

Glossary

<p><i>ABCP internal assessment approach</i></p> <p>FCA PRA</p>	<p>the method for calculating the <i>risk weighted exposure amount</i> for a <i>securitisation position</i> in relation to an <i>asset backed commercial paper programme</i> as set out in ■ BIPRU 9.12.20 R.</p>
<p><i>ABCP programme</i></p> <p>FCA PRA</p>	<p>(for the purposes of ■ BIPRU 9 (Securitisation)) an <i>asset backed commercial paper programme</i>.</p>
<p><i>above-threshold non-EEA AIFM</i></p> <p>FCA</p>	<p>a <i>non-EEA AIFM</i> that is not a <i>small AIFM</i>.</p>
<p><i>accepted channel for dissemination of information</i></p> <p>FCA PRA</p>	<p>(in relation to any <i>prescribed market</i>) an approved channel of communication by which information concerning <i>investments</i> traded on the market is formally disseminated to other market users on a structured and equitable basis.</p>
<p><i>accepted market practice</i></p> <p>FCA PRA</p>	<p>(as defined in section 130A(3) of the <i>Act</i>) practices that are reasonably expected in the financial market or markets in question and are accepted by the <i>FCA</i> or, in the case of a market situated in another <i>EEA State</i>, the competent authority of that <i>EEA State</i> within the meaning of the <i>Market Abuse Directive</i>.</p>
<p><i>accepting deposits</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 5 of the <i>Regulated Activities Order</i> (Accepting deposits), which is in summary: accepting <i>deposits</i> if:</p> <ul style="list-style-type: none"> (a) money received by way of <i>deposit</i> is lent to others; or (b) any other activity of the <i>person</i> accepting the <i>deposit</i> is financed, wholly or to a material extent, out of the capital of or interest on money received by way of <i>deposit</i>.
<p><i>accident</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 1 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of the <i>person</i> insured or, in the case of a contract made under section 140, 140A or 140B of the Local Government Act 1972 (or, in Scotland, section 86(1) of the Local Government (Scotland) Act 1973), a <i>person</i> for whose benefit the contract is made:</p> <ul style="list-style-type: none"> (a) sustaining injury as the result of an accident or of an accident of a specified class; or (b) dying as a result of an accident or an accident of a specified class; or (c) becoming incapacitated in consequence of disease or of disease of a specified class; <p>including contracts relating to industrial injury and occupational disease but excluding contracts within paragraph 2 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Sickness) and contracts within paragraph IV of Part II of that Schedule (Permanent health).</p>

account

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(in relation to a *dormant account*) has the meaning given in section 9 of the Dormant Bank and Building Society Accounts Act 2008, which is in summary:

- (a) an account which has at all times consisted only of *money* and is provided by a *bank* or *building society* as part of its activity of *accepting deposits*; and
- (b) in relation to a *building society*, it includes an *account* representing *shares* in the *society*, other than:
 - (i) preferential *shares*; or
 - (ii) deferred *shares* within the meaning given in section 119(1) of the Building Societies Act 1986.

accountable functions

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(1) (in the *FCA Handbook* and in relation to an *approved person*) the functions described in ■ APER 1.1A.2 P, which are in summary:

- (a) *FCA controlled functions*;
- (b) *PRA controlled functions*; and
- (c) any other functions in relation to the carrying on of a *regulated activity*;

in relation to the *authorised persons* in relation to which that *person* is an *approved person*.

(2) (in the *PRA Handbook* and in relation to an *approved person*) the functions described in ■ APER 1.1B.2 P, which are in summary:

- (a) *PRA controlled functions*;
- (b) *FCA controlled functions* that are *significant-influence functions*; and
- (c) any other *significant-influence functions*;

in relation to the *PRA-authorised persons* in relation to which that *person* is an *approved person*.

accountable significant-influence function

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(in the *FCA Handbook*) any *accountable function* that is a *significant-influence function*.

accounting reference date

FCA PRA

(1) (except in *COLL*):

- (a) (in relation to a *company* incorporated in the *United Kingdom* under the Companies Acts) the accounting reference date of that *company* determined in accordance with section 391 of the Companies Act 2006;
- (b) (in relation to any other body) the last *day* of its financial year.

(2) (in *COLL*): the date stipulated in the *prospectus* on which the *annual accounting period* of an *authorised fund* ends.

accredited body

FCA PRA

any of the following bodies recognised by the *FCA* for the purpose of providing the independent verification required under ■ TC 2.1.27 R:

- (a) CFA Society of the UK;
- (b) The Chartered Insurance Institute;
- (c) The Institute of Financial Planning;
- (d) The Chartered Institute for Securities and Investment;
- (e) The Chartered Institute of Bankers in Scotland;

- (f) The ifs School of Finance; [Note: The ifs School of Finance acts through its Institute of Financial Services]
- (g) The Institute of Chartered Accountants in England and Wales;
- (h) The Pensions Management Institute.

accumulating with-profits policy

FCA **PRA**

a *with-profits insurance contract* which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any *premium* payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit or a policy with similar characteristics.

accumulation unit

FCA **PRA**

a *unit* in respect of which income is credited periodically to *capital property* under ■ COLL 6.8.3 R (Income allocation and distribution).

ACD

FCA **PRA**

authorised corporate director.

ACS

FCA **PRA**

an *authorised contractual scheme.*

Act

FCA **PRA**

the Financial Services and Markets Act 2000.

acting as the depositary of an authorised contractual scheme

FCA

the *regulated activity*, specified in article 51(1)(bb) of the *Regulated Activities Order* (Establishing etc. a collective investment scheme), of acting as the *depositary* of an *authorised contractual scheme.*

acting as the depositary or sole director of an open-ended investment company

FCA **PRA**

the *regulated activity*, specified in article 51(1)(c) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as the *depositary* or *sole director* of an *open-ended investment company.*

acting as trustee of an authorised unit trust scheme

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the *regulated activity*, specified in article 51(1)(b) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as a *trustee* of an *authorised unit trust scheme.*

acting as trustee or depositary of a UCITS

the *regulated activity*, specified in article 51ZB of the *Regulated Activities Order* which is, in summary, acting as:

- (a) a trustee of an *authorised unit trust scheme*; or

FCA PRA

acting as trustee or depositary of an AIF

FCA PRA

(b) a depositary of an *open-ended investment company*; or
 (c) a depositary of an *authorised contractual scheme*;
 where that company or *scheme* is a UCITS.

the *regulated activity*, specified in article 51ZD of the *Regulated Activities Order*, which is, in summary, acting as:

- (a) a depositary of an AIF falling within article 51ZD(2) of the *Regulated Activities Order*;
- (b) the *trustee* of an *authorised unit trust* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*;
- (c) the depositary of an *open-ended investment company* or of an *authorised contractual scheme* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*.

actuarial body

FCA PRA

the Institute of Actuaries or the Faculty of Actuaries.

actuarial function

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(in the *PRA Handbook*) *PRA controlled function* CF12 in the *table of PRA controlled functions*, described more fully in ■ SUP 4.3.13 R and ■ SUP 10B.8.1 R

actuarial health insurance

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(in the context of the *rules* in ■ INSPRU 1.1 concerning the calculation of the *general insurance capital requirement*), health insurance which meets all the conditions set out in ■ INSPRU 1.1.72 R.

actuarial investigation

FCA PRA

an investigation to which ■ IPRU-INS rule 9.4 applies.

actuarial valuation date

FCA PRA

the date as at which the *mathematical reserves* are calculated.

actuary

FCA PRA

a fellow of an *actuarial body* or (in connection with *general insurance business*) a Fellow of the Casualty Actuarial Society who is a member of an *actuarial body*.

actuating purpose

FCA PRA

a purpose which motivates or incites a *person* to act.

adequate public disclosure

FCA PRA

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) disclosure made in accordance with the procedure laid down in Articles 102(1) and 103 of the *Consolidated Admissions and Reporting Directive*.

administering a home finance transaction any of the *regulated activities* of *administering a regulated mortgage contract*, *administering a home purchase plan*, *administering a home reversion plan* or *administering a regulated sale and rent back agreement*.

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administering a home purchase plan the *regulated activity*, specified in article 63F(2) of the *Regulated Activities Order*, which is in summary: administering a *home purchase plan* where the plan was entered into by way of business on or after 6 April 2007.

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administering a home reversion plan the *regulated activity*, specified in article 63B(2) of the *Regulated Activities Order*, which is in summary: administering a *home reversion plan* where the plan was entered into on or after 6 April 2007.

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administering a regulated lifetime mortgage contract the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* (which is a *lifetime mortgage*) where the contract was entered into on or after 31 October 2004.

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administering a regulated mortgage contract the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* where the contract was entered into on or after 31 October 2004.

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administering a regulated sale and rent back agreement the *regulated activity*, specified in article 63J(2) of the *Regulated Activities Order*, which is in summary any of the following:

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- (a) notifying the agreement seller of changes in payment due under a *regulated sale and rent back agreement* or of other matters of which that *agreement* requires him to be notified;
- (b) taking any necessary steps for the purpose of making payments to the agreement seller under that *agreement*; and
- (c) taking any necessary steps for the purposes of collecting or recovering payments due under that *agreement* from the agreement seller;

but a *person* is not to be treated as administering a *regulated sale and rent back agreement* because he has, or exercises, a right to take action for the purposes of enforcing that *agreement* (or to require that such action is or is not taken);

and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

administering a specified benchmark The *regulated activity*, specified in article 63O(1)(b) of the *Regulated Activities Order*, which means:

FCA

- (1) administering the arrangements for determining a *specified benchmark*, or

administrative expenses

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administrative functions

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admissible asset

FCA **PRA**

admission or admission to listing

- (2) collecting, analysing or processing information or expressions of opinion for the purpose of determining a *specified benchmark*, or
- (3) determining a *specified benchmark* through the application of a formula or other method of calculation to the information or expressions of opinion provided for that purpose.

has the meaning set out in the *insurance accounts rules*.

- (a) (in relation to managing *investments*):
- (i) arranging settlement;
 - (ii) monitoring and processing corporate actions;
 - (iii) *client* account administration, liaison and reporting, including valuation and performance measurement;
 - (iv) *ISA* or *CTF* administration;
 - (v) *investment trust savings scheme* administration;
- (b) (in relation to *effecting* or carrying out *life policies*):
- (i) new business administration;
 - (ii) *policy* alterations including surrenders and *policy* loans;
 - (iii) preparing *projections*;
 - (iv) processing claims including pension payments;
 - (v) fund switching;
- (c) (in relation to the operation of a *stakeholder pension scheme*):
- (i) new business administration;
 - (ii) receipt of or alteration to contributions;
 - (iii) preparing *projections* and annual statements;
 - (iv) administration of transfers;
 - (v) handling claims, including pension payments;
 - (vi) fund allocation and switching.

(1) (for the purpose of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's, the *Society* and *managing agents*) an asset that , subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* as modified by ■ *GENPRU 2.3.34 R*.

(2) otherwise:

- (a) (in relation to an *insurer* which is not a *pure reinsurer*) an asset that, subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* ; or
- (b) (in relation to a *pure reinsurer*) an asset the holding of which is consistent with compliance by the *firm* with ■ *INSPRU 3.1.61A R*.

(in *LR*) *admission* of *securities* to the *official list*.

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admission to trading

(1) (in *LR*) admission of *securities* to trading on an *RIE's* market for *listed securities*.

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(2) (in *PR* and *DTR*) admission to trading on a *regulated market*.

(3) (elsewhere in the *Handbook*) (in relation to an *investment* and an exchange) the process by which the exchange permits members of the exchange to enter into transactions in that *investment* under and subject to the rules of the exchange.

advanced IRB approach

one of the following:

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(a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach* under which a *firm* supplies its own estimates of *LGD* and *conversion factors*;

(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

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced measurement approach

one of the following:

FCA PRA

(a) the adjusted method of calculating the *operational risk capital requirement* set out in ■ BIPRU 6.5 (Operational risk: advanced measurement approaches);

(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

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced prudential calculation approach

one of the following:

FCA PRA

(a) the *IRB approach*; or

(b) the *advanced measurement approach*; or

(c) the *VaR model approach*; or

(d) the *CAD 1 model approach*; or

(e) the *master netting agreement internal models approach*; or

(f) the *CCR internal model method*;

including, in each case, whatever corresponds to that approach under the rules of or administered by a *regulatory body* other than the *appropriate regulator*.

advanced prudential calculation approach permission

one of the following:

FCA PRA

(a) an *IRB permission*; or

(b) an *AMA permission*; or

(c) a *VaR model permission*; or

(d) a *CAD 1 model waiver*; or

(e) a *master netting agreement internal models approach permission*; or

(f) a *CCR internal model method permission*.

<p><i>advertisement</i> FCA PRA</p>	<p>(in <i>PR</i> and ■ <i>LR 4</i>) (as defined in the <i>PD Regulation</i>) announcements:</p> <p>(a) relating to a specific offer to the public of securities or to an admission to trading on a regulated market; and</p> <p>(b) aiming to specifically promote the potential subscription or acquisition of securities.</p>
<p><i>adviser</i> FCA PRA</p>	<p>(1) (except in <i>IPRU(INV) 13</i>) an individual who is: a <i>representative</i>, an <i>appointed representative</i> or a <i>tied agent</i></p> <p>(2) (in <i>IPRU(INV) 13</i>) a <i>financial adviser</i>.</p>
<p><i>adviser charge</i> FCA PRA</p>	<p>any form of charge payable by or on behalf of a <i>retail client</i> to a <i>firm</i> in relation to the provision of a <i>personal recommendation</i> by the <i>firm</i> in respect of a <i>retail investment product</i> (or any related service provided by the <i>firm</i>) which:</p> <p>(a) is agreed between that <i>firm</i> and the <i>retail client</i> in accordance with the <i>rules</i> on adviser charging and remuneration (■ <i>COBS 6.1A</i>); and</p> <p>(b) is not a <i>consultancy charge</i>.</p>
<p><i>advising on a home finance transaction</i> FCA PRA</p>	<p>any of the <i>regulated activities</i> of <i>advising on regulated mortgage contracts</i>, <i>advising on a home purchase plan</i>, <i>advising on a home reversion plan</i> or <i>advising on a regulated sale and rent back agreement</i>.</p>
<p><i>advising on a home purchase plan</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 53C of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to him in his capacity as a <i>home purchaser</i> or potential <i>home purchaser</i>; and</p> <p>(b) is advice on the merits of his:</p> <p style="padding-left: 20px;">(i) entering into a particular <i>home purchase plan</i>; or</p> <p style="padding-left: 20px;">(ii) varying the terms of a <i>home purchase plan</i> entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.</p>
<p><i>advising on a home reversion plan</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 53B of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to him in his capacity as <i>reversion occupier</i> or plan provider or potential <i>reversion occupier</i> or potential plan provider; and</p> <p>(b) is advice on the merits of his:</p> <p style="padding-left: 20px;">(i) entering into a particular <i>home reversion plan</i>; or</p> <p style="padding-left: 20px;">(ii) varying the terms of a <i>home reversion plan</i> entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.</p>
<p><i>advising on a regulated sale and rent back agreement</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 53D of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to a <i>person</i> in his capacity as:</p> <p style="padding-left: 20px;">(i) an agreement seller or potential agreement seller; or</p> <p style="padding-left: 20px;">(ii) an agreement provider or potential agreement provider; and</p> <p>(b) is advice on the merits of his doing either of the following:</p>

advising on investments

FCA PRA

(i) entering into a particular *regulated sale and rent back agreement*; or

(ii) varying the terms of a *regulated sale and rent back agreement* entered into on or after 1 July 2009 by him as agreement seller or agreement provider, in such a way as to vary his obligations under that *agreement* and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this part of the definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

(1) (except in ■ SUP 10A (Approved Persons) and APER) the *regulated activity*, specified in article 53 of the *Regulated Activities Order* (Advising on investments), which is in summary: advising a *person* if the advice is:

(a) given to the *person* in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor; and

(b) advice on the merits of his doing any of the following (whether as principal or agent):

(i) *buying, selling*, subscribing for or underwriting a particular *investment* which is a *security* or *relevant investment* (that is, any *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interests in a *funeral plan contract*); or

(ii) exercising any right conferred by such an *investment* to *buy, sell*, subscribe for or underwrite such an *investment*.

(2) (in ■ SUP 10A (Approved Persons) and APER) the *regulated activity* specified in article 53 (Advising on investments) of the *Regulated Activities Order*. For these purposes, *advising on investments* includes any activities that would be included but for the exclusion in article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*.

advising on investments (except pension transfers and pension opt-outs)

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advising on investments except in respect of *pension transfers* and *pension opt-outs*.

advising on pension transfers and pension opt-outs

FCA PRA

advising on *investments* in respect of *pension transfers* and *pension opt-outs*.

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advising on regulated mortgage contracts

FCA PRA

the *regulated activity*, specified in article 53A of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

(a) is given to the *person* in his capacity as a borrower or potential borrower; and

*advising on
syndicate
participation at
Lloyd's*

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affected person

FCA **PRA**

*affiliated
company*

FCA **PRA**

AFM

FCA **PRA**

(b) is advice on the merits of his:

- (i) entering into a particular *regulated mortgage contract*; or
- (ii) varying the terms of a *regulated mortgage contract* entered into by him on or after 31 October 2004 in such a way as to vary his obligations under that contract.

the *regulated activity*, specified in article 56 of the *Regulated Activities Order* (Advice on syndicate participation at Lloyd's), of advising a *person* to become, or continue or cease to be, a member of a particular Lloyd's *syndicate*.

(in *COLL*):

(a) (in relation to an *ICVC*):

- (i) the *ICVC*;
- (ii) its *depository*;
- (iii) a *director* of the *ICVC*;
- (iv) any *investment adviser* of the *ICVC*;
- (v) any *associate* of any *person* in (a)(i), (ii), (iii) or (iv);
- (vi) the auditor of the *scheme*;

(b) (in relation to an *AUT*):

- (i) the *manager*;
- (ii) the *trustee*;
- (iii) any *investment adviser* of the *manager*;
- (iv) any *associate* of any *person* in (b)(i), (ii) or (iii);
- (v) the auditor of the *scheme*.

(c) (in relation to an *ACS*):

- (i) the *authorised fund manager*;
- (ii) the *depository*;
- (iii) any *investment adviser* of the *authorised fund manager*;
- (iv) any *associate* of any *person* in (c)(i), (ii) or (iii);
- (v) the auditor of the *scheme*;
- (vi) the *nominated partner*.

(in relation to a *person*) an *undertaking* in the same *group* as that *person*.

authorised fund manager.

agent

FCA PRA

(in relation to *payment services* or *electronic money*) a person who acts on behalf of a *payment institution* or an *electronic money institution* in providing *payment services*.

[Note: article 4(22) of the *Payment Services Directive*]

agreeing to carry on a regulated activity

FCA PRA

the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II of that Order other than:

- (a) *accepting deposits*;
- (aa) *issuing electronic money*;
- (b) *effecting contracts of insurance*;
- (c) *carrying out contracts of insurance*;
- (d) *establishing, operating or winding up a collective investment scheme*;
- (e) *acting as trustee of an authorised unit trust scheme*;
- (f) *acting as the depositary or sole director of an open-ended investment company*;
- (ff) *acting as the depositary of an authorised contractual scheme*;
- (g) *establishing, operating or winding up a stakeholder pension scheme*;
- (h) *establishing, operating or winding up a personal pension scheme*.

AIF

FCA PRA

alternative investment fund.

AIF custodial assets

FCA

financial instruments of an AIF that can be:

- (a) registered in a *financial instruments* account opened in the *depositary's* books; or
- (b) physically delivered to the *depositary*.

[Note: recital 100 and articles 88 (Financial instruments to be held in custody) and 89(3) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*.]

AIFM

FCA PRA

alternative investment fund manager.

AIFM investment firm

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a *firm* which:

- (a) is:
 - (i) a *full-scope UK AIFM*; or
 - (ii) an *incoming EEA AIFM branch*; and
- (b) has a *Part 4A permission* (or an equivalent permission from its *Home State regulator*) for *managing investments* where:
 - (i) the *investments* managed include one or more *financial instruments*; and
 - (ii) the *permission* is limited to the activities permitted by article 6(4) of *AIFMD*.

AIFM investment

investment management functions of an *AIFM* as set out in 1(a) (portfolio management) or (b) (risk management) of Annex I to *AIFMD*.

management functions

FCA

AIFM management functions

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AIFM qualifier

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AIFM Remuneration Code

FCA

AIFM Remuneration Code staff

FCA

AIFM remuneration principles

FCA

AIFMD

FCA PRA

AIFMD host state requirements

FCA PRA

AIFMD level 2 regulation

FCA PRA

the management functions of an *AIFM* listed in Annex I to *AIFMD*.

an *EEA AIFM* which is *marketing*, or has *marketed*, an *AIF* in the *UK* by:

(a) exercising its *EEA* right to *market* under Schedule 3 of the *Act* (*EEA Passport Rights*); and

(b) is not exercising a right to manage a *UK AIF* under Schedule 3 of the *Act*.

as set out in ■ SYSC 19B (*AIFM Remuneration Code*).

(for an *AIFM*) has the meaning given in ■ SYSC 19B.1.3 R.

the principles set out in ■ SYSC 19B.1.5 R to ■ SYSC 19B.1.24 R.

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF>)

Handbook rules transposing articles 12 and 14 of *AIFMD* and which fall under the responsibility of the *Host State* to supervise where an *AIFM* manages or *markets* an *AIF* through a *branch* in that *EEA State*, namely:

(a) ■ FUND 3.8;

(b) ■ SYSC 4.1.2C R;

(c) ■ SYSC 10.1.22 R to ■ SYSC 10.1.26 R; and

(d) ■ COBS 2.1.4 R.

Commission delegated regulation (EU) No 231/2013 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision

(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:083:0001:0095:en:PDF>)

<p><i>AIFMD UK regulation</i> FCA PRA</p>	<p>the Alternative Investment Fund Managers Regulations 2013 (SI 2013/....)</p>
<p><i>aircraft</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 5 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft.</p>
<p><i>aircraft liability</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 11 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against damage arising out of or in connection with the use of aircraft, including third-party risks and carrier's liability.</p>
<p><i>all price risk measure</i> FCA PRA</p>	<p>(in ■ BIPRU 7.10 (Use of a Value at Risk Model)) has the meaning in ■ BIPRU 7.10.116A R (Capital calculations for VaR models), which is, in relation to a <i>business day</i>, the <i>all price risk measure</i> required under the provisions in ■ BIPRU 7.10 about <i>specific risk</i> for the <i>correlation trading portfolio</i>.</p>
<p><i>allocation period</i> FCA PRA</p>	<p>a single 24-hour period or, with the agreement of each <i>professional client</i> concerned, a period spanning five consecutive <i>business days</i>, during which an aggregated <i>series of transactions</i> may be <i>executed</i>.</p>
<p><i>allotment</i> FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) the process or processes by which the number of <i>relevant securities</i> to be received by investors who have previously subscribed or applied for them is determined.</p>
<p><i>alternative debenture</i> FCA PRA</p>	<p>the <i>investment</i> specified in article 77A of the <i>Regulated Activities Order</i> (Alternative finance investment bonds).</p>
<p><i>alternative investment fund</i> FCA PRA</p>	<p>(in accordance with article 4(1)(a) of <i>AIFMD</i>) a collective investment undertaking, including investment compartments thereof, which:</p> <ul style="list-style-type: none"> (a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) does not require authorisation pursuant to article 5 of the <i>UCITS Directive</i>.
<p><i>alternative investment fund manager</i> FCA PRA</p>	<p>(1) (in ■ GENPRU 3.1) a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of Directive 2011/61/EU or an <i>undertaking</i> which is outside the <i>EEA</i> and which would require authorisation in accordance with Directive 2011/61/EU if it had its registered office within the <i>EEA</i>.</p> <p>(2) (except in ■ GENPRU 3.1 and in accordance with article 4(1)(b) of <i>AIFMD</i>) a legal person whose regular business is performing <i>AIFM investment management functions</i> for one or more <i>AIF</i>.</p>
<p><i>alternative projection</i> FCA PRA</p>	<p>(in <i>COBS</i>) a <i>projection</i> calculated on the basis described in paragraph 1.5R of the <i>projection rules</i> (■ COBS 13 Annex 2), rather than in accordance with the remainder of those <i>rules</i>.</p>

alternative standardised approach

FCA **PRA**

one of the following:

- (a) a version of the *standardised approach* to *operational risk* under which a *firm* uses different indicators for certain business lines as referred to in **■** BIPRU 6.4.19 R (The alternative standardised approach);
- (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
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

AMA

FCA **PRA**

the *advanced measurement approach*.

AMA permission

FCA **PRA**

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or an *institution* to use the *advanced measurement approach* to *operational risk* on a solo basis or, if the context requires, a consolidated basis.

ancillary activity

FCA **PRA**

an activity which is not a *regulated activity* but which is:

- (a) carried on in connection with a *regulated activity*; or
- (b) held out as being for the purposes of a *regulated activity*.

ancillary insurance services undertaking

FCA **PRA**

(in relation to any *undertaking* in a *consolidation group*, *sub-group* or other group of *persons*) an *undertaking* complying with the following conditions:

- (a) its principal activity consists of:
 - (i) owning or managing property; or
 - (ii) managing data-processing services; or
 - (iii) any other similar activity;
- (b) the activity in (a) is ancillary to the principal activity of one or more *insurance undertakings*; and
- (c) those *insurance undertakings* are also members of that *consolidation group*, *sub-group* or other group of *persons*.

ancillary risk

FCA **PRA**

(in relation to an *insurer* with *permission* under the *Act* to insure a principal risk belonging to one *class* (as defined for the purposes of *INSPRU* and *SUP*) of *general insurance business*) a risk included in another such class which is:

- (a) connected with the principal risk,
- (b) concerned with the object which is covered against the principal risk, and
- (c) the subject of the same contract insuring the principal risk.

However, the risks included in *classes* 14, 15 and 17 may not be treated as risks ancillary to other classes, except that the risk included in *class* 17 (legal expenses insurance) may be regarded as an ancillary risk of *class* 18 where:

- (d) the conditions laid down in (a) to (c) are fulfilled, and
- (e) the principal risk relates solely to assistance provided for *persons* who fall into difficulties while travelling, while away from home or while away from their permanent residence or where it concerns disputes or risks arising out of, or in connection with, the use of sea-going vessels.

ancillary
service

FCA PRA

any of the services listed in Section B of Annex I to *MiFID* , that is:

- (a) safekeeping and administration of *financial instruments* for the account of *clients*, including custodianship and related services such as cash/collateral management;
- (b) granting credits or loans to an investor to allow him to carry out a transaction in one or more *financial instruments*, where the firm granting the credit or loan is involved in the transaction;
- (c) advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- (d) foreign exchange services where these are connected to the provision of *investment services*;
- (e) *investment research* and financial analysis or other forms of general recommendation relating to transactions in *financial instruments*;
- (f) services related to underwriting; and
- (g) *investment services and activities* as well as ancillary services within (a) to (f), above, related to the underlying of the *derivatives* included under Section C - 5, 6, 7 and 10, that is (in accordance with that Annex and Recital 21 to, and Article 39 of, the *MiFID Regulation*):
 - (i) commodities;
 - (ii) climatic variables;
 - (iii) freight rates;
 - (iv) emission allowances;
 - (v) inflation rates or other official economic statistics;
 - (vi) telecommunications bandwidth;
 - (vii) commodity storage capacity;
 - (viii) transmission or transportation capacity relating to commodities, where cable, pipeline or other means;
 - (ix) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;
 - (x) a geological, environmental or other physical variable;
 - (xi) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;
 - (xii) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where these are connected to the provision of *investment services* or ancillary services.

[Note: article 4(1)(3) of *MiFID*]

(1) (in accordance with Article 4(21) of the *Banking Consolidation Directive* (Definitions) and subject to (2)) and in relation to an *undertaking* in a *consolidation group, sub-group* or another group of *persons*) an *undertaking* complying with the following conditions:

- (a) its principal activity consists of:
 - (i) owning or managing property; or
 - (ii) managing data-processing services; or

ancillary
services
undertaking

PAGE
A15

FCA PRA

<p>(iii) any other similar activity;</p> <p>(b) the activity in (a) is ancillary to the principal activity of one or more <i>credit institutions</i> or <i>investment firms</i>; and</p> <p>(c) those <i>credit institutions</i> or <i>investment firms</i> are also members of that <i>consolidation group</i>, <i>sub-group</i> or group.</p> <p>(2) (for the purpose of ■ GENPRU 1.3 (Valuation) and ■ INSPRU 6.1 (Group Risk: Insurance Groups) an <i>undertaking</i> in (1) and an <i>ancillary insurance services undertaking</i>.</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) the exercise of an <i>overallotment facility</i> or of a <i>greenshoe option</i> by <i>investment firms</i> or <i>credit institutions</i>, in the context of a <i>significant distribution</i> of <i>relevant securities</i>, exclusively for facilitating <i>stabilisation</i> activity.</p>
<p><i>ancillary stabilisation</i> FCA PRA</p>	<p>information which is usually the subject of a public announcement, although not subject to any formal disclosure requirement.</p>
<p><i>announceable information</i> FCA PRA</p>	<p>(1) [deleted]</p> <p>(2) (in <i>COLL</i>): the period determined in accordance with ■ COLL 6.8.2 R (3) to ■ COLL 6.8.2 R (7) (<i>Accounting periods</i>).</p>
<p><i>annual accounting period</i> FCA PRA</p>	<p>(1) the Council Directive of 19 December 1991 concerning the annual accounts and consolidated accounts of <i>insurance undertakings</i> (No. 91/674/EEC).</p> <p>(2) (in <i>UPRU</i>) accounts prepared to comply with :</p> <p>(a) the Companies Acts 1985 to 1989, and their equivalent in Northern Ireland, where these provisions are applicable; or</p> <p>(b) the Companies Act 2006; or</p> <p>(c) other statutory obligations.</p>
<p><i>Annual Accounts</i> FCA PRA</p>	<p>(in <i>UPRU</i>) has the meaning given in ■ UPRU 2.1.3 R (<i>Annual audited fixed expenditure</i>).</p>
<p><i>annual audited fixed expenditure</i> FCA PRA</p>	<p>(in relation to a <i>with-profits insurance contract</i>) a discretionary addition to <i>policy</i> benefits under a <i>with-profits insurance contract</i> made by a <i>long-term insurer</i> as a result of the annual <i>actuarial investigation</i>.</p>
<p><i>annual bonus</i> FCA PRA</p>	<p>the annual budgeted costs of operating the <i>Financial Ombudsman Service</i>.</p>
<p><i>annual budget</i> FCA PRA</p>	<p>(in <i>FEES</i>) (in relation to a <i>firm</i> and a <i>class</i>) the annual income (as described in ■ FEES 6 Annex 3 R) for the <i>firm's</i> last financial year ended in the year to 31 December preceding the date for submission of the information under ■ FEES 6.5.13 R attributable to that <i>class</i>. A <i>firm</i> must calculate <i>annual eligible income</i> from such annual income in one of the following ways:</p>
<p><i>annual eligible income</i> FCA PRA</p>	

<p><i>annual financial statements</i></p> <p>FCA PRA</p>	<p>(a) only include such annual income if it is attributable to business conducted with or for the benefit of <i>eligible claimants</i> and is otherwise attributable to compensatable business; or</p> <p>(b) include all such annual income.</p>
<p><i>annual income</i></p> <p>FCA PRA</p>	<p>the financial statements in respect of the year ending on the <i>firm's</i> annual accounting reference date, which is the date to which a corporate <i>firm's</i> accounts are prepared for the purposes of the Companies Acts, or, where the <i>firm</i> is not subject to the Companies Acts, the equivalent date chosen by the <i>firm</i> and notified to the <i>FCA</i> or <i>PRA</i> as the case may be .</p>
<p><i>annual income allocation date</i></p> <p>FCA PRA</p>	<p>(in MIPRU)</p> <p>the income referred to in ■ MIPRU 4.3</p>
<p><i>annual percentage rate</i></p> <p>FCA PRA</p>	<p>the date in any year stated in the most recently published <i>prospectus</i> as the date on or before which, in respect of each <i>annual accounting period</i>, an allocation of income is to be made.</p>
<p><i>annual report and accounts</i></p> <p>FCA PRA</p>	<p>the annual percentage rate of charge for a contract as calculated in accordance with ■ MCOB 10 (Annual percentage rate).</p> <p>(a) (in relation to a <i>company</i> incorporated in the <i>United Kingdom</i>) an annual report and annual accounts as those terms are defined in:</p> <p style="margin-left: 40px;">(i) section 262(1) of the Companies Act 1985, together with an auditor's report prepared in relation to those accounts under section 235 of the same Act where these provisions are applicable; or</p> <p style="margin-left: 40px;">(ii) section 471 of the Companies Act 2006 together with an auditor's report prepared in relation to those accounts under sections 495 to 497 of the same Act;</p> <p>(b) (in relation to any other body) any similar or analogous <i>documents</i> which it is required to prepare whether by its constitution or by the law under which it is established.</p>
<p><i>annual statement provisions</i></p> <p>FCA PRA</p>	<p>(in MCOB) in relation to a:</p> <p>(a) <i>regulated mortgage contract</i>, ■ MCOB 7.5;</p> <p>(b) <i>home purchase plan</i>, ■ MCOB 7.8.3 R to ■ MCOB 7.8.6 R; and</p> <p>(c) <i>instalment reversion plan</i>, ■ MCOB 9.9.1 R to ■ MCOB 9.9.3 R (2)(c).</p>
<p><i>annualised net written premiums</i></p> <p>FCA PRA</p>	<p>(for the purposes of ■ INSPRU 1.4) in relation to a <i>financial year</i>, the <i>net written premiums</i> received during that <i>financial year</i>, except that in relation to a <i>financial year</i> that has been validly extended beyond, or shortened from, a period of 12 months, the amount of <i>net written premiums</i> is the amount determined in accordance with the formula: $NWP \times 365/D$ where:</p> <p>(1) NWP is the amount of <i>net written premiums</i> received in the financial year; and</p> <p>(2) D is the number of days in that <i>financial year</i>.</p>
<p>APER</p> <p>FCA PRA</p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title Statements of Principle and Code of Practice for Approved Persons.</p>

applicable asset

FCA **PRA**

(a) in relation to *MiFID business*, a *financial instrument*; or

(b) in relation to *safeguarding and administering investments* that is not *MiFID business*, acting as trustee or depositary of a UCITS, and/or acting as trustee or depositary of an AIF, a *designated investment*.

applicable provisions

FCA **PRA**

the *Host State* rules with which:

(a) an *incoming EEA firm* is required to comply when carrying on a *permitted activity* through a *branch* or by providing services (as applicable) in the *United Kingdom*, as defined in paragraphs 13(4) and 14(4) of Part II of Schedule 3 to the *Act* (Exercise of passport rights by EEA firms); or

(b) a *UK firm* is required to comply when conducting business through a *branch* (in accordance with paragraph 19(13) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms)) or by providing services (as applicable) in another *EEA State*.

applicable sectoral consolidation rules

FCA **PRA**

(in respect of a *financial sector* and in accordance with paragraph 6.9 of ■ GENPRU 3 Annex 1 R (Applicable sectoral consolidation rules)) the *appropriate regulator's sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 6.10 of ■ GENPRU 3 Annex 1 R.

applicable sectoral rules

FCA **PRA**

(in respect of a *financial sector*) *applicable sectoral consolidation rules* for that *financial sector* and the *appropriate regulator's sectoral rules* about capital adequacy and solvency for:

(a) the *banking and investment services sector* as set out in paragraph 6.2 of ■ GENPRU 3 Annex 1 R; or

(b) *insurance undertakings*;

which of those sets of *rules* apply for the purpose of a particular calculation depends on the nature of that calculation.

applicant

FCA **PRA**

(1) (in *LR*) an *issuer* which is applying for *admission of securities*.

(2) (in *PR*) an applicant for approval of a *prospectus* or *supplementary prospectus* relating to *transferable securities*.

appointed representative

FCA **PRA**

(in accordance with section 39 of the *Act* (other than an *authorised person*) who:

(a) is a party to a contract with an *authorised person* (his *principal*) which:

(i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and

(ii) complies with such requirements as are prescribed in those *Regulations*; and

(b) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing;

and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

Appointed Representatives Regulations

FCA **PRA**

the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001 (SI 2001/1217).

apportionment and oversight function

FCA **PRA**

FCA controlled function CF8 in Parts 1 and Part 2 of the *table of FCA controlled functions*, described more fully in **■ SUP 10A.7.1 R** .

appropriate actuary

FCA **PRA**

an *actuary* appointed under **■ SUP 4.4.1 R** (Appointment of an appropriate actuary).

appropriate charges information

FCA **PRA**

(in *COBS*) information about charges which is calculated and presented in accordance with the *charges rules* in **■ COBS 13.4.1 R** and **■ COBS 13 Annexes 3 or 4** .

appropriate position risk adjustment

FCA **PRA**

- (1) (in relation to a *position* treated under **■ BIPRU 7.6** (Option PRR)) the percentage figure applicable to that *position* under the table in **■ BIPRU 7.6.8 R** (Appropriate Position Risk Adjustment);
- (2) (for any other purpose and in relation to a *position*) the *position risk adjustment* applicable to that position under **BIPRU 7** (Market risk).

appropriate regulator

FCA **PRA**

- (1) in the *FCA Handbook*, the *FCA*; and in the *PRA Handbook*, the *PRA*;
- (2)
 - (a) in **■ SUP 11** "appropriate regulator" has the meaning given in section 178 of the *Act*, and
 - (b) in **■ SUP 18** "appropriate regulator" has the meaning given in section 103A of the *Act*.

appropriate UK regulator

FCA **PRA**

- (1) in relation to an *EEA firm* (in accordance with Schedule 3 paragraph 13(4) and 14(4) to the *Act*), whichever of the *FCA* or *PRA* is the *competent authority* for the purposes of the relevant *Single Market Directive*;
- (2) in relation to a *UK firm* (in accordance with Schedule 3 paragraph 18A to the *Act*),
 - (a) the *PRA*, where the *firm* is a *PRA-authorised person*; and
 - (b) in any other case, the *FCA*.
- (3) in relation to a *Treaty firm* (in accordance with section 35(2A) of the *Act*),
 - (a) in the case of a *PRA-authorised person*, the *PRA*; and
 - (b) in any other case, the *FCA*.

appropriate valuer

FCA **PRA**

(in *COLL*) a *person* who complies with the *requirements* of **■ COLL 5.6.18 R** (7) (Investment in property) or **■ COLL 8.4.11 R** (4) (Investment in property) .

approve

FCA **PRA**

(in relation to a *financial promotion*) approve the content of the *financial promotion* for the purposes of section 21 of the *Act* (Restrictions on financial promotion).

approved bank

FCA PRA

(except in *COLL*) (in relation to a *bank* account opened by a firm):

- (a) if the account is opened at a branch in the *United Kingdom*:
 - (i) the Bank of England; or
 - (ii) the central bank of a member state of the *OECD*; or
 - (iii) a *bank*; or
 - (iv) a *building society* ; or
 - (v) a bank which is supervised by the central bank or other banking regulator of a member state of the *OECD*; or
- (b) if the account is opened elsewhere:
 - (i) a bank in (a); or
 - (ii) a *credit institution* established in an *EEA State* other than the *United Kingdom* and duly authorised by the relevant *Home State* regulator; or
 - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
- (c) a bank supervised by the South African Reserve Bank; or
- (d) any other bank that:
 - (i) is subject to regulation by a national banking regulator;
 - (ii) is required to provide audited accounts;
 - (iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and
 - (iv) has an annual audit report which is not materially qualified.

(in *COLL*) any person falling within (a-c).*approved collateral*

FCA PRA

any form of security for the discharge of any liability arising from a *contingent liability investment* (other than a guarantee) which:

- (a) (in relation to an *on-exchange* transaction) is acceptable under the rules of the relevant exchange or *clearing house*; and
- (b) (in relation to an *OTC* transaction) would be acceptable for a similar transaction to the relevant exchange or *clearing house*.

approved counterparty

FCA PRA

any of the following:

- (a) an *approved credit institution*; or
- (b) a *firm* whose *permission* includes *dealing in investments as principal* with respect to *derivatives* which are not *listed*; or
- (c) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (b); or
- (d) in respect of a transaction involving a new issue of *securities* which are to be *listed*, the *issuer* or a *MiFID investment firm* acting on behalf of the *issuer*.

approved credit institution

FCA PRA

a *credit institution* recognised or permitted under the law of an *EEA State* to carry on any of the activities set out in Annex 1 to the *Banking Consolidation Directive*.

*approved
depository*

FCA **PRA**

any *depository*:

- (a) which is subject to regulation by a national *regulatory body* in connection with its custody services;
- (b) which is required to prepare audited accounts;
- (c) whose latest annual audit report is not materially qualified; and
- (d) which
 - (i) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has surplus revenue over expenditure for the last two financial years; or
 - (ii) if not, nevertheless has adequate financial resources for its business.

*approved
derivative*

FCA **PRA**

(1) (in *COLL*) a derivative which is traded or *dealt* in on an eligible derivatives market.

(2) (in *INSPRU*) a *derivative* in respect of which the conditions in **■ INSPRU 3.2.5 R** are met.

*approved
financial
institution*

FCA **PRA**

any of the following:

- (a) the European Central Bank;
- (b) the central bank of an *EEA State*;
- (c) the International Bank for Reconstruction and Development;
- (d) the European Bank for Reconstruction and Development;
- (e) the International Finance Corporation;
- (f) the International Monetary Fund;
- (g) the Inter-American Development Bank;
- (h) the African Development Bank;
- (i) the Asian Development Bank;
- (j) the Caribbean Development Bank;
- (k) the European Investment Bank;
- (l) the *EU*; and
- (m) the European Atomic Energy Community.

approved index

FCA **PRA**

in relation to *permitted links*:

- (a) an index that is:
 - (i) calculated independently;
 - (ii) published at least once every week;
 - (iii) based on constituents that are *permitted links*; and
 - (iv) calculated on a basis that is made available to the public, and that includes both the rules for including and excluding constituents and the rules for valuation which must use an arithmetic average of the value of the constituents; or
- (b) a national index of retail prices published by or under the authority of a government, or by a body recognised under the national legislation, of a *Zone A country*; or
- (c) an index that is:

*approved
money-market
instrument*

FCA **PRA**

*approved
person*

FCA **PRA**

*approved
quasi-derivative*

FCA **PRA**

*approved
reinsurance to
close*

FCA **PRA**

*approved
reporting
mechanism*

FCA **PRA**

- (i) based on constituents that are *permitted links*; and
- (ii) in respect of which a *derivative* contract is *listed* ; or

(d) the average earnings index when used for the purposes of orders made under section 148 of the Social Security Administration Act 1992 by the Department for Work and Pensions.

(in accordance with ■ COLL 5.2.7F R) a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.

a *person* in relation to whom the *FCA* or the *PRA* has given its approval under section 59 of the *Act* (Approval for particular arrangements) for the performance of a *controlled function*.

a *quasi-derivative* in respect of which the conditions in ■ INSPRU 3.2.5 R are met.

- (a) a *reinsurance to close* effected before 1 January 2005; or
- (b) an agreement under which *members* of a *syndicate* in one *syndicate year* ("the reinsured *members*") agree with the *members* of that *syndicate* in a later *syndicate year* or the *members* of one other *syndicate* ("the reinsuring *members*") that the reinsuring *members* will discharge, or procure the discharge of, or indemnify the reinsured *members* against, all known and unknown *insurance business* liabilities of the reinsured *members* arising out of the *insurance business* carried on by the reinsured *members* in that *syndicate year* that is:
 - (i) effected after 1 January 2005; and
 - (ii) not a balance transfer between two *syndicate years* where the *syndicate* has only one *member* and the *member* is the same in each of those years ; or
- (c) an agreement under which *members* of a *syndicate* in one *syndicate year* ("the reinsured *members*") agree with a *subsidiary* of the *Society* that that *subsidiary* will discharge, or procure the discharge of, or indemnify the reinsured *members* against, all known and unknown *insurance business* liabilities of the reinsured *members* arising out of the *insurance business* carried on by the reinsured *members* in that *syndicate year* ("the reinsured liabilities") and where:
 - (i) that *subsidiary* is wholly owned by the *Society* and if from time to time the *subsidiary* has an *asset* or cash flow deficiency such that the *subsidiary* is unable to meet any of the liabilities which it has reinsured, the *Society* is legally obliged to pay to the *subsidiary* a sum equal to that deficiency; and
 - (ii) at the effective date of the agreement, the relevant *syndicate year* has been open for at least two years after the date at which it would normally have been closed in accordance with the policies and practices in relation to the *syndicate* concerned.

a trade-matching or reporting system approved by the *FCA* in accordance with Section 412A of the *Act*.

approved security

FCA **PRA**

(1) (in *COLL*) a *transferable security* that is admitted to *official listing* in an *EEA State* or is traded on or under the rules of an *eligible securities market* (otherwise than by the specific permission of the market authority).

(2) (in *INSPRU*) any of the following:

(a) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest on which, is guaranteed by, and any loans to or deposits with, any government, public or local authority or nationalised industry or undertaking, which belongs to a *Zone A country*;

(b) any loan to, or deposit with, an *approved financial institution*;

(c) any *debenture* issued before 31 December 1994 by the Agricultural Mortgage Corporation Limited or the Scottish Agricultural Securities Corporation Limited.

(3) (in *COBS*) any of the following:

(a) any *security* issued or guaranteed by, or the repayment of the principal of which, or the interest on which is guaranteed by, and any loan to or deposit with, any government, public or local authority or nationalised industry or undertaking that belongs to Zone A as defined in the *Banking Consolidation Directive*; or

(b) any loan to, or deposit with, an *approved financial institution*; or

(c) debentures issued before 31 December 1994 by the Agricultural Mortgage Corporation Ltd or the Scottish Agricultural Securities Corporation Ltd.

approved stock lending transaction

FCA **PRA**

a *stock lending* transaction in respect of which the conditions in **■** *INSPRU* 3.2.36 R have been met.

APR

FCA **PRA**

annual percentage rate.

APR rules

FCA **PRA**

■ *MCOB* 10.

arrangement

FCA **PRA**

(as defined in section 59(10) of the *Act* (Approval for particular arrangements)) any kind of arrangement for the performance of a function of an *authorised person* ("A") which is entered into by A or any contractor of his with another *person*, including, in particular, that other *person's* appointment to an office, his becoming a partner, or his employment (whether under a contract of service or otherwise).

arranging

FCA **PRA**

(a) (except in relation to a *home finance transaction*) *arranging (bringing about) deals in investments, making arrangements with a view to transactions in investments or agreeing to carry on either of those regulated activities*.

(b) (in relation to a *regulated mortgage contract*) *arranging (bringing about) regulated mortgage contracts, making arrangements with a view to regulated mortgage contracts or agreeing to carry on either of those regulated activities*;

(c) (in relation to a *home purchase plan*) *arranging (bringing about) a home purchase plan, making arrangements with a view to a home purchase plan or agreeing to carry on either of those regulated activities*.

arranging
(bringing
about) a home
finance
transaction

FCA PRA

(d) (in relation to a *home reversion plan*) *arranging (bringing about) a home reversion plan, making arrangements with a view to a home reversion plan or agreeing to carry on either of those regulated activities.*

any of the *regulated activities* of *arranging (bringing about) a regulated mortgage contract, arranging (bringing about) a home purchase plan, arranging (bringing about) a home reversion plan or arranging (bringing about) a regulated sale and rent back agreement.*

arranging
(bringing
about) a home
purchase plan

FCA PRA

the *regulated activity*, specified in article 25C(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another person to:

- (a) enter into a *home purchase plan* as *home purchaser*; or
- (b) vary the terms of a *home purchase plan* entered into by him as *home purchaser* on or after 6 April 2007.

arranging
(bringing
about) a home
reversion plan

FCA PRA

the *regulated activity*, specified in article 25B(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another person to:

- (a) enter into a *home reversion plan* as *reversion occupier* or as plan provider; or
- (b) vary the terms of a *home reversion plan* entered into by him as *reversion occupier* or as plan provider on or after 6 April 2007.

arranging
(bringing
about) a
regulated sale
and rent back
agreement

FCA PRA

the *regulated activity*, specified in article 25E(1) of the *Regulated Activities Order*, which is in summary making arrangements:

- (a) for another person to enter into a *regulated sale and rent back agreement* as an agreement seller or as an agreement provider; or
- (b) for another person to vary the terms of a *regulated sale and rent back agreement*, entered into on or after 1 July 2009 by him as agreement seller or agreement provider, in such a way so as to vary his obligations under that agreement and in relation to a person who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this part of the definition only if the agreement was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009;

including making arrangements with a view to a person who participates in the arrangements
entering into a regulated sale and rent back agreement as agreement seller or agreement provider.

arranging
(bringing
about) deals in
investments

FCA PRA

the *regulated activity*, specified in article 25(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another person (whether as *principal* or agent) to *buy, sell, subscribe for or underwrite* a particular *investment* which is:

- (a) a *designated investment*; or
- (b) a *funeral plan contract*; or
- (c) the *underwriting capacity of a Lloyd's syndicate*; or
- (d) *membership of a Lloyd's syndicate*; or
- (da) a *pure protection contract*; or
- (db) a *general insurance contract*; or
- (e) *rights to or interests in investments* in (b), (c) or (d).

*arranging
(bringing
about)
regulated
mortgage
contracts*

FCA **PRA**

the *regulated activity*, specified in article 25A(1) of the *Regulated Activities Order*, which is in summary: making arrangements for another *person* to:

- (a) enter into a *regulated mortgage contract* as borrower; or
- (b) vary the terms of a *regulated mortgage contract* entered into by him as borrower on or after 31 October 2004.

(see also *arranging* (in relation to *regulated mortgage contracts*) and *making arrangements with a view to regulated mortgage contracts*.)

*arranging deals
in contracts of
insurance
written at
Lloyd's*

FCA **PRA**

the *regulated activity*, specified in article 58 of the *Regulated Activities Order* (Arranging deals in contracts of insurance written at Lloyd's), carried on by the *Society of Lloyd's* of arranging deals in *contracts of insurance* written at Lloyd's.

*arranging
qualifying
credit*

FCA **PRA**

the *controlled activity*, specified in paragraph 10A of Schedule 1 to the *Financial Promotion Order*, of making arrangements:

- (a) for another *person* to enter as borrower into an agreement for the provision of *qualifying credit*; or
- (b) for a borrower under a *regulated mortgage contract*, entered into on or after 31 October 2004, to vary the terms of that contract.

*arranging
safeguarding
and
administration
of assets*

FCA **PRA**

that part of *safeguarding and administering investments* which consists solely of arranging for one or more other *persons* to carry on both:

- (a) the safeguarding of assets belonging to another; and
- (b) the administration of those assets.

arrears

FCA **PRA**

(in relation to a *regulated mortgage contract* or a *home purchase plan*) either:

- (a) a shortfall (equivalent to two or more regular payments) in the accumulated total payments actually made by the *customer* measured against the accumulated total amount of payments due to be received from the *customer*; or
- (b) remaining in breach, for more than one month, of an agreed borrowing limit or of an obligation to pay or repay where the loan or *home purchase plan* does not have a regular payment or repayment plan.

*Article 129
implementing
measure*

FCA **PRA**

any:

- (a) measure taken by the *appropriate regulator* under regulations 7-9 of the *Capital Requirements Regulations 2006*; or
- (b) corresponding measure taken by another *competent authority* to apply an *Article 129 permission* as referred to in the last paragraph of Article 129(2) of the *Banking Consolidation Directive*.

*Article 129
permission*

FCA **PRA**

a permission of the type referred to in Article 129(2) of the *Banking Consolidation Directive* (permission to apply the *IRB approach*, the *AMA approach* or the *CCR internal model method* on a consolidated basis) or Article 37(2) of the *Capital Adequacy Directive* (permission to apply the *VaR model approach* on a consolidated basis) excluding an *Article 129 implementing measure*.

*Article 129
procedure*

the procedure described in Article 129(2) of the *Banking Consolidation Directive* (permission to apply the *IRB approach*, the *AMA approach* or the *CCR internal*

FCA PRA

model method on a consolidated basis) or that applies under Article 37(2) of the *Capital Adequacy Directive* (permission to apply the *VaR model approach* on a consolidated basis) for the purpose of applying for and granting or refusing an *Article 129 permission* or the procedure for varying or revoking an *Article 129 permission* in accordance with the *Banking Consolidation Directive* or the *Capital Adequacy Directive*.

Article 134
relationship

FCA PRA

(in accordance with Article 134 of the *Banking Consolidation Directive*) a relationship of one of the following kinds:

- (a) where a *person* exercises a significant influence over one or more *persons*, but without holding a *participation* or other capital ties in these *persons* and without being a *parent undertaking* of these *persons*; or
- (b) where two or more *persons* are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.

article 9
default

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) any of the following:

- (a) the passing of a resolution for the voluntary winding up of an authorised insurance company within the meaning of section 3 of the Policyholders Protection Act 1975 in circumstances falling within section 5(1)(a) of that Act;
- (b) the making by the court of an order for the winding up of such a company in accordance with section 5(1)(b) of that Act;
- (c) the appointment of a provisional liquidator in the circumstances falling within section 15 of that Act in respect of such a company;
- (d) such a company becoming a company in financial difficulties within the meaning of section 16 of that Act;
- (e) a *participating deposit-taker* becoming insolvent for the purposes of Part II of the Banking Act 1987;
- (f) a *participating institution* becoming insolvent within the meaning of section 25A of the Building Societies Act 1986;
- (g) the beginning of a dissolution or transfer of engagements of a *member society* in accordance with rule 9(2) of the Rules of the Friendly Societies Protection Scheme.

assessable
mutual

FCA PRA

(for the purposes of ■ INSPRU 1.4) a *mutual* where the *insurance business* carried on by the *mutual* is limited to the provision of *insurance business* to its members and whose articles of association, rules or bye-laws provide for the calling of additional contributions from members to meet *claims*.

asset

FCA PRA

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) any property, right, entitlement or interest.

asset backed
commercial
paper
programme

FCA PRA

(for the purposes of ■ BIPRU 9 (Securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) a programme of *securitisations* (within the meaning of paragraph (2) of the definition of securitisation) the securities issued by which predominantly take the form of commercial paper with an original maturity of one year or less.

<p><i>asset backed security</i></p> <p>FCA PRA</p>	<p>(as defined in the <i>PD Regulation</i>) securities which:</p> <p>(a) represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets of amounts payable thereunder; or</p> <p>(b) are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.</p>
<p><i>asset identification rules</i></p> <p>FCA PRA</p>	<p>rules made by the <i>appropriate regulator</i> which require an <i>authorised person</i> who has <i>permission</i> to <i>effecting</i> or <i>carry out contracts of insurance</i> to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.</p>
<p><i>asset management company</i></p> <p>FCA PRA</p>	<p>a management company within the meaning of Article 2(1)(b) of the <i>UCITS Directive</i>, as well as an <i>undertaking</i> the registered office of which is outside the <i>EEA</i> and which would require authorisation in accordance with Article 6(1) of the <i>UCITS Directive</i> if it had its registered office within the <i>EEA</i>.</p>
<p><i>asset pool</i></p> <p>FCA PRA</p>	<p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) an asset pool within the meaning of Regulation 3 of the <i>RCB Regulations</i>.</p>
<p><i>asset pool monitor</i></p> <p>FCA PRA</p>	<p>a <i>person</i> appointed under regulation 17A of the <i>RCB Regulations</i>.</p>
<p><i>asset-related capital requirement</i></p> <p>FCA PRA</p>	<p>a component of the calculation of the <i>ECR</i> for a <i>firm</i> carrying on <i>general insurance business</i> as set out in <i>INSPRU 2.2</i> .</p>
<p><i>assistance</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 18 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing either or both of the following benefits:</p> <p>(a) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties while travelling, while away from home or while away from their permanent residence;</p> <p>(b) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties otherwise than as in (a).</p>
<p><i>assisting in the administration and performance of a contract of insurance</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 39A of the <i>Regulated Activities Order</i> (Assisting in the administration and performance of a contract of insurance) of assisting in the administration and performance of a contract of insurance.</p>

associate

FCA PRA

(1) (in LR) (in relation to a *director, substantial shareholder, or person exercising significant influence*, who is an individual):

(a) that individual's spouse, civil partner or child (together "the individual's family");

(b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an *occupational pension scheme* or an *employees' share scheme* which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties;

(c) any *company* in whose *equity securities* the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

(i) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or

(ii) to appoint or remove *directors* holding a majority of voting rights at board meetings on all, or substantially all, matters;

(d) any partnership whether a limited partnership or *limited liability partnership* in which the individual or any member or members (taken together) of the individual's family are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they hold or control or would on the fulfilment of the condition or the occurrence of the contingency be able to hold or control:

(i) a voting interest greater than 30% in the partnership; or

(ii) at least 30% of the partnership.

For the purpose of paragraph (c), if more than one *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings* is interested in the *equity securities* of another *company*, then the interests of those *directors* and their *associates* will be aggregated when determining whether that *company* is an associate of the *director*.

(2) (in LR) (in relation to a *substantial shareholder* or *person exercising significant influence*, which is a *company*):

(a) any other *company* which is its *subsidiary undertaking* or *parent undertaking* or fellow *subsidiary undertaking* of the *parent undertaking*;

(b) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's* or *person exercising significant influence's*, directions or instructions ;

(c) any *company* in the capital of which the *substantial shareholder* or *person exercising significant influence* and any other *company* under paragraph (1) or (2) taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) able to exercise power of the type described in paragraph (1)(c)(i) or (ii) of this definition.

(3) (except in LR)(in relation to a *person* ("A")):

<p>(a) an <i>affiliated company</i> of A;</p> <p>(b) an <i>appointed representative</i> of A, or a <i>tied agent</i> of A, or of any <i>affiliated company</i> of A;</p> <p>(c) any other <i>person</i> whose business or domestic relationship with A or his <i>associate</i> might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.</p>	
<p><i>associated call option</i></p> <p>FCA PRA</p>	<p>a right to acquire a particular amount of the <i>relevant security</i> or of any <i>associated security</i> at a future date at a particular <i>price</i>.</p>
<p><i>associated instrument</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) any of the following <i>financial instruments</i> (including those which are not admitted to trading on a <i>regulated market</i>, or for which a request for admission to trading on such a market has not been made, provided that the relevant competent authorities have agreed to standards of transparency for transactions in such <i>financial instruments</i>):</p> <p>(a) contracts or rights to subscribe for, acquire or dispose of <i>relevant securities</i>;</p> <p>(b) financial derivatives on <i>relevant securities</i>;</p> <p>(c) where the <i>relevant securities</i> are convertible or exchangeable debt instruments, the securities into which such convertible or exchangeable debt instruments may be converted or exchanged;</p> <p>(d) instruments which are issued or guaranteed by the <i>issuer</i> or guarantor of the <i>relevant securities</i> and whose market price is likely to materially influence the price of the <i>relevant securities</i>, or vice versa; and</p> <p>(e) where the <i>relevant securities</i> are <i>securities</i> equivalent to <i>shares</i>, the <i>shares</i> represented by those <i>securities</i> (and any other <i>securities</i> equivalent to those <i>shares</i>).</p>
<p><i>at the money</i></p> <p>FCA PRA</p>	<p>(for the purposes of ■ BIPRU 7 (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) the strike price of that <i>option</i> or <i>warrant</i> being equal to the current market value of the underlying instrument.</p>
<p><i>attached shares</i></p> <p>FCA PRA</p>	<p>(in <i>CREDS</i>) means any shares in the <i>credit union</i> (other than any <i>deferred shares</i>):</p> <p>(a) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by section 7(5) of the Credit Unions Act 1979 or (in relation to a <i>Northern Ireland credit union</i>) the withdrawal of which is not permitted by article 23(4) of the Credit Unions (Northern Ireland) Order 1985; or</p> <p>(b) (in relation to a <i>Great Britain credit union</i>) the withdrawal of which is not permitted by the terms of a loan made to a member; or</p> <p>(c) the withdrawal of which is not permitted without seeking and obtaining the permission of the committee of management of the <i>credit union</i>.</p> <p>In relation to a <i>Great Britain credit union</i>, paragraph (c) is relevant only where the <i>credit union</i> made a loan to the holder of the shares before the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 came into force.</p>
<p><i>auction platform</i></p> <p>FCA</p>	<p>a platform on which auctions of <i>emissions allowances</i> are held in accordance with the <i>auction regulation</i>.</p>

<p><i>auction regulation</i> FCA</p>	<p>Commission Regulation (EU) No 1031/2010 of 12 November 2010 on the timing, administration and other aspects of auctioning of greenhouse gas emission allowances pursuant to Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emission allowances trading within the Community.</p>
<p><i>auction regulation bidding</i> FCA PRA</p>	<p>the <i>regulated activity of bidding in emissions auctions</i> where it is carried on by:</p> <ul style="list-style-type: none"> (a) a <i>firm</i> that is exempt from <i>MiFID</i> under article 2(1)(i); or (b) a <i>MiFID investment firm</i> (other than a <i>UCITS investment firm</i>) on behalf of its <i>clients</i> in relation to a <i>two-day emissions spot</i>.
<p><i>Audit Directive</i> FCA PRA</p>	<p>Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.</p>
<p><i>AUT</i> FCA PRA</p>	<p>an <i>authorised unit trust scheme</i>.</p>
<p><i>authorisation</i> FCA PRA</p>	<p>authorisation as an <i>authorised person</i> for the purposes of the <i>Act</i>.</p>
<p><i>authorisation order</i> FCA PRA</p>	<p>an order made by the <i>FCA</i> :</p> <ul style="list-style-type: none"> (a) in relation to an <i>AUT</i> under section 243 of the <i>Act</i> (Authorisation orders); (b) in relation to an <i>ICVC</i> under regulation 14 of the <i>OEIC Regulations</i> (Authorisation); (c) in relation to an <i>ACS</i> under section 261D of the <i>Act</i> (Authorisation orders); <p>as a result of which the <i>AUT</i> or <i>ACS</i> becomes authorised or the body becomes incorporated as an <i>ICVC</i> under regulation 3 of the <i>OEIC Regulations</i> (Open-ended investment company).</p>
<p><i>authorised AIF</i> FCA PRA</p>	<p>an <i>AIF</i> which is an <i>authorised fund</i>.</p>
<p><i>authorised central counterparty</i></p>	<p>a <i>CCP</i> authorised or recognised under <i>EMIR</i>.</p>
<p><i>authorised contractual scheme</i> FCA PRA</p>	<p>a <i>co-ownership scheme</i> or a <i>limited partnership scheme</i>.</p>
<p><i>authorised contractual scheme manager</i> FCA</p>	<p>a <i>firm</i>, including, if relevant, an <i>EEA UCITS management company</i> or <i>incoming EEA AIFM</i>, which is the <i>authorised fund manager</i> of the <i>ACS</i> in accordance with the <i>contractual scheme deed</i>.</p>

authorised corporate director

FCA **PRA**

the director of an *ICVC* who is the *authorised corporate director* of the *ICVC* in accordance with ■ **COLL 6.5.3 R** (Appointment of an ACD) including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM* .

authorised electronic money institution

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*):

(a) a *person* included by the *FCA* in the *Financial Services Register* as an *authorised electronic money institution* pursuant to regulation 4(1)(a) of the *Electronic Money Regulations*; or

(b) a *person* deemed to have been granted authorisation by virtue of regulation 74 of the *Electronic Money Regulations*.

authorised fund

FCA **PRA**

an *ICVC*, *ACS* or an *AUT*.

authorised fund manager

FCA **PRA**

an *ACD*, an *authorised contractual scheme manager* or an *authorised unit trust manager*.

authorised insurance company

FCA **PRA**

(In *COMP*) (in accordance with the *compensation transitionals order*) a *person* who was, at any time before *commencement*, authorised under section 3 or 4 of the Insurance Companies Act 1982 to carry on insurance business of any class in the *United Kingdom*.

authorised payment institution

FCA **PRA**

(in accordance with regulation 2(1) of the *Payment Services Regulations*) a *person* included by the *FCA* in the *Financial Services Register* as an authorised payment institution pursuant to regulation 4(1)(a), or a *person* deemed to have been granted authorisation by virtue of regulation 121 of the *Payment Services Regulations*.

authorised person

FCA **PRA**

(in accordance with section 31 of the *Act* (Authorised persons)) one of the following:

(a) a *person* who has a *Part 4A permission* to carry on one or more *regulated activities*;

(b) an *incoming EEA firm*;

(c) an *incoming Treaty firm*;

(d) a *UCITS qualifier*;

(e) an *ICVC*;

(f) the *Society of Lloyd's*.

(see also ■ **GEN 2.2.18 R** for the position of an *authorised partnership* or unincorporated association which is dissolved.)

authorised primary dealer

FCA **PRA**

(as defined in article 2(1)(n) of the *short selling regulation*) a natural or legal person who has signed an agreement with a *sovereign issuer* or who has been formally recognised as a primary dealer by or on behalf of a *sovereign issuer* and who, in accordance with that agreement or recognition, has committed to dealing as principal in connection with primary and secondary market operations relating to debt issued by that *sovereign issuer*.

authorised primary dealer exemption

FCA **PRA**

an exemption from articles 7, 13 and 14 of the *short selling regulation* for the activities of an *authorised primary dealer* pursuant to article 17 of the *short selling regulation*.

authorised professional firm

FCA **PRA**

a *professional firm* which is an *authorised person*.

authorised UK representative

FCA **PRA**

(in relation to a *firm*) a *person* resident in the *United Kingdom* who is authorised to act generally, and to accept service of any *document*, on behalf of the *firm*.

authorised unit trust manager

FCA **PRA**

a *manager* of an *AUT*.

authorised unit trust scheme

FCA **PRA**

(as defined in section 237(3) of the *Act* (Other definitions)) a *unit trust scheme* which is authorised for the purposes of the *Act* by an *authorisation order*.

authorised Voluntary Jurisdiction participant

FCA **PRA**

a participant in the *Voluntary Jurisdiction* who is an *authorised person*.

automatic enrolment scheme

FCA **PRA**

a scheme that meets the conditions in Part 1 of the Pensions Act 2008. In summary this is a qualifying *occupational pension scheme* or qualifying *personal pension scheme* that enables automatic enrolment arrangements to take place.

AVC

FCA **PRA**

a voluntary contribution arrangement paid by a member of an *occupational pension scheme* under the terms of the scheme or of a separate contract.

average outstanding electronic money

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) the average total amount of financial liabilities related to *electronic money* in issue at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month.

backtesting exception

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) an exception (excluding a *specific risk backtesting exception*) arising out of backtesting a *VaR model* as more fully defined in ■ BIPRU 7.10.103 R.

backwardation

FCA PRA

a situation in which *futures* prices are lower than cash prices.

balance

FCA PRA

(in relation to a *person's account*) has the meaning given in section 8 of the Dormant Bank and Building Society Accounts Act 2008, which is in summary the amount owing to the *person* in respect of the *account* at any particular time, after the appropriate adjustments have been made for such things as interest due and fees and charges payable. In relation to a time after a transfer of the *balance* to a *dormant account fund operator*, the adjustments include those that would fall to be made but for the transfer or transfers.

balancing amount

FCA PRA

in respect of a *syndicate*, any part of the *capital resources* that:

- (a) the *managing agent* of the *syndicate* has assessed to be necessary to support the *insurance business* carried on by the *members* of the *syndicate* through the *syndicate*, including those *capital resources* required to support the risks arising at *syndicate* level that affect that business; but
- (b) are not managed by or at the direction of the *managing agent* of the *syndicate*.

Balancing and Settlement Code

FCA PRA

the document designated by the Secretary of State and adopted by the National Grid Company plc as the Balancing and Settlement Code as modified from time to time in accordance with the terms of the transmission licence granted under section 6(1)(b) of the Electricity Act 1989 in respect of England and Wales, or any subsequent similar instrument or arrangements.

bank

FCA PRA

(a) a *firm* with a *Part 4A permission* which includes *accepting deposits*, and:

- (i) which is a *credit institution*; or
- (ii) whose *Part 4A permission* includes a *requirement* that it comply with the rules in *GENPRU* and *BIPRU* relating to *banks* ;

but which is not a *building society*, a *friendly society* or a *credit union*;

(b) an *EEA bank* which is a *full credit institution*.

Bank Accounts Directive

FCA PRA

Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.

banking and investment group

FCA PRA

a group of *persons* (at least one of which is an *EEA regulated entity* that is a *credit institution* or an *investment firm*) who:

(a) form a group in respect of which the consolidated capital adequacy requirements for the *banking sector* or the *investment services sector* under:

- (i) the *appropriate regulator's sectoral rules*; or
- (ii) the *sectoral rules* of another *competent authority*; apply; or

(b) would form such a group if the scope of those *sectoral rules* were amended as described in paragraph 3.1 of ■ GENPRU 3 Annex 2 R (removing restrictions relating to place of incorporation or head office of members of those *financial sectors*).

banking and investment services conglomerate

FCA PRA

a *financial conglomerate* that is identified in paragraph 4.3 of ■ GENPRU 3 Annex 1 R (Types of financial conglomerate) as a *banking and investment services conglomerate*.

banking and investment services sector

FCA PRA

(in relation to a *financial sector* in a *consolidation group* or a *financial conglomerate* and in accordance with ■ GENPRU 3.1 (Cross sector groups)), the *investment services sector* and the *banking sector* taken together.

Banking Consolidation Directive

FCA PRA

the Directive of the European Parliament and the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (No 2006/48/EC).

banking customer

FCA PRA

(in BCOBS):

- (a) a *consumer*;
- (b) a *micro-enterprise*; or
- (c) a *charity* which has an annual income of less than £1 million.

A natural person acting in a capacity as a trustee is a *banking customer* if he is acting for purposes outside his trade, business or profession.

Banking Ombudsman scheme

FCA PRA

the *former scheme* set up, on a voluntary basis, to handle complaints against those banks which subscribed to it.

banking sector

FCA PRA

a sector composed of one or more of the following entities:

- (a) a *credit institution*;
- (b) a *financial institution*; and
- (c) an *ancillary services undertaking* that is not an *ancillary insurance services undertaking*.

base capital resources requirement

FCA PRA

(1) (except in ■ IPRU(INV)) an amount of *capital resources* that an *insurer* must hold as set out in ■ GENPRU 2.1.30 R (Table: Base capital resources requirement for an insurer) or a *BIPRU firm* must hold under ■ GENPRU 2.1.41 R (Base capital resources requirement for a BIPRU firm) and ■ GENPRU 2.1.48 R (Table: Base capital resources requirement for a BIPRU firm) or, as the case may be, ■ GENPRU 2.1.60 R (Calculation of the base capital resources requirement for banks authorised before 1993).

(2) (in ■ IPRU(INV)) an amount of *own funds* that a *collective portfolio management firm* must hold in line with ■ IPRU(INV) 11.3.1R (Base capital resources requirement).

base costs

FCA PRA

management expenses which are not attributable to any particular *class*.

<p><i>base costs levy</i> FCA PRA</p>	<p>a levy, forming part of the <i>management expenses levy</i>, to meet the <i>base costs</i> in the financial year of the <i>compensation scheme</i> to which the levy relates, each <i>participant firm's</i> share being calculated in accordance with ■ FEES 6.4.5 R .</p>
<p><i>base currency</i> FCA PRA</p>	<p>(1) (in <i>COLL</i>) the currency specified:</p> <ul style="list-style-type: none"> (a) in the <i>instrument of incorporation</i> of an <i>ICVC</i> as the currency in which its accounts are to be prepared; or (b) in the <i>trust deed</i> of an <i>AUT</i> as the base currency of the <i>AUT</i>.; or (c) in the <i>contractual scheme deed</i> of an <i>ACS</i> as the base currency of the <i>ACS</i>. <p>(2) (in <i>GENPRU</i> and <i>BIPRU</i>) (in relation to a <i>firm</i>) the currency in which that <i>firm's</i> books of account are drawn up.</p>
<p><i>base prospectus</i> FCA PRA</p>	<p>(in <i>Part 6 rules</i>) a base prospectus referred to in ■ PR 2.2.7 R.</p>
<p><i>basic advice</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 52B of the <i>Regulated Activities Order</i> (Providing basic advice on stakeholder products) which is, in summary, providing advice on <i>stakeholder products</i> using a process that involves putting pre-scripted questions to a <i>retail client</i> .</p>
<p><i>basic indicator approach</i> FCA PRA</p>	<p>the approach to calculating the <i>ORCR</i> set out in ■ BIPRU 6.3 (Operational risk: Basic indicator approach).</p>
<p><i>basis risk</i> FCA PRA</p>	<p>the risk that the relationship between two financial variables will change, particularly between two sorts of interest rate or between a hedge and the position it ostensibly hedges.</p>
<p><i>BCD</i> FCA PRA</p>	<p><i>Banking Consolidation Directive</i>.</p>
<p><i>BCD credit institution</i> FCA PRA</p>	<p>a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in an <i>EEA State</i>, excluding an institution to which the <i>BCD</i> does not apply under article 2 of the <i>BCD</i> (see also <i>full BCD credit institution</i>).</p>
<p><i>BCOBS</i> FCA PRA</p>	<p>the Banking: Conduct of Business sourcebook.</p>
<p><i>bearer certificate</i> FCA PRA</p>	<p>(in <i>COLL</i>) a certificate or other documentary evidence of title, for which provision is made in the <i>instrument constituting the scheme</i>, which indicates that:</p> <ul style="list-style-type: none"> (a) the <i>holder</i> of the document is entitled to the <i>units</i> specified in it; and (b) no entry will be made on the <i>register</i> identifying the <i>holder</i> of those <i>units</i>.
<p><i>bearer form</i> FCA PRA</p>	<p>(in relation to a <i>client's</i> certificate, <i>share</i> transfer or other <i>document</i>) in a form signed by the <i>client</i> so that it enables a <i>designated investment</i> or <i>deposit</i> to which it relates to be sold, transferred, surrendered or dealt with in any other way without the need to obtain further written instructions and allows the <i>firm</i> access to the sale proceeds.</p>

<p><i>behaviour</i> FCA PRA</p>	any kind of conduct, including action or inaction.
<p><i>BENCH</i> FCA</p>	Guide for Benchmark Activities (BENCH)
<p><i>benchmark administration function</i> FCA</p>	<i>FCA-controlled function</i> CF50 in the <i>table of FCA-controlled functions</i> which is the function of acting in the capacity of a <i>person</i> who is responsible for oversight of a <i>firm's</i> compliance with ■ MAR 8.3 (requirements for <i>benchmark administrators</i>).
<p><i>benchmark administrator</i> FCA</p>	A person carrying out the <i>regulated activity</i> of <i>administering a specified benchmark</i> .
<p><i>benchmark submission</i> FCA</p>	The information or expression of opinion provided to a <i>benchmark administrator</i> for the purpose of determining a <i>specified benchmark</i> as defined in article 63O(2)(a) of the <i>Regulated Activities Order</i>
<p><i>benchmark submission function</i> FCA</p>	<i>FCA-controlled function</i> CF40 in the <i>table of FCA-controlled functions</i> which is the function of acting in the capacity of a <i>person</i> who is responsible for oversight of a <i>firm's</i> compliance with ■ MAR 8.2 (benchmark manager).
<p><i>benchmark submitter</i> FCA</p>	A person carrying out the <i>regulated activity</i> of <i>providing information in relation to a specified benchmark</i> .
<p><i>bid price</i> FCA PRA</p>	the price at which a <i>person</i> could sell a <i>unit</i> in a <i>dual-priced authorised fund</i> or a <i>security</i> .
<p><i>bidding in emissions auctions</i> FCA PRA</p>	the <i>regulated activity</i> , specified in article 24A of the <i>Regulated Activities Order</i> (Bidding in emissions auctions), which is in summary the reception, transmission or submission of a bid at an auction of an <i>emissions auction product</i> conducted on an <i>auction platform</i> .
<p><i>biofuel</i> FCA PRA</p>	liquid or gaseous fuel produced from <i>biomass</i> .
<p><i>biofuel collective investment scheme</i> FCA PRA</p>	a <i>collective investment scheme</i> , the property of which consists only of property which is <i>biofuel</i> or a <i>biofuel investment</i> or cash awaiting investment.

biofuel investment

FCA PRA

any of the following:

- (a) a *unit* in a *biofuel collective investment scheme*;
- (b) an *option* to acquire or dispose of a *biofuel investment*;
- (c) a *future* where the *commodity* in question is *biofuel*;
- (d) a *contract for differences* where the property in question is *biofuel* or a *biofuel investment* or the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of *biofuel* or any *biofuel investments*;
- (e) *rights to or interests in investments* in (a) to (d).

biomass

FCA PRA

the biodegradable fraction of products, waste and residues from agricultural (including vegetal and animal substances), forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste.

biomass collective investment scheme

FCA PRA

a *collective investment scheme*, the property of which consists only of property which is *biomass* or a *biomass investment* or cash awaiting investment.

biomass investment

FCA PRA

any of the following:

- (a) a *unit* in a *biomass collective investment scheme*;
- (b) an *option* to acquire or dispose of a *biomass investment*;
- (c) a *future* where the *commodity* in question is *biomass*;
- (d) a *contract for differences* where the property in question is *biomass* or a *biomass investment* or the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of *biomass* or any *biomass investments*;
- (e) *rights to or interests in investments* in (a) to (d).

BIPRU

FCA PRA

the Prudential sourcebook for Banks, Building Societies and Investment Firms.

BIPRU 125K firm

FCA PRA

has the meaning in ■ BIPRU 1.1.19 R (Types of investment firm: BIPRU 125K firm) which in summary is a *BIPRU investment firm* that satisfies the following conditions:

- (1) it does not *deal on own account* or underwrite issues of *financial instruments* on a firm commitment basis;
- (2) it holds clients' money or securities in relation to *investment services* it provides or is authorised to do so;
- (3) it offers one or more of certain specified services;
- (4) it is not a *collective portfolio management investment firm* ; and
- (5) it does not operate a *multilateral trading facility*.

BIPRU 50K firm

FCA **PRA**

has the meaning in ■ BIPRU 1.1.20 R (Types of investment firm: BIPRU 50K firm) which in summary is a *BIPRU investment firm* that satisfies the following conditions:

- (a) it satisfies the conditions in ■ BIPRU 1.1.19 R (1) (does not *deal on own account* or underwrite issues of *financial instruments* on a firm commitment basis) and ■ BIPRU 1.1.19 R (3) (offers one or more of certain specified services);
- (b) it does not hold clients' money or securities in relation to *investment services* it provides and it is not authorised to do so;
- (c) it is not a *collective portfolio management investment firm*; and
- (d) it does not operate a *multilateral trading facility*.

BIPRU 730K firm

FCA **PRA**

has the meaning in ■ BIPRU 1.1.21 R (Types of investment firm: BIPRU 730K firm) which in summary is a *BIPRU investment firm* that is not a *collective portfolio management investment firm*, a *BIPRU 50K firm* or a *BIPRU 125K firm*.

BIPRU firm

FCA **PRA**

has the meaning set out ■ BIPRU 1.1.6 R (The definition of a BIPRU firm), which is in summary a *firm* that is:

- (a) a *building society*; or
- (b) a *bank*; or
- (c) a *full scope BIPRU investment firm*; or
- (d) a *BIPRU limited licence firm*; or
- (e) a *BIPRU limited activity firm*;

but excluding *firms* of the type listed in ■ BIPRU 1.1.7 R (Exclusion of certain types of *firm* from the definition of *BIPRU firm*).

BIPRU investment firm

FCA **PRA**

has the meaning set out ■ BIPRU 1.1.8 R (Definition of a BIPRU investment firm), which is in summary one of the following types of *BIPRU firm*:

- (a) a *full scope BIPRU investment firm*; or
- (b) a *BIPRU limited licence firm*; or
- (c) a *BIPRU limited activity firm*;

including a *collective portfolio management investment firm* that is not excluded under ■ BIPRU 1.1.7 R (Exclusion of certain types of *firm* from the definition of *BIPRU firm*).

BIPRU limited activity firm

FCA **PRA**

has the meaning in ■ BIPRU 1.1.17 R (Types of BIPRU investment firm), which is in summary a *limited activity firm* that meets the following conditions:

- (a) it is a *firm*; and
- (b) its head office is in the *United Kingdom* and it is not otherwise excluded from the definition of *BIPRU firm* under ■ BIPRU 1.1.7 R (Exclusion of certain types of *firm* from the definition of *BIPRU firm*).

BIPRU limited licence firm

FCA **PRA**

has the meaning in ■ BIPRU 1.1.17 R (Types of BIPRU investment firm), which is in summary a *limited licence firm* that meets the following conditions:

- (a) it is a *firm*; and
- (b) its head office is in the *United Kingdom* and it is not otherwise excluded from the definition of *BIPRU firm* under ■ BIPRU 1.1.7 R (Exclusion of certain types of *firm* from the definition of *BIPRU firm*).

body corporate

FCA PRA

(in accordance with section 417(1) of the *Act* (Definitions)) any body corporate, including a body corporate constituted under the law of a country or territory outside the *United Kingdom*.

bonded investment

FCA PRA

a *designated investment* not held by a trustee when acting as a trustee:

(a) which, except in the case of a *unit*, is one of the following:

(i) a *readily realisable security* held for a *customer*, whether or not held under a discretionary arrangement; or

(ii) a *designated investment* in *bearer form*; or

(iii) a *designated investment* held by a *nominee company* under the control of the *firm* or a *person* whom the *firm* controls; or

(iv) a *designated investment* to which the title is recorded in electronic form;

(b) which the *firm* may *sell* or procure the sale of without the signature or other action of the *customer* or an independent third party; and

(c) where the proceeds of such a sale are or could be payable to the *firm* or its *associate*.

book value of property

FCA PRA

(in *LR*) (in relation to a *property company*) the value of a *property* (which is not classified as a net current asset) before the deduction of mortgages or borrowings as shown in the *company's* latest annual report and accounts.

borrow back

FCA PRA

a feature of a *regulated mortgage contract* under which the *customer* has the ability to re-borrow monies paid by him.

branch

FCA PRA

(a) (in relation to a *credit institution*):

(i) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*;

(ii) for the purposes of the *Banking Consolidation Directive*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single *branch*;

(b) (in relation to an *investment firm*):

(i) a place of business other than the head office which is a part of an *investment firm*, which has no legal personality and which provides *investment services and/or activities* and which may also perform *ancillary services* for which the *firm* has been authorized;

(ii) all the places of business set up in the same *EEA State* by an *investment firm* with headquarters in another *EEA State* are regarded as a single branch;

[Note: article 4(1)(26) of *MiFID*]

(c) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:

(i) is managed by the *insurance undertaking's* own staff; or

(ii) is an agency of the *insurance undertaking*; or

(iii) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.

(d) (in relation to an IMD insurance intermediary):

(i) a place of business which is a part of an *IMD insurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides insurance mediation for which the *IMD insurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD insurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(e) (in relation to an IMD reinsurance intermediary):

(i) a place of business which is a part of an *IMD reinsurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *reinsurance mediation* for which the *IMD reinsurance intermediary* has been registered;

(ii) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD reinsurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(f) (in relation to an EEA UCITS management company):

(i) a place of business which is a part of an *EEA UCITS management company*, which has no separate legal personality and which provides the services for which the *EEA UCITS management company* has been authorised;

(ii) for the purposes of the *UCITS Directive*, all the places of business set up in the same *EEA State* by an *EEA UCITS management company* with headquarters in another *EEA State* are to be regarded as a single *branch*.

(g) (in accordance with regulation 2(1) of the *Payment Services Regulations*) (in relation to a *payment institution*) a place of business of a *payment institution*, other than its head office, which forms a legally dependent part of the institution and which carries out directly all or some of the transactions inherent in its business. For the purposes of the *Payment Services Regulations*, all places of business set up in the same *EEA State* other than the *United Kingdom* by an *authorised payment institution* are to be regarded as a single *branch*.

[Note: article 4(29) of the *Payment Services Directive*]

(h) (in relation to a person carrying on *auction regulation bidding*) a branch.

(i) (in relation to an AIFM)

(i) a place of business which is a part of an *AIFM* that has no legal personality and provides the services for which the *AIFM* has been authorised;

(ii) for the purpose of (i), all places of business established in the same *EEA State* by an *AIFM* with its registered office in another *EEA State* shall be regarded as a single branch.

[Note: article 4(1)(c) of *AIFMD*]

breach

FCA PRA

in DEPP:

- (1) misconduct in respect of which the *FCA* is empowered to take action pursuant to section 66 (Disciplinary powers) of the *Act*; or
- (2) a contravention in respect of which the *FCA* is empowered to impose a penalty pursuant to section 91 (Penalties for breach of listing rules) of the *Act*; or
- (3) a contravention for the purposes of Part XIV (Disciplinary Measures); or
- (4) behaviour amounting to *market abuse*, or to *requiring or encouraging market abuse*, in respect of which the *FCA* takes action pursuant to section 123 (Power to impose penalties in cases of market abuse) of the *Act* ;
- (5) a contravention of any directly applicable *EU* regulation made under *MiFID*;
- (6) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 131G (Breach of short selling regulation: Power to impose penalty or issue censure) of the *Act*;
- (7) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 88A (Disciplinary powers: contravention of s.88(3)(c) or (e)) of the *Act*;
- (8) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 89Q (Disciplinary powers: contravention of s.89P(4)(b) or (d)) of the *Act*;
- (9) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 192K (Power to impose penalty or issue censure) of the *Act*;
- (10) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 249 (Disciplinary measures) of the *Act*;
- (11) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 312E (Public censure) or section 312F (Financial penalties) of the *Act*; or
- (12) a contravention in respect of which the *FCA* is empowered to take action pursuant to section 345 (Disciplinary measures: *FCA*) of the *Act*.

break fee arrangement

FCA PRA

(in *LR*) an arrangement falling within the definition in ■ LR 10.2.6A R.*broker*

FCA PRA

(in *MAR* , *SYSC* and *INSPRU*) any person when dealing as agent.*broker fund*

FCA PRA

(in relation to a fund for which the *firm* is or will be a *broker fund adviser*):

- (a) an actual or notional fund of a *long-term insurer* or *overseas long-term insurer*, which contains or will contain contributions made or to be made by a *client* or *clients* of a *firm* in connection with a *life policy* or *policies*;
- (b) a fund of a *collective investment scheme*, which contains or will contain cash contributions made or to be made by a *client* or *clients* of a *firm* in connection with the purchase of *units* in the *scheme*.

broker fund adviser

FCA PRA

a *firm* which has, or whose *associate* being an *authorised person* has, an arrangement with a *long-term insurer*, *overseas long-term insurer* or *operator* of a *regulated collective investment scheme*, under which it is to be expected that

<p><i>the long-term insurer, overseas long-term insurer or operator</i> will take into account the advice of that <i>firm</i> or its <i>associate</i>:</p> <p style="padding-left: 20px;">(a) in the case of a <i>long-term insurer</i> or <i>overseas long-term insurer</i>, on any matter likely to influence the performance of any of the <i>long-term insurer's</i> or <i>overseas long-term insurer's</i> funds or of any <i>investment</i> issued by the <i>long-term insurer</i> or <i>overseas long-term insurer</i> into which cash contributions of that <i>firm's customers</i> have been made;</p> <p style="padding-left: 20px;">(b) in the case of an <i>operator</i>, on the composition of the property of the <i>collective investment scheme</i> into which cash contributions of that <i>firm's customers</i> have been made;</p> <p>in this definition <i>associate</i> includes any <i>authorised person</i> in respect of whose services the first <i>firm</i> receives any benefit or reward, either directly or indirectly, in connection with advice of the kind described in (a) and (b) given to a <i>long-term insurer</i> or <i>overseas long-term insurer</i> or to a <i>collective investment scheme operator</i>.</p>	<p>an amount, as defined in ■ INSPRU 1.1.51 R, used in the calculation of the <i>general insurance capital requirement</i>.</p> <p>the Building Societies sourcebook.</p> <p>BIPRU 12.6.16R.</p> <p>(in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a list of additional information requirements, not included in one of the schedules, to be added to one or more schedules, as the case may be, depending on the type of instrument and/or transaction for which a prospectus or base prospectus is drawn up.</p> <p>the <i>former scheme</i> set up and recognised under the Building Societies Act 1986 to handle complaints about <i>building societies</i>.</p> <p>(as defined in section 119(1) of the Building Societies Act 1986) a building society incorporated (or deemed to be incorporated) under that Act.</p> <p>(1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the <i>United Kingdom</i>):</p> <p style="padding-left: 20px;">(a) (except in <i>REC</i>) any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the <i>United Kingdom</i>;</p>
<p><i>brought forward amount</i></p> <p>FCA PRA</p>	
<p><i>BSOCS</i></p> <p>FCA PRA</p>	
<p><i>buffer securities restriction</i></p> <p>FCA PRA</p>	
<p><i>building block</i></p> <p>FCA PRA</p>	
<p><i>Building Societies Ombudsman scheme</i></p> <p>FCA PRA</p>	
<p><i>building society</i></p> <p>FCA PRA</p>	
<p><i>business day</i></p> <p>FCA PRA</p>	

<p><i>business illustration</i></p> <p>FCA PRA</p>	<p>(b) (in <i>REC</i>) (as defined in section 167 of the Companies Act 1989) any <i>day</i> which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in any part of the <i>United Kingdom</i>.</p> <p>(2) (in relation to anything done or to be done by reference to a market outside the <i>United Kingdom</i>) any <i>day</i> on which that market is normally open for business.</p> <p>an <i>illustration</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p>
<p><i>business offer document</i></p> <p>FCA PRA</p>	<p>an <i>offer document</i> for a <i>regulated mortgage contract</i> that is for a business purpose.</p>
<p><i>Business Order</i></p> <p>FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business Order) 2001 (SI 2001/1177).</p>
<p><i>Buy-back and Stabilisation Regulation</i></p> <p>FCA PRA</p>	<p>Commission Regulation (EC) of 22 December 2003 implementing the <i>Market Abuse Directive</i> as regards exemptions for buy-back programmes and stabilisation of financial instruments (No 2273/2003).</p>
<p><i>buy-back programme</i></p> <p>FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) trading in own shares in accordance with Articles 19 to 24 of the <i>PLC Safeguards Directive</i>.</p>
<p><i>buying</i></p> <p>FCA PRA</p>	<p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) any form of buying, including acquiring for valuable consideration.</p>
<p><i>byelaw</i></p> <p>FCA PRA</p>	<p>any Byelaw, direction, regulation, or other instrument made using the powers of the <i>Council</i> under section 6 of Lloyd's Act 1982 (including any regulation ratified by the <i>Council</i> by special resolution) and any condition or requirement made under any such Byelaw, direction, regulation or other instrument.</p>

<p>CAD FCA PRA</p>	<p><i>Capital Adequacy Directive.</i></p>
<p>CAD 1 model FCA PRA</p>	<p>a risk management model of the type described in ■ BIPRU 7.9 (Use of a CAD 1 model).</p>
<p>CAD 1 model approach FCA PRA</p>	<p>one of the following</p> <ul style="list-style-type: none"> (a) the approach to calculating part of the <i>market risk capital requirement</i> set out in ■ BIPRU 7.9 (Use of a CAD 1 model); (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 (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>CAD 1 model waiver FCA PRA</p>	<p>a <i>waiver</i> that requires a <i>firm</i> to use the <i>CAD 1 model approach</i> on a solo basis or, if the context requires, a consolidated basis.</p>
<p>CAD Article 22 group FCA PRA</p>	<p>a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> that meets the conditions in ■ BIPRU 8.4.9 R (Definition of a CAD Article 22 group).</p>
<p>CAD bank FCA PRA</p>	<p>a <i>bank</i> which uses the <i>Capital Adequacy Directive</i> to measure the capital requirement on its trading book.</p>
<p>CAD full scope firm FCA PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.13 R (Types of investment firm: CAD full scope firm), which in summary is a <i>CAD investment firm</i> that is not a <i>limited activity firm</i> or a <i>limited licence firm</i>.</p>
<p>CAD investment firm FCA PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.14 R (Types of investment firm: CAD investment firm), which in summary is an <i>investment firm</i> that is subject to the requirements imposed by <i>MiFID</i> (or which would be subject to that Directive if its head office were in an <i>EEA State</i>) but excluding a <i>bank</i>, a <i>building society</i>, a <i>credit institution</i>, a <i>local</i> and an <i>exempt CAD firm</i>.</p>
<p>callable contribution FCA PRA</p>	<p>amounts that <i>members</i> are liable to pay to the <i>Society</i> (or may by resolution of the <i>Society</i> be liable to pay) as contributions to the <i>Central Fund</i>.</p>
<p>cancellation FCA PRA</p>	<p>(in <i>COLL</i>) (in relation to <i>units</i>) a cancellation of a <i>unit</i> by:</p> <ul style="list-style-type: none"> (a) an <i>ICVC</i>; or (b) the <i>trustee</i> of an <i>AUT</i>; or (c) the <i>depository</i> of an <i>ACS</i>.

<p><i>cancellation price</i> FCA PRA</p>	<p>(in COLL)</p> <p>(in relation to the <i>cancellation</i> of <i>units</i> in a <i>dual-priced authorised fund</i>) the <i>price</i> for each <i>unit</i> payable by the <i>depository</i> to the <i>authorised fund manager</i> on that <i>cancellation</i>.</p>
<p><i>candidate</i> FCA PRA</p>	<p>a <i>person</i> in respect of whom an application is made for approval under section 59 of the <i>Act</i> (Approval for particular arrangements) of the performance of an <i>FCA controlled function</i> or a <i>PRA controlled function</i>.</p>
<p><i>capacity transfer market</i> FCA PRA</p>	<p>any method of transferring capacity in <i>syndicates</i>, including capacity auctions, bilateral arrangements, capacity offers, minority buy-outs and conversion schemes.</p>
<p><i>capital account</i> FCA PRA</p>	<p>(in COLL) an account relating to the <i>capital property</i> of an <i>authorised fund</i>.</p>
<p><i>Capital Adequacy Directive</i> FCA PRA</p>	<p>the Directive of the European Parliament and the Council of 14 June 2006 on capital adequacy of investment firms and credit institutions (No 2006/49/EC).</p>
<p><i>capital instrument</i> FCA PRA</p>	<p>(in GENPRU, BIPRU and ■ INSPRU 6 and in relation to an <i>undertaking</i>) any <i>security</i> issued by or loan made to that <i>undertaking</i> or any other investment in, or external contribution to the capital of, that <i>undertaking</i>.</p>
<p><i>capital market-driven transaction</i> FCA PRA</p>	<p>(in accordance with point 2 of Part 1 of Annex VIII of the <i>Banking Consolidation Directive</i> (Eligible forms of credit risk mitigation)) any transaction giving rise to an <i>exposure</i> secured by collateral which includes a provision conferring upon the <i>person</i> with the <i>exposure</i> the right to receive margin frequently.</p>
<p><i>capital planning buffer</i> FCA PRA</p>	<p>(in ■ BIPRU 2.2) the amount and quality of capital resources that a <i>firm</i> should hold at a given time in accordance with the <i>general stress and scenario testing rule</i>, so that the <i>firm</i> is able to continue to meet the <i>overall financial adequacy rule</i> throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.</p>
<p><i>capital property</i> FCA PRA</p>	<p>(in COLL) the <i>scheme property</i>, other than <i>income property</i> and any amount for the time being standing to the credit of the <i>distribution account</i>.</p>
<p><i>capital redemption</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) capital redemption contracts where effected or carried out by a <i>person</i> who does not carry on a banking business, and otherwise carries on the <i>regulated activity</i> of <i>effecting</i> or <i>carrying out contracts of insurance</i>, as specified in paragraph VI of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance).</p>
<p><i>Capital Requirements Regulations 2006</i> FCA PRA</p>	<p>the Capital Requirements Regulations 2006 (SI 2006/3221).</p>

capital resources

FCA PRA

(1) in relation to a *BIPRU firm* or an *insurer*, the *firm's* capital resources as calculated in accordance with the *capital resources table*, including, in relation to a *BIPRU firm*, as that calculation is adjusted under ■ BIPRU 10.5 for the purposes of ■ BIPRU 10 (Large exposures requirements); or

(2) (in relation to an *institution* that is an *EEA firm* and not a *BIPRU firm* and which is required to meet the capital resources requirements of the *CRD implementation measures* for its *EEA State* on an individual basis) capital resources calculated under those *CRD implementation measures*; or

(3) (for the purposes of *GENPRU* and *BIPRU*, in relation to an undertaking not falling within (1) or (2) and subject to (4)), capital resources calculated in accordance with (1) on the assumption that:

(a) it is a *BIPRU firm* with a *Part 4A permission*; and

(b) it carries on all its business in the *United Kingdom* and has obtained whatever *permissions* for doing so are required under the *Act*; or

(4) (for the purposes of *GENPRU* and *BIPRU* and in relation to any *undertaking* not falling within (1) or (2) for which the methodology in (3) does not give an answer whose *capital resources* a *BIPRU firm* (the "relevant firm") is required to calculate under a *Handbook rule*) capital resources calculated under (1) on the assumption that it is a *BIPRU firm* of the same category as the relevant firm.

capital resources gearing rules

FCA PRA

(1) (in relation to an *insurer*) ■ GENPRU 2.2.29 R, ■ GENPRU 2.2.30 R and ■ GENPRU 2.2.32 R to ■ GENPRU 2.2.41 R.

(2) (in relation to a *bank* or *building society*) ■ GENPRU 2.2.29 R, ■ GENPRU 2.2.30 R, ■ GENPRU 2.2.46 R and ■ GENPRU 2.2.49 R.

(3) (In relation to a *BIPRU investment firm*) ■ GENPRU 2.2.30 R, ■ GENPRU 2.2.46 R and ■ GENPRU 2.2.49 R and ■ GENPRU 2.2.50 R

an amount of *capital resources* that:

(1) a *BIPRU firm* must hold as set out in the *main BIPRU firm Pillar 1 rules*; or

(2) an *insurer* must hold as set out in ■ GENPRU 2.1.17 R to ■ GENPRU 2.1.23 R.

capital resources requirement

FCA PRA

(in relation to an *insurer* or *BIPRU firm*) the table specified in ■ GENPRU 2.2.19 R (Applicable capital resources calculation) which in summary is as follows:

(1) (in the case of an *insurer*) ■ GENPRU 2 Annex 1 R;

(2) (in the case of a *bank*) ■ GENPRU 2 Annex 2 R;

(3) (in the case of a *building society*) ■ GENPRU 2 Annex 3 R; and

(4) (in relation to a *BIPRU investment firm*) whichever of the tables in ■ GENPRU 2 Annex 4 R, ■ GENPRU 2 Annex 5 R or ■ GENPRU 2 Annex 6 R applies to the *firm* under ■ GENPRU 2.2.19 R.

capital resources table

FCA PRA

captive reinsurer

FCA PRA

a *pure reinsurer* owned by:

(a) a financial *undertaking* other than an *insurance undertaking* or a *reinsurance undertaking*; or

(b) a *group of insurance undertakings* or *reinsurance undertakings* to which the *Insurance Groups Directive* applies; or

(c) a non-financial *undertaking*,

<p>CARD FCA PRA</p>	<p>the purpose of which is to provide <i>reinsurance</i> cover exclusively for the risks of the <i>undertaking</i> or <i>undertakings</i> to which it belongs or of an <i>undertaking</i> or <i>undertakings</i> of the <i>group</i> of which that <i>pure reinsurer</i> is a member.</p> <p><i>Consolidated Admissions and Reporting Directive.</i></p>
<p><i>carried interest</i> FCA</p>	<p>a share in the profits of the <i>AIF</i> accrued to the <i>AIFM</i> as compensation for the management of the <i>AIF</i>, and excluding any share in the profits of the <i>AIF</i> accrued to the <i>AIFM</i> as a return on any investment by the <i>AIFM</i> into the <i>AIF</i>.</p>
<p><i>carrying out contracts of insurance</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 10(2) of the <i>Regulated Activities Order</i> (Effecting and carrying out contracts of insurance), of carrying out a <i>contract of insurance</i> as principal.</p>
<p><i>cash assimilated instrument</i> FCA PRA</p>	<p>(in accordance with Article 4(35) of the <i>Banking Consolidation Directive</i> (Definitions)) a certificate of deposit or other similar instrument issued by a <i>lending firm</i>.</p>
<p><i>cash component</i> FCA PRA</p>	<p>a <i>qualifying investment</i> prescribed in paragraph 8 of the <i>ISA Regulations</i> (Qualifying investments for a cash component).</p>
<p><i>cash deposit CTF</i> FCA PRA</p>	<p>a <i>deposit</i> account held within a <i>CTF</i>.</p>
<p><i>cash deposit ISA</i> FCA PRA</p>	<p>a <i>cash component</i> of an <i>ISA</i> which does not include the <i>qualifying investments</i> prescribed in paragraphs 8(2)(c), (d), (e) or (f) of the <i>ISA Regulations</i>.</p>
<p><i>cashback</i> FCA PRA</p>	<p>(in <i>MCOB</i>) a cash amount paid by a <i>mortgage lender</i> to a <i>customer</i> (typically at the beginning of a contract) as an inducement to enter into a <i>regulated mortgage contract</i> with the <i>mortgage lender</i>.</p>
<p>CASS FCA PRA</p>	<p>the Client Assets sourcebook.</p>
<p><i>CASS large firm</i> FCA PRA</p>	<p>has the meaning in ■ CASS 1A.2.7 R (CASS firm types).</p>
<p><i>CASS medium firm</i> FCA PRA</p>	<p>has the meaning in ■ CASS 1A.2.7 R (CASS firm types).</p>

CASS
operational
oversight
function

FCA PRA

(in the *FCA Handbook*) *FCA controlled function* CF10a in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.9 R.

CASS
resolution pack

FCA PRA

those documents and records which are specified in ■ CASS 10.2 and ■ CASS 10.3.

CASS *small
firm*

FCA PRA

has the meaning in ■ CASS 1A.2.7 R (CASS firm types).

CAT standards

FCA PRA

the CAT standards for ISAs prescribed by the Treasury on 22 December 1998.

category B firm

FCA PRA

a *personal investment firm*, other than an *exempt CAD firm*.

category B1
firm

FCA PRA

a *category B firm* whose *permission* includes *dealing in investments as principal*.

category B2
firm

FCA PRA

a *category B firm* whose *permission* does not include *dealing as principal*; and is not subject to a *requirement* preventing the holding or controlling of *client money* or *custody assets*.

category B3
firm

FCA PRA

a *category B firm*:

(a) whose *permission* includes only *insurance mediation activity* in relation to *non-investment insurance contracts*, *home finance mediation activity*, *assisting in the administration and performance of a contracts of insurances*, *arranging transactions in life policies* and other insurance contracts, *advising on investments* and receiving and transmitting, on behalf of investors, orders in relation to *securities* and *units* in *collective investment schemes*; and

(b) which is subject to a *requirement* not to hold or control *client money* or *custody assets*.

causing
dematerialised
instructions to
be sent

FCA PRA

the *regulated activity*, specified in article 45(2) of the *Regulated Activities Order*, which is in summary: causing dematerialised instructions relating to a *security* to be sent by means of a relevant system in respect of which an operator is approved under the 1995 Regulations where the *person* causing them to be sent is a system-participant; in this definition:

(a) "the 1995 Regulations" means the Uncertificated Securities Regulations 1995 (SI 1995/3272);

(b) "dematerialised instruction", "operator" and "system-participant" have the meaning given by regulation 3 of the 1995 Regulations.

CCP

as defined in article 2(1) of *EMIR*.

CCR

FCA PRA

counterparty credit risk

CCR internal model method

FCA PRA

one of the following:

- (a) the method of calculating the amount of an *exposure* set out in ■ BIPRU 13.6 (CCR internal model method);
- (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
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

CCR internal model method permission

FCA PRA

an *Article 129 implementing measure*, *Article 129 permission*, a *requirement* or a *waiver* that requires a *BIPRU firm* or an institution to use the *CCR internal model method*.

CCR mark to market method

FCA PRA

the method of calculating the amount of an *exposure* set out in ■ BIPRU 13.4 (CCR mark to market method).

CCR standardised method

FCA PRA

the method of calculating the amount of an *exposure* set out in ■ BIPRU 13.5 (CCR standardised method).

ceding insurer's waiver

FCA PRA

(in *FEES*) a *waiver* granted on the application of an *insurer* that waives or modifies its obligations under any one or more of ■ GENPRU 2 Annex 7 R, ■ INSPRU 1.1.92A R and ■ INSPRU 1.2.28 R in order to enable it to:

- (a) treat amounts recoverable from an *ISPV* as:
 - (i) an *admissible asset*; or
 - (ii) *reinsurance* for the purposes of calculating its *mathematical reserves*; or
 - (iii) *reinsurance* reducing its *MCR*; or
- (b) otherwise ascribe a value to such amounts.

central assets

FCA PRA

the *Society's* own assets that are available at its discretion to meet a *member's* liabilities in respect of *insurance business*.

central bank

FCA PRA

(in accordance with Article 4(23) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *GENPRU* and *BIPRU*) includes the European Central Bank unless otherwise indicated.

central counterparty

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) an entity that legally interposes

Central Fund

FCA PRA

itself between counterparties to contracts traded within one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

the Central Fund established under Lloyd's Central Fund Byelaw (No 4 of 1986) and the New Central Fund established under Lloyd's New Central Fund Byelaw (No 23 of 1996).

certificate representing certain securities

FCA PRA

the *investment* specified in article 80 of the *Regulated Activities Order* (Certificates representing certain securities), which is in summary: a certificate or other instrument which confers contractual or property rights (other than rights consisting of *options*):

- (a) in respect of any *share, debenture, alternative debenture, government and public security or warrant* held by a *person* other than the *person* on whom the rights are conferred by the certificate or instrument; and
- (b) the transfer of which may be effected without requiring the consent of that *person*;

but excluding any certificate or other instrument which confers rights in respect of two or more *investments* issued by different *persons* or in respect of two or more different *government and public securities* issued by the same *person*.

certificate representing debt securities

FCA PRA

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *debentures, alternative debentures, or government and public securities*.

certificate representing equity securities

FCA PRA

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity securities*.

certificate representing shares

FCA PRA

(in LR) a *certificate representing certain securities* where the certificate or other instrument confers rights in respect of *equity shares*.

CESR's guidelines on a common definition of European money market funds

FCA PRA

the Committee of European Securities Regulators' guidelines on a common definition of European money market funds: 19 May 2010 (CESR/10-049). These are available at www.esma.europa.eu

CESR's UCITS eligible assets guidelines

FCA PRA

The Committee of European Securities Regulators' guidelines concerning eligible assets for investment by undertakings for collective investment in transferable securities (CESR/07-044). These are available at http://www.fsa.gov.uk/pages/Library/Other_publications/EU/eu_docs/index.shtml

<p><i>CF Arch cru payment scheme</i></p>	<p>the requirements included in the <i>permissions</i> of Capita Financial Managers Limited, BNY Mellon Trust & Depository (UK) Limited and HSBC Bank plc at their request under section 44 of the <i>Act</i> on 31 August 2011.</p>
<p>CFD FCA PRA</p>	<p><i>contract for differences.</i></p>
<p>CFEB FCA PRA</p>	<p>the consumer financial education body originally established by the <i>FSA</i> under section 6A(1) of the <i>Act</i> (Enhancing public understanding of financial matters etc) (as it had effect before the passing of the Financial Services Act 2012) and having the name Money Advice Service.</p>
<p>CFEB levy FCA PRA</p>	<p>the levy payable to the <i>FCA</i> pursuant to ■ FEES 7.2.1 R by the <i>persons</i> listed in ■ FEES 1.1.2R(5).</p>
<p>CFPPFM FCA PRA</p>	<p>the consumer-friendly version of a <i>firm's PPFM</i>, which must be produced pursuant to ■ COBS 20.4.5 R .</p>
<p>CFTC FCA PRA</p>	<p>the Commodity Futures Trading Commission.</p>
<p>charge FCA PRA</p>	<p>(1) (In <i>LR</i>) (in relation to <i>securitised derivatives</i>) means any payment identified under the terms and conditions of the <i>securitised derivatives</i></p> <p>(2) (except in <i>LR</i>) any <i>fee</i> or charge made to:</p> <ul style="list-style-type: none"> (a) a <i>client</i> in connection with <i>designated investment business</i>; or (b) a <i>customer</i> in connection with any <i>insurance mediation activities</i> in respect of a <i>non-investment insurance contract</i>; <p>whether levied by the <i>firm</i> or any other <i>person</i>, including a <i>mark-up</i> or <i>mark-down</i>.</p>
<p>chargeable case FCA PRA</p>	<p>any <i>complaint</i> referred to the <i>Financial Ombudsman Service</i>, except where:</p> <ul style="list-style-type: none"> (a) the <i>Ombudsman</i> considers it apparent from the <i>complaint</i>, when it is received, and from any <i>final response</i> or <i>redress determination</i> which has been issued by the <i>firm</i> or <i>licensee</i>, that the <i>complaint</i> should not proceed because: <ul style="list-style-type: none"> (i) the complainant is not an <i>eligible complainant</i> in accordance with ■ DISP 2; or (ii) the <i>complaint</i> does not fall within the jurisdiction of the <i>Financial Ombudsman Service</i> (as described in ■ DISP 2); or (iii) the <i>Ombudsman</i> considers that the <i>complaint</i> should be dismissed without consideration of its merits under ■ DISP 3.3 (Dismissal of complaints without consideration of the merits and test cases); or (b) the <i>Ombudsman</i> considers, at any stage, that the <i>complaint</i> should be dismissed under DISP 3.3.4R(2) on the grounds that it is frivolous or vexatious.
<p>chargeable case (general)</p>	<p>a <i>chargeable case</i> that is not a <i>chargeable case (PPI)</i>.</p>

FCA

chargeable case
(PPI)

a *chargeable case* that, in the *Ombudsman's* opinion, falls wholly or partly within the scope of ■ DISP App 3 (Handling Payment Protection Insurance Complaints).

FCA

charging group

as defined in ■ FEES 5 Annex 3R Part 3.

FCA

charity

(in *BCOBS* and *BIPRU*) includes:

FCA PRA

- (a) in England and Wales, a charity as defined by section 1(1) of the Charities Act 2006;
- (b) in Scotland, a charity as defined by section 106 of the Charities and Trustee Investment (Scotland) Act 2005; or
- (c) in Northern Ireland, a charity as defined by section 1(1) of the Charities Act (Northern Ireland) 2008 or, until that section comes into force, a body which is recognised as a charity for tax purposes by Her Majesty's Revenue and Customs.

charity AIF

an *AIF* constituted under:

FCA

- (a) the Church Funds Investment Measure 1958; or
- (b) section 96 of the Charities Act 2011; or
- (c) section 25 of the Charities Act (Northern Ireland) 1964; or
- (d) section 100 of the Charities Act 2011.

chief executive

(1) (in relation to an undertaking whose principal place of business is within the *United Kingdom*) the *person* who, alone or jointly with one or more others, is responsible under the immediate authority of the *directors* for the conduct of the whole of its business.

FCA PRA

(2) (in relation to an undertaking whose principal place of business is outside the *United Kingdom*) the *person* who, alone or jointly with one or more others, is responsible for the conduct of its business within the *United Kingdom*.

chief executive
function

(1) (in the *FCA Handbook*) *FCA controlled function* CF3 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.6.17 R.

FCA PRA

(2) (in the *PRA Handbook*) *PRA controlled function* CF3 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.6.7 R.

Chinese wall

an arrangement that requires information held by a *person* in the course of carrying on one part of its business to be withheld from, or not to be used for, *persons* with or for whom it acts in the course of carrying on another part of its business.

FCA PRA

circular

(in *LR*) any document issued to holders of *listed securities* including notices of meetings but excluding *prospectuses*, *listing particulars*, annual reports and accounts, interim reports, proxy cards and dividend or interest vouchers.

FCA PRA

CIS
administrator

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *person* responsible for the *administrative functions* of a *collective investment scheme*.

FCA PRA

<p>CIS <i>stakeholder product</i></p> <p>FCA PRA</p>	<p>the <i>stakeholder product</i> specified by regulations 5 (units in certain collective investment schemes) and 7 of the <i>Stakeholder Regulations</i>.</p>
<p>CIS trustee</p> <p>FCA PRA</p>	<p>(in relation to <i>firm type</i> in ■ SUP 16.10 (Confirmation of <i>standing data</i>)) a <i>person</i> holding the property of a <i>collective investment scheme</i> on trust for the participants in the <i>collective investment scheme</i>.</p>
<p>CIU</p> <p>FCA PRA</p>	<p>collective investment undertaking.</p>
<p>CIU look through method</p> <p>FCA PRA</p>	<p>one of the <i>standard CIU look through method</i> or the <i>modified CIU look through method</i>.</p>
<p>CIU PRR</p> <p>FCA PRA</p>	<p>the <i>collective investment undertaking PRR</i>.</p>
<p>claim</p> <p>FCA PRA</p>	<p>(1) (in <i>COMP</i>) a valid claim made in respect of a civil liability owed by a <i>relevant person</i> to the claimant.</p> <p>(2) (in <i>INSPRU</i> and <i>SUP</i>) a claim under a <i>contract of insurance</i>.</p>
<p>claims amount</p> <p>FCA PRA</p>	<p>an amount, as defined in ■ <i>INSPRU 1.1.47 R</i>, used in the calculation of the <i>general insurance capital requirement</i>.</p>
<p>class</p> <p>FCA PRA</p>	<p>(A) In the FCA Handbook:</p> <p>(1) (in <i>GENPRU</i>, <i>INSPRU</i> and <i>SUP</i>) (in relation to a <i>contract of insurance</i>) any class of <i>contract of insurance</i> listed in Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of insurance) and references to:</p> <p style="padding-left: 20px;">(a) <i>general insurance business class 1, 2 3, etc.</i> are references to <i>contracts of insurance</i> of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the <i>effecting or carrying out of contracts of insurance</i> of that kind; and</p> <p style="padding-left: 20px;">(b) <i>long-term insurance business class I, II, III, etc.</i> are references to <i>contracts of insurance</i> of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order, as the context may require, to the <i>effecting or carrying out of contracts of insurance</i> of that kind.</p> <p>(2) (in <i>COLL</i>):</p> <p style="padding-left: 20px;">(a) a particular class of <i>units</i> of an <i>authorised fund</i>; or</p> <p style="padding-left: 20px;">(b) all of the <i>units</i> relating to a single <i>sub-fund</i>; or</p> <p style="padding-left: 20px;">(c) a particular class of <i>units</i> relating to a single <i>sub-fund</i>; or</p> <p style="padding-left: 20px;">(d) in relation to an <i>EEA UCITS scheme</i>, any arrangement equivalent to (a), (b) or (c).</p> <p>(3) (in <i>COBS</i>) a particular category or type of <i>packaged product</i>.</p>

(4) (in *LR*) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in *FEES*) one of the broad classes to which *FSCS* allocates levies as described in ■ *FEES* 6.4.7A R, ■ *FEES* 6.5.6A R and ■ *FEES* 6 Annex 3AR.

(B) In the PRA Handbook:

(1) (in *GENPRU*, *INSPRU* and *SUP*) (in relation to a *contract of insurance*) any class of *contract of insurance* listed in Schedule 1 to the *Regulated Activities Order* (Contracts of insurance) and references to:

(a) *general insurance business class* 1, 2, 3, etc. are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out* of *contracts of insurance* of that kind; and

(b) *long-term insurance business class* I, II, III, etc. are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out* of *contracts of insurance* of that kind.

(2) (in *COLL*):

(a) a particular class of *units* of an *authorised fund*; or

(b) all of the *units* relating to a single *sub-fund*; or

(c) a particular class of *units* relating to a single *sub-fund*; or

(d) in relation to an *EEA UCITS scheme*, any arrangement equivalent to (a), (b) or (c).

(3) (in *COBS*) a particular category or type of *packaged product*.

(4) (in *LR*) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in *FEES*) one of the classes to which *FSCS* allocates levies as described in ■ *FEES* 6.5.7 R.

class 1 acquisition

FCA PRA

(in *LR*) a *class 1 transaction* that involves an acquisition by the relevant *listed company* or its *subsidiary undertaking*.

class 1 circular

FCA PRA

(in *LR*) a *circular* relating to a *class 1 transaction*.

class 1 disposal

FCA PRA

(in *LR*) a *class 1 transaction* that consists of a disposal by the relevant *listed company* or its *subsidiary undertaking*.

class 1 transaction

FCA PRA

(in *LR* and *FEES*) a transaction classified as a class 1 transaction under ■ LR 10.

class 2 transaction

FCA PRA

(in *LR*) a transaction classified as a class 2 transaction under ■ LR 10.

<p><i>class meeting</i> FCA PRA</p>	(in <i>COLL</i>) a separate meeting of <i>holders</i> of a <i>class</i> of <i>units</i> .
<p><i>class tests</i> FCA PRA</p>	(in <i>LR</i>) the tests set out in ■ LR 10 Annex 1 G (and for certain specialist companies, those tests as modified by ■ LR 10.7), which are used to determine how a transaction is to be classified for the purposes of the <i>listing rules</i> .
<p><i>clean-up call option</i> FCA PRA</p>	(for the purposes of ■ BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) a contractual option for the <i>originator</i> to repurchase or extinguish the <i>securitisation positions</i> before all of the underlying <i>exposures</i> have been repaid, when the amount of outstanding <i>exposures</i> falls below a specified level.
<p><i>clearing facilitation service</i> FCA PRA</p>	(in relation to a <i>RIE</i>) any <i>regulated activity</i> carried on by an <i>RIE</i> for the purposes of, or in connection with, the provision by the <i>RIE</i> of services designed to facilitate the provision of clearing services by another person.
<p><i>clearing firm</i> FCA PRA</p>	a <i>firm</i> which assumes primary responsibility (including legal liability) for the execution and settlement of transactions for <i>clients</i> .
<p><i>clearing house</i> FCA PRA</p>	a clearing house through which transactions may be cleared and for the purposes of ■ CASS 7 and ■ CASS 7A, includes an <i>authorised central counterparty</i> .
<p><i>client</i> FCA PRA</p>	<p>(1) (except in <i>PROF</i> and except in relation to a <i>home finance transaction</i>) has the meaning given in ■ COBS 3.2, that is (in summary and without prejudice to the detailed effect of ■ COBS 3.2) a <i>person</i> to whom a <i>firm</i> provides, intends to provide or has provided a service in the course of carrying on a <i>regulated activity</i>, or in the case of <i>MiFID</i> or <i>equivalent third country business</i>, an <i>ancillary service</i>;</p> <p>(a) every client is a <i>customer</i> or an <i>eligible counterparty</i> ;</p> <p>(b) "client" includes:</p> <p>(i) a potential client;</p> <p>(ii) a client of an <i>appointed representative</i> of a <i>firm</i> with or for whom the <i>appointed representative</i> acts or intends to act in the course of business for which the <i>firm</i> has accepted responsibility under section 39 of the <i>Act</i> (Exemption of appointed representatives) or, where applicable, a client of a <i>tied agent</i> of a <i>firm</i>;</p> <p>(iii) a <i>fund</i> even if it does not have separate legal personality;</p> <p>(iiiA) any <i>person</i> to whom <i>collective portfolio management</i> services are provided, irrespective of whether or not it is <i>authorised</i>;</p> <p>(iv) if a <i>person</i> ("C1"), with or for whom the <i>firm</i> is conducting or intends to conduct <i>designated investment business</i>, is acting as agent for another <i>person</i> ("C2"), either C1 or C2 in accordance with the <i>rule</i> on agent as client ■ COBS 2.4.3 R;</p>

(v) for a *firm* that is *establishing, operating or winding up a personal pension scheme*, a member or beneficiary of that scheme;

(c) "client" does not include:

- (i) a trust beneficiary not in (b)(v) ;
- (ii) a *corporate finance contact*;
- (iii) a *venture capital contact*.

(2) [deleted]

(3) (in *PROF*) (as defined in section 328(8) of the *Act* (Directions in relation to the general prohibition)) (in relation to *members* of a profession providing financial services under Part XX of the *Act* (Provision of Financial Services by Members of the Professions)):

(a) a *person* who uses, has used or may be contemplating using, any of the services provided by the *member* of a profession in the course of carrying on *exempt regulated activities* (including, where the *member* of the profession is acting in his capacity as a trustee, a *person* who is, has been or may be a beneficiary of the trust); or

(b) a *person* who has rights or interests which are derived from, or otherwise attributable to, the use of any such services by other *persons*; or

(c) a *person* who has rights or interests which may be adversely affected by the use of any such services by *persons* acting on his behalf or in a fiduciary capacity in relation to him.

(4) (in relation to a *regulated mortgage contract*, except in *PROF*) the individual or trustee who is the borrower or potential borrower under that contract.

(5) (in relation to a *home purchase plan*, except in *PROF*) the *home purchaser* or potential *home purchaser*.

(6) (in relation to a *home reversion plan*, except in *PROF*):

(a) the *reversion occupier* or potential *reversion occupier*; or

(b) an individual who is an *unauthorised reversion provider* and who is not, or would not, be required to have *permission to enter into a home reversion plan*.

(7) (in relation to a *dormant account* transferred to a *dormant account fund operator*) a *person* entitled to the *balance* in the *dormant account* held with a *bank* or *building society* which was transferred to a *dormant account fund operator*.

(8) (in relation to a *regulated sale and rent back agreement*, except in *PROF*):

(a) the individual or trustee who is the *SRB agreement seller* or potential *SRB agreement seller*; or

(b) an individual who is an *unauthorised SRB agreement provider* or potential *unauthorised SRB agreement provider* and who does not have, or would not be required to have, *permission to enter into a regulated sale and rent back agreement*.

CASS.

client bank account

FCA PRA

- (1) (other than in ■ CASS 7 and ■ CASS 7A and principally in ■ CASS 5):
- (a) an account at a bank which:
- (i) holds the *money* of one or more *clients*;
 - (ii) is in the name of the *firm*;
 - (iii) includes in its title an appropriate description to distinguish the *money* in the account from the *firm's money*; and
 - (iv) is a current or a deposit account; or
- (b) a money market deposit of *client money* which is identified as being *client money*.
- (2) (in ■ CASS 7 and ■ CASS 7A)
- (a) an account at a bank which:
- (i) holds the money of one or more *clients*;
 - (ii) is in the name of the *firm*; and
 - (iii) is a current or a deposit account; or
- (b) a money market deposit account of *client money* which is identified as being *client money*.

client equity balance

FCA PRA

the amount which a *firm* would be liable (ignoring any non-cash *collateral* held) to pay to a *client* (or the *client* to the *firm*) in respect of his *margin*ed transactions if each of his open positions was liquidated at the closing or settlement prices published by the relevant exchange or other appropriate pricing source and his account closed. This refers to cash values and does not include non-cash *collateral* or other *designated investments* held in respect of a *margin*ed transaction.

client money

FCA PRA

- (1)[deleted]
- (2) (in ■ CASS 5) subject to the *client money rules*, *money* of any currency which, in the course of carrying on *insurance mediation activity*, a *firm* holds on behalf of a *client* or which a *firm* treats as *client money* in accordance with the *client money rules* .
- (2A) (in ■ ■ CASS 6 , ■ CASS 7, ■ CASS 7A and ■ CASS 10 and, in so far as it relates to matters covered by ■ CASS 6 , ■ CASS 7, COBS , GENPRU or ■ IPRU(INV) 11) subject to the *client money rules*, *money* of any currency:
- (a) that a *firm* receives or holds for, or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*; and/or
 - (b) which, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds in respect of any *investment agreement* entered into, or to be entered into, with or for a *client*, or which a *firm* treats as *client money* in accordance with the *client money rules*.
- (3) (in MIPRU):
- (a) in relation to an *insurance intermediary* when acting as such, *money* which is *client money* in (2);
 - (b) in relation to a *home finance intermediary* when acting as such, *money* of any currency which in the course of carrying on *home finance mediation activity* , the *firm* holds on behalf of a *client*, either in a bank account or in the form of cash.
- (4) (in UPRU and COMP) *client money* for the purposes of the relevant *client money rules*.

client money (insurance) distribution rules

FCA **PRA**

the rules in ■ CASS 5.6 (Client money distribution).

client money chapter

FCA **PRA**

■ CASS 7.

client money distribution rules

FCA **PRA**

■ CASS 7A.

client money rules

FCA **PRA**

- (1) [deleted]
- (2) (in ■ CASS 5) ■ CASS 5.1 to ■ CASS 5.5 .
- (3) (in ■ CASS 3, ■ CASS 6, ■ CASS 7, ■ CASS 7A, UPRU and COBS) ■ CASS 7.1 to ■ 7.8 .

client money segregation requirements

FCA **PRA**

■ CASS 7.4.1 R and ■ CASS 7.4.11 R.

client transaction account

FCA **PRA**

(in relation to a *firm* and an exchange, *clearing house* or *intermediate broker*) an account maintained by the exchange, *clearing house* or *intermediate broker*, as the case may be, in respect of transactions in contingent liability investments undertaken by the *firm* with or for its *clients*.

client's best interests rule

FCA **PRA**

■ COBS 2.1.1 R.

close links

FCA **PRA**

- (1) (in relation to *MiFID business* or in *FUND*) a situation in which two or more persons are linked by:
 - (a) participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking;
 - (b) control which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in Article 1(1) and (2) of Directive 83/349/EEC, or a similar relationship between any person and an undertaking, any subsidiary undertaking of a subsidiary undertaking also being considered a subsidiary of the parent undertaking which is at the head of those undertakings.

A situation in which two or more persons are permanently linked to one and the same person by a control relationship is also to be regarded as constituting a close link between such persons.

[Note: article 4(1)(31) of *MIFID* and article 4(1)(e) of *AIFMD*]

<p><i>close matching rules</i> FCA PRA</p>	<p>(2) (except where (1) applies and except in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with paragraph 3(2) in Schedule 6 to the <i>Act</i> (Close links)) the relationship between a <i>person</i> ("A") and another <i>person</i> ("CL") which exists if:</p> <p style="margin-left: 40px;">(a) CL is a <i>parent undertaking</i> of A; or</p> <p style="margin-left: 40px;">(b) CL is a <i>subsidiary undertaking</i> of A; or</p> <p style="margin-left: 40px;">(c) CL is a <i>parent undertaking</i> of a <i>subsidiary undertaking</i> of A; or</p> <p style="margin-left: 40px;">(d) CL is a <i>subsidiary undertaking</i> of a <i>parent undertaking</i> of A; or</p> <p style="margin-left: 40px;">(e) CL owns or controls 20% or more of the voting rights or capital of A; or</p> <p style="margin-left: 40px;">(f) A owns or controls 20% or more of the voting rights or capital of CL.</p> <p>(3) (in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with section 343(8) of the <i>Act</i> (Information given by auditor or actuary to a regulator : persons with close links)) the relationship in (2), disregarding (e) and (f).</p>
<p><i>close out</i> FCA PRA</p>	<p>for the purposes of <i>permitted links</i>, the <i>rules</i> in ■ INSPRU 1.1.34 R, ■ INSPRU 3.1.57 R, ■ INSPRU 3.1.58 R, and ■ INSPRU 3.1.59 G.</p>
<p><i>close period</i> FCA PRA</p>	<p>(in <i>COLL</i>) enter into a further transaction under which the obligation to deliver or receive which arises or may, at the option of the other party to the transaction, arise under the original transaction is offset by an equivalent and opposite obligation or right to receive or deliver.</p>
<p><i>close relative</i> FCA PRA</p>	<p>(in <i>LR</i>) as defined in paragraph 1(a) of the <i>Model Code</i>.</p>
<p><i>close relative</i> FCA PRA</p>	<p>(as defined in article 3(1) of the <i>Regulated Activities Order</i> and article 2(1) of the <i>Financial Promotion Order</i>) (in relation to any <i>person</i>):</p> <p style="margin-left: 40px;">(a) his spouse or civil partner</p> <p style="margin-left: 40px;">(b) his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; and</p> <p style="margin-left: 40px;">(c) the spouse or civil partner of any <i>person</i> within (b).</p>
<p><i>closed</i> FCA PRA</p>	<p>(in relation to a <i>syndicate year</i>) closed by <i>reinsurance to close</i> in accordance with <i>byelaws</i>, either into another <i>syndicate year</i> or into an <i>insurer</i> approved by the <i>Council</i> for the purpose.</p>
<p><i>closed-ended</i> FCA PRA</p>	<p>(in <i>LR</i>) (in relation to investment entities) an <i>investment company</i> which is not an <i>open-ended investment company</i>.</p>
<p><i>closed-ended corporate AIF</i> FCA</p>	<p>an <i>AIF</i> which is a <i>body corporate</i> and not a <i>collective investment scheme</i>.</p>

closed-ended investment fund

FCA **PRA**

(in *LR*) an entity:

- (a) which is an undertaking with limited liability, including a company, limited partnership, or *limited liability partnership*; and
- (b) whose primary object is investing and managing its assets (including pooled funds contributed by holders of its *listed securities*):
 - (i) in property of any description; and
 - (ii) with a view to spreading investment risk.

closely related

FCA **PRA**

(in *GENPRU* and *BIPRU*) describes a relationship between two or more *persons* under which one or more of the following applies:

- (a) the insolvency or default of one of them is likely to be associated with the insolvency or default of the others;
- (b) it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or
- (c) there is, or there is likely to be, a close relationship between the financial performance of those *persons*.

closing date

FCA **PRA**

the date specified in the earliest relevant *public announcement* of the *offer* as the last date for acceptance of the *offer*, or, if no such date is specified, then the date on which the *issuer* (or seller) of the *securities* offered receives any of the proceeds of the *offer*.

CMAR

FCA **PRA**

a Client Money and Asset Return, containing the information specified in **■ SUP 16 Annex 29 R**.

CNCOM

FCA **PRA**

the *concentration risk capital component*.

COB

FCA **PRA**

the Conduct of Business sourcebook up to 1 November 2007.

COBS

FCA **PRA**

the Conduct of Business sourcebook from 1 November 2007.

Code of Market Conduct

FCA **PRA**

the provisions in **■ MAR 1** indicated by an "E" or "C" in the margin or heading, issued by the *FCA* as required by section 119 of the *Act* (The Code).

Code of Practice for Approved Persons

FCA **PRA**

(1) (in the *FCA Handbook*) the provisions in **■ APER 3** and **■ APER 4** indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an *approved person's* conduct complies with the *Statements of Principle* and which are issued by the *FCA* under section 64(2) of the *Act* (Conduct: statements and codes).

(2) (in the *PRA Handbook*) the provisions in **■ APER 3** and **■ APER 4** indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an *approved person's* conduct complies with the and which are issued by the *PRA* under section 64(2) of the *Act* (Conduct: statements and codes).

cold call

FCA PRA

The provisions of ■ APER 1 marked with an "E" in the margin also form part of the *Code of Practice for Approved Persons*.

a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue:

(a) which:

(i) was not initiated by the recipient of the *financial promotion*; and

(ii) does not take place in response to an express request from the recipient of the *financial promotion*; or

(b) in relation to which it was not clear from all the circumstances when the call, visit or dialogue was initiated or requested, that during the course of the call, visit or dialogue, communications would be made concerning the kind of *controlled activities* and *controlled investments* to which the communications in fact made relate.

In this definition:

(c) a *person* is not to be treated as expressly requesting a call, visit or dialogue:

(i) because he omits to indicate that he does not wish to receive any or any further visits or calls or to engage in any or any further dialogue; or

(ii) because he agrees to standard terms that state that such visits, calls or dialogue will take place, unless he has signified clearly that, in addition to agreeing to the terms, he is willing for them to take place;

(d) if a call, visit or dialogue is initiated or requested by a recipient (R), it is treated as also having been initiated or requested by any other *person* to whom it is made at the same time as it is made to R if that other recipient is a *close relative* of R or expected to *engage in any investment activity* jointly with R.

[Note: article 8 of the *Financial Promotion Order*]

the Collective Investment Schemes sourcebook.

COLL

FCA PRA

collateral

FCA PRA

(1) (in *COLL* and *FUND*) any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction.

(2) (in *COBS* and *CASS*) any of the following:

(a) an *investment* specified in articles 76 to 81 of the *Regulated Activities Order*; that is:

(i) *shares* (article 76);

(ii) *debentures* (article 77);

(iia) an *alternative debenture* (article 77A);

(iii) *government and public securities* (article 78);

(iv) *warrants* (article 79);

(v) *certificates representing certain securities* (article 80);

(vi) *units* (article 81); or

- (b) *money*; or
 - (c) a *commodity* warrant (however title is recorded or evidenced);
- which belongs to a *client* and which is held or controlled by the *firm* under the terms of a deposit, pledge, charge or other security arrangement.
- (3) (in *INSPRU* and *SYSC*):
- (a) (in relation to any transaction) a mortgage, charge, pledge or other security interest or, as the context may require, an asset that is subject to a mortgage, charge, pledge or other security interest; and
 - (b) (in relation to a *stock lending*, *repo* or *derivative* transaction only):
 - (i) a transfer of assets (other than by way of sale) subject to a right of the transferor to have transferred back to it the same, or equivalent, assets or, as the context may require, the assets so transferred by the original transferor; or
 - (ii) a letter of credit;
- where the assets are transferred, or the letter of credit is issued, to secure the performance of the obligations of one of the parties to that transaction.

collateral rules

FCA **PRA**

■ CASS 3.

collective insurance

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph VIII of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* ("the operations carried out by insurance companies such as those referred to in Chapter 1, Title 4 of Book IV of the French "Code des assurances"").

collective investment scheme

FCA **PRA**

a collective investment scheme, as defined in section 235 of the *Act* (Collective Investment Schemes), which is in summary:

- (a) any arrangements with respect to property of any description, including money, the purpose or effect of which is to enable *persons* taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income; and
- (c) which are not excluded by the Financial Services and Markets Act (Collective Investment Schemes) Order 2001 (SI 2001/1062).

collective investment undertaking other than the closed-end type

FCA **PRA**

(in *PR*) (as defined in Article 2.1(o) of the *prospectus directive*) unit trusts and investment companies:

- (a) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk-spreading;
- (b) the units of which are, at the holder's request, repurchased or redeemed, directly or indirectly, out of the assets of these undertakings.

collective investment undertaking PRR

FCA **PRA**

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.7.5 R (Calculation of the collective investment undertaking PRR).

collective portfolio management

FCA **PRA**

in relation to a *management company*, the activity of management of *UCITS schemes*, *EEA UCITS schemes* or other collective investment undertakings not covered by the *UCITS Directive* that the *firm* is permitted to carry on in accordance with article 6(2) of the *UCITS Directive*. This includes the functions mentioned in Annex II to that directive.

collective portfolio management firm

FCA **PRA**

a *firm* which:

- (a)
 - (i) is a *full-scope UK AIFM*; and
 - (ii) does not have a *Part 4A permission* to carry on any *regulated activities* other than those in connection with, or for the purpose of, managing collective investment undertakings; or
- (b) is a *UCITS firm* that has a *Part 4A permission* for *managing a UCITS*.

collective portfolio management investment firm

FCA **PRA**

a *firm* which has a *Part 4A permission* for *managing investments* and which is:

- (a) an *AIFM investment firm*; or
- (b) a *UCITS investment firm*.

COLLG

FCA **PRA**

the Collective Investment Scheme Information Guide.

Combined Code

FCA **PRA**

(in *LR* and *DTR*) in relation to an *issuer* the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council.

combined initial disclosure document

FCA **PRA**

information about the breadth of advice, *scope of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* in relation to two or more of the following:

- (a) *packaged products* or, for *basic advice*, *stakeholder products* that are not a *group personal pension scheme* or a *group stakeholder pension scheme* (but only if a *consultancy charge* will be made);
- (b) *non-investment insurance contracts*;
- (c) *regulated mortgage contracts* other than *lifetime mortgages*;
- (d) *home purchase plans*;
- (e) *equity release transactions*;

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, **■** COBS 6 Annex 2.

commencement

FCA **PRA**

the beginning of the *commencement day*.

commencement day

FCA **PRA**

the *day* on which section 19 of the *Act* (The general prohibition) comes into force, being 1 December 2001.

commercial customer

FCA PRA

(in ICOBS and ■ CASS 5) a *customer* who is not a *consumer*.

commission

FCA PRA

any form of *commission* or remuneration, including a benefit of any kind, offered or given in connection with:

(a) *designated investment business* (other than *commission equivalent*);

(b) *insurance mediation activity* in connection with a *non-investment insurance contract*; or

(c) the sale of a *packaged product*, that is offered or given by the *product provider*.

commission equivalent

FCA PRA

the cash payments, benefits and services listed in ■ COBS 6 Annex 6 E which satisfy the criteria in ■ COBS 6.4.3 R.

commitment

FCA PRA

a *commitment* represented by *insurance business* of any of the *classes* (as defined for the purposes of *INSPRU* and *SUP*) of *long-term insurance business*.

commodity

FCA PRA

(1) (except for (2) and (3)) a physical asset (other than a financial instrument or cash) which is capable of delivery.

(2) (for the purpose of calculating *position risk requirements*) any of the following (but excluding gold):

(a) a commodity within the meaning of paragraph (1); and

(b) any:

(i) physical or energy product; or

(ii) of the items referred to in paragraph 10 of Section C of Annex I of the *MIFID* as an underlying with respect to the *derivatives* mentioned in that paragraph;

which is, or can be, traded on a secondary market.

(3) (in relation to the *MiFID Regulation*, including the definitions of a *financial instrument* and an *ancillary service*) any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy such as electricity, not including services or other items that are not goods, such as currencies or rights in real estate, or that are entirely intangible.

[Note: article 2(1) of the *MiFID Regulation*]

commodity extended maturity ladder approach

FCA PRA

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.32 R (Extended maturity ladder approach).

PAGE
C21

commodity future

FCA PRA

a *future* relating to a *commodity*.

commodity maturity ladder approach

FCA **PRA**

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.25 R (Maturity ladder approach).

commodity option

FCA **PRA**

an *option* relating to a *commodity*.

commodity PRR

FCA **PRA**

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.4 (Commodity PRR) or, in relation to a particular *position*, the portion of the overall *commodity PRR* attributable to that *position*.

commodity simplified approach

FCA **PRA**

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.24 R (Simplified approach).

common platform firm

FCA **PRA**

a *firm* that is:

- (a) a *BIPRU firm*; or
- (b) an *exempt CAD firm*; or
- (c) a UK *MiFID investment firm* which falls within the definition of 'local firm' in Article 3.1P of the *Capital Adequacy Directive* ; or
- (d) a *dormant account fund operator*.

common platform organisational requirements

FCA **PRA**

■ SYSC 4 to ■ SYSC 9.

common platform outsourcing rules

FCA **PRA**

■ SYSC 8.1.1 R to ■ SYSC 8.1.12 G.

common platform record-keeping requirements

FCA **PRA**

the record-keeping requirements applicable to *common platform firms* set out in ■ SYSC 9.

common platform requirements

FCA **PRA**

■ SYSC 4 to ■ SYSC 10.

common platform requirements on financial crime

FCA PRA

the requirements on *financial crime* applicable to *common platform firms* set out in ■ SYSC 6.3.

communicate

FCA PRA

(in relation to a *financial promotion*) to communicate in any way, including causing a communication to be made or directed.

[Note: section 21(13) of the *Act* (Restrictions on financial promotion) and article 6(d) of the *Financial Promotion Order* (Interpretation: communications)]

communicated to a person inside the United Kingdom

FCA PRA

communicated other than *communicated to a person outside the United Kingdom*.

communicated to a person outside the United Kingdom

FCA PRA

(a) *made to a person* who receives it outside the *United Kingdom*; or

(b) *directed only at persons* outside the *United Kingdom*.

In this definition:

(c) If the conditions set out in (f)(i), (ii), (iii) and (iv) are met, a *financial promotion* directed from a place inside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(d) If the conditions set out in (f)(iii) and (iv) are met, a *financial promotion* directed from a place outside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(e) In any other case in which one or more of the conditions in (f)(i) to (v) is met, that fact will be taken into account in determining whether a *financial promotion* is *directed only at persons* outside the *United Kingdom* (but a *financial promotion* may still be regarded as *directed only at persons* outside the *United Kingdom* even if none of these conditions is met).

(f) The conditions are that:

(i) the *financial promotion* is accompanied by an indication that it is *directed only at persons* outside the *United Kingdom*;

(ii) the *financial promotion* is accompanied by an indication that it must not be acted upon by *persons* in the *United Kingdom*;

(iii) the *financial promotion* is not referred to in, or directly accessible from, any other *financial promotion* which is *made to a person* or *directed at persons* in the *United Kingdom* by the same communicator;

(iv) there are in place proper systems and procedures to prevent recipients in the *United Kingdom* (other than those to whom the *financial promotion* might otherwise lawfully have been made) engaging in the investment activity to which the *financial promotion* relates with the *person* directing the *financial promotion*, a *close relative* of his or a member of the same *group*;

(v) the *financial promotion* is included in:

<p><i>Community Co-Insurance Directive</i></p> <p>FCA PRA</p>	<p>(A) a website, newspaper, journal, magazine or periodical publication which is principally accessed in or intended for a market outside the <i>United Kingdom</i>;</p> <p>(B) a radio or television broadcast or teletext service transmitted principally for reception outside the <i>United Kingdom</i>.</p> <p>the Council Directive of 30 May 1978 on the coordination of laws, regulations and administrative provisions relating to Community co-insurance (No 78/473/EEC).</p>
<p><i>community co-insurance operation</i></p> <p>FCA PRA</p>	<p>an operation to which the <i>Community Co-Insurance Directive</i> applies, as modified by article 26 of the <i>Second Non-Life Directive</i>.</p>
<p>COMP</p> <p>FCA PRA</p>	<p>the Compensation sourcebook.</p>
<p><i>company</i></p> <p>FCA PRA</p>	<p>any <i>body corporate</i>.</p>
<p><i>Company Announcements Office</i></p> <p>FCA PRA</p>	<p>the Company Announcements Office of the London Stock Exchange, the information dissemination provider approved by the <i>UKLA</i>.</p>
<p><i>compensation costs</i></p> <p>FCA PRA</p>	<p>the costs incurred:</p> <ul style="list-style-type: none"> (a) in paying compensation; or (b) as a result of making the arrangements contemplated in ■ COMP 3.3.1 R or taking the measures contemplated in ■ COMP 3.3.3 R; or (c) in making payments or giving indemnities under ■ COMP 11.2.3 R; or (d) under section 214B or section 214D of the <i>Act</i>; or (e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009; <p>(including the costs of paying interest, principal and other costs of borrowing to pay such costs).</p>
<p><i>compensation costs levy</i></p> <p>FCA PRA</p>	<p>a levy imposed by the <i>FSCS</i> on <i>participant firms</i> to meet <i>compensation costs</i>, each <i>participant firm's</i> share being calculated in accordance with ■ FEES 6.5</p>
<p><i>compensation fund</i></p> <p>FCA PRA</p>	<p>any <i>policyholder</i> compensation scheme in any <i>EEA State</i>.</p>

compensation
scheme

FCA PRA

the Financial Services Compensation Scheme established under section 213 of the *Act* (The compensation scheme) for compensating *persons* in cases where *authorised persons* and *appointed representatives*, or, where applicable, a *tiered agent* of a firm, are unable, or are likely to be unable, to satisfy *claims* against them.

compensation
transitional
order

FCA PRA

the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).

competent
authority

FCA PRA

- (1) (in relation to the functions referred to in Part VI of the *Act*)):
- (a) the *FCA*, or
 - (b) an authority exercising functions corresponding to the functions referred to in Part VI of the *Act* under the laws of another *EEA State*.
- (2) (in relation to the exercise of an *EEA right* and the exercise of the *overseas financial stability information power*) a competent authority for the purposes of the relevant *Single Market Directive* or the *auction regulation*.
- (3) (in relation to a group, and for the purposes of ■ SYSC 12 (Group risk systems and controls requirement), *GENPRU*, *BIPRU* and *INSPRU*, any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.
- (4) the authority, designated by each *EEA State* in accordance with Article 48 of *MiFID*, unless otherwise specified in *MiFID*.
- [Note: article 4(1)(22) of *MiFID*]
- (5) (in *REC*) in relation to an *investment firm* or *credit institution*, means the competent authority in relation to that firm or institution for the purposes of *MiFID*.
- (6) (in ■ COBS 13.4) the authority designated by each *EEA State* in accordance with Article 11 of the *Market Abuse Directive*.
- [Note: article 1(7) of the *Market Abuse Directive*]
- (7) the authority designated by each *EEA State* in accordance with article 32 of the *short selling regulation*.
- (8) (for an *AIF*) the national authorities of an *EEA State* which are empowered by law or regulation to supervise *AIFs*.
- (9) (for an *AIFM*) a national authority in an *EEA State* which is empowered by law or regulation to supervise *AIFMs*.

[Note: This definition is based on the definition contained in the CRD (Consequential Amendments) Instrument 2006 which was consulted on in the consultation paper Strengthening Capital Standards 2 (CP 06/3)]

- (a) for a *firm* which is not a *common platform firm*, ■ SYSC 3.1.6 R.
- (b) for a *common platform firm*, ■ SYSC 5.1.1 R.

competent
employees rule

FCA PRA

complaint

FCA PRA

- (1) [deleted]
- (2) (in ■ SUP 10 and *DISP*, except ■ DISP 1.1 and the *complaints handling rules* and the *complaints record rule* in relation to *MiFID business*, and in ■ CREDS 9) any oral or written expression of dissatisfaction, whether justified or not, from, or

on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which:

(a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and

(b) relates to an activity of that *respondent*, or of any other *respondent* with whom that *respondent* has some connection in marketing or providing financial services or products, which comes under the jurisdiction of the *Financial Ombudsman Service*.

(3) (in ■ DISP 1.1, the complaints awareness rules only in relation to *collective portfolio management* and the *complaints handling rules* and the *complaints record rule* only in relation to *MiFID business* and *collective portfolio management*) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.

(4) (in *DISP*) reference to a *complaint* includes:

(a) under all jurisdictions, part of a *complaint*; and

(b) under the *Compulsory Jurisdiction*, all or part of a *relevant complaint*.

*complaints
data
publication
rules*

FCA PRA

■ DISP 1.10A.

*complaints
handling rules*

FCA PRA

■ DISP 1.3.

*complaints
investigator*

FCA PRA

(1) (in relation to a *UK RIE*) the independent *person* appointed under arrangements referred to in paragraph 9(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RIE* and to the complainant.

(2) (in relation to a *UK RCH*) the independent *person* appointed under arrangements referred to in paragraph 23(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RCH* and to the complainant.

(3) (in relation to an *RAP*) the independent *person* appointed under arrangements referred to in regulations 22 and 23 of the *RAP regulations* to investigate a complaint and to report on the result of his investigation to that *RAP* and to the complainant.

*complaints
record rule*

FCA PRA

■ DISP 1.9.

*complaints
reporting rules*

FCA PRA

■ DISP 1.10.

complaints resolution rules

FCA **PRA**

■ DISP 1.4.

complaints time barring rule

FCA **PRA**

■ DISP 1.8.

complaints time limits rules

FCA **PRA**

■ DISP 1.6.

compliance oversight function

FCA **PRA**

(in the *FCA Handbook*) *FCA controlled function* CF10 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.8 R.

composite firm

FCA **PRA**

a *firm* that carries on both *long-term insurance business* and *general insurance business*.

composite insurer

FCA **PRA**

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) an *insurer* with permission to effect or carry out both *long-term insurance contracts* and *general insurance*.

