

# Glossary



*financial promotion rules*

**FCA** **PRA**

(1) (in relation to COBS) any or all of the *rules* in ■ COBS 4 that impose requirements in relation to a *financial promotion* but only to the extent that they apply to a *financial promotion*.

(2) (in relation to ICOBS) ■ ICOBS 2.2 .

(3) (in relation to MCOB) ■ MCOB 3.

(4) (in relation to BCOBS) all or any of the *rules* in ■ BCOBS 2 that impose requirements in relation to a *financial promotion* but only to the extent that they apply to a *financial promotion*.

*financial resources*

**FCA** **PRA**

(in UPRU) the financial resources calculated in accordance with ■ UPRU 2.2.1 R (Financial resources) that a UCITS firm needs to meet its *financial resources requirement*.

*financial resources requirement*

**FCA** **PRA**

(in UPRU) has the meaning given in ■ UPRU 2.1.2 R.

*financial return*

**FCA** **PRA**

(in UPRU) means *annual financial return*, *quarterly financial return* or *monthly financial return* as the case may be.

*financial sector*

**FCA** **PRA**

(1) (subject to (2)) one of the *banking sector*, the *insurance sector* or the *investment services sector*.

(2) (for the purposes of the definition of *financial conglomerate* and for any other provision of GENPRU 3 that treats the *banking sector* and the *investment services sector* as one) one of the *banking and investment services sector* or the *insurance sector*.

*Financial Services Compensation Scheme Limited*

**FCA** **PRA**

the *body corporate* established by the FSA under section 212 of the Act (The scheme manager) (as originally enacted) to administer the *compensation scheme*.

*Financial Services Register*

**FCA** **PRA**

the public record, as required by section 347 of the Act (The public record), regulation 4 of the *Payment Services Regulations* (The register of certain payment service providers) and regulation 4 of the *Electronic Money Regulations*, of every:

(a) *authorised person*

(aa) *authorised payment institution* and its EEA branches;

(ab) *small payment institution*;

(ac) *agent* of an *authorised payment institution* or *small payment institution*;

(aca) *authorised electronic money institution* and an EEA branch of an *authorised electronic money institution*;

(acb) *small electronic money institution*;

(acc) *agent* of an *authorised electronic money institution* or *small electronic money institution*;

<p>(ad) <i>credit union</i>, municipal bank and the National Savings Bank where such <i>persons</i> provide a <i>payment service</i>; or issue <i>electronic money</i>;</p> <p>(b) <i>AUT</i>;</p> <p>(c) <i>ICVC</i>;</p> <p>(d) <i>recognised scheme</i>;</p> <p>(e) <i>recognised investment exchange</i>;</p> <p>(f) [deleted]</p> <p>(g) individual to whom a <i>prohibition order</i> relates;</p> <p>(h) <i>approved person</i>; and</p> <p>(i) <i>person</i> within such other class (if any) as the <i>FCA</i> may determine; except as provided by any transitional provisions.</p>	<p>the <i>PRA</i>'s power under section 165A of the <i>Act</i> (<i>PRA</i>'s power to require information: financial stability) which, in summary, is a power to require a <i>person</i> to provide information or documents relevant to the stability of one or more aspects of the <i>UK financial system</i>.</p>
<p><i>financial stability information power</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>a requirement imposed on a <i>person</i> by the <i>PRA</i> using the <i>financial stability information power</i> or the <i>overseas financial stability information power</i>.</p>
<p><i>financial stability information requirement</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(1) (in <i>DISP</i> and <span style="color: blue;">■</span> <i>FEES</i> 5) the 12 <i>months</i> ending with 31 March.</p> <p>(3) (in <i>GENPRU</i> and <i>INSPRU</i>) the period at the end of which the balance of the accounts of the <i>insurer</i> is struck, or, if no balance is struck, the calendar year.</p>
<p><i>financial year</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(for the purposes of <i>INSPRU</i> 1.1 and of the definition of <i>non-directive insurer</i>) the last <i>financial year</i> to end before the date on which the latest accounts of the <i>insurer</i> are required to be deposited with the <i>appropriate regulator</i>; the preceding <i>financial year</i> and previous <i>financial years</i> are construed accordingly.</p>
<p><i>financial year in question</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to a <i>share</i>, <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i>) an amount that represents a reasonable estimate of the part of the <i>coupon</i> on that instrument that reflects the cost of financing generally but excludes costs reflecting factors relating to the issuer, guarantor or other person to whom the instrument creates an exposure.</p>
<p><i>financing cost amount</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Financial Stability and Market Confidence sourcebook.</p>
<p><i>FINMAR</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 8 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Land vehicles; railway rolling stock; aircraft; ships; goods in transit) relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.</p>
<p><i>fire and natural forces</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	

*firm*

FCA PRA

(1) in the *FCA Handbook*, an *authorised person*, but not a *professional firm* unless it is an *authorised professional firm* (see also ■ GEN 2.2.18 R for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in ■ DISP 2 and ■ 3) includes, as a result of the *insurance market direction* given in ■ DISP 2.1.7 D under section 316 of the *Act* (Direction by a regulator), *members* of the *Society of Lloyd's*.

(5) (in ■ FEES 3, ■ FEES 4, ■ FEES 5 and ■ FEES 7) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with ■ FEES 3.1.1A R, ■ FEES 4.1.1A R, ■ FEES 5.1.1A R and ■ FEES 7.1.1 R.

(6) (in CONRED):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

*firm in run-off*

FCA PRA

a *firm* whose *Part 4A permission* has been varied so as to remove the *regulated activity* of *effecting contracts of insurance*.

*firm type*

FCA PRA

one of a list of firm types set out in ■ SUP 16 Annex 17 G used for the purposes of checking and correcting *standing data* under ■ SUP 16.10.4 R.

*firm-specific liquidity stress*

FCA PRA

(in relation to a *firm* and any reporting obligations under ■ SUP 16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis (including on the basis of the *firm's UK branch*) the *firm* failing to meet, not complying with or being in breach of:

(i) the liquidity resources requirement calculated by that *firm* as adequate in its current *Individual Liquidity Adequacy Assessment* or *Individual Liquidity Systems Assessment*; or

(ii) the level of its liquid assets buffer advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iii) its funding profile advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iv) the *overall liquidity adequacy rule*; or

(v) BIPRU 12.2.8R (*ILAS BIPRU firm* adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the *simplified buffer requirement*); or

(vi) the *simplified buffer requirement* (taking into account ■ BIPRU TP 29 (Liquid assets buffer scalar: simplified ILAS BIPRU firms) unless this has been superseded by *individual liquidity guidance* that it has accepted; or

	(vii) any requirement imposed by or under the <i>regulatory system</i> under which the <i>firm</i> must hold a specified level of liquidity resources;
	or it being likely that the <i>firm</i> will do so;
	(b) (in the case of reporting obligations with respect to the <i>firm</i> and a group of other <i>persons</i> ) has the same meaning as in (a) except that references to any <i>rule</i> or other requirement, <i>Individual Liquidity Adequacy Assessment</i> , <i>Individual Liquidity Systems Assessment</i> or <i>individual liquidity guidance</i> are to any such thing so far as it applies to the <i>firm</i> and that group considered together.
<i>First Life Directive</i>	the Council Directive of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (No 79/267/EEC).
<b>FCA</b> <b>PRA</b>	
<i>First Non-Life Directive</i>	the Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance (No 73/239/EEC).
<b>FCA</b> <b>PRA</b>	
<i>FIT</i>	the part of the <i>Handbook</i> in High Level Standards which has the title the Fit and Proper test for Approved Persons.
<b>FCA</b> <b>PRA</b>	
<i>fixed overheads requirement</i>	the part of the <i>capital resources requirement</i> calculated in accordance with ■ GENPRU 2.1.53 R (Calculation of the fixed overheads requirement).
<b>FCA</b> <b>PRA</b>	
<i>fixed-sum credit</i>	(in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than <i>running-account credit</i> , by which the <i>customer</i> is enabled to receive credit (whether in one amount or by instalments).
<b>FCA</b> <b>PRA</b>	
<i>flat rate benefits business friendly society</i>	a <i>friendly society</i> whose <i>insurance business</i> is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.
<b>FCA</b> <b>PRA</b>	
<i>foreign currency</i>	(in <i>GENPRU</i> and <i>BIPRU</i> ) (in relation to a <i>firm</i> ) any currency other than the <i>base currency</i> .
<b>FCA</b> <b>PRA</b>	
<i>foreign currency PRR</i>	the part of the <i>market risk capital requirement</i> calculated in accordance with ■ <i>BIPRU</i> 7.5 (Foreign currency PRR) or, in relation to a particular position, the portion of the overall <i>foreign currency PRR</i> attributable to that <i>position</i> .
<b>FCA</b> <b>PRA</b>	
<i>foreign law contract</i>	any contract other than a contract:
<b>FCA</b> <b>PRA</b>	(a) governed by the laws of any part of the <i>United Kingdom</i> ; and

(b) whose parties agree to the exclusive jurisdiction of the courts of any part of the *United Kingdom*.

*former member*

FCA PRA

a *person* who has ceased to be a *member*, whether by resignation or otherwise, in accordance with Lloyd's Act 1982 and any *byelaw* made under it.

*former Ombudsman*

FCA PRA

an ombudsman, arbitrator or independent investigator appointed under a *former scheme*.

*former scheme*

FCA PRA

(1) (except in relation to a *relevant transitional complaint*) any of the following:

- (a) the *Banking Ombudsman scheme*;
- (b) the *Building Societies Ombudsman scheme*;
- (c) the *FSA scheme*;
- (d) the *IMRO scheme*;
- (e) the *Insurance Ombudsman scheme*;
- (f) the *Personal Insurance Arbitration Service*;
- (g) the PIA Ombudsman scheme;
- (h) the *SFA scheme*;

(2) (in relation to a *relevant transitional complaint*)

- (a) the *GISC facility*; or
- (b) the *MCAS scheme*.

*former underwriting member*

FCA PRA

(as defined in section 324(1) of the *Act* (Interpretation of Part XIX: Lloyd's)) a *person* ceasing to be an *underwriting member* on, or at any time after, 24 December 1996.

*forward*

FCA PRA

a contract to buy or sell where the date for settlement has been agreed as a particular date in the future but excluding a *future*.

*forward price*

FCA PRA

(in relation to *units*) a *price* calculated by reference to the *valuation point* next following the *authorised fund manager's* agreement to *sell* or, as the case may be, to redeem the *units* in question.

*forward rate agreement*

FCA PRA

an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.

FOS Ltd

FCA PRA

*Financial Ombudsman Service Limited*.

*foundation IRB approach*

FCA PRA

one of the following:

- (a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach*, described in ■ BIPRU 4.4 (The

<p>Fourth Company Law Directive</p> <p><b>FCA</b> <b>PRA</b></p>	<p>IRB approach: Exposures to corporates, institutions and sovereigns) under which a <i>firm</i> uses the values for <i>LGD</i> and <i>conversion factors</i> set out in ■ BIPRU 4.4 rather than supplying its own estimates;</p> <p>(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or</p> <p>(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.</p> <p>Council Directive 78/660/EEC on the annual accounts of certain types of companies as amended by, amongst other instruments, Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.</p>
<p>FRA</p> <p><b>FCA</b> <b>PRA</b></p>	<p><i>forward rate agreement.</i></p>
<p>framework contract</p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a contract for <i>payment services</i> which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.</p> <p>[Note: article 4(12) of the <i>Payment Services Directive</i>]</p>
<p>free delivery</p> <p><b>FCA</b> <b>PRA</b></p>	<p>a transaction of the type set out in ■ BIPRU 14.4.2 R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a <i>person</i>:</p> <p>(a) has paid for <i>securities, foreign currencies</i> or <i>commodities</i> before receiving them or it has delivered <i>securities, foreign currencies</i> or <i>commodities</i> before receiving payment for them; and</p> <p>(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.</p>
<p>friendly society</p> <p><b>FCA</b> <b>PRA</b></p>	<p>an <i>incorporated friendly society</i> or a <i>registered friendly society</i>.</p>
<p>front end loaded</p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in relation to an <i>investment</i>) one where deductions for <i>charges</i> and expenses are loaded disproportionately on the early years.</p>
<p>FSA</p> <p><b>FCA</b> <b>PRA</b></p>	<p>the Financial Services Authority.</p>
<p>FSA scheme</p> <p><b>FCA</b> <b>PRA</b></p>	<p>the <i>former scheme</i> operated by the <i>FSA</i> under paragraph 4 of Schedule 7 to the Financial Services Act 1986 for the investigation of complaints arising out of the conduct of investment business.</p>
<p>FSAVC</p> <p><b>FCA</b> <b>PRA</b></p>	<p>an arrangement which allows a member of an <i>occupational pension scheme</i> to make <i>AVCs</i> to a private <i>pension policy</i> or <i>pension contract</i>, where the policy or contract is separate from, but associated with, an <i>occupational pension scheme</i> which is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p>



