

MIFIDPRU 4 Annex 2R

Application under MIFIDPRU 4.12.4R for permission to use an advanced internal market risk model

MIFIDPRU 4.12.8R to 4.12.65G set out requirements for internal models and explain the factors that the FCA will consider when deciding whether to grant permission to use an advanced internal model. Please refer to these rules and guidance when completing your application.

Details of Senior Manager responsible for this application:

If the application is being made in respect of a MIFIDPRU investment firm or another SMCR firm, we would expect the individual responsible for it to hold a senior management function (SMF).

Name of individual	
Job title / position	
Individual reference number (if applicable)	

1. Please list all MIFIDPRU investment firms covered by the model on behalf of which this application is made:

FRN	MIFIDPRU investment firm name

2. Please confirm which of the following the applicant firm wishes to calculate using an internal model:

- a. General risk of equity instruments
- b. Specific risk of equity instruments
- c. General risk of debt instruments
- d. Specific risk of debt instruments
- e. Foreign exchange risk
- f. Commodities risk

3. For the risk categories selected, please explain which classes of position within each risk category the applicant firm would like to apply the model to (e.g. government debt instruments, corporate debt instruments, etc.).

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4. Please confirm the scope of the consolidated application for the model:

- Not applicable, as the model will only be used at solo level
- The use of the model at solo and consolidated level will involve the same types of instruments
- The consolidated application for a model will include a wider range of instrument types than those covered by the model at solo level ▶ Give details below

5. For applications on consolidated basis, please specify the FRN and name of the consolidating UK parent entity.

FRN	
Name	

6. Please explain how the applicant firm, and other group undertakings in scope of this application (if applicable), meet the relevant conditions for the use of internal model specified in Part Three, Title IV, Chapter 5 of the UK CRR as it applied on 31 December 2021.

7. Please explain how the internal model this application relates to covers a significant share of the positions of each relevant risk category.

8. Proposed implementation date (date from which the applicant firm proposes to start using the model, subject to receiving the necessary approval).

DD/MM/YYYY

9. Please attach the following information to support your application:

- a. Organisational charts for all functions that either execute trading activities or execute a control function over trading activities including internal audit.
- b. A list of all policies that govern activities by all of the above functions.
- c. List of all meetings where trading activities and the activities of control functions are discussed (we may request minutes and supporting documentation for some of these meetings).

- d. 6 months of front-office profit/loss (P/L) flashes and all subsequent P/L reporting for the same period.
- e. All management reporting by finance and product control functions for 6 months that:
 - i. Provide P/L explanations
 - ii. Validate trade booking and any necessary adjustments
 - iii. Contain monthly confirmation of position reconciliations
 - iv. Contain monthly price testing reports
- f. All management reporting by Risk Management staff, including:
 - i. A list of all market risk limits currently in place
 - ii. All market risk reporting concerning limits
 - iii. All changes to market risk limits in the past 6 months along with any supporting documentation
- g. All documentation related to the advanced market risk model (VAR), including:
 - i. Model description
 - ii. Model validation
 - iii. List of all pricing models used within the advanced market risk model
 - iv. List of model validation documents for (iii) and the date of last review
 - v. List of all risks not captured by the advanced market risk model
 - vi. List of all documentation describing how items in (v) are estimated
 - vii. List of all validation of items in (vi)
- h. Model output and pro-forma reporting for at least 3 months, which provides:
 - i. A comparison of clean P/L, raw P/L and model output
 - ii. An explanation of significant deviations between clean P/L and raw P/L
 - iii. An explanation of any exceptions
 - iv. An explanation for any significant deviations in the number of exceptions observed

- i. All management reporting by Compliance functions for the past 6 months that:
 - i. Attests to the adherence to policies and procedures by trading staff
 - ii. Reports any violation of policies and procedures by trading staff
- j. The following documentation from internal audit:
 - i. A list of all audit activities for the current year
 - ii. All audit reports from the previous year
- k. A status report on all outstanding actions identified by internal audit in trading and control functions.