

CONSULTATION PAPER NO. 167



PROPOSED ENHANCEMENTS TO THE DFSA RULEBOOK TO ALIGN WITH BASEL CORE PRINCIPLES

04 July 2025

PREFACE

Why are we issuing this Consultation Paper?

1. This Consultation Paper sets out proposals to enhance the DFSA Rulebook to align it further with the Basel Core Principles for Effective Banking Supervision (BCP) issued by the Basel Committee on Banking Supervision (BCBS).¹
2. The BCP provide a framework of minimum standards for establishing a sound foundation for the regulation, supervision, governance and risk management of the banking sector. Aligning the DFSA's regulatory framework with the BCP supports our statutory objectives, including the objectives of fostering and maintaining the financial stability of, and confidence in, the financial services industry in the DIFC.

Who should read this Consultation Paper?

3. The proposals in this Consultation Paper should be of interest to Authorised Persons, potential applicants, professional advisors and other industry participants. Please refer to the application table in Annex 2 of this Consultation Paper for the specific policy proposals and their applicability to the different firms that the DFSA regulates.

Terminology

4. In this Consultation Paper, defined terms have the initial letter of a word, or of each word in a phrase, capitalised and are defined in the Glossary module ([GLO](#)). Unless the context otherwise requires, where capitalisation of the initial letter is not used, the expression has its natural meaning.

What are the next steps?

5. Please provide your comments by accessing [the online response form](#). The deadline to submit comments is **05 September 2025**. You will need to identify yourself and the organisation you represent (if applicable) in providing your comments. We may publish any comments you provide, unless you expressly request otherwise at the time of making comments.
6. Following the public consultation, we will consider if any further changes are required to these proposals. We will then proceed to make the relevant changes to the DFSA Rulebook, as appropriate. The final version of the Rulebook modules will be published on our website, and we will issue a notice on our website when this happens. You should not act on the proposals until the relevant changes are made.

Structure of this Consultation Paper

7. The Consultation Paper is structured as follows:
 - Background

¹ The latest version of the BCP (April 2024) is now incorporated into the consolidated Basel Framework and is available [here](#).

- Revisions to the BCP
- DFSA's implementation of the BCP
- Scope of application
- Policy Proposals
 - Risk management process
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 - Concentration Risk and Large Exposure limits
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- Annex 2: Application table
- Appendix 1: Draft amendments to the General (GEN) module
- Appendix 2: Draft amendments to the Prudential – Investment, Insurance Intermediation and Banking (PIB) module
- Appendix 3: Draft amendments to the Glossary (GLO) module
- Appendix 4: Draft amendments to the Islamic Finance Rules (IFR) module

BACKGROUND

Revisions to the BCP

8. The BCBS developed the BCP as its contribution to fostering financial stability by setting out a universally applicable framework of minimum standards for sound prudential regulation and supervision of banks.
9. The BCP are intended to be a “living” set of standards that evolve over time in response to global financial developments and emerging risks. Since their initial publication in 1997, the BCP have been updated three times with the latest revision in April 2024 (the revised BCP).
10. The revised BCP are a response to regulatory and supervisory developments and structural changes within the banking industry. It also addresses the lessons learned over the last decade, including from the Covid-19 pandemic and the March 2023 banking turmoil.
11. The revised BCP have been strengthened to account for new risks, including climate-related financial risks, the digitalisation of finance and developments in risk management practices.
12. The revised BCP are set for immediate adoption, with no transitional period, signalling a commitment to the need to elevate rapidly supervisory standards worldwide to foster a global banking environment that is robust and adaptable to future challenges.

