



WRITTEN NOTICE
COMMODITY OPTION DELTA PERMISSION

To: **HSBC Bank Plc.**
("the firm")

Reference Number: 5157014

Date: 5th April 2019

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 358(3) of Regulation 575/2013 of the European Parliament and of the Council of 26th June 2013 on prudential requirements for credit institutions and investment firms (the "CRR"), the PRA has decided to grant the firm the permission to use its own calculations of delta in its calculation of own funds requirements for market risk in respect of options and warrants on commodities or commodity derivatives on the terms and conditions set out in Annex 1 (the "Commodity Option Delta Permission"). This is based on a satisfactory attestation from the firm that the minimum standards are adhered to.
2. If the firm ceases to comply with the conditions for grant of this Commodity Option Delta Permission set out in Article 358(3) of the CRR, the terms and conditions of the Commodity Option Delta Permission set out in Annex 1 the PRA will re-consider the terms and conditions of the Commodity Option Delta Permission and the requirements relevant to it, including a revocation of the Commodity Option Delta Permission in whole or in part.
3. The Commodity Option Delta Permission takes effect on 5th April 2019.

Simon Morley
Head of Major UK International Banks, Prudential Regulation Authority



PROCEDURAL MATTERS

4. If you wish to challenge the decisions taken by the PRA in relation to the Commodity Option Delta Permission, you may refer the matter to the Upper Tribunal. Further detail is provided in Annex 2.
5. Details of the Commodity Option Delta Permission will be published on the Financial Services Register.

PRA contacts

6. For more information concerning this matter generally, the firm should contact Dave Oliveira at 020 3461 7956.



ANNEX 1

THE COMMODITY OPTION DELTA PERMISSION

Definition

1. The Commodity Option Delta Permission means that the firm(s) may use their own calculation of delta to calculate, for the legal entities listed in Table 1, on a solo and/or consolidated basis, the own funds requirements for market risk in relation to the exposures described in paragraph 2 of this Annex in accordance with article 358(3) of the CRR.

Table 1

Legal entity	Solo / Consolidated
HSBC Bank Plc	Solo and consolidated

2. In accordance with Article 358(3) of the CRR, the firm may use the Commodity Option Delta Permission to calculate the exposure value for the products set out in Table 2, which are either (i) OTC options or (ii) products traded on an exchange and for which no delta is available from the exchange concerned:

Table 2

Asset Class	Product Type
Base Metals	Vanilla Options
Base Metals	Asian Options
Base Metals	Swaptions



ANNEX 2

PROCEDURAL MATTERS

The Tribunal

1. The applicant has the right to refer the PRA's determination in respect of this material model change to the Upper Tribunal (the "Tribunal"). The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the PRA. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the applicant has 28 days from the date on which this Written Notice is given to the applicant to refer the matter to the Tribunal.
2. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the applicant and filed with a copy of this Written Notice. The Tribunal's contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk). Further details are contained in "Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)" which is available from the Tribunal website: <http://www.tribunals.gov.uk/financeandtax/FormsGuidance.htm>.
3. The applicant should note that a copy of the reference notice (Form FTC3) must be sent to the PRA at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to Dave Oliveira at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

4. For more information concerning this matter generally, the applicant should contact Dave Oliveira on 020 3461 7956.