# Training and Competence



Qualification provider	Qualification	Activity Number(s)	Key
	G80 paper of Advanced Financial Planning Certificate (October 2004) plus appropriate exam requirements for TC 2.1.4R(1)(f)		
	G70 Paper of the Advanced Financial Planning Certificate	8	1
	Award in London Market Insurance	9	1
	Fellow or Associate including three pensions-related subjects as confirmed by the examining body		
	G60 paper of Advanced Financial Planning Certificate	11	1
	Unit AF3 of the Advanced Diploma in Financial Planning		
	Certificate of Insurance Practice	18	4
	Certificate of Insurance Practice (life or pensions route)		
	FA1 - Life office administration		
	Fellow or Associate (life and pensions route only)	18	6
	Life assurance paper (735) from the Associateship		
	Certificate of Insurance Practice (Pensions route)	19	6
	Fellow or Associate (Pensions route)		
	Certificate in Mortgage Advice	20	1
	Certificate in Equity Release (Formerly known as Certificate in Financial Planning and Lifetime Mortgages)	21	1
	Certificate in Equity Release	22	1
		23	4
		23	5
		23	6
	Advanced Financial Planning Certificate (must include a pass in G70 paper)	14 and 10	1

Qualification provider	Qualification	Activity Number(s)	Key
	Certificate in Discretionary Investment Management		
	Fellow or Associate	15, 16, 17, 18, 19	4
	Financial Planning Certificate - Paper 1	15, 16, 17, 18, 19	4
		15, 16, 17, 18, 19	5
	CF1 - UK financial services, regulation and ethics	18, 19	4
		18, 19	5
	FA2 - Pensions administration paper		
	Financial Planning Certificate - Paper 2	18, 19	6
	Pensions law, taxation and administration paper (740) from the Associateship		
	Certificate in Mortgage Advice - Paper 1	20, 21	3
	Mortgage Advice Qualification (MAQ) plus entry requirements	20, 21, 22	1
	Financial Planning Certificate - Paper 1 (No new registrations after 17/12/2004)	20, 21, 22	3
EFFAS Societies with accredited examinations	Certified European Financial Analyst	14 and 10	2
Faculty or Institute of Actuaries	Fellow or Associate or where the individual has passed all of the following modules CT1, CT2, CT4, CT5, CT6, CT7 and CT8	2, 3, 4 and 6, 12, 13 14 and 10	a 1
	Associate - achieved by examination passed before 1 December 2001 (must include a pass in Subject 301 - Investment and Asset Management (syllabus in force from 1998)	14 and 10	1
	Associate - achieved by examination passed after 1 December 2001 (must include a pass in subject 301 - Investment and Asset Management (syllabus in force from 1998)	14 and 10	2

Qualification provider	Qualification	Activity Number(s)	Key
	Fellow - achieved by examination (must include a pass in subjects 301 and 401 Investment and Asset Management (syllabus in force from 1998))	14 and 10	1
	Fellow or Associate	11	1
		16, 17, 18, 19	4
		18, 19	6
	Fellow or Associate by examination (must include Investment Paper E (Syllabus in force until 1998))	14 and 10	1
	Fellow or where the individual has passed all of the following modules CA1 and SA2	18	4
Financial Industry Regulatory Authority (FINRA) - Formerly the National Association of Securities Dealers (NASD)	Series 7 - General Securities Representatives Examination (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation)	2, 3, 12, 13	b
Financial Skills Partnership (formerly the Financial Services Skills Council (FSSC))	FSSC Advanced Apprenticeship in Advising on Financial Products (Long Term Care Insurance Pathway)	7	1
	FSSC Advanced Apprenticeship in Retail Financial Services (Investment Administration Pathway including either Asset Servicing / CREST Settlement / Global Securities or ISA and CTF Administration)	17	6
	FSSC Advanced Apprenticeship in Retail Financial Services (Investment Administration Pathway including FSA Regulatory Environment or Principles of Financial Regulation)	17	5
	FSSC Advanced Apprenticeship in Retail Financial Services (investment Administration Pathway in-	17	4

Qualification provider	Qualification	Activity Number(s)	Key
	cluding the Introduction to Securities and Investment module)		
	FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1)	18	4
	FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1)	18	5
	FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1 and either FA1 or FA2)	18	6
	FSSC Advanced Apprenticeship in Retail Financial Services (Long Term Insurance Pathway including CF1 and FA2)	19	1
	FSSC Advanced Apprenticeship in Advising on Financial Products (Mortgage Advice Pathway)	20	1
ICMA Centre/ University of Reading (Formerly ISMA Centre/ University of Reading)	Diploma in Capital Markets, Regulation and Compliance	17	5
	Operations Certificate Programme (OCP)	16, 17	6
ifs School of Finance (formerly the Chartered Institute of Bankers)	Diploma for Financial Advisers (post 2010 examination standards)		
	Professional Certificate in Banking (PCertB) (where candidate has passed the Practice of Financial Advice module)	4 and 6	a
	Associateship - (must include a pass in the Investment / Investment Management Paper)	2, 3, 4 and 6, 12, 13	b
	Diploma for Financial Advisers (pre 2010 examination standards)	4 and 6	b
	Professional Investment Certificate		
	Certificate for Financial Advisers and Certificate in Long-term Care Insurance	7	1

Qualification provider	Qualification	Activity Number(s)	Key
	Pensions paper of Professional Investment Certificate	11	1
	Certificate for Financial Advisers - Paper 1	15	5
	Fellow or Associate	15, 16, 17, 18, 19	4
	Certificate for Financial Advisers - Paper 1 (Pre 31/10/2004)	15, 16, 17, 18, 19	4
		20, 21, 22	5
			3
	Certificate for Financial Advisers - Paper 1 (Post 01/11/2004)	18, 19	4
			5
	Certificate for Financial Advisers - Paper 2 (Pre 31/10/2004)	18, 19	6
	CeMAP Bridge paper plus entry requirements	20	1
	Certificate in Mortgage Advice and Practice (Post 01/11/2004)	20	1
	Diploma for Mortgage Advice and Practice DipMAP (plus entry requirements)	20	1
	CeMAP bridge paper plus entry requirements (Pre 31/10/2004)	21, 22	1
	Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004) - Paper 1	20, 21	3
	Certificate in Mortgage Advice and Practice (Post 01/11/2004) - Paper 1	20, 21	3
	Certificate in Mortgage Advice and Practice (CeMAP) (Pre 31/10/2004)	20, 21, 22	1
	Certificate in Regulated Equity Release (Formerly known as Certificate in Lifetime Mortgages)	21, 22	1
		23	4
		23	5
		23	6
Institute of Chartered Accountants in England and Wales	Fellow or Associate	8	1
		15, 16, 17, 18, 19	4
	Initial Test of Competence	18, 19	6

Qualification provider	Qualification	Activity Number(s)	Key
Institute of Chartered Accountants in Ireland	Fellow or Associate	8	1
		15, 16, 17, 18, 19	4
	Initial Test of Competence	19	6
Institute of Chartered Accountants in Scotland	Member	8	1
		15, 16, 17, 18, 19	4
	Initial Test of Competence	19	6
Institute of Chartered Secretaries and Administrators	Certificate in Collective Investment Scheme Administration	15, 16, 17, 18	4
			5
		15, 16	6
		19	4
	Certificate in Company Secretarial Practice and Share Registration Practice (including the Regulatory module within the examination)		4
		15, 16, 17	5
		6	
	Fellow or Associate	15, 16, 17, 18, 19	4
Institute of Financial Planning	Certified Financial Planner	4 and 6	b
	Fellowship		
Insurance Sector Education and Training Authority	National Diploma: Financial Services Long-Term Risk Assessment	7	2
Investment Management Association	Investment Administration Management Award	15, 16, 17	6
Investment Property Forum	IPF Certificate in Property Investment	14 and 10	2
Japanese Bankers Association	Registered Representative of Public Securities Examination (pre-April 1990)	8	2
Japanese Securities Dealers Association	Representative of Public Securities Qualification - Type 1 (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation)	2, 3, 12, 13	b
		8	2



Qualification provider	Qualification	Activity Number(s)	Key
	Representative of Public Securities Qualification - Type 1		
Law Society of England and Wales	Module B(ii), Securities and Portfolio Management	8	2
	Module B(i), Retail Branded/ Packaged Products	18, 19	6
Law Society of England and Wales/ Law Society of Northern Ireland	Solicitor	15	4
Law Society of England and Wales/ Law Society of Scotland/ Law Society of Northern Ireland	Solicitor	17, 18, 19	4
Lloyd's	Lloyd's and London Market Introductory Test (Formerly the Lloyd's Introductory Test)	9	1
Lloyd's/ Chartered Insurance Institute	Lloyd's Market Certificate	9	1
London Stock Exchange (records are now kept by The Chartered Institute for Securities and Investment (CISI); Formerly the Securities and Investment Institute (SII); formerly The Securities Association)	London Stock Exchange Full Membership Exams (and other regional stock exchanges as merged with London Stock Exchange) - where candidate holds three or four papers or holds both the Stock Exchange Practice and Techniques of Investment papers	2, 3, 4 and 6, 12, 13 14 and 10	b 1
	Stock Exchange Registered Representative Examination	8 15, 16, 17, 18, 19 15, 16	1 4 5
Manchester Metropolitan University	BA (Hons) Financial Services, Planning and Management	2, 3, 4 and 6, 12, 13	a
N/A	In-house module (only where the firm can demonstrate that none of the listed examinations are appropriate)	15, 16, 17, 18, 19	6
NIBE SVV the Dutch Institute for	Examination	8	2

Qualification provider	Qualification	Activity Number(s)	Key
the Banking, Insurance and Stock-broking Industry			
Pensions Management Institute	Diploma in Regulated Retirement Advice	4 and 6	a
		11	1
	Fellow or Associate by examination	11	1
	Module 201: Providing for Retirement		4
		19	5
			6
	Fellow or Associate	15, 16, 17, 18, 19	4
Diploma in Member-Directed Pension Scheme Administration	18	6	
Fellow or Associate by examination	18, 19	6	
Sheffield Hallam University	BA in Financial Services (1995 to 2001)		
	MA in Financial Services (1995 to 2001)	4 and 6	b
	Post Graduate in Financial Services (1995 to 2001)		
Society of Investment Analysts in Ireland	Certificate in Investment Management (at least 3 papers passed by examination)	14 and 10	2
South African Institute of Financial Markets	Ordinary and Senior Certificates	8, 14 and 10	2
Swiss Finance Institute	Dual degree Executive MBA in Asset and Wealth Management	14 and 10	2
The Securities Analysts Association of Japan (SAAJ)	CMA Level 2 (for individuals advising before 30 June 2009)		
	CMA Level 2 (for individuals not advising before 30 June 2009 - provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation)	2, 3, 12, 13	b
	CMA Level 2	8	2

Qualification provider	Qualification	Activity Number(s)	Key
	Secondary Examination		
University of Stirling	Chartered Member	14 and 10	2
	BA in Finance	2, 4 and 6, 12	b
	BA in Finance and Accounting	2, 3, 4 and 6, 12, 13	b
	MSc in Finance	2, 3, 12, 13	b
	MSc in international Accounting and Finance (where candidates hold modules as recommended by the firm)	2, 3, 12, 13 8 14 and 10	b 2 1
	MSc in Investment Analysis	2, 3, 12, 13 14 and 10	b 1
	University of the West of England	BA in Financial Services (1995 to 2001)	
MA in Financial Services (1995 to 2001)		4 and 6	b
Post Graduate in Financial Services (1995 to 2001)			