Compulsory Jurisdiction

FCA **PRA**

the jurisdiction of the *Financial Ombudsman Service* to which *firms*, *payment service providers* and *electronic money issuers* (and certain other *persons* as a result of the *Ombudsman Transitional Order* or section 226(2)(b) and (c) of the *Act*) are compulsorily subject.

concentration risk capital component

FCA **PRA**

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component).

COND

FCA **PRA**

the part of the *Handbook* in High Level Standards which has the title Threshold Conditions.

conflicts of interest policy

FCA **PRA**

(1) the policy established and maintained in accordance with ■ SYSC 10.1.10 R; and
 (2) (in ■ MAR 8) the policy established and maintained in accordance with ■ MAR 8.2.8 G which identifies circumstances that constitute, or may give rise to, a conflict of interest arising from *benchmark submissions* and the process of gathering information in order to make *benchmark submissions*, and sets out the process to manage such conflicts.

conglomerate capital resources

FCA **PRA**

(in relation to a *financial conglomerate* with respect to which **■ GENPRU 3.1.29 R** (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) capital resources as defined in whichever of paragraphs 1.1 or 2.1 of **■ GENPRU 3 Annex 1 R** (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

conglomerate capital resources requirement

FCA **PRA**

(in relation to a *financial conglomerate* with respect to which **■ GENPRU 3.1.29 RR** (Application of method 1 or 2 from Annex I of the *Financial Groups Directive*) applies) the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of **■ GENPRU 3 Annex 1 R** (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

connected client

FCA **PRA**

(in *LR*) in relation to a *sponsor* or securities house, any client of the *sponsor* or securities house who is:

- (a) a partner, *director*, employee or controller (as defined in section 422 of the *Act*) of the *sponsor* or securities house or of an undertaking described in paragraph (d); or
- (b) the spouse, civil partner or child of any individual described in paragraph (a); or
- (c) a *person* in his capacity as a trustee of a private trust (other than a pension scheme or an *employees' share scheme*) the beneficiaries of which include any *person* described in paragraph (a) or (b); or
- (d) an undertaking which in relation to the *sponsor* or securities house is a group undertaking.

connected contract

FCA **PRA**

a *non-investment insurance contract* which:

- (a) is not a contract of long-term insurance (as defined by article 3 of the *Regulated Activities Order*);
- (b) has a total duration (including *renewals*) of five years or less;
- (c) has an annual *premium* (or the equivalent of annual *premium*) of €500 or less;
- (d) covers the risk of:
 - (i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or
 - (ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks"); in circumstances where:
 - (A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business; or
 - (B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;
- (e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);
- (f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

In this definition:

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a hire-purchase agreement within the meaning of section 189(1) of the Consumer Credit Act 1974; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(in accordance with ■ GENPRU 2.2.222 R (Deductions from tiers one and two: Connected lending of a capital nature)) all lending within ■ GENPRU 2.2.227 R or ■ GENPRU 2.2.229 R and guarantees within ■ GENPRU 2.2.231 R or ■ GENPRU 2.2.233 R.

connected lending of a capital nature

FCA PRA

connected person

FCA PRA

(1) (in relation to the *FCA* or *PRA*'s consideration of an application for, or of whether to vary or cancel, a *Part 4A permission*) (in accordance with section 55R of the *Act* (Persons connected with an applicant)) any *person* appearing to the regulator concerned to be, or likely to be, in a relationship with the applicant or *person* given *permission*, which is relevant.

(2) (in relation to the *FCA* or *PRA*'s power to gather information under section 165 of the *Act* (Regulators' power to require information)) (in accordance with section 165(11) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with another person ("A"):

(a) he is a member of A's *group*;

(b) he is a *controller* of A;

(c) he is a member of a *partnership* of which A is a member;

(d) he is or has been an employee of A;

(e) if A is a *body corporate*, he is or has been an *officer*, or *manager* or agent of A or of a *parent undertaking* of A;

(f) if A is a *partnership*, he is or has been a member, *manager* or agent of A;

(g) if A is an unincorporated association of *persons* which is neither a *partnership* nor an unincorporated *friendly society*, he is or has been an *officer*, *manager*, or agent of A;

(h) if A is a *friendly society*, he is or has been an officer or manager of A ("officer" and "manager" having the same meaning as in section 119(1) of the Friendly Societies Act 1992);

(i) if A is a *building society*, he is or has been an officer of A ("officer" having the same meaning as in section 119(1) of the Building Societies Act 1986);

(j) if A is an individual, he is or has been an agent of A.

(3) (in relation to the FCA or PRA's powers of investigation under sections 171 and 172 of the Act (Powers of persons appointed under section 167; Additional power of persons appointed as a result of section 168(1) or (4)) (in accordance with section 171(4) of the Act) a *person* who has, or has at any relevant time had, the following relationship with a *person* under investigation ("P"):

(a) he has the relationship specified in any of paragraphs (2) (a), (b) or (d) to (j) to P (where references in those paragraphs to A are taken to be references to P);

(b) it is a *partnership* of which P is a member;

(c) he is the partner, *manager*, employee, agent, *appointed representative*, or, where applicable, *tied agent*, banker, auditor, actuary or solicitor of:

(i) P; or

(ii) a *parent undertaking* of P; or

(iii) a *subsidiary undertaking* of P; or

(iv) a *subsidiary undertaking* of a *parent undertaking* of P; or

(v) a *parent undertaking* of a *subsidiary undertaking* of P.

(4) to follow

(5) (in DTR and LR in relation to a *person discharging managerial responsibilities* within an *issuer*) has the same meaning as in section 96B(2) of the Act.

(a) [deleted]

(b) [deleted]

(c) [deleted]

connected travel insurance contract

FCA PRA

a *non-investment insurance contract* which covers the risk of damage to, or loss of, baggage and other risks linked to the travel booked with the provider but does not otherwise meet the conditions in paragraph (d)(ii) of the definition of *connected contract*.

connected travel insurance intermediary

FCA PRA

an *insurance intermediary* whose *permission* includes a *requirement* that it must not conduct any *regulated activity* other than *insurance mediation activity* in relation to a *connected travel insurance contract*.

consent notice

FCA PRA

a notice given by the FCA or PRA as the case may be to a *Host State regulator* under :

(a) paragraph 19(4) (Establishment) of Part III of Schedule 3 to the Act (Exercise of Passport Rights by UK firms); or

(b) paragraph 20(3A) (Services) of Part III of Schedule 3 to the *Act* (Exercise of Passport Rights by UK firms).

Consolidated Admissions and Reporting Directive

FCA PRA

Directive of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities (No 2001/34/EC).

consolidated capital resources

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) that group's capital resources calculated in accordance with ■ BIPRU 8.6 (Consolidated capital resources).

consolidated capital resources requirement

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) an amount of *consolidated capital resources* that that group must hold in accordance with ■ BIPRU 8.7 (Consolidated capital resources requirement).

consolidated credit risk requirement

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's *consolidated capital resources requirement* relating to credit risk calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

consolidated fixed overheads requirement

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in GENPRU and BIPRU) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's *consolidated capital resources requirement* relating to the *fixed overheads requirement* (as referred to Article 21 of the *Capital Adequacy Directive* and the definition of *fixed overheads requirement*) calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

consolidated indirectly issued capital

FCA PRA

has the meaning in ■ BIPRU 8.6.12 R (Indirectly issued capital and group capital resources), which is in summary any *capital instrument* issued by a member of a *UK consolidation group* or *non-EEA sub-group* where the conditions in ■ BIPRU 8.6.12 R are met.

Consolidated Life Directive

FCA PRA

the Council Directive of 5 November 2002 on the taking-up and pursuit of the business of life assurance (No 2002/83/EC), which consolidates the provisions of the *First*, *Second* and *Third Life Directives*.

Consolidated Life Directive information

FCA PRA

(in COBS) the Consolidated Life Directive information (■ COBS 13 Annex 1 R).

consolidated market risk requirement

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in *GENPRU* and *BIPRU*) has the meaning in ■ *BIPRU 8.7* (Consolidated capital resources requirement) which is in summary the part of that group's *consolidated capital resources requirement* relating to *market risk* calculated in accordance with ■ *BIPRU 8.7.11 R* (Calculation of the consolidated requirement components) and as adjusted under ■ *BIPRU 8.7*.

Consolidated Motor Insurance Directive

FCA PRA

the European Parliament and Council Directive of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (No 2009/103/EC). This Directive codifies Council Directives 72/166/EEC, 84/5/EEC, 90/232/EEC, 2000/26/EC and 2005/14/EC.

consolidated operational risk requirement

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in *GENPRU* and *BIPRU*) has the meaning in ■ *BIPRU 8.7* (Consolidated capital resources requirements) which is in summary the part of that group's *consolidated capital resources requirement* relating to *operational risk* calculated in accordance with ■ *BIPRU 8.7.11 R* (Calculation of the consolidated requirement components) and as adjusted under ■ *BIPRU 8.7*.

consolidated requirement component

FCA PRA

has the meaning in ■ *BIPRU 8.7.11 R* (Calculation of the consolidated requirement components), which in summary is one of the following:

- (a) the *consolidated credit risk requirement*; or
- (b) the *consolidated fixed overheads requirement*; or
- (c) the *consolidated market risk requirement*; or
- (d) the *consolidated operational risk requirement*.

consolidation Article 12(1) relationship

FCA PRA

a relationship between one *undertaking* (the first undertaking) and one or more other *undertakings* satisfying the conditions set out in Article 12(1) of the *Seventh Company Law Directive*, which in summary are as follows:

- (a) those *undertakings* are not connected, as described in article 1(1) or (2) of that Directive; and
- (b) one of the following conditions is satisfied:
 - (i) they are managed on a unified basis pursuant to a contract concluded with the first undertaking or provisions in the memorandum or articles of association of those *undertakings*; or
 - (ii) the administrative, management or supervisory bodies of those *undertakings* consist, for the major part, of the same *persons* in office during the financial year in respect of which it is being decided whether such a relationship exists.

consolidation group

FCA PRA

the following:

- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of *BIPRU*) an *Article 134 relationship* .

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of *BIPRU*) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

consolidation UK integrated group

FCA PRA

(with respect to a *UK consolidation group* or *non-EEA sub-group*) all *undertakings* falling into ■ BIPRU 8.9.9 R (UK integrated groups: Definition of consolidation UK integrated group) with respect to that *UK consolidation group* or *non-EEA sub-group*.

consolidation wider integrated group

FCA PRA

(with respect to a *UK consolidation group* or *non-EEA sub-group*) all *undertakings* falling into ■ BIPRU 8.9.19 R (Wider integrated groups: Definition of wider integrated group) with respect to that *UK consolidation group* or *non-EEA sub-group*.

constable

FCA PRA

a police officer in the *United Kingdom* or a *person* commissioned by the Commissioners for HM Revenue and Customs.

constitution

FCA PRA

(in *LR*) memorandum and articles of association or equivalent constitutional document.

consultancy charge

FCA PRA

any charge payable by or on behalf of an employee to a *firm* or other intermediary (whether or not that intermediary is an *employee benefit consultant*) in respect of advice given, or services provided, by the *firm* or intermediary to the employer or employee in connection with a *group personal pension scheme* or *group stakeholder pension scheme*, where those charges have been agreed between the *firm* or intermediary and the employer in accordance with the *rules* on consultancy charging and remuneration (■ COBS 6.1C).

consumer

FCA PRA

(1) (except as specified in this definition) any natural person acting for purposes outside his trade, business or profession.

[Note: article 2 of the *Distance Marketing Directive*, article 2 of the Unfair Terms in Consumer Contracts Directive (93/13/EEC), article 2 of the , and article 4(11) of the *Payment Services Directive*].

(2) (as further defined in section 1G of the *Act*) (in relation to the discharge of the *FCA's* general functions (sections 1B to 1E of the *Act*), the application of the regulatory principles by the regulators in section 3B of the *Act* and references by scheme operators or regulated persons (section 234D of the *Act*)) a *person*:

- (a) who uses, has used, or may use:
 - (i) regulated financial services; or
 - (ii) services that are provided by other than *authorised persons* but are provided in carrying on *regulated activities*; or
- (b) who has relevant rights or interests in relation to any of those services; or
- (c) who has invested, or may invest, in financial instruments; or
- (ca) who has relevant rights or interests in relation to financial instruments; or
- (d) (in relation to the *FCA's* power to make general *rules* (section 137A of the *Act* (The *FCA's* general rules)) a *person* within the extended definition of consumer in article 7 of the Financial Services Act 2012 (Transitional Provisions) (Miscellaneous Provisions) Order 2013 (SI 442/2013 Definition of "consumer");

(e) [deleted]

(2A) (as further defined in section 425A of the *Act*) (in relation to the issue of statements or codes under section 64 of the *Act*), general exemptions to consultation by the *FCA* (section 138L of the *Act*) in the publication of notices (section 391 of the *Act*) and the exercise of *Treaty rights* (Schedule 4 to the *Act*) a *person* who uses, has used, may have used, or has relevant rights or interests in relation to any services provided by:

- (a) *authorised persons* in carrying on regulated activities;
- (b) *authorised persons* who are investment *firms*, or credit institutions, in providing relevant ancillary services; or
- (c) *persons* acting as appointed representatives.

for the purposes of this definition:

(A) if a *person* is providing a service within (2)(a) or (2A) as a trustee, the *persons* who are, have been or may be beneficiaries of the trust are to be treated as *persons* who use, have used or may use the service;

(AA) a *person* has a "relevant right or interest" in relation to any services within (2)(a) or (2A) if that *person* has a right or interest:

- (i) which is derived from, or is otherwise attributable to, the use of the services by others; or
- (ii) which may be adversely affected by the use of the services by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(B) a *person* who deals with another person ("A") in the course of A providing a service within (2)(a) or (2A) is to be treated as using the service;

(C) a *person* has a "relevant right or interest" in relation to any financial instrument within (2)(ca) if that person has a right or interest:

- (i) which is derived from, or is otherwise attributable to, investment in the instrument by others; or
- (ii) which may be adversely affected by the investment in the instrument by persons acting on that *person's* behalf or in a fiduciary capacity in relation to that *person*;

(D) (for the purposes of (2A)(b)):

(a) "credit institution" means:

- (i) a credit institution authorised under the *banking consolidation directive*; or
- (ii) an institution which would satisfy the requirements for authorisation as a credit institution under that directive if it had its registered office (or if it does not have one, its head office) in an EEA State;

(b) "relevant ancillary service" means any service of a kind mentioned in Section B of Annex I to *MiFID* the provision of which does not involve the carrying on of a *regulated activity*.

(3) [deleted]

(4) (as further defined in section 425A and 425B of the *Act*) (in relation to the establishment and maintenance of the Consumer Panel (section 1Q of the *Act* (The Consumer Panel))) (as defined in section 1Q of the *Act*), complaints by consumer bodies (section 234C of the *Act*):

(a) a *person* within (2A), other than an *authorised person*; and

(b) (in relation to *regulated activities* carried on otherwise than by *authorised persons*) a *person*, other than an *authorised person*, who would have been a "consumer" within (2A) if the activities were carried on by an *authorised person*.

(5) [deleted]

(5A) (as further defined in sections 425A and 425B of the *Act*) until 31 March 2014, with respect to the publication of information in relation to activities carried on by *Northern Ireland credit unions* (section 391 of the *Act* and article 5 of the Financial Services and Markets Act 2000 (Permissions, Transitional Provisions and Consequential Amendments) (Northern Ireland Credit Unions) Order 2011 (SI 2832/2011) a *person* within (4)(b).

(6) [deleted]

consumer
awareness rules

FCA PRA

■ DISP 1.2

consumer
credit activity

FCA PRA

any one of the following activities carried on by a *licensee*, *firm*, *payment service provider* or *electronic money issuer*:

(a) providing credit or otherwise being a creditor under a *regulated consumer credit agreement*;

(b) the bailment or (in Scotland) the hiring of goods or otherwise being an owner under a *regulated consumer hire agreement*;

(c) credit brokerage in so far as it is the effecting of introductions of:

(i) individuals desiring to obtain credit to persons carrying on a consumer credit business; or

(ii) individuals desiring to obtain goods on hire to persons carrying on a consumer hire business;

(d) in so far as they relate to *regulated consumer credit agreements* or *regulated consumer hire agreements*:

(i) debt-adjusting;

(ii) debt-counselling;

(iii) debt-collecting; or

(iv) debt administration;

(e) the provision of credit information services; or

(f) the operation of a credit reference agency;

where at the time of the act or omission complained of:

(g) the *licensee*, *firm*, *payment service provider* or *electronic money issuer* was:

(i) covered by a standard licence under the Consumer Credit Act 1974 (as amended); or

(ii) authorised to carry on an activity by virtue of section 34(A) of that Act; or

(iii) in accordance with regulation 26(2) of the *Payment Services Regulations* or regulation 31 of the *Electronic Money Regulations*, was not required to hold a licence for consumer credit business under section 21 of the Consumer Credit Act 1974; and

Consumer
Credit
Jurisdiction

FCA PRA

(h) the activity was carried on in the course of a business of a type specified in accordance with section 226A(2)(e) of the *Act*:

and expressions used in the Consumer Credit Act 1974 (as amended) have the same meaning in this definition as they have in that Act.

the jurisdiction of the *Financial Ombudsman Service* resulting from section 226A of the *Act* which applies to *licensees*.

consumer
credit
prohibition

FCA PRA

(as defined in section 203(3) of the *Act* (Power to prohibit the carrying on of Consumer Credit Act business)) a prohibition on carrying on, or purporting to carry on, in the *United Kingdom* any Consumer Credit Act business which consists of or includes carrying on one or more *listed activities* or *investment services*.

Consumer
Panel

FCA PRA

the panel of *persons* which section 1Q of the *Act* (The Consumer Panel) requires the *FCA* to establish and maintain, as part of its arrangements for consultation under section 1M, to represent the interests of *consumers*.

consumer
redress scheme

FCA PRA

a scheme imposed:

(a) by *rules* on *authorised persons*, *payment service providers* or *electronic money issuers* under section 404 (Consumer redress schemes) of the *Act*; or

(b) on a particular *firm* by a *requirement* imposed on its *permission*, or on a particular *payment service provider* or *electronic money issuer* by a *requirement* imposed on its *authorisation*, as envisaged by section 404F(7) of the *Act* but only to the extent that section 404B of the *Act* is engaged by the scheme.

contingency
funding plan

FCA PRA

(1) (in ■ SYSC 11) a plan for taking action to ensure that a *firm* has adequately liquid financial resources to meet its liabilities as they fall due, prepared under ■ SYSC 11.1.24 E.

(2) (in ■ BIPRU 12 and BSOCS) a plan for dealing with liquidity crises as required by ■ BIPRU 12.4.10 R.

contingent
liability
investment

FCA PRA

a *derivative* under the terms of which the *client* will or may be liable to make further payments (other than *charges*, and whether or not secured by *margin*) when the transaction falls to be completed or upon the earlier *closing out* of his position.

contract for
differences

FCA PRA

the *investment*, specified in article 85 of the *Regulated Activities Order* (Contracts for differences etc), which is in summary rights under:

(a) a contract for differences; or

(b) any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:

(i) the value or price of property of any description; or

(ii) an index or other factor designated for that purpose in the contract; or

(c) a derivative instrument for the transfer of credit risk to which article 85(3) of the *Regulated Activities Order* applies.

contract of insurance

FCA PRA

[Note: paragraph 8 of Section C of Annex 1 to *MiFID*]

(1) (in relation to a *specified investment*) the *investment*, specified in article 75 of the *Regulated Activities Order* (Contracts of insurance), which is rights under a contract of insurance in (2).

(2) (in relation to a contract) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any contract of insurance which is a *long-term insurance contract* or a *general insurance contract*, including:

(a) fidelity bonds, performance bonds, administration bonds, bail bonds, customs bonds or similar contracts of guarantee, where these are:

- (i) effected or carried out by a *person* not carrying on a banking business;
- (ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and
- (iii) effected in return for the payment of one or more premiums;

(b) *tontines*;

(c) *capital redemption* contracts or *pension fund management* contracts, where these are effected or carried out by a *person* who:

- (i) does not carry on a banking business; and
- (ii) otherwise carries on the *regulated activity* of *effecting* or *carrying out contracts of insurance*;

(d) contracts to pay annuities on human life;

(e) contracts of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* (Collective insurance etc); and

(f) contracts of a kind referred to in article 2(3) of the *Consolidated Life Directive* (Social insurance);

but not including a *funeral plan contract* (or a contract which would be a *funeral plan contract* but for the exclusion in article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements)); in this definition, "annuities on human life" does not include superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of *persons* engaged, or who have been engaged, in any particular profession, trade or employment, or of the dependants of such *persons*.

contract of significance

FCA PRA

(in *LR*) a contract which represents in amount or value (or annual amount or value) a sum equal to 1% or more, calculated on a *group* basis where relevant, of:

(a) in the case of a capital transaction or a transaction of which the principal purpose or effect is the granting of credit, the aggregate of the *group's* share capital and reserves; or

(b) in other cases, the total annual purchases, sales, payments or receipts, as the case may be, of the *group*.

contracts of large risks

FCA PRA

(in *ICOB*) *contracts of insurance* covering risks within the following categories, in accordance with article 5(d) of the *First Non-Life Directive*:

(a) *railway rolling stock*, *aircraft*, *ships* (sea, lake, river and canal vessels), *goods in transit*, *aircraft liability* and *liability of ships* (sea, lake, river and canal vessels);

<p><i>contractual cross product netting agreement</i></p> <p>FCA PRA</p>	<p>(b) <i>credit</i> and <i>suretyship</i>, where the policyholder is engaged professionally in an industrial or commercial activity or in one of the liberal professions, and the risks relate to such activity;</p> <p>(c) <i>land vehicles</i> (other than <i>railway rolling stock</i>), <i>fire and natural forces</i>, other <i>damage to property</i>, <i>motor vehicle liability</i>, <i>general liability</i>, and <i>miscellaneous financial loss</i>, in so far as the <i>policyholder</i> exceeds the limits of at least two of the following three criteria:</p> <ul style="list-style-type: none"> (i) balance sheet total: €6.2 million; (ii) net turnover: €12.8 million; (iii) average number of <i>employees</i> during the financial year: 250. <p>(for the purpose of ■ BIPRU 13.7 (Contractual netting)) has the meaning set out in ■ BIPRU 13.7.2 R, which is in summary a written bilateral agreement between a <i>firm</i> and a <i>counterparty</i> which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.</p>
<p><i>contractual scheme deed</i></p> <p>FCA</p>	<p>(in <i>COLL</i>) the deed referred to in ■ COLL 3.2.3A R (The contractual scheme deed for ACSs), together with any deed expressed to be supplemental to it, made between the <i>authorised fund manager</i> and:</p> <ul style="list-style-type: none"> (a) the <i>depository</i>, in the case of a <i>co-ownership scheme</i>; or (b) the <i>nominated partner</i>, in the case of a <i>limited partnership scheme</i>.
<p><i>Contractual Scheme Regulations</i></p> <p>FCA</p>	<p>the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (SI 2013/1388).</p>
<p><i>contractual scheme rules</i></p> <p>FCA</p>	<p><i>rules</i> in <i>COLL</i> made by the <i>FCA</i> under section 261I of the <i>Act</i> (Contractual scheme rules) in relation to:</p> <ul style="list-style-type: none"> (a) the constitution, management and operation of ACSs; (b) the powers, duties, rights, and liabilities of the <i>authorised fund manager</i> and <i>depository</i> of any such <i>scheme</i>; (c) the rights and duties of the <i>participants</i> in any such <i>scheme</i>; and (d) the winding up of any such <i>scheme</i>.
<p><i>contractually based investment</i></p> <p>FCA PRA</p>	<p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)):</p> <ul style="list-style-type: none"> (a) a <i>life policy</i> (except a <i>long-term care insurance</i> contract which is not a qualifying <i>contract of insurance</i>); (b) an <i>option</i>, <i>future</i>, <i>contract for differences</i> or <i>funeral plan contract</i>; (c) <i>rights to or interests in an investment</i> falling within (a) or (b).
<p><i>control</i></p> <p>FCA PRA</p>	<p>(1) (except in (2) and (2A)) (in relation to the acquisition, increase or reduction of control of a <i>firm</i>) the relationship between a <i>person</i> and the <i>firm</i> or other <i>undertaking</i> of which the <i>person</i> is a controller.</p> <p>(2) (in ■ SYSC 8 and ■ SYSC 10) control as defined in Article 1 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive) .</p> <p>[Note: article 4 (1)(30) of <i>MiFID</i>]</p>

(2A) (in relation to a *management company* carrying on *collective portfolio management* or an *AIFM*) control as defined in articles 1 and 2 of the Seventh Council Directive 83/349/EEC (The Seventh Company Law Directive).

(3) (except in (2) and (2A)) (in accordance with section 182 of the *Act*) a *controller* ("A") (whether acting alone or in concert) increases control over a *firm* ("B") when:

(a) the percentage of *shares* A holds in B or a *parent undertaking* ("P") of B increases by any of the following steps:

- (i) from less than 20% to 20% or more;
- (ii) from less than 30% to 30% or more;
- (iii) from less than 50% to 50% or more;

(b) the percentage of *voting power* A holds in B or P increases by any of the steps mentioned above; or

(c) A becomes a *parent undertaking* of B.

(4) (except in (2) and (2A)) (in accordance with section 183 of the *Act*) a *controller* ("A") (whether alone or acting in concert) reduces control over a *firm* ("B") whenever:

(a) the percentage of *shares* which A holds in B or a *parent undertaking* ("P") of B decreases by any of the following steps:

- (i) from 50% or more to less than 50%;
- (ii) from 30% or more to less than 30%;
- (iii) from 20% or more to less than 20%;

(b) the percentage of *voting power* which A holds in B or P decreases by any of the steps mentioned above; or

(c) A ceases to be a *parent undertaking* of B.

(5) (except in (2) and (2A)) (in accordance with section 183 of the *Act*) a *controller* ("A") (whether acting alone or in concert) ceases to have control over a *firm* ("B") if A ceases to hold any of the following:

(a) 10% or more of the *shares* in B or a *parent undertaking* ("P") of B;

(b) 10% or more of the *voting power* in B or P;

(c) *shares* or *voting power* in B or in P as a result of which A is able to exercise significant influence over the management of B.

(6) (for the purposes of the calculations in (3) to (5)) the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

(in accordance with section 21(9) of the *Act* (The classes of activity and investment)) any of the following activities specified in Part 1 of Schedule 1 to the Financial Promotions Order (Controlled Activities):

(a) *accepting deposits* (paragraph 1)

(b) *effecting contracts of insurance* (paragraph 2(1));

(c) *carrying out contracts of insurance* (paragraph 2(2));

(d) *dealing in securities and contractually based investments as principal or agent* (paragraph 3(1));

(e) *arranging (bringing about) deals in investments* (paragraph 4(1));

controlled activity

FCA PRA

<p>(f) <i>making arrangements with a view to transactions in investments</i> (paragraph 4(2));</p> <p>(fa) operating a <i>multilateral trading facility</i> (paragraph 4A);</p> <p>(g) <i>managing investments</i> (paragraph 5);</p> <p>(h) <i>safeguarding and administering investments</i> (paragraph 6);</p> <p>(i) <i>advising on investments</i> (paragraph 7);</p> <p>(j) <i>advising on syndicate participation at Lloyd's</i> (paragraph 8);</p> <p>(k) providing funeral plan contracts (paragraph 9);</p> <p>(l) providing qualifying credit (paragraph 10);</p> <p>(m) arranging qualifying credit etc. (paragraph 10A);</p> <p>(n) advising on qualifying credit etc. (paragraph 10B);</p> <p>(o) <i>entering into a home purchase plan</i> (paragraph 10C);</p> <p>(p) <i>making arrangements with a view to a home purchase plan</i> (paragraph 10D);</p> <p>(q) <i>advising on a home purchase plan</i> (paragraph 10E);</p> <p>(r) <i>entering into a home reversion plan</i> (paragraph 10F);</p> <p>(s) <i>making arrangements with a view to a home reversion plan</i> (paragraph 10G);</p> <p>(t) <i>advising on a home reversion plan</i> (paragraph 10H); or</p> <p>(u) agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10 H (other than paragraph 4A) of Part 1 of Schedule 1 to the <i>Financial Promotion Order</i> .</p>	<p>(as defined in section 30 of the <i>Act</i> (Enforceability of agreements resulting from unlawful communications)) an agreement the making or performance of which by either party constitutes a <i>controlled activity</i>.</p>
<p><i>controlled agreement</i> FCA PRA</p>	<p>a function, relating to the carrying on of a <i>regulated activity</i> by a <i>firm</i>, which is specified by either the <i>FCA</i> (in the <i>table of FCA controlled functions</i>) or the <i>PRA</i> (in the <i>table of PRA controlled functions</i>), under section 59 of the <i>Act</i> (Approval for particular arrangements) .</p>
<p><i>controlled function</i> FCA PRA</p>	<p>(in accordance with section 21(10) of the <i>Act</i> (Restrictions on financial promotion) and article 4 of the <i>Financial Promotion Order</i> (Definitions of controlled activities and controlled investments)) an <i>investment</i> specified in Part II of Schedule 1 to the <i>Financial Promotion Order</i> (Controlled investments).</p>
<p><i>controlled investment</i> FCA PRA</p>	<p>any subsidiary undertaking within the meaning of the <i>Act</i> other than one falling within section 1162(4)(b) of the Companies Act 2006 or section 420(2)(b) of the <i>Act</i> .</p>
<p><i>controlled undertaking</i> FCA PRA</p>	<p>(1) (in relation to a <i>firm</i> or other <i>undertaking</i> ("B"), other than a <i>non-directive firm</i>), a <i>person</i> ("A") who (whether acting alone or in concert):</p> <p style="margin-left: 40px;">(a) holds 10% or more of the <i>shares</i> in B or in a <i>parent undertaking</i> ("P") of B;</p> <p style="margin-left: 40px;">(b) holds 10% or more of the <i>voting power</i> in B or in P; or</p>
<p><i>controller</i> FCA PRA</p>	

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(2) (in relation to a *non-directive firm* ("B")) a *person* ("A") who (whether acting alone or in concert):

(a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 20% or more of the *voting power* in B or in P; or

(c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.

(3) for the purposes of calculations relating to (1) and (2), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.

(4) *shares* and *voting power* that a *person* holds in a *firm* ("B") or in a *parent undertaking* of B ("P") are disregarded for the purposes of determining *control* in the following circumstances:

(a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;

(b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power* attached to the *shares* in accordance with instructions given in writing;

(c) *shares* representing no more than 5% of the total voting power in B or P held by an *investment firm*, provided that:

(i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);

(ii) it is authorised by its *Home State regulator* under MIFID; and

(iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the *shares* or back the share price;

(d) *shares* held by a *credit institution* or *investment firm* in its *trading book* are disregarded, provided that:

(i) the *shares* represent no more than 5% of the total *voting power* in B or P; and

(ii) the *credit institution* or *investment firm* ensures that the *voting power* is not used to intervene in the management of B or P;

(e) *shares* held by a *credit institution* or an *investment firm* are disregarded, provided that:

(i) the *shares* are held as a result of performing the *investment services* and activities of:

(A) underwriting share issues; or

(B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and

(ii) the *credit institution* or *investment firm*:

(A) does not exercise *voting power* represented by the *shares* or otherwise intervene in the management of the issuer; and

(B) retains the holding for a period of less than one year;

(f) where a *management company* and its *parent undertaking* both hold *shares* or *voting power*, each may disregard holdings of the other, provided that each exercises its *voting power* independently of the other;

(g) but (f) does not apply if the *management company*:

(i) manages holdings for its *parent undertaking* or an *undertaking* in respect of which the *parent undertaking* is a *controller*;

(ii) has no discretion to exercise the *voting power* attached to such holdings; and

(iii) may only exercise the *voting power* in relation to such holdings under direct or indirect instruction from:

(A) its *parent undertaking*; or

(B) an *undertaking* in respect of which of the *parent undertaking* is a *controller*;

(h) where an *investment firm* and its *parent undertaking* both hold *shares* or *voting power*, the *parent undertaking* may disregard holdings managed by the *investment firm* on a client by client basis and the *investment firm* may disregard holdings of the *parent undertaking*, provided that the *investment firm*:

(i) has permission to provide *portfolio management*;

(ii) exercises its *voting power* independently from the *parent undertaking*; and

(iii) may only exercise the *voting power* under instructions given in writing, or has appropriate mechanisms in place for ensuring that individual portfolio management services are conducted independently of any other services.

conventional group

FCA PRA

a group of *undertakings* that consists of a *parent undertaking* and the rest of its *sub-group*.

conversion factor

FCA PRA

(in accordance with Article 4(28) of the *Banking Consolidation Directive* (Definitions)) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.

convertible

FCA PRA

(for the purposes of *BIPRU*) a *security* which gives the investor the right to convert the *security* into a *share* at an agreed price or on an agreed basis.

convertible securities

FCA PRA

(in *LR* and *FEES*) a *security* which is:

(a) convertible into, or exchangeable for, other *securities*; or

(b) accompanied by a *warrant* or *option* to subscribe for or purchase other *securities*.

coordinator

FCA PRA

(in relation to a *financial conglomerate*) the *competent authority* which has been appointed, in accordance with Article 10 of the *Financial Groups Directive* (Competent authority responsible for exercising supplementary supervision (the coordinator)), as the competent authority which is responsible

	for the co-ordination and exercise of supplementary supervision of that <i>financial conglomerate</i> .
<p><i>co-ownership scheme</i></p> <p>FCA PRA</p>	<p>(as defined in section 235A(2) of the <i>Act</i> (Contractual schemes)) a <i>collective investment scheme</i> which satisfies the conditions in section 235A(3) and which is authorised for the purposes of the <i>Act</i> by an <i>authorisation order</i>.</p>
<p><i>core concentration risk group counterparty</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>firm</i>) a counterparty which is its <i>parent undertaking</i>, its <i>subsidiary undertaking</i> or a <i>subsidiary undertaking</i> of its <i>parent undertaking</i>, provided that (in each case) both the counterparty and the <i>firm</i> are:</p> <p>(a) included within the scope of consolidation on a full basis with respect to the same <i>UK consolidation group</i>; and</p> <p>(b) (where relevant) held by one or more intermediate <i>parent undertaking</i> or <i>financial holding company</i>, all of which are incorporated in the <i>United Kingdom</i>.</p>
<p><i>core market participant</i></p> <p>FCA PRA</p>	<p>an entity of a type listed in ■ BIPRU 5.4.64 R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).</p>
<p><i>core provision</i></p> <p>FCA PRA</p>	<p>(as defined in section 316(3) of the <i>Act</i> (Direction by a regulator)) a provision of the <i>Act</i> mentioned in section 317 of the <i>Act</i> (The core provisions) which applies to the carrying on of an insurance market activity by a <i>member</i>, or the <i>members</i> of the <i>Society</i> taken together, if the <i>appropriate regulator</i> so directs.</p>
<p><i>core tier one capital</i></p> <p>FCA PRA</p>	<p>an item of capital that is stated in stage A of the <i>capital resources table</i> (Core tier one capital) to be core tier one capital.</p>
<p><i>core UK group</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>firm</i>) all <i>undertakings</i> which, in relation to the <i>firm</i>, satisfy the conditions set out in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group) and ■ BIPRU 10.8A.2 R (Definition of core UK group).</p>
<p><i>core UK group waiver</i></p> <p>FCA PRA</p>	<p>a <i>waiver</i> that has the result of requiring a <i>firm</i> to apply:</p> <p>(a) (in relation to the <i>credit risk capital requirement</i>) ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a <i>firm</i> to assign a <i>risk weight</i> of 0% to <i>exposures</i> to members of its <i>core UK group</i> instead of complying with ■ BIPRU 3.2.20 R (Calculation of risk-weighted exposure amounts under the standardised approach); or</p> <p>(b) (in relation to <i>large exposures</i>) ■ BIPRU 10.8A (Intra-group exposures: core UK group), which in summary exempts all <i>exposures</i> between members of a <i>core UK group</i> from the limits described in ■ BIPRU 10.5 (Limits on exposures).</p>
<p><i>corporate</i></p> <p>FCA PRA</p>	<p>(in relation to the <i>IRB approach</i> or the <i>standardised approach</i> to credit risk) a <i>person</i> an <i>exposure</i> to whom is a <i>corporate exposure</i>.</p>
<p>PAGE C43</p> <p><i>corporate exposure</i></p> <p>FCA PRA</p>	<p>(1) (in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into ■ BIPRU 4.3.2 R (3) (IRB exposure classes).</p> <p>(2) (in relation to the <i>standardised approach</i> to credit risk) an <i>exposure</i> falling into ■ BIPRU 3.2.9 R (7) (Standardised approach to credit risk exposure classes).</p>

corporate
finance
advisory firm

FCA PRA

a *firm* whose permission includes a *requirement* that the *firm* must not conduct *designated investment business* other than *corporate finance business*.

corporate
finance
business

FCA PRA

- (a) *designated investment business* carried on by a *firm* with or for:
- (i) any *issuer*, holder or owner of *designated investments*, if that business relates to the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, those *investments*, or any related matter;
 - (ii) any *eligible counterparty* or *professional client*, or other *body corporate*, *partnership* or supranational organisation, if that business relates to the manner in which, or the terms on which, or the *persons* by whom, any business, activities or undertakings relating to it, or any *associate*, are to be financed, structured, managed, controlled, regulated or reported upon;
 - (iii) any *person* in connection with:
 - (A) a proposed or actual *takeover or related operation* by or on behalf of that *person*, or involving *investments* issued by that *person* (being a *body corporate*), its *holding company*, *subsidiary* or *associate*; or
 - (B) a merger, de-merger, reorganisation or reconstruction involving any *investments* issued by that *person* (being a *body corporate*), its holding company, subsidiary or *associate*;
 - (iv) any shareholder or prospective shareholder of a *body corporate* established or to be established for the purpose of effecting a *takeover or related operation*, where that business is in connection with that *takeover or related operation*;
 - (v) any *person* who, acting as a *principal* for his own account:
 - (A) is involved in negotiations or decisions relating to the commercial, financial or strategic intentions or requirements of a business or prospective business; or
 - (B) (provided he is acting otherwise than solely in his capacity as an investor) assists the interests of another *person* with or for whom the *firm*, or another *authorised person* or *overseas person*, is undertaking business as specified in (a)(i), (ii), (iii) or (iv), by himself undertaking all or part of any transactions involved in such business;
 - (vi) any *person* undertaking business with or for a *person* as specified in (a)(i), (ii), (iii), (iv) or (v) in respect of activities described in those sub-paragraphs;
- (b) *designated investment business* carried on by a *firm* as a *principal* for its own account where such business:
- (i) is in the course of, or arises out of, activities undertaken in accordance with (a); and
 - (ii) does not involve transactions with or for, or *advice on investments* to, any other *person* who is a *retail client* in respect of such business;

(c) *designated investment business* carried on by a *firm* as *principal* for its own account if such business:

(i) is in the course of, or arises out of:

(A) the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*, or any related matter; or

(B) a proposed or actual *takeover or related operation* by or on behalf of the *firm*, or involving *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; or

(C) a merger, de-merger, reorganisation or reconstruction involving any *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; and

(ii) does not involve *advice on investments* to any *person* who is a *retail client* ;

in this definition, "share warrants" and "debenture warrants" mean any *warrants* which relate to *shares* in the *firm* concerned or, as the case may be, *debentures* issued by the *firm*.

corporate
finance contact

FCA PRA

(when a *firm* carries on *regulated activities* with or for a *person* in the course of or as a result of either carrying on *corporate finance business* with or for a *client*, or carrying on *corporate finance business* for the *firm's* own account) that *person* in connection with that *regulated activity* if:

(a) the *firm* does not behave in a way towards that *person* which might reasonably be expected to lead that *person* to believe that he is being treated as a *client*; and

(b) the *firm* clearly indicates to that *person* that it:

(i) is not acting for him; and

(ii) will not be responsible to him for providing protections afforded to *clients* of the *firm* or be advising him on the relevant transaction.

corporate
governance
rules

FCA PRA

(in accordance with sections 73A(1) and 89O(1) of the *Act*) *rules* for the purpose of implementing, enabling the implementation of or dealing with matters arising out of or related to, any *EU* law obligation relating to the corporate governance of *issuers* who have requested or approved *admission to trading* of their securities and about corporate governance in relation to such *issuers* for the purpose of implementing, or dealing with matters arising out of or related to, any *EU* law obligation. The *corporate governance rules* are located in chapters 1B, 4 and 7 of *DTR*.

corporate
member

FCA PRA

a *member* that is a *body corporate* or a Scottish Limited partnership.

correlation
trading
portfolio

FCA PRA

(in ■ *BIPRU 7*) a portfolio consisting of *securitisation positions* and nth-to-default credit derivatives that meet the criteria set out at ■ *BIPRU 7.2.42A R*, or other *positions* which may be included in accordance with ■ *BIPRU 7.2.42B R*.

Council

FCA PRA

the *governing body* of the *Society* constituted by section 3 of Lloyd's Act 1982.

counterparty

FCA PRA

(1) (in UPRU) any *person* with or for whom a firm carries on *designated investment business* or an *ancillary activity*.

(2) (for the purposes of the rules relating to insurers in GENPRU and INSPRU) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

(a) any one individual; or

(b) any one unincorporated body of *persons*; or

(c) any *company* which is not a member of a *group*; or

(d) any *group* of *companies* excluding:

(i) (for the purposes of ■ INSPRU 2.1) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ GENPRU 1.3.43 R ; and

(ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A ; or

(e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State,

in which A , or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary undertakings*, has rights or obligations under a contract entered into by A or any of its *subsidiary undertakings*.

(3) (for the purposes of the *rules* relating to BIPRU firms in GENPRU and BIPRU and in relation to an *exposure* of a *person* ('A')) the counterparty with respect to that *exposure* or, if the context requires, another *person* in respect of whom, under that *exposure*, A is exposed to credit risk or the risk of loss if that *person* fails to meet its obligations, such as the issuer of the underlying *security* in relation to a *derivative* held by A.

counterparty credit risk

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

counterparty risk

FCA PRA

(in COLL and FUND) the risk of loss for a UCITS or an AIF resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow.

counterparty risk capital component

FCA PRA

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 14.2.1 R (Calculation of the counterparty risk capital component).

country of origin

FCA PRA

in relation to an *electronic commerce activity*, the EEA State in which the *establishment* from which the service in question is provided is situated.

coupon

FCA PRA

a dividend, interest payment or any similar payment.

covered bond

(1) (in accordance with Article 52(4) of the *UCITS Directive* and except for the purposes of the *IRB approach* or the *standardised approach* to

FCA PRA

credit risk) a bond that is issued by a *credit institution* which has its registered office in an *EEA State* and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

(2) (in accordance with point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds) and for the purposes of the IRB approach or the *standardised approach* to credit risk) a covered bond as defined in (1) collateralised in accordance with ■ BIPRU 3.4.107 R (Exposures in the form of covered bonds).

(3) (in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a bond in relation to which the claims attaching to that bond are guaranteed to be paid by an *owner* from an *asset pool* it owns.

(4) (in accordance with Article 22(4) of the *Third Non-Life Directive* and Article 24(4) of the *Consolidated Life Directive* and for the purposes of ■ INSPRU 2.1) a *debenture* that is issued by a *credit institution* which:

(a) has its head office in an *EEA State*; and

(b) is subject by law to special official supervision designed to protect the holders of the *debenture*; in particular, sums deriving from the issue of the *debenture* must be invested in accordance with the law in assets which, during the whole period of validity of the *debenture*, are capable of covering claims attaching to the *debenture* and which, in the event of failure of the *issuer*, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

CPI

the Consumer Prices Index.

FCA

CRD

the *Capital Adequacy Directive* and the *Banking Consolidation Directive*.

FCA PRA

CRD financial instrument

has the meaning set out in ■ BIPRU 1.2.7 R to ■ BIPRU 1.2.8 R (CRD financial instruments), which is in summary any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

FCA PRA

CRD implementation measure

(in relation to an *person*, a provision of the *Banking Consolidation Directive* or the *Capital Adequacy Directive* and an *EEA State* other than the *United Kingdom*) a measure implementing that provision of that Directive for that type of *person* in that *EEA State*.

FCA PRA

CRED

the Credit Unions sourcebook.

FCA PRA

credit

(1) (except in relation to a *class of contract of insurance*) any kind of loan, deferment of repayment of any loan or of interest on any loan, guarantee or indemnity, and any other kind of accommodation or facility in the nature of credit.

FCA PRA

credit enhancement

FCA **PRA**

(2) (in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 14 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against risks of loss to the *persons* insured arising from the insolvency of debtors of theirs or from the failure (otherwise than through insolvency) of debtors of theirs to pay their debts when due.

(in accordance with Article 4(43) of the *Banking Consolidation Directive* (Definitions)) a contractual arrangement whereby the credit quality of a *position* in a *securitisation* (within the meaning of paragraph (2) of the definition of *securitisation*) is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior *tranches* in the *securitisation* and other types of credit protection.

credit equalisation provision

FCA **PRA**

the provision required to be established by INSPRU 1.4.43R.

credit institution

FCA **PRA**

(1) (except in *REC*) (in accordance with articles 4(1) and 107 of the *BCD*) :

(a) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or

(b) [deleted]

(c) [deleted]

(d) for the purposes of ■ BIPRU 10 (Large exposures requirements) it means:

(i) a credit institution as defined by (1)(a) to (1)(b) that has been authorised in an *EEA State*; or

(ii) any private or public undertaking which meets the definition in (1)(a) - (1)(b) and which has been authorised in a *non-EEA state*.

(see also *BCD credit institution*, *full credit institution*, *full BCD credit institution* and *Zone A credit institution*.)

(2) (in *REC* and in *SUP* 11 (Controllers and close links) and *SUP* 16 (Reporting requirements)):

(a) a credit institution authorised under the *Banking Consolidation Directive*; or

(b) an institution which would satisfy the requirements for authorisation as a credit institution under the *Banking Consolidation Directive* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.

(3) (in relation to the definition of *electronic money issuer*) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of Article 4(3) of the *Banking Consolidation Directive* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with Article 38 of the *Banking Consolidation Directive*.

credit quality assessment scale

FCA **PRA**

the credit quality assessment scale:

(1) onto which the credit assessments of an export credit agency are mapped under the table in ■ BIPRU 3.4.9 R (Exposure for which a credit assessment by an export credit agency is recognised); or

(2) published by the *appropriate regulator* in accordance with the *Capital Requirements Regulations 2006* which determine:

(a) (in relation to an *eligible ECAI* whose recognition is for *risk weighting* purposes other than those in (2)(b)) with which of the *credit quality steps* set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an *eligible ECAI* are to be associated; or

(b) (in relation to an *eligible ECAI* whose recognition is for *securitisation risk-weighting* purposes) with which of the *credit quality steps* set out in ■ BIPRU 9 (Securitisation) the relevant credit assessments of the *eligible ECAI* are to be associated.

credit quality step

FCA **PRA**

a credit quality step in a *credit quality assessment scale* as set out in ■ BIPRU 3.4 (Risk weights under the standardised approach to credit risk) and ■ BIPRU 9 (Securitisation).

credit risk capital component

FCA **PRA**

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 3.1.5 R (Calculation of the credit risk capital component).

credit risk capital requirement

FCA **PRA**

the part of the *capital resources requirement* of a *BIPRU firm* in respect of credit risk, calculated in accordance with ■ GENPRU 2.1.51 R (Calculation of the credit risk capital requirement).

credit risk mitigation

FCA **PRA**

(in accordance with Article 4(30) of the *Banking Consolidation Directive* (Definitions)) a technique used by an *undertaking* to reduce the credit risk associated with an *exposure* or *exposures* which the *undertaking* continues to hold.

credit union

FCA **PRA**

a body corporate registered under the Industrial and Provident Societies Act 1965 as a credit union in accordance with the Credit Unions Act which is an *authorised person* or a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an *authorised person* or a body corporate registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union which is an *authorised person*.

credit unions day

FCA **PRA**

(in relation to a *Great Britain credit union*) 1 July 2002 or (in relation to a *Northern Ireland credit union*) 31 March 2012.

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credit valuation adjustment

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:

(a) reflects the market value of the credit risk due to any failure to perform on contractual agreements with a counterparty; and

CREDS

FCA PRA

(b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the *firm* and the counterparty.

the Credit Unions New sourcebook.

CREST

FCA PRA

the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by CRESTCo Limited.

CRM eligibility conditions

FCA PRA

(1) (in relation to the *standardised approach* to credit risk),
 ■ BIPRU 5.3.1 R-■ BIPRU 5.3.2 R, ■ BIPRU 5.4.1 R-■ BIPRU 5.4.8 R,
 ■ BIPRU 5.5.1 R, ■ BIPRU 5.5.4 R, ■ BIPRU 5.5.8 R, ■ BIPRU 5.6.1 R and
 ■ BIPRU 5.7.1 R-■ BIPRU 5.7.4 R; or

(2) (in relation to the *IRB approach*), the provisions in (1) and
 ■ BIPRU 4.4.83 R, ■ BIPRU 4.10-■ BIPRU 4.10.7 R, ■ BIPRU 4.10.9 R,
 ■ BIPRU 4.10.10 R-■ BIPRU 4.10.12 R, ■ BIPRU 4.10.14 R, ■ BIPRU 4.10.16 R,
 ■ BIPRU 4.10.19 R, and ■ BIPRU 4.10.38 R-■ BIPRU 4.10.39 R.

CRM minimum requirements

FCA PRA

(1) (in relation to the *standardised approach* to credit risk);
 ■ BIPRU 5.2.9 R-■ BIPRU 5.2.10 R, ■ BIPRU 5.3.3 R,
 ■ BIPRU 5.4.9 R-■ BIPRU 5.4.13 R, ■ BIPRU 5.5.2 R,
 ■ BIPRU 5.5.5 R-■ BIPRU 5.5.6 R, ■ BIPRU 5.6.2 R-■ BIPRU 5.6.3 R,
 ■ BIPRU 5.7.6 R-■ BIPRU 5.7.14 R; or

(2) (in relation to the *IRB approach*), the provisions in (1) and
 ■ BIPRU 4.4.85 R, ■ BIPRU 4.10.13 R, ■ BIPRU 4.10.15 R, and
 ■ BIPRU 4.10.18 R-■ BIPRU 4.10.19 R.

cross border services

FCA PRA

(1) (in relation to a *UK firm*) services provided within an *EEA State* other than the *United Kingdom* under the freedom to provide services.

(2) (in relation to an *incoming EEA firm* or an *incoming Treaty firm*) services provided within the *United Kingdom* under the freedom to provide services.

cross product netting

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the inclusion of transactions of different product categories within the same *netting set* pursuant to the *rules* about cross-product netting set out in ■ BIPRU 13.

Cross-Border Payments in Euro Regulations

FCA PRA

the Cross-Border Payments in Euro Regulations 2010 (SI 2010/89).

cross-border UCITS merger

FCA PRA

(in *COLL* and in accordance with article 2(1)(q) of the *UCITS Directive*) a *UCITS merger* of two or more *UCITS*:

(a) at least two of which are established in different *EEA States*; or

(b) established in the same *EEA State* into a newly constituted *UCITS* established in another *EEA State*;

but at least one of which is established in the *United Kingdom*.

cross-transaction

FCA **PRA**

(a) a transaction by which a *person* matches, at the same price and on the same terms, the *buy* and *sell* orders of two or more *persons* for whom he is acting as agent;

(b) a transaction to which only one *person* is a party, by which he purports to *sell* to and *buy* from himself.

CRR

FCA **PRA**

capital resources requirement.

CTF

FCA **PRA**

(as defined in section 1(2) of the Child Trust Funds Act 2004) a child trust fund, that is, an account which:

(1) is held by a child who is or has been an eligible child (as defined in section 2 of that Act);

(2) satisfies the requirements imposed by or under the Child Trust Funds Act 2004; and

(3) has been opened in accordance with the Child Trust Funds Act 2004.

CTF bank account

FCA **PRA**

a bank account which fulfils the requirements of Regulation 11(5) of the *CTF Regulations*.

CTF provider

FCA **PRA**

(in accordance with section 3(1) of the Child Trust Funds Act 2004) a *person* approved by HM Revenue and Customs in accordance with the *CTF Regulations*.

CTF Regulations

FCA **PRA**

the Child Trust Funds Regulations 2004 (SI 2004/1450) .

CTF transfer

FCA **PRA**

a transaction resulting from a decision by a *customer*, made with or without advice from a *firm*, to transfer the *investments* (or their value) held in an existing *CTF* into another *CTF* whether or not provided by the same *CTF provider*.

currency class unit

FCA **PRA**

(in *COLL*) a class of *unit* denominated in a currency that is not the *base currency* of the *authorised fund*, or if permitted, by ■ *COLL 3.3.4 R (1)* (Currency class units: requirements).

current approved person approval

FCA **PRA**

(in relation to an *approved person* in relation to a particular *firm* and *controlled function* as at any particular time) an approval under section 59 of the *Act* (Approval for particular arrangements) given by the *FCA* or the *PRA* in relation to that *person* for the performance of that *controlled function* in relation to that *firm* that is in force at that time.

current customer order

FCA **PRA**

(a) a *customer order* to be *executed* immediately;

(b) a *customer order* which is to be *executed* only on fulfilment of a condition, after the condition has been fulfilled.

current exposure

FCA **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ *BIPRU 13* (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions

<p><i>current FCA approved person approval</i> FCA PRA</p>	<p>and long settlement transactions)) the larger of zero, or the market value of a transaction or portfolio of transactions within a <i>netting set</i> with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy.</p> <p>a <i>current approved person approval</i> given by the FCA.</p>
<p><i>current market value</i> FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13.5 (CCR standardised method)) the net market value of the portfolio of transactions within the <i>netting set</i> with the counterparty; both positive and negative market values are used in computing <i>current market value</i>.</p>
<p><i>current PRA approved person approval</i> FCA PRA</p>	<p>a <i>current approved person approval</i> given by the PRA.</p>
<p><i>custodian</i> FCA PRA</p>	<p>(a) an <i>approved bank</i>;</p> <p>(b) an <i>approved depositary</i>;</p> <p>(c) a <i>member of a recognised investment exchange or designated investment exchange</i>;</p> <p>(d) a <i>firm</i> whose <i>permitted activities</i> include <i>safeguarding and administering investments</i>;</p> <p>(e) a regulated <i>clearing firm</i>;</p> <p>(f) where it is not feasible to use a <i>custodian</i> in (a) to (e), and there are reasonable grounds to show that a <i>person</i> outside the <i>United Kingdom</i>, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the <i>client</i> and in the <i>client's</i> best interest to use, that <i>person</i>.</p>
<p><i>custody</i> FCA PRA</p>	<p>(in relation to <i>clients' assets</i>) <i>safeguarding and administering investments</i>.</p>
<p><i>custody asset</i> FCA PRA</p>	<p>(A) (in the <i>FCA Handbook</i>)</p> <p>(1) other than when <i>acting as trustee or depositary of an AIF</i>:</p> <p style="padding-left: 40px;">(a) a <i>designated investment</i> held for or on behalf of a <i>client</i>;</p> <p style="padding-left: 40px;">(b) any other asset which is or may be held with a <i>designated investment</i> held for, or on behalf of, a <i>client</i>.</p> <p>(2) in relation to <i>acting as trustee or depositary of an AIF</i> in ■ CASS 6:</p> <p style="padding-left: 40px;">(a) an <i>AIF custodial asset</i> held by a <i>depositary</i> in line with ■ FUND 3.11.21 R (Depositary functions: safekeeping of financial instruments); or</p>

custody
chapter

FCA PRA

custody rules

FCA PRA

customer

FCA PRA

customer
function

FCA PRA

customer order

FCA PRA

customer-dealing
function

FCA PRA

(b) any other asset of an *AIF* in respect of which a *depository* exercises safe-keeping functions in line with ■ FUND 3.11.23 R (Depository functions: safekeeping of other assets).

(B) (in the *PRA Handbook*)

(a) a *designated investment* held for or on behalf of a *client*;

(b) any other asset which is or may be held with a *designated investment* held for, or on behalf of, a *client*.

■ CASS 6.

■ CASS 6.

(1) (except in relation to *ICOBS*, ■ MCOB 3 and ■ CASS 5) a *client* who is not an *eligible counterparty* for the relevant purposes .

(2) (in relation to ■ MCOB 3) a *person* in (1) or a *person* who would be such a *person* if he were a *client*.

(3) (in relation to *ICOBS*) a *person* who is a *policyholder*, or a prospective *policyholder* but (except in ■ *ICOBS* 2 (general matters), and (in respect of that chapter) ■ *ICOBS* 1 (application)) excluding a *policyholder* or prospective *policyholder* who does not make the arrangements preparatory to him concluding the *contract of insurance* .

(4) (in relation to ■ CASS 5) a *client*.

(in the *FCA Handbook*) *FCA controlled function* CF30 in Parts 1 and 2 of the table of *FCA controlled functions*, described more fully in ■ SUP 10A.10.7 R.

(a) an order to a *firm* from a *customer* to *execute* a transaction as agent;

(b) any other order to a *firm* from a *customer* to *execute* a transaction in circumstances giving rise to duties similar to those arising on an order to *execute* a transaction as agent;

(c) a decision by a *firm* in the exercise of discretion to *execute* a transaction with or for a *customer*.

(in accordance with section 59(7A) of the *Act* (Approval for particular arrangements) in relation to the carrying on of a *regulated activity* by an *authorised person* ("A") a function that will involve the *person* performing it in dealing with:

(a) customers of A; or

(b) property of customers of A;

in a manner substantially connected with the carrying on of the activity.

(i) it is paid by way of advance or part payment under a contract for the sale, hire or other provision of property or services, and is repayable only in the event that the property or services is or are not in fact sold, hired or otherwise provided; or

(ii) it is paid by way of security for the performance of a contract or by way of security in respect of loss which may result from the non-performance of a contract; or

(iii) without prejudice to (ii), it is paid by way of security for the delivery up or return of any property, whether in a particular state of repair or otherwise.

(2) (in *COMP*) the *investment* within (1), but including a sum of money that would otherwise be excluded:

(a) by article 6(1)(a)(ii) of the *Regulated Activities Order*, where the *person* making the payment is a *credit union* (unless the *person* receiving the payment is also a *credit union*); or

(b) by article 6(1)(d) of the *Regulated Activities Order*, where the *person* receiving it is a *credit union* ; or

(c) by article 6 of the *Regulated Activities Order*, where the *person* paying it is an *eligible claimant*.

deposit back arrangement

FCA PRA

(in relation to any contract of *reinsurance*) an arrangement whereby an amount is deposited by the *reinsurer* with the cedant.

Deposit Guarantee Directive

FCA PRA

the Council Directive of 13 May 1994 on deposit-guarantee schemes (No 94/19/EC).

depository

FCA PRA

(1) (except in *LR*):

(a) (in relation to an *ICVC*) the *person* to whom is entrusted the safekeeping of all of the *scheme property* of the *ICVC* and who has been appointed for this purpose in accordance with regulation 5 (Safekeeping of scheme property by depository) of and Schedule 1 (Depositories) to the *OEIC Regulations*;

(b) (in relation to an *AUT*) the *trustee*;

(c) (in relation to any other *unit trust scheme* other than an *AIF* specified in (e)) the *person* holding the property of the *scheme* on trust for the *participants*;

(ca) (in relation to an *EEA UCITS scheme*) the *person* fulfilling the function of a depository in accordance with article 2(1)(a) of the *UCITS Directive*;

(cb) (in relation to an *ACS* which is a *co-ownership scheme*) the *person* who holds the property subject to the *scheme* or to whose order that property is held, as required by section 235A(3)(d) of the *Act* (Contractual schemes);

(cc) (in relation to an *ACS* which is a *limited partnership scheme*) the *person* who holds the property subject to the *scheme* or to whose order that property is held, and who has been appointed to be the *person* to whom the *property* subject to the *scheme* is entrusted for

<p>safekeeping, as required by section 235A(6)(e)(i) of the <i>Act</i> (Contractual schemes);</p> <p>(d) (in relation to any other <i>fund</i> other than an <i>AIF</i> specified in (e)) any <i>person</i> to whom the <i>fund</i> property is entrusted for safekeeping.</p> <p>(e) (for an <i>AIF</i> managed by a <i>full-scope UK AIFM</i> or a <i>full-scope EEA AIFM</i> (other than an <i>AIF</i> which is an <i>ICVC</i>, an <i>AUT</i> or an <i>ACS</i>)) the <i>person</i> fulfilling:</p> <p style="padding-left: 40px;">(i) the function of a depository in accordance with article 21(1) of <i>AIFMD</i>; or</p> <p style="padding-left: 40px;">(ii) one or more of the functions of cash monitoring, safekeeping or oversight for a <i>non-EEA AIF</i>, in line with ■ FUND 3.11.33 R (1)(a) (<i>AIFM</i> of a non-EEA <i>AIF</i>).</p> <p>(2) (in <i>LR</i>) a <i>person</i> that issues <i>certificates representing certain securities</i> that have been <i>admitted to listing</i> or are the subject of an application for <i>admission to listing</i> .</p>	<p>the <i>stakeholder product</i> specified by regulation 4 (certain deposit accounts) of the <i>Stakeholder Regulations</i>;</p>
<p><i>deposit-based stakeholder product</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> which is a <i>bank</i>, <i>building society</i> or <i>credit union</i>.</p>
<p><i>deposit-taking firm</i></p> <p>FCA PRA</p>	<p>the Decision Procedure and Penalties manual.</p>
<p><i>DEPP</i></p> <p>FCA PRA</p>	<p>a <i>contract for differences</i>, a <i>future</i> or an <i>option</i>.(see also <i>securitised derivative</i>.)</p>
<p><i>derivative</i></p> <p>FCA PRA</p>	<p>one of the following <i>clearing houses</i>:</p> <p>(a) ASX Settlement and Transfer Corporation Pty Ltd (ASTC);</p> <p>(b) Austrian Kontroll Bank (OKB);</p> <p>(c) Board of Trade Clearing Corporation;</p> <p>(d) Cassa di Compensazione e Garanzia S.p.A (CCG);</p> <p>(e) Commodity Clearing Corporation;</p> <p>(f) Emerging Markets Clearing Corporation;</p> <p>(g) FUTOP Clearing Centre (FUTOP Clearing Centralen A/S);</p> <p>(h) Hong Kong Futures Exchange Clearing Corporation Ltd;</p> <p>(i) Hong Kong Securities Clearing Company Ltd;</p> <p>(j) Kansas City Board of Trade Clearing Corporation;</p> <p>(k) Norwegian Futures & Options Clearing House (Norsk Opsjonsentral A.S. (NOS));</p> <p>(l) N.V. Nederlandse Liquidatiekas (NLKKAS);</p>
<p><i>designated clearing house</i></p> <p>FCA PRA</p>	

*designated
client bank
account*

FCA PRA

- (m) OM Stockholm Exchange;
- (n) Options Clearing Corporation;
- (o) Options Clearing House Pty Ltd (OCH);
- (p) Sydney Futures Exchange Clearing House (SFECH Ltd); and
- (q) TNS Clearing Pty Ltd (TNSC).

a *client bank account* with the following characteristics:

- (a) the account holds the money of one or more *clients*;
- (b) the account includes in its title the word "designated";
- (c) the *clients* whose *money* is in the account have each consented in writing to the use of the bank with which the *client money* is to be held; and
- (d) in the event of the *failure* of that bank, the account is not pooled with any other type of account unless a *primary pooling event* occurs.

*designated
client fund
account*

FCA PRA

a *client bank account* with the following characteristics:

- (a) the account holds at least part of the *client money* of one or more *clients*, each of whom has consented to that *money* being held in the same *client bank* accounts at the same banks (the *client money* of such *clients* constituting a designated fund);
- (b) the account includes in its title the words "designated fund"; and
- (c) in the event of the *failure* of a bank with which part of a designated fund is held, each *designated client fund account* held with the failed bank will form a pool with any other *designated client fund account* containing part of that same designated fund unless a *primary pooling event* occurs.

*designated
committee*

FCA PRA

(in relation to a firm) a management body of the *firm* with delegated authority from the *firm's governing body* for approving either:

- (a) (in relation to a *firm* that uses the *IRB approach*) all material aspects of the *firm's rating systems* and material changes to the *firm's rating systems*; or
- (b) (in relation to a *firm* that uses the *advanced measurement approach*) all material aspects of the *advanced measurement approach* as carried out by the *firm* and material changes to the *firm's advanced measurement approach*; and
- (c) a policy statement defining the *firm's* overall approach to material aspects of rating and estimation processes for all *rating systems* including non-material *rating systems* in relation to the *IRB approach*, or its overall approach to the *advanced measurement approach*, as relevant;

at least one of whose members is a member of the *firm's governing body*.

*designated
investment*

FCA PRA

a *security* or a contractually-based investment (other than a *funeral plan contract* and a right to or interest in a *funeral plan contract*), that is, any of the following *investments*, specified in Part III of the *Regulated Activities Order* (Specified Investments), and a *long-term care insurance contract* which is a *pure protection contract*:

- (a) *life policy* (subset of article 75 (Contracts of insurance));
- (b) *share* (article 76);
- (c) *debenture* (article 77);
- (ca) *alternative debenture* (article 77A);
- (d) *government and public security* (article 78);

- (e) *warrant* (article 79);
- (f) *certificate representing certain securities* (article 80);
- (g) *unit* (article 81);
- (h) *stakeholder pension scheme* (article 82(1));
- (ha) *personal pension scheme* (article 82(2));
- (hb) *emissions auction product* (article 82A) where it is a *financial instrument*.
- (i) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and *option* on a *commodity future*;
- (j) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (k) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;
- (l) *rights to or interests in investments* in (a) to (k) (article 89) but not including rights to or interests in rights under a *long-term care insurance contract* which is a *pure protection contract*.

designated
investment
business

FCA PRA

any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:

- (a) *dealing in investments as principal* (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc);
- (b) *dealing in investments as agent* (article 21) but only in relation to *designated investments*;
- (ba) *MiFID business bidding* (part of *bidding in emissions auctions*) (article 24A);
- (c) *arranging (bringing about) deals in investments* (article 25(1)), but only in relation to *designated investments*;
- (d) *making arrangements with a view to transactions in investments* (article 25(2)), but only in relation to *designated investments*;
- (da) *operating a multilateral trading facility* (article 25D);
- (e) *managing investments* (article 37), but only if the assets consist of or include (or may consist of or include) *designated investments*;
- (ea) assisting in the administration and performance of a *contract of insurance*, but only if the *contract of insurance* is a *designated investment*.

(f) *safeguarding and administering investments* (article 40), but only if the assets consist of or include (or may consist of or include) *designated investments*; for the purposes of the *permission* regime, this is sub-divided into:

- (i) *safeguarding and administration of assets (without arranging)*;
- (ii) *arranging safeguarding and administration of assets*;

(g) *sending dematerialised instructions* (article 45(1));

(h) *causing dematerialised instructions to be sent* (article 45(2));

(i) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:

- (i) *establishing, operating or winding up a regulated collective investment scheme*;
- (ii) *establishing, operating or winding up an unregulated collective investment scheme*;

(j) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));

(k) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));

(ka) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));

(l) *establishing, operating or winding up a stakeholder pension scheme* (article 52 (a));

(la) *establishing, operating or winding up a personal pension scheme* (article 52(b));

(lb) *providing basic advice on a stakeholder product* (article 52B);

(m) *advising on investments* (article 53), but only in relation to *designated investments*; for the purposes of the *permission* regime, this is sub-divided into:

- (i) *advising on investments (except pension transfers and pension opt-outs)*;
- (ii) *advising on pension transfers and pension opt-outs*;

(n) *agreeing to carry on a regulated activity in (a) to (h) and (m)* (article 64).

(o) [deleted]

(p) *managing a UCITS*;

(q) *acting as trustee or depositary of a UCITS*;

(r) *managing an AIF*;

(s) *acting as trustee or depositary of an AIF*;

(t) *establishing, operating or winding up a collective investment scheme*.

Any of the following investment exchanges:

American Stock Exchange

Australian Stock Exchange

Bermuda Stock Exchange

Bolsa Mexicana de Valores

Bourse de Montreal Inc

*designated
investment
exchange*

PAGE
D9

FCA PRA

Channel Islands Stock Exchange
 Chicago Board of Trade
 Chicago Board Options Exchange
 Chicago Stock Exchange
 Coffee, Sugar and Cocoa Exchange, Inc
 Euronext Amsterdam Commodities Market
 Hong Kong Exchanges and Clearing Limited
 International Securities Market Association
 Johannesburg Stock Exchange
 Kansas City Board of Trade
 Korea Stock Exchange
 Mid-America Commodity Exchange
 Minneapolis Grain Exchange
 New York Cotton Exchange
 New York Futures Exchange
 New York Stock Exchange
 New Zealand Stock Exchange
 Osaka Securities Exchange
 Pacific Exchange
 Philadelphia Stock Exchange
 Singapore Exchange
 South African Futures Exchange
 Tokyo International Financial Futures Exchange
 Tokyo Stock Exchange
 Toronto Stock Exchange

*designated
money market
fund*

FCA **PRA**

(in ■ BIPRU 12 and BSOCS) a *collective investment scheme* authorised under the *UCITS Directive* or which is subject to supervision and, if applicable, authorised by an authority under the national law of an *EEA State*, and which satisfies the following conditions:

- (a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;
- (b) it must, with a view to achieving that primary investment objective, invest exclusively in either or both assets (i) of the kind mentioned in BIPRU 12.7.2R(1) and (2), or (ii) sight deposits with *credit institutions* that are at all times fully secured against assets of the kind mentioned in BIPRU 12.7.2R(1) and (2);
- (c) it must, for the purpose of condition (b), only count assets with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;
- (d) it must, for the purpose of condition (b), ensure that if it invests in sight deposits with *credit institutions* of the kind mentioned in (b)(ii), no more than 20% of those deposits are held with any one body; and

*designated
multilateral
development
bank*

FCA **PRA**

(e) it must provide liquidity through same day settlement in respect of any request for redemption made at or before 1200 hours GMT or, as the case may be, BST.

Any of the following:

- (a) African Development Bank;
- (b) Asian Development Bank;
- (c) Council of Europe Development Bank;
- (d) European Bank for Reconstruction and Development;
- (e) European Investment Bank;
- (f) Inter-American Development Bank;
- (g) International Bank for Reconstruction and Development;
- (h) International Finance Corporation;
- (i) Islamic Development Bank; and
- (j) Nordic Investment Bank.

*designated
non-member*

FCA **PRA**

(in *REC*) (in relation to a *UK RIE*) a *person* in respect of whom action may be taken under the *default rules* of the *RIE* but who is not a *member* of the *RIE*.

*designated
professional
body*

FCA **PRA**

a professional body designated by the Treasury under section 326 of the *Act* (Designation of professional bodies) for the purposes of Part XX of the *Act* (Provision of Financial Services by Members of the Professions); the following professional bodies have been designated in the Financial Services and Markets Act 2000 (Designated Professional Bodies) Order 2001 (SI 2001/1226), the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2004 (SI 2004/3352) and the Financial Services and Markets Act 2000 (Designated Professional Bodies) (Amendment) Order 2006 (SI 2006/58):

- (a) The Law Society of England & Wales;
- (b) The Law Society of Scotland;
- (c) The Law Society of Northern Ireland;
- (d) The Institute of Chartered Accountants in England and Wales;
- (e) The Institute of Chartered Accountants of Scotland;
- (f) The Institute of Chartered Accountants in Ireland;
- (g) The Association of Chartered Certified Accountants;
- (h) The Institute of Actuaries;
- (i) The Council for Licensed Conveyancers; and
- (j) The Royal Institution of Chartered Surveyors.

*designated
State or
territory*

FCA **PRA**

any *EEA State* (other than the *United Kingdom*), Australia, Canada or a province of Canada, Hong Kong, Singapore, South Africa, Switzerland, a State in the United States of America, the District of Columbia or Puerto Rico.

DGD claim

FCA **PRA**

a *claim*, in relation to a *protected deposit*, against a *BCD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.

dilution

FCA PRA

(in *COLL*) the amount of *dealing* costs incurred, or expected to be incurred, by or for the account of a *single-priced authorised fund* to the extent that these costs may reasonably be expected to result, or have resulted, from the acquisition or disposal of *investments* by or for the account of the *single-priced authorised fund* as a consequence (whether or not immediate) of the increase or decrease in the cash resources of the *single-priced authorised fund* resulting from the *issue* or *cancellation* of *units* over a period;

for the purposes of this definition, *dealing* costs include both the costs of *dealing* in an *investment*, professional fees incurred, or expected to be incurred, in relation to the acquisition or disposal of an immovable and, where there is a spread between the *buying* and *selling* prices of the *investment*, the indirect cost resulting from the differences between those prices .

dilution adjustment

FCA PRA

an adjustment to the *price* of a *unit* determined by the *authorised fund manager* of a *single-priced authorised fund* , under ■ *COLL* 6.3.8 R (Dilution) for the purpose of reducing *dilution*.

dilution levy

FCA PRA

a charge of such amount or at such rate as is determined by the *authorised fund manager* of a *single-priced authorised fund* to be made for the purpose of reducing the effect of *dilution*.

dilution risk

FCA PRA

(in accordance with Article 4(24) of the *Banking Consolidation Directive* (Definitions)) the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.

Diploma Directives

FCA PRA

the First and Second Diploma Directives, that is:

(a) the Council Directive of 21 December 1988 on a general system for the recognition of higher-education diplomas, awarded on completion of professional education and training of at least three years' duration (No 89/48/EEC);

(b) the Council Directive of 18 June 1992 on a second general system for the recognition of professional education and training to supplement Directive 89/48/EEC (No 92/51/EEC).

direct offer financial promotion

FCA PRA

a *financial promotion* that contains:

(a) an offer by the *firm* or another *person* to enter into a *controlled agreement* with any *person* who responds to the communication; or

(b) an invitation to any *person* who responds to the communication to make an offer to the *firm* or another *person* to enter into a *controlled agreement*;

and which specifies the manner of response or includes a form by which any response may be made.

In relation to *MiFID* or *equivalent third country business* "controlled agreement" includes an agreement to carry on an *ancillary service*.

directed at

FCA PRA

a *financial promotion* is directed at *persons* if it is addressed to *persons* generally (for example where it is contained in a television broadcast or web site).

directed only at

FCA PRA

(a) If all the conditions set out in (c) are met, a communication is to be regarded as "directed only at" a certain *group* of *persons*.

(b) In any other case in which one or more of those conditions are met, that fact is to be taken into account in determining whether the communication is "directed only at" a certain *group* of *persons* (but a

communication may still be regarded as so directed even if none of the conditions in (c) are met).

(c) The conditions are that:

- (i) the communication includes an indication of the description of *persons* to whom it is directed and an indication of the fact that the *investment* or service to which it relates is available only to such *persons*;
- (ii) the communication includes an indication that *persons* of any other description should not rely upon it;
- (iii) there are in place proper systems and procedures to prevent recipients other than *persons* to whom it is directed engaging in the investment activity, or participating in the *collective investment scheme*, to which the communication relates with the *person* directing the communication, a *close relative* of his or a member of the same *group*.

a *friendly society* other than a *non-directive friendly society*.

directive friendly society

FCA PRA

director

FCA PRA

(1) (except in *COLL*, *DTR*, *LR* and *PR*) (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

- (a) an unincorporated association;
- (b) a *body corporate*;
- (c) (in *SYSC*, ■ *MIPRU 2* (Insurance mediation activity: responsibility, knowledge, ability and good repute) and ■ *SUP 10* (Approved persons)) a *partnership*;
- (d) (in *SYSC* and ■ *SUP 10* (Approved persons)) a *sole trader*;

any *person* appointed to direct its affairs, including a *person* who is a member of its *governing body* and (in accordance with section 417(1) of the *Act*):

- (i) a *person* occupying in relation to it the position of a director (by whatever name called); and
- (ii) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to *act*.

(2) (in *COLL*) a director of an *ICVC*, including (in accordance with regulation 2(1) of the *OEIC Regulations*) a *person* occupying in relation to the *ICVC* the position of director, by whatever name called.

(3) (in *DTR*, *LR* and *PR*) (in accordance with section 417(1)(a) of the *Act*) a *person* occupying in relation to it the position of a director (by whatever name called) and, in relation to an *issuer* which is not a *body corporate*, a *person* with corresponding powers and duties.

(1) (in the *FCA Handbook*) *FCA controlled functions* CF1 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ *SUP 10A.6.7 R* and ■ *SUP 10A.6.8 R*.

(2) (in the *PRA Handbook*) *PRA controlled function* CF1 in the *table of PRA controlled functions*, described more fully in ■ *SUP 10B.6.1 R* and ■ *SUP 10B.6.2 R*.

director function

FCA PRA

director of unincorporated association function

FCA **PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF5 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.6.29 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF5 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.6.15 R.

Disciplinary Tribunal

FCA **PRA**

a Tribunal appointed under Schedule 2 to Lloyd's Disciplinary Committees Byelaw (No 31 of 1996).

disclosable information

FCA **PRA**

any information which has to be disclosed in the market in accordance with any legal or regulatory requirement.

disclosure obligations

FCA **PRA**

(in *REC*) the initial, ongoing and ad hoc disclosure requirements contained in the *relevant articles* and given effect:

(1) in the *United Kingdom* by Part 6 of the *Act* and Part 6 rules (within the meaning of section 73A of the *Act*); or

(2) in another *EEA State* by legislation transposing the *relevant articles* in that State.

disclosure rules

FCA **PRA**

(in accordance with sections 73A(1) and 73A(3) of the *Act*) *rules* relating to the disclosure of information in respect of *financial instruments* which have been admitted to trading on a *regulated market* or for which a request for *admission to trading* on such a market has been made.

discounting

FCA **PRA**

discounting or deductions to take account of investment income as set out in paragraph 48 of the *insurance accounts rules*.

discretionary investment manager

FCA **PRA**

(in *COBS* and (in relation to *firm type*) in ■ SUP 16.10 (Confirmation of standing data)) a *person* who, acting only on behalf of a *client*, manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement.

discretionary pension benefit

FCA **PRA**

(in ■ SYSC 19A) enhanced pension benefits granted on a discretionary basis by a *firm* to an *employee* as part of that *employee's* variable *remuneration* package, but excluding accrued benefits granted to an *employee* under the terms of his company pension scheme.

[Note: article 4(49) of the *Banking Consolidation Directive*]

DISP

FCA **PRA**

Dispute Resolution: the Complaints sourcebook.

distance contract

FCA **PRA**

any contract concerning financial services concluded between a *supplier* and a *consumer* under an organised distance sales or service provision scheme run by the *supplier* which, for the purpose of that contract, makes exclusive use (directly or through an intermediary) of one or more means of distance communication (that is, any means which, without the simultaneous physical presence of the *supplier* or intermediary and the *consumer*, may be used for the distance marketing of a service between those parties) up to and including the time at which the contract is concluded.

A contract is not a distance contract if:

- (a) making, performing or marketing it does not constitute or form part of a *regulated activity*; or
- (b) it is entered into on a strictly occasional basis outside a commercial structure dedicated to the conclusion of distance contracts; or
- (c) a *consumer*, and an intermediary acting for a product provider, are simultaneously physically present at some stage before the conclusion of the contract; or
- (d) it is entered into to comply with the requirement in Part 1 of the Pensions Act 2008 to automatically enrol or re-enrol employees into an *automatic enrolment scheme*.

[Note: recitals 15 and 18 to, and articles 2(a) and (e) of, the *Distance Marketing Directive*]

distance home purchase mediation contract

FCA PRA

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on a home purchase plan*;
- (b) *arranging (bringing about) a home purchase plan*;
- (c) *making arrangements with a view to a home purchase plan*; or
- (d) *agreeing to carry on a regulated activity* in (a) to (c).

Distance Marketing Directive

FCA PRA

The Directive of the Council and Parliament of 23 September 2002 on distance marketing of consumer financial services (No 2002/65/EC).

Distance Marketing Regulations

FCA PRA

The Financial Services (Distance Marketing) Regulations 2004 (SI 2004/2095).

distance mortgage mediation contract

FCA PRA

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on regulated mortgage contracts*; or
- (b) *arranging (bringing about) regulated mortgage contracts*; or
- (c) *making arrangements with a view to regulated mortgage contracts*; or
- (d) agreeing to carry on a regulated mortgage activity in (a) to (c).

distance regulated sale and rent back mediation contract

FCA PRA

a *distance contract*, the making or performance of which constitutes, or is part of:

- (a) *advising on a regulated sale and rent back agreement*; or
- (b) *arranging (bringing about) a regulated sale and rent back agreement*; or
- (c) *making arrangements with a view to a regulated sale and rent back agreement*; or
- (d) agreeing to carry on a *regulated sale and rent back mediation activity* in (a) to (c).

<p><i>distance selling contract</i></p> <p>FCA PRA</p>	<p>(in <i>BCOBS</i>) has the same meaning as "distance contract" in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).</p>
<p><i>distribution account</i></p> <p>FCA PRA</p>	<p>(in <i>COLL</i>) the account to which the amount of income of an <i>authorised fund</i> allocated to <i>classes of units</i> that distribute income must be transferred as at the end of each <i>annual accounting period</i> under ■ <i>COLL 6.8.3 R</i> (Income allocation and distribution) or ■ <i>COLL 8.5.15 R</i> (Income) .</p>
<p><i>distribution channels</i></p> <p>FCA PRA</p>	<p>a channel through which information is, or is likely to become, publicly available. Information which is "likely to become publicly available" means information to which a large number of <i>persons</i> have access.</p> <p>[Note: article 2(1) of the <i>MiFID implementing Directive</i>]</p>
<p><i>distribution of exposures</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of market values that is generated by setting forecast instances of negative net market values equal to zero.</p>
<p><i>distribution of market values</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of net market values of transactions within a <i>netting set</i> for some future date (the forecasting horizon), given the realised market value of those transactions up to the present time.</p>
<p><i>DLG by default</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK ILAS BIPRU firm</i> (a <i>group liquidity reporting firm</i>) and any reporting period under ■ <i>SUP 16</i> (Reporting requirements)) the <i>firm</i> and each <i>person</i> identified in accordance with the following:</p> <p>(a) (in a case in which the <i>firm</i> is the only <i>UK ILAS BIPRU firm</i> in its <i>group</i>) that <i>person</i> meets any of the following conditions for any part of that period:</p> <ul style="list-style-type: none"> (i) that <i>person</i> provides material support to the <i>firm</i> against <i>liquidity risk</i>; or (ii) that <i>person</i> is committed to provide such support or would be committed to do so if that <i>person</i> were able to provide it; or (iii) the <i>firm</i> has reasonable grounds to believe that that <i>person</i> would supply such support if asked or would do so if it were able to provide it; or (iv) the <i>firm</i> provides material support to that <i>person</i> against <i>liquidity risk</i>; or (v) the <i>firm</i> is committed to provide such support to that <i>person</i> or would be committed to do so if the <i>firm</i> were able to provide it; or (vi) the <i>firm</i> has reasonable grounds to believe that that <i>person</i> would expect the <i>firm</i> to supply such support if asked or that the <i>firm</i> would do so if it were able to provide it; or <p>(b) (in a case in which the <i>firm</i> is not the only <i>UK ILAS BIPRU firm</i> in its <i>group</i>):</p> <ul style="list-style-type: none"> (i) each of those other <i>UK ILAS BIPRU firms</i>; and

(ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*;

(iii) no *DLG by default* exists where the *group* consists only of *UK ILAS BIPRU firms*.

The following provisions also apply for the purpose of this definition.

(c) A *person* is not a member of a *firm's* *DLG* by default unless it also satisfies one of the following conditions:

(i) it is a member of the *firm's* *group*; or

(ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or

(iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.

(ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's* *group* that falls into one of the following categories:

(i) it is a *credit institution*; or

(ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

(iii) *credit institution* has the meaning used in ■ SUP 16 (Reporting requirements), namely either of the following:

(A) a credit institution authorised under the *Banking Consolidation Directive*; or

(B) an institution which would satisfy the requirements for authorisation as a credit institution under the *Banking Consolidation Directive* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

(iv) a *person* is authorised to *deal on own account* if:

(A) it is a *firm* and its *permission* includes that activity; or

(B) it is an *EEA firm* and it is authorised by its *Home State regulator* to do that activity; or

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.

(d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).

(e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or expected to provide support for only part of the period.

(f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the *group* through no more than a *participation* is ignored.

DLG by modification

FCA PRA

(g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the *firm* directly or indirectly.

(i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

either of the following:

(a) a *DLG by modification (firm level)*; or

(b) a *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

DLG by modification (firm level)

FCA PRA

(in relation to any reporting period under ■ SUP 16 (Reporting requirements) and a *UK ILAS BIPRU firm* that has an *intra-group liquidity modification* during any part of that period (a *group liquidity reporting firm*) the *firm* and each *person* on whose liquidity support the *firm* can rely, under that *intra-group liquidity modification*, for any part of that period for the purpose of the *overall liquidity adequacy rule* (as the *overall liquidity adequacy rule* applies to the *firm* on a solo basis). A *firm* has a 'DLG by modification (firm level)' for a period even if it only has one during part of that period.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)

document

FCA PRA

any piece of recorded information, including (in accordance with section 417(1) of the *Act* (Interpretation)) information recorded in any form; in relation to information recorded otherwise than in legible form, references to its production include references to producing a copy of the information in legible form.

document evidencing title

FCA PRA

any means of evidencing title whether in documentary form or otherwise.

document viewing facility

FCA PRA

(in *LR*) a location identified on the *FCA* website where the public can inspect documents referred to in the *listing rules* as being documents to be made available at the document viewing facility.

domestic UCITS merger

FCA PRA

(in *COLL* and in accordance with article 2(1)(r) of the *UCITS Directive*) a *UCITS merger* between two or more *UCITS schemes* in relation to which a *UCITS marketing notification* has been made in respect of at least one of the relevant *schemes*.

dormant account

FCA PRA

has the meaning given in section 10 of the Dormant Bank and Building Society Accounts Act 2008, which is in summary an *account* that at a particular point in time:

(a) has been open throughout the period of 15 years ending at that time; and

dormant account fund operator

FCA PRA

(b) during that period no transactions have been carried out in relation to the *account* by or on the instructions of the holder of the *account*.

a *firm* with *permission for operating a dormant account fund*.

dormant account funds

FCA PRA

has the meaning given in section 5(6) of the Dormant Bank and Building Society Accounts Act 2008, which is *money* paid to a *dormant account fund operator* by a *bank* or *building society* in respect of a *dormant account*.

drawdown mortgage

FCA PRA

a *lifetime mortgage* contract where:

(a) the amount borrowed is paid by the *mortgage lender* to the *customer* in instalments during the life of the mortgage; and

(b) the size and frequency of the instalments are:

(1) agreed between the *mortgage lender* and the *customer*; or

(2) set by reference to an index or interest rate (such as the Official Bank Rate).

drawdown pension

FCA PRA

(as defined in paragraph 4 of Schedule 28 to the Finance Act 2004):

(a) a *short-term annuity*; or

(b) an *income withdrawal*.

drawn down capital

FCA PRA

(in ■ SUP 16, in the case of an *investment management firm* carrying out *venture capital business*) the total current value of contributions committed by investors under contractual agreement which has been invested by the *firm*.

DTR

FCA PRA

the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules*, *transparency rules* and *corporate governance rules*.

dual-priced authorised fund

FCA PRA

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate *fund*), that is not a *single-priced authorised fund*.

durable medium

FCA PRA

(a) paper; or

(b) any instrument which enables the recipient to store information addressed personally to him in a way accessible for future reference for a period of time adequate for the purposes of the information and which allows the unchanged reproduction of the information stored. In particular, *durable medium* covers floppy disks, CD-ROMs, DVDs and hard drives of personal computers on which electronic mail is stored, but it excludes Internet sites, unless such sites meet the criteria specified in the first sentence of this paragraph.

(in relation to *MiFID* or equivalent third country business or *collective portfolio management*, if the relevant rule implements the *MiFID implementing Directive*, the *UCITS Directive*, the *UCITS implementing Directive* or the *UCITS implementing Directive No 2*) the instrument used must be:

(i) appropriate to the context in which the business is to be carried on; and

(ii) specifically chosen by the recipient when offered the choice between that instrument and paper.

For the purposes of this definition, the provision of information by means of electronic communications shall be treated as appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on if there is evidence that the *client* has regular access to the internet. The provision by the *client* of an e-mail address for the purposes of the carrying on of that business is sufficient.

[Note: article 2(f) and Recital 20 of the *Distance Marketing Directive*, article 2(12) of the *Insurance Mediation Directive*, articles 2(2), 3(1) and 3(3) of the *MiFID implementing Directive*, articles 75(2) and 81(1) of the *UCITS Directive*, article 20(3) of the *UCITS implementing Directive* and article 7 of the *UCITS implementing Directive No 2*]

<p><i>early amortisation provision</i></p> <p>FCA PRA</p>	<p>(in accordance with Article 100 of the <i>Banking Consolidation Directive</i> (Securitisation of revolving exposures) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation) a contractual clause which requires, on the occurrence of defined events, investors' positions to be redeemed prior to the originally stated maturity of the securities issued.</p>
<p><i>early repayment charge</i></p> <p>FCA PRA</p>	<p>(in <i>MCOB</i> and <i>BSOCS</i>) a charge levied by the <i>mortgage lender</i> on the <i>customer</i> in the event that the amount of the loan is repaid in full or in part before a date specified in the contract.</p>
<p><i>ECA recipient</i></p> <p>FCA PRA</p>	<p>a <i>person</i> who is a user of an <i>electronic commerce activity</i>.</p>
<p><i>ECAI</i></p> <p>FCA PRA</p>	<p>an external credit assessment institution.</p>
<p><i>ECD Regulations</i></p> <p>FCA PRA</p>	<p>the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775).</p>
<p><i>E-Commerce Directive</i></p> <p>FCA PRA</p>	<p>the Council Directive of 8 June 2002 on legal aspects of <i>information society services</i>, in particular electronic commerce, in the Internal Market (No 2000/31/EC).</p>
<p><i>ECR</i></p> <p>FCA PRA</p>	<p><i>enhanced capital requirement</i>.</p>
<p><i>EE</i></p> <p>FCA PRA</p>	<p><i>expected exposure</i>.</p>
<p><i>EEA</i></p> <p>FCA PRA</p>	<p>the <i>European Economic Area</i> (see also <i>EEA State</i>.)</p>
<p><i>EEA AIF</i></p> <p>FCA PRA</p>	<p>an <i>AIF</i>, other than a <i>UK AIF</i>, which:</p> <ul style="list-style-type: none"> (a) is authorised or registered in an <i>EEA State</i> under the applicable national law; or (b) is not authorised or registered in an <i>EEA State</i> but has its registered office or head office in an <i>EEA State</i>.
<p><i>EEA AIFM</i></p> <p>FCA PRA</p>	<p>an <i>AIFM</i> which has its registered office in an <i>EEA State</i> other than the <i>UK</i>.</p>
<p><i>EEA authorisation</i></p> <p>FCA PRA</p>	<p>(in accordance with paragraph 6 of Schedule 3 to the <i>Act</i> (EEA Passport Rights)):</p> <ul style="list-style-type: none"> (a) in relation to an <i>IMD insurance intermediary</i> or an <i>IMD reinsurance intermediary</i>, registration with its <i>Home State regulator</i> under article 3 of the <i>Insurance Mediation Directive</i>;

EEA
authorised
electronic
money
institution

FCA PRA

(b) in relation to any other *EEA firm*, authorisation granted to an *EEA firm* by its *Home State regulator* for the purpose of the relevant *Single Market Directive* or the *auction regulation*.

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to issue *electronic money* and provide *payment services* in accordance with the *Electronic Money Directive*.

EEA
authorised
payment
institution

FCA PRA

(a) (in accordance with regulation 2(1) of the *Payment Services Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to provide *payment services* in accordance with the *Payment Services Directive*; and

(b) (in accordance with paragraph 1 of Schedule 7 to the *Payment Services Regulations*) a firm which has its head office in Gibraltar, is authorised in Gibraltar to provide *payment services*, and has an entitlement corresponding to its passport right deriving from the *Payment Services Directive*, to establish a *branch* or provide services in the *United Kingdom*.

EEA bank

FCA PRA

an *incoming EEA firm* which is a *BCD credit institution*.

EEA banking
and investment
group

FCA PRA

a *banking and investment group* that satisfies one or more of the following conditions:

(a) it is headed by:

(i) an *investment firm* or *credit institution* that is authorised and incorporated in an *EEA State*; or

(ii) a *financial holding company* that has its head office in an *EEA State*; or

(b) it has as a member an *investment firm* or *credit institution* that:

(i) is authorised and incorporated in an *EEA State*; and

(ii) is linked with another member that is in the *banking sector* or the *investment services sector* by a *consolidation Article 12(1) relationship*; or

(c) it is otherwise required by *EEA prudential sectoral legislation* for the *banking sector* or the *investment services sector* (except Article 143 of the *Banking Consolidation Directive* (Third-country parent undertakings)) to be subject to consolidated supervision by a *competent authority*.

EEA branch of
an authorised
electronic
money
institution

FCA PRA

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a branch established by an *authorised electronic money institution*, in the exercise of its *passport rights*, to issue *electronic money*, provide *payment services*, distribute or redeem *electronic money* or carry out other activities in accordance with the *Electronic Money Regulations* in an *EEA State* other than the *United Kingdom*.

EEA
commodities
market

FCA PRA

a market that facilitates trading in *derivatives* relating to *commodities* (other than a market operated by an *RIE*) and which is operated by an entity that has its head office situated in the *EEA* and that is regulated as an exchange.

EEA financial conglomerate

FCA PRA

a *financial conglomerate* that is of a type that falls under Article 5(2) of the *Financial Groups Directive* (Scope of supplementary supervision of *regulated entities* referred to in Article 1 of that Directive) which in summary means a *financial conglomerate*:

- (a) that is headed by an *EEA regulated entity*; or
- (b) in which the *parent undertaking* of an *EEA regulated entity* is a *mixed financial holding company* which has its head office in the *EEA*; or
- (c) in which an *EEA regulated entity* is linked with a member of the *financial conglomerate* in the *overall financial sector* by a *consolidation Article 12(1) relationship*.

EEA firm

FCA PRA

(in accordance with paragraph 5 of Schedule 3 to the *Act* (EEA Passport Rights)) any of the following, if it does not have its relevant office in the *United Kingdom*:

- (a) an investment firm (as defined in article 4(1) of *MiFID*) which is authorised (within the meaning of article 5) by its *Home State regulator*;
- (b) a *credit institution* (as defined in article 4(1) of the *Banking Consolidation Directive*)
- (c) a financial institution (as defined in article 4(5) of the *Banking Consolidation Directive*) which is a subsidiary of the kind mentioned in article 24 and which fulfils the conditions in articles 23 and 24 ;
- (d) an undertaking pursuing the activity of direct insurance (within the meaning of article 2 of the *Consolidated Life Directive* (No. 2002/83/EC) or of Article 1 of the *First Non-Life Directive* (No. 73/239/EEC)) which has received authorisation under Article 4 of the *Consolidated Life Directive* or Article 6 of the *First Non-Life Directive* from its *Home State regulator*;
- (e) an *IMD insurance intermediary* or an *IMD reinsurance intermediary* (as defined in article 2 of the *IMD*) which has registered under article 3 of that directive with its *Home State regulator*;
- (f) (from 1 July 2011) a *management company*;
- (g) an *undertaking* pursuing the activity of reinsurance (within the meaning of article 1 of the *Reinsurance Directive*) which has received authorisation under article 3 of the *Reinsurance Directive* from its *Home State Regulator* ;
- (h) a *person* who has received authorisation under article 18 of the *auction regulation*;
- (hh) an *AIFM* which is authorised (under article 6 of *AIFMD*) by its *Home State regulator*;

in this definition, relevant office means:

- (i) in relation to a *firm* falling within sub-paragraph (e), which has a registered office, its registered office;
- (ii) in relation to any other *firm* falling within any other paragraph, its head office.

EEA insurance parent undertaking

FCA PRA

an *insurance parent undertaking* that has its head office in the *United Kingdom* or another *EEA State*.

EEA insurer

FCA PRA

an *insurer*, other than a *pure reinsurer* or a *non-directive insurer*, whose head office is in any *EEA State* except the *United Kingdom* and which has received *authorisation* under article 6 of the *First Life Directive* or article 4 of the

<p><i>EEA ISPV</i> FCA PRA</p>	<p><i>Consolidated Life Directive</i> or article 6 of the <i>First Non-Life Directive</i> from its <i>Home State Regulator</i>.</p>
<p><i>EEA key investor information document</i> FCA PRA</p>	<p>an <i>ISPV</i> (including a <i>UK ISPV</i>) whose head office is in any <i>EEA State</i> and which has received authorisation pursuant to article 46 of the <i>Reinsurance Directive</i> from its <i>Home State Regulator</i>.</p> <p>a <i>document</i> that:</p> <ul style="list-style-type: none"> (a) relates to an <i>EEA UCITS scheme</i>; (b) complies with the requirements of the <i>KII Regulation</i>; and (c) is provided in a language stipulated by article 94(1)(b) of the <i>UCITS Directive</i>.
<p><i>EEA market operator</i> FCA PRA</p>	<p>(in <i>REC</i>) a <i>person</i> who is a <i>market operator</i> whose <i>home state</i> is an <i>EEA State</i> other than the <i>United Kingdom</i>.</p>
<p><i>EEA MCR</i> FCA PRA</p>	<p>the <i>MCR</i> in relation to business carried on in all <i>EEA States</i>, taken together, calculated by a <i>UK-deposit insurer</i> in accordance with <i>INSPRU 1.5.46R</i>.</p>
<p><i>EEA MiFID investment firm</i> FCA PRA</p>	<p>a <i>MiFID investment firm</i> whose <i>Home State</i> is not the <i>United Kingdom</i>.</p>
<p><i>EEA parent financial holding company</i> FCA PRA</p>	<p>(in accordance with Article 4(17) of the <i>Banking Consolidation Directive</i> (Definitions) and Article 3 of the <i>Capital Adequacy Directive</i> (Definitions)) a <i>parent financial holding company in a Member State</i> which is not a <i>subsidiary undertaking</i> of an <i>institution</i> authorised in any <i>EEA State</i> or of another <i>financial holding company</i> or <i>mixed financial holding company</i> established in any <i>EEA State</i>.</p>
<p><i>EEA parent institution</i> FCA PRA</p>	<p>(in accordance with Article 4(16) of the <i>Banking Consolidation Directive</i> and Article 2 of the <i>Capital Adequacy Directive</i> (Definitions)) a <i>parent institution in a Member State</i> which is not a <i>subsidiary undertaking</i> of another <i>institution</i> authorised in any <i>EEA State</i>, or of a <i>financial holding company</i> or <i>mixed financial holding company</i> established in any <i>EEA State</i>.</p>
<p><i>EEA parent mixed financial holding company</i> FCA PRA</p>	<p>(in accordance with Article 4(17a) of the <i>Banking Consolidation Directive</i> (Definitions)) a <i>parent mixed financial holding company in a Member State</i> which is not a <i>subsidiary undertaking</i> of an <i>institution</i> authorised in any <i>EEA State</i> or of another <i>financial holding company</i> or <i>mixed financial holding company</i> established in any <i>EEA State</i>.</p>
<p><i>EEA Passport Rights Regulations</i> FCA PRA</p>	<p>the <i>Financial Services and Markets Act 2000</i> (<i>EEA Passport Rights</i>) <i>Regulations 2001</i> (SI 2001/2511).</p>

EEA prudential sectoral legislation

FCA PRA

(in relation to a *financial sector*) requirements applicable to *persons* in that *financial sector* in accordance with EEA legislation about prudential supervision of *regulated entities* in that *financial sector* and so that:

- (a) (in relation to the *banking sector* and the *investment services sector*) in particular this includes the requirements laid down in the *Banking Consolidation Directive* and the *Capital Adequacy Directive*; and
- (b) (in relation to the *insurance sector*) in particular this includes requirements laid down in the *First Non-Life Directive*, the *Consolidated Life Directive* and the *Insurance Groups Directive*.

EEA pure reinsurer

FCA PRA

a *reinsurance undertaking* (other than an *ISPV*) whose head office is in any *EEA State* except the *United Kingdom* and which has received (or is deemed to have received) authorisation under article 3 of the *Reinsurance Directive* from its *Home State Regulator*.

EEA registered tied agent

FCA PRA

a *tied agent* of a *UK MiFID investment firm* that is not an *appointed representative* and would have been an *FCA registered tied agent* but for the fact that it does business in an *EEA State* that permits *investment firms* authorised by the *competent authority* of that state to appoint *tied agents*.

EEA regulated entity

FCA PRA

a *regulated entity* that is an *EEA firm* or a *UK firm*.

EEA regulator

FCA PRA

- (1) a *competent authority* for the purposes of any of the *Single Market Directives* or the *auction regulation*.
- (2) (in ■ DEPP 7) (as defined in section 131FA of the *Act*) the *competent authority* of an *EEA State* other than the *United Kingdom* for the purposes of the *short selling regulation*.

EEA right

FCA PRA

(in accordance with paragraph 7 of Schedule 3 to the *Act* (EEA Passport Rights)) the entitlement of a *person* to establish a *branch* or provide services in an *EEA State* other than that in which he has his relevant office:

- (a) in accordance with the *Treaty* as applied in the *European Economic Area*; and
- (b) subject to the conditions of the relevant *Single Market Directive* or the *auction regulation*.

in this definition, relevant office means:

- (i) in relation to a *person* who has a registered office and whose entitlement is subject to the conditions of the *Insurance Mediation Directive*, his registered office; and
- (ii) in relation to any other *person*, his head office.

EEA simplified prospectus

FCA PRA

a marketing *document* which meets the requirements of Article 28 of the UCITS Directive (No 85/611/EEC) (as at 30 June 2011).

EEA simplified prospectus scheme

FCA PRA

an *EEA UCITS scheme* which is a *recognised scheme* under section 264 of the *Act* (Schemes constituted in other *EEA States*) and which is permitted by the laws and regulations of its *Home State* to market its *units* on the basis of an *EEA simplified prospectus*.

EEA State

FCA PRA

(in accordance with Schedule 1 to the Interpretation Act 1978), in relation to any time -

- (a) a state which at that time is a member State; or
- (b) any other state which is at that time a party to the EEA agreement.

[Note: Current non-member State parties to the EEA agreement are Norway, Iceland and Lichtenstein. Where the context requires, references to an *EEA State* include references to Gibraltar as appropriate].

EEA territorial scope rule

FCA PRA

■ COBS 1 Annex 1, Part 2 paragraph 1(1) (which provides that the territorial scope of COBS is modified to the extent necessary to be compatible with European law).

EEA tied agent

FCA PRA

a *tied agent* who is an *FCA registered tied agent* or an *EEA registered tied agent*.

EEA UCITS management company

FCA PRA

any *incoming EEA firm* that is a *management company*.

EEA UCITS scheme

FCA PRA

a *collective investment scheme* established in accordance with the *UCITS Directive* in an *EEA State* other than the *United Kingdom*.

EEA-deposit insurer

FCA PRA

a *non-EEA insurer* that has made a deposit in an *EEA State* (other than the *United Kingdom*) under article 23 of the *First Non-Life Directive* (as amended) in accordance with article 26 of that Directive or under article 51 of the *Consolidated Life Directive* in accordance with article 56 of that Directive.

effecting contracts of insurance

FCA PRA

the *regulated activity*, specified in article 10(1) of the *Regulated Activities Order* (Effecting and carrying out contracts of insurance), of effecting a *contract of insurance* as principal.

effective EE

FCA PRA

effective expected exposure.

effective EPE

FCA PRA

effective expected positive exposure.

effective expected exposure

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions) and as at a specific date) the maximum *expected exposure* that occurs at that date or any prior date; alternatively, it may be defined for a specific date as the greater of the *expected exposure* at that date, or the *effective exposure* at the previous date.

effective expected

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) the weighted average over time of *effective expected exposure*

positive exposure

FCA PRA

over the first year, or, if all the contracts within the *netting set* mature before one year, over the time period of the longest maturity contract in the *netting set*, where the weights are the proportion that an individual *expected exposure* represents of the entire time interval.

effective maturity

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions), for the purpose of the *CCR internal model method* and with respect to a *netting set* with maturity greater than one year) the ratio of the sum of *expected exposure* over the life of the transactions in the *netting set* discounted at the risk-free rate of return divided by the sum of *expected exposure* over one year in a *netting set* discounted at the risk-free rate; this effective maturity may be adjusted to reflect *rollover risk* by replacing *expected exposure* with *effective expected exposure* for forecasting horizons under one year.

efficient portfolio management

FCA PRA

(in *COLL* and in accordance with article 11 of the *UCITS eligible assets Directive*) techniques and instruments which relate to *transferable securities* and *approved money-market instruments* and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way;
- (b) they are entered into for one or more of the following specific aims:
 - (i) reduction of risk;
 - (ii) reduction of cost;
 - (iii) generation of additional capital or income for the *scheme* with a risk level which is consistent with the risk profile of the *scheme* and the risk diversification rules laid down in *COLL*.

EG

FCA PRA

the Enforcement Guide.

EIS

FCA PRA

Enterprise Investment Scheme.

EIS fund

FCA PRA

an arrangement, specified in paragraph 2 of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 (SI 2001/1062), which is in summary: an arrangement in relation to *EIS shares* that would have been a *collective investment scheme* if the scheme arrangements had not provided that:

- (a) the *operator* will, so far as practicable, make investments which, subject to each participant's individual circumstances, qualify for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988; and
- (b) the minimum subscription to the arrangements by each participant must be not less than £2,000.

EIS managed portfolio

FCA PRA

a managed portfolio which is, or is to be, invested wholly or mainly in *EIS shares*.

EIS manager

FCA PRA

- (a) (in relation to an *EIS managed portfolio*) the investment manager;
- (b) (in relation to an *EIS fund*) the manager of the fund.

EIS particulars

FCA PRA

a *document* containing particulars of an *Enterprise Investment Scheme*.

EIS share

FCA PRA

a *share* in respect of which the beneficial owner may, subject to his individual circumstances, be qualified, or has been qualified, for relief under Chapter III of Part VII of the Income and Corporation Taxes Act 1988.

EIS subscription

FCA PRA

any *money* which is subscribed:

(a) in the case of an *EIS managed portfolio*, by the *client* of the *EIS manager* whose portfolio it is;

(b) in the case of an *EIS fund*, by the participants in the *EIS*.

EL

FCA PRA

expected loss.

Electing Participants Order

FCA PRA

the Financial Services and Markets Act 2000 (Compensation Scheme: Electing Participants) Regulations 2001 (SI 2001/1783).

Electing Participants Regulations

FCA PRA

the Financial Services and Markets Act 2000 (Compensation Scheme: Electing Participants) Regulations 2001 (SI 2001/1783).

elective eligible counterparty

FCA PRA

a *client* categorised as an elective eligible counterparty in accordance with ■ COBS 3.6 (Eligible counterparties).

elective professional client

FCA PRA

a *client* categorised as an elective professional client in accordance with ■ COBS 3.5 (Professional clients).

electricity

FCA PRA

(a) electricity in any form, including electricity as deliverable through the *Balancing and Settlement Code*;

(b) any right that relates to electricity, for example the right under a contract or otherwise to require a person to take any action in relation to electricity, including:

(i) supplying electricity to any person or accepting supply of electricity; or

(ii) providing any information or notice in relation to electricity; or

(iii) making any payment in relation to the supply or nonsupply, or acceptance or non-acceptance of supply, of electricity.

electronic commerce activity

FCA PRA

an activity which:

(a) consists of the provision of an *information society service* from an *establishment* in an *EEA State*; and

(b) is, or but for article 72A (Information society services) of the *Regulated Activities Order* (Information society services) (and irrespective of the effect of article 72 of that Order (Overseas persons)) would be, a *regulated activity*.

*electronic
commerce
activity
direction*

FCA **PRA**

a direction made, or proposed to be made, by the *FCA* under regulation 6 of the *ECD Regulations*.

*electronic
commerce
communication*

FCA **PRA**

(in accordance with article 6 of the *Financial Promotion Order*) a communication, the making of which constitutes the provision of an *information society service*.

*electronic
communication*

FCA **PRA**

has the meaning given in section 15(1) of the Electronic Communications Act 2000.

*electronic
means*

FCA **PRA**

are means of electronic equipment for the processing (including digital compression), storage and transmission of data, employing wires, radio optical technologies, or any other electromagnetic means.

*electronic
money*

FCA **PRA**

electronically (including magnetically) stored monetary value as represented by a claim on the *electronic money issuer* which is:

(a) issued on receipt of funds for the purpose of making payment transactions as defined in Article 4(5) of the *Payment Services Directive*; and

(b) accepted by a *person* other than the *electronic money issuer*;

but does not include:

(c) monetary value stored on instruments that can be used to acquire goods or services only:

(i) in or on the *electronic money issuer's* premises; or

(ii) under a commercial agreement with the *electronic money issuer*, either within a limited network of service providers or for a limited range of goods or services; or

(d) monetary value that is used to make payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the payment service user and the supplier of the goods and services.

*Electronic
Money
Directive*

FCA **PRA**

Directive 2009/110/EC of the European Parliament and of the Council of 16th September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions, amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC.

*electronic
money
institution*

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) an *authorised electronic money institution* or a *small electronic money institution*.

electronic money issuer

FCA **PRA**

(1) (except in *DISP*) any of the following *persons* when they issue *electronic money*:

- (a) *authorised electronic money institutions*;
- (b) *small electronic money institutions*;
- (c) *EEA authorised electronic money institutions*;
- (d) *credit institutions*;
- (e) the Post Office Limited;
- (f) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the United Kingdom, when not acting in their capacity as a monetary authority or other public authority;
- (g) government departments and local authorities when acting in their capacity as public authorities;
- (h) *credit unions*;
- (i) municipal banks;
- (j) the National Savings Bank.

[Note: article 2(3) of the *Electronic Money Directive*]

(2) (in *DISP* and **■ FEES 5.5A**) as in (1) but:

- (a) excluding *credit institutions*, *credit unions* and municipal banks; and
- (b) including a *person* who meets the conditions set out in regulation 75(1) or regulation 76(1) of the *Electronic Money Regulations*.

Electronic Money Regulations

FCA **PRA**

the *Electronic Money Regulations 2011* (SI 2011/99).

electronic SCV rules

FCA **PRA**

(in *COMP*) **■ COMP 17.2.1 R(2)**, **■ COMP 17.2.3 R(3)** and **■ COMP 17.2.5 R**, the application of which is determined by **■ COMP 17.1** and **■ COMP 17.2.7 R**.

eligible

FCA **PRA**

(in *COLL*) (in relation to a *securities* or a *derivatives* market) a market that satisfies the requirements in **■ COLL 5.2.10 R** (Eligible markets: requirements) in relation to schemes falling under **■ COLL 5**.

eligible claimant

FCA **PRA**

a *person* who is eligible to bring a *claim* for compensation under **■ COMP 4.2.1 R**.

eligible complainant

FCA **PRA**

a *person* eligible to have a *complaint* considered under the *Financial Ombudsman Service*, as defined in **■ DISP 2.7** (Is the complainant eligible?).

eligible counterparty

FCA **PRA**

(1) (for the purposes other than those set out in (2)) (in accordance with **■** COBS 3.6.1 R) a *client* that is either a *per se eligible counterparty* or an *elective eligible counterparty*.

(2) (for the purposes of *PRIN*, in relation to activities other than *designated investment business*) a *client* categorised as an *eligible counterparty* in accordance with **■** PRIN 1 Annex 1 R.

eligible counterparty business

FCA **PRA**

the following services and activities carried on by a *firm*:

(a) *dealing on own account, execution of orders on behalf of clients* or reception and transmission of orders; or

(b) any *ancillary service* directly related to a service or activity referred to in (a); or

(c) *arranging* in relation to business which is not *MiFID* or *equivalent third country firm business*;

but only to the extent that the service or activity is carried on with or for an *eligible counterparty*.

eligible ECAI

FCA **PRA**

an *ECAI*:

(a) (for *exposure risk weighting* purposes other than those in (b)) recognised by the *appropriate regulator* under regulation 22 of the *Capital Requirements Regulations 2006* (Recognition for exposure risk-weighting purposes); or

(b) (for *securitisation risk weighting* purposes) recognised by the *appropriate regulator* under regulation 23 of the *Capital Requirements Regulations 2006* (Recognition for securitisation risk-weighting purposes).

eligible institution

FCA **PRA**

(in *COLL*)

(a) a *BCD credit institution* authorised by its *Home State regulator*;

(b) an *MiFID investment firm* authorised by its *Home State regulator*.

eligible LLP members' capital

FCA **PRA**

members' capital of a *limited liability partnership* that meets the conditions in *IPRU(INV)* Annex A or, for a *BIPRU firm*, the requirements of **■** GENPRU 2.2.94 R (Core tier one capital: Eligible LLP members' capital).

eligible partnership capital

FCA **PRA**

(in relation to a *BIPRU firm*) has the meaning in **■** GENPRU 2.2.93 R.

EMIR

Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories, sometimes referred to as the "European Markets Infrastructure Regulation".

EMIR requirements

FCA

requirements imposed under *EMIR* and any regulation made under it.

PAGE
E11

emissions allowance

FCA **PRA**

an 'allowance', within the meaning of article 3(a) of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

*emissions
auction
product*

FCA PRA

the *investment* specified in article 82A of the *Regulated Activities Order* (Greenhouse gas *emissions allowances*), which is in summary an *emissions allowance* offered for sale on an *auction platform* as a *financial instrument* or a *two-day emissions spot*.

employee

FCA PRA

(1) (for all purposes except those in (2)) an individual:

(a) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise; or

(b) whose services, under an arrangement between that *person* and a third party, are placed at the disposal and under the control of that *person*;

but excluding an *appointed representative* or a *tied agent* of that *person*.

(2) (for the purposes of:

(a) ■ COBS 11.7 (Personal account dealing);

(aa) ■ GEN 4 (Statutory status disclosure);

(ab) ■ GEN 6.1 (Payment of financial penalties);

(b) ■ SUP 12 (Appointed representatives); and

(c) TC)

an individual:

(i) within (1); or

(ii) who is:

(A) an *appointed representative* or, where applicable, a *tied agent* of the *person* referred to in (1); or

(B) employed or appointed by an *appointed representative* or, where applicable, a *tied agent* of that *person*, whether under a contract of service or for services or otherwise, in connection with the business of the *appointed representative* or *tied agent* for which that *person* has accepted responsibility.

a *person* that gives advice, or provides services to, an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* provided, or to be provided, by the employer for the benefit of its employees.

*employee
benefit
consultant*

FCA PRA

has the same meaning as in section 1166 of the Companies Act 2006.

*employees'
share scheme*

FCA PRA

*employers'
liability
insurance*

FCA PRA

a *contract of insurance* against risks of the *persons* insured incurring liabilities to their employees.

EMPS

FCA PRA

the Handbook Guide for energy market participants.

endowment
assurance

FCA PRA

a *life policy* which pays a sum of *money* on the survival of the life assured to a specific date or on his earlier death.

energy

FCA PRA

coal, *electricity*, *natural gas* (or any by-product or form of any of them) , *oil* or *biofuel*.

energy
collective
investment
scheme

FCA PRA

a *collective investment scheme*, the property of which consists only of *energy*, energy investments, *emissions allowances* , *tradable renewable energy credits* or cash awaiting investment.

energy
investment

FCA PRA

any of the following:

- (a) a *unit* in an *energy collective investment scheme*;
- (b) an *option* to acquire or dispose of an *energy investment*;
- (c) a *future* or a *contract for differences* where the commodity or property of any other description in question is:
 - (i) *energy*; or
 - (ii) an *energy investment*; or
 - (iii) an *emissions allowance* ; or
 - (iv) a *tradable renewable energy credit*;
- (d) a *contract for differences* where the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of any of (c)(i) to (iv) (including any prices or charges in respect of imbalances under the *Network Code* or the *Balancing and Settlement Code*);
- (e) a *weather derivative*;
- (f) an *emissions allowance*, if it is a *specified investment*;
- (g) a *tradable renewable energy credit*, if it is a *specified investment*;
- (h) *rights to or interests in investments* in (a)-(g).

energy market
activity

FCA PRA

(a) any *regulated activity* other than *bidding in emissions auctions* in relation to an *energy investment* or to *energy* , or in relation to a *biomass investment* or *biomass* that is ancillary to activities related to *energy investments* or *energy*, which:

- (i) is the *executing of own account transactions* on any *recognised investment exchange* or *designated investment exchange*; or
- (ii) if it is not the *executing of transactions* on such exchanges, is performed in connection with or for persons who are not *retail clients* ;

(b) *establishing, operating or winding up a collective investment scheme* which is an *energy collective investment scheme* in which *retail clients* do not participate.

energy market participant

FCA **PRA**

a *firm*:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with
 ■ IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm*, *bank*, *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm*), *media firm*, *oil market participant*, *service company*, *insurance intermediary*, *home finance administrator*, *home finance provider*, *incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

engage in investment activity

FCA **PRA**

(as defined in section 21(8) of the *Act*) (Restrictions on financial promotion):

(a) enter or offer to enter into an agreement the making or performance of which by either party constitutes a *controlled activity*; or

(b) exercise any rights conferred by a *controlled investment* to acquire, dispose of, underwrite or convert a *controlled investment*.

enhanced capital requirement

FCA **PRA**

(1) (in relation to a *firm* carrying on *general insurance business*) the amount calculated in accordance with INSPRU 1.1.72CR.

(2) (in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that a *firm* must hold as set out in GENPRU 2.1.38R.

entering as provider into a funeral plan contract

FCA **PRA**

the *regulated activity*, specified in article 59 of the *Regulated Activities Order* (Funeral plan contracts) which comes into force on 1 January 2002, of entering as provider into a *funeral plan contract*.

entering into a home finance transaction

FCA **PRA**

any of the *regulated activities* of *entering into a regulated mortgage contract*, *entering into a home purchase plan*, *entering into a home reversion plan* or *entering into a regulated sale and rent back agreement*.

entering into a home purchase plan

FCA **PRA**

the *regulated activity*, specified in article 63F(1) of the *Regulated Activities Order*, which is in summary: entering into a *home purchase plan* as provider.

entering into a home reversion plan

FCA **PRA**

the *regulated activity*, specified in article 63B(1) of the *Regulated Activities Order*, which is in summary: entering into a *home reversion plan* as provider, or acquiring any obligations or rights (including his interest in land) of the plan provider under a *home reversion plan* entered into by him on or after 6 April 2007.

entering into a regulated

the *regulated activity*, specified in article 61(1) of the *Regulated Activities Order*, which is in summary: entering into a *regulated mortgage contract* as lender.

mortgage
contract

FCA PRA

entering into a
regulated sale
and rent back
agreement

FCA PRA

the *regulated activity*, specified in article 63J(1) of the *Regulated Activities Order*, which is in summary entering into a *regulated sale and rent back agreement* as an agreement provider, including acquiring any obligations or rights of the agreement provider, including the agreement provider's interest in land or interests under one or more such *agreements*.

Enterprise
Investment
Scheme

FCA PRA

an arrangement which is an *EIS managed portfolio* or an *EIS fund*.

Enterprise
Zone Property
Unit Trust

FCA PRA

an *unregulated collective investment scheme* of which the underlying assets are industrial and commercial buildings in an Enterprise Zone in accordance with section 749(2) of the Finance Act 1980.

EPE

FCA PRA

expected positive exposure.

equalisation
provision

FCA PRA

a provision required to be established under the *rules* in INSPRU 1.4 .

equity

FCA PRA

(for the purposes of ■ BIPRU 7) a *share*.

equity
exposure

FCA PRA

(in relation to the *IRB approach*) an exposure falling into the *IRB exposure class* referred to in ■ BIPRU 4.3.2 R (5) (equity exposures).

equity market
adjustment
ratio

FCA PRA

(1) (in relation to the *resilience capital requirement*) has the meaning set out in INSPRU 3.1.19R.

(2) (in relation to the *market risk* scenario for the *risk capital margin* of a *with-profits fund*) has the meaning set out in INSPRU 1.3.71R.

equity PRR

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

(a) the *equity PRR* excludes the part of the *market risk capital requirement* calculated under ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives); and

(b) in relation to a particular *position*, it means the portion of the overall *equity PRR* attributable to that *position*.

<p><i>equity release activity</i></p> <p>FCA PRA</p>	<p>any <i>regulated mortgage activity</i> carried on in relation to a <i>lifetime mortgage</i>, or a <i>reversion activity</i>.</p>
<p><i>equity release adviser</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for:</p> <p>(a) <i>advising on regulated mortgage contracts</i> (when carried on in relation to a <i>lifetime mortgage</i>); or</p> <p>(b) <i>advising on a home reversion plan</i>.</p>
<p><i>equity release arranger</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging</i> a:</p> <p>(a) <i>regulated mortgage contract</i> (when carried on in relation to a <i>lifetime mortgage</i>); or</p> <p>(b) <i>home reversion plan</i>.</p>
<p><i>equity release intermediary</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on <i>equity release mediation activity</i>.</p>
<p><i>equity release mediation activity</i></p> <p>FCA PRA</p>	<p>any of the <i>regulated activities</i> of:</p> <p>(a) <i>arranging a regulated mortgage contract</i> (when carried on in relation to a <i>lifetime mortgage</i>) or a <i>home reversion plan</i>;</p> <p>(b) <i>advising on a regulated mortgage contract</i> (when carried on in relation to a <i>lifetime mortgage</i>) or a <i>home reversion plan</i>; or</p> <p>(c) <i>agreeing to carry on a regulated activity</i> in (a) or (b).</p>
<p><i>equity release provider</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for:</p> <p>(a) <i>entering into a regulated mortgage contract</i> (when carried on in relation to a <i>lifetime mortgage</i>); or</p> <p>(b) <i>entering into a home reversion plan</i>.</p>
<p><i>equity release transaction</i></p> <p>FCA PRA</p>	<p>a <i>lifetime mortgage</i> or a <i>home reversion plan</i>.</p>
<p><i>equity security</i></p> <p>FCA PRA</p>	<p>(1) (in <i>LR</i>) <i>equity shares</i> and <i>securities</i> convertible into <i>equity shares</i>; and</p> <p>(2) (in <i>PR</i>) (as defined in Article 2.1(b) of the <i>prospectus directive</i>) shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer.</p>
<p><i>equity share</i></p> <p>FCA PRA</p>	<p><i>shares</i> comprised in a <i>company's equity share capital</i>.</p>
<p><i>equity share capital</i></p> <p>FCA PRA</p>	<p>(for a <i>company</i>), its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.</p>

<p><i>equity stake</i> FCA PRA</p>	<p>(in relation to a <i>company</i>) any kind of equity stake in that <i>company</i>, including <i>shares</i> in it (including non-voting and non-equity <i>shares</i>, <i>debt securities</i> that are convertible or exchangeable into such <i>shares</i>, a call <i>option</i> on such <i>shares</i> or an in-the-money put <i>option</i> on such <i>shares</i>, but excluding a <i>contract for differences</i> or other <i>investment</i> that provides merely an economic exposure to movement in the price of the company's shares).</p>
<p><i>equivalent</i> FCA PRA</p>	<p>see <i>commission equivalent</i>.</p>
<p><i>equivalent business of a third country investment firm</i> FCA PRA</p>	<p>the business of a <i>third country investment firm</i> carried on from an establishment in the <i>United Kingdom</i> that would be <i>MiFID business</i> if that firm were a <i>MiFID investment firm</i>.</p>
<p><i>equivalent document</i> FCA PRA</p>	<p>(in <i>LR</i> and <i>FEES</i>) a document containing information equivalent to a <i>prospectus</i> for the purposes of ■ PR 1.2.2 R (2) or ■ (3) or ■ PR 1.2.3 R (3) or ■ (4).</p>
<p><i>ESMA</i> FCA PRA</p>	<p>European Securities and Markets Authority.</p>
<p><i>ESMA AIFMD key concepts guidelines</i> FCA</p>	<p>ESMA's guidelines on key concepts of the <i>AIFMD</i>.</p>
<p><i>ESMA recommendations</i></p>	<p>the recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 published by the European Securities and Markets Authority (ESMA/2011/81).</p>
<p><i>established</i> FCA PRA</p>	<p>(in accordance with article 4(1)(j) <i>AIFMD</i>):</p> <ul style="list-style-type: none"> (a) for <i>AIFMs</i>, 'having its registered office in'; (b) for <i>AIFs</i>, 'being authorised or registered in' or, if the <i>AIF</i> is not authorised or registered, 'having its registered office in'; or (c) for <i>depositories</i>, 'having its registered office or branch in'.
<p><i>established surplus</i> FCA PRA</p>	<p>has the meaning in ■ IPRU-INS 3.3(4).</p>
<p><i>establishing, operating or winding up a collective investment scheme</i> FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 51(1)(a) or 51ZE of the <i>Regulated Activities Order</i> (Establishing etc a collective investment scheme), of establishing, operating or winding up a <i>collective investment scheme</i>.</p>

establishing, operating or winding up a personal pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52(b) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *personal pension scheme*.

establishing, operating or winding up a regulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is a *regulated collective investment scheme*.

establishing, operating or winding up a stakeholder pension scheme

FCA **PRA**

the *regulated activity*, specified in article 52 (a) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *stakeholder pension scheme*.

establishing, operating or winding up an unregulated collective investment scheme

FCA **PRA**

establishing, operating or winding up a collective investment scheme if the scheme is an *unregulated collective investment scheme*.

establishment

FCA **PRA**

(in relation to an *information society service*) the place at which the provider of the service effectively pursues an economic activity for an indefinite period; in this definition:

(a) the presence or use in a particular place of equipment or other technical means of providing an *information society service* does not, of itself, constitute that place as an establishment; and

(b) where it is unclear from which of a number of establishments a particular *information society service* is provided, that service is to be regarded as provided from the establishment where the provider has the centre of his activities relating to the service.

establishment conditions

FCA **PRA**

(in relation to the establishment of a *branch* in the *United Kingdom*) the conditions specified in paragraph 13 of Schedule 3 to the *Act* (EEA Passport Rights), which are that:

(a) if the *firm* falls within paragraph (a), (b), (c), (d) or (f) in the definition of "*EEA firm*":

(i)...

(b) if the *firm* falls within paragraph (e) in the definition of "*EEA firm*":

(i) the *EEA firm* has given its *Home State regulator* notice of its intention to establish a *branch* in the *United Kingdom*;

<p><i>establishment costs</i></p> <p>FCA PRA</p>	<p>(ii) the <i>FCA</i> or <i>PRA</i> (as the case may be) has received notice ("a regulator's notice") from the firm's Home State regulator that the firm intends to establish a <i>branch</i> in the <i>United Kingdom</i>;</p> <p>(iii) the EEA firm's Home State regulator has informed it that the regulator's notice has been sent to the <i>FCA</i> or <i>PRA</i> (as the case may be) ; and</p> <p>(iv) one <i>month</i> has elapsed beginning with the date on which the EEA firm's Home State regulator informed the <i>firm</i> that it had sent the regulator's notice to the <i>FCA</i> or <i>PRA</i> (as the case may be) .</p> <p>(c) the <i>EEA firm</i> has been informed of the <i>applicable provisions</i> or two <i>months</i> have elapsed beginning with the date when the <i>FCA</i> or <i>PRA</i> (as the case may be) received the consent notice.</p> <p>(1) (in ■ FEES 6) the costs of establishing the <i>compensation scheme</i>.</p> <p>(2) (in ■ FEES 5) the costs of establishing the <i>Financial Ombudsman Service</i>.</p>
<p><i>EU</i></p> <p>FCA PRA</p>	<p>the European Union, being the Union established by the Treaty on European Union signed at Maastricht on 7 February 1992 (as amended).</p>
<p><i>EU Cross-Border Regulation</i></p> <p>FCA PRA</p>	<p>Regulation (EC) No. 924/2009 of the European Parliament and of the Council on cross-border payments in the European Community.</p>
<p><i>European Economic Area</i></p> <p>FCA PRA</p>	<p>the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the <i>EEA States</i>.</p>
<p><i>EuSEF manager</i></p> <p>FCA</p>	<p>the manager of a qualifying social entrepreneurship fund (as defined in the <i>EuSEF Regulation</i>) that is registered in accordance with article 15 of the <i>EuSEF Regulation</i>.</p>
<p><i>EuSEF regulation</i></p> <p>FCA</p>	<p>Regulation (EU) No 346/2013 of the European Parliament and the Council of 17 April 2013 on European social entrepreneurship funds.</p>
<p><i>EuVECA manager</i></p> <p>FCA</p>	<p>the manager of a qualifying venture capital fund (as defined in the <i>EuVECA Regulation</i>) that is registered in accordance with article 14 of the <i>EuVECA Regulation</i>.</p>
<p><i>EuVECA regulation</i></p> <p>FCA</p>	<p>Regulation (EU) No 345/2013 of the European Parliament and the Council of 17 April 2013 on European venture capital funds.</p>

evidential provision

FCA PRA

a *rule*, contravention of which does not give rise to any of the consequences provided for by other provisions of the *Act*; and which provides, in accordance with section 138C of the *Act*, that:

- (a) contravention may be relied on as tending to establish contravention of such other *rule* as may be specified; or
- (b) compliance may be relied on as tending to establish compliance with such other *rule* as may be specified; or
- (c) both (a) and (b).

excepted contract

FCA PRA

(in *BCOBS*) has the same meaning as in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

excess LLP members' drawings

FCA PRA

the amount by which the aggregate of the amounts withdrawn by a *limited liability partnership's* members exceeds the profits of that *firm*, as calculated in accordance with *IPRU(INV)* Annex A 2.5R (Limited liability partnership excess drawings).

excess spread

FCA PRA

(for the purposes of ■ *BIPRU 9* (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) finance charge collections and other fee income received in respect of the *securitised exposures* net of costs and expenses.

excess surplus

FCA PRA

a *firm* will have an excess surplus in a *with-profits fund* if, and to the extent that:

- (a) the *regulatory surplus* (or, in the case of a *realistic basis life firm*, the excess of *realistic value of assets* over *realistic value of liabilities*) in that *with-profits fund*; and
- (b) any other financial resources applied to, or expected to be applied to, that *with-profits fund*;

exceed:

- (c) the amount required to meet the higher of any regulatory capital requirement or the *firm's individual capital assessment* (at the *firm's* own risk appetite) for existing business; and
- (d) any further amount necessary to support the new business plans of that *with-profits fund*.

excess trading book position

FCA PRA

has the meaning in ■ *GENPRU 2.2.264 R* (Deductions from total capital: Excess trading book position).

exchange traded

FCA PRA

(in *IPRU(INV)* 13) listed or traded on a *recognised* or *designated investment exchange*.

exchange traded fund

FCA PRA

a fund:

- (a) which is an *open-ended investment company*; and
- (b) the *units* of which are traded on a *regulated market* or *designated investment exchange*.

excluded communication

FCA **PRA**

the following types of *financial promotion* (a *firm* may rely on more than one of the paragraphs in relation to the same *financial promotion*):

- (a) a *financial promotion* that would benefit from an exemption in the *Financial Promotion Order* if it were *communicated* by an *unauthorised person*, or which originates outside the *United Kingdom* and is not capable of having an effect in the *United Kingdom* (within the meaning of s.21(3) of the *Act*);
- (b) a *financial promotion* from outside the *United Kingdom* that would be exempt under articles 30, 31, 32 or 33 of the *Financial Promotion Order* (Overseas communicators) if the office from which the *financial promotion* is *communicated* were a separate *unauthorised person*;
- (c) a *financial promotion* that is subject to, or exempted from, the *Takeover Code* or to the requirements relating to takeovers or related operations in another *EEA State*;
- (d) a personal quotation or illustration form;
- (e) a "one-off" *financial promotion* that is not a *cold call*. If the conditions set out in (i) to (iii), below, are satisfied, a *financial promotion* is "one-off". If not, the fact that any one or more of these conditions is met is to be taken into account in determining if a *financial promotion* is "one-off". However, a *financial promotion* may be regarded as "one-off" even if none of the conditions are met. The conditions are that:
 - (i) the *financial promotion* is *communicated* only to one recipient or only to one group of recipients in the expectation that they would engage in any investment activity jointly;
 - (ii) the identity of the product or service to which the *financial promotion* relates has been determined having regard to the particular circumstances of the recipient;
 - (iii) the *financial promotion* is not part of an organised marketing campaign; or
- (f) a communication that is exempted by the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.

excluded material

FCA **PRA**

(in relation to access to *appropriate regulator* material) (as defined in section 394(7) of the *Act* (Access to FCA or PRA material)) material which:

- (a) has been intercepted in obedience to a warrant issued under any enactment relating to the interception of communications; or
- (b) indicates that such a warrant has been issued or that material has been intercepted in obedience to such a warrant; or
- (c) is a *protected item*.

execute

FCA **PRA**

(in relation to a transaction) carry into effect or perform the transaction, whether as *principal* or as agent, including instructing another *person* to execute the transaction.

execution criteria

FCA **PRA**

the criteria set out in ■ COBS 11.2.6 R, that is:

- (a) the characteristics of the *client* including the categorisation of the *client* as retail or professional;
- (b) the characteristics of the *client* order;
- (c) the characteristics of *financial instruments* that are the subject of that order;

<p><i>execution factors</i></p> <p>FCA PRA</p>	<p>(d) the characteristics of the <i>execution venues</i> to which that order can be directed; and</p> <p>(e) for a <i>management company</i>, the objectives, investment policy and risks specific to the <i>UCITS scheme</i> or <i>EEA UCITS scheme</i>, as indicated in its <i>prospectus</i> or <i>instrument constituting the scheme</i>.</p> <p>price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.</p>
<p><i>execution of orders on behalf of clients</i></p> <p>FCA PRA</p>	<p>acting to conclude agreements to buy or sell one or more <i>financial instruments</i> on behalf of <i>clients</i>.</p> <p>[Note: article 4 (1)(5) of <i>MiFID</i>]</p>
<p><i>execution venue</i></p> <p>FCA PRA</p>	<p>for the purposes of the provisions relating to best execution in ■ COBS 11.2 and in <i>COLL</i>, execution venue means a <i>regulated market</i>, an <i>MTF</i>, a <i>systematic internaliser</i>, or a <i>market maker</i> or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.</p> <p>[Note: article 44(1) of the <i>MiFID implementing Directive</i>]</p>
<p><i>execution-only transaction</i></p> <p>FCA PRA</p>	<p>a transaction <i>executed</i> by a <i>firm</i> upon the specific instructions of a <i>client</i> where the <i>firm</i> does not give <i>advice on investments</i> relating to the merits of the transaction and in relation to which the <i>rules</i> on assessment of appropriateness (■ COBS 10) do not apply .</p>
<p><i>executive procedures</i></p> <p>FCA PRA</p>	<p>the procedures relating to the giving of warning notices, decision notices and <i>supervisory notices</i> that are described in ■ DEPP 4 (Decisions by <i>FCA</i> staff under executive procedures) .</p>
<p><i>exempt activity</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>recognised body</i>) any <i>regulated activity</i> in respect of which the body is exempt from the <i>general prohibition</i> as a result of section 285(2) or (3) of the <i>Act</i> (Exemption for recognised investment exchanges and clearing houses).</p>
<p><i>exempt BIPRU commodities firm</i></p> <p>FCA PRA</p>	<p>a <i>BIPRU firm</i> to which the exemption in ■ BIPRU TP 15.6R (Exemption for a BIPRU firm whose main business relates to commodities) applies.</p>
<p><i>exempt CAD firm</i></p> <p>FCA PRA</p>	<p>(1) (except in <i>SYSC</i> and <i>IPRU(INV)</i>) has the meaning set out ■ BIPRU 1.1.16 R (Types of investment firm: exempt CAD firm) which is in summary an <i>investment firm</i> that satisfies certain specified conditions.</p> <p>(2) (in <i>SYSC</i> and <i>IPRU(INV)</i>) a <i>firm</i> in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.</p>
<p><i>exempt full scope BIPRU investment firm</i></p> <p>FCA PRA</p>	<p>a <i>full scope BIPRU investment firm</i> falling into BIPRU 12.1.4R.</p>

exempt insurance intermediary

FCA **PRA**

an *insurance intermediary*:

(a) whose *Part 4A permission* is limited to or includes *insurance mediation activity*;

(b) which, in relation to *insurance mediation activity* (but disregarding *money* or other assets held in relation to other activities) either:

(i) does not hold any *client money* or other *client* assets in any form; or

(ii) holds *client money* as trustee under a statutory trust imposed by **■** CASS 5.3 (statutory trust) but does not otherwise hold *client money*; and

(c) which (when aggregating the amount calculated in accordance with **■** CASS 5.5.65 R) does not in relation to *insurance mediation activity* hold *client money* in excess of £30,000 at any time during a *financial year*.

exempt person

FCA **PRA**

(1) (as defined in section 417(1) of the *Act* (Definitions)) (in relation to a *regulated activity*) a *person* who is exempt from the *general prohibition* in respect of that activity as a result of:

(a) the *Exemption Order*; or

(b) being an *appointed representative*; or

(c) section 285(2) or (3) of the *Act* (Exemption for recognised investment exchanges and clearing houses) ;

and

(2) a *person* who is exempt from the general prohibition as a result of section 312A(2) of the *Act*.

exempt professional firm

FCA **PRA**

a *person* to whom, under section 327 of the *Act*, the *general prohibition* does not apply; guidance is given in **■** PROF 2.1 (Exempt *regulated activities*).

exempt regulated activity

FCA **PRA**

(as defined in section 325(2) of the *Act* (FCA's general duty)) a *regulated activity* which may, as a result of Part XX of the *Act* (Provision of Financial Services by Members of the Professions), be carried on by *members* of a profession which is supervised and regulated by a *designated professional body* without breaching the *general prohibition*.

Exemption Order

FCA **PRA**

the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201).

exercise notice

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), a document that notifies the *issuer* of a holder's intention to exercise its rights under the *securitised derivative*.

exercise price

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), the price stipulated by the *issuer* at which the holder can buy or sell the *underlying instrument* from or to the *issuer*.

exercise time

FCA **PRA**

(in *LR*) (in relation to *securitised derivatives*), the time stipulated by the *issuer* by which the holder must exercise their rights.

<p><i>expected exposure</i> FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of <i>exposures</i> at any particular future date before the longest maturity transaction in the <i>netting set</i> matures.</p>
<p><i>expected loss</i> FCA PRA</p>	<p>(in accordance with Article 4(29) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of the <i>IRB approach</i> and the <i>standardised approach</i> to credit risk) the ratio of the amount expected to be lost on an <i>exposure</i> from a potential <i>default</i> of a counterparty or dilution over a one year period to the amount outstanding at default.</p>
<p><i>expected positive exposure</i> FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of <i>expected exposures</i> where the weights are the proportion that an individual <i>expected exposures</i> represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the <i>netting set</i> mature before one year, over the time period of the longest-maturity contract in the <i>netting set</i>.</p>
<p><i>expiration date</i> FCA PRA</p>	<p>(in <i>LR</i>) (in relation to <i>securitised derivatives</i>), the date stipulated by the <i>issuer</i> on which the holder's rights in respect of the <i>securitised derivative</i> ends.</p>
<p><i>exposure</i> FCA PRA</p>	<p>(1) (in relation to a <i>firm</i> but subject to (2) and (3)) the maximum loss which the firm might suffer if:</p> <ul style="list-style-type: none"> (a) a counterparty or a group of connected counterparties fail to meet their obligations; or (b) it realises assets or off-balance sheet positions <p>(2) (in accordance with Article 77 of the <i>Banking Consolidation Directive</i> and for the purposes of the calculation of the <i>credit risk capital component</i> and the <i>counterparty risk capital component</i> (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The <i>IRB approach</i>), ■ BIPRU 5 (Credit risk mitigation) and ■ BIPRU 9 (Securitisation)) an asset or off-balance sheet item.</p> <p>(3) (for the purposes of ■ BIPRU 10 (Large exposures requirements)) has the meaning in ■ BIPRU 10.2 (Identification of exposures and recognition of credit risk mitigation).</p>
<p><i>ex-section 43 firm</i> FCA PRA</p>	<p>a <i>firm</i> that was a listed institution, as defined in section 43 of the Financial Services Act 1986, immediately before <i>commencement</i>.</p>
<p><i>ex-section 43 lead regulated firm</i> FCA PRA</p>	<p>an <i>ex-section 43 firm</i> for which the <i>FSA</i> (in its capacity as the regulatory body under section 43 of the Financial Services Act 1986) was lead regulator for financial supervision purposes, and that was subject to the <i>section 43 capital requirements</i>, immediately before <i>commencement</i>.</p>
<p><i>external AIFM</i> FCA</p>	<p>(in accordance with regulation 4(3)(a) of the <i>AIFMD UK regulation</i>) an <i>AIFM</i> appointed by, or on behalf of, an <i>AIF</i> and which, through that appointment, is responsible for managing the <i>AIF</i>.</p>

external management company

FCA **PRA**

(in *LR* and *PR*) has the meaning in ■ PR 5.5.3A R.

external valuer

FCA

a person who performs the valuation function described in article 19 of the *AIFMD* in respect of an *AIF* managed by a *full-scope UK AIFM*, and is not the *AIFM* of that *AIF*.

extraction

FCA **PRA**

(in relation to *mineral companies*), includes mining, production, quarrying or similar activities and the reworking of mine tailings or waste dumps.

extraordinary resolution

FCA **PRA**

(in *COLL*) a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting or (as the case may be) *class meeting* of holders, of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.

EZPUT

FCA **PRA**

Enterprise Zone Property Unit Trust.

facilities

FCA PRA

(in relation to a *recognised body*) the facilities and services which it provides in the course of carrying on *exempt activities*. References to the use of the facilities of an *RIE* or *RAP* are to be construed as follows:

(a) dealings or transactions on an *RIE* or *RAP* are references to dealings or transactions which are effected by means of the *RIE*'s or *RAP*'s facilities or which are governed by the rules of the *RIE* or *RAP*;

(b) references to the use of the facilities of an *RIE* or *RAP* include use which consists of any such dealings or entering into any such transactions.

facility grade

FCA PRA

(in relation to the *advanced IRB approach* and the *sovereign, institutional and corporate IRB exposure class* and in accordance with ■ BIPRU 4.4.49 R) a risk category within a *rating system*'s facility scale to which *exposures* are assigned on the basis of a specified and distinct set of rating criteria from which own estimates of *LGDs* are derived.

FAIF

FCA PRA

fund of alternative investment funds.

failure

FCA PRA

the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction.

fair, clear and not misleading rule

FCA PRA

■ COBS 4.2.1 R.

FC

FCA PRA

Financial crime: a guide for firms

FCA

FCA PRA

Financial Conduct Authority

FCA candidate

FCA PRA

a *person* in respect of whom an application is made for approval under section 59 of the *Act* (Approval for particular arrangements) of the performance of an *FCA controlled function*.

FCA controlled function

FCA PRA

a *controlled function* which is specified by the *FCA* under section 59 of the *Act* (Approval for particular arrangements) in the *table of FCA controlled functions*.

FCA governing functions

FCA PRA

any of the *FCA controlled functions* 1 to 6 in Part 1 of the *table of FCA controlled functions*.

FCA Handbook

FCA PRA

the *FCA*'s Handbook of rules and guidance

<p><i>FCA provider contribution class</i> FCA</p>	<p>a <i>class</i> to which the <i>FSCS</i> may only allocate a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i>, as described in ■ FEES 6.5A, namely: the deposit acceptor's contribution class; the insurers - life contribution <i>class</i>; the insurers - general contribution <i>class</i>; or the home finance providers and administrators' contribution <i>class</i>.</p>
<p><i>FCA registered tied agent</i> FCA PRA</p>	<p>a <i>tied agent</i> who is an <i>agent</i> for the purposes of section 39A of the <i>Act</i>.</p>
<p><i>FCA required functions</i> FCA PRA</p>	<p>any of the <i>FCA controlled functions</i> 8 to 11 in Part 1 or Part 2 of the <i>table of FCA controlled functions</i>.</p>
<p><i>FCA significant-influence functions</i> FCA PRA</p>	<p>any of the <i>FCA controlled functions</i> 1 to 29 in Part 1 or Part 2 of the <i>table of FCA controlled functions</i>.</p>
<p><i>FCA-approved person</i> FCA PRA</p>	<p>an <i>approved person</i> in relation to whom the <i>FCA</i> has given its approval under section 59 of the <i>Act</i> (Approval for particular arrangements) for the performance of an <i>FCA controlled function</i>.</p>
<p><i>FCA-authorised person</i> FCA PRA</p>	<p>an <i>authorised person</i> who is not a <i>PRA-authorised person</i>.</p>
<p><i>fee</i> FCA PRA</p>	<p>any payment or remuneration offered or made by a <i>client</i> to a <i>firm</i> in connection with <i>designated investment business</i> or with any other business of the <i>firm</i>, including (where applicable) any <i>mark-up</i> or <i>mark-down</i>.</p>
<p><i>fee year</i> FCA PRA</p>	<p>(1) in relation to the <i>PRA</i>:</p> <p style="margin-left: 40px;">(a) before 1 March 2014: from and including 1 April 2013 to 28 February 2014 inclusive;</p> <p style="margin-left: 40px;">(b) from and including 1 March 2014: 1 March to 28 February inclusive;</p> <p>(2) in relation to the <i>FCA</i>, 1 April to 31 March inclusive.</p>
<p><i>feeder AIF</i> FCA</p>	<p>(in accordance with article 4(1)(m) of <i>AIFMD</i>) an <i>AIF</i> which:</p> <p style="margin-left: 40px;">(a) invests at least 85% of its assets in <i>units</i> or <i>shares</i> of another <i>AIF</i> (the '<i>master AIF</i>'); or</p> <p style="margin-left: 40px;">(b) invests at least 85 % of its assets in two or more <i>AIFs</i> where those <i>AIFs</i> (the '<i>master AIFs</i>') have identical investment strategies; or</p> <p style="margin-left: 40px;">(c) otherwise has an exposure of at least 85% of its assets to such a <i>master AIF</i>.</p>
<p><i>feeder fund</i> FCA PRA</p>	<p>an <i>AUT</i> or <i>ACS</i> that is a <i>relevant pension scheme</i> and <i>dedicated to units</i> in a single <i>regulated collective investment scheme</i> .</p>

feeder NURS

FCA PRA

a *non-UCITS retail scheme* which:

- (a) does not operate as:
 - (i) a *FAIF*; or
 - (ii) a *feeder fund*; or
 - (iii) a *scheme dedicated to units* in a single *property authorised investment fund*; and
- (b) is *dedicated to units* in either:
 - (i) a single *qualifying master scheme*; or
 - (ii) a single *sub-fund* of a *qualifying master scheme* that is an *umbrella*; and
 which, in the case of either (i) or (ii), is:
 - (A) a *UCITS*; or
 - (B) a *non-UCITS retail scheme*; or
 - (C) a *recognised scheme*.

feeder UCITS

FCA PRA

(in accordance with article 58(1) of the *UCITS Directive*):

- (a) a *UCITS scheme* or a *sub-fund* of a *UCITS scheme* which has been approved by the *FCA*; or
- (b) an *EEA UCITS scheme* or a *sub-fund* of an *EEA UCITS scheme* which has been approved by the *competent authority* of the *UCITS Home State*;

to invest at least 85% of its assets in the *units* of a single *master UCITS*.*fee-paying electronic money issuer*

FCA PRA

any of the following when they issue *electronic money*:

- (a) an *authorised electronic money institution*;
- (b) a *small electronic money institution*;
- (c) an *EEA authorised electronic money institution*;
- (d) a *full credit institution*, including a branch of the *full credit institution* within the meaning of article 4(3) of the *BCD* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 38 of the *BCD*;
- (e) the Post Office Limited;
- (f) the Bank of England, when not acting in its capacity as a monetary authority or carrying out functions of a public nature;
- (g) government departments and local authorities, when carrying out functions of a public nature;
- (h) a *credit union*;
- (i) a municipal bank; and
- (j) the National Savings Bank.

