

WRITTEN NOTICE

OPTION DELTA PERMISSION¹

To: Lloyds Bank Plc (FRN 119278), Bank of Scotland (FRN 169628) ("the firms")

Of: 25 Gresham Street London EC2V 7HN UNITED KINGDOM, The Mound
Edinburgh Midlothian EH1 1YZ UNITED KINGDOM

Ref: 00006431 & 00006432

Date: 5 June 2023

DECISIONS

- (1) In accordance with the discretions afforded to the PRA by Article 329(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law (the "CRR"), the PRA has decided to grant the firms 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 the terms and conditions set out in Annex 1 (the "Option Delta Permission").
- (2) If the firms ceases to comply with the conditions for granting of this Option Delta Permission set out in Article 329(1) of the CRR and the terms and conditions of the Option Delta Permission set out in Annex 1 the PRA will re-consider the terms and conditions of the Option Delta Permission and the requirements relevant to it, including a revocation of the Option Delta Permission in whole or in part.
- (3) The Option Delta Permission takes effect on 5 June 2023.



PROCEDURAL MATTERS

- (4) The decision which gave rise to the obligation to give this Notice was made by Anna Ghobadian-Grinham, Head of Division, Domestic Systematically Important Banks, The Prudential Regulation Authority.
- (5) Details of the Option Delta Permission will be published on the PRA Register. The full text of this Written Notice will not be published.

PRA CONTACTS

- (6) For more information concerning this matter generally, the firms should contact their usual supervisory contact.

Anna Ghobadian-Grinham, Head of Division, Domestic Systematically Important Banks, For and on behalf of The Prudential Regulation Authority

ANNEX 1

THE OPTION DELTA PERMISSION

Definition

1. The Option Delta Permission means that the firms 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 329(1) of the CRR.

Table 1

Legal entity	Solo / Consolidated
Lloyds Bank Plc	Solo and consolidated
Bank of Scotland	Solo and consolidated

2. In accordance with Article 329(1) of the CRR, the firms may use the 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 for which no delta is available from the exchange concerned.

Note on disclosure

The PRA has decided not to publish the full text and annexes of the Option Delta 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 Option Delta Permission has been granted.