# Fees Manual



Financial Services Compensation Scheme - classes and sub-classes

This table belongs to ■ FEES 6.5.7 R and ■ FEES TP 2.5.2R

Class A [PRA]	Deposit
Legal basis for activity in class A	<i>accepting deposits, and/or operating a dormant account fund.</i>
Tariff base	<p><b>BUT does not include any fee payer who either effects or carries out <i>contracts of insurance</i>.</b></p> <p><b>(1) <i>Protected deposits</i> and/or</b></p> <p><b>(2) multiplied by 0.2 as at 31 December Except where paragraph (4) says otherwise, <i>protected deposits</i> must be adjusted as follows.</b></p> <p><b>(1) Only include a <i>protected deposit</i> to the extent that an <i>eligible claimant</i> would have a claim in respect of it.</b></p> <p><b>(2) Exclude any amount in respect of which the <i>FSCS</i> would not pay compensation due to the maximum payment limits in <b>COMP 10.2</b>.</b></p> <p><b>(3) The tariff base calculation is made on the basis of the information that the <i>firm</i> would have to include in the <i>single customer views</i> it has to be able to produce under <b>COMP 17</b> (Systems requirements for firms that accept deposits). The information must be of the extent and standard required if the <i>firm</i> was preparing the <i>single customer views</i> as at the valuation date for the tariff base (31 December).</b></p> <p><b>(4) (a) If this paragraph applies, the adjustments in (1) to (3) do not apply and the calculation is based on <i>protected deposits</i>.</b></p> <p><b>(b) This paragraph applies with respect to a <i>protected deposit</i> to the extent that, under , the <i>firm</i> does not have to identify an <i>eligible claimant</i> with respect to that <i>protected deposit</i> because the account is held by the account holder on behalf of others.</b></p> <p><b>(c) This paragraph applies with respect to a <i>protected deposit</i> that has been excluded from the <i>single customer view</i> because it is an account that is not active, as defined in <b>COMP 17.2.3 R (2)</b>.</b></p>

Class B  [PRA]	General Insurance
<b>Sub-class B1</b>	<b>General Insurance Provision</b>
Legal basis for activity in sub-class B1	<i>effecting contracts of insurance; and/or carrying out contracts of insurance; that are general insurance contracts.</i>
<b>Sub-class B2</b>	<b>General Insurance Intermediation</b>
Legal basis for activity in sub-class B2	Any of the following in respect of <i>general insurance contracts</i> : <i>dealing in investments as agent;</i> <i>arranging (bringing about) deals in investments;</i> <i>making arrangements with a view to transactions in investments;</i> <i>assisting in the administration and performance of a contract of insurance;</i>  <i>advising on investments;</i> <i>agreeing to carry on a regulated activity which is within any of the above.</i>
Tariff base	<p><b>Sub-class B1: Relevant net premium income and eligible gross technical liabilities.</b> The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to <i>relevant net premium income</i>. The tariff base for the second portion (25%) is based on eligible gross technical liabilities.</p> <p>Eligible gross technical liabilities are calculated in accordance with the method for calculating gross technical liabilities in fee block A3 in part 2 of FEES 4 Annex 1 R with the following adjustments.</p> <p>(1) Eligible gross technical liabilities are calculated by reference to <i>protected contracts of insurance with eligible claimants</i>.</p> <p>(2) A <i>firm</i> may choose not to apply paragraph (1) and instead include all gross technical liabilities that it would be obliged to take into account for fee block A3 as long as the amount that it would include under (1) is lower.</p> <p>(3) If an <i>incoming EEA firm</i> does not report gross technical liabilities in the way contemplated by this table, the <i>firm's</i> gross technical liabilities are calculated in the same way as they would be for a <i>UK firm</i>.</p> <p>(4) None of the notes for the calculation of fees in fee block A3 in part 2 of FEES 4 Annex 1 R apply except for the purposes of (2).</p> <p>(5) A <i>directive friendly society</i> must also calculate eligible gross technical liabilities in accordance with this table. <i>FSA</i> under <i>IPRU(FSOC)</i>. A <i>non-directive friendly society</i> must disregard for this purpose such amounts as</p>



Class B [PRA]	General Insurance
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are not required to be included by reason of a *waiver* or a written concession carried forward as an amendment to the *rule* to which it relates under *SUP TP*.

**Sub-class B2:** *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is calculated as the sum of (a) and (b): *sub-class*

(b) if the *firm* is an *insurer*, in relation to *sub-class sub-class B2* activities carried out by another *firm*, where a payment has been made by the *insurer* to that other *firm* and that payment is of a type that falls under (a).

Notes relating to the calculation of the tariff base for sub-class B2:

- (1) Exclude annual income for *pure protection contracts*. Only include *general insurance contracts*.
- (2) The calculation is adjusted in accordance with the definition of *annual eligible income*.
- (3) Net amount retained means all the commission, fees, etc. in respect of *sub-class B2* activities that the *firm* has not rebated to customers or passed on to other *firms* (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.
- (4) *Sub-class B2* activities mean activities that fall within *sub-class B2*. They also include activities that now fall within *sub-class B2* but that were not *regulated activities* when they were carried out.
- (5) A reference to a *firm* also includes a reference to any *person* who carried out activities that would now fall into *sub-class B2* but which were not at the time *regulated activities*.

Class C [PRA]	Life and Pensions
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Sub-class C1	Life and Pensions Provision
Legal basis for activity in sub-class C1	<i>effecting contracts of insurance; and/or carrying out contracts of insurance; that are long-term insurance contract (including pure protection contracts).</i>
Sub-class C2	Life and Pensions Intermediation

Class C

Life and Pensions

[PRA]

Legal basis for activity in sub-class C2

Any of the following:

- dealing in investments as agent;*
- arranging (bringing about) deals in investments;*
- making arrangements with a view to transactions in investments;*
- assisting in the administration and performance of a contract of insurance;*
- advising on investments;*
- advising on pension transfers and pension opt-outs;*
- providing basic advice on a stakeholder product;*
- agreeing to carry on a regulated activity which is within any of the above;*

in relation to any of the following:

- long-term insurance contracts*
- rights under a stakeholder pension scheme or a personal pension scheme.*

Tariff base

**Sub-class C1: Relevant net premium income and eligible mathematical reserves.** The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to *relevant net premium income*. The tariff base for the second portion (25%) is based on mathematical reserves.

Eligible mathematical reserves are calculated in accordance with the method for calculating mathematical reserves in fee block A4 in part 2 of with the following adjustments.

(1) Eligible mathematical reserves are calculated by reference to *protected contracts of insurance* with .

(3) If an *incoming EEA firm* does not report mathematical reserves in the way contemplated by this table, the *firm's* mathematical reserves are calculated in the same way as they would be for a *UK firm*.

(4) None of the notes for the calculation of fees in fee block A4 in part 2 of apply except for the purposes of (2).

(5) A *directive friendly society* must also calculate eligible mathematical reserves in accordance with this table. *FSA* under *IPRU(FSOC)*. A *non-directive friendly society* must disregard for this purpose such amounts as are not required to be included by reason of a *waiver* or a written concession carried forward as an amendment to the *rule* to which it relates under *SUP TP*.

Class C  [PRA]	Life and Pensions
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(7) The provisions relating to pension fund management business in Part 2 of do not apply. A *firm* undertaking such business that does not carry out any other activities within C1 (ignoring any activities that would have a wholly insignificant effect on the calculation of its tariff base for *sub-class FSA*).

Sub-class C2: *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is calculated as the sum of (a) and (b):

(b) if the is a life and pensions , in relation to C2 activities carried out by another , where a payment has been made by the life and pensions *firm* to that other *firm* and that payment is of a type that falls under (a).

Notes relating to the calculation of the tariff base for *sub-class C2*:

(1) Life and pensions contracts mean *long-term insurance contracts* (including *pure protection contracts*) and rights under a *stakeholder pension scheme* or a *personal pension scheme*.

(2) Life and pensions *firm* means an *insurer*. It also means a *firm* that provides *stakeholder pension schemes* or *personal pension schemes* if those activities fall into *sub-class D1*.

(3) The calculation is adjusted in accordance with the definition of *annual eligible income*.

(4) Net amount retained means all the commission, fees, etc. in respect of *sub-class C2* activities that the *firm* has not rebated to customers or passed on to other *firms* (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.

(5) *Sub-class C2* activities mean activities that fall within *sub-class C2*. They also include activities that now fall within *sub-class C2* but that were not *regulated activities* when they were carried out.

(6) A reference to a *firm* also includes a reference to any *person* who carried out activities that would now fall into *sub-class C2* but which were not at the time *regulated activities*.

Class D	[deleted]
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Class E	[deleted]
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Notes

[PRA]

- (1) Any reference in this annex to a includes a reference to *rights to or interests in investments in that specified investment*.
- (2) In calculating *annual eligible income* a *firm* must apportion income between different
- (3) The question of whether a is an or not or whether a *contract of insurance* is a *protected contract* or not or whether business is compensatable business or not must be judged at whichever of the following dates the *firm* chooses:
- (a) (for a who has become a new *client* during the period by reference to which the *firm's* tariff base is being calculated) the date on which the *person* becomes a *client*;
- (b) (for a *person* who has ceased to be a during that period) the date on which the *person* ceases to be a *client*; or
- (c) (in any other case) the date to which the most recent information supplied by the *firm* under is prepared.
- However this does not apply for the purpose of calculating the tariff base for A (Deposits) so far as it relates to *protected deposits*.

# Prudential sourcebook for Banks, Building Societies and Investment Firms



10.6.31

FCA PRA

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In relation to ■ BIPRU 10.6.3R (14) (Cash deposits) and ■ BIPRU 10.6.3R (15) (Certificates of deposit), the collateral may in some cases give rise to an *exposure* between the *lending firm* and the *credit institution*. Where this is the case, the *exposure* is considered to be an intra-group *exposure*. A *firm* may apply ■ BIPRU 10.8A (Intra-group exposures: core UK group) or ■ BIPRU 10.9A (Intra-group exposures: non-core large exposures group), as appropriate.

### Institutional exemption

10.6.32

FCA PRA

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Where a *counterparty* is an *institution* or where a *group of connected clients* includes one or more *institutions*:

- (1) the total amount of a *firm's exposures* to the same *counterparty* or *group of connected clients* may exceed 25% of the *firm's capital resources* so long as the total amount of such *exposures* does not exceed €150 million;
- (2) the *firm* must ensure that the total amount of its *exposures*, after taking into account the effect of *credit risk mitigation*, to other *persons* in that *group of connected clients* which are not *institutions* does not exceed 25% of the *firm's capital resources*;
- (3) where the amount of €150 million in (1) is higher than an amount equivalent to 25% of the *firm's capital resources*, the *firm* must ensure the following:
  - (a) the total amount of those *exposures* in (1) in relation to the same *counterparty* or *group of connected clients* does not exceed a reasonable limit in terms of the *firm's capital resources*; and
  - (b) in any case, the limit in this *rule* must not exceed 100% of the *firm's capital resources*; and

*capital resources* are as determined under ■ BIPRU 10.5.2 R, ■ BIPRU 10.5.3 R and ■ BIPRU 10.5.5 R (Stage (N) of the calculation in the *capital resources table* (Total tier one capital plus tier two capital after deductions)); and

- (4) for the purpose of (3), the *firm* must determine the limit consistently with the policies and procedures required under ■ BIPRU 10.12.3 R (Concentration risk policies).

[Note: BCD Article 111(1) second to fourth paragraphs]

10.6.33

FCA PRA

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Article 111(4) of the *Banking Consolidation Directive* allows the *appropriate regulator* to waive the 100% limit on a case-by-case basis. The *appropriate regulator* will consider an application for such a *waiver* in the light of the criteria in section 138A of the *Act* (Modification or waiver of rules).

**Sovereign large exposure waiver**

10.6.34  
FCA PRA

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■ BIPRU 10.6.35R to ■ BIPRU 10.6.37G apply to a *BIPRU firm* if it has a *sovereign large exposure waiver*.

10.6.35  
FCA PRA

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A *firm* that has a *sovereign large exposure waiver* must exempt from the limits described in ■ BIPRU 10.5 (Limits on exposures) the *exposures* as specified in the *sovereign large exposure waiver*. It must do so to the extent specified in that waiver.

10.6.36  
FCA PRA

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For the purpose of the *sovereign large exposure waiver*, and in relation to a *firm*, the *exposures* referred to in ■ BIPRU 10.6.35R are limited to the following:

- (1) asset items constituting claims on *central banks* not within ■ BIPRU 10.6.3R (1), which are in the form of required minimum reserves held at those *central banks* which are denominated and funded in their national currencies; and
- (2) asset items constituting claims on central governments not within ■ BIPRU 10.6.3R (1), which are in the form of statutory liquidity requirements held in government securities denominated and funded in their national currencies.

[Note: BCD Article 113(4)(g) and (h)]

10.6.37  
FCA PRA

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As part of the process of applying for a *sovereign large exposure waiver*, a *firm* should agree with the *appropriate regulator* the amount of the *exposures* that may be exempted. In general, the *appropriate regulator* will expect the likelihood of the *firm's* liabilities (that fund the particular exempt *exposure*) falling alongside a fall in that *exposure* in an event of default to form one of the key considerations in discussions with the *firm* regarding the total amount of such exempt *exposures*. For this purpose, the *appropriate regulator* will expect the *firm* to demonstrate that, taking into account the aggregate of all *exposures* exempted under other *sovereign large exposure waivers* granted to the *firm*, the criteria in section 138A of the *Act* (Modification or waiver of rules) are satisfied in relation to the *sovereign large exposure waiver* under consideration.