A *full credit institution* that is an *EEA firm* is only a *fee-paying electronic money issuer* if it is exercising an *EEA right* in accordance with Part II of Schedule 3 to the *Act* (Exercise of passport rights by EEA firms) to issue *electronic money* in the *United Kingdom*. An *EEA authorised electronic money institution* is only a *fee-paying electronic money issuer* if it is exercising a right under Article 3 of the *Electronic Money Directive* to issue *electronic money* in the *United Kingdom*.

fee-paying payment service provider

FCA **PRA**

any of the following when they provide *payment services*:

- (a) a *payment institution*;
- (b) a *full credit institution*;
- (c) an *electronic money issuer* (except where it is an *electronic money issuer* whose only *payment service* activities are those relating to the issuance of *electronic money* by itself or if it is a *credit union*, a municipal bank or the National Savings Bank);
- (d) the Post Office Limited;
- (e) the Bank of England, other than when acting in its capacity as a monetary authority or carrying out functions of a public nature; and
- (f) government departments and local authorities, other than when carrying out functions of a public nature.

A *full credit institution* that is an *EEA firm* is only a *fee-paying payment service provider* if it is exercising an *EEA right* in accordance with Part 2 of Schedule 3 to the *Act* (exercise of passport rights) to provide *payment services* in the *United Kingdom*. An *EEA authorised payment institution* or an *EEA authorised electronic money institution* is only a *fee-paying payment service provider* if it is exercising a right under Article 25 of the *Payment Services Directive* or Article 3 of the *Electronic Money Directive* to provide *payment services* in the *United Kingdom*.

FEES

FCA **PRA**

the *FEES* manual.

FICOD 1

FCA **PRA**

the European Parliament and Council Directive amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC regarding the supplementary supervision of financial entities in a financial conglomerate (No 2011/89/EU).

field representative

FCA **PRA**

an *appointed representative* or, where applicable, a *tied agent*, or an *employee* of the *firm* (or of its *appointed representative* or, where applicable, its *tied agent*), whose normal fixed place of business is not a business address of the *firm* which appears on the *firm's* stationery.

final bonus

FCA **PRA**

(in relation to a *with-profits insurance contract*) a discretionary payment which might be made by a *long-term insurer*, in addition to the guaranteed benefits, when the benefits under the *with-profits insurance contract* become payable.

final notice

FCA **PRA**

a notice given by the *appropriate regulator* under section 390 of the *Act* (Final notices).

final response

FCA **PRA**

- (1) (in **■** CREDS 9) a written response from the *firm* which:
- (a) accepts the complaint, and, where appropriate, offers redress; or
 - (b) offers redress without accepting the complaint; or
 - (c) rejects the complaint and gives reasons for doing so;

and which informs the complainant that, if he remains dissatisfied with the *firm's* response, he may now refer his complaint to the *Financial Ombudsman Service* and must do so within six months.

(2)
[deleted]

- (3) (in *DISP*) has the meaning given in **■** DISP 1.6.2 R (1).

final terms

FCA PRA

(in LR) the document containing the final terms of each issue which is intended to be *listed*.

*Financial
Action Task
Force*

FCA PRA

the inter-governmental body responsible for developing and promoting policies, both nationally and internationally, to combat money laundering.

*financial
adviser*

FCA PRA

(a) an individual appointed by an independent intermediary or by its *appointed representative* or where applicable, *tiered agent*, to provide any or all of the following services:

- (i) giving advice on *investments to clients*;
- (ii) *arranging (bringing about) deals in investments* or *executing transactions* involving, in each case, *designated investments* with or for *clients*;
- (iii) *managing investments*;
- (iv) receiving or holding *client money* or other *client assets*;
- (v) *safeguarding and administering investments*.

(b) For the purposes of this definition, an independent intermediary is a *firm* acting as an intermediary but excluding:

- (i) a *firm* which is a member of a *marketing group*;
- (ii) a *product provider* which *sells its own packaged products*.

*financial
analyst*

FCA PRA

a *relevant person* who produces the substance of *investment research*.

[Note: article 2(4) of the *MiFID implementing Directive*]

*financial
collateral
comprehensive
method*

FCA PRA

the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.

*Financial
Collateral
Directive*

FCA PRA

the Council Directive of 6 June 2002 relating to financial collateral arrangements (No. 2002/47/EC).

*financial
collateral
simple method*

FCA PRA

the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.

*financial
conglomerate*

FCA PRA

(in accordance with Article 2(14) of the *Financial Groups Directive (Definitions)*) a *consolidation group* that is identified as a *financial conglomerate* by the *financial conglomerate definition decision tree*.

financial conglomerate definition decision tree

FCA **PRA**

the decision tree in GENPRU 3 Ann 4R.

financial crime

FCA **PRA**

(in accordance with section 1H of the *Act*) any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:

- (a) fraud or dishonesty; or
- (b) misconduct in, or misuse of information relating to, a financial market; or
- (c) handling the proceeds of crime; or
- (d) the financing of terrorism;

in this definition, "offence" includes an act or omission which would be an offence if it had taken place in the *United Kingdom*.

financial derivative instrument

FCA **PRA**

has the meaning in ■ BIPRU 13.3.3 R (Definition of a financial derivative instrument); the definition is adjusted for the purposes of the definition of *counterparty risk capital component* in accordance with ■ BIPRU 14.2.3 R (Credit derivatives).

Financial Groups Directive

FCA **PRA**

Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.

Financial Groups Directive Regulations

FCA **PRA**

the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

financial holding company

FCA **PRA**

a *financial institution* that fulfils the following conditions:

- (a) its *subsidiary undertakings* are either exclusively or mainly *credit institutions*, *investment firms* or *financial institutions*;
- (b) at least one of those *subsidiary undertakings* is a *credit institution* or an *investment firm*; and
- (c) it is not a *mixed financial holding company*.

financial information table

FCA **PRA**

(in *LR*) financial information presented in tabular form that covers the reporting period set out in ■ LR 13.5.13 R in relation to the entities set out in ■ LR 13.5.14 R, and to the extent relevant ■ LR 13.5.17A R.

financial institution

FCA **PRA**

(1) (in accordance with paragraph 5(c) of Schedule 3 to the *Act* (EEA Passport Rights: EEA firm) and article 4 (5) of the *Banking Consolidation Directive* (Definitions)), but not for the purposes of *GENPRU*, *BIPRU* and *INSPRU*), an undertaking, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or

more of the listed activities listed in points 2 to 12 and 15 of Annex I to the *BCD*, which is a subsidiary of the kind mentioned in article 24 of the *BCD* and which fulfils the conditions in that article.

(2) for the purposes of *GENPRU*, *BIPRU* and *INSPRU* and in accordance with Articles 1(3) (Scope) and 4(5) (Definitions) of the *Banking Consolidation Directive* the following :

(a) an *undertaking*, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the *listed activities* listed in points 2 to 12 and 15 of Annex I to the *Banking Consolidation Directive* including the services and activities provided for in Sections A and B of Annex I of the *MIFID* when referring to the financial instruments provided for in Section C of Annex I of that Directive ;

(b) (for the purposes of consolidated requirements) those institutions permanently excluded by Article 2 of the *Banking Consolidation Directive* (Scope), with the exception of the *central banks* of *EEA States*

(1) (other than in (2)) instruments specified in Section C of Annex I of *MiFID*, that is:

(a) *transferable securities*;

(b) *money-market instruments*;

(c) units in collective investment undertakings;

(d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;

(e) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);

(f) options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a *regulated market* and/or an *MTF*;

(g) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in (f) and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (see articles 38(1), (2) and (4) of the *MiFID Regulation*);

(h) derivative instruments for the transfer of credit risk;

(i) financial contracts for differences; and

(j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to

(i) climatic variables;

(ii) freight rates;

(iii) emission allowances;

(iv) inflation rates or other official economic statistics;

(v) telecommunications bandwidth;

financial instrument

FCA PRA

- (vi) commodity storage capacity;
- (vii) transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;
- (viii) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;
- (ix) a geological, environmental or other physical variable;
- (x) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;
- (xi) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where the conditions in Articles 38(3) and (4) of the *MiFID Regulation* are met.

[Note: article 4(1)(17) and section C of Annex I to *MiFID* and articles 38 and 39 of the *MiFID Regulation*]

(2) (in ■ MAR 1 and ■ MAR 2, ■ DTR 1, ■ 2 and ■ 3 and otherwise where used in relation to the *Market Abuse Directive*) (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

- (a) transferable securities as defined in the *ISD*;
- (b) units in collective investment undertakings;
- (c) money-market instruments;
- (d) financial-futures contracts, including equivalent cash-settled instruments;
- (e) forward interest-rate agreements;
- (f) interest-rate, currency and equity swaps;
- (g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;
- (h) derivatives on commodities; and
- (i) any other instrument admitted to trading on a *regulated market* in an *EEA State* or for which a request for admission to trading on such a market has been made.

the scheme provided under Part XVI of the *Act* (The Ombudsman Scheme) under which certain disputes may be resolved quickly and with minimum formality by an independent *person*.

the *body corporate* established by the *FSA* under paragraph 2(1) of Schedule 17 to the *Act* (The Scheme Operator) (as originally enacted) to administer the *Financial Ombudsman Service*.

Financial
Ombudsman
Service



Financial
Ombudsman
Service Limited



financial promotion

FCA **PRA**

(1) an invitation or inducement to *engage in investment activity* that is communicated in the course of business;

[Note: section 21 of the *Act* (Restrictions on financial promotion)]

(2) (in relation to **■** COBS 3.2.1 R (3), **■** COBS 4.3.1 R, **■** COBS 4.5.8 R and **■** COBS 4.7.1 R) (in addition to (1)) a marketing communication within the meaning of *MiFID* made by a *firm* in connection with its *MiFID* or *equivalent third country business*.

Financial Promotion Order

FCA **PRA**

the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529).

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*;
- (ad) *credit union*, municipal bank and the National Savings Bank where such *persons* provide a *payment service*; or issue *electronic money*;
- (b) *AUT*;
- (c) *ICVC*;
- (ca) *ACS*;
- (d) *recognised scheme*;
- (e) *recognised investment exchange*;
- (f) [deleted]
- (g) individual to whom a *prohibition order* relates;
- (h) *approved person*; and
- (i) *person* within such other class (if any) as the *FCA* may determine; except as provided by any transitional provisions.

financial stability information power

FCA PRA

the *PRA's* power under section 165A of the *Act* (*PRA's* power to require information: financial stability) which, in summary, is a power to require a *person* to provide information or documents relevant to the stability of one or more aspects of the *UK financial system*.

financial stability information requirement

FCA PRA

a requirement imposed on a *person* by the *PRA* using the *financial stability information power* or the *overseas financial stability information power*.

financial year

FCA PRA

- (1) (in *DISP* and ■ FEES 5) the 12 *months* ending with 31 March.
- (3) (in *GENPRU* and *INSPRU*) the period at the end of which the balance of the accounts of the *insurer* is struck, or, if no balance is struck, the calendar year.

financial year in question

FCA PRA

(for the purposes of *INSPRU* 1.1 and of the definition of *non-directive insurer*) the last *financial year* to end before the date on which the latest accounts of the *insurer* are required to be deposited with the *appropriate regulator*; the preceding *financial year* and previous *financial years* are construed accordingly.

financing cost amount

FCA **PRA**

(in relation to a *share, debenture* or other investment in, or external contribution to the capital of, a *firm*) an amount that represents a reasonable estimate of the part of the *coupon* 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.

FINMAR

FCA **PRA**

the Financial Stability and Market Confidence sourcebook.

fire and natural forces

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 8 of Part I of Schedule 1 to the *Regulated Activities Order* (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 *Regulated Activities Order* (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.

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 *regulatory system* under which the *firm* must hold a specified level of liquidity resources;

or it being likely that the *firm* will do so;

(b) (in the case of reporting obligations with respect to the *firm* and a group of other *persons*) has the same meaning as in (a) except that references to any *rule* or other requirement, *Individual Liquidity Adequacy Assessment*, *Individual Liquidity Systems Assessment* or *individual liquidity guidance* are to any such thing so far as it applies to the *firm* and that group considered together.

First Life Directive

FCA **PRA**

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).

First Non-Life Directive

FCA **PRA**

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).

FIT

FCA **PRA**

the part of the *Handbook* in High Level Standards which has the title the Fit and Proper test for Approved Persons.

fixed overheads requirement

FCA **PRA**

(1) (except in **■** IPRU(INV)) the part of the *capital resources requirement* calculated in accordance with **■** GENPRU 2.1.53 R (Calculation of the fixed overheads requirement).

(2) (in **■** IPRU(INV)) the part of the *own funds* requirement calculated in accordance with **■** IPRU(INV) 11.3.3R (Fixed overheads requirement).

fixed-sum credit

(in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than *running-account credit*, by which the

FCA PRA

customer is enabled to receive credit (whether in one amount or by instalments).

flat rate benefits business friendly society

a *friendly society* whose *insurance business* 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.

FCA PRA

foreign currency

(in *GENPRU* and *BIPRU*) (in relation to a *firm*) any currency other than the *base currency*.

FCA PRA

foreign currency PRR

the part of the *market risk capital requirement* calculated in accordance with ■ *BIPRU 7.5* (Foreign currency PRR) or, in relation to a particular position, the portion of the overall *foreign currency PRR* attributable to that *position*.

FCA PRA

foreign law contract

any contract other than a contract:

- (a) governed by the laws of any part of the *United Kingdom*; and
- (b) whose parties agree to the exclusive jurisdiction of the courts of any part of the *United Kingdom*.

FCA PRA

former member

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.

FCA PRA

former Ombudsman

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

FCA PRA

former scheme

(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*.

FCA PRA

former underwriting member

(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.

FCA PRA

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 IRB approach: Exposures to corporates, institutions and sovereigns) under which a *firm* uses the values for *LGD* and *conversion factors* set out in ■ BIPRU 4.4 rather than supplying its own estimates;

(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

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

Fourth Company Law Directive

FCA PRA

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.

FRA

FCA PRA

forward rate agreement.

framework contract

FCA PRA

(in accordance with regulation 2(1) of the *Payment Services Regulations*) a contract for *payment services* 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.

[Note: article 4(12) of the *Payment Services Directive*]

free delivery

FCA PRA

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 *person*:

(a) has paid for *securities, foreign currencies* or *commodities* before receiving them or it has delivered *securities, foreign currencies* or *commodities* before receiving payment for them; and

	(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.
<i>friendly society</i>	an <i>incorporated friendly society</i> or a <i>registered friendly society</i> .
FCA PRA	
<i>front end loaded</i>	(in relation to an <i>investment</i>) one where deductions for <i>charges</i> and expenses are loaded disproportionately on the early years.
FCA PRA	
FSA	the Financial Services Authority.
FCA PRA	
<i>FSA scheme</i>	the <i>former scheme</i> operated by the FSA 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.
FCA PRA	
FSAVC	an arrangement which allows a member of an <i>occupational pension scheme</i> to make AVCs 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.
FCA PRA	
FSB <i>Compensation Standards</i>	the Implementation Standards for Principles for Sound Compensation Practices issued by the Financial Stability Board on 25 September 2009.
FCA PRA	
FSCS	<i>Financial Services Compensation Scheme Limited</i> .
FCA PRA	
<i>full BCD credit institution</i>	a <i>BCD credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i> .
FCA PRA	
<i>full credit institution</i>	a <i>credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i> .
FCA PRA	
<i>full scope BIPRU investment firm</i>	has the meaning in BIPRU ■ BIPRU 1.1.17 R (Types of BIPRU investment firm) which is in summary a <i>CAD full scope firm</i> that satisfies the following conditions: <ul style="list-style-type: none"> (a) it is a <i>firm</i>; and (b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.17 R (Exclusion of certain types of firm from the definition of BIPRU firm).
FCA PRA	
<i>full-scope EEA AIFM</i>	an <i>EEA AIFM</i> which is authorised by its <i>Home State</i> in accordance with article 6(1) of <i>AIFMD</i> .
FCA	

full-scope UK AIFM

FCA **PRA**

a UK AIFM which:

- (a) is not a *small AIFM*; or
- (b) is a *small AIFM* but has opted in to AIFMD in accordance with article 3(4) of AIFMD.

fund

FCA **PRA**

an AIF or a *collective investment scheme*.

fund application rules

FCA **PRA**

(in *COLL* and *SUP*) the rules set out in ■ *COLL 12.3.5 R* (*COLL* fund rules under the management company passport: the fund application rules) that relate to the constitution and functioning of a *UCITS scheme* and that an *EEA UCITS management company* must comply with when acting as the *operator* of the *UCITS scheme*, whether from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*, as required by article 19(3) of the *UCITS Directive*.

fund of alternative investment funds

FCA **PRA**

a *non-UCITS retail scheme*, or a *sub-fund* of a *non-UCITS retail scheme* which is an *umbrella* whose *authorised fund manager* operates, or proposes to operate, it in accordance with the investment and borrowing powers in ■ *COLL 5.7* (Investment powers and borrowing limits for *NURS* operating as *FAIFs*).

funded credit protection

FCA **PRA**

(in accordance with Article 4(31) of the *Banking Consolidation Directive* (Definitions)) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the right of the *undertaking*, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the *exposure* to, or to replace it with, the amount of the difference between the amount of the *exposure* and the amount of a claim on the *undertaking*.

funds at Lloyd's

FCA **PRA**

assets (not being *syndicate assets*) provided by or on behalf of a *member* to meet the liabilities arising from the *member's insurance business* at Lloyd's which are held in a *Lloyd's trust fund* and managed by the *Society* as trustee.

funds under management

FCA **PRA**

(1) (in *UPRU*)

(a) *collective investment schemes* other than *OEICs* managed by the *firm* including *schemes* where it has delegated the management function but excluding *schemes* that it is *managing* as delegate; and

(b) *OEICs* for which the *firm* is the designated management company.

(2) (in ■ *IPRU(INV)* and *GENPRU*) *funds* managed by the *firm*, calculated as the sum of the absolute value of all assets of all *funds* managed by the *firm*, including assets acquired through the use of leverage and, for such purpose, derivative instruments shall be converted into their equivalent positions in the underlying assets using the conversion methodologies in article 10 of the *AIFMD level 2 regulation* and valued on the basis of that equivalent position. This includes *funds* where the *firm* has delegated the management function but excludes *funds* that it is managing as a delegate.

funds under management requirement

(1) (in ■ *IPRU(INV)* 11) an amount of *own funds* that a *collective portfolio management firm* must hold under ■ *IPRU(INV)* 11.3.2R (*Funds under management requirement*).

FCA

(2) (in *GENPRU*) an amount of *own funds* that a *collective portfolio management investment firm* must hold under *GENPRU* 2.1.66R (Requirements for collective portfolio management investment firms).

funeral plan
contract

FCA PRA

the *investment*, specified in articles 59(2), 60 and 87 of the *Regulated Activities Order* which come into force on 1 January 2002, which is in summary: rights under a contract under which:

(a) a *person* ("the customer") makes one or more payments to another *person* ("the provider"); and

(b) the provider undertakes to provide, or secure that another *person* provides, a funeral in the *United Kingdom* for the customer (or some other *person* who is living at the date when the contract is entered into) on his death;

unless, at the time of entering into the contract, the customer and the provider intend or expect the funeral to occur within one month; but excluding certain contracts under which sums paid will be applied towards a *contract of insurance* or will be held on trust.

future

FCA PRA

the *investment*, specified in article 84 of the *Regulated Activities Order* (Futures), which is in summary: rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.

future
policy-related
liabilities

FCA PRA

(in relation to a *with-profits fund*) the future policy-related liabilities of the *with-profits fund* calculated in accordance with the *rules* in ■ PRU 7.4.137 R to ■ PRU 7.4.189 G.

or, if under its national law it has no registered office, the *EEA State* in which that body's head office is situated.

(7) (in relation to a *Treaty firm*) the *EEA State* in which its head office is situated, in accordance with paragraph 1 of Schedule 4 to the *Act* (Treaty Rights).(in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(8) (in *LR* and *PR*) (as defined in section 102C of the *Act*) in relation to an issuer of *transferable securities*, the *EEA State* which is the "home Member State" for the purposes of the *prospectus directive* (which is to be determined in accordance with Article 2.1(m) of that directive).

(9) (in *DTR*)

(a) in the case of an *issuer* of debt *securities* the denomination per unit of which is less than EUR 1 000 or an *issuer* of *shares* :

(i) where the *issuer* is incorporated in the *EEA*, the *EEA State* in which it has its registered office;

(ii) where the *issuer* is incorporated in a third country, the *EEA State* referred to in point (iii) of article 2(1)(m) of Directive 2003/71/EC.

The definition of *Home State* shall be applicable to debt securities in a currency other than Euro, provided that the value of such denomination per unit is, at the date of the issue, less than EUR 1 000, unless it is nearly equivalent to EUR 1 000;

(b) for an *issuer* not covered by (a) , the *EEA State* chosen by the *issuer* from among the *EEA State* in which the *issuer* has its registered office and those *EEA States* which have admitted its securities to trading on a *regulated market* on their territory. The issuer may choose only one *EEA State* as its *Home Member State*. Its choice shall remain valid for at least three years unless its securities are no longer admitted to trading on any *regulated market* in the *EEA*;

(10) (in relation to a *UCITS*) the *EEA State* in which the unit trust, common fund or investment company is established and authorised under article 5 of the *UCITS Directive*.

(11) (in *REC*) in relation to an *EEA market operator*, the *EEA State* in which it has its registered office, or if it has no registered office, its head office.

(12) (in relation to a person who has received authorisation under article 18 of the *auction regulation*) the *EEA state* in which the person is established and authorised under the *auction regulation*.

(13) (for an *AIF*) the *EEA State* in which:

(a) the *AIF* is authorised or registered under applicable national law; or

(b) if the *AIF* is neither authorised nor registered in an *EEA State*, the *EEA State* in which the *AIF* has its registered office and/or head office.

[Note: article 4(1)(p) of *AIFMD*]

(14) (for an *AIFM*) the *EEA State* in which the *AIFM* has its registered office.

[Note: article 4(1)(q) of *AIFMD*]

*Home State
authorisation*

FCA **PRA**

(as defined in paragraph 3(1)(a) of Schedule 4 to the *Act* (Treaty Rights)) authorisation of a *firm* under the law of its *Home State* to carry on a *regulated activity*.

*Home State
regulator*

FCA **PRA**

(1) (in relation to an *EEA firm*) (as defined in paragraph 9 of Schedule 3 to the *Act* (EEA Passport Rights)) the *competent authority* (under the relevant *Single Market Directive* or the *auction regulation*) of an *EEA State* (other than the *United Kingdom*) in relation to the *EEA firm* concerned.

(2) (in relation to a *UK firm* or *UCITS scheme*) the *FCA* or *PRA* as the case may be.

(3) (in relation to a *Treaty firm*) (as defined in paragraph 1 of Schedule 4 to the *Act* (Treaty Rights)) the competent authority of the *firm's Home State* for the purpose of its *Home State authorisation*.

(4) (in *REC*) the competent authority (within the meaning of Article (4)(1)(22) of *MiFID*) of the *EEA State* which is the *Home State* in relation to the *EEA market operator* concerned.

(5) (in relation to an *EEA UCITS scheme*) the *competent authority* of the *EEA State* in which the *scheme* is authorised.

home territory

FCA **PRA**

(in relation to an *overseas investment exchange*) the country or territory in which its head office is situated.

*Host Member
State*

FCA **PRA**

(in *PR* and *LR*) *Host State*.

Host State

FCA **PRA**

(1) (in *LR* and *PR*) as defined in Article 2.1(n) of the *Prospectus Directive*) the *EEA State* where an offer to the public is made or *admission to trading* is sought, when different from the *Home State*.

(2) (except in *LR* and *PR* and except in relation to *MiFID*) the *EEA State* in which an *EEA firm*, a *UK firm*, or a *Treaty firm* is exercising an *EEA right* or *Treaty right* to establish a *branch* or provide *cross border services*.

(3) (in relation to *MiFID*) the *EEA State*, other than the *Home State*, in which an *investment firm* has a branch or performs *investment services and/or activities* or the *EEA State* in which a *regulated market* provides appropriate arrangements so as to facilitate access to trading on its system by remote members or participants established in that same *EEA State*.

(4) (in relation to the *UCITS Directive*) the *EEA State*, other than the *UCITS Home State*, in which *units* of a *UCITS* are marketed in accordance with a notification made under article 93 of that directive.

(5) (for an *AIFM*) means:

(a) an *EEA state*, other than the *Home State*, in which an *EEA AIFM* or *UK AIFM* manages *EEA AIFs* or *UK AIFs*; or

(b) an *EEA state*, other than the *Home State*, in which an *EEA AIFM* or *UK AIFM* markets *units* or *shares* of an *EEA AIF* or *UK AIF*;

[Note: article 4(1)(r) of *AIFMD*]

[Note: article 4(1)(21) of *MiFID*]

Host State regulator

FCA **PRA**

(1) (in relation to an *EEA firm* or a *Treaty firm* exercising an *EEA right* or *Treaty right* in the *United Kingdom*) the *FCA* or *PRA* as the case may be.

(2) (in relation to a *UK firm*) (as defined in paragraph 11 of Schedule 3 to the *Act* (EEA Passport Rights)) the *competent authority* (under the relevant *Single Market Directive* or the *auction regulation*) of an *EEA State* (other than the *United Kingdom*) in relation to a *UK firm's* exercise of *EEA rights* there.

(3) (in *REC* in relation to a *UK RIE*) the competent authority (within the meaning of Article (4)(1)(22) of MiFID) of the *EEA State* in which the *UK RIE* intends to make, or has made, arrangements to facilitate access to, or use of, a *regulated market* or a *multilateral trading facility* operated by the *UK RIE*.

(4) (in relation to an *EEA UCITS scheme* which is a *recognised scheme*) the *FCA*.

(5) (in relation to a *UCITS* that is the subject of a notification in accordance with article 93 of the *UCITS Directive*) the *competent authority* of an *EEA State* (other than the *United Kingdom*) in which *units* of the *UCITS* may be marketed to the public.

hybrid capital

FCA **PRA**

an item of capital that is stated in ■ GENPRU 2.2 as eligible for inclusion at stage B1, B2 or C of the calculation in the *capital resources table*.

hypothetical profit and loss figure

FCA **PRA**

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *business day*) the *profit and loss figure* that would have occurred for that *business day* if the portfolio on which the *VaR number* for that *business day* is based remained unchanged, as more fully defined in ■ BIPRU 7.10.111 R (Backtesting: Hypothetical profit and loss).

<p><i>incoming ECA provider</i> FCA PRA</p>	<p>a <i>person</i>, other than an <i>exempt person</i>, who:</p> <p>(a) provides an <i>electronic commerce activity</i>, from an <i>establishment</i> in an <i>EEA State</i> other than the <i>United Kingdom</i>, with or for an <i>ECA recipient</i> present in the <i>United Kingdom</i>; and</p> <p>(b) is a national of an <i>EEA State</i> or a company or firm mentioned in article 54 of the <i>Treaty</i>.</p>
<p><i>incoming EEA AIFM</i> FCA PRA</p>	<p>an <i>incoming EEA firm</i> which is an <i>AIFM</i> and exercising its rights under <i>AIFMD</i>.</p>
<p><i>incoming EEA AIFM branch</i> FCA PRA</p>	<p>an <i>incoming EEA firm</i> which is an <i>AIFM</i> and exercising its right to establish a <i>branch</i> under <i>AIFMD</i>.</p>
<p><i>incoming EEA firm</i> FCA PRA</p>	<p>(in accordance with section 193(1)(a) of the <i>Act</i> (Interpretation of this Part)) an <i>EEA firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>United Kingdom</i> in accordance with Schedule 3 to the <i>Act</i> (<i>EEA Passport Rights</i>).</p>
<p><i>incoming electronic commerce activity</i> FCA PRA</p>	<p>(in accordance with regulation 2(1) of the <i>ECD Regulations</i>) an activity:</p> <p>(a) which consists of the provision of an <i>information society service</i> from an <i>establishment</i> in an <i>EEA State</i> other than the <i>United Kingdom</i> to a <i>person</i> or <i>persons</i> in the <i>United Kingdom</i>; and</p> <p>(b) which would, but for article 72A of the <i>Regulated Activities Order</i> (<i>Information society services</i>) (and irrespective of the effect of article 72 of that Order (<i>Overseas Persons</i>)), be a <i>regulated activity</i>.</p>
<p><i>incoming firm</i> FCA PRA</p>	<p>(in accordance with section 193(1) of the <i>Act</i> (Interpretation of this Part)) an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>.</p>
<p><i>incoming Treaty firm</i> FCA PRA</p>	<p>(in accordance with section 193(1)(b) of the <i>Act</i> (Interpretation of this Part)) a <i>Treaty firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>United Kingdom</i> in accordance with Schedule 4 to the <i>Act</i> (<i>Treaty rights</i>).</p>
<p><i>incorporated friendly society</i> FCA PRA</p>	<p>a society incorporated under the <i>Friendly Societies Act 1992</i>.</p>
<p><i>incremental risk charge</i> FCA PRA</p>	<p>(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.116 R (<i>Capital calculations for VaR models</i>), which is in summary, in relation to a <i>business day</i>, the incremental risk charge required under the provisions in ■ BIPRU 7.10 about <i>specific risk</i>, in respect of the previous <i>business day</i>'s close-of-business <i>positions</i> with respect to which those provisions apply.</p>
<p><i>independent advice</i> FCA PRA</p>	<p>a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>retail investment product</i> where the <i>personal recommendation</i> provided meets the requirements of the <i>rule</i> on independent advice (■ COBS 6.2A.3 R).</p>

independent expert

FCA PRA

(in ■ SUP 18) the person approved or nominated by the *appropriate regulator* to make the *scheme report* for an *insurance business transfer scheme*.

Independent Investigator

FCA PRA

the *former Ombudsman* under the *FSA scheme*.

index-linked assets

FCA PRA

in relation to *permitted links*, the assets held by an *insurer* for the purposes of matching *index-linked liabilities*.

index-linked benefits

FCA PRA

benefits:

- (a) provided for under a *linked long-term contract of insurance*; and
- (b) determined by reference to an index of the value of property of any description (whether specified in the contract or not).

index-linked contract

FCA PRA

a *linked long-term contract* conferring *index-linked benefits*.

index-linked liabilities

FCA PRA

insurance liabilities in respect of *index-linked benefits*.

index-linked security

FCA PRA

(in *COLL*) a *debt security* for which the cash flows are determined by reference to an index of consumer prices.

indicative adviser charge

FCA PRA

a cash figure which is indicative of the cost to the *pure protection contract insurer* of the services associated with making a *personal recommendation* in relation to a *pure protection contract*.

individual capital assessment

FCA PRA

(in *INSPRU* and ■ COBS 20.2) an assessment by a *firm* of the adequacy of its capital resources undertaken as part of an assessment of the adequacy of the *firm's* overall financial resources carried out in accordance with ■ GENPRU 1.2.

individual capital guidance

FCA PRA

guidance given to a *firm* about the amount and quality of capital resources that the *appropriate regulator* thinks the *firm* should hold at all times under the *overall financial adequacy rule* as it applies on a solo level or a consolidated level.

individual capital resources requirement

has the meaning in ■ INSPRU 6.1.34 R.

FCA PRA

individual client account

an account maintained by a *firm* at an *authorised central counterparty* for a *client* of the *firm* in respect of which the *authorised central counterparty* has agreed with the *firm* to provide *individual client segregation*.

FCA PRA

individual client segregation

as defined in article 39(3) of *EMIR*.

FCA PRA

individual CNCOM

the amount calculated with respect to an individual *exposure* under ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component).

FCA PRA

individual counterparty CNCOM

has the meaning in ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component), which is in summary the sum of a *firm's individual CNCOMs* with respect to its *counterparties* falling within ■ BIPRU 10.10A.1 R.

FCA PRA

Individual Liquidity Adequacy Assessment

a *standard ILAS BIPRU firm's* assessment of the adequacy of its liquidity resources and systems and controls as required by the *rules* in BIPRU 12.5.

FCA PRA

Individual Liquidity Adequacy Standards

the regime of liquidity assessment set out in the *rules* and *guidance* in BIPRU 12.5.

FCA PRA

individual liquidity guidance

guidance given to a *firm* about the amount, quality and funding profile of liquidity resources that the *appropriate regulator* has asked the *firm* to maintain.

FCA PRA

Individual Liquidity Systems Assessment

a *simplified ILAS BIPRU firm's* assessment of the adequacy of its systems and controls as required by the *rules* in BIPRU 12.6.

FCA PRA

individual member

a *member*, or *former member*, who is a natural *person*.

FCA PRA

individual pension account

FCA PRA

an account for the holding of *IPA eligible investments*, which satisfies the conditions described in regulation 2(2) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964).

individual pension contract

FCA PRA

a *pension policy* or *pension contract* under which contributions are paid to:

(a) a *personal pension scheme*; or

(b) a retirement benefits scheme for the provision of relevant benefits by means of an annuity contract made with an insurance company of the employee's choice where that contract:

(i) was approved under section 591(2)(g) of the Income and Corporation Taxes Act 1988 (when that section was in force); or

(ii) is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

individual savings account

FCA PRA

an account which is a scheme of investment satisfying the conditions prescribed in the *ISA Regulations*.

industrial and provident society

FCA PRA

a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969.

industrial assurance policy

FCA PRA

a *contract of insurance* on human life, premiums in respect of which are received by means of collectors, but excluding:

(a) a *contract of insurance*, the premiums in respect of which are payable at intervals of two *months* or more;

(b) a *contract of insurance*, effected whether before or after the passing of the Industrial Assurance Act 1923 by a society or company established before the date of the passing of that Act which at that date had no *contracts of insurance* outstanding the premiums on which were payable at intervals of less than one *month* so long as the society or company continues not to effect any such contracts;

(c) a *contract of insurance* effected before the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which have up to the passing of that Act been treated as part of the business transacted by a branch other than the industrial branch of the society or company; and

(d) a *contract of insurance* for £25 or more effected after the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company, in cases where the relevant authority certified prior to 1 December 2001 under section 1(2)(d) of that Act that the terms and conditions of the contract is on the whole not less favourable to the assured than those imposed by that Act;

in this definition:

(i) "collector" includes every *person*, however remunerated, who, by himself or by any deputy or substitute, makes house to house visits for the purpose of receiving premiums payable on policies

	of insurance on human life, or holds any interest in a collecting book, and includes such a deputy or substitute;
	(ii) "collecting book" includes any book or document held by a collector in which payments of premiums are recorded.
<i>industry block</i>	(in <i>FEES</i>) a grouping of <i>firms</i> by common business activity for the purposes of calculating the <i>general levy</i> .
FCA PRA	
<i>information centre</i>	a centre established by an <i>EEA State</i> to meet its obligations under article 23 of the <i>Consolidated Motor Insurance Directive</i> (Information Centres).
FCA PRA	
<i>information society service</i>	an information society service, as defined by article 2(a) of the <i>E-Commerce Directive</i> and article 1(2) of the Technical Standards and Regulations Directive (98/34/EC), which is in summary any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including the digital compression) and storage of data at the individual request of a service recipient.
FCA PRA	
<i>inherited estate</i>	an amount representing the fair market value of the <i>with-profits assets</i> less the <i>realistic value of liabilities</i> of a with-profits fund .
FCA PRA	
<i>initial capital</i>	(1) [deleted]
FCA PRA	(2)
	(3) (in <i>UPRU</i>) capital calculated in accordance with ■ <i>UPRU Table 2.2.1 R</i> (Method of calculation of financial resources) composed of the specified items set out in that Table.
	(3A) (in ■ <i>IPRU(INV) 11</i>) capital calculated in line with ■ <i>IPRU(INV) Table 11.4</i> (Method of calculating initial capital and own funds) composed of the specified items in that Table.
	(4) (in the case of a <i>BIPRU firm</i>) <i>capital resources</i> included in stage A (Core tier one capital) of the <i>capital resources table</i> plus <i>capital resources</i> included in stage B of the <i>capital resources table</i> (Perpetual non-cumulative preference shares);
	(5) (in the case of an <i>institution</i> that is an <i>EEA firm</i>) capital resources calculated in accordance with the <i>CRD implementation measures</i> of its <i>Home State</i> for Article 4 of the <i>Capital Adequacy Directive</i> (Definition of initial capital) or Article 9 of the <i>Banking Consolidation Directive</i> (Initial capital requirements);
	(6) (for the purposes of the definition of <i>dealing on own account</i> and in the case of an <i>undertaking</i> not falling within (3) or (4)) <i>capital resources</i> calculated in accordance with (3) and paragraphs (3) and (4) of the definition of <i>capital resources</i> ; and
	(7) (in <i>IPRU(INV) 13</i>) the initial capital of a <i>firm</i> calculated in accordance with <i>IPRU(INV) 13.1A.6R</i> .
<i>initial commitment</i>	(for the purposes of <i>BIPRU</i> and in relation to <i>underwriting</i>) the date specified in ■ <i>BIPRU 7.8.13 R</i> (Time of initial commitment).
FCA PRA	
<i>initial coupon rate</i>	(in relation to a <i>tier one instrument</i>) the <i>coupon</i> rate of the instrument at the time it is issued.

FCA PRA

initial disclosure document

FCA PRA

information about the *scope of advice* and the nature of the services offered by a *firm* in relation to:

- (a) a *regulated mortgage contract* other than a *lifetime mortgage* as required by ■ MCOB 4.4.1 R (1) and set out in ■ MCOB 4 Annex 1 R;
- (b) an *equity release transaction* as required by ■ MCOB 4.4.1 R (1) and set out in ■ MCOB 8 Annex 1 R;
- (c) a *home purchase plan* as required by ■ MCOB 4.10.2 R and set out in ■ MCOB 4 Annex 1 R; or
- (d) a *non-investment insurance contract* in accordance with ■ ICOBS 4.5.1 G and set out in ■ ICOBS 4 Annex 1 G .

initial fund

FCA PRA

the items of capital which are available to a *mutual* at *authorisation*.

initial offer

FCA PRA

(in *COLL*) an offer for sale of *units* in an *authorised fund* or in a *sub-fund* (otherwise than in accordance with *arrangements* of the type described in ■ COLL 5.5.9 R (3) (b) (iii) (Guarantees and indemnities) , where all or part of the consideration paid for the account of the *authorised fund* for the *units* is to be used to acquire the initial *scheme property* of the *authorised fund* or the initial *scheme property* attributable to the *sub-fund*.

initial outlay

FCA PRA

(in relation to an *authorised fund*) the amount which the *authorised fund* is required to provide in order to obtain rights under a transaction in *derivatives*, excluding any payment or transfer on exercise of rights.

initial price

FCA PRA

(in *COLL*) in relation to a *unit* of any *class*:

- (a) in a *single-priced authorised fund*, the *price* to be paid; or
- (b) in a *dual-priced authorised fund*, the amount agreed by the *depository* and *authorised fund manager* as being the maximum *price* , inclusive of any *preliminary charge*, that may be paid to the *authorised fund manager*; during the period of the *initial offer* under COLL 6.2.3 R (Initial offer).

injunction

FCA PRA

a court order made by the High Court that prohibits a *person* from doing or continuing to do a certain act or requires a *person* to carry out a certain act.

injured party

FCA PRA

(in *ICOBS*) a resident of the *EEA* entitled to compensation in respect of any loss or injury caused by *vehicles*.

[Note: article 1(2) of Directive 72/166/EC (First Motor Insurance Directive)]

innovative tier one capital

FCA PRA

an item of capital that is stated in ■ GENPRU 2.2(Capital resources) to be innovative tier one capital.

innovative tier one capital resources

FCA PRA

the amount of *capital resources* at stage C of the *capital resources table* (Innovation tier one capital) .

innovative tier one instrument

FCA PRA

a *potential tier one instrument* that is stated in ■ GENPRU 2.2(Capital resources) to be an innovative instrument.

inside information

FCA PRA

(as defined in section 118C of the *Act*):

(a) in relation to *qualifying investments*, or *related investments*, which are not commodity derivatives, *inside information* is information of a precise nature which:

- (i) is not generally available,
- (ii) relates, directly or indirectly, to one or more issuers of the *qualifying investments* or to one or more of the *qualifying investments*, and
- (iii) would, if generally available, be likely to have a significant effect on the price of the *qualifying investments* or on the price of *related investments*.

(b) in relation to *qualifying investments*, or *related investments*, which are commodity derivatives, *inside information* is information of a precise nature which:

- (i) is not generally available,
- (ii) relates, directly or indirectly, to one or more such derivatives, and
- (iii) users of markets in which the derivatives are traded would expect to receive in accordance with *accepted market practices* on those markets.

(c) in relation to a person charged with the execution of orders concerning any *qualifying investments* or *related investments*, *inside information* includes information conveyed by a client and related to the client's pending orders which:

- (i) is of a precise nature;
- (ii) is not generally available;
- (iii) relates, directly or indirectly, to one or more issuers of *qualifying investments* or to one or more *qualifying investments*; and
- (iv) would, if generally available, be likely to have a significant effect on the price of those *qualifying investments* or the price of *related investments*;

(d) information is precise if it:

- (i) indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur; and
- (ii) is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of *qualifying investments* or *related investments*;

(e) information would be likely to have a significant effect on price if and only if it is information of that kind which a reasonable investor would be likely to use as part of the basis of his investment decisions;

(f) for the purposes of (b)(iii), users of markets on which investments in commodity derivatives are traded are to be treated as expecting to receive information relating directly or indirectly to one or more such derivatives in accordance with any *accepted market practices*, which is:

- (i) routinely made available to the users of those markets; or

<p>(ii) required to be disclosed in accordance with any statutory provision, market rules, or contracts or customs on the relevant underlying commodity market or commodity derivatives market;</p> <p>(g) information which can be obtained by research or analysis conducted by, or on behalf of, users of a market is to be regarded, for the purposes of <i>market abuse</i>, as being generally available to them.</p> <p><i>insider</i> FCA PRA</p>	<p>(as defined in section 118B of the <i>Act</i>) a <i>person</i> who has <i>inside information</i>:</p> <p>(a) as a result of his membership of the administrative, management or supervisory bodies of an <i>issuer</i> of <i>qualifying investments</i>;</p> <p>(b) as a result of his holding in the capital of an <i>issuer</i> of <i>qualifying investments</i>;</p> <p>(c) as a result of having access to the information through the exercise of his employment, profession or duties;</p> <p>(d) as a result of his criminal activities; or</p> <p>(e) which he has obtained by other means and which he knows, or could reasonably be expected to know, is <i>inside information</i>.</p>
<p><i>insider dealing</i> FCA PRA</p>	<p>the activity described in section 52 of the Criminal Justice Act 1993, which is in summary:</p> <p>(a) the offence of which an individual is guilty if he has information as an insider and:</p> <p style="padding-left: 20px;">(i) in the circumstances described in (b), he deals in securities that are price-affected securities in relation to the information;</p> <p style="padding-left: 20px;">(ii)</p> <p style="padding-left: 40px;">(A) he encourages another <i>person</i> to deal in securities that are (whether or not that other knows it) price-affected securities in relation to the information, knowing or having reasonable cause to believe that the dealing would take place in the circumstances mentioned in (b); or</p> <p style="padding-left: 40px;">(B) he discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another <i>person</i>;</p> <p>(b) the circumstances referred to in (a) are that the acquisition or disposal in question occurs on a regulated market (identified in an Order made by the Treasury), or that the <i>person</i> dealing relies on a professional intermediary or is himself acting as a professional intermediary.</p>
<p><i>insider list</i> FCA PRA</p>	<p>a list, as required by ■ DTR 2.8.1 R, of <i>persons</i> with access to <i>inside information</i>.</p>
<p><i>insolvency order</i> FCA PRA</p>	<p>an administration order, compulsory winding up order, bankruptcy order, or sequestration order.</p>
<p>INSPRU FCA PRA</p>	<p>the Prudential sourcebook for Insurers.</p>
<p><i>instalment reversion plan</i></p>	<p>a <i>home reversion plan</i> under which more than one payment is made to the <i>customer</i> during the life of the plan.</p>

FCA **PRA**

institution

FCA **PRA**

(in accordance with Article 3(1)(c) of the *Capital Adequacy Directive* and Article 4(6) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *GENPRU* and *BIPRU*) a *credit institution* or a *CAD investment firm*, whether or not it is incorporated in, or has its head office in, an *EEA State*.

institutional linked policyholders

FCA **PRA**

in relation to *permitted links*, *linked policyholders* who are trustees of a *defined benefit occupational pension scheme*.

instrument constituting the fund

FCA **PRA**

- (a) (in relation to an *ICVC*) the *instrument of incorporation*;
- (b) (for an *AIF* other than an *ICVC*, an *AUT* or an *ACS*) the fund rules, instrument of incorporation or other constituting documents of such an *AIF*;
- (ba) (in relation to an *EEA UCITS scheme*) the fund rules or instrument of incorporation of such a *scheme*;
- (bb) (in relation to an *ACS*) the *contractual scheme deed*;
- (c) (in relation to a *collective investment scheme* other than an *AIF* or a *UCITS*) any instrument to which the *operator* is a party setting out any arrangements with any other *person* relating to any aspect of the operation or management of the *scheme*.

instrument of incorporation

FCA **PRA**

the instrument of incorporation of an *ICVC* (as from time to time amended) initially provided to the *FCA* in accordance with regulation 14(1)(c) of the *OEIC regulations*.

insurance accounts rules

FCA **PRA**

Schedule 9A to the Companies Act 1985 (Form and content of accounts of insurance companies) and Schedule 9A to the Companies Act (Northern Ireland) Order 1986 where these provisions are applicable, otherwise Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

insurance business

FCA **PRA**

the business of *effecting* or *carrying out contracts of insurance*.

insurance business grouping

FCA **PRA**

a grouping comprising descriptions of *general insurance business* determined in accordance with ■ *INSPRU 1.4.12 R*.

insurance business transfer

FCA **PRA**

a transfer in accordance with an *insurance business transfer scheme*.

insurance business transfer scheme

FCA **PRA**

- (a) a scheme, defined in section 105 of the *Act*, which is in summary: a scheme to transfer the whole or part of the business of an *insurer* (other than a *friendly society*) to another body;

*insurance client
money chapter*

FCA **PRA**

*insurance
component*

FCA **PRA**

*insurance
conglomerate*

FCA **PRA**

*insurance
death risk
capital
component*

FCA **PRA**

*Insurance
Directives*

FCA **PRA**

*insurance
expense risk
capital
component*

FCA **PRA**

*insurance
group*

FCA **PRA**

*Insurance
Groups
Directive*

FCA **PRA**

*insurance
health risk and
life protection
reinsurance
capital
component*

(b) a similar scheme to transfer the whole or part of the business carried on by one or more *members* of the *Society* or *former underwriting members* that meets the conditions of article 4 of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001 (SI 2001/3626).

■ CASS 5.

a *qualifying investment* prescribed in regulation 9 of the *ISA Regulations*.

a *financial conglomerate* that is identified in paragraph 4.3 of ■ GENPRU 3 Annex 1 R (Types of financial conglomerate) as an insurance conglomerate.

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.81 R to ■ INSPRU 1.1.83 R.

the *Consolidated Life Directive* and the *First Non-Life Directive*, *Second Non-Life Directive* and *Third Non-Life Directive*.

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.88 R.

(1) an *insurance parent undertaking* and its *related undertakings*; or
(2) a *participating insurance undertaking* (not within (1)) and its *related undertakings*.

Directive of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group (1998/78/EC).

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.85 R to ■ INSPRU 1.1.86 R .

FCA PRA

insurance holding company

FCA PRA

(1) a *parent undertaking*, other than an *insurance undertaking*, the main business of which is to acquire and hold participations in *subsidiary undertakings* and which fulfils the following conditions:

(a) its *subsidiary undertakings* are either exclusively or mainly *insurance undertakings*; and

(b) at least one of those *subsidiary undertakings* is an *insurer* or an *EEA firm* that is a *regulated insurance entity* or a *reinsurance undertaking*;

a *parent undertaking*, other than an *insurance undertaking*, that fulfils the conditions in paragraphs (1) (a) and (b) of this definition is not an *insurance holding company* if:

(c) it is a *mixed financial holding company*; and

(d) notice has been given in accordance with Article 4(2) of the *Financial Groups Directive* that the *financial conglomerate* of which it is a *mixed financial holding company* is a *financial conglomerate*.

(2) For the purposes of:

(a) the definition of the *insurance sector*;

(b) [deleted]

(c) the definition of *material insurance holding*; paragraph (1)(b) of this definition does not apply.

Insurance Intermediaries Order

FCA PRA

the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) (Insurance Intermediaries) Order 2003 (SI 2003/1476).

insurance intermediary

FCA PRA

a *firm* carrying on *insurance mediation activity* other than an *insurer*.

Insurance market activity

FCA PRA

means a *regulated activity* relating to *contracts of insurance* written at Lloyd's.

Insurance market direction

FCA PRA

a direction made by the *appropriate regulator* under section 316(1) of the *Act* (Direction by a regulator).

insurance market risk capital component

FCA PRA

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.89 R.

insurance mediation

FCA PRA

(as defined in article 2(3) of the *IMD*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of insurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by an *IMD insurance undertaking* or an employee of an *IMD insurance undertaking* who is acting under the responsibility of the *IMD insurance undertaking* shall not be considered as *insurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing an insurance contract, the management of claims of an *IMD insurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *insurance mediation*.

insurance mediation activity

FCA PRA

any of the following *regulated activities* carried on in relation to a *contract of insurance* or rights to or interests in a life policy:

- (a) *dealing in investments as agent* (article 21);
- (b) *arranging (bringing about) deals in investments* (article 25(1));
- (c) *making arrangements with a view to transactions in investments* (article 25(2));
- (d) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (e) *advising on investments* (article 53);
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

Insurance Mediation Directive

FCA PRA

the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No 2002/92/EC).

Insurance Ombudsman scheme

FCA PRA

the former scheme set up, on a voluntary basis, to handle complaints against those insurance companies which subscribed to it.

insurance parent undertaking

FCA PRA

a *parent undertaking* which is:

- (a) a *participating insurance undertaking* which has a *subsidiary undertaking* that is an *insurance undertaking*; or
- (b) an *insurance holding company* which has a *subsidiary undertaking* which is an *insurer*; or
- (c) an *insurance undertaking* (not within (a)) which has a *subsidiary undertaking* which is an *insurer*.

insurance sector

FCA PRA

a sector composed of one or more of the following entities:

- (a) an *insurance undertaking*;
- (b) an *insurance holding company*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

insurance special purpose vehicle

FCA PRA

an *undertaking*, other than an *insurance undertaking* or *reinsurance undertaking* which has received an official authorisation in accordance with article 6 of the *First Non-Life Directive*, article 4 of the *Consolidated Life Directive* or article 3 of the *Reinsurance Directive*:

- (a) which assumes risks from such *insurance undertakings* or *reinsurance undertakings*; and
- (b) which fully funds its exposures to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the *undertaking's reinsurance* obligations.

insurance undertaking

FCA PRA

- (1) (except in COBS) an undertaking, or (in ■ CASS 5 and COMP) a *member*, whether or not an *insurer*, which carries on *insurance business*.
- (2) (in COBS) an undertaking or a *member* which carries on *insurance business*.

insurance-related capital requirement

FCA PRA

a component of the calculation of the *ECR* for a *firm* carrying on *general insurance business* as set out in ■ INSPRU 1.1.76 R to ■ INSPRU 1.1.79 R .

insurer

FCA PRA

a *firm* with *permission* to *effect* or *carry out contracts of insurance* (other than a *UK ISPV*).

interdict

FCA PRA

a Scottish court order made by the Court of Session that prohibits a *person* from doing or continuing to do a certain act or requires a *person* to carry out a certain act.

interest rate duration method

FCA PRA

the method of calculating the part of the *interest rate PRR* that relates to *general market risk* set out in ■ BIPRU 7.2.63 R (General market risk calculation: Duration method).

interest rate maturity method

FCA PRA

the method of calculating the part of the *interest rate PRR* that relates to *general market risk* set out in ■ BIPRU 7.2.59 R (General market risk calculation: The maturity method).

interest rate PRR

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.2 (Interest rate PRR) or ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives) or, in relation to a particular *position*, the portion of the overall *interest rate PRR* attributable to that *position*.

interest rate simplified maturity method

FCA PRA

the method of calculating the part of the *interest rate PRR* that relates to *general market risk* set out in ■ BIPRU 7.2.56 R (General market risk calculation: Simplified maturity method).

interested party

FCA PRA

- (in relation to an application made under section 60 of the *Act* (Applications for approval)):
 - (a) the *firm* making the application;

<p><i>interest-only mortgage</i></p> <p>FCA PRA</p>	<p>(b) the <i>person</i> in respect of whom the application is being made ("A"); and</p> <p>(c) the <i>person</i> by whom A's services are to be retained, if not the <i>firm</i> making the application.</p> <p>a <i>regulated mortgage contract</i> other than a <i>repayment mortgage</i>.</p>
<p><i>interim accounting period</i></p> <p>FCA PRA</p>	<p>(in <i>COLL</i>) a period within an <i>annual accounting period</i> in respect of which an allocation of income is to be made.</p>
<p><i>interim income allocation date</i></p> <p>FCA PRA</p>	<p>any date specified in the <i>prospectus</i> of an <i>authorised fund</i> as the date on or before which an allocation of income will be made.</p>
<p><i>intermediaries offer</i></p> <p>FCA PRA</p>	<p>(1) (in <i>LR</i>) a marketing of <i>securities</i> already or not yet in issue, by means of an offer by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p> <p>(2) (for the purposes of the <i>Code of Market Conduct</i> (■ MAR 1)) a marketing of <i>securities</i> not yet in issue, by means of an <i>offer</i> by, or on behalf of, the <i>issuer</i> to intermediaries for them to allocate to their own clients.</p>
<p><i>intermediate broker</i></p> <p>FCA PRA</p>	<p>(in relation to a transaction in a <i>contingent liability investment</i>) any <i>person</i> acting in the capacity of an intermediary through whom the <i>firm</i> undertakes that transaction.</p>
<p><i>intermediate customer</i></p> <p>FCA PRA</p>	<p>(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):</p> <p>(1) (except in ■ COB 3) a <i>client</i> who is not a <i>market counterparty</i> and who is:</p> <p>(a) a local authority or public authority;</p> <p>(b) a <i>body corporate</i> whose <i>shares</i> have been <i>listed</i> or admitted to trading on any <i>EEA</i> exchange;</p> <p>(c) a <i>body corporate</i> whose <i>shares</i> have been <i>listed</i> or admitted to trading on the primary board of any <i>IOSCO</i> member country official exchange;</p> <p>(d) a <i>body corporate</i> (including a <i>limited liability partnership</i>) which has (or any of whose <i>holding companies</i> or <i>subsidiaries</i> has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);</p> <p>(e) a <i>special purpose vehicle</i>;</p> <p>(f) a <i>partnership</i> or unincorporated association which has (or has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a <i>limited partnership</i> without deducting loans owing to any of the <i>partners</i>;</p>

(g) a trustee of a trust (other than an *occupational pension scheme*, *SSAS*, *personal pension scheme* or *stakeholder pension scheme*) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and *designated investments* forming part of the trust's assets, but before deducting its liabilities;

(h) a trustee of an *occupational pension scheme* or *SSAS*, or a trustee or operator of a *personal pension scheme* or *stakeholder pension scheme* where the scheme has (or has had at any time during the previous two years):

(i) at least 50 members; and

(ii) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);

(i) another *firm*, or an *overseas financial services institution*, when, in relation to *designated investment business*, or related *ancillary activities*, conducted with or for that *firm* or institution, that *firm* or institution is an *intermediate customer* in accordance with ■ COB 4.1.7 R (Classification of another firm or an overseas financial services institution);

(j) *collective investment scheme*;

(k) a *client* when he is classified as an *intermediate customer* in accordance with ■ COB 4.1.9 R (Expert *private customer* classified as intermediate customer);

(l) a *recognised investment exchange*, *designated investment exchange*, *regulated market* or *clearing house*, except when it is classified as a *market counterparty* in accordance with ■ COB 4.1.8A R (Classification of an exchange or clearing house);

but excluding:

(i) [deleted]

(ii) a *client* who would otherwise be an *intermediate customer*, when he is classified in accordance with:

(A) ■ COB 4.1.12 R (Large intermediate customer classified as market counterparty); or

(B) (except for the purposes of *DISP*) ■ COB 4.1.14 R (Client classified as *private customer*).

(2) (in ■ COB 3) a *person* in (1) or a *person* who would be such a *person* if he were a *client*.

intermediate holding vehicle

FCA PRA

a *company*, trust or partnership but not a *collective investment scheme*, whose purpose is to enable the holding of overseas immovables on behalf of a *non-UCITS retail scheme* or a *qualified investor scheme*.

intermediate rate of return

FCA PRA

(in *COBS*) the intermediate rate of return described in paragraph 2.3 of the *projection rules* (■ COBS 13 Annex 2).

intermediate unitholder

FCA

a *firm* whose name is entered in the *register* of a *non-UCITS retail scheme* or a *UCITS scheme*, or which holds *units* in a *non-UCITS retail scheme* or a *UCITS scheme* indirectly through a third party acting as a nominee, and which is not the beneficial owner of the relevant *unit*, and:

<p><i>intermediate unitholder in a qualified investor scheme</i></p> <p>FCA</p>	<p>(a) does not <i>manage investments</i> on behalf of the relevant beneficial owner of the <i>unit</i>; or</p> <p>(b) does not act as a <i>depository</i> of a <i>collective investment scheme</i> or on behalf of such a <i>depository</i> in connection with its role in holding property subject to the <i>scheme</i>.</p> <p>For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the <i>Glossary</i> definition of "register".</p> <p>a <i>firm</i> whose name is entered in the <i>register</i> of a <i>qualified investor scheme</i>, or which holds <i>units</i> in a <i>qualified investor scheme</i> indirectly through a third party acting as a nominee, and is not the beneficial owner of the relevant <i>unit</i>, and:</p> <p>(a) does not <i>manage investments</i> on behalf of the relevant beneficial owner of the <i>unit</i>; or</p> <p>(b) does not act as a <i>depository</i> of a <i>collective investment scheme</i> or on behalf of such a <i>depository</i> in connection with its role in holding property subject to the <i>scheme</i>.</p> <p>For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the <i>Glossary</i> definition of "register".</p>
<p><i>internal capital adequacy assessment process</i></p> <p>FCA PRA</p>	<p>a <i>firm's</i> assessment of the adequacy of its capital and financial resources, as required by the <i>ICAAP rules</i>.</p>
<p><i>internal controls</i></p> <p>FCA PRA</p>	<p>the whole system of controls, financial or otherwise, established by the management of a <i>firm</i> in order to:</p> <p>(a) carry on the business of the <i>firm</i> in an orderly and efficient manner;</p> <p>(b) ensure adherence to management policies;</p> <p>(c) safeguard the assets of the <i>firm</i> and other assets for which the <i>firm</i> is responsible; and</p> <p>(d) secure as far as possible the completeness and accuracy of the <i>firm's</i> records (including those necessary to ensure continuous compliance with the requirements or standards under the <i>regulatory system</i> relating to the adequacy of the <i>firm's</i> financial resources).</p>
<p><i>internally managed AIF</i></p> <p>FCA</p>	<p>(in accordance with regulation 4(3)(b) of the <i>AIFMD UK regulation</i>) an <i>AIF</i> where the legal form permits internal management and where the <i>AIF's</i> governing body chooses not to appoint an <i>external AIFM</i>.</p>
<p><i>internally managed corporate AIF</i></p> <p>FCA</p>	<p>a <i>closed-ended corporate AIF</i> which is an <i>internally managed AIF</i>.</p>
<p><i>international accounting standards</i></p> <p>FCA PRA</p>	<p>means the international accounting standards, within the meaning of EC Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, adopted from time to time by the European Commission in accordance with that Regulation.</p>

International Financial Reporting Standards

FCA PRA

international financial accounting standards within the meaning of EC Regulation No 1606/2002 of the European Parliament and of the Council of 19 July 2002 as adopted from time to time by the European Commission in accordance with that Regulation.

international organisation

FCA PRA

(for the purposes of *GENPRU* and *BIPRU*) an organisation referred to in ■ BIPRU 3.4.30 R (Exposures to international organisations).

International Securities Identification Number (ISIN)

FCA PRA

a 12-character, alphanumeric code which uniquely identifies a *financial instrument* and provides for the uniform identification of *securities* at trading and settlement.

inter-professional business

FCA PRA

the business of a *firm*:

(a) when it carries on:

- (i) *regulated activities*; or
- (ii) related *ancillary activities*;

to the extent that the *regulated activity* that the *firm* is carrying on is:

- (A) *dealing in investments as principal*; or
- (B) *dealing in investments as agent*; or
- (C) *acting as an arranger*; or
- (D) *giving transaction-specific advice* or agreeing to do so;

but only if that activity is:

- (I) in or in respect of an *inter-professional investment*;
- (II) undertaken with or for a *eligible counterparty*; and
- (III) carried on from an establishment maintained by the *firm* in the *United Kingdom*;

(b) but excluding the carrying on of the following activities:

- (i) the *approval* by a *firm* of a *financial promotion*;
- (ii) activities carried on between *operators*, or between *operators* and *depositories*, of the same *collective investment scheme* (when acting in that capacity);
- (iii) *corporate finance business*;
- (iv) *safeguarding and administering investments* and agreeing to carry on that *regulated activity*;
- (v) concluding a *distance contract* with a *consumer*;
- (vi) activities relating to *life policies*;

in this definition, the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc) is to be disregarded in determining whether dealing in investments as *principal* or agreeing to do so) is a *regulated activity*.

inter-professional investment

FCA PRA

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments) or, in the case of *units* in an *exchange traded fund*, defined in the *Glossary* :

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);
- (d) *warrant* (article 79);
- (e) *certificate representing certain securities* (article 80);
- (f) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and *option* on a *commodity future*;
- (g) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (h) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;
- (i) *rights to or interests in investments* in (a) to (h) (article 89) ;
- (j) *units* in an *exchange traded fund*.

inter-syndicate reinsurance

FCA PRA

reinsurance between one *syndicate year* and another, not being *reinsurance to close*.

intra-group liquidity modification

FCA PRA

a modification to the *overall liquidity adequacy rule* of the kind described in BIPRU 12.8.7G.

intra-group transactions

FCA PRA

(in accordance with Article 2(18) of the *Financial Groups Directive* (Definitions)) all transactions by which *regulated entities* within a *financial conglomerate* rely either directly or indirectly upon other *undertakings* within the same *financial conglomerate* or upon any *person* linked to the *undertakings* within that *financial conglomerate* by *close links*, for the fulfilment of an obligation whether or not contractual, and whether or not for payment.

introducer

FCA PRA

an individual appointed by a *firm*, an *appointed representative* or, where applicable, a *tied agent*, to carry out in the course of *designated investment business* either or both of the following activities:

- (a) effecting introductions;
- (b) distributing *non-real time financial promotions*.

introducer appointed representative

FCA PRA

an *appointed representative* appointed by a *firm* whose scope of appointment is limited to:

- (a) effecting introductions; and
- (b) distributing *non-real time financial promotions*.

introducing broker

FCA PRA

a *firm* which introduces transactions relating to *designated investments arranged* (brought about) for its *clients* to a *clearing firm*.

investment

FCA PRA

(in accordance with sections 22(4) of the *Act* (Regulated activities) and section 93(2) of the Financial Services Act 2012) any investment, including any asset, right or interest.

investment adviser

FCA PRA

(in relation to an *authorised fund*) a *person* who is retained by an *ICVC*, its *directors* or its *ACD* or by a *manager* of an *AUT* or by an *authorised contractual scheme manager* of an *ACS* under a commercial arrangement which is not a contract of service:

- (a) to supply any of them with advice in relation to the *authorised fund* as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or
- (b) to exercise for any of them any function concerning the management of the *scheme property*.

investment agreement

FCA PRA

any agreement the making or performance of which by either party constitutes a *regulated activity*, but disregarding the exclusions in Part II of the *Regulated Activities Order*.

investment business compensation scheme

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) any of the following:

- (a) the scheme established under section 54 of the Financial Services Act 1986 and known as the Investors Compensation Scheme;
- (b) the scheme established under section 22j of the Grey Paper published by the *FSA* on 26 September 1998 and known as the Section 43 Compensation Scheme;
- (c) the scheme established by chapter II of part L:VIII of the *PIA* rule book and known as the *PIA Indemnity Scheme*;
- (d) the scheme resulting from an agreement dated 1 February 1999 between the Association of British Insurers and the Investors Compensation Scheme Limited for the making of payments by way of compensation to widows, widowers and dependants of persons (since deceased), in connection with advice given to such persons in relation to pensions, or the arranging of pensions for such persons, and known as the *ABI/ICS scheme*.

investment company with variable capital

a body incorporated under the *OEIC Regulations*.

FCA PRA

investment entity

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

FCA PRA

investment firm

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

FCA PRA

[Note: article 4(1)(1) of *MiFID*]

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

investment firm consolidation waiver

a *waiver* (described in ■ *BIPRU 8.4* (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

FCA PRA

investment management firm

(subject to *BIPRU TP 1.3R* (Revised definition of investment management firm for certain transitional purposes)), a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm, bank, BIPRU investment firm, building society, collective portfolio management firm, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*), or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ *IPRU-INV 3* or ■ *IPRU-INV 13* (Personal investment firms) and which is within (a), (b) or (c):

FCA PRA

(a) a *firm*:

(i) which was a member of *IMRO* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ *IPRU-INV 5* (Investment management firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* on or after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and was not a member of *IMRO, PIA* or the *SFA*; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the *Act*):

investment manager

FCA **PRA**

Investment Ombudsman

FCA **PRA**

investment professional

FCA **PRA**

- (A) *managing investments* other than for *retail clients* or where the assets managed are primarily *derivatives*;
- (B) *OPS activity*;
- (C) acting as the *manager* or *trustee* of an *AUT*;
- (Ca) *managing an AIF*;
- (D) acting as the *ACD* or *depository* of an *ICVC*;
- (Da) acting as the *authorised contractual scheme manager* or *depository* of an *ACS*;
- (Db) *acting as trustee or depository of an AIF*;
- (Dc) *acting as trustee or depository of a UCITS*;
- (E) *establishing, operating or winding up a collective investment scheme* (other than an *AUT*, *ICVC* or *ACS*);
- (Ea) *establishing, operating or winding up a personal pension scheme*; and
- (F) *safeguarding and administering investments*.

- (1) (except in *LR*) a *person* who, acting only on behalf of a *client*:
- (a) manages *designated investments* in an account or portfolio on a discretionary basis under the terms of a discretionary management agreement; or
 - (b) manages *designated investments* in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.
- (2) (in *LR*) a *person* who, on behalf of a *client*, manages *investments* and is not a wholly-owned *subsidiary* of the *client*.

the *former Ombudsman* under the *IMRO scheme*.

- (in accordance with article 19(5) of the *Financial Promotion Order*) (in relation to a *financial promotion*):
- (a) an *authorised person*;
 - (b) an *exempt person* when the *financial promotion* relates to a *controlled activity* which is a *regulated activity* in relation to which the *person* is exempt;
 - (c) any other *person*:
 - (i) whose ordinary activities involve him in carrying on the *controlled activity* to which the *financial promotion* relates for the purposes of a business carried on by him; or
 - (ii) who it is reasonable to expect will carry on that activity for the purposes of a business carried on by him;
 - (d) a government, a local authority (whether in the *United Kingdom* or elsewhere) or an international organisation;
 - (e) a *person* ("A") who is a *director, officer* or employee of a *person* ("B") falling within any of (a) to (d) where the *financial promotion* is made to A in that capacity and where A's responsibilities when acting in that capacity involve him in the carrying on by B of *controlled activities*.

investment research

FCA PRA

research or other information recommending or suggesting an investment strategy, explicitly or implicitly, concerning one or several *financial instruments* or the issuers of *financial instruments*, including any opinion as to the present or future value or price of such instruments, intended for *distribution channels* or for the public, and in relation to which the following conditions are met:

- (a) it is labelled or described as investment research or in similar terms, or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation;
- (b) if the recommendation in question were to be made by an *investment firm* to a *client*, it would not constitute the provision of a *personal recommendation*.

[Note: article 24(1) of the *MiFID implementing Directive*]

investment service

FCA PRA

any of the following involving the provision of a service in relation to a *financial instrument*:

- (a) reception and transmission of orders in relation to one or more *financial instruments*;
- (b) execution of orders on behalf of *clients*;
- (c) *dealing on own account*;
- (d) *portfolio management*;
- (e) the making of a *personal recommendation*;
- (f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
- (g) placing of *financial instruments* without a firm commitment basis;
- (h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services and/or activities

FCA PRA

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument* , that is:

- (a) reception and transmission of orders in relation to one or more *financial instruments*;
- (b) execution of orders on behalf of *clients*;
- (c) *dealing on own account*;
- (d) *portfolio management*;
- (e) the making of a *personal recommendation*;
- (f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
- (g) placing of *financial instruments* without a firm commitment basis;
- (h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

Investment Services Directive

FCA PRA

the Council Directive of 10 May 1993 on investment services in the securities field (No 93/22/EEC).

investment services or activities

FCA **PRA**

any of the services and activities listed in Section A of Annex I to *MiFID* relating to any *financial instrument*, that is:

- (a) reception and transmission of orders in relation to one or more *financial instruments*;
- (b) execution of orders on behalf of *clients*;
- (c) *dealing on own account*;
- (d) *portfolio management*;
- (e) the making of a *personal recommendation*;
- (f) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
- (g) placing of *financial instruments* without a firm commitment basis;
- (h) operation of *multilateral trading facilities*.

[Note: article 4(1)(2) of, and section A of Annex 1 to, *MiFID* and article 6(5) of the *auction regulation*]

investment services sector

FCA **PRA**

a sector composed of one or more of the following entities:

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers)) an *asset management company* or an *alternative investment fund manager*.

investment transaction

FCA **PRA**

a transaction to *buy, sell, subscribe for or underwrite a security or contractually based investment*.

investment trust

FCA **PRA**

a *company listed* in the *United Kingdom* or another *EEA State* which:

- (a) is approved by the Commissioners for HM Revenue and Customs under section 842 of the Income and Corporation Taxes Act 1988 (or, in the case of a newly formed *company*, has declared its intention to conduct its affairs so as to obtain such approval); or
- (b) is resident in an *EEA State* other than the *United Kingdom* and would qualify for such approval if resident and *listed* in the *United Kingdom*.

investment trust savings scheme

FCA **PRA**

- (a) a *dealing service* (whether or not held within a *pension contract*) dedicated to the *securities* of one or more *investment trusts*;
- (b) *securities* to be acquired through an investment trust savings scheme in (a).

Investor Compensation Directive

FCA **PRA**

the Council Directive of 3 March 1997 on investor compensation schemes (No 97/9/EC).

IOSCO

FCA **PRA**

the International Organisation of Securities Commissions.

IPA

individual pension account.

FCA PRA

IPA eligible investment

FCA PRA

a type of investment specified in regulation 2(2) (condition 5) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964) .

IPRU

FCA PRA

the Interim Prudential sourcebook, comprising ■ IPRU(BANK), ■ IPRU(BSOC), ■ IPRU(FSOC), ■ IPRU(INS) and ■ IPRU(INV), or according to the context one of these Interim Prudential sourcebooks.

IPRU(BANK)

FCA PRA

the Interim Prudential sourcebook for Banks.

IPRU(BSOC)

FCA PRA

the Interim Prudential sourcebook for Building Societies.

IPRU(FSOC)

FCA PRA

the Interim Prudential sourcebook for Friendly Societies.

IPRU(INS)

FCA PRA

the Interim Prudential Sourcebook for Insurers.

IPRU(INV)

FCA PRA

the Interim Prudential sourcebook for Investment Businesses.

IRB approach

FCA PRA

one of the following:

(a) the adjusted method of calculating the *credit risk capital component* set out in ■ BIPRU 4 (IRB approach) and ■ BIPRU 9.12 (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under ■ BIPRU 14 (Capital requirements for settlement and counterparty risk);

(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

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

IRB exposure class

FCA PRA

(in relation to the *IRB approach*) one of the classes of *exposure* set out in ■ BIPRU 4.3.2 R (exposure classes).

IRB permission

FCA PRA

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or an *institution* to use the *IRB approach*.

ISA

FCA PRA

an *individual savings account*.

<p><i>ISA manager</i> FCA PRA</p>	<p>a <i>person</i> who is approved by HM Revenue and Customs for the purposes of the <i>ISA Regulations</i> as an account manager.</p>
<p><i>ISA Regulations</i> FCA PRA</p>	<p>the Individual Savings Account Regulations 1998 (SI 1998/1870).</p>
<p><i>ISA transfer</i> FCA PRA</p>	<p>a transaction resulting from a decision, made with or without advice from a <i>firm</i>, by a <i>customer</i> who is an individual, to transfer the <i>investments</i> (or their value) held in his existing <i>ISA</i> in favour of another <i>ISA</i> which may or may not be managed by the same <i>ISA manager</i>.</p>
<p><i>ISD</i> FCA PRA</p>	<p><i>Investment Services Directive</i>.</p>
<p><i>ISPV</i> FCA PRA</p>	<p>an <i>insurance special purpose vehicle</i>.</p>
<p><i>issue</i> FCA PRA</p>	<p>(in relation to <i>units</i>):</p> <p>(1) (except in ■ EG 14) the issue of new <i>units</i> by the <i>trustee</i> of an <i>AUT</i>, the <i>depository</i> of an <i>ACS</i> or by an <i>ICVC</i>;</p> <p>(2) (in ■ EG 14):</p> <p style="margin-left: 20px;">(a) an issue in accordance with (1); and</p> <p style="margin-left: 20px;">(b) the sale of <i>units</i>.</p>
<p><i>issue price</i> FCA PRA</p>	<p>(in relation to the <i>issue</i> of <i>units</i> of a <i>dual-priced authorised fund</i>) the <i>price</i> for each <i>unit</i> payable by the <i>authorised fund manager</i> to the <i>depository</i> on that <i>issue</i>.</p>
<p><i>issuer</i> FCA PRA</p>	<p>(1) (except as otherwise provided for below) :</p> <p style="margin-left: 20px;">(a) (in relation to any <i>security</i>) (other than a <i>unit</i> in a <i>collective investment scheme</i>) the <i>person</i> by whom it is or is to be issued;</p> <p style="margin-left: 20px;">(b) (in relation to a <i>unit</i> in a <i>collective investment scheme</i>) the <i>operator</i> of the <i>scheme</i>;</p> <p style="margin-left: 20px;">(c) (in relation to an interest in a limited <i>partnership</i> except for a <i>limited partnership scheme</i>) the <i>partnership</i>;</p> <p style="margin-left: 20px;">(d) (in relation to <i>certificates representing certain securities</i>) the <i>person</i> who issued or is to issue the <i>security</i> to which the certificate or other instrument relates ; or</p> <p style="margin-left: 20px;">(e) an entity which issues <i>transferable securities</i> and, where appropriate, other <i>financial instruments</i>.</p> <p>[Note: article 2(2) of the <i>MiFID Regulation</i>]</p> <p>(2) (in chapters 1, 2 and 3 of <i>DTR</i> and <i>FEES</i> in relation to <i>DTR</i>) any <i>company</i> or other legal person or undertaking (including a <i>public sector issuer</i>), any class of whose <i>financial instruments</i>:</p> <p style="margin-left: 20px;">(a) have been <i>admitted to trading</i> on a <i>regulated market</i>; or</p> <p style="margin-left: 20px;">(b) are the subject of an application for <i>admission to trading</i> on a <i>regulated market</i>;</p>

other than *issuers* who have not requested or approved admission of their *financial instruments* to trading on a *regulated market*.

(2A) (in chapters 1A, 1B, 4, 6 and 7 of *DTR*) a legal entity governed by private or public law, including a State, whose securities are admitted to trading on a *regulated market*, the issuer being, in the case of depository receipts representing securities, the issuer of the securities represented;

(2B) (in chapter 5 of *DTR*) :

(a) a legal entity governed by private or public law, including a State whose *shares* are admitted to trading on a *regulated market*, the issuer being in the case of depository receipts representing securities, the issuer of the *shares* represented; or

(b) a public company within the meaning of section 4(2) of the Companies Act 2006 and any other body corporate incorporated in and having a principal place of business in the *United Kingdom*, whose *shares* are admitted to trading on a market which (not being a *regulated market*) is a *prescribed market*.

(3) (in *LR* and *FEES* in relation to *LR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any *class* of whose *securities* has been *admitted to listing* or is the subject of an application for *admission to listing*.

(4) (in *PR* and *FEES* in relation to *PR*) (as defined in section 102A of the *Act*) a legal person who issues or proposes to issue the *transferable securities* in question.

(5) (in *RCB* and ■ *FEES* 1 to ■ *FEES* 4, where applicable) (as defined in Regulation 1(2) of the *RCB Regulations*) a person which issues a *covered bond*.

(6) (in *FUND*) means an issuer within the meaning of article 2(1)(d) of the *Transparency Directive* where that issuer has its registered office in the *EEA* and where its shares are admitted to trading on a *regulated market*.

issuing
electronic
money

FCA PRA

the activity specified in article 9B of the *Regulated Activities Order* (Issuing electronic money), which is the activity of issuing *electronic money* by:

(a) a *credit institution*, a *credit union* or a municipal bank; or

(b) a person who is deemed to have been granted authorisation under regulation 74 of the *Electronic Money Regulations* or who falls within regulation 76(1) of the *Electronic Money Regulations*.

<p><i>land vehicles</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 3 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.</p>
<p><i>large ACS investor</i> FCA</p>	<p>in relation to an ACS, a <i>person</i> who in exchange for <i>units</i> in the <i>scheme</i>:</p> <ul style="list-style-type: none"> (a) makes a payment of not less than £1,000,000; or (b) contributes property with a value of not less than £1,000,000.
<p><i>large business customer</i> FCA PRA</p>	<p>(in relation to a <i>regulated mortgage contract</i> or <i>qualifying credit</i>, and in relation to an activity to be carried on by a <i>firm</i>) a <i>client</i>, if the credit is for the purposes of a business which has a group annual turnover of £1 million or more.</p>
<p><i>large company</i> FCA PRA</p>	<p>a <i>body corporate</i> which does not qualify as a small company under section 247 of the Companies Act 1985 , or section 382 of the Companies Act 2006 as applicable.</p>
<p><i>large deal</i> FCA PRA</p>	<p>(in COLL) a transaction (or <i>series of transactions</i>) in one <i>dealing period</i>) by any <i>person</i> to <i>buy, sell</i> or exchange <i>units</i> in an <i>authorised fund</i>, of any value as set out in the <i>prospectus</i>, for the purposes of:</p> <ul style="list-style-type: none"> (a) an <i>SDRT provision</i>; (b) a <i>dilution levy</i>; (c) a <i>dilution adjustment</i> ; or (d) calculating the <i>prices</i>, for a <i>dual-priced authorised fund</i>, at which <i>units</i> may be <i>sold</i> or <i>redeemed</i>.
<p><i>large exposure</i> FCA PRA</p>	<p>has the meaning set out in ■ BIPRU 10.5.1 R, which in summary is the <i>total exposure</i> of a <i>firm</i> to a <i>counterparty</i>, or a <i>group of connected clients</i>, whether in the <i>firm's non-trading book</i> or <i>trading book</i> or both, and <i>counterparties</i> falling within ■ BIPRU 10.10A.1 R within the trading book, which in aggregate equals or exceeds 10% of the <i>firm's capital resources</i>.</p>
<p><i>large mutual association</i> FCA PRA</p>	<p>a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>
<p><i>large partnership</i> FCA PRA</p>	<p>a <i>partnership</i> or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>
<p><i>larger denomination share</i> FCA PRA</p>	<p>any <i>share</i> that is not a <i>smaller denomination share</i>.</p>
<p><i>lead regulated firm</i> FCA PRA</p>	<p>a <i>firm</i> which is the subject of the financial supervision requirements of an <i>overseas regulator</i> in accordance with an agreement between the <i>appropriate regulator</i> and that regulator relating to the financial supervision of <i>firms</i> whose head office is within the country of that regulator.</p>

	This definition is not related to the defined terms <i>UK lead regulated firm</i> or <i>non UK lead regulated firm</i> .
<i>leading insurer</i> FCA PRA	(in relation to a <i>community co-insurance operation</i>) has the same meaning as in the <i>Community Co-Insurance Directive</i> .
<i>legal expenses</i> FCA PRA	(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i> , specified in paragraph 17 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against risks of loss to the <i>persons</i> insured attributable to their incurring legal expenses (including costs of litigation).
<i>lending firm</i> FCA PRA	(in accordance with Article 90 of the <i>Banking Consolidation Directive</i> (Credit risk mitigation) and for the purposes of <i>rules about credit risk mitigation</i>) a <i>firm</i> that has an <i>exposure</i> , whether or not deriving from a loan.
<i>leverage</i> FCA PRA	(in accordance with article 4(1)(v) of <i>AIFMD</i>) any method by which an <i>AIFM</i> increases the exposure of an <i>AIF</i> it manages whether through borrowing of cash or <i>securities</i> , or leverage embedded in <i>derivative</i> positions or by any other means.
<i>levy limit</i> FCA PRA	(A) In the FCA Handbook: (in <i>FEES</i>) the maximum aggregate amount of <i>compensation costs</i> and <i>specific costs</i> that may be allocated to a particular <i>class</i> in one financial year as set out in ■ <i>FEES 6 Annex 2 R</i> , whether directly or (where relevant to that <i>class</i>) through the <i>retail pool</i> . <i>FCA provider contribution classes</i> do not have a <i>levy limit</i> : they have a <i>retail pool</i> levy limit: see ■ <i>FEES 6 Annex 5R</i> . (B) In the PRA Handbook: (in <i>FEES</i>) the maximum aggregate amount of <i>compensation costs</i> and <i>specific costs</i> that may be allocated to a particular <i>class</i> in one financial year as set out in ■ <i>FEES 6 Annex 2 R</i> .
<i>LGD</i> FCA PRA	<i>loss given default</i> .
<i>liability of ships</i> FCA PRA	(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i> , specified in paragraph 12 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third party risks and carrier's liability.
<i>liability subject to compulsory insurance</i> FCA PRA	any liability required under any of the following enactments to be covered by insurance or (as the case may be) by insurance or by some other provisions for securing its discharge: (a) section 1(4A)(d) of the <i>Riding Establishments Act 1964</i> (or any corresponding enactment for the time being in force in Northern Ireland); (b) section 1 of the <i>Employers' Liability (Compulsory Insurance) Act 1969</i> or Article 5 of the <i>Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972</i> ; (c) Part VI of the <i>Road Traffic Act 1988</i> or Part VIII of the <i>Road Traffic (Northern Ireland) Order 1981</i> ; (d) section 19 of the <i>Nuclear Installations Act 1965</i> .

liability to a policyholder

FCA PRA

(in relation to a firm carrying out contracts of insurance) any liability or obligation of that *firm* to, or in respect of, a *policyholder*, including any liability or obligation arising:

- (a) from the requirement to treat *customers* fairly under *Principle 6*, including with respect to *policyholders'* reasonable expectations; or
- (b) from a determination of liability by an *Ombudsman*; or
- (c) from any requirement to pay compensation under the *regulatory system*.

licensee

FCA PRA

- (1) (in ■ DISP 2 - ■ 4 and ■ FEES 5) a *person* who is not a *firm* but who is:
 - (a) covered by a standard licence under the Consumer Credit Act 1974 (as amended); or
 - (b) authorised to carry on an activity by virtue of section 34(A) of that Act.

- (2) (in ■ DISP 1) a person within (1)(a) above ;

and expressions in that Act have the same meaning in this definition.

life and annuity

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph I of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), on human life or a contract to pay annuities on human life, but excluding (in each case) contracts within paragraph III of Part II of that Schedule (Linked long-term).

life policy

FCA PRA

- (1) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*); and

- (a) a *long-term care insurance contract*; and
- (b) (in COBS) a *pension policy*;

unless (2) or (3) apply.

- (2) In *PERG* (other than in relation to a *firm's permission* - see Note 5B to Table 1 in Annex 2, ■ PERG 2) and for the purposes of the *financial promotion rules* in ■ COBS 4, life policy does not include a *long-term care insurance contract*.

- (3) In relation to a *firm's permission*:

- (a) (in accordance with the definition of 'qualifying contract of insurance' in article 3(1) of the *Regulated Activities Order*) a *long-term insurance contract* (other than a reinsurance contract and a *pure protection contract*);
- (b) a *long-term care insurance contract* which is a *pure protection contract*; and
- (c) a *pension term assurance policy*.

life protection reinsurance business

FCA PRA

reinsurance acceptances which are *contracts of insurance*:

- (a) falling within *long-term insurance business class I*; or
- (b) falling within *long-term insurance business class III* and providing *index-linked benefits*;

that are not:

- (c) *with-profits insurance contracts*; or
- (d) *whole life assurances*; or

lifetime mortgage

FCA PRA

- (e) contracts to pay annuities on human life; or
- (f) contracts which pay a sum of money on the survival of the life assured to a specific date or on his earlier death.

a *regulated mortgage contract* under which:

- (a) entry into the mortgage is restricted to older *customers* above a specified age;

and

(b) the *mortgage lender* may or may not specify a mortgage term, but will not seek full repayment of the loan (including interest, if any, outstanding) until the occurrence of one or more of the following:

- (i) the death of the *customer*; or
- (ii) the *customer* leaves the mortgaged land to live elsewhere and has no reasonable prospect of returning (for example by moving into residential care); or
- (iii) the *customer* acquires another dwelling for use as his main residence; or
- (iv) the *customer* sells the mortgaged land; or
- (v) the *mortgage lender* exercises its legal right to take possession of the mortgaged land under the terms of the contract.

and

(c) while the *customer* continues to occupy the mortgaged land as his main residence:

- (i) no instalment repayments of the capital and no payment of interest on the capital (other than interest charged when all or part of the capital is repaid voluntarily by the *customer*), are due or capable of becoming due; or
- (ii) although interest payments may become due, no full or partial repayment of the capital is due or capable of becoming due; or
- (iii) although interest payments and partial repayment of the capital may become due, no full repayment of the capital is due or capable of becoming due.

LIFFE

FCA PRA

the London International Financial Futures and Options Exchange.

limit of indemnity

FCA PRA

(in ■ MIPRU 3 (Professional indemnity insurance)) the sum available to indemnify a *firm* in respect of each claim made under its professional indemnity insurance.

limit order

FCA PRA

an order to buy or sell a *financial instrument* at its specified price limit or better and for a specified size.

[Note: article 4(1)(16) of *MiFID*]

limitation

FCA PRA

a limitation incorporated in a *Part 4A permission* under section 55E(5) of the *Act* (Giving permission: the FCA), section 55F(4) of the *Act* (Giving permission: the PRA) or section 55J(10) of the *Act* (Variation or cancellation on initiative of regulator).

<p><i>limited activity firm</i></p> <p>FCA PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.11 R (Types of investment firm: Limited activity firms).</p>
<p><i>limited assurance engagement</i></p> <p>FCA PRA</p>	<p>a 'limited assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.</p>
<p><i>limited liability partnership</i></p> <p>FCA PRA</p>	<p>(a) a <i>body corporate</i> incorporated under the Limited Liability Partnerships Act 2000;</p> <p>(b) a <i>body corporate</i> incorporated under legislation having the equivalent effect to the Limited Liability Partnerships Act 2000.</p>
<p><i>limited licence firm</i></p> <p>FCA PRA</p>	<p>has the meaning set out ■ BIPRU 1.1.12 R (Types of investment firm: Limited licence firms).</p>
<p><i>limited partner</i></p> <p>FCA</p>	<p>in relation to a <i>limited partnership scheme</i>, a <i>participant</i> in the <i>scheme</i> (other than the <i>nominated partner</i>).</p>
<p><i>limited price indexation</i></p> <p>FCA</p>	<p>in relation to transfer value analysis, benefits which increase in line with a recognised index but subject to a minimum and/or maximum rate.</p>
<p><i>limited redemption arrangements</i></p> <p>FCA PRA</p>	<p>the arrangements operated by an <i>authorised fund manager</i> for the <i>redemption</i> of <i>units</i> in an <i>authorised fund</i> where the <i>authorised fund manager</i> holds himself out to redeem units in that <i>scheme</i> less frequently than twice in a calendar <i>month</i> in accordance with ■ COLL 6.2.19 R (Limited redemption).</p>
<p><i>linked assets</i></p> <p>FCA PRA</p>	<p><i>index-linked assets</i> or <i>property-linked assets</i>.</p>
<p><i>linked benefit</i></p> <p>FCA PRA</p>	<p>(1) (in ■ COBS 21 (Permitted Links)) <i>property-linked benefits</i> or <i>index-linked benefits</i>.</p> <p>(2) (other than in ■ COBS 21) a benefit payable under a <i>life policy</i> or a <i>regulated collective investment scheme</i> the amount of which is determined by reference to:</p> <ul style="list-style-type: none"> (a) the value of the property of any description (whether specified or not); or (b) fluctuations in the value of any such property; or (c) income from such property; or (d) fluctuations in an index of the value of such property.
<p><i>linked borrowing</i></p> <p>FCA PRA</p>	<p>additional credit facilities (which may be secured, unsecured, or both) that are integral to a <i>regulated mortgage contract</i> but which may be the subject of a separate contract.</p>

<p><i>linked deposits</i> FCA PRA</p>	<p>additional facilities (which may be a current account, a savings account, or both) that are linked to a <i>regulated mortgage contract</i> but which may be the subject of a separate contract.</p>
<p><i>linked fund</i> FCA PRA</p>	<p>a real or notional account to which an <i>insurer</i> appropriates <i>linked assets</i> for the purposes of their being <i>permitted links</i>, and which may be subdivided into units, the value of each of which is determined by the <i>insurer</i> by reference to the value of those <i>linked assets</i>.</p>
<p><i>linked liabilities</i> FCA PRA</p>	<p><i>property-linked liabilities</i> or <i>index-linked liabilities</i>.</p>
<p><i>linked life stakeholder product</i> FCA PRA</p>	<p>the <i>stakeholder product</i> specified by regulations 6 and 7 (rights under certain linked long-term contracts) of the <i>Stakeholder Regulations</i>;</p>
<p><i>linked long-term</i> FCA PRA</p>	<p>(in relation to a <i>contract of insurance</i>) a <i>long-term insurance contract</i> where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).</p>
<p><i>linked policyholders</i> FCA PRA</p>	<p><i>policyholders</i> under a <i>linked long-term</i> contract.</p>
<p><i>liquidity facility</i> FCA PRA</p>	<p>(for the purposes of ■ BIPRU 9 (Securitisation), in relation to a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) the <i>securitisation position</i> arising from a contractual agreement to provide funding to ensure timeliness of cash-flows to investors.</p>
<p><i>liquidity risk</i> FCA PRA</p>	<p>(1) (in <i>COLL</i> and in accordance with article 3(8) of the <i>UCITS implementing Directive</i>) the risk that a position in a <i>UCITS'</i> portfolio cannot be sold, liquidated or closed out at limited cost in an adequately short timeframe and that the ability of the <i>scheme</i> to comply at any time with ■ COLL 6.2.16 R (Sale and redemption) or, in the case of an <i>EEA UCITS scheme</i>, article 84(1) of the <i>UCITS Directive</i> is thereby compromised.</p> <p>(2) (except in <i>COLL</i>) the risk that a <i>firm</i>, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost.</p>
<p><i>list of sponsors</i> FCA PRA</p>	<p>(in <i>LR</i>) the list of sponsors maintained by the <i>FCA</i> in accordance with section 88(3)(a) of the <i>Act</i>.</p>
<p><i>listed</i> FCA PRA</p>	<p>(1) (except in <i>LR</i> , <i>INSPRU</i> and <i>IPRU(INS)</i>) included in an <i>official list</i>.</p> <p>(2) (in <i>INSPRU</i> and <i>IPRU(INS)</i>):</p> <p style="padding-left: 20px;">(a) included in an <i>official list</i>; or</p>

	(b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted.
	(3) (in <i>LR</i>) admitted to the <i>official list</i> maintained by the <i>FCA</i> in accordance with section 74 of the <i>Act</i> .
<i>listed activity</i> FCA PRA	an activity listed in Annex 1 to the <i>Banking Consolidation Directive</i> .
<i>listed company</i> FCA PRA	(in <i>LR</i> and <i>DEPP</i>) a <i>company</i> that has any <i>class</i> of its <i>securities listed</i> .
<i>listed security</i> FCA PRA	any <i>security</i> that is admitted to an <i>official list</i> .
<i>listing particulars</i> FCA PRA	(in <i>LR</i>) (in accordance with section 79(2) of the <i>Act</i>), a document in such form and containing such information as may be specified in <i>listing rules</i> .
<i>listing rules</i> FCA PRA	(in accordance with sections 73A(1) and 73A(2) of the <i>Act</i>) <i>rules</i> relating to admission to the <i>official list</i> .
<i>Lloyd's actuary</i> FCA PRA	the <i>actuary</i> appointed by the <i>Society</i> under ■ SUP 4.6.1 R .
<i>Lloyd's actuary function</i> FCA PRA	(in the <i>PRA Handbook</i>) <i>PRA controlled functions</i> CF12B in the <i>table of PRA controlled functions</i> , described more fully in ■ SUP 10B.8.3 R.
<i>Lloyd's Arbitration Scheme</i> FCA PRA	the Lloyd's Arbitration Scheme (Members and Underwriting Agents Arbitration Scheme) established under Lloyd's Arbitration Scheme (Members and Underwriting Agents Scheme) Byelaw (No 15 of 1992).
<i>Lloyd's complaint procedures</i> FCA PRA	the procedures maintained by the <i>Society</i> under ■ DISP 1.11.1 R.
<i>Lloyd's complaint rules</i> FCA PRA	■ DISP 1.7.
<i>Lloyd's market activities</i> FCA PRA	(a) <i>advising on syndicate participation at Lloyd's</i> , including <i>advising</i> on a transaction in the <i>capacity transfer market</i> ; (b) <i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i> ;

<p><i>Lloyd's member's contribution</i> FCA PRA</p>	<p>(c) agreeing to carry on the <i>regulated activities</i> in (a) and (b);</p> <p>(d) carrying on <i>designated investment business</i> which is not <i>MiFID business</i> in relation to <i>funds at Lloyd's</i>; or</p> <p>(e) <i>communicating</i> or <i>approving</i> a <i>financial promotion</i> in relation to:</p> <ul style="list-style-type: none"> (i) the <i>underwriting capacity of a Lloyd's syndicate</i>; or (ii) <i>membership of a Lloyd's syndicate</i>; or (iii) <i>life policies</i> written at Lloyd's; or (iv) any of the activities specified in (a) or (d).
<p><i>Lloyd's Members' Ombudsman</i> FCA PRA</p>	<p>assets:</p> <ul style="list-style-type: none"> (a) provided to a <i>managing agent</i> in response to a cash call; or (b) held by the <i>Society</i> as funds at Lloyds.
<p><i>Lloyd's Return</i> FCA PRA</p>	<p>the office of Ombudsman established under Lloyd's Members' Ombudsman Scheme Byelaw (No 13 of 1987).</p>
<p><i>Lloyd's trust deed</i> FCA PRA</p>	<p>the financial report that the <i>Society</i> is required to submit to the <i>PRA</i> under IPRU(INS) 9.48(1) .</p>
<p><i>Lloyd's trust fund</i> FCA PRA</p>	<p>a trust deed in the form prescribed by the <i>Society</i> and notified to the <i>PRA</i>, for execution by a <i>member</i> in respect of his <i>insurance business</i>.</p>
<p><i>local</i> FCA PRA</p>	<p>a fund held on the terms of a <i>Lloyd's trust deed</i>.</p>
<p><i>local</i> FCA PRA</p>	<p>(1) (except in ■ BIPRU 1.1 (Application and purpose)) a <i>firm</i> which is a member of a <i>futures</i> and <i>options</i> exchange and whose <i>permission</i> includes a <i>requirement</i> that:</p> <ul style="list-style-type: none"> (a) the <i>firm</i> will not conduct <i>designated investment business</i> other than: <ul style="list-style-type: none"> (i) <i>dealing</i> for its own account on that <i>futures</i> or <i>options</i> exchange; or (ii) <i>dealing</i> for the accounts of other members of the same <i>futures</i> and <i>options</i> exchange; or (iii) making a price to other members of the same <i>futures</i> and <i>options</i> exchange; or (iv) <i>dealing</i> for its own account in financial <i>futures</i> and <i>options</i> or other <i>derivatives</i> in the capacity of a customer; and (b) the performance of the <i>firm's</i> contracts must be guaranteed by and must be the responsibility of one or more of the clearing members of the same <i>futures</i> and <i>options</i> exchange. <p>(2) (in ■ BIPRU 1.1 (Application and purpose) and in accordance with article 3(1)(p) of the <i>Capital Adequacy Directive</i> (Definitions)) an <i>undertaking</i></p>

dealing for its own account on markets in financial-futures or options or other derivatives and on cash markets for the sole purpose of hedging *positions* on derivatives markets or which deals for the accounts of other members of those markets and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such an *undertaking* is assumed by clearing members of the same markets; for these purposes a clearing member means a member of the exchange or the clearing house which has a direct contractual relationship with the central counterparty (market guarantor).

local firm

FCA PRA

a *firm* which falls within the definition of "local firm" in Article 3.1P of CAD, that is a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.

London Stock Exchange

FCA PRA

(in LR) London Stock Exchange Plc.

long settlement transaction

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) a transaction where a counterparty undertakes to deliver a security, a *commodity*, or a *foreign currency* amount against cash, other CRD *financial instruments*, or *commodities*, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular transaction and five *business days* after the date on which the *person* enters into the transaction.

long-term admissible asset

FCA PRA

a *long-term insurance asset* which is an *admissible asset*.

long-term care insurance contract

FCA PRA

a *long-term insurance contract*:

(a) which provides, would provide at the *policyholder's* option, or is sold or held out as providing, benefits that are payable or provided if the *policyholder's* health deteriorates to the extent that he cannot live independently without assistance and that is not expected to change; and

(b) under which the benefits are capable of being paid for periodically for all or part of the period that the *policyholder* cannot live without assistance;

where 'benefits' are services, accommodation or goods necessary or desirable for the continuing care of the *policyholder* because he cannot live independently without assistance.

long-term incentive scheme

FCA PRA

(in LR) any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive *director's* remuneration package) which may involve the receipt of any asset (including cash or any security) by a *director* or *employee* of the *group*:

(a) which includes one or more conditions in respect of service and/or performance to be satisfied over more than one financial year; and

(b) pursuant to which the *group* may incur (other than in relation to the establishment and administration of the arrangement) either cost or a liability, whether actual or contingent.

long-term insurance asset

FCA PRA

has the meaning set out in INSPRU 1.5.21R.

long-term insurance business

FCA PRA

the business of *effecting or carrying out long-term insurance contracts*.

long-term insurance business syndicate

FCA PRA

a *syndicate* in which *members* carry on *long-term insurance business*.

long-term insurance capital requirement

FCA PRA

(in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that the *firm* must hold calculated in accordance with GENPRU 2.1.36R.

long-term insurance contract

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation: general)) any *contract of insurance* within Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), namely:

- (a) *life and annuity* (paragraph I);
- (b) *marriage or the formation of a civil partnership and birth* (paragraph II);
- (c) *linked long-term* (paragraph III);
- (d) *permanent health* (paragraph IV);
- (e) *tontines* (paragraph V);
- (f) *capital redemption* (paragraph VI);
- (g) *pension fund management* (paragraph VII);
- (g) *collective insurance* etc (paragraph VIII);
- (h) *social insurance* (paragraph IX).

long-term insurance fund

FCA PRA

has the meaning set out in INSPRU 1.5.22R .

long-term insurance liabilities

FCA PRA

liabilities arising from *long-term insurance business*.

long-term insurer

FCA PRA

an *insurer* with *permission* to effect or carry out long-term insurance contracts.

<p>loss FCA PRA</p>	<p>(in accordance with Article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of the <i>IRB approach</i>, the <i>standardised approach</i> to credit risk and ■ BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.</p>
<p>loss given default FCA PRA</p>	<p>(in accordance with Article 4(27) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to the <i>IRB approach</i>) the ratio of the <i>loss</i> on an <i>exposure</i> due to the <i>default</i> of a counterparty to the amount outstanding at <i>default</i>.</p>
<p>low frequency liquidity reporting firm FCA PRA</p>	<p>any of the following:</p> <ul style="list-style-type: none"> (a) a <i>simplified ILAS BIPRU firm</i>; or (b) a <i>standard ILAS BIPRU firm</i> whose most recent <i>annual report and accounts</i> show balance sheet assets of less than £5 billion (or its equivalent in foreign currency translated into sterling at the balance sheet date); or (c) a <i>standard ILAS BIPRU firm</i> that meets the following conditions: <ul style="list-style-type: none"> (i) it does not have any <i>annual report and accounts</i> and it has been too recently established to be required to have produced any; (ii) it has submitted a projected balance sheet to the <i>FCA</i> or <i>PRA</i> (as the case may be) as part of an application for a <i>Part 4A permission</i> or a variation of one; and (iii) the most recent such balance sheet shows that the <i>firm</i> will meet the size condition set out in (b) in all periods covered by those projections. <p>In respect of an <i>incoming EEA firm</i> or <i>third country BIPRU firm</i> that is also a <i>standard ILAS BIPRU firm</i> and which reports on the basis of its branch operation in the <i>United Kingdom</i>, if the balance sheet assets attributable to the <i>UK branch</i> can be determined from the <i>firm's</i> most recent <i>annual report and accounts</i> (or, if applicable, the projected balance sheet) or any <i>data item</i> submitted by the <i>firm</i>, then paragraphs (b) and (c) apply at the level of the <i>branch</i> rather than of the <i>firm</i>.</p>
<p>lower rate of return FCA PRA</p>	<p>(in <i>COBS</i>) the lower rate of return described in paragraph 2.3 of the projection rules (■ <i>COBS</i> 13 Annex 2).</p>
<p>lower stage of capital FCA PRA</p>	<p>(with respect to a particular item of capital in the <i>capital resources table</i>) a stage in the <i>capital resources table</i> below that in which that item of capital appears.</p>
<p>lower tier three capital FCA PRA</p>	<p>an item of capital that is specified in stage P of the <i>capital resources table</i> (Lower tier three).</p>
<p>lower tier three capital resources FCA PRA</p>	<p>the sum calculated at stage P of the <i>capital resources table</i> (Lower tier three).</p>
<p>lower tier two capital</p>	<p>(1) [deleted]</p>

FCA **PRA**

lower tier two capital resources

(2) (in *BIPRU*, *GENPRU* and *INSPRU*) an item of capital that is specified in stage H of the capital resources table (Lower tier two capital) .

the sum calculated at stage H of the calculation in the *capital resources table* (Lower tier two capital) .

FCA **PRA**

lower tier two instrument

an item of capital that meets the conditions in *GENPRU* 2.2.194R (Lower tier two capital) and is eligible to form part of a *firm's lower tier two capital resources*.

FCA **PRA**

LR

the Listing Rules sourcebook.

FCA **PRA**

LTICR

long-term insurance capital requirement.

FCA **PRA**

MAD

FCA PRA

(in LR) the *Market Abuse Directive*.

MAD

Investment Recommendations Directive

FCA PRA

The Commission Directive of 22 December 2003 implementing the *Market Abuse Directive* as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest (No. 2003/125/EC).*made to; made only to; to whom it is made*

FCA PRA

a *financial promotion* is made to a *person* if it is addressed, whether orally or in legible form, to a particular *person* or *persons* (for example where it is contained in a telephone call or letter).*main BIPRU firm Pillar 1 rules*

FCA PRA

- GENPRU 2.1.40 R (Variable capital requirement for *BIPRU firms*),
- GENPRU 2.1.41 R (*Base capital resources requirement* for *BIPRU firms*),
- GENPRU 2.1.48 R (Table: *Base capital resources requirement* for a *BIPRU firm*) and, where applicable, ■ GENPRU 2.1.60 R (*Calculation of base capital resources requirement* for banks authorised before 1993).

major subsidiary undertaking

FCA PRA

(in LR) a *subsidiary undertaking* that represents 25% or more of the aggregate of the gross assets or profits (after deducting all charges except taxation) of the *group*.*making arrangements with a view to a home finance transaction*

FCA PRA

any of the *regulated activities* of *making arrangements with a view to a regulated mortgage contract*, *making arrangements with a view to a home reversion plan*, *making arrangements with a view to a home purchase plan* or *making arrangements with a view to a regulated sale and rent back agreement*.*making arrangements with a view to a home purchase plan*

FCA PRA

the *regulated activity*, specified in article 25C(2) of the *Regulated Activities Order*, which is in summary: making arrangements with a view to a person who participates in the arrangements entering into a *home purchase plan* as *home purchaser*.*making arrangements with a view to a home reversion plan*

FCA PRA

the *regulated activity*, specified in article 25B(2) of the *Regulated Activities Order*, which is in summary: making arrangements with a view to a *person* who participates in the arrangements *entering into a home reversion plan* as *reversion occupier* or as *plan provider*.*making arrangements*the *regulated activity*, specified in article 25E(2) of the *Regulated Activities Order*, which is in summary making arrangements with a view to a *person* who

with a view to a regulated sale and rent back agreement

FCA **PRA**

participates in the arrangements entering into a *regulated sale and rent back agreement* as agreement seller or agreement provider.

making arrangements with a view to regulated mortgage contracts

FCA **PRA**

the *regulated activity*, specified in article 25A(2) of the *Regulated Activities Order*, which is in summary: making arrangements with a view to a *person* who participates in the arrangements entering into a *regulated mortgage contract* as borrower. (see also *arranging* (in relation to *regulated mortgage contracts*) and *arranging (bringing about) regulated mortgage contracts*.)

making arrangements with a view to transactions in investments

FCA **PRA**

the *regulated activity*, specified in article 25(2) of the *Regulated Activities Order* (Arranging deals in investments), which is in summary: making arrangements with a view to a *person* who participates in the arrangements *buying, selling*, subscribing for or underwriting any of the following *investments* (whether as *principal* or agent):

- (a) a *designated investment*; or
- (b) a *funeral plan contract*; or
- (c) the *underwriting capacity of a Lloyd's syndicate*; or
- (d) *membership of a Lloyd's syndicate*; or
- (e) *rights to or interests in investments* in (b), (c) or (d); or
- (f) a *pure protection contract*; or
- (g) a *general insurance contract*.

management accounts

FCA **PRA**

(in relation to a *UK recognised body*) accounts showing the actual and budgeted income and expenditure of that body over any period.

management company

FCA **PRA**

(in accordance with article 2(1)(b) of the *UCITS Directive*) a company, the regular business of which is the management of *UCITS* in the form of unit trusts, common funds (including *authorised contractual schemes*) or investment companies (*collective portfolio management*), including, where permitted by its *Home State regulator*, the additional services referred to in article 6(3) of that directive.

management expenses

FCA **PRA**

(1) (except in *INSPRU*) (in accordance with section 223 of the *Act* (Management expenses)) expenses incurred or expected to be incurred by the *FSCS* in connection with its function under the *Act*, other than *compensation costs* and costs incurred under Part 15A of the *Act*; for the purposes of **■ FEES 6** these are subdivided into *base costs*, *specific costs* and *establishment costs*.

(2) (in *INSPRU*) in relation to *long-term insurance business*, means all expenses, other than *commission*, incurred in the administration of an *insurer* or its business.

management expenses levy

FCA **PRA**

a levy imposed by the *FSCS* on *participant firms* to meet the *management expenses* and which is made up of one or more of a base cost levy and a *specific costs levy*, each *participant firm's* share being calculated in accordance with **■ FEES 6.4**.

manager

FCA PRA

(1) (in relation to an *AUT*) the *firm*, including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM*, which is the manager of the *AUT* in accordance with the *trust deed*.

(1A) (in relation to an *OEIC* which is an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* or which is an *AIF*, and which has appointed a *person* to manage the scheme) the *person* appointed to manage the scheme.

(2) (as defined in section 423(1) and (2) of the *Act (Manager)*) (except in relation to a *unit trust scheme* or an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* (other than a unit trust scheme) or a *registered friendly society*):

(a) an employee who:

(i) under the immediate authority of his employer, is responsible, either alone or jointly with one or more other individuals, for the conduct of his employer's business; or

(ii) under the immediate authority of his employer or of a *person* who is a manager in accordance with (i) exercises managerial functions or is responsible for maintaining accounts or other records of his employer;

(b) if the employer is not an individual, references in (a) to the authority of the employer are references to the authority:

(i) in the case of a *body corporate*, of the directors;

(ii) in the case of a *partnership*, of the partners; and

(iii) in the case of an unincorporated association, of its officers or the members of its governing body.

(3) (as defined in section 423(3) of the *Act (Manager)*) (in relation to a *body corporate* other than one covered at (1A) above):

(a) a *person* (other than an employee of the body) who is appointed by the body to manage any part of its business, including an employee of the *body corporate* (other than the *chief executive*) who under the immediate authority of a director or *chief executive* of the *body corporate* exercises managerial functions or is responsible for maintaining accounts or other records of the *body corporate*;

(b) for the purposes of (a) and in relation to a *body corporate* whose principal place of business is within the *United Kingdom*, the *chief executive* includes only a *person* who is an employee of the *body corporate* in accordance with section 417(1) of the *Act (Definitions)*.

manager of the relevant scheme

FCA PRA

the *person* (including a *person* outside the *United Kingdom*) who administers the *relevant scheme* or (if there is no such *person*) the *person* responsible for making payments under it.

managing a UCITS

FCA PRA

the *regulated activity*, specified in article 51ZA of the *Regulated Activities Order* of carrying on collective portfolio management within the meaning of the *UCITS Directive*, in relation to a *UCITS*.

managing agent

FCA PRA

(as defined in article 3(1) of the *Regulated Activities Order*) a *person* who is permitted by the *Council* in the conduct of his business as an *underwriting agent* to perform for a *member* one or more of the following functions:

(a) underwriting *contracts of insurance* at Lloyd's;

<p>(b) reinsuring such contracts in whole or in part;</p> <p>(c) paying claims on such contracts.</p>	<p>an agreement in the form prescribed by the <i>Society</i>, between a <i>managing agent</i> and a <i>member</i>, under which the <i>managing agent</i> manages the <i>insurance business</i> of that <i>member</i>.</p>
<p><i>managing agent's agreement</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 51ZC of the <i>Regulated Activities Order</i>, which is, in summary, performing at least risk management or portfolio management for an <i>AIF</i>.</p>
<p><i>managing dormant account funds (including the investment of such funds)</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 63N(1)(b) of the <i>Regulated Activities Order</i>, which is the acceptance of a transfer by a <i>bank</i> or <i>building society</i> of the <i>balance</i> of a <i>dormant account</i>, or a proportion of such a balance, and the management of those funds (including the investment of such funds) in such a way as to enable the <i>dormant account fund operator</i> to meet whatever <i>repayment claims</i> it is prudent to anticipate.</p>
<p><i>managing investments</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 37 of the <i>Regulated Activities Order</i> (Managing investments), which is in summary: managing assets belonging to another <i>person</i> in circumstances which involve the exercise of discretion, if:</p> <p>(a) the assets consist of or include any <i>security</i> or <i>contractually based investment</i> (that is, any <i>designated investment</i>, <i>funeral plan contract</i> or right to or interest in a <i>funeral plan contract</i>); or</p> <p>(b) the arrangements for their management are such that the assets may consist of or include such <i>investments</i>, and either the assets have at any time since 29 April 1988 done so, or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.</p>
<p><i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 57 of the <i>Regulated Activities Order</i> (Managing the underwriting capacity of a Lloyd's syndicate), of managing the <i>underwriting capacity of a Lloyd's syndicate</i> as a <i>managing agent</i> at Lloyd's.</p>
<p><i>mandate</i></p> <p>FCA PRA</p>	<p>any means that give a <i>firm</i> the ability to control a <i>client's</i> assets or liabilities, which meet the conditions in ■ CASS 8.2.1 R.</p>
<p><i>mandate rules</i></p> <p>FCA PRA</p>	<p>■ CASS 8.</p>
<p>MAR</p> <p>FCA PRA</p>	<p>the Market Conduct sourcebook.</p>

margin

FCA PRA

(in *COLL*) cash or other property paid, transferred or deposited under the terms of a *derivative*; for these purposes cash or property will be treated as having been paid, transferred or deposited if it must be paid, transferred or deposited in order to comply with a requirement imposed by the market on which the contract is made or traded.

margin agreement

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a contractual agreement or provisions to an agreement under which one counterparty must supply collateral to a second counterparty when an *exposure* of that second counterparty to the first counterparty exceeds a specified level.

margin lending transaction

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) transactions in which a *person* extends credit in connection with the purchase, sale, carrying or trading of securities; the definition does not include other loans that happen to be secured by securities collateral.

margin period of risk

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the time period from the last exchange of collateral covering a *netting set* of transactions with a defaulting counterpart until that counterpart is closed out and the resulting market risk is re-hedged.

margin threshold

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the largest amount of an *exposure* that remains outstanding until one party has the right to call for collateral.

margined contract

FCA PRA

(in *COLL* , ■ CASS 4 and ■ CASS 7) any contract in *derivatives*.

margined transaction

FCA PRA

(1) (except in ■ CASS 4 and ■ CASS 7) a transaction *executed* by a *firm* with or for a *client* relating to a *future*, *option* or *contract for differences* (or any right to or any interest in such an *investment*) under the terms of which the *client* will or may be liable to provide cash or *collateral* to secure performance of obligations which he may have to perform when the transaction falls to be completed or upon the earlier *closing out* of his position.

(2) (in ■ CASS 4 and ■ CASS 7):

(a) a transaction within (1); or

(b) an *option* purchased by a *client*, the terms of which provide that the maximum liability of the *client* in respect of the transaction will be limited to the amount payable as premium.

market abuse

FCA PRA

(1) (in accordance with section 118 of the *Act* (Market abuse)) *behaviour* (whether by one *person* alone or by two or more *persons* jointly or in concert) which:

(a) occurs in relation to *qualifying investments* traded or admitted to trading on a *prescribed market* or in respect of which a request for admission to trading on such a market has been made; and

<p><i>market abuse (dissemination)</i></p> <p>FCA PRA</p>	<p>(b) falls within any one or more of the types of <i>behaviour</i> set out in section 118(2) to (8) of the Act.</p> <p>(2) (in accordance with section 118 of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) <i>behaviour</i> (whether by one <i>person</i> alone or by two or more <i>persons</i> jointly or in concert) which:</p> <p>(a) occurs in relation to <i>qualifying investments</i> which are offered for sale on a <i>prescribed auction platform</i>; and</p> <p>(b) falls within any one or more of the types of <i>behaviour</i> set out in subsections 118(2) to (8A) of the <i>Act</i>.</p> <p>the <i>behaviour</i> described in section 118(7) of the <i>Act</i>, which is the dissemination of information by any means which gives, or is likely to give, a false or misleading impression as to a <i>qualifying investment</i> by a <i>person</i> who knew or could reasonably be expected to have known that the information was false or misleading.</p>
<p><i>market abuse (distortion)</i></p> <p>FCA PRA</p>	<p>(1) (in accordance with section 118(8) of the <i>Act</i> (Market abuse)) the <i>behaviour</i> described in section 118(8) of the <i>Act</i> which satisfies the condition in section 118(8)(b) and is <i>behaviour</i> (not falling within sections 118(5), (6) or (7)) which:</p> <p>(a) would be, or would be likely to be, regarded by a <i>regular user</i> of the market as behaviour that would distort, or would be likely to distort, the market in a <i>qualifying investment</i>; and</p> <p>(b) is likely to be regarded by a <i>regular user</i> of the market as a failure on the part of the <i>person</i> concerned to observe the standard of <i>behaviour</i> reasonably expected of a <i>person</i> in his position in relation to the market.</p> <p>(2) (in accordance with section 118(8) of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) the <i>behaviour</i> described in section 118(8) of the <i>Act</i> as modified by the <i>RAP Regulations</i> which satisfies the condition in section 118(8)(b) and is <i>behaviour</i> (not falling within sections 118(5), (6) or (7)) which:</p> <p>(a) would be, or would be likely to be, regarded by a <i>regular user</i> of the auction platform as <i>behaviour</i> that would distort, or would be likely to distort, the auction of such an investment,</p> <p>(b) and is likely to be regarded by a <i>regular user</i> of the auction platform as a failure on the part of the <i>person</i> concerned to observe the standard of <i>behaviour</i> reasonably expected of a <i>person</i> in his position in relation to the market.</p>
<p><i>market abuse (improper disclosure)</i></p> <p>FCA PRA</p>	<p>the <i>behaviour</i> described in section 118(3) of the <i>Act</i>, which is an <i>insider</i> disclosing <i>inside information</i> to another <i>person</i> otherwise than in the proper course of the exercise of employment, profession or duties.</p>
<p><i>market abuse (insider dealing)</i></p> <p>FCA PRA</p>	<p>the <i>behaviour</i> described in section 118(2) of the <i>Act</i>, which is an <i>insider dealing</i>, or attempting to <i>deal</i>, in a <i>qualifying investment</i> or <i>related investment</i> on the basis of <i>inside information</i> relating to the <i>investment</i> in question.</p>
<p><i>market abuse (manipulating devices)</i></p> <p>FCA PRA</p>	<p>(1) (in accordance with section 118(6) of the <i>Act</i> (Market abuse)) the <i>behaviour</i> described in section 118(6) of the <i>Act</i>, which is effecting transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance.</p>

market abuse
(manipulating
transactions)

FCA PRA

(2) (in accordance with section 118(6) of the *Act* (Market abuse) as modified by the *RAP Regulations*) the *behaviour* described in section 118(6) of the *Act*, which is effecting transactions, bids or orders to trade which employ fictitious devices or any other form of deception or contrivance.

(1) (in accordance with section 118(5) of the *Act* (Market abuse)) the *behaviour* described in section 118(5) of the *Act*, which is *behaviour* effecting transactions or orders to trade (otherwise than for legitimate reasons and in conformity with *accepted market practices* on the relevant market) which:

(a) give, or are likely to give a false or misleading impression as to the supply of, or demand for, or as to the price of, one or more *qualifying investments*; or

(b) secure the price of one or more such investments at an abnormal or artificial level.

(2) (in accordance with section 118(5) of the *Act* (Market abuse) as modified by the *RAP Regulations*) the *behaviour* described in section 118(5) of the *Act* as modified by the *RAP Regulations*, which is *behaviour* effecting transactions, bids or orders to trade (otherwise than for legitimate reasons and in conformity with *accepted market practices* on the relevant auction platform) which:

(a) give, or are likely to give a false or misleading impression as to the supply of, or demand for, or as to the price of, one or more *qualifying investments*; or

(b) secure the price of one or more such investments at an abnormal or artificial level.

market abuse
(misleading
behaviour)

FCA PRA

(1) (in accordance with section 118(8) of the *Act* (Market abuse)) the *behaviour* described in section 118(8) of the *Act* which satisfies the condition in section 118(8)(a) and is *behaviour* (not falling within sections 118(5), (6) or (7)) which:

(a) is likely to give a *regular user* of the market a false or misleading impression as to the supply of, demand for or price or value of, *qualifying investments*, and

(b) is likely to be regarded by a *regular user* of the market as a failure on the part of the *person* concerned to observe the standard of *behaviour* reasonably expected of a *person* in his position in relation to the market.

(2) (in accordance with section 118(8) of the *Act* (Market abuse) as modified by the *RAP Regulations*) the *behaviour* described in section 118(8) of the *Act* which satisfies the condition in section 118(8)(a) and is *behaviour* (not falling within sections 118(5), (6) or (7)) which:

(a) is likely to give a *regular user* of the auction platform a false or misleading impression as to the supply of, demand for or price or value of, *qualifying investments*, or

(b) and is likely to be regarded by a *regular user* of the auction platform as a failure on the part of the *person* concerned to observe the standard of *behaviour* reasonably expected of a *person* in his position in relation to the market.

(1) (in accordance with section 118(4) of the *Act* (Market abuse)) the *behaviour* described in section 118(4) of the *Act*, which is *behaviour* (not falling within sections 118 (2) or (3) of the *Act*):

(a) based on information which is not generally available to those using the market but which, if available to a *regular user* of the market, would be, or would be likely to be, regarded by him as

market abuse
(misuse of
information)

FCA PRA

<p><i>Market Abuse Directive</i></p> <p>FCA PRA</p>	<p>relevant when deciding the terms on which transactions in <i>qualifying investments</i> should be effected; and</p> <p>(b) likely to be regarded by a <i>regular user</i> of the market as a failure on the part of the <i>person</i> concerned to observe the standard of <i>behaviour</i> reasonably expected of a <i>person</i> in his position in relation to the market</p> <p>(2) (in accordance with section 118(4) of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) the <i>behaviour</i> described in section 118(4) of the <i>Act</i> as modified by the <i>RAP Regulations</i>, which is <i>behaviour</i> (not falling within sections 118 (2) or (3) of the <i>Act</i>):</p> <p>(a) based on information which is not generally available to those using the auction platform but which, if available to a <i>regular user</i> of the auction platform, would be, or would be likely to be, regarded by him as relevant when deciding the terms on which transactions in <i>qualifying investments</i> should be effected, and</p> <p>(b) is likely to be regarded by a <i>regular user</i> of the auction platform as a failure on the part of the <i>person</i> concerned to observe the standard of <i>behaviour</i> reasonably expected of a <i>person</i> in his position in relation to the auction platform.</p> <p>Directive of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse) (No 2003/6/EC).</p>
<p><i>market abuse regime</i></p> <p>FCA PRA</p>	<p>the regime established under the provisions of Part VIII of the <i>Act</i> (Penalties for market abuse).</p>
<p><i>market contract</i></p> <p>FCA PRA</p>	<p>a market contract as described in section 155(2)(a) of the Companies Act 1989 or article 80(2)(a) of the Companies (No2) (Northern Ireland) Order 1990 which is in summary a contract entered into by a <i>member</i> or <i>designated non-member</i> of an <i>RIE</i> with a person other than the <i>RIE</i> which is either:</p> <p>(a) a contract made on the exchange or an exchange to whose undertaking the exchange has succeeded; or</p> <p>(b) a contract in the making of which the member or <i>designated non-member</i> was subject to the rules of the exchange or of an exchange to whose undertaking the exchange has succeeded.</p>
<p><i>market counterparty</i></p> <p>FCA PRA</p>	<p>(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation));</p> <p>(1) (except in ■ COB 3) a <i>client</i> who is:</p> <p>(a) a properly constituted government (including a quasi-governmental body or a government agency) of any country or territory;</p> <p>(b) a central bank or other national monetary authority of any country or territory;</p> <p>(c) a supranational whose members are either countries or central banks or national monetary authorities;</p> <p>(d) a State investment body, or a body charged with, or intervening in, the management of the public debt;</p> <p>(e) another <i>firm</i>, or an <i>overseas financial services institution</i>, except in relation to <i>designated investment business</i>, and related <i>ancillary</i></p>

activities, conducted with or for that *firm* or institution, when that *firm* or institution is an *intermediate customer* in accordance with ■ COB 4.1.7 R (Classification of another firm or an overseas financial services institution);

(f) any *associate* of a *firm* (except an *OPS firm*), or of an *overseas financial services institution*, if the *firm* or institution consents;

(g) a *client* when he is classified as a *market counterparty* in accordance with ■ COB 4.1.12 R (Large intermediate customer classified as a market counterparty);

(h) a *recognised investment exchange*, *designated investment exchange*, *regulated market* or *clearing house* when it is classified as a *market counterparty* in accordance with ■ COB 4.1.8A R (Classification of an exchange or *clearing house*);

but excluding:

(A) a *regulated collective investment scheme*; and

(B) (except for the purposes of *DISP*) a *client*, who would otherwise be a *market counterparty*, when he is classified as a *private customer* in accordance with ■ COB 4.1.14 R (Client classified as *private customer*).

(2) (in ■ COB 3) a *person* in (1) and a *person* who would be such a *person* if he were a *client*.

(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) any market that is of material significance to the *firm* being materially adversely affected by crystallised *liquidity risk* or a substantial number of participants in any such market being materially adversely affected by crystallised *liquidity risk*, whether or not the *firm* itself is so affected;

(b) (in the case of reporting obligations with respect to the *firm* and a group of other persons) has the same meaning as in (a) except that references to the *firm* are to the *firm* and that group considered together;

(c) (in the case of reporting obligations with respect to a *firm's UK branch*) has the same meaning as in (a) except that references to the *firm* are to that *branch*.

(1) (except in *COBS* and *DTR*) (in relation to an *investment*) a *person* who (otherwise than in his capacity as the *operator* of a *regulated collective investment scheme*) holds himself out as able and willing to enter into transactions of sale and purchase in *investments* of that description at prices determined by him generally and continuously rather than in respect of each particular transaction.

(2) (in *COBS* and *DTR*) a *person* who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling *financial instruments* against his proprietary capital at prices defined by him.

[Note: article 4 (1)(8) of *MiFID*]

(3) [deleted]

an exemption from articles 5, 6, 7, 12, 13 and 14 of the *short selling regulation* for transactions performed due to *market making activities* pursuant to article 17 of the *short selling regulation*.

market
liquidity stress

FCA PRA

market maker

FCA PRA

market maker
exemption

FCA PRA

market making activities

FCA PRA

(as defined in article 2(1)(k) of the *short selling regulation*) the activities of an *investment firm*, a *credit institution*, a third-country entity, or a firm as referred to in point (l) of article 2(1) of *MIFID*, which is a member of a *trading venue* or of a market in a third country, the legal and supervisory framework of which has been declared equivalent by the European Commission pursuant to article 17(2) of the *short selling regulation* where it deals as principal in a *financial instrument*, whether traded on or outside a *trading venue*, in any of the following capacities:

- (a) by posting firm, simultaneous two-way quotes of comparable size and at competitive prices, with the result of providing liquidity on a regular and ongoing basis to the market; or
- (b) as part of its usual business, by fulfilling orders initiated by clients or in response to clients' requests to trade; or
- (c) by hedging positions arising from the fulfilment of tasks under points (a) and (b).

market operator

FCA PRA

a *person* who manages and/or operates the business of a *regulated market*. The *market operator* may be the *regulated market* itself.

[Note: article 4(1)(13) of *MiFID*]

market risk

FCA PRA

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from fluctuation in the market value of positions in the *fund's* portfolio attributable to changes in market variables, such as interest rates, foreign exchange rates, equity and commodity prices or an issuer's credit worthiness.

(2) (except in *COLL* and *FUND*) (in relation to a *firm*) the risks that arise from fluctuations in values of, or income from, assets or in interest or exchange rates.

market risk capital requirement

FCA PRA

the part of the *capital resources requirement* of a *BIPRU firm* in respect of *market risk*, calculated in accordance with GENPRU 2.1.52R (Calculation of the market risk capital requirement).

market value

FCA PRA

the market value as determined in accordance with generally accepted accounting practice.

marketable investment

FCA PRA

(a) an *investment* which is traded on or under the rules of an exchange;

(b) a debt instrument which may be transferred without the consent of the *issuer* or any other *person* (including a collateralised mortgage obligation);

(c) a *commodity*;

(d) a *warrant*, *option*, *future* or other instrument which entitles the holder to subscribe for or acquire:

(i) an *investment* or *commodity* in (a) to (c); or

(ii) any currency; or

(iii) any combination of (i) and (ii);

(e) a *contract for differences* (including interest rate and currency swaps) relating to fluctuations in:

(i) the value or price of an *investment* or *commodity* in (a) to (d); or

marketing

FCA PRA

- (ii) any currency; or
- (iii) the rate of interest in any currency or any index of such rates; or
- (iv) the level of any index which is derived from the prices of an *investment* or *commodity* in (a) to (c); or
- (v) any combination of (i) to (iv);
- (f) *warrants, options, futures* or other instruments entitling the holder to obtain the rights of those contracts in (d) or (e);
- (g) a *unit* in a *regulated collective investment scheme*.

(1) (in *COLL*) (in relation to marketing *units* in a *regulated collective investment scheme* in a particular country or territory):

- (a) *communicating* to a *person* in that country or territory an invitation or inducement to become, or offer to become, a *holder* in that *regulated collective investment scheme*;
- (b) giving *advice on investments* to, or arranging (bringing about) a deal in an investment for a *person* in that country or territory to become a *holder* in that *regulated collective investment scheme*

(2) (except in *COLL*) a direct or indirect offering or placement, at the initiative of the *AIFM* or on behalf of the *AIFM* of *units* or *shares* of an *AIF* it manages, to or with investors domiciled or with a registered office in the *EEA*.

[Note: article 4(1)(x) of *AIFMD*]

marketing group

FCA PRA

a group of *persons* who:

- (a) are allied together (either formally or informally) for the purposes of marketing *packaged products* of the *marketing group*; and
- (b) each of whom, if it holds itself out in the *United Kingdom* as marketing *packaged products* to *private customers*, does so only as an *investment manager* or in relation to *packaged products* of the *marketing group*.

marketing group associate

FCA PRA

a *firm* other than a *product provider* which is a member of a *marketing group*.

mark-up or mark-down

FCA PRA

(a) (when a *firm* receives a *customer order* and takes a *principal* position in the relevant *investment* in order to fulfil that *customer order* (that is, when the *firm* takes a *principal* position in the relevant *investment* which it would not otherwise take, except to fulfil that *customer order*)) the difference, if any, between:

- (i) the price at which the *firm* takes a *principal* position in the relevant *investment* in order to fulfil that *customer order*; and
- (ii) the *price* at which the firm executes the transaction with its *customer*;

(b) (when a firm executes a *customer order* against its own book and owes a duty of best execution) the difference between:

- (i) the *price* at which best execution would be achieved; and
- (ii) the *price* at which the firm executes the transaction with its *customer*.

marriage or the formation of a

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph II of Part II of Schedule 1 to the *Regulated Activities Order*

civil partnership and birth

FCA **PRA**

(Contracts of long-term insurance), to provide a sum on marriage or the formation of a civil partnership or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

master AIF

FCA

(in accordance with article 4(1)(y) of *AIFMD*) an *AIF* in which another *AIF* (a *feeder AIF*) invests or has an exposure in accordance with the definition of '*feeder AIF*'.

master netting agreement internal models approach

FCA **PRA**

one of the following:

(a) the method of calculating the effect of *credit risk mitigation* described in ■ BIPRU 5.6.16 R to ■ BIPRU 5.6.28 G;

(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

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

master netting agreement internal models approach permission

FCA **PRA**

a *requirement* or a *waiver* that requires a *firm* to use the *master netting agreement internal models approach* on a solo basis or, if the context requires, a consolidated basis.

master UCITS

FCA **PRA**

(in accordance with article 58(3) of the *UCITS Directive*) a *UCITS scheme*, an *EEA UCITS scheme* or a *sub-fund* of such a *scheme* where:

(a) at least one of its *unitholders* is a *feeder UCITS*;

(b) it is not itself a *feeder UCITS*; and

(c) it does not hold *units* of a *feeder UCITS*.

master-feeder agreement

FCA **PRA**

(in *COLL*) a written agreement between the *management company* of a *master UCITS* and the *management company* of a *feeder UCITS* in accordance with ■ COLL 11.3.2 R (1) (Master-feeder agreement and internal conduct of business rules).

matched principal exemption conditions

FCA **PRA**

the conditions set out in ■ BIPRU 1.1.23 R (2) (Meaning of dealing on own account).

material currency

FCA **PRA**

(a) *Material currencies*, in respect of a *firm* at any time, are currencies determined in accordance with the following.

(b) First, the amount of its assets and the amount of its liabilities in each currency (ignoring the sign) are separately calculated. The figures are as shown in the most recent *data item* FSA054 submitted to the *appropriate regulator*.

(c) Then, each such amount is converted into the reporting currency for the *data item* referred to in (b).

(d) Each currency (which may include the reporting currency) that represents 20% or more of the total asset figure or 20% or more of the total liabilities figure is a *material currency*.

(e) A currency is also a *material currency* if it is identified by the *firm's* current:

- (i) *Individual Liquidity Adequacy Assessment*; or
- (ii) *Individual Liquidity Systems Assessment*; or
- (iii) *ILG* that has been accepted by the *firm*;

as being significant in the context of cross-currency *liquidity risk* (as referred to in BIPRU 12.5 (Individual Liquidity Adequacy Standards)).

(f) The conversion rate for a currency into the reporting currency is the exchange rate on the date as of which the calculation is being made.

(g) The reporting currency means the currency in which the most recent *data item* FSA054 (as referred to in (b)) is reported.

(h) A currency is a *material currency* in relation to a *firm's branch* or a *defined liquidity group* of which it is a *group liquidity reporting firm* if it is identified as such in accordance with the procedures in the previous paragraphs of this definition except that the identification is carried out by reference to that *branch* or *defined liquidity group*. For these purposes, *data item* FSA054 for the *reporting level* concerned is used.

(i) If the *firm* has not delivered *data item* FSA054 to the *appropriate regulator* at the *reporting level* concerned or is currently not required to do so at the *reporting level* concerned, the calculation is carried out using the methods for drawing up *data item* FSA054.

(in IPRU(INV) 13) losses of an amount equal to 10 per cent or more of the amount by which the *own funds* of an *undertaking* exceed the *own funds* needed to meet financial resources test 1 as prescribed in chapter 13.

material current year losses

FCA PRA

material holding

FCA PRA

(1) [deleted]

(2) (for the purposes of GENPRU and BIPRU) has the meaning in ■ GENPRU 2.2.209 R (Deductions from tiers one and two: Material holdings (BIPRU firm only)).

material insurance holding

FCA PRA

has the meaning in GENPRU 2.2.212R (Material holdings) or, for an *exempt CAD firm* which is an *investment management firm*, in IPRU(INV) Table 5.2.2(1).

material interest

FCA PRA

(in COBS) (in relation to a transaction) any interest of a material nature, other than:

- (a) disclosable *commission* on the transaction;
- (b) goods or services which can reasonably be expected to assist in carrying on *designated investment business* with or for *clients* and which are provided or to be provided in compliance with ■ COBS 11.6.3 R.

material outsourcing

FCA PRA

outsourcing services of such importance that weakness, or failure, of the services would cast serious doubt upon the *firm's* continuing satisfaction of the *threshold conditions* or compliance with the *Principles*.

mathematical reserves

FCA PRA

the provision made by an *insurer* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with *long-term insurance contracts*.

maxi-ISA

FCA PRA

an *ISA* which includes a *stocks and shares component* and may also include other *qualifying investments* such as:

- (a) a *cash component*;
- (b) an *insurance component*;

as prescribed in paragraphs 7, 8 and 9 respectively of the *ISA Regulations*.

MCAS scheme

FCA PRA

Mortgage Code Arbitration Scheme.

MCOB

FCA PRA

the Mortgages and Home Finance: Conduct of Business sourcebook.

MCR

FCA PRA

minimum capital requirement.

media firm

FCA PRA

a *firm* whose only *permitted activities* are *advising on investments* and *agreeing to carry on that regulated activity*, and whose *Part 4A permission* includes *requirements* to the effect that the *firm* must advise:

- (a) only through the media; and
- (b) without conveying the impression that the advice is particularly suitable for any *person*, except when it is given in response to a specific request for advice from that *person*;

in this definition, "media" means:

- (i) newspapers, journals, magazines or other periodical publications;
- (ii) services comprising regularly updated news or information;
- (iii) services consisting of the broadcast or transmission of television or radio programmes.

meeting of repayment claims

FCA PRA

the *regulated activity*, specified in article 63N(1)(a) of the *Regulated Activities Order*, which is the meeting of *repayment claims* by a *dormant account fund operator*.

member

FCA PRA

(1) (except in *PROF*, *LR*, ■ *EG 16* and *REC*) a *person* admitted to membership of the *Society* or any *person* by law entitled or bound to administer his affairs.

(2) (in *PROF*, *LR* and ■ *EG 16*) (as defined in section 325(2) of the *Act* (FCA's general duty)) (in relation to a profession) a *person* who is entitled to practise that profession and, in practising it, is subject to the rules of the relevant *designated professional body*, whether or not he is a member of that body.

(3) (in *REC*) (in relation to a *recognised body*) a *person* who is entitled, under an arrangement or agreement between him and that body, to use that body's *facilities*.

member contribution

FCA **PRA**

any paid up contribution by a member of a *mutual* where the members' accounts meet the following criteria:

- (a) the memorandum and articles of association or other constitutional documents must stipulate that payments may be made from these accounts to members only in so far as this does not cause the *firm's capital resources* to fall below the required level, or, if after dissolution of the *firm*, all the *firm's* other debts have been settled;
- (b) the memorandum and articles of association or other constitutional documents must stipulate, with respect to the payments referred to in (a) made for reasons other than the individual termination of membership, that the *appropriate regulator* must be notified at least one month in advance of the intended date of such payments; and
- (c) the *appropriate regulator* must be notified of any amendment to the relevant provisions of the memorandum and articles of association or other constitutional documents.

member society

FCA **PRA**

(as defined in article 2(2) of the *compensation transitionals order*) a person who at any time before *commencement* was a member society within the rules of the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.

members' adviser

FCA **PRA**

a *firm* whose *permission* includes *advising on syndicate participation at Lloyd's*, but which is not an *underwriting agent*.

members' agent

FCA **PRA**

an *underwriting agent* who carries on the *regulated activity of advising on syndicate participation at Lloyd's*.

membership of a Lloyd's syndicate

FCA **PRA**

the *investment*, specified in article 86(2) of the *Regulated Activities Order*, which is a *person's* membership (or prospective membership) of a Lloyd's *syndicate*.

merging UCITS

FCA **PRA**

(in *COLL*) in relation to a *UCITS merger*, the *UCITS scheme*, *EEA UCITS scheme* or *sub-fund* of such a *scheme*, that under the proposed arrangements will be transferring all its assets and liabilities to the *receiving UCITS*.

MERS levy

FCA **PRA**

a levy (management expenses in respect of relevant schemes levy) imposed by the *FSCS* on *participant firms* to meet the management expenses incurred by the *FSCS* in connection with acting on behalf of the *manager of the relevant scheme* in accordance with Part 15A of the *Act*.

mesothelioma regulations

FCA **PRA**

The Compensation Act 2006 (Contribution for Mesothelioma Claims) Regulations 2006 (SI 2006/3259).

mesothelioma victim

FCA **PRA**

(in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has contracted mesothelioma as a result of exposure to asbestos by a *responsible person*.

*mezzanine
securitisation
positions*

FCA **PRA**

for the purposes of ■ BIPRU 9.3.7 R, ■ BIPRU 9.4.11 R and ■ BIPRU 9.5.1 R (6), *securitisation positions* to which a *risk weight* lower than 1250% applies and which are more junior than the most senior position in the relevant *securitisation* and more junior than any *securitisation* position in the relevant *securitisation* to which:

(a) in the case of a *securitisation position* subject to the *standardised approach* to *securitisation* set out in ■ BIPRU 9.11.1 R and ■ BIPRU 9.11.2 R, a *credit quality step* 1 is assigned; or

(b) in the case of a *securitisation position* subject to the *IRB approach* to *securitisation* set out in ■ BIPRU 9.12.10 R and ■ BIPRU 9.12.11 R, a *credit quality step* 1 or 2 is assigned under ■ BIPRU 9.7.2 R, ■ BIPRU 9.8.2 R to ■ BIPRU 9.8.7 R and regulation 23 of the *Capital Requirements Regulations 2006*.

[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1b]

*MFHC
conglomerate*

FCA **PRA**

a *financial conglomerate* which is headed by a *mixed financial holding company*.

micro-enterprise

FCA **PRA**

an enterprise which:

(a) employs fewer than 10 *persons*; and

(b) has a turnover or annual balance sheet that does not exceed €2 million.

In this definition, "enterprise" means any *person* engaged in an economic activity, irrespective of legal form and includes, in particular, self-employed *persons* and family businesses engaged in craft or other activities, and *partnerships* or associations regularly engaged in an economic activity.

[Note: article 4(26) of the *Payment Services Directive* and the Annex to the *Micro-enterprise Recommendation*]

*Micro-enterprise
Recommendation*

FCA **PRA**

Recommendation 2003/361/EC of the Commission of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises.

MiFID

FCA **PRA**

The European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).

See also *MiFID Regulation* and *MiFID implementing Directive*.

*MiFID
business*

FCA **PRA**

investment services and activities and, where relevant, *ancillary services* carried on by a *MiFID investment firm*.

*MiFID
business
bidding*

FCA **PRA**

the *regulated activity* of *bidding in emissions auctions* where it is carried on by a *MiFID investment firm* (other than a *UCITS investment firm*) in relation to a *financial instrument*.

*MiFID client
money
(minimum
implementing)
rules*

■ CASS 7.3.1 R, ■ CASS 7.3.2 R, ■ CASS 7.4.1 R, ■ CASS 7.4.5 R, ■ CASS 7.4.7 R, ■ CASS 7.4.8 R, ■ CASS 7.4.11 R, ■ CASS 7.6.1 R, ■ CASS 7.6.2 R and ■ CASS 7.6.9 R.

FCA PRA

MiFID implementing Directive

Commission Directive No. 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

FCA PRA

MiFID implementing requirement

(1) (in relation to a *UK RIE*) any of the requirements applicable to that body under the *MiFID Regulation*.

(2) (in relation to a body applying for recognition as a *UK RIE*) any of the requirements under the *MiFID Regulation* which, if its application were successful, would apply to it.

MiFID investment firm

(in summary) a *firm* to which *MiFID* applies including, for some purposes only, a *credit institution* and *collective portfolio management investment firm*.

(in full) a *firm* which is:

(1) an *investment firm* with its head office in the *EEA* (or, if it has a registered office, that office);

(2) a *BCD credit institution* (only when providing an *investment service or activity* in relation to the *rules* implementing the Articles referred to in Article 1(2) of *MiFID*);

(3) a *collective portfolio management investment firm* (only when providing the services referred to in article 6(4) *AIFMD* or Article 6(3) of the *UCITS Directive* in relation to the *rules* implementing the articles of *MiFID* referred to in article 6(6) of *AIFMD* or Article 6(4) of the *UCITS Directive* and for a *full-scope UK AIFM* the *rules* implementing article 12(2)(b) of *AIFMD*);

unless, and to the extent that, *MiFID* does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of *MiFID*.

MiFID or equivalent third country business

MiFID business or the *equivalent business of a third country investment firm*.

FCA PRA

MiFID outsourcing rules

■ SYSC 8.1.1 R to ■ SYSC 8.1.11 R.

FCA PRA

MiFID Regulation

Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

FCA PRA

PAGE
M17*MIIC*

the *Motor Insurers' Information Centre*.

FCA PRA

mineral company

(in *LR*) a *company* or *group*, whose principal activity is, or is planned to be, the *extraction of mineral resources* (which may or may not include exploration for *mineral resources*).

FCA PRA

mineral expert's report

FCA PRA

(in *LR*) a report prepared in accordance with the *ESMA recommendations*.

mineral resources

FCA PRA

(in *LR*) include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal.

mini-ISA

FCA PRA

an *ISA* which contains only one of the following *qualifying investments*:

- (a) a *stocks and shares component*;
- (b) a *cash component*;
- (c) an *insurance component*;

as prescribed in paragraph 7, 8 or 9 respectively of the *ISA Regulations*.

minimum capital requirement

FCA PRA

an amount of capital resources that a *firm* must hold as set out in

■ GENPRU 2.1.24 R and ■ GENPRU 2.1.25 R.

minimum IRB standards

FCA PRA

(in relation to the IRB approach) ■ BIPRU 4.3.9 R,
 ■ BIPRU 4.3.11 R-■ BIPRU 4.3.29 R, ■ BIPRU 4.3.33 R-■ BIPRU 4.3.40 R,
 ■ BIPRU 4.3.43 R-■ BIPRU 4.3.44 R, ■ BIPRU 4.3.46 R-■ BIPRU 4.3.48 R,
 ■ BIPRU 4.3.50 R-■ BIPRU 4.3.51 R, ■ BIPRU 4.3.54 R,
 ■ BIPRU 4.3.56 R-■ BIPRU 4.3.57 R, ■ BIPRU 4.3.63 R,
 ■ BIPRU 4.3.70 R-■ BIPRU 4.3.71 R, ■ BIPRU 4.3.73 R-■ BIPRU 4.3.74 R,
 ■ BIPRU 4.3.83 R-■ BIPRU 4.3.85 R, ■ BIPRU 4.3.88 R,
 ■ BIPRU 4.3.90 R-■ BIPRU 4.3.92 R, ■ BIPRU 4.3.94 R, ■ BIPRU 4.3.99 R,
 ■ BIPRU 4.3.103 R, ■ BIPRU 4.3.116 R-■ BIPRU 4.3.123 R,
 ■ BIPRU 4.3.125 R-■ BIPRU 4.3.131 R ■ BIPRU 4.4.6 R-■ BIPRU 4.4.9 R,
 ■ BIPRU 4.4.11 R-■ BIPRU 4.4.13 R, ■ BIPRU 4.4.15 R-■ BIPRU 4.4.18 R,
 ■ BIPRU 4.4.21 R-■ BIPRU 4.4.22 R, ■ BIPRU 4.4.24 R-■ BIPRU 4.4.25 R,
 ■ BIPRU 4.4.27 R-■ BIPRU 4.4.28 R, ■ BIPRU 4.4.30 R-■ BIPRU 4.4.31 R,
 ■ BIPRU 4.4.48 R-■ BIPRU 4.4.51 R, ■ BIPRU 4.4.53 R, ■ BIPRU 4.4.54 R,
 ■ BIPRU 4.5.5 R, ■ BIPRU 4.6.6 R-■ BIPRU 4.6.9 R, ■ BIPRU 4.6.11 R-■ BIPRU 4.6.12 R,
 ■ BIPRU 4.6.14 R, ■ BIPRU 4.6.18 R, ■ BIPRU 4.6.20 R-■ BIPRU 4.6.21 R,
 ■ BIPRU 4.6.24 R-■ BIPRU 4.6.34 R, ■ BIPRU 4.6.37 R-■ BIPRU 4.6.39 R,
 ■ BIPRU 4.7.19 R, ■ BIPRU 4.7.27 R-■ BIPRU 4.7.35 R,
 ■ BIPRU 4.8.5 R-■ BIPRU 4.8.9 R, ■ BIPRU 4.8.11 R-■ BIPRU 4.8.15 R,
 ■ BIPRU 4.10.40 R-■ BIPRU 4.10.48 R.

minimum levy

FCA PRA

(in *FEES*) the fixed minimum *general levy* payable by a *firm*.

minimum multiplication factor

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.119 R (Capital calculations: Multiplication factors), which is in summary the number three or any higher amount the *VaR model permission* defines it as.

