC-IRBA under Articles 258 to 266, the JIB shall calculate KIRB in accordance with paragraphs 2 to 5.
2. JIBs shall determine KIRB by multiplying the risk-weighted exposure amounts that would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures as if they had not been securitised by 8% divided by the exposure value of the underlying exposures. KIRB shall be expressed in decimal form between zero and one.
3. For KIRB calculation purposes, the risk-weighted exposure amounts that would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures shall include:
 - (a) the amount of expected losses associated with all the underlying exposures of the securitisation including defaulted underlying exposures that are still part of the pool in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part; and
 - (b) the amount of unexpected losses associated with all the underlying exposures including defaulted underlying exposures in the pool in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part.
4. JIBs may calculate KIRB in relation to the underlying exposures of the securitisation in accordance with the

provisions set out in the Credit Risk: Internal Ratings Based Approach (CRR) Part for the calculation of capital requirements for purchased receivables. For these purposes, retail exposures as defined in the Credit Risk: Internal Ratings Based Approach (CRR) Part shall be treated as purchased retail receivables and non-retail exposures as purchased corporate receivables.

5. JIBs shall calculate KIRB separately for dilution risk in relation to the underlying exposures of a securitisation where dilution risk is material to such exposures.

Where losses from dilution and credit risks are treated in an aggregate manner in the Securitisation, JIBs shall combine the respective KIRB for dilution and credit risk into a single KIRB for the purposes of Articles 258 to 266. The presence of a single reserve fund or Overcollateralisation available to cover losses from either credit or dilution risk may be regarded as an indication that these risks are treated in an aggregate manner.

Where dilution and credit risk are not treated in an aggregate manner in the Securitisation, JIBs shall modify the treatment set out in the second subparagraph to combine the respective KIRB for dilution and credit risk in a prudent manner.

6. Where a JIB applies the SEC-SA under Articles 258 to 266, it shall calculate KSA by multiplying the risk-weighted exposure amounts that would be calculated under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR in respect of the underlying exposures as if they had not been securitised by 8% divided by the value of the underlying exposures. KSA shall be expressed in decimal form between zero and one.

For the purposes of this paragraph, JIBs shall calculate the exposure value of the underlying exposures without netting any specific credit risk adjustments and additional value adjustments in accordance with the Own Funds (CRR) Part, the Credit Risk: General Provisions (CRR) Part, Commission Delegated Regulation (EU) No 183/2014 and other own funds reductions.

7. For the purposes of paragraphs 1 to 6, where a securitisation structure involves the use of an SSPE, all the SSPE's exposures related to the securitisation shall be treated as underlying exposures. Without prejudice to the preceding, the JIB may exclude the SSPE's exposures from the pool of underlying exposures for KIRB or KSA calculation purposes if the risk from the SSPE's exposures is immaterial or if it does not affect the JIB's securitisation position.

In the case of funded synthetic Securitisations, any material proceeds from the issuance of credit-linked notes or other funded obligations of the SSPE that serve as collateral for the repayment of the Securitisation positions shall be included in the calculation of KIRB or KSA if the credit risk of the collateral is subject to the tranching loss allocation.

8. [Note: Provision left blank]

9. [Note: Provision left blank]

10. For the purpose of calculating KSA, a JIB that is not the originator Institution may replace the risk weight for an underlying exposure that would be applied under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR with one of the following risk weights:

- (a) 100%, where the underlying exposure is neither a defaulted exposure as defined in the Credit Risk: Standardised Approach (CRR) Part nor a real estate exposure as defined in the Credit Risk: Standardised Approach (CRR) Part, and is:
 - (i) a retail exposure as defined in the Credit Risk: Standardised Approach (CRR) Part;
 - (ii) an exposure to a corporate for which a credit assessment by an ECAI nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available, where that exposure is not a project finance exposure or an exposure to an SME, and provided that the JIB replaces the risk weight for all such underlying exposures in the same manner; or
 - (iii) an exposure to an SME for which a credit assessment by an ECAI nominated in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part is not available, where that exposure is not a project finance exposure; or
- (b) 100%, where the underlying exposure is a residential real estate exposure which is not materially dependent on the cashflows generated by the property as determined by Article 124E of the Credit Risk: Standardised Approach (CRR) Part;
- (c) 150%, where the underlying exposure is not any of the following:
 - (i) a securitisation position;
 - (ii) an exposure that is a subordinated debt instrument;
 - (iii) an own funds instrument or an equity instrument, or
 - (iv) an exposure in the form of units or shares in a CIU; or
- (d) 1250%.

Article 256 Determination of attachment point (A) and detachment point (D)

1. For the purposes of Articles 258 to 266, JIBs shall set the attachment point (A) at the threshold at which losses within the pool of underlying exposures would start to be allocated to the relevant Securitisation Position.

The attachment point (A) shall be expressed as a decimal value between zero and one and shall be equal to the greater of zero and the ratio of the outstanding balance of the pool of underlying exposures in the Securitisation minus the outstanding balance of all tranches that rank senior or pari passu to the tranche containing the relevant Securitisation position including the exposure itself to the outstanding balance of all the underlying exposures in the Securitisation.

2. For the purposes of Articles 258 to 266, JIBs shall set the detachment point (D) at the threshold at which

losses within the pool of underlying exposures would result in a complete loss of principal for the tranche containing the relevant securitisation position.

The detachment point (D) shall be expressed as a decimal value between zero and one and shall be equal to the greater of zero and the ratio of the outstanding balance of the pool of underlying exposures in the Securitisation minus the outstanding balance of all tranches that rank senior to the tranche containing the relevant Securitisation position to the outstanding balance of all the underlying exposures in the Securitisation.

3. For the purposes of paragraphs 1 and 2, JIBs shall treat Overcollateralisation and funded reserve accounts as tranches and the assets comprising such reserve accounts as underlying exposures.
4. For the purposes of paragraphs 1 and 2, JIBs shall disregard unfunded reserve accounts and assets that do not provide credit enhancement, such as those that only provide liquidity support, currency or interest rate swaps and cash collateral accounts related to those positions in the securitisation. For funded reserve accounts and assets providing credit enhancement, the JIB shall only treat as securitisation positions the parts of those accounts or assets that are loss-absorbing.
5. Where two or more positions of the same transaction have different maturities but share pro-rata loss allocation, the calculation of the attachment points (A) and the detachment points (D) shall be based on the aggregated outstanding balance of those positions and the resulting attachment points (A) and detachment points (D) shall be the same.

Article 257 Determination of tranche maturity (MT)

1. For the purposes of Articles 258 to 266 and subject to paragraph 2, JIBs may measure the maturity of a tranche (MT) as either:
 - (a) the weighted average maturity of the contractual payments due under the tranche in accordance with the following: $(\sum_t t * CF_t) / \sum_t CF_t$, where CF_t denotes all contractual payments (principal, interests and fees) payable by the borrower during period t
; or
 - (b) the final legal maturity of the tranche in accordance with the following formula:
 $M_T = 1 + (M_L - 1) * 80\%$, where M_L is the final legal maturity of the tranche.
2. For the purposes of paragraph 1, the determination of a tranche maturity (MT) shall be subject in all cases to a floor of one year and a cap of five years.
3. Where a JIB may become exposed to potential losses from the underlying exposures by virtue of contract, the JIB shall determine the maturity of the securitisation position by taking into account the maturity of the contract plus the longest maturity of such underlying exposures. For revolving exposures, the longest contractually possible remaining maturity of the exposure that might be added during the revolving period

shall apply.