## Chapter 12

# Liquidity standards

## 12.1 Application

12.1.1

FCA PRA

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Subject to ■ BIPRU 12.1.2R, ■ BIPRU 12 applies to:

- (1) a *BIPRU firm*;
- (2) an *incoming EEA firm* which:
  - (a) is a *full BCD credit institution*; and
  - (b) has a *branch* in the *United Kingdom*; and
- (3) a *third country BIPRU firm* which:
  - (a) is a *bank*; and
  - (b) has a *branch* in the *United Kingdom*.

12.1.2

FCA PRA

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■ BIPRU 12.5 (Individual Liquidity Adequacy Standards), ■ BIPRU 12.6 (Simplified ILAS), ■ BIPRU 12.7 (Liquid assets buffer) and ■ BIPRU 12.9 (Individual liquidity guidance and regulatory intervention points) apply only to an *ILAS BIPRU firm*.

12.1.3

FCA PRA

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A *firm* that is an *exempt full scope BIPRU investment firm* is not an *ILAS BIPRU firm*.

12.1.4

FCA PRA

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- (1) An *exempt full scope BIPRU investment firm* is a *full scope BIPRU investment firm* that at all times has total net assets which are less than or equal to 50 million.
- (2) In this *rule*, total net assets are the sum of a *firm's* total *trading book* assets and its total *non-trading book* assets, less the sum of its called up share capital, reserves and minority interests.
- (3) For the purpose of (2), the value attributed to each of the specified balance sheet items must be that which is reported to the *FCA* in the *firm's* most recent *FSA001 data item*.

## 12.6 Simplified ILAS

### 12.6.1

FCA PRA

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The *appropriate regulator* recognises that it may not always be appropriate to apply ■ BIPRU 12.5 (Individual Liquidity Adequacy Standards) to every *ILAS BIPRU firm*. For a *firm* which operates a relatively simple business model, it may instead be appropriate to allow the *firm* to calculate the size and content of its liquid assets buffer according to a simplified approach prescribed in the *Handbook* in advance of any review of that *firm's liquidity risk* conducted by the *appropriate regulator*. This section sets out the *simplified ILAS* approach to maintaining a liquid assets buffer and a *firm* that operates that approach is a *simplified ILAS BIPRU firm*.

### 12.6.2

FCA PRA

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**An *ILAS BIPRU firm* that wishes to operate the *simplified ILAS* approach must:**

- (1) satisfy the conditions in ■ BIPRU 12.6.6R to ■ BIPRU 12.6.8R; and
- (2) obtain a *simplified ILAS waiver* from the *appropriate regulator*.

### 12.6.3

FCA PRA

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A *firm* will therefore lose the benefit of its *simplified ILAS waiver* if it ceases to satisfy the conditions in ■ BIPRU 12.6.6R to ■ BIPRU 12.6.8R. Consistent with *Principle 11* (Relations with regulators), if a *firm* anticipates that it may breach those conditions, it should notify the *appropriate regulator* promptly.

### 12.6.4

FCA PRA

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**A *simplified ILAS BIPRU firm* must calculate the size of its *simplified buffer requirement* in accordance with ■ BIPRU 12.6.9R to ■ BIPRU 12.6.18R.**

### 12.6.5

FCA PRA

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The *appropriate regulator* is likely to regard a *simplified ILAS BIPRU firm* whose liquid assets buffer accords with the *simplified buffer requirement* as having an adequate buffer of assets and a prudent funding profile for the purpose of ■ BIPRU 12.2.8R. However, the *simplified ILAS* approach does not relieve a *simplified ILAS BIPRU firm* from the obligation to hold liquidity resources which are adequate for the purpose of meeting the *overall liquidity adequacy rule* or from the obligation in ■ BIPRU 12.3.4R to assess and maintain on an ongoing basis the adequacy of its liquidity resources. Consequently, where a *firm's* own assessment of the adequacy of its liquidity resources indicates that its liquid assets buffer should be larger in size than that produced by the application of the *simplified buffer requirement*, the *appropriate regulator* will expect that *firm* to maintain a liquid assets buffer which is consistent with the results of its own assessment. Equally, following any review by the *appropriate regulator* of the *liquidity risk* to which a *simplified ILAS BIPRU firm* is exposed, the *appropriate regulator* may give that *firm individual liquidity guidance* advising it that its liquid assets buffer should be bigger than that which is produced by the application of the *simplified buffer requirement*.

12.6.6

FCA PRA

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**Simplified ILAS conditions**

The first condition is that:

- (1) no less than 75% of the *firm's* total liabilities are accounted for by retail *deposits* and :
  - (a) the *firm's* total assets do not exceed 250 million; or
  - (b) the *firm's* total assets do not exceed 1 billion and no less than 70% of those assets are accounted for by:
    - (i) assets of the kind that fall into ■ BIPRU 12.7.2 R and which the *firm* counts towards its *simplified buffer requirement*; and
    - (ii) retail loans; or
  - (c) no less than 70% of the *firm's* total assets are accounted for by retail loans; or
  - (d) no less than 70% of the *firm's* total assets are accounted for by:
    - (i) *money-market instruments* with a residual contractual maturity of three *months* or less; or
    - (ii) *sight deposits* held with a *credit institution*; or
    - (iii) *term deposits* with a residual contractual maturity of three *months* or less held with a *credit institution*; or
- (2) no less than 80% of the *firm's* total liabilities are accounted for by liabilities owed to its *parent undertaking* and the amount of the *firm's* total assets does not exceed 1 billion.
  - (a) [deleted]
  - (b) [deleted]
  - (c) [deleted]
- (3) [deleted]

12.6.6A

FCA PRA

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For the purpose of ■ BIPRU 12.6.6 R, a *firm* must calculate:

- (1) its total assets by reference to its most recent *FSA001 data item*; and
- (2) its retail loans as the total of its lending to the retail sector recorded in cell 11A in its most recent *FSA015 data item*.

# Prudential sourcebook for Insurers



- (1) provide the information set out at ■ INSPRU 6.1.43BR (1) to ■ (3); and
- (2) confirm that the terms of the *capital instrument* have not changed since the previous issue of that type of *capital instrument* by that *group undertaking*.

**Calculation of GCR - Limits on the use of different forms of capital**

6.1.44

PRA

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As the various components of capital differ in the degree of protection that they offer the *insurance group*, restrictions are placed on the extent to which certain types of capital are eligible for inclusion in the *group capital resources* of the *undertaking* in ■ INSPRU 6.1.17 R. These restrictions are set out in ■ INSPRU 6.1.45 R.

6.1.45

PRA

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- (1) For the purposes of ■ INSPRU 6.1.9 R, ■ INSPRU 6.1.10 R and ■ INSPRU 6.1.15 R, a *firm* must ensure that at all times its *tier one capital resources* and *tier two capital resources* are of such an amount that the *group capital resources* of the *undertaking* in ■ INSPRU 6.1.17 R comply with the following limits:

- (a)  $(P - Q) \geq \frac{1}{2} (R - S)$ ;
- (b)  $(P - Q + T - W) \geq \frac{3}{4} (R - S)$ ;
- (c)  $V \geq \frac{1}{2} P$ ;
- (d)  $Q \leq 15\%$  of P;
- (e)  $T \leq P$ ; and
- (f)  $W \leq \frac{1}{2} P$

- (2) For the purposes of ■ INSPRU 6.1.9 R and ■ INSPRU 6.1.10 R, a *firm* must ensure that at all times its *tier one capital resources* and *tier two capital resources* are of such an amount that its *group capital resources* comply with the following limit, subject to (4)

$$(P - Q + T) = \frac{1}{3} X + (R - S - U - X).$$

- (3) For the purposes of (1) and (2):

- (a) P is the *total group tier one capital* of the *undertaking* in ■ INSPRU 6.1.17 R;
- (b) Q is the sum of the *innovative tier one capital resources* calculated in accordance with ■ INSPRU 6.1.53 R;
- (c) R is the *group capital resources requirement* of the *undertaking* in ■ INSPRU 6.1.17 R;
- (d) S is the sum of all the *with-profits insurance capital components* of an *undertaking* in ■ INSPRU 6.1.17 R that is an *insurer* and each of its *regulated related undertakings* that is an *insurer*;

- (e) T is the *total group tier two capital* of the *undertaking* in ■ INSPRU 6.1.17 R;
  - (f) U is the sum of all the *resilience capital requirements* of an *undertaking* in ■ INSPRU 6.1.17 R that is an *insurer* and each of its *regulated related undertakings* that is an *insurer*;
  - (g) V is the sum of all the *core tier one capital* calculated in accordance with ■ INSPRU 6.1.55 R;
  - (h) W is the sum of the *lower tier two capital resources* calculated in accordance with ■ INSPRU 6.1.57 R; and
  - (i) X is the MCR of the *firm* less its *resilience capital requirement*, if any.
- (4) For the purposes of (2):
- (a) ■ INSPRU 6.1.45 R (1)(a) does not apply;
  - (b) the *innovative tier one capital* of the *firm* or its *regulated related undertakings* that meets the conditions for it to be *upper tier two capital* may be included as *upper tier two capital* for the purpose of the calculation in ■ INSPRU 6.1.50 R; and
  - (c) the *firm* must exclude from the calculation of (P - Q + T) in (2) the higher of:
    - (i) any amount by which the *total group tier two capital* exceeds the *group capital resources* of the *firm* less any *innovative tier one capital* excluded by (b); and
    - (ii) any amount by which the sum of *lower tier two capital resources* calculated in accordance with ■ INSPRU 6.1.57 R exceeds one third of the *group capital resources* of the *firm* less any *innovative tier one capital* excluded by (b).

6.1.46  
PRA

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The amount of any capital item excluded from *group capital resources* under ■ INSPRU 6.1.45 R (1)(d) may form part of *total group tier two capital* calculated in accordance with ■ INSPRU 6.1.50 R subject to the limits in ■ INSPRU 6.1.45 R (1)(e) and ■ INSPRU 6.1.45R (1)(f).

6.1.47  
PRA

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For the purposes of ■ INSPRU 6.1.10 R, a *firm* must ensure that the *tier one capital resources* and *tier two capital resources* of each of its *long-term insurance business* and its *general insurance business* are of such an amount that the *group capital resources* of each its *long-term insurance business* and its *general insurance business* comply with the limits in ■ INSPRU 6.1.45 R separately for each type of business.



# **Interim Prudential Sourcebook**

## **Investment Businesses**



outstanding debts have been settled;

- (4) the amount used in the calculation of its financial resources is reduced on a straight line basis over the last five years of its term;
- (5) it is in the standard form prescribed by the *appropriate regulator* for long term subordinated loans.

13.5.5C R The total amount of long term subordinated loans that an *exempt CAD firm* may include in the calculation of its financial resources is restricted as stipulated in 13.1A.17R and in *SUP 16*.

FCA

13.7.2B R An *exempt CAD firm* must, where it is *exposed* to undue risk in consequence of its membership of a *group*, provide against, reduce or eliminate that risk.

FCA

### 13.9 FINANCIAL RESOURCES TESTS FOR CATEGORY B FIRMS

13.9.1 R A *Category B firm* must meet:

FCA

- (1) financial Resources Test 1 (the *Own funds Test*) calculated in accordance with section 13.10;
- (2) Financial Resources Test 1A (the *Adjusted Net current assets Test*) calculated in accordance with section 13.11, unless the *firm* is a *low resource firm* which is not permitted to carry on the activity of *managing investments* in respect of portfolios containing only *life policies*; and
- (3) Financial Resources Test 2 (the *Expenditure-based Test*) calculated in accordance with section 13.12 unless the *firm* is a *low resource firm*.

13.9.1A G Table 13B is a summary of the financial resources test for a *Category B firm*.

