

**Prudential – Investment, Insurance Intermediation and Banking Rulebook (PRU)**

\*In this attachment underlining indicates new text and striking through indicates deleted text.

## Appendix 7

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### 1.2 Glossary

- 1.2.1 The following terms and abbreviations bear the following meanings for the purpose of these Rules.

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Operational Risk	<p><del>(1) Refers to the risk of incurring losses due to the failure of systems, processes, and personnel, whether internal or external to the Authorised Person, to perform expected tasks.</del></p> <p><del>(2) Operational Risk losses also include losses arising out of legal risk.</del></p> <p><u>The risk of loss resulting from inadequate or failed internal process, people and systems or from external events, including legal risk.</u></p>
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## 10.2 Overview

### Guidance

- These Rules are designed to implement key aspects of Pillar 2 of the revised framework for capital adequacy, commonly known as Basel III, published by the BCBS.

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### Climate-Related Financial Risks

- When conducting its Internal Risk Assessment Process (IRAP) and Internal Capital Adequacy Assessment Process (ICAAP), an Authorised Person should consider whether Climate-Related Financial Risks may have a material impact on its risk profile and capital adequacy over its planning horizon. Where Climate-Related Financial Risks are identified as potentially material to capital adequacy, an Authorised Person should document:

  - the nature of the risks identified and their potential impact;
  - how these risks may affect capital, liquidity and operational requirements; and
  - any management actions planned or taken.

## Appendix 7

8. The Regulator will consider Climate-Related Financial Risks as part of its SREP where relevant to an Authorised Person's risk profile and capital adequacy.

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### 11.1 Application and general obligation of disclosure

#### Guidance

1. The purpose of the requirements in this Chapter is to ensure that minimum public disclosures are made available to market participants to assist them in forming an opinion on the risk profile and capital adequacy of an Authorised Person. The Regulator expects an Authorised Person to convey its actual risk profile to market participants.
2. An Authorised Person that has identified material Climate-Related Financial Risks should provide appropriate disclosure of:
  - a. how such risks are governed and overseen;
  - b. how such risks are integrated into its risk management processes; and
  - c. key metrics used to monitor such risks, where available.
3. Authorised Persons should have regard to Principle 5 of the UAE Sustainable Finance Working Group's *Principles for the Effective Management of Climate-related Financial Risks* (November 2023), published by the Regulator as Guidance, on the monitoring and reporting of such risks. Disclosures should be proportionate to the nature and scale of the Authorised Person's Climate-Related Financial Risk exposure.

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### A11.1 IRAP

#### Guidance

#### Application

1. This Guidance is relevant to an Authorised Person described in Section 10.3 (that is, a firm in Category 1, 2, 3A, 3B, 3C, or 5) in regard to an Internal Risk Assessment Process (referred to in this Guidance as an IRAP).
2. The following Guidance generally assumes that the Rules relating to capital adequacy in these Rules apply to an Authorised Person on a solo basis. However, the Guidance is to be read as also applying where

the capital adequacy requirements in these Rules apply to the Financial Group of an Authorised Person on a consolidated basis.

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**Guidance on risks to be covered as part of the IRAP**

11. An Authorised Person should consider the following risks, where relevant, in its IRAP and all others that it believes to be material:
- a. Credit Risk, including Large Exposures and concentration risks;
  - b. Market Risk;
  - c. Liquidity Risk;
  - d. for Islamic Financial Business involving PSIAs, displaced commercial risk;
  - e. interest rate risk in the Non-Trading Book;
  - f. Operational Risk;
  - g. internal controls and systems; ~~and~~
  - h. reputational risk; and
  - i. Climate-Related Financial Risk.

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