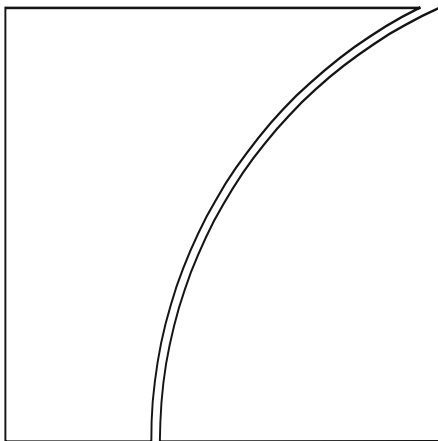


Basel Committee on Banking Supervision



Regulatory Consistency Assessment Programme (RCAP)

Assessment of Basel large exposures regulations – United Kingdom

December 2025



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Glossary

AT1	Additional Tier 1
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
C	Compliant (grade)
CCF	Credit conversion factor
CET1	Common Equity Tier 1
CDS	Credit default swap
CRM	Credit risk mitigation
CRR	Capital requirements regulation
DGS	Deposit guarantee scheme
FAQ	Frequently asked question
GBP	British pound
IRB	Internal ratings-based approach
LC	Largely compliant (grade)
LEX	Large exposures
OTC	Over the counter
PNC	Partially non-compliant (grade)
NC	Non-compliant (grade)
PRA	Prudential Regulation Authority
QCCP	Qualifying central counterparty
RCAP	Regulatory Consistency Assessment Programme
SA-CCR	Standardised approach for measuring counterparty credit risk
SFT	Securities financing transaction
SoP	Statement of Policy
SS	Supervisory Statement
UK	United Kingdom

Preface

The Basel Committee on Banking Supervision (Basel Committee) places a high priority on the implementation of regulatory standards underpinning the Basel III framework. The prudential benefits from adopting Basel standards can only fully accrue if these are implemented in a full, timely and consistent manner by all member jurisdictions. The Basel Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel III framework.¹

This report presents the findings of an RCAP Assessment Team (Assessment Team) on the status of adoption of the Basel large exposures (LEX) framework in the United Kingdom (UK) as of 31 July 2025. The assessment focused on the completeness and consistency of the UK LEX regulations with the Basel LEX framework and relied on information provided by UK authorities. The main counterpart for the assessment was the Prudential Regulation Authority (PRA).

The Assessment Team was led by Mr Kentaro Tamura, Deputy Director-General, Bank of Japan (BoJ), and comprised technical experts from the South African Reserve Bank (SARB), the Hong Kong Monetary Authority (HKMA), the Monetary Authority of Singapore (MAS) and Sveriges Riksbank (see Annex 1). The work was coordinated by the Basel Committee Secretariat with support from BoJ staff.

The assessment began in May 2024 and comprised: (i) a self-assessment by the PRA (May to November 2024); (ii) an assessment phase (November 2024 to July 2025); and (iii) a review phase (August to September 2025) including a technical review of the Assessment Team's findings by a separate RCAP Review Team and the Basel Committee. The assessment report ultimately reflects the view of the Basel Committee.

The Assessment Team acknowledges the cooperation received from the PRA throughout the assessment process.

¹ See www.bis.org/bcbs/implementation.htm.

Executive summary

The Basel large exposures (LEX) framework is implemented in the UK through the PRA Rulebook, in particular the *Large Exposures (CRR) Part of the PRA Rulebook*.² These rules are supplemented with the guidance provided in Supervisory Statements (SS) and in Statements of Policy (SoPs). These rules and guidance are applicable to all banks, building societies and PRA-designated investment firms, as well as PRA-approved parent holding companies in the UK. The LEX framework is applied in the UK on a consolidated, individual and, for ring-fenced entities, sub-consolidated basis.

Overall, as of 31 July 2025, the LEX regulations in the UK are assessed to be largely compliant with the Basel LEX framework. This is one notch below the highest overall grade. One component of the Basel LEX framework (scope and definitions) is assessed to be compliant, while two components (minimum requirements and transitional arrangements; value of exposures) have been assessed to be largely compliant.

The overall grade is driven by: (i) two potentially material findings on measurement of exposure for trading book positions and a higher limit for the trading book exposures available to UK banks; and (ii) 11 not material findings.

The assessment also factored in the amendments to the Large Exposures (CRR) Part of the PRA Rulebook set out in PRA Policy Statement 14/25,³ which was published on 17 July 2025. In particular, the Assessment Team factored in the changes relating to removal of the exemption of banks' exposures to the UK deposit guarantee scheme (DGS) from large exposure limits, withdrawal of the option for banks to use immovable property as a credit risk mitigation (CRM) and publication of SS on the identification of groups of connected counterparties for large exposure purposes. The amendments are described in more detail in Annex 4.

The Assessment Team also noted three areas in which the UK LEX rules are super-equivalent to the Basel standards (see Annex 5). In accordance with the methodology and guidance provided in the *RCAP Handbook for jurisdictional assessments*, the stricter rules have not been taken into account as mitigants for the overall or component-level assessment of compliance.

² *Large Exposures (CRR) Part of the PRA Rulebook* references a specific part of the PRA Rulebook, ie the assimilated EU CRR component, implementing a part of the Basel LEX framework in the UK.

³ See PRA, *PS14/25 – Amendments to the Large Exposures Framework – Part 1*, July 2025.

Response from the UK authorities

We thank the RCAP Assessment Team, led by Kentaro Tamura, for their professionalism, openness and constructive engagement throughout the review. We welcome the opportunity to respond to the report's findings on the implementation of the Basel LEX framework.

The PRA acknowledges and shares the Assessment Team's overall assessment of "largely compliant" in the UK RCAP-LEX assessment report. We consider that all minimum standards of the international framework are substantially met, with no significant differences that could have a material impact on financial stability or the international level playing field.

The "largely compliant" rating is attributed to two potentially material deviations from the Basel framework.

One of the findings relates to the PRA's current approach to permit exposures in an institution's trading book to exceed the 25% LEX limit up to 500% of Tier 1 capital for up to 10 days, provided that exposures in the non-trading book do not exceed the 25% limit. As mentioned in the report, the PRA has consulted the industry on removing this deviation and is in the process of considering industry feedback on potential rule changes.