DFSA's implementation of the BCP

13. As part of our ongoing commitment to fostering a robust and resilient regulatory environment within the DIFC, as an international financial centre, we propose to adopt the revised BCP. In line with our practice, we will do so in a way that is appropriate given the characteristics of the DIFC.
14. The policy proposals in this Consultation Paper are informed by the results of a benchmarking exercise of the regulatory frameworks and supervisory approaches adopted by the regulatory authorities in Australia, Canada, Hong Kong SAR, Singapore, the UAE, the European Union and the United Kingdom.²

Scope of application

15. In the formulation of these policy proposals, we primarily considered their application to Authorised Firms that are equivalent to banks or are subject to capital adequacy requirements in line with the Basel III framework – namely, Authorised Firms in prudential Categories 1, 2 and 5. All policy proposals outlined in this Consultation Paper apply to these firms.
16. In addition, we identified areas where clarifications to our Rules, Guidance or supervisory expectations may be beneficial for a broader population of firms, such as all Authorised Persons or all Authorised Firms in all prudential Categories. This applies to specific policy proposals in relation to the risk management process. For ease of reference, we have included an application table for each proposal, outlining which firms would be affected. It is located in Annex 2 of this Consultation Paper.

POLICY PROPOSALS**Risk management process**

17. The revised BCP reinforced risk governance frameworks by placing greater emphasis on risk culture and risk appetite frameworks, comprehensive risk management policies and processes, risk reporting systems and risk data aggregation.
18. Additionally, the revised BCP require the establishment of a risk management function with sufficient resources, independence, authority and access to the governing body. For large and complex banks, this function should be overseen by a chief risk officer (CRO). The removal of the CRO should require prior approval by the governing body and the reasons for the removal should be communicated to supervisors.
19. The revised BCP acknowledge the importance and impact of emerging risks, such as climate risk and risks related to digitalisation, by setting the expectation that risk management policies and processes and the risk management functions cover all material risks, including emerging risks.

² Australian Prudential Regulation Authority (APRA), Office of the Superintendent of Financial Institutions (OSFI), Hong Kong Monetary Authority (HKMA), Monetary Authority of Singapore (MAS), Central Bank of the UAE (CBUAE), European Banking Authority (EBA) and European Central Bank's Single Supervisory Mechanism (SSM), and Prudential Regulation Authority (PRA).

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20. To strengthen risk governance, following Consultation Paper 159³, the DFSA introduced a requirement to produce a risk appetite statement approved by the Governing Body. Additionally, the existing requirements to carry out an Internal Risk Assessment Process (IRAP), Internal Capital Adequacy Assessment Process (ICAAP) and stress testing programmes form the basis of effective risk governance frameworks in Authorised Firms in prudential Categories 1, 2 and 5.⁴
21. Furthermore, the GEN module outlines overarching requirements for systems and controls, including risk management and management information.⁵ Specifically, GEN Rule 5.3.6(1) requires an Authorised Person to appoint an individual responsible for advising the Governing Body and senior management on risks to which the firm is exposed. However, there is no requirement for establishing a risk management function and the obligations for management information do not include specific requirements for risk data aggregation and adequate reporting capabilities.
22. In light of the above and drawing on the detailed analysis of the revised BCP and the results of the benchmarking exercise, we have identified areas where our current Rules and Guidance can be enhanced. Specifically, to align with the core principle 15 on the risk management process, we propose to:
- (a) clarify and reinforce the responsibilities of an Authorised Person's Governing Body in establishing and communicating a sound risk culture and corporate values.
 - (b) reinforce the second line of defence⁶ by:
 - (i) for large and complex firms, requiring:
 - 1. the establishment of a dedicated risk management function responsible for overseeing risk taking activities, and that the function be adequately resourced and independent.
 - 2. the risk management function to be headed by a person who holds a position of Senior Manager within the firm.
 - (ii) mandating an Authorised Person's Governing Body approval for removal of the individual with risk management responsibilities. For a Senior Manager the reasons for removal should be notified to supervisors.⁷

³ Please see [Consultation Paper 159](#) and [Feedback Statement](#) on Interest Rate Risk in the Banking Book and Risk Appetite Statement.

