Jersey Financial Services Commission

Consultation on the Basel III Prudential Roadmap: large exposures and general matters

No. 1 2026

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Contents

1 Executive summary

1.1 Overview

This consultation is part of our work on the implementation of the Basel Framework, as set out in Section 2.2 'Background'.

It focuses on:

- general matters
- market risk, trading book and counterparty credit risk
- large exposures
- securitisation
- capital and ratios

1.2 What is proposed and why?

General matters (Section 3.1)

To date, our work has focussed on implementing the PS9/24 near-final rulebook (**PS9/24 Rulebook**), published in September 2024 as part of the Prudential Regulation Authority's (**PRA**) policy statement PS9/24 Implementation of the Basel 3.1 standards near-final part 2 (**PS9/24**).

This part of the work on Basel III implementation has been impacted by the changing PRA regulations, which include:

- PS19/25 – Restatement of CRR requirements – 2027 implementation – near-final | Bank of England (**PS19/25**), published in October 2025, addressed proposals for transferring regulations into PRA rules, some of which are in new areas (principally securitisation) and some of which impact parts we have already consulted on (credit ratings)
- PS14/25 – Amendments to the Large Exposures Framework – Part 1 | Bank of England (**PS14/25**), published in July 2025, which implemented part 1 of the PRA's proposals on Large Exposures

It is proposed that where we say we will follow the UK, we build on the latest PRA rules, including PS19/25 amendments. Similarly, we will publish a list of relevant PRA policy documents, with links to the latest versions in the latest relevant PRA position statement.

We will pause consideration of other PRA publications until 2028.

This will give us and industry a stable set of Codes and guidance, including for prudential reporting and Pillar 2.

It also means deferring review of the PRA's implementation of outstanding proposals on Large Exposures, which it has committed to finalise in 2026.

Market risk, trading book and counterparty credit risk (Section 3.2)

The PRA has significantly revised its rules for these risks.

Our Roadmap Consultation suggested a simpler approach, as these risks are minimal in Jersey.

We propose largely retaining current rules, with only consequential amendments linked to changes in risk-weight determination.

We will monitor developments through Pillar 2 and prudential reporting, which will be covered in our H1 2026 consultation.

Large exposures (Section 3.3)

We intend to closely align with the PRA rulebook set out in PS 14/25. This aligns with our Basel III Prudential Roadmap (jerseyfsc.org) consultation (**Roadmap Consultation**), reflecting the positive feedback received during the consultation and bilateral discussions.

The main differences (between our rules and the PRA rules) are:

- the restrictions are applied to the net exposure, taking into account credit risk mitigation, (drawing on capital adequacy rules), instead of applying to the gross exposure as we currently specify
- the PRA has exemptions for low-risk exposures, including sovereigns, whereas we have no exemptions currently
- for exposures to banks, exposures up to £139 million are not subject to restrictions, regardless of the bank's capital base, higher than the $50 million permitted under our current money-market concession rules

PS 14/25 is broadly consistent with the Basel Framework, which means some UK exemptions (that we did not have) have been removed.

Our main proposed change is to amend the PRA's approach for approving intra-group exposures, to provide greater flexibility by drawing on our existing Concession Limits framework.

We welcome feedback on the detailed proposals, particularly on where simplifications or modifications are needed to address competitive disadvantages.

The PRA's work on Large Exposures is still ongoing, with further consultation expected in 2026, particularly on collateral recognition. As noted above, we will defer consideration of this until 2028.

Securitisation (Section 3.4)

Our Roadmap Consultation did not address securitisation, but subsequent dialogue has highlighted that securitisation exposures may become material. No concerns have been raised about following the roadmap's high-level approach, starting from the UK framework.

We intend to follow PS19/25 closely but welcome feedback on the detailed proposals, particularly where simplifications or modifications are needed to address competitive disadvantages.

Capital and ratios (Section 3.5)

We have already completed work on the definition of capital, capital minima and the capital conservation buffers. We now intend to make only consequential amendments to consolidate new or varied requirements, principally to include the output floor requirement and the systemic buffer, in line with our Basel III Prudential Roadmap: Advanced approaches, systemic importance, the Net Stable Funding Ratio and the leverage ratio (jerseyfsc.org) consultation paper, issued in August 2025 (**August 2025 Consultation**).

1.3 Who would be affected?

The proposals in this consultation paper only directly impact Jersey Incorporated Banks (JIBs).

Implementing the Basel Framework will indirectly impact the customers of banks in Jersey, whether through our implementation or through home-country implementation for branches.