The second finding relates to the requirements to measure exposure values for swaps, futures, forwards, credit derivatives and options in the trading book. These requirements form part of the 2014 version of the Basel LEX framework, which were used as the basis for this assessment. The PRA has not implemented these requirements as they have since been replaced by the new market risk treatment of jump-to-default in the 2023 version of the Basel LEX framework. The PRA will consider aligning with the 2023 version of the Basel LEX framework as part of future policy development. In addition, although PRA rules do not currently include specific requirements to measure exposure values for these instruments, we consider that most UK firms would either fully or partially measure exposures arising from such instruments in line with the Basel LEX framework.

In conclusion, we would like to reiterate our commitment to the RCAP process. Assessment of the implementation of international standards across jurisdictions is an important exercise in promoting transparency, financial stability and a level international playing field.

1 Assessment context

1.1 Regulatory system

UK government legislation sets the framework within which the PRA exercises its responsibilities.⁴ The PRA is then empowered to set technical rules through its regulatory rulebook.

The PRA Rulebook is a legislative instrument and has the force of law. The rules in the PRA Rulebook are legally binding requirements made and enforced by the PRA. They are supplemented by Statements of Policy (SoPs), which detail the PRA's approach to the exercise of its statutory functions, and Supervisory Statements (SS), which set guidance for firms on certain prudential matters. Non-adherence to the guidance set out in the SS is not a formal breach of the PRA Rulebook. Nevertheless, depending on the nature and extent of non-adherence, supervisors may respond through an increase in a bank's regulatory capital requirement or by revoking its approval to use a particular methodology.

While the UK was part of the EU, Basel standards were directly applied to UK banks and certain investment firms through the EU Capital Requirements Regulation (EU CRR).⁵ When the UK left the EU, a large body of EU law was transferred into UK legislation, including the elements which apply to the financial services sector. In particular, the prevailing version of the EU CRR and related instruments were transferred into UK law. This is referred to as the "assimilated CRR".⁶

Since then, parts of the assimilated CRR have been revoked from UK law by His Majesty's Treasury and replaced with corresponding rules in the PRA Rulebook. This has been the case for assimilated CRR provisions related to the LEX framework. Other assimilated CRR provisions remain applicable to UK firms.

Hierarchy of UK laws and regulatory instruments

Table 1

Laws that empower the PRA as banking supervisor and prudential rule-maker	Financial Services and Markets Act 2000
UK laws that assimilate requirements originally issued by the EU	Assimilated EU law, including the assimilated CRR Assimilated EU regulatory technical standards
Regulatory instruments issued by the PRA	The PRA Rulebook
Guidance issued by the PRA	Supervisory Statements (SS) Statements of Policy (SoP)

The term "UK rules" in this report refers to assimilated EU law, including the assimilated CRR, and the PRA Rulebook. More information on the UK regulatory framework and the assessment of its bindingness is provided in Section 1.2 of the RCAP NSFR UK report and its Annexes 2 and 3.

⁴ See Financial Services and Markets Act 2000.

⁵ 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.

⁶ Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council.

1.2 Status of implementation of the LEX framework

The Basel LEX framework is implemented in the UK through the PRA Rulebook, in particular the Large Exposures (CRR) Part of the PRA Rulebook, with guidance provided in SS and SoPs, all published in English.

These rules and guidance are applicable to all banks, building societies and PRA-designated investment firms, as well as PRA-approved parent holding companies in the UK. The PRA applies proportionality measures to banks with Tier 1 capital of GBP 520 million or less, with such entities subject to a higher LEX limit to allow them to manage their liquidity. As these banks are not subject to the full Basel LEX framework due to their small size, they have been excluded from the scope of this assessment.

The LEX framework is applied in the UK on a consolidated, individual and, for ring-fenced entities, sub-consolidated basis.

1.3 Scope of the assessment

The Assessment Team reviewed the implementation of the Basel LEX framework in the UK. Annex 2 lists the Basel standards used as the basis for the assessment. The Assessment Team considered all binding documents that effectively implement the Basel LEX framework in the UK as of 31 July 2025. The assessment did not evaluate the resilience of the UK banking system or the supervisory effectiveness of UK authorities. The assessment had two dimensions:

- a comparison of the UK rules with the Basel LEX framework to ascertain that all the required provisions have been adopted (*completeness* of the regulations); and
- whether there are any differences in substance between the UK rules and the Basel LEX framework and, if so, their significance (*consistency* of the regulations).

The Assessment Team evaluated the materiality and potential materiality of identified deviations between the Basel LEX framework and the UK rules. The evaluation was made using a sample of six internationally active UK banks.⁷ Together, these banks comprise about 66% of total bank assets in the UK. In addition, the Assessment Team reviewed the non-quantifiable impact of identified deviations and applied expert judgment to assess whether the UK rules meet the Basel LEX framework in letter and in spirit. The materiality assessment is summarised in Annex 3, which also lists the sample of banks.

The Assessment Team noted that, in three areas, the UK rules go beyond the minimum Basel standards. Although these elements (listed in Annex 5) provide for a more rigorous implementation of the Basel Framework, consistent with the RCAP methodology they have not been taken into account as mitigants for the overall or component-level assessment of compliance.

The outcome of the assessment is summarised using a four-grade scale, both at the level of each of the three key components of the Basel LEX framework and at the level of the overall assessment of compliance. The four grades are compliant (C), largely compliant (LC), partially non-compliant (PNC) and non-compliant (NC).

⁷ Consistent with prior RCAP reports, the term “banks” is used in this report to describe the entities subject to the application of the Basel Framework in the UK and therefore includes banks, building societies and PRA-designated investment firms, as well as PRA-approved parent holding companies.

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the LEX framework in the UK to be largely compliant with the Basel LEX framework. This grade is based on the materiality assessment as summarised in Annex 3 and takes into account the amendments to the LEX framework published in July 2025 by the PRA, as described in Annex 4.

Assessment grades		Table 2
Component of the Basel large exposures framework		Grade
• Overall grade		LC
• Scope and definitions		C
• Minimum requirements and transitional arrangements		LC
• Value of exposures		LC
Assessment scale: C (compliant), LC (largely compliant), PNC (partially non-compliant) and NC (non-compliant).		

2.1.1 Scope and definitions

This component is assessed to be compliant with the Basel standard.