⁴ Please see [PIB section 10.3](#), [PIB section 10.4](#), [PIB section A3.1](#) and [PIB section A10.1](#), [PIB section A10.2](#).

⁵ Please see [GEN section 5.3](#), including [GEN Rules 5.3.4–5.3.6](#) and [GEN Rule 5.3.17](#).

⁶ A risk governance framework with well-defined organisational responsibilities for risk management is typically referred to as the “three lines of defence”, consisting of (i) the business line – the first line of defence; (ii) a risk management function and a compliance function – the second line of defence – independent from the first line of defence; and (iii) an internal audit function – the third line of defence – independent from the first and second lines of defence.

⁷ It should be noted that draft amendments to the GEN module in Appendix 1 do not include changes to implement this proposal as it has already been consulted on via [Consultation Paper 165](#).

- (iii) clarifying the scope of the internal audit function's work to include the review of governance and risk management arrangements, to ensure proper implementation of three lines of defence model.
 - (c) clarify that an Authorised Person's comprehensive risk management policies and processes should cover all material risks, including those that could materialise over longer time horizons, such as climate-related financial risks, risks related to digitalisation, and other emerging risks. These risks should also be addressed by the independent risk management function and embedded in all key risk management processes. This includes processes such as the development of risk appetite statements, IRAP, ICAAP or stress testing programmes, for Authorised Firms to which those requirements already apply.
 - (d) strengthen the requirements for the management information system to:
 - (i) ensure that it is proportionate to the nature, scale and complexity of the Authorised Person's business and produces information that supports effective decision-making by its Governing Body and senior management.
 - (ii) require Authorised Firms in prudential Categories 1, 2 and 5 to develop and maintain robust information systems that support effective risk data aggregation and reporting across the entire firm. These systems should be adequate both under normal circumstances and in periods of stress, including for measuring, assessing and reporting of Exposures across all risk types, products and counterparties.
 - (iii) ensure that the information system is subject to periodic review by an Authorised Person's Governing Body and senior management to ensure its effectiveness.
 - (e) broaden the scope of the current requirements for Authorised Firms in relation to new products, strategies and activities,⁸ so that these requirements also include material modifications to existing products, services and systems, and that major changes in systems, process and business models, and major acquisitions are subject to the Governing Body approval.
23. As noted in paragraph 22(b)(i), we limit the policy proposal to establish a dedicated risk management function to large and complex firms only, to avoid imposing an unnecessary regulatory burden on smaller and less complex firms. We propose to clarify our expectation that Domestic Firms in prudential Categories 1, 2 and 5 would generally be considered large and complex, but other Authorised Persons may also fall within this scope of this requirement.

Please see draft GEN Rules 5.3.5(A), 5.3.6, 5.3.13(1), 5.3.17, 5.3.30 and draft guidance items 1-2 to GEN Rules 5.3.4 to 5.3.6, guidance item 4A to GEN Rule 5.3.30 in Appendix 1 and draft PIB Rule 6.3.2(a), guidance item 2 to PIB section 2.5, guidance item 4(i) to PIB Rule 6.2.2, guidance item 1 to PIB Rule 6.3.2, guidance item 5A in PIB section A3.1, guidance item 11 in PIB section A10.1, guidance item 11 in PIB section A10.2 in Appendix 2.

⁸ Please see [PIB Rule 6.3.2](#) and [guidance item 1 to PIB Rule 6.3.2](#).

Question 1:

Do you agree with the proposed enhancements to risk governance set out in paragraphs 22 and 23?