Sub-Section 3 Methods to calculate risk-weighted exposure amounts

Article 258 Conditions for the use of the SEC-IRBA

1. JIBs shall use the SEC-IRBA to calculate risk-weighted exposure amounts in relation to a securitisation position where the following conditions are met:
 - (a) the position is backed by an IRB pool or a mixed pool, provided that, in the latter case, the JIB is able to calculate KIRB in accordance with Articles 247 to 270A on a minimum of 95% of the underlying exposure amount;
 - (b) there is sufficient information available in relation to the underlying exposures of the securitisation for the JIB to be able to calculate KIRB; and
 - (c) paragraph 2 does not apply.
2. A JIB shall not use SEC-IRBA where the JFSC has imposed a requirement or issued a direction to preclude the JIB from doing so.

Article 259 Calculation of risk-weighted exposure amounts under the SEC-IRBA

1. Under the SEC-IRBA, the risk-weighted exposure amount for a Securitisation Position shall be calculated by multiplying the exposure value of the position calculated in accordance with Article 248 by the applicable risk weight determined as follows, in all cases subject to a floor of 15%:

$RW = 1250\%$	when $D \leq KPOOL$
$RW = 12.5 * K_{SSFA}(KPOOL)$	when $D > A \geq KPOOL$
$RW = \left[12.5 * \left(\frac{K_{POOL} - A}{D - A} \right) \right] + \left[12.5 * K_{SSFA}(K_{POOL}) * \left(\frac{D - K_{POOL}}{D - A} \right) \right]$	when $A < KPOOL < D$
$RW = 12.5 * eau$	when $KPOOL < A = D$

Where:

KIRB	is the capital charge of the pool of underlying exposures as defined in Article 256
KPOOL	is a parameter calculated in accordance with paragraph 7

D	is the detachment point as determined in accordance with Article 256
A	is the attachment point as determined in accordance with Article 256

$$K_{SSFA(K_{POOL})} = \frac{e^{au} - e^{al}}{a(u - 1)}$$

Where:

a =	$-\left(\frac{1}{p * K_{POOL}}\right)$
u =	D – KPOOL
l =	max (A – KPOOL, 0)

Where:

$$p = \max \left[0.3, \left(A + B * \left(\frac{1}{N} \right) + C * K_{IRB} + D * LGD + E * M_T \right) \right]$$

Where:

N	is the effective number of exposures in the pool of underlying exposures, calculated in accordance with paragraphs 4 or 6, and subject to paragraphs 2 and 3;
LGD	is the exposure-weighted average LGD of the pool of underlying exposures, calculated in accordance with paragraphs 5 and 6, and subject to paragraphs 2 and 3;
MT	is the maturity of the tranche as determined in accordance with Article 257 and subject to paragraphs 2 and 3

The parameters A, B, C, D, and E shall be determined according to the following look-up table:

		A	B	C	D	E
Non-retail	Senior, granular (N ≥ 25)	0	3.56	-1.85	0.55	0.07
	Senior, non-granular (N<25)	0.11	2.61	-2.91	0.68	0.07
	Non-senior, granular (N ≥ 25)	0.16	2.87	-1.03	0.21	0.07
	Non-senior, non-granular (N<25)	0.22	2.35	-2.46	0.48	0.07
Retail	Senior	0	0	-7.48	0.71	0.24

	Non-senior	0	0	-5.78	0.55	0.27
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2. If the underlying pool includes both retail and non-retail exposures subject to the IRB Approach, the pool shall be divided into one retail and one non-retail subpool and, for each subpool, a separate p-parameter (and the corresponding input parameters N, MT, KIRB and LGD) shall be estimated. Subsequently, a weighted average p-parameter for the transaction shall be calculated on the basis of the p-parameters of each subpool and the nominal size of the exposures in each subpool and this weighted average p-parameter shall be used as the value of p in paragraph 1.
3. Where a JIB applies the SEC-IRBA to a mixed pool, the values of N, LGD, and MT shall be based on the underlying exposures subject to the IRB Approach only. The underlying exposures subject to the Standardised Approach shall be ignored for these purposes.
4. The effective number of exposures (N) shall be calculated as follows:

$$N = \frac{(\sum_i EAD_i)^2}{\sum_i EAD_i^2}$$

where EAD_i represents the exposure value associated with the i^{th} exposure in the pool.

Multiple exposures to the same obligor shall be consolidated and treated as a single exposure.

5. The exposure-weighted average LGD shall be calculated as follows:

$$LGD = \frac{\sum_i LGD_i * EAD_i}{\sum_i EAD_i}$$

where LGD_i represents the average **LGD** associated with all exposures to the i^{th} obligor.

Where credit and dilution risks for purchased receivables are managed in an aggregate manner in a Securitisation, the LGD input shall be construed as a weighted average of the LGD for credit risk and 100% LGD for dilution risk. The weights shall be the stand- alone IRB Approach capital requirements for credit risk and dilution risk, respectively. For these purposes, the presence of a single reserve fund or Overcollateralisation available to cover losses from either credit or dilution risk may be regarded as an indication that these risks are managed in an aggregate manner.

6. Where the share of the largest underlying exposure in the pool (C₁) is no more than 3%, JIBs may use the following simplified method to calculate N and the exposure- weighted average LGD:

$$N = \left(C_1 * C_m + \frac{(C_m - C_1)}{(m - 1)} * \max\{1 - m * C_1, 0\} \right)^{-1}$$

exposure weighted average LGD =50

where:

C_m	denotes the share of the pool corresponding to the sum of the largest m exposures; and
m	is set by the JIB for each securitisation position to which the method in this paragraph is applied.

If only C1 is available and this amount is no more than 0.03, then the JIB may set exposure-weighted average LGD as 0.50 and N as 1/C1.

The value of KPOOL is determined in accordance with the following subparagraphs:

Where the position is backed by a mixed pool and the JIB is able to calculate KIRB on at least 95% of the underlying exposure amounts in accordance with point (a) of Article 258(1), the JIB shall calculate KPOOL as:

$$K_{POOL} = d * K_{IRB} + (1 - d) * K_A$$

where d is the share of the exposure amount of underlying exposures for which the JIB can calculate KIRB over the exposure amount of all underlying exposures and KA is calculated in accordance with Article 261(2).

Where the position is backed by an IRB pool, KPOOL = KIRB.

7. Where a JIB has a securitisation position in the form of a derivative to hedge market risks, including interest rate or currency risks, the JIB may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

For the purposes of the first subparagraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

Article 260 Treatment of STS securitisations under the SEC-IRBA

Under the SEC-IRBA, the risk weight for a position in an STS securitisation shall be calculated in accordance with Article 259, subject to the following modifications:

risk-weight floor for Senior Securitisation Positions = 10%

$$p = \max \left[0.3, 0.5 * \left(A + B * \left(\frac{1}{N} \right) + C * K_{IRB} + D * LGD + E * M_T \right) \right]$$

Article 260A Treatment of qualifying securitisations under the SEC-IRBA

1. By way of a derogation from Article 259, this Article applies when calculating the risk-weighted exposure amount for a position in a qualifying securitisation using point (c) of Article 245(1).
2. Under the SEC-IRBA, the risk-weighted exposure amount for a position in a qualifying securitisation using point (c) of Article 245(1) shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by a risk weight equal to the sum of:
 - (a) the risk weight that would be calculated under Article 154 of the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised; and
 - (b) the expected loss calculated under Article 158 of the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised multiplied by 12.5.
3. For the purpose of point (c) of Article 249(3C), where relevant, the JIB may choose to use the LGD which would be calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposure as if it had not been securitised.

