SUMMARY OF PROPOSED SIMPLIFICATIONS UNDER THE SDDT CAPITAL REGIME	
PILLAR 1	
• **Credit risk**	Equivalent to Basel 3.1, except for exempting the due diligence requirements in the standardised approach. Therefore, there is no need to monitor counterparties' risk profiles or increase risk weight if due diligence assessment suggests the exposure has higher risk characteristics. The PRA considers Basel 3.1 better reflects the risk profile of firms' exposures, and this is the case for small and larger firms.
• **Operational risk**	Equivalent to Basel 3.1. The PRA considers the new single standardised approach to operational risk to be proportionate, and so is appropriate to apply to SDDTs.
• **Market risk**	Basel 3.1 does not apply – noting the restrictions on market activities in the SDDT criteria. Firms to calculate capital for trading book business using the standardised approach to credit risk. There is no obligation to calculate market risk capital requirements for foreign exchange and commodity risk. SDDTs would continue to be subject to the PRA's Fundamental Rule requiring that a firm have effective risk strategies and risk management systems and to relevant obligations in the Internal Capital Adequacy Assessment and Risk Control Parts of the PRA Rulebook.
• **Counterparty credit risk**	Basel 3.1 does not apply – firms do not need to calculate capital against counterparty credit risk (except under limited circumstances, including if the firm is a clearing member of a CCP and for any synthetic securitisation positions.) The PRA expects firms to redirect efforts from calculating counterparty credit risk to strengthening their practices for managing this risk.
• **Credit valuation adjustment risk**	Basel 3.1 does not apply – firms do not need to calculate capital against credit valuation adjustment risk.
PILLAR 2A	• Simplified methodologies (including reduced reporting requirements) for credit, credit concentration and operational risk will apply. The PRA is also proposing to introduce clearer and more proportionate expectations for SDDTs undertaking their own Pillar 2A operational risk assessment. • Market, group risk and the CCYB adjustment will be removed from the calculation. • IRRBB pension obligation and counterparty credit risk methodologies will remain as for Basel 3.1. • The new adjustments in Pillar 2A for SME and infrastructure exposures under Basel 3.1 will apply.
CAPITAL BUFFERS	• A Single Capital Buffer (SCB) will replace the current multiple buffers (CCoB, CCYB and PRA buffer). The SCB will be a firm-specific expectation rather than in rules (like the current PRA buffer), and set at no less than 3.5% of RWAs. It will have similar components to the current PRA buffer - stress impact, risk management and governance and supervisory judgement. • SCB to be non-cyclical to simplify its calculation. PRA stress test scenarios will also be non-cyclical.

	• The automatic capital conservation measures associated with use of some current buffers will not apply to SCB. • There will be a specific methodology for calculating SCB for new and growing banks. It will be equal to six months projected operating expenses (subject to being not less than 3.5% of RWAs).
ICAAP	Reduced frequency for some elements and simplification of process focussing only on the risks relevant to the business and its size.
REPORTING	Reporting obligations by simplifying up to 24, and descoping up to 38, reporting templates to reflect the above changes.