Credit Risk, problem Exposures and provisions

24. Credit Risk remains the predominant risk for most banks. For this reason, several core principles in the BCP address different elements of Credit Risk. These include expectations for sound management of Credit Risk, early identification and effective management of problem Exposures and the maintenance of adequate provisions and reserves.
25. In particular, the revised BCP:
- (a) incorporate the introduction of the expected credit loss (ECL) provisioning frameworks, such as those developed under International Financial Reporting Standards (IFRS), specifically IFRS 9. In line with this, firms are expected to consider not only current but also forward-looking information – including relevant market and macroeconomic factors – within their Credit Risk management processes.
 - (b) recognise that the implementation of the ECL provisioning requires the use of models to estimate key components of loan loss provisions. Accordingly, the revised BCP places emphasis on supervisory expectations regarding model oversight, validation and control frameworks.
 - (c) emphasise the importance of robust policies and processes for early identification, classification and management of problem Exposures. This includes establishing criteria for identifying non-performing Exposures, recognising forborne Exposures and reclassifying Exposures from non-performing to performing.⁹
 - (d) reinforce expectations for effective Exposure administration and credit portfolio monitoring. This includes maintaining adequate documentation to support Exposure classification and provisioning decisions and ensuring that the Governing Body receives timely and appropriate information on the credit portfolio to exercise effective oversight.
26. The GEN module outlines the general requirement for firms to prepare and maintain all financial statements in accordance with IFRS.¹⁰ Additionally, the PIB module clarifies that Exposure values are calculated as carrying values in accordance with IFRS,¹¹ requiring firms to comply with IFRS 9 and to implement the ECL provisioning frameworks in line with the revised BCP.
27. The DFSA has engaged with firms to support the smooth adoption of IFRS 9, including clarifying the regulatory treatments of IFRS 9 provisions for capital adequacy purposes. Specifically, firms were notified that only stage 1 provisions under IFRS 9 are eligible to be included in Tier 2 capital, subject to a cap of 1.25% of credit risk weighted assets.

⁹ It should be noted that the revised BCP refers to the BCBS [guidelines on prudential treatment of problem assets—definitions of nonperforming exposures and forbearance](#), developed in April 2017.

¹⁰ Please see [GEN Rule 8.2.2](#).

¹¹ Please see [PIB Rule 4.9.2](#) and [PIB Rule 4.9.3](#).

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28. However, the adoption of IFRS 9 and its related regulatory treatment has not yet been fully formalised in the PIB module. To align with the ECL provisioning framework, the outdated requirements in the PIB module¹², which mandates minimum provisions based solely on the number of past due days, should be removed. Additionally, the regulatory treatment of IFRS 9 provisions for capital purposes should be explicitly incorporated in the PIB module. It should also be noted that the PIB module currently lacks the expectations for the use of models, which are central to the ECL provisioning frameworks.
29. Regarding the classification of Exposures, which serves as a portfolio monitoring tool, the PIB module currently requires categorisation of Exposures into five groups (standard, special mention, substandard, doubtful and loss) based on the number of past due days.¹³ In addition to this categorisation system, the DFSA developed classification criteria for non-performing and forborne Exposures as well as Exposure reclassification conditions, in line with BCBS guidelines. However, these guidelines are currently only set out in the PRU module for the purposes of reporting to the DFSA.
30. The PIB module also outlines requirements to maintain records on credit Exposures, credit decisions and relevant information for assessing credit quality.¹⁴ However, it does not explicitly require documentation to support Exposure classification and provisioning decisions. Moreover, while firms are required to present Credit Risk management information to the Governing Body,¹⁵ there is no specific requirement regarding what type of information the Governing Body should receive to exercise proper oversight of the credit portfolio.
31. Taking the above into account, we propose the following enhancements to the Credit Risk governance framework:
- (a) align the PIB module with the current practice and the revised BCP by removing outdated minimum provisioning requirements and clarifying the regulatory treatment of provisions for the purposes of Tier 2 capital.
 - (b) introduce minimum expectations for the use of models in provisioning. These would include expectations regarding systems and controls for model development and approval, validation procedures, data quality review and effective senior management oversight.
 - (c) clarify requirements in the PIB module to include the classification of Exposures as performing, past due, non-performing and forborne Exposures, in addition to the existing categorisation system based on past due days.
 - (d) expand existing record keeping requirements for Credit Risk management to explicitly include documentation supporting Exposure classification and provisioning decisions. In addition, clarify the expectation regarding the information that must be reported to a Governing Body to ensure effective oversight of the credit portfolio.