Article 261 Calculation of risk-weighted exposure amounts under the SEC-SA

1. Under the SEC-SA, the risk-weighted exposure amount for a position in a securitisation shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the applicable risk weight determined as follows, in all cases subject to a floor of 15%:

$RW = 1250\%$	when $D \leq KA$
$RW = 12.5 * K_{SSFA}(KA)$	when $D > A \geq KA$
$RW = \left[12.5 * \left(\frac{KA - A}{D - A} \right) \right] + \left[12.5 * K_{SSFA}(KA) * \left(\frac{D - KA}{D - A} \right) \right]$	when $A < KA < D$
$RW = 12.5 * e^{au}$	when $KA < A = D$

where:

D	is the detachment point as determined in accordance with Article 256;
A	is the attachment point as determined in accordance with Article 256;
KA	is a parameter calculated in accordance with paragraph 2;

$$K_{SSFA}(K_A) = \frac{e^{au} - e^{al}}{a(u - l)}$$

where:

a =	$-\left(\frac{1}{p * K_A}\right)$
u =	D – KA
l =	max(A – KA, 0)

For the value of p, a JIB may for each Securitisation either apply a value of 1 or calculate p in accordance with the following formula:

$$p = \min \left[1, \max \left[0.5, \left(A + B * \left(\frac{1}{N} \right) + C * K_A + D * LGD + E * M_T \right) \right] \right]$$

where:

N	is the effective number of exposures in the pool of underlying exposures, calculated in accordance with paragraphs (1)(c) and 1(d), and subject to paragraph 1A;
LGD	is the exposure-weighted average LGD of the pool of underlying exposures, calculated in accordance with the table below and subject to paragraph 1A;
MT	is the maturity of the tranche as determined in accordance with Article 257 and subject to paragraph 1A.

The parameters A, B, C, D, and E shall be determined according to the following look-up table:

		A	B	C	D	E
Non-retail	Senior, granular (N ≥ 25)	0	3.56	-1.85	0.55	0.07
	Senior, non-granular (N<25)	0.11	2.61	-2.91	0.68	0.07
	Non-senior, granular (N ≥ 25)	0.16	2.87	-1.03	0.21	0.07
	Non-senior, non-granular (N<25)	0.22	2.35	-2.46	0.48	0.07
Retail	Senior	0	0	-7.48	0.71	0.24
	Non-senior	0	0	-5.78	0.55	0.27

The exposure-weighted average LGD shall be determined in accordance with the following:

(a) In accordance with the following table:

Exposure type	LGD
Regulatory residential real estate exposures with LTV at most 100%	20%
Other exposures secured on immovable property with LTV at most 100%	30%
Senior purchased corporate receivables	50%
Other senior exposures to non-financial corporates	40%
Other senior non-retail exposures	45%
Subordinated purchased corporate receivables	100%
Other subordinated non-retail exposures	75%
Other exposures	100%

(b) The exposure-weighted average LGD shall be calculated as follows:

$$LGD = \frac{\sum_i LGD_i * EAD_i}{\sum_i EAD_i}$$

where LGD_i represents the LGD associated with the i^{th} exposure, as specified in the table in paragraph 1(a) above.

(c) The effective number of exposures (N) shall be calculated as follows:

$$N = \frac{(\sum_i EAD_i)^2}{\sum_i EAD_i^2}$$

where EAD_i represents the exposure value associated with the i^{th} exposure in the pool.

Multiple exposures to the same obligor shall be consolidated and treated as a single exposure.

(d) Where the share of the largest underlying exposure in the pool (C_1) is no more than 3%, JIBs may use the following simplified method to calculate N and the exposure-weighted average LGDs:

$$N = \left(C_1 * C_m + \frac{(C_m - C_1)}{(m - 1)} * \max\{1 - m * C_1, 0\} \right)^{-1}$$

exposure-weighted average LGD = 0.50

where:

C_m	denotes the share of the pool corresponding to the sum of the largest m exposures; and
m	is set by the JIB for each securitisation position to which the method in this paragraph is applied.

If only C_1 is available and this amount is no more than 0.03, then the JIB may set exposure-weighted average LGD as 0.50 and N as $1/C_1$.

- 1A. Where a JIB chooses to calculate the value of p in accordance with the formula set out in paragraph 1, if the underlying pool comprises both retail and non-retail exposures, the pool shall be divided into one retail and one non-retail subpool and, for each subpool, a separate p -parameter (and the corresponding input parameters N , MT , KA and LGD) shall be estimated. Subsequently, a weighted average p -parameter for the transaction shall be calculated on the basis of the p -parameters of each subpool and the nominal size of the exposures in each subpool and this weighted average p -parameter shall be used as the value of p where calculated in accordance with the formula in paragraph 1.
2. For the purposes of paragraph 1, KA shall for each Securitisation be calculated in accordance with the formula in either sub-paragraph (i) or (ii):
 - (i) $KA = (1 - W) * KSAE + W * 0.5$
 - (ii) $KA = (1 - W) * KSA + W * 0.5$

where:

$KSAE$ is the capital charge of the underlying pool as defined in Article 255, excluding any exposures in default;

KSA is as defined in Article 255;

W = ratio of:

- (a) the sum of the nominal amount of underlying exposures in default, to
- (b) the sum of the nominal amount of all underlying exposures.

For the purposes of this paragraph, an exposure in default shall mean an underlying exposure which is either:

- (i) 90 days or more past due;
- (ii) subject to bankruptcy or insolvency proceedings;
- (iii) subject to foreclosure or similar proceedings; or
- (iv) in default in accordance with the Securitisation documentation.

Where a JIB does not know the delinquency status for 5% or less of underlying exposures in the pool,

the JIB may use the SEC-SA subject to the following adjustment in the calculation of K_A :

$$K_A = \frac{EAD_{\text{Subpool 1 where W known}} * K_{\text{Subpool 1 where W known}} + EAD_{\text{Subpool 2 where W unknown}}}{EAD_{\text{Total}}}$$

Where the JIB does not know the delinquency status for more than 5% of underlying exposures in the pool, the position in the Securitisation must be risk-weighted at 1250%.

- Where a JIB has a Securitisation Position in the form of a derivative to hedge market risks, including interest rate or currency risks, the JIB may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

For the purposes of this paragraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

Article 262 Treatment of STS securitisations under the SEC-SA

Under the SEC-SA the risk weight for a position in an STS securitisation shall be calculated in accordance with Article 261, subject to the following modifications:

risk-weight floor for Senior Securitisation Positions = 10%

for the value of p , a JIB may for each STS Securitisation either apply a value of 0.5 or calculate p in accordance with the following formula:

$$p = \min \left[0.5, \max \left[0.3, 0.5 * \left(A + B * \left(\frac{1}{N} \right) + C * K_A + D * LGD + E * M_T \right) \right] \right]$$

Article 262A Treatment of qualifying securitisations under the SEC-SA

- By way of a derogation from Article 261, this Article applies when calculating the risk-weighted exposure amount for a position in a Qualifying Securitisation using Article 245(1)(c).
- Under the SEC-SA, the risk-weighted exposure amount for a position in a Qualifying Securitisation using Article 245(1)(c) shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the risk weight as determined as follows:

20%	When $A \geq X$
75%	When $D \leq X$
$20\% * \frac{D - X}{D - A} + 75\% * \frac{X - A}{D - A}$	When $D > X > A$

where:

A and D are determined in accordance with Article 256

X is $1 - \left(0.55 * \frac{\text{property value}}{\text{exposure value}} \right)$, where:

exposure value is calculated in accordance with Article 248 property value is calculated in accordance with Article 124D of the Credit Risk: Standardised Approach (CRR) Part.