FCA

Table 13B This table forms part of *rule 13.9.1*

SUMMARY OF FINANCIAL RESOURCES FOR CATEGORY B FIRMS				
Type of <i>firm</i>	Financial Resources Test 1 <i>Own funds Test</i>	Financial Resources Test 1A <i>Adjusted Net current assets Test</i>	Financial Resources Test 2 <i>Expenditure-based Test</i>	<i>Rule/section References</i>
<i>Category B1</i> (including any <i>Network</i> in this category)	£10,000	<i>Adjusted net current assets</i> of £1	Liquid capital equal to the highest of 13/52 of relevant	13.10 13.11 13.12.1C

			annual expenditure or £400 per adviser or £10.000	13.12.2 to 13.12.5A 0
Category B2 which is permitted to carry on the activity of <i>investment management</i> in respect of portfolios containing only <i>life policies</i> or to delegate such activity to an <i>investment firm</i>	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 13/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1D 13.12.2 to 13.12.5A
Category B2 with 26+ advisers	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 8/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1E 13.12.2 to 13.12.5A
Category B2 with 1-25 advisers	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 4/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1F 13.12.2 to 13.12.5A
Category B3 which is permitted to carry on the activity of <i>managing investments</i> in respect of portfolios containing only <i>life policies</i> or to delegate such activity	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 8/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1E 13.12.2 to 13.12.5A

to an <i>investment firm</i>				
Category B3 with 26+ advisers	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 4/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1F 13.12.2 to 13.12.5A
Category B3 with 1-25 advisers	£10,000	N/A	N/A	13.10
<i>Network</i> in Category B2 or B3	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the higher of 13/52 of relevant annual expenditure or £400 per adviser	13.10 13.11 13.12.1D 13.12.2 to 13.12.5A
All <i>Category B firms</i> that do not hold <i>client money</i> or assets, but are <i>permitted to establish, operate or wind up a personal pension scheme</i> .	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the highest of 6/52 of relevant annual expenditure, £400 per adviser, £10,000 and any other expenditure-based requirement set out in 13.12.1 applicable to the <i>firm</i> .	13.10 13.11 13.12.1 13.12.2 to 13.12.5A
All <i>Category B firms</i> that hold <i>client money</i> or assets and are <i>permitted to establish, operate or wind up a personal pension</i>	£10,000	Adjusted <i>net current assets</i> of £1	Adjusted capital equal to the highest of 13/52 of relevant annual expenditure, £400 per adviser, and £10,000	13.10 13.11 13.12.1G 13.12.2 to 13.12.5A

scheme.				
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**13.10 FINANCIAL RESOURCES TEST 1- OWN FUNDS REQUIREMENT**

*Requirement*

**13.10.1 R A Category B firm's own funds must at all times be at least £10,000.**

**FCA**

*Calculation*

**13.10.2 R A Category B firm's own funds must be calculated in accordance with table 13.10(2).**

**FCA**

**Table 13.10(2).**

**This table forms part of rule 13.10.2**

<b>OWN FUNDS</b>	
<b>Companies</b>	<b>Sole Traders: Partnerships</b>
Paid-up <i>share</i> capital (excluding preference shares redeemable by shareholders within 2 years) <i>Eligible LLP members' capital</i> Share premium account Retained profits (see 13.10.2AR) and interim net profits (Note 1) Revaluation reserves Short-term subordinated loans <i>Debt capital</i>	Balances on proprietor's or partners' - capital accounts - current accounts (see 13.10.2AR) Revaluation reserves Short-term subordinated loans
less - Intangible assets - Material current year losses - <i>Excess LLP members' drawings</i>	less - Intangible assets - Material current year losses - Excess of current year - drawings over current year profits
<p><b>Note 1</b></p> <p>Retained profits must be audited and interim net profits must be verified by the <i>firm's</i> external auditor, unless the <i>firm</i> is exempt from the provisions of Part VII of the Companies Act 1985 (section 294A (Exemptions from audit)), or where applicable, Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts.</p>	

**13.10.2A R For the purpose of calculating a Category B firm's own funds, the following adjustments apply to retained profits or, (for non-corporate entities), current accounts figures.**

**FCA**

- (1) a **Category B firm** must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of financial instruments measured at cost or amortised cost;
- (2) a **Category B firm** must derecognise any **defined benefit asset**;
- (3) a **Category B firm** may substitute for a **defined benefit liability** its **deficit reduction amount**. The election must be applied consistently in respect of any one financial year.
- (4) a **Category B firm** must deduct any unrealized gains on investment property and include these within revaluation reserves.
- (5) where applicable, a **Category B firm** must deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but exclude from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax.

13.10.2B G

**FCA**

A *firm* should keep a record of and be ready to explain to its supervisory contacts in the *FCA* the reasons for any difference between the *deficit reduction amount* and any commitment the *firm* has made in any public document to provide funding in respect of a *defined benefit occupational pension scheme*.

Where a *Category B firm* is a sole trader or a partnership:

- (1) it can use (to the extent necessary to make up any shortfall in the required resources) any of its personal assets (not being needed to meet liabilities arising from its personal activities and any business activities not regulated by the *FCA*);
- (2) the *firm's* total financial resources, from whatever source, must at all times be sufficient to cover its total liabilities.

13.10.3 R

**FCA**

- (1) Where a **Category B3 firm** with 1-25 advisers has a facility under the **PASS Loan Agreement Scheme** it may make an adjustment in its **own funds** calculation in accordance with (2).
- (2) a *firm* in (1) can regard as additional to its **own funds** the lower of either:
  - (a) the amount of the loan facility agreed (less any loan repayments already made and less the amount of the facility withdrawn or lapsed); or
  - (b) the amount of the *firm's* provision for redress (net of any professional indemnity insurance recoverable) at the time of its application for the loan facility.

## 13.11 FINANCIAL RESOURCES TEST 1A - ADJUSTED NET CURRENT ASSETS

### *Application*

13.11.1 R This section does not apply to a *low resource firm*.

FCA

*Requirement*

13.11.2 R A *Category B firm* must adjust its *net current assets* as follows:

FCA

- (1) exclude assets which cannot be realised or recovered within twelve months;
- (2) exclude amounts receivable from *connected persons* to the extent that they are not *properly secured*, except amounts that are *deposits* referred to in item (11) of table 13.12.3(1) or item (11) in table 13.12.3(2);
- (3) value *investments* at current *market value*, using the *bid price* for a *net long position* in an investment and the *offer price* for a *net short position* in an investment;
- (4) where applicable, deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but exclude from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax.

13.11.3 R A *Category B firm* must at all times have adjusted *net current assets* of at least £1.

FCA

## 13.12 FINANCIAL RESOURCES TEST 2 - EXPENDITURE-BASED REQUIREMENT

13.12.1 *Application*

13.12.1A R This section does not apply to a *low resource firm*.

FCA

*Requirement*

13.12.1B R A *Category B firm* must have at all times financial resources calculated in accordance with *rules* 13.12.2 to 13.12.5 which equal or exceed the amount specified in *rules* 13.12.1C to F as applicable.

FCA

13.12.1C R A *Category B1 firm*, including a *Network* must have financial resources calculated in accordance with whichever of (1), (2) or (3) produces the higher amount.

FCA

- (1) 13/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D; or
- (2) an amount equal to £400 multiplied by the number of its *advisers*; or
- (3) £10,000;



- 13.12.1D R (1) **A *Category B2 firm* which is permitted to carry on the activity of *investment management* in respect of portfolios containing only *life policies* or to delegate such activity to an *investment firm* must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- FCA
- (2) **A *Network* in Category B2 or B3 must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- (3) **13/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D; or**
- (4) **an amount equal to £400 multiplied by the number of its *advisers*.**
- 13.12.1E R (1) **A *Category B2 firm* with more than 25 *advisers* which is not a *Network* and is not permitted to carry on the activity of *managing investments* in respect of portfolios containing only *life policies* or to delegate such activity to an *investment firm* must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- FCA
- (2) **A *Category B3 firm* which is permitted to carry on the activity of *investment management* in respect of portfolios containing only *life policies* or to delegate such activity to an *investment firm* must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- (3) **8/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D; or**
- (4) **an amount equal to £400 multiplied by the number of its *advisers*.**
- 13.12.1F R (1) **A *Category B2 firm* with fewer than 26 *advisers* which is not a *Network* and is not permitted to carry on the activity of *managing investments* in respect of portfolios containing only *life policies* or to delegate such activity of *investment management* to an *investment firm* must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- FCA
- (2) **A *Category B3 firm* which is not permitted to carry on the activity of *investment management* in respect of portfolios containing only *life policies* or to delegate such activity to an *investment firm* must have financial resources calculated in accordance with whichever of (3) or (4) produces the higher amount.**
- (3) **4/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D; or**
- (4) **an amount equal to £400 multiplied by the number of its *advisers*.**
- 13.12.1G R **A *category B firm* whose permission includes *establishing, operating or winding up a personal pension scheme* must have financial resources calculated in accordance with (1) or (2):**
-

FCA

- (1) For a *firm* which holds *client money* or assets, the highest of:
  - (a) 13/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D;
  - (b) an amount equal to £400 multiplied by the number of its advisers; and
  - (c) £10,000.
- (2) For a *firm* which does not hold client money or assets, the highest of:
  - (a) 6/52 of its relevant annual expenditure, calculated in accordance with 13.12.2 to 13.12.2D;
  - (b) an amount equal to £400 multiplied by the number of its advisers;
  - (c) £10,000; and
  - (d) any other expenditure-based requirement set out in 13.12.1 applicable to the *firm*.

*Calculation of Relevant Annual Expenditure*

13.12.2 R A *Category B firm* must calculate its relevant annual expenditure by reference to the amount described as total expenditure in its most recently prepared set of *annual financial statements*. If those statements were for a period other than 12 months, the amounts in its profit and loss account must be adjusted proportionately.

FCA

13.12.2A R Where a *Category B firm* has just begun trading or have not been authorised long enough to submit such statements the *firm* must calculate its relevant annual expenditure on the basis of forecast or other appropriate accounts submitted to the *FCA*.

FCA

13.12.2B R A *Category B firm* may deduct from its relevant annual expenditure items (a) to (f) set out in table 13.12.2, unless the *firm* is a *Category B1 firm*, in which case it may not deduct item (e).

FCA

Table 13.12.2

This table forms part of *rule* 13.12.2

DEDUCTIONS FROM EXPENDITURE	
(a)	staff bonuses;

(b)	<i>employees' and directors' shares</i> in profits;
(c)	interest charges in respect of borrowing made to finance the acquisition of its <i>readily realisable investments</i> ;
(d)	shared commissions paid which are directly related to commissions received;
(e)	emoluments of <i>directors</i> , partners or a sole trader;
(f)	a <i>firm</i> must not deduct any exceptional expenditure.

**Adjustments to Calculation of Relevant Annual Expenditure**

13.12.2C R **A *firm* must ensure that the expenditure base properly reflects the ongoing annual operating costs of the *firm* by having proper regard to its circumstances when deciding whether to include or exclude any item of expenditure or to make any other adjustment to the calculation of relevant annual expenditure.**

FCA

13.12.2D G In *rule* 13.12.2C the *FCA* would expect a *firm* to take proper account of the effect of, for example, the ongoing annual operating costs of the *firm* being met by another party, or of a significant change in the structure of the *firm's* business during the year.

FCA

**Calculation of Financial Resources to meet Tests 1, 1a or 2**

13.12.3 R (1) **This *rule* does not apply to a *low resource firm*;**

FCA

(2) **A *Category B firm* must be able to calculate its financial resources at any time on the basis of the balance sheet the *firm* could draw up at that time. For this purpose:**

(a) **a *Category B1 firm* must adjust the assets in the balance sheet as specified in Part I of table 13.12.3(1) and include the liabilities after making the adjustments specified in Part II of table 13.12.3(1);**

(b) **a *Category B2 or B3 firm* to which 13.12 applies must adjust the assets in the balance sheet as specified in Part I of table 13.12.3(2) and include the liabilities after making the adjustments specified in Part II of table 13.12.3(2).**

(3) **the assets and liabilities in the balance sheet are also subject to the following adjustments:**

(a) **a *Category B firm* must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of financial instruments measured at cost or amortised cost;**

(b) **in respect of a *defined benefit occupational pension scheme*, a *Category B firm* must derecognise any *defined***

*benefit asset;*

- (c) a *Category B firm* may substitute for a *defined benefit liability* the *firm's deficit reduction amount*. The election must be applied consistently in respect of any one financial year;
- (d) where applicable, a *Category B firm* must deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but exclude from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax.

