

## FCA PRUDENTIAL TRANSITIONAL DIRECTION

### 1 Part 1: The FCA prudential transitional direction

- 1.1 D This direction is made by the *FCA* under Part 7 of the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019 (the 2019 Regulations), having consulted HM Treasury, the Bank of England and the *PRA* as required by regulation 202 of the 2019 Regulations, and being satisfied within the terms of regulation 200(4) of those regulations.
- 1.2 D This direction, which shall come into force on *IP completion day*, shall apply until 31 March 2022 unless otherwise stated in the direction or unless varied or revoked beforehand (without prejudice to any continuing effect in relation to earlier times).
- 1.3 D This direction applies in relation to **relevant obligations**:
- (1) for which the *FCA* has responsibility for supervising or has other functions relating to a *person's* compliance with the obligation; and
  - (2) which arise from **exit instruments** in force on or before *IP completion day*.

### 2 Part 2: Interpretation

- 2.1 D **Relevant obligation, exit instrument, excluded obligation and enactment** have the meanings contained in Part 7 of the 2019 Regulations. In this direction, these terms (other than where appearing in headings and titles which are not styled in bold) are shown in bold.
- 2.2 D **Prudential standstill direction** has the meaning contained in 3.1D to 3.5D of this direction. In this direction, this term (other than where appearing in headings and titles which are not styled in bold) is shown in bold.
- 2.3 D **EU references** has the meaning as in the *EUWA*. In this direction, this term shown in bold.
- 2.4 D **Equivalence direction, equivalence determination and exemption direction** have the same meanings as in the Equivalence Determinations for Financial Services and Miscellaneous Provisions (Amendment etc.) (EU Exit) Regulations 2019. In this direction, these terms are shown in bold.
- 2.5 D Italicised words and phrases throughout this direction have the meanings contained in the *Glossary* of the *FCA Handbook*.
- 2.6 D References in these directions to enactments are to enactments as amended.

### 3 Part 3: The prudential standstill direction

- 3.1 D (1) The direction in this Part shall be referred to as the **prudential standstill direction**.
- (2) The **prudential standstill direction** applies in relation to **relevant obligations** arising from the **exit instruments** listed in the Annex.
- (3) The **prudential standstill direction** applies with the modifications set out in the Annex and is subject to Parts 4 to 9.
- 3.2 D The *FCA* directs that where, as a result of the operation of an **exit instrument**, a **relevant obligation**:
- (1) begins to apply to a *person*, the **relevant obligation** shall not apply to that *person*; and
- (2) applies to a *person* differently from how it would but for an **exit instrument**, the **relevant obligation** shall apply to that *person* as it would have applied immediately before *IP completion day*, subject to 3.3D.
- 3.3 D The pre-*IP completion day* obligation referred to in 3.2D(2) shall be construed in a way so as to enable it to achieve the same result in the *person's* case as it would have immediately before *IP completion day*, but in the context of the *UK* no longer being a Member State, including any adaptations to **EU references** as may be necessary to achieve that effect.
- 3.4 D Where the **relevant obligation** is to provide information to an institution of the *EU* or a Member State, the adaptation referred to in 3.3D shall include the adaptation that the information is to be provided to the *FCA*.
- 3.5 D Unless the Annex specifies otherwise, the **prudential standstill direction** applies to all *persons* subject to a **relevant obligation**.

#### 4 Part 4: Prudential standstill direction – exclusions and savings

##### General exclusions

- 4.1 D The **prudential standstill direction** does not apply to a **relevant obligation**:
- (1) to which a specific transitional or savings provision contained in:
- (a) an **exit instrument**; or
- (b) another direction made by the *FCA*;
- applies or would apply if it were for the same period as this **prudential standstill direction**;
- (2) in *IFPRU* 11.6 (Contractual recognition of bail-in) and Commission Delegated Regulation (EU) 2016/1075, except as set out in sections A and B of the Annex;

- (3) in relation to a *person* for whom HM Treasury has a power to make an **exemption direction**; and
- (4) which begins to apply in a *person's* case or applies in the *person's* case differently as a result of the operation of an **equivalence direction** or **equivalence determination**;

#### TP firms

- 4.2 D The **prudential standstill direction** does not apply to **relevant obligations in exit instruments** that apply to *TP firms*.