The Assessment Team identified one finding relating to the narrower scope of regulatory reporting for large exposures in the UK, which was assessed to be not material. Additionally, the Assessment Team observed that the minimum qualitative criteria that banks must consider in establishing connectedness between counterparties based on economic interdependence were set out in an SS issued by the PRA instead of as part of the legally binding regulations. SS are used to clarify the meaning of legally binding requirements set out in PRA rules or technical standards, and failure to meet the PRA's expectations in the SS may indicate a failure to meet those legally binding PRA rules or technical standards.

2.1.2 Minimum requirements and transitional arrangements

This component is assessed to be largely compliant with the Basel standard.

The overall grade was driven by one potentially material finding. This finding relates to the UK rule that allows for exposures in a bank's trading book to exceed the 25% LEX limit up to 600% of Tier 1 capital. The Assessment Team concluded that UK banks could utilise this excess limit in the case of a stress event which leads to a rapid and significant increase in trading book exposures. Under such a scenario, this deviation could become material.

The Assessment Team also observed that while the UK rules require that a breach to the LEX limit must be reported without delay to the PRA, it may allow the breach to continue, including a time period longer than three months.

2.1.3 Value of exposures

This component is assessed to be largely compliant with the Basel standard.

The Assessment Team identified 11 findings for this component. The assessment of this grade was driven by one potentially material finding and 10 findings which were assessed to be not material. The potentially material finding relates to the lack of transposition of specific rules set out in the Basel standards for measuring the exposure values of swaps, futures, forwards, credit derivatives and options in the trading book into the UK rules.

The Assessment Team also made 11 observations relating to value of exposures. These observations have been described in Section 2.3.3 of this report.

2.2 Detailed assessment findings

2.2.1 Scope and definitions

Section grade	Compliant
Basel paragraph number	15: Definition of a large exposure and regulatory reporting
Reference in the domestic regulation	Article 394(1) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework requires banks to report to supervisors their counterparties and exposure values in all cases where the value of a bank's exposures to a counterparty or a group of connected counterparties is equal to or above 10% of its Tier 1 capital. For this purpose, the amounts and counterparties reported must be determined using exposure values before and after the effect of CRM. Under the UK rules, banks must first identify the counterparties for which the exposure values equal or exceed the 10% threshold without recognising the effect of CRM. The bank is then required to report the exposures to these counterparties measured with and without taking into account the effect of CRM. As such, the scope of identification and reporting of large exposures under the UK rules is narrower than the scope required under the Basel LEX framework under certain situations. For example, there could be exposures which, when measured after the effects of CRM, exceed 10% of an institution's Tier 1 capital, but which are not identified and reported as large exposures because the exposure value before the effect of CRM is below 10% of the bank's Tier 1 capital. Such situations can arise because exposure to a provider of credit protection will increase when the effects of CRM are taken into account. Regarding the materiality of this finding, the PRA has explained that a significant amount of the effects of CRM that are not allocated or substituted to CRM providers would be to sovereigns, which are exempted exposures under the Basel LEX framework. In the Assessment Team's view, this would likely limit the number of exposures that would exceed 10% of Tier 1 capital when measured after the effects of CRM but that are not identified and reported to the PRA. The Basel LEX framework also requires banks to report their 20 largest exposures, irrespective of the exposure value relative to Tier 1 capital. The UK rules, however, do not require banks that apply the standardised approach for credit risk to report their 20 largest exposures, requiring only banks using the internal ratings-based (IRB) approach to do so. The PRA has confirmed that all of the sample banks follow the IRB approach and would therefore report their 20 largest exposures. Further, the Assessment Team noted that UK banks are required to report exposures greater than or equal to GBP 260 million, even if this is lower than 10% of a bank's Tier 1 capital on a consolidated basis. This increases the number of exposures most banks report on a quarterly basis. The Assessment Team assesses this finding to be not material.
Materiality	Not material

2.2.2 Minimum requirements and transitional arrangements

Section grade	Largely compliant
Basel paragraph number	16: Minimum requirement – the large exposure limit
Reference in the domestic regulation	Article 395(5) of the Large Exposures (CRR) Part of the PRA Rulebook

Finding	The Basel LEX framework requires that the sum of all of a bank's exposures to a single counterparty or to a group of connected counterparties must not be higher than 25% of the bank's Tier 1 capital. The UK rules allow for exposures in an institution's trading book to exceed the 25% LEX limit up to 500% of Tier 1 capital for up to 10 days, provided that exposures in the non-trading book do not exceed the 25% limit. Any excesses above the 25% limit that have persisted for more than 10 days may not, in aggregate, exceed 600% of a bank's Tier 1 capital. The exposure in the trading book in excess of the 25% LEX limit is subject to an additional capital requirement, which increases incrementally as the excess over the LEX limit increases. Banks are also required to report these excesses to the PRA. The PRA explained that the flexibility to exceed the LEX limit for exposures in the trading book is meant to allow for greater flexibility for banks' trading positions and provide time for banks to cancel or reduce their trading book positions. The Assessment Team finds that this is a deviation from the Basel LEX framework. Based on the information available in PRA consultation paper CP14/24, published in October 2024, the Assessment Team understands that no bank has utilised this flexibility to assume larger trading book exposures in the past two years. There have been a few instances prior to this where UK banks have reported exceeding the 25% LEX limit for trading book exposures, but such excesses beyond the limit have not been more than 7% of their Tier 1 capital. As such, the impact of this deviation is currently limited. However, this deviation could become material in case of a stress event which leads to a rapid and significant increase in trading book exposures to counterparties. In such a scenario, all UK banks, irrespective of their size, could utilise the flexibility available in the UK rules to exceed the 25% LEX limit for their trading book exposures. Consequently, UK banks could be exposed to significant levels of concentration risk, which could threaten financial stability. The flexibility to exceed the 25% LEX limit set out in the PRA rules also provides a competitive advantage to UK banks over banks in other jurisdictions by allowing them to significantly increase their exposures to counterparties in their trading book. This could have an adverse impact on the international level playing field. Based on the above, the finding is assessed to be potentially material. The PRA has consulted the industry on removing this deviation and is in the process of considering industry feedback for potential rule changes. However, any change is not expected to meet the cut-off date for the purposes of the RCAP. As such, the proposed changes set out in the PRA's consultation were not taken into consideration in the assessment of materiality.
Materiality	Potentially material

2.2.3 Value of exposures

Section grade	Largely compliant
Basel paragraph number	37: Eligible CRM techniques
Reference in the domestic regulation	Article 402(3) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework does not permit collateral that is only eligible under the IRB approach (ie receivables and commercial and residential real estate) to reduce exposures for large exposure purposes. Under the UK rules, under certain conditions, banks can look through to the counterparty when they enter reverse repurchase agreements in which the underlying assets are in the form of non-accessory independent mortgage liens on immovable property. Such mortgage liens are similar to mortgage loans and are specific to some European countries. In these cases, the UK rules permit banks to break the total exposure into several separate exposures to each of the individual third parties which are liable under the individual mortgage liens. This look-through approach permitted under the UK rules could effectively reduce a bank's exposure to the counterparties of such reverse repurchase agreements.