**Table 13.12.3(1) Part I**

FCA

This table forms part of *rule 13.12.3*

<b>FIRMS CATEGORY B1</b>	
<b>Calculation of Assets</b>	
<b>ASSETS</b>	<b>ADJUSTMENTS</b>
(1) Land and Buildings	Exclude in full. (A loan secured by a charge on land and buildings may be deducted from liabilities in accordance with item (14) of Part II of this table.)
(2) <i>Investments</i>	<p>Include any <i>net long position</i> in any fixed or current asset investment (including <i>shares</i> in any connected company)</p> <p>(a) valued at its current <i>bid price</i> (or, in the case of a with-profits <i>life policy</i>, at its surrender value), and</p> <p>(b) discounted by the applicable percentage specified in table 13.12.3A.</p> <p>A <i>firm</i> which acts as a market-maker in second-hand <i>life policies</i> must comply with the relevant requirements in respect of second-hand <i>life policies</i> held by the <i>firm</i> and include such a <i>policy</i>.</p> <p>(a) valued at its surrender value at the date on which the <i>firm</i> acquired it, or its latest available surrender value if different.</p> <p>(b) where a life office whose <i>policy</i> is held by the <i>firm</i> has altered adversely the basis on which it calculates surrender values, the <i>firm</i> must revise its valuation of the second-hand <i>policy</i> as soon as practicable after becoming aware of the alteration.</p>
(3) Investments subject to Repurchase, Reverse Repurchase, Stock Borrowing or Stock	Include <i>investments</i> for which the <i>firm</i> has entered as principal into a repurchase, reverse repurchase, stock borrowing or stock lending transaction on its own behalf, after making (I) a deduction in accordance with item (2), and (II) a deduction calculated by computing its exposure (the difference between the <i>market value</i> of the <i>securities</i> and the loan or collateral (including accrued interest) where that difference is not in the <i>firm's</i> favour, after

Lending transactions	adjusting for any excess collateral).
(4) Debtors relating to Unsettled Securities Transactions Cash against Documents	<p>Include debtors where the <i>firm</i> has entered into a transaction on its own behalf in <i>securities</i> or <i>units in collective investment schemes</i> on a cash against documents basis, and the transaction remains unsettled, after deducting an amount calculated by</p> <p>(a) computing the difference between the agreed settlement price for those <i>investments</i> and their current <i>bid price</i> where that difference is not in the <i>firm's</i> favour, and</p> <p>(b) multiplying that difference by the applicable percentage specified in table 13.12.3B.</p>
(5) Debtors relating to Unsettled Securities Transactions Free Deliveries	<p>(a) Include the full amount due to the <i>firm</i> from debtors if a <i>firm</i> has delivered <i>securities</i> or <i>units in collective investment schemes</i> before receiving payment for them, or paid for such <i>investments</i> before receiving certificates of good title for them, so long as not more than three days have passed since delivery</p> <p>(b) If more than three days have passed since delivery, exclude in full.</p>
(6) <i>Regulated collective investment schemes</i>	Include an amount owing in respect of a transaction in <i>units</i> in a <i>regulated collective investment scheme</i> only if the amount has been due and unpaid for 30 days or less after the settlement date of the transaction to which it relates.
(7) Loans secured on <i>investments</i>	<p>If the <i>firm</i> holds client title documents as security for</p> <p>(a) the repayment of money it has lent; or</p> <p>(b) money due to the <i>firm</i> in connection with the purchase for or sale to another person of those <i>investments</i>, which the <i>firm</i> has for genuine commercial reasons agreed to postpone, the <i>firm</i> may include as an asset the lower of the following:</p> <p>(i) the total amount due;</p> <p>(ii) the <i>market value</i> of the <i>investments</i> multiplied by the appropriate rates set out in table 13.12.3A.</p>
(8) Trade debtors	<p>Include amounts owing only in respect of</p> <p>(a) (i) commission;</p> <p>(ii) <i>investment management</i> fees;</p> <p>(iii) other fees earned in connection with the <i>firm's investment business</i>, which are due from other authorised or <i>EEA firms</i>, <i>recognised investment exchanges</i> or <i>recognised clearing houses</i> and have been due and unpaid for 30 days or less;</p> <p>(b) (i) <i>investment management</i> fees; or</p> <p>(ii) pensions administration which have been due from its customers and unpaid for 30 days or less.</p> <p>(c) All other trade debtors must be deducted in full.</p>
(9) Prepayments	Include prepayments which relate to goods or services to be received or performed within 90 days.
(10) Accrued income	(a) Accrued income relating to <i>investment management</i> fees not yet due and payable may be included if the fees relate to services

	<p>provided within the previous six months.</p> <p>(b) Other accrued income may be included if it relates to interest on marketable debt instruments or on <i>deposits</i> included in item (11).</p>
(11) <i>Deposits</i>	<p>The following may be included:</p> <p>(a) cash and balances on current accounts and on <i>deposit</i> accounts with an <i>approved bank</i> or National Savings Bank which can be withdrawn within 90 days;</p> <p>(b) money on <i>deposit</i> with a UK local authority which can be withdrawn within 90 days;</p> <p>(c) money <i>deposited</i> and evidenced by a certificate of tax <i>deposit</i>.</p>
(12) Other Debts	<p>(a) Amounts owing in respect of</p> <p>(i) interest on <i>investments</i>;</p> <p>(ii) repayments of marketable debt instruments at maturity or call;</p> <p>(iii) dividends declared by authorised or not <i>EEA firms</i> or by companies in respect of <i>shares</i> listed on a recognised or designated investment exchange;</p> <p>which have been due and unpaid for 30 days or less may be included.</p> <p>(b) Other amounts due from UK government bodies may be included if they are agreed and due within 30 days.</p>
(13) All other assets	Exclude in full.

**Table 13.12.3(1) Part II**

**FCA**

**This table forms part of rule 13.12.3**

<b>FIRMS IN CATEGORY B1</b>	
<b>Calculation of Liabilities</b>	
<b>LIABILITIES</b>	<b>ADJUSTMENTS</b>
(14) Secured Liabilities	<p>Include in full, except the amount of the liabilities secured by a charge on land and buildings which may be reduced by the smallest of the following amounts:</p> <p>(a) the aggregate amount of the <i>firm's</i> secured liabilities which are due more than one year after the balance sheet date;</p> <p>(b) (if the land and buildings have been valued by an independent professional valuer within the past 18 months) 85% of the amount certified by the valuer as their <i>market value</i>;</p>

	(c) 85% of the net book value of the land and buildings.
(15) Subordinated loans	Include in full, except any short-term subordinated loan in the standard form prescribed by the <i>FCA</i> which may be treated as capital up to the limits specified in <i>rules</i> 13.12.5 and 13.12.5A.
(16) Commission on indemnity terms from the sale of <i>life policies</i> or <i>pension contracts</i>	Include as a liability a provision for repayment, in the event that premiums cease within the indemnity period, which must equal or exceed 2.5% of the commissions the <i>firm</i> has received on indemnity terms during the previous twelve months. This provision must be reasonable having regard to its circumstances and, in particular, its previous lapse ratio.
(17) Short Positions	Include a <i>net short position</i> (a) valued at its <i>offer price</i> and (b) increased using the applicable percentage rate in table 13.12.3A.
(18) Deficiency in <i>subsidiary</i>	Include as a liability the amount by which the liabilities of any <i>subsidiary</i> (excluding its capital and reserves) exceed its tangible assets. This requirement applies only to the extent that the <i>firm</i> has not already made such a provision elsewhere in its financial statements.
(19) Liability for tax	Include as a liability a provision for taxation on the whole of the profits of the <i>firm's</i> business up to its balance sheet date.
(20) Creditors relating to Unsettled <i>Securities</i> Transactions – Cash against Documents	Include creditors where the <i>firm</i> has entered into a transaction on its own behalf in <i>securities</i> or <i>units in collective investment schemes</i> on a cash against documents basis, and the transaction remains unsettled, after adding an amount calculated by  (a) computing the difference between the agreed settlement price for those <i>investments</i> and their current <i>market value</i> where that difference is not in the <i>firm's</i> favour, and  (b) multiplying that difference by the applicable percentage specified in table 13.12.3B.
(21) Creditors relating to Unsettled <i>Securities</i> Transactions – Free Deliveries	Include an amount for creditors where (acting on the <i>firm's</i> own behalf) the <i>firm</i> has delivered certificates of title for <i>securities</i> or <i>units in collective investment schemes</i> before receiving payment for them, or where a <i>firm</i> has bought such <i>investments</i> before receiving certificates of good title for them, as follows:  (a) (if the <i>firm</i> has paid for them and not more than 3 days have passed since the payment was made) include in full:  (b) (if more than 3 days have passed since the payment was made) include the full value of the <i>securities</i> at their current <i>offer price</i> .
(22) <i>Over the counter</i>	If the <i>firm</i> holds positions in <i>derivatives</i> on its own behalf must  (a) make the adjustment in item (17) of this table, and

<i>derivatives</i>	(b) deduct the credit equivalent of those positions computed in accordance with table 13.12.3C. In addition, bought <i>OTC options</i> and covered <i>warrants</i> will be subject to table 13.12.3D.
(23) Contingent Liabilities	A <i>firm</i> must include a provision for any contingent liabilities which exist at its balance sheet date that must be made.
(24) Redeemable Preference Shares	Include as a liability any redeemable preference <i>shares</i> which fall due within two years. If <i>shares</i> are not redeemable by the shareholder within 2 years, they must be treated in accordance with <i>rules</i> 13.12.5 and 13.12.5A.
(25) Foreign currency risk	If the <i>firm</i> holds positions on its own behalf in foreign currencies or has assets or liabilities denominated in foreign currencies, the <i>firm</i> must calculate a provision to cover the risk in accordance with table 13.12.3D and include the amount as a liability
(26) All other liabilities	Include in full.

**Table 13.12.3(2) Part I**

**FCA**

**This table forms part of *rule* 13.12.3**

<b>FIRMS IN CATEGORIES B2 AND B3 (except low resource firms)</b>	
<b>Calculation of Assets</b>	
<b>ASSETS</b>	<b>ADJUSTMENTS</b>
(1) Land and Buildings	Include land and buildings which are not subject to any charge only if they have been valued either (a) at 60% of their net book value, or (b) (if valued by an independent professional valuer within the past three years) at 60% of the amount certified by the valuer to be the <i>market value</i> .
(2) Motor vehicles	(a) Include motor vehicles acquired less than 12 months ago valued at 50% of their cost  (b) Include motor vehicles acquired within the past 24 months (but more than 12 months ago) valued at 25% of their cost  (c) Exclude in full any other motor vehicles.
(3) <i>Investments</i>	Include any <i>net long position</i> in any fixed or current asset investment (including <i>shares</i> in any connected company)  (a) valued at its current <i>bid price</i> (or, in the case of a with-profits



	<p><i>life policy</i>, at its surrender value), and</p> <p>(b) discounted by the applicable percentage specified in table 13.12.3A.</p>
(4) Debtors relating to Unsettled Securities Transactions Cash against Documents	<p>Include debtors where the <i>firm</i> has entered into a transaction on its own behalf in <i>securities</i> or <i>units in collective investment schemes</i> on a cash against documents basis, and the transaction remains unsettled, after deducting an amount calculated by</p> <p>(a) computing the difference between the agreed settlement price for those <i>investments</i> and their current <i>bid price</i> where that difference is not in the <i>firm's</i> favour, and</p> <p>(b) multiplying that difference by the applicable percentage specified in table 13.12.3B.</p>
(5) Debtors relating to Unsettled Securities Transactions Free Deliveries	<p>(a) Where the firm has delivered securities or units in collective investment schemes before receiving payment for them or paid for such investments before receiving certificates of good title for them include the full amount due to a firm from debtors so long as not more than 3 days have passed since delivery.</p> <p>(b) Exclude in full if more than 3 days have passed since delivery.</p>
(6) <i>Regulated collective investment schemes</i>	<p>Include an amount owing in respect of a transaction in <i>units</i> in a <i>regulated collective investment scheme</i> only if the amount has been due and unpaid for 30 days or less after the settlement date of the transaction to which it relates.</p>
(7) Debts of group or connected companies	<p>Include amounts due from group or connected companies (which do not relate to trade debts) where a firm has no reason to doubt that repayment will be made in full on demand.</p>
(8) Trade debtors	<p>Include amounts due from trade debtors (including <i>group</i> or <i>connected companies</i>) which have been due and unpaid for less than 90 days.</p>
(9) Prepayments	<p>Include prepayments which relate to goods or services to be received or performed within 90 days.</p>
(10) Accrued income	<p>(a) Include accrued income not yet due and payable in respect of fees earned in the performance of <i>investment management</i> services that is receivable within six months.</p> <p>(b) Include any other accrued income receivable within 90 days.</p>
(11) <i>Deposits</i>	<p>The following may be included:</p> <p>(a) cash and balances on current accounts and on <i>deposit</i> accounts with an <i>approved bank</i> or National Savings Bank which can be withdrawn within 90 days;</p> <p>(b) money on <i>deposit</i> with a UK local authority which can be withdrawn within 90 days;</p> <p>(c) money <i>deposited</i> and evidenced by a certificate of tax <i>deposit</i>.</p>
(12) Other amounts due from Government bodies or local	<p>Include other amounts due from UK Government bodies or local authorities if they are agreed and due within 90 days.</p>

authorities	
(13) All other assets	Exclude in full.