Article 263 Calculation of risk-weighted exposure amounts under the SEC-ERBA

1. Under the SEC-ERBA, the risk-weighted exposure amount for a securitisation position shall be calculated by multiplying the exposure value of the position as calculated in accordance with Article 248 by the applicable risk weight in accordance with this Article and Article 270F.
2. For exposures with short-term credit assessments or when a rating based on a short-term credit assessment may be inferred in accordance with paragraph 7, the following risk weights shall apply:

Table 1

Credit Quality Step	1	2	3	All other ratings
Risk weight	15%	50%	100%	1250%

3. For exposures with long-term credit assessments or when a rating based on a long-term credit assessment may be inferred in accordance with paragraph 7, the risk weights set out in Table 2 shall apply, adjusted as applicable for Tranche maturity (MT) in accordance with Article 257 and paragraph 4 and for Tranche thickness for non-senior Tranches in accordance with paragraph 5:

Table 2

Credit Quality Step	Senior Tranche		Non-senior (thin) tranche	
	Tranche maturity (MT)		Tranche maturity (MT)	
	1 year	5 years	1 year	5 years
1	15%	20%	15%	70%
2	15%	30%	15%	90%
3	25%	40%	30%	120%
4	30%	45%	40%	140%
5	40%	50%	60%	160%
6	50%	65%	80%	180%
7	60%	70%	120%	210%
8	75%	90%	170%	260%

9	90%	105%	220%	310%
10	120%	140%	330%	420%
11	140%	160%	470%	580%
12	160%	180%	620%	760%
13	200%	225%	750%	860%
14	250%	280%	900%	950%
15	310%	340%	1050%	1050%
16	380%	420%	1130%	1130%
17	460%	505%	1250%	1250%
All other	1250%	1250%	1250%	1250%

4. In order to determine the risk weight for Tranches with a maturity between one and five years, JIBs shall use linear interpolation between the risk weights applicable for one and five years maturity respectively in accordance with Table 2.
5. In order to account for Tranche thickness, JIBs shall calculate the risk weight for non-senior tranches as follows:

$$RW = [RW \text{ after adjusting for maturity according to paragraph 4}] * [1 - \min(T, 50\%)]$$

where:

T = Tranche thickness measured as D – A where:

D	is the detachment point as determined in accordance with Article 256
A	is the attachment point as determined in accordance with Article 256

6. The risk weights for non-senior Tranches resulting from paragraphs 3, 4 and 5 shall be subject to a floor of 15%. In addition, the resulting risk weights shall be no lower than the risk weight corresponding to a hypothetical senior Tranche of the same Securitisation with the same credit assessment and maturity.
7. For the purposes of using inferred ratings, JIBs shall attribute to an Unrated Position an inferred rating equivalent to the credit assessment of a rated reference position which meets all of the following conditions:
 - (a) the reference position ranks pari passu in all respects to the Unrated Position or, in the absence of a pari passu ranking position, the reference position is immediately subordinate to the Unrated Position;
 - (b) the reference position does not benefit from any third-party guarantees or other credit enhancements that are not available to the Unrated Position;
 - (c) the maturity of the reference position shall be equal to or longer than that of the

Unrated Position in question;

(d) on an ongoing basis, any inferred rating shall be updated to reflect any changes in the credit assessment of the reference position.

8. Where a JIB has a Securitisation Position in the form of a derivative to hedge market risks, including interest rate or currency risks, the JIB may attribute to that derivative an inferred risk weight equivalent to the risk weight of the reference position calculated in accordance with this Article.

For the purposes of the first subparagraph, the reference position shall be the position that is pari passu in all respects to the derivative or, in the absence of such pari passu position, the position that is immediately subordinate to the derivative.

Article 264 Treatment of STS securitisations under the SEC- ERBA

1. Under the SEC-ERBA, the risk weight for a position in an STS Securitisation shall be calculated in accordance with Article 263 and Article 270F, subject to the modifications laid down in this Article.
2. For exposures with short-term credit assessments or when a rating based on a short-term credit assessment may be inferred in accordance with Article 263(7), the following risk weights shall apply:

Table 3

Credit Quality Step	1	2	3	All other ratings
Risk weight	10%	30%	60%	1250%

3. For exposures with long-term credit assessments or when a rating based on a long-term credit assessment may be inferred in accordance with Article 263(7), risk weights shall be determined in accordance with Table 4, adjusted for Tranche maturity (MT) in accordance with Article 257 and Article 263(4) and for Tranche thickness for non-senior Tranches in accordance with Article 263(5):

Table 4

Credit Quality Step	Senior tranche		Non-senior (thin) tranche	
	Tranche maturity (MT)		Tranche maturity (MT)	
	1 year	5 years	1 year	5 years
1	10%	10%	1	10%
2	10%	15%	2	10%
3	15%	20%	3	15%
4	15%	25%	4	15%
5	20%	30%	5	20%

6	30%	40%	6	30%
7	35%	45%	7	35%
8	45%	55%	8	45%
9	55%	65%	9	55%
10	70%	85%	10	70%
11	120%	135%	11	120%
12	135%	155%	12	135%
13	170%	195%	13	170%
14	225%	250%	14	225%
15	280%	305%	15	280%
16	340%	380%	16	340%
17	415%	455%	17	415%
All other	1250%	1250%	All other	1250%

Article 265 Scope and operational requirements for the internal assessment approach

1. Unless a JIB has received a variance from the JFSC, the JIB may not calculate the risk-weighted exposure amounts for unrated positions in ABCP programmes or ABCP transactions under the Internal Assessment Approach in accordance with Article 266.

Where a JIB has received a variance from the JFSC to apply the Internal Assessment Approach, and a specific position in an ABCP programme or ABCP transaction falls within the scope of application covered by such variance, the JIB shall apply that approach to calculate the risk-weighted exposure amount of that position.

2. [Note: Provision left blank]
3. [Note: Provision left blank]
4. JIBs which have received a variance to apply the Internal Assessment Approach shall not revert to the use of other methods for positions that fall within scope of application of the Internal Assessment Approach unless the JIB has received a variance from the JFSC to do so.

Article 266 Calculation of risk-weighted exposure amounts under the internal assessment approach

1. Under the Internal Assessment Approach, the JIB shall assign the unrated position in the ABCP programme or ABCP transaction to one of the rating grades laid down in the JIB's internal assessment methodology which shall include rating grades corresponding to the credit assessment of ECAs, on the basis of its

internal assessment. The position shall be attributed a derived rating which shall be the same as the credit assessments corresponding to that rating grade as laid down in the internal assessment methodology.

2. The rating derived in accordance with paragraph 1 shall be at least at the level of investment grade or better at the time it was first assigned and shall be regarded as an eligible credit assessment by an ECAI for the purposes of calculating risk-weighted exposure amounts in accordance with Article 263 or Article 264, as applicable.

