



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

WRITTEN NOTICE: IRB PERMISSION

To: On a solo and consolidated basis:
Goldman Sachs International (FRN: 142888)
Goldman Sachs International Bank (FRN: 124659)

Each a “firm” and together the “firms”.

Ref: 00002814 (Goldman Sachs International), and
00002815 (Goldman Sachs International Bank)

Of: Plumptre Court, 25 Shoe Lane, London, EC4A 4AU

Date: 28 May 2021

DECISIONS

1. On 1 January 2008, the firms were granted an IRB waiver under s138A of the Financial Services and Markets Act 2000 (the “Act”) by the Prudential Regulation Authority (“PRA”). In accordance with Waivers Transitional Provisions 2.1(2) of the PRA Rulebook the firm’s IRB waiver took effect on 1 January 2014 as permissions granted by the PRA under Chapter 3, Title II, Part Three 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”). Accordingly the firms have been granted the permission to calculate its risk weighted exposure amounts using the Internal Ratings Based Approach (“IRB Approach”) on the terms and conditions set out in Annex 1 (the “IRB Permission”). This Written Notice replaces 00002406 and 00002407.
2. 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”) and an application made by each firm in accordance with section 55M (5) of the Financial Services and Markets Act 2000 (the “Act”) for certain requirements the PRA has decided to grant the firm the requirements specified in Annex 2.
3. If the firms cease to comply with the conditions for granting of this IRB Permission set out in Chapter 3, Title II, Part Three of the CRR, the terms and conditions of the IRB Permission set out in Annex 1, and/or any of the requirements set out in Annex 2, the PRA will re-consider the terms

and conditions of the IRB Permission and the requirements relevant to it, including a revocation of the IRB Permission in whole or in part.

4. The IRB Permission with the requirements in Annex 2 takes effect on 28 May 2021.

PROCEDURAL MATTERS

5. If the firm wishes to challenge the decisions taken by the PRA in relation to the IRB Permission, the firm may refer the matter to the Upper Tribunal.
6. Details of the IRB Permission and the related requirements sought under section 55M of the Act will be published on the Financial Services Register.
7. Further details of procedural matters are contained in Annex 3.

Laura Winchester

Head of Division, Major Overseas Banks, International Banks Directorate

ANNEX 1

THE INTERNAL RATINGS BASED PERMISSION

Legal Entities

1. The IRB Permission means that each firm may apply the internal ratings based approach to the legal entities in its calculation of own funds requirements on the following basis:
 - a. on its consolidated situation;
 - b. on an individual basis
2. Each firm must calculate its risk-weighted exposure amounts for the categories of exposure identified in Table 1 of Schedule 1 (with the exception of the permanent exemptions and any exposures still subject to sequential implementation) using the IRB Approach, to the extent, in the manner and subject to the conditions set out in this IRB Permission, and in accordance with Table 1 in Schedule 1.

Ratings Systems

3. Each firm is permitted to use the ratings systems and internal models approaches to equity exposures (together the “Ratings Systems”) as specified in the documentation contained in the firm’s IRB case file (reference ACTS 26976) comprising its IRB application documentation, as modified by all changes and specifications notified to the firm by the PRA, including those specified in this IRB Permission Notice, all changes and extensions notified by the firm and accepted by the PRA, and all material changes and extensions for which permission has been granted by the PRA noted in Annex 4.

Sequential implementation

4. Each firm is permitted to implement the IRB Approach sequentially in accordance with Table 2 in Schedule 1 in accordance with art 148 of the CRR.
5. Each firm is required to implement the IRB Approach for all exposures by 31 July 2020.

Treatment by exposure class

6. Each firm is permitted to use the approaches in Article 155(3) and (4) for equity exposures as set out in Table 1 of Schedule 1.
7. Each firm is permitted to use its own estimates of LGDs and conversion factors for the exposure classes as set out in Table 1 of Schedule 1.

Maturity under art 162 of the CRR

8. To the extent that the firms do not have permission to use own estimates of LGDs and conversion factors it shall calculate maturity as set out under CRR Article 162(1).

Material, significant and other changes

9. In accordance with Article 143(3), (4) of the CRR and the Delegated Regulation (EU) No 529/2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for assessing the materiality of extensions and changes of the Internal Ratings Based Approach and the Advanced Measurement (as amended),

(1) the firms will require a further permission from the PRA in respect of the following changes to the IRB Permission:

- (a) material changes to the range of application of a ratings system or an internal models approach to equity exposures; or
- (b) material changes to a ratings system or an internal models approach to equity exposures; and

(2) the firms must notify the PRA of all changes to ratings systems and internal models approaches to equity exposures subject to the IRB Permission.

10. In accordance with Article 143(3) of the CRR, the PRA has granted permission for material changes as set out in Annex 4.

SCHEDULE 1

High level scope and coverage of IRB permission.

The PRA has granted the IRB permission for the categories and types of exposures identified in Table 1 below. Exposure classes that are not applicable to the firms are marked N/A.

Table 1

<i>IRB exposure classes</i>	<i>Sub-classes (& art 155 approach, if applicable)</i>	<i>Country</i>	<i>Own estimates of LGDs and Conversion Factors (tick if apply)</i>	<i>Additional provisions/</i>
Exposures on central governments and central banks		All	√	
Exposures on institutions		All	√	
Exposures on corporates		All	√	
Retail exposures	N/A	N/A	N/A	
Equity exposures¹	N/A	N/A	N/A	
Securitisation positions	N/A	N/A	N/A	
Non credit-obligation assets	N/A	N/A	N/A	

Table 2

Sequential implementation

Exposure class	Portfolio	Description	Expected date for submission of application
Retail Exposures	Mortgage Prime Mortgage (sub prime/non-performing/buy-to-let/others) Qualifying revolving retail exposure Retail SME Other Retail	All countries	31 December 2018

¹ The firms are allowed to use the simple risk weight approach set out in CRR Article 155.2 to calculate risk weighted exposure amounts for equity exposures in accordance with CRR Article 155.1.

ANNEX 2

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

Reporting Requirements

The firms must submit, by 31 December each year, details of all ratings systems and internal approaches to equity exposures which are included within the scope of its IRB Permission as of the 30 September each year.

ANNEX 3

PROCEDURAL MATTERS

Decision-Maker

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

The Tribunal

2. The firm has the right to refer the decision to grant the IRB 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.
3. 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>.
4. 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 Marcus Jackson at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

5. For more information concerning this matter generally, the firm should contact Steven Cai on 020 3461 7082.

ANNEX 4**VERSION CONTROL SCHEDULE****NOTICES OF MATERIAL CHANGES AND EXTENSIONS TO IRB PERMISSION²**

Version	Comment	Authorisation	Date
1.0	IRB Permission granted	Andy Murfin	31/12/2007
2.0	Condition removed	Andy Murfin	01/07/2008
3.0	Change to allow retail exposures	Laura Winchester	21/03/2018
4.0	3 amendments to the wholesale LGD methodology	Laura Winchester	03/08/2018
5.0	Permission to use the Standardised Approach instead of Internal Ratings Based (IRB) approach permanently for retail exposures in respect of Goldman Sachs International Bank only	Laura Winchester	29/01/2021
6.0	Permission to use the Standardised Approach instead of Internal Ratings Based (IRB) approach permanently for UK Gilt exposures for hedging purposes in Goldman Sachs International Bank only	Laura Winchester	28/05/2021