**Table 13.12.3(2) Part II**

**FCA**

**This table forms part of rule 13.12.3**

<b>FIRMS IN CATEGORY B1</b>	
<b>Calculation of Liabilities</b>	
<b>LIABILITIES</b>	<b>ADJUSTMENTS</b>
(14) Secured Liabilities	<p>Include in full, except the amount of the liabilities secured by a charge on land and buildings which may be reduced as follows:</p> <p>(a) If the liabilities secured exceed 85% of the value of the land and buildings, then the excess is treated as a liability;</p> <p>(b) If the land and buildings have been valued by an independent professional valuer within the past three years, the value of the land and buildings is the amount certified by the valuer as their <i>market value</i>; otherwise it is their net book value.</p> <p>(If 60% of the value of the land and buildings which are subject to a charge exceeds the liabilities secured, then the amount of that excess may be treated as an asset.)</p>
(15) Subordinated loans	Include in full, except any short-term subordinated loan in the standard form prescribed by the <i>FCA</i> which may be treated as capital up to the limits specified in <i>rules</i> 13.12.5 and 13.12.5A.
(16) Commission on indemnity terms from the sale of <i>life policies</i> or <i>pension contracts</i>	Include as a liability a provision for repayment, in the event that premiums cease within the indemnity period, which must equal or exceed 2.5% of the commissions the <i>firm</i> has received on indemnity terms during the previous twelve months. This provision must be reasonable having regard to its circumstances and, in particular, its previous lapse ratio.
(17) Short Positions	<p>Include a <i>net short position</i></p> <p>(a) valued at its <i>offer price</i>, and</p> <p>(b) increased using the applicable percentage rate in table 13.12.3A.</p>
(18) Deficiency in <i>subsidiary</i>	Include as a liability the amount by which the liabilities of any <i>subsidiary</i> (excluding its capital and reserves) exceed its tangible assets. This requirement applies only to the extent that the <i>firm</i> has not already made such a provision elsewhere

	in its financial statements.
(19) Liability for tax	Include as a liability a provision for taxation on the whole of the profits of its business up to its balance sheet date.
(20) Unsettled Securities Transactions - Cash against Documents	<p>Include creditors where the <i>firm</i> has entered into a transaction on its own behalf in <i>securities</i> or <i>units in collective investment schemes</i> on a cash against documents basis, and the transaction remains unsettled, after adding an amount calculated by</p> <p>(a) computing the difference between the agreed settlement price for those <i>investments</i> and their current <i>market value</i> where that difference is not in the <i>firm's</i> favour, and</p> <p>(b) multiplying that difference by the applicable percentage specified in table 13.12.3B.</p>
(21) Creditors relating to Unsettled Securities Transactions – Free Deliveries	<p>Include an amount for creditors where (acting on its behalf) the <i>firm</i> has delivered certificates of title for <i>securities</i> or <i>units in collective investment schemes</i> before receiving payment for them, or where a <i>firm</i> has bought such <i>investments</i> before receiving certificates of good title for them, as follows:</p> <p>(a) (if the <i>firm</i> has paid for them and not more than 3 days have passed since the payment was made) include in full:</p> <p>(b) (if more than 3 days have passed since the payment was made) include the full value of the <i>securities</i> at the current <i>offer price</i>.</p>
(22) <i>Over the counter derivatives</i>	Include as a liability an amount for any positions the <i>firm</i> holds on its own behalf in such <i>derivatives</i> calculated by computing the credit equivalent of those positions in accordance with table 13.12.3C. In addition, bought <i>OTC derivatives</i> and covered <i>warrants</i> will be subject to table 13.12.3D.
(23) Contingent Liabilities	A <i>firm</i> must include a provision for any contingent liabilities which exist at its balance sheet date that must be made.
(24) Long term liabilities	Include as a liability any amount which falls due more than 3 years from the balance sheet date and is due to <i>connected persons</i> , in accordance with <i>rules</i> 13.12.5 and 13.12.5A.
(25) Redeemable Preference Shares	Include as a liability any redeemable preference <i>shares</i> which fall due within two years. If <i>shares</i> are not redeemable by the shareholder within two years, they must be treated in accordance with <i>rules</i> 13.12.5 and 13.12.5A.
(26) <i>Net open foreign currency position</i>	A <i>firm</i> must calculate its foreign exchange risk requirement in accordance with table 13.12.3D and include the amount as a liability.
(27) All other liabilities	Include in full.

**Table 13.12.3A**

This table forms part of *rule 13.12.3*

<b>DISCOUNTS FOR INVESTMENTS</b>	
The percentages in the table are applied to the <i>market value</i> (unless otherwise stated) or gross positions, i.e. both longs and shorts in each category; netting and offsetting are prohibited. The long or short position in a particular investment is the net of any long or short positions held in that same investment.	
<b>Investment</b>	<b>Discount</b>
<b>A. Debt</b>	
UK Government or local authority stocks:	
- with less than one year to final redemption	2%
- with more than one year but less than five years to final redemption	5%
- with five years or more to final redemption	10%
Debt security:	
- debt instruments issued or accepted by an <i>approved bank</i> with less than 90 days to final redemption	2%
- other debt instruments which are <i>marketable investments</i> with less than one year to final redemption	5%
- other debt instruments which are <i>marketable investments</i> with less than five years to final redemption	10%
- other debt instruments which are <i>marketable investments</i>	15%
- floating rate notes which are <i>marketable investments</i> :	
- with no more than 20 years to final redemption	5%
- with more than 20 years to final redemption	10%
<b>B. Equities</b>	
- other <i>investments</i> listed on a recognised or designated investment exchange	25%
- <i>shares</i> traded on a recognised or designated investment exchange	35%
- other <i>shares</i> for which there is a <i>market maker</i> in the UK	35%
<b>C. Derivatives</b>	
- <i>exchange traded futures</i>	4 x initial margin requirement
- <i>OTC futures</i>	Apply the appropriate percentage shown

	in A and B to the <i>market value</i> of the underlying position
- Purchased <i>options</i>	Apply the appropriate percentage shown in A and B to the <i>market value</i> of the underlying position but the result may be limited to the <i>market value</i> of the option
- <i>Contracts for differences</i>	20% of the <i>market value</i> of the contract
D. Other <i>Investments</i>	
- <i>Unit</i> linked bonds and <i>units</i> in <i>authorised unit trust schemes</i> (other than <i>higher volatility funds</i> and <i>property funds</i> ) or <i>regulated collective investment schemes</i>	25%
- <i>units</i> in <i>higher volatility funds</i> and <i>property funds</i>	50%
- with profit <i>life policies</i> (only applicable to <i>firms</i> other than <i>traded life policy market makers</i> )	20% of the <i>surrender value</i> of the <i>policy</i>
- <i>shares</i> in <i>subsidiary companies</i> and <i>shares</i> which are not <i>readily realisable securities</i> in <i>connected companies</i>	100%
- <i>traded endowment policies</i> : where a <i>traded life policy</i> is held for resale by a <i>firm</i> which is a <i>traded life policy market maker</i> :	
(a) for 3 months or less	0% of the <i>surrender value</i> of the <i>policy</i>
(b) for more than 3 months	10% of the <i>surrender value</i> of the <i>policy</i>
when a <i>traded life policy</i> is held by a <i>firm</i> which is a <i>traded life policy market maker</i> for investment	10% of the <i>surrender value</i> of the <i>policy</i>
- other	100%

**Table 13.12.3B**

FCA

This table forms part of *rule 13.12.3*

<b>UNSETTLED SECURITIES TRANSACTIONS</b>		
<b>Number of <i>business days</i> after due settlement date</b>	<b>A %</b>	<b>B %</b>
0 – 15	0	0
16 – 30	25	0
31 – 45	50	25
46 – 60	75	50
61 or more	100	75
over 90	100	100

Note 1: Column A applies to a transaction in a debt or debt-related instrument (unless the debt instrument is settled through the appropriate UK settlement system), and

Note 2: Column B applies in all other cases (and, in particular, applies to equity and equity-related instruments).

**Table 13.12.3C**

FCA

This table forms part of *rule 13.12.3*

<b>OVER THE COUNTER DERIVATIVES</b>		
a. By attaching current <i>market values</i> to contracts (marking to market), obtain the current replacement cost of all contracts with positive values.		
b. To obtain a figure for potential future credit exposure (except in the case of single currency "floating/floating interest rate swaps" in which only the current replacement costs will be calculated), the notional principal amounts or values underlying the <i>firm's</i> aggregate positions are multiplied by the following percentages:		
<b>Residual Maturity</b>	<b>Interest Rate Contracts</b>	<b>Foreign Exchange Contracts</b>
One year or less	Nil	1%
More than 1 year	0.5%	5%
c. The credit equivalent is the sum of current replacement cost and potential future credit exposure.		

**Table 13.12.3D**

**FCA**

This table forms part of *rule 13.12.3*

<b>FOREIGN EXCHANGE RISK</b>	
(a) A <i>firm</i> must deduct a foreign exchange risk requirement for all the following items which are denominated in a foreign currency:	
(i)	all assets and liabilities, including accrued interest, denominated in the currency (all <i>investments</i> at market or realisable value);
(ii)	any currency future, at the nominal value of the contract;
(iii)	any forward contract for the purchase or sale of the currency, at the contract value, including any future exchange of principal associated with currency swaps;
(iv)	any foreign currency <i>options</i> at the net delta (or delta-based) equivalent of the total book of such <i>options</i> ;
(v)	any non-currency option, at <i>market value</i> ;
(vi)	any irrevocable guarantee;
(vii)	any other off-balance sheet commitment to purchase or sell an asset denominated in that currency.
(b) The requirement must be calculated as follows:	
(i)	using the spot rate, convert the <i>net long position</i> and <i>net short position</i> in each foreign currency into the currency in which the <i>firm's annual financial statements</i> are reported;
(ii)	total the <i>net open long positions</i> and the <i>net open short positions</i> ;
(iii)	the higher of (i) and (ii) above is its <i>net open foreign currency position</i> ;
(iv)	multiply its <i>net open foreign currency position</i> by 10%;
(c) A <i>firm</i> may not include any future income or expense not yet accrued but fully hedged (subject to deduction of an appropriate risk requirement).	

**13.12.4 Short Term Subordinated Loans**

**13.12.4 R A *Category B firm* may treat subordinated loan as a financial resource, as specified in *rules 13.12.5 to 5A*, if the short term subordinated loan is eligible for such treatment in accordance with *rule 13.12.4A*;**

**FCA**

**13.12.4A R A short term subordinated loan is eligible for such treatment if:**

**FCA**

- (1) it has an original maturity of at least two years or, if it has no fixed term, it is subject to two years' notice of repayment;
- (2) payment of interest is not permitted under the loan agreement unless after such payment a *firm* meet 120% of its financial resource requirement;
- (3) repayment, prepayment or termination is only permitted under the loan agreement
  - (a) on maturity, or on expiration of the period of notice, if after such payment or termination a *firm* meets 120% of its financial resources requirement; or
  - (b) on winding up after the claims of all other creditors and all outstanding debts have been settled;
- (4) it is in the standard form for short term subordinated loans prescribed by the *FCA*.

*Restrictions*

13.12.5 R A *Category B firm* must calculate:

FCA

- (1) the aggregate amount of its short term subordinated loans, its preference *shares* which are not redeemable within two years, and for a *Category B firm* other than a *Category B1 firm* its long term liabilities which are not secured on its assets, if they do not fall due more than three years from the balance sheet date, and are not due to *connected persons*;
- (2) the amount of the *firm's* total capital and reserves excluding preference *share* capital, less the amount of its intangible assets, multiplied by 400%.

13.12.5A R A *Category B firm* must treat as a liability in the calculation of its financial resources any amount by which the sum of 13.12.5(1) exceeds the product of 13.12.5(2).

FCA



# Conduct of Business Sourcebook



■ COBS 11.6.6 G or ■ COBS 11.7.6 R should be viewed as not meeting the requirements of ■ COBS 11.6.3 R (2), notwithstanding that their content might qualify as *investment research*.

11.6.10

FCA

G

This section applies only to arrangements under which an *investment manager* receives from brokers or other *persons* goods or services that relate to the *execution* of trades or the provision of research. It has no application in relation to *execution* and research generated internally by an *investment manager* itself.

11.6.11

FCA

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An *investment manager* should not enter into any arrangements that could compromise its ability to comply with its best execution obligations ( ■ COBS 11.2).