#### EU and Member State institution functions

- 4.3 D The **prudential standstill direction** does not apply where the pre-*IP completion day* obligation consists of:
- (1) an obligation to provide information to an institution of the *EU* or a Member State;
  - (2) an obligation to apply technical or other information published by a European Supervisory Authority (ESA); or
  - (3) any obligation linked to a function of an institution of the *EU* or a Member State, in circumstances where the function does not apply to the *United Kingdom*.

#### Requirements imposed by the FCA

- 4.4 D Nothing in the **prudential standstill direction** shall affect the application of a **relevant obligation** for the purposes of the *FCA* imposing a requirement on a *person* under or pursuant to, or for the purposes of, that obligation.
- 4.5 G Changes made by **exit instruments** to *FCA* powers could result in obligations beginning to apply to a *person*, or applying differently. The purpose of 4.4D is to make clear that the **prudential standstill direction** is not intended to apply to those changes. For example, if the *FCA* is entitled to require information from a greater class of *persons* post *IP completion day* than pre-*IP completion day*, the greater class of *persons* must comply with any *FCA* request. The obligation to comply with such a request would not be affected by the **prudential standstill direction**.
- 4.6 G The use of the **prudential standstill direction** does not affect the *FCA's* approach to the supervision of individual *firms*. The *FCA* will continue to consider supervisory action in relation to individual *firms* in line with its statutory objectives.

#### Gibraltar

4.7 D This **prudential standstill direction** is without prejudice to any provision made by an **exit instrument** relating to the application of **relevant obligations** in respect of Gibraltar.

**5 Part 5: General guidance**

What is a relevant obligation?

5.1 G The 2019 Regulations allow the *FCA* to give a transitional direction in relation to a **relevant obligation**. An obligation is a **relevant obligation** if:

- (1) the obligation is imposed by or under an **enactment**;
- (2) the obligation is not an **excluded obligation**;
- (3) the regulator has responsibility for supervising, or has other functions relating to, the *person's* compliance with the obligation, and
- (4) as a result of the operation of an **exit instrument**, the obligation:
  - (a) begins to apply in the *person's case*, or
  - (b) applies in the *person's case* differently from how it would, but for the **exit instrument**, apply in the *person's case*.

5.2 G The following should not be considered **relevant obligations** for the purposes of this direction, and are not modified by it.

<p>Provisions in <b>exit instruments</b> which do not result in obligations applying for the first time, or applying differently</p>	<p>A <b>relevant obligation</b> is one that begins to apply, or applies differently, as a result of the operation of an <b>exit instrument</b>.</p> <p>Some amendments made by <b>exit instruments</b> do not result in the creation of a <b>relevant obligation</b>. For example, an <b>exit instrument</b> may amend a cross-reference so that it is to <i>UK</i> implementing legislation rather than to an underlying <i>EU</i> directive. Alternatively, an <b>exit instrument</b> may copy into <i>UK</i> law a definition which previously appeared in an <i>EU</i> directive. In both cases, if there is no difference in the meaning of the definition/cross-reference, the obligation does not apply differently. As a result, the obligation is not a <b>relevant obligation</b>.</p>
<p>Provisions in <b>exit instruments</b> which confer functions, powers and duties on the <i>FCA</i></p>	<p>An <b>exit instrument</b> may confer new functions or powers on the <i>FCA</i>, or it may amend existing functions or powers. For example, various powers to make binding technical standards are being transferred by <b>exit instruments</b> from the ESAs and the Commission to the <i>FCA</i>.</p> <p>Provisions conferring functions, powers or duties on the <i>FCA</i> are not <b>relevant obligations</b>. This direction is of no</p>

	effect on the scope of the <i>FCA</i> 's functions, powers and duties.
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The purpose of the prudential standstill direction

- 5.3 G The purpose of the **prudential standstill direction** is to give regulated persons time to adapt to changes to financial services regulation caused by the *UK*'s withdrawal from the *EU*. Continuity is generally achieved by:
- (1) disapplying obligations that begin to apply to a *person*; and
  - (2) otherwise requiring *persons* to continue to comply with the pre-*IP completion day* version of an **obligation**.