	The PRA confirmed that no sample bank is currently using the look-through approach for such reverse repurchase agreements. As such, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	42: Recognition of CRM techniques in reduction of original exposure
Reference in the domestic regulation	Articles 401(1) and (2) of the PRA Rulebook, Article 225 of the CRR and Article 225 of Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council
Finding	The Basel LEX framework requires banks to reduce the value of the exposure to the original counterparty by the amount of the eligible CRM technique recognised for risk-based capital requirements purposes. Where the comprehensive approach is used for financial collateral, this recognised amount is the value of collateral adjusted after applying supervisory haircuts under the comprehensive approach; internally modelled haircuts must not be used. The UK rules allow banks the use of own estimates of volatility adjustments when adjusting the value of collateral under the comprehensive method for large exposure purposes, subject to PRA permission. The use of own estimates of volatility adjustments to collateral may result in collateral haircuts that are smaller than the supervisory haircuts prescribed in the Basel Framework. This in turn could lead to an understatement of exposures to the original counterparty for large exposure purposes. The PRA, however, has highlighted that no bank is authorised to make use of this approach. The use of own estimates of volatility adjustments will be removed under the PRA's near-final rules implementing the revised Basel reforms from 1 Jan 2027, and the effect of this change will flow through to the PRA's LEX rules. The PRA has explained that it considers it highly unlikely that any bank will apply for permission to use an own estimates approach before 1 Jan 2027. As such, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	43: Recognition of exposures to CRM providers
Reference in the domestic regulation	Articles 401(1) and 403(1) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework requires that, whenever a bank recognises a reduction of an exposure to the original counterparty due to an eligible CRM technique, it must also recognise an exposure to the CRM provider, which is the amount by which the exposure to the original counterparty is reduced (except in the cases defined in paragraph 57 of the Basel LEX framework). The UK rules allow banks to reduce the value of exposures to counterparties for large exposure purposes to take into account CRM. However, for exposures that are guaranteed or secured by collateral issued by a third party, banks are not required to assign the guaranteed or secured part of the exposures to the CRM provider. The PRA has explained that past analysis indicated that indirect exposures to CRM providers were mainly to sovereigns, which are exempted under the Basel LEX framework. Based on the data provided by the PRA, the maximum impact of this deviation across all sample banks is a reduction in exposures equal to 3.5% of Tier 1 capital. Additionally, the weighted average impact of this deviation on the sample banks is a reduction in exposures equal to 0.5% of Tier 1 capital. Although under the UK rules banks are not required to assign the guaranteed or secured part of the exposure to the CRM provider, the PRA requires banks to analyse, to the extent possible, their exposures to collateral issuers, providers of unfunded credit protection and underlying assets pursuant to Article 390(7) of the Large Exposures (CRR) Part of the PRA Rulebook for possible concentrations and, where appropriate, take action and report any significant findings to the PRA. Based on the explanation provided by the PRA and the impact of this deviation, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	47, 48, 49: Calculation of exposure value for trading book positions

Reference in the domestic regulation	Article 390(5) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework sets out that instruments such as swaps, futures, forwards and credit derivatives must be converted into positions following the risk-based capital requirements. Paragraph 47 requires that these instruments be decomposed into their individual legs. Thereafter, only transaction legs representing exposures in the scope of the Basel LEX framework need to be considered. Paragraph 48 requires that, in the case of credit derivatives that represent sold protection, the exposure to the referenced name must be the amount due in case the respective referenced name triggers the instrument, minus the absolute value of the credit protection. Paragraph 48 also requires that for credit-linked notes, the protection seller needs to consider positions both in the bond of the note issuer and in the underlying referenced by the note. The treatment for options under paragraph 49 of the Basel LEX framework is also different from the risk-based capital framework, where the exposure value must be based on the change(s) in option prices that would result from a default of the respective underlying instrument. Specific requirements are set out for long call, short call, long put and short put options. The UK rules require banks to add the exposures arising from derivative contracts to the total exposure to a client, where the contract is not directly entered into with the client but the underlying debt or equity instrument was issued by that client. However, the UK rules do not require the decomposition of derivative instruments in the trading book into transaction legs so as to subject exposures arising from such transaction legs to the LEX framework. The PRA rules also do not specify how the exposure should be measured for credit derivatives representing sold protection and credit-linked notes, nor do the UK rules transpose the Basel requirements on determining the values of options for large exposure purposes. With regards to the findings arising from Basel paragraphs 47 and 48, there is a negligible impact on the sample banks that reported data. For the finding arising from Basel paragraph 49 on the measurement of options, the maximum impact of this deviation across all sample banks is a reduction in exposures equal to 0.06% of Tier 1 capital, and the weighted average impact across sample banks is negligible. While three sample banks have indicated that they are fully or partially measuring exposures arising from such instruments as per the methodology prescribed in the Basel LEX framework, in other cases, however, the minimal impact is driven by sample banks' limited exposures to derivatives in their top 20 counterparties. The Assessment Team also notes that one sample bank, where the scope of such derivatives may be large, was not able to quantify the impact arising from Basel paragraph 47. The PRA has noted that the finalisation of the Basel III reforms made these requirements obsolete as these paragraphs have been replaced by the new market risk treatment of jump-to-default in the 2023 version of the Basel LEX framework. As these rules are not yet implemented in the PRA LEX rules, this point was not taken into consideration in the assessment of materiality. Lack of explicit requirements to measure derivative positions for LEX purposes may provide UK banks with scope to increase their derivative exposures to counterparties beyond the limits set out in the Basel LEX framework. This could have an impact on the international level playing field and could have financial stability consequences. The Assessment Team considers it plausible that UK banks' derivative portfolios will potentially increase over time, which would result in a greater materiality of this deviation. As such, and considering the lack of impact data from one sample bank, this finding is assessed to be potentially material.
Materiality	Potentially material
Basel paragraph number	56: Offsetting between long and short positions in different issues – positions hedged by credit derivatives
Reference in the domestic regulation	Articles 401(1) and 403(1) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework requires that, for positions hedged by credit derivatives, any reduction in exposure to the original counterparty will correspond to a new exposure

