

IMPLEMENTATION OF THE BASEL 3.1 STANDARDS

OVERVIEW OF PRA POLICY STATEMENT 9/24

SEPTEMBER 2024

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Overview of the main updates

Following from the detailed analysis of CP16/22 performed by TNP, which can be found on our [website](#), this paper provides an overview of the near final rules relating to the implementation of Basel 3.1 as proposed by the Prudential Regulation Authority in PS9/24

Overview of the main updates and changes in the B3.1 standards¹

As related to PS9/24 released in September 2024 by the PRA

Overview



CP16/22 was proposed to align with Basel III standards and promote safety and soundness of the firms that are regulated by the PRA

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The scope of PS9/24 includes credit risk standardised and internal ratings based approaches, credit risk mitigation, output floors, disclosure (Pillar 3) and reporting



The proposed implementation date has been moved out by a further six months to 1 January 2026 with a 4-year transitional period ending 1 January 2030



The PRA released several new capital-related statements alongside PS9/24 including CP7/24 for Small Domestic Deposit Takers (SDDTs)



The PRA states that no significant changes to the policy and associated instruments is intended before finalisation

Main updates and changes

Standardised approach

- Clarification of the application for the exposure hierarchy
- Changes to conversion factors for some eligible off balance sheet exposures
- Significant clarifications and changes to real estate exposure definitions, valuations and risk weights

Internal ratings based approach

- Definition of SME simplified
- Standardised approach for quasi-sovereigns
- PPU criteria within roll-out class revised
- SME lending adjustment and infrastructure lending adjustment introduced
- Undocumented support permitted for obligor grade assignment
- HVCRE category amended and changes in the overall slotting criteria

Output floors

- Flexibility for UK subsidiaries
- Specific adjustments for specialised lending
- New output floor adjustment for differences between EL and accounting provisions:
New Floored RWA = max of:
 - 1) RWAs (modelled approaches)
 - 2) $[0.725 * \text{Standardised RWAs}] + \text{Output Floor Adjustment}$

Credit risk mitigation

- Further guidance and amendments regarding FCP securing UFCP obligations
- Permission to allow FCCM to exposures on the slotting approach with some restrictions
- Further clarifications and small adjustments on FCP; the UFCP framework is largely unchanged

1. There have also been updates and changes in PS9/24 not covered in this document

Appendix A: Who are we



Get in touch with our team of Basel 3.1 credit risk experts



**Dr. Lutz
Baumgarten**

20+ years - M Eng in Engineering Science, M Phil and D Phil in Economics (Oxford)



**Vijay
Krishnaswamy**

20+ years - BSc in Mathematics (Madras), MBA in Finance (Ahmedabad), FRM



**Raymond
Sinclair** CFA, FRM

15+ years - Bachelor's degree Accounting, Master's in Economics (Witwatersrand)



**Derek
Alston**

15+ years - CA (SA), B Comm (Hons) in Management Accounting (Witwatersrand)



**Christoph
Saleh** FRM

12+ years - MSc (Frankfurt School of Finance & Management), BA (DHBW Karlsruhe)



**Dr. Writam
Chakraborty**

12+ years - MSc in Applied Mathematics (Jadavpur), PhD in Mathematics (IEST Shibpur)



**Stefanie
Rynboom** CFA

10+ years - BSc Actuarial Science and Statistics, BSc (Hons) in Advanced Mathematics of Finance (Witwatersrand)



**Alex
Crook**

6+ years - IRB Model Development
BSc & MSc in Financial Mathematics



**Alex
Whitehouse**

15 years - BCom in Econ & Finance; BA in Philosophy from the University of Auckland

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