General delay of onshoring changes until 31 March 2022

- 5.4 G The effect of the **prudential standstill direction** is to delay until 31 March 2022 the operation of amendments made by **exit instruments** that give rise to **relevant obligations** which otherwise would have come into effect on *IP completion day*. This is to avoid or mitigate disruption that might otherwise result from bringing those amendments into operation before *persons* have had sufficient time to adjust their arrangements. This includes amendments that:
- (1) the *FCA* are making to *rules* and binding technical standards;
  - (2) HM Treasury is making to *EU* regulations (such as *the UK CRR*); and
  - (3) HM Treasury is making to existing domestic legislation that relates to *EU* membership (for example *UK* legislation that implemented an *EU* Directive).
- 5.5 G Where, as a result of a change made by an **exit instrument**, a **relevant obligation** to which this direction applies:
- (1) begins to apply to the *person* (as opposed to continuing to apply but in a different way), that obligation does not apply at all until 31 March 2022 (see 3.2D(1)).
  - (2) continues to apply to a *person* but differently from how it applied before *IP completion day*, the *person* will need to continue, up until 31 March 2022, to meet the **relevant obligation** as it existed immediately before *IP completion day* rather than the obligations as amended by the **exit instrument** (see 3.2D(2)).
- 5.6 G
- (1) When complying with pre-*IP completion day* version of a **relevant obligation**, *persons* should take a common-sense approach to interpreting them. The *FCA*'s intention is that *persons* should, in substance, continue to do the same after *IP completion day* as before.
  - (2) Since the *United Kingdom* will not be a Member State of the *EU* after *IP completion day*, obligations will need to be construed in a way that achieves the same result as before *IP completion day*. So, for example, if

an obligation referred to an *EEA State* before *IP completion day*, it would need to be read as referring to an *EEA State* and the *United Kingdom* after *IP completion day*. This is the effect of 3.2D and 3.3D.

- (3) In construing a **relevant obligation** so that it achieves the same result despite the *United Kingdom* no longer being a Member State, adaptations may need to be made. These adaptations may be to *EU* references, such as to *EU* entities. Other references requiring adaptation may be to governments, central banks, national competent authorities, other institutions of Member States, the *EU* and non-EEA third countries.
- (4) One of the adaptations referred to in 3.3D is the need to adapt any **relevant obligation** to provide information to an institution of a Member State or the *EU* to an obligation to provide it to the *FCA* instead. Any record keeping obligations in relation to the provision of such information should similarly be adapted.

#### Interaction with HM Treasury equivalence decisions

- 5.7 G (1) In certain areas, the use of the transitional power has the same effect as if the *EU* had been found equivalent by HM Treasury. The effect of 4.1D(4) is to end the transitional relief if HM Treasury find an EEA State equivalent, but the requirements will remain the same for *firms*.
- (2) For example, if HM Treasury found an EEA State equivalent under Article 114(7) of the *UK CRR*, *firms* subject to the *UK CRR* on the standardised approach to credit risk would be able to continue to 0% risk weight their exposures to *EU* sovereign debt. The **prudential standstill direction** will allow *firms* to continue to treat *EU* exposures, including sovereign exposures, preferentially until 31 March 2022. Therefore, *firms* would be able to 0% risk weight these exposures until this date either as a result of an EEA State being found equivalent by HM Treasury or as a result of the *FCA*'s **prudential standstill direction**. A positive equivalence finding would have to be made for *firms* to continue to 0% risk weight these exposures after 31 March 2022.
- (3) The **prudential standstill direction** does not apply in relation to requirements where HM Treasury has the power to exempt central banks and other bodies from those requirements.