¹² Please see [PIB Rule 4.5.8](#).

¹³ Please see [PIB Rule 4.5.4\(2\)](#) and [guidance item 1 to PIB Rule 4.5.4](#).

¹⁴ Please see [guidance items 67-69 in PIB section A4.1](#).

¹⁵ Please see [PIB Rule 4.3.3\(3\)](#).

Please see draft PIB Rules 3.15.2(c), 4.3.2(j), 4.5.4(3), 4.5.8 and guidance to PIB Rule 3.15.2, guidance items 5-6 to PIB Rule 4.3.3, guidance item 4 to PIB Rule 4.5.4, guidance items 67(b)(i) and 76 in PIB section A4.1 in Appendix 2.

Question 2:

Do you agree with our proposal to remove outdated minimum provisioning requirements and clarify the treatment of provisions for Tier 2 capital purposes?

Question 3:

Do you agree with our proposal to establish expectations for governance and control for the use of internal models in provisioning?

Question 4:

Do you agree with our proposal to clarify requirements for the classification of performing, past due, non-performing and forborne Exposures?

Question 5:

Do you agree with our proposal to expand documentation requirements and clarify the information that a Governing Body should receive to support oversight of the credit portfolio?

Concentration Risk and Large Exposure limits

32. The 2023 banking turmoil revealed significant shortcomings in banks' risk management frameworks, including weaknesses in the identification and management of various forms of concentration risk. In response, the revised BCP reinforce expectations for banks to implement policies and processes that ensure a comprehensive, bank-wide view of significant sources of concentration risk, across all material risk types.
33. The BCP define concentration risk, which may result from credit, market and other risks where a bank is overly exposed to particular asset classes, products, collateral, currencies or funding sources.
34. The PIB module currently defines Concentration Risk solely as the risk arising from Large Exposures, which is a significantly narrower scope than that suggested by the BCP.
35. While certain provisions related to risk management in the PIB module require consideration of broader forms of concentration – such as those related to collateral types, guarantees, or asset classes – the limited scope of the formal definition of Concentration Risk may lead firms to interpret their obligations too narrowly. This could result in incomplete coverage of various sources of concentration risk within their risk governance frameworks.
36. To address this, we propose to broaden the definition of Concentration Risk and make changes to relevant provisions in the PIB module to ensure consistency, clarity and appropriate coverage of all significant sources of concentration risk.

Please see draft PIB Rule 1.2.1, PIB sections 4.13, 4.15 and A4.11, PIB Rules A5.8.11 to 5.8.13, guidance items 26 and 38 in PIB section A4.1, guidance in PIB section A5.8 in Appendix 2, draft GLO definition in Appendix 3 and draft guidance item 1 to IFR Rule 5.4.14 in Appendix 4.

Question 6:

Do you agree with our proposal to expand the definition of concentration risk, and make the necessary amendments throughout the PIB module to reflect this change?