	to the credit protection provider, except for in certain cases set out in Basel paragraph 57 in which the credit protection is provided through a credit default swap (CDS). The UK rules for calculating the value of exposures for large exposure purposes allow banks to reduce the exposure to a counterparty or a group of connected counterparties by taking into account CRM. However, for exposures that are guaranteed or secured by collateral issued by a third party, the bank may – but is not required to – include the amount reduced from the exposure to the counterparty in its exposure to the CRM provider. The maximum impact of this deviation across all sample banks is a reduction in exposures equal to 0.3% of Tier 1 capital. Additionally, the weighted average impact of this deviation is a reduction in exposures equal to 0.01% of Tier 1 capital across the sample banks. As such, this finding is not considered material.
Materiality	Not material
Basel paragraph number	57: Offsetting between long and short positions in different issues – positions hedged through a CDS
Reference in the domestic regulation	NA
Finding	The Basel LEX framework requires that, where credit protection for exposures in the trading book takes the form of a CDS and either the CDS provider or the referenced entity is not a financial entity, the amount to be assigned to the credit protection provider is not the amount by which the exposure to the original counterparty is reduced but, instead, the counterparty credit risk exposure value calculated according to the standardised approach to counterparty credit risk (SA-CCR). The UK rules do not explicitly specify that the amount assigned to the CDS provider, when either the CDS provider or the referenced entity is not a financial entity, is the counterparty credit risk exposure value calculated according to SA-CCR. The value of an exposure treated as an exposure to the guarantor under the UK rules may be understated compared to the exposure amount measured under the SA-CCR. In this case, risk of concentration to CDS counterparties is also not adequately captured. Based on the information provided by the PRA, some sample banks already include exposures arising from CDS hedges, measured based on the SA-CCR, for large exposure purposes. Other sample banks have indicated that they do not have positions that are hedged by CDS instruments. As such, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	59: Net short positions after offsetting
Reference in the domestic regulation	NA
Finding	The Basel LEX framework does not allow netting across banking and trading books. Paragraph 59 of the LEX framework requires that, when the result of offsetting an exposure in the trading book is a net short position with a single counterparty, this net exposure need not be considered an exposure for large exposure purposes. The UK rules do not explicitly specify that a net short position with a single counterparty does not qualify as an exposure for LEX purposes. However, they do require overall exposures to clients to be calculated by adding the exposures in the trading book and the exposures in the non-trading book, consistent with the Basel LEX framework. Banks may interpret this as adding net short positions in the trading book to exposures in the non-trading book, resulting in an understatement of overall exposures to clients. Based on the data provided by the PRA, two sample banks did not have any net short trading book positions. The remaining four out of the six sample banks have indicated that net short trading book positions are not used to offset non-trading book exposures. Based on the above, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	64: Recognition of credit derivative exposure in case of exempted exposures

Reference in the domestic regulation	Article 401(4) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	The Basel LEX framework requires that, if a bank has an exposure to an exempted entity which is hedged by a credit derivative, the bank will have to recognise an exposure to the counterparty providing the credit protection, notwithstanding the fact that the underlying exposure is exempted. This provision has not been transposed into the UK rules, and the PRA has not explicitly formulated how exposures to the counterparty which has provided credit protection on an underlying representing an exempted exposure should be considered. Based on the data provided by the PRA, no sample bank has such an exposure and hence the impact of this finding is currently zero. Further, exempted entities under the LEX standard are typically sovereign entities with a very high credit quality and thus the Assessment Team does not foresee a large growth in exposures for credit protection on exempted entities in near future. Based on this, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	65: Interbank exposures
Reference in the domestic regulation	Article 390(6) of the Large Exposures (CRR) Part of the PRA Rulebook
Finding	Intraday interbank exposures are not subject to the Basel LEX framework, either for reporting purposes or for application of the large exposure limit. In the PRA Rulebook, Articles 390(6)(a), (b) and (c) exempt certain types of exposure from the LEX limit. The exemption covers short-term exposures related to foreign exchange transactions, purchase or sale of securities, and money transmission in order to avoid adversely affecting the payment and settlement processes. This treatment encompasses all counterparties/exposures and is not limited to interbank exposures. Also, the period of exemption varies; it is not limited to intraday and could be as long as five days. The PRA has stated that, at the end of the exemption period, these exposures are included within the scope of the LEX framework and become subject to the large exposure limit. The PRA was not able to provide data to support an assessment of the impact of this deviation. Publicly available data sources were explored by the Assessment Team to form a best-effort estimate of the impact on sample banks, but these were found to be insufficiently granular to assess the full impact of this deviation. These exemptions, however, are temporary and short-term in nature. Further, banks are also required, at the end of the exempted period, to report remaining exposures arising from these transactions when they are greater than 10% of Tier 1 capital. The PRA has also stated that the impact of these exemptions is not material, given that no breach in the LEX limit can be observed by supervisory reporting. Therefore, this deviation is deemed not material. For reference and as additional information, the Assessment Teams notes that sample banks apply internal limits on such exposures even though they are exempted from the PRA LEX framework. In view of the above, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	69: Value of covered bonds
Reference in the domestic regulation	Article 111 of Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council
Finding	The Basel LEX framework requires that covered bonds not satisfying the criteria listed in paragraph 70 be assigned an exposure value equal to 100% of the nominal value of the bank's covered bond holding. The UK rules do not implement the criteria of Basel LEX paragraph 70. However, they do mandate that the value of covered bonds be calculated using the accounting value. Based on the data provided by the PRA, only one sample bank had covered bond exposures, and the reported difference between nominal and accounting values was

	minimal. Further, the Assessment Team noted that the UK rules do not permit the assignment of a lower value to covered bonds as is permitted under the Basel LEX framework under certain conditions. Hence, this finding is assessed to be not material.
Materiality	Not material
Basel paragraph number	77: Bank's exposure to underlying assets
Reference in the domestic regulation	Articles 111 and 248(1)(b) of Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council
Finding	The Basel LEX framework specifies that, when determining the exposure to collective investment undertakings, securitisation vehicles and other structures, where the look-through approach need not be applied, a bank's exposure to the structure must be the nominal amount it invests in the structure. The UK rules require UK banks to report such exposures in terms of their accounting values. The only exception is for securitisation exposures classified as off-balance sheet items, which are required to be reported in terms of their nominal values. Based on the data provided by the PRA, the maximum impact of this deviation on a sample bank is a reduction in its exposure to a counterparty equal to 2.3% of Tier 1 capital, and the weighted average reduction in exposure for all sample banks is equal to only 0.01% of Tier 1 capital. As such, this finding is assessed to be not material.
Materiality	Not material

