

WRITTEN NOTICE IMA PERMISSION

To: ICBC Standard Bank plc (FRN: 124823) (“the firm”)

Reference Number: 00004920

Of: 20 Gresham Street, London EC2V 2JE

Date: 9 June 2022

DECISIONS

1. In accordance with the discretions afforded to the PRA by Sections 1-4, Chapter 5, Title IV of 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 has decided to grant the firm the permission to use the internal model approach in its calculation of own funds requirements for market risk on the terms and conditions set out in Annex 1 (the “IMA Permission”).
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”) the firm has sought and the PRA imposes the matters specified in Annex 2 as requirements under section 55M(5) of the Financial Services and Markets Act 2000 (the “Act”) (the “Act”).
3. If the firm ceases to comply with the conditions for granting of this IMA Permission set out in Sections 1-4, Chapter 5, Title IV of Part 3 of the CRR, the terms and conditions of the IMA Permission set out in Annex 1, and any of the proposed requirements set out in Annex 2 that are imposed or sought, the PRA will re-consider the terms and conditions of the IMA Permission and the requirements relevant to it, including a revocation of the IMA Permission in whole or in part.



4. The IMA Permission takes effect on 9 June 2022.

Anna Lemessany

Senior Manager, Authorisations, Regulatory Technology and International Supervision
Prudential Regulation Authority

PROCEDURAL MATTERS

5. Details of the IMA Permission and the attendant requirements sought or imposed under section 55M will be published on the Financial Services Register. The full text of this Decision Notice will not be published.

ANNEX 1

THE INTERNAL MODEL APPROACH PERMISSION

Legal Entities

1. The IMA Permission means that the firm may use, on an individual basis, the internal model approach in its calculation of own funds requirements for market risk in relation to the risk categories and categories of position described in paragraphs 3 and 4 of this Annex, in accordance with Section 1, 2, 3 and 4 Chapter 5, Title IV of Part 3 of the CRR.

Other Matters

2. For the purposes of Article 373 of the CRR, the firm shall not include listed equity positions and derivative positions based on listed equities in the scope of its IRC model.
3. In accordance with Article 363(3) of the CRR, the PRA had decided to grant permission for the initial stressed value-at-risk calculation submitted by the firm.

Material, significant and other changes

4. In accordance with Article 363(3), first paragraph, of the CRR material changes to the models subject to the IMA Permission, and the extension of use of those models (in particular to new legal entities, trading locations, risk categories, and categories of position) will require a separate permission from the PRA. Changes to the permission with respect to the inclusion or exclusion of those types of position or sets of positions will also require permission from the PRA.
5. In accordance with Article 363(3), second paragraph, of the CRR a firm must notify the PRA of all other extensions and changes to the use of internal models covered by this permission. As per clause 9.16 of Supervisory Statement 13/13, and in accordance with Article 363(3) of the CRR, the PRA expects a firm to notify and discuss with the PRA in advance details of any of the more significant planned changes or extensions relevant to the internal models covered by this permission, and that do not trigger a requirement to apply for a permission under Article 363(1) of the CRR before those changes are implemented. Such changes might include, for example:
 - 5.1. new models and systems;
 - 5.2. changes to existing models and systems;
 - 5.3. the inclusion of new types of positions (where sufficiently material, otherwise see notification requirements below and reporting requirements under Annex 2 below);
 - 5.4. the inclusion of new sets of positions, e.g. trading strategies, business units (where sufficiently material, otherwise see notification requirements below and reporting requirements under Annex 2 below);

- 5.5. significant changes to existing types of position, e.g. currencies, geographies, sectors, maturities/tenors (where sufficiently material, otherwise see reporting requirements under Annex 2 below).

These details should include information about the nature of the change, including an estimate of the impact of the change on key risk measures (e.g. VaR) and on the firm's own funds requirements for market risk. They should also include the impact on the own funds requirements for other risk types (such as CVA risk), where relevant.

For avoidance of doubt, this requirement to discuss such significant changes in advance is in addition to both:

- the requirement to apply for a separate permission for new legal entities, trading locations, risk categories, and categories of position (or changes to the specific inclusion or exclusion of certain types of positions or sets of positions within risk categories), as outlined under 2 above;
 - ongoing reporting requirements, as outlined in this IMA Permission and in Annex 2 below.
6. In accordance with Art 363(3), second paragraph of CRR, the firm must notify the PRA of all other changes and extensions made in respect of that quarter, including the following matters in particular:
- 6.1.1. methodological changes and developments to the models;
 - 6.1.2. any change to any feeder or pre-processing systems in connection with the models, and any introduction of a new such system;
 - 6.1.3. any changes to the products (types of positions, sets of positions, or otherwise) coming within the scope of the models; this might include (but is not limited to) new instruments, underlyings, geographies, sectors, currencies, and maturities/tenors;
 - 6.1.4. any changes other than with respect to products (e.g. new business lines, trading strategies) that are relevant to the models for which permission has been granted;
 - 6.1.5. introduction of all new pricing models used in connection with the models and any changes to any pricing models used in connection with the models, including details of any material associated valuation or risk management issues;
 - 6.1.6. where applicable (nil returns are not required), details of:
 - 6.1.6.1. any use of a changed historical observation period, or any change in the use of any weighting scheme of that observation period, in accordance with Article 365(1)(d) of the CRR,
 - 6.1.6.2. any data series becoming unreliable, and any subsequent use of alternative measurement techniques, as referred to in clauses 9.5 and 9.6 of Supervisory Statement 13/13;

- 6.1.6.3. the frequency of updating data sets being increased or decreased, in accordance with Article 365(1)(e) of the CRR and clause 9.7 of Supervisory Statement 13/13;
- 6.1.6.4. any change in the method employed to derive the 10-day VaR measure, in accordance with Article 365(1) of the CRR; and
- 6.1.6.5. to the extent that the use of correlations is permitted by a firm's model permission, a summary of any notifications that are required under Article 367(3) of the CRR and clauses 9.8 and 9.9 of Supervisory Statement 13/13.

ANNEX 2

REQUIREMENTS RELEVANT TO THE IMA PERMISSION THAT THE FIRM HAS SOUGHT AND THE PRA IMPOSES UNDER SECTION 55M(5) OF THE ACT

The firm must submit a quarterly report to the PRA with certain information about developments and changes with respect to the internal models, as well as the systems and controls relating to them for that quarter.

Note on disclosure

The PRA has decided not to publish the full text and annexes of IMA 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 IMA permission has been granted.

ANNEX 3

VERSION CONTROL

Version	Reference Number	Comment	Authorisation	Date
1.0	1771661	IMA Permission Issued	David Rule – Director International UK Banks	30/04/2014
2.0	2795910	Renewal	Mike Mitchell – Director, International Banks Division	29/09/2016
3.0	00001624	IRC Ratings Transition Matrix	Wei Bennett – Manager International Banks Division	25/09/2020
4.0	00004749	IMA Permission Reviewed	Anna Lemessany, Senior Manager, Authorisations, Regulatory Technology and International Supervision	10/05/2022
5.0	00004920	IMA Permission Reviewed	Anna Lemessany, Senior Manager, Authorisations, Regulatory Technology and International Supervision	09/06/2022