Transactions with Related Persons

37. The revisions to the BCP include enhancements to the core principle 20 on transactions with related parties aimed at preventing abuses and mitigating risks arising from conflicts of interest. Key criteria under this principle include:
- (a) a strengthened minimum definition of related parties, which among other persons now explicitly includes all *subsidiaries and affiliates* of a bank or a banking group. While the term *affiliate* is not formally defined in the BCP, its use alongside *subsidiary* indicates that it refers to an entity that is not a subsidiary. Generally, this is an entity in which a bank holds a significant but non-controlling interest, which is typically between 20% and 50% of the shares or voting rights.
 - (b) a requirement that all transactions with related parties be conducted on an arm's length basis. The BCP clarifies that this includes not only credit Exposures (both on- and off-balance sheet) but also broader dealings such as service contracts, asset sales, derivative transactions, lease agreements, and write-offs.
 - (c) enhanced governance requirements, including that related party transactions and write-offs exceeding specified thresholds or otherwise posing heightened risks be subject to prior approval by the governing body.
38. The PIB module defines Related Persons,¹⁶ which largely reflect the minimum definition under the BCP – except that it does not include affiliates of the firm.
39. The PIB module also includes governance requirements for Exposures to Related Persons, such as prohibiting the granting of Exposures to Related Persons on terms that are more favourable than those available to persons who are not Related Persons.¹⁷ However, the scope of this requirement is narrower than in the BCP, because the arm's length principle only applies to Exposures, and not to all types of Related Person transactions.
40. In addition, the PIB module currently allows approval by the Governing Body or the Governing Body's delegate of Related Person Exposures and write-offs exceeding certain thresholds. Allowing the Governing Body's delegate to approve these transactions may weaken governance and accountability and does not align with the BCP, which expects governing body oversight of material related party transactions.
41. To complete and strengthen the regulatory framework for Related Person transactions and ensure alignment with international best practices, we propose the following amendments:

¹⁶ Please see [PIB Rule 4.4.6](#).

¹⁷ Please see [PIB Rule 4.4.4\(b\) and \(c\)](#).

- (a) Expand the definition of Related Persons by introducing and incorporating a new definition of affiliate, which (in relation to a Person) would refer to an entity:
- (i) that is not in the same Group as that Person; and
 - (ii) over which that Person holds 20% or more but less than 50% of the shares or voting rights.
- (b) broaden the arm's length requirement to cover all types of Related Person transactions, including asset sales, service contracts and other arrangements, not just Exposures such as loans or guarantees.
- (c) strengthen governance and accountability by removing the option that allows the Governing Body's delegate to approve Related Person Exposures and write-offs above certain thresholds.

Please see draft PIB Rules 1.2.1, 4.4.4, 4.4.6(a)(i) and guidance item 3 to PIB Rule 4.4.5 in Appendix 2.

Question 7:

Do you agree with our proposal to expand the definition of Related Persons by introducing and incorporating a new definition of affiliate, as set out in paragraph 41(a)?

Question 8:

Do you agree with our proposal to broaden the arm's length requirement so that it applies to all forms of Related Person transactions, not just Exposures?

Question 9:

Do you agree with our proposal to strengthen governance by requiring that Exposures to Related Persons and the write-off of such Exposures above certain thresholds be approved only by the Governing Body, rather than a delegate?

Implementation timeline

42. We believe that a certain lead-in time should be provided for firms to update their systems and controls to meet requirements proposed in this Consultation Paper. Subject to the outcome of this public consultation process, we propose an implementation date of 2 July 2026.

Question 10:

Do you agree that the new Rules and Guidance resulting from the policy proposals in this Consultation Paper should come into force on 2 July 2026?

MISCELLANEOUS CHANGES

43. The draft changes to the PIB module also include minor amendments to update cross-references, align terminology for consistency and correct typographical errors.

Annex 1. Questions in this Consultation Paper**Question 1:**

Do you agree with the proposed enhancements to risk governance set out in paragraphs 22 and 23?

Question 2:

Do you agree with our proposal to remove outdated minimum provisioning requirements and clarify the treatment of provisions for Tier 2 capital purposes?

Question 3:

Do you agree with our proposal to establish expectations for governance and control for the use of internal models in provisioning?

Question 4:

Do you agree with our proposal to clarify requirements for the classification of performing, past due, non-performing and forborne Exposures?

Question 5:

Do you agree with our proposal to expand documentation requirements and clarify the information that a Governing Body should receive to support oversight of the credit portfolio?

Question 6:

Do you agree with our proposal to expand the definition of concentration risk, and make the necessary amendments throughout the PIB module to reflect this change?

Question 7:

Do you agree with our proposal to expand the definition of Related Persons by introducing and incorporating a new definition of affiliate, as set out in paragraph 41(a)?