2.3 Observations

The following observations highlight certain special features of the regulatory implementation of the Basel LEX framework in the UK. These are presented to provide additional context and information. Observations are considered compliant with the Basel standards and do not have a bearing on the assessment outcome.

2.3.1 Scope and definitions

Basel paragraph number	26: Definition of connected counterparties
Reference in the domestic regulation	SS3/25 – Identification of groups of connected clients for large exposures purposes
Observation	The Basel LEX framework sets out a list of qualitative criteria that banks must consider, at a minimum, in establishing connectedness between counterparties based on economic interdependence. While the UK rules require banks to group entities based on economic interdependence, the PRA does not have a legally binding document that sets out the criteria that the Basel LEX framework requires banks to consider when establishing connectedness based on economic interdependence. Instead, the PRA has published a SS (which will become effective from 1 January 2026) on the identification of groups of connected clients for large exposures purposes, which sets out such qualitative criteria. This SS outlines the PRA's expectations for banks to consider such economic interdependence criteria for large exposure purposes. Meetings with a subset of the sample banks indicated that the qualitative criteria on economic interdependence are considered by these banks for establishing connectedness in counterparties.

2.3.2 Minimum requirements and transitional arrangements

Basel paragraph number	18: Minimum requirement – the large exposure limit
Reference in the domestic regulation	Article 396(1) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework requires that breaches of the LEX limit be communicated immediately to the supervisor and rapidly rectified.

	The UK rules require that, when a bank breaches the LEX limits, it must report this without delay to the PRA, which may allow an institution a limited period of time to repair the breach, including a time period of longer than three months, where the circumstances warrant it. The UK rules require that when, in exceptional cases, the PRA allows a bank to exceed the LEX limits for a period longer than three months, the institution is required to present a satisfactory plan and timeline for coming back into compliance. In practice, such breaches have been minor and were rapidly resolved.
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2.3.3 Value of exposures

Basel paragraph number	31: General measurement principles
Reference in the domestic regulation	Article 390(6)(e) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework states that the amount of an exposure to a counterparty that is deducted from capital must not be added to other exposures to that counterparty for the purpose of the large exposure limit. This was further clarified through FAQ 5, published by the Basel Committee in September 2016, which stated that in cases where only a portion of an exposure is deducted, the remaining part of the exposure should be considered an exposure for large exposure purposes. The UK rules set out that exposures deducted from Common Equity Tier 1 (CET1) or Additional Tier 1 (AT1), or any other deduction from those items that reduces the solvency ratio, are not included in the definition of exposures for large exposure purposes. However, Article 390(6)(e) omits the word "amount". The omission of "amount" could potentially be interpreted to mean that the full exposure is excluded for large exposure purposes, even if only a portion of such an exposure is deducted from capital. The PRA has explained, however, that any portion of an exposure that is not subject to deduction from CET1 or AT1 or any other deduction from those items that reduces the solvency ratio would not be included in the scope of Article 390(6)(e). As a result, a part of an exposure that was not deducted would continue to qualify as an exposure required to be included in the calculation of exposure value.
Basel paragraph number	33: Banking book and trading book OTC derivatives (and any other instrument with counterparty credit risk)
Reference in the domestic regulation	The first paragraph of Article 390(4) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX standard requires banks to use the SA-CCR to measure exposure for instruments that give rise to counterparty credit risk which are not securities financing transactions (SFTs). The UK rules allow banks to use simplified methods (ie Simplified SA-CCR and Original Exposure Method) for measuring counterparty credit risk exposures. The Simplified SA-CCR can be used in cases where a bank's derivative business is equal to or less than (a) 10% of the bank's total assets and (b) GBP 260 million. The Original Exposure Method can be used in cases where a bank's derivative business is equal to or less than (a) 5% of the bank's total assets and (b) GBP 88 million. The PRA has explained that the simplified methods are more conservative but simpler and more proportionate for banks with limited derivative business to implement than SA-CCR, given the limited nature and extent of such banks' counterparty credit risk exposures. The thresholds are set at a very low level in order to limit the use of the simplified methods to banks with limited derivative exposures.
Basel paragraph number	35: Definition of exposure value
Reference in the domestic regulation	Article 400(1)(i) of the Large Exposures (CRR) Part of the PRA Rulebook

