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**WRITTEN NOTICE**  
**IMM PERMISSION (Abridged)**

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To: **NatWest Markets Plc (FRN 121882) (the “firm”)**

Reference Number: 00003587

Date: 30 November 2021

**DECISIONS**

1. In accordance with Section 6, Chapter 6, Title II, Part 3 of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR”), the PRA has decided to grant the firm permission to use the Internal Model Method in its calculation of own funds requirements for counterparty credit risk on the terms and conditions set out in Annex 1 (the “IMM Permission”).
2. Further to Articles 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 the 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 firm ceases to comply with the requirements in Section 6, Chapter 6, Title II, Part 3 of the CRR, the terms of the IMM Permission set out in Annex 1 or the requirements set out in Annex 2, the PRA will re-consider the terms and conditions of the IMM Permission and the requirements relevant to it, which may include a revocation of the IMM Permission in whole or in part.
4. The IMM Permission and the requirements in Annex 2 takes effect on 30 November 2021. This Written Notice replaces Written Notice 00002334.



## **PROCEDURAL MATTERS**

5. If the firm wishes to challenge the decisions taken by the PRA in relation to the IMM Permission, the firm may refer the matter to the Upper Tribunal.
6. Details of the IMM Permission and the attendant requirements imposed under section 55M of the Act will be published on the Financial Services Register. The full text of this Written Notice will not be published. However, in the interests of transparency, the PRA's policy is to publish an abridged version of the Written Notice as a record that the IMM permission has been granted.
7. Further details of procedural matters are contained in Annex 3.
8. Annex 4 sets out any previous versions of the permission granted by the PRA in connection with the IMM Permission.

Simon Dixon  
Head of Division  
UK Large Banks Division



## ANNEX 1

### THE INTERNAL MODEL METHOD PERMISSION

#### Definition

1. The IMM Permission means that the firm may use, for the legal entities listed below, on a solo, sub-consolidated and/or consolidated basis as indicated, the internal model method in its calculation of 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 Regulation 575/2013, on the following basis:
  - a. NatWest Markets Plc on an individual basis; and
  - b. NatWest Group Plc, National Westminster Bank Plc, The Royal Bank of Scotland Plc, Coutts & Company, Ulster Bank Ltd and NatWest Markets Plc on the basis of the consolidated situation of NatWest Group Plc in relation to exposures incurred by NatWest Markets Plc, and NatWest Markets NV.
2. In accordance with Article 283(1) of the CRR, the firm(s) must use the IMM Permission to calculate the exposure value for the asset classes and products in Table 1 below:

**Table 1**

| Asset Classes and Products                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                               |            | Counterparty Groups |         |         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|------------|---------------------|---------|---------|
| Asset Class                                                                                                                                                                                                                                                                                                                                                                                                                                           | Product                                                       | Exceptions | All                 | Group 1 | Group 2 |
| Interest Rate Derivatives                                                                                                                                                                                                                                                                                                                                                                                                                             | Non path dependent and others specified below. <sup>(1)</sup> |            | ✓                   |         |         |
| FX Derivatives                                                                                                                                                                                                                                                                                                                                                                                                                                        | Non path dependent and others specified below. <sup>(2)</sup> |            | ✓                   |         |         |
| Credit Derivatives                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                               |            |                     |         |         |
| Equity Derivatives                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                               |            |                     |         |         |
| Commodity Derivatives                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                               |            |                     |         |         |
| Notes:<br>(1) Includes interest rate options (caps and floors), swaptions (vanilla and straddles), overnight index swaps, non-deliverable overnight index swaps, zero coupon swaps and 'parametric' zero coupon inflation swaps, base rates swaps, constant maturity swaps (swaps and cap/floors) and RPI swaps (bond style and revenue style), de-compounded CMS and spread options only.<br>(2) Includes non-deliverable currency basis swaps only. |                                                               |            |                     |         |         |



### **Exposure value: estimates of alpha**

3. The firm is required to use an alpha of  $\alpha = 1.4$  pursuant to Article 284(4) of the CRR

### **Margining**

4. For margined netting sets and for the purposes of Article 285(1) of the CRR, the firm may use the model's Expected Exposure ("EE") (measure directly in the equation in Article 284(5) of the CRR.
5. For margined netting sets, the collateral requirements set out in CRR Article 284(2) apply.

### **Maintenance of the Group**

6. This permission applies to each firm for as long as they remain part of the NatWest Group plc.

### **Informing the PRA**

7. The firm must inform the PRA in a timely manner of any event that may have a significant impact on its IMM Permission, including in particular:
  - a. changes to the list of products listed in Table 1 of Annex 1;
  - b. use of a different model for exposure calculations under the IMM Permission;
  - c. changes to governance or senior management arrangements in relation to the IMM Permission;
  - d. changes to the volumes or trends of trading for products listed in Table 1 of Annex 1; and
  - e. changes to the volumes or trends of trading for the legal entities in the scope of the IMM Permission.



## **ANNEX 2**

### **REQUIREMENTS RELEVANT TO THE IMM PERMISSION GRANTED FOLLOWING AN APPLICATION IN ACCORDANCE WITH SECTION 55M(5) OF THE ACT**

The firm must comply with certain requirements relating to the use of its internal models under this IMM permission. This includes the submission of certain information to the PRA, in respect of each quarter, about developments and changes with respect to the internal models, as well as the systems controls relating to them.



## ANNEX 4

### VERSION CONTROL

| Version | Comments                                                                                               | Authorisation                                                     | Date             | Reference                           |
|---------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|------------------|-------------------------------------|
| 1.0     | CRR IMM Permission issued                                                                              | M Hempstead                                                       | 19 December 2013 | 1712888,<br>1712876,<br><br>1712881 |
| 2.0     | Name change reflected                                                                                  | Marjolein Van Veldhuizen,<br>Senior Manager,<br>Major UK Banks    | 30 April 2018    | 1712876                             |
| 3.0     | National Westminster Bank Plc, Ulster Bank Ltd and Ulster Bank Ireland DAC removed from the permission | Simon Morley,<br>Head of<br>Division, Major<br>UK Banks           | 25 June 2018     | 4948928                             |
| 4.0     | IMM permission extension to NWM NV (consolidated level)                                                | Simon Dixon,<br>Head of Major<br>UK Banks<br>Division             | 22 March 2019    | 5196771                             |
| 5.0     | Variation of Annex 2B reporting requirements.                                                          | Andrea Lottering,<br>Acting Head of<br>Major UK Banks<br>Division | 1 September 2019 | 5319847                             |
| 6.0     | Update to legal entities included in the permission                                                    | Simon Dixon<br>Head of Division<br>UK Large Banks                 | 21 December 2020 | 00002334                            |
| 7.0     | IMM permission updated to reflect the withdrawal of Credit Derivatives from the IMM permission.        | Simon Dixon<br>Head of Division<br>UK Large Banks                 | 30 November 2021 | 00003587                            |

#### **Note on disclosure**

The PRA has decided not to publish the full text and annexes of IMM permission notices as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the firms concerned.

However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice, as a record that the IMM permission has been granted.