MIPRU

FCA PRA

the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

*miscellaneous
financial loss*

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 16 of Part I of Schedule 1 to the *Regulated Activities Order* (General *contracts of insurance*), against any of the following risks:

- (a) risks of loss to the *persons* insured attributable to interruptions of the carrying on of business carried on by them or to reduction of the scope of business so carried on;
- (b) risks of loss to the *persons* insured attributable to their incurring unforeseen expense (other than loss such as is covered by contracts within paragraph 18 of Part I of Schedule 1 to the *Regulated Activities Order* (Assistance));
- (c) risks which do not fall within paragraphs (a) or (b) and which are not of such a kind that *contracts of insurance* against them fall within any other provision of Schedule 1 to the *Regulated Activities Order*.

*miscellaneous
securities*

FCA **PRA**

(in LR) *securities* which are not:

- (a) *shares*; or
- (b) *debt securities*; or
- (c) *asset backed securities*; or
- (d) *certificate representing debt securities*; or
- (e) *convertible securities* which convert to *debt securities*; or
- (f) *convertible securities* which convert to *equity securities*; or
- (g) *convertible securities* which are exchangeable for *securities* of another *company*; or
- (h) *certificate representing certain securities*; or
- (i) *securitised derivatives*.

*misleading
statements and
practices
offence*

[deleted]

*mixed financial
holding
company*

FCA **PRA**

(in accordance with Article 2(15) of the *Financial Groups Directive* (Definitions)) a *parent undertaking*, other than a *regulated entity*, which meets the following conditions:

- (a) it, together with its *subsidiary undertakings*, at least one of which is an *EEA regulated entity*, and other entities, constitutes a *financial conglomerate*;
- (b) it has been notified by its *coordinator* that its group is a *financial conglomerate* in accordance with Article 4(2) of the *Financial Groups Directive*; and
- (c) it has not been notified that its *coordinator* and other *relevant competent authorities* have agreed not to treat the group as a *financial conglomerate* in accordance with Article 3(3) or Article 3(3a) of the *Financial Groups Directive*.

mixed insurer

FCA **PRA**

an *insurer* (other than a *pure reinsurer*) which carries on *reinsurance* business and where one or more of the following conditions is met in respect of its *reinsurance* acceptances:

- (a) the *premiums* collected in respect of those acceptances during the previous *financial year* exceeded 10% of its total *premiums* collected during that year;
- (b) the *premiums* collected in respect of those acceptances during the previous *financial year* exceeded €50 million; and

<p><i>mixed remittance</i></p> <p>FCA PRA</p>	<p>(c) the <i>technical provisions</i> in respect of those acceptances at the end of the previous <i>financial year</i> exceeded 10% of its total <i>technical provisions</i> at the end of that year.</p> <p>a remittance that is part <i>client money</i> and part other <i>money</i>.</p>
<p><i>mixed-activity holding company</i></p> <p>FCA PRA</p>	<p>one of the following:</p> <p>(a) (in accordance with Article 4(20) of the <i>Banking Consolidation Directive</i> (Definitions)) a <i>parent undertaking</i>, other than a <i>financial holding company</i>, a <i>credit institution</i> or a <i>mixed financial holding company</i>, the <i>subsidiary undertakings</i> of which include at least one <i>credit institution</i>; or</p> <p>(b) (in accordance with Article s 2(2) and 37(1) of the <i>Capital Adequacy Directive</i> (Supervision on a consolidated basis) and in relation to a <i>banking</i> and investment group without any <i>credit institutions</i> in it) a <i>parent undertaking</i>, other than a <i>financial holding company</i>, an <i>investment firm</i> or a <i>mixed financial holding company</i>, the <i>subsidiary undertakings</i> of which include at least one <i>investment firm</i>.</p>
<p><i>mixed-activity insurance holding company</i></p> <p>FCA PRA</p>	<p>(in accordance with Article 1(j) of the <i>Insurance Groups Directive</i> (Definitions)) a <i>parent undertaking</i>, other than an <i>insurance undertaking</i>, an <i>insurance holding company</i> or a <i>mixed financial holding company</i>, the <i>subsidiary undertakings</i> of which include at least one <i>insurance undertaking</i>.</p>
<p>MLAR</p> <p>FCA PRA</p>	<p>(in <i>SUP</i>) a Mortgage Lending and Administration Return containing data specified in ■ SUP 16 Annex 19A R and relevant to the <i>firm's</i> type and <i>regulated activities</i>.</p>
<p>MLRO</p> <p>FCA PRA</p>	<p><i>money laundering reporting officer</i>.</p>
<p>Model Code</p> <p>FCA PRA</p>	<p>The Model Code on directors' dealings in securities set out in ■ LR 9 Annex 1 R.</p>
<p>model PRR</p> <p>FCA PRA</p>	<p>the part of the <i>market risk capital requirement</i> calculated under a <i>VaR model permission</i> as more fully defined in ■ BIPRU 7.10 (Use of a Value at Risk Model).</p>
<p>modified CIU look through method</p> <p>FCA PRA</p>	<p>the method for calculating PRR for a <i>CIU</i> set out in ■ BIPRU 7.7.4 R, ■ BIPRU 7.7.7 R to ■ BIPRU 7.7.8 R and ■ BIPRU 7.7.11 R to ■ BIPRU 7.7.12 R</p>
<p>modified report</p> <p>FCA PRA</p>	<p>(in <i>LR</i>) an accountant's or auditor's report:</p> <p>(a) in which the opinion is modified; or</p> <p>(b) which contains an emphasis-of-matter paragraph.</p>
<p><i>money</i></p>	<p>any form of money, including cheques and other payable orders.</p>

FCA PRA

Money Advice Service

the consumer financial education body (*CFEB*) originally established by the *FSA* under section 6A(1) of the *Act* (Enhancing public understanding of financial matters etc) (as it had effect before the passing of the Financial Services Act 2012)

FCA PRA

money laundering

any act which:

- (a) constitutes an offence under section 18 (Money laundering) of the Terrorism Act 2000; or
- (b) constitutes an offence under section 327 (Concealing etc), section 328 (Arrangements) or section 329 (Acquisition, use and possession) of the Proceeds of Crime Act 2002; or
- (c) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (b); or
- (d) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (b); or
- (e) would constitute an offence specified in paragraph (b), (c), or (d) if done in the *United Kingdom*.

FCA PRA

Money Laundering Directive

the Council Directive of 10 June 1991 on the prevention of the use of the financial system for the purpose of money laundering (91/308/EEC) as amended by the Council Directive of 4 December 2001 (2001/97/EEC).

FCA PRA

Money Laundering Regulations

the Money Laundering Regulations 2007 (SI 2007/2157).

FCA PRA

money laundering reporting function

(in the *FCA Handbook*) *FCA controlled function* CF11 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.10 R.

FCA PRA

money laundering reporting officer

the individual appointed by a *firm* in accordance with ■ SYSC 3.2.6I R or ■ SYSC 6.3.9 R.

FCA PRA

money market fund

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.5 R (Investment conditions: money market funds) and is not a *qualifying money market fund*.

FCA PRA

money market instrument activity

FCA PRA

an activity in respect of a transaction:

(a) which involves any of the following *investments* and is not regulated by the rules of a *recognised investment exchange*:

(i) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;

(ii) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue; or

(iii) a *warrant* which entitles the holder to subscribe for an *investment* within (a)(i) or (a)(ii);

(b) which involves any of the following *investments* and is not made on a *recognised investment exchange* or expressed to be so made:

(i) a *certificate representing certain securities* or rights to or interests in *investments* relating, in either case, to an *investment* within (a)(i) or (a)(ii);

(ii) an *option* relating to:

(A) an instrument in (a)(i) or (a)(ii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) gold or silver;

(iii) a *future* for the sale of:

(A) an instrument in (a)(i) or (a)(ii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) gold or silver;

(iv) a *contract for differences* by reference to fluctuations in:

(A) the value or price of any instrument within any of (a)(i) to (a)(iii) or (b)(i) to (b)(iii); or

(B) currency of the *United Kingdom* or of any other country or territory; or

(C) the rate of interest on loans in any such currency or any index of such rates; or

(v) an *option* to acquire or dispose of an instrument within (b)(ii), (b)(iii) or (b)(iv); or

(c) where one of the parties agrees to sell or transfer a *debenture* or *government and public security* and by the same or a collateral agreement that party agrees, or acquires an option, to buy back or re-acquire that *investment* or an equivalent amount of a similar *investment* within twelve *months* of the sale or transfer.

For the purposes of (c) *investments* are regarded as similar if they entitle their holders to the same rights against the same *persons* as to capital and interest and the same remedies for the enforcement of those rights.

in relation to a *director*, means a pension scheme under which all of the benefits that may become payable to or in respect of the *director* are money purchase benefits.

money purchase scheme

FCA PRA

money
remittance

FCA PRA

(in accordance with regulation 2(1) of the *Payment Service Regulations*) a service for the transmission of money (or any representation of monetary value), without any payment accounts being created in the name of the payer or the payee, where:

- (a) funds are received from a payer for the sole purpose of transferring a corresponding amount to a payee or to another *payment service provider* acting on behalf of the payee; or
- (b) funds are received on behalf of, and made available to, the payee.

[Note: article 4(13) of the *Payment Services Directive*]

money service
business

FCA PRA

carrying on by way of business the activity of:

- (a) operating a bureau de change; or
- (b) transmitting money, or any representation of monetary value, by any means; or
- (c) cashing cheques which are made payable to customers.

money service
operator

FCA PRA

a person who carries on *money service business* other than a *firm*, a *BCD credit institution* or a *financial institution*.

money-market
instrument

FCA PRA

(1) any of the following *investments*:

- (a) a *debenture* which is issued on terms requiring repayment not later than five years from the date of issue;
- (b) any *government and public security* which is issued on terms requiring repayment not later than one year or, if issued by a local authority in the *United Kingdom*, five years from the date of issue;
- (c) a *warrant* which entitles the holder to subscribe for an *investment* within (a) or (b);
- (d) a *certificate representing certain securities or rights to or interests in investments* relating, in either case, to an *investment* within (a) or (b);
- (e) an *option* relating to:
 - (i) an instrument in (a) or (b); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) gold or silver;
- (f) a *future* for the sale of:
 - (i) an instrument in (a) or (b); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) gold or silver;
- (g) a *contract for differences* by reference to fluctuations in:
 - (i) the value or price of any instrument within any of (a) to (f); or
 - (ii) currency of the *United Kingdom* or of any other country or territory; or
 - (iii) the rate of interest on loans in any such currency or any index of such rates;
- (h) an *option* to acquire or dispose of an instrument within (e), (f) or (g).

<p><i>money-market instruments</i></p> <p>FCA PRA</p>	<p>(2) those classes of <i>financial instruments</i> which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.</p> <p>[Note: article 4(1)(19) of <i>MiFID</i>]</p>
<p><i>money-purchase benefits</i></p> <p>FCA PRA</p>	<p>those classes of <i>financial instruments</i> which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment.</p> <p>[Note: article 4(1)(19) of <i>MiFID</i>]</p> <p>(1) (except in <i>COMP</i>) (in relation to an <i>occupational pension scheme</i>) benefits the rate or amount of which are calculated by reference to a payment or payments made by a member of the scheme.</p> <p>(2) (in <i>COMP</i>) in relation to a member of a <i>personal pension scheme</i> or an <i>occupational pension scheme</i> or the widow or widower or surviving civil partner of a member of such a scheme, means benefits the rate or amount of which is calculated by reference to a payment or payments made by the member or by any other <i>person</i> in respect of the member and which are not average salary benefits.</p>
<p><i>money-purchase occupational scheme</i></p> <p>FCA PRA</p>	<p>an <i>occupational pension scheme</i> which provides <i>money-purchase benefits</i>.</p>
<p><i>month</i></p> <p>FCA PRA</p>	<p>(in accordance with the Interpretation Act 1978) a calendar month.</p>
<p><i>monthly financial return</i></p> <p>FCA PRA</p>	<p>(in <i>UPRU</i>) means the return referred to in <i>SUP</i>.</p>
<p><i>mortgage administrator</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a regulated mortgage contract</i>.</p>
<p><i>mortgage adviser</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on regulated mortgage contracts</i>.</p>
<p><i>Mortgage and General Insurance Complaints Transitional Order</i></p> <p>FCA PRA</p>	<p>The Financial Services and Markets Act 2000 (Transitional Provisions) (Complaints Relating to General Insurance and Mortgages) Order 2004 (SI 2004/454).</p>
<p><i>mortgage arranger</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging</i> (see also <i>arranging (bringing about) regulated mortgage contracts</i> and <i>making arrangements with a view to regulated mortgage contracts</i>).</p>

mortgage credit card

FCA **PRA**

a *plastic card* which is a credit card issued under a *regulated mortgage contract* and not regulated by the Consumer Credit Act 1974.

mortgage intermediary

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) to carry on *mortgage mediation activity*.

mortgage lender

FCA **PRA**

a *firm* with *permission* (or which ought to have *permission*) for *entering into a regulated mortgage contract*.

mortgage mediation activity

FCA **PRA**

(as defined in article 26 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 1) Order 2003 (SI 2003/1475)) any of the following *regulated activities*:

- (a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (c) *advising on regulated mortgage contracts* (article 53A);
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

most important financial sector

FCA **PRA**

(in relation to a financial sector in a *consolidation group* or a *financial conglomerate* and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the *financial sector* with the largest average referred to in the box titled Threshold Test 2 in the *financial conglomerate definition decision tree* (10% ratio of balance sheet size and solvency requirements); and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of *financial conglomerate* and for any other purpose that GENPRU 3.1 (Cross sector groups) says they are.

Motor Insurers' Information Centre

FCA **PRA**

the information centre appointed to meet the *United Kingdom's* obligations under article 23 of the *Consolidated Motor Insurance Directive* (Information Centres).

motor vehicle liability

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 10 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), against damage arising out of or in connection with the use of motor vehicles on land, including third-party risks and carrier's liability.

motor vehicle liability insurance business

FCA **PRA**

general insurance business of class 10, other than:

- (a) carrier's liability;
- (b) pure reinsurance of that class.

motor vehicle liability insurer

FCA **PRA**

(a) a *firm* with *permission* to carry on *motor vehicle liability insurance business*;

MTF

FCA **PRA**

(b) any *person* carrying on the *regulated activity* of managing the *underwriting capacity of a Lloyd's syndicate* in respect of *members* whose insurance business at Lloyd's includes *motor vehicle liability insurance business*.

a *multilateral trading facility*.

MTF
transaction

FCA **PRA**

a transaction concluded by a *firm* under the rules governing an MTF with another member or participant of that MTF.

*multilateral
development
bank*

FCA **PRA**

- (a) any of the following:
- (i) African Development Bank ;
 - (ii) Asian Development Bank ;
 - (iii) Caribbean Development Bank ;
 - (iv) Council of Europe Development Bank;
 - (v) European Bank for Reconstruction & Development ;
 - (vi) European Investment Bank ;
 - (vii) European Investment Fund ;
 - (viii) Inter-American Development Bank ;
 - (ix) International Bank for Reconstruction and Development ;
 - (x) International Finance Corporation;
 - (xa) International Finance Facility for Immunisation;
 - (xb) Islamic Development Bank;
 - (xi) Multilateral Investment Guarantee Agency ; and
 - (xii) Nordic Investment Bank ;
- (b) for the purposes of the *standardised approach* to credit risk the following are considered to be a multilateral development bank:
- (i) the Inter-American Investment Corporation;
 - (ii) the Black Sea Trade and Development Bank; and
 - (iii) the Central American Bank for Economic Integration

*multilateral
trading facility*

FCA **PRA**

a multilateral system, operated by an *investment firm* or a *market operator*, which brings together multiple third-party buying and selling interests in *financial instruments* - in the system and in accordance with non-discretionary rules - in a way that results in a contract in accordance with the provisions of Title II of *MiFID*.

[Note: article 4(1)(15) of *MiFID*]

*multiplication
factor*

FCA **PRA**

(in ■ BIPRU 7.10 (Use of a value at risk model)) a multiplication factor applied to a *VaR measure* for the purpose of calculating the *model PRR* made up of the *minimum multiplication factor* as increased by the *plus factor*, all as more fully defined in ■ BIPRU 7.10.118 R (Capital calculations: Multiplication factors).

mutual

FCA PRA

an *insurer* which:

- (a) if it is a *body corporate* has no *share* capital (except a wholly owned *subsidiary* with no *share* capital but limited by guarantee); or
- (b) is a *registered friendly society* or *incorporated friendly society*; or
- (c) is a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies (Northern Ireland) Act 1969.

net underwriting position

FCA PRA

the net underwriting position calculated under BIPRU 7.8.17R (Calculating the net underwriting position).

net written premiums

FCA PRA

gross written premiums, less *reinsurance* premiums payable under *reinsurance* ceded.

netting

FCA PRA

a process by which the claims and obligations between two counterparties are offset against each other to leave a single net sum.

netting set

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of transactions with a single counterparty that are subject to a legally enforceable bilateral netting arrangement and for which netting is recognised under ■ BIPRU 13.7 (Contractual netting), ■ BIPRU 5 (Credit risk mitigation) and, if applicable, ■ BIPRU 4.10 (The IRB approach: Credit risk mitigation); each transaction that is not subject to a legally enforceable bilateral netting arrangement, which is recognised under ■ BIPRU 13.7 must be interpreted as its own *netting set* for the purpose of ■ BIPRU 13. Under the method set out at ■ BIPRU 13.6, all *netting sets* with a single counterparty may be treated as a single *netting set* if negative simulated market values of the individual sets are set to zero in the estimation of *expected exposure (EE)*.

[Note: BCD, Annex III, Part 1, point 5]

network

FCA PRA

a *firm*:

(a) which has five or more *appointed representatives* (not counting *introducer appointed representatives*) ; or

(b) whose *appointed representatives* , not counting *introducer appointed representatives* (and being fewer than five) have, between them, 26 or more *representatives*;

but not:

(i) a *product provider*; or

(ii) a *firm* which markets the *packaged products* of a *product provider* which is in the same *group* as the *firm* and which does so other than by selecting products from the whole market; or

(iii) an *insurer* in relation to a *non-investment insurance contract*; or

(iv) a *mortgage lender*.

Network Code

FCA PRA

the network code prepared by Transco plc in accordance with condition 7 of the public gas transporter licence granted or treated as granted to Transco plc under section 7(2) of the Gas Act 1986, as in force from time to time, or any subsequent similar instrument or arrangement.

PAGE
N3

new applicant

FCA PRA

(in LR) an *applicant* that does not have any *class* of its *securities* already *listed*.

nominated ECAI

(a) (in the case of an eligible ECAI within paragraph (a) of the definition of that term (Recognition for exposure risk-weighting purposes)) an *eligible*

FCA PRA

ECAI nominated by a *firm* in accordance with ■ BIPRU 3.6 (Use of rating agencies' credit assessments for the determination of risk weights under the standardised approach to credit risk) for the purpose of calculating its *risk weighted exposure amounts* under the *standardised approach* to credit risk except under (b);

(b) (in the case of an eligible ECAI within paragraph (b) of the definition of that term (Recognition *securitisation risk-weighting* purposes)) an *eligible ECAI* nominated by a *firm* in accordance with ■ BIPRU 9.8 (Use of ECAI credit assessments for the determination of applicable risk weights) for the purpose of calculating its *securitisation risk weighted exposure amounts*.

nominated partner

the *person* nominated by the *operator* of a proposed *limited partnership scheme* to be the only limited partner (but not a *participant*) of the *scheme* on its formation.

FCA

nominee company

a *body corporate* whose business consists solely of acting as a nominee holder of *investments* or other property.

FCA PRA

non credit-obligation asset

(in relation to the *IRB approach*) an *exposure* in the form of a non credit-obligation asset or falling under BIPRU 4.9.5R (Non credit-obligation assets).

FCA PRA

non UK lead regulated firm

a *firm* that is not a *UK lead regulated firm*. This definition is not related to the defined term *lead regulated firm*.

FCA PRA

non-authorised counterparty

in relation to *EMIR*, either:

- (a) a financial counterparty which is not an *authorised person*; or
- (b) a non-financial counterparty.

FCA

non-authorised Voluntary Jurisdiction participant

a participant in the *Voluntary Jurisdiction* who is not a *firm*.

FCA PRA

non-core concentration risk group counterparty

(in accordance with Article 113(4)(c) of the *Banking Consolidation Directive*) has the meaning in ■ BIPRU 10.9A.4 R (Definition of non-core concentration risk group counterparty), which is in summary (in relation to a *firm*) each counterparty which is its *parent undertaking*, its *subsidiary undertaking* or a *subsidiary undertaking* of its *parent undertaking*, provided that (in each case) both the counterparty and the *firm* satisfy the conditions in ■ BIPRU 10.9A.4 R (Definition of non-core concentration risk group counterparty).

FCA PRA

non-core large exposures group

(in relation to a *firm*) has the meaning in ■ BIPRU 10.9A.3 R (Definition of non-core large exposures group), which is in summary each *non-core concentration risk group counterparty* that is not a member of the *core UK group* but satisfies all the conditions for membership of the firm's *core UK group* except for ■ BIPRU 10.8A.2 R (1) (Core concentration risk group

FCA PRA

non-core large exposures group waiver

FCA PRA

counterparty), ■ BIPRU 10.8A.2 R (5) (Establishment in the United Kingdom) and ■ BIPRU 10.8A.5 R (2) (Capital maintenance arrangements).

a *waiver* that has the result of requiring a *firm* to apply ■ BIPRU 10.9A (Intra-group exposures: non-core large exposures), which in summary exempts partially or fully exposures between members of the *core UK group* and members of the *non-core large exposures group* from the limits described in ■ BIPRU 10.5 (Limits on exposures).

non-credit equalisation provision

FCA PRA

the provision required to be established under INSPRU 1.4.17R.

non-directive firm

FCA PRA

(in SUP 11 (Controllers and close links) and SUP 16 (Reporting requirements)) (in accordance with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)) a *UK domestic firm* other than:

- (a) a *credit institution* authorised under the *Banking Consolidation Directive*;
- (b) an *investment firm* authorised under *MIFID*;
- (c) a *management company* as defined in article 2(1)(b) of the *UCITS Directive*, authorised under that directive;
- (d) an *undertaking* pursuing the activity of direct insurance within the meaning of:
 - (i) article 2 of the *Consolidated Life Directive*, authorised under that directive; or
 - (ii) article 1 of the *First Non-Life Directive*, authorised under that directive;
- (e) an *undertaking* pursuing the activity of *reinsurance* within the meaning of article 2.1 (a) of the *Reinsurance Directive*, authorised under that directive.

non-directive friendly society

FCA PRA

(a) a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;

(b) a *friendly society* whose *long-term insurance business* is restricted to the provision of benefits for employed and self-employed *persons* belonging to an undertaking or group of undertakings, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves);

(c) a *friendly society* which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;

(d) a *friendly society* (carrying on *long-term insurance business*):

(i) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other *persons* who have undertaken to provide it; and

(ii) whose annual gross premium income (other than from contracts of reinsurance) has not exceeded 5 million Euro for each of the three preceding financial years;

(e) a *friendly society* (carrying on *general insurance business*):

- (i) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits;
- (ii) whose gross premium income (other than from contracts of reinsurance) for the preceding financial year did not exceed 5 million Euro; and
- (iii) whose members provided at least half of that gross premium income;

(f)

- (i) a *friendly society* whose liabilities in respect of *general insurance contracts* are fully reinsured with or guaranteed by other *mutuals* (including *friendly societies*); and
- (ii) the *mutuals* providing the *reinsurance* or the *guarantee* are subject to the rules of the *First Non-Life Directive*;

and in each case whose *insurance business* is limited to that described in any of (a) to (f).

non-directive insurer

FCA PRA

(a) an *insurer* which is a provident or mutual benefit institution whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions are determined on a flat-rate basis; or

(b) an *insurer* whose *long-term insurance business* is restricted to the provision of benefits for employed and self-employed persons belonging to an *undertaking* or group of *undertakings*, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves); or

(c) an *insurer* which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind; or

(d) a *mutual* (carrying on *long-term insurance business*) whose:

(i) articles of association contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other persons who have undertaken to provide it; and

(ii) annual gross *premium* income (other than from contracts of *reinsurance*) has not exceeded 5 million Euro for each of the *financial year* in question and the two previous *financial years*; or

(e) a *mutual* (carrying on *general insurance business*) whose:

(i) articles of association contain provisions for calling up additional contributions from members or reducing their benefits;

(ii) business does not cover liability risks, other than *ancillary risks*, or credit or suretyship risks;

(iii) gross *premium* income (other than from contracts of *reinsurance*) for the *financial year in question* did not exceed 5 million Euro; and

(iv) members provided at least half of that gross *premium* income; or

(f) an *insurer* whose *insurance business* (other than *reinsurance*) is:

<p>(i) restricted to the provision of assistance for persons who get into difficulties while travelling, while away from home or while away from their permanent residence;</p> <p>(ii) carried out exclusively on a local basis and consists only of benefits in kind; and</p> <p>(iii) such that the gross <i>premium</i> income from the provision of assistance in the <i>financial year in question</i> did not exceed 200,000 Euro; or</p> <p>(g)</p> <p>(i) a <i>mutual</i> whose liabilities in respect of <i>general insurance contracts</i> are fully reinsured with or guaranteed by other <i>mutuals</i> (including <i>friendly societies</i>); and</p> <p>(ii) the <i>mutuals</i> providing the <i>reinsurance</i> or the guarantee are subject to the rules of the <i>First Non-Life Directive</i>.</p>	<p>a <i>mutual</i> that falls into (d), (e) or (g) of the definition of a <i>non-directive insurer</i>.</p>
<p><i>non-directive mutual</i></p> <p>FCA PRA</p>	
<p><i>non-discretionary investment manager</i></p> <p>FCA PRA</p>	<p>(in relation to <i>firm type</i> in ■ SUP 16.10 (Confirmation of standing data)) a <i>person</i> who, acting only on behalf of a <i>client</i> , manages <i>designated investments</i> in an account or portfolio on a non-discretionary basis under the terms of a non-discretionary management agreement.</p>
<p><i>non-discretionary management agreement</i></p> <p>FCA PRA</p>	<p>an agreement for the non-discretionary management of <i>investments</i>:</p> <p>(a) under which the <i>firm</i> agrees to conduct a regular review of the suitability of the <i>client's</i> account or portfolio, based on an assessment of the <i>client's</i> requirements; and</p> <p>(b) that sets out the <i>client's</i> investment objectives, investment strategy, and attitude to risk, the intervals at which the portfolio will be reviewed, and the arrangements for consulting the <i>client</i> about proposed investment decisions.</p>
<p><i>non-EEA AIF</i></p> <p>FCA PRA</p>	<p>an <i>AIF</i> which is not a <i>UK AIF</i> or an <i>EEA AIF</i>.</p>
<p><i>non-EEA AIFM</i></p> <p>FCA</p>	<p>an <i>AIFM</i> which is not a <i>UK AIFM</i> or an <i>EEA AIFM</i>.</p>
<p><i>non-EEA bank</i></p> <p>FCA PRA</p>	<p>a <i>bank</i> which is a <i>body corporate</i> or <i>partnership</i> formed under the law of any country or territory outside the <i>EEA</i>.</p>
<p><i>non-EEA direct insurer</i></p> <p>FCA PRA</p>	<p>an <i>insurer</i>, other than a <i>pure reinsurer</i>, whose head office is not in an <i>EEA State</i>.</p>
<p><i>non-EEA firm</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> that has its registered office (or, if it has no registered office, its head office) in a <i>non-EEA state</i>.</p>

<p><i>non-EEA insurer</i></p> <p>FCA PRA</p>	<p>an <i>insurer</i> whose head office is not in an <i>EEA State</i>.</p>
<p><i>non-EEA state</i></p> <p>FCA PRA</p>	<p>a country or state that is not an <i>EEA State</i>.</p>
<p><i>non-EEA sub-group</i></p> <p>FCA PRA</p>	<p>a group of <i>undertakings</i> identified as a <i>non-EEA sub-group</i> in BIPRU 8.3.1R (Main consolidation rule for non-EEA sub-groups); however where the provision in question refers to a <i>non-EEA sub-group</i> in another <i>EEA State</i> it means a group of <i>undertakings</i> identified in Article 73(2) of the <i>Banking Consolidation Directive</i> (Non-EEA sub-groups) required to be supervised on a consolidated basis under Article 73(2) of the <i>Banking Consolidation Directive</i> by a competent authority in that <i>EEA State</i>.</p>
<p><i>non-equity transferable securities</i></p> <p>FCA PRA</p>	<p>(in <i>PR</i>) (as defined in section 102A of the <i>Act</i>) all <i>transferable securities</i> that are not equity securities.</p>
<p><i>non-executive director</i></p> <p>FCA PRA</p>	<p>a <i>director</i> who has no responsibility for implementing the decisions or the policies of the <i>governing body</i> of a <i>firm</i>.</p>
<p><i>non-executive director function</i></p> <p>FCA PRA</p>	<p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF2 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.6.12 R and ■ SUP 10A.6.13 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF2 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.6.3 R to ■ SUP 10B.6.5 R.</p>
<p><i>Non-Exempt Activities Order</i></p> <p>FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Professions) (Non-Exempt Activities) Order 2001 (SI 2001/1227).</p>
<p><i>non-ILAS BIPRU firm</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> falling into BIPRU 12.1.1R which is not an <i>ILAS BIPRU firm</i>.</p>
<p><i>non-independent research</i></p> <p>FCA PRA</p>	<p>a <i>research recommendation</i> which:</p> <p>(a) relates to <i>financial instruments</i> (as specified in Section C of Annex 1 of <i>MiFID</i>, whether or not they are admitted to trading on a <i>regulated market</i>) ; and</p> <p>(b) does not constitute <i>investment research</i>.</p> <p>[Note: article 24(2) of the <i>MiFID implementing Directive</i>]</p>
<p><i>non-investment insurance contract</i></p>	<p>a <i>contract of insurance</i> which is a <i>general insurance contract</i> or a <i>pure protection contract</i> but which is not a <i>long-term care insurance contract</i>.</p>

FCA PRA

Non-Life Directives

the *First Non-Life Directive*, the *Second Non-Life Directive* and the *Third Non-Life Directive*.

FCA PRA

non-listed company

(in accordance with article 4(1)(ac) of AIFMD) a *company* which has its registered office in the *EEA* and the *shares* of which are not *admitted to trading* on a *regulated market*.

FCA

non-mainstream regulated activity

a *regulated activity* of an *authorised professional firm* in relation to which the conditions in ■ PROF 5.2.1 R are satisfied.

FCA PRA

non-market-price transaction

a transaction where:

(a) the *dealing* rate or price paid by the *firm* or its *client* differs from the prevailing market rate or price to a material extent; or

(b) the *firm* or its *client* otherwise gives materially more or less in value than it receives in return.

FCA PRA

non-profit fund

a *long-term insurance fund* which is not a *with-profits fund*.

FCA PRA

non-profit insurance business

the business of *effecting* or carrying out non-profit insurance contracts.

FCA PRA

non-profit insurance contract

a *long-term insurance contract* which is not a *with-profits insurance contract*.

FCA PRA

non-proportional reinsurance treaty

see *proportional reinsurance treaty*.

FCA PRA

non-real time financial promotion

(in accordance with article 7(2) of the *Financial Promotion Order*) a *financial promotion* that is not a *real time financial promotion*.

FCA PRA

non-retail communication

a *financial promotion* and:

(a) is *made only to recipient* who the *firm* reasonably believes are *professional clients* or *eligible counterparties*; or

FCA PRA

<p><i>non-stakeholder CTF</i></p> <p>FCA PRA</p>	<p>(b) may reasonably be regarded as <i>directed only at recipients</i> who are <i>professional clients</i> or <i>eligible counterparties</i>.</p> <p>a CTF that is not a <i>stakeholder CTF</i>.</p>
<p><i>non-trading book</i></p> <p>FCA PRA</p>	<p>positions, exposures, assets and liabilities that are not in the <i>trading book</i>.</p>
<p><i>non-UCITS retail scheme</i></p> <p>FCA PRA</p>	<p>an <i>authorised fund</i> which is neither a <i>UCITS scheme</i> or a <i>qualified investor scheme</i>.</p>
<p><i>non-UCITS scheme</i></p> <p>FCA PRA</p>	<p>an <i>authorised fund</i> that is not a <i>UCITS scheme</i>.</p>
<p><i>non-UK DLG by modification</i></p> <p>FCA PRA</p>	<p>either of the following:</p> <p>(a) a <i>non-UK DLG by modification (firm level)</i>; or</p> <p>(b) a <i>non-UK DLG by modification (DLG level)</i>.</p>
<p><i>non-UK DLG by modification (DLG level)</i></p> <p>FCA PRA</p>	<p>(in relation to any reporting period under ■ SUP 16 (Reporting requirements) and in relation to a <i>firm</i> that meets the following conditions (a group liquidity reporting firm):</p> <p>(a) it is a <i>UK ILAS BIPRU firm</i> with an <i>intra-group liquidity modification</i>;</p> <p>(b) it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i> created by that <i>intra-group liquidity modification</i>;</p> <p>(c) the <i>overall liquidity adequacy rule</i> applies under that <i>intra-group liquidity modification</i> to that <i>UK DLG by modification</i>; and</p> <p>(d) that <i>UK DLG by modification</i> can rely, under that <i>intra-group liquidity modification</i>, for any part of that period, on a group of other <i>persons</i> for the purpose of the <i>overall liquidity adequacy rule</i> as applied to that <i>UK DLG by modification</i>);</p> <p>means the group made up of the following:</p> <p>(e) that <i>ILAS BIPRU firm</i>;</p> <p>(f) the other members of that <i>UK DLG by modification</i>; and</p> <p>(g) the group of other <i>persons</i> mentioned in (d).</p> <p>A <i>firm</i> has a 'non-UK DLG by modification (DLG level)' for a period even if it only has one during part of that period.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other new definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)</p>

<p><i>non-UK DLG by modification (firm level)</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>group liquidity reporting firm</i>) a <i>DLG by modification (firm level)</i> that is not a <i>UK DLG by modification (firm level)</i>. A <i>firm</i> with a <i>non-UK DLG by modification (firm level)</i> cannot also have a <i>UK DLG by modification (firm level)</i>.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (Guidance on designated liquidity groups in ■ SUP 16.12).)</p>
<p><i>normal trading hours</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>trading venue</i> or an <i>investment firm</i>) those hours which the <i>trading venue</i> or <i>investment firm</i> establishes in advance and makes public as its trading hours.</p> <p>[Note: article 2(5) of the <i>MiFID Regulation</i>]</p>
<p><i>normally based</i></p> <p>FCA PRA</p>	<p>(in <i>ICOB</i>S) (in relation to a <i>vehicle</i>):</p> <p>(a) the territory of the <i>EEA State</i> of which the <i>vehicle</i> bears a registration plate; or</p> <p>(b) in cases where no registration is required for the type of <i>vehicle</i>, but the <i>vehicle</i> bears an insurance plate or a distinguishing sign analogous to a registration plate, the territory of the <i>EEA State</i> in which the insurance plate or the sign is issued; or</p> <p>(c) in cases where neither registration plate nor insurance plate nor distinguishing sign is required for the type of <i>vehicle</i>, the territory of the <i>EEA State</i> in which the keeper of the <i>vehicle</i> is permanently resident.</p> <p>[Note: article 1(4) of Directive 72/166/EC (First Motor Insurance Directive)]</p>
<p><i>normally resident</i></p> <p>FCA PRA</p>	<p>(in <i>MCOB</i>) normally resident; for the purposes of this definition:</p> <p>(a) an individual (whether or not acting as trustee) is to be treated as normally resident in the country which he indicates is his country of residence, unless the <i>firm</i> has reason to doubt this; and</p> <p>(b) a <i>body corporate</i> acting as trustee is to be treated as resident in the country in which its registered office (or, if it has no registered office, its head office) is located.</p>
<p><i>Northern Ireland credit union</i></p> <p>FCA PRA</p>	<p>a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an <i>authorised person</i> or a body corporate registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a <i>credit union</i> which is an <i>authorised person</i>.</p>
<p><i>notice of discontinuance</i></p> <p>FCA PRA</p>	<p>a notice given by the <i>appropriate regulator</i> in accordance with section 389 of the <i>Act</i> (Notices of discontinuance) which states that the <i>appropriate regulator</i> has decided not to take the action proposed in a <i>warning notice</i> or the action to which a <i>decision notice</i> relates.</p>
<p><i>notice of intention</i></p> <p>FCA PRA</p>	<p>a notice of intention (as described in ■ SUP 13.5) given by a <i>UK firm</i> to:</p> <p>(a) establish a <i>branch</i> in an <i>EEA State</i> under paragraph 19(2) of Part III of Schedule 3 to the <i>Act</i> (Exercise of passport rights by UK firms); or</p> <p>(b) provide services in an <i>EEA State</i> under paragraph 20(1) of Part III of Schedule 3 to the <i>Act</i> (Exercise of passport rights by UK firms)</p> <p>or</p> <p>(c) establish a <i>branch</i> or provide services in an <i>EEA state</i> in the exercise of its <i>EEA right</i> under the <i>auction regulation</i>.</p>

notification rule

FCA **PRA**

(1) (in relation to a *firm*) a *rule* requiring a *firm* to give the *appropriate regulator* notice of, or information regarding, an event, but excluding:

- (a) a *rule* requiring periodic submission of a report; and
- (b) a *rule* in the *listing rules*.

(2) (in relation to a *recognised body*) a *rule* made by the *FCA* under section 293 of the *Act* (Notification requirements) or section 295 of the *Act* (Notification: overseas investment exchanges and overseas clearing houses) :

- (a) requiring a *recognised body* to give the *FCA*:
 - (i) notice of, and specified information regarding, specified events relating to the body;
 - (ii) specified information relating to the body at specified times or in respect of specified periods; and
 - (iii) any other information required to be given by such a *rule*; or
- (b) (in relation to an *RIE*):
 - (i) specifying descriptions of *regulatory provision* in relation to which, or circumstances in which, the duty to notify the *FCA* of such *regulatory provision* in section 300B(1) of the *Act* does not apply or providing that the duty to notify applies only to specified descriptions of *regulatory provision* or in specified circumstances; or
 - (ii) making provision as to the form and contents of the notice required under (2)(b)(i), and requiring *recognised bodies* to provide specified information in connection with that notification.

notional principal

FCA **PRA**

(a) (in relation to a *contract for differences* which is an *index derivative*):

- (i) the current mark to market valuation of a *contract for differences* which resembles a *futures* contract; or
- (ii) the exercise value of a *contract for differences* which resembles an *option* contract;

(b) (in relation to any other *contract for differences*) the notional lot size of the contract.

nuclear risks

FCA **PRA**

risks falling within any *class* of *general insurance business* and arising in connection with the construction and use of any nuclear reactor or nuclear installation or the carriage of any nuclear matter.

(b) (in relation to any other transaction) effected by means of the *facilities* of, or governed by the *rules* of, an exchange.

ongoing basis

FCA PRA

in ■ BIPRU 9.15, maintaining on an *ongoing basis* means that the retained positions, interest or exposures are not hedged or sold.

[Note: BCD, Article 122a, paragraph 1]

open

FCA PRA

in relation to a *syndicate year*, one which has not been *closed*.

open currency position

FCA PRA

the amount calculated under BIPRU 7.5.19R (Open currency position) as part of the calculation of the *foreign currency PRR*.

open offer

FCA PRA

(in LR and in ■ DTR 5) an invitation to existing *securities* holders to subscribe or purchase *securities* in proportion to their holdings, which is not made by means of a renounceable letter (or other negotiable document).

open-ended investment company

FCA PRA

(as defined in section 236 of the *Act* (Open-ended investment companies)) a *collective investment scheme* which satisfies both the property condition and the investment condition:

(a) the property condition is that the property belongs beneficially to, and is managed by or on behalf of, a *body corporate* ("BC") having as its purpose the investment of its funds with the aim of:

(i) spreading investment risk; and

(ii) giving its members the benefit of the results of the management of those funds by or on behalf of that body;

(b) the investment condition is that, in relation to BC, a reasonable investor would, if he were to participate in the *scheme*:

(i) expect that he would be able to realise, within a period appearing to him to be reasonable, his investment in the *scheme* (represented, at any given time, by the value of shares in, or securities of, BC held by him as a *participant* in the *scheme*); and

(ii) be satisfied that his investment would be realised on a basis calculated wholly or mainly by reference to the value of property in respect of which the *scheme* makes arrangements.

(see also *investment company with variable capital*.)

operating a dormant account fund

FCA PRA

any of the *regulated activities* of:

(a) *meeting of repayment claims*; or

(b) *managing dormant account funds (including the investment of such funds)*.

operating a multilateral trading facility

FCA PRA

the *regulated activity* in article 25D of the *Regulated Activities Order*, which is, in summary, the operation of a multilateral trading facility on which MiFID instruments are traded.

In this definition "MiFID instrument" means any investment:

(a) of the kind specified by articles 76, 77, 78, 79, 80, 81, 83, 84 or 85 of the *Regulated Activities Order*; or

(b) of the kind specified by article 89 of the *Regulated Activities Order*, so far as relevant to an investment falling within (a),

operational objectives

FCA **PRA**

that is a *financial instrument*.

as defined in section 1B(3) of the *Act*.

operational risk

FCA **PRA**

(1) (in *COLL* and *FUND*) the risk of loss for a *UCITS* or *AIF* resulting from inadequate internal processes and failures in relation to the people and systems of the *management company* or *AIFM* or from external events, and it includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the *fund*.

(2) (except in *COLL* and *FUND*) (in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

operational risk capital requirement

FCA **PRA**

the part of the *capital resources requirement* of a *BIPRU firm* falling within BIPRU 6.1.1R in respect of *operational risk*, calculated in accordance with BIPRU 6.2.

operator

FCA **PRA**

(1) (except in *EG*):

(a) (in relation to an *AUT*) the *manager*;

(aa) (in relation to an *ACS*) the *authorised contractual scheme manager*;

(b) (in relation to an *ICVC*) that *company* or, if applicable, the *authorised corporate director*;

(ba) (in relation to any other *OEIC* which is an undertaking for *collective investment* in transferable securities within the meaning of the *UCITS Directive* and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other *collective investment scheme* that is a *unit trust scheme* with a separate *trustee*) any *person* who, under the *trust deed* establishing the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(ca) (in relation to any other *collective investment scheme* that is a contractual scheme) any *person* who, under the constituent instrument, is responsible for the management of the property held for or within the *scheme*;

(d) (in relation to any other *collective investment scheme* that is an *open-ended investment company*) that *company* or, if applicable, any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(e) (in relation to any other *collective investment scheme*) any *person* who, under the constitution or founding arrangements of the *scheme*, is responsible for the management of the property held for or within the *scheme*;

(f) (in relation to an *investment trust savings scheme*) any *person* appointed, by those responsible for managing the property of the *investment trust*, to manage the *investment trust savings scheme* ;

(g) (in relation to a *personal pension scheme* or *stakeholder pension scheme*) the *person* who carries on the *regulated activity* specified in article 52 of the *Regulated Activities Order* (Establishing etc. a pension scheme).

(2) (in *EG*) (in accordance with section 237(2) of the *Act* (Other definitions)):

(a) (in relation to a *unit trust scheme* with a separate *trustee*) the *manager*;

(b) (in relation to an *OEIC* which is an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* and which has appointed a *person* to manage the *scheme*) the *manager*;

(c) (in relation to any other *OEIC*) the *company*.

OPS activity

FCA PRA

(a) *managing investments* in a case where the assets managed are:

(i) held for the purposes of an *occupational pension scheme*; or

(ii) held for the purposes of a *welfare trust* established by a *person* who is, or has been at any time during the last 12 *months*, an *associate* of the *OPS firm*; or

(iii) assets of an *OPS collective investment scheme*;

(b) any one or more of the following activities undertaken in the course of, or incidental to, the operation of an *occupational pension scheme*, *welfare trust* or *OPS collective investment scheme*:

(i) *dealing in investments as principal*;

(ii) *dealing in investments as agent*;

(iii) arranging (bringing about) deals in investments;

(iv) *making arrangements with a view to transactions in investments*;

(v) *safeguarding and administering investments*;

(vi) *advising on investments*;

(vii) receiving or holding *client money*.

OPS collective investment scheme

FCA PRA

a *collective investment scheme* the contributions to which consist entirely of assets held for an *occupational pension scheme*.

OPS firm

FCA PRA

(a) (except in *IPRU(INV)*) a *firm* which:

(i) carries on *OPS activity*; and

(ii) is one or more of the following:

(A) a trustee of the *occupational pension scheme* in question;

(B) a *company* owned by the trustees of the *occupational pension scheme* in question;

(C) a *company* which is:

(I) an employer in relation to the *occupational pension scheme* in question in respect of its employees or former employees or their dependants; or

<p><i>opted-in exempt CAD firm</i></p> <p>FCA PRA</p>	<p>(II) a <i>company</i> within the <i>group</i> which includes an employer within (I); or</p> <p>(III) an administering authority subject to the Local Government Pension Scheme (Administration) Regulations 2008; or</p> <p>(b) a <i>firm</i> which:</p> <p style="padding-left: 20px;">(i) has satisfied the requirements set out in (a) at any time during the past 12 <i>months</i>; but</p> <p style="padding-left: 20px;">(ii) is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.</p> <p>an <i>exempt CAD firm</i> which complies with the requirements in regulation 4C (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007 (SI 2007/126).</p>
<p><i>option</i></p> <p>FCA PRA</p>	<p>the <i>investment</i>, specified in article 83 of the <i>Regulated Activities Order</i> (Options), which is an option to acquire or dispose of:</p> <p style="padding-left: 20px;">(a) a <i>designated investment</i> (other than an option or one to which (d) or (e) applies); or</p> <p style="padding-left: 20px;">(b) currency of the <i>United Kingdom</i> or of any other country or territory; or</p> <p style="padding-left: 20px;">(c) palladium, platinum, gold or silver; or</p> <p style="padding-left: 20px;">(d) a commodity to which article 83(2) of the <i>Regulated Activities Order</i> applies; or</p> <p style="padding-left: 20px;">(e) a <i>financial instrument</i> in paragraph 10 of Section C of Annex 1 to <i>MiFID</i> to which article 83(3) of the <i>Regulated Activities Order</i> applies; or</p> <p style="padding-left: 20px;">(f) an option to acquire or dispose of an option specified in (a), (b) , (c), (d) or (e) ;</p> <p>but so that for the purposes of calculating capital requirements for <i>BIPRU firms</i> and ■ <i>BIPRU 10</i> (Large exposures requirements) it also includes any of the items listed in the table in ■ <i>BIPRU 7.6.18 R</i> (Option PRR: methods for different types of option) and any cash settled option.</p>
<p><i>option hedging method</i></p> <p>FCA PRA</p>	<p>the method of calculating the <i>option PRR</i> in <i>BIPRU 7.6.24R</i> (The hedging method).</p>
<p><i>option PRR</i></p> <p>FCA PRA</p>	<p>the part of the market risk capital requirement calculated in accordance with <i>BIPRU 7.6</i> (Option PRR) or, in relation to a particular position, the portion of the overall option PRR attributable to that position.</p>
<p><i>option standard method</i></p> <p>FCA PRA</p>	<p>the method of calculating the option PRR in <i>BIPRU 7.6.20R</i> to <i>BIPRU 7.6.22R</i> (The standard method).</p>

<p>ORCR FCA PRA</p>	<p>the <i>operational risk capital requirement</i>.</p>
<p>organisation FCA PRA</p>	<p>a <i>body corporate</i>, a <i>partnership</i>, a trust or an unincorporated association.</p>
<p>original financing costing amount FCA PRA</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> that is subject to a <i>step-up</i>) the <i>financing cost amount</i> for the instrument for a period beginning on or near the date of issue of the instrument and ending on or near the date of the first <i>step-up</i>.</p>
<p>originator FCA PRA</p>	<p>(in accordance with Article 4(41) of the <i>Banking Consolidation Directive</i> (Definitions) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation) either of the following:</p> <ul style="list-style-type: none"> (a) an entity which, either itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the <i>exposures</i> being <i>securitised</i>; or (b) an entity which purchases a third party's <i>exposures</i> onto its balance sheet and then <i>securitises</i> them.
<p>OTC FCA PRA</p>	<p><i>over the counter</i>.</p>
<p>OTC derivative FCA PRA</p>	<p>a <i>derivative</i> traded solely <i>over the counter</i>.</p>
<p>OTC derivatives, CCPs and trade repositories regulation FCA</p>	<p>the Financial Services and Markets Act 2000 (Over the Counter Derivatives, Central Counterparties and Trade Repositories) Regulations 2013</p>
<p>out of the money FCA PRA</p>	<p>(for the purposes of BIPRU 7 (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) that <i>option</i> or <i>warrant</i> being neither <i>at the money</i> nor <i>in the money</i>.</p>
<p>outgoing ECA provider FCA PRA</p>	<p>a <i>firm</i> which:</p> <ul style="list-style-type: none"> (a) provides an <i>electronic commerce activity</i> , from an <i>establishment</i> in the <i>United Kingdom</i>, with or for an <i>ECA recipient</i> present in an <i>EEA State</i> other than the <i>United Kingdom</i> ; and (b) is a national of an <i>EEA State</i> or a firm or company mentioned in article 54 of the <i>Treaty</i>.

outsourcing

FCA **PRA**

(1) (except in ■ SYSC 8 , ■ COBS 11.7 and the definition of *relevant person*) the use of a *person* to provide customised services to a *firm* other than:

- (a) a member of the *firm's* governing body acting in his capacity as such; or
- (b) an individual employed by a *firm* under a contract of service.

(2) (in ■ SYSC 8 , ■ COBS 11.7 and the definition of *relevant person*) an arrangement of any form between a *firm* and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the *firm* itself.

[Note: article 2(6) of the *MiFID implementing Directive*]

over collateralisation

FCA **PRA**

(in *RCB*) (as defined in Regulation 3(3) of the *RCB Regulations*) the provision of additional *assets* that assist the payment from the *relevant asset pool* of claims attaching to a *regulated covered bond* in the event of the failure of the *issuer*.

over the counter

FCA **PRA**

(in relation to a transaction in an *investment*) not *on-exchange*.

overall financial adequacy rule

FCA **PRA**

GENPRU 1.2.26R (Requirement for certain *firms* to have adequate financial resources).

overall financial sector

FCA **PRA**

a sector composed of one or more the following types of entities:

- (a) members of each of the *financial sectors*; and
- (b) (except where ■ GENPRU 3.1 (Cross sector groups) or GENPRU 3 Ann 1R (Capital adequacy calculations for financial conglomerates) provide otherwise) a *mixed financial holding company*.

overall liquidity adequacy rule

FCA **PRA**

BIPRU 12.2.1R.

overall Pillar 2 rule

FCA **PRA**

GENPRU 1.2.30R (Systems, strategies, processes and reviews for certain *firms*).

overallotment facility

FCA **PRA**

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) a clause in the underwriting agreement or lead management agreement which permits acceptance of subscriptions or offers to purchase a greater number of *relevant securities* than originally offered.

overseas

FCA **PRA**

outside the *United Kingdom*.

overseas company

(in *LR* and *PR*) a *company* incorporated outside the *United Kingdom*.

FCA PRA

overseas financial services institution

an institution authorised to carry on any *regulated activity* or other financial service by an *overseas regulator*.

FCA PRA

overseas financial stability information power

the PRA's power under section 169A of the *Act* (Support of overseas regulator with respect to financial stability) which, in summary, is a power exercisable at the request of an *overseas regulator* to require a *person* to provide information or documents relevant to the stability of one or more aspects of the *relevant financial system* operating in the country or territory of that regulator.

FCA PRA

overseas firm

FCA PRA

(1) (in relation to ■ MAR 5) a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom* excluding an *incoming EEA firm*.

(2) (in any other case)
a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom*.

overseas introducing broker

FCA PRA

a *person*, who is not an *authorised person*:

- (a) who is resident outside the *United Kingdom*; and
- (b) who introduces transactions relating to designated investments arranged (brought about) for its *clients* to a *clearing firm* in the *United Kingdom*.

overseas investment exchange

FCA PRA

an investment exchange which has neither its head office nor its registered office in the *United Kingdom*.

overseas long-term insurer

FCA PRA

an *insurance undertaking* which is not an *authorised person* and which:

- (a) has its head office in an *EEA State* other than the *United Kingdom*, and is entitled to carry on *long-term insurance business* in that *EEA State*; or
- (b) has a *branch* or agency in an *EEA State* other than the *United Kingdom* and is entitled to carry on *long-term insurance business* in that *EEA State*; or
- (c) is authorised to effect or carry on *long-term insurance business* in the Bailiwick of Jersey, the Bailiwick of Guernsey, the Isle of Man, the Commonwealth of Pennsylvania or the State of Iowa;

for the purposes of (a) and (b), Gibraltar is to be regarded as if it were an *EEA State*.

overseas person

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) a *person* who:

- (a) carries on any of the following *regulated activities*:
 - (i) *dealing in investments as principal*;
 - (ii) *dealing in investments as agent*;

- (iii) *arranging (bringing about) deals in investments;*
- (iv) *arranging (bringing about) regulated mortgage contracts;*
- (v) *making arrangements with a view to regulated mortgage contracts;*
- (vi) *making arrangements with a view to transactions in investments;*
- (vii) *managing investments;*
- (viii) *safe custody and administering investments;*
- (ix) *sending dematerialised instructions;*
- (x) *causing dematerialised instructions to be sent;*
- (xi) *establishing, operating or winding up a collective investment scheme;*
- (xii) *acting as trustee of an authorised unit trust scheme;*
- (xiii) *acting as the depositary or sole director of an open-ended investment company;*
- (xiii a) *acting as the depositary of an authorised contractual scheme;*
- (xiv) *establishing, operating or winding up a stakeholder pension scheme;*
- (xiva) *establishing, operating or winding up a personal pension scheme;*
- (xv) *advising on investments;*
- (xvi) *advising on regulated mortgage contracts ;*
- (xvii) *entering into a regulated mortgage contract ;*
- (xviii) *administering a regulated mortgage contract ;*
- (xix) *arranging (bringing about) a home reversion plan;*
- (xx) *making arrangements with a view to a home reversion plan;*
- (xxi) *advising on a home reversion plan;*
- (xxii) *entering into a home reversion plan;*
- (xxiii) *administering a home reversion plan;*
- (xxiv) *arranging (bringing about) a home purchase plan;*
- (xxv) *making arrangements with a view to a home purchase plan;*
- (xxvi) *advising on a home purchase plan;*
- (xxvii) *entering into a home purchase plan;*
- (xxviii) *administering a home purchase plan;*
- (xxix) *agreeing to carry on those regulated activities , disregarding the exclusion in article 72 of the Regulated Activities Order (Overseas persons); but*

(b) does not carry on any such activities, or offer to do so, from a permanent place of business maintained by him in the *United Kingdom*.

(1) (except in relation to the *overseas financial stability information power*) (as defined in section 195(3) of the *Act* (Exercise of power in support of overseas regulator)) an authority in a country or territory outside the *United Kingdom*:

overseas
regulator



- (a) which is a *Home State regulator*; or
- (b) which exercises any of the following functions:
- (i) a function corresponding to any function of the *FCA* or *PRA* under the *Act*;
 - (ii) a function corresponding to any function exercised by the *FCA* in its capacity as *competent authority* in relation to the listing of securities;
 - (iii) a function corresponding to any function exercised by the Secretary of State under the Companies Acts (as defined in section 2 of the Companies Act 2006);
 - (iv) a function in connection with the investigation of conduct of the kind prohibited by Part V of the Criminal Justice Act 1993 (Insider Dealing), or with the enforcement of rules (whether or not having the force of law) relating to such conduct;
 - (v) a function prescribed by regulations made for the purposes of section 195(4) of the *Act* (Exercise of powers) which, in the opinion of the Treasury, relates to companies or financial services.
- (2) (in relation to the *overseas financial stability information power*) (as defined in section 169A(2) of the *Act* (Support of overseas regulator with respect to financial stability)) an authority in a country or territory outside the *United Kingdom* which exercises functions with respect to the stability of the *relevant financial system* operating in that country or territory.

own account order

FCA **PRA**

an order which relates to an *own account transaction*.

own account trading firm

FCA **PRA**

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *firm* that only *deals* or arranges *deals* in *securities* or *contractually based investments* for its own benefit, or for the benefit of an *associate*.

own account transaction

FCA **PRA**

a transaction *executed* by the *firm* for its own benefit or for the benefit of its *associate*.

own estimates of volatility adjustments approach

FCA **PRA**

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses its own estimates of such adjustments, as more fully described in ■ BIPRU 5.4 (Financial collateral) and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

own funds

FCA **PRA**

(1) own funds as described in articles 56 to 67 of the *Banking Consolidation Directive*.

(2) [deleted]

(2A) (in ■ IPRU(INV) 11) the own funds of a *firm* calculated in line with ■ IPRU(INV) Table 11.4 (Method of calculating initial capital and own funds).

(3) (in IPRU(INV) 8) capital, as defined in ■ CREDS 5.2.1 R.

owner

FCA PRA

(3A) (in *IPRU(INV)* 13) the own funds of a *firm* calculated in accordance with 13.1A.14R.

(4) (in *UPRU*) funds calculated in accordance with ■ *UPRU* Table 2.2.1 R (Method of calculation of financial resources) composed of the specified items set out in that Table.

(in *RCB*) (as defined in Regulation 4 of the *RCB Regulations*) an owner which owns an *asset pool* and issues a guarantee to pay from that *asset pool* claims attaching to a *regulated covered bond* in the event of a failure of the *issuer* of that bond.

ownership share

FCA PRA

in accordance with the definition of a "share" in section 422(6) of the *Act* (Controller):

- (a) (in relation to an *undertaking* with a share capital) an allotted share;
- (b) (in relation to an *undertaking* with capital but no share capital) a right to share in the capital of the *undertaking* ;
- (c) (in relation to an *undertaking* without capital) an interest:
 - (i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking* ; or
 - (ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

own-initiative powers

FCA PRA

FCA's or the *PRA's* *own-initiative variation power* and *own-initiative requirement power*.

own-initiative requirement power

FCA PRA

The *FCA's* power under section 55L(3) of the *Act* or the *PRA's* power under section 55M(3) of the *Act* to impose a new *requirement* on a *firm*, to vary a *requirement* that it has imposed on the *firm* or to cancel any such *requirement* otherwise than on the application of a *firm*.

own-initiative variation power

FCA PRA

The *FCA's* or the *PRA's* power under section 55J (Variation or cancellation on initiative of regulator) to vary or cancel a *Part 4A permission* otherwise than on the application of a *firm*.

packaged bank account

FCA **PRA**

an arrangement under which a *firm* provides a *retail banking service* as part of a package which includes access to other goods or services, whether or not a fee is charged.

packaged product

FCA **PRA**

- (a) a *life policy*;
- (b) a *unit* in a *regulated collective investment scheme*;
- (c) an interest in an *investment trust savings scheme*;
- (d) a *stakeholder pension scheme*;
- (e) a *personal pension scheme*;

whether or not (in the case of (a), (b) or (c)) held within an *ISA* or a *CTF* and whether or not the *packaged product* is also a *stakeholder product*.

parent financial holding company in a Member State

FCA **PRA**

(in accordance with Article 4(15) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

parent institution in a Member State

FCA **PRA**

(in accordance with Article 4(14) of the *Banking Consolidation Directive* and Article 3 of the *Capital Adequacy Directive* (Definitions)) an *institution* which has an *institution* or a *financial institution* as a *subsidiary undertaking* or which holds a *participation* in such an *institution*, and which is not itself a *subsidiary undertaking* of another *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

parent mixed financial holding company in a Member State

FCA **PRA**

(in accordance with Article 4(15a) of the *Banking Consolidation Directive* (Definitions)) a *mixed financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

parent undertaking

FCA **PRA**

(1) (in accordance with section 420 of the *Act* (Parent and subsidiary undertaking) and section 1162 of the *Companies Act 2006* (Parent and subsidiary undertakings)):

(a) (in relation to whether an *undertaking*, other than an *incorporated friendly society*, is a *parent undertaking* and except for the purposes described in (c)) an *undertaking* which has the following relationship to another *undertaking* ("S"):

- (i) it holds a majority of the voting rights in S; or
- (ii) it is a member of S and has the right to appoint or remove a majority of its board of directors; or
- (iii) it has the right to exercise a dominant influence over S through:
 - (A) provisions contained in S's memorandum or articles; or
 - (B) a control contract; or

(iv) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or

(v)

(A) it has the power to exercise, or actually exercises, dominant influence or control over S; or

(B) it and S are managed on a unified basis; or

(vi) it is a *parent undertaking* of a *parent undertaking* of S; or

(vii) (except in *REC* or for the purposes of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's or to the *Society* or *managing agents* in respect of *members*) he is an individual and would be a *parent undertaking* if he were an *undertaking*; or

(viii) (except in *REC* or for the purposes of *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's or to the *Society* or *managing agents* in respect of *members*) it is incorporated in or formed under the law of another *EEA State* and is a *parent undertaking* within the meaning of any rule of law in that State for purposes connected with implementation of the Seventh Company Law Directive;

in relation to (ii) and (iv); the *undertaking* will be treated as a member of S if any of its *subsidiary undertakings* is a member of S, or if any shares in S are held by a *person* acting on behalf of the *undertaking* or any of its *subsidiary undertakings*; the provisions of Schedule 7 to the Companies Act 2006 (Parent and subsidiary undertakings: supplementary provisions) explain the expressions used in and supplement paragraphs (i) to (vi);

(b) (in relation to whether an incorporated friendly society is a *parent undertaking* and except for the purposes described in (c)) an *incorporated friendly society* which has the following relationship to a *body corporate* ("S"):

(i) it holds a majority of the voting rights in S; or

(ii) it is a member of S and has the right to appoint or remove a majority of S's board of directors; or

(iii) it is a member of S and controls alone, under an agreement with other shareholders or members, a majority of the voting rights in S; or

(iv) it is the *parent undertaking* of a *body corporate* which has the relationship in (i), (ii) or (iii) to S.

(c) (for the purposes of *BIPRU*, *GENPRU* and *INSPRU* as they apply on a consolidated basis, for the purposes of ■ *BIPRU* 10 (Large exposures requirements) and for the purposes of ■ *SYSC* 12 (Group risk systems and controls requirement) and ■ *SYSC* 19A (Remuneration Code) and in relation to whether an *undertaking* is a *parent undertaking*) an *undertaking* which has the following relationship to another *undertaking* ("S"):

(i) a relationship described in (a) other than (a)(vii); or

(ii) it effectively exercises a dominant influence over S;

and so that (a)(v) does not apply for the purpose of *BIPRU* as it applies on a consolidated basis (including *BIPRU* 8 (Group risk - consolidation)) or *BIPRU* 10 .

(2) a *parent undertaking* within the meaning of (1) of a *controlled undertaking*.

parental responsibility

FCA **PRA**

(as defined in section 3(9) of the Child Trust Fund Act 2004):

- (a) parental responsibility within the meaning of the Children Act 1989 or the Children (Northern Ireland) Order 1995 (SI 1995/755 (N.I. 2)); or
- (b) parental responsibilities within the meaning of the Children (Scotland) Act 1995.

Part 30 exemption order

FCA **PRA**

an order under regulation 30.10 of the General Regulations under the US Commodity Exchange Act, issued by the Commodity Futures Trading Commission on 15 May 1989, granting a *person* exemption from the registration requirement contained in Part 30 of those General Regulations.

Part 4A permission

FCA **PRA**

(as defined in section 55A of the *Act* (Application for *permission*)) a *permission* given by the *FCA* or *PRA* under Part 4A of the *Act* (Permission to carry on regulated activities), or having effect as if so given.

Part 6 rules

FCA **PRA**

(as defined in section 73A of the *Act*) *rules* made for the purposes of Part VI of the *Act*.

Part XX exemption

FCA **PRA**

the exemption from the *general prohibition* conferred on an *exempt professional firm* by section 327 of the *Act* (Exemption from the *general prohibition*).

participant

FCA **PRA**

(in accordance with section 235(2) of the *Act* (*Collective investment schemes*)) a *person* who participates in a *collective investment scheme*.

participant firm

FCA **PRA**

(1) (except in **■ FEES 1** and **■ FEES 6**) a *firm* or a *member* other than:

(a) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is:

- (i) a *credit institution* ;
- (ii) a *MiFID investment firm* ; or
- (iii) [deleted]
- (iv) both (i) and (ii); or
- (v) an *IMD insurance intermediary* or an *IMD reinsurance intermediary* which is neither (i) or (ii);
- (vi) an *AIFM* managing an *unauthorised AIF* or providing the services in article 6(4) of *AIFMD*;

in relation to its *passported activities*, unless it has *top-up cover*;

(aa) (in accordance with section 213(10) of the *Act* (The compensation scheme) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons) an *incoming EEA firm* which is a *management company* other than to the extent that it carries on the following activities from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*:

- (i) *collective portfolio management* for a *UCITS scheme*;
- or

(ii) *managing investments* (other than of a *collective investment scheme*), *advising on investments* or *safeguarding and administering investments* (the services referred to in article 6(3) of the *UCITS Directive*), but only if it has top-up cover;

(b) a service company;

(c) [deleted]

(d) [deleted]

(e) an *underwriting agent*, or *members' adviser*, in respect of *advising on syndicate participation at Lloyd's* or managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;

(f) an *authorised professional firm* that is subject to the rules of the Law Society (England and Wales) or the Law Society of Scotland and with respect to its *regulated activities* participates in the relevant society's compensation scheme;

(g) an *ICVC*;

(h) a UCITS qualifier;

(i) [deleted]

(j) in respect of the carrying on of *bidding in emissions auctions*, a *firm* that is exempt from *MiFID* under article 2(1)(i).

(k) an *AIFM qualifier*.

(2) (in ■ FEES 1 and ■ FEES 6) a *firm* specified in paragraph (1) above that is not a *member*.

participating deposit-taker

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) a *person* who was at any time before *commencement*:

(a) a UK institution, participating institution, former UK institution or former participating institution as defined in section 52(6) of the Banking Act 1987; or

(b) a former authorised institution (as defined in section 106(1) of the Banking Act 1987 (other than a former UK institution or former participating institution as defined in section 52(6) of that Act), which was not a recognised bank or licensed institution excluded by an order under section 23(2) of the Banking Act 1979.

participating institution

FCA PRA

(as defined in article 2(2) of the *compensation transitionals order*) a *person* who was at any time before *commencement* a participating institution within the meaning of section 24(4) of the Building Societies Act 1986.

participating insurance undertaking

FCA PRA

an insurer which:

(a) has a *subsidiary undertaking* that is an *insurance undertaking*; or

(b) holds a *participation* in an *insurance undertaking*; or

(c) is linked to an *insurance undertaking* by a *consolidation Article 12(1) relationship*.

participating security

FCA PRA

a participating security as defined in regulation 3 of the Uncertificated Securities Regulations 1995 (SI 1995/3272), which enable title to participating securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

participation

FCA PRA

(for the purposes of *UPRU* and *GENPRU* and for the purposes of *BIPRU* and *INSPRU* as they apply on a consolidated basis):

(a) a participating interest may be defined according to:

(i) section 421A of the *Act* where applicable; or

(ii) paragraph 11(1) of Schedule 10 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) where applicable; or

(iii) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or

(iv) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(v) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1912) where applicable; or

(b) (otherwise) the direct or indirect ownership of 20% or more of the voting rights or capital of an *undertaking*;

but excluding the interest of a *parent undertaking* in its *subsidiary undertaking*.

partner

FCA PRA

(in relation to a *firm* which is a *partnership*) any *person* appointed to direct its affairs, including:

(a) a *person* occupying the position of a partner (by whatever name called); and

(b) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the partners are accustomed to act.

partner function

FCA PRA

(1) (in the *FCA Handbook*) *FCA controlled function* CF4 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.6.23 R to ■ SUP 10A.6.27 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF4 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.6.12 R to ■ SUP 10B.6.14 R.

partnership

FCA PRA

(in accordance with section 417(1) of the *Act* (Definitions)) any partnership, including a partnership constituted under the law of a country or territory outside the *United Kingdom*, but not including a *limited liability partnership*.

passport right

FCA PRA

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) the entitlement of a *person* to establish a branch or provide services in an *EEA State* other than that in which they are authorised to provide *electronic money* issuance services:

(a) in accordance with the Treaty on the Functioning of the European Union as applied in the *EEA*; and

(b) subject to the conditions of the *Electronic Money Directive*.

an activity carried on by an *EEA firm*, or by a *UK firm*, under an *EEA right*.

passport activity

FCA PRA

<p><i>payment holiday</i></p> <p>FCA PRA</p>	<p>a feature of a <i>regulated mortgage contract</i> under which the <i>mortgage lender</i> permits the customer to make no payments for a specified period without being in <i>arrears</i>.</p>
<p><i>payment information</i></p> <p>FCA PRA</p>	<p>the information described in COBS 7.3.4R, that is, the amount and nature of any payments that the <i>client</i> will have to make, directly or indirectly, for the <i>personal recommendation</i>.</p>
<p><i>payment institution</i></p> <p>FCA PRA</p>	<p>an <i>authorised payment institution</i>, an <i>EEA authorised payment institution</i> or a <i>small payment institution</i>.</p> <p>[Note: articles 4(4) and 26(3) of the <i>Payment Services Directive</i>]</p>
<p><i>payment instrument</i></p> <p>FCA PRA</p>	<p>(in <i>BCOBS</i>) any personalised device or personalised set of procedures agreed between the <i>banking customer</i> and the <i>firm</i> used by the <i>banking customer</i> to initiate an instruction or request by the <i>banking customer</i> to the <i>firm</i> to make a payment.</p>
<p><i>payment leg</i></p> <p>FCA PRA</p>	<p>(for the purposes of the <i>CCR standardised method</i> and as more fully defined in ■ BIPRU 13.5.2 R (Derivation of risk position: payment legs) the contractually agreed gross payments under a <i>financial derivative instrument</i>, including the notional amount of the transaction.</p>
<p><i>payment protection contract</i></p> <p>FCA PRA</p>	<p>A <i>non-investment insurance contract</i> which has elements of a <i>general insurance contract</i> and the benefits of which are described as enabling a <i>policyholder</i> to protect his ability to continue to make payments due to third parties, or can reasonably be expected to be used in this way.</p>
<p><i>payment routing information</i></p> <p>FCA PRA</p>	<p>a combination of letters, numbers or symbols specified by a <i>firm</i> to be provided when instructing or requesting the <i>firm</i> to make a payment from an account of a <i>banking customer</i> for the purpose of routing the payment to the correct destination and intended recipient.</p>
<p><i>payment service</i></p> <p>FCA PRA</p>	<p>(in accordance with regulation 2(1) of, and Schedule 1 to, the <i>Payment Services Regulations</i>):</p> <p>(a) Any of the following activities when carried out as a regular occupation or business activity:</p> <ul style="list-style-type: none"> (i) services enabling cash to be placed on a payment account and all of the operations required for operating a payment account; (ii) services enabling cash withdrawals from a payment account and all of the operations required for operating a payment account; (iii) execution of the following types of payment transaction: <ul style="list-style-type: none"> (A) direct debits, including one-off direct debits; (B) payment transactions executed through a payment card or a similar device; (C) credit transfers, including standing orders; (iv) execution of the following types of payment transaction where the funds are covered by a credit line for the <i>payment service user</i>: <ul style="list-style-type: none"> (A) direct debits, including one-off direct debits;

- (B) payment transactions executed through a payment card or a similar device;
 - (C) credit transfers, including standing orders;
 - (v) issuing payment instruments or acquiring payment transactions;
 - (vi) *money remittance*;
 - (vii) execution of payment transactions where the consent of the payer to execute the payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the *payment service user* and the supplier of the goods or services.
- (b) The following activities do not constitute payment services:
- (i) payment transactions executed wholly in cash and directly between the payer and the payee, without any intermediary intervention;
 - (ii) payment transactions between the payer and the payee through a commercial agent authorised to negotiate or conclude the sale or purchase of goods or services on behalf of the payer or the payee;
 - (iii) the professional physical transport of banknotes and coins, including their collection, processing and delivery;
 - (iv) payment transactions consisting of non-professional cash collection and delivery as part of a not-for-profit or charitable activity;
 - (v) services where cash is provided by the payee to the payer as part of a payment transaction for the purchase of goods or services following an explicit request by the payer immediately before the execution of the payment transaction;
 - (vi) money exchange business consisting of cash-to-cash operations where the funds are not held on a payment account;
 - (vii) payment transactions based on any of the following documents drawn on the *payment service provider* with a view to placing funds at the disposal of the payee:
 - (A) paper cheques of any kind, including traveller's cheques;
 - (B) bankers' drafts;
 - (C) paper-based vouchers;
 - (D) paper postal orders;
 - (viii) payment transactions carried out within a payment or securities settlement system between *payment service providers* and settlement agents, central counterparties, clearing houses, central banks or other participants in the system;
 - (ix) payment transactions related to securities asset servicing, including dividends, income or other distributions, or redemption or sale, carried out by *persons* referred to in (h) or by investment firms, *full credit institutions*, collective investment undertakings, asset management companies providing investment services or by any other entities allowed to have the custody of financial instruments;
 - (x) services provided by technical service providers, which support the provision of *payment services*, without the provider entering at any time into possession of the funds to be transferred, including:
 - (A) the processing and storage of data;
 - (B) trust and privacy protection services;

- (C) data and entity authentication;
- (D) information technology;
- (E) communication network provision; and
- (F) the provision and maintenance of terminals and devices used for *payment services*;

(xi) services based on instruments that can be used to acquire goods or services only:

- (A) in or on the issuer's premises; or
- (B) under a commercial agreement with the issuer, either within a limited network of service providers or for a limited range of goods or services,

and for these purposes the "issuer" is the person who issues the instrument in question;

(xii) payment transactions executed by means of any telecommunication, digital or IT device, where the goods or services purchased are delivered to and are to be used through a telecommunication, digital or IT device, provided that the telecommunication, digital or IT operator does not act only as an intermediary between the *payment service user* and the supplier of the goods and services;

(A) payment transactions carried out between *payment service providers*, or their agents or *branches*, for their own account;

(B) payment transactions between a parent undertaking and its subsidiary or between subsidiaries of the same parent undertaking, without any intermediary intervention by a *payment service provider* other than an undertaking belonging to the same group;

(C) services by providers to withdraw cash by means of automated teller machines acting on behalf of one or more card issuers, which are not party to the *framework contract* with the customer withdrawing money from a payment account, where no other *payment service* is conducted by the provider.

[Note: articles 3 and 4(3) of, and the Annex to, the *Payment Services Directive*]

payment service provider

FCA PRA

(1) (except in *DISP*) (in accordance with regulation 2(1) of the *Payment Service Regulations*) any of the following *persons* when they carry out a *payment service*:

- (a) an *authorised payment institution*;
- (b) a *small payment institution*;
- (c) an *EEA authorised payment institution*;
- (d) a *full credit institution*;
- (e) an *electronic money issuer*;
- (f) the Post Office Limited;

(g) the Bank of England, the European Central Bank and the national central banks of *EEA States* other than the *United Kingdom*, other than when acting in their capacity as a monetary authority or carrying out other functions of a public nature; and

<p>(h) government departments and local authorities, other than when carrying out functions of a public nature.</p> <p>[Note: article 1(1) of the <i>Payment Services Directive</i>]</p> <p>(2) (in <i>DISP</i> and ■ FEES 5.5) as in (1) but excluding a <i>full credit institution</i></p>	<p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> when making use of a <i>payment service</i> in the capacity of either payer or payee, or both.</p> <p>[Note: article 4(10) of the <i>Payment Services Directive</i>]</p>
<p><i>payment service user</i></p> <p>FCA PRA</p>	<p>Directive 2007/64/EC of the European Parliament and of the Council of 13th November 2007 on payment services in the internal market.</p>
<p><i>Payment Services Directive</i></p> <p>FCA PRA</p>	<p>the Payment Services Regulations 2009 (SI 2009/209).</p>
<p><i>Payment Services Regulations</i></p> <p>FCA PRA</p>	<p>(1) (except in <i>GENPRU</i> and <i>BIPRU</i>) Prospectus Directive.</p> <p>(2) (in <i>GENPRU</i> , <i>BIPRU</i> and <i>BSOCS</i>) <i>probability of default</i>.</p>
<p><i>PD</i></p> <p>FCA PRA</p>	<p>the Prospectus Directive Regulation (No 2004/809/EC).</p>
<p><i>PD Regulation</i></p> <p>FCA PRA</p>	<p>the method for treating <i>equity exposures</i> under the <i>IRB approach</i> set out in ■ BIPRU 4.7.14 R-■ BIPRU 4.7.22 R.</p>
<p><i>PD/LGD approach</i></p> <p>FCA PRA</p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a high percentile of the distribution of exposures at any particular future date before the maturity date of the longest transaction in the <i>netting set</i>.</p>
<p><i>peak exposure</i></p> <p>FCA PRA</p>	<p>(as defined in article 3(1) of the <i>compensation transitionals order</i>):</p> <p>(a) an application for compensation made under an <i>investment business compensation scheme</i> before <i>commencement</i> in relation to which a <i>terminating event</i> did not occur before <i>commencement</i>; and</p> <p>(b) an application made to the <i>FSCS</i> after <i>commencement</i> under an <i>investment business compensation scheme</i>, even if at the time of application that scheme had otherwise ceased to exist.</p>
<p><i>pending application</i></p> <p>FCA PRA</p>	<p>a <i>readily realisable security</i> in relation to which the bid-offer spread is 10 per cent or more of the offer price, but not:</p> <p>(a) a <i>government and public security</i>; or</p> <p>(b) a <i>share</i> in a <i>company</i> quoted on The Financial Times Stock Exchange 100 Index; or</p>
<p><i>penny share</i></p> <p>FCA PRA</p>	

<p><i>pension annuity</i></p> <p>FCA PRA</p>	<p>(c) a <i>security</i> issued by a <i>company</i> which, at the time that the firm <i>deals</i> or recommends to the <i>client</i> to <i>deal</i> in the <i>investment</i>, has a market capitalisation of £100 million or more (or its equivalent in any other currency at the relevant time).</p>
<p><i>pension buy-out contract</i></p> <p>FCA PRA</p>	<p>an <i>investment</i> purchased with the sums derived from the vesting (partial or full) of a <i>pension policy</i> or <i>pension contract</i>, for the purposes of securing the beneficiary's entitlement to immediate or future benefits.</p>
<p><i>pension contract</i></p> <p>FCA PRA</p>	<p>a <i>pension policy</i> bought from an <i>insurer</i> using funds from:</p> <p>(a) a scheme that was approved under Chapter 1 of Part 14 of the Income and Corporation Taxes Act 1988 when that chapter was in force; or</p> <p>(b) a scheme that is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p>
<p><i>pension fund management</i></p> <p>FCA PRA</p>	<p>a contract under which rights to benefits are obtained by the making of contributions to an <i>occupational pension scheme</i> or to a <i>personal pension scheme</i>, where the contributions are paid to a <i>regulated collective investment scheme</i>.</p>
<p><i>pension fund management contract</i></p> <p>FCA PRA</p>	<p>(in relation to a class of contract of insurance) the class of contract of insurance specified in paragraph VII of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance) namely:</p> <p>(a) pension fund management contracts; and</p> <p>(b) pension fund management contracts which are combined with <i>contracts of insurance</i> covering either conservation of capital or payment of a minimum interest;</p> <p>where effected or carried out by a <i>person</i> who does not carry on a banking business, and otherwise carries on <i>insurance business</i>.</p>
<p><i>pension fund management contract</i></p> <p>FCA PRA</p>	<p>(as defined in article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) a contract to manage the <i>investments</i> of pension funds (other than funds solely for the benefit of the officers or employees of the <i>person</i> effecting or carrying out the contract and their dependants or, in the case of a <i>company</i>, partly for the benefit of officers and employees of its subsidiary or holding company or a subsidiary of its holding company and their dependants; in this definition "subsidiary" and "holding company" mean either <i>subsidiary</i> and <i>holding company</i>, or <i>subsidiary</i> and <i>holding company</i> defined in accordance with article 4 of the Companies (Northern Ireland) Order 1986 (SI 1986) No 1032 (NI 6)) as amended by article 62 of the Companies (No 2) (Northern Ireland) Order 1990 (SI 1990 No 1504 (NI 10)).</p>
<p><i>pension opt-out</i></p> <p>FCA PRA</p>	<p>a transaction, resulting from the decision of a <i>retail client</i> who is an individual, to:</p> <p>(a) opt out of an <i>occupational pension scheme</i>, <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> to which his employer contributes and of which he is a member; or</p> <p>(b) decline to become a member of an <i>occupational pension scheme</i>, <i>group personal pension scheme</i> or <i>group stakeholder pension scheme</i> to which his employer contributes and of which he is eligible to join, or will be eligible to join at the end of a waiting period;</p> <p>in favour of a <i>stakeholder pension scheme</i> or <i>personal pension scheme</i>.</p>
<p><i>pension policy</i></p> <p>FCA PRA</p>	<p>a contract under which a right to benefits results from contributions made to an <i>occupational pension scheme</i> or to a <i>personal pension scheme</i>, where the contributions are paid to a <i>long-term insurer</i>.</p>

<p><i>pension scheme</i> FCA PRA</p>	<p>a scheme under which a right to benefits results from contributions made under a <i>pension contract</i> or <i>pension policy</i>.</p>
<p><i>pension term assurance policy</i> FCA PRA</p>	<p>a <i>personal pension policy</i> which is a <i>pure protection contract</i> and in connection with which tax relief is available under Chapter 4 of Part 4 of the Finance Act 2004.</p>
<p><i>pension transfer</i> FCA PRA</p>	<p>a transaction , resulting from the decision of a <i>retail client</i> who is an individual, to transfer deferred benefits from:</p> <ul style="list-style-type: none"> (a) an <i>occupational pension scheme</i>; (b) an individual pension contract providing fixed or guaranteed benefits that replaced similar benefits under a <i>defined benefits pension scheme</i>; or (c) (in the cancellation rules (■ COBS 15)) a <i>stakeholder pension scheme</i> or <i>personal pension scheme</i> , <p>to:</p> <ul style="list-style-type: none"> (d) a <i>stakeholder pension scheme</i>; (e) a <i>personal pension scheme</i>; or (f) a deferred annuity <i>policy</i> , where the eventual benefits depend on investment performance in the period up to the date when those benefits will come into payment.
<p><i>pension transfer specialist</i> FCA PRA</p>	<p>an individual appointed by a <i>firm</i> to check the suitability of a <i>pension transfer</i> or <i>pension opt-out</i> who has passed the required examinations asspecified in TC.</p>
<p><i>pension wrapper</i> FCA PRA</p>	<p>(in the cancellation rules (■ COBS 15)) a <i>SIPP</i>, <i>pension contract</i> or <i>personal pension product</i>.</p>
<p><i>per se eligible counterparty</i> FCA PRA</p>	<p>a <i>client</i> categorised as a per se eligible counterparty in accordance with ■ COBS 3.6.</p>
<p><i>per se professional client</i> FCA PRA</p>	<p>a <i>client</i> categorised as a per se professional <i>client</i> in accordance with ■ COBS 3.5.</p>
<p><i>percentage ratio</i> FCA PRA</p>	<p>(in LR) (in relation to a transaction) the figure, expressed as a percentage, that results from applying a calculation under a <i>class test</i> to the transaction.</p>
<p>PERG FCA PRA</p>	<p>the Perimeter Guidance manual.</p>

periodic information

FCA PRA

the information identified in the table in ■ COBS 16 Annex 2R R, and if the *client* has not elected to receive *trade confirmation information* on a transaction by transaction basis under ■ COBS 16.3.3 R, the information identified in column 2 of ■ COBS 16 Annex 1R R.

periodic statement

FCA PRA

a report which a *firm* is required to provide to a *client* under ■ COBS 16.3 (Periodic reporting).

permanent health

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph IV of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), providing specified benefits against risks of persons becoming incapacitated in consequence of sustaining injury as a result of an accident or of an accident of a specified class or of sickness or infirmity, being contracts that:

- (a) are expressed to be in effect for a period of not less than five years, or until the normal retirement age of the persons concerned, or without limit of time; and
- (b) either are not expressed to be terminable by the insurer, or are expressed to be so terminable only in special circumstances mentioned in the contract.

permanent health reinsurance business

FCA PRA

reinsurance acceptances which are *contracts of insurance* falling within *long-term insurance business class IV*.

permanent interest bearing shares

FCA PRA

any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest-bearing shares and on terms which qualify them as own funds for the purposes of the *Banking Consolidation Directive*.

permanent share capital

FCA PRA

an item of capital that is stated in GENPRU 2.2.83R (Core tier one capital: permanent share capital) to be permanent share capital.

permission

FCA PRA

permission to carry on *regulated activities*; that is, any of the following:

- (a) a *Part 4A permission*;
- (b) the permission that an *incoming EEA firm* has, under paragraph 15(1) or paragraph 15A(1), (3) or (4) of Schedule 3 to the *Act* (EEA Passport Rights), on qualifying for *authorisation* under paragraph 12 of that Schedule;
- (c) the permission that an *incoming Treaty firm* has, under paragraph 4(1) of Schedule 4 to the *Act* (Treaty Rights), on qualifying for *authorisation* under paragraph 2 of that Schedule;
- (d) the permission that a *UCITS qualifier* has, under paragraph 2(1) of Schedule 5 to the *Act* (Persons concerned in Collective Investment Schemes);
- (e) the permission that an *ICVC* has, under paragraph 2(2) of Schedule 5 to the *Act* (Persons concerned in Collective Investment Schemes);

permitted activity

FCA **PRA**

(f) the permission that the Society of Lloyd's has, under section 315(2) of the *Act* (The Society: authorisation and permission), which is to be treated as a *Part IV permission* for the purposes of *Part 4A* of the *Act* (Permission to carry on regulated activities) in accordance with section 315(3) of the *Act*.

(1) (except in **■ SUP 13A** and **■ SUP 14**) a *regulated activity* which a *firm* has *permission* to carry on.

(2) (in **■ SUP 13A** and **■ SUP 14**) an activity identified in a consent notice, a regulator's notice or, where none is required, a notice of intention.

permitted business

FCA **PRA**

(in *UPRU*) means *permitted activity*.

permitted deposits

FCA **PRA**

in relation to *permitted links*, *deposits* with any of the following:

(a) an *approved credit institution*; or

(b) an *approved financial institution*; or

(c) an approved *investment firm*.

permitted derivatives contract

FCA **PRA**

in relation to *permitted links*, a contract involving a *derivative* or *quasi-derivative* that satisfies **■ INSPRU 3.2.5 R** to **■ INSPRU 3.2.35A G** with the exception of **■ INSPRU 3.2.18 R**, as applied in relation to assets covering liabilities in respect of *linked long-term* contracts of insurance.

permitted immovable

FCA **PRA**

any interest in land or buildings which falls within **■ COLL 5.6.18 R (2)** and **■ COLL 5.6.18 R (6)** (Investment in property) and which, being a leasehold interest or its equivalent, has an unexpired term of at least 20 years, but excluding, in relation to an *ICVC*, immovable property that is necessary for the direct pursuit of its business .

permitted land and property

FCA **PRA**

in relation to *permitted links*, any interest in land (and any buildings situated on it) provided that:

(a) it is considered by the *firm* to be located in a territory with a properly functioning market, indicated by the following criteria:

(i) a lack of artificial barriers, including barriers to foreign ownership and repatriation of capital;

(ii) fair and accurate valuation;

(iii) suitably qualified and independent surveyors;

(iv) accurate financial information;

(v) enforceable contractual and other property rights;

(vi) clarity of taxation;

(vii) availability of reliable economic and property market data;

(viii) ethical transaction standards; and

(b) it is:

(i) owned directly by the *firm*; or

(ii) held in a structure, or a series of structures, that do not pose a materially greater risk to *linked policyholders* than a direct holding; and

<p><i>permitted links</i> FCA PRA</p>	<p>(c) it is not geared in excess of 10% of the gross asset value of the <i>linked fund</i> excluding any amounts represented by holdings in property detailed in <i>permitted scheme interests</i> (b) (i) to (iv). But this percentage restriction does not apply if the relevant <i>policyholder</i> or trustee or operator acting on behalf of an individual beneficiary requests, directly or indirectly, the <i>firm</i> to hold those investments based on the risk profile and objectives, stipulated by and specific for that individual under an investment management agreement with that individual.</p>
<p><i>permitted loans</i> FCA PRA</p>	<p>the property in ■ COBS 21.3.1 R that an insurer may use for the purposes of determining <i>property-linked benefits</i> or <i>index-linked benefits</i> under <i>linked long-term</i> contracts of insurance.</p> <p>in relation to <i>permitted links</i>, a loan with any of the following:</p> <ul style="list-style-type: none"> (a) an <i>approved credit institution</i>; or (b) an <i>approved financial institution</i>; or (c) an <i>approved investment firm</i>; or (d) any person, provided that the loan: <ul style="list-style-type: none"> (i) is documented in a written agreement setting out the rate of interest and the amount of, and due dates for, repayments; and (ii) is fully secured by a mortgage or charge on <i>permitted land and property</i> that, if made to someone other than a body corporate, is not used wholly or mainly for domestic purposes.
<p><i>permitted scheme interests</i> FCA PRA</p>	<p>(a) in respect of a firm's business with <i>institutional linked policyholders</i> only, any of the following:</p> <ul style="list-style-type: none"> (i) a <i>qualified investor scheme</i> or its <i>EEA</i> equivalent; (ii) any <i>unregulated collective investment scheme</i> that invests only in <i>permitted links</i> and publishes its prices regularly; (iii) any of the interests set out in (b)(i) to (b)(iv); <p>(b) in respect of a firm's business with <i>linked policyholders</i> other than those described in (a), any of the following:</p> <ul style="list-style-type: none"> (i) an <i>authorised fund</i>; (ii) a <i>recognised scheme</i>; (iii) a scheme falling within the <i>UCITS Directive</i>; (iv) a <i>non-UCITS retail scheme</i>; (v) a <i>qualified investor scheme</i> or its <i>EEA</i> equivalent or any <i>unregulated collective investment scheme</i> that invests only in <i>permitted links</i> and publishes its prices regularly, provided that no more than 20% of the gross assets of the <i>linked fund</i> are so invested.
<p><i>permitted stock lending</i> FCA PRA</p>	<p>in relation to <i>permitted links</i>, a <i>stock lending</i> transaction (including a <i>repo</i> transaction) that satisfies ■ INSPRU 3.2.36A R to ■ INSPRU 3.2.42 G (inclusive).</p>
<p><i>permitted third party</i> FCA PRA</p>	<p>a third party who is:</p> <ul style="list-style-type: none"> (a) an <i>authorised person</i>; or (b) an <i>exempt person</i> for whom an <i>authorised person</i> is accepting responsibility; or

permitted units

FCA **PRA**

(c) a *person* lawfully carrying on a *regulated activity* in another *EEA State*.
in relation to *permitted links*, units or beneficial interests in any real or notional fund that invests only in *permitted links* and is managed either:

- (a) wholly by the *insurer*; or
- (b) wholly or partly by:
 - (i) an agent on behalf of the *insurer*; or
 - (ii) a *reinsurer* in relation to a *reinsurance contract* with the *insurer*;
for whom the *insurer* retains all responsibility towards its *linked policyholders*.

permitted unlisted securities

FCA **PRA**

in relation to *permitted links*, means any investment (including a *share*, *debt security*, Treasury Bill, Tax Reserve Certificate or Certificate of Tax Deposit) that is not a *listed security*, but provided always that it is realisable in the short term.

person

FCA **PRA**

(in accordance with the Interpretation Act 1978) any person, including a body of persons corporate or unincorporate (that is, a natural person, a legal person and, for example, a *partnership*).

person discharging managerial responsibilities

FCA **PRA**

- (in accordance with section 96B(1) of the *Act*):
- (a) a *director* of an *issuer*:
 - (i) registered in the *United Kingdom* that has requested or approved admission of its *shares* to trading on a *regulated market*; or
 - (ii) not registered in the *United Kingdom* or any other *EEA State* but has requested or approved admission of its shares to trading on a *regulated market* and for whom the *United Kingdom* is its *Home Member State* ; or
 - (b) a senior executive of such an *issuer* who:
 - (i) has regular access to *inside information* relating, directly or indirectly, to the *issuer*; and
 - (ii) has power to make managerial decisions affecting the future development and business prospects of the *issuer*.

person exercising significant influence

FCA **PRA**

(in *LR*) in relation to a *listed company*, a *person* or entity which exercises significant influence over that *listed company* .

person with whom a relevant person has a family relationship

FCA **PRA**

- any of the following:
- (a) the spouse of the *relevant person* or any partner of that person considered by national law as equivalent to a spouse;
 - (b) a child or stepchild of the *relevant person*;
 - (c) any other relative of the *relevant person* who has shared the same household as that person for at least one year on the date of the personal transaction concerned.

[Note: article 2(7) of the *MiFID implementing Directive*]

*Personal
Insurance
Arbitration
Service*

FCA **PRA**

the *former scheme* set up on a voluntary basis and run by the Chartered Institute of Arbitrators to handle complaints against those insurance companies which subscribed to it.

*personal
investment
firm*

FCA **PRA**

(subject to ■ BIPRU TP 1 (Revised definition of personal investment firm for certain transitional purposes)) a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *BIPRU investment firm*, *building society*, *collective portfolio management firm*, *credit union*, *energy market participant*, *ICVC*, *insurer*, *media firm*, *oil market participant*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c):

(a) a *firm*:

(i) which was a member of PIA immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the FSA (under section 43 of the Financial Services Act 1986), or IMRO or SFA (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 13 (Personal investment firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and not a member of IMRO, PIA or SFA; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the Act):

(A) *advising on investments*, *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in relation to *packaged products*;

(B) *managing investments* for *retail clients*.

*personal
pension
contract*

FCA **PRA**

a *pension contract* under which contributions (single or regular) are paid to a *personal pension scheme*.

*personal
pension deposit*

a contract under which rights to benefits are obtained by making contributions to a *personal pension scheme* operated by a *deposit-taking firm*.

FCA PRA

personal pension policy

a *pension policy* under which contributions (single or regular) are paid to a *personal pension scheme*.

FCA PRA

personal pension product

a contract under which rights to benefits are obtained by making contributions to a *personal pension scheme* other than a *personal pension policy*, a *personal pension contract*, a *personal pension deposit* or a *SIPP*.

FCA PRA

personal pension scheme

a scheme or arrangement which is not an *occupational pension scheme* or *stakeholder pension scheme* and which is comprised in one or more instruments or agreements having or capable of having effect so as to provide benefits to or in respect of people:

- (a) on retirement; or
- (b) on having reached a particular age; or
- (c) on termination of service in an employment.

personal projection

a *projection* that reflects the terms of a particular contract with, or to be offered to, a particular *client*.

FCA PRA

personal recommendation

(except in *CONRED*) a recommendation that is *advice on investments*, or *advice on a home finance transaction* and is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person.

FCA PRA

A recommendation is not a personal recommendation if it is issued exclusively through distribution channels or to the public.

[Note: article 52 of the *MiFID implementing Directive*]

(in *CONRED*) a recommendation which is *advice on investments* and:

- (a) where given on or before 31 October 2007, was given to a specific *person*; or
- (b) where given on or after 1 November 2007, was presented as suitable for the *person* to whom the recommendation was made, or was based on a consideration of the circumstances of that *person*, other than a recommendation issued exclusively through distribution channels or to the public.

personal transaction

a trade in a *designated investment* effected by or on behalf of a *relevant person*, where at least one of the following criteria are met:

FCA PRA

- (1) that *relevant person* is acting outside the scope of the activities he carried out in that capacity;
- (2) the trade is carried out for the account of any of the following *persons*:
 - (a) the *relevant person*;
 - (b) the spouse or civil partner of the *relevant person* or any partner of that *person* considered by national law as equivalent to a spouse;
 - (c) a dependent child or stepchild of the *relevant person*;

<p>(d) any other relative of the <i>relevant person</i> who has shared the same household as that <i>person</i> for at least one year on the date of the <i>personal transaction</i> concerned;</p> <p>(e) any <i>person</i> with whom he has <i>close links</i>;</p> <p>(f) a <i>person</i> whose relationship with the <i>relevant person</i> is such that the <i>relevant person</i> has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.</p>	
	[Note: article 2(7) and article 11 of the <i>MiFID implementing Directive</i>]
<p><i>physical commodities</i></p> <p>FCA PRA</p>	a physical holding of a <i>commodity</i> , or documents evidencing title to a <i>commodity</i> .
<p>PIA</p> <p>FCA PRA</p>	the Personal Investment Authority Limited.
<p>PIA Ombudsman scheme</p> <p>FCA PRA</p>	the <i>former scheme</i> set up by PIA under the Financial Services Act 1986 and operated by the PIA Ombudsman Bureau Ltd to handle complaints against members of PIA.
<p>PIBS</p> <p>FCA PRA</p>	<i>permanent interest bearing shares</i> .
<p>PII capital requirement</p> <p>FCA</p>	<p>(1) (in IPRU(INV) 11) an amount of <i>own funds</i> that a <i>collective portfolio management firm</i> must hold in relation to its professional indemnity insurance policy to cover any defined excess (as set out in article 15 of the <i>AIFMD level 2 regulation</i> (professional indemnity insurance) (as replicated in IPRU(INV) 11.3.15EU)) and exclusions to that policy (see IPRU(INV) 11.3.16R (Professional negligence)).</p> <p>(2) (in <i>GENPRU</i>) an amount of <i>own funds</i> that a <i>collective portfolio management investment firm</i> must hold in relation to its professional indemnity insurance policy to cover any defined excess (as set out in article 15 of the <i>AIFMD level 2 regulation</i> (professional indemnity insurance) (as replicated in <i>GENPRU</i> 2.1.71EU)) and exclusions to that policy (as set out in <i>GENPRU</i> 2.1.72R (Requirements for collective portfolio management investment firms)).</p>
<p><i>placing</i></p> <p>FCA PRA</p>	(in <i>LR</i>) a marketing of <i>securities</i> already in issue but not <i>listed</i> or not yet in issue, to specified <i>persons</i> or clients of the <i>sponsor</i> or any securities house assisting in the placing, which does not involve an offer to the public or to existing holders of the <i>issuer's securities</i> generally.
<p><i>plan investor</i></p> <p>FCA PRA</p>	a <i>person</i> entered in the <i>plan register</i> under COLL 6.4.9 R (Plan registers) .
<p><i>plan manager</i></p> <p>FCA PRA</p>	<p>in relation to:</p> <p>(a) [deleted]</p> <p>(b) a <i>group ISA</i> , the <i>ISA manager</i> ;</p>

<p><i>plan register</i></p> <p>FCA PRA</p>	<p>(c) a <i>group savings plan</i>, the <i>person</i> primarily responsible for that <i>group savings plan</i>.</p> <p>(1) (in relation to an <i>ICVC</i>) a record of <i>persons</i> who subscribe to a <i>group plan</i> and for whom <i>shares</i> in the <i>ICVC</i> are held for the purposes of the <i>group plan</i> by the <i>plan manager</i> or a nominee (other than a record for the establishment or maintenance of which no payments are to be made out of the <i>scheme property</i>).</p> <p>(2) (in relation to an <i>AUT</i> or <i>ACS</i>) a sub-<i>register</i> to the <i>register</i>, which sub-<i>register</i> records <i>persons</i> who subscribe to a <i>group plan</i> and for whom <i>units</i> in the <i>AUT</i> or <i>ACS</i> are held for the purposes of the plan by the <i>plan manager</i> or a nominee (other than any sub-<i>register</i> that has not been established and maintained in accordance with ■ COLL 6.4.4 R (Register: general requirements and contents) or for the establishment of which no payments are to be made out of the <i>scheme property</i>).</p>
<p><i>plastic card</i></p> <p>FCA PRA</p>	<p>a card, or a token with an equivalent function, which a <i>customer</i> can use to pay for goods and services, or to obtain cash or both, such as a credit card, charge card, debit card, cash card or electronic purse.</p>
<p><i>platform service</i></p> <p>FCA PRA</p>	<p>a service which:</p> <p>(a) involves <i>arranging</i> and <i>safeguarding and administering investments</i>; and</p> <p>(b) distributes <i>retail investment products</i> which are offered to <i>retail clients</i> by more than one product provider;</p> <p>but is neither:</p> <p>(c) solely paid for by <i>adviser charges</i>; nor</p> <p>(d) ancillary to the activity of <i>managing investments</i> for the <i>retail client</i>.</p> <p>[<i>Note</i>: This definition applies only within the <i>FCA Handbook</i>.]</p>
<p><i>platform service provider</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> providing a <i>platform service</i>.</p>
<p><i>PLC Safeguards Directive</i></p> <p>FCA PRA</p>	<p>the Second Council Directive of 13 December 1976 on coordination of safeguards for the protection of the interests of members and others in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (No 77/91/EEC).</p>
<p><i>plus factor</i></p> <p>FCA PRA</p>	<p>(in ■ BIPRU 7.10 (Use of a value at risk model)) an increase to the <i>minimum multiplication factor</i> based on <i>backtesting exceptions</i> as more fully defined in ■ BIPRU 7.10.124 R (Capital calculations: Multiplication factors).</p>
<p><i>policy</i></p> <p>FCA PRA</p>	<p>(as defined in article 2 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361)) as the context requires:</p> <p>(a) a <i>contract of insurance</i>, including one under which an existing liability has already accrued; or</p> <p>(b) any instrument evidencing such a contract.</p>
<p><i>policy summary</i></p>	<p>a summary of a <i>non-investment insurance contract</i> in the format and containing the information specified in ■ ICOBS 6 Annex 2.</p>

FCA PRA

policyholder

FCA PRA

(as defined in article 3 of the Financial Services and Markets Act 2000 (Meaning of "Policy and "Policyholder") Order 2001 (SI 2001/2361)) the *person* who for the time being is the legal holder of the *policy*, including any *person* to whom, under the *policy*, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

policyholder advocate

FCA PRA

the *person* appointed under ■ COBS 20.2.42 R to negotiate with a *firm* on its proposals for making a *retribution* of its *inherited estate*.

port

means, in respect of the assets and positions recorded in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*, action taken by that *authorised central counterparty* to transfer those assets and positions in accordance with article 48 of EMIR to another clearing member designated by the *individual client* (in the case of an *individual client account*) or designated by all of the *clients* for whom the account is held (in the case of an *omnibus client account*).

portfolio management

FCA PRA

managing portfolios in accordance with mandates given by *clients* on a discretionary *client-by-client* basis where such portfolios include one or more *financial instruments*.

[Note: article 4(1)(9) of MiFID]

portfolio trade

FCA PRA

a transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price.

[Note: article 2(6) of the MiFID Regulation]

POS
Regulations

FCA PRA

the Public Offers of Securities Regulations 1995 (SI 1995/1537).

position

FCA PRA

(in accordance ■ BIPRU 1.2.4 R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.

position risk adjustment

FCA PRA

a percentage applied to a *position* as part of the process of calculating the *PRR* in relation to that *position* as set out in the tables in ■ BIPRU 7.2.44 R (Specific risk position risk adjustments), ■ BIPRU 7.2.57 R (General market risk position risk adjustments), ■ BIPRU 7.3.30 R (Simplified equity method position risk adjustments), ■ BIPRU 7.3.34 R (Position risk adjustments for specific risk under the standard equity method) and ■ BIPRU 7.6.8 R (The appropriate position risk adjustment) and also as set out in ■ BIPRU 7.2.48A R to ■ BIPRU 7.2.48L R.

position risk requirement

FCA PRA

a capital requirement applied to a position treated under ■ BIPRU 7 (Market risk) as part of the calculation of the *market risk capital requirement* or, if the relevant provision of the *Handbook* distinguishes between *general market risk* and *specific risk*, the portion of that capital requirement with respect to whichever of *general market risk* or *specific risk* is specified by that provision.

post

FCA PRA

(in relation to sending a *document* by post) sending pre-paid by a postal service which seeks to deliver *documents* by post within the *United Kingdom* no later than the next working day in all or the majority of cases, and to

	deliver by post outside the <i>United Kingdom</i> within such a period as is reasonable in all the circumstances.
<p><i>Post-BCCI Directive</i></p> <p>FCA PRA</p>	the European Parliament and Council Directive of 29 June 1995 amending certain directives with a view to reinforcing prudential supervision (No 95/26/EC).
<p><i>potential tier one instrument</i></p> <p>FCA PRA</p>	an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General)
<p><i>power of intervention</i></p> <p>FCA PRA</p>	the power conferred on the <i>FCA</i> or the <i>PRA</i> under section 196 of the <i>Act</i> (The Power of Intervention) to impose a requirement on an <i>incoming firm</i> .
<p>PPFM</p> <p>FCA PRA</p>	<i>Principles and Practices of Financial Management</i> .
<p><i>PPFM guidance table</i></p> <p>FCA PRA</p>	the table in ■ COBS 20.3.8 G (Guidance on with-profits principles and practices).
<p><i>PPFM issues table</i></p> <p>FCA PRA</p>	The table in ■ COBS 20.3.6 R (Issues to be covered in PPFM).
<p>PR</p> <p>FCA PRA</p>	the Prospectus Rules sourcebook.
<p>PRA</p> <p>FCA PRA</p>	Prudential Regulation Authority.
<p><i>PRA chief executive function</i></p> <p>FCA PRA</p>	(in the <i>FCA Handbook</i>) <i>PRA controlled function</i> CF3 in the <i>table of PRA controlled functions</i> .
<p><i>PRA controlled function</i></p> <p>FCA PRA</p>	a <i>controlled function</i> which is specified by the <i>PRA</i> under section 59 of the <i>Act</i> (Approval for particular arrangements) in the <i>table of PRA controlled functions</i> .
<p>PAGE P21</p> <p><i>PRA director function</i></p> <p>FCA PRA</p>	(in the <i>FCA Handbook</i>) <i>PRA controlled function</i> CF1 in the <i>table of PRA controlled functions</i> .

<p><i>PRA governing function</i> FCA PRA</p>	<p>any of the <i>PRA controlled functions</i> CF1 to CF6 in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA Handbook</i> FCA PRA</p>	<p>the <i>PRA's Handbook</i> of rules and guidance.</p>
<p><i>PRA required functions</i> FCA PRA</p>	<p>any of the <i>PRA controlled functions</i> CF12 to CF12B in the <i>table of PRA controlled functions</i>.</p>
<p><i>PRA's SCV requirements</i> FCA PRA</p>	<p>(in <i>COMP</i>) the <i>PRA's</i> requirements with respect to <i>single customer view</i>.</p>
<p><i>PRA-approved person</i> FCA PRA</p>	<p>an <i>approved person</i> in relation to whom the <i>PRA</i> has given its approval under section 59 of the <i>Act</i> (Approval for particular arrangements) for the performance of a <i>PRA controlled function</i>.</p>
<p><i>PRA-authorized person</i> FCA PRA</p>	<p>as defined in section 2B(5) of the <i>Act</i>, an <i>authorized person</i> who has permission:</p> <ul style="list-style-type: none"> (a) given under Part 4A of the <i>Act</i>; or (b) resulting from any other provision of the <i>Act</i>; <p>to carry on <i>regulated activities</i> that consist of or include one or more <i>PRA-regulated activities</i>.</p>
<p><i>PRA-regulated activity</i> FCA PRA</p>	<p>a <i>regulated activity</i> specified in an order made under section 22A of the <i>Act</i> or specified pursuant to a power granted in such an order.</p>
<p><i>precious metals</i> FCA PRA</p>	<p>(in <i>COLL</i>) gold, silver or platinum.</p>
<p><i>predecessor scheme</i> FCA PRA</p>	<p>any of the following:</p> <ul style="list-style-type: none"> (a) The Office of the Banking Ombudsman; (b) The Office of the Building Societies Ombudsman; (c) The Insurance Ombudsman Bureau; (d) The Office of the Investment Ombudsman; (e) The Personal Investment Authority Ombudsman Bureau; (f) The Personal Insurance Arbitration Service; (g) The Securities and Futures Authority Complaints Bureau and Arbitration Service; (h) The FSA Complaints Unit and Independent Investigator.

preference share

FCA PRA

a *share* conferring preference as to income or return of capital which does not form part of the *equity share capital* of a *company*.

preliminary charge

FCA PRA

a *charge* upon a *sale of units* by an *authorised fund manager* whether or not acting as *principal*.

premium

FCA PRA

(1) (except in *ICOBS* and ■ *CASS 5*) (in relation to a *general insurance contract*) the consideration payable under the contract by the *policyholder* to the *insurer*.

(2) (except in *ICOBS* and ■ *CASS 5*) (in relation to a *long-term insurance contract*) the consideration payable under the contract by the *policyholder* to the *insurer*; (except in ■ *SUP 16.8* (Persistency reports from insurers)) a premium is a regular premium if it is one of a series of payments under the contract:

(a)

(i) which are payable on dates that are certain or ascertainable at the time the contract is made;

(ii) which are payable over a period that exceeds one year in length; and

(iii) assuming the *policy* evidencing the contract is not surrendered or otherwise terminated before the *premiums* fall due, will fall due on those dates without either party to the contract exercising any option under the contract; or

(b) of which the first payment is an obligation under the contract, and subsequent payments, calculated according to an agreed formula, are payable over a period which exceeds one year in length under a collateral written arrangement with the *insurer* or *friendly society*.

(2A) (in *ICOBS* and ■ *CASS 5*) as in (1) and (2) except that '*insurance undertaking*' is substituted for '*insurer*' (except where '*insurer*' is used in the heading to ■ *SUP 16.8*).

(3) (in relation to an *option*) the total amount which the purchaser of the *option* is, or may be, required to pay in consideration for the right to exercise the *option*.

premium listing

FCA PRA

(a) in relation to *equity shares* (other than those of a *closed-ended investment fund* or of an *open-ended investment company*), means a *listing* where the *issuer* is required to comply with those requirements in ■ *LR 6* (Additional requirements for premium listing (commercial company)) and the other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*;

(b) in relation to *equity shares* of a *closed-ended investment fund*, means a *listing* where the *issuer* is required to comply with those requirements in ■ *LR 15* (Closed-Ended Investment Funds: Premium listing) and other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*;

(c) in relation to *equity shares* of an *open-ended investment company*, means a *listing* where the *issuer* is required to comply with ■ *LR 16* (Open-ended investment companies: Premium listing) and other requirements in the *listing rules* that are expressed to apply to such *securities* with a *premium listing*.

premium listing
(commercial company)

FCA PRA

a *premium listing* of *equity shares* (other than those of a *closed-ended investment fund* or of an *open-ended investment company*).

premium listing
(investment company)

FCA PRA

a *premium listing* of *equity shares* of a *closed-ended investment fund* or of an *open-ended investment company*.

premiums amount

FCA PRA

(for the purposes of INSPRU 1.1), an amount, as defined in INSPRU 1.1.45R, used in the calculation of the *general insurance capital requirement*.

prescribed asset share methodology

FCA PRA

the methodology described in ■ COBS 20.2.5 R for assessing maturity payments by reference to unsmoothed asset shares.

prescribed auction platform

FCA PRA

an auction platform which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*.

prescribed market

FCA PRA

a market which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*

Prescribed Markets and Qualifying Investments Order

FCA PRA

the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996).

prescribed pricing basis

FCA PRA

(in relation to a *derivative contract*, or *quasi-derivative contract*), the pricing basis set out in ■ IPRU(INS) 4.12R(8) (Derivative contracts) as that rule was in force on 30 December 2004 .

previous regulator

FCA PRA

(1) (in relation to a *firm* which was authorised under the Banking Act 1987 immediately before *commencement* or which was a European institution (as defined in the Banking Coordination (Second Council Directive) Regulations 1992) immediately before *commencement*) the FSA.

(2) (in relation to a *firm* which was a *building society* immediately before *commencement*) the *Building Societies Commission*.

(3) (in relation to a *firm* which was a *friendly society* immediately before *commencement*) the *Friendly Societies Commission*.

(4) (in relation to a *firm* authorised under the Insurance Companies Act 1982 immediately before *commencement*) the Treasury.

(5) (in relation to an *underwriting agent* which obtained the *permission* relevant to that category under the Financial Services and Markets Act 2000 (Repeals, Transitional Provisions and Savings) Order 2001 (SI 2001/2636)) the *Society of Lloyd's*.

(6) (in relation to a *firm* which was authorised, or which was an *appointed representative*, under the Financial Services Act 1986 immediately before *commencement* or which was a European investment firm (as defined in the Investment Services Regulations 1995 (SI 1995/3275)) immediately before *commencement*) any of:

- (a) *IMRO*;
- (b) *PIA*;
- (c) *SFA*;
- (d) a *recognised professional body*; and
- (e) the *FSA*;

if the *firm* (or, if relevant, its principal for the purposes of section 44 of the Financial Services Act 1986) was subject in carrying on business to the rules, requirements, regulations or guidance of that body.

(7) (in relation to an *ex-section 43 firm*) the *FSA*.

(8) (in relation to a *firm* which was authorised under the *Act* immediately before 1 April 2013) the *FSA*.

price

FCA **PRA**

(in *COLL*)

(in relation to a *unit* in an *authorised fund*) the price of the *unit* calculated in accordance with **■ COLL 6.3** (Valuation and pricing).

price information

FCA **PRA**

(in *MCOB*) information, in a *financial promotion*, that relates to:

- (a) any rate of charge; or
- (b) the presence or absence of any payments, fees or charges (other than the fees for advising on or *arranging a regulated mortgage contract* as required by **■ MCOB 3.6.27 R**); or
- (c) the amount, frequency or number of any payments, repayments, fees or charges; or
- (d) any monetary amounts.

price stabilising rules

FCA **PRA**

the *rules* made under section 137Q of the *Act*, and appearing in **■ MAR 2.1** to **■ MAR 2.4**, together with any other provisions available for their interpretation.

primary information provider

FCA

a *person* approved by the *FCA* under section 89P of the *Act*.

primary pooling event

(1) [deleted]

FCA PRA

(2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.5 R (Failure of the authorised firm: primary pooling event).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.2.2 R (Failure of the authorised firm: primary pooling event).

*prime
brokerage
agreement*

an agreement between a *prime brokerage firm* and a *client* for *prime brokerage services*.

FCA PRA

*prime
brokerage firm*

a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

FCA PRA

(1) (except in *FUND*) a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(2) (in *FUND*) a *credit institution*, regulated *investment firm* or another entity subject to prudential regulation and ongoing supervision, offering services to *professional clients* primarily to finance or execute transactions in *financial instruments* as counterparty and which may also provide other services, such as clearing and settlement of trades, custodial services, *stock lending*, customised technology and operational support facilities.

[Note: article 4(1)(af) of AIFMD]

*prime
brokerage
services*

a package of services provided under a *prime brokerage agreement* which gives a *prime brokerage firm* a right to use *safe custody assets* for its own account and which comprises each of the following:

FCA PRA

- (a) *custody* or *arranging safeguarding and administration of assets*;
- (b) clearing services; and
- (c) financing, the provision of which includes one or more of the following:
 - (i) capital introduction;
 - (ii) margin financing;
 - (iii) *stock lending*;
 - (iv) stock borrowing;
 - (v) entering into repurchase or reverse repurchase transactions;

and which, in addition, may comprise consolidated reporting and other operational support.

PRIN

FCA PRA

the part of the *Handbook* in High Level Standards that has the title Principles for Businesses.

principal

FCA PRA

(1) in relation to a *person* :

- (a) a *person* acting on his own account;
- (b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt under section 39 of the *Act* (Exemption of appointed representatives).

(2) in relation to an *option* , *future* or forward contract:

- (a) (except in the case of an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *option* , *future* or forward contract;
- (b) (in relation to an *option* on a *future*) the amount of property or the value of the property which must be delivered in order to satisfy settlement of the *future* .

Principle

FCA PRA

one of the Principles set out in ■ PRIN 2.1.1 R (Principles for Businesses).

Principles and Practices of Financial Management

FCA PRA

the Principles and Practices of Financial Management, containing *with-profits principles* and *with-profits practices*, which a *firm* carrying on *with-profits business* must establish, maintain and record under ■ COBS 20.3 (Principles and Practices of Financial Management).

priority debt

FCA PRA

(in BCOBS) an obligation on the part of a *consumer* to make a payment:

- (a) where the remedies for a breach of that obligation potentially include seeking possession of, or seeking to exercise a power of sale in respect of:
- (i) the sole or main residence of the *consumer* (for example, an obligation to pay secured by a mortgage or charge in respect of land, an obligation to pay rent under a tenancy, or an obligation to make payment under a licence to occupy land); or
 - (ii) the *consumer's* essential goods or services (for example, an obligation to pay under a hire purchase, conditional sale or hire agreement that relates to, or an obligation to pay secured by a charge on, the *consumer's* cooker, refrigerator, or the means to travel to work); or
- (b) where that obligation arises out of an order of the court, an Act or secondary legislation (for example, an obligation to pay council tax, child support maintenance, income tax or court fines); or
- (c) where that obligation arises under a contract for the provision of utility supplies (for example, water, gas or electricity).

private customer

FCA PRA

(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):

- (1) (except in ■ COB 3, ■ COB 4.2 and ■ COB 6.4) subject to (h), a *client* who is not a market counterparty or an *intermediate customer*, including:
- (a) an individual who is not a *firm* ;
 - (b) an overseas individual who is not an *overseas financial services institution*;
 - (c) [deleted]
 - (d) (except for the purposes of *DISP*) a *client* when he is classified as a *private customer* in accordance with ■ COB 4.1.14 R (Client classified as a private customer);
 - (e) a *person* to whom a *firm* gives *basic advice* ;
 - (f) (in ■ COB 6.1 to ■ 6.5) where the *regulated activity* (except for a personal recommendation relating to a contribution to a *CTF*) relates to a *CTF* and there is no *registered contact* , the *person* to whom the statement must be sent in accordance with Regulation 10 of the *CTF* Regulations;

(g) (in ■ COB 6.7) where the *regulated activity* (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is no *registered contact*, the child, via the person to whom the statement must be sent in accordance with Regulation 10 of the CTF Regulations;

(h) a *client* who would otherwise be excluded as a market counterparty or *intermediate customer* if the *client* is within (e), (f) or (g);

but excluding a *client*, who would otherwise be a *private customer*:

(i) when he is classified as an *intermediate customer* in accordance with ■ COB 4.1.9 R (Expert private customer classified as an intermediate customer); or

(ii) when the *regulated activity* relates to a CTF, any *person* other than (e), (f), (g) or (h).

(2) (in ■ COB 3) a *person* in (1) or a *person* excluded under (1)(h)(ii) or a *person* who would be such a *person* if he were a *client*. (in ■ COB 4.2 and 6.1 to 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract*, a *consumer*.

(3) (in ■ COB 4.2 and ■ 6.1 to ■ 6.5) a *person* in (1) and, in relation to the conclusion of a *distance contract*, a *consumer*.

private person

FCA PRA

(as defined in article 3 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2000 (SI 2001/2256)):

(a) any individual, unless he suffers the loss in question in the course of carrying on:

(i) any *regulated activity*; or

(ii) any activity which would be a *regulated activity* apart from any exclusion made by article 72 of the *Regulated Activities Order* (Overseas persons); and

(b) any *person* who is not an individual, unless he suffers the loss in question in the course of carrying on business of any kind;

but not including a government, a local authority (in the *United Kingdom* or elsewhere) or an international organisation; for the purposes of (a), an individual who suffers loss in the course of *effecting or carrying out contracts of insurance* written at Lloyd's is not to be taken to suffer loss in the course of carrying on a *regulated activity*; in this definition:

(A) "government" means:

(I) the government of the *United Kingdom*; or

(II) the Scottish Administration; or

(III) the Executive Committee of the Northern Ireland Assembly; or

(IV) the National Assembly for Wales; or

(V) the government of any country or territory outside the *United Kingdom*;

(B) "international organisation" means any international organisation the members of which include the *United Kingdom* or any other State;

(C) "local authority", in relation to the *United Kingdom*, means:

(I) in England and Wales, a local authority as defined in the Local Government Act 1972, the Greater London Authority, the

	<p>Common Council of the City of London or the Council of the Isles of Scilly;</p> <p>(II) in Scotland, a local authority as defined in the Local Government (Scotland) Act 1973; and</p> <p>(III) in Northern Ireland, a district council as defined in the Local Government Act (Northern Ireland) 1972.</p>
<p><i>probability of default</i> FCA PRA</p>	<p>(in accordance with Article 4(25) of the <i>Banking Consolidation Directive</i> (Definitions)) the probability of default of a counterparty over a one year period; for the purposes of the <i>IRB approach</i>, default has the meaning in the definition of <i>default</i>.</p>
<p><i>probable reserves</i> FCA PRA</p>	<p>(in LR):</p> <p>(a) in respect of <i>mineral companies</i> primarily involved in the <i>extraction</i> of oil and gas resources, those reserves which are not yet <i>proven</i> but which, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced; and</p> <p>(b) in respect of <i>mineral companies</i> other than those primarily involved in the <i>extraction</i> of oil and gas resources, those measured and/or indicated mineral resources, which are not yet <i>proven</i> but of which detailed technical and economic studies have demonstrated that <i>extraction</i> can be justified at the time of the determination and under specified economic conditions.</p>
<p><i>procuration fee</i> FCA PRA</p>	<p>the total amount paid by a <i>home finance provider</i> to a <i>home finance intermediary</i>, whether directly or indirectly, in connection with providing applications from <i>customers</i> to enter into <i>home finance transactions</i> with that <i>home finance provider</i>.</p>
<p><i>product provider</i> FCA PRA</p>	<p>a <i>firm</i> which is:</p> <ul style="list-style-type: none"> (i) a <i>long-term insurer</i>; (ii) a <i>friendly society</i>; (iii) the <i>operator</i> of a <i>regulated collective investment scheme</i> or an <i>investment trust savings scheme</i>; or (iv) the <i>operator</i> of a <i>personal pension scheme</i> or <i>stakeholder pension scheme</i>.
<p>PROF FCA PRA</p>	<p>the Professional Firms sourcebook.</p>
<p><i>professional ACS investor</i> FCA</p>	<p>in relation to an ACS, a <i>person</i> who falls within one of the categories (1) to (4) of Section I of Annex II (professional clients for the purpose of that directive) to MiFID.</p>
<p><i>professional client</i> FCA PRA</p>	<p>a <i>client</i> that is either a <i>per se professional client</i> or an <i>elective professional client</i> (see ■ COBS 3.5.1 R). [Note: article 4(1)(12) of MiFID].</p>
<p><i>professional firm</i> FCA PRA</p>	<p>a <i>person</i> which is:</p> <p>(a) an individual who is entitled to practise a profession regulated by a <i>designated professional body</i> and, in practising it, is subject to its rules, whether or not he is a member of that body; or</p>

<p><i>professional negligence capital requirement</i></p> <p>FCA</p>	<p>(b) a <i>person</i> (not being an individual) which is controlled or managed by one or more such individuals.</p> <p>(1) (in IPRU(INV) 11) an amount of <i>own funds</i> that a <i>collective portfolio management firm</i> must hold professional liability risks as set out in article 14 of the <i>AIFMD level 2 regulation</i> (additional own funds) (as replicated in IPRU(INV) 11.3.14EU) (Professional negligence).</p> <p>(2) (in <i>GENPRU</i>) an amount of <i>own funds</i> that a <i>collective portfolio management investment firm</i> must hold for professional liability risks as set out in article 14 of the <i>AIFMD level 2 regulation</i> (additional own funds) (as replicated in <i>GENPRU 2.1.70EU</i> (Requirements for collective portfolio management investment firms)).</p>
<p><i>profit and loss figure</i></p> <p>FCA PRA</p>	<p>(in BIPRU 7.10 (Use of a value at risk model) and in relation to a <i>business day</i>) a <i>firm's</i> actual profit or loss for that day in respect of the trading activities within the scope of the <i>firm's VaR model permission</i>, adjusted by stripping out specified items, as more fully defined in BIPRU 7.10.100 R (Backtesting: Calculating the profit and loss).</p>
<p><i>profit estimate</i></p> <p>FCA PRA</p>	<p>(in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a profit forecast for a financial period which has expired and for which results have not yet been published.</p>
<p><i>profit forecast</i></p> <p>FCA PRA</p>	<p>(in <i>PR</i> and <i>LR</i>) (as defined in the <i>PD Regulation</i>) a form of words which expressly states or by implication indicates a figure or a minimum or maximum figure for the likely level of profits or losses for the current financial period and/or financial periods subsequent to that period, or contains data from which a calculation of such a figure for future profits or losses may be made, even if no particular figure is mentioned and the word "profit" is not used.</p>
<p><i>programme</i></p> <p>FCA PRA</p>	<p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) issues, or series of issues, of <i>covered bonds</i> which have substantially similar terms and are subject to a framework contract or contracts.</p>
<p><i>prohibited period</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) as defined by paragraph 1(e) of the <i>Model Code</i>.</p>
<p><i>prohibition order</i></p> <p>FCA PRA</p>	<p>an order made under section 56 of the <i>Act</i> (Prohibition orders) which prohibits an individual from performing a specified function, any function falling within a specified description or any function.</p>
<p><i>projection</i></p> <p>FCA PRA</p>	<p>a projection of the amount of any future benefit payable under a contract or <i>policy</i>, being a benefit the amount of which is not ascertainable under the terms of the contract or <i>policy</i> when the calculation is made.</p>
<p><i>projection date</i></p> <p>FCA PRA</p>	<p>the date to which the <i>projection</i> is made.</p>
<p><i>projection period</i></p> <p>FCA PRA</p>	<p>(in <i>COBS</i>) the period covered by a <i>standardised deterministic projection</i>, which begins on the date the investment is reasonably expected to be made and ends on the <i>projection date</i> described in paragraph 2.1 of COBS 13 Annex 2.</p>
<p><i>property</i></p>	<p>(in <i>LR</i>) freehold, heritable or leasehold property.</p>

FCA PRA

property authorised investment fund

an *open-ended investment company* to which Part 4A of the Authorised Investment Funds (Tax) Regulations 2006 (SI 2006/964) applies.

FCA PRA

property collective investment undertaking

(in *PR*) (as defined in the *PD Regulation*) a collective investment undertaking whose investment objective is the participation in the holding of property in the long term.

FCA PRA

property company

(in *LR*) a *company* primarily engaged in *property* activities including:

- (a) the holding of *properties* (directly or indirectly) for letting and retention as investments;
- (b) the development of *properties* for letting and retention as investments;
- (c) the purchase and development of *properties* for subsequent sale;
- (d) the purchase of land for development *properties* for retention as investments.

FCA PRA

property enterprise trust

an *unregulated collective investment scheme* of which the underlying assets are land and buildings.

FCA PRA

property fund

- (a) a *regulated collective investment scheme* dedicated to land and interests in land;
- (b) a fund of funds of which one or more of the funds to which it is dedicated falls within (a);
- (c) a constituent part of an umbrella fund which, if it were a separate fund, would fall within (a).

FCA PRA

property valuation report

(in *LR*) a *property* valuation report prepared by an independent expert in accordance with:

- (1) for an *issuer* incorporated in the *United Kingdom*, the Channel Islands or the Isle of Man, the Appraisal and Valuation Standards (5th edition) issued by the Royal Institution of Chartered Surveyors; or
- (2) for an *issuer* incorporated in any other place, either the standards referred to in paragraph (1) or the International Valuation Standards (7th edition) issued by the International Valuation Standards Committee.

FCA PRA

property-linked assets

in relation to an *insurer*, *long-term insurance assets* that are, for the time being, identified in the records of the *insurer* as being assets by reference to the value of which *property-linked benefits* are to be determined.

FCA PRA

property-linked benefits

benefits other than *index-linked benefits* provided for under a *linked long-term contract of insurance*.

FCA PRA

<p><i>property-linked liabilities</i></p> <p>FCA PRA</p>	<p>insurance liabilities in respect of <i>property-linked benefits</i>.</p>
<p><i>proportional reinsurance treaty</i></p> <p>FCA PRA</p>	<p>a reinsurance treaty under which a pre-determined proportion of each <i>claim</i> payment by the cedant under <i>policies</i> subject to the treaty is recoverable from the <i>reinsurer</i>; <i>non-proportional reinsurance treaty</i> is construed accordingly.</p>
<p><i>proprietary trader</i></p> <p>FCA PRA</p>	<p>(in ■ SUP 10 (Approved Persons) and <i>APER</i>) a <i>person</i> (A) whose responsibilities include committing another <i>person</i> (B) as part of B's <i>proprietary trading</i>.</p>
<p><i>proprietary trading</i></p> <p>FCA PRA</p>	<p>(in ■ SUP 10A (Approved Persons) and <i>APER</i>) <i>dealing in investments as principal</i> as part of a business of trading in <i>specified investments</i>. For these purposes <i>dealing in investments as principal</i> includes any activities that would be included but for the exclusion in Article 15 (Absence of holding out), Article 16 (Dealing in contractually based investments) or, for a <i>UK AIFM</i> or <i>UK UCITS management company</i>, article 72AA (Managers of UCITS and AIFs) of the <i>Regulated Activities Order</i>.</p>
<p><i>prospectus</i></p> <p>FCA PRA</p>	<p>(1) (in <i>LR</i> and <i>PR</i>, <i>FEES</i> and ■ FUND 3 (Requirements for managers of alternative investment funds)) a <i>prospectus</i> required under the <i>prospectus directive</i>.</p> <p>(2) (except in <i>LR</i> and <i>PR</i>) (in relation to a <i>collective investment scheme</i>) a document containing information about the <i>scheme</i> and complying with the <i>requirements</i> in ■ COLL 4.2.5 R (Table: contents of the prospectus), ■ COLL 8.3.4 R (Table: contents of qualified investor scheme prospectus) or ■ COLL 9.3.2 R (Additional information required in the prospectus for an application under section 272) applicable to a <i>prospectus</i> of a <i>scheme</i> of the type concerned.</p>
<p><i>Prospectus Directive</i></p> <p>FCA PRA</p>	<p>the Directive of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (No 2003/71/EC).</p>
<p><i>Prospectus Rules</i></p> <p>FCA PRA</p>	<p>(as defined in section 73A(4) of the <i>Act</i>) <i>rules</i> expressed to relate to <i>transferable securities</i>.</p>
<p><i>protected claim</i></p> <p>FCA PRA</p>	<p>a <i>claim</i> which is covered by the <i>compensation scheme</i>, as defined in ■ COMP 5.2.1 R.</p>
<p><i>protected contract of insurance</i></p> <p>FCA PRA</p>	<p>a <i>contract of insurance</i> which is covered by the <i>compensation scheme</i>, as defined in ■ COMP 5.4.1 R.</p>
<p><i>protected deposit</i></p> <p>FCA PRA</p>	<p>a <i>deposit</i> which is covered by the <i>compensation scheme</i>, as defined in ■ COMP 5.3.1 R.</p>

protected dormant account a *dormant account* which is covered by the *compensation scheme*, as defined in COMP 5.3.2R.

FCA PRA

protected home finance mediation activities in relation to *home finance transactions* which are covered by the *compensation scheme*, as defined in ■ COMP 5.6.1 R.

FCA PRA

protected investment business *designated investment business* which is covered by the *compensation scheme*, as defined in ■ COMP 5.5.1 R.

FCA PRA

protected items (as defined in section 413 of the *Act* (Protected items)) communications (and items which they enclose or refer to and which are in the possession of a *person* entitled to possession of them) between:

FCA PRA

(a) a professional legal adviser and his client or any *person* representing his client; or

(b) a professional legal adviser, his client or any *person* representing his client and any other *person*;

where the communication or the item is made:

(i) in connection with the giving of legal advice to the client; or

(ii) in connection with, or in contemplation of, legal proceedings and for the purposes of those proceedings; and

is not held with the intention of furthering a criminal purpose.

protected non-investment insurance mediation *insurance mediation activities* which are covered by the *compensation scheme*, as defined in ■ COMP 5.7.1 R.

FCA PRA

protection buyer (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the *Capital Adequacy Directive* (Calculating capital requirements for position risk)) the *person* who transfers credit risk.

FCA PRA

protection seller (in relation to a credit derivative and in accordance with paragraph 8 of Annex I of the *Capital Adequacy Directive* (Calculating capital requirements for position risk)) the *person* who assumes the credit risk.

FCA PRA

proven reserves (in LR):

FCA PRA

(a) in respect of *mineral companies* primarily involved in the *extraction* of oil and gas resources, those reserves which, on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced; and

<p><i>providing information in relation to a specified benchmark</i></p> <p>FCA</p>	<p>(b) in respect of <i>mineral companies</i> other than those primarily involved in the <i>extraction</i> of oil and gas resources, those measured mineral resources of which detailed technical and economic studies have demonstrated that <i>extraction</i> can be justified at the time of the determination, and under specified economic conditions.</p> <p>The <i>regulated activity</i>, specified in article 63O(1)(a) of the <i>Regulated Activities Order</i>, which in summary means making <i>benchmark submissions</i>.</p>
<p><i>providing qualifying credit</i></p> <p>FCA PRA</p>	<p>the <i>controlled activity</i>, specified in paragraph 10 of Schedule 1 to the <i>Financial Promotion Order</i>, of providing <i>qualifying credit</i>.</p>
<p><i>proxy capital resources requirement</i></p> <p>FCA PRA</p>	<p>the <i>minimum capital requirement</i> to which an <i>undertaking</i> would have been subject if it had <i>permission</i> for each activity it carries on anywhere in the world, so far as that activity is a <i>regulated activity</i>.</p>
<p>PRR</p> <p>FCA PRA</p>	<p><i>position risk requirement</i>.</p>
<p><i>PRR charge</i></p> <p>FCA PRA</p>	<p>one of the following:</p> <ul style="list-style-type: none"> (a) the <i>interest rate PRR</i>; (b) the <i>equity PRR</i>; (c) the <i>commodity PRR</i>; (d) the <i>foreign currency PRR</i>; (e) the <i>option PRR</i>; (f) the <i>collective investment undertaking PRR</i>; and (g) (if the context requires) the <i>model PRR</i>.
<p><i>PRR identical product netting rules</i></p> <p>FCA PRA</p>	<p>the following:</p> <ul style="list-style-type: none"> (a) ■ BIPRU 7.2.37 R (Deriving the net position in each debt security: Netting positions in the same debt security); (b) ■ BIPRU 7.2.40 R (Deriving the net position in each debt security: Netting zero-specific-risk securities with different maturities); (c) ■ BIPRU 7.3.23 R (Deriving the net position in each equity); (d) ■ BIPRU 7.4.20 R and ■ BIPRU 7.4.22 R (Calculating the PRR for each commodity: General); (e) ■ BIPRU 7.5.19 R (1) (Open currency position); and (f) the obligation under ■ BIPRU 7.5.20 R (Net gold position) to calculate a separate <i>foreign exchange PRR charge</i> for gold).
<p><i>PRR item</i></p>	<p>a <i>commodity</i> or a <i>CRD financial instrument</i>.</p>

FCA PRA

PRU

FCA PRA

prudential context

FCA PRA

the Integrated Prudential Sourcebook

(1) For the *FCA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (a) the integrity of the *UK financial system*; or
- (b) the ability of the *firm* to meet either:
 - (i) the "fit and proper" test in *threshold condition 5* (Suitability); or
 - (ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

(2) For the *PRA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (a) the safety and soundness of *PRA-authorised persons*; or
- (b) the ability of the *firm* to meet either:
 - (i) the "fit and proper" test in *threshold condition 5* (Suitability); or
 - (ii) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

PSE

FCA PRA

a *public sector entity*.*public announcement*

FCA PRA

any communication made by or on behalf of the *issuer* or the *stabilising manager* being a communication made in circumstances in which it is likely that members of the public will become aware of the communication.

public censure

FCA PRA

- (1) a statement published under section 205 (Public censure) of the *Act*;
- (2) a statement of misconduct published under section 66 (Disciplinary powers) of the *Act*;
- (3) a statement published under section 123 (Power to impose penalties in cases of market abuse) of the *Act*;
- (4) a statement published under section 87M (Public censure of issuer) of the *Act*, under section 88A (Disciplinary powers: contravention of s88(3)(c) or (e)) of the *Act* or under section 91 (Penalties for breach of Part 6 rules) of the *Act*.

public international body

FCA PRA

(1) (in *PR*) (as defined in the *PD Regulation*) a legal entity of public nature established by an international treaty between sovereign States and of which one or more Member States are members.

(2) (in *LR* and *DTR*) the African Development Bank, the Asian Development Bank, the Caribbean Development Bank, the Council of Europe Development Bank, the European Atomic Energy Community, the European Bank for Reconstruction and Development, the European Company for the Financing of Railroad Stock, the *EU*, the European Investment Bank, the Inter-American Development Bank, the International Bank for Reconstruction and

	Development, the International Finance Corporation, the International Monetary Fund and the Nordic Investment Bank.
<p><i>public offer</i> FCA PRA</p>	<p>an offer of <i>securities</i> to the public and described in the <i>POS Regulations</i>.</p>
<p><i>public sector entity</i> FCA PRA</p>	<p>(in accordance with Article 4(18) of the <i>Banking Consolidation Directive</i> (Definitions)) any of the following:</p> <ul style="list-style-type: none"> (a) non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or (b) authorities that exercise the same responsibilities as regional and local authorities; or (c) non commercial <i>undertakings</i> owned by central governments that have explicit guarantee arrangements; or (d) self administered bodies governed by law that are under public supervision.
<p><i>public sector issuer</i> FCA PRA</p>	<p>states and their regional and local authorities, <i>state monopolies</i>, <i>state finance organisations</i>, <i>public international bodies</i>, statutory bodies and <i>OECD state guaranteed issuers</i>.</p>
<p><i>published recommendation</i> FCA PRA</p>	<p>any publication by or on behalf of a <i>firm</i> (including publication by sound broadcasting or television or other electronic means) which contains:</p> <ul style="list-style-type: none"> (a) the results of research into <i>investments</i>; or (b) analysis of factors likely to influence the future performance of <i>investments</i>; or (c) advice or recommendations based on those results or analysis, including any communication of which the content is common to a number of communications although worded as if it were a <i>personal recommendation</i>.
<p><i>pure protection contract</i> FCA PRA</p>	<p>(1) a <i>long-term insurance contract</i> in respect of which the following conditions are met:</p> <ul style="list-style-type: none"> (a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity; (b) [deleted] (c) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium; and (d) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with (a) or (c); or (e) [deleted] <p>(2) a <i>reinsurance contract</i> covering all or part of a risk to which a <i>person</i> is exposed under a <i>long-term insurance contract</i>.</p>
<p><i>pure protection service</i> FCA PRA</p>	<ul style="list-style-type: none"> (a) making a <i>personal recommendation</i> to a <i>consumer</i> in relation to a <i>pure protection contract</i>; (b) arranging for a <i>consumer</i> to enter into a <i>pure protection contract</i>.
<p><i>pure reinsurer</i></p>	<p>an <i>insurer</i> whose <i>insurance business</i> is restricted to reinsurance.</p>

FCA PRA

qualifying investment

FCA PRA

an investment which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*

qualifying management company holding

FCA PRA

(in *COLL*) a direct or indirect holding in a *management company* which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the company in which that holding subsists; and for this purpose the voting rights referred to in articles 9 and 10 of the *Transparency Directive* must be taken into account.

qualifying master scheme

FCA PRA

where a *feeder NURS* is dedicated to *units* in a single *collective investment scheme*, which meets the requirements in ■ *COLL 5.6.26 R (1)*, that *collective investment scheme*.

qualifying money market fund

FCA PRA

(1) (in *COLL*, ■ *CASS 7* and *BSOCS*) a *collective investment scheme* authorised under the *UCITS Directive* or which is subject to supervision and, if applicable, authorised by an authority under the national law of an *EEA State*, and which satisfies the following conditions:

(a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;

(b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;

(c) it must provide liquidity through same day or next day settlement.

(2) For the purposes of (1)(b), a money market instrument is to be considered to be of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument. An instrument that is not rated by any competent rating agency is not to be considered to be of high quality.

(3) For the purposes of (2), a rating agency is to be considered to be competent if it issues credit ratings in respect of money market funds regularly and on a professional basis and is an eligible ECAI within the meaning of Article 81(1) of the *BCD*.

[Note: article 18(2) of the *MiFID implementing Directive*]

qualifying revolving retail exposure

FCA PRA

(in relation to the *IRB approach*) *retail exposures* falling into ■ *BIPRU 4.6.44 R (2)* (Qualifying revolving retail exposures).

PAGE
Q3

qualifying social entrepreneurship fund

FCA

has the meaning given in article 3(b) of the *EuSEF regulation*.

qualifying subordinated loan

FCA **PRA**

(1) (in *UPRU*) has the meaning given in ■ **IPRU(INV)** 5.2.5(1) to (7) (Qualifying subordinated loans).

(2) (in ■ **IPRU(INV)** 11) has the meaning given in ■ **IPRU(INV)** 11.5 (Qualifying subordinated loans).

qualifying undertaking

FCA **PRA**

(in *UPRU*) has the meaning given in **IPRU(INV)** 5.2.6(3) (Qualifying undertakings).

qualifying venture capital fund

FCA

has the meaning given in article 3(b) of the *EuVECA regulation*.

quantification date

FCA **PRA**

the date as at which the liability of the relevant person in default is to be determined under ■ **COMP** 12.3.

quarterly financial return

FCA **PRA**

(in *UPRU*) means the return referred to in *SUP*.

quasi-derivative contract or quasi-derivative

FCA **PRA**

a contract or asset having the effect of a *derivative* contract.

<p>RAG FCA PRA</p>	<p><i>regulated activity group.</i></p>
<p>railway rolling stock FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 5 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to railway rolling stock.</p>
<p>range FCA PRA</p>	<p>see <i>range of packaged products</i> and range of stakeholder products.</p>
<p>range of packaged products, range FCA PRA</p>	<p>(in relation to a <i>firm</i>) the range of packaged products on which the <i>firm</i> gives <i>advice on investments</i> to <i>retail clients</i> (see ■ COBS 6.3) or if appropriate the list of packaged products in which the <i>firm</i> deals.</p>
<p>range of stakeholder products, range FCA PRA</p>	<p>(in relation to a <i>firm</i>) the range of <i>stakeholder products</i> on which the <i>firm</i> gives <i>advice</i> (see ■ COBS 9.6);</p> <p>References to a <i>firm's</i> range (or ranges) of <i>stakeholder products</i> include, where the context requires, a reference to the range (or ranges) of the <i>firm's appointed representatives</i>.</p>
<p>RAP FCA</p>	<p>a <i>recognised auction platform</i>.</p>
<p>RAP recognition requirements FCA</p>	<p>(1) (in relation to an <i>RAP</i>) any of the requirements applicable to an <i>RAP</i> under the <i>RAP regulations</i>, the <i>auction regulation</i> or the <i>MiFID Regulation</i>.</p> <p>(2) (in relation to a <i>UK RIE</i> applying for recognition as an <i>RAP</i>) any of the requirements under the <i>RAP regulations</i>, the <i>auction regulation</i> or the <i>MiFID Regulation</i> which, if its application were successful, would apply to it.</p>
<p>RAP regulations FCA</p>	<p>the Recognised Auction Platforms Regulations 2011 (SI 2011/2699).</p>
<p>rated position FCA PRA</p>	<p>(for the purposes of ■ BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions) and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which has an eligible credit assessment by an <i>eligible ECAI</i>.</p>
<p>rating system FCA PRA</p>	<p>(in relation to the <i>IRB approach</i> and in accordance with ■ BIPRU 4.3.25 R) comprises all of the methods, processes, controls, data collection and IT systems that support the assessment of credit risk, the assignment of <i>exposures</i> to grades or pools (rating), and the quantification of <i>default</i> and <i>loss</i> estimates for a certain type of <i>exposure</i>.</p>
<p>PAGE R1 ratings based method FCA PRA</p>	<p>(for the purposes of ■ BIPRU 9 (Securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) the method of calculating <i>risk weighted exposure amounts</i> for <i>securitisation positions</i> set out in ■ BIPRU 9.12.10 R-■ BIPRU 9.12.19 R and ■ BIPRU 9.14.2 R.</p>
<p>RCB</p>	<p>the Regulated Covered Bond sourcebook.</p>

FCA PRA

RCB
Regulations

FCA PRA

the Regulated Covered Bonds Regulations 2008 (SI 2008/346).

RCH

FCA PRA

a *recognised clearing house*.

RDC

FCA PRA

Regulatory Decisions Committee.readily
realisable
investment

FCA PRA

(1) (except in *UPRU* and *IPRU(INV)*)

(a) a packaged product;

(b) a *readily realisable security*.(2) (in *UPRU* and *IPRU(INV)*) means a *unit* in a *regulated collective investment scheme*, a *life policy* or any *marketable investment* other than one which is traded on or under the rules of a *recognised* or *designated investment exchange* so irregularly or infrequently:(a) that it cannot be certain that a price for that *investment* will be quoted at all times; or

(b) that it may be difficult to effect transactions at any price which may be quoted.

readily
realisable
security

FCA PRA

(a) a *government* or *public security* denominated in the currency of the country of its *issuer*;(b) any other *security* which is:(i) admitted to official listing on an exchange in an *EEA State*; or

(ii) regularly traded on or under the rules of such an exchange; or

(iii) regularly traded on or under the rules of a *recognised investment exchange* or (except in relation to *unsolicited real time financial promotions*) *designated investment exchange*;(c) a newly issued *security* which can reasonably be expected to fall within

(b) when it begins to be traded.

real estate
market
adjustment
ratio

FCA PRA

has the meaning set out, in relation to the *resilience capital requirement*, in INSPRU 3.1.21R.real time
financial
promotion

FCA PRA

(in accordance with article 7(1) of the Financial Promotion Order) a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue.