1.4 Invitation to comment

1.4.1 We welcome views from stakeholders on the proposals, including:

- general matters
- market risk, trading book and counterparty credit risk
- large exposures
- securitisation
- capital and ratios

1.4.2 Submit your response by **5:00pm** on **Friday 13 March 2026**.

2 Consultation

2.1 Basis for consultation

2.1.1 The JFSC is a statutory body corporate established under the Financial Services Commission (Jersey) Law 1998 (**the Commission Law**). It is responsible for the supervision and development of financial services provided in or from within Jersey

2.1.2 We have issued this consultation paper in accordance with Article 8(3) of the Commission Law, as amended, under which the JFSC "may, in connection with the carrying out of its functions …consult and seek the advice of such persons or bodies whether inside or outside Jersey as it considers appropriate".

2.2 Background

2.2.1 The Basel Committee has revised the international standard for prudential supervision of internationally active banks, the Basel Framework, through its package of reforms, Basel III.

2.2.2 All JIBs are part of large international banking groups subject to consolidated supervision, which is increasingly moving towards Basel III. Basel III builds on the current prudential requirements, delivering a framework for capital allocation that better reflects the risks.

2.2.3 In March 2024, we issued our Basel III Prudential Roadmap (jerseyfsc.org) (**Roadmap Consultation**), which set out principles, a timeline – the Roadmap – and some high-level proposals for key areas.

2.2.4 In April 2024, we issued a set of proposals in Basel III: immediate implementation (quick wins) (jerseyfsc.org), which we implemented from 1 January 2025.

2.2.5 Our Basel III Prudential Roadmap: 2024 H2 (jerseyfsc.org) consultation paper, issued in December 2024 (**December 2024 Consultation**), sought feedback on proposals to implement:

› the Standardised Approach to Credit Risk

› the Standardised Approach to Operational Risk

2.2.6 Our August 2025 Consultation outlined a revised Roadmap and sought feedback on proposals to implement four areas of the Basel Framework:

› advanced approaches

› systemic importance

› the Net Stable Funding Ratio

› the leverage ratio

2.3 Have your say

2.3.1 We invite your feedback on this consultation paper by **5:00pm** on **Friday 13 March 2026**.

2.3.2 Submit your feedback to us directly:

› contact: David Fisher
› telephone: +44 (0) 1534 822106
› email: d.fisher@jerseyfsc.org

2.3.3 Where comments are made by an industry body or association, that body or association should also provide a summary of the type of individuals and/or institutions that it represents.

2.3.4 Any queries should be directed to policy@jerseyfsc.org.

2.3.5 All responses will be considered non-confidential (unless specifically requested otherwise by the respondent).

2.3.6 We invite banks to arrange meetings with us during the consultation period to discuss these proposals.

2.3.7 We intend to establish a workshop to facilitate discussions with banks around these proposals.

2.3.8 Alternatively, Tim Hart at Jersey Finance Limited (**JFL**) is coordinating an industry response that will incorporate any matters raised by local businesses. Comments should be submitted to JFL by 13 March 2026, using the following details:

- contact: Tim Hart
- telephone: +44 (0) 1534 836000
- email: timothy.hart@jerseyfinance.com

2.3.9 It is the policy of JFL (unless otherwise requested or agreed) to collate all responses and share them verbatim with the JFSC on an anonymised basis (with reference made only to the type of respondent, for example individual, law firm, trust company). This collated, anonymised response will, typically, be placed in JFL's permanent electronic archive which is currently open to all their members.

2.4 What's next?

Following this consultation, we will publish feedback in April 2026 with near-final drafts for all new and revised prudential code requirements.

In line with the Roadmap, we will:

- **H1 2026:** publish our final prudential codes, effective from 1 July 2027, with transitional provisions allowing earlier adoption from 1 January 2027
- **H1 2026:** consult on changes to Pillar 2 and Prudential Reporting
- **H2 2026:** implement changes to Pillar 2 and Prudential Reporting so that JIBs can transition in H1 2027
- **From H2 2027**, all JIBs must fully adopt the new regime.

3 Proposals

3.1 General matters

Recent PRA policy statement PS19/25

3.1.1 On 28 October 2025, the PRA issued PS19/25, which included final rules on securitisation and some clarifications, including around credit ratings. As part of this, it published PS19/25 - Appendix 2: PRA Rulebook: CRR Firms: (CRR) Instrument [2025] (**PS19/25 Rulebook**), which contains new parts and amended parts of the PRA's PS 9/24 Rulebook, as well as other parts of the PRA's Rulebook (all tracked).