Observation	The Basel LEX framework requires off-balance sheet items to be converted into credit exposure equivalents by applying the credit conversion factors (CCFs) set out in the standardised approach for credit risk, with a floor set at 10%. The UK rules specify that exposures do not include risk weights or degrees of risk. As such, the UK rules do not assign CCFs to off-balance sheet exposures for large exposure purposes, and they exempt low-risk off-balance sheet exposures from large exposure limits provided that the client concludes an agreement with the bank to not draw on the facility unless they can ascertain that it will not lead to a breach of LEX limits. The PRA considers this treatment of off-balance sheet items to have the same expected result as the 10% CCF floor outlined in the Basel LEX framework. The Assessment Team notes that the PRA's approach would prevent any breach of LEX limits arising from such facilities.
Basel paragraph number	43: Recognition of exposures to CRM providers
Reference in the domestic regulation	Articles 403(1) and (3) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework states that whenever a bank is required to recognise a reduction of the exposure to the original counterparty due to an eligible CRM technique, it must also recognise an equal exposure to the CRM provider by which the exposure to the original counterparty is reduced. In the case of tri-party repos, if certain conditions are met, the UK rules allow UK banks to use the full amount of the limits that the institution has instructed the tri-party agent to apply to the securities issued by the collateral issuer, rather than the total amount of the bank's exposure to a collateral issuer, for the purposes of treating them as exposures to the collateral issuer. The PRA explained that this approach ensures compliance with the LEX limit while limiting the operational burden on banks to continuously monitor and calculate the actual total exposure to the collateral issuer in tri-party repos. By allowing banks to consider the amount of the limit (which will always be at least equal to or higher than the actual exposure), UK rules are at least as conservative as the Basel LEX framework.
Basel paragraph number	51: Offsetting long and short positions in the trading book
Reference in the domestic regulation	Article 390(3)(a) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework allows banks to offset long and short positions in the same issue, where two issues are defined as the same if the issuer, coupon, currency and maturity are identical. The UK rules allow banks to offset their long and short positions in the same financial instrument issued by a given client. However, the definition of "same financial instrument" is not set out explicitly. The PRA explained that "same financial instrument" in substance means that the financial instruments must be identical. This would include having the same issuer, coupon, currency and maturity.
Basel paragraph number	55: Offsetting long and short positions in the trading book
Reference in the domestic regulation	NA
Observation	Under the Basel LEX framework, banks that find it excessively burdensome to allocate trading book positions to different buckets based on relative seniority may instead recognise no offsetting of long and short positions in different issues relating to the same counterparty in calculating exposures. This part of the Basel standards has not been transposed into UK rules. The PRA has explained that there is no specific rule for banks that find it burdensome to classify seniority buckets, but if banks cannot determine seniority, offsetting of positions will not be allowed. Offsetting is only allowed where exposures are allocated by seniority.
Basel paragraph number	69, 70: Special treatment for covered bond exposures

Reference in the domestic regulation	NA
Observation	The Basel LEX framework allows for exposures to covered bonds meeting specific criteria to be assigned an exposure value of no less than 20% of the nominal value. The UK rules do not implement this treatment for covered bonds exposures.
Basel paragraph number	74: Determination of the relevant counterparties to be considered
Reference in the domestic regulation	Article 6(2)(b)(c) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework requires banks to look through structures (eg collective investment undertakings) to identify those underlying assets for which the underlying exposure value is greater than or equal to 0.25% of the bank's Tier 1 capital. In this case, the counterparty corresponding to each of the underlying assets must be identified so that these underlying exposures can be added to any other direct or indirect exposure to the same counterparty. The bank's amount of exposure to the underlying assets that are below 0.25% of the bank's eligible capital base may be assigned to the structure itself (ie partial look-through is permitted). The UK rules allow for special treatment when the bank can ensure, by the structure's mandate, that the underlying exposures are not connected with other exposures in the bank's portfolio, including underlying exposures from other structures. In such cases, the exposure shall be assigned to the structure as a separate client, not to the counterparty of each underlying asset that exceeds 0.25% of the bank's eligible capital base. While the requirement in the UK rules is not exactly the same as that prescribed by the Basel LEX framework, the PRA reasoned that it is equivalent in terms of expected results, given the regulatory condition in the use of the special treatment (that is, the absence of any other exposures in the bank's portfolio to the same counterparty). Even in a hypothetical circumstance in which the exposure to an underlying asset in a structure is so high that it alone could significantly increase the bank's concentration risk, the UK rules would be sufficient to capture this risk, not under the recognition of the underlying asset as a counterparty itself, but under the recognition of the structure as a separate client, to which the LEX limit would apply.
Basel paragraph number	85, 87, 89: Exposures to non-QCCPs
Reference in the domestic regulation	Articles 400(1)(j) and 394(1) of the Large Exposures (CRR) Part of the PRA Rulebook
Observation	The Basel LEX framework requires that, for exposures to non-qualifying central counterparties (non-QCCPs), banks must measure their exposure as the sum of clearing exposures and non-clearing exposures. The Basel LEX framework prescribes a specific treatment for measuring clearing exposures (such as trade exposures, margins and default fund contributions etc). Further, paragraph 89 of the Basel LEX framework outlines that exposures that are not directly related to clearing services provided by the CCP (such as funding facilities, credit facilities, guarantees etc) must be measured according to the rules set out in the Basel LEX framework, as for any other type of counterparty. The PRA explained that the UK rules do not set out specific treatment for exposures to non-QCCPs. They require banks to treat clearing and non-clearing exposures to non-QCCPs like any other exposure under the relevant UK LEX rules. In the PRA's view, this achieves an outcome similar to that of the Basel LEX framework.
Basel paragraph number	88: Calculation of exposures related to clearing activities
Reference in the domestic regulation	NA
Observation	The Basel LEX framework requires that, for exposures subject to clearing services (ie the bank acts as a clearing member or is a client of a clearing member), the bank must determine the counterparty to which exposures must be assigned by applying the provisions of the risk-based capital requirements.

	The PRA explained that when a bank acts as a clearing member of any CCP, the UK rules treat these exposures as any other exposure; ie if the bank acts as a clearing member of a QCCP, its exposures are exempt from large exposure limits, and if it acts as a clearing member of a non-QCCP, its exposures are subject to regular large exposure limits in terms of counterparty credit risk rules.
Basel paragraph number	93: Implementation date
Reference in the domestic regulation	PS22/21 – Implementation of Basel standards: Final rules
Observation	The Basel LEX framework requires that all aspects of the LEX framework be implemented in full by 1 January 2019. UK banks were subject to LEX requirements from June 2021 when the UK was part of the EU. After the UK's departure from the EU and following the end of a transition period, the Large Exposures (CRR) Part of the PRA Rulebook took effect in January 2022.

