

T-99

days until most UK Basel 3.1 rules take effect

1 January 2027

Market risk IMA follows 1 Jan 2028

Can you prove that what you've implemented **actually works?**

Every component can be complete and every workstream can report green while the links between them break.

THE IMPLEMENTATION CHAIN



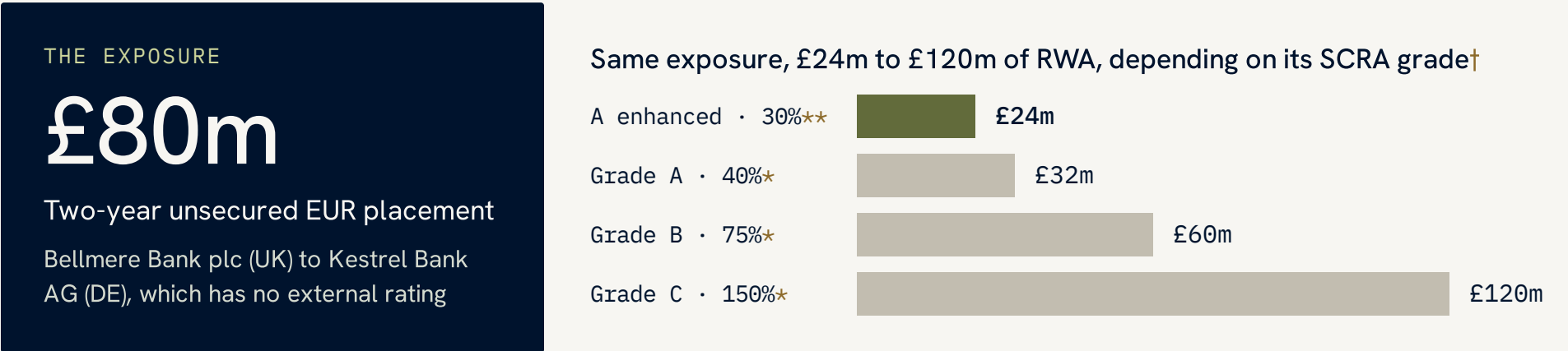
Qlogue tests **the evidence in the joins** between the links.

Pick one material exposure. Then ask:

- 01 Which precise PRA rule governs its treatment?
- 02 Where did that rule become methodology, and who signed off the interpretation?
- 03 Can you trace it into classification, data and calculation logic?
- 04 Can you reproduce the result independently, or credibly challenge it?**
THE INDEPENDENT ASSURANCE TEST
- 05 Can you follow that number all the way into the regulatory return?

One exposure, walked down the chain

An unrated bank counterparty under the Standardised Approach (SA), using SCRA.



WHAT THE EVIDENCE SHOULD SHOW	WHERE IT BREAKS
01 The rule No nominated rating agency rates Kestrel, so SCRA applies instead of the external ratings route.	“Unrated” is a blank in the ratings feed, never evidenced as checked.
02 The interpretation Grade A needs judgement on buffers, disclosure dates and solo versus consolidated. The 30% band needs CET1 of 14% or more and leverage of 5% or more.	The approved paper and the engine logic can’t be linked to each other.
03 The data and calculation The engine reads a hand-keyed field, SCRA_GRADE = A . The supporting evidence sits outside the calculation engine.	The judgement becomes a data field and its reasoning provenance is left behind. This is where the chain usually snaps.
04 Independent challenge Internal audit independently re-derives the classification. Does the exposure still qualify for the preferential 30% treatment if CET1 moves from 14.1% to 13.9%?	Bellmere’s methodology sets no tolerance for the age of the financial information it relies on.
05 The return £24m lands in the COREP institutions class at 30%, and in the output floor calculation for IRB firms.	Reconciliation is portfolio-level, so a top-side adjustment hides the error.

★ Grades A, B and C for unrated institutions (SCRA): PRA Rulebook, Credit Risk: Standardised Approach (CRR) Part, Art. 121; Basel Framework CRE20.16–20.32.

★★ 30% where the counterparty meets all Grade A requirements, plus CET1 of 14% or more and a Tier 1 leverage ratio of 5% or more (same article). The foreign-currency sovereign floor in Art. 121 is not triggered, as EUR is Kestrel’s local currency.

† Art. 121 defines the grades. Bellmere’s SCRA methodology interprets the criteria (buffers, disclosure dates, solo or consolidated), and credit risk applies it to assign each counterparty’s grade: steps 02 and 03 above.

Every component test passed, and the number was still wrong

The same Kestrel exposure in the Q1 2027 COREP. Bellmere reports it at 30%, or £24m of RWA.

COMPONENT TESTING

Does each part do what it says?

- ✓

Policy. Interpretation paper approved at committee.

Didn't check which version the grade was built on.
- ✓

Data. Every unrated institution has an SCRA grade.

Checked the field was filled, not whether it was still true.
- ✓

Calculation. Grade A enhanced input returns 30%.

The engine worked correctly on a grade that was wrong.
- ✓

Controls. Four-eyes review of grade entries.

Reviewed the field against the memo, never the memo against the source.
- ✓

Reporting. COREP reconciles to the risk engine.

£8m fits inside a portfolio-level tolerance.

TRACING

Does the number follow from its evidence?

- 01

RETURN → ENGINE

£24m in the 30% bucket matches the engine.
- 02

ENGINE → FIELD

SCRA_GRADE = A_ENH , keyed 14 January 2027.
- 03

FIELD → MEMO

The memo cites Kestrel's CET1 of 14.3% from its June 2026 Pillar 3.
- ✗

MEMO → SOURCE

Kestrel's December 2026 Pillar 3, published February 2027, shows CET1 at 13.9%. Nothing picked it up.
- ✗

MEMO → METHODOLOGY

The memo uses solo figures. Methodology v2, approved November 2026, requires consolidated.

REPORTED · 30%	SHOULD BE · 40%	RWA UNDERSTATED
£24m	£32m	£8m

A component test asks whether a part does what it says. A trace asks whether a number follows from its evidence. Here every part worked, and the failure sat in the handovers between them.

Illustrative. Bellmere and Kestrel are fictional; figures are hypothetical.

Making the reasoning behind each number traceable

Qlogue operates across both advisory work and specialised regulatory technology to make this reasoning chain explicit and inspectable for financial institutions.

01

ADVISORY

The “Reasoning Provenance” framework

Qlogue rebuilds the compliance architecture to connect every step of a decision rather than just validating the final maths. It enforces a strictly documented, verifiable link across the entire chain.

HOW QLOGUE CONNECTS IT

Regulation → Policy → Requirements → Process → Controls → Evidence → Reasoning → Decision

02

PRODUCT

Assurance software: adubio

Qlogue’s primary software product, adubio, is built specifically for internal audit, model risk and regulatory assurance teams. It applies the reasoning provenance philosophy mechanically by reading a written judgement against the evidence and requirements behind it, explicitly showing whether the final conclusion actually holds up to independent challenge.

03

ADVISORY
AND ADUBIO

Eliminating “implicit” judgements

In the worked example, the £8m reporting error occurred because the rationale was trapped in a siloed credit memo and a superseded committee paper. Qlogue’s infrastructure extracts judgements from footnotes, emails and isolated workpapers, and ensures that a conclusion cannot be passed down the reporting chain unless it explicitly shows its working.

THE COUNTDOWN CONTINUES TO 1 JANUARY

Want to see whether one of your own exposures can make the journey? Get in touch with Qlogue.

Next · T-90 Credit Risk: can you trace the number?