3.1.2 We will include amendments relevant to our work, specifically where they impact an area where our approach is to follow the PS9/24 Rulebook– including those already consulted on. For the avoidance of doubt, this does not mean we will implement any of the other parts of the PRA rulebook.

3.1.3 The most significant changes are around securitisation (see Section 6).

3.1.4 As for other areas, we will publish near-final drafts for comment in April 2026, before issuing final codes in H1 2026.

Use of credit ratings

3.1.5 In the case of the rating mapping table of credit quality steps versus rating scales used by eligible credit assessment institutions (**ECAIs**), the PRA consulted on what to do when the relevant law was revoked, as planned. In PS19/25 it clarified that for the time being, it would do nothing, as the UK instrument would still exist (TS 2016/1801).

3.1.6 To provide clarity in Jersey, and in case it is removed, we will publish the content of TS 2016/1801 for JIBs. For the avoidance of doubt, we intend to pause consideration of further UK changes until 2028, including any changes related to this matter.

3.1.7 Apart from this, there are several minor clarifications and consequential changes, such as a new Article 136A within the standardised approach to credit risk (**SACR**) that provides a route to use new rating scales that do not incorporate implied government support (which must be used under the revised SACR), even where the mapping tables have yet to be updated to reflect their creation.

Question 1
Outside of changes relating to securitisations, are you concerned regarding any of the changes outlined in the PS19/25 Rulebook?

3.2 Market risk, trading book and counterparty credit risk

Proposed approach

3.2.1 The PRA rulebook establishes requirements for banks relating to market risk and counterparty credit risk and for positions held within trading books.

3.2.2 Exposures in Jersey are not significant, so in the Roadmap consultation, we proposed simpler solutions.

3.2.3 Based on feedback and continued minimal exposures, we intend to retain our current rules, modified only to take into account changes to the SACR and around credit risk mitigation (**CRM**).

Question 2

Do you have any concerns maintaining the current approach for market risk, counterparty credit risk and trading book exposures?

3.2.4 In reaching this conclusion, we considered the growth of securities financing transactions (**SFTs**), principally reverse repos, but also that net exposures under these are small, whether using the CRM rules or the counterparty credit risk rules for SFTs.

3.2.5 We will continue to monitor exposures through prudential reporting and Pillar 2, and may make changes if exposures were to increase, but not before 2028.

3.3 Large exposures

Requirements

3.3.1 The near-final PRA requirements, published as part of PS14/25, amend its requirements to bring it closer to the Basel Framework. The rules are set out in Annex A and Annex B of Appendix 1 to PS 14/25: Large exposures omnibus instrument (**PS14/25 Appendix 1**). For the avoidance of doubt, we will address prudential reporting (the subject of Annex C of PS14/25 Appendix 1) in H1 2026.

3.3.2 The PRA has not implemented all of its earlier proposals (set out in its CP14/24 - Large Exposures), stating in PS 24/25 that this work will take place in 2026. For the avoidance of doubt, we will not consider this until 2028. This includes its proposals around the treatment of indirect exposures.

3.3.3 The PRA rules are similar in restricting exposures that exceed 25% of Tier 1 capital (**LE25s**). The main changes compared to our current rules are:

- the definition of an exposure will change to one that broadly equates to the net definition used for capital adequacy under the SACR (rather than the gross exposure applying now)
- PRA rules have exemptions for low-risk exposures, including sovereign exposures, whereas we currently require approvals for such exposures
- for exposures to banks, the PRA carves out exposures up to £139 million vs our current £50 million money-market concession limit

3.3.4 PS 14/25 also included revised guidance on connections for large exposures purposes, within Appendix 3 to PS 14/25: SS3/25 – Identification of groups of connected clients for large exposures purposes (**PS14/25 Appendix 3**). This is relevant, and we will include this within a list of relevant PRA documentation that we consider provides relevant guidance.

3.3.5 We will publish a near-final draft by the end of April 2026, incorporating PS14/25 for final comments and include this within our final prudential codes. This will replace the code requirements currently set out in Section 5 and the appendices of the banking code.

3.3.6 We will also issue a condition of registration to vary the definition in the Banking Business (Jersey) (General Provisions) Order from the go-live date for each JIB, with amended wording to better reflect the new code requirements.

Question 3

Do you have any concerns regarding the rules set out in the PS14/25 Appendix 1?