Annexes

Annex 1: RCAP Assessment Team and Review Team

Assessment Team leader

Mr Kentaro Tamura	Bank of Japan
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Assessment Team members

Mr Pierre Mananga	South African Reserve Bank
Mr Eric Ng	Hong Kong Monetary Authority
Mr Anders Rydén	Sveriges Riksbank
Mr Ivan Tan	Monetary Authority of Singapore

Supporting members

Mr Shintaro Nakamura	Bank of Japan
Ms Mako Hayashi	Bank of Japan
Ms Rena Hirao	Bank of Japan (until 16 June 2025)
Ms Asuka Watanabe	Bank of Japan (from 16 June 2025)
Mr Carsten Folkertsma	Basel Committee Secretariat
Mr Pradeep Kumar	Basel Committee Secretariat
Ms Mathilde Lalaude-Labayle	Basel Committee Secretariat
Mr Noel Reynolds	Basel Committee Secretariat

Review Team members

Mr Christian Capuano	Swiss Financial Market Supervisory Authority
Mr Brian Cox	Federal Deposit Insurance Corporation
Mr Jungil Kim	Korean Financial Supervisory Service
Mr Toshio Tsuiki	Basel Committee Secretariat

Annex 2: List of Basel standards and implementing regulations issued by UK authorities

The following Basel standards were used as the basis of this RCAP assessment:

- *Supervisory framework for measuring and controlling large exposures*, April 2014
- *Frequently asked questions on the supervisory framework for measuring and controlling large exposures*, September 2016

Table A.1 lists the regulations issued by UK authorities to implement the LEX framework in the UK. The instrument types described in Table A.1 are considered binding on banks and supervisors for the purposes of an RCAP assessment. The binding nature of these instruments has been considered in the parallel RCAP assessment of the UK implementation of the NSFR and is not repeated here.⁸

Overview of relevant LEX regulations in the UK

Table A.1

Domestic regulations	Type, version and date
Large Exposures (CRR) Part of the PRA Rulebook	Annex G of PRA Rulebook (CRR) instrument 2021, PRA 2021/13, issued on 5 October 2021, which came into force on 1 January 2022.
Reporting (CRR) Part of the PRA Rulebook covering rules on reporting	Annex J of PRA Rulebook (CRR) instrument 2021, PRA 2021/13, issued on 5 October 2021, which came into force on 1 January 2022
Assimilated Regulation (EU) No 575/2013 of the European Parliament and of the Council (assimilated version of the EU CRR in UK legislation)	This applied from the end of the transition period from the EU. Part 4 (Large Exposures) was substantially revoked by The Capital Requirements Regulation (Amendment) Regulations 2021, SI 2021/1078, which were issued on 22 September 2021 and came into force on 1 January 2022.
Financial Services and Markets Act 2000	Given royal assent on 14 June 2000. Various commencement dates, as stated in SI 2001/3538.
PRA fundamental rules	The PRA Rulebook: Fundamental Rules Instrument 2014, PRA instrument 2014/17, issued on 13 June 2014, which came into force on 19 June 2014. Amended by: Annex F to PRA instrument 2015/51, issued on 4 June 2015, which came into force on 1 October 2015; Annex C to PRA instrument 2020/29, issued on 28 December 2020, which came into force on 31 December 2020; and Annex C to PRA instrument 2022/6, issued on 1 August 2022, which came into force on 12 August 2022.
PRA Supervisory Statement 16/13 – Large Exposures	First published in December 2013. Current version published and effective from 1 January 2022.
Source: PRA.	

⁸ See Section 1.2 and Annex 3 in Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel NSFR regulations – United Kingdom*, December 2025, www.bis.org/bcbps/publ/d602.htm.

Annex 3: Materiality assessment

The outcome of the RCAP assessment is based on the materiality of the findings described in Section 2.2 and summarised in Table A.2. The Assessment Team evaluates the materiality of findings quantitatively where possible or using expert judgment when the impact cannot be quantified.

The materiality assessment for quantifiable gaps is based on the cumulative impact of the identified deviations on the reported LEX of banks in the RCAP sample. These banks are listed in Table A.3.

Number of deviations by component			Table A.2
Component	Not material	Potentially material	Material
Scope and definitions	1	0	0
Minimum requirements and transitional arrangements	0	1	0
Value of exposures	10	1	0

RCAP sample banks		Table A.3
Banking group	Share of banks' assets in the total assets of internationally active banks in the UK banking system (in per cent)	
HSBC	22.6	
Barclays	14.6	
Standard Chartered	7.5	
Lloyds	7.2	
Goldman Sachs UK	7.2	
NatWest	6.7	
Total	65.8	

For this purpose, banking assets are based on the measure of total exposures used in the leverage ratio, which includes both on- and off-balance sheet exposures.

Source: PRA.

Annex 4: Amendments made by UK authorities to LEX rules

List of amendments by UK authorities

Table A.4

Basel paragraph	Reference in UK regulations	Description of the amendments
13, 61	Article 400(1)(k) of the Large Exposures (CRR) Part of the PRA Rulebook	The PRA finalised amendments to the Large Exposures (CRR) Part of the PRA Rulebook as set out in PRA Policy Statement 14/25. These amendments will take effect in January 2026. As part of these amendments, the PRA deleted Article 400(1)(k) of the Large Exposures (CRR) Part of the PRA Rulebook, which exempts exposures to the UK DGS arising from the funding of this scheme.
26	Supervisory Statement 3/25 – Identification of groups of connected clients for large exposures purposes	In July 2025, the PRA published its SS on the identification of groups of connected clients for large exposures purposes. This SS outlines the PRA's expectations in relation to the approach firms should take when grouping two or more clients into a "group of connected clients".
37	Article 402(1) and (2) of the Large Exposures (CRR) Part of the PRA Rulebook	The PRA finalised amendments to the Large Exposures (CRR) Part of the PRA Rulebook as set out in PRA Policy Statement 14/25. These amendments will take effect in January 2026. As part of these amendments, the PRA deleted Articles 402(1) and (2) of the Large Exposures (CRR) Part of the PRA Rulebook, which allow for the recognition of residential and commercial real estate as collateral in reducing exposure values for large exposure purposes.

Source: PRA.

Annex 5: Areas where the UK rules are stricter than the Basel standards

In several areas, the UK authorities have adopted a stricter approach than the minimum standards prescribed by the Basel Committee. These are listed below for information. Under the RCAP methodology, stricter rules are not taken into account as mitigants for the overall or component-level assessment of compliance.

- The UK LEX rules are applied to a wider scope of banks than that required by the Basel LEX framework, which is applicable to internationally active banks. In the UK, the LEX rules are applied on a standalone and consolidated basis to both internationally and non-internationally active banking groups, building societies and designated investment banks (Rule 1.1 of the Large Exposures (CRR) Part of the PRA Rulebook).
- While sovereign exposures are exempt under the Basel LEX framework, the UK rules only exempt exposures to sovereigns subject to a 0% risk weight under the standardised approach to credit risk (Article 400(1) of the Large Exposures (CRR) Part of the PRA Rulebook).
- The UK rules are super-equivalent in that only trade exposures and default fund contributions to QCCPs are exempt from LEX limits (Article 400(1)(j) of the Large Exposures (CRR) Part of the PRA Rulebook).