<p><i>realistic basis life firm</i></p> <p>FCA PRA</p>	<p>a <i>firm</i> to which ■ GENPRU 2.1.18 R applies (and which is therefore required to calculate a <i>with-profits insurance capital component</i> in accordance with INSPRU 1.3).</p>
<p><i>realistic current liabilities</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>with-profits fund</i>) the realistic current liabilities of the <i>with-profits fund</i> calculated in accordance with INSPRU 1.3.190R.</p>
<p><i>realistic excess capital</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>with-profits fund</i>) has the meaning set out in INSPRU 1.3.32R .</p>
<p><i>realistic value of assets</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>with-profits fund</i>) has the meaning set out in INSPRU 1.3.33R .</p>
<p><i>realistic value of liabilities</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>with-profits fund</i>) the sum of the <i>with-profits benefit reserve</i>, the <i>future policy related liabilities</i> and the <i>realistic current liabilities</i> for the <i>with-profits fund</i>.</p>
<p><i>reasonable assurance engagement</i></p> <p>FCA PRA</p>	<p>a 'reasonable assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.</p>
<p><i>retribution</i></p> <p>FCA PRA</p>	<p>the process under which a <i>firm</i> which carries on <i>with-profits business</i> seeks to redefine the rights and interests that the <i>with-profits policyholders</i> have over the <i>inherited estate</i>.</p>
<p><i>retribution expert</i></p> <p>FCA PRA</p>	<p>the expert appointed by a <i>firm</i> to satisfy its obligations under ■ COBS 20.2.47 R (Retribution expert).</p>
<p><i>rebalancing of the portfolio</i></p> <p>FCA PRA</p>	<p>(in COLL and in accordance with article 2(1) of the <i>UCITS implementing Directive No 2</i>) means a significant modification of the composition of the <i>scheme property</i> of a <i>UCITS scheme</i> or the portfolio of an <i>EEA UCITS scheme</i>.</p>
<p>REC</p> <p>FCA PRA</p>	<p>the Recognised Investment Exchange and Recognised Clearing House sourcebook.</p>
<p><i>receivable</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>member</i>, a period and a <i>premium</i>) a <i>premium</i> due to the <i>member</i> in respect of <i>contracts of insurance</i> effected during the period, whether or not the <i>premium</i> is received during that period.</p>
<p><i>receiving UCITS</i></p> <p>FCA PRA</p>	<p>(in COLL) in relation to a <i>UCITS merger</i>, the <i>UCITS scheme</i> or <i>EEA UCITS scheme</i> or <i>sub-fund</i> of that <i>scheme</i>, whether it is an existing <i>scheme</i> (or a <i>sub-fund</i> of it) or one that is being formed for the purpose of that merger, which under</p>

<p><i>recipient</i> FCA PRA</p>	<p>the proposed arrangements will be receiving the assets and liabilities of one or more <i>merging UCITS</i>.</p>
<p><i>reciprocal cross-holding</i> FCA PRA</p>	<p>the <i>person</i> to whom a communication is made or, in the case of a <i>non-real time financial promotion</i> which is <i>directed at persons</i> generally, any <i>person</i> who reads or hears the communication.</p>
<p><i>recognised auction platform</i> FCA</p>	<p>has the meaning in GENPRU 2.2.219R (Deductions from tiers one and two: Reciprocal cross holdings) which is in summary a holding of a <i>firm of shares</i>, any other interest in the capital, and subordinated debt, whether in the <i>trading book</i> or <i>non-trading book</i>, in:</p> <ul style="list-style-type: none"> (a) a <i>credit institution</i>; or (b) a <i>financial institution</i>; <p>that satisfies the conditions in GENPRU 2.2.219R.</p>
<p><i>recognised body</i> FCA PRA</p>	<p>a <i>recognised investment exchange</i> which is declared by a <i>recognition order</i> for the time being in force to be a <i>recognised auction platform</i>.</p>
<p><i>recognised body requirements</i> FCA</p>	<p>an <i>RIE</i> or <i>RAP</i></p> <ul style="list-style-type: none"> (1) (in relation to an <i>RIE</i>) the <i>recognition requirements</i>; (2) (in relation to a <i>UK RIE</i>) the <i>MiFID implementing requirements</i>; (3) (in relation to an <i>RAP</i>) the <i>RAP recognition requirements</i>; and (4) (in relation to any of the bodies specified in (1) to (3)) any other obligations imposed by or under the <i>Act</i>.
<p><i>recognised clearing house</i> FCA PRA</p>	<p>a <i>clearing house</i> which is declared by an order made by the Bank of England under section 290 or 292 of the <i>Act</i> and for the time being in force to be a recognised clearing house.</p>
<p><i>recognised investment exchange</i> FCA PRA</p>	<p>an investment exchange which is declared by a <i>recognition order</i> for the time being in force to be a recognised investment exchange.</p>
<p><i>recognised overseas investment exchange</i> FCA PRA</p>	<p>an <i>overseas investment exchange</i> which is declared by a <i>recognition order</i> for the time being in force to be a <i>recognised investment exchange</i>.</p>
<p><i>recognised professional body</i> FCA PRA</p>	<p>any of the following professional bodies (which were the recognised professional bodies for the purposes of the Financial Services Act 1986):</p> <ul style="list-style-type: none"> (a) The Law Society (England and Wales); (b) The Law Society of Scotland;

- (c) The Law Society of Northern Ireland;
- (d) The Institute of Chartered Accountants in England and Wales;
- (e) The Institute of Chartered Accountants of Scotland;
- (f) The Institute of Chartered Accountants in Ireland;
- (g) The Association of Chartered Certified Accountants;
- (h) The Institute of Actuaries.

(see also *designated professional body*.)

recognised scheme

FCA **PRA**

a *scheme* recognised under:

- (a) section 264 of the *Act* (Schemes constituted in other EEA States); or
- (b) section 270 of the *Act* (Schemes authorised in designated countries or territories); or
- (c) section 272 of the *Act* (Individually recognised overseas schemes).

recognised third country credit institution

FCA **PRA**

a *full BCD credit institution* that satisfies the following conditions:

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority* in the state or territory in which the credit institution's head office is located;
- (c) that *third country competent authority* is named in Part 1 of **■ BIPRU 8 Annex 6 R** (Non-EEA banking regulators' requirements deemed CRD-equivalent for individual risks); and
- (d) there is a tick against that *third country competent authority* in each of the columns headed "Market risk", "Credit risk" and "Operational Risk" in the table referred to in (c).

recognised third country investment firm

FCA **PRA**

a *CAD investment firm* that satisfies the following conditions :

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority* in the state or territory in which the *CAD investment firm's* head office is located;
- (c) that *third country competent authority* is named in Part 2 of **■ BIPRU 8 Annex 6 R** (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks); and
- (d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *EEA prudential sectoral legislation* for the *investment services sector*.

recognition order

FCA **PRA**

(in accordance with section 313 of the *Act* (Interpretation of Part XVIII)) an order made under section 290 or 292 of the *Act* which declares an investment exchange to be an *RIE* or (for *RAPs*) an order made under regulation 2 of the *RAP regulations* which declares a *UK RIE* to be an *RAP* .

recognition requirement

FCA **PRA**

- (1) (in relation to a *UK RIE*) any of the requirements applicable to that body under the Recognition Requirements Regulations.
- (2) (in relation to a body applying for recognition as a *UK RIE*) any of the requirements under the Recognition Requirements Regulations which, if its application were successful, would apply to it.
- (3) (in relation to an *ROIE* , or to an applicant for recognition as an *ROIE*) any of the requirements in section 292(3) of the *Act* (Overseas investment exchanges and overseas clearing houses).

Recognition Requirements Regulations

FCA PRA

the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (SI 2001/995).

redemption

FCA PRA

(1) (except in ■ EG 14 (Collective investment schemes)) (in relation to *units* in an *authorised fund*) the purchase of them from their *holder* by the *authorised fund* manager acting as a *principal*.

(in ■ EG 14 (Collective investment schemes)) redemption as in (1) but including their cancellation by:

- the trustee of an *AUT*;
- the *depository* of an *ACS*; or
- an *ICVC*.

redemption charge

FCA PRA

an amount levied by the *operator* of a *scheme* upon the *redemption* of *units*, in the case of an *authorised fund* under COLL 6.7.7R (Charges on buying and selling units).

redemption price

FCA PRA

(in *COLL*)

the *price* payable by the *authorised fund manager* for each *unit* it *redeems* from a unitholder, calculated in accordance with ■ COLL 6.3 (Valuation and pricing).

redress determination

FCA PRA

a written communication from a *respondent* under a *consumer redress scheme* which:

- (a) sets out the results of the *respondent's* determination under the scheme;
- (b) encloses a copy of the *Financial Ombudsman Service's* standard explanatory leaflet; and
- (c) informs the complainant that if he is dissatisfied, he may now make a *complaint* to the *Financial Ombudsman Service* and must do so within six *months*.

reduced net underwriting position

FCA PRA

the *net underwriting position* as adjusted under ■ BIPRU 7.8.27 R (Calculating the reduced net underwriting position).

register

FCA PRA

(1) [deleted]

(2) [deleted]

(3) (in *COLL*) the register of *unitholders* kept under Schedule 3 to the *OEIC Regulations* or ■ COLL 6.4.4 R (Register: general requirements and contents), or ■ COLL 8.5.8 R (The register of unitholders: AUTs or ACSs) as appropriate or, in relation to a *collective investment scheme* that is not an *authorised fund*, a record of the holders (other than of *bearer certificates*) of *units* in it.

registered branch

FCA PRA

a branch of a *friendly society* which is separately registered under the Friendly Societies Act 1974.

<p><i>registered contact</i></p> <p>FCA PRA</p>	<p>(as defined in regulation 8(1)(d) of the <i>CTF Regulations</i>) the <i>person</i> who is capable of giving instructions to the <i>CTF provider</i> with respect to the management of the <i>CTF</i>.</p>
<p><i>registered friendly society</i></p> <p>FCA PRA</p>	<p>a <i>friendly society</i> registered under section 7(1)(a) of the <i>Friendly Societies Act 1974</i> or any enactment which it replaced, including any registered branches.</p>
<p><i>registrar</i></p> <p>FCA PRA</p>	<p>the <i>person</i> who maintains a <i>register</i>.</p>
<p><i>registration date</i></p> <p>FCA PRA</p>	<p>(in <i>RCB</i>) the date of the <i>FCA</i> decision to register a <i>regulated covered bond</i>.</p>
<p><i>registration document</i></p> <p>FCA PRA</p>	<p>(in <i>Part 6 rules</i>) a registration document referred to in ■ PR 2.2.2 R.</p>
<p><i>regular user</i></p> <p>FCA PRA</p>	<p>(1) (as defined in section 130A(3) of the <i>Act</i> (Market abuse)) a <i>person</i> who is, in relation to a particular market, a reasonable <i>person</i> who regularly deals on that market in <i>investments</i> of the kind in question.</p> <p>(2) (in accordance with section 130A(3) of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) a <i>person</i> who is, in relation to a particular auction platform, a reasonable <i>person</i> who regularly makes bids on that market for <i>investments</i> of the kind in question.</p>
<p><i>Regulated Activities Order</i></p> <p>FCA PRA</p>	<p>the <u>Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)</u>.</p>
<p><i>regulated activity</i></p> <p>FCA PRA</p>	<p>(A) in the <i>PRA Handbook</i>:</p> <p>(in accordance with section 22 of the <i>Act</i> (Regulated activities)) any of the following activities specified in Part II of the <i>Regulated Activities Order</i> (Specified Activities):</p> <ul style="list-style-type: none"> (a) <i>accepting deposits</i> (article 5); (aa) <i>issuing electronic money</i> (article 9B); (b) <i>effecting contracts of insurance</i> (article 10(1)); (c) <i>carrying out contracts of insurance</i> (article 10(2)); (d) <i>dealing in investments as principal</i> (article 14); (e) <i>dealing in investments as agent</i> (article 21); (ea) <i>bidding in emissions auctions</i> (article 24A); (f) <i>arranging (bringing about) deals in investments</i> (article 25(1)); (g) <i>making arrangements with a view to transactions in investments</i> (article 25(2));

- (ga) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (gb) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (gc) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (gd) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (ge) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (gf) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (gg) *operating a multilateral trading facility* (article 25D);
- (gh) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (gi) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (h) *managing investments* (article 37);
- (ha) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (i) *safeguarding and administering investments* (article 40); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *safeguarding and administration of assets (without arranging)*;
 - (ii) *arranging safeguarding and administration of assets*;
- (j) *sending dematerialised instructions* (article 45(1));
- (k) *causing dematerialised instructions to be sent* (article 45(2));
- (l) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *establishing, operating or winding up a regulated collective investment scheme*;
 - (ii) *establishing, operating or winding up an unregulated collective investment scheme*;
- (m) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));
- (ma) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
- (n) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
- (na) *managing a UCITS* (article 51ZA);
- (nb) *acting as trustee or depositary of a UCITS* (article 51ZB);
- (nc) *managing an AIF* (article 51ZC);
- (nd) *acting as trustee or depositary of an AIF* (article 51ZD);
- (ne) *establishing, operating or winding up a collective investment scheme* (51ZE).
- (o) *establishing, operating or winding up a stakeholder pension scheme* (article 52 (a));
- (oa) *providing basic advice on stakeholder products* (article 52B);

(ob) *establishing, operating or winding up a personal pension scheme* (article 52(b));

(p) *advising on investments* (article 53); for the purposes of the *permission* regime, this is sub-divided into:

(i) *advising on investments* (except pension transfers and pension opt-outs);

(ii) *advising on pension transfers and pension opt-outs*;

(pa) *advising on regulated mortgage contracts* (article 53A);

(pb) *advising on a home reversion plan* (article 53B);

(pc) *advising on a home purchase plan* (article 53C);

(pd) *advising on a regulated sale and rent back agreement* (article 53D);

(q) *advising on syndicate participation at Lloyd's* (article 56);

(r) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's* (article 57);

(s) *arranging deals in contracts of insurance written at Lloyd's* (article 58);

(sa) *entering into a regulated mortgage contract* (article 61(1));

(sb) *administering a regulated mortgage contract* (article 61(2));

(sc) *entering into a home reversion plan* (article 63B(1));

(sd) *administering a home reversion plan* (article 63B(2));

(se) *entering into a home purchase plan* (article 63F(1));

(sf) *administering a home purchase plan* (article 63F(2));

(sg) *entering into a regulated sale and rent back agreement* (article 63J(1));

(sh) *administering a regulated sale and rent back agreement* (article 63J(2));

(si) *meeting of repayment claims* (article 63N(1)(a));

(sj) *managing dormant account funds (including the investment of such funds)* (article 63N(1)(b));

(t) *entering as provider into a funeral plan contract* (article 59);

(B) in the FCA Handbook:

as in (A) with the addition of:

(ta) *providing information in relation to a specified benchmark*;

(tb) *administering a specified benchmark*;

which is carried on by way of business and, except for (ta) and (tb), relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind.

(u) *agreeing to carry on a regulated activity* (article 64);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind.

an obligation to pay a sum due and payable under an agreement, the making or performance of which constitutes or is part of a *regulated activity* carried on by an individual who:

(a) is, or has been, an *authorised person*; or

<p><i>regulated activity group</i> FCA PRA</p>	<p>(b) is carrying on, or has carried on, a <i>regulated activity</i> in contravention of the <i>general prohibition</i>.</p> <p>A set of one or more <i>regulated activities</i> (with associated <i>investment</i> types and <i>customer</i> types) referred to in ■ SUP 16 to determine a <i>firm's</i> or other regulated person's <i>data item submission</i> requirements.</p>
<p><i>regulated collective investment scheme</i> FCA PRA</p>	<p>(a) an <i>ICVC</i>; or</p> <p>(b) an <i>AUT</i>; or</p> <p>(ba) an <i>ACS</i>; or</p> <p>(c) a <i>recognised scheme</i>;</p> <p>whether or not the <i>units</i> are held within an <i>ISA</i> or <i>personal pension scheme</i>.</p>
<p><i>regulated consumer credit agreement</i> FCA PRA</p>	<p>in accordance with section 8 of the Consumer Credit Act 1974 (as amended) an agreement between an individual "the debtor" and any other person "the creditor" by which the creditor provides the debtor with credit of any amount and which is not an exempt agreement for the purposes of that Act;</p> <p>and expressions used in that Act have the same meaning in this definition.</p>
<p><i>regulated consumer hire agreement</i> FCA PRA</p>	<p>in accordance with section 15 of the Consumer Credit Act 1974 (as amended) an agreement made by a person with an individual "the hirer" for the bailment or (in Scotland) the hiring of goods to the hirer, being an agreement which</p> <p>(a) is not a hire-purchase agreement, and</p> <p>(b) is capable of subsisting for more than three months, and</p> <p>(c) is not an exempt agreement;</p> <p>and expressions used in that Act have the same meaning in this definition.</p>
<p><i>regulated covered bond</i> FCA PRA</p>	<p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) a <i>covered bond</i> or <i>programme</i> of <i>covered bonds</i>, as the case may be, which is admitted to the register of <i>regulated covered bonds</i> maintained under Regulation 7(1)(b) of the <i>RCB Regulations</i>.</p>
<p><i>regulated entity</i> FCA PRA</p>	<p>one of the following:</p> <p>(a) a <i>credit institution</i>; or</p> <p>(b) a regulated insurance entity; or</p> <p>(c) an <i>investment firm</i>;</p> <p>whether or not it is incorporated in, or has its head office in, an <i>EEA State</i>.</p> <p>An <i>asset management company</i> is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: <i>asset management companies</i>).</p> <p>An <i>alternative investment fund manager</i> is treated as a regulated entity for the purposes described in ■ GENPRU 3.1.39 R (The financial sectors: alternative investment fund managers).</p>
<p><i>regulated information</i> FCA PRA</p>	<p>all information which an <i>issuer</i>, or any other <i>person</i> who has applied for the admission of <i>financial instruments</i> to trading on a <i>regulated market</i> without the <i>issuer's</i> consent, is required to disclose under:</p> <p>(a) the <i>Transparency Directive</i>;</p> <p>(b) article 6 of the <i>Market Abuse Directive</i>; or</p>

Regulated Information Service

FCA PRA

(c) LR, and DTR.

a Regulated Information Service that is approved by the FCA as meeting the Criteria for Regulated Information Services and that is on the list of Regulated Information Services maintained by the FCA .

regulated institution

FCA PRA

any of the following:

(a) an EEA insurer or UK insurer; or

(b) an approved credit institution; or

(c) a friendly society (not within (a)) which is authorised to carry on insurance business; or

(d) a firm whose permission includes dealing in investments as principal with respect to derivatives which are not listed; or

(e) a MiFID investment firm whose authorisation (as referred to in article 5 of MiFID) authorises it to carry on activities of the kind referred to in (d).

regulated insurance entity

FCA PRA

an insurance undertaking within the meaning of Article 4 of the Consolidated Life Directive, Article 6 of the First Non-Life Directive or Article 1(b) of the Insurance Groups Directive.

regulated lifetime mortgage contract

FCA PRA

a regulated mortgage contract which is a lifetime mortgage.

regulated market

FCA PRA

(1) a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of MiFID.

[Note: article 4(1)(14) of MiFID]

(2) (in addition, in INSPRU and IPRU(INS) only) a market situated outside the EEA States which is characterised by the fact that:

(a) it meets comparable requirements to those set out in (1); and

(b) the financial instruments dealt in are of a quality comparable to those in a regulated market in the United Kingdom.

regulated market transaction

FCA PRA

a transaction concluded by a firm on a regulated market with another member or participant of that regulated market.

regulated mortgage activity

any of the following activities specified in Part II of the Regulated Activities Order (Specified Activities):

(a) arranging (bringing about) regulated mortgage contracts (article 25A(1));

FCA PRA

regulated
mortgage
contract

FCA PRA

(b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));

(c) *advising on regulated mortgage contracts* (article 53A);

(d) *entering into a regulated mortgage contract* (article 61(1));

(e) administering a regulated mortgage contract (article 61(2));

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

(a) (in relation to a contract) a contract which:

(i) (in accordance with article 61(3) of the *Regulated Activities Order*) at the time it is entered into, meets the following conditions:

(A) a lender provides credit to an individual or to trustees (the 'borrower'); and

(B) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the *United Kingdom*, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a *person* who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:

(I) that *person's* spouse or civil partner; or

(II) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or

(III) that *person's* parent, brother, sister, child, grandparent or grandchild ; and

(ii) is not a *home purchase plan*.

(b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* within (a).

regulated
related
undertaking

FCA PRA

a *related undertaking* that is any of the following:

(a) a *regulated entity*; or

(b) an *insurance undertaking* which is not a *regulated insurance entity*; or

(c) an *asset management company*; or

(d) a *financial institution* which is neither a *credit institution* nor an *investment firm*; or

(e) a *financial holding company*; or

(f) an *insurance holding company* ; or

(g) a *mixed financial holding company*.

regulated sale and rent back activity

FCA **PRA**

any of the following *regulated activities*:

(a) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));

(b) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));

(c) *advising on a regulated sale and rent back agreement* (article 53D);

(d) *entering into a regulated sale and rent back agreement* (article 63J(1));

(e) *administering a regulated sale and rent back agreement* (article 63J(2));
or

(f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

regulated sale and rent back agreement

FCA **PRA**

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements, in relation to which the following conditions are met at the time it is entered into:

(a) the arrangement is one under which a *person* (an agreement provider), buys all or part of the *qualifying interest in land* in the *United Kingdom* from an individual or trustees (the "agreement seller"); and

(b) the agreement seller (if he is an individual) or an individual who is the beneficiary of the trust (if the agreement seller is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling, and intends to do so;

but excluding any arrangement that is a regulated *home reversion plan*.

regulated sale and rent back firm

FCA **PRA**

a *firm* that carries on any *regulated sale and rent back activity*.

regulated sale and rent back mediation activity

FCA **PRA**

any of the following *regulated activities*:

(a) *arranging (bringing about) regulated sale and rent back agreements* (article 25E(1));

(b) *making arrangements with a view to regulated sale and rent back agreements* (article 25E(2));

(c) *advising on regulated sale and rent back agreements* (article 53D);

(d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

regulated sale and rent back transaction

FCA **PRA**

a transaction involving a *regulated sale and rent back agreement* under which a *SRB agreement seller*, in return for the sale of a *qualifying interest in land* in whole or in part to a *SRB agreement provider*, is granted, or any member of his family is granted, a right to occupy the land in question as, or in connection with, a dwelling, and intends so to occupy it.

regulatory basis only life firm

FCA **PRA**

a *firm* carrying on *long-term insurance business* which is not a *realistic basis life firm*.

regulatory body

FCA **PRA**

any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

regulatory costs

FCA **PRA**

the periodic fees payable to the *appropriate regulator* by a *participant firm* in accordance with ■ FEES 4 (Periodic fees) .

regulatory current liabilities

FCA **PRA**

(in relation to a *with-profits fund*) the regulatory current liabilities of the *with-profits fund* calculated in accordance with INSPRU 1.1.30R.

Regulatory Decisions Committee

FCA **PRA**

a committee of the Board of the *FCA*, described in ■ DEPP 3.1 (The nature and procedure of the RDC).

regulatory excess capital

FCA **PRA**

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.32R .

regulatory function

FCA **PRA**

(as defined in section 291 of the *Act* (Liability in relation to *recognised body's* regulatory functions)) any function of a *recognised body* so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the *Act* and (for an *RAP*) under the *RAP recognition requirements* .

regulatory high risk category

FCA **PRA**

(for the purposes of the *standardised approach* to credit risk) an item that falls into ■ BIPRU 3.4.104 R (Items belonging to regulatory high risk categories under the standardised approach to credit risk).

regulatory information service or RIS

FCA **PRA**

either:

(a) a *Regulated Information Service*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in [article 12 of the *TD implementing Directive*].

regulatory objectives

[deleted]

regulatory provisions

FCA **PRA**

any rules, guidance, arrangements or policy issued by the investment exchange in connection with its business as an investment exchange or in connection with the provision by it of *clearing facilitation services*.

regulatory surplus

FCA **PRA**

(in relation to a long-term business fund, or sub-fund) the excess, if any, of the *regulatory value of assets* for the *with-profits fund* over the *regulatory value of liabilities* for that fund.

regulatory surplus value

FCA **PRA**

has the meaning set out in GENPRU 1.3.48R.

regulatory system

FCA PRA

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the *Principles* and other *rules*, the *Statements of Principle*, codes and *guidance* and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive* and the *MiFID Regulation* .

regulatory value of assets

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.24R.

regulatory value of liabilities

FCA PRA

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.29R.

rehabilitation exceptions orders

FCA PRA

the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions) (Scotland) Order 2003 and the Rehabilitation of Offenders (Exceptions) Order (Northern Ireland) 1979.

reinsurance

FCA PRA

includes retrocession.

reinsurance contract

FCA PRA

(in ■ COBS 21, ICOBS, ■ CASS 5 and COMP) a *contract of insurance* covering all or part of a risk to which a *person* is exposed under a *contract of insurance*.

Reinsurance Directive

FCA PRA

the Directive of 16 November 2005 of the European Parliament and of the Council (No 2005/68/EC) on reinsurance and amending the *First Non-Life Directive* and the *Third Non-Life Directive* as well as the *Insurance Groups Directive* and the *Consolidated Life Directive*.

reinsurance mediation

FCA PRA

(as defined in article 2.4 of the *Insurance Mediation Directive*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of reinsurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by a *IMD reinsurance undertaking* or an employee of a *IMD reinsurance undertaking* who is acting under the responsibility of the *IMD reinsurance undertaking* shall not be considered as *reinsurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing a reinsurance contract, the management of claims of a *IMD reinsurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *reinsurance mediation*.

reinsurance to close

FCA PRA

(a) an agreement under which members of a *syndicate* in one *syndicate year* ("the reinsured members") agree with the members of that *syndicate* in a later *syndicate year* or the members of another *syndicate* ("the reinsuring members") that the reinsuring members will discharge, or procure the discharge of, or indemnify the reinsured members against, all known and unknown *insurance business* liabilities of the reinsured members arising out of the *insurance business* carried on by the reinsured members in that *syndicate year*; or

<p><i>reinsurance undertaking</i> FCA PRA</p>	<p>(b) a similar reinsurance agreement or arrangement that has been approved by the <i>Council</i> as a reinsurance to close.</p> <p>an <i>insurance undertaking</i> whose <i>insurance business</i> is restricted to <i>reinsurance</i>.</p>
<p><i>reinsurer</i> FCA PRA</p>	<p>an <i>insurance undertaking</i> whose business includes <i>effecting</i> or <i>carrying out</i> contracts of <i>reinsurance</i>; includes a retrocessionaire.</p>
<p><i>related designated investment</i> FCA PRA</p>	<p>(in relation to a <i>designated investment</i> (the "first investment")) a <i>designated investment</i> whose value might reasonably be expected to be directly affected by:</p> <ul style="list-style-type: none"> (a) any fluctuation in the value of the first investment; or (b) any <i>published recommendation</i> that concerns the first investment.
<p><i>related financial instrument</i> FCA PRA</p>	<p>means a <i>financial instrument</i>, the price of which is closely affected by price movements in another <i>financial instrument</i> which is the subject of <i>investment research</i>, and includes a derivative on that other <i>financial instrument</i>.</p> <p>[Note: article 25(2) of the <i>MiFID implementing Directive</i>]</p>
<p><i>related investment</i> FCA PRA</p>	<p>(as defined in section 130A(3) of the <i>Act</i>) in relation to a <i>qualifying investment</i>, means an investment whose price or value depends on the price or value of the <i>qualifying investment</i>.</p>
<p><i>related party</i> FCA PRA</p>	<ul style="list-style-type: none"> (1) (in <i>LR</i>) as defined in ■ LR 11.1.4 R; (2) (in relation to an agreement seller under a <i>regulated sale and rent back agreement</i> or, where the agreement seller is a trustee, a beneficiary of the trust): <ul style="list-style-type: none"> (a) that <i>person's</i> spouse or civil partner; or (b) a <i>person</i> (whether or not of the opposite sex) whose relationship with that <i>person</i> has the characteristic of the relationship between husband and wife; or (c) that <i>person's</i> parent, brother, sister, child, grandparent or grandchild.
<p><i>related party circular</i> FCA PRA</p>	<p>(in <i>LR</i>) a <i>circular</i> relating to a <i>related party transaction</i>.</p>
<p><i>related party transaction</i> FCA PRA</p>	<p>(in <i>LR</i>) as defined in ■ LR 11.1.5 R.</p>
<p><i>related undertaking</i> FCA PRA</p>	<p>in relation to an <i>undertaking</i> ("U"):</p> <ul style="list-style-type: none"> (a) any <i>subsidiary undertaking</i> of U; or (b) any <i>undertaking</i> in which U or any of U's <i>subsidiary undertakings</i> holds a participation; or

relevant articles

FCA PRA

(c) any *undertaking* linked to U by a *consolidation Article 12(1) relationship*; or

(d) any *undertaking* linked by a *consolidation Article 12(1) relationship* to an *undertaking* in (a), (b) or (c).

(in REC):

(1) Article 6.1 to 6.4 of the *Market Abuse Directive*;

(2) Articles 3, 5, 7, 8, 10, 14 and 16 of the *Prospectus Directive*;

(3) Articles 4 to 6, 14, 16 to 19 and 30 of the *Transparency Directive*; and

(4) EU legislation made under the provisions mentioned in (1) to (3).

relevant asset pool

FCA PRA

(in RCB) (as defined in Regulation 1(2) of the *RCB Regulations*) in relation to a *regulated covered bond* the *asset pool* from which the claims attaching to that bond are guaranteed to be paid by the *owner* of that pool in the event of the failure of the *issuer*.

relevant business

FCA PRA

(1) (in *DISP* and *FEES*) that part of a *firm's* business which it conducts with *consumers* and which is subject to the jurisdiction of the *Financial Ombudsman Service* as provided for in ■ *DISP 2.3* (To which activities does the Compulsory Jurisdiction apply?), ■ *DISP 2.4* (To which activities does the Consumer Credit Jurisdiction apply?) and ■ *DISP 2.5* (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each *industry block*.

(2) (in relation to information communicated to a *client* other than a *financial promotion*) *designated investment business*.

(3) (in relation to a *financial promotion*) a *controlled activity*.

relevant capital sum

FCA PRA

for the purposes of INSPRU 1.3.34R, the sum under a *contract of insurance* which is:

(a) unless (b) applies:

(i) for whole life assurances, the sum assured;

(ii) for *contracts of insurance* where a sum is payable on maturity (including contracts where a sum is also payable on earlier death), the sum payable on maturity;

(iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater);

(iv) for *capital redemption* contracts, the sum payable at the end of the contract period; and

(v) for linked long-term contracts of insurance, notwithstanding (i) to (iv), the lesser of:

(A) the amount for the time being payable on death; and

(B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such of the term of the contract as is appropriate for *zillmerising* or, if such *premiums* are payable beyond the age of seventy-five, until that age;

but excluding in all cases any vested reversionary bonus; and

relevant charitable scheme

FCA PRA

(b) for temporary assurances, the sum assured on the *actuarial valuation date*.

an *authorised fund* which is:

- (a) a registered charity; or
- (b) a charitable unit trust scheme under regulation 7(2)(d) of the Income Tax (Definition of Unit Trust Scheme) Regulations 1988.

relevant collateral

FCA PRA

in relation to a transaction:

- (a) cash;
- (b) letters of credit and guarantees to the extent of their face value, issued by an *approved bank* which is neither a counterparty nor an *associate* of a counterparty;
- (c) gold and silver bullion and coinage;
- (d) marketable investments;
- (e) the performance guarantees issued in support of the securities lending and borrowing programmes of Euroclear and Cedel, in respect only of *exposure* arising from participation in such programmes;

subject in each case to:

(i) the *firm* having an unconditional right to apply or realise the relevant collateral for the purpose of repaying a counterparty's obligations;

(ii) marketable investments:

(A) being marked to market daily using the valuation principles in ■ IPRU(INV) 3.41(9)R;

(B) not being issued by a counterparty nor by an *associate* of a counterparty.

relevant commencement date

FCA PRA

(as defined in article 1 of the *Mortgage and General Insurance Complaints Transitional Order*):

- (a) in relation to a complaint which relates to an activity to which, immediately before 14 January 2005, the *GISC facility* applied, the beginning of 14 January 2005;
- (b) in relation to a complaint which relates to an activity to which, immediately before 31 October 2004, the *MCAS scheme* applied, the beginning of 31 October 2004.

relevant competent authorities

FCA PRA

(in relation to a *financial conglomerate*) those *competent authorities* which are, or which have been appointed as, relevant *competent authorities* in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive* (Definitions).

relevant competent authority

FCA PRA

(in relation to a *financial instrument*) means the *competent authority* of the most relevant market in terms of liquidity for that *financial instrument*.

[Note: article 2(7) of *MiFID Regulation*]

relevant complaint

FCA PRA

(1) (in *DISP*) a *relevant existing complaint*, a *relevant new complaint* or a *relevant transitional complaint*.

<p><i>relevant date</i></p> <p>FCA PRA</p>	<p>(2) (in <i>REC</i>) (as defined in section 299(2) of the <i>Act</i> (Complaints about <i>recognised bodies</i>)) a complaint which the <i>FCA</i> considers is relevant to the question of whether a <i>recognised body</i> should remain a <i>recognised body</i>.</p> <p>(in ■ <i>MCOB 10</i> (Annual percentage rate)):</p> <p>(a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;</p> <p>(b) (in any other case) the date of making the agreement.</p>
<p><i>relevant EEA details</i></p> <p>FCA PRA</p>	<p>the details listed in regulation 14 of the <i>EEA Passport Rights Regulations</i> and set out in ■ <i>SUP 13 Annex 1 R</i> (Requisite details or relevant details: branches).</p>
<p><i>relevant existing complaint</i></p> <p>FCA PRA</p>	<p>(in accordance with the Ombudsman Transitional Order) a complaint which:</p> <p>(a) was referred to a <i>former scheme</i> at any time before <i>commencement</i>, by a person who was at that time entitled, under the terms of the <i>former scheme</i>, to refer such a complaint (whether described in that scheme as the making of a complaint, the referral of a dispute, the submission of a claim, or otherwise); and</p> <p>(b) has not, before <i>commencement</i>, been rejected, withdrawn, settled or determined by the former Ombudsman (whether by a substantive decision, or by closure of the case without a substantive decision).</p>
<p><i>relevant financial system</i></p> <p>FCA PRA</p>	<p>(in accordance with section 169A(5) of the <i>Act</i> (Support of overseas regulator with respect to financial stability)) a financial system including:</p> <p>(a) financial markets and exchanges;</p> <p>(b) activities that would be <i>regulated activities</i> if carried on in the <i>United Kingdom</i>; and</p> <p>(c) other activities connected with financial markets and exchanges.</p>
<p><i>relevant former scheme</i></p> <p>FCA PRA</p>	<p>(as defined in article 2(2) of the <i>compensation transitionals order</i>):</p> <p>(a) in relation to a <i>pending application</i>, the <i>investment business compensation scheme</i> under which the application was made;</p> <p>(b) in relation to an <i>article 9 default</i>, one of the following that applied to the default before <i>commencement</i>:</p> <p style="margin-left: 20px;">(i) the Policyholders Protection Scheme established by the Policyholders Protection Act 1975;</p> <p style="margin-left: 20px;">(ii) the Deposit Protection Scheme established by Part II of the Banking Act 1987;</p> <p style="margin-left: 20px;">(iii) the Building Societies Investor Protection Scheme established by Part IV of the Building Societies Act 1986;</p> <p style="margin-left: 20px;">(iv) the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.</p>
<p><i>relevant function</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>UK recognised body</i>) an <i>exempt activity</i> or a <i>regulatory function</i>.</p>

relevant general insurance contract

FCA PRA

(in COMP) any *general insurance contract* other than:

- (a) [deleted]
- (b) [deleted]
- (c) a contract falling within any of the following classes:
 - (i) *aircraft*;
 - (ii) *ships*;
 - (iii) *goods in transit*;
 - (iv) *aircraft liability*;
 - (v) *liability of ships*;
 - (vi) *credit*.

relevant information

FCA PRA

(1) (except in REC) (in relation to an *investment*) information which would be likely to be regarded by a *regular user* of the market or auction platform in question as relevant when deciding the terms on which transactions in that *investment* should be effected.

(2) (in REC) (in relation to an *investment*) information which is relevant to determining the current value of that *investment* or (in relation to RAPs) information on the terms of *emissions auction products* and the terms on which they will be auctioned on an RAP .

relevant insurer

FCA PRA

in relation to a *community co-insurance operation*, an *insurer* which is concerned in the operation but is not the *leading insurer*.

relevant investment

FCA PRA

(1) (in ■ COBS 12.4, in relation to a *research recommendation* or a public appearance), a *designated investment* that is the subject of that *research recommendation* or public appearance,

(2) (other than in ■ COBS 4 or ■ COBS 12.4) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *contractually based investment*;
- (b) a *pure protection contract*;
- (c) a *general insurance contract*;
- (d) rights to or interests in an *investment* falling within (a).

(3) (in ■ COBS 4) a *specified investment* or a *controlled investment*.

relevant issuer

FCA PRA

(1) (in relation to a *designated investment* that is the subject of a *research recommendation* or a public appearance) the *issuer* of that *designated investment*; or

(2) (in relation to a *related designated investment* that is the subject of a public appearance) either the *issuer* of the *related designated investment* or the *issuer* of a *designated investment* that might reasonably be expected directly to affect the value of the *related designated investment*.

relevant liquid market

FCA PRA

a market for a share determined in accordance with paragraph 2 and 8 of Article 9 of the *MiFID Regulation*, in many cases this will be the Member State where the share or the unit was first admitted to trading on a regulated market.

[Note: article 9 of the *MiFID Regulation*]

relevant net premium income

FCA **PRA**

(1) (in relation to business which is not *occupational pension fund management business*) the premium income in respect of *protected contracts of insurance* of a *firm*; or

(2) (in relation to *occupational pension fund management business*) the *remuneration* retained by a *firm* in relation to its carrying on *occupational pension fund management business*

in the year preceding that in which the date for submission of the information under **■ FEES 6.5.13 R** falls, net of any relevant rebates or refunds.

relevant new complaint

FCA **PRA**

(in accordance with the *Ombudsman Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after *commencement* which relates to an act or omission occurring before *commencement* if:

(a) the act or omission is that of a person who was, immediately before *commencement*, subject to a *former scheme*;

(b) the act or omission occurred in the carrying on by that person of an activity to which that *former scheme* applied; and

(c) the complainant is eligible and wishes to have the complaint dealt with under the new scheme;

for the purposes of (c), where the complainant is not eligible in accordance with **■ DISP 2** (Jurisdiction of the Financial Ombudsman Service), an *Ombudsman* may, nonetheless, if he considers it appropriate, treat the complainant as eligible if he would have been entitled to refer an equivalent complaint to the *former scheme* in question immediately before *commencement*.

relevant office-holder

FCA **PRA**

a relevant office-holder as defined in section 189 of the Companies Act 1989, which is in summary:

(a) the official receiver;

(b) (in relation to a company) any *person* acting as its liquidator, provisional liquidator, administrator or administrative receiver;

(c) (in relation to an individual or a debtor within the Bankruptcy (Scotland) Act 1985) a trustee in bankruptcy, interim receiver of property, or permanent or interim trustee in the sequestration of an estate;

(d) any *person* acting as administrator of an insolvent estate of a deceased *person*.

relevant pension scheme

FCA **PRA**

a *pension scheme* or an *additional voluntary contribution*.

relevant person

FCA **PRA**

(1) (in COMP) a *person* for *claims* against whom the *compensation scheme* provides cover, as defined in **■ COMP 6.2.1 R**.

(2) any of the following:

(a) a *director, partner* or equivalent, manager or *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(b) a *director, partner* or equivalent, or manager of any *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(c) an *employee* of the *firm* or of an *appointed representative* (or where applicable, *tied agent*) of the *firm*; as well as any other natural person whose services are placed at the disposal and under the control of the *firm* or an *appointed representative* or a *tied agent* of the *firm* and who is involved in the provision by the *firm* of *regulated activities*;

<p>(d) a natural person who is directly involved in the provision of services to the <i>firm</i> or its <i>appointed representative</i> (or where applicable, <i>tied agent</i>) under an <i>outsourcing</i> arrangement or (in the case of a <i>management company</i>) a delegation arrangement to third parties, for the purpose of the provision by the <i>firm</i> of <i>regulated activities</i> or (in the case of a <i>management company</i>) <i>collective portfolio management</i>.</p>	
<p>[Note: article 2(3) of the <i>MiFID implementing Directive</i> and article 3(3) of the <i>UCITS implementing Directive</i>]</p>	
<p>relevant scheme FCA PRA</p>	<p>(1) (except in ■ FEES 6) a <i>collective investment scheme</i> managed by an <i>EEA UCITS management company</i>.</p> <p>(2) (in ■ FEES 6) a scheme or arrangement (other than the <i>compensation scheme</i>) for the payment of compensation (in certain cases) to customers (including customers outside the <i>United Kingdom</i>) of <i>persons</i> (including <i>persons</i> outside the <i>United Kingdom</i>) who provide financial services (including financial services provided outside the <i>United Kingdom</i>) or carry on a business connected with the provision of such services.</p>
<p>relevant security FCA PRA</p>	<p>(1) (in ■ MAR 2, when used with reference to the <i>Buy-back and Stabilisation Regulation</i>) (in accordance with Article 2(6) of the <i>Buy-back and Stabilisation Regulation</i>) <i>transferable securities</i> which are admitted to trading on a <i>regulated market</i> or for which a request for admission to trading on a <i>regulated market</i> has been made, and which are the subject of a <i>significant distribution</i>.</p> <p>(2) (otherwise in ■ MAR 2) <i>transferable securities</i></p> <p>(3) [deleted]</p>
<p>relevant transitional complaint FCA PRA</p>	<p>(in accordance with the <i>Mortgage and General Insurance Complaints Transitional Order</i>) a complaint referred to the <i>Financial Ombudsman Service</i> after the <i>relevant commencement date</i> which relates to an act or omission occurring before that date if:</p> <p>(a) the act or omission is that of a <i>person</i> ("R") who, at the time of that act or omission, was subject to a <i>former scheme</i>;</p> <p>(b) R was an <i>authorised person</i> on or after the <i>relevant commencement date</i>;</p> <p>(c) the act or omission occurred in the carrying on by R of an activity to which that <i>former scheme</i> applied; and</p> <p>(d) the complainant is eligible and wishes to have the complaint dealt with under the new <i>scheme</i>.</p>
<p>relevant UK details FCA PRA</p>	<p>the details required in regulation 15 of the <i>EEA Passport Rights Regulations</i> and set out in ■ SUP 13 Annex 2 R (Relevant UK details: branches of insurance undertakings).</p>
<p>remedial direction</p>	<p>[deleted]</p>
<p>remuneration FCA PRA</p>	<p>any form of remuneration, including salaries, <i>discretionary pension benefits</i> and benefits of any kind.</p> <p>[Note: paragraph 23 of Annex V to the <i>Banking Consolidation Directive</i>]</p>
<p>Remuneration Code</p>	<p>■ SYSC 19A (Remuneration Code).</p>

FCA PRA

Remuneration
Code general
requirement

■ SYSC 19A.2.1 R.

FCA PRA

Remuneration
Code staff

(for a *BIPRU firm* and a *third country BIPRU firm*) has the meaning given in
■ SYSC 19A.3.4 R.

FCA PRA

remuneration
principles
proportionality
rule

(in ■ SYSC 19A) has the meaning given in ■ SYSC 19A.3.3 R.

FCA PRA

renewal

carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.

FCA PRA

repayment
claim

(in relation to a *dormant account*) a claim for repayment made by virtue of sections 1(2)(b) or 2(2)(b) of the Dormant Bank and Building Society Accounts Act 2008, that is, in summary, that the customer has against the *dormant account fund operator* whatever right to payment of the *balance* the customer would have against the *bank* or *building society* if the transfer (or in the case of section 2(2)(b), transfers) had not happened. In this definition, 'customer' is the *person* who held with a *bank* or *building society* the *balance* of a *dormant account* transferred to a *dormant account fund operator*.

FCA PRA

repayment
mortgage

a *regulated mortgage contract* under which the *customer* is obliged to make payments of interest and capital which are designed to repay the mortgage over the stated term.

FCA PRA

repayment
vehicle

the means by which the *customer* will repay the capital due under the *regulated mortgage contract*, where all or part of that contract is an *interest-only* mortgage.

repo

(a) an agreement between a seller and buyer for the sale of *securities*, under which the seller agrees to repurchase the *securities*, or equivalent *securities*, at an agreed date and, usually, at a stated price;

(b) an agreement between a buyer and seller for the purchase of *securities*, under which the buyer agrees to resell the *securities*, or equivalent *securities*, at an agreed date and, usually, at a stated price.

FCA PRA

reporting
accountant

an accountant appointed:

(a) by the *appropriate regulator* ; or

(b) by a *firm* , having been nominated or approved by the *appropriate regulator* under section 166 of the *Act* (Reports by skilled persons); or

(c) by an applicant for *Part 4A permission* ;

to report on one or more aspects of the business of a *firm* or applicant, such as its financial position, including *internal controls* and reporting returns.

FCA PRA

reporting level

FCA PRA

(in ■ SUP 16 (Reporting requirements) and in relation to a *data item*) refers to whether that *data item* is prepared on a solo basis or on the basis of a group such as a *UK DLG by modification* and, if it is prepared on the basis of a group, refers to the type of group (such as a *UK DLG by modification* or a *non-UK DLG by modification (firm level)*).

repossess

FCA PRA

(in MCOB) take possession of the property that is the subject of a *regulated mortgage contract* or *home purchase plan*.

representative

FCA PRA

(1) an individual who:

(a) is appointed by a *firm*, or by an *appointed representative* of a *firm*, to carry on any of the following activities:

- (i) *advising on investments*;
- (ii) providing *basic advice on stakeholder products*;
- (iii) *arranging (bringing about) deals in investments*;
- (iv) dealing in investments; or

(b) although not appointed to do so, carries on any of the activities in (i) to (iii) on behalf of a *firm* or its *appointed representative*.

(2) (in IPRU(INV) 13 in relation to *designated investment business*) an individual appointed by a provider firm or by an *appointed representative* or *tied agent* of that *firm* to carry out either or both of the following activities:

- (a) giving *advice on investments* to *customers* on the merits of *packaged products* offered by that *firm* (or any other provider firm within the same *marketing group*); or
- (b) *arranging (bringing about) deals in investments* in relation to those products.

(3) In (2), a provider firm is a *firm* that is:

- (a) a *product provider*; or
- (b) a *marketing group associate*.

repurchase agreement

FCA PRA

see *repurchase transaction*.

repurchase transaction

FCA PRA

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions)) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

required
percentage

FCA PRA

the *required percentage* referred to in ■ COBS 20.2.17 R is, for each *with-profits fund*:

- (a) the percentage (if any) required in respect of that fund by:
 - (i) the *firm's* articles of association, registered rules or other equivalent instrument; or
 - (ii) a relevant order made by a court of competent jurisdiction;
- (b) if (a) does not apply, the percentage that reflects the *firm's* established practice, if it has one;
- (c) if (a) and (b) do not apply, not less than 90 per cent.

requirement

FCA PRA

a requirement included in a firm's *Part 4A permission* under section 55L(3) of the *Act* (Imposition of requirements by the FCA), section 55M(3) of the *Act* (Imposition of Requirements by the PRA) or section 55O of the *Act* (Imposition of requirements on acquisition of control) .

requiring or
encouraging

FCA PRA

taking or refraining from taking any action which requires or encourages another *person* to engage in *behaviour* which, if engaged in by the *person* requiring or encouraging, would amount to *market abuse*.

requisite details

FCA PRA

the details required in regulation 1 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 1 R (Requisite details: branches).

research
recommendation

FCA PRA

research or other information:

- (a) concerning one or several *financial instruments* admitted to trading on *regulated markets* , or in relation to which an application for admission to trading has been made, or *issuers* of such *financial instruments*;
- (b) intended for distribution so that it is, or is likely to become, accessible by a large number of *persons*, or for the public, but not including:
 - (i) an informal short-term investment personal recommendation expressed to *clients*, which originates from inside the sales or trading department, and which is not likely to become publicly available or available to a large number of persons; or
 - (ii) advice given by a *firm* to a *body corporate* in the context of a *takeover bid* and disclosed only as a result of compliance with a legal or regulatory obligation, including rule 3 of the *Takeover Code* or its equivalents outside the *UK*; and
- (c) which:
 - (i) explicitly or implicitly, recommends or suggests an investment strategy; or
 - (ii) directly or indirectly, expresses a particular investment recommendation; or
 - (iii) expresses an opinion as to the present or future value or price of such instruments.

In this definition, "financial instruments" means the following (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

- (a) *transferable securities*;
- (b) units in collective investment undertakings;

<p>(c) <i>money-market instruments</i>;</p> <p>(d) financial futures contracts, including equivalent cash-settled instruments;</p> <p>(e) forward interest-rate agreements;</p> <p>(f) interest-rate, currency and equity swaps;</p> <p>(g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;</p> <p>(h) derivatives on commodities; and</p> <p>(i) any other instrument admitted to trading on a regulated market in an <i>EEA State</i> or for which a request for admission to trading on such a market has been made.</p>	
<p><i>resecuritisation</i> FCA PRA</p>	<p>in ■ BIPRU 7 and ■ 9, a <i>securitisation</i> where the risk associated with an underlying pool of <i>exposures</i> is <i>tranché</i> and at least one of the underlying <i>exposures</i> is a <i>securitisation position</i>.</p> <p>[Note: BCD, Article 4(40a)]</p>
<p><i>resecuritisation position</i> FCA PRA</p>	<p>in ■ BIPRU 7 and ■ 9, an <i>exposure</i> to a <i>resecuritisation</i>.</p> <p>[Note: BCD, Article 4(40b)]</p>
<p><i>residual CIS operator</i> FCA</p>	<p>a <i>firm</i> with a <i>Part 4A permission</i> to carry on the activity specified in article 51ZE (Establishing etc. a collective investment scheme) of the <i>Regulated Activities Order</i>.</p>
<p><i>resilience capital requirement</i> FCA PRA</p>	<p>the capital component for <i>long-term insurance business</i> calculated in accordance with the <i>rules</i> in INSPRU 3.1.9G to INSPRU 3.1.26R.</p>
<p><i>respondent</i> FCA PRA</p>	<p>(1) (in <i>DISP</i>, ■ FEES 5 and ■ CREDS 9) a <i>firm</i> (except a <i>UCITS qualifier</i>), <i>payment service provider</i>, <i>electronic money issuer</i>, <i>licensee</i> or <i>VJ participant</i> covered by the <i>Compulsory Jurisdiction</i>, <i>Consumer Credit Jurisdiction</i> or <i>Voluntary Jurisdiction</i> of the <i>Financial Ombudsman Service</i>.</p> <p>(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of sections 226 and 226A of the <i>Act</i>:</p> <p>(a) an <i>unauthorised person</i> who was formerly a <i>firm</i> in respect of a <i>complaint</i> about an act or omission which occurred at the time when the <i>firm</i> was <i>authorised</i>, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;</p> <p>(b) a <i>person</i> who was formerly a <i>licensee</i> in respect of a <i>complaint</i> about an act or omission which occurred at the time when it was a <i>licensee</i>, provided the <i>complaint</i> falls within a description specified in the consumer credit rules in force at the time of the act or omission;</p> <p>(c) a <i>person</i> who was formerly a <i>payment service provider</i> in respect of a <i>complaint</i> about an act or omission which occurred at the time when it was a <i>payment service provider</i>, provided that</p>

<p>the compulsory jurisdiction rules were in force in relation to the activity in question; and</p> <p>(d) a <i>person</i> who was formerly an <i>electronic money issuer</i> in respect of a <i>complaint</i> about an act or omission which occurred at the time when it was an <i>electronic money issuer</i>, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.</p> <p>(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the <i>Ombudsman Transitional Order</i>, an <i>unauthorised person</i> subject to the <i>Compulsory Jurisdiction</i> in relation to <i>relevant existing complaints</i> and <i>relevant new complaints</i>.</p> <p>(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the <i>Mortgage and General Insurance Complaints Transitional Order</i>, a former <i>firm</i> subject to the <i>Compulsory Jurisdiction</i> in relation to <i>relevant transitional complaints</i>.</p>	<p>(1) (except in COMP) (as defined in section 3(8) of the Child Trust Funds Act 2004) a <i>person with parental responsibility</i> in relation to a child under 16 who is not:</p> <p>(a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or</p> <p>(b) a <i>person</i> under 16.</p> <p>(2) (in COMP) (in accordance with section 3 (1) of the Compensation Act 2006) a <i>person</i> who has negligently or in breach of statutory duty caused or permitted another <i>person</i> to be exposed to asbestos (including an <i>insurer</i> of such a <i>person</i>).</p>
<p><i>responsible person</i></p> <p>FCA PRA</p>	<p>(a) a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>retail investment product</i> which is not <i>independent advice</i>; or</p> <p>(b) <i>basic advice</i>.</p>
<p><i>restricted advice</i></p> <p>FCA PRA</p>	<p>a loan for which, as a result of an existing arrangement between a supplier and a <i>firm</i>, the <i>customer's</i> application to the <i>firm</i> is submitted through the supplier and the terms of the loan require that it be paid to the supplier for goods or services supplied to the <i>customer</i>, not including loans secured by a charge over land or loans or payments by <i>plastic card</i> (other than a <i>store card</i>).</p>
<p><i>restricted credit</i></p> <p>FCA PRA</p>	<p>(in accordance with section 11 of the Consumer Credit Act 1974) an agreement:</p> <p>(a) to finance a transaction between the <i>customer</i> and the <i>firm</i>, whether forming part of that agreement or not;</p> <p>(b) to finance a transaction between the <i>customer</i> and a person (the 'supplier') other than the <i>firm</i>;</p> <p>(c) to refinance any existing indebtedness of the <i>customer's</i>, whether to the <i>firm</i> or another <i>person</i>.</p>
<p><i>restricted-use credit agreement</i></p> <p>FCA PRA</p>	<p>a notice served under sections 191B or 301J of the <i>Act</i>.</p>
<p><i>restriction notice</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>firm's permission</i> and the <i>Financial Services Register</i>) a <i>retail client</i>.</p>
<p><i>retail (investment) customer</i></p> <p>FCA PRA</p>	

*retail
(non-investment
insurance)
customer*

FCA PRA

(in relation to a *firm's permission* and the *Financial Services Register*) a *consumer* or a *customer* acting in the capacity of both a *consumer* and a *commercial customer* (see ■ ICOBS 2.1.3 G).

*retail banking
service*

FCA PRA

an arrangement with a *banking customer*, under which a *firm* agrees to accept a *deposit* from a *banking customer* on terms to be held in an account for that customer, and to provide services in relation to that *deposit* including but not limited to repayment to the customer.

retail client

FCA PRA

(1) (other than in relation to the *provision of basic advice on stakeholder products*) in accordance with ■ COBS 3.4.1 R, a *client* who is neither a *professional client* or an *eligible counterparty*; or

[Note: article 4(1)(12) of MiFID]

(2) (in relation to the provision of *basic advice* on a *stakeholder product* and in accordance with article 52B of the RAO) any *person* who is advised by a *firm* on the merits of opening or buying a *stakeholder product* where the advice is given in the course of a business carried on by that *firm* and it is received by a *person* not acting in the course of a business carried on by him.

retail customer

FCA PRA

(in accordance with the meaning of 'consumer' in article 2(d) of the *Distance Marketing Directive* an individual who is acting for purposes which are outside his trade, business or profession.

retail exposure

FCA PRA

(1) (in relation to the *IRB approach* and with respect to an *exposure*) an *exposure* falling into the *IRB exposure class* listed in ■ BIPRU 4.3.2 R (4) (Retail exposures).

(2) (in relation to the *standardised approach* to credit risk and with respect to an *exposure*) an *exposure* falling into the *standardised credit risk exposure class* listed in ■ BIPRU 3.2.9 R (8) (Retail exposures).

*retail
investment*

FCA PRA

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme*; or
- (ca) a *personal pension scheme*; or
- (d) an interest in an *investment trust savings scheme*; or
- (e) a *structured capital-at-risk product*.

*retail
investment
activity*

FCA PRA

- (a) *advising on investments*;
- (b) *arranging (bringing about) deals in investments*; or
- (c) *making arrangements with a view to transactions in investments*,

in relation to *retail investments*, except when carried on by a *firm* exclusively with or for *professional client* or *eligible counterparties*.

*retail
investment
adviser*

FCA PRA

an *employee* who carries on activities 2, 3, 4, 6, 12 and 13 in ■ TC Appendix 1.1.1 R (other than in relation to a *Holloway sickness policy* where the *Holloway policy special application conditions* are met).

retail
investment
firm

FCA PRA

a firm that has *permission* to carry on an activity which is a *retail investment activity*.

retail
investment
product

FCA PRA

- (a) a *life policy*; or
- (b) a *unit*; or
- (c) a *stakeholder pension scheme* (including a *group stakeholder pension scheme*); or
- (d) a *personal pension scheme* (including a *group personal pension scheme*); or
- (e) an interest in an *investment trust savings scheme*; or
- (f) a *security* in an *investment trust*; or
- (g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or
- (h) a *structured capital-at-risk product*;

whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.

retail pool

the pool of *classes* to which the *FSCS* allocates levies as described in ■ FEES 6.5A [to follow].

retail
securitised
derivative

FCA PRA

a *securitised derivative* which is not a specialist securitised derivative; in this definition, a "specialist securitised derivative" is a *securitised derivative* which, in accordance with the *listing rules*, is required to be admitted to listing with a clear statement on any disclosure document that the issue is intended for a purchase by only investors who are particularly knowledgeable in investment matters.

retail SME

FCA PRA

- (1) (in relation to the *IRB approach*) a small or medium sized entity, an *exposure* to which may be treated as a *retail exposure* under ■ BIPRU 4.6.2 R (Definition of retail exposures).
- (2) (in relation to the *standardised approach* to credit risk) a small or medium sized entity, an *exposure* to which may be treated as a retail exposure under ■ BIPRU 3.2.10 R (Definition of retail exposures).

retail SME
exposure

FCA PRA

(in relation to the *IRB approach* or the *standardised approach* to credit risk) an *exposure* to a *retail SME*.

retirement
annuity

FCA PRA

an individual *pension policy* effected before 1 July 1988 by a self-employed *person* or a *person* in non-pensionable employment which was approved under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988 (when sections 618 to 628 of that Chapter were in force).

retirement fund

FCA PRA

the amount which will be available, at the date on which the investor retires, for the provision of benefits.

return

FCA PRA

the documents required (taken together) to be deposited under *IPRU(INS) rule* 9.6(1).

*reverse
repurchase
agreement*

FCA **PRA**

see *repurchase transaction*.

*reverse
takeover*

FCA **PRA**

(in LR) a transaction classified as a *reverse takeover* under ■ LR 5.6.

*reversion
activity*

FCA **PRA**

any of the *regulated activities* of:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B);
- (d) *entering into a home reversion plan* (article 63B(1));
- (e) *administering a home reversion plan* (article 63B(2)); or
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

*reversion
administrator*

FCA **PRA**

a *firm with permission* (or which ought to have *permission*) for *administering a home reversion plan*.

*reversion
adviser*

FCA **PRA**

a *firm with permission* (or which ought to have *permission*) for *advising on a home reversion plan*.

*reversion
arranger*

FCA **PRA**

a *firm with permission* (or which ought to have *permission*) for *arranging a home reversion plan*.

*reversion
intermediary*

FCA **PRA**

a *firm with permission* (or which ought to have *permission*) to carry on a *reversion mediation activity*.

*reversion
mediation
activity*

FCA **PRA**

any of the following *regulated activities*:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B); or
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

*reversion
occupier*

FCA **PRA**

the individual (or trustees), specified in article 63B(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) the *person* (or *persons*) from whom all or part of an interest in land is bought as part of an arrangement comprising a *home reversion plan*; and

<p>(b)</p> <p>(i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or</p> <p>(ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>entering into a home reversion plan</i>.</p>
<p><i>reversion provider</i></p> <p>FCA PRA</p>	
<p><i>revolving exposure</i></p> <p>FCA PRA</p>	<p>(for the purpose of ■ BIPRU 9.13 (Securitisations of revolving exposures with early amortisation provisions) and in accordance with Article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)) an <i>exposure</i> whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.</p>
<p>RIE</p> <p>FCA PRA</p>	<p><i>recognised investment exchange</i>.</p>
<p><i>right of set-off</i></p> <p>FCA PRA</p>	<p>(in BCOBS) any right of a <i>firm</i>, whether under a contract for a <i>retail banking service</i> or the general law, to set off or combine:</p> <p>(a) any debt due from a <i>consumer</i>; or</p> <p>(b) any debit balance on an account held by a <i>consumer</i>;</p> <p>against or with:</p> <p>(c) any sum payable by the <i>firm</i> to the <i>consumer</i>; or</p> <p>(d) any credit balance on an account held by the <i>consumer</i>;</p> <p>that has the effect of reducing, discharging or extinguishing the <i>firm's</i> liability to the <i>consumer</i> or the credit balance on the account held by the <i>consumer</i>.</p>
<p><i>rights issue</i></p> <p>FCA PRA</p>	<p>(in LR and ■ DTR 5) an offer to existing <i>security</i> holders to subscribe or purchase further <i>securities</i> in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as "nil paid" rights) for a period before payment for the <i>securities</i> is due.</p>
<p><i>rights to or interests in investments</i></p> <p>FCA PRA</p>	<p>the <i>investment</i>, specified in article 89 of the <i>Regulated Activities Order</i> (Rights to or interests in investments), which is in summary: any right to or interest in any other <i>specified investment</i>, but excluding:</p> <p>(a) interests under the trusts of an <i>occupational pension scheme</i>;</p> <p>(b) rights to or interests in a <i>contract of insurance</i> of the kind referred to in paragraph (1)(a) of article 60 of the <i>Regulated Activities Order</i> (Plans covered by insurance or trust arrangements), or interests under a trust of the kind referred to in paragraph 1(b) of article 60 of the <i>Regulated Activities Order</i> (Plans covered by insurance or trust arrangements);</p> <p>(c) any other <i>specified investment</i>.</p>
<p><i>risk capital margin</i></p> <p>FCA PRA</p>	<p>the risk capital margin for a <i>with-profits fund</i> calculated in accordance with the <i>rules</i> in INSPRU 1.3.43R to INSPRU 1.3.103G.</p>

risk capital requirement

FCA PRA

(1) (in relation to the *appropriate regulator's rules*) one of the following:

- (a) the *credit risk capital requirement*;
- (b) the *fixed overheads requirement*;
- (c) the *market risk capital requirement*; or
- (d) the *operational risk capital requirement*; or

(2) (in relation to the rules of another *regulatory body*) whatever corresponds to the items in (1) under the rules of that *regulatory body*.

risk concentration

FCA PRA

(in accordance with Article 2(19) of the *Financial Groups Directive* (Definitions)) all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the *regulated entities* in the *financial conglomerate*, whether such exposures are caused by counterparty risk /credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these risks.

risk factors

FCA PRA

(in *PR*) (as defined in the *PD Regulation*) a list of risks which are specific to the situation of the issuer and/or the securities and which are material for taking investment decisions.

risk limit system

FCA PRA

(in *COLL* and in accordance with article 40(2)(d) of the *UCITS implementing Directive*) a documented system of internal limits concerning the measures used by a *management company* to manage and control the relevant risks for each *UCITS* it manages, taking into account all the risks which may be material to the *UCITS*, as referred to in the second paragraph of article 38(1) of the *UCITS implementing Directive* and ensuring consistency with the *UCITS'* risk profile.

risk position

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ *BIPRU 13* (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the *CCR standardised method* following a predetermined algorithm.

risk weight

FCA PRA

(in relation to an *exposure*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under ■ ■ *BIPRU 9* (Securitisation).

risk weighted exposure amount

FCA PRA

(in relation to an *exposure*) the value of an *exposure* for the purposes of the calculation of the *credit risk capital component* after application of a *risk weight*.

RMAR

FCA PRA

(in *SUP*) a Retail Mediation Activities Return, containing data specified in ■ *SUP 16 Annex 18A R* and relevant to the *firm's* type and *regulated activities*.

ROIE

FCA PRA

recognised overseas investment exchange.

rolling spot forex contract

FCA PRA

either of the following:

- (a) a *future*, other than a *future* traded or expressed to be as traded on a *recognised investment exchange*, where the property which is to be sold under the contract is foreign exchange or sterling; or

	(b) a <i>contract for differences</i> where the profit is to be secured or loss avoided by reference to fluctuations in foreign exchange; and
	in either case where the contract is entered into for the purpose of speculation.
<i>rollover risk</i>	(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which <i>expected positive exposure</i> is understated when future transactions with a counterpart are expected to be conducted on an ongoing basis; the additional <i>exposure</i> generated by those future transactions is not included in calculation of <i>expected positive exposure</i> .
FCA PRA	
<i>roll-up of interest mortgage</i>	a <i>regulated mortgage contract</i> where no payment of interest on the amount borrowed (other than interest charged when all or part of the amount borrowed is repaid voluntarily by the <i>customer</i>), is due or capable of becoming due while the <i>customer</i> continues to occupy the mortgaged property as his main residence and fulfil his obligations under the <i>regulated mortgage contract</i> .
FCA PRA	
RPI	the Retail Prices Index.
FCA	
RPPD	the Regulatory Guide which contains a statement of the responsibilities of providers and distributors for the fair treatment of <i>customers</i> .
FCA PRA	
RSRB permission	(in <i>FEES</i>) an <i>authorisation</i> to carry on one or more <i>regulated sale and rent back activities</i> .
FCA PRA	
rule	(in accordance with section 417(1) of the <i>Act</i> (Definitions)) a rule made by the <i>FCA</i> or the <i>PRA</i> under the <i>Act</i> , including:
FCA PRA	
	(a) a <i>Principle</i> ; and
	(b) an <i>evidential provision</i> .
<i>rule on use of dealing commission</i>	■ COBS 11.6.3 R.
FCA PRA	
<i>running-account credit</i>	(in accordance with section 10(1)(a) of the Consumer Credit Act 1974) a facility under a contract by which the <i>customer</i> is enabled to receive from time to time (whether in his own person, or by another person) from the <i>firm</i> or a third party cash, goods and services (or any of them) to an amount or value such that, taking into account payments made by or to the credit of the customer, the credit limit (if any) is not at any time exceeded.
FCA PRA	

<p>safe custody asset FCA PRA</p>	<p>(a) in relation to <i>MiFID business</i>, a <i>financial instrument</i>; (b) in relation to <i>safeguarding and administering investments</i> that is not <i>MiFID business</i> and/or <i>acting as trustee or depositary of a UCITS</i>, a <i>safe custody investment</i> ; or (c) when <i>acting as trustee or depositary of an AIF</i>, an <i>AIF custodial asset</i>.</p>
<p>safe custody investment FCA PRA</p>	<p>a <i>designated investment</i> , which is not the property of the <i>firm</i>, but for which the <i>firm</i>, or any <i>nominee company</i> controlled by the <i>firm</i> or by its <i>associate</i>, is accountable; which has been paid for in full by the <i>client</i> ; and which ceases to be a <i>safe custody investment</i> when the <i>firm</i> has disposed of it in accordance with a valid instruction.</p>
<p>safeguarding and administering investments FCA PRA</p>	<p>the <i>regulated activity</i> , specified in article 40 of the <i>Regulated Activities Order</i> (Safeguarding and administering investments), which is in summary: the safeguarding of assets belonging to another and the administration of those assets, or arranging for one or more other <i>persons</i> to carry on that activity, where: (a) the assets consist of or include any <i>security</i> or <i>contractually based investment</i> (that is, any designated investment, <i>funeral plan contract</i> or right to or interest in a <i>funeral plan contract</i>); or (b) the arrangements for their safeguarding and administration are such that the assets may consist of or include <i>designated investments</i>, and either the assets have at any time since 1 June 1997 done so, or the arrangements have at any time (whether before or after that date) been held out as ones under which <i>designated investments</i> would be safeguarded and administered.</p>
<p>safeguarding and administration of assets (without arranging) FCA PRA</p>	<p>that part of <i>safeguarding and administering investments</i> which consists of both: (a) the safeguarding of assets belonging to another; and (b) the administration of those assets.</p>
<p>sale FCA PRA</p>	<p>(in <i>COLL</i>) (in relation to <i>units</i> in an <i>authorised fund</i>) the sale of <i>units</i> by the <i>authorised fund manager</i> as <i>principal</i>.</p>
<p>sale price FCA PRA</p>	<p>(in <i>COLL</i>) the <i>price</i> payable to the <i>authorised fund manager</i> for each <i>unit</i> it <i>sells</i> to a <i>unitholder</i>, calculated in accordance with ■ <i>COLL 6.3</i> (Valuation and pricing).</p>
<p>sale shortfall FCA PRA</p>	<p>the outstanding amount due to the <i>home finance provider</i> , under a <i>home finance transaction</i> , following the sale of the property that is its subject.</p>
<p>same stage of capital FCA PRA</p>	<p>(with respect to a particular item of capital in the <i>capital resources table</i>) the stage in the <i>capital resources table</i> in which that item of capital appears.</p>
<p>schedule FCA PRA</p>	<p>(in <i>Part 6 rules</i>) (as defined in the <i>PD Regulation</i>) a list of minimum information requirements adapted to the particular nature of the different types of <i>issuers</i> and/or the different <i>securities</i> involved.</p>
<p>scheme</p>	<p>(1) (except in <i>COBS</i>, <i>CASS</i> and <i>SUP</i>) a <i>collective investment scheme</i>.</p>

FCA PRA

(2) (in COBS, CASS and SUP)

- (a) a *regulated collective investment scheme* ;
- (b) an *investment trust* where the relevant *shares* have been , or will be, acquired through an *investment trust savings scheme* ;
- (c) an *investment trust* , if:
 - (i) the relevant *shares* will be held in a *wrapper* or *personal pension scheme*; and
 - (ii) the trust and the *wrapper* or *personal pension scheme* will be promoted together;
- (d) (in COBS 18.5) in addition to (a), (b) and (c), an *unregulated collective investment scheme*.

scheme holding

FCA PRA

a holding of:

- (a) *units* in a *collective investment scheme* ; or
- (b) *shares* in an *investment trust savings scheme*.

scheme management activity

FCA PRA

the management by an *operator* of the property held for or within the *scheme* of which it is the *operator*, excluding the receiving and holding of *client money* and *safeguarding and administering investments*.

scheme of arrangement

FCA PRA

(in COLL) an arrangement relating to an *authorised fund* ("transferor fund") or to a *sub-fund* of a *scheme* that is an *umbrella* ("transferor *sub-fund*") under which:

- (a) either:
 - (i) all or part of the property of the transferor fund, or all or part of the property attributed to the transferor *sub-fund*, is to become the property of one or more *regulated collective investment schemes* ("transferee *schemes*"); or
 - (ii) all or part of the property attributed to the transferor *sub-fund* is to become part of the property attributed to one or more other *sub-funds* of the same *umbrella* ("transferee *sub-funds*"); and
- (b) holders of *units* in the transferor fund or transferor *sub-fund*, the property of which is being transferred or reattributed under (a), are to receive, in exchange for their respective interests in that property, either:
 - (i) *units* in the transferee *scheme* or one or more of the transferee *schemes*, to which the property is transferred; or
 - (ii) *units* in the transferee *sub-fund* or one or more of the transferee *sub-funds*, to which the property is reattributed.

This arrangement includes an arrangement that constitutes a *domestic UCITS merger* or a *cross-border UCITS merger*.

scheme of operations

FCA PRA

a scheme which:

- (a) describes the nature of the risks which the *insurer* is underwriting, or intends to underwrite, and the guiding principles which it intends to follow in reinsuring or covering those risks; and
- (b) contains the information required under ■ SUP App 2.12.1 R (Content of a scheme of operations).

<p><i>scheme particulars</i> FCA PRA</p>	<p>a <i>document</i> containing information about a <i>regulated collective investment scheme</i>.</p>
<p><i>scheme pension</i> FCA PRA</p>	<p>a <i>scheme pension</i>, as defined in paragraph 2 of Schedule 28 to the Finance Act 2004, which is in summary a pension payable until a pension scheme member's death, or until the later of the member's death and the end of a term not exceeding 10 years.</p>
<p><i>scheme property</i> FCA PRA</p>	<p>(a) (in relation to an <i>ICVC</i>) the property subject to the <i>collective investment scheme</i> constituted by it;</p> <p>(b) (in relation to an <i>AUT</i> or <i>ACS</i>) the <i>capital property</i> and the <i>income property</i>.</p>
<p><i>scheme report</i> FCA PRA</p>	<p>(in ■ SUP 18) the report on the terms of an <i>insurance business transfer scheme</i> required by section 109 of the <i>Act</i> (Scheme reports).</p>
<p><i>scientific research based company</i> FCA PRA</p>	<p>(in <i>LR</i>) a <i>company</i> primarily involved in the laboratory research and development of chemical or biological products or processes or any other similar innovative science based company.</p>
<p><i>scope of advice, scope</i> FCA PRA</p>	<p>the basis on which <i>personal recommendations</i> on <i>packaged products</i> is given by a <i>firm</i>, that is, one of the following:</p> <ol style="list-style-type: none"> (1) the whole market (or the whole of a named sector of the market); or (2) a limited number of <i>product providers</i>; or (3) a single <i>company</i> or single group of <i>companies</i>. <p>References to a <i>firm's</i> scope of <i>personal recommendations</i> of <i>packaged products</i> include, where the context requires, a reference to the scope of <i>personal recommendations</i> of the <i>firm's</i> <i>appointed representatives</i> or, where applicable, <i>tier agent</i>.</p>
<p><i>scope of basic advice</i> FCA PRA</p>	<p>the basis on which a <i>firm</i> gives <i>basic advice</i> on <i>stakeholder products</i>, that is, with reference to the <i>stakeholder products</i> of one, or more than one, <i>stakeholder product</i> provider.</p>
<p><i>SCV implementation report</i> FCA PRA</p>	<p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.6 R explaining how the relevant <i>firm</i> has satisfied the <i>PRA's</i> <i>SCV requirements</i> .</p>
<p><i>SCV report</i> FCA PRA</p>	<p>(in <i>COMP</i>) a report in accordance with ■ COMP 17.3.9 R from the relevant <i>firm's</i> board of directors confirming that the <i>firm's</i> <i>SCV system</i> satisfies the <i>PRA's</i> <i>SCV requirements</i>.</p>
<p><i>SCV system</i> FCA PRA</p>	<p>(in <i>COMP</i>) a <i>firm's</i> system for satisfying the <i>PRA's</i> <i>SCV requirements</i> .</p>
<p><i>SDL</i> FCA PRA</p>	<p>(in <i>BSOCS</i>) the total of share and deposit liabilities, excluding amounts that qualify as <i>own funds</i> but including accrued interest not yet payable.</p>

SDRT provision

FCA **PRA**

a *charge* of such amount or at such rate as is determined by the *authorised fund manager* to be made as a provision for stamp duty reserve tax for which the ICVC may become liable under the Stamp Duty and Stamp Duty Reserve Tax (Open-Ended Investment Companies)(Amendment No.2) Regulations 2000 or the *trustee* may become liable under Schedule 19 to the Finance Act 1999 in respect of a surrender of *units* to the *authorised fund manager*.

Second Life Directive

FCA **PRA**

the Council Directive of 8 November 1990 on the coordination of laws, etc and laying down provisions relating to facilitate the effective exercise of freedom to provide services and amending Directive 79/267/EEC (No 90/619/EEC).

Second Non-Life Directive

FCA **PRA**

the Council Directive of 22 June 1988 on the coordination of laws, etc and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC (No 88/357/EEC).

secondary material

FCA **PRA**

(as more fully described in section 394 of the *Act* (Access to FCA or PRA material)) material, other than that which the *appropriate regulator* relied on in reaching its decision, which:

- (a) the *appropriate regulator* considered in reaching its decision; or
- (b) the *appropriate regulator* obtained in connection with, that is, in the investigation of, the matter in question.

secondary pooling event

FCA **PRA**

- (1) [deleted]
- (2) (in **■ CASS 5**) an event that occurs in the circumstances described in **■ CASS 5.6.14 R** (Failure of a bank, other broker or settlement agent: secondary pooling events).
- (3) (in **■ CASS 7** and **■ CASS 7A**) an event that occurs in the circumstances described in **■ CASS 7A.3.1R** (Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events).

section 178 notice

FCA **PRA**

(in accordance with section 178(3) of the *Act*) a notice given to the *appropriate regulator* under section 178 of the *Act*.

section 43 capital requirements

FCA **PRA**

the financial supervision requirements of the *FSA* for the purposes of the listing arrangements made under section 43 of the Financial Services Act 1986.

sectoral rules

FCA **PRA**

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

- (a) (for the purposes of **■ GENPRU 3.1.12 R** (Definition of financial conglomerate: Solvency requirement)) *EEA prudential sectoral legislation* for that *financial sector* together with as appropriate the rules and requirements in (c); or
- (b) (for the purpose of calculating *solo capital resources*, a *solo capital resources requirement* and *regulatory surplus value*):
 - (i) (to the extent provided for in paragraphs 6.4 to 6.6 of **■ GENPRU 3 Annex 1R**) rules and requirements that are referred to in those paragraphs; and

- (ii) the rules and requirements in (c); or
- (c) (for all other purposes) rules and requirements of the *appropriate regulator* ;

and so that:

- (d) (in relation to prudential rules about consolidated supervision for any *financial sector*) those requirements include ones relating to the form and extent of consolidation;
- (e) (in relation to any *financial sector*) those requirements include ones relating to the eligibility of different types of capital;
- (f) (in relation to any *financial sector*) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis;
- (g) (in relation to the *insurance sector*) references in this definition to consolidated supervision are to supplementary supervision, similar expressions being interpreted accordingly; and
- (h) references to the *appropriate regulator's sectoral rules* are to *sectoral rules* in the form of *rules* .

secured debt

FCA PRA

a debt fully secured on:

- (a) assets whose value at least equals the amount of debt; or
- (b) a letter of credit or guarantee from an *approved counterparty*.

secured lending

FCA PRA

lending where the *mortgage lender* takes security on land for the loan provided to the *customer*.

secured lending transaction

FCA PRA

(in accordance with point 2 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Eligibility of credit risk mitigation)) any transaction giving rise to an *exposure* secured by collateral which does not include a provision conferring upon the *person* with the *exposure* the right to receive margin frequently.

securities and futures firm

FCA PRA

(subject to ■ BIPRU TP 1 (Revised definition of securities and futures firm for certain transitional purposes)) a *firm* whose *permitted activities* include *designated investment business* or *bidding in emissions auctions* , which is not an *authorised professional firm*, *bank*, *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*), *building society*, *collective portfolio management firm*, *credit union*, *friendly society*, *ICVC*, *insurer*, *media firm*, *service company*, *incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*) or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e) , (f), (g) or (h):

- (a) a *firm* (other than one falling within (d)):
 - (i) which was a member of *SFA* immediately before *commencement*; and
 - (ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *IMRO* (under lead regulation arrangements);
- (b) a *firm* whose *permission* includes a *requirement* that it comply with ■ IPRU(INV) 3 (Securities and futures firms);
- (c) a *firm*:

(i) which was given a *Part 4A permission* after commencement, or which was authorised under section 25 of the Financial Services Act 1986 immediately before commencement and not a member of IMRO, PIA or SFA; and

(ii) for which the most substantial part of its gross income (including *commissions*) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after commencement, on the business plan submitted as part of the *firm's* application for permission or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's financial year* preceding its *authorisation* under the Act):

(A) an activity carried on as a member of an exchange;

(B) making a market in *securities* or *derivatives*;

(C) *corporate finance business*;

(D) *dealing* (excluding, in the case of a *home finance provider, dealing as principal* in *contractually based investments* where this *activity* is carried out for risk management purposes and would have been excluded under article 16 of the *Regulated Activities Order* if the *firm* were an *unauthorised person* or under article 19 of the *Regulated Activities Order*), *arranging (bringing about) deals in investments* or *making arrangements with a view to transactions in investments*, in *securities* or *derivatives*;

(E) the provision of clearing services as a *clearing firm*;

(F) *managing investments*, where those *investments* are primarily *derivatives*;

(G) activities relating to *spread bets*;

(d) a *firm* that is:

(i) an *ex-section 43 firm* which was not authorised under the Financial Services Act 1986 immediately before commencement; or

(ii) an *ex-section 43 lead regulated firm*;

(e) an *energy market participant*;

(f) an *oil market participant* ;

(g) an *exempt BIPRU commodities firm*;

(h) a *firm* that is exempt from MiFID under article 2(1)(i) whose *permitted activities* include *bidding in emissions auctions*.

securities derivative

FCA PRA

a *derivative instrument admitted to trading* on a *regulated market* or *prescribed market*, the value of which is dependent on an underlying equity or debt instrument or index/basket of equity or debt instruments.

securities financing transaction

FCA PRA

(1) (in COBS, in CASS) an instance of stock lending or stock borrowing or the lending or borrowing of other *financial instruments*, a repurchase or reverse repurchase transaction, or a buy-sell back or sell-buy back transaction.

[Note: article 2(10) of the *MiFID Regulation*]

(2) (in any other case) any of the following:

securities issued in a continuous and repeated manner

FCA PRA

- (a) a *repurchase transaction*; or
- (b) a *securities or commodities lending or borrowing transaction*; or
- (c) a *margin lending transaction*.

(in PR) (as defined in Article 2.1(l) of the *prospectus directive*) issues on tap or at least two separate issues of securities of a similar type and/or class over a period of 12 months.

securities note

FCA PRA

(in Part 6 rules) a securities note referred to in ■ PR 2.2.2 R.

securities or commodities borrowing

FCA PRA

see *securities or commodities lending or borrowing transaction*.

securities or commodities lending

FCA PRA

see *securities or commodities lending or borrowing transaction*.

securities or commodities lending or borrowing transaction

FCA PRA

(in accordance with Article 4(34) of the *Banking Consolidation Directive* and Article 3(1)(n) of the *Capital Adequacy Directive* (Definitions)) any transaction in which an *undertaking* or its counterparty transfers securities or *commodities* against appropriate collateral subject to a commitment that the borrower will return equivalent securities or *commodities* at some future date or when requested to do so by the transferor, that transaction being *securities or commodities lending* for the *undertaking* transferring the securities or *commodities* and being *securities or commodities borrowing* for the *undertaking* to which they are transferred.

securities PRR

FCA PRA

the *interest rate PRR*, the *equity PRR*, the *option PRR* (but only in relation to *positions* which under ■ BIPRU 7.6.5 R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other *PRR* charges listed in this definition or which would be subject to such a *PRR* charge if ■ BIPRU 7.6.5 R did not require an *option PRR* to be calculated), the *CIU PRR* and the *PRR* calculated under ■ BIPRU 7.11 (Credit derivatives in the trading book) and so that:

- (a) the *securities PRR* includes any *PRR charge* calculated under a *CAD 1 permission*; and
- (b) the *securities PRR* does not include any *PRR charge* calculated under a *VaR model permission* unless the provision in question provides otherwise.

securitisation

FCA PRA

(1) (subject to (2)) a process by which assets are sold to a bankruptcy-remote *special purpose vehicle* in return for immediate cash payment and that vehicle raises the immediate cash payment through the issue of debt securities in the form of tradable notes or commercial paper.

(2) (in accordance with Article 4(36) of the *Banking Consolidation Directive* (Definitions) and in *BIPRU*) a transaction or scheme whereby the credit

securitisation position

FCA PRA

risk associated with an *exposure* or pool of *exposures* is *tranching* having the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the *exposure* or pool of *exposures*; and
- (b) the subordination of *tranches* determines the distribution of *losses* during the ongoing life of the transaction or scheme.

(in accordance with Article 4(40) (Definitions) and Article 96 (Securitisation) of the *Banking Consolidation Directive*) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation; and so that:

- (a) where there is an *exposure* to different *tranches* in a *securitisation*, the *exposure* to each *tranche* must be considered as a separate *securitisation position*;
- (b) the providers of credit protection to *securitisation positions* must be considered to hold positions in the *securitisation*; and
- (c) *securitisation positions* include *exposures* to a *securitisation* arising from interest rate or currency derivative contracts.

securitisation special purpose entity

FCA PRA

(in accordance with Article 4(44) of the *Banking Consolidation Directive* (Definitions)) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of securitisation), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

securitised derivative

FCA PRA

an *option* or *contract for differences* which, in either case, is listed under ■ LR 19 of the listing rules (including such an *option* or *contract for differences* which is also a *debenture*).

securitised exposure

FCA PRA

an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.

security

FCA PRA

(1) (except in LR) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)) any of the following *investments* specified in that Order:

- (a) *share* (article 76);
- (b) *debenture* (article 77);
- (ba) *alternative debenture* (article 77A);
- (c) *government and public security* (article 78);
- (d) *warrant* (article 79);
- (e) *certificate representing certain securities* (article 80);
- (f) *unit* (article 81);
- (g) *stakeholder pension scheme* (article 82 (1));
- (ga) *personal pension scheme* (article 82(2));
- (h) *rights to or interests in investments* in (a) to (g) (article 89).

(2) (in LR) (in accordance with section 102A of the *Act*) anything which has been, or may be admitted to the *official list*.

<p><i>security-based CTF</i></p> <p>FCA PRA</p>	<p>a <i>CTF</i>, other than a <i>stakeholder CTF</i>, which is not limited to <i>deposit</i> based investment.</p>
<p><i>segregated client</i></p> <p>FCA PRA</p>	<p>a <i>client</i> whose <i>money</i> must be segregated by the <i>firm</i> under ■ CASS 4.3.3 R (Segregation).</p>
<p><i>self-invested personal pension scheme</i></p> <p>FCA PRA</p>	<p>an arrangement which forms all or part of a <i>personal pension scheme</i>, which gives the member the power to direct how some or all of the member's contributions are invested.</p>
<p><i>sell</i></p> <p>FCA PRA</p>	<p>(in accordance with article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) (in relation to any <i>investment</i>) sell in any way, including disposing of the <i>investment</i> for valuable consideration; in this definition, "disposing" includes:</p> <ul style="list-style-type: none"> (a) (in relation to an <i>investment</i> consisting of rights under a contract): <ul style="list-style-type: none"> (i) surrendering, assigning or converting those rights; or (ii) assuming the corresponding liabilities under the contract; (b) (in relation to an <i>investment</i> consisting of rights under other arrangements) assuming the corresponding liabilities under the arrangements; and (c) (except in <i>COLL</i>) (in relation to any other <i>investment</i>) issuing or creating the <i>investment</i> or granting the rights or interests of which it consists.
<p><i>sending dematerialised instructions</i></p> <p>FCA PRA</p>	<p>the <i>regulated activity</i>, specified in article 45(1) of the <i>Regulated Activities Order</i>, of sending, on behalf of another <i>person</i>, dematerialised instructions relating to a <i>security</i>, where those instructions are sent by means of a relevant system in respect of which an operator is approved under the 2001 Regulations; in this definition:</p> <ul style="list-style-type: none"> (a) "the 2001 Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755); (b) "dematerialised instruction" and "operator" have the meaning given by regulation 3 of the 2001 Regulations.
<p><i>senior management</i></p> <p>FCA PRA</p>	<p>(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a <i>firm</i>) the <i>firm's governing body</i> and those of the <i>firm's senior managers</i> and other senior management who have responsibilities relating to the measurement and control of the risks which the <i>firm's VaR model</i> is designed to measure or whose responsibilities require them to take into account those risks.</p>
<p><i>senior manager</i></p> <p>FCA PRA</p>	<p>an individual other than a <i>director</i>:</p> <ul style="list-style-type: none"> (a) who is employed by: <ul style="list-style-type: none"> (i) a <i>firm</i>; or (ii) a <i>body corporate</i> within a <i>group</i> of which the <i>firm</i> is a member; (b) to whom the <i>governing body</i> of the <i>firm</i>, or a member of the <i>governing body</i> of the <i>firm</i>, has given responsibility, either alone or jointly with others, for management and supervision; (c) who, if the individual is employed by the <i>firm</i>, reports directly to: <ul style="list-style-type: none"> (i) the <i>governing body</i>; or

<p style="margin: 0;"><i>senior personnel</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(ii) a member of the <i>governing body</i>; or</p> <p style="margin: 0;">(iii) the <i>chief executive</i>; or</p> <p style="margin: 0;">(iv) the head of a significant business unit; and</p> <p style="margin: 0;">(d) who, if the individual is employed by a <i>body corporate</i> within the <i>group</i>, reports directly to a <i>person</i> who is the equivalent of a body or <i>person</i> referred to in (c).</p> <p style="margin: 0;">(1) those <i>persons</i> who effectively direct the business of the <i>firm</i>, which could include a <i>firm's governing body</i> and other <i>persons</i> who effectively direct the business of the <i>firm</i>.</p> <p style="margin: 0;">(2) (in relation to a <i>management company</i> and in accordance with article 3(4) of the <i>UCITS implementing Directive</i>) the <i>person</i> or <i>persons</i> who effectively conduct the business of the <i>management company</i>.</p>
<p style="margin: 0;"><i>senior staff committee</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(inDEPP and EG) a committee consisting of senior <i>FCA</i> staff members that is empowered to make <i>statutory notice decisions</i> and <i>statutory notice associated decisions</i> by <i>executive procedures</i>.</p>
<p style="margin: 0;"><i>series of transactions</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">a series of transactions <i>executed</i> with a view to achieving one investment decision or objective.</p>
<p style="margin: 0;"><i>SERV</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">the Handbook Guide for service companies.</p>
<p style="margin: 0;"><i>service company</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">a <i>firm</i> whose only <i>permitted activities</i> are <i>making arrangements with a view to transactions in investments</i>, and <i>agreeing to carry on that regulated activity</i>, and whose <i>Part 4A permission</i> :</p> <p style="margin: 0;">(a) incorporates a <i>limitation</i> substantially to the effect that the <i>firm</i> carry on <i>regulated activities</i> only with <i>market counterparties</i> or <i>intermediate customers</i>; and</p> <p style="margin: 0;">(b) includes <i>requirements</i> substantially to the effect that the <i>firm</i> must not:</p> <p style="margin: 0;"> (i) guarantee, or otherwise accept responsibility for, the performance, by a participant in arrangements made by the <i>firm</i> in carrying on <i>regulated activities</i>, of obligations undertaken by that participant in connection with those arrangements; or</p> <p style="margin: 0;"> (ii) <i>approve</i> any <i>financial promotion</i> on behalf of any other <i>person</i> or any specified class of <i>persons</i>; or</p> <p style="margin: 0;"> (iii) in carrying on its <i>regulated activities</i>, provide services otherwise than in accordance with <i>documents</i> (of a kind specified in the <i>requirement</i>) provided by the <i>firm</i> to the <i>FCA</i>.</p>
<p style="margin: 0;"><i>service conditions</i></p> <p style="margin: 0;">FCA PRA</p>	<p style="margin: 0;">(in accordance with paragraph 14 of Schedule 3 to the <i>Act</i> (EEA Passport Rights)) the conditions that:</p> <p style="margin: 0;">(a) the <i>firm</i> has given its <i>Home State regulator</i> notice of its intent to provide services in the <i>United Kingdom</i>;</p> <p style="margin: 0;">(b) if the <i>firm</i> falls within paragraph (a), (d), (e) or (f) in the definition of "<i>EEA firm</i>", the <i>FCA</i> or the <i>PRA</i> (as the case may be) has received notice from the <i>firm's Home State regulator</i> containing such information as may be prescribed;</p>

<p><i>services and costs disclosure document</i></p> <p>FCA PRA</p>	<p>(c) if the <i>firm</i> falls within paragraph (d) of that definition, its <i>Home State regulator</i> has informed it that the regulator's notice has been sent to the <i>FCA</i> or the <i>PRA</i> (as the case may be) ; and</p> <p>(d) if the <i>firm</i> falls within paragraph (e) of that definition, one <i>month</i> has elapsed beginning with the date on which the <i>firm's Home State regulator</i> informed the <i>firm</i> that it had sent the regulator's notice to the <i>FCA</i> or the <i>PRA</i> (as the case may be).</p>
<p><i>SETS</i></p> <p>FCA PRA</p>	<p>information about the breadth of advice or <i>scope of basic advice</i> and the nature and costs of the services offered by a <i>firm</i> as described in ■ COBS 6.3.7 G, which contains the keyfacts logo, headings and text described in ■ COBS 6 Annex 1 G.</p> <p>the Stock Exchange Electronic Trading Service.</p>
<p><i>settlement agent</i></p> <p>FCA PRA</p>	<p>a <i>person</i> with or through whom the <i>firm</i> effects settlement of <i>UK</i> -settled or foreign-settled transactions.</p>
<p><i>settlement decision makers</i></p> <p>FCA PRA</p>	<p>(in <i>DEPP</i> and <i>EG</i>) two members of the <i>FCA's</i> senior management, one of whom will be of at least director of division level (which may include an acting director) and the other of whom will be of at least head of department level, with responsibility for deciding whether to give <i>statutory notices</i> in the circumstances described in ■ <i>DEPP</i> 5. At least one of the decision makers will not be from the Enforcement and Financial Crime Division.</p>
<p><i>settlement decision procedure</i></p> <p>FCA PRA</p>	<p>(in <i>DEPP</i>) the procedure for the making of <i>statutory notice decisions</i> in the circumstances described in ■ <i>DEPP</i> 5 .</p>
<p><i>settlement discount scheme</i></p> <p>FCA PRA</p>	<p>(in <i>DEPP</i> and <i>EG</i>) the scheme described in ■ <i>DEPP</i> 6.7 by which the financial penalty that might otherwise be payable, or the length of the period of suspension or restriction that might otherwise be imposed, in respect of a <i>person's</i> misconduct or contravention may be reduced to reflect the timing of any settlement agreement.</p>
<p><i>Settlement Finality Directive</i></p> <p>FCA</p>	<p>Directive 98/26/EC of the European Parliament and of the Council of 19 May 1998 on settlement finality in payment and securities settlement systems.</p>
<p><i>settlement price</i></p> <p>FCA PRA</p>	<p>(in <i>LR</i>) (in relation to <i>securitised derivatives</i>), the reference price or prices of the <i>underlying instrument</i> or instruments stipulated by the <i>issuer</i> for the purposes of calculating its obligations to the holder.</p>
<p><i>Seventh Company Law Directive</i></p> <p>FCA PRA</p>	<p>the Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC).</p>

<p><i>SFA</i> FCA PRA</p>	<p>the Securities and Futures Authority Limited.</p>
<p><i>SFA Complaints Bureau</i> FCA PRA</p>	<p>the first stage of the <i>SFA scheme</i>, which aimed to resolve complaints by conciliation.</p>
<p><i>SFA Consumer Arbitration Scheme</i> FCA PRA</p>	<p>the second stage of the <i>SFA scheme</i>, which determined complaints by means of arbitration.</p>
<p><i>SFA scheme</i> FCA PRA</p>	<p>the <i>former scheme</i> (including the <i>SFA Complaints Bureau</i> and the <i>SFA Consumer Arbitration Scheme</i>) set up by the <i>SFA</i> to handle complaints against members of the <i>SFA</i> under the Financial Services Act 1986.</p>
<p><i>SFT</i> FCA PRA</p>	<p><i>securities financing transaction</i>.</p>
<p><i>shadow director</i> FCA PRA</p>	<p>(in <i>LR</i>) as in sub-paragraph (b) of the definition of director in section 417(1) of the <i>Act</i>.</p>
<p><i>share</i> FCA PRA</p>	<p>(1) (except in <i>COLL</i>, <i>LR</i>, <i>DTR</i>, <i>REC</i>, <i>SUP 11</i> (Controllers and close links) and <i>SUP 16</i> (Reporting requirements)) the <i>investment</i>, specified in article 76 of the <i>Regulated Activities Order</i> (Shares etc), which is in summary: a share or stock in the share capital of:</p> <ul style="list-style-type: none"> (a) any <i>body corporate</i> (wherever incorporated); (b) any unincorporated body constituted under the law of a country or territory outside the <i>United Kingdom</i>. <p>(2) (in <i>COLL</i>):</p> <ul style="list-style-type: none"> (a) (in relation to an <i>ICVC</i>) a <i>share</i> in the <i>ICVC</i> (including both <i>smaller denomination shares</i> and <i>larger denomination shares</i>); (b) (otherwise) an <i>investment</i> within (1). <p>(3) (in <i>DTR</i> and <i>LR</i>, and in <i>FEES</i> where relevant to <i>DTR</i> or <i>LR</i>) (in accordance with section 540(1) of the Companies Act 2006) a share in the share capital of a <i>company</i>, and includes:</p> <ul style="list-style-type: none"> (a) stock (except where a distinction between shares and stock is express or implied); (b) <i>preference shares</i>; and (c) in chapters 4, 5, 6 and 7 of <i>DTR</i> a convertible share. <p>(4) (in <i>REC</i>) shares admitted to trading on a <i>regulated market</i>.</p> <p>(5) (in <i>SUP 11</i> (Controllers and close links) and <i>SUP 16</i> (Reporting requirements)) (in accordance with section 422 of the <i>Act</i>):</p> <ul style="list-style-type: none"> (a) in relation to an <i>undertaking</i> with share capital, allotted shares;

(b) in relation to an *undertaking* with capital but no share capital, rights to share in the capital of the *undertaking*;

(c) in relation to an *undertaking* without capital, interests:

(i) conferring any right to share in the profits, or liability to contribute to the losses, of the *undertaking*; or

(ii) giving rise to an obligation to contribute to the debts or expenses of the *undertaking* in the event of a winding up.

shared appreciation mortgage

FCA PRA

a *regulated mortgage contract*, a condition of which is that the *mortgage lender* will receive a share in any increase in value in the mortgaged property when the *customer* either sells the property or terminates the contract including a contract where, if there is a reduction in value, the *customer* is required to pay the *mortgage lender* all or part of the shortfall.

shareholder

FCA PRA

(1) (in relation to an *ICVC*):

(a) (in relation to a *share* that is represented by a *bearer certificate*) the *person* who holds the certificate;

(b) (in relation to a *share* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *share*.

(2) (in relation to chapters 5 [] of *DTR*) any natural person or legal entity governed by private or public law, who holds directly or indirectly:

(a) *shares* of the *issuer* in its own name and on its own account;

(b) *shares* of the *issuer* in its own name, but on behalf of another natural person or legal entity;

(c) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying *shares* represented by the depository receipts.

ships

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 6 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), upon vessels used on the sea or on inland water, or upon the machinery, tackle, furniture or equipment of such vessels.

short selling regulation

regulation (EU) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps.

shortfall

FCA PRA

(1) (in relation to cancellation of an *investment agreement*) the amount a *firm* is entitled to charge a *customer* for the market loss in accordance with ■ COBS 15.4.3 R.

(2) (in relation to *client money*) the amount by which the *client money* in a *client bank account* is insufficient to satisfy the claims of *clients* in respect of that *money*, or not immediately available to satisfy such claims.

short-term annuity

FCA PRA

(as defined in paragraph 6 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, an annuity payable to the member if:

(a) it is purchased by the application of sums or assets representing the whole or any part of the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement;

(b) it is payable by an insurance company;

(c) the member had an opportunity to select an insurance company;

(d) it is payable for a term which does not exceed five years ; and

<p><i>short-term money market fund</i> FCA PRA</p>	<p>(e) it is either a level annuity, an increasing annuity or a relevant linked annuity.</p> <p>an <i>authorised fund</i> or, in the case of an <i>umbrella</i>, a <i>sub-fund</i> (if it were a separate fund) which satisfies the conditions in ■ COLL 5.9.3 R (Investment conditions: short-term money market funds) and is not a <i>qualifying money market fund</i>.</p>
<p><i>sickness</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 2 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing fixed pecuniary benefits or benefits in the nature of indemnity (or a combination of both) against risks of loss to the <i>persons</i> insured attributable to sickness or infirmity, but excluding contracts within paragraph IV of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Permanent health).</p>
<p><i>sickness or distressed circumstances contract</i> FCA PRA</p>	<p>any contract in accordance with which benefits are provided for the relief or maintenance of any <i>person</i> during sickness or when in distressed circumstances.</p>
<p>SIFA</p>	<p>[deleted]</p>
<p><i>significant distribution</i> FCA PRA</p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) an initial or secondary <i>offer of relevant securities</i>, publicly announced and distinct from ordinary trading both in terms of the amount in value of the <i>securities</i> offered and the selling methods employed.</p>
<p><i>significant management function</i> FCA PRA</p>	<p>(in the <i>FCA Handbook</i>) <i>FCA controlled functions</i> CF29 in Parts 1 and 2 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.9.9 R.</p>
<p><i>significant-influence function</i> FCA PRA</p>	<p>(in accordance with section 59(7B) of the <i>Act</i> and in relation to the carrying on of a <i>regulated activity</i> by an <i>authorised person</i>) a function that is likely to enable the <i>person</i> responsible for its performance to exercise a significant influence on the conduct of the <i>authorised person's</i> affairs, so far as relating to the activity.</p>
<p><i>simple capital issuer</i> FCA PRA</p>	<p>a <i>BIPRU firm</i> that meets the following conditions:</p> <ul style="list-style-type: none"> (a) it does not raise capital through a special purpose vehicle; (b) it only includes non-convertible and non-exchangeable <i>capital instruments</i> in its <i>capital resources</i>; (c) (if it includes <i>capital instruments</i> in its <i>capital resources</i> on which <i>coupons</i> are payable) such <i>coupons</i> are not subject to a <i>step-up</i>; (d) it only includes <i>capital instruments</i> in its <i>tier one capital resources</i> consisting of ordinary <i>shares</i>, <i>PIBS</i>, perpetual non-cumulative preference <i>shares</i> or partnership or <i>limited liability partnership</i> capital accounts; (e) it only includes non-redeemable <i>capital instruments</i> in its <i>tier one capital resources</i>; and

<p><i>simplified buffer requirement</i></p> <p>FCA PRA</p>	<p>(f) (if it includes <i>capital instruments</i> in its <i>tier one capital resources</i> on which <i>coupons</i> are payable) such coupons are non-cumulative, non-mandatory and in cash.</p> <p>BIPRU 12.6.9R.</p>
<p><i>simplified equity method</i></p> <p>FCA PRA</p>	<p>the method of calculating the <i>equity PRR</i> set out in ■ BIPRU 7.3.29 R (Simplified equity method).</p>
<p><i>simplified ILAS</i></p> <p>FCA PRA</p>	<p>the approach to the calculation of the liquid assets buffer of a <i>simplified ILAS BIPRU firm</i> described in BIPRU 12.6.</p>
<p><i>simplified ILAS BIPRU firm</i></p> <p>FCA PRA</p>	<p>an <i>ILAS BIPRU firm</i> that, in accordance with the procedures in ■ BIPRU 12 (Liquidity), is using the <i>simplified ILAS</i>.</p>
<p><i>simplified ILAS waiver</i></p> <p>FCA PRA</p>	<p>a waiver permitting an <i>ILAS BIPRU firm</i> to operate <i>simplified ILAS</i>.</p>
<p><i>simplified prospectus</i></p> <p>FCA PRA</p>	<p>a marketing <i>document</i> containing information about a <i>simplified prospectus scheme</i>, which complies with COLL 4.6.2R (Production and publication of simplified prospectus) and COLL 4.6.8R (Table: Contents of the simplified prospectus).</p>
<p><i>simplified prospectus scheme</i></p> <p>FCA PRA</p>	<p>a <i>key features scheme</i> in respect of which a <i>simplified prospectus</i> has been, or will be, produced instead of a <i>key features document</i> (see ■ COBS 13.1.3 R (2)).</p>
<p><i>single customer view</i></p> <p>FCA PRA</p>	<p>(in COMP) a single, consistent view of an <i>eligible claimant's</i> aggregate <i>protected deposits</i> with the relevant <i>firm</i> which contains the information required by ■ COMP 17.2.4 R, but excluding from that view those accounts where the <i>eligible claimant</i> is a beneficiary rather than the account holder or if the account is not active as defined in ■ COMP 17.2.3 R (2).</p>
<p>Single Market Directives</p> <p>FCA PRA</p>	<p>(a) the <i>Banking Consolidation Directive</i>;</p> <p>(b) the Insurance Directives (within the meaning of paragraph 1 of Schedule 3 to the Act) ;</p> <p>(ba) the <i>Reinsurance Directive</i>;</p> <p>(c) <i>MiFID</i>;</p> <p>(d) the <i>Insurance Mediation Directive</i>;</p> <p>(e) the <i>UCITS Directive</i> ; and</p>

*single-priced
AUT*

FCA **PRA**

(f) AIFMD.

*single-priced
authorised
fund*

FCA **PRA**

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate *fund*), for the *units* of which there is only one *price* applicable by reference to a *valuation point*.

SIPP

FCA **PRA**

a *self-invested personal pension scheme*.

skilled person

FCA **PRA**

a *person* appointed to make a report required by section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act for provision to the *appropriate regulator* and who must be a person:

- (a) nominated, approved or appointed by the *appropriate regulator*; and
- (b) appearing to the *appropriate regulator* to have the skills necessary to make a report on the matter concerned.

SLRP

FCA **PRA**

the *Supervisory Liquidity Review Process*.

small AIFM

FCA **PRA**

an *AIFM* which meets the conditions in regulation 9 (meaning of "small AIFM") of the *AIFMD UK regulation*.

*small and
medium-sized
enterprise*

FCA **PRA**

(in *PR*) (as defined in Article 2.1(f) of the *prospectus directive*) companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding €43,000,000 and an annual net turnover not exceeding €50,000,000.

*small
authorised UK
AIFM*

FCA **PRA**

a *UK AIFM* which:

- (a) is a *small AIFM*; and
- (b) has not opted in to *AIFMD* in accordance with article 3(4) of *AIFMD* to become a *full-scope UK AIFM*.

small business

FCA **PRA**

(in *COMP*) a *partnership*, *body corporate*, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).

*small electronic
money
institution*

FCA **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a person included by the *FCA* in the *Financial Services Register* pursuant to regulation 4(1)(b) of the *Electronic Money Regulations*.

<i>small friendly society function</i>	(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF6 in Part 1 of the <i>table of FCA controlled functions</i> , described more fully in ■ SUP 10A.6.31 R to ■ SUP 10A.6.32 R.
FCA PRA	(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF6 in the <i>table of PRA controlled functions</i> , described more fully in ■ SUP 10B.6.16 R to ■ SUP 10B.6.17 R.
<i>small non-EEA AIFM</i>	a <i>non-EEA AIFM</i> that is a <i>small AIFM</i> .
FCA	
<i>small payment institution</i>	(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a <i>person</i> included by the <i>FCA</i> in the <i>Financial Services Register</i> pursuant to regulation 4(1)(b) of the <i>Payment Services Regulations</i> .
FCA PRA	
<i>small personal investment firm</i>	a <i>personal investment firm</i> : (a) which is not a <i>MiFID investment firm</i> ; (b) whose <i>permission</i> does not include <i>establishing, operating or winding up a personal pension scheme</i> ; (c) which is not a <i>network</i> ; and (d) which has fewer than 26 <i>representatives</i> .
FCA PRA	
<i>small registered UK AIFM</i>	a <i>small AIFM</i> that is registered by the <i>FCA</i> in accordance with regulation 10 of the <i>AIFMD UK regulation</i> .
FCA	
<i>small self-administered scheme</i>	an <i>occupational pension scheme</i> of a kind described in article 4(4) and 4(5) of the <i>Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177)</i> .
FCA PRA	
<i>smaller denomination share</i>	a <i>share</i> to which are attached rights in a smaller denomination as provided by regulation 45 of the <i>OEIC regulations</i> .
FCA PRA	
<i>smallest financial sector</i>	(in relation to a <i>financial sector</i> in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the <i>financial sector</i> with the smallest average referred to in the box titled <i>Threshold Test 2</i> in the <i>financial conglomerate definition decision tree</i> (10% ratio of balance sheet size and solvency requirements), the <i>banking sector</i> and <i>investment services sector</i> being treated as one <i>financial sector</i> in the circumstances set out in ■ GENPRU 3.1 .
FCA PRA	
<i>smoothed linked long term stakeholder product</i>	the <i>stakeholder product</i> specified by regulations 6, 7 and 8 (smoothed linked long term contracts) of the <i>Stakeholder Regulations</i> ;
FCA PRA	

social housing firm

FCA **PRA**

(in **■** MIPRU 4 (Capital resources)) a wholly-owned *subsidiary* of:

- (a) a local authority; or
- (b) a registered social landlord;

which carries on non-profit *regulated activities* in connection with housing.

social insurance

FCA **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph IX of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), of a kind referred to in article 2(3) of the *Consolidated Life Directive* ("operations relating to the length of human life which are prescribed by or provided for in *social insurance* legislation, when they are effected or managed at their own risk by assurance undertakings in accordance with the laws of an *EEA State*").

Society

FCA **PRA**

(1) (except in *BSOCS*) the society incorporated by Lloyd's Act 1871 by the name of Lloyd's.

(2) (in *BSOCS*) a *building society*.

society

FCA **PRA**

(in *BSOCS*) a *building society*.

Society GICR

FCA **PRA**

the *general insurance capital requirement* calculated by the *Society* as if it were an *insurer* under GENPRU 2.3.13R .

Society's regulatory functions

FCA **PRA**

the *Society's* powers, duties or functions in relation to *members* or *underwriting agents* which are or may be exercised for the purposes of supervising or regulating the market at Lloyd's.

sole trader

FCA **PRA**

an individual who is a *firm*.

solicited real time financial promotion

FCA **PRA**

(in accordance with article 8 of the *Financial Promotion Order*) a *real time financial promotion* which is solicited, that is, it is made in the course of a personal visit, telephone call or other interactive dialogue if that call, visit or dialogue:

- (a) was initiated by the recipient of the *financial promotion*; or
- (b) takes place in response to an express request from the recipient of the *financial promotion*.

solo capital resources

FCA **PRA**

(1) (for the purposes of GENPRU 3 and INSPRU 6) capital resources that are or would be eligible as capital under the *sectoral rules* that apply for the purpose of calculating its *solo capital resources requirement*. Paragraph 6.8 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) applies for the purpose of this definition in the same way as it does for the definition of *solo capital resources requirement*.

(2) for the purpose of **■** BIPRU 10 (Large exposures requirements) the definition in (1) is adjusted in accordance with **■** BIPRU 10.8A.10 R (Calculation of capital resources for a core UK group) so that it means *capital resources* calculated in accordance with the *rules* applicable to the category of *BIPRU firm* identified by applying the procedure in **■** BIPRU 8.6.6 R to **■** BIPRU 8.6.9 R (Consolidated capital resources).

solo capital resources requirement

FCA PRA

(1) (for the purpose of GENPRU 3) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R.

(2) (for the purposes of INSPRU 6) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as it would apply if references to *financial conglomerate* in those paragraphs were replaced with references to *insurance group*.

(3) (for the purposes of GENPRU 2.2.214R (Deductions from tiers one and two: Material holdings)) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as those paragraphs apply to the *insurance sector*.

solo consolidation waiver

FCA PRA

a waiver of the type described in ■ BIPRU 2.1 (Solo consolidation).

Solvency 1 Directive

FCA PRA

the Directive of the European Parliament and of the Council of 5 March 2002 amending Council Directive 79/267/EEC as regards the solvency margin requirements for life assurance undertakings (No. 2002/12/EC).

Solvency 2 Directive

FCA PRA

the Directive of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (No. 2009/138/EC).

solvency deficit

FCA PRA

(in GENPRU 3 Ann 1R (Capital adequacy calculations with respect to financial conglomerates) and in respect of a member of the *overall financial sector*) the amount (if any) by which its *solo capital resources* fall short of its *solo capital resources requirement*.

sovereign issuer

(as defined in article 2(1)(d) of the *short selling regulation*) any of the following that issues debt instruments:

- (a) the EU; or
- (b) a Member State including a government department, an agency, or a special purpose vehicle of the Member State; or
- (c) in the case of a federal Member State, a member of the federation; or
- (d) a special purpose vehicle for several Member States; or
- (e) an international financial institution established by two or more Member States which has the purpose of mobilising funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems; or
- (f) the European Investment Bank.

sovereign large exposure waiver

FCA PRA

a *waiver* that has the result of requiring the *firm* to apply ■ BIPRU 10.6.35 R, which in summary exempts partially or fully any of the *exposures* listed in ■ BIPRU 10.6.36 R constituting claims on *central banks* or central governments from the limits in ■ BIPRU 10.5 (Limits on exposures).

sovereign, institution and corporate IRB exposure class

(in relation to the *IRB approach*) an *exposure* falling into the *IRB exposure classes* referred to in ■ BIPRU 4.3.2 R (1)-■ (3) (Sovereigns, institutions and corporates).

FCA PRA

special adjustment

(in *IPRU(INV)* 13) a *position* risk adjustment, counterparty risk adjustment and foreign exchange adjustment.

FCA PRA

special purpose vehicle

(1) (in *PR*) (as defined in the *PD Regulation*) an *issuer* whose objects and purposes are primarily the issue of *securities*.

FCA PRA

(2) (except in *PR*) a *body corporate*, explicitly established for the purpose of securitising assets, whose sole purpose (either generally or when acting in a particular capacity) is to carry out one or more of the following functions:

- (a) issuing *designated investments*, other than *life policies*;
- (b) redeeming or terminating or repurchasing (whether with a view to re-issue or to cancellation) an issue (in whole or part) of *designated investments*, other than *life policies*;
- (c) entering into transactions or terminating transactions involving *designated investments* in connection with the *issue*, redemption, termination or re-purchase of *designated investments*, other than *life policies*;

specialised lending exposure

(in relation to the *IRB approach*) an *exposure* falling into ■ BIPRU 4.5.3 R (Definition of specialised lending).

FCA PRA

specialist investor

(in *LR*) an investor who is particularly knowledgeable in investment matters.

FCA PRA

specialist securities

(in *LR* and *FEES*) *securities* which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

specialist securitised derivative

(in *LR*) a *securitised derivative* which because of its nature is normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

specific costs

management expenses other than *base costs* and *establishment costs*.

FCA PRA

specific costs levy

a levy, forming part of the *management expenses levy*, to meet the *specific costs* in the financial year of the *compensation scheme* to which the levy relates, each *participant firm's* share being calculated in accordance with ■ FEES 6.4.7 R .

FCA PRA

specific non-real time

a *non-real time financial promotion* which identifies and promotes a particular *investment* or service.

financial promotion

FCA PRA

specific risk

FCA PRA

specific risk backtesting exception

FCA PRA

specific risk position risk adjustment

FCA PRA

specific wrong-way risk

FCA PRA

specified benchmark

FCA

specified investment

FCA PRA

(1) (in SYSC) unique risk that is due to the individual nature of an asset and can potentially be diversified.

(2) (in GENPRU and BIPRU and in accordance with paragraph 12 of Annex I of the *Capital Adequacy Directive*) the risk of a price change in an *investment* due to factors related to its issuer or, in the case of a *derivative*, the issuer of the underlying *investment*.

(in ■ BIPRU 7.10 (Use of a value at risk model) and in relation to a *firm*) an exception arising out of backtesting a *VaR model* with respect to *specific risk* as more fully defined in that *firm's VaR model permission*.

a *position risk adjustment* for specific risk including any such *position risk adjustment* as applied under ■ BIPRU 7.6.8 R (Table: Appropriate position risk adjustment).

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the exposure to a particular counterparty is positively correlated with the *probability of default* of the counterparty due to the nature of the transactions with the counterparty; a *firm* is exposed to *specific wrong-way risk* if the future exposure to a specific counterparty is expected to be high when the counterparty's *probability of default* is also high.

a benchmark as defined in section 22(1A)(b) of the *Act* and specified in Schedule 5 to the *Regulated Activities Order* pursuant to article 63R of the *Regulated Activities Order*

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *general insurance contract*;
 - (ii) *long-term insurance contract*;
 and then further sub-divided into *classes* of *contract of insurance*;
- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (da) *alternative debenture* (article 77A);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);

- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82(1));
- (ia) *personal pension scheme* (article 82(2));
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
 - (ii) *commodity future*;
 - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
 - (ii) *spread bet*;
 - (iii) *rolling spot forex contract*;
- (m) *underwriting capacity of a Lloyd's syndicate* (article 86(1));
- (n) *membership of a Lloyd's syndicate* (article 86(2));
- (o) *funeral plan contract* (article 87);
- (oa) *regulated mortgage contract* (article 61(3));
- (ob) *home reversion plan* (article 63B(3));
- (oc) *home purchase plan* (article 63F(3));
- (od) *regulated sale and rent back agreement* (article 63J(3));
- (oe) *emissions auction products* (article 82A);
- (p) *rights to or interests in investments* (article 89).

sponsor

FCA **PRA**

(1) (in *LR*) approved, under section 88 of the *Act* by the *FCA*, as a sponsor.

(2) (in *BIPRU* and *FUND*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.

sponsor service

FCA **PRA**

a service relating to a matter referred to in ■ LR 8.2 that a *sponsor* provides or is requested or appointed to provide, including preparatory work that a *sponsor* may undertake before a decision is taken as to whether or not it will act as *sponsor* for a *listed company* or *applicant* or in relation to a particular transaction, and including all the *sponsor's* communications with the *FSA* in connection with the service. But nothing in this definition is to be taken as requiring a *sponsor* when requested to agree to act as a *sponsor* for a *company* or in relation to a transaction.

<p><i>spread bet</i> FCA PRA</p>	<p>a <i>contract for differences</i> that is a gaming contract, whether or not section 412 of the <i>Act</i> (Gaming contracts) applies to the contract; in this definition, "gaming" has the meaning given in the Gaming Act 1968, which is in summary: the playing of a game of chance for winnings in money or money's worth, whether any <i>person</i> playing the game is at risk of losing any money or money's worth or not.</p>
<p><i>spread risk</i> FCA PRA</p>	<p>the risk that a spread (that is, the difference in price or yield) between two variables will change.</p>
<p>SPV FCA PRA</p>	<p>(1) (in GENPRU 2.2 (Capital resources)) has the meaning in GENPRU 2.2.126R (Other tier one capital: innovative tier one capital: indirectly issued tier one capital).</p> <p>(2) (in ■ BIPRU 8 (Group risk - consolidation)) has the meaning in ■ BIPRU 8.6.15 R (Indirectly issued capital and group capital resources).</p>
<p>SRB administrator FCA PRA</p>	<p>a <i>firm</i> which carries on the <i>regulated activity</i> of <i>administering a regulated sale and rent back agreement</i>.</p>
<p>SRB adviser FCA PRA</p>	<p>a <i>firm</i> which carries on the <i>regulated activity</i> of <i>advising on a regulated sale and rent back agreement</i>.</p>
<p>SRB agreement provider FCA PRA</p>	<p>(in accordance with article 63J(3)(a) of the <i>Regulated Activities Order</i>) a <i>firm</i> which buys all or part of the <i>qualifying interest in land</i> in the <i>United Kingdom</i> from a <i>SRB agreement seller</i> under a <i>regulated sale and rent back agreement</i>, including a <i>firm</i> which acquires obligations or rights under a <i>regulated sale and rent back agreement</i>.</p>
<p>SRB agreement seller FCA PRA</p>	<p>(in accordance with article 63J(3)(a) of the <i>Regulated Activities Order</i>) an individual or trustees, who sells all or part of the <i>qualifying interest in land</i> in the <i>United Kingdom</i> to an agreement provider under a <i>regulated sale and rent back agreement</i>.</p>
<p>SRB arranger FCA PRA</p>	<p>a <i>firm</i> which carries on the <i>regulated activity</i> of <i>arranging (bringing about) a regulated sale and rent back agreement or making arrangements with a view to a regulated sale and rent back agreement</i>.</p>
<p>SRB intermediary FCA PRA</p>	<p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>regulated sale and rent back mediation activity</i>.</p>
<p>SREP FCA PRA</p>	<p>the <i>supervisory review and evaluation process</i>.</p>
<p>SSAS FCA PRA</p>	<p><i>small self-administered scheme</i>.</p>
<p>SSPE FCA PRA</p>	<p>a <i>securitisation special purpose entity</i>.</p>

<p><i>stabilisation</i> FCA PRA</p>	<p>(in ■ MAR 2) (as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) any purchase or offer to purchase <i>relevant securities</i>, or any transaction in <i>associated instruments</i> equivalent thereto, by <i>investment firms</i> or <i>credit institutions</i>, which is undertaken in the context of a <i>significant distribution</i> of such <i>relevant securities</i> exclusively for supporting the market price of these <i>relevant securities</i> for a predetermined period of time, due to a selling pressure in such securities.</p>
<p><i>staff mortgage</i> FCA PRA</p>	<p>a <i>regulated mortgage contract</i> between an employer, or an <i>undertaking</i> in the same <i>group</i> as the employer, as lender and the employee (alone or with another <i>person</i>) as borrower to defray money applied for any of the following purposes:</p> <ul style="list-style-type: none"> (a) acquiring any residential land which was intended, at the time of the acquisition, for occupation by the employee as their home; (b) carrying out repairs or improvements to any residential land which was intended, at the time of taking out the loan, for occupation by the employee as their home; or (c) payments in respect of a loan (whether of interest or capital).
<p><i>stakeholder CTF</i> FCA PRA</p>	<p>a <i>CTF</i> that has the characteristics, and complies with the conditions, set out in paragraph 2 of the Schedule to the <i>CTF Regulations</i>.</p>
<p><i>stakeholder pension scheme</i> FCA PRA</p>	<p>a scheme that meets the conditions in section 1 of the Welfare Reform and Pensions Act 1999 or article 3 of the Welfare Reform and Pensions (Northern Ireland) Order 1999.</p>
<p><i>stakeholder product</i> FCA PRA</p>	<p>(as defined in article 52B(3) of the <i>Regulated Activities Order</i>):</p> <ul style="list-style-type: none"> (a) a <i>stakeholder CTF</i>; or (b) a <i>stakeholder pension scheme</i>; or (c) an investment of a kind specified in the <i>Stakeholder Regulations</i>.
<p><i>Stakeholder Regulations</i> FCA PRA</p>	<p>the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 (SI 2004/2738).</p>
<p><i>standard CIU look through method</i> FCA PRA</p>	<p>the method for calculating the <i>PRR</i> for a <i>position</i> in a <i>CIU</i> set out in ■ BIPRU 7.7.4 R and ■ BIPRU 7.7.7 R to ■ BIPRU 7.7.10 R.</p>
<p><i>standard equity method</i> FCA PRA</p>	<p>the method of calculating the <i>equity PRR</i> set out in BIPRU 7.3.32R (Standard equity method).</p>
<p><i>standard frequency liquidity reporting firm</i> FCA PRA</p>	<p>a <i>standard ILAS BIPRU firm</i> that is not a <i>low frequency liquidity reporting firm</i>.</p>

<p><i>standard ILAS BIPRU firm</i></p> <p>FCA PRA</p>	<p>an <i>ILAS BIPRU firm</i> that is not a <i>simplified ILAS BIPRU firm</i>.</p>
<p><i>standard listing</i></p> <p>FCA PRA</p>	<p>in relation to <i>securities</i>, means a <i>listing</i> that is not a <i>premium listing</i>.</p>
<p><i>standard listing (shares)</i></p> <p>FCA PRA</p>	<p>a <i>standard listing</i> of <i>shares</i> other than <i>preference shares</i> that are <i>specialist securities</i>.</p>
<p><i>standard market risk PRR rules</i></p> <p>FCA PRA</p>	<p>the rules relating to the calculation of the <i>market risk capital requirement</i> excluding the <i>VaR model approach</i> and any <i>rules</i> modified so as to provide for the <i>CAD 1 model approach</i>.</p>
<p><i>standard method of internal client money reconciliation</i></p> <p>FCA PRA</p>	<p>■ CASS 7 Annex 1 G.</p>
<p><i>standard terms</i></p> <p>FCA PRA</p>	<p>(in <i>DISP</i>) the contractual terms made under paragraph 18 of Schedule 17 to the <i>Act</i> (The Ombudsman Scheme), under which <i>VJ participants</i> participate in the <i>Voluntary Jurisdiction</i>.</p>
<p><i>standardised approach</i></p> <p>FCA PRA</p>	<p>one of the following:</p> <p>(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ <i>BIPRU 3</i> (Credit risk) and <i>BIPRU 9.2.1R(1)</i> and <i>BIPRU 9.11</i> (Standardised approach);</p> <p>(b) (where expressed to relate to <i>operational risk</i>) the method for calculating capital requirements for <i>operational risk</i> in <i>BIPRU 6.3</i> (Standardised approach);</p> <p>(c) (where not expressed to relate to any risk and used in ■ <i>BIPRU 3</i>, ■ <i>BIPRU 4</i> (IRB approach), ■ <i>BIPRU 5</i> (Credit risk mitigation), ■ <i>BIPRU 9</i> (Securitisation) or ■ <i>BIPRU 10</i> (Large exposures requirements)) it has the meaning in (a);</p> <p>(d) (where not expressed to relate to any risk and used in <i>BIPRU 6</i> (Operational risk)) it has the meaning in (b);</p> <p>(e) (where the one of the approaches in (a) to (d) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation); or</p> <p>(f) 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) to (e), as the case may be, under those rules.</p>
<p><i>standardised credit risk exposure class</i></p> <p>FCA PRA</p>	<p>(in relation to the <i>standardised approach</i> to credit risk) one of the classes of exposure set out in <i>BIPRU 3.2.9R</i> (Exposure classes).</p>

standardised deterministic projection

FCA **PRA**

a *projection* which is either a *generic projection* or a *personal projection* produced in accordance with the assumptions contained in ■ COBS 13 Annex 2.

standing data

FCA **PRA**

the information relating to a *firm* held by the *appropriate regulator* on the matters set out in ■ SUP 16 Annex 16A R.

standing independent valuer

FCA **PRA**

the person appointed as such under ■ COLL 5.6.20 R (Standing independent valuer and valuation) and ■ COLL 8.4.13 R (1) (Standing independent valuer and valuation) .

state finance organisation

FCA **PRA**

a legal person other than a *company*:

- (a) which is a national of an *EEA state*;
- (b) which is set up by or pursuant to a special law;
- (c) whose activities are governed by that law and consist solely of raising funds under state control through the issue of *debt securities*;
- (d) which is financed by means of the resources they have raised and resources provided by the *EEA state*; and
- (e) the *debt securities* issued by it are considered by the law of the relevant *EEA state* as securities issued or guaranteed by that state.

state monopoly

FCA **PRA**

a *company* or other legal person which is a national of an *EEA state* and which:

- (a) in carrying on its business benefits from a monopoly right granted by an *EEA state*; and
- (b) is set up by or pursuant to a special law or whose borrowings are unconditionally and irrevocably guaranteed by an *EEA state* or one of the federated states of an *EEA state*.

State of the commitment

FCA **PRA**

(in accordance with paragraph 6(1) of Schedule 12 to the *Act* (Transfer schemes: certificates)) (in relation to a commitment entered into at any date):

- (a) if the *policyholder* is an individual, the State in which he had his habitual residence at that date;
- (b) if the *policyholder* is not an individual, the State in which the establishment of the *policyholder* to which the commitment relates was established at that date;

in this definition, "commitment" means (in accordance with article 2 of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 (SI 2001/3625)) any contract of insurance of a kind referred to in article 2 of the *Consolidated Life Directive*.

State of the risk

FCA **PRA**

(in accordance with paragraph 6(3) of Schedule 12 to the *Act* (Transfer schemes: certificates)) (in relation to the *EEA State* in which a risk is situated):

- (a) if the insurance relates to a building or to a building and its contents (so far as the contents are covered by the same policy), the *EEA State* in which the building is situated;
- (b) if the insurance relates to a vehicle of any type, the *EEA State* of registration;

(ba) if the insurance relates to a *vehicle* dispatched from one *EEA State* to another, in respect of the period of 30 days beginning with the day on which the purchaser accepts delivery, the *EEA State* of destination (and not, as provided by sub-paragraph (b), the *EEA State* of registration);

[Note: article 15(1) of the *Consolidated Motor Insurance Directive*]

(c) in the case of *policies* of a duration of four months or less covering travel or holiday risks (whatever the class concerned), the *EEA State* in which the *policyholder* took out the *policy*;

(d) in a case not covered by (a) to (c):

(i) if the *policyholder* is an individual, the *EEA State* in which he has his habitual residence at the date when the contract is entered into; and

(ii) otherwise, the *EEA State* in which the establishment of the *policyholder* to which the *policy* relates is situated at that date.

(1) (in the *FCA Handbook*) one of the Statements of Principle issued by the *FCA* under section 64(1) of the *Act* (Conduct: Statements and codes) with respect to the conduct of *approved persons* and set out in ■ [APER 2.1A](#).

The provisions of ■ [APER 1.1A](#) marked with a "P" in the margin also form part of the *Statements of Principle*.

(2) (in the *PRA Handbook*) one of the Statements of Principle issued by the *PRA* under section 64(1A) of the *Act* (Conduct: Statements and codes) with respect to the conduct of *approved persons* and set out in ■ [APER 2.1B](#).

The provisions of ■ [APER 1.1B](#) marked with a "P" in the margin also form part of the *Statements of Principle*.

Statement of Principle

FCA **PRA**

statutory auditor

FCA **PRA**

a statutory auditor as that term is defined in section 1210 of the Companies Act 2006.

statutory money purchase illustration

FCA **PRA**

an annual illustration of the contributions made for the benefit of, and the potential benefits due to, a member of a *personal pension scheme*, which is prepared in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987 (SI 1987/1110).

statutory notice

FCA **PRA**

a *warning notice*, *decision notice* or *supervisory notice*.

statutory notice associated decision

FCA **PRA**

a decision which is made by the *appropriate regulator* and which is associated with a decision to give a *statutory notice*, including a decision:

(a) to determine or extend the period for making representations;

(b) to determine whether a copy of the *statutory notice* needs to be given to any third party and the period for him to make representations;

(c) to refuse access to *appropriate regulator* material .

(d) [deleted]

statutory notice decision

FCA **PRA**

a decision by the *appropriate regulator* on whether or not to give a *statutory notice*.

statutory objectives

FCA **PRA**

(1) for the *FCA* (as described in sections 1B, 1C, 1D and 1E of the Act):

(a) its strategic objective of ensuring that the relevant markets function well; and

(b) its operational objectives:

(i) the *consumer* protection objective (as defined in section 1C of the Act);

(ii) the integrity objective (as defined in section 1D of the Act); and

(iii) the competition objective (as defined in section 1E of the Act);

(2) for the *PRA* (as described in sections 2B, 2C and 314A of the Act):

(a) its general objective of promoting the safety and soundness of *PRA-authorised persons*; and

(b) its insurance objective of contributing to the securing of an appropriate degree of protection for those who are or may become *policyholders*.

step-up

FCA **PRA**

(in relation to any item of capital) any change in the *coupon* rate on that item that results in an increase in the amount payable at any time, including a change already provided in the original terms governing those payments. A step-up:

(a) includes (in the case of a fixed rate) an increase in that *coupon* rate;

(b) includes (in the case of a floating rate calculated by adding a fixed amount to a fluctuating amount) an increase in that fixed amount;

(c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the *coupon* is calculated that results in an increase in the absolute amount of the *coupon*; and

(d) does not include (in the case of a floating rate) an increase in the absolute amount of the *coupon* caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the *coupon* floats.

stochastic projection

FCA **PRA**

a *projection* showing a summary of results from repeated simulations using an investment model, where the model uses key financial parameters which are subject to random variations and are projected into the future.

stock financing

FCA **PRA**

a transaction where a *physical commodity* is sold forward and the cost of funding is locked in until the date of the forward sale.

stock lending

FCA **PRA**

the disposal of a *designated investment* subject to an obligation or right to reacquire the same or a similar *designated investment* from the same counterparty.

stock lending activity

FCA **PRA**

the activity of undertaking a *stock lending* transaction.

stocks and shares component

FCA PRA

a *qualifying investment* as prescribed in paragraph 7 of the *ISA Regulations*.

store card

FCA PRA

a card restricted to paying for goods or services from a particular supplier or group of suppliers and where the price of the goods or services is paid directly to the supplier or group of suppliers by the customer or the *firm*, but excluding a *plastic card* used to pay for goods or services through a network such as Visa or MasterCard.

strategic investment

FCA PRA

an investment which:

- (a) is made for a strategic purpose;
- (b) is made for an expected duration consistent with that purpose and is, or has the potential to be, illiquid or hard to value; and
- (c) is significant in value in proportion to the size of the *with-profits fund*.

stressed VaR

FCA PRA

The stressed VaR measure in respect of *positions* coming within the scope of the *VaR model permission*, calculated in accordance with the *VaR model*, **■** BIPRU 7.10 (Use of a Value at Risk Model) and any methodology set out in the *VaR model permission* based on a stressed historical period.

structured capital-at-risk product

FCA PRA

a product, other than a *derivative*, which provides an agreed level of income or growth over a specified investment period and displays the following characteristics:

- (a) the *customer* is exposed to a range of outcomes in respect of the return of initial capital invested;
- (b) the return of initial capital invested at the end of the investment period is linked by a pre-set formula to the performance of an index, a combination of indices, a 'basket' of selected stocks (typically from an index or indices), or other factor or combination of factors; and
- (c) if the performance in (b) is within specified limits, repayment of initial capital invested occurs but if not, the *customer* could lose some or all of the initial capital invested.

structured deposit

FCA PRA

a *deposit* paid on terms under which any interest or premium will be paid, or is at risk, according to a formula which involves the performance of:

- (a) an index (or combination of indices) (other than money market indices);
- (b) a stock (or combination of stocks); or
- (c) a commodity (or combination of commodities).

sub-fund

FCA PRA

(a) (in relation to an *authorised fund* that is an *umbrella*) a separate part of the *scheme property* of that *scheme* that is pooled separately;

(aa) (in relation to an *EEA UCITS scheme*) any part of that *scheme* that constitutes an investment compartment for the purposes of the *UCITS Directive*;

(b) (in relation to a *fund* that is not an *authorised fund* or an *EEA UCITS scheme*) any part of that *scheme* that is equivalent to (a) .

sub-group

FCA PRA

(in relation to a *person*):

- (a) that *person*; and
- (b) any *person* that is either:

<p><i>subsidiary</i> FCA PRA</p>	<p>(i) a <i>subsidiary undertaking</i> of that <i>person</i>; or</p> <p>(ii) an <i>undertaking</i> in which that <i>person</i> or a <i>subsidiary undertaking</i> of that <i>person</i> holds a <i>participation</i>.</p> <p>(1) (except in relation to <i>MiFID business</i>) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary", etc)) (in relation to another <i>body corporate</i> ("H")) a <i>body corporate</i> of which H is a <i>holding company</i>.</p> <p>(2) (in relation to <i>MiFID business</i>) a subsidiary undertaking as defined in Articles 1 and 2 of Seventh Council Directive on consolidated accounts (No. 83/349/EEC), including any subsidiary of a subsidiary undertaking of an ultimate <i>parent undertaking</i>.</p>
<p><i>subsidiary undertaking</i> FCA PRA</p>	<p>[Note: article 4 (1)(29) of MiFID]</p> <p>(1) (except for the purposes of determining whether a <i>person</i> has <i>close links</i> with another <i>person</i>) an <i>undertaking</i> of which another <i>undertaking</i> is its <i>parent undertaking</i>.</p> <p>(2) (for the purposes of determining whether a <i>person</i> has <i>close links</i> with another <i>person</i>) (in accordance with section 343(8) of the <i>Act</i> (Information given by auditor or actuary to a regulator) and paragraph 3(3) of Schedule 6 to the <i>Act</i> (Threshold conditions)):</p> <p>(a) an <i>undertaking</i> in (1);</p> <p>(b) an <i>undertaking</i> ("S") if:</p> <p style="padding-left: 40px;">(i) another <i>undertaking</i> (its parent) is a member of S;</p> <p style="padding-left: 40px;">(ii) a majority of S's board of directors who have held office during the financial year and during the preceding financial year have been appointed solely as a result of the exercise of the parent's voting rights; and</p> <p style="padding-left: 40px;">(iii) no one else is the parent undertaking of S under any of (a) (i) to (iii) or b(i) or (ii) in the definition of <i>parent undertaking</i>.</p> <p>(3) (in <i>LR</i> and <i>BSOCS</i>) as defined in section 1162 of the Companies Act 2006.</p>
<p><i>subsistence balance</i> FCA PRA</p>	<p>(in <i>BCOBS</i>) any sum of money payable by a <i>firm</i> to a <i>consumer</i> or standing to the credit of the <i>consumer</i> in an account with the <i>firm</i> where that sum is needed by the <i>consumer</i> to meet essential living expenses or <i>priority debts</i> (whether owed to the <i>firm</i> or a third party).</p>
<p><i>substantial shareholder</i> FCA PRA</p>	<p>as defined in ■ LR 11.1.4A R.</p>
<p><i>suitability report</i> FCA PRA</p>	<p>a report which a <i>firm</i> must provide to its <i>client</i> under ■ COBS 9.4 (Suitability reports) which, among other things, explains why the <i>firm</i> has concluded that a recommended transaction is suitable for the <i>client</i>.</p>
<p><i>summary</i> FCA PRA</p>	<p>(in relation to a <i>prospectus</i>) the summary included in the <i>prospectus</i>.</p>

SUP

FCA PRA

the Supervision manual.

supervisory authority

FCA

(1) (in accordance with article 4(1)(al) of AIFMD) (for a *non-EEA AIF*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise AIFs in that *non-EEA State*.

(2) (in accordance with article 4(1)(am) of AIFMD) (for a *non-EEA AIFM*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise AIFMs in that *non-EEA State*.

supervisory formula method

FCA PRA

(for the purposes of BIPRU 9 (Securitisation), in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) the method of calculating *risk weighted exposure amounts* for *securitisation positions* set out in BIPRU 9.12.21R-BIPRU 9.12.23R and BIPRU 9.14.3R.

supervisory function

FCA PRA

(1) any function within a *common platform firm* that is responsible for the supervision of its *senior personnel*.

(2) (in relation to a *management company* and in accordance with article 3(6) of the *UCITS implementing Directive*) the *relevant persons* or body or bodies responsible for the supervision of its *senior personnel* and for the assessment and periodic review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with its obligations under the *UCITS Directive*.

Supervisory Liquidity Review Process

FCA PRA

the *appropriate regulator's* assessment of the adequacy of certain *firms'* liquidity resources as described in BIPRU 12.2 and BIPRU 12.5.

supervisory notice

FCA PRA

(as defined in section 395(13) of the *Act* (The FCA's and PRA's procedures)) a notice given by the *appropriate regulator* in accordance with section 55Y(4), (7) or (8)(b); 78(2) or (5); 197(3), (6) or (7)(b); 259(3), (8) or (9)(b); 268(3), (7)(a) or (9)(a) (as a result of subsection (8)(b)); 282(3), (6) or (7)(b); or 321(2) or (5).

supervisory review and evaluation process

FCA PRA

the *appropriate regulator's* assessment of the adequacy of certain *firms'* capital, as more fully described in ■ BIPRU 2.2.9 G and ■ INSPRU 7.1.91 G to ■ INSPRU 7.1.99 G.

supervisory volatility adjustments approach

FCA PRA

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses the adjustments specified in ■ BIPRU 5.4 (Financial collateral) rather than in its own estimates, as more fully described in ■ BIPRU 5.4 and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

supplementary listing particulars

FCA PRA

(in LR) (in accordance with section 81(1) of the *Act*), supplementary listing particulars containing details of the change or new matter.

<p><i>supplementary prospectus</i> FCA PRA</p>	<p>(in <i>Part 6 rules</i>) a supplementary prospectus containing details of a new factor, mistake or inaccuracy.</p>
<p><i>suretyship</i> FCA PRA</p>	<p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 15 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), namely:</p> <ul style="list-style-type: none"> (a) a <i>contract of insurance</i> against the risks of loss to the <i>person</i> insured arising from their having to perform contracts of guarantee entered into by them; (b) fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee where these are: <ul style="list-style-type: none"> (i) effected or carried out by a <i>person</i> not carrying on a banking business; (ii) not effected merely incidentally to some other business carried on by the <i>person</i> effecting them; and (iii) effected in return for the payment of one or more premiums.
<p><i>surrender value</i> FCA PRA</p>	<ul style="list-style-type: none"> (a) where the contract is a contract of life assurance or a contract for an annuity, the amount (including a nil amount) payable by the <i>firm</i> or other body issuing the contract on surrender of the <i>policy</i>; (b) where the contract is a <i>personal pension scheme</i> or <i>stakeholder pension scheme</i>, the amount payable on the transfer of the investor's accrued rights under that contract to another <i>personal pension scheme</i> or <i>stakeholder pension scheme</i>; (c) where the contract is a <i>Holloway sickness policy</i>, the amount payable by the <i>firm</i> on surrender on or before the <i>projection date</i> for the <i>policy</i>; (d) where the contract is for any other matter, the amount payable by the <i>firm</i> on the surrender of the <i>policy</i>.
<p><i>swap</i> FCA PRA</p>	<p>a transaction in which two counterparties agree to exchange streams of payments over time according to a predetermined basis or a <i>contract for differences</i>.</p>
<p><i>Swiss general insurance company</i> FCA PRA</p>	<p>(in accordance with article 1(2) of the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 201/2507)) a <i>person</i>:</p> <ul style="list-style-type: none"> (a) whose head office is in Switzerland; (b) who is authorised by the supervisory authority in Switzerland as mentioned in article 7.1 of the <i>Swiss Treaty Agreement</i>; and (c) who is seeking to carry on, or is carrying on, from a branch in the <i>United Kingdom</i>, a <i>regulated activity</i> consisting of the <i>effecting</i> or <i>carrying out</i> of <i>contracts of insurance</i> of a kind which is subject to that agreement.
<p><i>Swiss general insurer</i> FCA PRA</p>	<p>a <i>Swiss general insurance company</i> which has <i>permission</i> to effect or carry out <i>contracts of insurance</i> of a kind which is subject to the <i>Swiss Treaty Agreement</i>.</p>
<p><i>Swiss Treaty Agreement</i> FCA PRA</p>	<p>the agreement of 10 October 1989 between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance, approved on behalf of the European Economic Community by the Council Decision of 20 June 1999 (No 91/370/EEC).</p>

<p><i>syndicate</i> FCA PRA</p>	<p>one or more <i>persons</i>, to whom a particular syndicate number has been assigned by or under the authority of the <i>Council</i>, carrying out or effecting contracts of <i>insurance</i> written at Lloyd's.</p>
<p><i>syndicate actuary</i> FCA PRA</p>	<p>an <i>actuary</i> appointed to a <i>syndicate</i> as required by ■ SUP 4.6.9 R (1).</p>
<p><i>syndicate assets</i> FCA PRA</p>	<p>assets managed by or at the direction of a <i>managing agent</i> in respect of <i>insurance business</i> carried on through a <i>syndicate</i> and overseas business regulatory deposits funded from those assets.</p>
<p><i>syndicate ICA</i> FCA PRA</p>	<p>the capital assessment performed by a <i>managing agent</i> under the overall Pillar 2 rule, GENPRU 1.5.1R(1), INSPRU 7.1 and INSPRU 1.1.57R(1) in respect of each <i>syndicate</i> managed by it.</p>
<p><i>syndicate year</i> FCA PRA</p>	<p>a year of account of a <i>syndicate</i>.</p>
<p><i>synthetic cash</i> FCA PRA</p>	<p>a position in a <i>derivative</i> that offsets an exposure in property to the point where that exposure has effectively been neutralised, and the effect of the combined holding of both property and the position in the <i>derivative</i> is the same as if the <i>authorised fund</i> had received or stood to receive the value of the property in cash.</p>
<p><i>synthetic future</i> FCA PRA</p>	<p>(a) a synthetic bought future, that is, a bought call <i>option</i> coupled with a written put <i>option</i>; or</p> <p>(b) a synthetic sold future, that is, a bought put <i>option</i> coupled with a written call <i>option</i>;</p> <p>provided that in either case the two <i>options</i>:</p> <ul style="list-style-type: none"> (i) are bought and written, whether simultaneously or not, on a single <i>eligible derivatives</i> market; (ii) relate to the same underlying <i>security</i> or other asset; (iii) give the purchasers of the <i>options</i> the same rights of exercise (whether at the same price or not); and (iv) will expire together, if not exercised.
<p><i>synthetic risk and reward indicator</i> FCA PRA</p>	<p>(in <i>COLL</i> and in accordance with article 2(2) of the <i>UCITS implementing Directive No 2</i>) a synthetic indicator within the meaning of article 8 of the <i>KII Regulation</i>.</p>
<p><i>synthetic securitisation</i> FCA PRA</p>	<p>(in accordance with Article 4(38) of the <i>Banking Consolidation Directive</i> (Definitions)) a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of securitisation) where the <i>tranching</i> is achieved by the use of credit derivatives or guarantees, and the pool of <i>exposures</i> is not removed from the balance sheet of the <i>originator</i>.</p>
<p>SYSC FCA PRA</p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.</p>

*systematic
internaliser*

FCA **PRA**

*systems and
controls
function*

FCA **PRA**

investment firm which, on an organised, frequent and systematic basis, *deals on own account* by executing *client* orders outside a *regulated market* or an *MTF*.

[Note: article 4(1)(7) of *MiFID*]

(1) (in the *FCA Handbook*) *FCA controlled function* CF28 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.8.1 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF28 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.9.1 R.