Sub-Section 4 Caps for securitisation positions

Article 267 Maximum risk weight for senior securitisation positions: Look-through approach

1. A JIB which has knowledge at all times of the composition of the underlying exposures may assign the senior securitisation position a maximum risk weight equal to the exposure-weighted average risk weight that would be applicable to the underlying exposures as if the underlying exposures had not been securitised.
2. In the case of pools of underlying exposures where the JIB uses exclusively the Standardised Approach or the IRB Approach, the maximum risk weight of the senior securitisation position shall be equal to the exposure-weighted-average risk weight that would apply to the underlying exposures under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR or the Credit Risk: Internal Ratings Based Approach (CRR) Part, respectively, as if they had not been securitised.

In the case of mixed pools the maximum risk weight shall be calculated as follows:

- (a) where the JIB applies the SEC-IRBA, the Standardised Approach portion and the IRB Approach portion of the underlying pool shall each be assigned the corresponding Standardised Approach risk weight and IRB Approach risk weight respectively;
 - (b) where the JIB applies the SEC-SA or the SEC-ERBA, the maximum risk weight for senior securitisation positions shall be equal to the Standardised Approach weighted-average risk weight of the underlying exposures.
3. For the purposes of this Article, the exposure-weighted average risk weight that would be applicable to underlying exposures under the IRB Approach in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part shall be the sum of the exposure-weighted average risk weight that would be applicable to the underlying exposure under the IRB Approach in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part and the ratio of:
 - (a) the sum of the expected loss amounts that would be applicable to the underlying exposures under the IRB Approach in accordance with the Credit Risk: Internal Ratings Based Approach (CRR) Part multiplied by 12.5; to the sum of exposure values of the underlying exposures.

4. Where the maximum risk weight calculated in accordance with paragraph 1 results in a lower risk weight than the risk-weight floors set out in Articles 259 to 264, as applicable, the former shall be used instead.

Article 268 Maximum capital requirements

1. A JIB that is as originator Institution, a sponsor Institution or a JIB using the SEC-IRBA or an originator Institution or sponsor institution using the SEC-SA or the SEC-ERBA may apply a maximum aggregated capital requirement for securitisation positions it holds in the same securitisation equal to the capital requirement in paragraph 1A.

- 1A. The maximum capital requirement shall be calculated as follows: Max capital

$$\text{requirement} = U * Y + \sum_i \max(0, V_i - U) * Z_i$$

where:

U is a decimal point value between 0 and 1, set by the JIB for each Securitisation;

Y is equal to the credit risk capital requirements calculated in accordance with paragraphs 1B and 2;

Z_i is the capital requirement associated with the ith tranche, as would be calculated in accordance with this Part;

V_i is the proportion of interest that the JIB holds in the ith tranche, expressed as a percentage and calculated as the ratio of the nominal amount of the Securitisation positions that the JIB holds in a given tranche to the nominal amount of that tranche.

- 1B. The capital requirement Y in paragraph 1A is equal to the capital requirement that would be calculated under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR or the Credit Risk: Internal Ratings Based Approach (CRR) Part in respect of the underlying exposures had they not been securitised. For the purposes of this Article, the IRB Approach capital requirement shall include the amount of the expected losses associated with those exposures calculated under the Credit Risk: Internal Ratings Based Approach (CRR) Part and that of unexpected losses.
2. In the case of mixed pools, the maximum capital requirement shall be determined by calculating the exposure-weighted average of the capital requirements of the IRB Approach and Standardised Approach portions of the underlying exposures in accordance with paragraph 1B.
3. [Note: Provision left blank]
4. When calculating the maximum capital requirement for a securitisation position in accordance with this Article, the entire amount of any gain on sale and credit-enhancing interest-only strips arising from the

securitisation transaction shall be deducted from Common Equity Tier 1 items in accordance with the Own Funds (CRR) Part.

Sub-Section 5 Miscellaneous provisions

Article 269 Resecuritisations

1. For a position in a Resecuritisation, JIB's shall apply the SEC-SA in accordance with Article 261, with the following changes:
 - (a) $W = 0$ for any exposure to a securitisation tranche within the pool of underlying exposures;
 - (b) $p = 1.5$;
 - (c) the resulting risk weight shall be subject to a risk-weight floor of 100%.

KSA for the underlying securitisation exposures shall be calculated in accordance with Article 255.

2. The maximum capital requirements set out in Articles 267 to 268 shall not be applied to Resecuritisation positions.
3. Where the pool of underlying exposures consists of a mix of securitisation tranches and other types of assets, the KA parameter shall be determined as the nominal exposure weighted-average of the KA calculated individually for each subset of exposures.

Article 269A NPE securitisations

1. The risk weight for a position in an NPE securitisation calculated in accordance with this Part is subject to the requirements laid down in the Non-Performing Exposures Securitisation (CRR) Part of the PRA.
2. In this Article, 'NPE securitisation' has the same meaning as in Non-Performing Exposures Securitisation (CRR) 1.2.

Article 270 Senior positions In SME securitisations

A JIB that is an Originator Institution may calculate the risk-weighted exposure amounts in respect of a Securitisation Position in accordance with Articles 260, 262 or 264, as applicable, where the following conditions are met:

- (a) the Securitisation meets the requirements for STS securitisation set out in SECN 2.2.1R, 2.2.8R to 2.2.29R, and 2.3.1R to 2.3.37R of the FCA Handbook;
- (aa) the Originator, Sponsor and SSPE are each established in the United Kingdom;
- (b) the position qualifies as the Senior Securitisation Position;
- (c) the Securitisation is backed by a pool of exposures to undertakings, provided that at least 70% of those in terms of portfolio balance qualify as SMEs at the time of issuance of the Securitisation or in the case of Revolving Securitisations at the time an exposure is added to the Securitisation;

- (d) the credit risk associated with the positions not retained by the JIB is transferred through a guarantee or a counter-guarantee meeting the requirements for unfunded credit protection set out in the Credit Risk Mitigation (CRR) Part that are applicable to JIBs using the Risk-Weight Substitution Method;
- (e) the third party to which the credit risk is transferred is one or more of the following:
 - (i) the central government of the United Kingdom, the Bank of England, a multilateral development bank, an international organisation referred to in Article 118(1) of the Credit Risk: Standardised Approach (CRR) Part or a promotional entity, provided that the exposures to the guarantor or counter-guarantor qualify for a 0% risk weight under the Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR;
 - (ii) an institutional investor as defined in the Securitisation Part of the PRA, provided that the guarantee or counter-guarantee is fully collateralised by cash on deposit with the originator Institution.

Article 270A Notification of breaches

1. Where a JIB does not meet the requirements in either 2.4, Chapter 2 or Chapter 3 by reason of negligence or omission by the JIB, the JIB shall notify the JFSC, if the JFSC would reasonably expect to be notified.
2. [Note: Provision left blank]
3. A JIB shall notify the JFSC if the requirements laid down in due diligence rules on a consolidated basis or sub-consolidated basis are breached with reference to the act or omission of an entity established in a third country included in the consolidation, if the JFSC would reasonably expect to be notified.

Section 4 External credit assessments

Article 270B Use of credit assessments by ECAIS

A JIB may only use a credit assessment of a Securitisation Position to determine the risk weight of a Securitisation Position in accordance with this Part where the credit assessment has been issued or has been endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009.

