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DRAFT STATUTORY INSTRUMENTS

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**2025 No.**

**FINANCIAL SERVICES AND MARKETS**

**The Capital Requirements Regulation (Amendment)  
Regulations 2025**

<i>Made</i>	- - - -	***
<i>Laid before Parliament</i>		***
<i>Coming into force</i>	- -	30th December 2026

The Treasury make the following Regulations in exercise of the powers conferred by sections 3(1) and (4) and 84(2) of the Financial Services and Markets Act 2023<sup>(a)</sup>.

In accordance with section 3(6) of the Financial Services and Markets Act 2023, the Treasury have consulted the Prudential Regulation Authority and the Financial Conduct Authority.

In accordance with sections 3(10) and 84(3) of the Financial Services and Markets Act 2023, a draft of these Regulations has been laid before, and approved by a resolution of, each House of Parliament.

**Citation, commencement and extent**

1.—(1) These Regulations may be cited as the Capital Requirements Regulation (Amendment) Regulations 2025.

(2) These Regulations come into force on 30th December 2026.

(3) These Regulations extend to England and Wales, Scotland and Northern Ireland.

**Amendment of Regulation (EU) No 575/2013**

2.—(1) After Article 465 (own funds requirements) 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 and amending Regulation (EU) No 648/2012<sup>(b)</sup>, insert—

“Article 465A

Transitional provision for capital requirements relating to market risk

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(a) 2023 c. 29.  
(b) EUR 2013/575.

1. During the transitional period, credit institutions and Part 4A investment firms must not apply the following provisions of the Market Risk: Internal Model Approach (CRR) Part of the PRA Rulebook<sup>(a)</sup> for the purpose of calculating their capital requirements for market risk—

- (a) rule 4.1 (transitionals);
- (b) Article 325az (permission to use internal models) except for paragraph A1;
- (c) Articles 325azx (material changes and extensions to permission) to 325bp (particular requirements for an internal default risk model); and
- (d) Annexes 1 (standards for grant of an IMA permission) and 2 (material changes and extensions to internal models).

2. The Treasury may by regulations amend the definition of “transitional period” in paragraph 6(h).

3. The power to make regulations under paragraph 2 is exercisable by statutory instrument.

4. A statutory instrument which contains regulations made under paragraph 2 is subject to annulment in pursuance to a resolution of either House of Parliament.

5. Regulations under paragraph 2 may make—

- (a) incidental, supplemental, consequential, transitional or saving provision;
- (b) different provision for different purposes.

6. In this Article—

- (a) “credit institution” has the meaning given in section 417(1) of FSMA 2000<sup>(b)</sup>;
- (b) “FSMA 2000” means the Financial Services and Markets Act 2000<sup>(c)</sup>;
- (c) “Part 4A investment firm” means a person who—
  - (i) falls within the definition of “investment firm” in section 424A of FSMA 2000<sup>(d)</sup>,
  - (ii) has a Part 4A permission to carry on a regulated activity which falls within the definition of “investment services and activities” in section 417(1) of FSMA 2000<sup>(e)</sup>, and
  - (iii) is not a credit institution;
- (d) “Part 4A permission” has the meaning given in section 55A(5) of FSMA 2000;
- (e) “regulated activity” has the meaning given in section 22 of FSMA 2000<sup>(f)</sup>;
- (f) “the PRA” has the meaning given in section 417(1) of FSMA 2000<sup>(g)</sup>;
- (g) “the PRA Rulebook” means the rulebook published by the PRA containing rules made by that Authority under FSMA 2000 as those rules are amended from time to time;
- (h) “transitional period” means the period beginning with 1st January 2027 and ending with 31st December 2027.”.

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- (a) As amended by the PRA Rulebook: CRR Firms: (CRR) (No 2) Instrument [2025], which was made on [XXX] and will come into force on [1 January 2027]. This instrument and the PRA Rulebook can be found at <https://www.prarulebook.co.uk/> and a copy can be obtained from the Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA.
  - (b) The definition of “credit institution” was inserted by S.I. 2019/632.
  - (c) 2000 c. 8.
  - (d) Section 424A was inserted by S.I. 2006/2975 and amended by paragraph 16 of Schedule 2 to the Financial Services Act 2021 (c. 22) and S.I. 2019/632.
  - (e) The definition of “investment services and activities” was amended by S.I. 2020/1385.
  - (f) Section 22 was amended by section 7 of the Financial Services Act 2012 (c. 21), section 27 of the Financial Guidance and Claims Act 2018 (c. 10), section 69 of the Financial Services and Markets Act 2023 (c. 29) and S.I. 2018/135.
  - (g) The definition of “the PRA” was inserted by section 48 of the Financial Services Act 2012.

Date

Name

Two of the Lords Commissioners of His Majesty's Treasury

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

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 (“the Capital Requirements Regulation”) provides, among other things, for capital requirements relating to market risk. Some of these capital requirements were revoked in 2022 while the remaining provisions are revoked by section 1 of, and Schedule 1 to, the Financial Services and Markets Act 2023 (c. 29). The revocation comes into force on 1 January 2027 by virtue of the Financial Services and Markets Act 2023 (Commencement No. X) Regulations XXXX (S.I. XXXX/X (C. X)).

The revoked capital requirements will be replaced by rules made by the Prudential Regulation Authority (“PRA”), which are available on <https://www.prarulebook.co.uk> and copies of the rules can be obtained from the PRA, 20 Moorgate, London, EC2R 6DA.

These Regulations insert Article 465A into the Capital Requirements Regulation, which requires credit institutions and Part 4A investment firms not to apply specified PRA rules for the period between 1st January 2027 and 31st December 2027. Article 465A comes into force on 30th December 2026, that is, immediately before the relevant provisions of the Capital Requirements Regulation are revoked.

Article 465A gives the Treasury the power to extend the transitional period by regulations. During the transitional period, credit institutions and Part 4A investment firms will be able to continue using their existing market risk models in accordance with the PRA rules.

A full impact assessment of the effect that this instrument will have on the costs of business, the voluntary sector and community bodies is available from HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ and is published with the Explanatory Memorandum alongside this instrument at [www.legislation.gov.uk](http://www.legislation.gov.uk).