<p><i>third-country group</i></p> <p>FCA PRA</p>	<p>a <i>third-country financial conglomerate</i> or a <i>third-country banking and investment group</i>.</p>
<p><i>threshold condition</i></p> <p>FCA PRA</p>	<p>(in relation to a <i>regulated activity</i>) any of the conditions set out in or under Schedule 6 to the <i>Act</i> (Threshold conditions), including the additional conditions in the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 2001/2507) (see <i>COND</i>).</p>
<p><i>tier agent</i></p> <p>FCA PRA</p>	<p>a <i>person</i> who, under the full and unconditional responsibility of only one <i>MiFID investment firm</i> or <i>third country investment firm</i> on whose behalf it acts, promotes <i>investment services</i> and/or <i>ancillary services</i> to <i>clients</i> or prospective <i>clients</i>, receives and transmits instructions or orders from the <i>client</i> in respect of <i>investment services</i> or <i>financial instruments</i>, places <i>financial instruments</i> and/or provides advice to <i>clients</i> or prospective <i>clients</i> in respect of those <i>financial instruments</i> or <i>investment services</i>.</p> <p>[Note: article 4(1)(25) of <i>MiFID</i>]</p>
<p><i>tier product</i></p> <p>FCA PRA</p>	<p>a product, other than <i>linked borrowing</i> or a <i>linked deposit</i>, that a <i>customer</i> is obliged to purchase through a <i>mortgage lender</i> or <i>reversion provider</i> as a condition of taking out a <i>regulated mortgage contract</i> or <i>home reversion plan</i> with that <i>firm</i>.</p>
<p><i>tier one capital</i></p> <p>FCA PRA</p>	<p>(1) [deleted]</p> <p>(2) (in <i>BIPRU</i>, <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stages A(Core tier one capital), , B (Perpetual non-cumulative preference shares) or C (Innovative tier one capital) of the <i>capital resources table</i> .</p>
<p><i>tier one capital resources</i></p> <p>FCA PRA</p>	<p>the sum calculated at stage F of the calculation in the <i>capital resources table</i> (Total tier one capital after deductions) .</p>
<p><i>tier one instrument</i></p> <p>FCA PRA</p>	<p>an item of capital that falls into <i>GENPRU 2.2.62R</i> (Tier one capital: General) and is eligible to form part of a <i>firm's tier one capital resources</i>.</p>
<p><i>tier three capital</i></p> <p>FCA PRA</p>	<p>an item of capital that is <i>upper tier three capital</i> or <i>lower tier three capital</i>.</p>
<p><i>tier three capital resources</i></p> <p>FCA PRA</p>	<p>the sum calculated at stage Q of the <i>capital resources table</i> (Total tier three capital).</p>
<p><i>tier three instrument</i></p> <p>FCA PRA</p>	<p>an item of capital that falls into <i>GENPRU 2.2.242R</i> (Tier three capital: upper tier three capital resources) and is eligible to form part of a <i>firm's upper tier three capital resources</i>.</p>
<p><i>tier two capital</i></p> <p>FCA PRA</p>	<p>(1) [deleted]</p>

	(2) (in <i>BIPRU</i> , <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stages G (Upper tier two capital) or H (Lower tier two capital) of the <i>capital resources table</i> .
<i>tier two capital resources</i> FCA PRA	the sum calculated at stage I (Total tier two capital) of the calculation in the <i>capital resources table</i> .
<i>tier two instrument</i> FCA PRA	a <i>capital instrument</i> that meets the conditions in <i>GENPRU</i> 2.2.159R (General conditions for eligibility as tier two capital instruments) or <i>GENPRU</i> 2.2.177R (Upper tier two capital: General) and is eligible to form part of a <i>firm's tier two capital resources</i> .
<i>time-scheduled buy-back programme</i> FCA PRA	(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) a <i>buy-back programme</i> where the dates and quantities of <i>securities</i> to be traded during the time period of the programme are set out at the time of the public disclosure of the <i>buy-back programme</i> .
<i>tontines</i> FCA PRA	(in relation to a <i>class of contract of insurance</i>) tontines as specified in paragraph V of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance).
<i>top-up cover</i> FCA PRA	cover provided by the <i>compensation scheme</i> for <i>claims</i> against an <i>incoming EEA firm</i> (which is a <i>credit institution</i> , an <i>IMD insurance intermediary</i> , an <i>IMD reinsurance intermediary</i> , a <i>MiFID investment firm</i> , a <i>UCITS management company</i> or an <i>AIFM</i>) in relation to the <i>firm's passported activities</i> and in addition to, or due to the absence of, the cover provided by the <i>firm's Home State compensation scheme</i> (see ■ <i>COMP 14</i> (Participation by EEA firms)).
<i>top-up permission</i> FCA PRA	a <i>Part 4A permission</i> given to an <i>incoming EEA firm</i> , an <i>incoming Treaty firm</i> or a <i>UCITS qualifier</i> .
<i>total amount payable</i> FCA PRA	the <i>total charge for credit</i> plus the total amount of credit advanced.
<i>total charge for credit</i> FCA PRA	the total of the charges (determined as at the date of making the contract) specified in ■ <i>MCOB 10.4.2 R</i> as applying in relation to the <i>secured lending</i> but excluding the charges specified in ■ <i>MCOB 10.4.4 R</i> .
<i>total exposure</i> FCA PRA	(in relation to a <i>counterparty</i> or <i>group of connected clients</i> and a <i>person</i> or in relation to a <i>person</i> and its <i>counterparties</i> falling within ■ <i>BIPRU 10.10A.1 R</i>) all that <i>person's exposures</i> to that <i>counterparty</i> or <i>group of connected clients</i> or to that <i>person's counterparties</i> falling within ■ <i>BIPRU 10.10A.1 R</i> , or the total amount of those <i>exposures</i> .
<i>total group tier one capital</i> FCA PRA	the sum calculated at stage A of the calculation in <i>INSPRU</i> 6.1.43R.

<p><i>total group tier two capital</i></p> <p>FCA PRA</p>	<p>the sum calculated at stage B of the calculation in INSPRU 6.1.43R.</p>
<p><i>total non-deferred shares</i></p> <p>FCA PRA</p>	<p>(in CREDS) means the total of members' share balances in a <i>credit union</i> shown in the most recent annual return to have been sent to the <i>appropriate regulator</i> under ■ SUP 16.7.62 R or ■ SUP 16.12.5 R (see ■ CREDS 8.2.3 G), excluding any <i>deferred shares</i> in the <i>credit union</i>.</p>
<p><i>total relevant liabilities</i></p> <p>FCA PRA</p>	<p>(in CREDS) means the sum of:</p> <p>(a) <i>unattached shares</i> in the <i>credit union</i>, and <i>deposits</i> by persons too young to be members of the <i>credit union</i>; and</p> <p>(b) liabilities (other than liabilities for shares) with an original or remaining maturity of less than three <i>months</i> (including overdrafts and instalments of loans).</p>
<p><i>TPF rules</i></p> <p>FCA PRA</p>	<p>the rules and guidance in ■ COBS 20.2.1 G to ■ COBS 20.2.39 R and ■ COBS 20.2.51 R to ■ COBS 20.2.57 G.</p>
<p><i>tradable renewable energy credit</i></p> <p>FCA PRA</p>	<p>an allowance, licence, permit, right, note, unit, credit, asset, certificate or instrument (the "credit") where:</p> <p>(a) the credit confers or may result in a benefit or advantage to its holder or someone else; and</p> <p>(b) the credit, or the benefit or advantage in (a), is linked to the supply, distribution or consumption of energy derived from renewable sources by the holder of the credit or someone else.</p>
<p><i>trade confirmation information</i></p> <p>FCA PRA</p>	<p>the information identified in column 1 of the table in ■ COBS 16 Annex 1R R.</p>
<p><i>traded life policy</i></p> <p>FCA PRA</p>	<p>a <i>life policy</i> which is to be or has been assigned for value by the <i>policyholder</i> to another <i>person</i>.</p>
<p><i>trading book</i></p> <p>FCA PRA</p>	<p>(1) (in UPRU) in relation to a <i>firm's</i> business or <i>exposures</i>, means:</p> <p>(a) its proprietary positions in financial instruments:</p> <p>(i) which are held for resale and/or are taken on by the <i>firm</i> with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;</p> <p>(ii) arising from matched principal broking;</p> <p>(iii) taken in order to hedge other elements of the trading book;</p> <p>(b) <i>exposures</i> due to unsettled securities transactions, free deliveries, <i>OTC derivative</i> instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and</p>

<p>(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.</p>	
<p>(2) (in <i>BIPRU</i> , <i>GENPRU</i> , <i>BSOCS</i> and ■ <i>IPRU(INV)</i> 11 and in relation to a <i>BIPRU firm</i>) has the meaning in <i>BIPRU</i> 1.2 (Definition of the trading book) which is in summary, all that <i>firm's positions</i> in <i>CRD financial instruments</i> and <i>commodities</i> held either with trading intent or in order to hedge other elements of the <i>trading book</i>, and which are either free of any restrictive covenants on their tradability or able to be hedged.</p>	
<p>(3) (in <i>BIPRU</i> and <i>GENPRU</i> and in relation to a <i>person</i> other than a <i>BIPRU firm</i>) has the meaning in (2) with references to a <i>firm</i> replaced by ones to a <i>person</i>.</p>	
<p><i>trading book concentration risk excess</i></p> <p>■ <i>FCA</i> ■ <i>PRA</i></p>	<p>has the meaning in ■ <i>BIPRU</i> 10.10A.8 R (How to calculate the concentration risk cap</p>
<p><i>trading book policy statement</i></p> <p>■ <i>FCA</i> ■ <i>PRA</i></p>	<p>has the meaning in <i>BIPRU</i> 1.2.29R (Trading book policy statements) which is in summary a single document of a <i>person</i> recording the policies and procedures referred to in <i>BIPRU</i> 1.2.26R and <i>BIPRU</i> 1.2.27R.</p>
<p><i>trading book systems and controls rules</i></p> <p>■ <i>FCA</i> ■ <i>PRA</i></p>	<p><i>GENPRU</i> 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), <i>GENPRU</i> 1.3.14R to <i>GENPRU</i> 1.3.16R (Marking to market), <i>GENPRU</i> 1.3.17R to <i>GENPRU</i> 1.3.25R (Marking to model), <i>GENPRU</i> 1.3.26R to <i>GENPRU</i> 1.3.28R (Independent price verification), <i>GENPRU</i> 1.3.30R to <i>GENPRU</i> 1.3.33R (Valuation adjustments or reserves), <i>GENPRU</i> 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and <i>GENPRU</i> 2.2.248R to <i>GENPRU</i> 2.2.249R (Tier three capital: lower tier three capital resources).</p>
<p><i>trading day</i></p> <p>■ <i>FCA</i> ■ <i>PRA</i></p>	<p>(1) (in ■ <i>MAR</i> 7 (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and ■ <i>SUP</i> 17 (Transaction reporting)) in relation to post-trade information to be made public about a share under ■ <i>MAR</i> 7.2.10 EU, any day of normal trading in a share on a <i>trading venue</i> in the <i>relevant liquid market</i> for this share.</p> <p>[Note: article 4(2) of the <i>MiFID Regulation</i>]</p> <p>(2) other than in (1) or (3) , a day included in the calendar of trading days published by the <i>appropriate regulator</i> at www.fsa.gov.uk.</p> <p>(3) (in <i>FINMAR</i>) as defined in article 2(1)(p) of the <i>short selling regulation</i>, a trading day as referred to in article 4 of Regulation (EC) No 1287/2006.</p>
<p><i>trading information</i></p> <p>■ <i>FCA</i> ■ <i>PRA</i></p>	<p>information of the following kinds:</p> <p>(1) that <i>investments</i> of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation; or</p> <p>(2) that <i>investments</i> of a particular kind have not been or are not to be acquired or disposed of; or</p> <p>(3) the quantity of <i>investments</i> acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation; or</p> <p>(4) the price (or range of prices) at which <i>investments</i> have been or are to be acquired or disposed of or the price (or range of prices) at which</p>

that the stock exchange value of its *units* does not significantly vary from their net asset value is to be regarded as equivalent to that repurchase or *redemption*; or

(b) an umbrella, each of whose *sub-funds* would be a *UCITS scheme* if it had a separate *authorisation order*;

unless:

(c) [deleted]

(d) the *scheme's units* under its *instrument constituting the scheme*, may be sold only to the public in non-EEA States; or

(e) the *scheme* (other than a *master UCITS* which has at least two *feeder UCITS* as *unitholders*) raises capital without promoting the *sale* of its *units* to the public within the *EEA* or any part of it.

[Note: article 1 of the *UCITS Directive*]

UK

FCA PRA

United Kingdom.

UK AIF

FCA

an *AIF* that is:

(a) an *authorised fund*; or

(b) not an *authorised fund* but has its registered office or head office in the UK;

UK AIFM

an *AIFM* established in the UK and with a *Part 4A permission* to carry on the regulated activity of managing an *AIF*.

UK bank

FCA PRA

a *bank* which is a *body corporate* or *partnership* formed under the law of any part of the *United Kingdom*.

UK consolidation group

FCA PRA

has the meaning in ■ BIPRU 8.2.4 R (Definition of UK consolidation group), which is in summary the group that is identified as a *UK consolidation group* in accordance with the decision tree in ■ BIPRU 8 Annex 1 R (Decision tree identifying a UK consolidation group); in each case only *persons* included under ■ BIPRU 8.5 (Basis of consolidation) are included in the *UK consolidation group*.

UK Corporate Governance Code

FCA PRA

the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council.

UK depositary

FCA

a *depositary* established in the UK.

UK DLG by modification

FCA PRA

a *DLG by modification (firm level)* in which each member is a *UK ILAS BIPRU firm*. A *firm* with a *UK DLG by modification* cannot also have a *non-UK DLG by modification (firm level)*.

UK domestic firm

FCA PRA

a *firm* that has its registered office (or, if it has no registered office, its head office) in the *United Kingdom*.

UK financial
sector
company

FCA PRA

a company that is a:

- (a) UK bank; or
- (b) UK insurer; or
- (c) UK incorporated *parent undertaking* of a company referred to in (a) or (b) where the main business of the *group* to which the *parent undertaking* and the company belong is financial services .

UK financial
system

FCA PRA

(as defined in section 1I of the *Act* (Meaning of "the UK financial system")) the financial system operating in the *United Kingdom* including:

- (a) financial markets and exchanges;
- (b) *regulated activities*; and
- (c) other activities connected with financial markets and exchanges.

UK firm

FCA PRA

(1) (except in *REC*) (as defined in paragraph 10 of Schedule 3 to the *Act* (EEA Passport Rights)) a *person* whose head office is in the *United Kingdom* and who has an *EEA right* to carry on activity in an *EEA State* other than the *United Kingdom*.

(2) (in *REC*) means an *investment firm* or *credit institution* which has a *Part 4A permission* to carry on one or more *regulated activities*.

UK ILAS
BIPRU firm

FCA PRA

an *ILAS BIPRU firm* which has its registered office (or, if it does not have a registered office, its head office) in the *United Kingdom*.

UK insurance
intermediary

FCA PRA

a *UK domestic firm* which has *Part 4A permission* to carry on *insurance mediation activity* but no other *regulated activity*.

UK insurer

FCA PRA

an *insurer*, other than a *pure reinsurer* or a *non-directive insurer*, whose head office is in the *United Kingdom*.

UK ISPV

FCA PRA

an *ISPV* with a *Part 4A permission* to effect or carry out contracts of *insurance*.

UK lead
regulated firm

FCA PRA

a *UK firm* that:

- (a) is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*; or
- (b) is part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* and that group is not part of a wider group that is subject to consolidated supervision by a *regulatory body* other than the *FCA* or the *PRA* .

For the purposes of this definition:

(c) Consolidated supervision of a group of *persons* means supervision of the adequacy of financial and other resources of that group on a consolidated basis. For example, this includes supervision under ■ BIPRU 8 (Group risk consolidation).

(d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* or the *Financial Groups Directive*.

(e) If the group is a *UK consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

This definition is not related to the defined term *lead regulated firm*.

UK MCR

FCA **PRA**

the MCR calculated in accordance with INSPRU 1.5.44R by a *non-EEA direct insurer* (except a *UK-deposit insurer*, an *EEA-deposit insurer* or a *Swiss general insurer*) in relation to business carried on by the *firm* in the *United Kingdom*.

UK MiFID
investment
firm

FCA **PRA**

a *MiFID investment firm* whose *Home State* is the *United Kingdom* (this may include a natural *person* provided the conditions set out in Article 4(1)(1) of *MiFID* are satisfied).

UK parent
financial
holding
company in a
Member State

FCA **PRA**

a *parent financial holding company* in a *Member State* where the *EEA State* in question is the *United Kingdom*.

UK pure
reinsurer

FCA **PRA**

a *pure reinsurer* whose head office is in the *United Kingdom*.

UK RCH

FCA **PRA**

a *clearing house* which is declared by an order made by the Bank of England under section 290 of the *Act* and for the time being in force to be a recognised clearing house.

UK recognised
body

FCA **PRA**

a *UK RIE* or *RAP*.

UK regulated
EEA financial
conglomerate

FCA **PRA**

a *financial conglomerate* (other than a *third-country financial conglomerate*) that satisfies one of the following conditions:

- (a) ■ GENPRU 3.1.29 R (Capital adequacy calculations for *financial conglomerates*) applies with respect to it; or
- (b) a *firm* that is a member of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* to ensure that *financial conglomerate* meets levels of capital adequacy based or stated to be based on Annex I of the *Financial Groups Directive*.

UK RIE

FCA **PRA**

an *RIE* that is not an *ROIE*.

UK UCITS
management
company

FCA **PRA**

a *management company* that is established in the *United Kingdom* and is *authorised* and regulated by the *FCA*.

UK-deposit insurer

FCA **PRA**

a *non-EEA insurer* that has made a deposit in the *United Kingdom* under article 23 of the *First Non-Life Directive* in accordance with article 26 of that Directive or under article 51 of the *Consolidated Life Directive* in accordance with article 56 of that Directive.

UKLA

FCA **PRA**

the *FCA* acting in its capacity as the *competent authority* for the purposes of Part VI of the *Act* (Official Listing).

ultimate EEA insurance parent undertaking

FCA **PRA**

an *EEA insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *EEA insurance parent undertaking*.

ultimate EEA mixed financial holding company

FCA **PRA**

a *mixed financial holding company* which has its head office in an *EEA State* and which is not itself the *subsidiary undertaking* of another *mixed financial holding company*, *insurance parent undertaking* or *financial holding company* which has its head office in an *EEA State*.

ultimate insurance parent undertaking

FCA **PRA**

an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking*.

ultimate mixed financial holding company

FCA **PRA**

a *mixed financial holding company* which is not itself the *subsidiary undertaking* of another *mixed financial holding company*, *insurance parent undertaking*, or *financial holding company*.

ultimate parent undertaking

FCA **PRA**

(in relation to an *insurer*) a *parent undertaking* of the *insurer* that is not itself the *subsidiary undertaking* of another *undertaking*.

umbrella

FCA **PRA**

(in *FEES*, *COLL* and *COBS*) a *collective investment scheme* whose *instrument constituting the scheme* provides for such pooling as is mentioned in section 235(3)(a) of the *Act* (Collective investment schemes) in relation to separate parts of the *scheme property* and whose *unitholders* are entitled to exchange rights in one part for rights in another.

umbrella collective investment scheme

FCA **PRA**

(in *PR*) (as defined in the *PD Regulation*) a collective investment undertaking invested in one or more collective investment undertakings, the asset of which is composed of separate class(es) or designation(s) of securities.

unattached shares

(in *CREDS*) means the total shares in the *credit union* other than any *attached shares* or *deferred shares*.

FCA PRA

*unauthorised AIF*an AIF which is not an *authorised fund*.

FCA PRA

*unauthorised AIFM*a person who is not an *authorised person* but who is:

FCA

- (a) a *small registered UK AIFM*; or
- (b) a small registered EEA AIFM, i.e. an *EEA AIFM* that is a *small AIFM* that has not opted in to become a *full-scope EEA AIFM*; or
- (c) a *full-scope EEA AIFM* that is entitled to *market* an AIF in the *United Kingdom* following a notification under regulation 57 of the *AIFMD UK regulation*; or
- (d) an *small non-EEA AIFM* that is entitled to *market* an AIF in the *United Kingdom* following a notification under regulation 58 of the *AIFMD UK regulation*; or
- (e) an *above-threshold non-EEA AIFM* to which the requirement at regulation 59(3) of the *AIFMD UK regulation* applies; or
- (f) a *full-scope EEA AIFM* that is exercising a right to *market* an AIF in the *United Kingdom* arising out of the *EuSEF regulation* or the *EuVECA regulation*.

*unauthorised fund*a *fund* which is not an *authorised fund*.

FCA PRA

*unauthorised person*a *person* who is not an *authorised person*.

FCA PRA

*unauthorised reversion provider*a *person* who carries on, or proposes to carry on, the activity specified in article 63B(1) of the *Regulated Activities Order* which is entering into a *home reversion plan* as plan provider, and who does not have *permission* for, and is not an *exempt person* in relation to, *entering into a home reversion plan*.

FCA PRA

*unauthorised SRB agreement provider*a *person* who carries on, or proposes to carry on, the activity specified in article 63J(1) of the *Regulated Activities Order* which is entering into a *regulated sale and rent back agreement* as agreement provider, and who does not have *permission* for, and is not an *exempt person* in relation to, *entering into a regulated sale and rent back agreement*; and in this definition references to an agreement provider include a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*.

FCA PRA

underlying instrument(in LR) (in relation to *securitised derivatives*) means either:

FCA PRA

- (a) if the *securitised derivative* is an *option* or *debt security* with the characteristics of an *option*, any of the underlying investments listed in article 83 of the *Regulated Activities Order*; or
- (b) if the *securitised derivative* is a *contract for differences* or *debt security* with the characteristics of a *contract for differences*, any factor by reference to which a profit or loss under article 85 of the *Regulated Activities Order* can be calculated.

undertaking

FCA PRA

(as defined in section 1161(1) of the Companies Act 2006 (Meaning of "undertaking" and related expressions)):

- (a) a *body corporate* or *partnership*; or
- (b) an unincorporated association carrying on a trade or business, with or without a view to profit.

underwrite

FCA PRA

(for the purposes of ■ BIPRU 7 (Market risk)) to undertake a firm commitment to buy a specified quantity of new *securities* on a given date and at a given price if no other has purchased or acquired them; and so that:

- (a) new is defined in BIPRU 7.8.12R (New securities);
- (b) a *firm* still underwrites *securities* at a time before the exact quantity of *securities* being underwritten or their price has been determined if it is committed at that time to underwrite them when the quantity and price is fixed;
- (c) (in the case of provisions of the *Handbook* that distinguish between *underwriting* and sub-*underwriting*) *underwriting* does not include sub-*underwriting*; and
- (d) (in any other case) *underwriting* includes sub-*underwriting*.

underwriting agent

FCA PRA

a *firm* permitted by the *Council* to act as an underwriting agent at Lloyd's.

underwriting capacity of a Lloyd's syndicate

FCA PRA

the *investment*, specified in article 86(1) of the *Regulated Activities Order*, which is the underwriting capacity of a *syndicate*.

underwriting member

FCA PRA

a *person* admitted to the *Society* as an underwriting member.

unearned premium

FCA PRA

the amount set aside by a *firm* at the end of its *financial year* out of *premiums* in respect of risks to be borne by the *firm* after the end of the *financial year* under *contracts of insurance* entered into before the end of that year.

Unfair Terms Regulations

FCA PRA

the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083), as amended by SI 2001/1186 and SI 2001/3649.

UNFCOG

FCA PRA

the Unfair Contract Terms Regulatory Guide.

unfunded credit protection

FCA PRA

(in accordance with Article 4(32) of the *Banking Consolidation Directive* (Definitions)) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the *undertaking* of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events.

unit

FCA PRA

(1) (in relation to a *collective investment scheme*) the investment, specified in article 81 of the *Regulated Activities Order* (Units in a collective investment scheme) and defined in section 237(2) of the *Act* (Other definitions)), which is the right or interest (however described) of the *participants* in a *collective investment scheme*; this includes:

(a) (in relation to an *AUT*) a unit representing the rights or interests of the *unitholders* in the *AUT*;

(aa) (in relation to an *ACS*) a unit representing the rights or interests of the *unitholders* in the *ACS*; and

(b) (in relation to an *ICVC*) a *share* in the *ICVC*.; and

(2) (in relation to an *alternative investment fund*) the right or interest (however described) of an investor in an *alternative investment fund*.

unit trust scheme

FCA PRA

(as defined in section 237(1) of the *Act* (Other definitions)) a *collective investment scheme* under which the property in question is held on trust for the *participants*, except that it does not include an *authorised contractual scheme*.

United Kingdom

FCA PRA

England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man).

unitholder

FCA PRA

(a) (in relation to an *ICVC*, *ACS* or an *AUT* as appropriate, and subject to ■ COLL 4.4.4 R (Special meaning of unitholder in ■ COLL 4.4)):

(i) (in relation a *unit* which is represented by a *bearer certificate*) the *person* who holds that certificate; or(ii) (in relation to a *unit* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *unit*; or

(b) (in relation to a *unit* in *collective investment scheme* not within (a)):

(i) the holder of the *bearer certificate* representing that *unit*; or

(ii) the *person* who entered on the *register* of the *scheme* as the holder of that *unit*.

unitisation

FCA PRA

arrangements for a newly formed *AUT* or *ACS* under which:

(a) the whole or part of the property of a *body corporate* (or a *collective investment scheme*) becomes the first *scheme property* of the *AUT* or *ACS*; and

(b) the *holders* of:

(i) *shares* in the *body corporate* being wound up; or

(ii) *units* in the *collective investment scheme*, the property of which is being transferred;

become the first *participants* in the *AUT* or *ACS*.

units of a collective investment scheme

FCA PRA

(in *PR*) (as defined in Article 2.1(p) of the *prospectus directive*) securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets.

unpaid initial fund

FCA PRA

part of the *initial fund* of a *mutual* which the *mutual* is prevented from including in its *tier one capital resources* as *permanent share capital* by reason of GENPRU 2.2.64R because it is not fully paid.

unrated position

FCA PRA

(for the purposes of BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions) and in relation to a *securitisation position*) describes a *securitisation position* which does not have an eligible credit assessment by an *eligible ECAI*.

unrecognised scheme

FCA PRA

(in LR) a *collective investment scheme* which is neither a *recognised scheme* nor a scheme that is constituted as an *authorised unit trust scheme* or *authorised contractual scheme*.

unregulated activity

FCA PRA

an activity which is not a *regulated activity*.

unregulated collective investment scheme

FCA PRA

a *collective investment scheme* which is not a *regulated collective investment scheme*.

unsecured debt

FCA PRA

debt that does not fall within the definition of *secured debt*.

unsecured lending

FCA PRA

lending where the *mortgage lender* does not take a mortgage or other form of security in respect of the credit provided to the *customer*.

unsolicited real time financial promotion

FCA PRA

(in accordance with article 8 of the *Financial Promotion Order*) a *real time financial promotion* which is not a *solicited real time financial promotion*.

upper tier three capital

FCA PRA

an item of capital that is specified in stage O of the *capital resources table* (Upper tier three).

upper tier three capital resources

FCA PRA

the sum calculated at stage O of the *capital resources table* (Upper tier three).

upper tier three instrument

FCA PRA

an item of capital that meets the conditions in GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a *firm's upper tier three capital resources*.

upper tier two capital

FCA **PRA**

(1) [deleted]

(2) (in *BIPRU*, *GENPRU* and *INSPRU*) an item of capital that is specified in stage G of the *capital resources table* (Upper tier two capital) .

upper tier two capital resources

FCA **PRA**

the sum calculated at stage G of the calculation in the *capital resources table* (Upper tier two capital) .

upper tier two instrument

FCA **PRA**

a *capital instrument* that meets the conditions in ■ GENPRU 2.2.177 R (Upper tier two capital: General) and is eligible to form part of a *firm's upper tier two capital resources*.

UPRU

FCA **PRA**

the Prudential sourcebook for UCITS Firms.

Definitions

waiver

FCA PRA

a direction waiving or modifying a *rule*, given by the *appropriate regulator* under section 138A of the *Act* (Modification or waiver of rules) or by the *FCA* under sections 250, 261L or 294 of the *Act* (Modification or waiver of rules) or regulation 7 of the *OEIC Regulations* (see ■ SUP 8 and ■ REC 3.3).

warning notice

FCA PRA

a notice issued by the *appropriate regulator* in accordance with section 387 of the *Act* (Warning notices).

warrant

FCA PRA

(1) (except in *COLL*) the *investment*, specified in article 79 of the *Regulated Activities Order* (Instruments giving entitlements to investments), which is in summary: a warrant or other instrument entitling the holder to subscribe for a *share*, *debenture*, *alternative debenture* or *government and public security*.

(2) (in *COLL*) an *investment* in (1) and any other *transferable security* (not being a nil paid or partly paid *security*) which is:

(i) *listed* on an *eligible securities* market; and

(ii) akin to an *investment* within (1) in that it involves a down payment by the then holder and a right later to surrender the instrument and to pay more *money* in return for a further *transferable security*.

weather derivative

FCA PRA

a *contract for differences* where the index or other factor in question is a climatic variable.

website conditions

FCA PRA

the following conditions :

(1) the provision of information by means of a website must be appropriate to the context in which the business between the *firm* and the *client* is, or is to be, carried on (that is, there is evidence that the *client* has regular access to the internet, such as the provision by the client of an e-mail address for the purposes of the carrying on of that business);

(2) the *client* must specifically consent to the provision of that information in that form;

(3) the *client* must be notified electronically of the address of the website, and the place on the website where the information may be accessed;

(4) the information must be up to date; and

(5) the information must be accessible continuously by means of that website for such period of time as the *client* may reasonably need to inspect it.

[Note: article 3 of the *MiFID implementing Directive* and article 38(2) of the *KII Regulation*]

weighted average life

FCA PRA

(in accordance with the definitions section in *CESR's guidelines on a common definition of European money market funds*) the weighted average of the remaining life (maturity) of each *security* held in a fund, meaning the time until the principal is repaid in full (disregarding interest and not discounting).

weighted average maturity

FCA PRA

(in accordance with the definitions section in *CESR's guidelines on a common definition of European money market funds*) a measure of the average length of time to maturity of all of the underlying *securities* in a fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the *security* must be repaid.

welfare trust

FCA PRA

any scheme or arrangement, not being an *occupational pension scheme*, that is comprised in one or more instruments or agreements and operates as a benevolent fund so as to provide benefits, at the discretion of the trustees and to which the beneficiaries have no contractual rights.

whole life assurance

FCA PRA

a *contract of insurance* which, disregarding any benefit payable on surrender, secures a capital sum only on death or either on death or on disability, but does not include a term assurance.

whole-firm liquidity modification

FCA PRA

a modification to the *overall liquidity adequacy rule* of the kind described in BIPRU 12.8.22G.

wholesale depositor

FCA PRA

a *person* who is:

- (a) a *credit institution*; or
- (b) a *large company*; or
- (c) a *large mutual association* which is:
 - (i) a *firm*; or
 - (ii) an *overseas financial services institution*; or
 - (iii) a *collective investment scheme* or an operator or trustee of a *collective investment scheme*; or
 - (iv) a pension or retirement fund, or a trustee of such a fund (except a trustee of a small self-administered scheme or an occupational scheme of an employer which is not a *large company* or a *large partnership*); or
- (d) a supranational institution, government or central administrative authority; or
- (e) a provincial, regional, local or municipal authority; or
- (f) a *body corporate* in the same *group* as the *person* with whom the *deposit* is made.

wholesale market broker

FCA PRA

a *firm* when carrying out the activities of *name-passing broker*, or acting on a matched principal basis, with or for *market counterparties*.

wholesale only bank

FCA PRA

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of *standing data*)) a *bank* with *permission* to accept *deposits* from *wholesale depositors* only.

with-profits actuary

FCA PRA

an *actuary* appointed to perform the *with-profits actuary function*.

with-profits actuary function

FCA PRA

(in the *PRA Handbook*) *PRA controlled function* CF12A in the *table of PRA controlled functions*, described more fully in ■ SUP 4.3.16A R and ■ SUP 10B.8.2 R.

Principles for Businesses

Principles for Businesses

Chapter 1

Introduction

1.1 Application and purpose

Application

- 1.1.1** FCA PRA G The *Principles* (see ■ PRIN 2) apply in whole or in part to every *firm*. The application of the *Principles* is modified for *firms* conducting *MiFID business*, *incoming EEA firms*, *incoming Treaty firms*, *UCITS qualifiers* and *AIFM qualifiers*. ■ PRIN 3 (Rules about application) specifies to whom, to what and where the *Principles* apply.

Purpose

- 1.1.2** FCA G The *Principles* are a general statement of the fundamental obligations of *firms* under the *regulatory system*. This includes provisions which implement the *Single Market Directives*. They derive their authority from the *appropriate regulator's* rule-making powers as set out in the *Act* and reflect the *statutory objectives*.

- 1.1.3** G [deleted]

Link to fit and proper standard in the threshold conditions

- 1.1.4** FCA PRA G In substance, the *Principles* express the main dimensions of the "fit and proper" standard set for *firms* in *threshold condition 5* (Suitability), although they do not derive their authority from that standard or exhaust its implications. Being ready, willing and organised to abide by the *Principles* is therefore a critical factor in applications for *Part 4A permission*, and breaching the *Principles* may call into question whether a *firm* with *Part 4A permission* is still fit and proper.

Taking group activities into account

- 1.1.5** FCA PRA G *Principles* 3 (Management and control), 4 (Financial prudence) and (in so far as it relates to disclosing to the *appropriate regulator*) 11 (Relations with regulators) take into account the activities of members of a *firm's group*. This does not mean that, for example, inadequacy of a *group* member's risk management systems or resources will automatically lead to a *firm* contravening *Principle* 3 or 4. Rather, the potential impact of a *group* member's activities (and, for example, risk management systems operating on a *group* basis) will be relevant in determining the adequacy of the *firm's* risk management systems or resources respectively.

Standards in markets outside the United Kingdom

- 1.1.6** FCA PRA G As set out in ■ PRIN 3.3 (Where?), *Principles* 1 (Integrity), 2 (Skill, care and diligence) and 3 (Management and control) apply to world-wide activities in a *prudential context*. *Principle* 5 (Market conduct) applies to world-wide activities which might have a

Chapter 3

Rules about application

3.1 Who?

3.1.1

FCA PRA

R

PRIN applies to every *firm*, except that:

- (1) for an *incoming EEA firm* or an *incoming Treaty firm*, the *Principles* apply only in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (2) for an *incoming EEA firm* which is a *BCD credit institution* without a *top-up permission*, *Principle 4* applies only in relation to the liquidity of a *branch* established in the *United Kingdom*;
- (3) for an *incoming EEA firm* which has *permission* only for *cross border services* and which does not carry on *regulated activities* in the *United Kingdom*, the *Principles* do not apply;
- (4) for a *UCITS qualifier* and *AIFM qualifier*, only *Principles 1, 2, 3, 7 and 9* apply, and only with respect to the activities in ■ PRIN 3.2.2 R (Communication and approval of financial promotions) ;
- (5) *PRIN* does not apply to an *incoming ECA provider* acting as such ; and
- (6) *PRIN* does not apply to a *firm* in relation to its carrying on of *auction regulation bidding*.

3.1.2

FCA PRA

G

■ COBS 1 Annex 1 and the territorial *guidance* in ■ PERG 13.6 all contain *guidance* that is relevant to the reservation of responsibility to a *Home State regulator* referred to in ■ PRIN 3.1.1 R (1).

3.1.3

FCA PRA

G

■ PRIN 3.1.1 R (2) reflects article 41 of the *Banking Consolidation Directive* which provides that the *Host State regulator* retains responsibility in cooperation with the *Home State regulator* for the supervision of the liquidity of a *branch* of a *BCD credit institution*.

3.1.4 G ■ PRIN 3.1.1 R (3) puts *incoming EEA firms* on an equal footing with *unauthorised overseas persons* who utilise the overseas persons exclusions in article 72 of the *Regulated Activities Order*.
FCA PRA

3.1.5 G ■ PRIN 3.1.1 R (4) reflects section 266 of the *Act* (Disapplication of rules).
FCA

3.1.6 R **A firm will not be subject to a Principle to the extent that it would be contrary to the UK's obligations under an EU instrument.**
FCA PRA

3.1.7 G ■ PRIN 4 provides specific guidance on the application of the *Principles* for *MiFID business*.
FCA PRA

3.1.8 G The *Principles* will not apply to the extent that they purport to impose an obligation which is inconsistent with the *Payment Services Directive* or the *Electronic Money Directive*. For example, there may be circumstances in which *Principle 6* may be limited by the harmonised conduct of business obligations applied by the *Payment Services Directive* and *Electronic Money Directive* to *credit institutions* (see Parts 5 and 6 of the *Payment Services Regulations* and Part 5 of the *Electronic Money Regulations*).
FCA

3

 3.2 What?

3.2.1

FCA PRA

R

PRIN applies with respect to the carrying on of:

- (1) *regulated activities*;
- (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
- (3) *ancillary activities* in relation to *designated investment business*, *home finance activity*, *insurance mediation activity* and *accepting deposits*.

3.2.2

FCA

R

PRIN also applies with respect to the *communication* and *approval* of *financial promotions* which:

- (1) if *communicated* by an *unauthorised person* without *approval* would contravene section 21(1) of the *Act* (Restrictions on financial promotion); and
- (2) may be *communicated* by a *firm* without contravening section 238(1) of the *Act* (Restrictions on promotion of collective investment schemes).

3.2.3

FCA PRA

R

Principles 3, 4 and (in so far as it relates to disclosing to the *appropriate regulator*) 11 (and this chapter) also:

- (1) apply with respect to the carrying on of *unregulated activities* (for *Principle 3* this is only in a *prudential context*); and
- (2) take into account any activity of other members of a *group* of which the *firm* is a member.

Principles for Businesses

Schedule 6 Rules that can be waived

Sch 6.1 G

Sch 6.1A G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.1B G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Senior Management Arrangements, Systems and Controls

Part 2		Application of the common platform requirements (SYSC 4 to 10)
[FCA]		<p>(1) SYSC 4.3 and 4.4 do not apply as long as he does not employ any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements);</p> <p>(2) SYSC 4.1.4 R and SYSC 6.3.9 R do not apply if he has no <i>employees</i>.</p>
2.4	R	For a <i>UCITS</i> <i>qualifier</i> :
[FCA]		<p>(1) the <i>rule</i> on responsibility of senior personnel (SYSC 4.3) does not apply; and</p> <p>(2) the <i>common platform requirements</i> apply in relation to the <i>communication</i> and <i>approval</i> of <i>financial promotions</i> only as set out in SYSC 1 Annex 1.2.12R.</p> <p>[Note: section 266 of the <i>Act</i>.]</p>
2.5	R	For an <i>authorised professional firm</i> when carrying on <i>non-mainstream regulated activities</i> , the <i>common platform requirements on financial crime</i> , <i>conflicts of interest</i> and <i>Chinese walls</i> do not apply.
[FCA]		
2.6	R	The <i>common platform requirements</i> do not apply to an <i>incoming ECA provider</i> acting as such.
[FCA]		
[PRA]		
2.6A	R	The <i>common platform requirements</i> do not apply to a <i>firm</i> (including an <i>incoming EEA firm</i>) in relation to its carrying on of <i>auction regulation bidding</i> , except for:
[FCA]		
[PRA]		
		<p>(1) SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers, employees and <i>appointed representatives</i>) might be used to further <i>financial crime</i>; and</p> <p>(2) SYSC 6.3 (Financial crime).</p>
2.6B	R	Subject to SYSC 1 Annex 1 2.6CR, the <i>common platform requirements</i> do not apply to a <i>full-scope UK AIFM</i> of an <i>unauthorised AIF</i> except for:
[FCA]		<p>(1) SYSC 4.1.1 R to SYSC 4.1.2 R and SYSC 4.1.2B R to SYSC 4.1.2D R;</p> <p>(2) SYSC 4.2.1 R, SYSC 4.2.1B R, SYSC 4.2.2 R to SYSC 4.2.5 G, SYSC 4.2.7 R and SYSC 4.2.8 G;</p> <p>(3) SYSC 6.1.1 R, which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and <i>employees</i>) might be used to further <i>financial crime</i>;</p>

Part 2 Application of the common platform requirements (SYSC 4 to 10)

- (4) SYSC 6.1.4A G;
- (5) SYSC 6.3;
- (6) SYSC 7.1.7B G;
- (7) SYSC 10.1.1 R and SYSC 10.1.22 R to SYSC 10.1.26 R; and
- (8) SYSC 10.2.

2.6C R The *common platform requirements* apply to an *AIFM investment firm* which is a *full-scope UK AIFM* in respect of its *MiFID business* in line with Column A of Part 3.

[FCA]

2.6D R The *common platform requirements* apply to a *full-scope UK AIFM* of an *authorised AIF* in line with column A++ of Part 3.

[FCA]

2.6E G The *common platform requirements* apply to a *small authorised UK AIFM* in line with Column B of Part 3 (unless such a *firm* is also a *common platform firm*, in which case they must comply with Column A).

[FCA]

2.6F R The *common platform requirements* do not apply to an *incoming EEA AIFM branch* in respect of its management of a *UK AIF*, except for:

[FCA]

- (1) those *common platform requirements* which are *AIFMD host state requirements*;
- (2) SYSC 6.1.1 R which only applies to the extent that it relates to the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the *firm* (including its managers and *employees*) might be used to further *financial crime*; and
- (3) SYSC 6.3.

2.7 G *EEA MiFID investment firms* are reminded in particular that they must comply with the *common platform record-keeping requirements* in relation to a *branch* in the *United Kingdom*.

[FCA]

2.7A G *EEA UCITS management companies* are also reminded that they must comply with:

[FCA]

- (1) the *common platform requirements* indicated in Column A+ (Application to a management company) in Part 3 of this Annex;
- (2) the *common platform record-keeping requirements*; and
- (3) the *common platform requirements on financial crime*;

in relation to activities carried on from a *branch* in the *United Kingdom*. Where the *common platform requirement* addresses matters within the scope of article 12 of the *UCITS Directive*, an *EEA UCITS management company* should note that those matters may also be subject to the rules of its *Home State regulator*.

Part 2		Application of the common platform requirements (SYSC 4 to 10)	
			[Note: articles 12(1)(b), 14(1)(c), 14(1)(d), 17(4), 18(3) and 19(1) of the <i>UCITS Directive</i> and articles 4(1)(e), 10(1), 10(2) and 10(3) of the <i>UCITS implementing Directive</i>]
	What?		
2.8	R		The <i>common platform organisational requirements</i> apply with respect to the carrying on of the following (unless provided otherwise within a specific rule):
[FCA]			
[PRA]			
		(1)	<i>regulated activities</i> ;
		(2)	activities that constitute <i>dealing in investments as principal</i> , disregarding the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc);
		(3)	<i>ancillary activities</i> ;
		(4)	in relation to <i>MiFID business, ancillary services</i> ; and
		(5)	<i>collective portfolio management</i> .
2.9	G		The application of the provisions on the conflicts of interest in SYSC 10 is set out in SYSC 10.1.1 R and SYSC 10.2.1 R
[FCA]			
[PRA]			
2.10	R		The provisions on record-keeping in SYSC 9 apply as set out in SYSC 1 Annex 1.2.8R, except that they only apply to the carrying on of <i>ancillary activities</i> that are performed in relation to:
[FCA]			
		(1)	<i>designated investment business</i> ;
		(2)	<i>home finance activity</i> ; and
		(3)	<i>insurance mediation activity</i> .
2.11	R		The <i>common platform requirements on financial crime</i> apply as set out in SYSC 1 Annex 1.2.8R, except that they do not apply:
[FCA]			
		(1)	with respect to:
		(a)	activities that constitute <i>dealing in investments as principal</i> , disregarding the exclusion in article 15 of the <i>Regulated Activities Order</i> (Absence of holding out etc); and
		(b)	<i>ancillary activities</i> ; or
		(2)	in relation to the following <i>regulated activities</i> :
		(a)	<i>general insurance business</i> ;
		(b)	<i>insurance mediation activity in relation to a general insurance contract or pure protection contract</i> ;

Part 2 Application of the common platform requirements (SYSC 4 to 10)

- (c) *long-term insurance business which is outside the Consolidated Life Directive (unless it is otherwise one of the regulated activities specified in this rule);*
- (d) *business relating to contracts which are within the Regulated Activities Order only because they fall within paragraph (e) of the definition of "contract of insurance" in article 3 of that Order;*
- (e)
 - (i) *arranging by the Society of deals in general insurance contracts written at Lloyd's; and*
 - (ii) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's;*
- (f) *home finance mediation activity and administering a home finance transaction;*
- (g) *reversion activity; and*
- (h) *meeting of repayment claims and managing dormant account funds (including the investment of such funds).*

2.12 R The *common platform organisational requirements*, except the *common platform requirements on financial crime*, also apply with respect to the *communication and approval of financial promotions* which:

[FCA]

- (1) *if communicated by an unauthorised person without approval would contravene section 21(1) of the Act (Restrictions on financial promotion); and*
- (2) *may be communicated by a firm without contravening section 238(1) of the Act (Restrictions on promotion of collective investment schemes).*

2.13 R The *common platform organisational requirements*, except the *common platform requirements on financial crime*, also:

[FCA]
[PRA]

- (1) *apply with respect to the carrying on of unregulated activities in a prudential context; and*
- (2) *take into account any activity of other members of a group of which the firm is a member.*

2.14 G SYSC 1 Annex 1.2.13R(2) does not mean that inadequacy of a *group* member's systems and controls will automatically lead to a *firm* contravening any of the *common platform organisational requirements*. Rather, the potential impact of a *group* member's activities, including its systems and controls, and any systems and controls that operate on a *group* basis, will be relevant in determining the appropriateness of the *firm's* own systems and controls.

[FCA]
[PRA]

Where?

Part 2		Application of the common platform requirements (SYSC 4 to 10)
2.15	R	The <i>common platform requirements</i> , except the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> in relation to activities carried on by it from an establishment in the <i>United Kingdom</i> .
[FCA]		
[PRA]		
2.16	R	The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to a <i>firm</i> that is not a <i>UK UCITS management company</i> in relation to <i>passport activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
[PRA]		
2.16A	R	(1) The <i>common platform requirements</i> referred to in Column A+ of Part 3 (below) apply to a <i>UK UCITS management company</i> in relation to <i>passport activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
		(2) Any other <i>common platform requirement</i> applies to a <i>UK UCITS management company</i> in relation to <i>passport activities</i> carried on by it from a <i>branch</i> in another <i>EEA State</i> to the extent that the requirement addresses matters within the scope of article 12 of the <i>UCITS Directive</i> .
2.16B	G	The matters referred to in paragraph 2.16AR of this Annex may also be subject to the rules of the <i>UK UCITS management company's Host State regulator</i> .
[FCA]		
2.16C	R	The <i>common platform requirements</i> apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>AIF</i> where carried on from an establishment in the <i>UK</i> .
[FCA]		
2.16D	R	The <i>common platform requirements</i> , except those which are <i>AIFMD host state requirements</i> , apply to a <i>full-scope UK AIFM</i> in respect of its management of an <i>EEA AIF</i> from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
2.16E	R	The <i>common platform requirements</i> apply to an <i>AIFM investment firm</i> which is a <i>full-scope UK AIFM</i> in respect of its <i>MiFID business</i> where carried on from an establishment in the <i>UK</i> .
[FCA]		
2.16F	R	The <i>common platform requirements</i> , except the <i>common platform requirements on financial crime</i> and the <i>common platform record-keeping requirements</i> , apply to an <i>AIFM investment firm</i> in respect of its <i>MiFID business</i> where carried on from a <i>branch</i> in another <i>EEA State</i> .
[FCA]		
2.17	R	The <i>common platform record-keeping requirements</i> apply to activities carried on by a <i>firm</i> from an establishment maintained in the <i>United Kingdom</i> , unless another applicable <i>rule</i> which is relevant to the activity has a wider territorial scope, in which case the <i>common platform record-keeping requirements</i> apply with that wider scope in relation to the activity described in that <i>rule</i> .
[FCA]		
[PRA]		
		[Note: article 13(9) of <i>MiFID</i>]
2.18	R	The <i>common platform organisational requirements</i> , except the <i>common platform requirements on financial crime</i> , also apply in a <i>prudential context</i>

Part 2 Application of the common platform requirements (SYSC 4 to 10)

[FCA]
[PRA] to a *UK domestic firm* and to an *overseas firm* (other than an *incoming EEA firm* or an *Incoming Treaty firm*) with respect to activities wherever they are carried on.

Actions for damages

2.19 R A contravention of a rule in the *common platform requirements* does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those rules is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

[FCA]

Part 3 Tables summarising the application of the common platform requirements to different types of firm

3.1 G The *common platform requirements* apply in the following four ways (subject to the provisions in Part 2 of this Annex).

[FCA]
[PRA]

3.2 G For a *common platform firm*, they apply in accordance with Column A in the table below.

[FCA]
[PRA]

3.2A G For a *management company*, they apply in accordance with Column A+ in the table below.

[FCA]

3.2B R For a *full-scope UK AIFM* of an *authorised AIF*, they apply in line with Column A++ in the table below.

[FCA]

[PRA]

3.3 G For all other *firms* apart from *insurers, managing agents, the Society* and *full-scope UK AIFMs* of *unauthorised AIFs*, they apply in accordance with Column B in the table below. For these *firms*, where a rule is shown modified in Column B as 'Guidance', it should be read as *guidance* (as if "should" appeared in that rule instead of "must") and should be applied in a proportionate manner, taking into account the nature, scale and complexity of the firm's business.

[FCA]
[PRA]

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.1 R [FCA] [PRA]	Rule but SYSC 4.1.1 R (2) applies only to a BIPRU firm	Rule but SYSC 4.1.1 R (2) applies only to a BIPRU firm	Rule but SYSC 4.1.1 R (2) applies only to a BIPRU firm	Rule but SYSC 4.1.1 R (2) applies only to a third country BIPRU firm
SYSC 4.1.1A R [FCA] [PRA]	Not applicable	Not applicable	Rule	Not applicable
SYSC 4.1.1B R [FCA]	Not applicable	Not applicable	Rule	Not applicable
SYSC 4.1.2 R [FCA] [PRA]	Rule	Rule for a UCITS investment firm; otherwise guidance	Rule	Guidance
SYSC 4.1.2A G [FCA] [PRA]	Not applicable	Guidance for a UCITS firm; not applicable to a UCITS investment firm	Not applicable	Guidance
SYSC 4.1.2B R [FCA]	Not applicable	Rule	Rule	Not applicable
SYSC 4.1.2C R [FCA]	Not applicable		Rule	Not applicable
SYSC 4.1.2D R [FCA] [PRA]	Not applicable	Not applicable	Rule	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.3 R [FCA] [PRA]	Rule applies only to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
SYSC 4.1.4 R [FCA] [PRA]	Rule	Rule	Not applicable	(1) and (3) Guidance (2) Rule
SYSC 4.1.4A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 4.1.5 R [FCA] [PRA]	Rule applies only to a <i>MiFID investment firm</i>	Rule	Not applicable	Not applicable
SYSC 4.1.6 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 4.1.7 R [FCA] [PRA]	Rule	Rule	Not applicable	Guidance
SYSC 4.1.7A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 4.1.8 G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
[PRA]				
SYSC 4.1.9 R	Rule	Rule	Not applicable	Not applicable
[FCA]				
[PRA]				
SYSC 4.1.10 R	Rule	Rule	Not applicable	Guidance - except reference to SYSC 4.1.9 R which does not apply to these <i>firms</i>
[FCA]				
[PRA]				
SYSC 4.1.10A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 4.1.11 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 4.1.13 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 4.1.14 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.2.1 R [FCA] [PRA]	Rule	Rule	Rule	- UK branch of <i>non-EEA bank</i> - rule applies. - Other <i>firms</i> - Guidance
SYSC 4.2.1A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 4.2.2 R [FCA] [PRA]	Rule	Rule	Rule	- UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply
SYSC 4.2.3 G - 4.2.5 G [FCA] [PRA]	Guidance	Guidance	Guidance	- UK branch of a <i>non-EEA bank</i> - Guidance - Other <i>firms</i> - these provisions do not apply
SYSC 4.2.6 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	- UK branch of a <i>non-EEA bank</i> - Rule applies - Other <i>firms</i> - this provision does not apply
SYSC 4.2.7 R [FCA]	Not applicable	Not applicable	Rule	Not applicable

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[PRA] SYSC 4.2.8 G	Not applicable	Not applicable	Rule	Not applicable
[FCA]				
[PRA] SYSC 4.2.9G	Not applicable	Not applicable	Guidance	Not applicable
[FCA]				
[PRA] SYSC 4.3.1 R	Rule	Rule	Not applicable	Rule (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.2 R	Rule	Rule	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.2A G	Not applicable	Not applicable	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA] SYSC 4.3.3 G	Guidance	Guidance	Not applicable	Guidance (but not applicable to <i>incoming EEA firms, incoming Treaty firms or UCITS qualifiers</i>)
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.4.1 R	Not applicable	Not applicable	Not applicable	<p>Rule applies this section only to:</p> <p>(1) an <i>authorised professional firm</i> in respect of its <i>non-mainstream regulated activities</i> unless the <i>firm</i> is also conducting other <i>regulated activities</i> and has appointed <i>approved persons</i> to perform the <i>governing functions</i> with equivalent responsibilities for the <i>firm's non-mainstream regulated activities</i> and other <i>regulated activities</i>;</p> <p>2) activities carried on by a <i>firm</i> whose principal purpose is to carry on activities other than <i>regulated activities</i> and which is:</p> <p>(a) an <i>oil market participant</i>;</p>
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
				<p>(b) a <i>service company</i>;</p> <p>(c) an <i>energy market participant</i>;</p> <p>(d) a wholly-owned subsidiary of:</p> <p>(i) a local authority;</p> <p>(ii) a registered social landlord;</p> <p>(e) a <i>firm with permission to carry on insurance mediation activity in relation to non-investment insurance contracts but no other regulated activity</i>;</p> <p>3) an <i>incoming Treaty firm, an incoming EEA firm and a UCITS qualifier, (but only SYSC 4.4.5 R (2) applies for these firms)</i>; and</p> <p>(4) a <i>sole trader, but only if he em-</i></p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.4.2 G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	<p>employs any <i>person</i> who is required to be approved under section 59 of the <i>Act</i> (Approval for particular arrangements).</p> <p>Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1 R</p>
SYSC 4.4.3 R [FCA] [PRA]	Not applicable	Not applicable	Not applicable	<p>Rule only applying to the <i>firms</i> specified in SYSC 4.4.1 R</p>
SYSC 4.4.4 G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	<p>Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1 R</p>
SYSC 4.4.5 R [FCA] [PRA]	Not applicable	Not applicable	Not applicable	<p>Rule only applying to the <i>firms</i> specified in SYSC 4.4.1 R</p>
SYSC 4.4.6 G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	<p>Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1 R</p>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 5.1.1 R	Rule	Rule	Not applicable	Rule
[FCA]				
[PRA]				
SYSC 5.1.2 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.3 G	Guidance	Guidance	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.4 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 5.1.4A G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.5A G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.6 R	Rule	Rule	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
[PRA]				
SYSC 5.1.7 R	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.7A G	Not applicable	Not applicable to a <i>UCITS investment firm</i>; otherwise guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.8 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.9 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.10 G	Guidance	Guidance	Guidance, but not applicable for the segregation of risk management functions	Guidance
[FCA]				
[PRA]				
SYSC 5.1.11 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
[PRA]				
SYSC 5.1.12 R	Rule	Rule	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 5	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
[PRA]				
SYSC 5.1.12A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.13 R	Rule	Rule	Not applicable	Rule
[FCA]				
[PRA]				
SYSC 5.1.14 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 5.1.15 G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.1.1 R [FCA] [PRA]	Rule	Rule	Rule but only regarding the obligation to establish, implement and maintain adequate policies and procedures for countering the risk that the <i>firm</i> (including its managers and employees) might be used to further <i>financial crime</i>	Rule
SYSC 6.1.1A G [FCA] [PRA]	Guidance	Guidance	Guidance	Guidance
SYSC 6.1.2 R [FCA] [PRA]	Rule	Rule	Not applicable	Guidance
SYSC 6.1.2A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 6.1.3 R [FCA] [PRA]	Rule	Rule	Not applicable	- Guidance This provision shall be read with the following additional sentence at the start. "Depending on the nature,

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
				scale and complexity of its business, it may be appropriate for a <i>firm</i> to have a separate compliance function. Where a <i>firm</i> has a separate compliance function, the <i>firm</i> should also take into account 6.1.3 R and 6.1.4 R as guidance."
SYSC 6.1.3A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 6.1.4 R [FCA] [PRA]	Rule	Rule	Not applicable	(1) (3) and (4) Guidance (2) - Rule for <i>firms</i> which carry on <i>designated investment business</i> with or for <i>retail clients</i> or <i>professional clients</i> . - Guidance for all other <i>firms</i> .
SYSC 6.1.4A G [FCA] [PRA]	Not applicable	Not applicable	Rule	Guidance
SYSC 6.1.4BG [FCA]	Not applicable	Not applicable	Guidance	Not applicable
SYSC 6.1.4A R [FCA]	Not applicable	Not applicable	Not applicable	Rule for <i>firms</i> which carry on <i>designated invest-</i>

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
SYSC 6.1.5 R			Not applicable	<i>ment business with or for retail clients or professional clients.</i> - Guidance
[FCA]				- " <i>investment services and activities</i> " shall be read as " <i>financial services and activities</i> "
[PRA]				
SYSC 6.1.6 R	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.1.7 R[FCA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Guidance
SYSC 6.2.1 R	Rule	Rule	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.2.1A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA]				
[PRA]				
SYSC 6.2.2 G	Guidance	Guidance	Not applicable	Guidance
[FCA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs
[PRA]				
SYSC 6.3.1 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 6.3.2 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.3 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 6.3.4 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.6 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.7 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.8 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 6.3.9 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 6.3.10 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 6.3.11 G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 6	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society and full-scope UK AIFMs of unauthorised AIFs

[FCA]

[PRA]

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs

SYSC 7.1.1 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 7.1.2 R	Rule	Rule for a UCITS investment firm; otherwise guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 7.1.2A G	Not applicable	Not applicable to a UCITS investment firm; otherwise guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 7.1.2B G	Not applicable	Guidance	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.3 R	Rule	Rule for a UCITS investment firm; otherwise guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 7.1.4 R	Rule	Rule for a UCITS investment firm;	Not applicable	Guidance
[FCA] [PRA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 7.1.4A G [FCA] [PRA]	Not applicable	otherwise guidance Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.4B G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.5 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.6 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.7 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.7A G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 7.1.7B G [FCA] [PRA]	Guidance applies only to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Guidance	Guidance
SYSC 7.1.7BA G [FCA]	Not applicable	Not applicable	Guidance	Not applicable
SYSC 7.1.7C G	Guidance	Guidance	Guidance	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA] [PRA]				
SYSC 7.1.8 G (1)(2)	(1) Guidance applies to a <i>BIPRU firm</i>	(1) Guidance for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	(1) Not applicable
[FCA] [PRA]	(2) Guidance	(2) Guidance		(2) Guidance
SYSC 7.1.9 R	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.10 R	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.11 R	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.12 G	Guidance applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.13 R - 7.1.16 R	Rule applies to a <i>BIPRU firm</i>	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable	Not applicable	Not applicable
[FCA] [PRA]				
SYSC 7.1.16A G	Guidance applies to a <i>BIPRU firm</i>	Guidance for a <i>UCITS investment firm</i> otherwise not applicable	Not applicable	Not applicable
[FCA]				
SYSC 7.1.16B G	Guidance applies to a <i>BIPRU firm</i>	Guidance for a <i>UCITS investment</i>	Not applicable	Not applicable
[FCA]				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 7	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
<i>firm otherwise not applicable</i>				

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 8.1.1 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.1A G [FCA] [PRA]	Not applicable	Not applicable to a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.2 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 8.1.3 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 8.1.4 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance
SYSC 8.1.5 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i>; otherwise guidance	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 8.1.5A G [FCA] [PRA]	Not applicable	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.6 R [FCA] [PRA]	Rule	Rule	Not applicable	Rule
SYSC 8.1.7 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.8 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.9 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.10 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.11 R [FCA] [PRA]	Rule	Rule for a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.11A G [FCA] [PRA]	Not applicable	Not applicable to a <i>UCITS investment firm</i> ; otherwise guidance	Not applicable	Guidance
SYSC 8.1.12 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 8	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 8.1.13 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 8.1.14 G [FCA]	Not applicable	Guidance	Not applicable	Not applicable
SYSC 8.2 [FCA]	<i>MiFID investment firms only</i>	<i>UCITS investment firms only</i>	Not applicable	Not applicable
SYSC 8.3 [FCA]	<i>MiFID investment firms only</i>	<i>UCITS investment firms only</i>	Not applicable	Not applicable
Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 9	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 9.1.1 R [FCA] [PRA]	Rule	Rule	Rule but only for the requirement to arrange for orderly records to be kept of its business and internal organisation which do not relate to portfolio transactions and subscription and redemptions orders	Rule

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 9	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 9.1.2 R [FCA] [PRA]	Rule applies only in relation to <i>Mi-FID business</i>	Rule applies only in relation to <i>Mi-FID business</i> of a <i>UCITS investment firm</i>	Rule but only for records specified by the modified application of SYSC 9.1.1 R	Not applicable
SYSC 9.1.3 R [FCA] [PRA]	Rule applies only in relation to <i>Mi-FID business</i>	Rule applies only in relation to <i>Mi-FID business</i> of a <i>UCITS investment firm</i>	Not applicable	Not applicable
SYSC 9.1.4 G [FCA] [PRA]	Guidance	Guidance	Guidance	Guidance
SYSC 9.1.5 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 9.1.6 G [FCA] [PRA]	Guidance	Guidance	Not applicable	Guidance
SYSC 9.1.7 G [FCA] [PRA]	Guidance applies only in relation to <i>MiFID business</i>	Guidance applies only in relation to <i>MiFID business</i> of a <i>UCITS investment firm</i>	Not applicable	Not applicable

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 10.1.1 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				
SYSC 10.1.1A R [FCA]	Not applicable	Not applicable	Rule	Not applicable
SYSC 10.1.2 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 10.1.3 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				
SYSC 10.1.4 R	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
[FCA] [PRA]				
SYSC 10.1.4A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA] [PRA]				
SYSC 10.1.5 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 10.1.6 R	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of in-
[FCA] [PRA]				

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
				vestment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
SYSC 10.1.6A G	Not applicable	Not applicable	Not applicable	Guidance
[FCA] [PRA]				
SYSC 10.1.7 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				
SYSC 10.1.8 R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				
SYSC 10.1.8A R	Rule	Rule	Not applicable	Rule
[FCA] [PRA]				
SYSC 10.1.9 G	Guidance	Guidance	Not applicable	Guidance
[FCA] [PRA]				
SYSC 10.1.10 R	Rule	Rule	Not applicable	Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent re-
[FCA] [PRA]				

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 10.1.11 R [FCA] [PRA]	Rule	Rule	Not applicable	search in accordance with COBS 12.3 Guidance - but applies as a rule in relation to the production or arrangement of investment research in accordance with COBS 12.2, or the production or dissemination of non-independent research in accordance with COBS 12.3
SYSC 10.1.11A G [FCA] [PRA]	Not applicable	Not applicable	Not applicable	Guidance
SYSC 10.1.12 G - SYSC 10.1.15 G [FCA] [PRA]	Guidance	Guidance for SYSC 10.1.12 G; not applicable for SYSC 10.1.13 G - SYSC 10.1.15 G	Guidance for SYSC 10.1.12 G; not applicable for SYSC 10.1.13 G to SYSC 10.1.15 G	Guidance
SYSC 10.1.16 R [FCA]	Not applicable	Not applicable	Not applicable	Rule
SYSC 10.1.17 R [FCA]	Not applicable	Rule	Not applicable	Not applicable
SYSC 10.1.18 G [FCA]	Not applicable	Guidance	Not applicable	Not applicable
SYSC 10.1.19 R	Not applicable	Rule	Not applicable	Not applicable

Provision	Column A	COLUMN A+	COLUMN A++	Column B
SYSC 10	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
[FCA]				
SYSC 10.1.20 R	Not applicable	Rule	Not applicable	Not applicable
[FCA]				
SYSC 10.1.21 R	Not applicable	Rule	Not applicable	Not applicable
[FCA]				
SYSC 10.1.22 R	Not applicable	Rule	Rule	Not applicable
[FCA] [PRA]				
SYSC 10.1.23 R to SYSC 10.1.26 R	Not applicable	Not applicable	Rule	Not applicable
[FCA] [PRA]				
SYSC 10.2.1 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 10.2.2 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 10.2.3 G	Guidance	Guidance	Guidance	Guidance
[FCA]				
SYSC 10.2.4 R	Rule	Rule	Rule	Rule
[FCA]				
SYSC 10.2.5 G	Guidance	Guidance	Guidance	Guidance
[FCA]				

Chapter 4

General organisational requirements



4.1 General requirements

[Note: ESMA has also issued guidelines under article 16(3) of the ESMA Regulation covering certain aspects of the MiFID compliance function requirements. See <http://www.esma.europa.eu/content/Guidelines-certain-aspects-MiFID-compliance-function-requirements>.]

4.1.1 **R**
FCA PRA

- (1) A *firm* must have robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.
- (2) A *BIPRU firm* and a *third country BIPRU firm* must comply with the *Remuneration Code*.

[Note: article 22(1) of the *Banking Consolidation Directive*, article 13(5) second paragraph of *MiFID*, article 12(1)(a) of the *UCITS Directive*, and article 18(1) of *AIFMD*]

4.1.1A **R**
FCA

A *full-scope UK AIFM* must comply with the *AIFM Remuneration Code*.

[Note: article 13(1) of *AIFMD*]

4.1.1B **R**
FCA

A *full-scope UK AIFM* must, in particular:

- (1) have rules for personal transactions by its *employees* or for the holding or management of investments it invests on its own account;
- (2) ensure that each transaction involving the *AIFs* may be reconstructed according to its origin, the parties to it, its nature, and the time and place at which it was effected; and
- (3) ensure that the assets of the *AIFs* managed by the *AIFM* are invested in accordance with the *instrument constituting the fund* and the legal provisions in force.

[Note: article 18(1) second paragraph of *AIFMD*]

4.1.2

FCA PRA

R

For a *common platform firm*, the arrangements, processes and mechanisms referred to in ■ SYSC 4.1.1 R must be comprehensive and proportionate to the nature, scale and complexity of the *common platform firm's* activities and must take into account the specific technical criteria described in ■ SYSC 4.1.7 R, ■ SYSC 5.1.7 R, ■ SYSC 7 and (for a *BIPRU firm* and a *third country BIPRU firm*) ■ SYSC 19A , or (for a *full-scope UK AIFM*) ■ SYSC 19B .

[Note: article 22(2) of the *Banking Consolidation Directive*]

4.1.2A

FCA PRA

G

Other *firms* should take account of the comprehensiveness and proportionality rule (■ SYSC 4.1.2 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G .

4.1.2B

FCA

R

For a *management company* or a *full-scope UK AIFM* , the arrangements, processes and mechanisms referred to in ■ SYSC 4.1.1 R and ■ SYSC 4.1.1A R must also take account of the *UCITS schemes* and *EEA UCITS schemes* managed by the *management company* or the *AIFs* managed by the *full-scope UK AIFM*.

[Note: article 12(1) second paragraph of the *UCITS Directive* and article 18(1) second paragraph of *AIFMD*]

Resources for management companies and AIFMs

4.1.2C

FCA

R

A *management company*, a *full-scope UK AIFM* and an *incoming EEA AIFM branch* must have, and employ effectively, the resources and procedures that are necessary for the proper performance of its business activities.

[Note: articles 12(1)(a) and 14(1)(c) of the *UCITS Directive* and article 12(1)(c) of *AIFMD*]

4.1.2D

FCA

R

A *full-scope UK AIFM* must use, at all times, adequate and appropriate human and technical resources that are necessary for the proper management of *AIFs*.

[Note: article 18(1) first paragraph of *AIFMD*]

Subordinate measures relating to provisions implementing article 12(1) of AIFMD

4.1.2E

FCA

G

Articles 16 to 29 of the *AIFMD level 2 regulation* provide detailed rules supplementing the provisions of article 12(1) of *AIFMD*, articles 57 to 66 of the *AIFMD level 2 regulation* provide detailed rules supplementing articles 12 and 18 of *AIFMD*.

Mechanisms and procedures for a BIPRU firm

4.1.3

FCA PRA

R

A *BIPRU firm* must ensure that its internal control mechanisms and administrative and accounting procedures permit the verification of its compliance with *rules* adopted in accordance with the *Capital Adequacy Directive* at all times.

4.1.4

FCA PRA

R

[Note: article 35(1) final sentence of the *Capital Adequacy Directive*]

A *firm* (with the exception of a *sole trader* who does not employ any *person* who is required to be approved under section 59 of the *Act* (Approval for particular arrangements)) must, taking into account the nature, scale and complexity of the business of the *firm*, and the nature and range of the financial services and activities undertaken in the course of that business:

- (1) (if it is a *common platform firm* or a *management company*) establish, implement and maintain decision-making procedures and an organisational structure which clearly and in a documented manner specifies reporting lines and allocates functions and responsibilities;
- (2) establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the *firm*;
- (3) (if it is a *common platform firm*) establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the *firm*; and
- (4) (if it is a *management company*) establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the *management company* as well as effective information flows with any third party involved.

[Note: articles 5(1) final paragraph, 5(1)(a), 5(1)(c) and 5(1)(e) of the *MiFID implementing Directive* and articles 4(1) final paragraph, 4(1)(a), 4(1)(c) and 4(1)(d) of the *UCITS implementing Directive*]

4.1.4A

FCA PRA

G

A *firm* that is not a *common platform firm* or a *management company* should take into account the decision-making procedures and effective internal reporting *rules* (■ SYSC 4.1.4R (1), ■ (3) and ■ (4)) as if they were *guidance* (and as if "should" appeared in those rules instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

4.1.5

FCA PRA

R

A *MiFID investment firm* and a *management company* must establish, implement and maintain systems and procedures that are adequate to safeguard the security, integrity and confidentiality of information, taking into account the nature of the information in question.

[Note: article 5(2) of the *MiFID implementing Directive* and article 4(2) of the *UCITS implementing Directive*]

Business continuity

4.1.6

FCA PRA

R

A *common platform firm* must take reasonable steps to ensure continuity and regularity in the performance of its *regulated activities*. To this end

the *common platform firm* must employ appropriate and proportionate systems, resources and procedures.

[Note: article 13(4) of *MiFID*]

4.1.7

FCA PRA

R

A *common platform firm* and a *management company* must establish, implement and maintain an adequate business continuity policy aimed at ensuring, in the case of an interruption to its systems and procedures, that any losses are limited, the preservation of essential data and functions, and the maintenance of its *regulated activities*, or, in the case of a *management company*, its *collective portfolio management* activities, or, where that is not possible, the timely recovery of such data and functions and the timely resumption of those activities.

[Note: article 5(3) of the *MiFID implementing Directive* , annex V paragraph 13 of the *Banking Consolidation Directive* and article 4(3) of the *UCITS implementing Directive*]

4.1.7A

FCA PRA

G

Other *firms* should take account of the business continuity *rules* (■ SYSC 4.1.6 R and ■ 4.1.7 R) as if they were *guidance* (and as if "should" appeared in those rules instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

4.1.8

FCA PRA

G

The matters dealt with in a business continuity policy should include:

- (1) resource requirements such as people, systems and other assets, and arrangements for obtaining these resources;
- (2) the recovery priorities for the *firm's* operations;
- (3) communication arrangements for internal and external concerned parties (including the *appropriate regulator*, *clients* and the press);
- (4) escalation and invocation plans that outline the processes for implementing the business continuity plans, together with relevant contact information;
- (5) processes to validate the integrity of information affected by the disruption; and
- (6) regular testing of the business continuity policy in an appropriate and proportionate manner in accordance with ■ SYSC 4.1.10 R.

Accounting policies

4.1.9

FCA PRA

R

A *common platform firm* and a *management company* must establish, implement and maintain accounting policies and procedures that enable it, at the request of the *appropriate regulator*, to deliver in a timely manner to the *appropriate regulator* financial reports which reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules.

[Note: article 5(4) of the *MiFID implementing Directive* and article 4(4) of the *UCITS implementing Directive*]

Regular monitoring

4.1.10
FCA PRA

R

A *common platform firm* and a *management company* must monitor and, on a regular basis, evaluate the adequacy and effectiveness of its systems, internal control mechanisms and arrangements established in accordance with ■ SYSC 4.1.4 R to ■ SYSC 4.1.9 R and take appropriate measures to address any deficiencies.

[Note: article 5(5) of the *MiFID implementing Directive* and article 4(5) of the *UCITS implementing Directive*]

4.1.10A
FCA PRA

G

Other *firms* should take account of the regular monitoring *rule* (■ SYSC 4.1.10 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G, but ignoring the cross-reference to ■ SYSC 4.1.5 R and ■ 4.1.9 R.

Audit committee

4.1.11
FCA PRA

G

Depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to form an audit committee. An audit committee could typically examine management's process for ensuring the appropriateness and effectiveness of systems and controls, examine the arrangements made by management to ensure compliance with requirements and standards under the *regulatory system*, oversee the functioning of the internal audit function (if applicable) and provide an interface between management and external auditors. It should have an appropriate number of *non-executive directors* and it should have formal terms of reference.

4.1.12

G

[deleted]

Risk control: additional guidance

4.1.13
FCA PRA

G

Firms should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in ■ SYSC 21.

Apportionment of responsibilities: the role of the non-executive director

4.1.14
FCA PRA

G

The role undertaken by a *non-executive director* will vary from one *firm* to another. Where a *non-executive director* is an *approved person*, for example where the *firm* is a *body corporate*, his responsibility and therefore liability will be limited by the role that he undertakes.



4.2 Persons who effectively direct the business

4.2.1
FCA PRA

R The *senior personnel* of a *common platform firm*, a *management company* a *full-scope UK AIFM*, or of the *UK branch* of a *non-EEA bank* must be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the *firm*.

[Note: article 9(1) of *MiFID*, article 7(1)(b) of the *UCITS Directive* article 8(1)(c) of *AIFMD* and article 11(1) second paragraph of the *Banking Consolidation Directive*]

4.2.1A
FCA PRA

G Other *firms* should take account of the senior personnel *rule* (■ SYSC 4.2.1 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

Responsibility of senior personnel of an AIFM

4.2.1B
FCA

R For a *full-scope UK AIFM*, the *senior personnel* must, in complying with ■ SYSC 4.2.1 R, be sufficiently experienced in relation to the investment strategies pursued by the *AIFs* it manages.

[Note: article 8(1)(c) of *AIFMD*]

4.2.2
FCA PRA

R A *common platform firm*, a *management company*, a *full-scope UK AIFM* and the *UK branch* of a *non-EEA bank* must ensure that its management is undertaken by at least two persons meeting the requirements laid down in ■ SYSC 4.2.1 R and, for a *full-scope UK AIFM*, ■ SYSC 4.2.7 R .

[Note: article 9(4) first paragraph of *MiFID*, article 7(1)(b) of the *UCITS Directive*, article 8(1)(c) of *AIFMD* and article 11(1) first paragraph of the *Banking Consolidation Directive*]

4.2.3
FCA PRA

G In the case of a *body corporate*, the persons referred to in SYSC 4.2.2 R should either be executive *directors* or persons granted executive powers by, and reporting immediately to, the *governing body*. In the case of a *partnership*, they should be active *partners*.

4.2.4
FCA PRA

G At least two independent minds should be applied to the formulation and implementation of the policies of a *common platform firm*, a *management company*, a *full-scope UK AIFM* and the *UK branch* of a *non-EEA bank* . Where a *firm* nominates just two individuals to direct its business, the *appropriate regulator* will not regard them as both

effectively directing the business where one of them makes some, albeit significant, decisions relating to only a few aspects of the business. Each should play a part in the decision-making process on all significant decisions. Both should demonstrate the qualities and application to influence strategy, day-to-day policy and its implementation. This does not require their day-to-day involvement in the execution and implementation of policy. It does, however, require involvement in strategy and general direction, as well as knowledge of, and influence on, the way in which strategy is being implemented through day-to-day policy.

4.2.5

FCA **PRA**

G

Where there are more than two individuals directing the business of a *common platform firm*, a *management company*, a *full-scope UK AIFM* or the UK branch of a *non-EEA bank*, the *appropriate regulator* does not regard it as necessary for all of these individuals to be involved in all decisions relating to the determination of strategy and general direction. However, at least two individuals should be involved in all such decisions. Both individuals' judgement should be engaged so that major errors leading to difficulties for the *firm* are less likely to occur. Similarly, each individual should have sufficient experience and knowledge of the business and the necessary personal qualities and skills to detect and resist any imprudence, dishonesty or other irregularities by the other individual. Where a single individual, whether a chief executive, managing *director* or otherwise, is particularly dominant in such a *firm* this will raise doubts about whether SYSC 4.2.2 R is met.

4.2.6

FCA **PRA**

R

If a *common platform firm*, (other than a *credit institution* or *AIFM investment firm*) or the UK branch of a *non-EEA bank*, is:

- (1) a natural person; or
- (2) a legal person managed by a single natural person;

it must have alternative arrangements in place which ensure sound and prudent management of the *firm*.

[Note: article 9(4) second paragraph of *MiFID*]

4.2.7

FCA

R

A *full-scope UK AIFM* must notify the *FCA* of the names of the *senior personnel* of the *firm* and of every person succeeding them in office.

[Note: article 8(1)(c) of *AIFMD*]

4.2.8

FCA

G

Where the *senior personnel* of a *full-scope UK AIFM* will carry out a *governing function* and the *firm* has applied for the *FCA*'s approval under section 59 of the *Act*, this will be considered sufficient to comply with SYSC 4.2.8R.

6.1.3

FCA PRA

R

A *common platform firm* and a *management company* must maintain a permanent and effective compliance function which operates independently and which has the following responsibilities:

- (1) to monitor and, on a regular basis, to assess the adequacy and effectiveness of the measures and procedures put in place in accordance with ■ SYSC 6.1.2 R, and the actions taken to address any deficiencies in the *firm's* compliance with its obligations; and
- (2) to advise and assist the *relevant persons* responsible for carrying out *regulated activities* to comply with the *firm's* obligations under the *regulatory system*.

[Note: article 6(2) of the *MiFID implementing Directive* and article 10(2) of the *UCITS implementing Directive*]

6.1.3A

FCA PRA

G

- (1) Other *firms* should take account of the compliance function *rule* (■ SYSC 6.1.3 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.
- (2) Notwithstanding ■ SYSC 6.1.3 R, as it applies under (1), depending on the nature, scale and complexity of its business, it may be appropriate for a *firm* to have a separate compliance function. Where a *firm* has a separate compliance function the *firm* should also take into account ■ SYSC 6.1.3 R and ■ SYSC 6.1.4 R as guidance.

6.1.4

FCA PRA

R

In order to enable the compliance function to discharge its responsibilities properly and independently, a *common platform firm* and a *management company* must ensure that the following conditions are satisfied:

- (1) the compliance function must have the necessary authority, resources, expertise and access to all relevant information;
- (2) a compliance officer must be appointed and must be responsible for the compliance function and for any reporting as to compliance required by ■ SYSC 4.3.2 R;
- (3) the *relevant persons* involved in the compliance functions must not be involved in the performance of services or activities they monitor;
- (4) the method of determining the remuneration of the *relevant persons* involved in the compliance function must not compromise their objectivity and must not be likely to do so.

[Note: article 6(3) first paragraph of the *MiFID implementing Directive* and article 10(3) of the *UCITS implementing Directive*]

6.1.4-A
FCA PRA

G

In setting the method of determining the *remuneration of relevant persons* involved in the compliance function, *BIPRU firms* will also need to comply with the *Remuneration Code*.

6.1.4A
FCA

R

- (1) *A firm which is not a common platform firm or management company and which carries on designated investment business with or for retail clients or professional clients must allocate to a director or senior manager the function of:*
- (a) having responsibility for oversight of the *firm's* compliance; and
 - (b) reporting to the *governing body* in respect of that responsibility.
- (2) In ■ SYSC 6.1.4A R (1) compliance means compliance with the rules in:
- (a) *COBS* (Conduct of Business sourcebook);
 - (b) *COLL* (Collective Investment Schemes sourcebook);
 - (c) *CASS* (Client Assets sourcebook) ; and
 - (d) *ICOBS* (Insurance: Conduct of Business sourcebook).

6.1.4-B
FCA

G

In setting the method of determining the *remuneration of relevant persons* involved in the compliance function, *full-scope UK AIFMs* will need to comply with the *AIFM Remuneration Code*.

6.1.5
FCA PRA

R

A common platform firm and a management company need not comply with ■ SYSC 6.1.4 R (3) or ■ SYSC 6.1.4 R (4) if it is able to demonstrate that in view of the nature, scale and complexity of its business, and the nature and range of financial services and activities, the requirements under those rules are not proportionate and that its compliance function continues to be effective.

[Note: article 6(3) second paragraph of the *MiFID implementing Directive* and article 10(3) second paragraph of the *UCITS implementing Directive*]

6.1.6
FCA PRA

G

Other *firms* should take account of the proportionality rule (■ SYSC 6.1.5 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

6.1.7
FCA PRA

R

- (1) *This rule applies to a common platform firm conducting investment services and activities from a branch in another EEA State.*

- (2) References to the *regulatory system* in ■ SYSC 6.1.1R, ■ SYSC 6.1.2 R and ■ SYSC 6.1.3 R apply in respect of a *firm's branch* as if *regulatory system* includes a *Host State's* requirements under *MiFID* and the *MiFID implementing Directive* which are applicable to the *investment services and activities* conducted from the *firm's branch*.

[Note: article 13(2) of *MiFID*]



6.2 Internal audit

6.2.1

FCA PRA

R

A *common platform firm* and a *management company* must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of its financial services and activities, undertaken in the course of that business, establish and maintain an internal audit function which is separate and independent from the other functions and activities of the *firm* and which has the following responsibilities:

- (1) to establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the *firm's* systems, internal control mechanisms and arrangements;
- (2) to issue recommendations based on the result of work carried out in accordance with (1);
- (3) to verify compliance with those recommendations;
- (4) to report in relation to internal audit matters in accordance with ■ SYSC 4.3.2 R.

[Note: article 8 of the *MiFID implementing Directive* and article 11 of the *UCITS implementing Directive*]

6.2.1A

FCA PRA

G

Other *firms* should take account of the internal audit *rule* (■ SYSC 6.2.1 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

6.2.2

FCA PRA

G

The term 'internal audit function' in ■ SYSC 6.2.1 R (and ■ SYSC 4.1.11 G) refers to the generally understood concept of internal audit within a *firm*, that is, the function of assessing adherence to and the effectiveness of internal systems and controls, procedures and policies. The internal audit function is not a *controlled function* itself, but is part of the *systems and controls function* (CF28).

Chapter 7

Risk control

7.1 Risk control

[Note: ESMA has also issued guidelines under article 16(3) of the ESMA Regulation covering certain aspects of the MiFID compliance function requirements. See <http://www.esma.europa.eu/content/Guidelines-certain-aspects-MiFID-compliance-function-requirements>.]

7.1.1 FCA PRA G ■ SYSC 4.1.1 R requires a *firm* to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to.

7.1.2 FCA PRA R *A common platform firm* must establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify the risks relating to the *firm's* activities, processes and systems, and where appropriate, set the level of risk tolerated by the *firm*.

[Note: article 7(1)(a) of the *MiFID implementing Directive*, article 13(5) second paragraph of *MiFID*]

7.1.2A FCA PRA G Other *firms* should take account of the risk management policies and procedures *rule* (■ SYSC 7.1.2 R) as if it were *guidance* (and as if should appeared in that rule instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

7.1.2B FCA G A *management company* should be aware that ■ COLL 6.11 contains requirements implementing article 12 of the *UCITS implementing Directive* in relation to risk control and internal reporting that will apply to it.

7.1.2C FCA G *Full-scope UK AIFMs* should be aware that ■ FUND 3.7 and articles 38 to 47 of the *AIFMD level 2 regulation* contain further requirements in relation to risk management.

7.1.3 FCA PRA R *A common platform firm* must adopt effective arrangements, processes and mechanisms to manage the risk relating to the *firm's* activities, processes and systems, in light of that level of risk tolerance.

[Note: article 7(1)(b) of the *MiFID implementing Directive*]

7.1.4 FCA PRA R The *senior personnel* of a *common platform firm* must approve and periodically review the strategies and policies for taking up, managing,

monitoring and mitigating the risks the *firm* is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle.

[Note: annex V paragraph 2 of the *Banking Consolidation Directive*]

7.1.4A

FCA PRA

G

For a *common platform firm* included within the scope of ■ SYSC 20 (Reverse stress testing), the strategies, policies and procedures for identifying, taking up, managing, monitoring and mitigating the risks to which the *firm* is or might be exposed include conducting reverse stress testing in accordance with ■ SYSC 20. A *common platform firm* which falls outside the scope of ■ SYSC 20 should consider conducting reverse stress tests on its business plan as well. This would further *senior personnels* understanding of the *firm's* vulnerabilities and would help them design measures to prevent or mitigate the risk of business failure.

7.1.4B

FCA PRA

G

Other *firms* should take account of the risk management *rules* (■ SYSC 7.1.3 R and ■ SYSC 7.1.4 R) as if they were *guidance* (and as if "should" appeared in those rules instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

7.1.5

FCA PRA

R

A *common platform firm* must monitor the following:

- (1) the adequacy and effectiveness of the *firm's* risk management policies and procedures;
- (2) the level of compliance by the *firm* and its *relevant persons* with the arrangements, processes and mechanisms adopted in accordance with ■ SYSC 7.1.3 R;
- (3) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the *relevant persons* to comply with such arrangements or processes and mechanisms or follow such policies and procedures.

[Note: article 7(1)(c) of the *MiFID implementing Directive*]

7.1.6

FCA PRA

R

A *common platform firm* must, where appropriate and proportionate in view of the nature, scale and complexity of its business and the nature and range of the *investment services and activities* undertaken in the course of that business, establish and maintain a risk management function that operates independently and carries out the following tasks:

- (1) implementation of the policies and procedures referred to in ■ SYSC 7.1.2 R to ■ SYSC 7.1.5 R; and
- (2) provision of reports and advice to *senior personnel* in accordance with ■ SYSC 4.3.2 R.

[Note: *MiFID implementing Directive* Article 7(2) first paragraph]

7.1.7 **R** Where a *common platform firm* is not required under ■ SYSC 7.1.6 R to maintain a risk management function that functions independently, it must nevertheless be able to demonstrate that the policies and procedures which it has adopted in accordance with ■ SYSC 7.1.2 R to ■ SYSC 7.1.5 R satisfy the requirements of those *rules* and are consistently effective.

FCA PRA

[Note: article 7(2) second paragraph of the *MiFID implementing Directive*]

7.1.7A **G** Other *firms* should take account of the risk management *rules* (■ SYSC 7.1.5 R to ■ SYSC 7.1.7 R) as if they were *guidance* (and as if should appeared in those rules instead of must) as explained in ■ SYSC 1 Annex 1.3.3 G.

FCA PRA

7.1.7B **G** In setting the method of determining the *remuneration* of *employees* involved in the risk management function, *BIPRU firms* will also need to comply with the *Remuneration Code*.

FCA PRA

7.1.7BA **G** In setting the method of determining the *remuneration* of *employees* involved in the risk management function *full-scope UK AIFMs* will need to comply with the *AIFM Remuneration Code*.

FCA

7.1.7C **G** *Firms* should also consider the additional *guidance* on risk-centric governance arrangements for effective risk management contained in ■ SYSC 21.

FCA PRA

7.1.8 **G** (1) ■ SYSC 4.1.3 R requires a *BIPRU firm* to ensure that its internal control mechanisms and administrative and accounting procedures permit the verification of its compliance with *rules* adopted in accordance with the *Capital Adequacy Directive* at all times. In complying with this obligation, a *BIPRU firm* should document the organisation and responsibilities of its risk management function and it should document its risk management framework setting out how the risks in the business are identified, measured, monitored and controlled.

FCA PRA

(2) The term 'risk management function' in ■ SYSC 7.1.6 R and ■ SYSC 7.1.7 R refers to the generally understood concept of risk assessment within a *firm*, that is, the function of setting and controlling risk exposure. The risk management function is not a *controlled function* itself, but is part of the *systems and controls function* (CF28).

Credit and counterparty risk

7.1.9 **R** A *BIPRU firm* must base credit-granting on sound and well-defined criteria and clearly establish the process for approving, amending, renewing, and re-financing credits.

FCA PRA

[Note: annex V paragraph 3 of the *Banking Consolidation Directive*]

7.1.10 **R** A *BIPRU firm* must operate through effective systems the ongoing administration and monitoring of its various credit risk-bearing portfolios

FCA PRA

and exposures, including for identifying and managing problem credits and for making adequate value adjustments and provisions.

[Note: annex V paragraph 4 of the *Banking Consolidation Directive*]

7.1.11

FCA PRA

R

A *BIPRU firm* must adequately diversify credit portfolios given its target market and overall credit strategy.

[Note: annex V paragraph 5 of the *Banking Consolidation Directive*]

7.1.12

FCA PRA

G

The documentation maintained by a *BIPRU firm* under ■ SYSC 4.1.3 R should include its policy for credit risk, including its risk appetite and provisioning policy and should describe how it measures, monitors and controls that risk. This should include descriptions of the systems used to ensure that the policy is correctly implemented.

Residual risk

7.1.13

FCA PRA

R

A *BIPRU firm* must address and control by means of written policies and procedures the risk that recognised credit risk mitigation techniques used by it prove less effective than expected.

[Note: annex V paragraph 6 of the *Banking Consolidation Directive*]

Market risk

7.1.14

FCA PRA

R

A *BIPRU firm* must implement policies and processes for the measurement and management of all material sources and effects of market risks.

[Note: annex V paragraph 10 of the *Banking Consolidation Directive*]

Interest rate risk

7.1.15

FCA PRA

R

A *BIPRU firm* must implement systems to evaluate and manage the risk arising from potential changes in interest rates as they affect a *BIPRU firm's* non-trading activities.

[Note: annex V paragraph 11 of the *Banking Consolidation Directive*]

Operational risk

7.1.16

FCA PRA

R

A *BIPRU firm* must implement policies and processes to evaluate and manage the exposure to operational risk, including to low-frequency high severity events. Without prejudice to the definition of *operational risk*, *BIPRU firms* must articulate what constitutes operational risk for the purposes of those policies and procedures.

[Note: annex V paragraph 12 of the *Banking Consolidation Directive*]

7.1.16A

FCA PRA

G

In meeting the general standard referred to in ■ SYSC 7.1.16 R, a *BIPRU firm* that undertakes market-related activities should be able to demonstrate to the *appropriate regulator*:

- (1) in the case of a *BIPRU firm* calculating its *ORCR* using the *basic indicator approach* or *standardised approach*, that it has considered; or
- (2) in the case of a *BIPRU firm* with an *AMA permission*, compliance with

the Committee of European Banking Supervisors Guidelines on the management of operational risk in market-related activities, published in October 2010. These can be found at [http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-\(Guidelines-on-the-management-of-op-.aspx](http://www.eba.europa.eu/documents/Publications/Standards---Guidelines/2010/Management-of-op-risk/CEBS-2010-216-(Guidelines-on-the-management-of-op-.aspx)

7.1.16B

FCA PRA

G

In meeting the general standards referred to in ■ SYSC 7.1.16 R, a *firm* with *AMA* approval should be able to demonstrate to the *appropriate regulator* that it has considered and complies with Section III of the European Banking Authority's Guidelines on the Advanced Measurement Approach (AMA) - Extensions and Changes published in January 2012. These can be found at [http://eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-BS-2011-209-final-\(EBA-GL-on-AMA-extensions-and-changes\).pdf](http://eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-BS-2011-209-final-(EBA-GL-on-AMA-extensions-and-changes).pdf)

Chapter 10

Conflicts of interest

10.1 Application

10.1.1

FCA PRA

R

(1) This section applies to a *firm* which provides services to its *clients* in the course of carrying on *regulated activities* or *ancillary activities* or providing *ancillary services* (but only where the *ancillary services* constitute *MiFID business*).

(2) This section also applies to a *management company*.

10.1.1A

FCA

R

This section also applies to:

(1) a *full-scope UK AIFM* of:

(i) a *UK AIF*;

(ii) an *EEA AIF* managed or *marketed* from an establishment in the *UK*; and

(iii) a *non-EEA AIF*; and

(2) an *incoming EEA AIFM* branch which manages or *markets* a *UK AIF*.

Requirements only apply if a service is provided

10.1.2

FCA PRA

G

The requirements in this section only apply where a service is provided by a *firm*. The status of the *client* to whom the service is provided (as a *retail client*, *professional client* or *eligible counterparty*) is irrelevant for this purpose.

[Note: recital 25 of *MiFID implementing Directive*]

Identifying conflicts

10.1.3

FCA PRA

R

A *firm* must take all reasonable steps to identify conflicts of interest between:

(1) the *firm*, including its managers, employees and *appointed representatives* (or where applicable, *tier agents*), or any *person* directly or indirectly linked to them by *control*, and a *client* of the *firm*; or

(2) one *client* of the *firm* and another *client*;

that arise or may arise in the course of the *firm* providing any service referred to in ■ SYSC 10.1.1 R.

[Note: article 18(1) of *MiFID*]

Types of conflicts

10.1.4

FCA PRA

R

For the purposes of identifying the types of conflict of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interests of a *client*, a *common platform firm* and a *management company* must take into account, as a minimum, whether the *firm* or a *relevant person*, or a *person* directly or indirectly linked by *control* to the *firm*:

- (1) is likely to make a financial gain, or avoid a financial loss, at the expense of the *client*;
- (2) has an interest in the outcome of a service provided to the *client* or of a transaction carried out on behalf of the *client*, which is distinct from the *client's* interest in that outcome;
- (2A) in the case of a *management company* providing *collective portfolio management* services for a *UCITS scheme*, (2) also applies where the service is provided to, or the transaction is carried out on behalf of, a *client* other than the *UCITS scheme*;
- (3) has a financial or other incentive to favour the interest of another *client* or group of *clients* over the interests of the *client*;
- (4) carries on the same business as the *client*; or in the case of a *management company*, carries on the same activities for the *UCITS scheme* and for another *client* or *clients* which are not *UCITS schemes*; or
- (5) receives or will receive from a *person* other than the *client* an inducement in relation to a service provided to the *client*, in the form of monies, goods or services, other than the standard commission or fee for that service.

The conflict of interest may result from the *firm* or *person* providing a service referred to in ■ SYSC 10.1.1 R or engaging in any other activity or, in the case of a *management company*, whether as a result of providing *collective portfolio management* services or otherwise.

[Note: article 21 of *MiFID implementing Directive* and article 17(1) of the *UCITS implementing Directive*]

10.1.4A

FCA

G

Other *firms* should take account of the *rule* on the types of conflicts (see ■ SYSC 10.1.4 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as

explained in ■ SYSC 1 Annex 1.3.3 G, except when they produce or arrange the production of *investment research* in accordance with ■ COBS 12.2, or produce or disseminate *non-independent research* in accordance with ■ COBS 12.3 (see ■ SYSC 10.1.16 R).

10.1.4B

PRA

G

Other firms should take account of the rule on the types of conflicts (see ■ SYSC 10.1.4 R) as if it were guidance (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

10.1.5

FCA PRA

G

The circumstances which should be treated as giving rise to a conflict of interest cover cases where there is a conflict between the interests of the *firm* or certain *persons* connected to the *firm* or the *firm's group* and the duty the *firm* owes to a *client*; or between the differing interests of two or more of its *clients*, to whom the *firm* owes in each case a duty. It is not enough that the *firm* may gain a benefit if there is not also a possible disadvantage to a *client*, or that one *client* to whom the *firm* owes a duty may make a gain or avoid a loss without there being a concomitant possible loss to another such *client*.

[Note: recital 24 of *MiFID implementing Directive*]

Record of conflicts

10.1.6

FCA PRA

R

A common platform firm and a management company must keep and regularly update a record of the kinds of service or activity carried out by or on behalf of that firm in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

[Note: article 23 of *MiFID implementing Directive* and article 20(1) of the *UCITS implementing Directive*]

10.1.6A

FCA

G

Other *firms* should take account of the *rule* on records of conflicts (see ■ SYSC 10.1.6 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must", as explained in ■ SYSC 1 Annex 1.3.3 G), except when they produce or arrange the production of *investment research* in accordance with ■ COBS 12.2, or produce or disseminate *non-independent research* in accordance with ■ COBS 12.3 (see ■ SYSC 10.1.16 R).

10.1.6B

PRA

G

Other firms should take account of the rule on records of conflicts (see ■ SYSC 10.1.6 R) as if it were guidance (and as if "should" appeared in that rule instead of "must", as explained in ■ SYSC 1 Annex 1.3.3 G).

Managing conflicts

10.1.7

FCA PRA

R

A firm must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest as defined in ■ SYSC 10.1.3 R from constituting or giving rise to a material risk of damage to the interests of its clients.

[Note: article 13(3) of *MiFID*]

Disclosure of conflicts

10.1.8

FCA PRA

R

- (1) If arrangements made by a *firm* under ■ SYSC 10.1.7 R to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a *client* will be prevented, the *firm* must clearly disclose the general nature and/or sources of conflicts of interest to the *client* before undertaking business for the *client*.
- (2) The disclosure must:
 - (a) be made in a *durable medium*; and
 - (b) include sufficient detail, taking into account the nature of the *client*, to enable that *client* to take an informed decision with respect to the service in the context of which the conflict of interest arises.
- (3) This *rule* does not apply to the extent that ■ SYSC 10.1.21 R applies.

[Note: article 18(2) of *MiFID* and Article 22(4) of *MiFID implementing Directive*]

10.1.8A

FCA PRA

R

The obligation in ■ SYSC 10.1.8 R (2)(a) does not apply to a *firm* when carrying on *insurance mediation activity*.

10.1.9

FCA PRA

G

Firms should aim to identify and manage the conflicts of interest arising in relation to their various business lines and their *group's* activities under a comprehensive *conflicts of interest policy*. In particular, the disclosure of conflicts of interest by a *firm* should not exempt it from the obligation to maintain and operate the effective organisational and administrative arrangements under ■ SYSC 10.1.7 R. While disclosure of specific conflicts of interest is required by ■ SYSC 10.1.8 R, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is not permitted.

[Note: recital 27 of *MiFID implementing Directive*]

Conflicts policy

10.1.10

FCA PRA

R

- (1) A *common platform firm* and a *management company* must establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the *firm* and the nature, scale and complexity of its business.
- (2) Where the *common platform firm* or the *management company* is a member of a *group*, the policy must also take into account any circumstances, of which the *firm* is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the *group*.

[Note: article 22(1) of *MiFID implementing Directive* and article 18(1) of the *UCITS implementing Directive*]

Contents of policy

10.1.11

FCA PRA

R

- (1) The *conflicts of interest policy* must include the following content:
 - (a) it must identify in accordance with ■ SYSC 10.1.3 R and ■ SYSC 10.1.4 R, by reference to the specific services and activities carried out by or on behalf of the *common platform firm* or *management company*, the circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more *clients*; and
 - (b) it must specify procedures to be followed and measures to be adopted in order to manage such conflicts.
- (2) The procedures and measures provided for in paragraph (1)(b) must:
 - (a) be designed to ensure that *relevant persons* engaged in different business activities involving a conflict of interest of the kind specified in paragraph (1)(a) carry on those activities at a level of independence appropriate to the size and activities of the *common platform firm* or the *management company* and of the *group* to which either of them respectively belongs, and to the materiality of the risk of damage to the interests of *clients*; and
 - (b) include such of the following as are necessary and appropriate for the *common platform firm* or the *management company* to ensure the requisite degree of independence:
 - (i) effective procedures to prevent or control the exchange of information between *relevant persons* engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more *clients*;
 - (ii) the separate supervision of *relevant persons* whose principal functions involve carrying out activities on behalf of, or providing services to, *clients* whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the *firm*;
 - (iii) the removal of any direct link between the remuneration of *relevant persons* principally engaged in one activity and the remuneration of, or revenues generated by, different *relevant persons* principally engaged in another

activity, where a conflict of interest may arise in relation to those activities;

- (iv) measures to prevent or limit any *person* from exercising inappropriate influence over the way in which a *relevant person* carries out services or activities; and
- (v) measures to prevent or control the simultaneous or sequential involvement of a *relevant person* in separate services or activities where such involvement may impair the proper management of conflicts of interest.

(3) If the adoption or the practice of one or more of those measures and procedures does not ensure the requisite level of independence, a *common platform firm* and a *management company* must adopt such alternative or additional measures and procedures as are necessary and appropriate for the purposes of paragraph (1)(b).

[Note: article 22(2) and (3) of *MiFID implementing Directive* and articles 18(2), 19(1) and 19(2) of the *UCITS implementing Directive*]

10.1.11A

FCA

G

Other *firms* should take account of the *rules* relating to *conflicts of interest policies* (see ■ SYSC 10.1.10 R and ■ SYSC 10.1.11 R) as if they were *guidance* (and as if "should" appeared in those rules instead of "must", as explained in ■ SYSC 1 Annex 1.3.3 G), except when they produce or arrange the production of *investment research* in accordance with ■ COBS 12.2, or produce or disseminate *non-independent research* in accordance with ■ COBS 12.3 (see ■ SYSC 10.1.16 R).

10.1.11B

PRA

G

Other *firms* should take account of the *rules* relating to *conflicts of interest policies* (see ■ SYSC 10.1.10 R and ■ SYSC 10.1.11 R) as if they were *guidance* (and as if "should" appeared in those rules instead of "must", as explained in ■ SYSC 1 Annex 1.3.3 G).

10.1.12

FCA

PRA

G

In drawing up a *conflicts of interest policy* which identifies circumstances which constitute or may give rise to a conflict of interest, a *firm* should pay special attention to the activities of investment research and advice, proprietary trading, portfolio management and corporate finance business, including underwriting or selling in an offering of securities and advising on mergers and acquisitions. In particular, such special attention is appropriate where the *firm* or a *person* directly or indirectly linked by *control* to the *firm* performs a combination of two or more of those activities.

[Note: recital 26 of *MiFID implementing Directive*]

Corporate finance

PAGE
7

10.1.13

FCA

G

This section is relevant to the management of a *securities* offering by any *firm*.

10.1.14

FCA

G

A *firm* will wish to note that when carrying on a mandate to manage an offering of *securities*, the *firm's* duty for that business is to its corporate finance *client* (in many cases, the corporate issuer or seller of the relevant *securities*), but that its responsibilities to provide services to its investment *clients* are unchanged.

10

10.1.15

FCA

G

Measures that a *firm* might wish to consider in drawing up its *conflicts of interest policy* in relation to the management of an offering of *securities* include:

- (1) at an early stage agreeing with its corporate finance *client* relevant aspects of the offering process such as the process the *firm* proposes to follow in order to determine what recommendations it will make about allocations for the offering; how the target investor group will be identified; how recommendations on allocation and pricing will be prepared; and whether the *firm* might place *securities* with its investment *clients* or with its own proprietary book, or with an associate, and how conflicts arising might be managed; and
- (2) agreeing allocation and pricing objectives with the corporate finance *client*; inviting the corporate finance *client* to participate actively in the allocation process; making the initial recommendation for allocation to *retail clients* of the *firm* as a single block and not on a named basis; having internal arrangements under which senior personnel responsible for providing services to *retail clients* make the initial allocation recommendations for allocation to *retail clients* of the *firm*; and disclosing to the *issuer* details of the allocations actually made.

[Note: The provisions in ■ SYSC 10.1 also implement BCD Article 22 and BCD Annex V paragraph 1]

Application of conflicts of interest rules to non-common platform firms when producing investment research or non-independent research

10.1.16

FCA

R

The *rules* relating to:

- (1) types of conflict (see ■ SYSC 10.1.4 R);
- (2) records of conflicts (see ■ SYSC 10.1.6 R); and
- (3) *conflicts of interest policies* (see ■ SYSC 10.1.10 R and ■ SYSC 10.1.11 R);

also apply to a *firm* which is not a *common platform firm* when it produces, or arranges for the production of, *investment research* that is intended or likely to be subsequently disseminated to *clients* of the *firm* or to the public in accordance with ■ COBS 12.2, and when it produces or disseminates *non-independent research* in accordance with ■ COBS 12.3.

Additional requirements for a management company

10.1.17

FCA

R

A *management company*, when identifying the types of conflict of interests for the purposes of ■ SYSC 10.1.4 R, must take into account:

- (1) the interests of the *firm*, including those deriving from its belonging to a *group* or from the performance of services and activities, the interests of the *clients* and the duty of the *firm* towards the *UCITS scheme* or *EEA UCITS scheme* it manages; and

- (2) where it manages two or more *UCITS schemes* or *EEA UCITS schemes*, the interests of all of them.

[Note: article 17(2) of the *UCITS implementing Directive*]

10.1.18

G

FCA

For a *management company*, references to client in ■ SYSC 10.1.4 R and in the other rules in this section should be construed as referring to any *UCITS scheme* or *EEA UCITS scheme* managed by that *firm* or which it intends to manage, and with or for the benefit of which the relevant activity is to be carried on.

Structure and organisation of a management company

10.1.19

R

FCA

A *management company* must be structured and organised in such a way as to minimise the risk of a *UCITS scheme's*, *EEA UCITS scheme's* or *client's* interests being prejudiced by conflicts of interest between the *management company* and its *clients*, between two of its *clients*, between one of its *clients* and a *UCITS scheme* or an *EEA UCITS scheme*, or between two such *schemes*.

[Note: articles 12(1)(b) and 14(1)(d) of the *UCITS Directive*]

Avoidance of conflicts of interest for a management company

10.1.20

R

FCA

A *management company* must try to avoid conflicts of interest and, when they cannot be avoided, ensure that the *UCITS schemes* and *EEA UCITS schemes* it manages are fairly treated.

[Note: articles 12(1)(b) and 14(1)(d) of the *UCITS Directive*]

Disclosure of conflicts of interest for a management company

10.1.21

R

FCA

- (1) Where the organisational or administrative arrangements made by a *management company* for the management of conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the *UCITS scheme* or *EEA UCITS scheme* it manages or of its *unitholders* will be prevented, the *senior personnel* or other competent internal body of the *firm* must be promptly informed in order for them to take any necessary decision to ensure that in all cases the *firm* acts in the best interests of the *scheme* and of its *unitholders*.

- (2) A *management company* must report situations referred to in (1) to the *unitholders* of the *UCITS scheme* or *EEA UCITS scheme* it manages by any appropriate *durable medium* and give reasons for its decision.

[Note: articles 20(2) and 20(3) of the *UCITS implementing Directive*]

Collective portfolio management investment firms

10.1.22

R

FCA

A *collective portfolio management investment firm* which manages investments other than for an *AIF* or *UCITS* for which it has been appointed as manager, must obtain approval from its *client* before it invests all or

part of the *client's* portfolio in *units* or *shares* of an *AIF* or *UCITS* it manages.

[Note: article 12(2)(a) of the *UCITS Directive* and article 12(2)(a) of *AIFMD*]

Additional requirements for an AIFM

10.1.23

FCA

R

An *AIFM* must take all reasonable steps to identify conflicts of interest that arise, in the course of managing *AIFs*, between:

- (1) the *AIFM*, including its managers, *employees* or any person directly or indirectly linked to the *AIFM* by *control*, and an *AIF* managed by the *AIFM* or the investors in that *AIF*; or
- (2) an *AIF* or the investors in that *AIF*, and another *AIF* or the investors in that *AIF*; or
- (3) an *AIF* or the investors in that *AIF*, and another *client* of the *AIFM*; or
- (4) an *AIF* or the investors in that *AIF*, and a *UCITS* managed by the *AIFM* or the investors in that *UCITS*; or
- (5) two *clients* of the *AIFM*.

[Note: article 14(1) first paragraph of *AIFMD*]

10.1.24

FCA

R

An *AIFM* must take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, manage, monitor and (where applicable) disclose those conflicts of interest in order to prevent them from adversely affecting the interests of the *AIFs* and their investors, and to ensure that the *AIFs* it manages are fairly treated.

[Note: article 12(1)d of *AIFMD*]

10.1.25

FCA

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An *AIFM* must:

- (1) maintain and operate effective organisational and administrative arrangements, with a view to taking all reasonable steps designed to identify, prevent, manage and monitor conflicts of interest in order to prevent them from adversely affecting the interests of the *AIFs* and their investors;
- (2) segregate, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic conflicts of interest; and
- (3) assess whether its operating conditions may involve any other material conflicts of interest and disclose them to the *AIF's* investors.

[Note: article 14(1) second and third paragraphs of *AIFMD*]

10.1.26

FCA

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If the organisational arrangements made by the *AIFM* to identify, prevent, manage and monitor conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to investors' interests will be prevented, the *AIFM* must:

- (1) clearly disclose the general nature or sources of conflicts of interest to the investors before undertaking business on their behalf; and
- (2) develop appropriate policies and procedures.

[Note: article 14(2) of *AIFMD*]

Subordinate measures for alternative investment fund managers

10.1.27

FCA

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Articles 30 to 37 of the *AIFMD level 2 regulation* provide detailed rules supplementing the provisions of article 14 of *AIFMD*.

10.2 Chinese walls

Application

10.2.1

FCA PRA

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This section applies to any *firm*.

Control of information

10.2.2

FCA PRA

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(1) When a *firm* establishes and maintains a *Chinese wall* (that is, an arrangement that requires information held by a *person* in the course of carrying on one part of the business to be withheld from, or not to be used for, *persons* with or for whom it acts in the course of carrying on another part of its business) it may:

- (a) withhold or not use the information held; and
- (b) for that purpose, permit *persons* employed in the first part of its business to withhold the information held from those employed in that other part of the business;

but only to the extent that the business of one of those parts involves the carrying on of *regulated activities*, *ancillary activities* or, in the case of *MiFID business*, the provision of *ancillary services*.

- (2) Information may also be withheld or not used by a *firm* when this is required by an established arrangement maintained between different parts of the business (of any kind) in the same *group*. This provision does not affect any requirement to transmit or use information that may arise apart from the *rules* in *COBS*.
- (3) For the purpose of this *rule*, "maintains" includes taking reasonable steps to ensure that the arrangements remain effective and are adequately monitored, and must be interpreted accordingly.
- (4) For the purposes of section 118A(5)(a) of the *Act*, behaviour conforming with paragraph (1) does not amount to market abuse.

Effect of rules

10.2.3

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FCA PRA

■ SYSC 10.2.2 R is made under section 137P of the *Act* (Control of information rules). It has the following effect:

- (1) acting in conformity with ■ SYSC 10.2.2 R (1) provides a defence against proceedings brought under sections 89(2) and 90(1) of the Financial Services Act 2012 (Misleading statements and Misleading impressions) - see sections 89(3)(b) and 90(9)(c).
- (2) behaviour in conformity with ■ SYSC 10.2.2 R (1) does not amount to *market abuse* (see ■ SYSC 10.2.2 R (4)); and
- (3) acting in conformity with ■ SYSC 10.2.2 R (1) provides a defence for a firm against *FCA* enforcement action, or an action for damages under section 138D of the *Act*, based on a breach of a relevant requirement to disclose or use this information.

Attribution of knowledge

10.2.4

R

FCA PRA

When any of the *rules* of *COBS* or *CASS* apply to a *firm* that acts with knowledge, the *firm* will not be taken to act with knowledge for the purposes of that *rule* if none of the relevant individuals involved on behalf of the *firm* acts with that knowledge as a result of arrangements established under ■ SYSC 10.2.2 R.

10.2.5

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FCA PRA

When a *firm* manages a conflict of interest using the arrangements in ■ SYSC 10.2.2 R which take the form of a *Chinese wall*, individuals on the other side of the wall will not be regarded as being in possession of knowledge denied to them as a result of the *Chinese wall*.

Chapter 19A

Remuneration Code

19A.1 General application and purpose

Who? What? Where?

19A.1.1

FCA PRA

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- (1) The *Remuneration Code* applies to a *BIPRU firm* and a *third country BIPRU firm*.
- (2) In relation to a *third country BIPRU firm*, the *Remuneration Code* applies only in relation to activities carried on from an establishment in the *United Kingdom*.
- (3) Otherwise, the *Remuneration Code* applies to a *firm* within (1) in the same way as ■ SYSC 4.1.1 R (General Requirements).

19A.1.1A

FCA

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The *AIFM Remuneration Code* (■ SYSC 19B) also applies to a *BIPRU firm* which is a *full-scope UK AIFM* (ie a *full-scope UK AIFM* that is an *AIFM investment firm*). Such a *full-scope UK AIFM* that complies with all of ■ SYSC 19B will also comply with all of the provisions of ■ SYSC 19A. In such cases, the *FCA* will not require the *full-scope UK AIFM* to demonstrate compliance with ■ SYSC 19A.

19A.1.2

FCA PRA

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Part 2 of ■ SYSC 1 Annex 1 provides for the application of ■ SYSC 4.1.1 R (General Requirements). In particular, and subject to the provisions on group risk systems and controls requirements in ■ SYSC 12, this means that:

- (1) in relation to what the *Remuneration Code* applies to, it:
 - (a) applies in relation to *regulated activities*, activities that constitute *dealing in investments as principal* (disregarding the exclusion in article 15 of the *Regulated Activities Order* (Absence of holding out etc)), *ancillary activities* and (in relation to *MiFID business*) *ancillary services*;
 - (b) applies with respect to the carrying on of *unregulated activities* in a *prudential context*; and
 - (c) takes into account activities of other *group* members; and
- (2) in relation to where the *Remuneration Code* applies, it applies in relation to:
 - (a) a *firm's UK* activities;
 - (b) a *firm's passported activities* carried on from a *branch* in another *EEA State*; and

- (c) a UK domestic firm's activities wherever they are carried on, in a *prudential context*.

When?

19A.1.3

R

FCA PRA

A *firm* must apply the *remuneration* requirements in ■ SYSC 19A.3 in relation to:

- (1) *remuneration* awarded, whether pursuant to a contract or otherwise, on or after 1 January 2011;
- (2) *remuneration* due on the basis of contracts concluded before 1 January 2011 which is awarded or paid on or after 1 January 2011; and
- (3) *remuneration* awarded, but not yet paid, before 1 January 2011, for services provided in 2010.

[Note: article 3(2) of the Third Capital Requirements Directive (Directive 2010/76/EU)]

19A.1.4

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FCA PRA

Subject to the requirements of ■ SYSC 19A.1.5 R, in the *appropriate regulator's* view ■ SYSC 19A.1.3 R does not require a *firm* to breach requirements of applicable contract or employment law.

[Note: recital 14 of the Third Capital Requirements Directive (Directive 2010/76/EU)]

19A.1.5

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FCA PRA

- (1) This *rule* applies to a *firm* that is unable to comply with the *Remuneration Code* because of an obligation it owes to a *Remuneration Code staff member* under a provision of an agreement made on or before 29 July 2010 (the "provision").
- (2) A *firm* must take reasonable steps to amend or terminate the provision referred to in (1) in a way that enables it to comply with the *Remuneration Code* at the earliest opportunity.
- (3) Until the provision referred to in (1) ceases to prevent the *firm* from complying with the *Remuneration Code*, the *firm* must adopt specific and effective arrangements, processes and mechanisms to manage the risks raised by the provision.

Purpose

19A.1.6

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FCA PRA

- (1) The aim of the *Remuneration Code* is to ensure that *firms* have risk-focused *remuneration* policies, which are consistent with and promote effective risk management and do not expose them to excessive risk. It expands upon the general organisational requirements in ■ SYSC 4.
- (2) The *Remuneration Code* implements the main provisions of the Third Capital Requirements Directive (Directive 2010/76/EU) which relate to *remuneration*. The Committee of European Banking Supervisors published Guidelines on Remuneration Policies and Practices on 10 December 2010. Provisions of the Third Capital Requirements Directive relating to Pillar 3 disclosures of

information relating to *remuneration* have been implemented through amendments to ■ BIPRU 11 (specifically the *rules* and *guidance* in ■ BIPRU 11.5.18 R to ■ BIPRU 11.5.21 G). Provisions of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive* relating to the collection of *remuneration* benchmarking information and *high earners* information have been implemented through SUP 16 Annex 33AR and SUP 16 Annex 34AR. The Guidelines can be found at <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-04---GL-4-on-remuneration-benchmarking-exercise-.pdf> and <http://www.eba.europa.eu/cebs/media/Publications/Standards%20and%20Guidelines/2012/EBA-GL-2012-05---GL-5-on-remuneration-data-collection-exercise-.pdf>.

(3) [deleted]

Notifications to the appropriate regulator

19A.1.7

FCA PRA

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- (1) The *Remuneration Code* does not contain specific notification requirements. However, general circumstances in which the *appropriate regulator* expects to be notified by *firms* of matters relating to their compliance with requirements under the *regulatory system* are set out in ■ SUP 15.3 (General notification requirements).
- (2) In particular, in relation to *remuneration* matters such circumstances should take into account *unregulated activities* as well as *regulated activities* and the activities of other members of a *group* and would include each of the following:
 - (a) significant breaches of the *Remuneration Code*, including any breach of a *rule* to which the detailed provisions on voiding and recovery in ■ SYSC 19A Annex 1 apply;
 - (b) any proposed *remuneration* policies, procedures or practices which could:
 - (i) have a significant adverse impact on the *firms* reputation; or
 - (ii) affect the *firms* ability to continue to provide adequate services to its *customers* and which could result in serious detriment to a *customer* of the *firm*; or
 - (iii) result in serious financial consequences to the *financial system* or to other *firms*;
 - (c) any proposed changes to *remuneration* policies, practices or procedures which could have a significant impact on the *firms* risk profile or resources;
 - (d) fraud, errors and other irregularities described in ■ SUP 15.3.17 R which may suggest weaknesses in, or be motivated by, the *firms remuneration* policies, procedures or practices.
- (3) Such notifications should be made immediately the *firm* becomes aware, or has information which reasonably suggests such circumstances have occurred, may have occurred or may occur in the foreseeable future.

19A.1.8

FCA

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Individual guidance

The FCA's policy on individual *guidance* is set out in ■ SUP 9. Firms should in particular note the policy on what the FCA considers to be a reasonable request for *guidance* (see ■ SUP 9.2.5 G). For example, where a *firm* is seeking *guidance* on a proposed *remuneration* structure the FCA will expect the *firm* to provide a detailed analysis of how the structure complies with the *Remuneration Code*, including the general requirement for *remuneration* policies, procedures and practices to be consistent with and promote sound and effective risk management.

19A.2 General requirement

Remuneration policies must promote effective risk management

19A.2.1

FCA PRA

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A *firm* must establish, implement and maintain *remuneration* policies, procedures and practices that are consistent with and promote sound and effective risk management.

[Note: Article 22(1) of the *Banking Consolidation Directive*]

19A.2.2

FCA PRA

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- (1) If a *firm's remuneration* policy is not aligned with effective risk management it is likely that *employees* will have incentives to act in ways that might undermine effective risk management.
- (2) The *Remuneration Code* covers all aspects of *remuneration* that could have a bearing on effective risk management including salaries, bonuses, long-term incentive plans, options, hiring bonuses, severance packages and pension arrangements. In applying the *Remuneration Code*, a *firm* should have regard to applicable good practice on *remuneration* and corporate governance, such as guidelines on executive contracts and severance produced by the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF). In considering the risks arising from its *remuneration* policies, a *firm* will also need to take into account its statutory duties in relation to equal pay and non-discrimination.
- (3) As with other aspects of a *firm's* systems and controls, in accordance with ■ SYSC 4.1.2 R *remuneration* policies, procedures and practices must be comprehensive and proportionate to the nature, scale and complexity of the *common platform firm's* activities. What a *firm* must do in order to comply with the *Remuneration Code* will therefore vary. For example, while the *Remuneration Code* refers to a *firm's remuneration* committee and risk management function, it may be appropriate for the *governing body* of a smaller *firm* to act as the *remuneration* committee, and for the *firm* not to have a separate risk management function.
- (4) The principles in the *Remuneration Code* are used by the *appropriate regulator* to assess the quality of a *firm's remuneration* policies and whether they encourage excessive risk-taking by a *firm's employees*.
- (5) The *appropriate regulator* may also ask *remuneration* committees to provide the *appropriate regulator* with evidence of how well the *firm's remuneration* policies meet the *Remuneration Code's* principles, together with plans for improvement where there is a shortfall. The *appropriate regulator* also expects relevant *firms* to use the principles in assessing their exposure to

Chapter 19B

AIFM Remuneration Code

19B.1 Application

19B.1.1 **R** The *AIFM Remuneration Code* applies to a *full-scope UK AIFM* of:

FCA

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Remuneration policies and practices

19B.1.2 **R** An *AIFM* must establish, implement and maintain *remuneration* policies and practices for *AIFM Remuneration Code staff* that are consistent with, and promote, sound and effective risk management and do not encourage risk-taking which is inconsistent with the risk profile of the *instrument constituting the fund* of the *AIFs* it manages.

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[Note: article 13(1) of *AIFMD*]

19B.1.3 **R** *AIFM Remuneration Code staff* comprise those categories of staff whose professional activities have a material impact on the risk profiles of the *AIFMs* or of the *AIFs* the *AIFM* manages. This includes senior management, risk takers, control functions, and any *employees* receiving total *remuneration* that takes them into the same *remuneration* bracket as senior management and risk takers.

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[Note: article 13(1) of *AIFMD*]

19B.1.4 **R** (1) When establishing and applying the total *remuneration* policies for *AIFM Remuneration Code staff* (inclusive of salaries and discretionary pension benefits), an *AIFM* must comply with the *AIFM remuneration principles* in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

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- (2) Paragraph (1) does not apply to the requirement for significant *AIFMs* to have a *remuneration* committee (■ SYSC 19B.1.9 R).

(3) The *AIFM remuneration principles* apply to remuneration of any type paid by the *AIFM*, to any amount paid directly by the *AIF* itself, including *carried interest*, and to any transfer of *units* or *shares* of the *AIF* made to the benefits of *AIFM Remuneration Code staff*.

[Note: paragraph 1 and 2 of Annex II of *AIFMD*]

AIFM Remuneration Principle 1: Risk management

19B.1.5
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An *AIFM* must ensure that its *remuneration* policy is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles of the *instrument constituting the fund* of the *AIFs* it manages.

[Note: paragraph 1(a) of Annex II of *AIFMD*]

AIFM Remuneration Principle 2: Supporting business strategy, objectives, values and interests, and avoiding conflicts of interest

19B.1.6
FCA

R

An *AIFM* must ensure that its *remuneration* policy is in line with the business strategy, objectives, values and interests of the *AIFM* and the *AIFs* it manages or the investors of such *AIFs*, and includes measures to avoid conflicts of interest.

[Note: paragraph 1(b) of Annex II of *AIFMD*]

AIFM Remuneration Principle 3: Governance

19B.1.7
FCA

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An *AIFM* must ensure that the *governing body* of the *AIFM*, in its supervisory function, adopts and periodically reviews the general principles of the *remuneration* policy and is responsible for its implementation.

[Note: paragraph 1(c) of Annex II of *AIFMD*]

19B.1.8
FCA

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An *AIFM* must ensure the implementation of the *remuneration* policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for *remuneration* adopted by the *governing body* in its supervisory function.

[Note: paragraph 1(d) of Annex II of *AIFMD*]

19B.1.9
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- (1) An *AIFM* that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities must establish a *remuneration* committee.
- (2) The *remuneration* committee must be constituted in a way that enables it to exercise competent and independent judgment on *remuneration* policies and practices, and the incentives created for managing risk.
- (3) The chairman and the members of the *remuneration* committee must be members of the *governing body* who do not perform any executive function in the *AIFM*.

- (4) The *remuneration* committee must be responsible for the preparation of decisions regarding *remuneration*, including those which have implications for the risk and risk management of the *AIFM* or the *AIF* concerned and which are taken by the *governing body* in its supervisory function.

[Note: paragraph 3 of Annex II of *AIFMD*]

AIFM Remuneration Principle 4: Control functions

- 19B.1.10 **R** An *AIFM* must ensure that *employees* engaged in control functions are compensated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

FCA

[Note: paragraph 1(e) of Annex II of *AIFMD*]

- 19B.1.11 **R** An *AIFM* must ensure the *remuneration* of the senior officers in the risk management and compliance functions is directly overseen by the *remuneration* committee, or, if such a committee has not been established, by the *governing body* in its supervisory function.

FCA

[Note: paragraph 1(f) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(a): Remuneration structures - assessment of performance

- 19B.1.12 **R** An *AIFM* must ensure that, where *remuneration* is performance related, the total amount of *remuneration* is based on a combination of the assessment of the performance of the individual and of the business unit or *AIF* concerned and of the overall results of the *AIFM*. When assessing individual performance, financial and non-financial criteria are taken into account.

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[Note: paragraph 1(g) of Annex II of *AIFMD*]

- 19B.1.13 **R** An *AIFM* must ensure that the assessment of performance is set in a multi-year framework appropriate to the life-cycle of the *AIFs* managed by the *AIFM* to ensure that:

FCA

- (1) the assessment process is based on longer term performance; and
- (2) the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the *AIFs* it manages and their investment risks.

[Note: paragraph 1(h) of Annex II of *AIFMD*]

19B.1.14

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AIFM Remuneration Principle 5(b): Remuneration structures - guaranteed variable remuneration

An *AIFM* must not award, pay or provide guaranteed variable remuneration unless it;

- (1) is exceptional;
- (2) occurs only in the context of hiring new staff; and
- (3) is limited to the first year of service.

[Note: paragraph 1(i) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(c): Remuneration structures - ratios between fixed and variable components of total remuneration

19B.1.15

FCA

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An *AIFM* must set appropriate ratios between the fixed and variable components of total *remuneration* and ensure that:

- (1) fixed and variable components of total *remuneration* are appropriately balanced; and
- (2) the fixed component represents a sufficiently high proportion of the total *remuneration* to allow the operation of a fully flexible policy on variable *remuneration* components, including the possibility to pay no variable *remuneration* component.

[Note: paragraph 1(j) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(d): Remuneration structures - payments related to early termination

19B.1.16

FCA

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An *AIFM* must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

[Note: paragraph 1(k) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(e): Remuneration structures - retained units, shares or other instruments

19B.1.17

FCA

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- (1) Subject to the legal structure of the *AIF* and the *instrument constituting the fund*, an *AIFM* must ensure that a substantial portion, and in any event at least 50% of any variable *remuneration*, consists of *units* or *shares* of the *AIF* concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments. However, if the management of *AIFs* accounts for less than 50% of the total portfolio managed by the *AIFM*, the minimum of 50 % does not apply.
- (2) The instruments in (1) must be subject to an appropriate retention policy designed to align incentives with the long-term interests of the *AIFM* and the *AIFs* it manages and the investors of such *AIFs*.

- (3) This *rule* applies to the portion of the variable *remuneration* component deferred in line with ■ SYSC 19B.1.18R (1) and the portion not deferred.

[Note: paragraph 1(m) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(f): Remuneration structures - deferral

19B.1.18

FCA

R

- (1) An *AIFM* must not award, pay or provide a variable *remuneration* component unless a substantial portion, and in any event at least 40%, of the variable *remuneration* component, is deferred over a period which is appropriate in view of the life cycle and redemption policy of the *AIF* concerned and is correctly aligned with the nature of the risks of the *AIF* in question
- (2) The period referred to in (1) must be at least three to five years, unless the life cycle of the *AIF* concerned is shorter.
- (3) *Remuneration* payable under (1) must vest no faster than on a pro-rata basis.
- (4) In the case of a variable remuneration component of a particularly high amount, at least 60 % of the amount must be deferred.

[Note: paragraph 1(n) of Annex II of *AIFMD*]

AIFM Remuneration Principle 5(g): Remuneration structures - performance adjustment, etc.

19B.1.19

FCA

R

An *AIFM* must ensure that any variable *remuneration*, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the *AIFM* as a whole and justified according to the performance of the *AIF*, the business unit and the individual concerned.

[Note: paragraph 1(o) first sub-paragraph of Annex II of *AIFMD*]

19B.1.20

FCA

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The total variable *remuneration* should generally be considerably contracted where subdued or negative financial performance of the *AIFM* or of the *AIF* concerned occurs, taking into account both current compensation and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

[Note: paragraph 1(o) second sub-paragraph of Annex II of *AIFMD*]

AIFM Remuneration Principle 6: Measurement of performance

19B.1.21

FCA

R

An *AIFM* must ensure the measurement of performance used to calculate variable *remuneration* components, or pools of variable *remuneration* components, includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

[Note: paragraph 1(l) of Annex II of *AIFMD*]

AIFM Remuneration Principle 7: Pension policy

19B.1.22

FCA

R

An *AIFM* must ensure that:

- (1) its pension policy is in line with its business strategy, objectives, values and long-term interests of the *AIFs* it manages;
- (2) when an *employee* leaves the *firm* before retirement, any *discretionary pension benefits* are held by the *firm* for a period of five years in the form of instruments in ■ SYSC 19B.1.17R (1); and
- (3) in the case of an *employee* reaching retirement, *discretionary pension benefits* are paid to the *employee* in the form of instruments referred to in ■ SYSC 19B.1.17R (1) and subject to a five-year retention period.

[Note: paragraph 1(p) of Annex II of *AIFMD*]

AIFM Remuneration Principle 8: Personal investment strategies

19B.1.23

FCA

R

An *AIFM* must ensure that its *employees* undertake not to use personal hedging strategies or *remuneration-* and liability-related insurance to undermine the risk alignment effects embedded in their *remuneration* arrangements.

[Note: paragraph 1(q) of Annex II of *AIFMD*]

AIFM Remuneration Principle 9: Avoidance of the remuneration code

19B.1.24

FCA

R

An *AIFM* must ensure that variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the *AIFM Remuneration Code*.

[Note: paragraph 1(r) of Annex II of *AIFMD*]

19B

Chapter 21

Risk control: additional guidance



21.1 Risk control: guidance on governance arrangements

Additional guidance on governance arrangements

21.1.1

FCA PRA

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(1) This chapter provides additional guidance on risk-centric governance arrangements for effective risk management. It expands upon the general organisational requirements in ■ SYSC 2, ■ SYSC 3, ■ SYSC 4, ■ SYSC 7 and ■ FUND 3.7, and so applies to the same extent as ■ SYSC 3.1.1 R (for *insurers, managing agents* and the *Society*), ■ SYSC 4.1.1 R (for every other *firm*) and ■ FUND 3.7 (for a *full-scope UK AIFM* of an *authorised AIF*).

(2) *Firms* should, taking account of their size, nature and complexity, consider whether in order to fulfil the general organisational requirements in ■ SYSC 2, ■ SYSC 3, ■ SYSC 4, ■ SYSC 7 and (for a *full-scope UK AIFM* of an *authorised AIF*) ■ FUND 3.7 their risk control arrangements should include:

- (a) appointing a Chief Risk Officer; and
- (b) establishing a *governing body* risk committee.

The functions of a Chief Risk Officer and *governing body* risk committee are explained further in this section.

(3) The *appropriate regulator* considers that *banks* and *insurers* that are included in the FTSE 100 Index are examples of the types of *firm* that should structure their risk control arrangements in this way. However, this *guidance* will also be relevant to some similar sized *firms* (whether or not *listed*) and some smaller *firms*, by virtue of their risk profile or complexity.

Chief Risk Officer

21.1.2

FCA PRA

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(1) A Chief Risk Officer should:

- (a) be accountable to the *firm's governing body* for oversight of *firm-wide* risk management;
- (b) be fully independent of a *firm's* individual business units;
- (c) have sufficient authority, stature and resources for the effective execution of his responsibilities;
- (d) have unfettered access to any parts of the *firm's* business capable of having an impact on the *firm's* risk profile;
- (e) ensure that the data used by the *firm* to assess its risks are fit for purpose in terms of quality, quantity and breadth;

- (f) provide oversight and challenge of the *firm's* systems and controls in respect of risk management;
 - (g) provide oversight and validation of the *firm's* external reporting of risk;
 - (h) ensure the adequacy of risk information, risk analysis and risk training provided to members of the *firm's governing body*;
 - (i) report to the *firm's governing body* on the *firm's* risk exposures relative to its risk appetite and tolerance, and the extent to which the risks inherent in any proposed business strategy and plans are consistent with the *governing body's* risk appetite and tolerance. The Chief Risk Officer should also alert the *firm's governing body* to and provide challenge on, any business strategy or plans that exceed the *firm's* risk appetite and tolerance;
 - (j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration* policy (where the *Remuneration Code* applies, see in particular ■ SYSC 19A.3.15 E).
- (2) *Firms* will need to seek the *appropriate regulator's* approval for a Chief Risk Officer to perform the *systems and controls function* (see ■ SUP 10 (Approved persons)).
 - (3) The *appropriate regulator* expects that where a *firm* is part of a *group* it will structure its arrangements so that a Chief Risk Officer at an appropriate level within the *group* will exercise functions in (1) taking into account *group-wide* risks.

Reporting lines of Chief Risk Officer

21.1.3

FCA PRA

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- (1) The Chief Risk Officer should be accountable to a *firm's governing body*.
- (2) The *appropriate regulator* recognises that in addition to the Chief Risk Officers primary accountability to the *governing body*, an executive reporting line will be necessary for operational purposes. Accordingly, to the extent necessary for effective operational management, the Chief Risk Officer should report into a very senior executive level in the *firm*. In practice, the *appropriate regulator* expects this will be to the *chief executive*, the chief finance officer or to another executive *director*.

21.1.4

FCA PRA

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- (1) *Firms* should ensure that a Chief Risk Officers *remuneration* is subject to approval by the *firm's governing body*, or an appropriate sub-committee.
- (2) *Firms* should also ensure that the Chief Risk Officer may not be removed from that role without the approval of the *firm's governing body*.

Governing body risk committee

21.1.5

FCA PRA

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- (1) The *appropriate regulator* considers that, while the *firm's governing body* is ultimately responsible for risk governance throughout the business, *firms* should consider establishing a *governing body* risk committee to provide focused support and advice on risk governance.

- (2) Where a *firm* has established a *governing body* risk committee, its responsibilities will typically include:
- (a) providing advice to the *firm's governing body* on risk strategy, including the oversight of current risk exposures of the *firm*, with particular, but not exclusive, emphasis on prudential risks;
 - (b) development of proposals for consideration by the *governing body* in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the *firm's* risk management performance;
 - (c) oversight and challenge of the design and execution of stress and scenario testing;
 - (d) oversight and challenge of the day-to-day risk management and oversight arrangements of the executive;
 - (e) oversight and challenge of due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the *governing body*;
 - (f) provide advice to the *firm's remuneration committee* on risk weightings to be applied to performance objectives incorporated in the incentive structure for the executive;
 - (g) providing advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the *firm*.
- (3) Where a *governing body* risk committee is established, its chairman should be a *non-executive director*, and while its membership should predominantly be non-executive it may be appropriate to include senior executives such as the chief finance officer.

21.1.6

FCA PRA

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In carrying out their risk governance responsibilities, a *firm's governing body* and *governing body* risk committee should have regard to any relevant advice from its audit committee or internal audit function concerning the effectiveness of its current control framework. In addition, they should remain alert to the possible need for expert advice and support on any risk issue, taking action to ensure that they receive such advice and support as may be necessary to meet their responsibilities effectively.

Senior Management Arrangements, Systems and Controls

SYSC TP 2

Firms other than common platform firms, insurers, managing agents and the Society

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provisions: Coming into force
2.1 [FCA] [PRA]	SYSC 8.1	R	If a <i>firm</i> other than a <i>common platform firm</i> , <i>insurer</i> , <i>managing agent</i> or the <i>Society</i> has in force on 1 April 2009 <i>outsourcing</i> arrangements which would be covered by SYSC 8.1 it need not amend those contracts to comply with these provisions but should comply with the new rules and guidance in respect of any <i>outsourcing</i> contracts which are entered into, or materially amended, on or after 1 April 2009.	1 April 2009 indefinitely	1 April 2009

(1)	(2)	(3)	(4)	(5)	(6)
<p>2.2 [FCA]</p>	<p>The changes to SYSC set out in Annex D of the Alternative Investment Fund Managers Directive Instrument 2013</p>	<p>R</p>	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex listed in column (2) do not apply and therefore the provisions in SYSC amended by that Annex will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) the conditions are: (a) the <i>firm</i> falls within regulation 72(1) of the <i>AIFMD UK regulation</i>; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i>.</p>	<p>From 22 July 2013 until 21 July 2014</p>	<p>22 July 2013</p>
<p>2.3 [FCA]</p>	<p>SYSC 4.2.2 R to SYSC 4.2.5 G, SYSC 9.1.2 R and SYSC 9.1.3 R</p>	<p>R</p>	<p>A <i>small authorised UK AIFM</i> of an <i>unauthorised AIF</i> which, prior to 22 July 2013, was a <i>common platform firm</i> must continue to comply with column (2) in respect of its activities as an <i>AIFM</i>.</p>	<p>From 22 July 2013 until 31 July 2015</p>	<p>22 July 2013</p>

Senior Management Arrangements, Systems and Controls

Schedule 6 Rules that can be waived

Sch 6.1 G

[deleted]

Sch 6.1A G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.1B G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Training and Competence

Qualification provider	Qualification	Activity Number(s)	Key
CFA Society of UK (Formerly the UK Society of Investment Professionals/ Institute of Investment Management and Research (IIMR))		15, 16, 17, 18, 19	4
	Investment Management Asset Allocation Qualification	14 and 10	2
	Investment Regulation and Practice Paper of the Associate Examination	15, 16, 17	5
	Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on securities	2, 12	
	Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on packaged products	4 and 6	a
	Investment Management Certificate (Level 4) plus other qualifications that meet specialist standards for advising on derivatives	3, 13	
	Investment Management Certificate (Level 3 or 4)	8	1
		15, 16, 17, 18, 19	4
		15, 16, 17	5
		14 and 10	1
	Investment Practice Paper (Unit 2) of Investment Management Certificate (Level 3 or 4)	14 and 10	2
		8	2
	Investment Management Certificate Unit 1: UK Regulation and Markets (Level 3) or Investment Management Certificate Unit 1: The Investment Environment (Level 4)	8	3
		15, 16, 17, 19	5
	18	6	
	14 and 10	3	
Chartered Alternative Investment Analysis Association (CAIA)	CAIA Level 1 (provided it is accompanied by appropriate qualifications in Regulation and Ethics and Personal Taxation)	2, 12	b
Chartered Institute of Bankers in Ireland	Fellow or Associate	15, 16, 17, 18, 19	4

Qualification provider	Qualification	Activity Number(s)	Key
Chartered Institute of Bankers in Scotland	Diploma in Investment Planning (Existing Adviser) Post 2010 examination standards		
	Diploma in Investment Planning (New Adviser) Post 2010 examination standards		
	Diploma in Investment Planning (Retail Banking) (New Adviser) Post 2010 examination standards	4 and 6	a
	Diploma in Investment Planning (Retail Banking) (Existing Adviser) Post 2010 examination standards		
	Diploma in investment planning (work based assessment)		
	Associate (March 1992 to July 1994 syllabus (including top-up test))		
	Associate (post August 1994 syllabus)		
	Certificate in Investment Planning (Pre 17/09/2004)	4 and 6	b
	Chartered Banker (where candidates hold UK Financial Services and Investment modules)		
	Diploma in Investment Planning (current)		
	Associateship - (must include a pass in the Investment Paper)	2, 3, 12, 13	b
	Certificate in Investment Planning - Paper 1	15, 16, 18, 19	4
		15, 16, 17, 18, 19	5
	Certificate in Investment Planning	17	4
	Member or Associate	15, 16, 17, 18, 19	4
	Mortgage Advice and Practice Certificate	20	1
Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004)	20, 21, 22	1	

Qualification provider	Qualification	Activity Number(s)	Key
	MAPC bridge paper plus entry requirements (Pre 31/10/2004)	20	1
	Certificate in Investment Planning - Paper 1 (Pre 16/09/2004)	20, 21, 22	3
	MAPC - Paper 1 (Pre 16/09/2004)	20	3
	Mortgage Advice and Practice Certificate - Paper 1 (Post 17/09/2004)	20, 21	3
	Equity Release Mortgage Advice and Practice Certificate (ERMAPC)		
	Lifetime Mortgage Advice and Practice Certificate	21, 22	1
	MAPC Bridge paper plus entry requirements (Pre 16/09/2004)		
	Certificate in Mortgage Advice and Practice (MAPC) (Pre 16/09/2004) - Paper 1	21, 22	3
	Equity Release Mortgage Advice and Practice Certificate (ERMAPC)	23	4
		23	5
		23	6
Chartered Institute of Management Accountants	Fellow or Associate	15, 16, 17, 18, 19	4
Chartered Institute of Public Finance and Accountancy	Fellow or Associate	15, 16, 17, 18, 19	4
Chartered Institute for Securities and Investment (CISI) - (Formerly the Securities and Investment Institute (SII); formerly The Securities Association)	Investment Advice Diploma (where candidate holds 3 modules including the private client advice module)	4 and 6	
	Investment Advice Diploma (where candidate holds 3 modules including the derivatives module)	3, 13	a
	Investment Advice Diploma (where candidate holds 3 modules including the securities module)	2, 12	
	Masters in Wealth Management (Post 2010 examination standards)	2, 3, 4 and 6, 12, 13	

Qualification provider	Qualification	Activity Number(s)	Key
	Certificate in Private Client Investment Advice and Management	2, 3, 4 and 6, 12, 13 14 and 10	b 1
	Certificate in Private Client Investment Advice and Management (attained through a CISI competency interview and presentation only)	2, 3, 4 and 6, 12, 13 14 and 10	b 1
	Diploma (where candidate holds 3 modules as recommended by the firm)	2, 3, 4 and 6, 12, 13	b
	Investment Advice Certificate	2, 3, 4 and 6, 12, 13	b
	Masters in Wealth Management (Pre 2010 examination standards)	2, 3, 4 and 6, 12, 13	b
	Member of the Securities Institute (MSI Dip) (where candidate holds 3 modules as recommended by the firm)	2, 3, 4 and 6, 12, 13	b
	Certificate in Corporate Finance	8 15, 16, 17, 18, 19	1 4
	Certificate in Derivatives - Paper 2	15, 16, 17, 18, 19	4
	Certificate in Investment and Financial Advice - Paper 1	21, 22	3
	Certificate in Investment Management (Level 3, pre 31 December 2013)	8 15, 16, 17, 19 15, 16, 17 14 and 10	1 4 5 1
	Certificate in Investment Management (Level 4)	14 and 10	1
	Certificate in Investment Management - Paper 2	8 14 and 10	2
	Certificate in Securities	8	1
	Certificate in Securities - Paper 2	15, 16, 17, 18, 19	4
	Certificate in Securities and Derivatives - Paper 2	19	4
	Certificate in Securities and Financial Derivatives	8	1

Qualification provider	Qualification	Activity Number(s)	Key
	Certificate in Securities and Financial Derivatives - Paper 2	15, 16, 17, 18	4
	Client Services Qualification	15, 16, 17, 18, 19	4
	Diploma	15, 16, 17, 18, 19	4
	Diploma - Corporate Finance Paper	8	2
	Diploma - Global Operations Management Module	15, 16, 17, 18, 19	4
		15, 16, 17	5
			6
	Diploma - International Operations Management Module	15	4
		15, 16	5
			6
			4
		17	5
			6
	Diploma - International Operations Module	16, 18, 19	4
	Diploma - Operations Management Module	15, 16, 17, 18, 19	4
		15, 17	5
		15, 16, 17	6
	Diploma - Regulation and Compliance Module	8	3
		14 and 10	3
		15, 16, 17, 18, 19	5
	Diploma (must include a pass in Regulation and Compliance Paper)	8	1
	Diploma (where candidate holds 3 modules as recommended by the firm)	14 and 10	1
	Diploma in Corporate Finance	8	1
	Investment Administration Qualification - Asset Servicing Module	15, 16, 17	6
	Investment Administration Qualification - Basics of CREST Module	15, 16, 17	6
	Investment Administration Qualification - Bond Settlement Module	15, 16, 17	6

Qualification provider	Qualification	Activity Number(s)	Key
	Investment Administration Qualification - Collective Investment Schemes Administration Module	15, 16, 17	6
	Investment Administration Qualification - CREST Settlement Module	15, 16, 17	6
	Investment Administration Qualification - Derivatives Operations Module	15, 16, 17	6
	Investment Administration Qualification - Exchange - Traded Derivative Administration Module	15, 16, 17	6
	Investment Administration Qualification - FSA Regulatory Environment Module	15, 16, 17	5
	Investment Administration Qualification - Global Custody Module	15, 16, 17	6
	Investment Administration Qualification - Global Securities Operations Module	16, 17	6
	Investment Administration Qualification - Global Settlement Module	15, 16, 17	6
	Investment Administration Qualification - IMRO Regulatory Environment Module	8 14 and 10 15, 16, 17, 18, 19	3 5
	Investment Administration Qualification - Introduction to Securities and Investment Module	15, 16, 17, 18, 19	4
	Investment Administration Qualification - ISA Administration Module	15, 16, 17	6
	Investment Administration Qualification - ISA and CTF Administration Module	17	6
	Investment Administration Qualification - ISA and PEP Administration Module	15, 16, 17	6

Qualification provider	Qualification	Activity Number(s)	Key
	Investment Administration Qualification - Life Policy Administration Module	18	6
	Investment Administration Qualification - OEIC Administration Module	15, 16, 17	6
	Investment Administration Qualification - Operational Risk Module	15, 16, 17	6
	Investment Administration Qualification - OTC Derivatives Administration Module	15, 16	6
	Investment Administration Qualification - Pensions Administration Module	19	6
	Investment Administration Qualification - PEP Administration Module	15, 16, 17	6
	Investment Administration Qualification - Portfolio Performance Measurement Module	15, 16	6
	Investment Administration Qualification - Private Client Administration Module	15, 16, 17	6
	Investment Administration Qualification - SFA Regulatory Environment Module	8 14 and 10	3
		15, 16, 17, 18	5
	Investment Administration Qualification - Unit 2 FSA Regulatory Environment - (Formerly the Investment Administration Qualification - Regulatory Environment Module)	8 14 and 10	3
		18, 19	5
	Investment Administration Qualification - Unit Trust Administration Module	15, 16, 17	6
	Investment Advice Certificate	14 and 10	1
	Investment Advice Certificate - Paper 1	15, 16, 17, 18, 19	4
			5
	Investment Advice Certificate - Paper 1 (No new registrations)	20, 21, 22	3

Qualification provider	Qualification	Activity Number(s)	Key
	Investment Advice Certificate - Paper 2	18, 19	6
	Investment Advice Diploma (where candidates hold technical modules as recommended by the firm)	14 and 10	1
	Investment Operations Certificate - Asset Servicing Module	15, 16, 17	6
	Investment Operations Certificate - Collective Investment Schemes Administration Module	15, 16, 17	6
	Investment Operations Certificate - CREST Settlement Module	15, 16, 17	6
	Investment Operations Certificate - Exchange - Traded Derivative Administration Module	15, 16, 17	6
	Investment Operations Certificate - UK Financial Regulation Module	8 14 and 10	3
		15, 16, 17, 18, 19	5
	Investment Operations Certificate - Global Securities Module	17	6
	Investment Operations Certificate - Global Securities Operation Module	16	6
	Investment Operations Certificate - Introduction to Securities and Investment Module	15, 16, 17, 18, 19	4
	Investment Operations Certificate - ISA Administration Module	15, 16, 17	6
	Investment Operations Certificate - Operational Risk Module	15, 16, 17	6
	Investment Operations Certificate - OTC Derivatives Administration Module	15, 16	6
	Investment Operations Certificate - Administration of Settlement & Investments Module (previously known as the Private Client Administration Module)	15, 16, 17	6

Qualification provider	Qualification	Activity Number(s)	Key
	Level 3 Certificate in Investments (Derivatives) - Unit 3	15, 16, 17, 18, 19	4
	Level 3 Certificate in Investments (Investment Management)	14 and 10	1
		15, 16, 17, 18, 19	4
		15, 16, 17	5
	Level 3 Certificate in Investments (Investment Management) - Unit 5	8	
		14 and 10	2
	Level 3 Certificate in Investments (Securities and Financial Derivatives)	8	1
		15, 16, 17, 18, 19	4
	Level 3 Certificate in Investments (Securities)	8	1
	Level 3 Certificate in Investments (Securities) - Unit 2	15, 16, 17, 18, 19	4
	Level 6 Diploma in Wealth Management	14 and 10	1
	Masters in Wealth Management	14 and 10	1
	Member of the Securities Institute by examination	15, 17, 19	4
	Principles of UK Financial Regulation	8	3
		18, 19	5
	SFA Corporate Finance Representative Examination	8	1
		15, 16, 17, 18, 19	4
	SFA Futures and Options Representative Examination	15, 16, 17, 18, 19	4
		15, 16, 17	5
	SFA Registered Persons Examination - Section 1 (Regulation)	8	
		14 and 10	3
		15, 16, 17, 18, 19	5
	SFA Securities and Financial Derivatives Representative Examination	8	1
		15, 16, 17, 18, 19	4
		15, 16, 17	5
	SFA Securities Representative Examination	8	1
		15, 16, 17, 18, 19	4
		16, 17	5

Qualification provider	Qualification	Activity Number(s)	Key	
	TSA Registered Representative Examinations	8	1	
		15, 16, 17, 18, 19	4	
		15, 16	5	
	Unit 1 - Financial Regulation	14 and 10	3	
	Unit 1 Financial Regulation (Formerly the Securities Institute Regulatory Paper)	8	3	
		15, 16, 17, 18, 19	5	
	Unit 6 - Principles of UK Financial Regulation	14 and 10	3	
		15, 16, 17	5	
	Chartered Insurance Institute	Certificate in Securities Advice and Dealing	2, 12	a
		Diploma in Regulated Financial Planning		
		Diploma in Regulated Financial Planning (attained through a CII alternative assessment day)	4 and 6	a
		Fellow or Associate (life and pensions route only)	2, 3, 12, 13	b
		Advanced Financial Planning Certificate	2, 3, 4 and 6, 12, 13	b
Diploma in Financial Planning				
Fellow (FCII) (where candidates hold appropriate life and pensions modules)				
Fellow (FLIA Dip)				
Advanced Diploma in Financial Planning		4 and 6	b	
Associate (ACII) (where candidate holds appropriate life and pension modules)				
Associate (ALIA Dip)				
Diploma in Financial Planning plus a pass in J12: Securities advice and dealing	2, 12	a		
Certificate in Financial Planning plus the Award in Long Term Care Insurance	7	1		

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	15, 16, 17, 18, 19	4
		15, 16, 17, 18, 19	5
	RO1 Paper: Regulation and Ethics	15, 16, 17, 18, 19	4
		15, 16, 17, 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 Investment Operations: Collective Investment Scheme Administration paper (FA4)	15, 16, 17	6
	Certificate in Investment Operations: Individual Savings Account Administration paper (FA5)	16, 17	6
	Certificate in Investment Operations: Investment Client Servicing paper (FA6)	15, 16, 17	6
	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
Deutsche Boerse AG	Certified Securities Trader (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation)	2, 12	b

Qualification provider	Qualification	Activity Number(s)	Key
Deutsche Boerse AG and SIX Swiss Exchange	Certified Derivatives Trader (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation)	2, 12	b
		3, 13	a
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 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)) 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)) Fellow - achieved by examination (must include a pass in subjects 301 and 401 Investment and Asset Management (syllabus in force from 1998)) Fellow or Associate	2, 3, 4 and 6, 12, 13	a
		14 and 10	1
		14 and 10	1
		14 and 10	2
		14 and 10	1
		11	1
		16, 17, 18, 19	4
18, 19	6		
Financial Industry Regulatory Authority (FINRA) - For-	Series 7 - General Securities Representatives Examination (provided it is accompanied by appropriate qualifications in Regulation and Ethics, Investment Principles and Risk and Personal Taxation)	14 and 10	1
		18	4
		2, 3, 12, 13	b

Qualification provider	Qualification	Activity Number(s)	Key
Formerly the National Association of Securities Dealers (NASD)	ate qualifications in Regulation and Ethics and Personal Taxation)		
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 including the Introduction to Securities and Investment module)	17	4
	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

Qualification provider	Qualification	Activity Number(s)	Key
	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
	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 5
		20, 21, 22	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

Qualification provider	Qualification	Activity Number(s)	Key
	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
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		4
		15, 16, 17, 18	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

Qualification provider	Qualification	Activity Number(s)	Key
Institute of Financial Planning	Certified Financial Planner Fellowship	4 and 6	b
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
	Representative of Public Securities Qualification - Class 1		
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
	Representative of Public Securities Examination (pre April 1990)	8	2
	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

Qualification provider	Qualification	Activity Number(s)	Key
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
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 the Banking, Insurance and Stock-broking Industry	Examination	8	2
Pensions Management Institute	Diploma in Regulated Retirement Advice	4 and 6 11	a 1
	Fellow or Associate by examination	11	1
	Module 201: Providing for Retirement	19	4 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)	4 and 6

Qualification provider	Qualification	Activity Number(s)	Key
	MA in Financial Services (1995 to 2001)		
	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
	Secondary Examination		
	Chartered Member	14 and 10	2
University of Stirling	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)		

Training and Competence

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

General Provisions

General Provisions

GEN TP 3 Transitional Provision in relation to the Alternative Investment Fund Managers Directive Instrument 2013

FCA

Table: 1 Transitional Provisions applying across the FCA Handbook

- (1) On 22 July 2013, the Alternative Investment Fund Managers Directive Instrument 2013 came into force. This instrument transposed provisions contained in the *AIFMD* into UK national law through provisions in the *FCA Handbook*.
- (2) The entry into force of the Alternative Investment Fund Managers Directive Instrument 2013 requires a number of further consequential changes to be made to the *FCA Handbook*. These will be made in due course.
- (3) Until that time, all provisions in the *FCA Handbook* must be interpreted in the light of the amendments made to the *FCA Handbook* by the Alternative Investment Fund Managers Directive Instrument 2013, unless the context requires otherwise. This is necessary to comply with the *rule* in GEN 2.2.1 R. It should achieve the result that most people would probably expect to apply in any event.