Are you required to comply with the pre-*IP completion day* version of a relevant obligation?

- 5.8 G The **prudential standstill direction** requires compliance with the pre-*IP completion day* version of a **relevant obligation**.

#### Interaction between the prudential standstill direction and other FCA directions made under Part 7 of the 2019 Regulations

- 5.9 G (1) The *FCA* has made separate directions under Part 7 of the **2019 Regulation** (the “main FCA transitional directions”). The main FCA

transitional directions also apply to **relevant obligations** on reporting in *SUP* 16. Therefore, *firms* subject to one or more of the following:

- (a) *GENPRU*;
- (b) *BIPRU*;
- (c) *IPRU(INV)* (Chapters 1-3, 5-6, 9, 13, 14 and Annex D);
- (d) *IFPRU*;
- (e) *MIPRU* 4; and
- (f) *SYSC* (Chapters 12, 19A, 19C and 19D),

should refer to the main FCA transitional directions for their reporting obligations in *SUP* 16.

- (2) *IFPRU investment firms* are also subject to **relevant obligations** on reporting arising from technical standards included in the EU Exit Instrument: The Financial Conduct Authority Technical Standards (Capital Requirements) (EU Exit) (No. 2) Instrument 2020, subject to this **prudential standstill direction**.
- (3) The *FCA* has issued an ‘Interpretative Guide on completing our forms after the UK’s withdrawal from the EU’. Under this guide, where a form relates to a requirement which has been the subject of a direction made by the *FCA* under Part 7 of the 2019 Regulations, the relevant form should, for the duration of the direction, be interpreted in the light of that direction.

Technical information produced by EU institutions

- 5.10 G *EU* institutions are currently responsible for the publication of various registers, lists and technical information. Where the *FCA* will be responsible for publishing that information from *IP completion day* forwards, *persons* should use information published by the *FCA* after *IP completion day*, rather than continuing to rely on the *EU* information published by *EU* institutions.

## 6 Part 6: Guidance on how we have applied the prudential standstill direction in the Annex to this direction

- 6.1 G We have generally applied the **prudential standstill direction** in a broad way in areas where **relevant obligations** arise. However, there are some areas in which we have not applied the **prudential standstill direction**. This Part gives general guidance on how we have identified where to apply the **prudential standstill direction**. More specific guidance can be found in the Annex to this direction.

Interaction between the prudential standstill direction and other transitional provisions or regimes

6.2 G The **prudential standstill direction** is intended to complement, but not be a substitute for, transitional provisions or regimes which are already in place. The **prudential standstill direction** has therefore not generally been applied to obligations where separate transitional provisions or regimes already exist to mitigate disruption.

## 7 **Part 7: The effect of this direction on guidance**

7.1 G This direction does not modify *FCA Handbook* and non-Handbook guidance on **relevant obligations**. However, we expect *FCA Handbook* and non-Handbook guidance to be interpreted in a way that takes into account any modifications of an underlying obligation by a direction under Part 7 of the 2019 Regulations. Guidance should be interpreted sensibly and purposively in the light of any such modifications.

7.2 G We expect the same approach to be taken to guidance on **relevant obligations** issued by the European Supervisory Authorities and other relevant bodies, to the extent such guidance continues to be relevant. Our wider approach to *EU* non-legislative materials is set out in the FCA's Statement on "[Our approach to EU non-legislative materials](#)".

## 8 **Part 8: The effect of this direction on activities regulated by EU law post-IP completion day**

8.1 G The **prudential standstill direction** applies to obligations that will exist under *UK* law after *IP completion day*. The **prudential standstill direction** cannot affect obligations that will exist after *IP completion day* under *EU* law or the national laws of *EEA States*. For example, *UK persons* will no longer be able to passport into the *EEA* after *IP completion day*, and their activities in the *EEA* may be subject to authorisation or registration requirements and other provisions of *EU* and national law.