Question 4

Do you have any concerns regarding the guidance set out in PS14/25 Appendix 3 on whether exposures should be treated as connected for large exposures purposes?

Approvals

3.3.7 The PRA's SS 16/13 is divided into sections 2 to 5 on applications to include undertakings within:

- a core group (CRR Article 113(6) (Section 2)
- a non-core large exposure group (CRR 400(2)(c)) (Section 3)
- sovereign large exposures exemptions (CRR Article 400(2)(g or h)) (Section 4)
- exposures to trustees (Section 5)

3.3.8 We do not envisage core group exposures being significant. Although it is possible that examples could emerge, we do not consider it necessary to provide guidance at this time.

3.3.9 Our existing Concession Limits framework sets out our approach for LE25s to group banks. We intend to retain this approach within a new large exposures guidance note.

3.3.10 The PRA's approach for sovereign exposures is limited compared to our existing guidance, covering only certain central bank exposures and claims on central governments held to meet short term liquidity requirements. However, the PRA's rules exempt lower-risk exposures, including sovereign exposures. Despite this, the change could adversely impact JIBs that currently have approvals that do not fit within the sovereign exemption or the revised policy, such as those with limits approved for PSEs that are not treated as a sovereign. On the basis that this is expected to have only a limited impact, it is proposed to adopt the PRA's approach in our new large exposures guidance note.

3.3.11 The PRA's approach to trustees appears sensible, and we propose to adopt it as a new section within our new large exposures guidance note.

Question 5

Do you have any concerns regarding the proposals to retain the current Concession Limit approach for Intra-Group exposures?

Question 6

Do you have any concerns regarding the proposal to replace our current rules for sovereign exposure Concession Limits with the PRA's approach for approving sovereign exposures, considering that the proposed rules include exemptions for low-risk sovereign exposures?

Question 7

Do you have any concerns regarding adopting the PRA's approach to trustees?

3.4 Securitisations

General approach

3.4.1 Our current securitisation regime is limited. For example, we only have rules for calculating risk-weighted assets when a JIB has securitisation exposures. We do not have rules on the impact of issuing securitised exposures or on similar risk transfers.

3.4.2 In contrast, the UK has an extensive set of regulations, in large part stemming from EU regulation. As part of PS19/25, it has implemented revised rules as part of its rulebook, following extensive consultation. It has not ruled out further changes given feedback received.

3.4.3 PS 19/25 contained substantial changes, but for JIBs, the main change is that the UK regime is a comprehensive regime that includes several alternative approaches for determining risk weights for exposures held, along with rules governing the impact of securitisation of a bank's own assets. Additionally, the rules apply to similar risk transfers.

3.4.4 We intend to adopt the UK rules as part of our codes, making only necessary changes, such as replacing references to UK terms. We will publish a near-final draft by the end of March 2026.

3.4.5 This would have little impact on JIBs now; exposures have generally been minimal.

3.4.6 We will also publish a list of other relevant policy documentation that we consider provides useful guidance, drawing on the appendices to PS19/25 that are relevant to securitisations, including permissions.

3.4.7 We have not identified any areas where simplification is necessary or where the proposal would lead to a competitive disadvantage.

Question 8

Do you have any concerns regarding the proposal to adopt the PRA's rules regarding securitisations?

Question 9

Do you have any concerns regarding the proposal to point JIBs towards the PRA's related regulations for guidance? In particular, are there areas where our guidance would be useful in place of, or alongside this?

3.5 Capital and ratios

Capital

3.5.1 The PRA's definitions of capital are substantially similar to ours, so we propose to simplify implementation by retaining our existing Code requirements.

3.5.2 We will change how these requirements are presented. Currently, they appear partly in Section 5 of the Banking Codes and partly in the prudential reporting guide on Capital Ratios. Under the new approach, they will form part of the prudential codes, which we plan to publish in near-final form by the end of April 2026.

3.5.3 However, we may revise certain requirements to address any identified competitive disadvantages, such as differences with UK requirements, or to provide greater clarity.

Question 10

Are there any parts of our definitions of capital that you feel should be revised?

Capital ratios

3.5.4 As above, we will change how the requirements are set out so that they form a part of the new prudential codes.

3.5.5 We will make necessary revisions to reflect consequential changes to requirements. we will revise them to account for:

- the output floor (only applicable to banks that use IRB and are not subsidiaries of foreign banks)
- the new systemic buffer (only applicable to highly systemic banks)

3.5.6 The PRA's proposed rules will be used as the basis for addressing the output floor, so that where applicable, the rules will be aligned.