FCA

Table: 2 Transitional Provision applying across the FCA and PRA Handbooks

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1	Every provision in the <i>FCA Handbook</i> , unless the context requires otherwise	R	All provisions in the <i>FCA Handbook</i> must be interpreted as far as possible in a manner giving effect to, or achieving the purpose of, the amendments made to the <i>FCA Handbook</i> by the Alternative Investment Fund Man-	From 22 July 2013 until 21 July 2014	22 July 2013

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
			<p>agers Directive Instrument 2013 (so far as the context permits and according to the context).</p>		
2	Paragraph 1	G	<p>For example, where a provision of the <i>FCA Handbook</i> refers (or is to be read as referring) to a provision or a <i>Glossary</i> term which was replaced by the Alternative Investment Fund Managers Directive Instrument 2013 with a provision(s) or <i>Glossary</i> term(s) relating to substantially the same subject matter, the provision making the reference should be read, so far as the context permits, as if it was referring to the replacement provision(s) or <i>Glossary</i> term(s).</p>	From 22 July 2013 until 21 July 2014	22 July 2013
3	Amendments made to the <i>FCA Handbook</i> by the Alternative Investment Fund	R	References to the "EEA" must be read as references to the "EU".	From 22 July 2013 until such time as <i>AIFMD</i> is annexed to the EEA Agreement	22 July 2013

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
	Managers Directive Instrument 2013			in accordance with article 102 of the EEA Agreement	

General Provisions

Schedule 4 Powers exercised

Sch 4.1 G

FCA

In this Schedule, references to *GEN* include the *Glossary*.

Sch 4.2 G

FCA

Powers to make rules

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the rules in *GEN*:

- Section 59 (Approval for particular arrangements)
- Section 73A (Part 6 Rules)
- Section 74 (The official list)
- Section 75 (Applications for listing)
- Section 77 (Discontinuance and suspension of listing)
- Section 79 (Listing particulars and other documents)
- Section 80 (General duty of disclosure in listing particulars)
- Section 81 (Supplementary listing particulars)
- Section 84 (Matters which may be dealt with by prospectus rules)
- Section 85 (Prohibition of dealing etc in transferable securities without approved prospectus)
- Section 87 (Election to have prospectus)
- Section 87A (Criteria for approval of prospectus by competent authority)
- Section 87B (Exemptions from disclosure)
- Section 87G (Supplementary prospectus)
- Section 88 (Sponsors)
- Section 89A (Transparency rules)
- Section 89B (Provision of voteholder information)
- Section 89C (Provision of information by issuers of transferable securities)
- Section 89D (Notification of voting rights held by issuer)
- Section 89E (Notification of proposed amendment of issuer's constitution)

Section 89F (Transparency rules: interpretation etc)

Section 89G (Transparency rules: other supplementary provisions)

Section 89O (Corporate governance rules)

Section 89P (Primary information providers)

Section 96 (Obligations of issuers of listed securities)

Section 96A (Disclosure of information requirements)

Section 96C (Suspension of trading)

Section 101(2) (Part 6 Rules: general provisions)

Section 118(8) (Market abuse)

Section 136(2) (Funding of the legal assistance scheme)

Section 137A (The FCA's general rules)

Section 137B (FCA general rules: clients' money, right to rescind etc)

Section 137C (FCA general rules: cost of credit and duration of credit agreements)

Section 137D (FCA general rules: product intervention)

Section 137F (Rules requiring participation in benchmark)

Section 137H (General rules about remuneration)

Section 137O (Threshold condition code)

Section 137P (Control of information rules)

Section 137Q (Price stabilising rules)

Section 137R (Financial promotion rules)

Section 137T (General supplementary powers)

Section 138C (Evidential provisions)

Section 138D (Action for damages)

Section 192J (Rules requiring provision of information by parent undertakings)

Section 213 (The compensation scheme) (including as referred to in section 216(5) (Continuity of long-term insurance policies) and section 217(7) (Insurers in financial difficulties)

Section 214 (General)

Section 214A (Contingency funding)

Section 214D(13) (Contributions under section 214B: supplementary)

Section 215 (Rights of the scheme in insolvency)

Section 216 (Continuity of long-term insurance policies)

Section 217 (Insurers in financial difficulties)

Section 218(2)(b) (Annual report)

Section 218A (Regulators' power to require information)

Section 223 (Management expenses)

Section 223C (Payments in error)

Section 224F (Rules about relevant schemes)

Section 226 (Compulsory jurisdiction) (including as applied by regulation 125 of the *Payment Services Regulations*)

Section 226A (Consumer credit jurisdiction)

Section 229 (Awards)

Section 234 (Industry funding)

Section 238(5) (Restrictions on promotion)

Section 239 (Single property schemes)

Section 242 (Applications for authorisation of unit trust schemes)

Section 247 (Trust scheme rules)

Section 248 (Scheme particulars rules)

Section 261C (Applications for authorisation of contractual schemes)

Section 261I (Contractual scheme rules)

Section 261J (Contractual scheme particulars rules)

Section 278 (Rules etc as to scheme particulars)

Section 283(1) (Facilities and information in UK)

Section 286(4F) (Qualification of recognition)

Section 293 (Notification requirements)

Section 295 (Notification: overseas investment exchanges and overseas clearing houses)

Section 300B (Duty to notify proposal to make regulatory provision)

Section 332(1) (Rules in relation to persons to whom the general prohibition does not apply)

Section 340 (Appointment)

Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority)

Paragraph 12 (Funding of the relevant costs by authorised persons or payment service providers) of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body)

Paragraphs 19 (Establishment) and 20 (Services) of Schedule 3 (EEA Passport Rights)

Paragraphs 7(3) (Annual reports), 13 (Authority's procedural rules), 16B (Procedure for complaints etc) and 16D (Enforcement of money awards) of Schedule 17 (The Ombudsman Scheme)

Regulation 6 (FCA rules) of the *OEIC Regulations*

Article 15 (Record-keeping and reporting requirements relating to relevant complaints) of the *Ombudsman Transitional Order*

Articles 4 (Pending applications), 6 (Post-commencement applications), 9 (Article 9 defaults occurring before commencement), 9A (Contributions in relation to mesothelioma claims), 10 (Applications in respect of compulsory liability insurance), 12 (Applications under the new scheme) and 23 (Record-keeping and reporting requirements relating to pre-commencement) of the *compensation transitionals order*

Regulation 3 (Consumer contract requirements: modification of rule-making powers) of the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775)

Regulation 2 (Power of the Authority to make rules under section 138 of the Financial Services and Markets Act 2000) of the Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706)

Article 9 (Record-keeping and reporting requirements relating to relevant transitional complaints) of the *Mortgage and General Insurance Complaints Transitional Order*

Sch 4.3 G**FCA**

The following additional powers have been exercised by the *FCA* to make the *rules* in *GEN*:

Regulation 2(3) (Application for permission) of the Capital Requirements Regulations 2006 (SI 2006/3221)

Regulations 82 (Reporting requirements), 86 (Proposal to take disciplinary measures) and 92 (Costs of supervision) of and paragraph 1 of Schedule 5 (Disciplinary powers) to the *Payment Services Regulations*

Regulations 49 (Reporting requirements) and 59 (Costs of supervision) of the *Electronic Money Regulations*

Regulations 8 (Applications for registration), 9 (Applications for admission to the register of issuers), 18 (Notification requirements), 20 (Material changes to the regulated covered bond), 24 (Requirements relating to the asset pool), 25 (Change of owner), 36 (financial penalties policy statement), 46 (Modifications of primary and secondary legislation) of, and paragraph 5 (fees) to the Schedule (Modifications to primary and secondary legislation) to, the *RCB Regulations*

Sch 4.4 G**FCA****Powers to make codes**

The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the codes in *GEN*:

Section 64(2) (Conduct: statements and codes)

Section 119 (The code)

Section 120 (Provisions included in the Authority's code by reference to the City Code)

Section 121 (Codes: procedure)

Sch 4.5 G**FCA****Powers to issue statements**

The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the statements in *GEN*:

Section 63C(1) (Statement of policy)

Section 64 (Conduct: statements and codes)

Section 69 (Statement of policy) (including as applied by paragraph 1 of Schedule 5 to the *Payment Services Regulations* and paragraph 1 of Schedule 3 to the *Electronic Money Regulations*)

Section 88C (Action under section 88A: statement of policy)

Section 89S (Action under section 89Q: statement of policy)

Section 93 (Statement of policy)

Section 124 (Statement of policy)

Section 131J(1) (Statement of policy)

Section 138N (Temporary product intervention rules: statement of policy)

Section 169(9) (Investigations etc in support of overseas regulator) (including as applied by paragraph 3 of Schedule 5 to the *Payment Services Regulations* and paragraph 3 of Schedule 3 to the *Electronic Money Regulations*)

Section 192H (Statement of policy: directions under section 192C)

Section 192N (Imposition of penalties under section 192K: statement of policy)

Section 210 (Statements of policy) (including as applied by regulation 86(6) of the *Payment Services Regulations* and regulation 53 (6) of the *Electronic Money Regulations*)

Section 312J (Statement of policy under section 312F)

Section 395 (The FCA's and PRA's procedures) (including as applied by paragraph 7 of Schedule 5 to the *Payment Services Regulations* and paragraph 8 of Schedule 3 to the *Electronic Money Regulations*)

Section 404(3) (Consumer redress schemes)

Section 404A (Rules under s404: supplementary)

Sch 4.6 G**FCA**

The following additional powers and related provisions have been exercised by the *FCA* to issue the parts of the statements in *GEN*:

Regulation 42 (Guidance) of the *RCB Regulations*

Regulation 44 (Warning notices and decision notices) of the *RCB Regulations*

Regulation 93 (Guidance) of the *Payment Services Regulations*

Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*

Regulation 60 (Guidance) of the *Electronic Money Regulations*

Section 80 (Statement of policy under sections 73 to 79) of the Financial Services Act 2012

Sch 4.7 G**FCA****Powers to direct, require or specify**

The following powers and related provisions in the *Act* have been exercised by the *FCA* in *GEN* to direct, require or specify:

Section 55U (Applications under this Part)

Section 60 (Applications for approval)

Section 137S (Financial promotion rules: directions given by FCA)

Section 138A (Modification or waiver of rules)

Section 179 (Requirements for section 178 notices)

Section 218A (Authority's power to require information)

Section 242 (Applications for authorisation of unit trust schemes)

Section 250 (Modification or waiver of rules)

Section 270(6)(b) (Schemes authorised in designated countries or territories)

Section 274 (Applications for recognition of individual schemes)

Section 279 (Revocation of recognition)

Section 287 (Application by an investment exchange)

Section 293A (Information: compliance with EU requirements)

Section 294 (Modification or waiver of rules)

Section 316 (Direction by Authority)
 Section 317 (The core provisions)
 Section 318 (Exercise of powers through Council)
 Paragraph 5(4) (Notice to UK Regulator) of Schedule 4 (Treaty Rights)
 Regulations 7(3) and (4) (Modification or waiver of FSA rules) and 12 (Application for authorisation) of the *OEIC Regulations*

Sch 4.7A G**Sch 4.8 G****FCA**

The following additional powers and related provisions have been exercised by the *FCA* in *GEN* to direct, require or specify:

Regulation 49 (Reporting requirements) of the *Electronic Money Regulations*

Sch 4.9 G**FCA****Power to make the complaints scheme**

The following power has been exercised by the *FCA* to make the complaints scheme in *GEN*:

Part 6 of the Financial Services Act 2012

Sch 4.10 G**FCA****Powers to give guidance**

The following powers in or under the *Act* have been exercised by the *FCA* to give the guidance in *GEN*:

Section 139A (Power of the FCA to give guidance)

Section 234G (Guidance)

Sch 4.11 G**FCA**

The following additional powers have been exercised by the *FCA* to give the other *guidance* in *GEN*:

Article 14 (Guidance on continued provisions) of the Financial Services and Markets Act 2000 (Consequential Amendments and Transitional Provisions) (Credit Unions) Order 2002 (SI 2002/1501)

Articles 9D (Applications for certificates), 9F (Revocation of certificate on request), 9G (Obtaining information from certified persons etc) and 9H (Rules prohibiting the issue of electronic money at a discount) of the *Regulated Activities Order*

Regulation 93 (Guidance) of the *Payment Services Regulations*

Section 123 of the Banking Act 2009

Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*

Regulation 60 (Guidance) of the *Electronic Money Regulations*

Regulation 15 of the Payments in Euro (Credit Transfers and Direct Debits) Regulations 2012 (SI 2012/3122)

Sch 4.12 G**FCA****Powers exercised by the FOS Ltd**

GEN 2.1.8 R is made by *FOS Ltd* in exercise of its powers referred to in Schedule 4 to *DISP*.

General Provisions

Schedule 6 Rules that can be waived

Sch 6.1 G

[deleted]

Sch 6.1A G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.1B G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.2 G

FCA PRA

- 1 GEN 2.1.8R is made by FOS Ltd and not by the *appropriate regulator* and cannot be waived by the *appropriate regulator*.
- 2 Every other rule in *GEN* can be waived by the *appropriate regulator* if, and to the extent that, the rules elsewhere in its *Handbook* which it modifies or to which it otherwise relates can be waived by the *appropriate regulator*.

Fees Manual

- (j) [deleted]
- (k) [deleted]
- (l) [deleted]
- (m) [deleted]
- (n) [deleted]
- (o) [deleted]
- (p) [deleted]
- (q) [deleted]
- (r) [deleted]
- (s) [deleted]

(2) ■ FEES 1, ■ 2 and ■ 4 apply to:

- (a) every *firm* (except an *AIFM qualifier*, *ICVC* or *UCITS qualifier*);
- (b) every *authorised fund manager* of an *authorised unit trust* or *authorised contractual scheme*;
- (c) every *ACD* of an *ICVC*;
- (d) every *person* who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the *scheme*;
- (e) every *designated professional body*;
- (f) every *recognised body*;
- (g) under the Listing Rules every *issuer* of *shares*, depositary receipts and *securitised derivatives*;
- (h) under the Listing Rules (*LR*) every *sponsor*;
- (i) under the Disclosure Rules and Transparency Rules (*DTR*) every *issuer* of *shares*, depositary receipts and securitised derivatives ;
- (j) every *fee-paying payment service provider*;
- (k) every *fee-paying electronic money issuer* ;
- (l) every *issuer* of a *regulated covered bond*;
- (m) every *AIFM* applying to become a *small registered UK AIFM* and every *small registered UK AIFM*; and
- (n) every *AIFM* notifying the *FCA* under regulation 57, 58 and 59 of the *AIFMD UK regulation* and every *AIFM* which has made such a notification.

- (3) ■ FEES 1, ■ 2 and ■ 5 apply to:
- (a) every *firm* (except to the extent it is *bidding in emissions auctions*), *fee-paying payment service provider* and *fee-paying electronic money issuer* which is subject to the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*; and
 - (b) every other *person* who is subject to the *Compulsory Jurisdiction* in relation to *relevant complaints*.
- (4) ■ FEES 1, ■ 2 and ■ 6 apply to:
- (a) every *participant firm* ;
 - (b) the *FSCS*; and
 - (c) the *Society*.
- (5) ■ FEES 1, ■ 2 and ■ 7 apply to:
- (a) every *person* having a *Part 4A permission*;
 - (b) an *incoming EEA firm*;
 - (c) an *incoming Treaty firm*;
 - (d) the *Society*;
 - (e) every *fee-paying payment service provider* except the Bank of England, government departments and local authorities;
 - (f) every *fee-paying electronic money issuer* except the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.
- (6) ■ FEES App 1 Annex 1 applies to every:
- (a) *registered society*; or
 - (b) *sponsoring body*; or
 - (c) *person* who submits a proposal for the registration of a *registered society*;

each as defined in ■ FEES Appendix 1.

■ FEES 1, ■ 2 and ■ 7 do not apply to an *incoming EEA firm* or an *incoming Treaty firm* that has not established a *branch* in the *United Kingdom*.

The application statement at ■ FEES 1.1.2 R (3) does not apply to ■ FEES 5.5A, ■ FEES 5 Annex 2R or ■ FEES 5 Annex 3R.

1.1.3

FCA

G

The application of ■ FEES 5.5A and ■ FEES 5 Annex 3R is set out in ■ FEES 5.5A.1 R. The relevant provisions of ■ FEES 5 and ■ FEES 2 are applied to *VJ participants* by the *standard terms* (see ■ DISP 4).

1.1.3A

FCA

PRA

G

The *rules* in *FEES* should be read in conjunction with ■ GEN 2.2.23 R to ■ GEN 2.2.25 G. In relation to *FEES*, some *rules* are made by both the *FCA* and *PRA*. Those *rules* may contain obligations for or references to *FCA-authorised persons* (for example *payment service providers* and *electronic money issuers*) notwithstanding that they also are made by the *PRA* in order to apply them to *PRA-authorised persons*. ■ GEN 2.2.23 R limits the application of those *rules* so that the *PRA* will only apply them in respect of *PRA-authorised persons* and not to such *FCA-authorised persons* as are specifically included within the *rule*.

Purpose

1.1.4

FCA

PRA

G

The purpose of this manual is to set out the fees applying to the *persons* set out in ■ FEES 1.

card (Visa/Mastercard only). Any payment by a permitted credit card must include an additional 2% of the sum paid.

3.2.4

FCA

G

The FCA expects that a *person* seeking to become a *recognised body* or a *designated professional body* or to be added to the list of *designated investment exchanges* or *accredited bodies* will generally pay their respective fees by electronic credit transfer.

3.2.5

FCA PRA

G

- (1) The appropriate authorisation or registration fee is an integral part of an application for, or an application for a variation of, a *Part 4A permission*, authorisation, registration or variation under the *Payment Services Regulations* or the *Electronic Money Regulations*, or notification or registration under the *AIFMD UK regulation*. Any application or notification received by the *appropriate regulator* without the accompanying appropriate fee, in full and without deduction (see ■ FEES 3.2.1 R), will not be treated as an application or notification made, incomplete or otherwise, in accordance with section 55U(4), or section 55H or 55I (as the case may be), of the *Act* or regulation 5(3) or 12(3) of the *Payment Services Regulations* or regulation 5 or 12 of the *Electronic Money Regulations* or regulation 11(1) and 60(a) of the *AIFMD UK regulation*. Where this is the case, the *appropriate regulator* will contact the applicant to point out that the application cannot be progressed until the appropriate fee has been received. In the event that the appropriate authorisation fee, in full and without deduction, is not forthcoming, the application will be returned to the applicant and no application will have been made.
- (2) With the exception of *persons* seeking to become a *designated professional body*, all applications, notifications, requests for vetting or admission approval will be treated as incomplete until the relevant fee is fully paid and the *appropriate regulator* will not consider an application, notification, request for vetting or admission approval until the relevant fee is fully paid. *Persons* seeking to become a *designated professional body* have 30 days after the designation order is made to pay the relevant fee.

3.2.6

FCA PRA

G

Fees paid under this chapter are not refundable.

3.2.7

FCA

R

Table of application, notification and vetting fees payable to the FCA

(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) whose fee is not payable pursuant to	(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 R part 1 which apply to that application (2) In respect of a particular application which is:	On or before the application is made

(1) Fee payer	(2) Fee payable	Due date
<p>sub- paragraph (ga) of this table</p>	<p>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</p> <p>(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 R part 6,</p> <p>the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 R part 1</p>	
<p>(b) Any <i>Treaty firm</i> that wishes to exercise a <i>Treaty right</i> to qualify for <i>authorisation</i> under Schedule 4 to the <i>Act</i> (Treaty rights) in respect of <i>regulated activities</i> for which it does not have an <i>EEA right</i>, except for a firm providing <i>cross border services</i> only</p>	<p>(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the <i>Act</i> the fee payable is, in respect of a particular exercise, set out in FEES 3 Annex 1 R, part 4</p> <p>(2) Where a certificate in (i) has been issued no fee is payable</p>	<p>On or before the notice of exercise is given</p>
<p>(c) Any applicant for a certificate under article 54 of the Regulated Activities Order</p>	<p>2,000</p>	<p>On or before the application is made</p>
<p>(d) Applicants for an <i>authorisation order</i> for, or recognition under section 272 of the <i>Act</i> of, a <i>collective investment scheme</i></p>	<p>FEES 3 Annex 2 R, part 2</p>	<p>On or before the application is made</p>
<p>(e) The <i>management company</i> of a scheme making a notification under section 264 of the <i>Act</i></p>	<p>FEES 3 Annex 2 R, part 3</p>	<p>On or before the date the application is made</p>
<p>(ea)</p>	<p>FEES 3 Annex 2 R, part 4</p>	<p>On or before the date the notification is made</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(i) An <i>AIFM</i> (other than a <i>UK AIFM</i> or an <i>EEA AIFM</i> with a <i>branch</i> in the <i>UK</i>) notifying the <i>FCA</i> of its intention to market an <i>AIF</i> in the <i>UK</i> under regulation 57 of the <i>AIFMD UK regulation</i></p>		
<p>(ii) An <i>AIFM</i> notifying the <i>FCA</i> of its intention to market an <i>AIF</i> in the <i>UK</i> under regulation 58 or 59 of the <i>AIFMD UK regulation</i></p>		
<p>(eb) An applicant for registration on the register of <i>small registered UK AIFM</i> which the <i>FCA</i> is required to maintain under regulation 10 of the <i>AIFMD UK regulation</i></p>	<p>£750</p>	<p>On or before the date the application is made</p>
<p>(f) Any person seeking an order under section 326(1) of the <i>Act</i> to become a <i>designated professional body</i>.</p>	<p>10,000</p>	<p>30 days after the order is granted</p>
<p>(g) Any applicant for recognition as a <i>UK recognised body</i> :</p> <p>(i) under section 287 of the <i>Act</i>; or</p> <p>(ii) under regulation 2(1) of the <i>RAP regulations</i></p>	<p>FEES 3 Annex 3 R, part 1</p>	<p>On or before the date the application is made</p>
<p>(ga) Any applicant for:</p> <p>(i) a <i>Part 4A permission</i> to carry out the regulated activity of <i>administer-</i></p>	<p>FEES 3 Annex 3 R, part 1</p>	<p>On or before the date the application is made</p>

(1) Fee payer	(2) Fee payable	Due date
<i>ing a specified benchmark; or</i>		
(ii) varying its <i>Part 4A permission</i> to carry out the <i>regulated activity</i> of administering a <i>specified benchmark</i>		
(h) Any applicant for recognition as an <i>ROIE</i> under section 287 or section 292 of the <i>Act</i>	FEES 3 Annex 3 R, part 2	On or before the date the application is made
(i) An applicant for <i>listing</i> (under the <i>listing rules</i>)	FEES 3 Annex 4 R, part 1	On or before the date the application is made
(j) Applicant for approval as <i>sponsor</i> (under the <i>listing rules</i>)	FEES 3 Annex 4 R, part 2	On or before the date the application is made
(k) Issuers of tranches from debt issuance programmes and <i>securitised derivative</i> tranches	FEES 3 Annex 4 R, part 1	An upfront fee is required per tranche for draw downs in the following 12 <i>months</i>
(l) Under the <i>listing rules</i> , an <i>issuer</i> involved in specific events or transactions during the year where documentation is subject to a transaction vetting	FEES 3 Annex 5 R, part 1, unless the transaction would come within the definition of significant transaction under category (v) or super transaction under category (q) in this table, in which case the fee payable under that category.	On or before the date that relevant documentation is first submitted to the <i>FCA</i>
(m) Under the <i>prospectus rules</i> , an <i>issuer</i> or <i>person</i> requesting approval or vetting of the documents arising in relation to specific events or transactions that it might be involved in during the year	FEES 3 Annex 5 R, part 2, unless the transaction would come within the definition of significant transaction under category (v) or super transaction under category (q) in this table, in which case the fee payable under that category.	On or before the date that relevant documentation is first submitted to the <i>FCA</i>

(1) Fee payer	(2) Fee payable	Due date
(n) Applicants to be added to the list of <i>designated investment exchanges</i>	50,000	On or before the date the application is made
<p>(o) Either:</p> <p>(i) a <i>firm</i> applying to the <i>appropriate regulator</i> for permission to use one of the <i>advanced prudential calculation approaches</i> listed in FEES 3 Annex 6 R (or <i>guidance</i> on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the <i>appropriate regulator</i> as <i>EEA</i> consolidated supervisor under the <i>Capital Requirements Regulations 2006</i>) any <i>firm</i> making such an application ; or</p> <p>(ii) in the case of an application to a <i>Home State regulator</i> other than the <i>appropriate regulator</i> for the use of the Internal Ratings Based approach and the <i>Home State regulator</i> requesting the <i>appropriate regulator's</i> assistance in accordance with the <i>Capital Requirements Regulations 2006</i> , any <i>firm</i> to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</p>	<p>(1) Unless (2) applies, FEES 3 Annex 6 R .</p> <p>(2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6 R, but only in respect of that second application</p> <p>(b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements.</p> <p>(c) No fee is payable where the <i>Home State regulator</i> has requested the assistance described in paragraph (o)(ii) of column 1 except in the cases specified in FEES 3 Annex 6 R.</p>	<p>Where the <i>firm</i> has made an application directly to the <i>appropriate regulator</i> , on or before the date the application is made, otherwise within 30 days after the <i>appropriate regulator</i> notifies the <i>firm</i> that its <i>EEA</i> parent's <i>Home State regulator</i> has requested assistance.</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(p) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> whose fee is not payable pursuant to sub-paragraph (ga) of this table</p>	<p>(1) Unless (2) or (3) applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specified in Part 1 of FEES 4 Annex 1A R or Part 1 of FEES 4 Annex 1B R not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application</p> <p>(2) If the only change is that the A.12 activity group tariff applied to the <i>firm's</i> business before the variation and the A.13 activity group will apply after variation, no fee is payable</p> <p>(3) If the <i>firm</i> is in the A.1 fee-block at the date of the application and the variation involves adding any of the <i>regulated activities of meeting of repayment claims or managing dormant account funds (including the investment of such funds)</i>, the fee is 50% of the fee in FEES 3 Annex 1 R that applies to that application</p> <p>(4) In all other cases, other than applications by <i>credit unions</i>, the fee payable is 250 for <i>firms</i> which are not, or are</p>	<p>On or before the date the application is made</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(q) A super transaction, being one where:</p> <p>(i) the <i>issuer</i> has a market capitalisation in excess of 1.5 billion and it is a new applicant for a <i>premium listing</i> under the <i>listing rules</i>, or involved in a reverse or hostile takeover or a significant restructuring; or</p> <p>(ii) the <i>issuer</i> has a market capitalisation in excess of 5 billion and is involved in a <i>class 1 transaction</i>, a transaction requiring vetting of an <i>equity prospectus</i> or <i>equivalent document</i> or a <i>transaction</i> requiring vetting of a <i>prospectus</i> or <i>listing particulars</i> in relation to a Depositary Receipt.</p>	<p>not seeking to become, a <i>PRA-authorised person</i>, and 125 for <i>firms</i> which are, or are seeking to become, a <i>PRA-authorised person</i>, unless the variation involves only the reduction (and no other increases) in the scope of a <i>Part 4A permission</i> in which case no fee is payable.</p> <p>50,000</p>	<p>On or before the date that the relevant documentation is first submitted to the <i>FCA</i>.</p>
<p>(r) Providers of reporting or trade matching systems applying for recognition under <i>Mi-FID</i> as an Approved Reporting Mechanism.</p>	<p>100,000</p>	<p>Having received its application, within 30 days after the <i>FCA</i> has notified the applicant that it is to commence testing of the applicants systems.</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(s) In the case of an <i>insurance business transfer scheme</i>, a transferor.</p> <p>Note - for the purpose of this paragraph an <i>insurance business transfer scheme</i> consists of a single transferor and a single transferee.</p> <p>Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single <i>insurance business transfer scheme</i>. If an <i>insurance business transfer scheme</i> includes more than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.</p>	<p>Either (1) or (2) as set out below:</p> <p>(1) In the case of an <i>insurance business transfer scheme</i> involving <i>long term insurance business</i>, 9,250 to the <i>PRA</i> and 9,250 to the <i>FCA</i>; or</p> <p>(2) in the case of an <i>insurance business transfer scheme</i> not involving <i>long term insurance business</i>, 5,000 to the <i>PRA</i> and 5,000 is payable to the <i>FCA</i>.</p> <p>The amount payable to the <i>PRA</i> above is collected by the <i>FCA</i> as agent of the <i>PRA</i>.</p>	<p>On or before any application is made to the <i>PRA</i> for the appointment of a person as an <i>independent expert</i>.</p>
<p>(t) A <i>firm</i>, a third party acting on a <i>firm's</i> behalf, an operator of a <i>regulated market</i> or an operator of an <i>MTF</i> applying to the <i>FCA</i> to report <i>transaction reports</i> directly to the <i>FCA</i>.</p>	<p>100,000</p>	<p>Having received its application, within 30 days after the <i>FCA</i> has notified the applicant that it is to commence testing of the applicants systems.</p>
<p>(u) Any of the following:</p> <p>(i) an operator of an <i>approved reporting mechanism</i>;</p> <p>(ii) a <i>firm</i>;</p> <p>(iii) a third party acting on behalf of a <i>firm</i>;</p>	<p>As set out in FEES 3 Annex 7.</p>	<p>Within 30 days of the date of the invoice.</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(iv) a <i>market operator</i>; or</p> <p>(v) an <i>MTF operator</i>;</p> <p>that satisfies the following conditions:</p> <p>(1) it provides <i>transaction reports</i> directly to the <i>FCA</i>; and</p> <p>(2) having made changes to its reporting systems, it asks the <i>FCA</i> to support the testing of the compatibility of its systems with the <i>FCA's</i> systems.</p> <p>(v) A significant transaction, being one where:</p> <p>(i) the <i>issuer</i> has a market capitalisation in excess of 500 million and is producing an equity <i>prospectus</i> or <i>equivalent document</i>, a <i>prospectus</i> or <i>listing particulars</i> in relation to a Depository Receipt or a document in relation to a <i>class 1 transaction</i>; or</p> <p>(ii) the <i>issuer</i> is producing a document for vetting in relation to a <i>reverse takeover</i>, a hostile takeover or a significant restructuring.</p>	<p>20,000</p>	<p>On or before the date that the relevant documentation is first submitted to the <i>FCA</i>.</p>
<p>A significant transaction does not include a super transaction.</p> <p>(w) A listed <i>issuer</i> that requests or whose repre-</p>	<p>FEES 3 Annex 4 part 3</p>	<p>On or before the date the request is made.</p>

(1) Fee payer	(2) Fee payable	Due date
<p>representative requests the <i>FCA</i> to amend the <i>Official List</i>, or any records held by the <i>FCA</i> in relation to the <i>Official List</i>, otherwise than pursuant to an application for listing.</p>		
<p>(x)</p> <p>(i) An issuer or person who:</p> <p>(1) is a fee payer under one or more of the categories set out in (ii); and</p> <p>(2) requests the <i>FCA's</i> approval or vetting of a document that includes a mineral expert's report.</p> <p>(ii) The categories are (1), (m) (q), and (v) of this table.</p> <p>(iii) A fee under this category is payable in addition to any fee payable under the categories set out in (ii).</p>	<p>5,000</p>	<p>On or before the date the relevant documentation is first submitted to the <i>FCA</i>.</p>
<p>(y) An applicant for authorisation as an <i>authorised payment institution</i> under regulation 5 of the <i>Payment Services Regulations</i></p>	<p>The highest of the tariffs set out in FEES 3 Annex 8 R which apply to that application.</p> <p>Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would other-</p>	<p>On or before the date the application is made.</p>

(1) Fee payer	(2) Fee payable	Due date
<p>(z) An application by a <i>small payment institution</i> for authorisation as an <i>authorised payment institution</i> because regulation 15 of the <i>Payment Services Regulations</i> applies</p>	<p>wise be payable in FEES 3 Annex 8R</p> <p>The highest of the tariffs set out in FEES 3 Annex 8R which apply to that application.</p>	<p>On or before the date the application is made.</p>
<p>(za) An applicant for registration as a <i>small payment institution</i> under regulation 12 of the <i>Payment Services Regulations</i></p>	<p>FEES 3 Annex 8R, paragraph (1). Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 8R.</p>	<p>On or before the date the application is made.</p>
<p>(zb) An <i>authorised payment institution</i> applying to vary its authorisation under regulation 8 of the <i>Payment Services Regulations</i>.</p>	<p>(1) If the <i>payment services</i> carried on by the <i>authorised payment institution</i> prior to the variation only fall within paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and any of the <i>payment services</i> in paragraphs (a) to (e) of that Schedule will apply after variation, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 8R which apply to that application.</p>	<p>On or before the date the application is made.</p>
	<p>(2) Where the <i>authorised payment institution</i>:</p> <p>(i) already has authorisation to provide <i>payment services</i> within any one or more of paragraphs</p>	

(1) Fee payer	(2) Fee payable	Due date
<p>(zc) A <i>small payment institution</i> applying to vary its registration under regulation 12 of the <i>Payment Services Regulations</i></p>	<p>(a) to (e) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and wishes to add one or more other services in (a) to (g); or</p> <p>(ii) has authorisation to provide <i>payment services</i> in either paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and wishes to extend its authorisation to include the other paragraph ((f) or (g));</p> <p>the fee payable is 250 irrespective of the number of <i>agents</i> it has.</p> <p>(3) In cases where the variation involves only the reduction (and no increases) of the types of <i>payment services</i> to be carried on after the variation, no fee is payable.</p> <p>(1) If the <i>payment services</i> carried on by the <i>small payment institution</i> prior to the variation only fall within paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and any of the <i>payment services</i> in paragraphs (a) to (e) of that Schedule will apply after variation, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 8R which</p>	<p>On or before the date the application is made.</p>

(1) Fee payer	(2) Fee payable	Due date
	<p>apply to that application.</p> <p>(2) Where the <i>small payment institution</i>:</p> <p>(i) is already registered to provide <i>payment services</i> within any one or more of paragraphs (a) to (e) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and wishes to add one or more other of the services in (a) to (g); or</p> <p>(ii) is registered to provide <i>payment services</i> in either paragraph (f) or (g) of Part 1 of Schedule 1 to the <i>Payment Services Regulations</i> and wishes to extend its registration to include the other paragraph ((f) or (g)); the fee payable is 250 irrespective of the number of <i>agents</i> it has.</p> <p>(3) In cases where the variation involves only the reduction (and no increases) of the types of <i>payment services</i> to be carried on after the variation, no fee is payable.</p>	
<p>(zd) A financial institution notifying the <i>FCA</i> in accordance with regulation 121(2)(a) of the <i>Payment Services Regulations</i>.</p>	<p>50% of the highest of the tariffs set out in <i>FEES 3 Annex 8R</i>, paragraphs (2) to (5) which apply to that application.</p>	<p>On or before the date the application is made.</p>
<p>(ze) Any person to which the Special Project Fee</p>	<p>Special Project Fee for restructuring in accor-</p>	<p>30 days of the date of the invoice.</p>

(1) Fee payer	(2) Fee payable	Due date
for restructuring applies under FEES 3 Annex 9.	dance with FEES 3 Annex 9 .	
(zf) [deleted]		
(zg) An applicant for authorisation as an <i>authorised electronic money institution</i> under regulation 5 of the <i>Electronic Money Regulations</i> .	The amount set out in FEES 3 Annex 10 R. Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 10 R.	On or before the date the application is made.
(zh) An applicant for registration as a <i>small electronic money institution</i> under regulation 12 of the <i>Electronic Money Regulations</i> .	The amount set out in FEES 3 Annex 10 R. Where an application only involves a simple change of legal status as set out in FEES 3 Annex 1 R Part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 10 R.	On or before the date the application is made.
(zi) An application by a <i>small electronic money institution</i> for authorisation as an <i>authorised electronic money institution</i> because regulation 16 of the <i>Electronic Money Regulations</i> applies.	The amount set out in FEES 3 Annex 10 R.	On or before the date the application is made.
(zj) An <i>authorised electronic money institution</i> applying to vary its authorisation under regulation 8 of the <i>Electronic Money Regulations</i> .	The amount set out in FEES 3 Annex 10 R.	On or before the date the application is made.
(zk) A <i>small electronic money institution</i> applying to vary its registra-	The amount set out in FEES 3 Annex 10 R.	On or before the date the application is made.

(1) Fee payer	(2) Fee payable	Due date
<p>tion under regulation 12 of the <i>Electronic Money Regulations</i>.</p>		
<p>(zl) An applicant for recognition as an <i>accredited body</i>.</p>	<p>2,500</p>	<p>On or before the date the application is made.</p>
<p>(zm) An <i>issuer</i> applying for registration of a <i>regulated covered bond</i>.</p>	<p>(1) Unless (2) applies, 45,000.</p>	<p>On or before the date the application is made.</p>
	<p>(2) In the case of a proposed <i>covered bond</i> or <i>programme</i> where the <i>assets</i> in the <i>asset pool</i> will consist primarily of UK residential mortgages, 25,000.</p>	
<p>(zn) An <i>issuer</i> who proposes to make a material change to the contractual terms of a <i>regulated covered bond</i> under RCB 3.5.4 D.</p>	<p>6,500</p>	<p>On or before the date the notification under RCB 3.5.4 D is made.</p>
<p>(zo) In the case of <i>persons</i> in respect of which the <i>FCA</i> has given notice of its intention to take, or appoint a competent person to take, any steps under CONRED 2.5.12R, either:</p>	<p>An amount equal to:</p> <p>(1) a sum determined by the number of hours, or part of an hour, taken by the <i>FCA</i> in relation to work conducted in taking steps under CONRED 2.5.12R recorded on the <i>FCA's</i> systems, multiplied by the rate in FEES 3 Annex 9 (11)R; or</p>	<p>Within 30 <i>days</i> of the date of the invoice.</p>
<p>(i) a Firm (as defined in CONRED 2.1.1R(1)); or</p> <p>(ii) a <i>person</i> falling within CONRED 2.1.2R(1).</p>	<p>(2) any amount invoiced to the <i>FCA</i> by a competent person in relation to any work carried out by that competent person in connection with its appointment by the <i>FCA</i> under CONRED 2.5.12R.</p>	

(1) Fee payer	(2) Fee payable	Due date
(zp) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and SUP 5.2.	Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166(3)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.
(zq) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to collect or update information pursuant to section 166A(2)(b) of the <i>Act</i> .	Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166A(2)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.

[Note: *Guidance* on how a *firm* liable to pay a fee under both rows (s) and (ze) of this table for the same transaction should expect to be treated is set out in ■ FEES 3 Annex 11 G.]

3.2.7A

PRA

R

Table Table of application, notification and vetting fees payable to the PRA

(1) Fee payer	(2) Fee payable	Due date
(a) Any applicant for <i>Part 4A permission</i> (including an <i>incoming firm</i> applying for <i>top-up permission</i>) which includes a <i>PRA-regulated activity</i>	<p>(1) Unless (2) applies, in respect of a particular application, the highest of the tariffs set out in FEES 3 Annex 1 R part 1 which apply to that application.</p> <p>(2) In respect of a particular application which is:</p> <p>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</p>	On or before the application is made

(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 R part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 R part 1.

(b) Any *Treaty firm* that wishes to exercise a *Treaty right* to qualify for *authorisation* under Schedule 4 to the *Act* (Treaty rights) in respect of *regulated activities* for which it does not have an *EEA right*, except for a *firm* providing *cross border services* only

(1) Where no certificate has been issued under paragraph 3(4) of Schedule 4 to the *Act* the fee payable is, in respect of a particular exercise, set out in FEES 3 Annex 1 R, part 4. (2) Where a certificate in (1) has been issued no fee is payable.

On or before the notice of exercise is given

(c) A *firm* applying for a variation of its *Part 4A permission* or an *FCA- authorised person* applying to carry on a *PRA-regulated activity*

(1) Unless (2) or (3) applies, if the proposed new business of the *firm* would fall within one or more activity groups specified in Part 1 of FEES 4 Annex 1A R or Part 1 of FEES 4 Annex 1B R not applicable before the application, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 R which apply to that application.

On or before the date the application is made

(2) If the only change is that the A.12 activity group tariff applied to the *firm's* business before the variation and the A.13 activity group will apply after variation, no fee is payable.

(3) If the *firm* is in the A.1 fee-block at the date

of the application and the variation involves adding any of the *regulated activities* of *meeting of repayment claims* or *managing dormant account funds (including the investment of such funds)*, the fee is 50% of the fee in FEES 3 Annex 1 R that applies to that application.

(4) In all other cases, other than applications by *credit unions*, the fee payable is 125, unless the variation involves only the reduction (and no other increases) in the scope of a *Part 4A permission* in which case no fee is payable.

(d) Any person to which the Special Project Fee for restructuring applies under FEES 3 Annex 9.

Special Project Fee for 30 days of the date of restructuring in accordance with FEES 3 Annex 9 . the invoice.

(e) In the case of an *insurance business transfer scheme*, a transferor.

Either (1) or (2) as set out below:

On or before any application is made to the PRA for the appointment of a person as an *independent expert*.

Note - for the purpose of this paragraph an *insurance business transfer scheme* consists of a single transferor and a single transferee. Where however such a scheme is part of a single larger scheme, that larger scheme is treated as a single *insurance business transfer scheme*. If an *insurance business transfer scheme* includes more

(1) In the case of an *insurance business transfer scheme* involving *long term insurance business*, 9,250 is payable to the PRA; or
 (2) in the case of an *insurance business transfer scheme* not involving *long term insurance business*, 5,000 is payable to the PRA.

The amount payable to the PRA above is col-

than one transferor in accordance with this paragraph, the transferors are liable to pay the fee under column (2) jointly.

(f) Either:

(i) a *firm* applying to the *appropriate regulator* for permission to use one of the *advanced prudential calculation approaches* listed in **FEES 3 Annex 6 R** (or guidance on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the *appropriate regulator* as *EEA consolidated supervisor* under the *Capital Requirements Regulations 2006*) any *firm* making such an application; or

(ii) in the case of an application to a *Home State regulator* other than the *appropriate regulator* for the use of the *Internal Ratings Based approach* and the *Home State regulator* requesting the *appropriate regulator's* assistance in accordance with the *Capital Requirements Regulations 2006*, any *firm* to which the *appropriate regulator* would have to apply any decision to permit the use of that approach.

lected by the *FCA* as agent of the *PRA*.

(a) Unless (2) applies, **FEES 3 Annex 6 R. (2) (a)** Unless (b) applies a *firm* submitting a second application for the permission or *guidance* described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under **FEES 3 Annex 6 R**, but only in respect of that second application.

(b) No fee is payable by a *firm* in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for *guidance* in accordance with prescribed submission requirements.

(c) No fee is payable where the *Home State regulator* has requested the assistance described in paragraph (o)(ii) of column 1 except in the cases specified in **FEES 3 Annex 6 R**.

Where the *firm* has made an application directly to the *appropriate regulator*, on or before the date the application is made, otherwise within 30 days after the *appropriate regulator* notifies the *firm* that its *EEA parent's Home State regulator* has requested assistance.

(g) An applicant for a <i>ceding insurer's waiver</i> .	20,000	On or before the date the application is made.
(h) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and SUP 5.2.	Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166(3)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.
(i) A <i>person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to collect or update information pursuant to section 166A(2)(b) of the <i>Act</i> .	Any amount invoiced to the <i>appropriate regulator</i> by a <i>skilled person</i> in relation to any work carried out by that <i>skilled person</i> in connection with its appointment by the <i>appropriate regulator</i> pursuant to section 166A(2)(b) of the <i>Act</i> .	Within 30 <i>days</i> of the date of the invoice.

Authorisation fees payable

FCA **PRA**

Part 1 - Authorisation fees payable

For *PRA-authorized persons* and *persons* seeking to become *PRA-authorized persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorized persons* and *persons* seeking to become *FCA-authorized persons*, the amount payable to the *FCA* is the amount payable under Part 1, No amount is payable to the *PRA*.

Application type (see Part 2)	Amount payable
(a) <i>Credit unions</i> - registration of common bond	200
(b) <i>Version 1 credit unions</i> - authorisation	300
(c) <i>Version 2 credit unions</i> - authorisation	1,800
(d) Straightforward	1,500 (unless otherwise specified in Part 2)
(e) Moderately complex	5,000 (unless otherwise specified in Part 2)
(f) Complex	25,000

Part 2 - Complexity Groupings Straightforward Cases

Straightforward cases	
Activity grouping	Description
A.3	<i>Friendly societies only</i>
A.4	<i>Friendly societies only</i>
A.10	<i>A firm to the extent it is bidding in emissions auctions</i>
A.12	<i>Advisory arrangers, dealers or brokers (holding or controlling client money and/or assets)</i>
A.13	<i>Advisory only firms and advisory arrangers, dealers or brokers (not holding or controlling client money and/or assets)</i>
A.14	<i>Corporate finance advisers</i>
A.18	<i>Home finance providers , advisers and arrangers (excluding home finance providers).</i>

Straightforward cases

Activity grouping

Description

A.19 **General insurance mediation**

Moderately Complex Cases

Moderately complex cases

Activity grouping

Description

[deleted]

[deleted]

A.2

Home finance providers and administrators .

A.3

UK ISPVs

[deleted]

[deleted]

A.5

Managing agents at Lloyd's

A.7

Portfolio managers

A.9

Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes

A.10

Firms dealing as principal, except to the extent the firm is bidding in emissions auctions

B.

Service companies

Complex Cases R

Complex cases

Activity grouping

Description

A.1

Deposit acceptors (excluding e-money issuers and credit unions) and dormant account fund operators

A.3

Insurers - general (excluding friendly societies and UK ISPVs)

A.4

Insurers - life (excluding friendly societies)

B

MTF operators

Part 4 - Authorisation Fees for Treaty Firms R

If the *Treaty firm* wishes to undertake the permitted activities in question through its branch in the *United Kingdom*, the fee is 50% of the fee that would be payable under FEES 3.2.7 R and/or FEES 3.2.7A R for an applicant for *Part 4A permission*.

Application and notification fees payable in relation to collective investment schemes and AIFs marketed in the UK

FCA

Legislative provision	Nature and purpose of fee	Payable by	Amount of fee (£)	Umbrella factor (note 1)
Part 1 [deleted]				
[deleted]	[deleted]	[deleted]	[deleted]	[deleted]
[deleted]	[deleted]	[deleted]	[deleted]	[deleted]
[deleted]	[deleted]	[deleted]	[deleted]	[deleted]
Part 2 Application fees payable for firms to be subject to <i>COLL</i>				
Regulation 12 of the <i>OEIC Regulations</i>	On application for an order declaring a <i>scheme</i> to be an <i>ICVC</i>, where the <i>scheme</i> is:	An applicant		2
	<i>UCITS scheme</i>		1,200	
	<i>Non-UCITS retail scheme</i>		1,500	
	<i>Qualified investor scheme</i>		2,400	
Section 242 of the <i>Act</i>	On application for an order declaring a <i>scheme</i> to be an <i>AUT</i>, where the <i>scheme</i> is:	An applicant		2
	<i>UCITS scheme</i>		1,200	
	<i>Non-UCITS retail scheme</i>		1,500	
	<i>Qualified investor scheme</i>		2,400	
Section 261C of the <i>Act</i>	On application for an order declaring a <i>scheme</i> to be an <i>ACS</i>, whether it is established as a <i>co-ownership scheme</i> or a <i>limited partnership scheme</i>, where the <i>scheme</i> is a:	An applicant		2
	<i>UCITS scheme</i>		£1,200	
	<i>non-UCITS retail scheme</i>		£1,500	
	<i>qualified investor scheme</i>		£2,400	

Legislative provision	Nature and purpose of fee	Payable by	Amount of fee (£)	Umbrella factor (note 1)
Section 272 of the Act	On application for an order declaring a <i>scheme</i> to be recognised where the <i>scheme</i> is:	An applicant		
	an <i>EEA AIF</i> equivalent to a <i>non-UCITS retail scheme</i>		1,500	2
	an <i>EEA AIF</i> equivalent to a <i>qualified investor scheme</i>		2,400	2
	a <i>non-EEA AIF</i> equivalent to a <i>non-UCITS retail scheme</i> or a <i>qualified investor scheme</i>		8,000	2
Part 3 (notifications)				
Section 264 of the Act	On giving notice under section 264 of the Act	The operator	600	2
Part 4 (Alternative Investment Funds: fees payable for making a notification to the FCA to market an AIF)				
Regulation 57 of the AIFMD UK regulation	On giving notice under regulation 57 of the AIFMD UK regulation	the AIFM	250 per AIF	N/A
Regulation 58 of the AIFMD UK regulation	On giving notice under regulation 58 of the AIFMD UK regulation	the AIFM	125 per AIF	N/A
Regulation 59 of the AIFMD UK regulation	On giving notice under regulation 59 of the AIFMD UK regulation	the AIFM	250 per AIF	N/A

Notes:

.1 For an *umbrella* the fee is multiplied by the factor shown in the final column of the table.



4.2 Obligation to pay periodic fees

General

4.2.1

FCA PRA

R

A *person* shown in column (1) of the table in ■ FEES 4.2.11 R and, if applicable, ■ FEES 4.2.11AR as the relevant fee payer must pay each periodic fee applicable to it, calculated in accordance with the provisions referred to in column (2) of the applicable table, as adjusted by any relevant provision in this chapter:

- (1) in full and without deduction (unless permitted or required by a provision in *FEES*); and
- (2) on or before the date given in column (3) of that table, unless ■ FEES 4.2.10 R applies.

4.2.2

FCA PRA

G

- (1) A relevant fee payer will be required to pay a periodic fee for every year during which they have the status in column 1 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR (or in relation to collective investment schemes, for every year during which it is a regulated collective investment scheme) subject to any reductions or exemptions applicable under this chapter. If a *person* is the relevant fee payer for more than one status listed in column 1 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR (or in relation to collective investment schemes, the relevant fee payer for more than one regulated collective investment scheme) he will be required to pay a fee in relation to each.

- (2) [deleted]

4.2.2A

FCA

G

A *recognised body* may also have obligations to pay fees to the *FCA* under other *rules* arising from legislation other than the *Act*. For example a *recognised body* may have an obligation to pay a fee as an approved operator of a relevant system under the Uncertificated Securities Regulations 1995 (SI 1995/3272).

4.2.3

FCA PRA

G

The *FCA* will issue invoices in respect of the *FCA* and *PRA* to *firms* and other fee payers and expects to do so at least 30 *days* before the dates on which payments fall due under ■ FEES 4.2.1 R.

4

Method of payment

4.2.4
FCA PRA

R

(1) A periodic fee must be paid using either direct debit, credit transfer (BACS/CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard only). Any payment by permitted credit card must include an additional 2% of the sum paid.

(2) [deleted]

4.2.4A
FCA

R

The FCA does not specify a method of payment for a *recognised body* or a *designated professional body*.

4.2.5
FCA

G

The FCA expects a *recognised body* or a *designated professional body* will generally pay their respective fees by electronic credit transfer.

Modifications for persons becoming subject to periodic fees during the course of a fee year

4.2.6
FCA PRA

R

(1) Unless (2) applies, if the event, as described in column 4 of the table in ■ FEES 4.2.11 R and/or ■ FEES 4.2.11AR, giving rise to, or giving rise to an increase in, the fee payable in ■ FEES 4.2.1 R, occurs on or after 1 July of the relevant *fee year*, the periodic fee required under ■ FEES 4.2.1 R is modified for:

- (a) *firms* (other than *AIFM qualifiers*, *ICVCs* and *UCITS qualifiers*) in accordance with ■ FEES 4.2.7 R and ■ FEES 4.2.8 R;
- (b) for all other fee payers in column (1) of the table in ■ FEES 4.2.11 R or ■ FEES 4.2.11A R, in accordance with the table below.

Period in which event (in column 4 of the table in FEES 4.2.11 R or FEES 4.2.11AR) occurs	Proportion of periodic fee payable
Fees payable to the FCA	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%
Fees payable to the PRA for <i>fee year</i> 2013/14	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 28 February inclusive	25%

<i>Accepting deposits (quarterly reporting firms)</i>	MELs	December 2009	December 2009.
<i>Entering into a home finance transaction</i>	Number of mortgages, home purchase plans or home reversion plans entered into	12 months ending 31 December 2009 - so projected valuations will be used	1 November to 31 December 2009.
<i>Effecting contracts of insurance</i> (Insurers - general)	Gross premium income and gross technical liabilities	31 March 2009 - so projected valuations will be used	1 November to 31 December 2009.

4.2.7D
FCA

R If an *issuer* of a *regulated covered bond* becomes registered after 31 December its valuation date will be calculated in the manner described in **1 R Part 4**.

4.2.8
FCA PRA

R In relation to an *incoming EEA firm* or an *incoming Treaty firm* the modification provisions of **FEES 4.2.7 R** apply only in relation to the relevant *regulated activities* of the *firm*, which are *passport activities* or *Treaty activities* and which are carried on in the *United Kingdom*, and which are not provided on a *cross border services* basis. For *payment services* and *electronic money* issuance, the adjustment only applies to the business to which the calculation made in **FEES 4.3.12A R** relates.

Fee payers ceasing to hold relevant status or reducing the scope of their permission after start of relevant period

4.2.9
FCA PRA

G The *appropriate regulator* will not refund periodic fees if, after the start of the period to which they relate:

- (1) a fee payer ceases to have the status set out in column (1) of the table in **FEES 4.2.11 R** or **FEES 4.2.11AR**; or
- (2) a *firm* reduces its *permission* or *payment services* activities so that it then falls out of the fee-block previously applied to it ;

(but see **FEES 2.3** (Relieving Provisions) and **FEES 4.3.13 R** (Firms Applying to Cancel or Vary Permission Before Start of Period)).

Extension of Time

4.2.10
FCA PRA

R A *person* need not pay a periodic fee on the date on which it is due under the relevant provision in **FEES 4.2.1 R**, if:

- (1) that date falls during a period during which circumstances of the sort set out in **GEN 1.3.2 R** (Emergencies) exist, and that *person* has reasonable grounds to believe that those circumstances impair its ability to pay the fee, in which case he must pay it on or before the fifth *business day* after the end of that period; or

(2) unless ■ FEES 4.3.6 R (3) , ■ FEES 4.3.6 R (4) or ■ FEES 4.3.6 R (4A) (Time and method for payment) applies, that date would otherwise fall on or before the 30th *day* after the date on which the *FCA* (in its own capacity or in its capacity as agent for the *PRA*) has sent written notification to that *person* of the fee payable on that date, in which case he must pay on or before the 30th *day* after the date on which the *FCA* sends the notification.

4.2.11

FCA

R

Table of periodic fees payable to the *FCA*

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
Any <i>firm</i> (except an <i>AIFM</i> qualifier, <i>ICVC</i> or a <i>UCITS</i> qualifier)	As specified in FEES 4.3.1 R in relation to FEES 4 Annex 2AR and FEES 4 Annex 11 R	(1) Unless (2) or (3) apply , on or before the relevant dates specified in FEES 4.3.6 R. (2) Unless (3) applies, if an event specified in column 4 occurs during the course of a <i>fee year</i> , 30 <i>days</i> after the occurrence of that event, or if later the dates specified in FEES 4.3.6 R. (3) Where the <i>permission</i> is for <i>operating a multi-lateral trading facility</i> , the date specified in FEES 4 Annex 10 (Periodic fees for MTF operators).	<i>Firm</i> receives <i>permission</i> , or becomes authorised or registered under the <i>Payment Services Regulations</i> or the <i>Electronic Money Regulations</i> ; or <i>firm</i> extends <i>permission</i> or its <i>payment service</i> activities
<i>Persons</i> who hold a certificate is-	£1,000	(1) Unless (2) applies, on or be-	Certificate issued to <i>person</i> by <i>FCA</i>

4

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
sued by the <i>FCA</i> under article 54 of the <i>Regulated Activities Order</i> (Advice given in newspapers etc.)		fore 1 August or, if later, within 30 days of the date of the invoice	under Article 54 RAO
Any <i>manager of an AUT</i> ;	In relation to each unit trust the amount specified in part 1 of FEES 4 Annex 4 R	(2) If an event in column 4 occurs during the course of a <i>fee year</i> , 30 days after the occurrence of that event	<i>Authorisation order</i> is made in relation to the relevant <i>scheme</i>
Any <i>authorised fund manager of an authorised contractual scheme</i> ;	In relation to each <i>authorised contractual scheme</i> the amount specified in part 1 of FEES 4 Annex 4 R		
Any <i>ACD of an ICVC</i> ; and	In relation to each <i>ICVC</i> , the amount specified in part 1 of FEES 4 Annex 4 R		
<i>Persons who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the scheme</i> ;	In relation to each <i>recognised scheme</i> the amount specified in part 1 of FEES 4 Annex 4 R	The relevant <i>scheme</i> becomes a <i>recognised scheme</i>	
<i>Designated professional body</i>	FEES 4 Annex 5 R	On or before the relevant dates specified in FEES 4.3.6 R	Not applicable

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>UK recognised body</p>	<p>FEES 4 Annex 6 R, part 1 for a UK RIE ; and</p> <p>FEES 4 Annex 6 R, part 1A for a UK RIE that is also an RAP</p>	<p>(1) On or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If the event in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event</p>	<p>Recognition order is made.</p> <p>The modified periodic fee is specified in FEES 4 Annex 6 R, Part 1 and (in the case of an RAP) Part 1A.</p>
<p>ROIE</p>	<p>FEES 4 Annex 6 R, part 2</p>	<p>(1) On or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If the event in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event.</p>	<p>Recognition order is made.</p> <p>The modified periodic fee is specified in FEES 4 Annex 6 R, Part 2.</p>
<p>Listed issuers (in LR) of shares, depositary receipts and securitised derivatives (in LR), unless the conditions set out below apply.</p> <p>The first condition is that the listed issuer, or a related entity, has already paid a periodic fee in respect of the pe-</p>	<p>FEES 4 Annex 7 R</p>	<p>Within 30 days of the date of the invoice</p>	<p>Listed issuer (in LR) becomes subject to listing rules</p>

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>riod concerned. The second condition is that the <i>listed issuer</i> is subject to <i>listing rules</i> as a result of a reverse takeover, or that the <i>listed issuer</i> is a newly formed entity, created as a result of a restructuring.</p>			
<p><i>Sponsors</i></p>	<p>£25,000 per year for the period from 1 April to 31 March the following year (see Note)</p>	<p>Within 30 days of the date of the invoice</p>	<p>(1) Approval of <i>sponsor</i> , unless (2) applies. (2) In the case of approval of a <i>sponsor</i> following a change of legal status in accordance with FEES3 Annex 1 R Part 7, the balance of the fee otherwise due from the original <i>sponsor</i>. Where a payment is made in accordance with (2) the original <i>sponsor's</i> obligation to pay that fee ceases.</p>
<p>All non-listed <i>issuers</i> (in <i>DTR</i>) of <i>shares</i>, depositary receipts and <i>securitised derivatives</i>.</p>	<p>FEES 4 Annex 8 R</p>	<p>Within 30 days of the date of the invoice</p>	<p>Non-listed <i>issuer</i> (in <i>DTR</i>) becomes subject to <i>disclosure rules</i> and <i>transparency rules</i></p>

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>All firms reporting transactions in securities derivatives to the FCA in accordance with SUP 17, and market operators who provide facilities for trading in securities derivatives.</p>	<p>FEES 4 Annex 9 R</p>	<p>Within 30 days of the date of the invoice</p>	<p>Not applicable</p>
<p>Any issuer of a regulated covered bond.</p>	<p>1 R</p>	<p>(1) Unless (2) applies, on or before the relevant dates specified in FEES 4.3.6 R</p> <p>(2) If an event specified in column 4 occurs during the course of a fee year, 30 days after the occurrence of that event or, if later, the dates specified in FEES 4.3.6 R</p>	<p>A person becomes registered as an issuer of a regulated covered bond</p>
<p>(i) An AIFM (other than a UK AIFM or an EEA AIFM with a branch in the UK) which has notified the FCA of its intention to market an AIF in the UK under regulation 57 of the AIFMD UK</p>	<p>For each notification made by the AIFM of the kind specified in part 2 of FEES 4 Annex 4 R, the amount specified in part 2 of FEES 4 Annex 4 R</p>	<p>(1) Unless (2) applies, on or before 1 August, or, if later, within 30 days of the date of the invoice</p> <p>(2) If an event in column 4 occurs during the course of a financial year, 30 days</p>	<p>The FCA receives a notification to market in the UK</p>

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p><i>regulation and which has not ceased to market that AIF in the UK as at 1 April of the current fee year.</i></p>		<p>after the occurrence of that event</p>	
<p>(ii) An AIFM which has notified the FCA of its intention to market an AIF in the UK under regulation 58 or 59 of the AIFMD UK regulation and which has not ceased to market that AIF in the UK as at 1 April of the current fee year.</p>			
<p><i>A small registered UK AIFM</i></p>	<p>The basic fee contained in part 3 of FEES 4 Annex 4 R</p>		<p>The AIFM is registered by the FCA under regulation 10 of the AIFMD UK regulation.</p>

Note: *Sponsors* on the list of approved *sponsors* as at 1 April each year will be liable for the full year's annual fee unless ■ FEES 4.3.13 R applies.

4.2.11A

PRA

R

Table of periodic fees payable to the PRA

1 Fee payer	2 Fee payable	3 Due date	4 Events occurring during the period leading to modified periodic fee
<p>Any firm</p>	<p>As specified in FEES 4.3.1 R in rela-</p>	<p>(1) Unless (2) applies, on or before the relevant dates specified in FEES 4.3.6 R.</p>	<p><i>Firm receives permission; or firm extends permission</i></p>

tion to FEES 4 Annex 2BR (2) if an event specified in column 4 occurs during the course of a *fee year*, 30 days after the occurrence of that event, or if later the dates specified in FEES 4.3.6 R.

4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)

4.3.1

FCA **PRA**

R

The periodic fee payable by a *firm* (except an *AIFM qualifier*, *ICVC* or a *UCITS qualifier*) is:

- (1) each periodic fee applicable to it calculated in accordance with
 - FEES 4.3.3 R, using information obtained in accordance with
 - FEES 4.4; plus
- (1A) any periodic fee applicable to it calculated in accordance with
 - FEES 4.3.3A R using information relating to its *UK* business obtained in accordance with ■ FEES 4.4 (or by other means in the case of the Bank of England); less
- (2) any deductions from the periodic fee specified in Part 2 of
 - FEES 4 Annex 2AR, ■ FEES 4 Annex 2BR or Part 7 of
 - FEES 4 Annex 11 R.

4.3.2

FCA **PRA**

G

- (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* or *payment services* it is engaged in (fee-blocks) and whether it is issuing *electronic money*, and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in
 - FEES 4 Annex 1AR in respect of the *FCA* and ■ FEES 4 Annex 1BR in respect of the *PRA* (and guidance on calculating certain of the tariffs is at ■ FEES 4 Annex 12 G), while ■ FEES 4 Annex 2AR in respect of the *FCA* and ■ FEES 4 Annex 2BR in respect of the *PRA* set out the tariff rates for the relevant *fee year*. In the case of *firms* that provide *payment services* and/or issue *electronic money*, the relevant fee blocks, tariffs and rates are set out in ■ FEES 4 Annex 11 R.
- (2) *Incoming EEA firms*, *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions* receive a discount to reflect the reduced scope of the *appropriate regulator's* responsibilities in respect of them. The level of the discount varies from fee-block to fee-block, according to the division of responsibilities between the *appropriate regulator* and *Home state regulators* for *firms* in each fee-block (see ■ FEES 4.3.11 G, ■ FEES 4.3.12 R and ■ FEES 4.3.12A R).

4.3.3

FCA PRA

R

Calculation of periodic fee (excluding fee-paying payment service providers and fee-paying electronic money issuers)

The periodic fee referred to in ■ FEES 4.3.1 R is (except in relation to the *Society*, *fee-paying payment service providers* and *fee-paying electronic money issuers*) calculated as follows:

- (1) identify each of the tariffs set out in Part 1 of ■ FEES 4 Annex 2AR and Part 1 of ■ FEES 4 Annex 2BR which apply to the business of the *firm* for the period specified in that annex;
- (2) for each of the applicable tariffs, calculate the sum payable in relation to the business of the *firm* for that period;
- (3) add together the amounts calculated under (2) in relation to fees payable to the *FCA* and, if applicable, separately add together the amounts calculated under (2) in relation to the fees payable to the *PRA*;
- (4) work out whether an A.0 or a PA.0 minimum fee is payable under Part 2 of ■ FEES 4 Annex 2AR and Part 2 of ■ FEES 4 Annex 2BR and if so how much (except that that minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension) ;
 - (a) work out whether an AP.0 *FCA* prudential fee is payable under Part 2 of ■ FEES 4 Annex 2AR and if so how much;
 - (b) work out whether a PT.1 *PRA* transitional fee is payable under Part 2 of ■ FEES 4 Annex 2BR and if so how much;
- (5) add together the amounts calculated under (3), (4) and (4A) that relate to fees payable to the *FCA* and, if applicable, separately adding together the amounts calculated under (3), (4) and (4B) that relate to fees payable to the *PRA*; and
- (6) apply any applicable payment charge specified in ■ FEES 4.2.4 R, provided that:
 - (a) for payment by direct debit, successful collection of the amount due is made at the first attempt by the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) ; or
 - (b) for payment by credit transfer, the amount due is received by the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) on or before the due date.

Calculation of periodic fee for fee-paying payment service providers and fee-paying electronic money issuers

4.3.3A

R

FCA

The periodic fee referred to in ■ FEES 4.3.1 R in relation to *fee-paying payment service providers and fee-paying electronic money issuers* is calculated in accordance with ■ 1 R .

Modification for firms with new or extended permissions

4.3.4

G

FCA PRA

- (1) A *firm* which becomes authorised or registered during the course of a *fee year* will be required to pay a proportion of the periodic fee which reflects the proportion of the year for which it will have a *permission* or the right to provide particular *payment services* or the right to issue *electronic money* - see ■ FEES 4.2.5 G and ■ FEES 4.2.6 R.
- (2) Similarly a *firm* which extends its *permission* or its right to provide particular *payment services* so that its business then falls within additional fee blocks will be required to pay a further periodic fee under this section for those additional fee blocks, but discounted to reflect the proportion of the year for which the *firm* has the extended permission or *payment services* activity - see ■ FEES 4.2.6 R and ■ FEES 4.2.7 R.
- (3) These provisions apply (with some changes) to *incoming EEA firms* , *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions*.
- (4) These provisions do not apply to a *firm's* periodic fees in relation to its *permission for operating a multilateral trading facility* obtained from the FCA during the course of a *fee year*.

Amount payable by the Society of Lloyd's

4.3.5

R

FCA PRA

The periodic fee referred to in ■ FEES 4.3.1 R in relation to the *Society* is specified against its name in ■ FEES 4 Annex 2AR and ■ FEES 4 Annex 2BR .

Time of payment

4.3.6

R

FCA PRA

- (1) Subject to ■ FEES TP 8, if the *firm's*, *designated professional body's*, *recognised investment exchange's*, or *regulated covered bond issuer's* periodic fee for the previous *fee year* was at least £50,000, it must pay the FCA:
 - (a) an amount equal to 50% of the FCA periodic fee payable for the previous *fee year*, by 30 April or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which the sum due under ■ FEES 4.2.1 R relates; and
 - (b) the balance of the FCA periodic fee due for the current *fee year* by 1 September or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which that sum relates.
- (1A) Subject to ■ FEES TP 8, if the *firm* is also a *PRA-authorised person* and its periodic fee for the previous *fee year* was at least 50,000,

it must pay the *PRA* (through the *FCA* acting as its collection agent):

- (a) an amount equal to 50% of the *PRA* periodic fee payable for the previous *fee year*, by 30 April in the *fee year* to which the sum due under ■ FEES 4.2.1 R relates; and
 - (b) the balance of the *PRA* periodic fee due for the current *fee year* by 1 September or, if later, within 30 *days* of the date of the invoice, in the *fee year* to which that sum relates.
- (1B) If the *firm* paid periodic fees to both the *FCA* and the *PRA* in the previous *fee year*, ■ FEES 4.3.6R (1) and (1A) only apply if the *firm's* combined *FCA* and *PRA* periodic fees for that *fee year* were at least £50,000.
- (2) If the *firm's*, *designated professional body's*, *recognised investment exchange's*, or *regulated covered bond issuer's* periodic fee for the previous *fee year* was less than £50,000, it must pay the periodic fee due in full by 1 August or, if later, within 30 *days* of the date of the invoice in the *fee year* to which that sum relates.
- (3) If a *firm* has applied to cancel its *Part 4A permission* in the way set out in ■ SUP 6.4.5 D (Cancellation of permission), or its status as a *payment institution* under regulation 10 of the *Payment Services Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 14 of the *Payment Services Regulations* (Supplementary provisions), or its status as an *electronic money issuer* under regulation 10 of the *Electronic Money Regulations* (Cancellation of authorisation) or as regulation 10 is applied by regulation 15 of the *Electronic Money Regulations* (Supplementary provisions), then (1) and (2) do not apply but it must pay the total amount due when the application is made.
- (4) If the *appropriate regulator* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission*, then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.
- (4A) If the *FCA* has cancelled a *firm's* authorisation or registration under regulation 10 of the *Payment Services Regulations* or regulation 10 of the *Electronic Money Regulations* or its registration under regulation 10 as applied by regulation 14 of the *Payment Services Regulations* or its registration under regulation 10 as applied by regulation 15 of the *Electronic Money Regulations*, then (1) and (2) do not apply but the *firm* must pay the total amount due immediately before the cancellation becomes effective.

(5) [deleted]

(5A) (In relation to *PRA-authorised persons* only) paragraphs (1A) and (2) do not apply to any Solvency 2 Special Project fee or Solvency 2 Implementation fee (as defined in ■ FEES 4 Annex 2B R) and such fees are not taken into account for the purposes of the split in (1A). Instead any Solvency 2 Special Project fee or Solvency 2 Implementation fee is payable on the date specified in (1A)(b) or (2) (depending on which applies to the rest of its periodic fee) or any earlier date required by (3) or (4).

(6) Paragraphs (1) and (2) do not apply to any periodic fee in relation to a *firm's permission* for operating a *multilateral trading facility* and such a fee is not taken into account for the purposes of the split in (1). Instead any fee for this *permission* is payable on the date specified in ■ FEES 4 Annex 10 (Periodic fees for MTF operators).

Groups of firms

4.3.7

FCA PRA

R

A *firm* which is a member of a *group* may pay all of the amounts due from other *firms* in the same *group* under ■ FEES 4.2.1 R, if:

- (1) it notifies the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) in writing of the name of each other *firm* within the *group* for which it will pay; and
- (2) it pays the fees, in accordance with this chapter, as a single amount as if that were the amount required from the *firm* under ■ FEES 4.2.1 R.

4.3.8

FCA PRA

G

A notification under ■ FEES 4.3.7 R (1) should be made in accordance with ■ SUP 15.7 (Form and method of notification).

4.3.9

FCA PRA

G

If the payment made does not satisfy in full the periodic fees payable by all of the members of the *group* notified to the *FCA* under ■ FEES 4.3.7 R, the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) will apply the sum received among the *firms* which have been identified in the notification given under ■ FEES 4.3.7 R (1) in proportion to the amounts due from them. Each *firm* will remain responsible for the payment of the outstanding balance attributable to it.

4.3.10

FCA PRA

G

If a *firm* pays its fees through an agent outside the scope of ■ FEES 4.3.7 R, the *firm* is responsible for ensuring that the *FCA* (in its own capacity and, if applicable, in its capacity as agent for the *PRA*) is informed that the sum being paid is for that *firm's* periodic fees.

Incoming EEA firms, incoming Treaty firms, EEA authorised payment institutions and EEA authorised electronic money institutions

4.3.11

FCA PRA

G

The *appropriate regulator* recognises that its responsibilities in respect of an *incoming EEA firm*, an *incoming Treaty firm*, an *EEA authorised payment institution* or an *EEA authorised electronic money institution* are reduced compared with a *firm* which is incorporated in the *United Kingdom*. Accordingly the periodic fees which would otherwise be applicable to *incoming EEA firms*, *incoming Treaty firms*, *EEA authorised payment institutions* and *EEA authorised electronic money institutions* are reduced.

4.3.12

FCA PRA

R

For an *incoming EEA firm*, (excluding *MTF operators*), or an *incoming Treaty firm*, the calculation required by ■ FEES 4.3.3 R is modified as follows:

- (1) the tariffs set out in Part 1 of ■ FEES 4 Annex 2AR and, if applicable, Part 1 of ■ FEES 4 Annex 2BR are applied only to the *regulated activities* of the *firm* which are carried on in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 3 of ■ FEES 4 Annex 2AR and, if applicable, Part 3 of ■ FEES 4 Annex 2BR.

4.3.12A

FCA

R

For:

- (-1) (a) a *full credit institution* which is a *fee-paying payment service provider* and an *EEA firm*; or
- (b) a *full credit institution* which is a *fee-paying electronic money issuer* and an *EEA firm*; or
- (c) an *EEA authorised payment institution*; or
- (d) an *EEA authorised electronic money institution*;

the calculation required by ■ FEES 4.3.3A R is modified as follows:

- (1) the tariffs set out in Part 5 of ■ FEES 4 Annex 11 R are only applied to the *payment services* or *electronic money issuance* of the *firm* carried on from an establishment in the *United Kingdom*, including any *payment services* carried on through any of its *agents* established in the *United Kingdom*; and
- (2) those tariffs are modified in accordance with Part 7 of ■ FEES 4 Annex 11 R.

Firms Applying to Cancel or Vary Permission Before Start of Period

4.3.13

FCA PRA

R

(1) If:

- (a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in ■ SUP 6.3.15 D (3) (Variation of permission) and ■ SUP 6.4.5 D

(Cancellation of permission), or applies to vary (by reducing its scope) or cancel its authorisation or registration (regulation 8 and 10(1) of the *Payment Services Regulations* including as applied by regulation 14 of the *Payment Services Regulations*) or applies to cancel its authorisation or registration (regulation 10 and 12 of the *Electronic Money Regulations* including as applied by regulation 15 of the *Electronic Money Regulations*); an *issuer* makes an application for de-listing; or a *sponsor* notifies the *FCA* of its intention to be removed from the list of approved *sponsors*; and

- (b) the *firm*, *issuer* or *sponsor* makes the application or notification referred to in (a) before the start of the *fee year* to which the fee relates;

■ FEES 4.2.1 R applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* or authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, de-listing or removal from the list of approved *sponsors*, took effect immediately before the start of the *fee year* to which the fee relates.

- (2) But (1) does not apply if, due to the continuing nature of the business, the variation, cancellation, de-listing or removal is not to take effect on or before 30 June of the *fee year* to which the fee relates.

4.3.14

FCA PRA

G

Where a *firm* has applied to cancel its *Part 4A permission*, or its authorisation or registration under the *Payment Services Regulations* or the *Electronic Money Regulations*, or the *appropriate regulator* has exercised its *own-initiative powers* to cancel a *firm's Part 4A permission* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 14 (Supplementary provisions) of the *Payment Services Regulations* to cancel a *firm's* authorisation or registration under the *Payment Services Regulations* or the *appropriate regulator* has exercised its powers under regulation 10 (Cancellation of authorisation), including as applied by regulation 15 (Supplementary provisions) of the *Electronic Money Regulations*, the due dates for payment of periodic fees are modified by ■ FEES 4.3.6 R (3), ■ FEES 4.3.6 R (4) and ■ FEES 4.3.6 R (4A) respectively.

Firms acquiring businesses from other firms

4.3.15

FCA PRA

R

- (1) This *rule* applies if:

- (a) a *firm* (A) acquires all or a part of the business of another *firm* (B), whether by merger, acquisition of goodwill or otherwise, in relation to which a periodic fee would have been payable by B, unless no periodic fee was payable by A in the financial year that the business was acquired from B; or
- (b) A became authorised or registered as a result of B's simple change of legal status (as defined in ■ FEES 3 Annex 1 R Part 6).

- (2) If, before the date on which A acquires the business, B had paid any periodic fee payable for the period in which the acquisition occurred, ■ FEES 4.2.6 R to ■ FEES 4.2.7 R do not apply to A in relation to the business acquired from B.
- (3) If the acquisition occurs after the valuation date applicable to the business (as set out in ■ FEES 4 Annex 1AR, ■ FEES 4 Annex 1BR and ■ FEES 4 Annex 11 R) which A acquired from B, for the period following that in which the acquisition occurred, ■ FEES 4.2.1 R applies to A, in relation to that following period, as if the acquisition had occurred immediately before the relevant valuation date.

4.3.16

R

- (1) [deleted]
- (2) [deleted]
- (3) [deleted]

4.4 Information on which Fees are calculated

- 4.4.1** **R** A *firm* (other than the *Society*) must notify to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) the value (as at the valuation date specified in Part 5 of ■ FEES 4 Annex 1AR in relation to fees payable to the *FCA* or Part 5 of ■ FEES 4 Annex 1BR in relation to fees payable to the *PRA*) of each element of business on which the periodic fee payable by the *firm* is to be calculated.
- 4.4.2** **R** A *firm* (other than the *Society*) must send to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) in writing the information required under ■ FEES 4.4.1 R as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 5 of ■ FEES 4 Annex 1AR in relation of fees payable to the *FCA* or Part 5 of ■ FEES 4 Annex 1B R in relation to fees payable to the *PRA* (or ■ FEES 4.2.7B R where applicable).
- 4.4.3** **R** To the extent that a *firm* has provided the information required by this section to the *appropriate regulator* as part of its compliance with another provision of the *Handbook*, it is deemed to have complied with the provisions of this section.
- 4.4.4** **G** In most cases a *firm* will provide the information required by this section as part of its compliance with the provisions of *SUP*. To the extent that the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*), does not obtain sufficient, or sufficiently detailed, information the *FCA* or the *PRA*, as appropriate, may seek this by using the general information gathering powers (see ■ SUP 2 (Information gathering by the *appropriate regulator* on its own initiative)).
- 4.4.5** **R** For an *incoming EEA firm* or an *incoming Treaty firm*, the information required under ■ FEES 4.4 is limited to the *regulated activities* of the *firm* which are carried on in the *United Kingdom* , except those provided on a *cross border services* basis.
- 4.4.6** **R** The obligations of a *firm* to supply information as set out in ■ FEES 4.4.1 R and ■ FEES 4.4.2 R do not apply in respect of any of its *payment services* business.

Information relating to payment services and the issuance of electronic money

4.4.7

FCA

D

A *fee-paying payment service provider* and a *fee-paying electronic money issuer* must notify to the *FCA* the value (as at the valuation date specified in Part 4 of ■ FEES 4 Annex 11 R) of each element of business on which the periodic fee (other than a flat fee) payable by the *firm* under ■ 1 R is to be calculated, including any *payment services* carried on by its *agents* from an establishment in the *United Kingdom*.

4.4.8

FCA

D

A *firm* must send to the *FCA* in writing the information required under ■ FEES 4.4.7 D as soon as reasonably practicable, and in any event within two *months*, after the date specified as the valuation date in Part 4 of

■ FEES 4 Annex 11 R.

4.4.9

FCA PRA

D

To the extent that a *firm* has provided the information required by ■ FEES 4.4.7 D to the *FCA* as part of its compliance with another provision of the *Handbook*, it is deemed to have complied with the provisions of that direction.

FCA Activity groups, tariff bases and valuation dates

FCA

Part 1

This table shows how the *FCA* links the *regulated activities* for which a *firm* has *permission* to activity groups (fee-blocks). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission*.

Activity group	Fee payer falls in the activity group if
A.1 Deposit acceptors	its <i>permission</i> includes <i>accepting deposits</i> or <i>operating a dormant account fund</i> BUT DOES NOT include either of the following: <i>effecting contracts of insurance</i> ; <i>carrying out contracts of insurance</i> .
A.2 Home finance providers and administrators	its <i>permission</i> includes a <i>regulated activity</i> within one or more of the following: <i>entering into a home finance transaction</i> ; or <i>administering a home finance transaction</i> ; or <i>agreeing to carry on a regulated activity</i> which is within either of the above.
A.3 Insurers - general	its <i>permission</i> includes one or more of the following: - <i>effecting contracts of insurance</i> ; - <i>carrying out contracts of insurance</i> ; in respect of <i>specified investments</i> that are: - <i>general insurance contracts</i> ; or - <i>long-term insurance contracts other than life policies</i> .

A.4 Insurers - life its *permission* includes one or more of the following:

- *effecting contracts of insurance;*

- *carrying out contracts of insurance;*

in respect of specified investments including life policies;

- *entering as provider into a funeral plan contract.*

A.5 Managing agents at Lloyd's its *permission* includes *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's.*

A.6 The Society of Lloyd's it is the *Society of Lloyd's*

Note for authorised professional firms:

Generally, for fee-blocks A.7 to A.19 below, only those *regulated activities* that are not limited to *non-mainstream regulated activities* should be taken into account in determining which fee-block(s) fee-payers belong to for the purpose of charging periodic fees. However, in the case that all the *regulated activity* within a *firm permission* are limited to *non-mainstream regulated activities*, then that *firms* will be allocated to fee-block A.13 alone. This does not prevent a fee being payable by an *authorised professional firm* under FEES 3.2.7 R and/or FEES 3.2.7A R(c) where it applies to vary its *Part 4A permission* such that it would normally be allocated to fee-block(s) other than A.13 if the variation was granted.

Portfolio managers (1) its *permission* includes *managing investments* (a *firm* falling within this category is a class (1) *firm*);

OR

(2) its *permission* includes

ONLY either one or both of:

safeguarding and administering of investments (without arranging); and

arranging safeguarding and administration of assets (a *firm* falling within this category is a class (2) *firm*);

OR

(3) the *firm* is a *venture capital firm* (a *firm* falling within this category is a class (3) *firm* if it is not a class (1) or (2) *firm*).

OR

(4) its *permission* includes *managing an AIF* or *managing a UCITS*

Note:

Class (1) firms are subdivided into three classes:

- class (1)A, where the funds managed by the *firm* belong to one or more *occupational pension schemes*;

- class (1)B, where:

(a) the *firm* is not a class (1)A *firm*; and

(b) the *firm* permission includes **NEITHER** of the following:

safeguarding and administering investments (without arranging);

arranging safeguarding and administration of assets; and (c) the *firm* **EITHER**:

has a *requirement* that prohibits the *firm* from holding or controlling *client money*, or both; OR

if it does not have such a *requirement*, only holds or controls *client money* (or both), arising from an agreement under which *commission* is rebated to a *client*; and

- class (1)C, where the *firm* is not within class (1)A or class (1)B.

A.9 Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes (1) *its permission:*

(a) includes one or more of the following:

- managing an AIF;*
- managing a UCITS;*
- acting as trustee or depositary of an AIF;*
- acting as trustee or depositary of a UCITS;*
- establishing, operating or winding up a regulated collective investment scheme;*
- establishing, operating or winding up an unregulated collective investment scheme;*
- acting as trustee of an authorised unit trust scheme; acting as the depositary of an authorised contractual scheme; acting as the depositary or sole director of an open-ended investment company;*
- establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme (but only if the firm does not fall within activity group A1 or A4);*

AND

(b) **PROVIDED** the *firm* is **NOT** one of the following:

OR

- a corporate finance advisory firm;*
- a firm in which the above activities are limited to carrying out corporate finance business;*
- a venture capital firm;*
- a firm which would be a venture capital firm but for the inclusion of managing an AIF on its permission; but only where the firm is managing an AIF exclusively in respect of AIFs which only invest in venture capital investments.*

OR

(2) if the fee-payer has none of the *regulated activities* above within its *permission*, but **ALL** the remaining *regulated activities* in its *permission* are limited to carrying out trustee activities.

A.10 Firms *its permission includes:*
dealing as

principal (a) *dealing in investments as principal;* and/or

(b) *bidding in emissions auctions;*

BUT NOT if one or more of the following apply:

the *firm* is acting exclusively as a matched principal broker;

the above activity is limited either to acting as an *operator* of a *collective investment scheme, establishing, operating or winding up a personal pension scheme or a stakeholder pension scheme*, or to carrying out *trustee* activities;

the *firm* is a *corporate finance advisory firm*;

the above activity is otherwise limited to carrying out *corporate finance business*;

the *firm* is subject to a *limitation* to the effect that the *firm*, in carrying on this *regulated activity*, is limited to entering into transactions in a manner which, if the *firm* was an *unauthorised person*, would come within article 16 of the *Regulated Activities Order (Dealing in contractually based investments)*;

the above activity is limited to not acting as a *market maker*;

the *firm* is an *oil market participant, energy market participant* or a *local* (except where the *firm* is *bidding in emissions auctions*);

its permission includes either:

- *effecting contracts of insurance;* or

- *carrying out contracts of insurance.*

A.12 Adv- its permission:

sors, ar-

rangers,

dealers or

brokers

(holding or

controlling

client mon-

ey or as-

sets, or

both)

(a) includes one or more of the following, in relation to one or more *designated invest-ments*:

dealing in investments as agent;

arranging (bringing about) deals in investments;

making arrangements with a view to transactions in investments;

dealing as principal in investments where the activity is carried on as a matched principal broker, oil market participant, energy market participant or local;

advising on investments (except pension transfers and pension opt-outs);

advising on pension transfers and pension opt-outs;

advising on syndicate participation at Lloyd's;

(b) BUT NONE of the following:

effecting contracts of insurance; or

carrying out contracts of insurance;

AND

(c) CAN HAVE one or more of the following:

safeguarding and administering of assets;

arranging safeguarding and administration of assets;

the ability to hold or control *client money*, or both:

- that is, there is no *requirement* which prohibits the *firm* from doing this; and

- provided that the *client money* in question does not only arise from an agreement under which *commission* is rebated to a *client*;

AND

(d) PROVIDED the fee-payer is NOT any of the following:

a corporate finance advisory firm;

a firm for whom all of the applicable activities above are otherwise limited to carrying out corporate finance business;

a *firm* whose activities are limited to carrying out *venture capital business*;

a *firm* whose activities are limited to acting as an operator of a *regulated collective investment scheme*;

a *firm* whose activities are limited to carrying out *trustee* activities;

a *service company*.

A.13 Advisors, arrangers, dealers or brokers (not holding or controlling client money or assets, or both)

(1) it is an *authorised professional firm* and ALL the regulated activities in its *permission* are limited to non-mainstream regulated activities (a firm falling within this category is a *class (1) firm*);

OR

(2) its *permission*:

(a) includes one or more of the following, in relation to one or more *designated investments*:

- dealing in investments as agent*;
- arranging (bringing about) deals in investments*;
- making arrangements with a view to transactions in investments*;
- dealing as principal in investments* where the activity is carried on as a matched principal broker, *oil market participant*, *energy market participant* or *local*;
- advising on investments (except pension transfers and pension opt-outs)*;
- giving basic advice on a stakeholder product*;
- advising on pension transfers and pension opt-outs*;
- advising on syndicate participation at Lloyd's*;

(b) BUT NONE of the following:

- effecting contracts of insurance*;
- carrying out contracts of insurance*;
- safeguarding and administration of assets*;
- arranging safeguarding and administration of assets*;

AND

(c) MUST EITHER, in connection with its *designated investment business*:

- have a *requirement* that prohibits the *firm* from holding or controlling *client money*, or both;

OR

- if it does not have such a *requirement*, only holds or controls *client money* (or both), arising from an agreement under which *commission* is rebated to a *client*;

AND

(d) PROVIDED the fee-payer is NOT any of the following:

a *corporate finance advisory firm*;

a *firm* for whom all of the applicable activities above are otherwise limited to carrying out *corporate finance business*;

a *firm* whose activities are limited to carrying out *venture capital business*;

a *firm* whose activities are limited to acting as an *operator* of a *regulated collective investment scheme*;

a *firm* whose activities are limited to carrying out *trustee* activities;

a *service company*.

A *firm* falling within (2) and not (1) is a *class 2 firm*.

A.14 Corporate finance advisers

the *firm* is carrying on *corporate finance business* PROVIDED the fee-payer is NOT a *venture capital firm*.

A.18 Home finance providers, advisers and arrangers

its *permission* includes a *regulated activity* within one or more of the following:

entering into a home finance transaction; or

arranging (bringing about) a home finance transaction ; or

making arrangements with a view to a home finance transaction; or

advising on a home finance transaction; or

agreeing to carry on a regulated activity which is within any of the above.

A.19 General insurance mediation

its *permission* includes one or more of the following in relation to a *non-investment insurance contract*:

dealing in investments as agent; or

arranging (bringing about) deals in investments; or

making arrangements with a view to transactions in investments; or

assisting in the administration and performance of a contract of insurance; or

advising on investments; or

agreeing to carry on a regulated activity which is within any of the above.

B. Market operators	<i>firms</i> that have been prescribed as an operator of a prescribed market under the Financial Services and Markets Act 2000 (Prescribed Markets and Qualifying Investments) Order 2001 (SI 2001/996).
B. Service companies	it is a <i>service company</i> .
B. MTF operators	its <i>permission</i> includes <i>operating a multilateral trading facility</i> .
B. Benchmark administrators	It is a <i>benchmark administrator</i>

Part 2

This table sets out the activity groups (fee blocks) in relation to (i) the minimum fee payable to the *FCA* and (ii) the prudential fee payable to the *FCA*.

Activity group	Fee payer falls into the fee-block if
A.0 FCA minimum fee	(1) it is in at least one of the fee blocks under Part 1; and (2) it is not: (a) a <i>UK ISPV</i> ; or (b) a <i>firm</i> whose only <i>permission</i> is <i>operating a dormant fund account</i> .
AP.0 FCA prudential fee	(1) it is an <i>FCA authorised person</i> ; and (2) the periodic fee it pays to the <i>FCA</i> is not limited to the A.0 FCA minimum fee .

Part 3

This table indicates the tariff base for each fee-block set out in Part 1.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity group	Tariff base
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A.1 MODIFIED ELIGIBLE LIABILITIES

For *banks and building societies*:

Item B of Form ELS (Note (1)):

$$(1 + 2 + 3 + 4 + 0.6*5 + 6 - 8 - 9A - 9B - 10A - 10B - 10C - 11A - 11B - 0.6*12) + (1/3)*(F1 + F2 + F3 + F4 + 0.6*F5 + F6 - F8 - F9A - F9B - F10A - F10B - F10C - F11A - F11B - 0.6*F12)$$

- 13M

Notes:

(1) All references in the above formula are to entries on Form ELS (that is, the Eligible Liabilities Return completed to provide information by *banks and building societies* to the Bank of England as required by the Bank of England Act 1998).

(2) The figures reported on the Form ELS relate to business conducted out of offices in the *United Kingdom*.

For *credit unions*:

Deposits with the *credit union* (share capital)

LESS

the *credit union's* bank deposits (investments + cash at bank)

Note:

Only *United Kingdom* business is relevant for calculating *credit unions'* MELs.

Note:

For a *dormant account fund operator* the tariff base is not relevant and the flat fee in FEES 4 Annex 2A R is payable.

A.2 NUMBER OF MORTGAGES OR OTHER HOME FINANCE TRANSACTIONS ENTERED INTO AND ADMINISTERED

The number of new mortgage contracts, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* entered into;

AND

The number of mortgage contracts, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* being administered, multiplied by 0.05 for mortgage outsourcing *firms* or other home finance outsourcing *firms* and by 0.5 for all other *firms*.

Notes:

(1) Mortgage outsourcing *firms* are *firms* with *permission* for *administering regulated mortgage contracts*, but not to enter the contract as lender.

Home finance outsourcing *firms* are *firms* with *permission* for *administering a home finance transaction*, but not entering into a home finance transaction.

(2) In this context a 'mortgage' means a loan secured by a first charge over residential property in the *United Kingdom*. For the measure of the number of contracts being administered, each first charge counts as one contract, irrespective of the number of loans involved.

(3) Mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* administered include those that the *firm* administers on behalf of other *firms*.

A.3

GROSS PREMIUM INCOME AND GROSS TECHNICAL LIABILITIES

For *insurers*:

The amount of *premium* receivable which must be included in the documents required to be deposited under *IPRU(INS) 9.6* in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a waiver or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in *SUP*;

AND the amount of gross technical liabilities (*IPRU(INS) Appendix 9.1 - Form 15, line 19*) which must be included in the documents required to be deposited under *IPRU(INS) 9.6R* in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a *waiver* or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in *SUP*.

Notes:

(1) in the case of either:

(a) a *pure reinsurer* carrying on *general insurance business* through a *branch* in the *United Kingdom*; or

(b) an *insurer* whose head office is not in an *EEA State* carrying on *general insurance business* through a *branch* in the *United Kingdom*; or

(c) an *EEA-deposit insurer*;

the amount only includes *premiums* received and gross technical liabilities held in respect of its *United Kingdom* business;

(2) for a *Swiss general insurance company*, premiums and gross technical liabilities include those relevant to the operations of the company's *United Kingdom branch*; and

(3) a *firm* need not include premiums and gross technical liabilities relating to *pure protection contracts* which it reports, and pays a fee on, in the A.4 activity group.

For *friendly societies*:

Either:

(a) the value of contributions as income under Schedule 7: Part I item 1(a) to the Friendly Societies (Accounts and Related Provisions) Regulations 1994 (SI 1994/1983) (the regulations) for a *non-directive friendly society*, included within the income and expenditure account; or

(b) the value of gross premiums written under Schedule 1: Part I items I.1(a) and II.1.(a) of the regulations for a *directive friendly society* included within the income and expenditure account.

Notes:

(1) In both (a) and (b) above only *premium* receivable in respect of *United Kingdom* business are relevant.

(2) For *UK ISPVs* the tariff base is not relevant and a flat fee set out in FEES 4 Annex 2AR is payable.

A.4 ADJUSTED GROSS PREMIUM INCOME AND MATHEMATICAL RESERVES
(see FEES 4 Annex 12 G)

Amount of new regular *premium* business (yearly *premiums* including reassurances ceded but excluding cancellations and reassurances accepted), times ten;

Plus:

amounts of new single *premium* business (total including reassurances ceded but excluding cancellations and reassurances accepted). Group protection business (life and private health insurance) must be included;

Less:

***premiums* relating to *pension fund management*;**

Less:

***premiums* relating to Trustee Investment Plans.**

For each of the above, business transacted through independent practitioners or tied agents (either single or multi-tie) will be divided by two in calculating the adjusted gross premium income;

AND

the amount of mathematical reserves (*IPRU(INS)* Appendix 9.1R - Form 14 , Line 11) which must be included in the documents required to be deposited under *IPRU(INS)* 9.6R in relation to the financial year to which the documents relate but disregarding for this purpose such amounts as are not included in the document by reason of a *waiver* or an order under section 68 of the Insurance Companies Act 1982 carried forward as an amendment to *IPRU(INS)* under transitional provisions relating to written concessions in*SUP*;

Less

mathematical reserves relating to *pension fund management*.

Less

mathematical reserves relating to Trustee Investment Plans.

Notes:

(1) Only *premiums* receivable and mathematical reserves held in respect of *United Kingdom* business are relevant.

(2) An *insurer* must include in its calculation of adjusted gross premium income (AGPI) and mathematical reserves (MR) the value of MR and AGPI relating to all risks ceded to *ISPVs*.

(3) Trustee Investment Plans are the class of *contract of insurance* specified in Class III of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance) and which are invested in pooled funds beneficially owned by the *insurer* and not earmarked to individual beneficiaries by that *insurer*.

A.5 ACTIVE CAPACITY

The capacity of the *syndicate(s)* under management in the year in question. This includes the capacity for *syndicate(s)* that are not writing new business, but have not been closed off in the year in question.

A.6 Not applicable.

A.7 FUNDS UNDER MANAGEMENT (FuM)

The total value, in pounds sterling, of all assets (see note (a) below) in portfolios which the *firm* manages, on a discretionary basis (see note (b) below), in accordance with its terms of business, less:

a) funds covered by the exclusion contained in article 38 (Attorneys) of the *Regulated Activities Order*;

(b) funds covered by the exclusion contained in article 66(3) (Trustees, nominees and personal representatives) of the *Regulated Activities Order*;

(c) funds covered by the exclusion contained in article 68(6) (Sale of goods or supply of services) of the *Regulated Activities Order*;

(d) funds covered by the exclusion contained in article 69(5) (Groups and joint enterprises) of the *Regulated Activities Order*; and

(e) the value of those parts of the managed portfolios in respect of which the responsibility for the discretionary management has been formally delegated to another *firm* (and which *firm* will include the value of the assets in question in its own FuM total); any such deduction should identify the *firm* to which management responsibility has been delegated.

Notes on FuM

(a) Except for funds under management where the *fund* is an *AIF*, for the purposes of calculating the value of funds under management, assets means all assets that consist of or include any *investment* which is a *designated investment* or those assets in respect of which the arrangements for their management are such that the assets may consist of or include such *investments*, and either the assets have at any time since 29 April 1988 done so or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.

(aa) for funds under management, where the *fund* is an *AIF*, assets means all assets or property of any description of the *fund*.

(b) Assets managed by the *firm* on a discretionary basis exclude the *firm's* own assets. Assets managed on a non-discretionary basis, being assets that the *firm* has a contractual duty to keep under continuous review but in respect of which prior specific consent of the *client* must be obtained for proposed transactions, are also excluded as this activity is covered in those charged to fees in activity groups A.12 and A.13.

(c) In respect of *collective investment schemes*, assets means the total value of the assets of the scheme.

(d) For an *OPS firm*, the FuM should also be reduced by the value of the assets held as a result of a decision taken in accordance with article 4(6) of The Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (investments in *collective investment scheme* or *bodies corporate* which have as their primary purpose the acquisition, directly, or indirectly, of relevant investments, as defined in that article).

(e) Only assets that are managed from an establishment maintained by the *firm* in the *United Kingdom* are relevant.

(f) If the *firm* is managing an overlay portfolio of *derivative* instruments and the underlying assets are managed by itself or a *firm* within the same *group* that has not reported them separately to the *FCA*, or by a *firm* outside its *group*, then it should calculate the value of the *derivatives* and other assets as prescribed in the *guidance* in FSA038 in SUP 16 Annex 25 G.

If the underlying assets are managed by another *firm* within the same *group* who has reported their value separately to the *FCA*, then to avoid double-counting within the *group*, the calculation must be restricted to the exposure of the overlay.

A.9 GROSS INCOME(1) For *AIFMs* (excluding *internally managed AIFs*), *management companies*, *operators* (including *ACDs* and *authorised fund managers* of *unit trusts* or *authorised contractual schemes* but excluding *operators* of a *personal pension scheme* or a *stakeholder pension scheme*) and *residual CIS operators*

gross income from the activity relating to fee-block A.9 is defined as:

the amount of the annual charge on investments in the *fund* received or receivable in the latest accounting period (this is calculated as a % of funds invested, typically 1% p.a.);

PLUS

the front-end or exit charge levied on sales or redemptions of *collective investment schemes* (typically 4-5% of sales/redemptions) in that same accounting period;

PLUS

any additional initial or management charges levied through a product wrapper such as an *ISA*;

BUT EXCLUDING box management profits.

(2) For *depositories* (including *trustees* of *collective investment schemes* and *ICVC* or *ACS depositories*):

The amount of the annual charge levied on investments in *funds* for which they act as *depository* (typically a % of the total funds for which they act as *depository*). (3)

For *operators* of a *personal pension scheme* or a *stakeholder pension scheme* gross income from the activity relating to fee block A.9 is defined as:

The amount of the charges levied on the *personal pension scheme* or *stakeholder pension scheme* for which they act as *operator*:

including up-front charges, fund related charges, transaction related charges and periodic charges; but

excluding charges made to an investor in respect of third party suppliers; for example, charges for stock broking, borrowing, banking services and charges for arranging third party legal services, surveys or environmental screening in connection with property.

Note:

Only the gross income corresponding to *United Kingdom* business is relevant.

(4) *Internally managed AIFs* must use a proxy for gross income for the activities relating to fee block A.9. This is the total value of funds under management (as defined in fee block A.7) multiplied by 0.01.

A.10 NUMBER OF TRADERS

Any *employee* or agent, who:

ordinarily acts within the *United Kingdom* on behalf of an *authorised person* liable to pay fees to the *FCA* in its fee-block A.10 (firms dealing as principal); and who,

as part of their duties in relation to those activities of the *authorised person*, commits the *firm* in market dealings or in transactions in *securities* or in other *specified investments* in the course of *regulated activities*.

But not any *employees* or agents who work solely in the *firm's MTF* operation.

A *firm* may, as an option, report *employees* or agents as full-time equivalents (FTE), taking account of any part-time staff. In calculating the FTE, *firms* must take into account the total hours *employees* or agents have contracted to work for the *firm* and not the time *employees* or agents devote to the *dealing in investments as principal* and

bidding in emissions auctions functions set out in fee-block A.10. Any figures using the FTE calculation to be recorded to one decimal place, rounded down to the nearest decimal place.

A.12 ANNUAL INCOME

Annual income as defined in FEES 4 Annex 11A R

A.13 ANNUAL INCOME

Annual income as defined in FEES 4 Annex 11A R

A.14 ANNUAL INCOME

Annual income as defined in FEES 4 Annex 11A R.

A.18 ANNUAL INCOME

(a) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (e.g. administration charges, overrides, profit shares) due to the *firm* in respect of or in relation to *home finance mediation activity* (or activities which would have been *mortgage mediation activity* if they had been carried out after 30 October 2004 or *home purchase mediation activity* or *home reversion mediation activity* if they had been carried out on or after 6 April 2007 or *regulated sale and rent back mediation activity* if they had been carried out on or after 1 July 2009);

PLUS

(b) for any *home finance mediation activity* carried out by the *firm* for which it receives payment from the lender or provider on a basis other than that in (a), the value of all new mortgage advances and amounts provided under other *home finance transactions* resulting from that activity multiplied by 0.004;

PLUS

(c) if the *firm* is a *home finance provider*, the value of all new mortgage advances and amounts provided under other *home finance transactions* which are or would be *regulated mortgage contracts* if they had been made after 30 October 2004 or *home purchase plans* or *home reversion plans* if they had been made on or after 6 April 2007 or *regulated sale and rent back mediation activity* if they had been carried out on or after 1 July 2009 (other than those made as a result of *home finance mediation activity* by another *firm*), multiplied by 0.004.

For mortgage outsourcing *firms* or home finance outsourcing *firms* whose permission does not include *advising on a home finance transaction* the relevant amounts are multiplied by 0.15.

Notes on annual income:

(1) For the purposes of calculating annual income, "net amount retained" means all the commission, fees, etc. in respect of *home finance mediation activity* 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 (e.g. employees' salaries, overheads) should not be deducted.

(2) The *firm* must include in its income calculation, on the same basis as above, earnings from those who will become its *appointed representatives* immediately after *authorisation*.

(3) Reference to a "*firm*" above also includes reference to any *person* who carried out activities which would be *mortgage mediation activity* if they had been carried out after 30 October 2004 or *home purchase mediation activity* or *reversion mediation activity* if they had been carried out on or after 6 April 2007 or *regulated sale and rent back mediation activity* if they had been carried out on or after 1 July 2009.

(4) Mortgage outsourcing *firms* are *firms* whose *permission* includes *administering regulated mortgage contracts*, but not *entering into a regulated mortgage contract*. Home finance outsourcing *firms* are *firms* whose *permission* includes *administering a home finance transaction*, but not *entering into a home finance transaction*.

(5) The same *firm* may receive income under paragraph (a) and (c).

(6) A *firm* must include in paragraph (a) any income it receives from *home finance mediation activity* carried on by another *person* with respect to any *home finance transaction* into which the *firm* has entered as lender, plan provider or home purchase provider.

(7) In calculating the net amount retained, a *firm* may not deduct amounts that it rebates to a *person* other than another *firm*, a *person* falling within the extended definition of *firm* in Note (4) or the *firm's* customer.

(8) A *firm* may only deduct amounts under paragraph (a) in calculating its net amount retained if the amount is to be deducted from income that the *firm* must include under paragraph (a). Therefore for example:

(a) if a mortgage lender (Firm A) pays a *firm* commission for arranging a *regulated mortgage* under which Firm A is a lender, Firm A may not take that expense into account in calculating its annual income if Firm A does not receive a fee from the borrower or another person in respect of that *regulated mortgage*; and

(b) if a mortgage lender (Firm A) pays a *firm* (Firm B) commission for arranging a *regulated mortgage* under which Firm A is a lender, Firm A receives a payment from the borrower under that transaction and the amount payable to Firm B exceeds the amount payable by the borrower, Firm A may not take that excess into account in calculating its annual income and must instead net the sum payable by the borrower to zero.

(9) A *firm* must include in paragraph (a) any survey and booking fees due to it in respect of or in relation to *home finance mediation activity* or which would be *home*

finance mediation activity if they had been carried on or after the dates in paragraph (a).

A.19 ANNUAL INCOME (A) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (e.g. administration charges, overrides, profit shares) due to the *firm* in respect of or in relation to *insurance mediation activity* (or activities which would have been *insurance mediation activity* if they had been carried out after 13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009) in relation to *general insurance contracts* or *pure protection contracts*;

Plus (B) in relation to the activities set out in (A), for any *insurance mediation activity* carried out by the *firm* for which it receives payment from the *insurer* on a basis other than that in (A), the amount of *premiums* receivable on the *contracts of insurance* resulting from that activity multiplied by 0.07;

Plus (C) if the *firm* is an *insurer*, in relation to the activities set out in (A), the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07, excluding those *contracts of insurance* which:

(i) result from *insurance mediation activity* by another *firm*, where a payment has been made by the *insurer* to the *firm* under (A); or

(ii) the *insurer* reports in, and pays a fee under, the A.4 activity group; or

(iii) are not *general insurance contracts* or *pure protection contracts*.

Notes on annual income:

(1) For the purposes of calculating annual income, "net amount retained" means all the commission, fees, etc. in respect of *insurance mediation activity* 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 (e.g. employees' salaries, overheads) should not be deducted.

(2) The *firm* must include in its income calculation, on the same basis as above, earnings from those who will become its *appointed representatives* immediately after *authorisation*.

(3) Reference to a "*firm*" above also includes reference to any *person*, including a *connected travel insurance intermediary*, who carried out activities which would be *insurance mediation activity* (in respect of *general insurance contracts* or *pure protection contracts*) if they had been carried out after 13 January 2005 or, in relation to *connected travel insurance contracts*, from 1 January 2009.

(4) The same *firm* may receive income under (A) and (C).

(5) A *firm* must include in (A) any income it receives from *insurance mediation activity* carried on by another *person* with respect to any *general insurance contracts* or *pure protection contracts* into which the *firm* has entered as insurer.

(6) In calculating the net amount retained, a *firm* may not deduct amounts that it rebates to a *person* other than another *firm*, a *person* falling within the extended definition of *firm* in Note (4) or the *firm's* customer.

(7) A *firm* may only deduct amounts under (A) in calculating its net amount retained if the amount is to be deducted from income that the *firm* must include under (A). Therefore for example:

(a) if an insurer (Firm A) pays a *firm* commission for arranging a *general insurance contract* or *pure protection contract* under which Firm A is the *insurer*, Firm A may not take that expense into account in calculating its annual income if Firm A does not receive a fee from the insured or another *person* in respect of that contract; and

(b) if an insurer (Firm A) pays a *firm* (Firm B) commission for arranging a *general insurance contract* or *pure protection contract* under which Firm A is the *insurer*, Firm A receives a payment from the insured under that transaction and the amount payable to Firm B exceeds the amount payable by the insured, Firm A may not take that excess into account in calculating its annual income and must instead net the sum payable by the insured to zero.

B. Market operators Not applicable.

B. Service companies Not applicable.

B. MTF operators Not applicable.

B. Benchmark administrators Not applicable.

Part 4

This table indicates the tariff base for each fee block set out in Part 2.

The tariff base in this Part is the means by which the *FCA* measures the amount of business conducted by a *firm* for the purposes of calculating the annual periodic fees payable to the *FCA* by that *firm*.

Activity Group	Tariff base
A.0	Not applicable because the minimum fee is a specified amount.
AP.0	The total periodic fees payable as a result of fee blocks A.2 and A.7 to A.19 in Part 1 of FEES 4 Annex 2A R excluding any periodic fee for <i>operating a dormant fund account</i> .

Part 5

This table indicates the valuation date for each fee-block. A *firm* can calculate its tariff data in respect of fees payable to the *FCA* by applying the tariff bases set out in Part 3 with reference to the valuation dates shown in this table.

Activity group	Valuation date
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IN THIS TABLE, REFERENCES TO SPECIFIC DATES OR MONTHS ARE REFERENCES TO THE LATEST ONE OCCURRING BEFORE THE START OF THE PERIOD TO WHICH THE FEE APPLIES, UNLESS OTHERWISE SPECIFIED - E.G. FOR 2013/14 FEES (1 APRIL 2013 TO 31 MARCH 2014), A REFERENCE TO DECEMBER MEANS DECEMBER 2012.

Where a *firm's* tariff data is in a currency other than sterling, it should be converted into sterling at the exchange rate prevailing on the relevant valuation date.

A.1 For banks:

Modified eligible liabilities (MELs), valued at:

for a *firm* which reports monthly, the average of the MELs for October, November and December;

for a *firm* which reports quarterly, the MELs for December. For *credit unions*:

For *credit unions*:

MELs, valued at December or as disclosed by the most recent annual return made prior to that date.

For *building societies*:

MELs, valued at the average of the MELs for October, November and December.

A.2 Number of mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* entered into in the twelve months ending 31 December.

AND

Number of mortgages, *home purchase plans*, *home reversion plans* and *regulated sale and rent back agreements* being administered on 31 December.

A.3 Annual gross *premium* income (GPI), for the financial year ended in the calendar year ending 31 December.

AND

Gross technical liabilities (GTL) valued at the end of the financial year ended in the calendar year ending 31 December.

A.4	Adjusted annual gross <i>premium</i> income (AGPI) for the financial year ended in the calendar year ending 31 December.
	AND
	Mathematical reserves (MR) valued at the end of the financial year ended in the calendar year ending 31 December.
A.5	Active capacity (AC), in respect of the Underwriting Year (as reported to the <i>Society of Lloyd's</i>) which is current at the beginning of the period to which the fee relates.
	[Note: this is the Underwriting Year which is already in progress at the start of the fee period - e.g. for 2013/14 fees, the fee period will begin on 1 April 2013, which is in the 2013 Underwriting Year, so the AC for that Underwriting Year is the relevant measure.]
A.6	Not applicable.
A,7	Funds under management (FuM), valued at 31 December.
A.9	Annual gross income (GI), valued at the most recent financial year ended before 31 December.
A.10	Number of traders as at 31 December.
A.12	Annual income for the financial year ended in the calendar year ending 31 December.
A.13	Annual income for the financial year ended in the calendar year ending 31 December.
A.14	Annual income for the financial year ended in the calendar year ending 31 December.
A.18	Annual income (AI) for the financial year ended in the calendar year ending 31 December.
A.19	Annual income (AI) for the financial year ended in the calendar year ending 31 December.
B. Market operators	Not applicable.
B. Service companies	Not applicable.
B. MTF operators	Not applicable.
B. Benchmark administrators	Not applicable

Periodic fees in relation to collective investment schemes, AIFs marketed in the UK and small registered UK AIFMs payable for the period 1 April 2013 to 31 March 2014

FCA

Part 1 - Periodic fees payable

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
ICVC,	680	1-2	1	680
AUT,		3-6	2.5	1,700
ACS,		7-15	5	3,400
Section 264 of the Act,		16-50	11	7,480
		>50	22	14,960
<i>(for fee year 2013/2014 only), schemes formerly recognised under section 270 of the Act, as in force immediately before 22 July 2013,</i>				
<i>schemes other than non-EEA AIFs recognised under section 272 of the Act,</i>				
Non-EEA AIFs recognised under section 272 of the Act,	2,770	1-2	1	2,770
		3-6	2.5	6,925
		7-15	5	13,850
<i>(from fee year 2014/2015), schemes formerly recognised under section 270 of the Act, as in force im-</i>		16-50	11	30,470
		>50	22	60,940

Scheme type	Basic fee (£)	Total funds/sub-funds aggregate	Fund factor	Fee (£)
mediately before 22 July 2013				

Fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at 31 March 2012 . Where a new *collective investment scheme* becomes authorised during a year, fees are charged according to the number of funds or *sub-funds* operated by a *firm* as at the date of authorisation. Where more than one fund or *sub-fund* is operated, the number of funds (not including the *umbrella* or parent fund) produces a 'fund factor' in accordance with the table above, which is then applied to a basic fee to produce one total fee per *operator* . Fund factors are applied per *operator* rather than per *scheme* so that the fees relate to the number of funds rather than the number of *schemes*. This means that, for example, an *authorised fund manager* of three *schemes* pays the same as an *operator* or *authorised fund manager* of one *scheme* with three *sub-funds* (as only the *sub-funds* are counted).

Schemes set up under section 264 of the *Act* are charged according to the number of funds or *sub-funds* which a *firm* is operating and *marketing* into the *UK* as at 31 March immediately before the start of the period to which the fee applies. For example, for 2010/11 fees a reference to 31 March means 31 March 2010.

Part 2 - Periodic fees for *AIFs* marketed in the *UK*, following a notification to the *FCA* under regulation 57, 58 or 59 of the *AIFMD UK regulation*

Kind of notification	Fee per <i>AIF</i> (£)
Notification under regulation 57 of the <i>AIFMD UK regulation</i>	500
Notification under regulation 58 of the <i>AIFMD UK regulation</i>	350
Notification under regulation 59 of the <i>AIFMD UK regulation</i>	500

Part 3 - Periodic fees paid by *small registered UK AIFMs*

The annual fee for *small registered UK AIFMs* is £750

Annual General Levy Payable in Relation to the Compulsory Jurisdiction for 2013/14

FCA

Introduction: annual budget

1. The *annual budget* for 2013/14 approved by the FSA is £283.6m.
2. The total amount expected to be raised through the *general levy* in 2013/14 will be £ 23m (net of £ 2.3m to be raised from consumer credit firms).

Compulsory jurisdiction - general levy

Industry block	Tariff base	General levy payable by firm
1-Deposit acceptors, <i>home finance providers</i> , <i>home finance administrators</i> (excluding firms in block 14) and <i>dormant account fund operators</i>	Number of accounts relevant to the activities in DISP 2.6.1 R as at 31 December In the case of <i>dormant account fund operators</i> , the tariff base is the number of eligible activated accounts (8).	£0.04309 per relevant account, subject to a minimum levy of £100
2-Insurers - general (excluding firms in blocks 13 & 15)	Relevant annual gross premium income	£0.1306 per £1,000 of relevant annual gross premium income, subject to a minimum levy of £100
3-The <i>Society</i> (of Lloyd's)	Not applicable	£25,989 to be allocated by the <i>Society</i>
4-Insurers - life (excluding firms in block 15)	Relevant adjusted annual gross premium income	£0.01663 per £1,000 of relevant adjusted annual gross premium income, subject to a minimum levy of £130
5. Portfolio managers (including those holding <i>client money/assets</i> and not holding <i>client money/assets</i>)	Flat fee	Levy of £270
6. Managers and depositaries of investment funds, and operators of collective investment schemes or pension schemes	Flat fee	Levy of £65
7-Dealers as principal	Flat fee	Levy of £75

Industry block	Tariff base	General levy payable by firm
8-Advisors, <i>arrangers</i> , dealers or brokers holding and controlling <i>client money</i> and/or assets	Annual income as defined in FEES 4 Annex 11A R relating to <i>firm's relevant business</i> .	£0.15282 per £1,000 of annual income subject to a minimum fee of £45
9-Advisors, <i>arrangers</i> , dealers or brokers not holding and controlling <i>client money</i> and/or assets	Annual income as defined in FEES 4 Annex 11A R relating to <i>firm's relevant business</i> .	£0.1170 per £1,000 of annual income subject to a minimum fee of £45
10-Corporate finance advisers	Flat fee	Levy of £55
11-fee-paying payment service providers (but excluding firms in any other Industry block except Industry block 18)	For <i>authorised payment institutions, electronic money issuers</i> (except for <i>small electronic money institutions</i>), the Post Office Limited, the Bank of England, government departments and local authorities, and <i>EEA authorised payment institutions</i> relevant income as described in FEES 4 Annex 11 R Part 3 For <i>small payment institutions</i> and <i>small electronic money institutions</i> a flat fee	£0.0046 per £1,000 of relevant income subject to a minimum levy of £75 Levy of £35
12-	N/A for 2013/14	
13-Cash plan health providers	Flat fee	Levy of £65
14- <i>Credit unions</i>	Flat fee	Levy of £55
15- <i>Friendly societies</i> whose tax-exempt business represents 95% or more of their total relevant business	Flat fee	Levy of £65
16- <i>Home finance providers, advisers and arrangers</i> (excluding firms in blocks 13, 14 & 15)	Flat fee	Levy of £85
17 - General insurance mediation (excluding firms in blocks 13, 14 & 15)	<i>Annual income</i> (as defined in MIPRU 4.3) relating to <i>firm's relevant business</i>	£0.4871 per £1,000 of <i>annual income</i> (as defined in MIPRU 4.3) relating to <i>firm's relevant business</i> subject to a minimum levy of £100
18 - <i>fee-paying electronic money issuers</i>	For all <i>fee-paying electronic money issuers</i> except for <i>small electronic money institutions</i> , average outstanding <i>electronic</i>	£0.0020 per £ 1,000 of average outstanding electronic money subject to a minimum levy of £75

purpose, set out in ■ FEES 6 Annex 3A. *Participant firms* may be exempt from contributing to the *specific costs levy*.

6.1.12 [G] [deleted]

6.1.13 [G] The limit on the *management expenses* attributable to the forthcoming financial year of the FSCS. will be consulted on in January each year.
[FCA] [PRA]

The compensation costs levy

6.1.14 [G] In imposing a *compensation costs levy* in each financial year of the *compensation scheme* the FSCS will take into account the *compensation costs* which the FSCS has incurred and has not yet raised through levies, any recoveries it has had made using the rights that have been assigned to it or to which it is subrogated and those *compensation costs* it expects to incur (including in respect of defaults yet to be declared) over the 12 *months* following the date of the levy.
[FCA] [PRA]

6.1.15 [G] *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred:
[FCA] [PRA]

- (1) in securing continuity of long-term insurance; or
- (2) in safeguarding eligible claimants when insurers are in financial difficulties; or
- (3) in making payments or giving indemnities under ■ COMP 11.2.3 R; or
- (4) as a result of the FSCS being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009; or
- (5) in paying interest, principal and other costs from borrowing to allow the FSCS to pay claims attributable to a particular *class*;

are also treated as *compensation costs*. *Compensation costs* are attributed to the *class* which is responsible for the costs. When the FSCS imposes a *compensation costs levy* the levy is allocated to the *class* which is responsible for the costs up to relevant *levy limits*. Certain *classes* may be funded, for *compensation costs levies* beyond the *class levy limit*, by the *retail pool*.

Participant firms that are members of more than one class

6.1.16 [G] If a *participant firm* is a member of more than one *class*, the total *compensation costs levy* and *specific costs levy* for that *firm* in a particular year will be the aggregate of the individual levies calculated for the *firm* in respect of each of the *classes* for that year. Each *class* has a *levy limit* which is the maximum amount of *compensation costs* and *specific costs* which may be allocated to a particular *class* in a financial year for the purposes of a levy.
[FCA] [PRA]

The retail pool

6.1.16A [G] The FCA has made *rules* providing that *compensation costs* and *specific costs* attributable to the intermediation *classes* and the investment provision *class*, which exceed the *class*
[FCA]

levy limits, may be allocated to the *retail pool*. Levies allocated to the *retail pool* are then allocated amongst the other such *classes*, together with certain *classes* (known as *FCA provider contribution classes*). The *FCA provider contribution classes* may contribute to *compensation costs levies* or *specific costs levies* funded by the *retail pool*, but not themselves receive any such funding. The *FCA provider contribution classes* have a different tariff structure to the other *classes*, based on *regulatory costs* (see ■ FEES 6.5A.6 R).

Incoming EEA firms

6.1.17

FCA PRA

G

Incoming EEA firms which obtain cover or 'top up' under the provisions of ■ COMP 14 are *firms* whose *Home State* scheme provides no or limited compensation cover in the event that they are determined to be in default. Under ■ FEES 6.6, the FSCS is required to consider whether *incoming EEA firm's* should receive a discount on the amount that they would otherwise pay as their share of the levy, to take account of the availability of their *Home State* cover. The amount of any discount is recoverable from the other members of the *incoming EEA firm's class*.



6.4 Management expenses

Obligation on participant firm to pay

6.4.1

R

FCA PRA

A *participant firm* must pay to the FSCS a share of each *management expenses levy*.

Limit on management expenses

6.4.2

R

FCA PRA

The total of all *management expenses levies* attributable to a particular period of the *compensation scheme* may not exceed the limit applicable to that period set out in ■ FEES 6 Annex 1 R.

Participant firm's share

6.4.3

R

FCA PRA

A *participant firm's* share of a *management expenses levy* consists of one or more of: (1) a share of a *base costs levy* and (2) a share of a *specific costs levy*.

6.4.4

R

FCA PRA

The FSCS must ensure that each *participant firm's* share of a *management expenses levy* separately identifies the *firm's* share of the *base costs levy* and *specific costs levy*.

Base costs levy

6.4.5

R

FCA PRA

Subject to ■ FEES 6.3.22 R, the FSCS must calculate a *participant firm's* share of a *base costs levy* by:

- (1) identifying the *base costs* which the FSCS has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, but has not yet levied and:
 - (a) allocating 50% of those *base costs* as the sum to be levied on participants in activity groups A.1, A.3, A.4, A.5 and A.6 (as listed in ■ FEES 4 Annex 1B R); and
 - (b) allocating 50% of those *base costs* as the sum to be levied on participants in all the activity groups listed in ■ FEES 4 Annex 1A R;

- (2) calculating the amount of the *participant firm's* regulatory costs as a proportion of the total *regulatory costs* relating to all *participant firms* for the relevant financial year :
 - (a) if the *participant firm* belongs to any of the activity groups in (1)(a), imposed by the *PRA* in respect of those groups; and
 - (b) if the *participant firm* belongs to any of the activity groups in (1)(b), imposed by the *FCA* in respect of those groups; and
- (3) applying the proportion calculated in (2)(a), if any to the sum in (1)(a), and the proportion calculated in (2)(b) (if any) to the sum in (1)(b).

6.4.5A

FCA PRA

G

The effect of ■ FEES 6.4.5 R is that if a *participant firm* belongs to activity groups in both (1)(a) and (1)(b) of that *rule*, it will be required to pay a share of the *base costs levy* in respect of both sets of activity groups.

Specific costs levy

6.4.6

PRA

R

The *FSCS* must allocate any *specific costs levy* amongst the relevant *classes* in proportion to the amount of relevant costs arising from the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*.

6.4.6A

FCA

R

The *FSCS* must allocate any *specific costs levy*:

- (1) first, amongst the relevant *classes* in proportion to the amount of relevant costs arising from the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. The *FCA provider contribution classes* are not relevant *classes* for this purpose; and
- (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool* (see ■ FEES 6 Annex 5), to the *retail pool*, in accordance with and subject to ■ FEES 6.5A.

6.4.7

PRA

R

The *FSCS* must calculate a *participant firm's* share of a *specific costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares) by:

- (1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R;

- (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base as a proportion of the total tariff base of all *participant firms* in the *class* , using the statement of business most recently supplied under ■ FEES 6.5.13 R;
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.4.7A

FCA

R

The *FSCS* must calculate a *participant firm's* share of a *specific costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares) by:

- (1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R;
- (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3A) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R (but this paragraph is modified for a *specific costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by ■ FEES 6.5A.6 R);
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.4.8

FCA PRA

R

A *firm* which becomes a *participant firm* part way through a financial year of the *compensation scheme* will not be liable to pay a share of a *specific costs levy* made in that year.

6.4.9

G

[deleted]

6.4.10

FCA PRA

G

Since a *firm* that becomes a *participant firm* in the course of a financial year of the *compensation scheme* will already be obtaining a discount in relation to the *base costs*

levy through the modified fee provisions of ■ FEES 4.2.6 R, no *rule* is necessary in ■ FEES 6 for discounts on the *base costs levy*.

Specific costs levy for newly authorised firms

6.4.10A

FCA PRA

R

- (1) This *rule* deals with the calculation of:
 - (a) a *participant firm's specific costs levy* in the financial year of the FSCS following the FSCS financial year in which it became a *participant firm*; or
 - (b) a *participant firm's specific costs levy* in the financial year of the FSCS in which it had its *permission* extended, and the following FSCS financial year; and
 - (c) the tariff base for the *classes* that relate to the relevant *permissions* or extensions, as the case may be.

- (2) Unless this *rule* says otherwise the tariff base is calculated, where necessary, using the projected valuation of the business to which the tariff relates.

- (3) The rest of this *rule* only applies to a *firm* that becomes a *participant firm*, or extends its *permission*, on or after 1 April 2009.
 - (a) If a *participant firm's* tariff base is calculated using data from a period that begins on or after it became a *participant firm* or on or after the date that the *participant firm* receives its extension of *permission*, as the case may be, the *participant firm* must use that data.
 - (b) If a *participant firm* satisfies the following conditions it must calculate its tariff base under (c) for the FSCS financial year following the FSCS financial year it became a *participant firm*:
 - (i) it became a *participant firm* or receives its extension of *permission*, as the case may be, between 1 April and 31 December inclusive; and
 - (ii) its tariff base, but for this *rule*, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve *months* ending 31 December before the FSCS financial year.
 - (c) If a *participant firm* satisfies the conditions in (b) it must calculate its tariff base as follows:
 - (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
 - (ii) the tariff is calculated by reference to the period beginning on the date it became a *participant firm* or



6.5 Compensation costs

6.5.1 **R** [deleted]

6.5.2 **R** The FSCS must allocate any *compensation costs levy*:

PRA

- (1) first, to the *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*; and
- (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool*, to the *retail pool* in accordance with ■ FEES 6.5A.

Allocation: all classes except A, B and C

6.5.2-A **R** The FSCS must allocate any *compensation costs levy*:

FCA

- (1) first, to the relevant *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. The *FCA provider contribution classes* are not relevant *classes* for this purpose; and
- (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool* (see ■ FEES 6 Annex 5), to the retail pool, in accordance with, and subject to, ■ FEES 6.5A.

6.5.2A **G** The use made by FSCS of borrowing facilities to provide liquidity until the next levy does not affect the attribution of *compensation costs*, nor the allocation of *compensation cost levies*; the allocation of a *compensation costs levy* occurs at the time that the FSCS imposes a levy.

6.5.2B **G** [deleted]

6.5.2C G [deleted]

6.5.3 R If a *participant firm* which is *in default* has carried on a *regulated activity* other than in accordance with a *permission*, the FSCS must treat any *compensation costs* or *specific costs* arising out of that activity as if the relevant *permission* were held by the *participant firm*.
FCA PRA

6.5.4 R If the relevant *person* in default is an *appointed representative*, the FSCS must treat any *compensation costs* or *specific costs* arising out of a *regulated activity* for which his *principal* has not accepted responsibility to as if the *principal* had accepted responsibility.
FCA PRA

6.5.5 R (1) A *participant firm* must pay to the FSCS a share of each *compensation costs levy* allocated to the *classes* of which it is a member unless either the *firm* is exempt under ■ FEES 6.2 (Exemption) or the FSCS has chosen to exercise its discretion under ■ FEES 6.3.23 R in respect of that *firm*.
FCA PRA

(2) [deleted]

6.5.6 R The FSCS must calculate each *participant firm's* share of a *compensation costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares)) by:
PRA

(1) identifying each of the *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R (1);

(2) identifying the *compensation costs* falling within ■ FEES 6.5.1 R allocated, in accordance with ■ FEES 6.5.2 R, to the *classes* identified in (1);

(3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R;

(4) applying the proportion calculated in (3) to the figure in (2);
and

(5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.5.6A

FCA

R

The FSCS must calculate each *participant firm's* share of a *compensation costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares)) by:

- (1) identifying each of the relevant *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R (1);
- (2) identifying the *compensation costs* falling within ■ FEES 6.5.1 R allocated, in accordance with ■ FEES 6.5.2 R, to the *classes* identified in (1);
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3A) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R (but this paragraph is modified for a *compensation costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by ■ FEES 6.5A.6 R);
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

Classes and tariff bases for compensation cost levies and specific costs levies

6.5.7

PRA

R

When calculating a *participant firm's* share of a *compensation costs levy* or *specific costs levy* allocated to each *class* the FSCS must use the *classes* and tariff bases as set out in the table in ■ FEES 6 Annex 3 R.

- (1) [deleted]
- (2) [deleted]
- (3) [deleted]
- (4) [deleted]
- (5) [deleted]

6.5.8

FCA PRA

G

Guidance on parts of ■ FEES 6 Annex 3 R can be found in ■ FEES 6 Annex 4 G.

New participant firms

6.5.9

FCA PRA

R

A *firm* which becomes a *participant firm* part way through a financial year of the *compensation scheme* will not be liable to pay a share of a *compensation costs levy* made in that year.

Compensation costs levy for newly authorised firms

6.5.9A **R** ■ FEES 6.4.10AR applies to the calculation of a *participant firm's compensation costs levy* and its tariff base as it applies to the calculation of its *specific costs levy*.
FCA PRA

6.5.9B **G** The example table in ■ FEES 6.4.10B G can be applied to the calculation of the tariff bases under ■ FEES 6.5.9AR.
FCA PRA

Membership of several classes

6.5.10 **R** [deleted]

6.5.11 **R** [deleted]

6.5.12 **G** A *participant firm* may belong to more than one *class*.
FCA PRA

Reporting requirements

6.5.13 **R** (1) Unless exempt under ■ FEES 6.2.1 R, a *participant firm* must provide the FSCS by the end of February each year (or, if it has become a *participant firm* part way through the financial year, by the date requested by the *appropriate regulator*) with a statement of:
FCA PRA

- (a) *classes* to which it belongs; and
- (b) the total amount of business (measured in accordance with the appropriate tariff base or tariff bases) which it conducted, in respect of the most recent valuation period (as specified by ■ FEES 6 Annex 3 R (Financial Services Compensation Scheme - classes)) ending before the relevant year in relation to each of those *classes*.

(2) In this *rule* the relevant year means the year in which the month of February referred to in (1) falls.

(3) [deleted]

6.5.13A **G** For example, when the tariff base for a particular *class* is based on a *firm's annual eligible income* the valuation period for that *class* is the *firm's* last financial year ending in the year to 31 December preceding the financial year of the FSCS for which the calculation is being made. In the case of a *firm* in *class* A1 (Deposits) its valuation period will be 31 December.
FCA PRA

6.5.14 **R** If the information in ■ FEES 6.5.13 R has been provided to the *appropriate regulator* under other *rule* obligations, a *participant firm* will be deemed to have complied with ■ FEES 6.5.13 R.
FCA PRA

6.5.15 **R** Where a *participant firm* can identify that a *protected deposit* or a *protected dormant account* was made by or belonged to a *person* who is not an *eligible claimant*, it may exclude the amount of that deposit or that account from the tariff base, provided that it notifies the *FSCS* of the amount of the deposit or the account so excluded and provides the *FSCS* with such information about the deposit or account as the *FSCS* may reasonably require.

PRA

6.5.16 **R** If a *participant firm* does not submit a complete statement by the date on which it is due in accordance with ■ FEES 6.5.13 R and any prescribed submission procedures:

FCA PRA

- (1) the *firm* must pay an administrative fee of ?250 (but not if it is already subject to an administrative fee under ■ FEES 4 Annex 2A R, Part 1 or ■ FEES 5.4.1 R for the same financial year); and
- (2) the *compensation costs levy* and any *specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *participant firm* part way through a financial year, on the basis of the information provided to the *appropriate regulator* for the purposes of ■ FEES 4.4.2 R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

6.5.17 **R** [deleted]

6.5A The retail pool

Allocation of compensation costs levies and specific costs levies through the retail pool

6.5A.1

FCA

R

The FSCS must allocate a *compensation costs levy* or *specific costs levy*, which has been allocated to the *retail pool* (under FEES 6.5.2-A R(2)):

- (1) to *classes* whose *retail pool* levy limit has not been reached as at the date of the levy;
- (2) in proportion to the relative sizes of the *retail pool* levy limits of the *classes* in (1); and
- (3) in accordance with the table in ■ FEES 6 Annex 5.

[Note: The *retail pool* levy limits for *classes* other than *FCA provider contribution classes* are the normal *levy limits* for that *class*. See the table in ■ FEES 6 Annex 5 for the *retail pool* levy limits for all relevant *classes*.]

6.5A.2

FCA

R

- (1) An allocation in ■ FEES 6.5A.1 R to an *FCA provider contribution class* other than the home finance providers and administrators' *contribution class* may not be of an amount that, if it were added to any *compensation costs levies* or *specific costs levies* which have previously been imposed on the *PRA funding class* which corresponds to that *FCA provider contribution class* (as set out in ■ FEES 6.5A.7 R) the combined figure would be greater than the *levy limit* of the corresponding *PRA funding class*.
- (2) Where:
 - (a) an *FCA provider contribution class* has already contributed to *specific costs* or *compensation costs* (through the *retail pool*); and
 - (b) if the amount of that previous contribution by the *class* in (a) were added to a *compensation costs levy* or *specific costs levy* which is being imposed on the *PRA funding class* which corresponds to the *class* in (a) (and any previous such levies), the combined figure would be greater than the *levy limit* of the corresponding *PRA funding class*;

Financial Services Compensation Scheme - classes

FCA

This table belongs to ■ FEES 6.4.7A R and ■ FEES 6.5.6A R

Class A	Deposits
Firms with permission for:	<i>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</i>
Tariff base	<p>(1) <i>Protected deposits and/or</i></p> <p>(2) <i>Protected dormant accounts multiplied by 0.2 as at 31 December. Except where paragraph (4) says otherwise, protected deposits must be adjusted as follows.</i></p> <p>(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.</p> <p>(2) Exclude any amount in respect of which the <i>FSCS</i> would not pay compensation due to the maximum payment limits in COMP 10.2.</p> <p>(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 COMP 17 (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).</p> <p>(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>.</p> <p>(b) This paragraph applies with respect to a <i>protected deposit</i> to the extent that, under COMP 17, 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.</p> <p>(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 COMP 17.2.3 R(2).</p>

6

PAGE
1

General Insurance

Class B1	General Insurance Provision
Firms with permission for:	<i>effecting contracts of insurance; and/or carrying out contracts of insurance;</i>

General Insurance

that are *general insurance contracts*.

Class B2

General Insurance Intermediation

Firms with permission for:

Any of the following in respect of *general insurance contracts*:

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;

agreeing to carry on a regulated activity which is within any of the above.

Tariff base

Class B1: Relevant net premium income and eligible gross technical liabilities. 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 eligible gross technical liabilities.

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 1B R with the following adjustments.

(1) Eligible gross technical liabilities are calculated by reference to *protected contracts of insurance with eligible claimants*.

(2) A *firm* 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.

(3) If an *incoming EEA firm* does not report gross technical liabilities in the way contemplated by this table, the *firm's* gross technical liabilities 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 A3 in part 2 of FEES 4 Annex 1B R apply except for the purposes of (2).

(5) A *directive friendly society* must also calculate eligible gross technical liabilities in accordance with this table.

(6) A *non-directive friendly society* must calculate gross technical liabilities as the amount that it is required to show in FSC 2 - Form 9 line 11 in Appendix 10 of *IPRU(FSOC)* (assets allocated towards the general insurance business required minimum margin) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under FEES 6.5.13 R) for which the *firm* is required to have reported that information to the *PRA* under *IPRU(FSOC)*. A *non-directive friendly society* must dis-

General Insurance

regard 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 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):

(a) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the *firm* in respect of or in relation to *class B2* activities, including any income received from an *insurer*; and

(b) if the *firm* is an *insurer*, in relation to *class B2* activities, the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07, excluding those *contracts of insurance* which result from *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 *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 *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) *Class B2* activities mean activities that fall within *class B2*. They also include activities that now fall within *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 *class B2* but which were not at the time *regulated activities*.

Life and Pensions

Life and Pensions Provision

effecting contracts of insurance; and/or
carrying out contracts of insurance;
that are *long-term insurance contracts* (including *pure protection contracts*).

Class C1

Firms with permis-
sion for:

General Insurance

Class C2	Life and Pensions Intermediation
Firms with permission for:	<p>Any of the following:</p> <p><i>dealing in investments as agent;</i></p> <p><i>arranging (bringing about) deals in investments;</i></p> <p><i>making arrangements with a view to transactions in investments;</i></p> <p><i>assisting in the administration and performance of a contract of insurance;</i></p> <p><i>advising on investments;</i></p> <p><i>advising on pension transfers and pension opt-outs;</i></p> <p><i>providing basic advice on a stakeholder product;</i></p> <p><i>agreeing to carry on a regulated activity which is within any of the above;</i></p> <p>in relation to any of the following:</p> <p><i>long-term insurance contracts (including pure protection contracts);</i></p> <p><i>rights under a stakeholder pension scheme or a personal pension scheme.</i></p>
Tariff base	<p>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 <i>relevant net premium income</i>. The tariff base for the second portion (25%) is based on mathematical reserves.</p> <p>Eligible mathematical reserves are calculated in accordance with the method for calculating mathematical reserves in fee block A4 in part 2 of FEES 4 Annex 1B R with the following adjustments.</p> <p>(1) Eligible mathematical reserves 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 mathematical reserves that it would be obliged to take into account for fee block A4 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 mathematical reserves in the way contemplated by this table, the <i>firm's</i> mathematical reserves 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 A4 in part 2 of FEES 4 Annex 1B R apply except for the purposes of (2).</p> <p>(5) A <i>directive friendly society</i> must also calculate eligible mathematical reserves in accordance with this table.</p> <p>(6) A <i>non-directive friendly society</i> must calculate mathematical reserves as the amount that it is required to show in FSC 2 - Form 9 line 23 in</p>

General Insurance

Appendix 10 of *IPRU(FSOC)* (total mathematical reserves after distribution of surplus) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under FEES 6.5.13 R) for which the *firm* is required to have reported that information to the *PRA* 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.

(7) The provisions relating to pension fund management business in Part 2 of FEES 4 Annex 1B R do not apply. A *firm* undertaking such business that does not carry out any other activities within *class C1* (ignoring any activities that would have a wholly insignificant effect on the calculation of its tariff base for *class C1*) must use its Long-term insurance capital requirement instead of gross technical liabilities. The Long-term insurance capital requirement means the amount that it is required to show as its Long-term insurance capital requirement in Form 2 Line 31 (Statement of solvency - Long-term insurance business) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under FEES 6.5.13 R) for which the *firm* is required to have reported that information to the *PRA*.

(8) The split in the levy between *relevant net premium income* and eligible mathematical reserves does not apply to a partnership pension society (as defined in Chapter 7 of *IPRU(FSOC)* (Definitions)). Instead the levy is only calculated by reference to *relevant net premium income*.

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):

(a) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the *firm* in respect of or in relation to *class C2* activities including any income received from an *insurer*; and

(b) if the *firm* is a life and pensions *firm*, in relation to *class C2* activities, the amount of *premiums* or commission receivable on its life and pensions contracts multiplied by 0.07, excluding those life and pensions contracts which result from *class C2* activities carried out by another *firm*, 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 *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*.

General Insurance

(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 *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 *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) *Class C2* activities mean activities that fall within *class C2*. They also include activities that now fall within *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 *class C2* but which were not at the time *regulated activities*.

Investment

Class D1

Firms with permission for:

Investment provision

Any of the following:

managing investments;

managing an AIF;

managing a UCITS;

acting as trustee or depositary of an AIF;

acting as trustee or depositary of a UCITS;

establishing, operating or winding up a regulated collective investment scheme;

establishing, operating or winding up an unregulated collective investment scheme;

acting as trustee of an authorised unit trust scheme;

acting as the depositary of an authorised contractual scheme;

acting as the depositary or sole director of an open-ended investment company;

establishing, operating or winding up a stakeholder pension scheme;

establishing, operating or winding up a personal pension scheme;

agreeing to carry on a regulated activity which is within any of the above.

Class D2

Investment Intermediation

Firms with permission for: Any of the following activities in relation to *designated investment business*:

- dealing in investments as principal;*
- dealing in investments as agent;*
- MiFID business bidding;*
- arranging (bringing about) deals in investments;*
- making arrangements with a view to transactions in investments;*
- advising on investments;*
- providing basic advice on a stakeholder product;*
- safeguarding and administering investments;*
- arranging safeguarding and administering of assets;*
- operating a multilateral trading facility;*
- agreeing to carry on a regulated activity which is within any of the above;*

BUT excluding activities that relate to long-term insurance contracts or rights under a stakeholder pension scheme or a personal pension scheme.

Tariff base Class D1: *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is equal to the net amount retained by the *firm* of all income due to the *firm* in respect of or in relation to activities falling within *class D1*.

Class D2: *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is equal to the net amount retained by the *firm* of all income due to the *firm* in respect of or in relation to activities falling within *class D2*.

Notes on *annual eligible income* for *classes D1 and D2*:

(1) For the purposes of calculating annual income, net amount retained means all the commission, fees, etc. in respect of activities falling within *class D1 or D2*, as the case may be, 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.

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

(3) Box management profits are excluded from the calculation of annual income.

Home Finance

Firms with permission for:	<p>Any of the following activities:</p> <p><i>arranging (bringing about) a home finance transaction;</i></p> <p><i>making arrangements with a view to a home finance transaction;</i></p> <p><i>advising on home finance transaction;</i></p> <p>the activities of a <i>home finance provider</i> which would be arranging but for article 28A of the <i>Regulated Activities Order</i> (Arranging contracts or plans to which the arranger is party);</p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>
Tariff base	<p>Class: E2: <i>annual eligible income</i> where the annual income is calculated in accordance with fee-block A18 in part 2 of FEES 4 Annex 1A R.</p>
Class F	<p>Deposit acceptor's contribution</p>
Firms with permission for:	<p><i>accepting deposits</i> and/or <i>operating a dormant account fund</i>. BUT does not include any fee payer who either effects or carries out <i>contracts of insurance</i>.</p>
Class G	<p>Insurers - life contribution</p>
Firms with permission for:	<p><i>effecting contracts of insurance;</i> and/or</p> <p><i>carrying out contracts of insurance;</i></p> <p>in respect of specified investments including <i>life policies;</i> <i>entering as provider into a funeral plan contract.</i></p> <p>-</p>
Class H	<p>Insurers - general contribution</p>
Firms with permission for:	<p><i>effecting contracts of insurance;</i> and/or</p> <p><i>carrying out contracts of insurance;</i></p> <p>in respect of <i>specified investments</i> that are:</p> <p>- <i>general insurance contracts;</i> or</p> <p>- <i>long-term insurance contracts other than life policies.</i></p>
Class I	<p>Home finance provision</p>
Firms with permission for:	<p>Any of the activities below:</p> <p><i>entering into a home finance transaction;</i></p> <p><i>administering a home finance transaction;</i></p> <p><i>agreeing to carry on a regulated activity</i> which is within any of the above.</p>

Notes

(1) Any reference in this annex to a *specified investment* 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 *classes* and between income that falls within the definition of *annual eligible income* and income that does not in a reasonable and consistent way and on the basis of clear policies.