## 9 **Part 9: The interaction between the prudential standstill direction and the FCA Handbook transitional provisions in GEN TP 5**

9.1 G We have made a number of transitional provisions in *GEN TP 5*. The purpose of the *GEN TP 5* transitional provisions is to provide for continuity in actions that span *IP completion day* in some way. For example, if a *firm* is required to notify the *FCA* of a breach of a requirement, it will continue to be required to notify the *FCA* of breaches of requirements as they applied before *IP completion day*.

9.2 G *GEN TP 5* should be interpreted in a way that takes into account any modifications by a direction under Part 7 of the 2019 Regulations.

By order of the Board

22 December 2020





## Annex

### Section A: Application of the prudential standstill direction to amendments made in statutory instruments and exit instruments amending binding technical standards

The direction applies to **relevant obligations** in the legislation specified in column (2). Column (3) provides specific directions (identified as “D”) and guidance (identified as “G”) on the application of the **prudential standstill direction**.

(1)	(2) Legislation to which the prudential standstill direction applies  Amendments made by the:	(3) Guidance and specific directions		
1.	Capital Requirements (Amendment) (EU Exit) Regulations 2018	1.1	G	Consolidation – Investment firm consolidation waiver: For groups of investment firms subject to article 15(1) of the <i>UK CRR</i> , eligible <i>firms</i> may continue to apply to the <i>FCA</i> , for the duration of this <b>prudential standstill direction</b> , for a permission that if granted would provide for the derogation of the application of own funds requirements on a consolidated basis.
		1.2	G	Reporting and disclosure requirements  The level of application of reporting and disclosure requirements will remain unchanged for the duration of the <b>prudential standstill direction</b> .  While the transitional relief is in effect, the <i>FCA</i> would generally expect that <i>firms</i> should continue to report or to disclose the data according to the methodology that applied immediately before <i>IP completion day</i> . The <i>FCA</i> has set out expectations for how <i>firms</i> should interpret EU references in reporting and disclosure requirements after <i>IP completion day</i> in “ <i>FCA approach to interpreting reporting and disclosure requirements under CRD IV and CRR BTS after the UK’s withdrawal from the EU</i> ”. The expectations set out in this guidance should be read in

				<p>the light of the transitional relief. In particular, during the period of the <b>prudential standstill direction</b>, <i>firms</i> should note that where they are expected to:</p> <ul style="list-style-type: none"> <li>• treat references to an <i>EU</i> regulation, directive or technical standard as a reference to a piece of <i>UK</i> legislation or an <i>FCA</i> or <i>PRA</i> rule, these should be treated as a reference to that legislation or rule as modified by the transitional relief; and</li> <li>• refer to nationalised legislation to interpret a reporting or disclosure definition that is based on a requirement from the Capital Requirements Regulation, the Capital Requirements Directive or their technical standards, <i>firms</i> should refer to that nationalised legislation as modified by the transitional relief.</li> </ul>
2.	Capital Requirements (Amendment) (EU Exit) Regulations 2019	2.1	G	<p>Reporting and disclosure requirements</p> <p>The guidance on reporting and disclosure in 1.2G also applies to relevant requirements in the technical standards in this <b>exit instrument</b>.</p>
3.	Financial Conduct Authority Technical Standards (Capital Requirements Directive and Regulation) (EU Exit) (No.2) Instrument 2020	3.1	G	<p>Reporting and disclosure requirements</p> <p>The guidance on reporting and disclosure in 1.2G also applies to relevant requirements in the technical standards in this <b>exit instrument</b>.</p>
		3.2	G	<p>Guidance on the onshored FCA version of Commission Delegated Regulation 527/2014 (Classes of Instruments to be Used for Variable Remuneration)</p> <p>The transitional relief applies to the amendment made in article 2(c)(i) to change the reference to the Eurostat Consumer Price Index to the UK Statistics Board’s Consumer Prices Index. We expect <i>firms</i> to start to use the UK Statistics Board CPI with effect from the first performance period that falls on or after 1 January 2020.</p>
		3.3	D	<p>The <b>prudential standstill direction</b> shall not apply in relation to amendments made by the Financial Conduct Authority Technical Standards (Capital Requirements Directive and Regulation) (EU Exit) (No. 2) Instrument 2020 to the onshored FCA versions of Commission Implementing Regulations 2016/1799 and 2016/1801.</p>