Question 8:

Do you agree with our proposal to broaden the arm's length requirement so that it applies to all forms of Related Person transactions, not just Exposures?

Question 9:

Do you agree with our proposal to strengthen governance by requiring that Exposures to Related Persons and the write-off of such Exposures above certain thresholds be approved only by the Governing Body, rather than a delegate?

Question 10:

Do you agree that the new Rules and Guidance resulting from the policy proposals in this Consultation Paper should come into force on 2 July 2026?

Annex 2: Application table

The table below outlines where each policy proposal is reflected in the DFSA Rulebook and indicates the firms to which these proposals would apply.

Topic and question on the policy proposal	Policy Proposal	DFSA Rulebook	Proposed Rule or Guidance	Firms Affected ¹⁸	
				Authorised Person or Authorised Firm in PIB Category	Domestic Firm or Branch
Risk Management Process –	Clarify the governing body's role in corporate governance, including in establishing and communicating a sound risk and corporate culture	GEN module	GEN Rule 5.3.30 and guidance item 4A to GEN Rule 5.3.30	Authorised Persons	Domestic Firm and Branch
	<ul style="list-style-type: none"> - Require the establishment of a dedicated risk management function - Enhance the independence of the individual with risk management responsibilities - Clarify the scope of the internal audit function 	GEN module	<ul style="list-style-type: none"> - GEN Rule 5.3.5(A) and guidance item 2 to GEN Rules 5.3.4 to 5.3.6 - GEN Rule 5.3.6 - GEN Rule 5.3.13(1) 	<ul style="list-style-type: none"> - Large and complex Authorised Persons¹⁹ - Authorised Persons - Authorised Persons 	<ul style="list-style-type: none"> - Domestic Firm and Branch - Domestic Firm and Branch - Domestic Firm and Branch
	<ul style="list-style-type: none"> - Ensure comprehensive coverage of risks across both traditional and emerging risks 	GEN & PIB modules	<ul style="list-style-type: none"> - Guidance item 1 to GEN Rules 5.3.4 to 5.3.6 	<ul style="list-style-type: none"> - Authorised Persons 	<ul style="list-style-type: none"> - Domestic Firm and Branch

¹⁸ The firms affected are given as of 2 July 2026 – the proposed time of implementation of the policy proposals in this Consultation Paper – meaning that it considers the upcoming changes to the PIB module effective from 1 July 2026 onwards (please see details [here](#)).

¹⁹ As clarified in draft guidance item 2 to GEN Rules 5.3.4 to 5.3.6, we would expect Domestic Firms in Categories 1, 2 or 5 to be a large and complex firm but other Authorised Persons may also fall within the scope of this requirement.

Question 1 in CP 167	<p>in all key risk management processes, including:</p> <ul style="list-style-type: none"> ○ risk appetite statements, ICAAP, IRAP, Stress testing 		<ul style="list-style-type: none"> ○ Guidance item 2 to PIB section 2.5, guidance item 5A to PIB section A3.1, guidance item 11 to PIB section A10.1, guidance item 11 to PIB section A10.2 	<ul style="list-style-type: none"> ○ Authorised Firms in Categories 1, 2 and 5 	<ul style="list-style-type: none"> ○ Domestic Firms ○ Branches - only PIB section 2.5
	<ul style="list-style-type: none"> - Require information system to be proportionate and to produce information that supports effective decision-making - Require information systems to enable risk data aggregation and reporting capabilities - Ensure that information system is subject to the Governing Body and senior management review 	GEN module	<ul style="list-style-type: none"> - GEN Rule 5.3.17(1) - GEN Rule 5.3.17(2) - GEN Rule 5.3.17(3) 	<ul style="list-style-type: none"> - Authorised Persons - Authorised Firms in Categories 1, 2 and 5 - Authorised Persons 	<ul style="list-style-type: none"> - Domestic Firm and Branch - Domestic Firm and Branch - Domestic Firm and Branch
	<ul style="list-style-type: none"> - Expand requirements for new products, activities and processes and require governing body approval for major changes in systems, process and business models, and major acquisitions 	PIB module	PIB Rule 6.3.2(2), guidance item 4(i) to PIB Rule 6.2.2 and guidance item 1 to PIB Rule 6.3.2	Authorised Firms in all Categories	Domestic Firm and Branch
Credit risk, problem exposures and provisions – Question 2 in	<ul style="list-style-type: none"> - Remove the outdated minimum provisioning requirements that are based solely on the number of past due days 	PIB module	<ul style="list-style-type: none"> - PIB Rule 4.5.8 - PIB Rule 3.15.2(c) and 	<ul style="list-style-type: none"> - Authorised Firms in Categories 1, 2 and 5 - Authorised Firms in 	<ul style="list-style-type: none"> - Domestic Firm - Domestic Firm