Article 270C Requirements to be met by the credit assessments of ECAIS

For the purposes of calculating risk-weighted exposure amounts in accordance with Articles 242 to 270A, JIBs shall only use a credit assessment of a Securitisation position from an ECAI where all of the following conditions are met:

- (a) there is no mismatch between the types of payments reflected in the credit assessment and the types of payments to which the JIB is entitled under the contract giving rise to the Securitisation Position in

question;

- (b) the ECAI publishes the credit assessments and information on loss and cash-flow analysis, sensitivity of ratings to changes in the underlying ratings assumptions, including the performance of underlying exposures, and on the procedures, methodologies, assumptions, and key elements underpinning the credit assessments in accordance with Regulation (EC) No 1060/2009. For the purposes of this point, information shall be considered as publicly available where it is published in accessible format. Information that is made available only to a limited number of entities shall not be considered as publicly available;
- (c) the credit assessments are included in the ECAI's transition matrix;
- (d) the credit assessments are not based or partly based on unfunded support provided by the JIB itself. Where a position is based or partly based on unfunded support, the JIB shall consider that position as if it were unrated for the purposes of calculating risk-weighted exposure amounts for this position in accordance with Articles 242 to 270A;
- (e) the ECAI has committed to publishing explanations on how the performance of underlying exposures affects the credit assessment.

Article 270D Use of credit assessments

- 1. A JIB may decide to nominate one or more ECAIs, whose credit assessments of Securitisation Positions shall be used in the calculation of its risk-weighted exposure amounts under this Part.
 - 1A. Where a JIB has nominated an ECAI under paragraph 1, that ECAI shall not be treated as a nominated ECAI for the purposes of the Credit Risk: Standardised Approach (CRR) Part unless the JIB has also nominated that ECAI in accordance with Article 138 of the Credit Risk: Standardised Approach (CRR) Part.
 - 1B. The requirements in this Article do not apply when the JIB is using a credit assessment of an ECAI for the purpose of determining a risk weight in accordance with the Credit Risk: Standardised Approach (CRR) Part, and instead the JIB shall comply with the requirements in Articles 138 to 141 of that Part.
- 2. A JIB shall use the credit assessments of its securitisation positions in a consistent and non-selective manner and, for these purposes, shall comply with the following requirements:
 - (a) A JIB shall not use an ECAI's credit assessments for its positions in some tranches and another ECAI's credit assessments for its positions in other tranches within the same securitisation that may or may not be rated by the first ECAI;
 - (b) where a position has two credit assessments by ECAIs nominated under paragraph 1, the JIB shall use the less favourable credit assessment;
 - (c) where a position has three or more credit assessments by ECAIs nominated under paragraph 1, the two most favourable credit assessments shall be used. Where the two most favourable assessments are different, the less favourable of the two shall be used; and

(d) a JIB shall not actively solicit the withdrawal of less favourable ratings.

3. Where the exposures underlying a securitisation benefit from full or partial eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part, and the effect of such protection has been reflected in the credit assessment of a securitisation position by an ECAI nominated under paragraph 1, the JIB shall use the risk weight associated with that credit assessment. Where the credit protection referred to in this paragraph is not eligible under the Credit Risk Mitigation (CRR) Part, the credit assessment shall not be recognised and the securitisation position shall be treated as unrated.
4. Where a securitisation position benefits from eligible credit protection in accordance with the Credit Risk Mitigation (CRR) Part and the effect of such protection has been reflected in its credit assessment by an ECAI nominated under paragraph 1, the JIB shall treat the securitisation position as if it were unrated and calculate the risk-weighted exposure amounts in accordance with the Credit Risk Mitigation (CRR) Part.

Article 270E Securitisation mapping

[Note: Provision left blank]

Article 270F Securitisation ECAI mapping

For the purposes of this Part, a JIB shall use the following table setting out the correspondence of the rating categories for securitisation positions of each ECAI with the credit quality steps set out in [Articles 263 and 264](#).

CQS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	All other
A.M. Best Europe Rating Services Limited																		
Long-term issue credit rating scale	aaa _(sf)	aa ⁺ _(sf)	aa _(sf)	aa ⁻ _(sf)	a ⁺ _(sf)	a _(sf)	a ⁻ _(sf)	bbb ⁺ _(sf)	bbb _(sf)	bbb ⁻ _(sf)	bb ⁺ _(sf)	bb _(sf)	bb ⁻ _(sf)	b ⁺ _(sf)	b _(sf)	b ⁻ _(sf)	ccc ⁺ _(sf) , ccc _(sf) , ccc ⁻ _(sf)	Below ccc ⁻ _(sf)
Short-term issue credit rating scale	AMB - 1 ⁺ _(sf) , AMB - 1 _(sf)	AMB - 2 _(sf)	AMB - 3 _(sf)															Below AMB - 3 _(sf)
ARC Ratings (UK) Limited																		

Long-term issue rating scale	AAA _{SF}	AA ₊ _{SF}	AA _{SF}	AA _{-SF}	A ₊ _{SF}	A _{SF}	A _{-SF}	BBB ₊ _{SF}	BBB _{SF}	BBB _{-SF}	BB ₊ _{SF}	BB _{SF}	BB _{-SF}	B ₊ _{SF}	B _{SF}	B _{-SF}	CCC ₊ _{SF} , CCC _{SF} , CCC _{-SF}	Below CCC _{-SF}
Short-term issue rating scale	A ₋₁₊ _{SF} , A1 _{SF}	A ₋₂ _{SF}	A ₋₃ _{SF}															Below A ₋₃ _{SF}
Creditreform Rating AG																		
Long-term issue rating scale	AAA _{sf}	AA ₊ _{sf}	AA _{sf}	AA _{-sf}	A ₊ _{sf}	A _{sf}	A _{-sf}	BBB ₊ _{sf}	BBB _{sf}	BBB _{-sf}	BB ₊ _{sf}	BB _{sf}	BB _{-sf}	B ₊ _{sf}	B _{sf}	B _{-sf}	CCC _{sf}	Below CCC _{sf}
DBRS Ratings Limited																		
Long-term obligations rating scale	AAA _(sf)	AA _(high) _(sf)	AA _(sf)	AA _(low) _(sf)	A _(high) _(sf)	A _(sf)	A _(low) _(sf)	BBB _(high) _(sf)	BBB _(sf)	BBB _(low) _(sf)	BB _(high) _(sf)	BB _(sf)	BB _(low) _(sf)	B _(high) _(sf)	B _(sf)	B _(low) _(sf)	CCC _(high) _(sf) , CCC _(sf) , CCC _(low) _(sf)	Below CCC _(low) _(sf)