		3.4	G	<p>The Financial Conduct Authority Technical Standards (Capital Requirements) (EU Exit) (No. 2) Instrument 2020 amends the onshored FCA versions of Commission Implementing Regulations (EU) No 2016/1799 and No 2016/1801 to include additional references to certain new UK credit rating agencies from <i>IP completion day</i>. The effect of paragraph 3.3 of this Annex is that <i>firms</i> should use the amended mappings of credit assessments to credit quality steps in each of those regulations from <i>IP completion day</i>.</p> <p>The amendments ensure that mappings will be available for credit ratings issued by the relevant new UK credit rating agencies from <i>IP completion day</i> for the following purposes:</p> <ul style="list-style-type: none"> <li>• the Standardised Approach under article 136 of the onshored version of Regulation (EU) No 575/2013 (the Capital Requirements Regulation);</li> <li>• in so far as it continues to be relevant by virtue of the transitional provisions in article 2 of Regulation (EU) 2017/241, article 270 of the Capital Requirements Regulation (in the version applicable on 31 December 2018, together with any amendments made to that provision by the Capital Requirements (Amendment) (EU Exit) Regulations 2018); and</li> <li>• in the case of the securitisation mappings, as a potential reference point until revised mappings are adopted for the purposes of SEC-ERBA.</li> </ul>
4.	The Financial Conglomerates and Other Financial Groups (Amendments etc.) (EU Exit) Regulations 2019			No guidance or specific directions.
5.	Financial Conduct Authority Technical Standards			No guidance or specific directions.

	(Financial Conglomerates Directive) (EU Exit) Instrument 2019			
6.	The Bank Recovery and Resolution and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018			No guidance or specific directions.
7.	Financial Conduct Authority Technical Standards (Bank Recovery and Resolution Directive) (EU Exit) Instrument 2019	7.1	G	Guidance on EU Exit Instrument: The Technical Standards (Bank Recovery and Resolution Directive) (EU Exit) (FCA) Instrument 2019 - Commission Delegated Regulation (EU) 2016/1075 articles 42 to 44: <b>Relevant obligations</b> contained in articles 42 to 44 of Commission Delegated Regulation (EU) 2016/1075 shall be construed consistently with <i>IFPRU</i> 11.6 (Contractual recognition of bail-in), as modified by Part 4 of this direction and Section B of this Annex.
8.		8.1	D	References in <b>relevant obligations</b> to accounting standards adopted under Regulation (EU) 1606/2002 must be construed as references to UK-adopted international accounting standards (as defined in section 474(1) of the

All instruments in points 1 to 7 of this section			Companies Act 2006) in relation to the <b>relevant obligations</b> of a <i>person</i> in so far as that <i>person</i> is required to prepare accounts in accordance with UK-adopted international accounting standards.
	8.2	G	References in onshored legislation to International Accounting Standards (' <b>IAS</b> ') should be read as references to EU-adopted <b>IAS</b> throughout the temporary transition period unless and until a <i>person</i> is required to move from EU-adopted <b>IAS</b> to UK-adopted <b>IAS</b> .

### Section B: Application of the direction to amendments made in the FCA Handbook

The direction applies to **relevant obligations** in the parts of the *FCA Handbook* in column (2). Column (3) provides specific directions (identified as “D”) and guidance (identified as “G”) on the application of the **prudential standstill direction**.

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions	
1.	Amendments made by the Exiting the European Union: High Level Standards Instrument (Amendments) 2019 (2019 Instrument):		
1.1.	Annex B of the 2019 Instrument on the Senior		No guidance or specific directions.