<u>CP 167</u>	- Clarify the regulatory treatment of provisions for the purposes of Tier 2 capital		guidance to PIB Rule 3.15.2	Categories 1, 2 and 5	
Credit risk, problem exposures and provisions – Question 3 in CP 167	Introduce minimum expectations for the use of models in provisioning	PIB module	Guidance item 76 in PIB sections A4.1	Authorised Firms in Categories 1, 2 and 5	Domestic Firm and Branch
Credit risk, problem exposures and provisions – Question 4 in CP 167	Clarify requirements in the PIB module to categorise Exposures as performing, past due, non-performing and forborne Exposures	PIB module	PIB Rule 4.5.4(3) and guidance item 4 to PIB Rule 4.5.4	Authorised Firms in Categories 1, 2 and 5	Domestic Firm and Branch
Credit risk, problem exposures and provisions – Question 5 in CP 167	<ul style="list-style-type: none"> - Expand existing Credit Risk record keeping requirements to include documentation supporting Exposure classification and provisioning decisions - Clarify information that must be reported to a Governing Body to ensure effective oversight of the credit portfolio 	PIB module	<ul style="list-style-type: none"> - PIB Rule 4.3.2(j), guidance items 5-6 to PIB Rule 4.3.3 - Guidance item 67(b)(i) in PIB section A4.1 	<ul style="list-style-type: none"> - Authorised Firms in Categories 1, 2 and 5 - Authorised Firms in Categories 1, 2 and 5 	<ul style="list-style-type: none"> - Domestic Firm and Branch - Domestic Firm and Branch
Concentration risk and large exposure limits – Question 6 in CP 167	Broaden the definition of Concentration Risk	GLO module IFR module PIB module	GLO definition in chapter 2 Guidance item 1 to IFR Rule 5.4.14 in Appendix 4. PIB Rule 1.2.1, PIB sections 4.13, 4.15 and A4.11, PIB	Authorised Firms in Categories 1, 2 and 5	Domestic Firm

			Rules A5.8.11 to 5.8.13, guidance items 26 and 38 in PIB section A4.1, guidance in PIB section A5.8		
Transaction with related parties – Question 7 in CP 167	Introduce a definition of affiliate and include affiliates in Related Persons	PIB module	PIB Rule 1.2.1 and PIB Rule 4.4.6(a)(i)	Authorised Firms in Categories 1, 2 and 5	Domestic Firm and Branch
Transaction with related parties -- Question 8 in CP 167	Broaden the arm's length requirement to cover all types of Related Person transactions	PIB module	PIB Rule 4.4.4(a) and (b), and guidance item 3 to PIB Rule 4.4.5	Authorised Firms in Categories 1, 2 and 5	Domestic Firm and Branch
Transaction with related parties – Question 9 in CP 167	Remove the option that allows the Governing Body's delegate to approve Related Person Exposures and write-offs above certain thresholds	PIB module	PIB Rule 4.4.4(c)(i)	Authorised Firms in Categories 1, 2 and 5	Domestic Firm and Branch