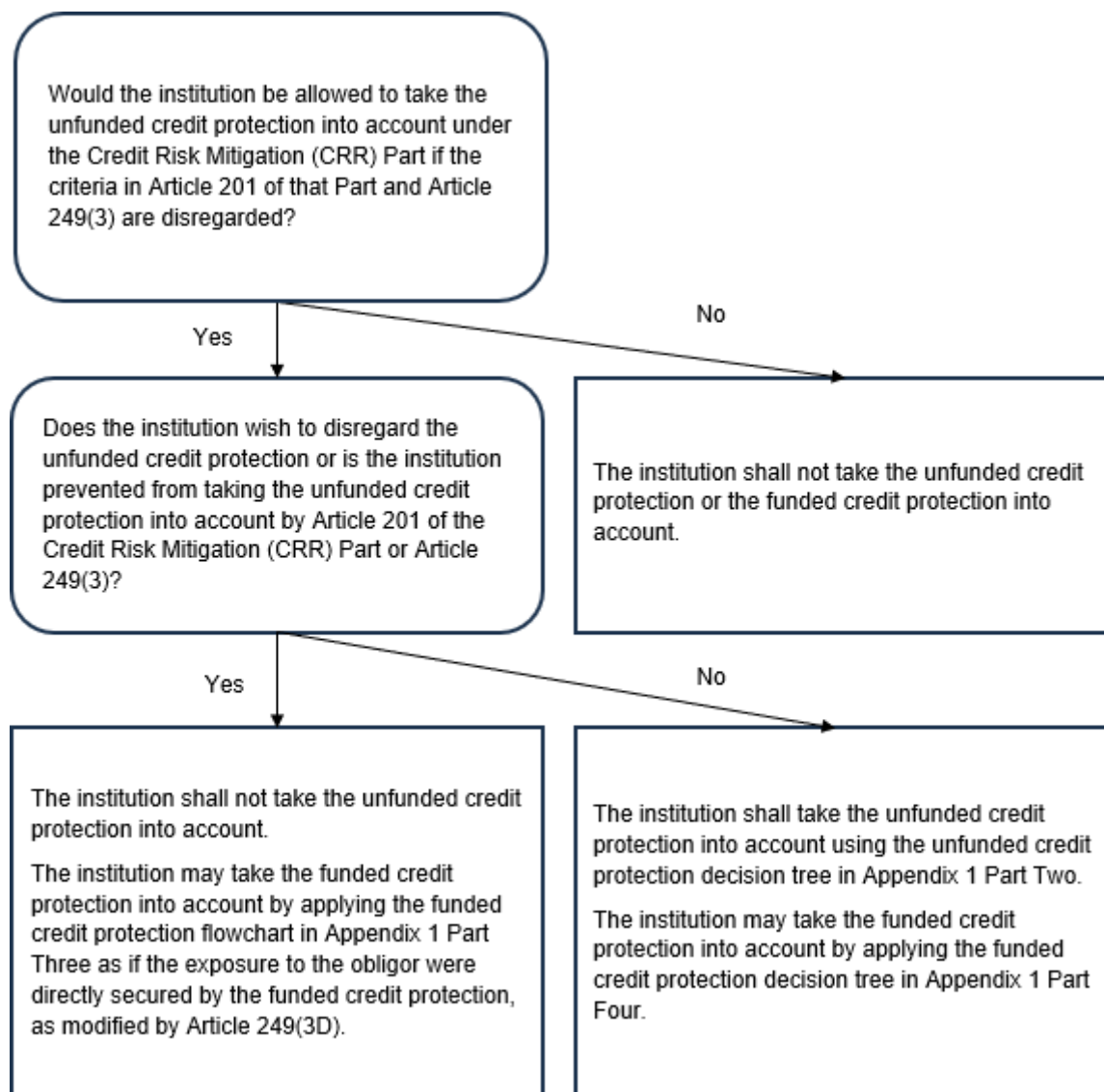
Commercial paper & short-term debt rating scale	R-1 H _(sf) , R-1 M _(sf) , R-1 L _(sf)	R-2 H _(sf) , R-2 M _(sf) , R-2 L _(sf)	R-3 _(sf)															Below R-3 _(sf)
Fitch Ratings Limited																		
Long-term rating scale	AAA _{SF}	AA+ _{SF}	AA _{SF}	AA- _{SF}	A+ _{SF}	A _{SF}	A- _{SF}	BBB+ _{SF}	BBB _{SF}	BBB- _{SF}	BB+ _{SF}	BB _{SF}	BB- _{SF}	B+ _{SF}	B _{SF}	B- _{SF}	CCC _{SF}	Below CCC _{SF}
Short-term rating scale	F-1+ _{SF} , F1 _{SF}	F2 _{SF}	F3 _{SF}															Below F3 _{SF}
HR Ratings de México, S.A. de C.V.																		
Global rating scale for structured finance	HR AAA (G) (E)	HR AA+ (G) (E)	HR AA (G) (E)	HR AA- (G) (E)	HR A+ (G) (E)	HR A (G) (E)	HR A- (G) (E)	HR BBB+ (G) (E)	HR BBB (G) (E)	HR BBB- (G) (E)	HR BB+ (G) (E)	HR BB (G) (E)	HR BB- (G) (E)	HR B+ (G) (E)	HR B (G) (E)	HR B- (G) (E)	HR C+ (G) (E)	Below HR C+ (G) (E)
Japan Credit Rating Agency Ltd																		

Long-term issue rating scale	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	Below CCC
Short-term issue rating scale	J1+, J-1	J-2	J-3															Below J-3
Kroll Bond Rating Agency UK Limited																		
Longterm credit rating scale	AAA (sf)	AA+(sf)	AA (sf)	AA-(sf)	A+(sf)	A(sf)	A-(sf)	BBB+(sf)	BBB (sf)	BBB- (sf)	BB+(sf)	BB(sf)	BB-(sf)	B+(sf)	B(sf)	B-(sf)	CCC+ (sf), CCC(sf), CCC-(sf)	Below CCC- (sf)
Short-term credit rating scale	K1+(sf), K1(sf)	K2(sf)	K3(sf)															Below K3(sf)
Moody's Investors Service Limited																		
Global long-term rating scale	Aaa(sf)	Aa1(sf)	Aa2 (sf)	Aa3(sf)	A1(sf)	A2(sf)	A3(sf)	Baa1(sf)	Baa2 (sf)	Baa3(sf)	Ba1(sf)	Ba2 (sf)	Ba3(sf)	B1(sf)	B2 (sf)	B3(sf)	Caa1(sf) , Caa2(sf) , Caa3(sf)	Below Caa3(sf)

