



WRITTEN NOTICE
IMM PERMISSION

To: **Citigroup Global Markets Limited**
(the “firm”)

Reference Number: 5493054

Date: 9 January 2020

DECISIONS:

1. In accordance with the discretions afforded to the PRA by Section 6, Chapter 6, Title II, Part 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 decided with effect from 1 January 2014 to grant the firm the permission to use the Internal Model Method in its calculation of own funds requirements for counterparty credit risk.
2. In accordance with the discretions referred to in recital 1, the PRA has decided to vary the permission so that it is on the terms and conditions set out in Annex 1 (the “IMM Permission”).
3. Further to Article 101 and 104 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the “CRD”) the PRA imposed with effect from 1 January 2014 the matters specified in Annex 2 as requirements under section 55M(5) of the Financial Services and Markets Act 2000 (the “Act”).
4. If the firm ceases to comply with the conditions for grant of this IMM Permission set out in Section 6, Chapter 6, Title II, Part 3 of the CRR, the terms and conditions of the IMM Permission set out in Annex 1 and/or the requirements set out in Annex 2, the PRA will reconsider the terms and conditions of the IMM Permission and the requirements relevant to it, including a revocation of the IMM Permission in whole or in part.
5. The varied IMM Permission takes effect on 9 January 2020.

Jonathan Rand
Head of Division, US Banks Division
Prudential Regulation Authority



PROCEDURAL MATTERS

6. If you wish to challenge the decisions taken by the PRA in relation to the IMM Permission, you may refer the matter to the Upper Tribunal.
7. Details of the IMM Permission and the attendant requirements imposed under section 55M will be published on the PRA Register. The full text of this Decision Notice will not be published.
8. Further details of procedural matters are contained in Annex 3.



ANNEX 1

THE INTERNAL MODEL METHOD PERMISSION

Definition

1. The IMM Permission means that the firm may use the internal model method to calculate, for the legal entities listed in Table 1, on a solo and/or consolidated basis, the own funds requirements for counterparty credit risk in relation to the exposures described in paragraph 2 of this Annex in accordance with Section 6, Chapter 6, Title II, Part 3 of the CRR.

Table 1

Legal entity	Solo / Consolidated
Citigroup Global Markets Limited	Solo
Citigroup Global Markets Limited	Consolidated
Citigroup Global Markets Europe AG	Consolidated

Margining

2. For margined counterparties and for the purposes of CRR Article 285(1) the model may capture future collateral movements.
3. For margined counterparties the collateral requirements set out in CRR Article 284(2) apply.

Own estimates of alpha (α)

4. For the purposes of CRR Article 284(4) the firms must apply as alpha (α) a value of 1.4



ANNEX 2

REQUIREMENTS RELEVANT TO THE IMM PERMISSION THAT THE PRA IMPOSE UNDER SECTION 55M(5) OF THE ACT

Reporting requirements

1. The firm must collect, record, and report to the PRA the following information on a quarterly basis in each calendar year:
 - 1.1. its counterparty credit risk (CCR) EAD and CCR RWAs at aggregate level, and divided by exposure type (OTC derivatives, listed derivatives, repurchase transactions, securities or commodities lending or borrowing transactions and margin lending transactions);
 - 1.2. its exposures divided by exposure type, counterparty sector and by counterparty credit rating, showing both level and trend;
 - 1.3. the composition of collateral for OTC derivatives, showing both average level of collateral types and trend by collateral type;
 - 1.4. backtesting results on representative (actual or hypothetical) counterparty portfolios, including the results of both collateralised transactions and uncollateralised transactions.
 - 1.5. where the model relies on mapping to proxy transactions, or on proxy market data, a list of the affected products showing both the level and trend of these products and the results of the analysis to estimate the appropriateness of proxies for counterparty credit risk exposure calculation;
 - 1.6. the results and analysis performed to calculate all capital adjustments held where there are identified limitations in the firm's CCR models and processes.
2. The firm must inform the PRA of any event that may have a significant impact on its IMM Permission, including in particular:
 - 1) changes to the list of asset classes, products or counterparties listed in Table 2 of Annex 1;
 - 2) use of a different model for exposure calculations under the IMM Permission;
 - 3) changes to governance or senior management arrangements in relation to the IMM Permission; and
 - 4) changes to the volumes or trends of trading for assets classes, products or counterparties listed in Table 2 of Annex 1.
 - 5) changes to the volumes or trends of trading for legal entities in the scope of the IMM Permission.



ANNEX 3

PROCEDURAL MATTERS

Decision-Maker

1. The decision which gave rise to the obligation to give this Notice was made by the Director of the International Banks Division by delegation from the Senior Risk and Policy Committee (SRPC).

Right to make representations

2. The firm has the right to make representations to the PRA in relation to the IMM Permission. If the firm wishes to make written representations, it must do so by 24 January 2020 or such later date as may be permitted by the PRA. Written representations should be made to SRPC and sent to Jonathan Rand at the PRA, 20 Moorgate, London EC2R 6DA.
3. If the firm wishes to make oral representations, it should inform Jonathan Rand of that fact as soon as possible and in any event by no later than 24 January 2020. If the firm does not notify the PRA by 24 January 2020, it will not, other than in exceptional circumstances, be permitted to make oral representations.

The Tribunal

4. The firm has the right to refer the decision to grant the IMM Permission 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 firm has 28 days from the date on which this Written Notice is given to the firm to refer the matter to the Tribunal.
5. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the firm 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>.
6. The firm 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 Jonathan Rand at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

7. For more information concerning this matter generally, the firm should contact Ada van Wijck, on 020 3461 7332.



ANNEX 4

VERSION CONTROL

Version	Comment	Authorisation	Date
1.0	IMM Permission issued	Megan Butler, Director, International Banks Division	20 December 2013
2.0	IMM permission varied with sequential implementation plan removed; commodities permission and corresponding condition removed; extension to cleared index and single name CDS facing ICE Clear; extension to cleared single currency interest rate swaps and FRA facing LCH Clearnet Ltd; exclusion of inflation products; exclusion of structured credit products.	Megan Butler, Executive Director, International Banks Division	11 February 2015
3.0	IMM permission varied to include inflation derivatives in scope	Alastair Hughes, Head of Division, US Banks Division	24 April 2018
4.0	IMM permission varied to include Citigroup Global Markets Europe AG	Jonathan Rand, Head of Division, US Banks Division	9 January 2020