### Rule on prior disclosure

11.6.12

FCA

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**An *investment manager* that enters into arrangements under this section must make adequate prior disclosure to *customers* concerning the receipt of goods or services that relate to the *execution* of trades or the provision of research. This prior disclosure should form part of the summary form disclosure under the *rule* on inducements ( ■ COBS 2.3.1 R).**

### Guidance on prior disclosure

11.6.13

FCA

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The *rule* on prior disclosure of goods and services under this section complements the requirements on the disclosure of inducements ( ■ COBS 2.3.1 R (2)(b)). *Investment managers* should ensure they comply with both requirements where relevant.

11.6.14

FCA

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- (1) The prior disclosure required by this section should include an adequate disclosure of the *firm's* policy relating to the receipt of goods or services that relate to the *execution* of trades or the provision of research in accordance with the *rule* on use of dealing commission ( ■ COBS 11.6.3 R).
- (2) The prior disclosure should explain generally why the *firm* might find it necessary or desirable to use dealing commission to purchase goods or services, bearing in mind the practices in the markets in which it does business on behalf of its *customers*. While the appropriate method of making such a disclosure is for the *firm* to decide, this could, for example, be achieved in a client agreement.

### Rule on periodic disclosure

11.6.15

FCA

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**If an *investment manager* enters into arrangements in accordance with the *rule* on use of dealing commission ( ■ COBS 11.6.3 R), it must in a timely manner make adequate periodic disclosure to its *customers* of the arrangements entered into.**

### Adequate prior and periodic disclosure

11.6.16

FCA

R

**Adequate prior and periodic disclosure under this section must include details of the goods or services that relate to the *execution* of trades and, wherever appropriate, separately identify the details of the goods or services that are attributable to the provision of research.**

11.6.17

FCA

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In assessing the adequacy of prior and periodic disclosures made by an *investment manager* under this section, the *FCA* will have regard to the extent to which the *investment manager* adopts disclosure standards developed by industry associations such as the Investment Management Association, the National Association of Pension Funds and the Association for Financial Markets in Europe.

11.6.18

FCA

A

#### **Making periodic disclosures in a timely manner**

- (1) A *firm* will make periodic disclosure to its customers under this section in a timely manner if it is made at least once a year.
- (2) Compliance with (1) may be relied upon as tending to establish compliance with the *rule* on periodic disclosure (■ COBS 11.6.16 R).

11.6.19

FCA

R

#### **Record keeping**

An *investment manager* must make a record of each prior and periodic disclosure it makes to its *customers* in accordance with this section and must maintain each such record for at least five years from the date on which it is provided.

# Supervision



- (2) using, for the first time, any *tied agent* to provide services in the territory of that *EEA State*; or
- (3) ceasing to use any *tied agent* to provide services in the territory of that *EEA State*.

**13.7.3B**  
**FCA PRA**

**G** The requirements of regulation 12A(2) are that:

- (1) the *UK firm* has given notice to the *appropriate UK regulator* stating the details of the proposed change; and
- (2) the period of one *month* beginning with the day on which the *UK firm* gave the notice mentioned in (1) has elapsed.

**Firms passporting under the Insurance Directives**

**13.7.4**  
**PRA**

**G** If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and is providing *cross border services* into another *EEA State*, regulation 16(1) states that the *UK firm* must not make a change in the relevant details ( as defined in regulation 17 - see also ■ SUP 13 Annex 3) unless the relevant requirements in regulation 16(3) or, where the change arises from circumstances beyond the *UK firm's* control, regulation 16(4), have been complied with.

**13.7.5**  
**PRA**

**G** Regulation 16(3) provides that:

- (1) the *UK firm* has given a notice to the *PRA* stating the details of the proposed change; and
- (2) the *PRA* has given the *Host State regulator* a notice informing it of the details of the proposed change.

**13.7.6**  
**PRA**

**G** If the change arises from circumstances beyond the *UK firm's* control, the *UK firm* is required by regulation 16(4) to give a notice to the *PRA* stating the details of the change as soon as reasonably practicable (whether before or after the change). See also ■ SUP 13.6.10 G(2), as relevant to *cross border services*.

**13.7.6A**  
**FCA PRA**

**G** For further details on giving the notices to the *appropriate UK regulator*, as described in ■ SUP 13.7.3 G (1), ■ SUP 13.7.3A G, ■ SUP 13.7.3B G, ■ SUP 13.7.5 G (1) and ■ SUP 13.7.6 G, *UK firms* may wish to use the standard electronic form available from the *FCA* and *PRA* authorisation teams (see ■ SUP 13.12 (Sources of further information)) .

**13.7.7**  
**PRA**

**G** When the *appropriate UK regulator* receives a notice from a *UK firm* (see ■ SUP 13.7.5 G (1) and ■ SUP 13.7.6 G), it is required by regulations 16(5) to (6) either to refuse or consent to the change within one *month* of receipt.

**13.7.7A**  
**FCA PRA**

**G** Where the *PRA* is the *appropriate UK regulator*, it will consult the *FCA* before deciding whether to give consent to a change (or proposed change) and where the *FCA* is the *appropriate UK regulator*, it will consult the *PRA* before deciding whether to give consent in relation to a *UK firm* whose immediate group includes a *PRA-authorised person*.

13.7.8

PRA

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If the *appropriate UK regulator* consents to the change it will:

- (1) give a notice to the *Host State regulator* informing it of the details of the proposed change; and
- (2) inform the *UK firm* that it has given the notice, stating the date on which it did so.

13.7.9

PRA

G

If the *appropriate UK regulator* refuses to consent to a change it is required by regulation 16(7) to give notice of the refusal to the *UK firm*, stating its reasons and giving an indication of the *UK firm's* right to refer the matter to the *Tribunal* and the procedures that apply to such a reference.

13.7.10

PRA

G

Where a *UK firm* with *Part 4A permission* to carry on both *long-term* and *general insurance business* is passporting under the *Insurance Directives* and wishes to extend its *general insurance business* to include *long term insurance business* (or vice versa), it should complete a new *notice of intention* and not a change to details notice .

#### Firms passporting under the Banking Consolidation Directive and Insurance Mediation Directive

13.7.11

FCA PRA

G

A *UK firm* providing *cross border services* under the *Banking Consolidation Directive* or *Insurance Mediation Directive* is not required to supply a change to the details of *cross border services* notice .

#### Firms passporting under the Reinsurance Directive

13.7.12

PRA

G

A *UK firm* providing *cross border services* under the *Reinsurance Directive* is not required to supply notification of, or a change to the details of, its *cross border services*.

#### Liaison between regulators

13.7.13A

FCA PRA

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Where the *PRA* is the *appropriate UK regulator*, it will consult the *FCA* before deciding whether to give consent to a change (or proposed change) and where the *FCA* is the *appropriate UK regulator*, it will consult the *PRA* before deciding whether to give consent in relation to a *UK firm* whose immediate group includes a *PRA-authorised person*.





## 13.8 Changes of details: provision of notices to the appropriate UK regulator

### 13.8.1

FCA PRA

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(1) Where a *firm* is required to submit a notice of a change to a *branch* referred to in ■ SUP 13.6.5 G (1), ■ SUP 13.6.5B G (1), ■ SUP 13.6.7 G (1), ■ SUP 13.6.8 G , ■ SUP 13.6.9B R and ■ SUP 13.6.10 G (1) or a notice of a change to *cross border services* referred to in ■ SUP 13.7.3 G (1) , ■ SUP 13.7.3A G (1), ■ SUP 13.7.5 G (1) and ■ SUP 13.7.6 G it must complete and submit that notice in accordance with the procedures set out in ■ SUP 13.5 for notifying the establishing of a *branch* or the provision of *cross border services*.

(a) [deleted]

(b) [deleted]

(2) [deleted]

(a) [deleted]

(b) [deleted]

(c) [deleted]

(d) [deleted]

(e) [deleted]

(f) [deleted]

(3) [deleted]

(4) [deleted]

### 13.8.1A

FCA PRA

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The effect of ■ SUP 13.8.1 R (1) is that a *firm* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the following ways:

(1) A UK *firm*, other than a *credit union*, should submit it online at [www.fca.org.uk](http://www.fca.org.uk) using the ONA system.

(2) If the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* should submit it in the way set out in ■ SUP 13.5.3 R (3) and

- SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).
- GEN 1.3.2 R (Emergency) does not apply in these circumstances.

- (3) If the information technology systems fail and online submission is unavailable for 24 hours or more, the *appropriate UK regulator* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission should be used.
- (4) [deleted]

**13.8.1B**

**PRA**

**G**

A *credit union* should submit any form, notice or application under ■ SUP 13.8.1 R (1) in the way set out in ■ SUP 13.5.3 R (3) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

**13.8.2**

**FCA PRA**

**G**

*UK firms* passporting under the *Banking Consolidation Directive* or the *Insurance Directives* may be required to submit the change to details notice in the language of the *Host State* as well as in English.

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**Passporting: Emissions Trading. Notice of intention from a UK firm to exercise the right of establishment in another EEA Member State**

**FCA** **PRA**

This annex consists of only one or more forms. Forms can be completed online now by visiting <http://www.fca.org.uk/firms/systems-reporting/ona>

The forms are also to be found through the following address:

*Passporting: Emissions Trading. Notice of intention from a UK firm to exercise the right of establishment in another EEA Member State - SUP 13 Annex 7*



# Recognised Investment Exchanges



## 4.6A The section 192C power to direct qualifying parent undertakings

### 4.6A.1

FCA

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- (1) Under section 192C of the *Act* (Power to direct qualifying parent undertaking), the *FCA* has the power to give a direction to the qualifying parent undertaking of a *UK RIE* if the general condition is satisfied.
- (2) For the purposes of section 192C of the *Act*, a parent undertaking of a *UK RIE* is a 'qualifying parent undertaking' if:
  - (a) the parent undertaking is a body corporate which is incorporated in the United Kingdom, or has a place of business in the United Kingdom;
  - (b) the parent undertaking is not itself an *authorised person*, a *RIE* or a *RCH*; and
  - (c) the parent undertaking is a financial institution of a kind prescribed by the Treasury by order.
- (3) For the purposes of section 192C of the *Act*, the general condition is that the *FCA* considers that it is desirable to give the direction in order to advance one of more of its operational objectives.
- (4) In exercising or deciding whether to exercise its power under section 192(c) of the *Act*, the *FCA* will have regard to any statement of policy published under this section and for the time being in force.

[Note:1. Treasury has issued a draft order for consultation prescribing the types of financial institutions which are qualifying parent undertakings. See the draft *Financial Services and Markets Act 2000 (Prescribed Financial Institutions) Order 201\**, as published in the Treasury consultation paper titled 'A new approach to financial regulation: draft secondary legislation': [http://www.hm-treasury.gov.uk/d/condoc\\_fin\\_regulation\\_draft\\_secondary\\_leg.pdf](http://www.hm-treasury.gov.uk/d/condoc_fin_regulation_draft_secondary_leg.pdf).

2. The *FCA* has issued a statement of policy with respect to the giving of directions under section 192C. <http://www.fca.org.uk/news/firms/fca-statement-of-policy-on-the-use-of-the-power-to-direct-qualifying-parent-undertakings>]

## 4.7 The section 297 power to revoke recognition

### 4.7.1

FCA

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Under section 297 of the *Act* (Revoking recognition) and (for *RAPs*) under regulation 4 of the *RAP regulations* , the *FCA* has the power to revoke a *recognition order* relating to a *recognised body*.

### 4.7.2

FCA

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The *FCA* will revoke a *recognition order* if:

- (1) [deleted]
- (2) the *recognised body* has asked the *FCA* to revoke the order.

### 4.7.2A

FCA

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Where the *FCA* makes a revocation order under section 297 of the *Act* in relation to a *UK RIE* which is also an *RAP*, the *FCA* will also revoke the *recognition order* relating to its status as an *RAP*.

### 4.7.3

FCA

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The *FCA* will usually consider revoking a *recognition order* if:

- (1) the *recognised body* is failing or has failed to satisfy one or more of the *recognised body requirements* and that failure has or will have serious consequences; or
- (2) it would not be possible for the *recognised body* to comply with a direction under section 296 of the *Act* ( *FCA*'s power to give directions) or (for *RAPs*) regulation 3 of the *RAP regulations*; or
- (3) for some other reason, it would not be appropriate for the *FCA* to give a direction under section 296 or (for *RAPs*) regulation 3 of the *RAP regulations*; or
- (4) in the case of a *UK RIE*, it has not carried on the business of an investment exchange during the 12 *months* beginning with the day on which the *recognition order* took effect in relation to it, or it has not carried on the business of an investment exchange at any time during the period of six *months* ending with the day the *recognition order* is revoked ; or
- (5) in the case of an *RAP* in relation to its *RAP recognition order*, it has not carried on the business of an *auction platform* during the 12 *months* beginning with the day on which the *RAP recognition order* took effect in relation to it, or it has not carried on the business of an *auction platform* at