



NOTICE OF PERMISSION

Permission to use sensitivity models for interest rate risk on derivative instruments

To: Citadel Securities (Europe) Limited (the "firm")

Ref: 3803694

Of: Moor House
120 London Wall
London
EC2Y 5ET

Date: 10 February 2017

Permission issued pursuant to Regulation (EU) No. 575/2013 on the prudential supervision for credit institutions and investment firms (EU CRR)

A. Power

1. This permission is given by the *FCA* under regulation 41 of the Capital Requirements Regulations 2013.

B. Duration

2. This permission takes effect on 10 February 2017.

C. Decision

3. In accordance with the discretion afforded to the *FCA* by article 331 of the *EU CRR*, the *FCA* has decided to grant the firm the permission to use a sensitivity model in the calculation of interest-rate risk on derivative instruments covered in articles 328 to 330 on the terms and conditions set out in Schedule 1 to this permission.
4. Further to article 104 of the *CRD* and an application made by the firm in accordance with section 55L(5) of the Financial Services and Markets Act 2000 (the "Act"), the *FCA* has decided to grant to the firm the requirement(s) specified in Schedule 2 to this permission which takes effect on the same date as this permission.

D. Facts and matters relied on

5. The *FCA* has made this decision on the basis of the facts provided and statements made by the firm in the course of its application for this permission. If any of



those facts or statements were not true, or no longer reflect the state of affairs described, this could constitute sufficient grounds to revoke this permission.

6. The *FCA* will re-consider the terms and conditions of this permission and the requirement(s) relevant to it, including a revocation of the permission in whole or in part, if the firm ceases or fails to comply with any one or more of the following:
 - (1) the conditions for grant of this permission as set out in the *EU CRR*; and
 - (2) any of the terms and conditions in the Schedules.

E. Procedural matters

7. In accordance with section 55L(5) of the Act, a firm may apply for the requirement(s) set out in Schedule 2 to this permission. Alternatively, section 55Y of the Act sets out the procedure that the *FCA* is required to follow in order to implement a decision to impose requirements under section 55L(3).
8. To confirm that the firm has applied for the requirement(s) in Schedule 2, the firm must sign and return a copy of this notice to the signatory below at the *FCA*. The *FCA* will take the signed copy as the firm's application under section 55L(5) of the Act and grant the requirement(s) accordingly. The requirement(s) in Schedule 2 will be published on the *FCA* Financial Services Register.
9. Where the firm is aggrieved at the determination of the application for the grant of this permission, it may refer the matter 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 *FCA*. 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 notice is given to the firm to refer the matter to the Tribunal.
10. 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 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>.
11. The firm should note that a copy of the reference notice (Form FTC3) must be sent to the *FCA* at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to the signatory below at the *FCA*.

F. Guidance

12.
 - (1) No changes should be made to the model to which this permission applies.
 - (2) If the firm is considering making any changes to the model to which this permission applies or the Schedule (e.g. adding new products), they should apply for a new permission.



- (3) No changes to the model should be given effect unless the *FCA* has granted its permission.

G. Interpretation

13. Any expression used in this notice which is used in the *EU CRR* shall have the meaning given, or used, in those regulations.
14. Unless otherwise provided, interpretative provisions (including definitions) of the *Handbook* (version as in force on the date of this notice) apply to this notice in the same way as they apply to the *Handbook*.

Richard Harrison
Waivers Team
Financial Conduct Authority

**Application for requirement(s) under section 55L(5) of the Act by
Citadel Securities (Europe) Limited**

Signed:

Signed:

Name:

Name:

Designation:

Designation:

SCHEDULE 1

Permission to use sensitivity models for interest rate risk on derivative instruments

A. Application of permission

1. This permission means that the firm may use a sensitivity model to calculate interest rate risk positions for inclusion in its own funds requirements for market risk in relation to the products in Table 1 in accordance with article 331 of the *EU CRR*.

Table 1

Products
Interest rate futures, government bond futures and centrally cleared interest rate derivatives of these types: fixed-to-float interest rate swaps, basis swaps, forward rate agreements and overnight index swaps.

2. This permission applies to the products in Table 1 which are denominated in EUR, USD, GBP or JPY only.



SCHEDULE 2

Requirement(s) relevant to this permission granted following an application in accordance with section 55L(5) of the Act

Reporting

The firm must notify the *FCA* in writing no later than 20 *business days* after the average Intra-day peak Stressed VaR ('SVaR') in any calendar month exceeds \$5million for the cleared interest rate swaps market making business run by the Fixed Income Market Making ('FIMM') desk. The average Intra-day peak SVaR should be calculated based on a 1-day time horizon and a 99% confidence level.