3.5.7 We will publish a near-final document by the end of April 2026.

3.5.8 The Pillar 2 consultation planned for H1 2026 will consider whether improvements should be made to better address Pillar 2 requirements.

Question 11

Are there any concerns regarding retaining the current approach, unless otherwise specified?

4 Summary of questions

Page	Question
7	**Question 1** Outside of changes relating to securitisations, are you concerned regarding any of the changes outlined in the PS19/25 Rulebook?
8	**Question 2** Do you have any concerns maintaining the current approach for market risk, counterparty credit risk and trading book exposures?
8	**Question 3** Do you have any concerns regarding the rules set out in the PS14/25 Appendix 1?
9	**Question 4** Do you have any concerns regarding the guidance set out in PS14/25 Appendix 3 on whether exposures should be treated as connected for large exposures purposes?
9	**Question 5** Do you have any concerns regarding the proposals to retain the current Concession Limit approach for Intra-Group exposures?
9	**Question 6** Do you have any concerns regarding the proposal to replace our current rules for sovereign exposure Concession Limits with the PRA's approach for approving sovereign exposures, considering that the proposed rules include exemptions for low-risk sovereign exposures?
9	**Question 7** Do you have any concerns regarding adopting the PRA's approach to trustees?
10	**Question 8** Do you have any concerns regarding the proposal to adopt the PRA's rules regarding securitisations?
10	**Question 9** Do you have any concerns regarding the proposal to point JIBs towards the PRA's related regulations for guidance? In particular, are there areas where our guidance would be useful in place of, or alongside this?
11	**Question 10** Are there any parts of our definitions of capital that you feel should be revised?
11	**Question 11** Are there any concerns regarding retaining the current approach, unless otherwise specified?

Glossary

Defined terms are indicated throughout this document as follows:

August 2025 Consultation	Basel III Prudential Roadmap: Advanced approaches, systemic importance, the Net Stable Funding Ratio and the leverage ratio — Jersey Financial Services Commission, issued by us in August 2025
Basel Framework	International standard for the prudential supervision of internationally active banks, issued by the Basel Committee on Banking Supervision
Roadmap	Our plan for the implementation of Basel III in Jersey
CRM	Credit Risk Mitigation
Commission Law	Financial Services Commission (Jersey) Law 1998
Concession Limit guidance note	Our existing guidance note on the approval of large exposures
December 2024 Consultation	Basel III Prudential Roadmap: 2024 H2 — Jersey Financial Services Commission, issued by us in December 2024
EAD	Exposure at default
ECAIs	eligible credit assessment institutions
FIRB	Foundation Internal Ratings Based
JBA	Jersey Bankers Association
JIB	Jersey incorporated bank
JFSC, we, us	Jersey Financial Services Commission
JFL	Jersey Finance Limited
LE25	Exposure in excess 25% of a JIB's tier 1 capital
Large Exposures Guidance Note	Proposed guidance note addressing the approval of large exposures, replacing our Concession Limit guidance note
PRA	UK Prudential Regulation Authority, part of the Bank of England
PS9/24	PS9/24 Implementation of the Basel 3.1 standards near-final part 2, published in September 2024 by the PRA
PS9/24 Rulebook	The PS9/24 near-final rulebook, published in September 2024 as part of PS9/24
PS14/25	PS14/25 – Amendments to the Large Exposures Framework – Part 1 | Bank of England, published in July 2025 by the PRA
PS14/25 Appendix 1	Appendix 1 to PS 14/25: Large exposures omnibus instrument, published as part of PS 14/25

PS14/25 Appendix 3	Appendix 3 to PS 14/25: SS3/25 – Identification of groups of connected clients for large exposures purposes, published as part of PS 14/25
PS19/25	PS19/25 – Restatement of CRR requirements – 2027 implementation – near-final | Bank of England, published in October 2025 by the PRA
PS19/25 Rulebook	PS19/25 - Appendix 2: PRA Rulebook: CRR Firms: (CRR) Instrument [2025], published as part of PS 19/25
Roadmap Consultation	Our CP No. 1 2024 Basel III Prudential Roadmap — Jersey Financial Services Commission (jerseyfsc.org)
SFTs	Securities financing transactions
SACR	Standardised approach to credit risk
TS 2016/1801	TS 2016/1801, the UK instruments that sets out the rating mapping table of credit quality steps versus rating scales used by ECAIS