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions		
	<b>Management Arrangements, Systems and Controls sourcebook (SYSC)</b> (1) SYSC 12 (2) SYSC 19A (3) SYSC 19C (4) SYSC 19D (5) SYSC 20			
2.	<b>Amendments made by the Exiting the European Union: Prudential Sourcebooks Instrument (Amendments) 2019:</b>			
2.1	<b>Annex A of the 2019 Instrument on the General Prudential sourcebook (GENPRU)</b>			No guidance or specific directions.
2.2	<b>Annex B of the 2019 Instrument on the</b>			No guidance or specific directions.

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions		
	Prudential sourcebook for Banks, Building Societies and Investment Firms ( <i>BIPRU</i> )			
2.3	Annex C of the 2019 Instrument on the Prudential sourcebook for Investment Firms ( <i>IFPRU</i> )  (1) <i>IFPRU</i> 1 – 10			No guidance or specific directions.
	(2) <i>IFPRU</i> 11	2.3(2) 1	D	<p>The <b>prudential standstill direction</b> shall apply to <i>IFPRU</i> 11 except <i>IFPRU</i> 11.6 (Contractual recognition of bail-in) to which specific provisions apply to below. <b>Relevant obligations</b> specified in the paragraphs below shall apply with the modifications set out in those paragraphs.</p> <p><b><i>IFPRU</i> 11.6 (Contractual recognition of bail-in)</b></p> <p>In relation to <i>IFPRU</i> 11.6.3R (Contractual recognition of bail-in), the following obligations shall be met in substitution for the <b>relevant obligations</b> contained in <i>IFPRU</i> 11.6.3R. All other provisions of <i>IFPRU</i> 11.6, as on <i>IP completion day</i> shall apply:</p> <p>(1) If a liability meets the conditions in (2), a <i>firm</i> or <i>qualifying parent undertaking</i> must include a term in the contract governing the liability which states that the creditor or party to the agreement creating the liability:</p>



(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions		
				<p>(a) recognises that the liability may be subject to <i>write-down and conversion powers</i>; and</p> <p>(b) agrees to be bound by any of the following actions of the Bank of England in relation to that liability:</p> <ul style="list-style-type: none"> <li>(i) reduction of principal or outstanding amount due; or</li> <li>(ii) conversion; or</li> <li>(iii) cancellation.</li> </ul> <p>(2) The contractual recognition of a bail-in requirement in (1) applies to a liability that is:</p> <ul style="list-style-type: none"> <li>(a) governed by the law of a third country that is not an <i>EEA State</i>;</li> <li>(b) issued or entered into after 1 January 2016;</li> <li>(ba) issued or entered into before 1 January 2016 but materially amended after 9 December 2016;</li> <li>(c) of a type that is not excluded under article 44(2) of <i>RRD</i>;</li> <li>(d) not a deposit of a type referred to in point (a) of article 108 of <i>RRD</i>; and</li> <li>(e) not a liability which the Bank of England has determined can be subject to write-down and conversion powers by the Bank of England under: <ul style="list-style-type: none"> <li>(i) the law of a third country; or</li> <li>(ii) a binding agreement concluded with that third country.</li> </ul> </li> </ul>

