

Credit risk: general provisions (CRR) part

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1 Application and definitions

1.1 This Part applies to a JIB.

1.2 In this Part, the following definition shall apply:

IRB Equities and CIU Transition Period

means the three year period beginning with 1 January 2027 and ending with 31 December 2029.

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2 Level of application

- 2.1 A JIB must comply with this Part on the basis of its consolidated position, unless the JFSC has agreed a variance in accordance with the Risk-Based Capital Requirements Part.

Organisational structure and control mechanisms

- 2.2 A JIB shall set up a proper organisational structure and appropriate internal control mechanisms in order to ensure that the data required for consolidation for the purposes of this Part are duly processed and forwarded.
- 2.3 A JIB shall ensure that a subsidiary not subject to this Part implements arrangements, processes and mechanisms to ensure proper consolidation for the purposes of this Part.

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3 Credit risk general provisions

Article 107 Approaches to credit risk

1. JIBs shall apply either the Standardised Approach provided for in Credit Risk: Standardised Approach (CRR) Part and Chapter 2 of Title II of Part Three of CRR or, if a variance has been granted by the JFSC in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part 1.1 and 1.2 and paragraphs 1 and 2A of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 143, the IRB Approach to calculate their risk-weighted exposure amounts for the purposes of points (a) and (f) of paragraph 3 of Required Level of Own Funds (CRR) Part Article 92.
2. For trade exposures and for default fund contributions to a central counterparty, JIBs shall apply the treatment set out in Section 9 of Chapter 3 of Counterparty Credit Risk (CRR) Part to calculate their risk-weighted exposure amounts for the purposes of points (a) and (f) of paragraph 3 of Required Level of Own Funds (CRR) Part Article 92. For all other types of exposures to a central counterparty, JIBs shall treat those exposures as follows:
 - (a) as exposures to an Institution for other types of exposures to a qualifying CCP;
 - (b) as exposures to a corporate for other types of exposures to a non-qualifying CCP.
3. For the purposes of this Regulation, exposures to a Third-Country Investment Firm, a Third-Country Credit Institution and a Third-Country exchange shall be treated as exposures to an Institution only if the Third Country applies prudential and supervisory requirements to that entity that are at least equivalent to those applied in the United Kingdom.
4. For the purposes of paragraph 3, the UK Treasury may by regulations determine whether a Third Country applies prudential supervisory and regulatory requirements at least equivalent to those applied in the United Kingdom.

Article 108 Use of credit risk mitigation techniques under the standardised approach and the IRB approach

1. A JIB may take into account credit risk mitigation in accordance with Credit Risk Mitigation (CRR) Part Article 191A.

Article 109 Treatment of securitisation positions

JIBs shall calculate the risk-weighted exposure amount for a position they hold in a securitisation in accordance with the Securitisations (CRR) Part

Article 110 Treatment of credit risk adjustments

1. A JIB applying the Standardised Approach shall treat general credit risk adjustments in accordance with the Own Funds (CRR) Part.
2. A JIB applying the IRB Approach shall treat general credit risk adjustments in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part Article 159, and the Own Funds (CRR) Part. For the purposes of this Article, Credit Risk: Standardised Approach (CRR) Part and Credit Risk: Internal Ratings Based Approach

(CRR) Part, general and specific credit risk adjustments shall exclude funds for general banking risk.

3. JIBs using the IRB Approach that apply the Standardised Approach for a part of their exposures on a consolidated or individual basis, in accordance with Credit Risk: Internal Ratings Based Approach (CRR) Part Articles 148 and 150, shall determine the part of general credit risk adjustments that shall be assigned to the treatment of general credit risk adjustments under the Standardised Approach and to the treatment of general credit risk adjustments under *the IRB Approach* as follows:
 - (a) where applicable, when a JIB exclusively applies the IRB Approach, general credit risk adjustments of the JIB shall be assigned to the treatment set out in paragraph 2;
 - (b) where applicable, when a JIB exclusively applies the Standardised Approach, general credit risk adjustments of the JIB shall be assigned to the treatment set out in paragraph 1; and
 - (c) the remainder of credit risk adjustments shall be assigned on a pro rata basis according to the proportion of risk-weighted exposure amounts subject to the Standardised Approach and subject to the IRB Approach.
- 3A. For the purposes of paragraph 3, JIBs using the IRB Approach, and taking into account credit risk mitigation using the Risk-Weight Substitution Method, shall treat the covered part of an exposure, calculated in accordance with Credit Risk Mitigation (CRR) Part Article 235, as if it was subject to the Standardised Approach.