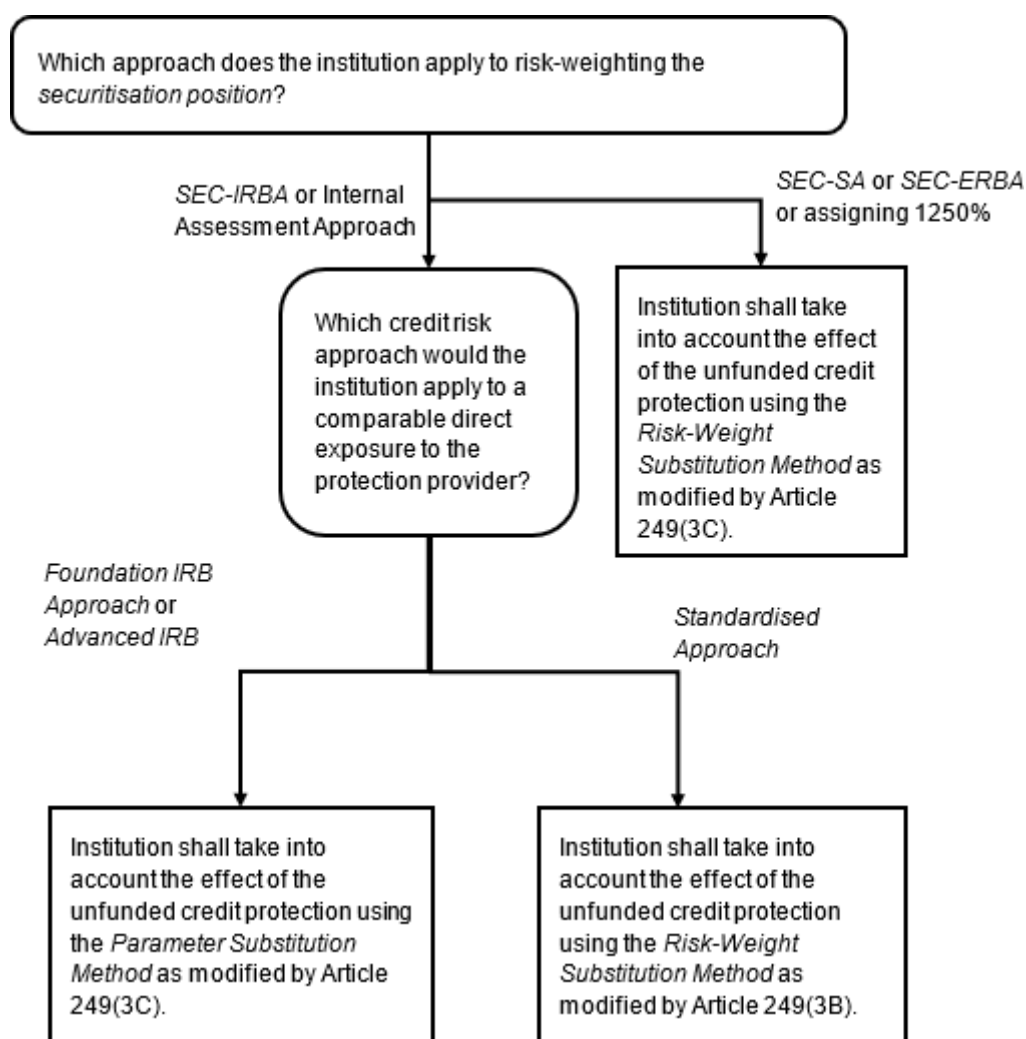
Global short-term rating scale	P-1 _(sf)	P-2 _(sf)	P-3 _(sf)															Below P-3 _(sf)
Scope Ratings UK Limited																		
Long-term rating scale	AAA _{SF}	AA+ _{SF}	AA _{SF}	AA- _{SF}	A+ _{SF}	A _{SF}	A- _{SF}	BBB+ _{SF}	BBB _{SF}	BBB- _{SF}	BB+ _{SF}	BB _{SF}	BB- _{SF}	B+ _{SF}	B _{SF}	B- _{SF}	CCC _{SF}	Below CCC _{SF}
Short-term rating scale	S-1+ _{SF} , S-1 _{SF}	S-2 _{SF}	S-3 _{SF}															Below S-3 _{SF}
S&P Global Ratings UK Limited																		
Longterm issue credit rating scale	AAA _(sf)	AA+ _(sf)	AA _(sf)	AA- _(sf)	A+ _(sf)	A _(sf)	A- _(sf)	BBB+ _(sf)	BBB _(sf)	BBB- _(sf)	BB+ _(sf)	BB _(sf)	BB- _(sf)	B+ _(sf)	B _(sf)	B- _(sf)	CCC+ _(sf) , CCC _(sf) , CCC- _(sf)	Below CCC- _(sf)
Short-term issue credit rating scale	A-1+ _(sf) , A-1 _(sf)	A-2 _(sf)	A-3 _(sf)															Below A-3 _(sf)

Appendix 1

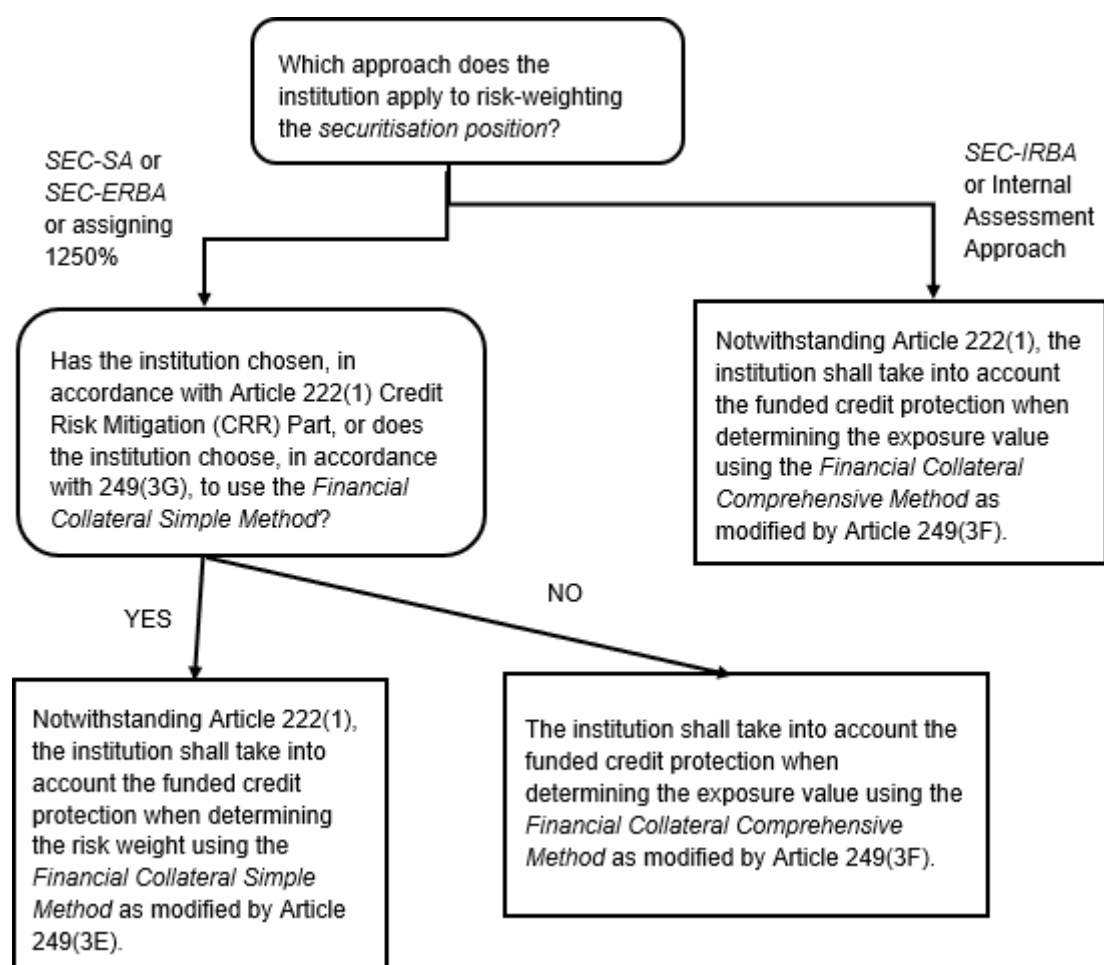
Part One: Securitisation Position Covered by Unfunded Credit Protection Which is Covered by Funded Credit Protection



Part Two: Unfunded Credit Protection Covering a Securitisation Exposure



Part Three: Funded Credit Protection Covering a Securitisation Exposure



Part Four (Supplementary to Part One): Funded Credit Protection Covering the Part of a Securitisation Position Covered by Unfunded Protection