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions			
			<p>(3) The contractual recognition of a bail-in requirement in (1) also applies to a liability, other than an <b>elected liability</b>, that is:</p> <ul style="list-style-type: none"> <li>(a) governed by the law of an <i>EEA State</i>;</li> <li>(b) issued or entered into after <i>IP completion day</i>;</li> <li>(c) issued or entered into before <i>IP completion day</i> but materially amended after <i>IP completion day</i>;</li> <li>(d) of a type that is not excluded under article 44(2) of <i>RRD</i>;</li> <li>(e) not a deposit of a type referred to in point (a) of article 108 of <i>RRD</i>; and</li> <li>(f) not a liability which the Bank of England has determined can be subject to <i>write-down and conversion powers</i> by the Bank of England under: <ul style="list-style-type: none"> <li>(iii) the law of an <i>EEA State</i>; or</li> <li>(iv) a binding agreement concluded with that <i>EEA state</i>.</li> </ul> </li> </ul> <p><b>Interpretation</b></p> <p>Interpretative provisions (including definitions) of the <i>FCA Handbook</i> apply to the provisions above in the same way as they apply to the <i>FCA Handbook</i> on <i>IP completion day</i> with the following additional terms:</p> <table border="1" data-bbox="855 1225 2121 1315"> <tr> <td data-bbox="855 1225 1249 1315"><b>debt instrument</b></td> <td data-bbox="1249 1225 2121 1315">means any form of transferable debt security or instrument, whether registered or bearer, including commercial paper, bills of</td> </tr> </table>	<b>debt instrument</b>	means any form of transferable debt security or instrument, whether registered or bearer, including commercial paper, bills of
<b>debt instrument</b>	means any form of transferable debt security or instrument, whether registered or bearer, including commercial paper, bills of				

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions			
					exchange, banker's acceptances, certificates of deposit and bonds, including <i>additional tier 1 instruments</i> or <i>tier 2 instruments</i> .
				<b>elected liability</b>	means a liability that is not: (a) a <b>debt instrument</b> which is an <b>unsecured liability</b> ; (b) an <i>additional tier 1 instrument</i> ; or (c) a <i>tier 2 instrument</i> .
				<b>unsecured liability</b>	means a liability where the right of the creditor to payment or other form of performance is not secured by a charge, pledge, lien or mortgage, or subject to other collateral arrangements, including liabilities arising from repurchase transactions and other title transfer collateral arrangements.
		2.3(2) 2	G	<i>Firms</i> within the scope of <i>IFRPU</i> 11.6.1R will need to comply with the modified form of <i>IFPRU</i> 11.6.3R of the <i>Handbook</i> . This means that those <i>firms</i> must include a contractual recognition term in EEA law governed liabilities, other than <b>elected liabilities</b> , that are issued or materially amended after <i>IP completion day</i> For the avoidance of doubt, the existing stock of these EEA law governed liabilities at <i>IP completion day</i> would not need to be updated unless they are materially amended. <i>Firms</i> are not required to include a contractual recognition of bail-in term in new or materially amended EEA law governed <b>elected liabilities</b> after <i>IP completion day</i> .	

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions		
	(3) Transitional provisions and Schedules 1 - 6			No guidance or specific directions.
2.4	<b>Annex E of the 2019 Instrument on the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)</b> <i>MIPRU 4</i>			No guidance or specific directions.
2.5	<b>Annex H of the 2019 Instrument on Interim Prudential sourcebook for Investment Businesses (IPRU(INV))</b> (1) <i>IPRU(INV) 1—3</i> (2) <i>IPRU(INV) 5</i> (3) <i>IPRU(INV) 9</i> (4) <i>IPRU(INV) 13</i>			No guidance or specific directions.

(1)	(2) Part of the FCA Handbook to which the direction applies (indicating chapters and sections, as appropriate)	(3) Guidance and specific directions		
	(5) IPRU(INV) 14 (6) IPRU(INV) Annex A			
	All instruments in points 1 to 2 in this section	3.1	D	References in <b>relevant obligations</b> to accounting standards adopted under Regulation (EU) 1606/2002 must be construed as references to UK-adopted international accounting standards (as defined in section 474(1) of the Companies Act 2006) in relation to the <b>relevant obligations</b> of a <i>person</i> in so far as that <i>person</i> is required to prepare accounts in accordance with UK-adopted international accounting standards.
		3.2	G	References in <i>FCA rules</i> to International Accounting Standards (' <b>IAS</b> ') should be read as references to EU-adopted <b>IAS</b> throughout the temporary transition period unless and until a <i>person</i> is required to move from EU-adopted <b>IAS</b> to UK-adopted <b>IAS</b> .