4 Transitional provisions

Standardised transitional approach: equities

- 4.1 4.2 and 4.3 only apply to a JIB that did not have permission to use the Internal Ratings Based Approach on 31 December 2026.
- 4.2 This rule modifies paragraph 3 of Credit Risk: Standardised Approach (CRR) Part Article 133 for a transitional period beginning with 1 January 2027 and ending with 31 December 2029, in which Equity Exposures that are not Higher Risk Equity Exposures or within the scope of paragraph 6 of Credit Risk: Standardised Approach (CRR) Part Article 133 shall be assigned the following risk weights:
- (1) 160% during the period beginning with 1 January 2027 and ending with 31 December 2027;
 - (2) 190% during the period beginning with 1 January 2028 and ending with 31 December 2028; and
 - (3) 220% during the period beginning with 1 January 2029 and ending with 31 December 2029.
- 4.3 This rule modifies paragraph 4 of Credit Risk: Standardised Approach (CRR) Part Article 133 for a transitional period between 1 January 2027 and 31 December 2029, in which Equity Exposures that are Higher Risk Equity Exposures and are not within scope of paragraph 6 of Credit Risk: Standardised Approach (CRR) Part Article 133 shall be assigned the following risk weights:
- (1) 220% during the period beginning with 1 January 2027 and ending with 31 December 2027;
 - (2) 280% during the period beginning with 1 January 2028 and ending with 31 December 2028; and
 - (3) 340% during the period beginning with 1 January 2029 and ending with 31 December 2029.

IRB Transitional Approach: equities and CIUs

- 4.4 During the IRB Equities and CIU Transition Period, 4.5 to 4.6 apply by way of derogation from the treatment laid down in paragraph 3 of Credit Risk: Standardised Approach (CRR) Part Article 133 to a JIB which, on 31 December 2026, had permission to apply the Internal Ratings Based Approach.
- 4.5 Subject to 4.9, a JIB shall:
- (1) apply the approaches in 4.2 and 4.3 for Equity Exposures for which, on 31 December 2026, the JIB applied the Standardised Approach under Article 148 of CRR or Article 150 of CRR; and
 - (2) apply the approach in 4.6 for Equity Exposures for which, on 31 December 2026, the JIB applied the Internal Ratings Based Approach under Article 143 of CRR.
- 4.6 Subject to 4.9, a JIB shall calculate the risk weight for each equity exposure as the higher of:
- (1) the risk weight calculated using the relevant methodology used by the JIB as specified in its permission to use the Internal Ratings Based Approach under Article 155 as that provision was in force on 31

December 2026; and

(2) the risk weight calculated under 4.2 or 4.3.

4.7 During the IRB Equities and CIU Transition Period, 4.8 applies by way of derogation from the treatment laid down in Credit Risk: Standardised Approach (CRR) Part Article 132A and Credit Risk: Internal Ratings Based Approach (CRR) Part Article 152 to a JIB which, on 31 December 2026, had permission to apply the Internal Ratings Based.

4.8 Subject to 4.9, a JIB which calculates risk weights of CIUs using:

(1) the look-through approach in paragraph 1 of Credit Risk: Standardised Approach (CRR) Part Article 132A or paragraph 4 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 152; or

(2) the mandate-based approach in paragraph 2 of Credit Risk: Standardised Approach (CRR) Part Article 132A or paragraph 5 of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 152,

shall assign a risk weight to each underlying exposure in the CIUs to which the JIB would have applied the simple risk weight approach in accordance with point (a) of paragraph 4 of Standardised Approach and Internal Ratings Based Approach to Credit Risk (CRR) Part Article 152, as that provision was in force before 1 January 2027, by using the higher of:

(3) the risk weight that would have applied to the underlying exposure under the simple risk weight approach set out in Article 155(2) of CRR, as that provision was in force before 1 January 2027; and

(4) the risk weight calculated under 4.2 or 4.3.

4.9 Subject to 4.10, instead of using the alternative approaches set out in 4.5, 4.6 and 4.8, a JIB may choose to calculate both:

(1) risk weights for Equity Exposures in accordance with Credit Risk: Standardised Approach (CRR) Part Article 133, instead of in accordance with the two approaches set out in 4.5 and 4.6; and

(2) risk weights of exposures underlying CIUs within the scope of 4.8(1) and 4.8(2) in accordance with:

(a) if the JIB has an IRB Permission, Credit Risk: Internal Ratings Based Approach (CRR) Part Article 152;

(b) if the JIB does not have an IRB Permission, Credit Risk: Standardised Approach (CRR) Part Article 132A.

4.10 A JIB shall give the JFSC prior notice of its use of the approaches in 4.9. Once a JIB uses the approach in 4.9 it shall not use the approaches in 4.5 to 4.8.

Unfunded Credit Protection Transitional

4.11 During the period beginning with 1 January 2027 and ending with 30 June 2028, point (b) of paragraph 1A of Credit Risk: Internal Ratings Based Approach (CRR) Part Article 183 and point (c)(I) of paragraph 1 of Credit Risk Mitigation (CRR) Part Article 213 shall apply to unfunded credit protection entered into prior to 1 January 2027 with the words 'or change' wherever they appear omitted.