(3) The question of whether a *person* is an *eligible claimant* 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 *person* 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 *client* 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 FEES 6.5.13 R is prepared.

However this does not apply for the purpose of calculating the tariff base for *class A (Deposits)* so far as it relates to *protected deposits*.

(4) For classes G to I (inclusive) the tariff base is not set out in this Annex: see FEES 6.4.7 R (3), FEES 6.5.6 R (3) and FEES 6.5A.6 R

Fees Manual

Schedule 4 Powers exercised

Sch 4.1 G

[deleted]

Sch 4.2 G

[deleted]

Sch 4.3 G

[deleted]

Sch 4.4 G

[deleted]

Sch 4.5 G

[deleted]

[Note: certain rules in *FEES* are made exclusively by the *FOS Ltd*. A list of those rules is set out in

■ GEN Sch 4.12 G.]

Fees Manual

Schedule 6 Rules that can be waived

G

[deleted]

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.2 G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O of the *Act* (threshold condition code). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

General Prudential sourcebook



1.2 Adequacy of financial resources

Application

1.2.1

FCA PRA

R

This section applies to:

- (1) a *BIPRU firm*; and
- (2) an *insurer*, unless it is:
 - (a) a *non-directive friendly society*; or
 - (b) a *Swiss general insurer*; or
 - (c) an *EEA-deposit insurer*; or
 - (d) an *incoming EEA firm*; or
 - (e) an *incoming Treaty firm* .
- (3) [deleted]

1.2.2

R

[deleted]

1.2.2A

FCA PRA

R

In relation to any provision in this section which applies to a *BIPRU firm*, a reference in that provision to "financial resources" does not constitute a reference to "liquidity resources".

1.2.3

R

[deleted]

1.2.3A

FCA PRA

G

In relation 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*;

■ BIPRU 12 contains *rules* and *guidance* in relation to the adequacy of that *firm's* liquidity resources.

1.2.4 R [deleted]

1.2.5 R [deleted]

1.2.6 R If an *insurer* carries on:

PRA

(1) *long-term insurance business*; and

(2) *general insurance business*;

This section applies separately to each type of business.

1.2.7 G The *guidance* in this section is drafted with respect to a *firm* to which this section and the other provisions of *GENPRU* and *BIPRU* (except ■ BIPRU 12) referred to in this section apply in full.

FCA PRA

1.2.8 G [deleted]

1.2.9 G [deleted]

1.2.10 G The scope of application of this section is not restricted to *insurers* that are subject to the relevant *EU Directives*.

PRA

1.2.11 G The adequacy of a *firm's* financial resources needs to be assessed in relation to all the activities of the *firm* and the risks to which they give rise and so this section applies to a *firm* in relation to the whole of its business. In the case of a *collective portfolio management investment firm* this means that this section also applies to its activities in relation to the management of *AIFs* and/or *UCITS*.

FCA PRA

Purpose

1.2.12 G Adequate financial resources and adequate systems and controls are necessary for the effective management of prudential risks. This section therefore has requirements relating to both of these topics.

FCA PRA

1.2.13 G This section amplifies *Principle 4*, under which a *firm* must maintain adequate financial resources. It is concerned with the adequacy of the financial resources that a *firm* needs to hold in order to be able to meet its liabilities as they fall due. These resources include both capital and liquidity resources. As noted in ■ GENPRU 1.2.3A G, however, the *appropriate regulator's rules* and *guidance* in relation to the adequacy of the liquidity resources of a *BIPRU firm* are set out in ■ BIPRU 12.

FCA PRA

resources that consists of *capital resources*. The adequacy of a *firm's capital resources* needs to be assessed both by that *firm* and the *appropriate regulator*. Through its *rules*, the *appropriate regulator* sets minimum *capital resources requirements* for *firms*. It also reviews a *firm's* own assessment of its capital needs, and the processes and systems by which that assessment is made, in order to see if the minimum *capital resources requirements* are appropriate (see ■ GENPRU 1.2 (Adequacy of financial resources), ■ BIPRU 2.2 (Internal capital adequacy standards) and ■ INSPRU 7.1 (Individual capital assessment)).

2.1.7

FCA PRA

G

This section sets *capital resources requirements* for a *firm*. ■ GENPRU 2.2 (Capital resources) sets out how, for the purpose of meeting *capital resources requirements*, the amounts or values of capital, assets and liabilities are to be determined. More detailed *rules* relating to capital, assets and liabilities are set out in ■ GENPRU 1.3 (Valuation) and, for an *insurer*, INSPRU and, for a *BIPRU firm*, BIPRU.

2.1.8

FCA PRA

G

- (1) This section implements minimum EC standards for the *capital resources* required to be held by an *insurer* undertaking business that falls within the scope of the *Consolidated Life Directive* (2002/83/EC), the *Reinsurance Directive* (2005/68/EC) or the *First Non-Life Directive* (1973/239/EEC) as amended.
- (2) This section also implements provisions of the *Capital Adequacy Directive* and *Banking Consolidation Directive* concerning the level of *capital resources* which a *BIPRU firm* is required to hold. In particular it implements (in part) Articles 9, 10 and 75 of the *Banking Consolidation Directive* and Articles 5, 9, 10 and 18 of the *Capital Adequacy Directive*.
- (3) In the case of a *collective portfolio management investment firm* this section implements article 9 of AIFMD and (in part) Article 7 of the *UCITS Directive*.

Monitoring requirements

2.1.9

FCA PRA

R

A *firm* must at all times monitor whether it is complying with ■ GENPRU 2.1.13 R (the main capital adequacy rule for *insurer*) or the *main BIPRU firm Pillar 1 rules* and be able to demonstrate that it knows at all times whether it is complying with those *rules*.

2.1.10

FCA PRA

G

For the purposes of ■ GENPRU 2.1.9 R, a *firm* should have systems in place to enable it to be certain whether it has adequate *capital resources* to comply with ■ GENPRU 2.1.13 R and the *main BIPRU firm Pillar 1 rules* (as applicable) at all times. This does not necessarily mean that a *firm* needs to measure the precise amount of its *capital resources* and its *CRR* on a daily basis. A *firm* should, however, be able to demonstrate the adequacy of its *capital resources* at any particular time if asked to do so by the *appropriate regulator*.

2.1.11

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately of any breach, or expected breach, of ■ GENPRU 2.1.13 R (in the case of an *insurer*) or the *main BIPRU firm Pillar 1 rules* (in the case of a *BIPRU firm*).

Additional capital requirements

2.1.12

FCA PRA

G

The *appropriate regulator* may impose a higher capital requirement than the minimum requirement set out in this section as part of the *firm's Part 4A permission* (see

■ GENPRU 1.2 (Adequacy of financial resources), ■ BIPRU 2.2 (Internal capital adequacy standards) and ■ INSPRU 7.1 (Individual capital assessment)).

Main requirement: Insurers

2.1.13

PRA

R

- (1) Subject to (2), an *insurer* must maintain at all times *capital resources* equal to or in excess of its *capital resources requirement (CRR)*.
- (2) An *insurer* which is a *participating insurance undertaking* and, in relation to its own *group capital resources*, is in compliance with ■ INSPRU 6.1.9 R (Requirement to maintain group capital), is deemed to comply with this *rule*.

2.1.14

PRA

R

An *insurer* must comply with ■ GENPRU 2.1.13 R separately in respect of both its *long-term insurance business* and its *general insurance business* unless it is a *pure reinsurer* or a *captive reinsurer* which has a single *MCR* in respect of its entire business in accordance with ■ GENPRU 2.1.26 R.

2.1.15

PRA

G

In order to comply with ■ GENPRU 2.1.14 R, an *insurer* carrying on both *general insurance business* and *long-term insurance business* will need to allocate its *capital resources* between its *general insurance business* and *long-term insurance business* so that the *capital resources* allocated to its *general insurance business* are equal to or in excess of its *CRR* for its *general insurance business* and the *capital resources* allocated to its *long-term insurance business* are equal to or in excess of its *CRR* for its *long-term insurance business*. Whereas *long-term insurance assets* cannot be used towards meeting a *firm's CRR* for its *general insurance business*, surplus *general insurance assets* may be used towards meeting the *CRR* for its *long-term insurance business* (see ■ INSPRU 1.5.30 R to ■ INSPRU 1.5.32 G). ■ INSPRU 1.5 (Internal-contagion risk) sets out the detailed requirements for the separation of *long-term* and *general insurance business*.

2.1.16

PRA

G

Insurers commonly use different terminology for the various *GENPRU* requirements. For example, the *MCR* is traditionally known as the required minimum margin.

Calculation of the CRR for an insurer

2.1.17

PRA

R

The *CRR* for any *insurer* carrying on *general insurance business* is equal to the *MCR* in ■ GENPRU 2.1.24 R or, for a *pure reinsurer* or a *captive reinsurer* carrying on both *general insurance business* and *long-term insurance business*, in ■ GENPRU 2.1.26 R.

2.1.18

PRA

R

The *CRR* for any *insurer* to which this *rule* applies (see ■ GENPRU 2.1.19 R and ■ GENPRU 2.1.20 R) is the higher of:

- (1) the *MCR* in ■ GENPRU 2.1.24A R; and
- (2) the *ECR* in ■ GENPRU 2.1.38 R.

2.1.32 **G** Any increases in the *base capital resources requirement* referred to in ■ GENPRU 2.1.31 G will be published on the PRA website.
PRA

2.1.33 **R** In the case of an *insurer* and for the purposes of the *base capital resources requirement*, the exchange rate from the Euro to the pound sterling for each year beginning on 31 December is the rate applicable on the last day of the preceding October for which the exchange rates for the currencies of all the European Union member states were published in the Official Journal of the European Union.
PRA

Calculation of the general insurance capital requirement (Insurer only).....

2.1.34 **R** An *insurer* must calculate its *general insurance capital requirement* as the highest of:
PRA

- (1) the *premiums amount*;
- (2) the *claims amount*; and
- (3) the *brought forward amount*.

2.1.35 **G** The calculation of each of the *premiums amount*, *claims amount* and *brought forward amount* is set out in ■ INSPRU 1.1 (Capital resources requirement and technical provisions for insurance business).
PRA

Calculation of the long-term insurance capital requirement (Insurer only).....

2.1.36 **R** An *insurer* must calculate its *long-term insurance capital requirement* as the sum of:
PRA

- (1) the *insurance death risk capital component*;
- (2) the *insurance health risk and life protection reinsurance capital component*;
- (3) the *insurance expense risk capital component*; and
- (4) the *insurance market risk capital component*.

2.1.37 **G** The calculation of each of the capital components is set out in ■ INSPRU 1.1 (Capital resources requirement and technical provisions for insurance business).
PRA

Calculation of the ECR (Insurer only).....

2.1.38 **R** For an *insurer* carrying on *long-term insurance business* the *ECR* in respect of that business is the sum of:
PRA

- (1) the *long-term insurance capital requirement*; and
- (2) the *with-profits insurance capital component*.

2.1.39 PRA G Details of the *resilience capital requirement* and the *with-profits insurance capital component* are set out in ■ INSPRU 3.1 (Market Risk in insurance) and ■ INSPRU 1.3 (With-profits insurance capital component) respectively.

Main requirement: BIPRU firms

2.1.40 FCA PRA R A *BIPRU firm* must maintain at all times *capital resources* equal to or in excess of the amount specified in the table in ■ GENPRU 2.1.45 R (Calculation of the variable capital requirement for a BIPRU firm).

2.1.41 FCA PRA R A *BIPRU firm* must maintain at all times *capital resources* equal to or in excess of the *base capital resources requirement* (see the table in ■ GENPRU 2.1.48 R).

2.1.42 FCA PRA R At the time that it first becomes a *bank, building society* or *BIPRU investment firm*, a *firm* must hold *initial capital* of not less than the *base capital resources requirement* applicable to that *firm*.

2.1.43 FCA PRA G The purpose of the *base capital resources requirement* for a *BIPRU firm* is to act as a minimum capital requirement or floor. It has been written as a separate requirement as there are restrictions in ■ GENPRU 2.2 (Capital resources) on the types of capital that a *BIPRU firm* may use to meet the *base capital resources requirement* which do not apply to some other parts of the capital requirement calculation. In order to preserve the *base capital resources requirement's* role as a floor rather than an additional requirement, ■ GENPRU 2.2.60 R allows a *BIPRU firm* to meet the *base capital resources requirement* with capital that is also used to meet the variable capital requirements in ■ GENPRU 2.1.40 R.

2.1.44 FCA PRA G The *base capital resources requirement* and the variable capital requirement in ■ GENPRU 2.1.40 R are together called the *capital resources requirement (CRR)* in the case of a *BIPRU firm*.

Calculation of the variable capital requirement for a BIPRU firm

2.1.45 FCA PRA R Table: Calculation of the variable capital requirement for a BIPRU firm

This table belongs to ■ GENPRU 2.1.40 R

<i>Firm category</i>	<i>Capital requirement</i>
<i>Bank, building society or full scope BIPRU investment firm</i>	the sum of the following: <ol style="list-style-type: none"> (1) the <i>credit risk capital requirement</i>; (2) the <i>market risk capital requirement</i>; and (3) the <i>operational risk capital requirement</i>.
<i>BIPRU limited activity firm</i>	the sum of the following: <ol style="list-style-type: none"> (1) the <i>credit risk capital requirement</i>; (2) the <i>market risk capital requirement</i>; and (3) the <i>fixed overheads requirement</i>.

BIPRU limited licence firm (including collective portfolio management investment firm) the higher of (1) and (2):

(1) the sum of:

(a) the *credit risk capital requirement*; and

(b) the *market risk capital requirement*; and

(2) the *fixed overheads requirement*.

Adjustment of the variable capital requirement calculation for collective portfolio management investment firms

2.1.46

FCA

R

When a *collective portfolio management investment firm* calculates the *credit risk capital requirement* and the *market risk capital requirement* for the purpose of calculating the variable capital requirement under ■ GENPRU 2.1.40 R it must do so only in respect of *designated investment business*. For this purpose *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.

Calculation of the base capital resources requirement for a BIPRU firm

2.1.47

FCA PRA

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The amount of a *BIPRU firm's base capital resources requirement* is set out in the table in ■ GENPRU 2.1.48 R.

Table: Base capital resources requirement for a BIPRU firm

2.1.48

FCA PRA

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This table belongs to ■ GENPRU 2.1.47 R

<i>Firm category</i>	<i>Amount: Currency equivalent of</i>
<i>Bank</i>	€5 million
<i>Building society</i>	The higher of €1 million and £1 million
<i>BIPRU 730K firm</i>	€730,000
<i>BIPRU 125K firm</i>	€125,000
<i>BIPRU 50K firm</i>	€50,000
<i>Collective portfolio management investment firm</i>	€125,000

Definition of BIPRU 730K firm, BIPRU 125K firm and BIPRU 50K firm

2.1.49

FCA PRA

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The terms *BIPRU 730K firm*, *BIPRU 125K firm* and *BIPRU 50K firm* are defined in ■ BIPRU 1.1 (Application and purpose). However for convenience the table in ■ GENPRU 2.1.50 G briefly summarises them.

Table: Definition of BIPRU 730K firm, BIPRU 125K firm and BIPRU 50K firm

2.1.50

FCA PRA

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This table belongs to ■ GENPRU 2.1.49 G

Category of BIPRU investment firm		Definition
<i>BIPRU 50K firm</i>	(1)	it does not deal in any <i>financial instruments</i> for its own account or underwrite issues of <i>financial instruments</i> on a firm commitment basis;
	(2)	it offers one or more of the following services: <ul style="list-style-type: none"> (a) reception and transmission of investors' orders for <i>financial instruments</i>; or (b) the execution of investors' orders for <i>financial instruments</i>; or (c) the management of individual portfolios of investments in <i>financial instruments</i>; and
	(3)	it does not hold clients' money and/or securities and it is not authorised to do so (it should have a <i>limitation</i> or <i>requirement</i> prohibiting the holding of client money and its <i>permission</i> should not include <i>safeguarding and administering investments</i>).
<i>BIPRU 125K firm</i>	(1)	it does not deal in any <i>financial instruments</i> for its own account or underwrite issues of <i>financial instruments</i> on a firm commitment basis;
	(2)	it offers one or more of the following services: <ul style="list-style-type: none"> (a) reception and transmission of investors' orders for <i>financial instruments</i>; or (b) the execution of investors' orders for <i>financial instruments</i>; or (c) the management of individual portfolios of investments in <i>financial instruments</i>; and
	(3)	it holds clients' money and/or securities or it is authorised to do so.
<i>BIPRU 730K firm</i>		is subject to the <i>Capital Adequacy Directive</i> and is neither a <i>BIPRU 50K firm</i> nor a <i>BIPRU 125K firm</i> .

Calculation of the credit risk capital requirement (BIPRU firm only)

2.1.51

FCA PRA

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A *BIPRU firm* must calculate its *credit risk capital requirement* as the sum of:

- (1) the *credit risk capital component*;
- (2) the *counterparty risk capital component*; and
- (3) the *concentration risk capital component*.

Calculation of base capital resources requirement for banks authorised before 1993

2.1.60

PRA

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- (1) This *rule* applies to a *bank* that meets the following conditions:
- (a) on 31 December 2006 it had the benefit of IPRU(BANK) rule 3.3.12 (Reduced minimum capital requirement for a *bank* that is a *credit institution* which immediately before 1 January 1993 was authorised under the Banking Act 1987);
 - (b) the relevant amount (as referred to in IPRU(BANK) rule 3.3.12) applicable to it was below €5 million as at 31 December 2006; and
 - (c) on 1 January 2007 it did not comply with the *base capital resources requirement* as set out in the table in
 - GENPRU 2.1.48 R (€5 million requirement).
- (2) Subject to (3), the applicable *base capital resources requirement* as at any time (the "relevant time") is the higher of:
- (a) the relevant amount applicable to it under IPRU(BANK) rule 3.3.12 as at 31 December 2006 as adjusted under
 - GENPRU 2.1.62 R (2); and
 - (b) the highest amount of eligible *capital resources* which that *bank* has held between 1 January 2007 and the relevant time.
- (3) This *rule* ceases to apply when:
- (a) that *bank's* eligible *capital resources* at any time since 1 January 2007 equal or exceed €5 million; or
 - (b) a *person* (other than an existing controller) becomes the *parent undertaking* of that *bank*.
- (4) If this *rule* ceases to apply under (3)(a) it continues not to apply if the *bank's* eligible *capital resources* later fall below €5 million.

2.1.61

PRA

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Where two or more *banks* merge, all of which individually have the benefit of ■ GENPRU 2.1.60 R, the *PRA* may agree in certain circumstances that the *base capital resources requirement* for the *bank* resulting from the merger may be the sum of the aggregate *capital resources* of the merged *banks*, calculated at the time of the merger, provided this figure is less than €5 million.

2.1.62

PRA

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For the purpose of ■ GENPRU 2.1.60 R:

- (1) an existing controller of a *bank* means:
- (a) a *person* who has been a *parent undertaking* of that *bank* since 31 December 2006 or earlier; or

(b) a *person* who became a *parent undertaking* of that *bank* after 31 December 2006 but who, when he became a *parent undertaking* of that *bank*, was a *subsidiary undertaking* of an existing controller of that *bank*;

- (2) the relevant amount of capital as referred to in
 ■ GENPRU 2.1.60 R (2)(a) is adjusted by identifying the time as of which the amount of capital it was obliged to hold under IPRU(BANK) rule 3.3.12 as referred to in
 ■ GENPRU 2.1.60 R (2)(a) was fixed and then recalculating the capital resources it held at that time in accordance with the definition of eligible *capital resources* (as defined in (3)); and
- (3) eligible *capital resources* mean *capital resources* eligible under
 ■ GENPRU 2.2 (Capital resources) to be used to meet the *base capital resources requirement*.

Requirements for collective portfolio management investment firms

2.1.63

FCA

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A *collective portfolio management investment firm* must maintain *capital resources* which equal or exceed the higher of (1) and (2).

- (1) (a) The higher of:
- (i) the *funds under management requirement* (in line with
 ■ GENPRU 2.1.66 R); and
 - (ii) the *fixed overheads requirement* (in line with
 ■ GENPRU 2.1.53 R); plus
- (b) whichever is applicable of:
- (i) the *professional negligence capital requirement* (in line with
 ■ GENPRU 2.1.67 G (1)(a); or
 - (ii) the *PII capital requirement* (in line with
 ■ GENPRU 2.1.67 G (1)(b).
- (2) The amount specified in the table in ■ GENPRU 2.1.45 R.

[Note: article 9(5) and 9(7) of *AIFMD* and article 7(1)(a)(iii) of the *UCITS Directive*]

2.1.64

FCA

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A *collective portfolio management investment firm* must hold liquid assets (in line with ■ GENPRU 2.1.73 R) which equal or exceed:

- (1) the higher of:
- (a) the *funds under management requirement* (in line with
 ■ GENPRU 2.1.66 R) less the *base capital resources requirement* in ■ GENPRU 2.1.48 R; and

(b) the *fixed overheads requirement* (in line with ■ GENPRU 2.1.53 R); plus

(2) whichever is applicable of:

(a) the *professional negligence capital requirement* (in line with ■ GENPRU 2.1.67 G (1)(a)); or

(b) the *PII capital requirement* (in line with ■ GENPRU 2.1.67 G (1)(b)).

2.1.65

FCA

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(1) The *professional negligence capital requirement* applies for a *collective portfolio investment management firm* which, in line with ■ GENPRU 2.1.67 G (1)(a), decides to cover professional liability risks by way of *own funds*.

(2) The *PII capital requirement* applies for a *collective portfolio management investment firm* which, in line with ■ GENPRU 2.1.67 G (1)(b), decides to cover professional liability risks by way of professional indemnity insurance.

2.1.66

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The *funds under management requirement* is (subject to a maximum of €10,000,000) the sum of:

(1) the *base capital resources requirement*; plus

(2) 0.02% of the amount by which the *funds under management* exceed €250,000,000.

[Note: article 9(3) of *AIFMD* and article 7(1)(a)(i) of the *UCITS Directive*]

2.1.67

FCA

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A *firm* should:

(1) cover the professional liability risks in article 12 of the *AIFMD level 2 regulation* (professional liability risks) (as replicated in ■ GENPRU 2.1.68 EU) by either:

(a) maintaining an amount of *own funds* in accordance with article 14 of the *AIFMD level 2 regulation* (additional own funds) (as replicated in ■ GENPRU 2.1.70 EU) (the *professional negligence capital requirement*); or

(b) holding professional indemnity insurance and maintaining an amount of *own funds* to meet the *PII capital requirement* in accordance with article 15 of the *AIFMD level 2 regulation* (professional indemnity insurance) (as replicated in ■ GENPRU 2.1.71 EU) and ■ GENPRU 2.1.72 R; and

(2) comply with the qualitative requirements addressing professional liability risks in article 13 of the *AIFMD level 2 regulation* (qualitative requirements addressing professional liability) (as replicated in ■ GENPRU 2.1.69 EU).

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17

2.1.68

FCA

EU

Professional liability risks

1. The professional liability risks to be covered pursuant to Article 9(7) of Directive 2011/61/EU shall be risks of loss or damage caused by a

relevant person through the negligent performance of activities for which the AIFM has legal responsibility.

2. Professional liability risks as defined in paragraph 1 shall include, without being limited to, risks of:
 - (a) loss of documents evidencing title of assets of the AIF;
 - (b) misrepresentations or misleading statements made to the AIF or its investors;
 - (c) acts, errors or omissions resulting in a breach of:
 - (i) legal and regulatory obligations;
 - (ii) duty of skill and care towards the AIF and its investors;
 - (iii) fiduciary duties;
 - (iv) obligations of confidentiality;
 - (v) AIF rules or instruments of incorporation;
 - (vi) terms of appointment of the AIFM by the AIF;
 - (d) failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts;
 - (e) improperly carried out valuation of assets or calculation of unit/share prices;
 - (f) losses arising from business disruption, system failures, failure of transaction processing or process management.
3. Professional liability risks shall be covered at all times either through appropriate additional own funds determined in accordance with Article 14 or through appropriate coverage of professional indemnity insurance determined in accordance with Article 15.

[Note: article 12 of the *AIFMD level 2 regulation*]

2.1.69

FCA



Qualitative requirements addressing professional liability risks

1. An AIFM shall implement effective internal operational risk management policies and procedures in order to identify, measure, manage and monitor appropriately operational risks including professional liability risks to which the AIFM is or could be reasonably exposed. The operational risk management activities shall be performed independently as part of the risk management policy.
2. An AIFM shall set up a historical loss database, in which any operational failures, loss and damage experience shall be recorded. This database shall record, without being limited to, any professional liability risks as referred to in Article 12(2) that have materialised.
3. Within the risk management framework the AIFM shall make use of its internal historical loss data and where appropriate of external data, scenario analysis and factors reflecting the business environment and internal control systems.

4. Operational risk exposures and loss experience shall be monitored on an ongoing basis and shall be subject to regular internal reporting.
5. An AIFM's operational risk management policies and procedures shall be well documented. An AIFM shall have arrangements in place for ensuring compliance with its operational risk management policies and effective measures for the treatment of non-compliance with these policies. An AIFM shall have procedures in place for taking appropriate corrective action.
6. The operational risk management policies and procedures and measurement systems shall be subject to regular review, at least on an annual basis.
7. An AIFM shall maintain financial resources adequate to its assessed risk profile.

[Note: article 13 of the *AIFMD level 2 regulation*]

2.1.70



FCA

Additional own funds

1. This Article shall apply to AIFMs that choose to cover professional liability risks through additional own funds.
2. The AIFM shall provide additional own funds for covering liability risks arising from professional negligence at least equal to 0,01 % of the value of the portfolios of AIFs managed.

The value of the portfolios of AIFs managed shall be the sum of the absolute value of all assets of all AIFs managed by the AIFM, including assets acquired through use of leverage, whereby derivative instruments shall be valued at their market value.

3. The additional own funds requirement referred to in paragraph 2 shall be recalculated at the end of each financial year and the amount of additional own funds shall be adjusted accordingly.

The AIFM shall establish, implement and apply procedures to monitor on an ongoing basis the value of the portfolios of AIFs managed, calculated in accordance with the second subparagraph of paragraph 2. Where, before the annual recalculation referred to in the first subparagraph, the value of the portfolios of AIFs managed increases significantly, the AIFM shall without undue delay recalculate the additional own funds requirement and shall adjust the additional own funds accordingly.

4. The competent authority of the home Member State of the AIFM may authorise the AIFM to provide additional own funds lower than the amount referred to in paragraph 2 only if it is satisfied - on the basis of the historical loss data of the AIFM as recorded over an observation period of at least three years prior to the assessment - that the AIFM provides sufficient additional own funds to appropriately cover professional liability risks. The authorised lower amount of additional own

funds shall be not less than 0,008 % of the value of the portfolios of AIFs managed by the AIFM.

5. The competent authority of the home Member State of the AIFM may request the AIFM to provide additional own funds higher than the amount referred to in paragraph 2 if it is not satisfied that the AIFM has sufficient additional own funds to appropriately cover professional liability risks. The competent authority shall give reasons why it considers that the AIFM's additional own funds are insufficient.

[Note: article 14 of the *AIFMD level 2 regulation*]

2.1.71

FCA



Professional indemnity insurance

1. This Article shall apply to AIFMs that choose to cover professional liability risks through professional indemnity insurance.
2. The AIFM shall take out and maintain at all times professional indemnity insurance that:
 - (a) shall have an initial term of no less than one year;
 - (b) shall have a notice period for cancellation of at least 90 days;
 - (c) shall cover professional liability risks as defined in Article 12(1) and (2);
 - (d) is taken out from an EU or non-EU undertaking authorised to provide professional indemnity insurance, in accordance with Union law or national law;
 - (e) is provided by a third party entity.

Any agreed defined excess shall be fully covered by own funds which are in addition to the own funds to be provided in accordance with Article 9(1) and (3) of Directive 2011/61/EU.

3. The coverage of the insurance for an individual claim shall be equal to at least 0,7 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).
4. The coverage of the insurance for claims in aggregate per year shall be equal to at least 0,9 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).
5. The AIFM shall review the professional indemnity insurance policy and its compliance with the requirements laid down in this Article at least once a year and in the event of any change which affects the policy's compliance with the requirements in this Article.

[Note: article 15 of the *AIFMD level 2 regulation*]

2.1.72

FCA



If a *firm* satisfies the requirement referred to in ■ GENPRU 2.1.67 G with professional indemnity insurance, it must, in addition to maintaining

an amount of *own funds* to cover any defined excess, hold adequate *own funds* to cover any exclusions in the insurance policy that would otherwise result in the *firm* having insufficient resources to cover liabilities arising. A *firm* may satisfy its requirements for professional indemnity insurance with a policy that also provides cover to one or more entities other than the *firm*, provided the policy satisfies the conditions of the *AIFMD level 2 regulation*, exclusive of the cover provided to other firms by the policy.

2.1.73

FCA

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In ■ GENPRU 2.1.64 R, liquid assets are assets which:

- (1) are readily convertible to cash within one month; and
- (2) have not been invested in speculative positions.

2.1.74

FCA

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Examples of liquid assets that are acceptable for the purposes of ■ GENPRU 2.1.73 R include cash, *readily realisable investments* that are not held for short-term resale, and debtors.

[Note: article 9(8) of *AIFMD*]

2.2 Capital resources

Application

2.2.1

FCA PRA

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This section applies to:

- (1) a *BIPRU firm*; and
- (2) an *insurer* unless it is:
 - (a) a *non-directive friendly society*; or
 - (b) a *Swiss general insurer*; or
 - (c) an *EEA-deposit insurer*; or
 - (d) an *incoming EEA firm*; or
 - (e) an *incoming Treaty firm*.

Purpose

2.2.2

FCA PRA

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■ GENPRU 2.1 (Calculation of capital resources requirement) sets out minimum *capital resources requirements* for a *firm*. This section (■ GENPRU 2.2) sets out how, for the purpose of these requirements, *capital resources* are defined and measured.

2.2.3

PRA

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This section implements minimum EC standards for the composition of *capital resources* required to be held by an *insurer* undertaking business that falls within the scope of the *Consolidated Life Directive* (2002/83/EC), the *First Non-Life Directive* (1973/239/EEC) as amended or the *Reinsurance Directive* (2005/68/EC).

2.2.4

FCA PRA

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This section also implements minimum EC standards for the composition of *capital resources* required to be held by a *BIPRU firm*. In particular it implements Articles 56 - 61, Articles 63 - 64, Article 66 and Articles 120 - 122 of the *Banking Consolidation Directive* (2006/48/EC) and Articles 12 - 16, Article 17 (in part), Article 22(1)(c) (in part) and paragraphs 13 - 15 of Part B of Annex VII of the *Capital Adequacy Directive* (2006/49/EC).

Contents guide

2.2.5

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The table in ■ GENPRU 2.2.6 G sets out where the main topics in this section can be found.

2.2.6

FCA PRA

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Table: Arrangement of GENPRU 2.2

This table belongs to ■ GENPRU 2.2.5 G

Topic	Location of text
Application and purpose of the <i>rules</i> in this section	GENPRU 2.2.1 R to GENPRU 2.2.4 G
<i>BIPRU firms</i> that only have simple types of <i>capital resources</i> (<i>simple capital issuers</i>)	GENPRU 2.2.7 G
Principles underlying the definition of <i>capital resources</i>	GENPRU 2.2.8 G
Which method of calculating <i>capital resources</i> applies to which type of <i>firm</i>	GENPRU 2.2.17 R to GENPRU 2.2.19 R
Purpose of the limits on the use of different forms of capital	GENPRU 2.2.24 G
Use of higher tier capital in lower tiers	GENPRU 2.2.25 R to GENPRU 2.2.28 R
Calculation of <i>capital resources</i> for <i>insurers</i>	GENPRU 2.2.22 G to GENPRU 2.2.23 G; GENPRU 2 Annex 1 R
Limits on the use of different forms of capital for <i>insurer</i> (<i>capital resources gearing rules</i> for <i>insurer</i>)	GENPRU 2.2.29 R to GENPRU 2.2.41 R
Calculation of <i>capital resources</i> for <i>banks</i>	GENPRU 2 Annex 2 R
Calculation of <i>capital resources</i> for <i>building societies</i>	GENPRU 2 Annex 3 R
Limits on the use of different forms of capital for <i>banks</i> and <i>building societies</i> (certain types of <i>capital resources</i> cannot be used for certain purposes)	GENPRU 2.2.44 R to GENPRU 2.2.45 R; GENPRU 2.2.47 R to GENPRU 2.2.48 R
Limits on the use of different forms of capital for <i>banks</i> and <i>building societies</i> (<i>capital resources gearing rules</i>)	GENPRU 2.2.29 R to GENPRU 2.2.31 G; GENPRU 2.2.46 R; GENPRU 2.2.49 R
Calculation of <i>capital resources</i> for <i>BIPRU investment firms</i>	GENPRU 2.2.20 G to GENPRU 2.2.21 G; GENPRU 2 Annex 4 R to GENPRU 2 Annex 6 R
Limits on the use of different forms of capital for <i>BIPRU investment firms</i> (certain types of <i>capital resources</i> cannot be used for certain purposes)	GENPRU 2.2.44 R to GENPRU 2.2.45 R; GENPRU 2.2.47 R to GENPRU 2.2.48 R
Limits on the use of different forms of capital for <i>BIPRU investment firms</i> (<i>capital resources gearing rules</i>)	GENPRU 2.2.29 R to GENPRU 2.2.31 G; GENPRU 2.2.46 R; GENPRU 2.2.50 R
Example of how the <i>capital resources</i> calculation for <i>BIPRU firms</i> works	GENPRU 2.2.51 G to GENPRU 2.2.59 G
Capital used to meet the <i>base capital resources requirement</i> for <i>BIPRU firms</i>	GENPRU 2.2.60 R to GENPRU 2.2.61 G
Notification of issuance of <i>capital instruments</i> .	GENPRU 2.2.61A R to GENPRU 2.2.61H G
<i>Tier one capital instruments</i> : general	GENPRU 2.2.9 G to GENPRU 2.2.10 G; GENPRU 2.2.62 R to GENPRU 2.2.69 G; GENPRU 2.2.80 R to GENPRU 2.2.82 G

2

Topic	Location of text
<i>Tier one capital: payment of coupons (BIPRU firm only)</i>	GENPRU 2.2.69A R to GENPRU 2.2.69F G
<i>Core tier one capital: permanent share capital</i>	GENPRU 2.2.83 R to GENPRU 2.2.84A G
General conditions for eligibility of <i>capital instruments as core tier one capital (BIPRU firm only)</i>	GENPRU 2.2.83A R to GENPRU 2.2.83D G; GENPRU 2.2.84A G
<i>Core tier one capital: exception to eligibility criteria (building societies only)</i>	GENPRU 2.2.83E R to GENPRU 2.2.83H G
<i>Core tier one capital: profit and loss account and other reserves: material applicable to all firms</i>	GENPRU 2.2.85 R; GENPRU 2.2.87 R to GENPRU 2.2.89 G; GENPRU 2.2.91 G
<i>Core tier one capital: profit and loss account and other reserves: material specific to BIPRU firms</i>	GENPRU 2.2.86 R; GENPRU 2.2.90 R; GENPRU 2.2.92 G
<i>Core tier one capital: provisions relating to partnerships and limited liability partnerships</i>	GENPRU 2.2.93 R to GENPRU 2.2.100 R
<i>Core tier one capital: share premium account</i>	GENPRU 2.2.101 R
<i>Core tier one capital: externally verified interim net profits</i>	GENPRU 2.2.102 R to GENPRU 2.2.103 G
<i>Core tier one capital: valuation differences and fund for future appropriations for insurer</i>	GENPRU 2.2.104 R to GENPRU 2.2.108 R
<i>Core tier one capital: deferred shares (building society only)</i>	GENPRU 2.2.108A R to GENPRU 2.2.108B G
<i>Tier one capital: perpetual non-cumulative preference shares (insurer only)</i>	GENPRU 2.2.109 R to GENPRU 2.2.110 G
<i>Innovative tier one capital (excluding issues through SPVs) (insurer only)</i>	GENPRU 2.2.76 R; GENPRU 2.2.113 R to GENPRU 2.2.122 G
<i>Hybrid capital (excluding issues through SPVs) (BIPRU firm only)</i>	GENPRU 2.2.115A R to GENPRU 2.2.119 G
<i>Hybrid capital (issues through SPVs) (BIPRU firm only)</i>	GENPRU 2.2.123 R to GENPRU 2.2.137 R
<i>Tier one capital: conversion ratio</i>	GENPRU 2.2.138 R to GENPRU 2.2.144 G
<i>Tier one capital: requirement to have sufficient unissued stock</i>	GENPRU 2.2.145 R
Deductions from <i>tier one capital resources</i>	GENPRU 2.2.155 R to GENPRU 2.2.156 G
<i>Tier two capital</i>	GENPRU 2.2.11 G; GENPRU 2.2.157 G to GENPRU 2.2.197 G
Deductions from <i>tier one capital resources</i> and <i>tier two capital resources</i>	GENPRU 2.2.202 R to GENPRU 2.2.240 G
<i>Tier three capital</i>	GENPRU 2.2.12 G; GENPRU 2.2.241 R to GENPRU 2.2.249 R
Deductions from <i>total capital resources</i>	GENPRU 2.2.14 G to GENPRU 2.2.16 G; GENPRU 2.2.250 R to GENPRU 2.2.265 R

Topic	Location of text
The effect of swaps	GENPRU 2.2.198 R to GENPRU 2.2.201 R
<i>Step-ups (Tier one capital and tier two capital)</i>	GENPRU 2.2.76 R; GENPRU 2.2.146 R to GENPRU 2.2.154 G
Redemption of <i>tier one instruments</i>	GENPRU 2.2.64 R (3); GENPRU 2.2.70 R to GENPRU 2.2.79 G
Purchases of <i>tier one instruments: BIPRU firm only</i>	GENPRU 2.2.79A R to GENPRU 2.2.79H G; GENPRU 2.2.79L G
Redemption of <i>tier two instruments</i>	GENPRU 2.2.172 R to GENPRU 2.2.174 R; GENPRU 2.2.177 R to GENPRU 2.2.178 R (<i>upper tier two instruments</i>); GENPRU 2.2.194 R to GENPRU 2.2.197 G (<i>lower tier two instruments</i>)
Non-standard capital instruments	GENPRU 2.2.13 G
Standard form documentation for subordinated debt	GENPRU 2.2.164 G
Public sector guarantees	GENPRU 2.2.276 R
Other capital resources for insurers: unpaid <i>share capital or unpaid initial funds</i> and calls for supplementary contributions	GENPRU 2.2.266 G to GENPRU 2.2.269 G
Additional requirements for <i>insurer</i> carrying on <i>with-profits insurance business</i>	GENPRU 2.2.270 R to GENPRU 2.2.275 G

Simple capital issuers

2.2.7
FCA PRA

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Parts of this section are irrelevant to a *BIPRU firm* whose *capital resources* consist of straightforward *capital instruments*.

Principles underlying the definition of capital resources

2.2.8
FCA PRA

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The *appropriate regulator* has divided its definition of capital into categories, or tiers, reflecting differences in the extent to which the *capital instruments* concerned meet the purpose and conform to the characteristics of capital listed in ■ GENPRU 2.2.9 G. The *appropriate regulator* generally prefers a *firm* to hold higher quality capital that meets the characteristics of permanency and loss absorbency that are features of *tier one capital*. *Capital instruments* falling into *core tier one capital* can be included in a *firm's* regulatory capital without limit. Typically, other forms of capital are either subject to limits (see the *capital resources gearing rules*) or, in the case of some specialist types of capital, may only be included with the express consent of the *appropriate regulator* (which takes the form of a *waiver* under section 138A of the *Act*). Details of the individual components of capital are set out in the *capital resources table*.

Tier one capital

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FCA PRA

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Tier one capital typically has the following characteristics:

- (1) it is able to absorb losses;
- (2) it is permanent or (in the case of a *BIPRU firm*) available when required;

- (3) it ranks for repayment upon winding up, administration or similar procedure after all other debts and liabilities; and
- (4) it has no fixed costs, that is, there is no inescapable obligation to pay dividends or interest.

2.2.10

FCA PRA

G

The forms of capital that qualify for *Tier one capital* are set out in the *capital resources table* and include, for example, *share capital*, reserves, partnership and *sole trader capital*, verified interim net profits and, for a *mutual*, the *initial fund* plus permanent members' accounts. *Tier one capital* is divided into :

- (1) in the case of an *insurer*, *core tier one capital*, perpetual non-cumulative *preference shares* and *innovative tier one capital*; and
- (2) in the case of a *BIPRU firm*, *core tier one capital* and *hybrid capital*. *Hybrid capital* is further divided into the different stages B1, B2 and C of the calculation in the *capital resources table*.

Upper and lower tier two capital

2.2.11

FCA PRA

G

Tier two capital includes forms of capital that do not meet the requirements for permanency and absence of fixed servicing costs that apply to *tier one capital*. *Tier two capital* includes, for example:

- (1) capital which is perpetual (that is, has no fixed term) but cumulative (that is, servicing costs cannot be waived at the issuer's option, although they may be deferred - for example, cumulative *preference shares*); only perpetual *capital instruments* may be included in *upper tier two capital*;
- (2) capital which is not perpetual (that is, it has a fixed term) or which may have fixed servicing costs that cannot generally be either waived or deferred (for example, most subordinated debt); such capital should normally be of a medium to long-term maturity (that is, an original maturity of at least five years); dated *capital instruments* are included in *lower tier two capital*;
- (3) (for *BIPRU firms*) certain revaluation reserves such as reserves arising from the revaluation of land and buildings, including any net unrealised gains for the fair valuation of equities held in the available-for-sale financial assets category; and
- (4) (for *BIPRU firms*) general/collective provisions.

Tier three capital

2.2.12

FCA PRA

G

Tier three capital consists of forms of capital conforming least well to the characteristics of capital listed in ■ GENPRU 2.2.9 G: either subordinated debt of short maturity (*upper tier three capital*) or net *trading book* profits that have not been externally verified (*lower tier three capital*).

Non-standard capital instruments

2.2.13

FCA PRA

G

There may be examples of *capital instruments* that, although based on a standard form, contain structural features that make the *rules* in this section difficult to apply. In such circumstances, a *firm* may seek individual *guidance* on the application of those

rules to the *capital instrument* in question. See SUP 9 (Individual guidance) for the process to be followed when seeking individual *guidance*.

Deductions from capital

2.2.14

FCA PRA

G

Deductions should be made at the relevant stage of the calculation of *capital resources* to reflect capital that may not be available to the *firm* or assets of uncertain value (for example, holdings of intangible assets and assets that are inadmissible for an *insurer*, or, in the case of a *bank* or *building society*, where that *firm* has made investments in a *subsidiary undertaking* or in another *financial institution* or in respect of *participations* that it holds).

2.2.15

FCA PRA

G

Deductions should also be made, in the case of certain *BIPRU investment firms* for *illiquid assets* (see ■ GENPRU 2.2.19 R).

2.2.16

FCA PRA

G

A full list of deductions from *capital resources* is shown in the *capital resources table* applicable to the *firm*.

Which method of calculating capital resources applies to which type of firm

2.2.17

FCA PRA

R

A *firm* must calculate its *capital resources* in accordance with the version of the *capital resources table* applicable to the *firm*, subject to the *capital resources gearing rules*. The version of the *capital resources table* that applies to a *firm* is specified in the table in ■ GENPRU 2.2.19 R.

2.2.18

FCA PRA

R

In the case of a *BIPRU firm* the *capital resources table* also sets out how the *capital resources requirement* is deducted from *capital resources* in order to decide whether its *capital resources* equal or exceed its *capital resources requirement*.

Table: Applicable capital resources calculation

2.2.19

FCA PRA

R

This table belongs to ■ GENPRU 2.2.17 R

Type of <i>firm</i>	Location of <i>rules</i>	Remarks
<i>Insurer</i>	GENPRU 2 Annex 1 R	
<i>Bank</i>	GENPRU 2 Annex 2 R	
<i>Building society</i>	GENPRU 2 Annex 3 R	
<i>BIPRU investment firm without an investment firm consolidation waiver</i>	GENPRU 2 Annex 4 R (Deducts <i>material holdings</i>)	Applies to a <i>BIPRU investment firm</i> not using GENPRU 2 Annex 5 R or GENPRU 2 Annex 6 R
<i>BIPRU investment firm without an investment firm consolidation waiver</i>	GENPRU 2 Annex 5 R (Deducts <i>illiquid assets</i>)	A <i>BIPRU investment firm</i> must give one <i>Month's</i> prior notice to the <i>appropriate regulator</i> before starting to use or

Type of firm	Location of rules	Remarks
BIPRU investment firm with an investment firm consolidation waiver	GENPRU 2 Annex 6 R (Deducts illiquid assets and material holdings)	stopping using this method A firm with an investment firm consolidation waiver must use this method. No other BIPRU investment firm may use it.

Calculation of capital resources: Which rules apply to BIPRU investment firms

2.2.20
FCA PRA

G

■ GENPRU 2.2.19 R sets out three different methods of calculating *capital resources* for BIPRU investment firms. The differences between the three methods relate to whether and how *material holdings* and *illiquid assets* are deducted when calculating *capital resources*. The method depends on whether a firm has an *investment firm consolidation waiver*. If a firm does have such a waiver, it should deduct *illiquid assets*, own *group material holdings* and certain contingent liabilities. If a firm does not have such a waiver, it should choose to deduct either *material holdings* or, subject to notifying the appropriate regulator, *illiquid assets*.

2.2.21
FCA PRA

G

A consequence of a firm deducting all of its *illiquid assets* under ■ GENPRU 2 Annex 5 R is that it is allowed a higher limit on short term subordinated debt under ■ GENPRU 2.2.49 R.

Calculation of capital resources: Insurers

2.2.22
PRA

G

Capital resources for an insurer can be calculated either as the total of eligible assets less foreseeable liabilities (which is the approach taken in the *Insurance Directives*) or by identifying the components of capital. Both calculations give the same result for the total amount of *capital resources*. The approach taken in this section has been to specify the components of capital and the relevant deductions. This is set out in the *capital resources table*. This approach is the same as that used for the calculation of *capital resources* for banks, building societies and BIPRU investment firms. A simple example, showing the reconciliation of the two methods, is given in the table in ■ GENPRU 2.2.23 G.

Table: Approaches to calculating capital resources

2.2.23
PRA

G

This table belongs to ■ GENPRU 2.2.22 G

Liabilities		Assets	
Borrowings	100	Admissible assets	350
Ordinary shares	200	Intangible assets	100
Profit and loss account and other reserves	100	Other inadmissible assets	100
Perpetual subordinated debt	150		

Liabilities	Assets
Total	Total
Calculation of <i>capital resources</i> : eligible assets less foreseeable liabilities	
Total assets	550
less intangible assets	(100)
less inadmissible assets	(100)
less liabilities (borrowings)	(100)
<i>Capital resources</i>	
Calculation of <i>capital resources</i> : components of capital	
Ordinary <i>shares</i>	200
Profit and loss account and other reserves	100
Perpetual subordinated debt	150
less intangible assets	(100)
less inadmissible assets	(100)
<i>Capital resources</i>	

Limits on the use of different forms of capital: General

2.2.24

FCA PRA

G

As the various components of capital differ in the degree of protection that they offer the *firm* and its *customers* and *consumers*, restrictions are placed on the extent to which certain types of capital are eligible for inclusion in a *firm's capital resources*. These *rules* are called the *capital resources gearing rules*.

Limits on the use of different forms of capital: Use of higher tier capital in lower tiers

2.2.25

FCA PRA

R

A *firm* may include in a *lower stage of capital*, *capital resources* which are eligible for inclusion in a *higher stage of capital* if the *capital resources gearing rules* would prevent the use of that capital in that *higher stage of capital*. However:

- (1) the *capital resources gearing rules* applicable to that *lower stage of capital* apply to *higher stage of capital* included in that *lower stage of capital*; and
- (2) (subject to ■ GENPRU 2.2.26 R and ■ GENPRU 2.2.26A R) the *rules* in *GENPRU* governing the eligibility of capital in that *lower stage of capital* continue to apply.

2.2.26

FCA PRA

R

An item of *tier one capital* which is included in a *firm's tier two capital resources* under ■ GENPRU 2.2.25 R is not subject to the requirement to obtain a legal opinion in ■ GENPRU 2.2.159 R (12).

2.2.26A **R** A dated item of *tier one capital* which is included in a *BIPRU firm's tier two capital resources* under ■ GENPRU 2.2.25 R is not subject to the requirement to have no fixed maturity date in ■ GENPRU 2.2.177R (1).
 FCA PRA

2.2.27 **R** [deleted]

2.2.28 **R** In the case of a *BIPRU firm*, the requirement to obtain a legal opinion in ■ GENPRU 2.2.159 R (12) does not apply to *hybrid capital* treated under ■ GENPRU 2.2.25 R but the requirements to obtain a legal opinion in ■ GENPRU 2.2.118 R continue to apply.
 FCA PRA

Limits on the use of different forms of capital: Limits relating to tier one capital applicable to insurers

2.2.29 **R** In relation to the *tier one capital resources* of an *insurer*, calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions), at least 50% must be accounted for by *core tier one capital*.
 PRA

2.2.30 **R** In relation to the *tier one capital resources* of an *insurer*, calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions), no more than 15% may be accounted for by *innovative tier one capital*.
 PRA

Limits on the use of different forms of capital: Limits relating to tier one capital applicable to BIPRU firms

2.2.30A **R** In relation to the *tier one capital resources* of a *BIPRU firm*, calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions):
 FCA PRA

- (1) no more than 50% may be accounted for by *hybrid capital*;
- (2) no more than 35% may be accounted for by *hybrid capital* included at stages B2 and C of the calculation in the *capital resources table*; and
- (3) no more than 15% may be accounted for by *hybrid capital* included at stage C of the calculation in the *capital resources table*.

Limits on the use of different forms of capital: Limits relating to tier one capital: Purpose of the requirements

2.2.31 **G** The purpose of the requirements in ■ GENPRU 2.2.29 R and ■ GENPRU 2.2.30A R (1) is to ensure that the *firm's tier one capital resources* includes a minimum proportion of *core tier one capital* which provides the highest quality capital. Within the 50% limit on non-*core tier one capital*:
 FCA PRA

- (1) ■ GENPRU 2.2.30 R places a further sub-limit on the amount of *innovative tier one capital* that an *insurer* may include in its *tier one capital resources*; and

- (2) ■ GENPRU 2.2.30A R (2) and ■ GENPRU 2.2.30A R (3) place further sub-limits on the amounts of *hybrid capital* included at stages B2 and C of the calculation in the *capital resources table* that a *BIPRU firm* may include in its *tier one capital resources*.

These limits are necessary to ensure that most of a *firm's tier one capital* comprises items of capital of the highest quality.

Limits on the use of different forms of capital: Insurers

2.2.32

PRA

R

At least 50% of an *insurer's MCR* must be accounted for by the sum of:

- (1) the amount calculated at stage A of the calculation in the *capital resources table* (Core tier one capital); and
- (2) notwithstanding ■ GENPRU 2.2.29 R, the amount calculated at stage B of the calculation in the *capital resources table* (Perpetual non-cumulative preference shares);

less the amount calculated at stage E of the calculation in the *capital resources table* (Deductions from tier one capital).

2.2.33

PRA

R

Subject to ■ GENPRU 2.2.34A R, an *insurer* carrying on *long-term insurance business* must meet the higher of:

- (1) 1/3 of the *long-term insurance capital requirement*; and
- (2) the *base capital resources requirement*;

with the sum of the items listed at stages A (Core tier one capital), B (Perpetual non-cumulative preference shares), G (Upper tier two capital) and H (Lower tier two capital) in the *capital resources table* less the sum of the items listed at stage E in the *capital resources table* (Deductions from tier one capital).

2.2.34

PRA

R

Subject to ■ GENPRU 2.2.34A R, an *insurer* carrying on *general insurance business* must meet the higher of:

- (1) 1/3 of the *general insurance capital requirement*; and
- (2) the *base capital resources requirement*;

with the sum of the items listed at stages A (Core tier one capital), B (Perpetual non-cumulative preference shares), G (Upper tier two capital) and H (Lower tier two capital) in the *capital resources table* less the sum of the items listed at stage E (Deductions from tier one capital) in the *capital resources table*.

2.2.34A

PRA

R

A *pure reinsurer* carrying on both *long-term insurance business* and *general insurance business* must meet the higher of:

- (1) 1/3 of the sum of the *long-term insurance capital requirement* and the *general insurance capital requirement*; and
- (2) the *base capital resources requirement*;

with the sum of the items listed at stages A (Core tier one capital), B (Perpetual non-cumulative preference shares), G (Upper tier two capital) and H (Lower tier two capital) in the *capital resources table* less the sum of the items listed at stage E (Deductions from tier one capital) in the *capital resources table*.

2.2.35

PRA

R

In ■ GENPRU 2.2.33 R , ■ GENPRU 2.2.34 R and ■ GENPRU 2.2.34A R :

- (1) items listed at stage B (Perpetual non-cumulative preference shares) in the *capital resources table* may be included notwithstanding ■ GENPRU 2.2.29 R;
- (2) *innovative tier one capital* that meets the conditions (other than ■ GENPRU 2.2.159 R (12) (Requirement for a legal opinion)) for it to be included as *upper tier two capital* at stage G (Upper tier two capital) in the *capital resources table* may be treated as an item listed at stage G; and
- (3) an *insurer* must exclude from the calculation the higher of the following:
 - (a) the amount (if any) by which the sum of the items listed at stages G (Upper tier two capital) and H (Lower tier two capital) in the *capital resources table* exceeds the total (net of deductions) of the remaining constituents of adjusted stage M; and
 - (b) the amount (if any) by which the sum of the items listed at stage H in the *capital resources table* exceeds one-third of the total (net of deductions) of the remaining constituents of adjusted stage M;

where adjusted stage M means the amount calculated at stage M of the calculation in the *capital resources table* (Total capital after deductions) less the amount of any *innovative tier one capital* that is not treated as *upper tier two capital* for the purpose of ■ GENPRU 2.2.33 R , ■ GENPRU 2.2.34 R or ■ GENPRU 2.2.34A R , as the case may be.

2.2.36

PRA

G

The purpose of the requirements in ■ GENPRU 2.2.33 R to ■ GENPRU 2.2.34A R is to comply with the requirements of the *Insurance Directives* and the *Reinsurance Directive* that an insurer must maintain a *guarantee fund* of higher quality *capital resources* items .

2.2.37 **R** Subject to **■ GENPRU 2.2.38 R**, an *insurer* must exclude from the calculation of its *capital resources* the following:

PRA

- (1) the amount (if any) by which *tier two capital resources* exceed the amount calculated at stage F (Total tier one capital after deductions) of the calculation in the *capital resources table*; and
- (2) the amount (if any) by which *lower tier two capital resources* exceed 50% of the amount calculated at stage F of the calculation in the *capital resources table*.

2.2.38 **R** At least 75% of an *insurer's MCR* must be accounted for by the sum of:

PRA

- (1) the amount calculated at stage A (Core tier one capital) plus, notwithstanding **■ GENPRU 2.2.29 R**, the amount calculated at stage B (Perpetual non-cumulative preference shares) less the amount calculated at stage E (Deductions from tier one capital) of the calculation in the *capital resources table*; and
- (2) the amount calculated at stage G (Upper tier two capital) of the calculation in the *capital resources table*.

2.2.39 **G** In **■ GENPRU 2.2.38 R** the amount of any *innovative tier one capital* that meets the conditions for it to be included as *upper tier two capital* at stage G (Upper tier two capital) in the *capital resources table* may be included in the amount calculated at stage G.

PRA

2.2.40 **G** **■ GENPRU 2.2.32 R**, **■ GENPRU 2.2.37 R** and **■ GENPRU 2.2.38 R** give effect to the requirements of the *Insurance Directives* and the *Reinsurance Directive* that no more than 50% of the amount which is the lesser of the available solvency margin and the required solvency margin should consist of *tier two capital resources* and that no more than 25% of that amount should consist of *lower tier two capital resources*.

PRA

2.2.41 **R** An *insurer* (other than a *pure reinsurer*) that carries on both *long-term insurance business* and *general insurance business* must apply the relevant limits in **■ GENPRU 2.2.32 R** to **■ GENPRU 2.2.38 R** separately for each type of business.

PRA

2.2.42 **R** [deleted]

2.2.43 **G** [deleted]

Limits on the use of different kinds of capital: Purposes for which tier three capital may not be used (BIPRU firm only)

2.2.44 **R** *Tier one capital* and *tier two capital* are the only type of *capital resources* that a *BIPRU firm* may use for the purpose of meeting:

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- (1) the *credit risk capital component*;

- (2) the *operational risk capital requirement*;
- (3) the *counterparty risk capital component*; and
- (4) the *base capital resources requirement*.

2.2.45

FCA PRA

R

■ GENPRU 2.2.44 R (and the *capital resources gearing rules* that relate to it) also applies for the purposes of any other requirement in the *Handbook* for which it is necessary to calculate the *capital resources* of a *BIPRU firm*, except for the purposes described in ■ GENPRU 2.2.47 R and except as may otherwise be stated in the relevant part of the *Handbook*.

Limits on the use of different kinds of capital: Tier two limits (BIPRU firm only)

2.2.46

FCA PRA

R

For the purpose of ■ GENPRU 2.2.44 R:

- (1) the amount of the items which may be included in a *BIPRU firm's tier two capital resources* must not exceed the amount calculated at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions); and
- (2) the amount of the items which may be included in a *BIPRU firm's lower tier two capital resources* must not exceed 50% of the amount calculated at stage F of the calculation in the *capital resources table*.

Limits on the use of different kinds of capital: Purposes for which tier three capital may be used (BIPRU firm only)

2.2.47

FCA PRA

R

For the purposes of meeting:

- (1) the *market risk capital requirement*;
- (2) the *concentration risk capital component*; and
- (3) the *fixed overheads requirement* (where applicable);

a *BIPRU firm* may only use the following parts of its *capital resources*:

- (4) *tier one capital* to the extent that it is not required to meet the requirements in ■ GENPRU 2.2.44 R (■ GENPRU 2.2.48 R explains how to calculate how much *tier one capital* is required to meet the requirements in ■ GENPRU 2.2.44 R);
- (5) *tier two capital* to the extent that it:
 - (a) comes within the limits in ■ GENPRU 2.2.46 R (100% limit for *tier two capital resources* and 50% limit for *lower tier two capital resources*); and

- (b) it is not required to meet the requirements in ■ GENPRU 2.2.44 R;
(■ GENPRU 2.2.48 R explains how to calculate how much *tier two capital* is required to meet the requirements in ■ GENPRU 2.2.44 R);
- (6) *tier two capital* that cannot be used for the purposes in ■ GENPRU 2.2.44 R because it falls outside the limits in ■ GENPRU 2.2.46 R; and
- (7) *tier three capital*.

2.2.48

FCA PRA

R

The amount of *tier one capital* and *tier two capital* that is not used to meet the requirements in ■ GENPRU 2.2.44 R as referred to in ■ GENPRU 2.2.47 R (4) and ■ (5)(5) is equal to the amount calculated at stage N of the calculation in the *capital resources table* (Total tier one capital plus tier two capital after deductions) less the parts of the *capital resources requirement* deducted immediately after stage N of the *capital resources table* (the parts of the *capital resources requirements* listed in ■ GENPRU 2.2.44 R).

Limits on the use of different kinds of capital: Combined tier two and tier three limits (BIPRU firm only)

2.2.49

FCA PRA

R

For the purpose of meeting the requirements in ■ GENPRU 2.2.47 R (1) to ■ GENPRU 2.2.47 R (3) and subject to ■ GENPRU 2.2.50 R, a *BIPRU firm* must not include any item in either:

- (1) its *tier two capital resources* falling within ■ GENPRU 2.2.47 R (6) (excess *tier two capital*); or
- (2) its *upper tier three capital resources*;

to the extent that the sum of (1) and (2) would exceed 250% of the amount resulting from the following calculation:

- (3) calculate the amount at stage F of the calculation in the *capital resources table* (Total tier one capital after deductions); and
- (4) deduct from (3) those parts of the *firm's tier one capital* used to meet the requirements in ■ GENPRU 2.2.44 R (1) and ■ (2) as established by ■ GENPRU 2.2.48 R.

2.2.50

FCA PRA

R

In relation to a *BIPRU investment firm* which calculates its *capital resources* under ■ GENPRU 2 Annex 4 R (Capital resources table for a BIPRU investment firm deducting material holdings), the figure of 200% replaces that of 250% in ■ GENPRU 2.2.49 R.

Example of how the capital resources calculation for BIPRU firms works

2.2.51

FCA PRA

G

■ GENPRU 2.2.52 G to ■ GENPRU 2.2.59 G illustrate how to calculate a *BIPRU firm's capital resources* and how the *capital resources gearing rules* work. In this example the *BIPRU firm* has a combined credit, operational and counterparty risk requirement of £100 (of

which £10 is due to counterparty risk) and a market risk requirement of £90, making a total capital requirement of £190. Its *capital resources* are as set out in the table in ■ GENPRU 2.2.52 G.

Table: Example of the calculation of the capital resources of a BIPRU firm

2.2.52

FCA PRA

G

This table belongs to ■ GENPRU 2.2.51 G

Description of the stage of the capital resources calculation	Stage in the <i>capital resources table</i>	Amount (£)
Total <i>tier one capital</i> after deductions	Stage F	80
Total <i>tier two capital</i>	Stage K	80
Deductions	Stage M	(20)
Total <i>tier one capital</i> and <i>tier two capital</i> after deductions	Stage N	140
<i>Upper tier three capital</i> (this example assumes the <i>firm</i> has no <i>lower tier three capital</i> (<i>trading book profits</i>))	Stage Q	50
Total <i>capital resources</i>	Stage T	190

2.2.53

G

[deleted]

2.2.54

FCA PRA

G

In the example in the table in ■ GENPRU 2.2.52 G the *firm* has total *tier one capital* after deductions of £80. Its *tier two capital* of £80 is therefore the maximum permitted under ■ GENPRU 2.2.46 R (Tier two limits), that is 100% of *tier one capital*.

2.2.55

FCA PRA

G

The combined credit, operational and counterparty risk capital requirement is deducted after stage N of the *capital resources table* and the market risk requirement following stage T of the *capital resources table*. These calculations are shown in the table in ■ GENPRU 2.2.56 G.

Table: Example of how capital resources of a BIPRU firm are measured against its capital resources requirement

2.2.56

FCA PRA

G

This table belongs to ■ GENPRU 2.2.55 G

Description of the stage of the capital resources calculation	Stage in the <i>capital resources table</i>	Amount (£)
Total <i>tier one capital</i> and <i>tier two capital</i> after deductions	Stage N	140
Credit, operational and counterparty risk requirement		(100)
<i>Tier one capital</i> and <i>tier two capital</i> available to meet market risk requirement		40
<i>Tier three capital</i>	Stage Q	50

Description of the stage of the capital resources calculation	Stage in the <i>capital resources table</i>	Amount (£)
Total capital available to meet market risk requirement		90
Market risk requirement		(90)
Market risk requirement met subject to meeting gearing limit set out in GENPRU 2.2.49 R - see GENPRU 2.2.57 G		

2.2.57

FCA PRA

G

The gearing limit in ■ GENPRU 2.2.49 R (Combined tier two and tier three limits) requires that the *upper tier three capital* used to meet the market risk requirement does not exceed 250% of the relevant *tier one capital*.

2.2.58

FCA PRA

G

In this example it is assumed that the maximum possible amount of *tier one capital* is carried forward to meet the market risk requirement. There are other options as to the allocation of *tier one capital* and *tier two capital* to the credit, operational and counterparty risk requirement.

In order to calculate the relevant *tier one capital* for the *upper tier three* gearing limit in accordance with ■ GENPRU 2.2.49 R it is first necessary to allocate *tier one capital* and *tier two capital* to the individual credit, operational and counterparty risk requirements. This allocation process underlies the calculation of the overall amount referred to in ■ GENPRU 2.2.48 R. The calculation in ■ GENPRU 2.2.49 R (3) and ■ GENPRU 2.2.49 R (4) then focuses on the *tier one* element of this earlier calculation.

In this worked example, if it is assumed that the counterparty risk requirement has been met by *tier one capital*, the relevant *tier one capital* for gearing is £50. This is because the deductions of £20 and the credit and operational risk requirements of £90 have been met by *tier two capital* in the first instance. However, the total sum of deductions and credit and operational risk requirements exceed the *tier two capital* amount of £80 by £30. Hence the £80 of *tier one capital* has been reduced by £30 to leave £50.

In practical terms, the same result is achieved for the relevant *tier one capital* for gearing by taking the amount carried forward to meet market risk of £40 and adding back the £10 in respect of the counterparty risk requirement. Again, there are other options as to the allocation to credit, operational and counterparty risk of the constituent elements of Stage N of the *capital resources table*.

The outcome of these calculations can be summarised as follows:

- (1) the relevant *tier one capital* for the gearing calculation is £50;
- (2) 250% of the relevant *tier one capital* is £125; and
- (3) the *upper tier three capital* used to meet market risk is £50.

2.2.59

FCA PRA

G

The 250% gearing limit is met as the limit of £125 is greater than the *upper tier three capital* of £50 used in this example.

Capital used to meet the base capital resources requirement (BIPRU firm only)

2.2.60

FCA PRA

R

A *BIPRU firm* may use the *capital resources* used to meet the *base capital resources requirement* to meet any other part of the *capital resources requirement*.

2.2.61

FCA PRA

G

The explanation for ■ GENPRU 2.2.60 R can be found in ■ GENPRU 2.1.43 G (Base capital resources requirement). In brief the reason is that the *base capital resources requirement* is not in practice meant to act as an additional capital resources requirement. It is meant to act as a floor to the *capital resources requirement*.

Notification of issuance of capital instruments

2.2.61A

FCA PRA

R

This section applies to a *firm* intending to issue a *capital instrument* on or after 1 March 2012 for inclusion in its *capital resources*.

2.2.61B

FCA PRA

R

A *firm* must notify the *appropriate regulator* in writing of its intention to issue a *capital instrument* which it intends to include within its *capital resources* at least one *month* before the intended date of issue, unless there are exceptional circumstances which make it impracticable to give such a period of notice, in which event the *firm* must give as much notice as is practicable in those circumstances. When giving notice, a *firm* must:

- (1) provide details of the amount of capital the *firm* is seeking to raise through the intended issue and whether the capital is intended to be issued to external investors or within its *group*;
- (2) identify the stage of the *capital resources table* the *capital instrument* is intended to fall within;
- (3) include confirmation from a *senior manager* of the *firm* responsible for authorising the intended issue that the *capital instrument* complies with the *rules* applicable to instruments included in the stage of the *capital resources table* identified in (2); and
- (4) provide a copy of the term sheet and details of any features of the *capital instrument* which are novel, unusual or different from a *capital instrument* of a similar nature previously issued by the *firm* or widely available in the market or not specifically contemplated by ■ GENPRU 2.2.

This *rule* does not apply to a *firm* which intends to issue a *capital instrument* listed in ■ GENPRU 2.2.61E R

2.2.61C

FCA PRA

R

A *firm* must provide a further notification to the *appropriate regulator* in writing including all the information required in ■ GENPRU 2.2.61BR (1) to ■ (4) as soon as it proposes any change to the intended date of issue, amount of issue, type of investors, stage of capital or any other feature

of the *capital instrument* to that previously notified to the *appropriate regulator*.

2.2.61D

FCA PRA

R

If a *firm* proposes to establish a debt securities program for the issue of *capital instruments* for inclusion within its *capital resources*, it must:

- (1) notify the *appropriate regulator* of the establishment of the program; and
- (2) provide the information required by ■ GENPRU 2.2.61BR (1) to ■ (4)

at least one *month* before the first proposed drawdown. Any changes must be notified to the *appropriate regulator* in accordance with

■ GENPRU 2.2.61C R.

2.2.61E

FCA PRA

R

The *capital instruments* to which ■ GENPRU 2.2.61B R does not apply are:

- (1) ordinary *shares* which:
 - (a) are the most deeply subordinated *capital instrument* issued by the *firm*;
 - (b) meet the criteria set out in ■ GENPRU 2.2.83R (2) and ■ (3) and, for a *BIPRU firm*, ■ GENPRU 2.2.83A R; and
 - (c) are the same as ordinary *shares* previously issued by the *firm*;
- (2) debt instruments issued from a debt securities program, provided that program was notified to the *appropriate regulator* prior to its first drawdown, in accordance with ■ GENPRU 2.2.61D R; and
- (3) *capital instruments* which are not materially different in terms of their characteristics and eligibility for inclusion in a particular tier of capital to *capital instruments* previously issued by the *firm*.

2.2.61F

FCA PRA

R

A *firm* must notify the *appropriate regulator* in writing, no later than the date of issue, of its intention to issue a *capital instrument* listed in

■ GENPRU 2.2.61E R which it intends to include within its *capital resources*.

When giving notice, a *firm* must:

- (1) provide the information set out at ■ GENPRU 2.2.61BR (1) to ■ (3); and
- (2) confirm that the terms of the *capital instrument* have not changed since the previous issue by the *firm* of that type of *capital instrument*.

2.2.61G

FCA PRA

G

■ GENPRU 2.2.61B R provides that, in exceptional circumstances, a *firm* may provide less than one *month's* notice of the intended issue. The *appropriate regulator* is unlikely to consider circumstances to be exceptional unless they are such that there is a risk of a *firm's* *capital resources* falling below its *capital resources requirement* if a one-month notification

period is observed. In such circumstances, a *firm* should notify the *appropriate regulator* as soon as it has resolved to issue further capital, and provide details of its circumstances and why it is not possible to provide one *month's* notice of the intended issue.

2.2.61H

FCA PRA

G

Details of the notification to be provided by a *BIPRU firm* in relation to *capital instruments* issued by another *undertaking* in its *group* for inclusion in its *capital resources* or the *consolidated capital resources* of its *UK consolidation group* or *non-EEA sub-group* are set out in ■ BIPRU 8.6.1A R to ■ BIPRU 8.6.1F R. Details of the notification to be provided by an *insurer* in relation to *capital instruments* issued by another *undertaking* in its *group* for inclusion in its *group capital resources* are set out in ■ INSPRU 6.1.43A R to ■ INSPRU 6.1.43F R.

Tier one capital: General

2.2.62

FCA PRA

R

A *firm* may not include a *capital instrument* in its *tier one capital resources* unless it complies with the following conditions:

- (1) it is included in one of the categories in ■ GENPRU 2.2.63 R;
- (2) it complies with the conditions set out in ■ GENPRU 2.2.64 R;
- (3) it is not excluded under ■ GENPRU 2.2.65 R (Connected transactions); and
- (4) it is not excluded by any of the *rules* in ■ GENPRU 2.2.

2.2.63

FCA PRA

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The categories referred to in ■ GENPRU 2.2.62 R (1) are:

- (1) *permanent share capital*;
- (2) *eligible partnership capital*;
- (3) *eligible LLP members' capital*;
- (4) *sole trader capital*;
- (5) (in the case of an *insurer*) a perpetual non-cumulative *preference share*;
- (6) [deleted]
- (7) (in the case of an *insurer*) an *innovative tier one instrument*; and
- (8) (in the case of a *BIPRU firm*) *hybrid capital*.

2.2.64

FCA PRA

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General conditions for eligibility as tier one capital

The conditions that an item of capital of a *firm* must comply with under ■ GENPRU 2.2.62 R (2) are as follows:

- (1) it is issued by the *firm*;
- (2) it is fully paid and the proceeds of issue are immediately and fully available to the *firm*;
- (3) it:
 - (a) cannot be redeemed at all or can only be redeemed on a winding up of the *firm*; or
 - (b) complies with the conditions in ■ GENPRU 2.2.70 R (Basic requirements for redeemability) and ■ GENPRU 2.2.76 R (Redeemable instrument subject to a *step-up*);
- (4) the item of capital meets the following conditions in relation to any *coupon*:
 - (a) the *firm* is under no obligation to pay a *coupon*; or
 - (b) (if the *firm* is obliged to pay the *coupon*) the *coupon* is payable in the form of an item of capital that is:
 - (i) in the case of a *BIPRU firm*, *core tier one capital*; and
 - (ii) in the case of an *insurer*, included in a *higher stage of capital* or the *same stage of capital* as that first item of capital;
- (5) any *coupon* is either:
 - (a) non-cumulative; or
 - (b) (if it is cumulative) it must, if deferred, be paid by the *firm* in the form of *tier one capital* complying with (4)(b);
- (6) it is able to absorb losses to allow the *firm* to continue trading and :
 - (a) in the case of an *insurer*, in particular it complies with ■ GENPRU 2.2.80 R to ■ GENPRU 2.2.81 R (Loss absorption) and, in the case of an *innovative tier one instrument*, ■ GENPRU 2.2.116 R to ■ GENPRU 2.2.118 R (Other tier one capital: loss absorption); and
 - (b) in the case of a *BIPRU firm*, it does not, through appropriate mechanisms, hinder the recapitalisation of the *firm*, and in particular it complies with:

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- (i) ■ GENPRU 2.2.80 R to ■ GENPRU 2.2.81 R (Loss absorption);
 - (ii) in the case of *core tier one capital*, ■ GENPRU 2.2.83A R (9) to ■ GENPRU 2.2.83A R (10) (General conditions for eligibility of capital instruments as core tier one capital (BIPRU firm only)); and
 - (iii) in the case of *hybrid capital*, ■ GENPRU 2.2.116 R to ■ GENPRU 2.2.118 R (Other tier one capital: loss absorption);
- (7) the amount of the item included must be net of any foreseeable tax charge at the moment of its calculation or must be suitably adjusted in so far as such tax charges reduce the amount up to which that item may be applied to cover risks or losses;
- (8) it is available to the *firm* for unrestricted and immediate use to cover risks and losses as soon as these occur;
- (9) it ranks for repayment upon winding up, administration or any other similar process:
- (a) in the case of an *insurer*, no higher than a *share* of a company incorporated under the Companies Act 2006 (whether or not it is such a *share*); or
 - (b) in the case of a *BIPRU firm*, lower than any items of capital that are:
 - (i) eligible for inclusion within the *firm's tier two capital resources*; and
 - (ii) not eligible for inclusion within the *firm's tier one capital resources*; and
- (10) the description of its characteristics used in its marketing is consistent with the characteristics required to satisfy (1) to (9) and, where it applies, ■ GENPRU 2.2.271 R (Other requirements: insurers carrying on with-profits business (Insurer only)).

2.2.65

FCA PRA

R

An item of capital does not qualify for inclusion as *tier one capital* if the issue of that item of capital by the *firm* is connected with one or more other transactions which, when taken together with the issue of that item, could result in that item of capital no longer displaying all of the characteristics set out in ■ GENPRU 2.2.64 R (1) to ■ GENPRU 2.2.64 R (9).

Guidance on certain of the general conditions for eligibility as tier one capital

2.2.66

FCA PRA

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■ GENPRU 2.2.65 R is an example of the general principle in ■ GEN 2.2.1 R (Purposive interpretation). Its purpose is to emphasise that an item of capital does not meet the conditions for inclusion in *tier one capital* if in isolation it does meet those requirements but it fails to meet those requirements when other transactions are taken into account. Examples of such connected transactions might include guarantees or any other side agreement provided to the holders of the *capital instrument* by the *firm* or a connected party or a related transaction designed, for example, to enhance their security or to achieve a tax benefit, but which may compromise the loss absorption capacity or permanence of the original capital item.

2.2.67

FCA PRA

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■ GENPRU 2.2.64 R (2) is stricter than the Companies Act definition of fully paid, which only requires an undertaking to pay.

2.2.67A

FCA PRA

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The purpose of ■ GENPRU 2.2.64 R (4) is to ensure that a *firm* retains flexibility over the payment of *coupons* and can preserve cash in times of financial stress. However, a *firm* may include, as part of the capital instrument terms, a right to make payments of a *coupon* mandatory if an item of capital becomes ineligible to form part of its *capital resources* (e.g. through a change in the relevant *rules*) and the *firm* has notified the *appropriate regulator* that the instrument is ineligible.

2.2.68

FCA PRA

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The *appropriate regulator* considers that dividend pushers diminish the quality of capital by breaching the principle of complete discretion over *coupons* set out in

■ GENPRU 2.2.64 R (4). A dividend pusher operates so that, in a given period of time, payments must be made on senior securities if payments have previously been made on junior securities or securities ranking *pari passu*. As such, dividend pushers may not be included in the terms of *tier one capital*, unless the *firm* has the option to fund the "pushed payment" in stock.

2.2.68A

FCA PRA

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A BIPRU firm must not include a capital instrument in its tier one capital resources if:

- (1) the *capital instrument* is affected by a dividend stopper; and
- (2) the dividend stopper operates in a way that hinders recapitalisation.

2.2.68B

FCA PRA

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A dividend stopper prevents the *firm* from paying any *coupon* on more junior or *pari passu* instruments in a period in which the *firm* omits payments to the holder of the *capital instrument* containing the dividend stopper, and so may hinder the recapitalisation of the *firm* contrary to ■ GENPRU 2.2.64 R (6).

2.2.69

FCA PRA

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An item of capital does not comply with ■ GENPRU 2.2.64 R (10) if it is marketed as a *capital instrument* that would only qualify for a lower level of capital or on the basis that investing in it is like investing in an instrument in a lower tier of capital. For example, an undated *capital instrument* should not be marketed as a dated *capital instrument* if the terms of the *capital instrument* include an option by the issuer to redeem the *capital instrument* at a specified date in the future.

Tier one capital: payment of coupons (BIPRU firm only)

2.2.69A

FCA PRA

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A *BIPRU firm* must not make a payment of a *coupon* on an item of *hybrid capital* if the *firm* has no distributable reserves.

2.2.69B

FCA PRA

R

A *BIPRU firm* must cancel the payment of a *coupon* on an item of *hybrid capital* if the *BIPRU firm* does not meet its *capital resources requirement* or if the payment of that *coupon* would cause it to breach its *capital resources requirement*.

2.2.69C

FCA PRA

R

A *BIPRU firm* must not pay a *coupon* on an item of *hybrid capital* in the form of *core tier one capital* in accordance with

■ GENPRU 2.2.64 R (4)(b) unless:

- (1) the *firm* meets its *capital resources requirement*; and
- (2) such a substituted payment preserves the *firm's* financial resources.

2.2.69D

FCA PRA

G

The *appropriate regulator* considers that a *BIPRU firm's* financial resources are not preserved under ■ GENPRU 2.2.69C R (2) unless, among other things, the conditions of the substituted payment are that:

- (1) there is no decrease in the amount of the *firm's core tier one capital*;
- (2) the deferred *coupon* is satisfied without delay using newly issued *core tier one capital* that has an aggregate fair value no more than the amount of the *coupon*;
- (3) the *firm* is not obliged to find new investors for the newly issued instruments; and
- (4) if the holder of the newly issued instruments subsequently sells the instruments and the sale proceeds are less than the value of the *coupon*, the *firm* is not obliged to issue further new instruments to cover the loss incurred by the holder of the instruments.

2.2.69E

FCA PRA

R

A *BIPRU firm* must cancel the payment of a *coupon* if circumstances arise whereby the payment of the *coupon* by newly issued instruments, in accordance with ■ GENPRU 2.2.64 R (4)(b), does not comply with the requirements of ■ GENPRU 2.2.69C R.

2.2.69F

FCA PRA

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- (1) In relation to the cancellation or deferral of the payment of a *coupon* in accordance with ■ GENPRU 2.2.64 R (4) and ■ GENPRU 2.2.64 R (5), ■ GENPRU 2.2.68A R, or ■ GENPRU 2.2.69B R, the *appropriate regulator* expects that situations where a *coupon* may need to be cancelled or deferred will be resolved through analysis and discussion between the *firm* and the *appropriate regulator*. If the *appropriate regulator* and the *firm* do not agree on the cancellation or deferral of the payment of a *coupon*, then the *appropriate regulator* may consider using its powers under 55J of the *Act* to, on its own initiative, vary a *firm's Part 4A permission* to require it to cancel or defer a

coupon in accordance with the *appropriate regulator's* view of the financial and solvency situation of the *firm*.

- (2) In considering a *firm's* financial and solvency situation, the *appropriate regulator* will normally take into account, among other things, the following:
 - (a) the *firm's* financial and solvency position before and after the payment of the *coupon*, in particular whether that payment, or other foreseeable internal and external events or circumstances, may increase the risk of the *firm* breaching its *capital resources requirement* or the *overall financial adequacy rule*;
 - (b) an appropriately stressed capital plan, covering 3-5 years, which includes the effect of the proposed payment of the *coupon*; and
 - (c) an evaluation of the risks to which the *firm* is or might be exposed and whether the level of *tier one capital* ensures the coverage of those risks, including stress tests on the main risks showing potential loss under different scenarios.
- (3) If the *BIPRU firm* is required to cancel or defer the payment of a *coupon* by the *appropriate regulator*, it may still be able to pay the *coupon* by way of newly issued *core tier one capital* in accordance with ■ GENPRU 2.2.64 R (4)(b) and ■ GENPRU 2.2.69C R. The *appropriate regulator* may consider using its powers under 55J of the *Act* to, on its own initiative, vary a *firm's Part 4A permission* to impose conditions on the use of such a mechanism or to require its cancellation, based on the factors outlined in this *guidance*.

Redemption of tier one instruments

R A *firm* may not include a *capital instrument* in its *tier one capital resources*, unless its contractual terms are such that:

- (1) (if it is redeemable other than in circumstances set out in ■ GENPRU 2.2.64 R (3)(a) (redemption on a winding up)) it is redeemable only at the option of the *firm* or, in the case of a *BIPRU firm*, on the date of maturity;
- (2) the *firm* cannot exercise that redemption right:
 - (a) before the fifth anniversary of its date of issue;
 - (b) unless it has given notice to the *appropriate regulator* in accordance with ■ GENPRU 2.2.74 R; and
 - (c) unless at the time of exercise of that right it complies with ■ GENPRU 2.1.13 R (the main capital adequacy *rule* for *insurers*) or the *main BIPRU firm Pillar 1 rules* and will continue to do so after redemption ;
- (3) (in the case of a *BIPRU firm* and if it is undated) if it provides for a moderate incentive for the *BIPRU firm* to redeem it, that incentive does not occur before the tenth anniversary of its date of issue; and

2.2.70

FCA PRA

- (4) (in the case of a *BIPRU firm* and if it is dated):
- (a) it has an original maturity date of at least 30 years after its date of issue; and
 - (b) it does not provide an incentive to redeem on any date other than its maturity date.

2.2.70A

FCA PRA

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In the case of a *BIPRU firm*, an incentive to redeem is a feature of a *capital instrument* that would lead a reasonable market participant to have an expectation that the *firm* will redeem the instrument. The *appropriate regulator* considers that interest rate step-ups and principal stock settlements, in conjunction with a call option, are incentives to redeem. Only instruments with moderate incentives to redeem are permitted as *tier one capital*, in accordance with the limited conversion ratio in ■ GENPRU 2.2.138 R and the *rule* on step-ups in ■ GENPRU 2.2.147 R.

2.2.71

FCA PRA

R

A *firm* may include a term in a *tier one instrument* allowing the *firm* to redeem it before the date in ■ GENPRU 2.2.70 R (2)(a) if the following conditions are satisfied:

- (1) the other conditions in ■ GENPRU 2.2.70 R are met;
- (2) the circumstance that entitles the *firm* to exercise that right is:
 - (a) (in the case of an *insurer*) a change in law or regulation in any relevant jurisdiction or in the interpretation of such law or regulation by any court or authority entitled to do so; and
 - (b) (in the case of a *BIPRU firm*) a change in the applicable tax treatment or regulatory classification of those instruments;
- (3) (a) (in the case of an *insurer*) it would be reasonable for the *firm* to conclude that it is unlikely that that circumstance will occur, judged at the time of issue or, if later, at the time that the term is first included in the terms of the *tier one instrument*; and
 - (b) (in the case of a *BIPRU firm*) the circumstance that entitles the *firm* to exercise that right was not reasonably foreseeable at the date of issue of the *tier one instrument*; and
- (4) the *firm's* right is conditional on it obtaining the *appropriate regulator's* consent in the form of a *waiver* of ■ GENPRU 2.2.72 R.

2.2.72

FCA PRA

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A *firm* must not redeem a *tier one instrument* in accordance with a term included under ■ GENPRU 2.2.71 R.

2.2.73

FCA PRA

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The purpose of ■ GENPRU 2.2.71 R to ■ GENPRU 2.2.72 R is this. In general a *tier one instrument* should not be redeemable by the *firm* before its fifth anniversary. However

there may be circumstances in which it would be reasonable for the *firm* to redeem it before then. ■ GENPRU 2.2.71 R allows the *firm* to include a right to redeem the instrument before the fifth anniversary in certain circumstances. A tax call is an example of a term that may be allowed. ■ GENPRU 2.2.71 R says that the terms of the *tier one instrument* should provide that the *firm* should not be able to exercise that right without the *appropriate regulator's* consent. Any such consent will be given in the form of a *waiver* allowing early repayment. Thus although a *firm* may include a right to redeem early in the terms of a *tier one instrument* without the need to apply for a *waiver* the actual exercise of that right will require a *waiver*.

2.2.74

FCA PRA

R

A *firm* must not redeem any *tier one instrument* that it has included in its *tier one capital resources* unless it has notified the *appropriate regulator* of its intention at least one month before it becomes committed to do so. When giving notice, the *firm* must provide details of its position after such redemption in order to show how it will:

- (1) meet its *capital resources requirement*;
- (2) have sufficient financial resources to meet the *overall financial adequacy rule* ; and
- (3) in the case of a *BIPRU firm*, not otherwise suffer any undue effects to its financial or solvency conditions.

2.2.74A

FCA PRA

G

The *appropriate regulator* considers that, in order to comply with ■ GENPRU 2.2.74 R, the *firm* should, at a minimum, provide the *appropriate regulator* with the following information:

- (1) a comprehensive explanation of the rationale for the redemption;
- (2) the *firm's* financial and solvency position before and after the redemption, in particular whether that redemption, or other foreseeable internal and external events or circumstances, may increase the risk of the *firm* breaching its *capital resources requirement*;
- (3) an appropriately stressed capital plan covering 3-5 years, which includes the effect of the proposed redemption; and
- (4) an evaluation of the risks to which the *firm* is or might be exposed and whether the level of *tier one capital* ensures the coverage of such risks including stress tests on the main risks showing potential loss under different scenarios.

2.2.74B

FCA PRA

R

If a *BIPRU firm* does not comply with its *capital resources requirement* or if the redemption of any dated *tier one instrument* would cause it to breach its *capital resources requirement*, it must suspend the redemption of its dated *tier one instruments*.

2.2.75

FCA PRA

R

If a *firm* gives notice of the redemption or repayment of any *tier one instrument*, the *firm* must no longer include that instrument in its *tier one capital resources*.

2.2.76

PRA

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Step-ups and redeemable tier one instruments: Insurer only

In the case of an *insurer*, in relation to an *innovative tier one instrument* which is redeemable and which satisfies the following conditions:

- (1) it is or may become subject to a *step-up*; and
 - (2) a reasonable *person* would think that:
 - (a) the *firm* is likely to redeem it before the tenth anniversary of its date of issue; or
 - (b) the *firm* is likely to have an economic incentive to redeem it before the tenth anniversary of its date of issue;
- the redemption date in ■ GENPRU 2.2.70 R (2)(a) is amended by replacing "fifth anniversary" with "tenth anniversary".

Meaning of redemption

2.2.77

FCA PRA

R

- (1) This *rule* applies to a *tier one instrument*, *tier two instrument* or *tier three instrument* (instrument A) that under its terms is exchanged for or converted into another instrument or is subject to a similar process.
 - (2) This *rule* also applies to instrument A if under its terms it is redeemed out of the proceeds of the issue of new securities.
 - (3) If the instrument with which instrument A is replaced is included in the *same stage of capital* or a *higher stage of capital* as instrument A, instrument A is treated as not having been redeemed or repaid for the purposes of GENPRU 2.2.
 - (4) (3) does not apply to ■ GENPRU 2.2.114 R (Redeemable instrument likely to be repaid etc), ■ GENPRU 2.2.74 R (Notice of redemption of *tier one instruments*), ■ GENPRU 2.2.174 R (Notice of redemption of *tier two instruments*) or ■ GENPRU 2.2.245 R (so far as it relates to notice of redemption of *tier three instruments*).
 - (5) (3) only applies if it would be reasonable (taking into account the economic substance) to treat the original instruments as continuing in issue on the same or a more favourable basis. The question of whether that basis is more or less favourable must be judged from the point of view of the adequacy of the *firm's capital resources*.
- (1) A *share* is not redeemable for the purposes of this section merely because the Companies Act 1985, the Companies (Northern Ireland) Order 1986 or the Companies Act 2006 allows the *firm* that issued it to purchase it.

2.2.78

FCA PRA

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- (2) A *capital instrument* is not redeemable for the purposes of this section merely because the *firm* that issued it has a right to purchase it similar to the right in (1).

2.2.79

G

This section generally uses the term repay and redeem interchangeably.

FCA PRA

Purchases of tier one instruments: BIPRU firm only

2.2.79A

R

A *BIPRU firm* must not purchase a *tier one instrument* that it has included in its *tier one capital resources* unless:

FCA PRA

- (1) the *firm* initiates the purchase;
- (2) [deleted]
- (3) the *firm* has given notice to the *appropriate regulator* in accordance with ■ GENPRU 2.2.79G R; and
- (4) (in the case of *hybrid capital*) it is on or after the fifth anniversary of the date of issue of the instrument.

2.2.79B

G

In exceptional circumstances a *BIPRU firm* may apply for a *waiver* of ■ GENPRU 2.2.79AR (4) under section 138A (Modification or waiver of rules) of the *Act*.

FCA PRA

2.2.79C

R

■ GENPRU 2.2.79AR (4) does not apply if:

FCA PRA

- (1) the *firm* replaces the *capital instrument* it intends to purchase with a *capital instrument* that is included in a *higher stage of capital* or the *same stage of capital*; and
- (2) the replacement *capital instrument* has already been issued.

2.2.79D

R

■ GENPRU 2.2.79AR (4) does not apply if:

FCA PRA

- (1) the *firm* intends to hold the purchased instrument for a temporary period as *market maker*; and
- (2) the purchased instruments held by the *firm* do not exceed the lower of:
 - (a) 10% of the relevant issuance; or
 - (b) 3% of the *firm's* total issued *hybrid capital*.

2.2.79E

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In the circumstances provided for in ■ GENPRU 2.2.79D R, a *firm* would purchase the instrument and, instead of cancelling it, the *firm* would hold the instrument for a temporary period. In that case a *firm* should have in place adequate policies to take into account any relevant regulations and *rules*, which include those relating to market abuse.

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2.2.79F

FCA PRA

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For the purposes of calculating its *tier one capital resources*, a *firm* must deduct the amount of any item of *hybrid capital* which it then holds.

2.2.79G

FCA PRA

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A *BIPRU firm* must not purchase a *tier one instrument* in accordance with ■ GENPRU 2.2.79A R unless it has notified the *appropriate regulator* of its intention at least one month before it becomes committed to doing so. When giving notice, the *firm* must provide details of its position after the purchase in order to show how, over an appropriate timescale, adequately stressed, and without planned recourse to the capital markets, it will:

- (1) meet its *capital resources requirement*; and
- (2) have sufficient financial resources to meet the *overall financial adequacy rule*.

2.2.79H

FCA PRA

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The *appropriate regulator* considers that:

- (1) in order to comply with ■ GENPRU 2.2.79G R, the *firm* should, at a minimum, provide the *appropriate regulator* with the following information:
 - (a) a comprehensive explanation of the rationale for the purchase;
 - (b) the *firm's* financial and solvency position before and after the purchase, in particular whether the purchase, or other foreseeable internal and external events or circumstances, may increase the risk of the *firm* breaching its *capital resources requirement* or the *overall financial adequacy rule*;
 - (c) an appropriately stressed capital plan covering 3-5 years, which includes the effect of the proposed purchase; and
 - (d) an evaluation of the risks to which the *firm* is or might be exposed and whether the level of *tier one capital* ensures the coverage of such risks including stress tests on the main risks showing potential loss under different scenarios; and
- (2) the proposed purchase should not be on the basis that the *firm* reduces capital on the date of the purchase and then plans to raise new external capital during the following 3-5 years to replace the purchased capital.

2.2.79I

FCA PRA

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A *BIPRU firm* must not announce to the holders of a *tier one instrument* its intention to purchase that instrument unless it has notified that intention to the *appropriate regulator* in accordance with ■ GENPRU 2.2.79G R and it has not, during the period of one month from the date of giving notice, received an objection from the *appropriate regulator*.

2.2.79J

FCA PRA

R

If a *BIPRU firm* announces the purchase of any *tier one instrument*, the *firm* must no longer include that instrument in its *tier one capital resources*.

2.2.79K

FCA PRA

R

If a *BIPRU firm* does not comply with its *capital resources requirement*, or if the purchase of any *tier one instrument* would cause it to breach its *capital resources requirement*, it must suspend the purchase of *tier one instruments*.

2.2.79L

FCA PRA

G

A *firm* should continue to exclude from its *tier one capital resources* all *tier one instruments* that are the subject of a purchase notification under ■ GENPRU 2.2.79G R and for which the offer to purchase has been declined by the instrument holders unless the purchase offer period has expired.

Loss absorption

2.2.80

FCA PRA

R

A *firm* may not include a *share* in its *tier one capital resources* unless (in addition to complying with the other relevant *rules* in ■ GENPRU 2.2):

- (1) (in the case of a *firm* that is a company as defined in the Companies Act 2006 it is "called-up *share capital*" within the meaning given to that term in that Act; or
- (2) (in the case of a *building society*) it is a *deferred share*; or
- (3) (in the case of any other *firm*) it is:
 - (a) in economic terms; and
 - (b) in its characteristics as capital (including loss absorbency, permanency, ranking for repayment and fixed costs);
 substantially the same as called-up *share capital* falling into (1).

2.2.81

FCA PRA

R

A *firm* may not include a *capital instrument* other than a *share* in its *tier one capital resources* unless it complies with ■ GENPRU 2.2.80 R (3).

2.2.82

FCA PRA

G

There are additional loss absorption requirements for (in the case of an *insurer*) *innovative tier one capital* and (in the case of a *BIPRU firm*) *hybrid capital* in ■ GENPRU 2.2.116 R to ■ GENPRU 2.2.118 R (Other tier one capital: loss absorption) and (in the case of a *BIPRU firm*) for *core tier one capital* in ■ GENPRU 2.2.83AR (9) to ■ (10) (General conditions for eligibility of capital instruments as core tier one capital (*BIPRU firm* only)).

Core tier one capital: permanent share capital

2.2.83

FCA PRA

R

Permanent share capital means an item of capital which (in addition to satisfying ■ GENPRU 2.2.64 R) meets the following conditions:

- (1) it is:
 - (a) an ordinary *share*; or
 - (b) a *members' contribution*; or
 - (c) part of the *initial fund* of a *mutual*; or
 - (d) a *deferred share*;

- (2) any *coupon* on it is not cumulative, the *firm* is under no obligation to pay a *coupon* in any circumstances and the *firm* has the right to choose the amount of any *coupon* that it pays;
- (3) the terms upon which it is issued do not permit redemption and it is otherwise incapable of being redeemed to at least the same degree as an ordinary *share* issued by a company incorporated under the Companies Act 2006 (whether or not it is such a *share*) ; and
- (4) (in the case of a *BIPRU firm*) it meets the conditions set out in ■ GENPRU 2.2.83A R (General conditions for eligibility of capital instruments as core tier one capital (*BIPRU firm* only)).

General conditions for eligibility of capital instruments as core tier one capital (*BIPRU firm* only)

2.2.83A

FCA PRA

R

The conditions that a *BIPRU firm's permanent share capital* must comply with under ■ GENPRU 2.2.83A R (4) or that a *BIPRU firm's eligible partnership capital* or *eligible LLP members' capital* must comply with under ■ GENPRU 2.2.95 R are as follows:

- (1) it is undated;
- (2) the terms upon which it is issued do not give the holder a preferential right to the payment of a *coupon*;
- (3) the terms upon which it is issued do not indicate the amount of any *coupon* that may be payable nor impose an upper limit on the amount of any *coupon* that may be payable;
- (4) the *firm's* obligations under the instrument do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986 and the holder has no right to petition for the winding up or administration of the *firm* or for any similar procedure in relation to the *firm* arising from the non-payment of a *coupon* or any other sums payable under the instrument;
- (5) there is no contractual or other obligation arising out of the terms upon which it is issued that requires the *firm* to repay capital to the holders other than on a liquidation of the *firm*;
- (6) the terms upon which it is issued do not include a dividend pusher or a dividend stopper;
- (7) the *firm* is under no obligation to issue *core tier one capital* or to make a payment in kind in lieu of making a *coupon* payment and non-payment of a *coupon* is not an event of default on the part of the *firm*;

- (8) it is simple and the terms upon which it is issued are clearly defined;
- (9) it is able to fully and unconditionally absorb losses on a non-discretionary basis as soon as they arise to allow the *firm* to continue trading, and it absorbs losses before all *capital instruments* that are not eligible for inclusion in stage A of the *capital resources table* and equally and proportionately with all *capital instruments* that are eligible for inclusion in stage A of the *capital resources table*;
- (10) it ranks for repayment on winding up, administration or any other similar process lower than all other items of capital, and on a liquidation of the *firm* the holders have a claim on the residual assets remaining after satisfaction of all prior claims that is proportional to their holding and do not have a priority claim or a fixed claim for the nominal amount of their holding;
- (11) the *firm* has not provided the holder with a direct or indirect financial contribution specifically to pay for the whole or a part of its subscription or purchase;
- (12) a reasonable person would not think that the *firm* is likely to redeem or purchase it because of the description of its characteristics used in its marketing and in its contractual terms of issue; and
- (13) its issue is not connected with one or more other transactions which, when taken together with its issue, could result in it no longer displaying all of the characteristics set out in
 - GENPRU 2.2.83R (2), ■ GENPRU 2.2.83AR (1) to ■ (12) and (in the case of *permanent share capital*) ■ GENPRU 2.2.83R (3).

2.2.83B

FCA PRA

R

A BIPRU *firm* must not include in stage A of the *capital resources table* different classes of the same *share* type (for example "A ordinary shares" and "B ordinary shares") that meet the conditions in ■ GENPRU 2.2.83 R and ■ GENPRU 2.2.83A R but have differences in voting rights, unless it has notified the *appropriate regulator* of its intention at least one month before the *shares* are issued or (in the case of existing issued *shares*) the differences in voting rights take effect.

2.2.83C

FCA PRA

R

A BIPRU *firm* must not pay a *coupon* on a *tier one instrument* included in stage A of the *capital resources table* if it has no distributable reserves.

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53

2.2.83D

FCA PRA

G

A BIPRU *firm* may disclose its dividend policy, provided that the policy only reflects the current intention of the *firm* and does not undermine the *firm's* right to choose the amount of any *coupon* that it pays.

Core tier one capital: exception to eligibility criteria (building societies only)

2.2.83E

PRA

R

A *building society* may include in stage A of the *capital resources table* a *capital instrument* that includes in its terms of issue an upper limit on the amount of any *coupon* that may be payable and the prohibition on a *coupon* limit under ■ GENPRU 2.2.83AR (3) does not apply to that *capital instrument*, provided that:

- (1) the *capital instrument* satisfies all other conditions for eligibility as *core tier one capital* set out in ■ GENPRU 2.2.83 R to ■ GENPRU 2.2.83A R;
- (2) the *coupon* limit has been imposed by law or the constitutional documents of the *firm*;
- (3) the objective of the limit is to protect the capital reserves of the *firm*;
- (4) the *firm* continues to have the effective right to choose the amount of any *coupon* that it pays;
- (5) all other *capital instruments* issued by the *firm* and included in stage A of the *capital resources table*:
 - (a) meet the conditions set out in ■ GENPRU 2.2.83 R (2), ■ GENPRU 2.2.83 R (3) and ■ GENPRU 2.2.83A R (General conditions for eligibility of capital instruments as core tier one capital (BIPRU firm only)); and
 - (b) if subject to a *coupon* limit, are subject to the same *coupon* limit; and
- (6) any preferential *coupon* on a *capital instrument* included in stage A of the *capital resources table*, arising as a result of the inclusion of a *coupon* limit on another *capital instrument*, must be restricted to a fixed multiple of the *coupon* payment on the *capital instrument* that is subject to the *coupon* limit. ■ GENPRU 2.2.83A R (2) to ■ (3) do not prevent a *capital instrument* from being included in stage A of the *capital resources table* if the only reason for those prohibitions not being met is that a preferential *coupon* arises, and is restricted, in the manner referred to in this paragraph (6).

2.2.83F

PRA

R

A *building society* must not issue a *capital instrument* that includes a *coupon* limit in its terms of issue in accordance with ■ GENPRU 2.2.83E R unless it has notified the PRA of its intention to do so at least one month before the intended date of issue.

2.2.83G

PRA

G

Under ■ GENPRU 2.2.83E R (4), an effective right means that in practice the *firm* has, and exercises, full discretion to choose the amount of *coupon* that it pays (for example, it has not fettered that discretion by indicating to instrument holders that the *coupon* limit is the standard level of *coupon* they will receive).

2.2.83H

PRA

G

The purpose of ■ GENPRU 2.2.83E R (6) is to limit the potential preferential rights that may arise on *capital instruments* that are not subject to a *coupon* limit. The *PRA* considers that "preferential" refers to both priority of *coupon* payment and level of *coupon* payment. Therefore the *PRA* considers that:

- (1) a *coupon* arising on a *capital instrument* which is not subject to an explicit *coupon* limit within its terms of issue is likely to be preferential to a coupon on a *capital instrument* included in the *same stage of capital* which is subject to a *coupon* limit; and
- (2) the preference so arising should be restricted so that it is not an unlimited preference.

Core tier one capital: additional information

2.2.84

FCA PRA

G

In the case of an *insurer*, ■ GENPRU 2.2.83 R (2) and ■ GENPRU 2.2.83 R (3) have the effect that the *firm* should be under no obligation to make any payment in respect of a *tier one instrument* if it is to form part of its *permanent share capital* unless and until the *firm* is wound up. A *tier one instrument* that forms part of *permanent share capital* should not therefore count as a liability before the *firm* is wound up. The fact that relevant company law permits the *firm* to make earlier repayment does not mean that the *tier one instruments* are not eligible. However, the *firm* should not be required by any contractual or other obligation arising out of the terms of that capital to repay *permanent share capital*. Similarly a *tier one instrument* may still qualify if company law allows dividends to be paid on this capital, provided the *firm* is not contractually or otherwise obliged to pay them. There should therefore be no fixed costs. ■ GENPRU 2.2.83A R to ■ GENPRU 2.2.83F R impose more specific conditions on *coupon* payment and winding up which are applicable to *BIPRU firms*.

2.2.84A

FCA PRA

G

Under ■ GENPRU 2.2.83A R (13) a *tier one instrument* does not meet the conditions for inclusion as *core tier one capital* if in isolation it does meet those requirements but fails to meet those requirements when other transactions are taken into account. Examples of those transactions include guarantees, pledges of assets or other side agreements provided by the *firm* to the holder of a *tier one instrument* designed to enhance the legal or economic seniority of the *tier one instrument*.

Core tier one capital: profit and loss account and other reserves: Losses

2.2.85

FCA PRA

R

- (1) Negative amounts, including any interim net losses (but in the case of a *BIPRU investment firm*, only material interim net losses), must be deducted from profit and loss account and other reserves.
- (2) For these purposes material interim net losses mean unaudited interim losses arising from a *firm's trading book* and *non-trading book* business which exceed 10% of the sum of its *capital resources* calculated at stage A (Core tier one capital) in the *capital resources table*.

- (3) If interim losses as referred to in (2) exceed the 10% figure in (2) then a *BIPRU investment firm* must deduct the whole amount of those losses and not just the excess.

Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments (BIPRU firm only)

2.2.86

FCA PRA

R

- (1) This *rule* applies to *trading book* valuation adjustments or reserves referred to in ■ GENPRU 1.3.29 R to ■ GENPRU 1.3.35A G (Valuation adjustments and reserves). It applies to a *BIPRU firm*.
- (2) When valuation adjustments or reserves give rise to losses of the current financial year, a *firm* must treat them in accordance with ■ GENPRU 2.2.85 R.
- (3) Valuation adjustments or reserves which exceed those made under the accounting framework to which a *firm* is subject must be treated in accordance with (2) if they give rise to losses and under ■ GENPRU 2.2.248 R (Net interim *trading book* profits) otherwise.

Core tier one capital: profit and loss account and other reserves: Dividends

2.2.87

FCA PRA

R

Dividends must be deducted from reserves as soon as they are foreseeable .

2.2.87A

FCA PRA

G

Each *firm* must assess for itself when, in its particular circumstances, dividends are foreseeable. A dividend is foreseeable at the latest:

- (1) in the case of an interim dividend, when it is declared by the *directors*; or
- (2) in the case of a final dividend, when the *directors* approve the dividend to be proposed at the annual general meeting.

Core tier one capital: profit and loss account and other reserves: Capital contributions

2.2.88

FCA PRA

R

A *firm* must account for a capital contribution as an increase in reserves and may, notwithstanding ■ GENPRU 2.2.63 R, count that increase in reserves as *core tier one capital*.

2.2.89

FCA PRA

G

An item of capital qualifies as a capital contribution if it is a gift of capital (and, as such, is not repayable) and a *coupon* is not payable on it.

Core tier one capital: profit and loss account and other reserves: Securitisation (BIPRU firm only)

2.2.90

FCA PRA

R

In the case of a *BIPRU firm* which is the *originator* of a *securitisation*, net gains arising from the capitalisation of future income from the *securitised* assets and providing *credit enhancement* to *positions* in the

securitisation must be excluded from profit and loss account and other reserves.

Core tier one capital: profit and loss account and other reserves: Valuation

2.2.91

FCA PRA

G

Profit and loss account and other reserves should be valued in accordance with the *rules* in ■ GENPRU 1.3 (Valuation).

Core tier one capital: profit and loss account and other reserves: Revaluation reserves (BIPRU firm only)

2.2.92

FCA PRA

G

A revaluation reserve is not included as part of a *BIPRU firm's* profit and loss account and other reserves. It is dealt with separately and forms part of a *BIPRU firm's upper tier two capital*.

Core tier one capital: partnership capital account (BIPRU firm only)

2.2.93

FCA PRA

R

Eligible partnership capital means a partners' account:

- (1) into which capital contributed by the partners is paid; and
- (2) from which under the terms of the partnership agreement an amount representing capital may be withdrawn by a partner only if:
 - (a) he ceases to be a partner and an equal amount is transferred to another such account by his former partners or any *person* replacing him as their partner;
 - (b) the partnership is wound up or otherwise dissolved; or
 - (c) the *BIPRU firm* has ceased to be *authorised* or no longer has a *Part 4A permission* .

Core tier one capital: Eligible LLP members' capital (BIPRU firm only)

2.2.94

FCA PRA

R

Eligible LLP members' capital means a members' account:

- (1) into which capital contributed by the members is paid; and
- (2) from which under the terms of the *limited liability partnership* agreement an amount representing capital may be withdrawn by a member only if:
 - (a) he ceases to be a member and an equal amount is transferred to another such account by his former fellow members or any *person* replacing him as a member;
 - (b) the *limited liability partnership* is wound up or otherwise dissolved; or
 - (c) the *BIPRU firm* has ceased to be *authorised* or no longer has a *Part 4A permission* .

Core tier one capital: Eligible LLP members' and partnership capital accounts (BIPRU firm only)

2.2.95

FCA PRA

R

A *BIPRU firm* that is a partnership or a *limited liability partnership* may not include *eligible partnership capital* or *eligible LLP members' capital* in its *tier one capital resources* unless (in addition to ■ GENPRU 2.2.62 R (General conditions relating to *tier one capital*)) it complies with ■ GENPRU 2.2.83 R (2) (Coupons should not be cumulative or mandatory) and ■ GENPRU 2.2.83A R to ■ GENPRU 2.2.83C R (General conditions for eligibility of capital instruments as core tier one capital (BIPRU firm only)). However, ■ GENPRU 2.2.64 R (3) (Redemption), ■ GENPRU 2.2.83A R (5) (Capital repayment) and ■ GENPRU 2.2.83A R (12) (Characteristics in contract) are replaced by ■ GENPRU 2.2.93 R or ■ GENPRU 2.2.94 R.

2.2.96

FCA PRA

G

If a *firm* has surplus *eligible partnership capital* or *eligible LLP members' capital* that it wishes to repay in circumstances other than those set out in ■ GENPRU 2.2.93 R or ■ GENPRU 2.2.94 R it may apply to the *appropriate regulator* for a *waiver* to allow it to do so. If a *firm* applies for such a *waiver* the information that the *firm* supplies with the application might include:

- (1) a demonstration that the *firm* would have sufficient *capital resources* to meet its *capital resources requirement* immediately after the repayment;
- (2) a demonstration that the *firm* would have sufficient financial resources to meet any *individual capital guidance* and the *firm's* latest assessment under the *overall Pillar 2 rule* immediately after the repayment; and
- (3) a two to three year capital plan demonstrating that the *firm* would be able to meet the requirements in (1) and (2) at all times without needing further capital injections.

Core tier one capital: Other capital items for limited liability partnerships and partnerships (BIPRU firm only)

2.2.97

FCA PRA

R

The items *permanent share capital* and *share premium account* (which form part of *core tier one capital*) do not apply to a *BIPRU firm* that is a partnership or a *limited liability partnership*.

2.2.98

FCA PRA

R

Without prejudice to ■ GENPRU 2.2.62 R (Tier one capital: General), the item other reserves (which forms part of the item profit and loss and other reserves) applies to a *BIPRU firm* that is a partnership or a *limited liability partnership* to the extent the reserves correspond to reserves that are eligible for inclusion as other reserves in the case of a *BIPRU firm* that is incorporated under the Companies Act 2006 .

2.2.99

FCA PRA

G

A *BIPRU firm* that is a partnership or a *limited liability partnership* should include profit and loss (taking into account interim losses or material interim net losses) in its *core tier one capital*.

Core tier one capital: partnership and limited liability partnership excess drawings (BIPRU firm only)

2.2.100

R

FCA PRA

A BIPRU firm which is a partnership or *limited liability partnership* must deduct at stage E of the calculation in the *capital resources table* (Deductions from tier one capital) the amount by which the aggregate of the amounts withdrawn by its partners or members exceeds the profits of that firm. Amounts of *eligible partnership capital* or *eligible LLP members' capital* repaid in accordance with ■ GENPRU 2.2.93 R or ■ GENPRU 2.2.94 R are not included in this calculation.

Core tier one capital: Share premium account

2.2.101

R

FCA PRA

- (1) A firm must include *share* premium account relating to the issue of a *share* forming part of its *core tier one capital* in its *core tier one capital*.
- (2) A firm must include *share* premium account relating to the issue of a *share* forming part of another tier of capital in that other tier.
- (3) A firm that is incorporated under the Companies Act 2006 may include its *share* premium account as *core tier one capital* notwithstanding (2) to the extent that the terms of issue of the *share* concerned provide that any premium is not repayable on redemption.
- (4) Paragraph (3) applies to a firm that is not incorporated under the Companies Act 2006 if its *share* premium account is subject to substantially the same or greater restraints on use than a *share* premium account falling into (3).

Core tier one capital: externally verified interim net profits

2.2.102

R

FCA PRA

Externally verified interim net profits are interim profits which have been verified by a firm's external auditors after deduction of tax, foreseeable dividends and other appropriations.

2.2.103

G

FCA PRA

A firm may include interim profits before a formal decision has been taken only if these profits have been verified, in accordance with the relevant Auditing Practices Board's Practice Note, by persons responsible for the auditing of the accounts.

Core tier one capital: valuation differences (insurer only)

2.2.104

R

PRA

■ GENPRU 2.2.104 R to ■ GENPRU 2.2.107 R only apply to an insurer.

2.2.105

R

PRA

Valuation differences are all differences between the valuation of assets and liabilities as valued in GENPRU and the valuation that the insurer uses for its external financial reporting purposes, except valuation differences which are dealt with elsewhere in the *capital resources table*. The sum of these valuation differences must either be added to (if positive) or deducted from (if negative) an insurer's *capital resources* in accordance with the *capital resources table*.

2.2.106

PRA

G

Additions to and deductions from *capital resources* will arise from the application of asset and liability valuation and admissibility rules (see ■ GENPRU 1.3 (Valuation), ■ GENPRU 2.2.251 R (Deductions from total capital: Inadmissible assets) and ■ GENPRU 2 Annex 7 R (Admissible assets in insurance)). Downward adjustments include *discounting of technical provisions for general insurance business* (which is optional for financial reporting but not permitted for regulatory valuation - see ■ GENPRU 2.2.107 R) and derecognition of any *defined benefit asset* in respect of a *defined benefit occupational pension scheme* (see ■ GENPRU 1.3.9 R (2) (General requirements: Adjustments to accounting values)). Details of valuation differences relating to *technical provisions* and liability adjustments for *long-term insurance business* are set out in ■ INSPRU 1.2 (Mathematical reserves). In particular, contingent loans or other arrangements which are not valued as a liability under ■ INSPRU 1.2.79 R (2) (Reinsurance) result in a positive valuation difference.

2.2.107

PRA

R

- (1) Subject to (3), this rule applies to an *insurer* that carries on *general insurance business* and which *discounts* or reduces its *technical provisions* for *claims* outstanding.
- (2) An *insurer* of a kind referred to in (1) must deduct from its *capital resources* the difference between the undiscounted *technical provisions* or *technical provisions* before deductions, and the discounted *technical provisions* or *technical provisions* after deductions. This adjustment must be made for all *general insurance business classes*, except for risks listed under *classes 1 and 2*. For *classes* other than 1 and 2, no adjustment needs to be made in respect of the discounting of annuities included in *technical provisions*. For *classes 1 and 2* (other than annuities), if the expected average interval between the settlement date of the *claims* being discounted and the accounting date is not at least four years, the *insurer* must deduct:
 - (a) the difference between the undiscounted *technical provisions* and the discounted *technical provisions*; or
 - (b) where it can identify a subset of *claims* such that the expected average interval between the settlement date of the *claims* and the accounting date is at least four years, the difference between the undiscounted *technical provisions* and the discounted *technical provisions* for the other claims.
- (3) This rule does not apply to a *pure reinsurer* which became a *firm in run-off* before 31 December 2006 and whose *Part 4A permission* has not subsequently been varied to add back the *regulated activity of effecting contracts of insurance*.

Core tier one capital: fund for future appropriations (insurer only)

2.2.108

PRA

R

In relation to an *insurer* the fund for future appropriations means the fund of the same name required by the *insurance accounts rules*, comprising all funds the allocation of which either to *policyholders* or

to shareholders has not been determined by the end of the *financial year*, or the balance sheet items under *international accounting standards* which in aggregate represent as nearly as possible that fund.

Core tier one capital: deferred shares (building society only)

2.2.108A PRA R A *building society* may include a *deferred share* at stage A of the calculation in the *capital resources table* if (in addition to satisfying all the other requirements in relation to *tier one capital*) it is *permanent share capital* and is otherwise equivalent to an ordinary *share* in terms of its capital qualities, taking into account the specific constitution of *building societies* under the Building Societies Act 1986.

2.2.108B PRA G The other main provisions relevant to inclusion of a *deferred share* in *tier one capital* are ■ GENPRU 2.2.62 R (Tier one capital: General), ■ GENPRU 2.2.64 R (General conditions for eligibility as tier one capital), ■ GENPRU 2.2.65 R (Connected transactions) and ■ GENPRU 2.2.80 R (Loss absorption).

Other tier one capital: perpetual non-cumulative preference shares (insurer only)

2.2.109 PRA R In the case of an *insurer*, a perpetual non-cumulative *preference share* may be included at stage B of the calculation in the *capital resources table* if (in addition to satisfying all the other requirements in relation to *tier one capital*) it satisfies the following conditions:

- (1) any *coupon* on it is not cumulative, and the *firm* is under no obligation to pay a *coupon* in any circumstances; and
- (2) it is not an *innovative tier one instrument*.

2.2.110 PRA G The other main provisions relevant to the eligibility of a perpetual non-cumulative *preference share* for inclusion by an *insurer* in *tier one capital* are ■ GENPRU 2.2.62 R (Tier one capital: General), ■ GENPRU 2.2.64 R (General conditions for eligibility as tier one capital), ■ GENPRU 2.2.65 R (Connected transactions), ■ GENPRU 2.2.70 R to ■ GENPRU 2.2.75 R (Redemption of *tier one instruments*) and ■ GENPRU 2.2.80 R (Loss absorption). The *rules* about *innovative tier one capital* are also relevant as they may result in perpetual non-cumulative *preference shares* being treated as *innovative tier one capital*. Perpetual non-cumulative *preference shares* should be perpetual and redeemable only at the *firm's* option. Perpetual *preference shares* should be non-cumulative if they are to be included at stage B of the calculation in the *capital resources table*. Any feature that, in conjunction with a call, would make a *firm* more likely to redeem perpetual non-cumulative *preference shares* would normally result in classification as an *innovative tier one instrument*. Such features would include, but not be limited to, a *step-up*, bonus *coupon* on redemption or redemption at a premium to the original issue price of the *share*.

2.2.111 R [deleted]

2.2.112 G [deleted]

2.2.113

PRA

R

Other tier one capital: innovative tier one capital: general (insurer only)

If, in the case of an *insurer*, an item of capital is stated to be an *innovative tier one instrument* by the rules in ■ GENPRU 2.2, it cannot be included in stages A (Core tier one capital) or B (Perpetual non-cumulative preference shares) of the calculation in the *capital resources table*.

2.2.114

PRA

R

Other tier one capital: innovative tier one capital: redemption (insurer only)

If, in the case of an *insurer*, a *tier one instrument* :

- (1) is redeemable; and
- (2) a reasonable *person* would think that:
 - (a) the *firm* is likely to redeem it; or
 - (b) the *firm* is likely to have an economic incentive to redeem it;

that *tier one instrument* is an *innovative tier one instrument*.

2.2.115

PRA

G

Any feature that in conjunction with a call would make an *insurer* more likely to redeem a *tier one instrument* would normally result in classification as *innovative tier one capital resources*. *Innovative tier one instruments* include but are not limited to those incorporating a *step-up* or principal stock settlement.

Other tier one capital: conditions for eligibility for hybrid capital to be included at the different stages B1, B2 and C of the calculation in the capital resources table (BIPRU firm only)

2.2.115A

FCA PRA

R

A *BIPRU firm* must not include a *capital instrument* at stage B1 of the calculation in the *capital resources table* unless (in addition to satisfying all the other requirements in relation to *tier one capital* and *hybrid capital*) its contractual terms are such that:

- (1) it cannot be redeemed in cash but can only be converted into *core tier one capital*;
- (2) it must be converted into *core tier one capital* by the *firm* during emergency situations;
- (3) the emergency situations referred to in (2):
 - (a) are clearly defined within the terms of the *capital instrument*, legally certain and transparent; and
 - (b) occur at the latest, and include, when the *BIPRU firm* does not meet its *capital resources requirement*;

- (4) the *appropriate regulator* may require its conversion into *core tier one capital* when the *appropriate regulator* considers it necessary;
- (5) it may be converted into *core tier one capital* by the *firm* or the holder of the instrument at any time; and
- (6) the maximum number of *capital instruments* which are *core tier one capital* into which it may be converted must:
 - (a) be determined at the date of its issue;
 - (b) be determined on the basis of the market value of those other instruments at the date of its issue;
 - (c) have an aggregate value equal to its par value; and
 - (d) not increase if the price of those other instruments decreases.

2.2.115B

FCA PRA

G

The intention of ■ GENPRU 2.2.115A R is to ensure that *capital instruments* included in stage B1 of the calculation in the *capital resources table* have the same permanence as *core tier one capital*; the presence of a call option for these instruments may reduce their permanence.

2.2.115C

FCA PRA

G

- (1) In respect of ■ GENPRU 2.2.115A R (4), the *appropriate regulator* may require the *firm* to convert the instrument into *core tier one capital* based on its financial and solvency situation. The *appropriate regulator* will take into account, among other things, the factors identified at ■ GENPRU 2.2.69F G (2), adjusted to take into account the effects of a conversion rather than payment of a *coupon*.
- (2) Even if a *firm* meets its *capital resources requirement*, the *appropriate regulator* may consider the amount or composition of the *firm's tier one capital* as inadequate to cover the financial and solvency risks of the *firm* in which event the *appropriate regulator* may require the *firm* to convert the instrument into *core tier one capital*.

2.2.115D

FCA PRA

R

A *BIPRU firm* may include a *capital instrument* at stage B2 of the calculation in the *capital resources table* if (while satisfying all the other requirements in relation to *tier one capital* and *hybrid capital*) it cannot be included at stage B1 of that calculation as it does not satisfy the requirements of ■ GENPRU 2.2.115A R.

2.2.115E

FCA PRA

G

- (1) The other main provisions relevant to the eligibility of a *capital instrument* to be included at stages B1 and B2 of the calculation in the *capital resources table* are ■ GENPRU 2.2.62 R (Tier one capital: General), ■ GENPRU 2.2.64 R (General conditions for eligibility as tier one capital), ■ GENPRU 2.2.65 R (Connected transactions), ■ GENPRU 2.2.68A R (Dividend stoppers), ■ GENPRU 2.2.70 R to ■ GENPRU 2.2.75 R (Redemption of tier one instruments), ■ GENPRU 2.2.80 R (Loss absorption) and ■ GENPRU 2.2.116 R to ■ GENPRU 2.2.118 R (Other tier one capital: loss absorption).
- (2) The *rule* about *hybrid capital* included at stage C of the calculation in the *capital resources table* in ■ GENPRU 2.2.115F R is also relevant. *Capital instruments* that

would otherwise qualify for inclusion at stages B1 or B2 of the calculation in the *capital resources table* may only be eligible for inclusion at stage C of that calculation.

2.2.115F
FCA PRA

R

A *BIPRU firm* may include a *capital instrument* at stage C of the calculation in the *capital resources table*, and must not include it in stage B1 or B2 of that calculation, if (in addition to satisfying all the other requirements in relation to *tier one capital* and *hybrid capital*) it either:

- (1) is dated; or
- (2) provides an incentive for the *firm* to redeem it, as assessed at the date of its issue.

2.2.115G
FCA PRA

G

An incentive to redeem is a feature of a *capital instrument* that would lead a reasonable market participant to have an expectation that the *firm* will redeem the instrument. The effect of ■ GENPRU 2.2.115F R (2) is that the classification of an instrument that provides an incentive to redeem is always assessed at the date of its issue, and it cannot be reclassified.

Other tier one capital: loss absorption

2.2.116
PRA

R

An *insurer* must not include a *capital instrument* that is not a *share* in its *innovative tier one capital resources* unless (in addition to satisfying all the other requirements in relation to *tier one capital* and *innovative tier one capital*) the *firm's* obligations under the instrument either:

- (1) do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986; or
- (2) do constitute such a liability but the terms of the instrument are such that:
 - (a) any such liability is not relevant for the purposes of deciding whether:
 - (i) the *firm* is, or is likely to become, unable to pay its debts; or
 - (ii) its liabilities exceed its assets;
 - (b) a *person* (including, but not limited to, a holder of the instrument) is not able to petition for the winding up or administration of the *firm* or for any similar procedure in relation to the *firm* on the grounds that the *firm* is or may become unable to pay any such liability; and
 - (c) the *firm* is not obliged to take into account such a liability for the purposes of deciding whether or not the *firm* is, or may become, insolvent for the purposes of section 214 of the Insolvency Act 1986 (wrongful trading).

2.2.116A

FCA PRA

R

A BIPRU firm must not include a *capital instrument* that is not a *share* at stage B1, B2 or C of the calculation in the *capital resources table* unless (in addition to satisfying all the other requirements in relation to *tier one capital* and *hybrid capital*) the *firm's* obligations under the instrument either:

- (1) do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986; or
- (2) do constitute such a liability but the terms of the instrument are such that:
 - (a) any such liability is not relevant for the purposes of deciding whether:
 - (i) the *firm* is, or is likely to become, unable to pay its debts; or
 - (ii) its liabilities exceed its assets;
 - (b) a *person* (including, but not limited to, a holder of the instrument) is not able to petition for the winding up or administration of the *firm* or for any similar procedure in relation to the *firm* on the grounds that the *firm* is or may become unable to pay any such liability; and
 - (c) the *firm* is not obliged to take into account such a liability for the purposes of deciding whether or not the *firm* is, or may become, insolvent for the purposes of section 214 of the Insolvency Act 1986 (Wrongful trading).

2.2.117

FCA PRA

G

The effect of ■ GENPRU 2.2.116 R and ■ GENPRU 2.2.116A R is that if a *potential tier one instrument* does constitute a liability, this should only be the case when the *firm* is able to pay that liability but chooses not to do so. As *tier one capital resources* for an *insurer* should be undated, this will generally only be relevant on a solvent winding up of the *firm*. The holder should agree that the *firm* has no liability (including any contingent or prospective liability) to pay any amount to the extent to which that liability would cause the *firm* to become insolvent if it made the payment or to the extent that its liabilities exceed its assets or would do if the payment were made. The terms of the *capital instrument* should be such that the *directors* can continue to trade in the best interests of the senior creditors even if this prejudices the interests of the holders of the instrument.

2.2.117A

FCA PRA

R

A BIPRU firm must not include a *capital instrument* at stage B1, B2 or C of the calculation in the *capital resources table* unless (in addition to satisfying all the other requirements in relation to *tier one capital* and *hybrid capital*) its contractual terms provide for a mechanism within the instrument which:

- (1) is clearly defined and legally certain;
- (2) is disclosed and transparent to the market;

- (3) makes the recapitalisation of the *firm* more likely by adequately reducing the potential future outflows to a holder of the *capital instrument* at certain trigger points;
- (4) enables the *firm*, at and after the trigger points, to operate the mechanism; and
- (5) when initiated, operates in one of the following ways:
 - (a) the principal of the instrument is written down permanently; or
 - (b) the principal of the instrument is written down temporarily. During the write-down period any *coupon* payable on the instrument must be cancelled and any related dividend stoppers and pushers must operate in a way that does not hinder recapitalisation; or
 - (c) the instrument is converted into *core tier one capital*. The maximum number of *capital instruments* which are *core tier one capital* into which it must be converted must:
 - (i) be determined at the date of its issue;
 - (ii) be determined on the basis of the market value of those other instruments at the date of its issue;
 - (iii) have an aggregate value no more than 150% of its par value; and
 - (iv) not increase if the share price decreases; or
 - (d) an alternative process applies which has the same or greater effect on the likelihood of recapitalisation as (a), (b), and (c).

2.2.117B

FCA PRA

R

The trigger points required by ■ GENPRU 2.2.117A R (3) must:

- (1) be clearly defined within the instrument and legally certain;
- (2) be disclosed and transparent to the market; and
- (3) be prudent and timely, and include trigger points which occur:
 - (a) before a breach of the *firm's capital resources requirement* and both:
 - (i) when the *firm's* losses lead to a significant reduction of the *firm's* retained earnings or other reserves which causes a significant deterioration of the *firm's* financial and solvency conditions; and
 - (ii) when it is reasonably foreseeable that the events described in (i) will occur; and

(b) when the *firm* is in breach of its *capital resources requirement*.

2.2.117C

G

FCA PRA

- (1) The effects of the mechanisms described in ■ GENPRU 2.2.117A R will be more meaningful if they happen immediately after losses cause a significant deterioration of the financial as well as the solvency situation and even before the reserves are exhausted.
- (2) If a *firm* does not operate the loss absorption mechanism in a prudent and timely way, then the *appropriate regulator* may consider using its powers under 55J of the *Act* to, on its own initiative, vary the *firm's Part 4A permission* to require it to operate the mechanism.

2.2.118

R

FCA PRA

- (1) An *insurer* may not include an *innovative tier one instrument*, unless it is a *preference share*, in its *tier one capital resources* unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in ■ GENPRU 2.2.64R (6) (loss absorption) and ■ GENPRU 2.2.80 R to ■ GENPRU 2.2.81 R (Loss absorption) are met.
- (2) A *BIPRU firm* may not include a *capital instrument* at stage B1, B2 or C of the calculation in the *capital resources table* unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in ■ GENPRU 2.2.62 R (Tier one capital: General), ■ GENPRU 2.2.64 R (1) to ■ GENPRU 2.2.64 R (9) (General conditions for eligibility as tier one capital) and ■ GENPRU 2.2.80 R to ■ GENPRU 2.2.81 R (Loss absorption) are met.

2.2.118A

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FCA PRA

For the purposes of ■ GENPRU 2.2.118R (2), the focus of the legal opinion in considering ■ GENPRU 2.2.64R (6)(b) should be on whether appropriate mechanisms exist and are designed to operate to ensure that the value of the *hybrid capital* instrument and the position of the *hybrid capital* holder are not enhanced by recapitalisation.

2.2.119

G

FCA PRA

For the purpose of ■ GENPRU 2.2.118 R, an independent legal opinion may be given by an *employee* of that *firm*, but if an *employee* does so he should not be part of the business unit responsible for the transaction (including the drafting of the issue documentation).

Other tier one capital: innovative tier one capital: coupons (insurer only)

2.2.120

R

PRA

In the case of an *insurer*, a *tier one instrument* with a cumulative or mandatory *coupon* is an *innovative tier one instrument*.

Other tier one capital: innovative tier one capital: step-ups (insurer only)

2.2.121

R

PRA

If, in the case of an insurer:

- (1) a *potential tier one instrument* is or may become subject to a *step-up*; and

- (2) that *potential tier one instrument* is redeemable at any time (whether before, at or after the time of the *step-up*);

that *potential tier one instrument* is an *innovative tier one instrument*.

2.2.122

G

See ■ GENPRU 2.2.146 R to ■ GENPRU 2.2.154 G for further *rules* and *guidance* on *step-ups*.

PRA

Other tier one capital: hybrid capital: indirectly issued tier one capital (BIPRU firm only)

2.2.123

R

■ GENPRU 2.2.123 R to ■ GENPRU 2.2.137 R apply to a *BIPRU firm*.

FCA PRA

2.2.124

R

- (1) ■ GENPRU 2.2.123 R - ■ GENPRU 2.2.137 R apply to capital of a *firm* if:

FCA PRA

- (a) either or both of the conditions in (2) are satisfied; and
- (b) any of the *SPVs* referred to in (2) is a *subsidiary undertaking* of the *firm*.

- (2) The conditions referred to in (1) are:

- (a) that capital is issued to an *SPV*; or
- (b) the subscription for the capital issued by the *firm* is funded directly or indirectly by an *SPV*.

- (3) A *BIPRU firm* may not include capital coming within this *rule* in its *capital resources* unless the requirements in the following *rules* are satisfied:

- (a) (if (2)(a) applies and (2)(b) does not) ■ GENPRU 2.2.127 R, ■ GENPRU 2.2.129 R and ■ GENPRU 2.2.132 R; or
- (b) (in any other case) ■ GENPRU 2.2.133 R.

2.2.125

R

A *BIPRU firm* may only count capital to which ■ GENPRU 2.2.124 R applies at stage C of the calculation in the *capital resources table*.

FCA PRA

2.2.126

R

For the purpose of ■ GENPRU 2.2, an *SPV* is, in relation to a *BIPRU firm*, any *undertaking* whose main activity is to raise funds for that *firm* or for a *group* to which that *BIPRU firm* belongs.

FCA PRA

2.2.127

R

The *SPV* referred to in ■ GENPRU 2.2.124 R (2)(a) must satisfy the following conditions:

FCA PRA

- (1) it is controlled by the *firm* and may not operate independently of the *firm*;

- (2) the rights of investors in the *SPV* who do not belong to the *group* of the *BIPRU firm* in question are not such as to affect the ability of the *firm* to control the *SPV*;
- (3) all or virtually all of its *exposures* (calculated by reference to the amount) consist of *exposures* to the *firm* or to that *firm's group* ; and
- (4) it is incorporated under, and governed by, the laws and jurisdiction of England and Wales, Scotland or Northern Ireland.

2.2.128

G

FCA PRA

An *SPV* could take the form of a limited partnership. In such an arrangement, holders of a *capital instrument* issued by the *SPV* which do not belong to the *group* of the *BIPRU firm* in question should have no right to participate in the management of the partnership, whether under the partnership's constitutional documents or the transaction documents. In general, this means that they should be treated as limited partners. It is expected that the general partner, having control of the *SPV*, would be the *firm*.

2.2.128A

R

FCA PRA

■ GENPRU 2.2.127 R (4) does not apply if the *firm* has conducted a properly reasoned analysis confirming that any potential risks, including legal and operational risks, associated with cross-border issues, which undermine the quality of the capital for the issuer, that arise from an *SPV* not being incorporated under or governed by the laws and jurisdiction of England and Wales, Scotland or Northern Ireland, are adequately mitigated.

2.2.128B

R

FCA PRA

The analysis must be set out in writing and dated before the date of issue of the *capital instrument* and the *firm* must be able to show that the analysis has been fully considered as part of its decision to proceed with the issue. The analysis must be conducted by a person or persons appropriately qualified to assess the relevant risks and that person may be an independent adviser or an employee of the *firm* who is not part of the business unit responsible for the transaction (including the drafting of the issue documentation).

2.2.129

R

FCA PRA

The *SPV* referred to in ■ GENPRU 2.2.124 R (2)(a) must fund its subscription for the capital issued by the *firm* by the issue of capital that satisfies the following conditions:

- (1) it must comply with the conditions for qualification as *tier one capital*, as amended by ■ GENPRU 2.2.130 R, as if the *SPV* was itself a *firm* seeking to include that capital in its *tier one capital resources*;
- (2) (a) its terms must include an obligation on the *firm* that, in the event of a collapse of the *SPV* structure, and if the mechanism contained within the instrument under ■ GENPRU 2.2.117A R is a conversion, the *firm* must substitute the *capital instrument* issued by the *SPV* with *core tier one capital* issued by the *firm*; and

- (b) there must be no obstacle to the *firm's* issue of new securities;
- (3) the conversion ratio in respect of the substitution described in (2) must be fixed when the *SPV* issues the *capital instrument*;
- (4) to the extent that investors have the benefit of an obligation by a *person* other than the *SPV*:
 - (a) that obligation must be one owed by a member of the *firm's group*; and
 - (b) the extent of that obligation must be no greater than would be permitted by *GENPRU* if that obligation formed part of the terms of a *capital instrument* issued by that member which complied with the *rules* in *GENPRU* relating to *tier one capital* included at stage C of the calculation in the *capital resources table*; and
- (5) if the *SPV* structure collapses, the holder of it has no better a claim against the *firm* than a holder of the same type of instrument directly issued by the *firm*.

2.2.130

FCA PRA

R

For the purpose of ■ GENPRU 2.2.129 R and ■ GENPRU 2.2.132 R, ■ GENPRU 2.2.118 R (Requirement to obtain a legal opinion) does not apply.

2.2.131

FCA PRA

R

In relation to the obligation to substitute described in ■ GENPRU 2.2.129 R (2), a *firm* must take all reasonable steps to ensure that it has at all times authorised and unissued *capital instruments* which are *core tier one capital* (and the authority to issue them) sufficient to discharge its obligation to substitute.

2.2.131A

FCA PRA

G

■ GENPRU 2.2.129 R (2) and ■ GENPRU 2.2.131 R allow a *firm* to replace the capital issued by the *SPV* with *capital instrument* which are *core tier one capital*.

2.2.132

FCA PRA

R

The capital which the *firm* seeks to include in its *capital resources* under ■ GENPRU 2.2.124 R (3)(a) must satisfy the following conditions:

- (1) it meets the conditions for inclusion in *tier one capital* (subject to ■ GENPRU 2.2.130 R);
- (2) its first call date (if any) must not arise before that on the instrument issued by the *SPV*; and
- (3) its terms relating to repayment must be the same as those of the instrument issued by the *SPV*.

2.2.133

R

FCA PRA

- (1) This rule deals with any transaction:
 - (a) under which an *SPV* directly or indirectly funds the subscription for capital issued by the *firm* as described in
 - GENPRU 2.2.124 R; or
 - (b) that is directly or indirectly funded by a transaction in (1)(a).
- (2) Each *undertaking* that is a party to a transaction to which this *rule* applies (other than the *firm*) must be a *subsidiary undertaking* of the *firm*.
- (3) Each *SPV* that is a party to a transaction to which this *rule* applies must comply with ■ GENPRU 2.2.127 R.
- (4) Any capital to which (1) applies (other than the capital that is to be included in the *firm's capital resources*) must be in the form of capital that complies with ■ GENPRU 2.2.129 R (1) and ■ GENPRU 2.2.129 R (4), whether or not issued by an *SPV*.
- (5) The obligations in ■ GENPRU 2.2.129 R (2) and ■ GENPRU 2.2.129 R (3) only apply to capital issued by an *SPV* at the end of the chain of transactions beginning with the issue of capital by the *firm* referred to in ■ GENPRU 2.2.124 R.
- (6) ■ GENPRU 2.2.132 R applies to the capital issued by the *firm* as referred to in ■ GENPRU 2.2.124 R. For these purposes references in ■ GENPRU 2.2.132 R to the instrument issued by the *SPV* are to the instrument referred to in (5).

2.2.134

G

FCA PRA

The purpose of ■ GENPRU 2.2.133 R is to deal with a capital-raising under which the capital raised by a special purpose vehicle is passed through a number of *undertakings* before it is invested in the *firm*. If the *capital resources* of the *firm* fall below, or are likely to fall below, its *capital resources requirement* the *firm* should replace the capital issued by that first special purpose vehicle with a *tier one instrument* directly issued by the *firm* which complies with ■ GENPRU 2.2.129 R (2) .

2.2.135

R

FCA PRA

A *firm* which satisfies the conditions for the inclusion of capital set out in ■ GENPRU 2.2.124 R, must, in addition, if that transaction is in any respect unusual, notify the *appropriate regulator* at least one *Month* in advance of the date on which the *firm* intends to include that capital in its *capital resources*.

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71

2.2.136

G

FCA PRA

The *appropriate regulator* is likely to consider as unusual a transaction which involves the raising by the *firm* of *tier one capital* through a *subsidiary undertaking* of that *firm* that is not an *SPV*. The *appropriate regulator* would expect a *firm* to request individual *guidance* in such circumstances.

2.2.137

FCA PRA

R

A *firm* must ensure that, in relation to a transaction falling within

■ GENPRU 2.2.124 R:

- (1) the marketing document for the transaction contains all the information which a reasonable third party would require to understand the transaction fully and its effect on the financial position of the *firm* and its *group*; and
- (2) the information in (1) and the transaction are easily comprehensible without the need for additional information about the *firm* and its *group*.

Tier one capital: Conversion ratio

2.2.138

FCA PRA

R

(1) This *rule* applies to a *potential tier one instrument* if:

- (a) it is redeemable by the *firm* (ignoring ■ GENPRU 2.2.77 R (Meaning of redemption));
- (b) it provides that if the issuer does not exercise that right or does not do so in specified circumstances the issuer must or may have to redeem it in whole or in part through the issue of *shares* eligible for inclusion in the *firm's tier one capital resources* or the instrument converts or may convert into such *shares*; and
- (c) ■ GENPRU 2.2.77 R means that the obligation in (1)(b) is treated as not being inconsistent with ■ GENPRU 2.2.70 R (1) (*Tier one capital* should not be redeemable at the option of the holder).

(2) A *firm* must not include a *potential tier one instrument* to which this *rule* applies in its *tier one capital resources* if:

- (a) the conversion ratio as at the date of redemption may be greater than the conversion ratio as at the time of issue by more than:
 - (i) in the case of a *BIPRU firm*, 150%; and
 - (ii) in the case of an *insurer*, 200%; or
- (b) the market price of the conversion instruments issued in relation to one unit of the original capital item (plus any cash element of the redemption) may be greater than the issue price of that original capital item.

(3) All determinations under this *rule* are made as at the date of issue of the original capital item.

2.2.139

FCA PRA

R

In ■ GENPRU 2.2.138 R to ■ GENPRU 2.2.142 R:

- (1) the original capital item means the capital item that is being redeemed; and
- (2) the conversion instrument means the *tier one capital* to be issued on its redemption.

2.2.140

FCA PRA

R

In ■ GENPRU 2.2.138 R to ■ GENPRU 2.2.142 R, the conversion ratio means the ratio of:

- (1) the number of units of the conversion instrument that the *firm* must issue to satisfy its redemption obligation (so far as it is to be satisfied by the issue of conversion instruments) in respect of one unit of the original capital item; to
- (2) one unit of the original capital item.

2.2.141

FCA PRA

R

In ■ GENPRU 2.2.138 R to ■ GENPRU 2.2.142 R, the conversion ratio as at the date of issue of the original capital item is calculated as if the original capital item were redeemable at that time.

2.2.142

FCA PRA

R

If the conversion instruments or the original capital item are subdivided or consolidated or subject to any other occurrence that would otherwise result in like not being compared with like, the conversion ratio calculation in ■ GENPRU 2.2.138 R must be adjusted accordingly.

2.2.143

FCA PRA

G

- (1) The significance of the limitations on conversion in ■ GENPRU 2.2.138 R (2) can be seen in the example in this paragraph, which uses the conversion ratio applicable to an *insurer*.
- (2) An *insurer* issues innovative notes with a par value of £100 each. The terms of the instrument provide that if the instrument is not called at par at the first call date the notes convert into a variable number of ordinary *shares*.
- (3) If the market price of the ordinary *shares* is 400 pence per share on the day of issue of the innovative notes then the maximum number of ordinary *shares* (M) that a single £100 par value innovative note can be converted into is calculated as follows:
 - (a) $M = \text{Par value of innovative instrument} * 200\% / \text{market value of ordinary share}$;
 - (b) $M = £100 * 2 / £4 = 50 \text{ shares}$.
- (4) The practical effect is that conversion will result in the holder of an innovative capital note receiving ordinary *shares* equal to the par value of that note only when the market price of the ordinary *shares* remains above half the market price of the *shares* at the date of issue of the notes.
- (5) If the market price of the ordinary *shares* fell by half to 200 pence, the maximum permitted number of *shares* (50) would have to be issued in order to give an

2.2.144

FCA PRA

G

investor in the innovative note ordinary *shares* with a market value equal to £100. If the market price of the ordinary *shares* fell below 200 pence, the issue of the maximum permitted number of ordinary *shares* would have a market value below £100.

- (1) In addition to the maximum conversion ratios of 200% for an *insurer* and 150% for a *BIPRU firm*, ■ GENPRU 2.2.138 R (2)(b) does not permit a *firm* to issue *shares* that would have a market value that exceeds the issue price of the instrument being redeemed.
- (2) In the example in ■ GENPRU 2.2.143 G, if the market value of the ordinary *shares* was 250 pence at the conversion date, the maximum number of ordinary *shares* that may be issued to satisfy the redemption of one of the £100 par value innovative notes would be 40 (= £100 / £2.5).

2.2.145

FCA PRA

R

Tier one capital: Requirement to have sufficient unissued stock

- (1) This *rule* applies to a *potential tier one instrument* of a *firm* where either:
 - (a) the redemption proceeds; or
 - (b) any *coupon* on that capital item;

can be satisfied by the issue of another *capital instrument*.

- (2) A *firm* may only include an item of capital to which this *rule* applies in its *tier one capital resources* if the *firm* has authorised and unissued *capital instruments* of the kind in question (and the authority to issue them):
 - (a) that are sufficient to satisfy all such payments then due; and
 - (b) are of such amount as is prudent in respect of such payments that could become due in the future.

2.2.146

FCA PRA

R

Step-ups: calculating the size of a step-up

- (1) Where a *rule* in this section says that a particular treatment applies to an item of capital that is subject to a *step-up* of a specified amount, the question of whether that *rule* is satisfied must be judged by reference to the cumulative amount of all *step-ups* since the issue of that item of capital rather than just by reference to a particular *step-up*.
- (2) Where a *step-up* arises through a change from paying a *coupon* on a debt instrument to paying a dividend on a *share* issued in settlement of the *coupon*, any net cost to the *firm* arising from the different tax treatment of the dividend compared to the tax treatment of interest may be ignored for the purpose of assessing the effect of that *step-up*.

Step-ups: Limits on the amount of step-ups on tier one and two capital

2.2.147

R

FCA PRA

- (1) A *firm* may not include in its *tier one capital resources* a *tier one instrument* that is or may be subject to a *step-up* that does not meet the definition of moderate in the press release of the Basle Committee on Banking Supervision of 27th October 1998 called "Instruments eligible for inclusion in Tier 1 capital".
- (2) For the purpose of (1) the words in that press release "than, at national supervisory discretion, either" are replaced by "than the higher of the following two amounts".
- (3) The calculations required by this *rule* and ■ GENPRU 2.2.151 R must be carried out as at the date of issue of the relevant instrument.
- (4) A *BIPRU firm* may not include a *capital instrument* in its *tier one capital resources* if it is redeemable and subject to more than one *step-up*.

2.2.148

G

FCA PRA

The effect of ■ GENPRU 2.2.147 R is that for inclusion in *tier one capital resources*, *step-ups* in instruments should be moderate. A moderate *step-up* for these purposes is one which results in an increase over the initial rate that is no greater than the higher of the following two amounts:

- (1) 100 basis points, less the swap spread between the initial index basis and the stepped-up index basis; or
- (2) 50% of the initial credit spread, less the swap spread between the initial index basis and the stepped-up index basis.

2.2.149

G

FCA PRA

If a *coupon* paid on an item of capital is initially set at a specified spread above an index (the initial index basis), and the *coupon* moves to being set relative to another index (the stepped up index basis), there will be an implied *step-up* (positive or negative) even if the specified spread does not change. This is because each index may itself include a spread relative to the risk free rate and this spread may differ between the two indexes. The deduction of the swap spread in ■ GENPRU 2.2.148 G (1) and ■ (2) above adjusts for this difference.

2.2.150

G

FCA PRA

Where the *step-up* involves a conversion from fixed to floating (or vice versa), or a switch in basis index, the swap spread should be fixed at pricing date, reflecting the differential in pricing between indices at the time. The significance of deducting the swap spread can be seen by the following example:

- (1) the pricing date:
 - (a) 10 year gilts (G) = 5.5% (the initial index basis);
 - (b) 3 month LIBOR is the stepped up index basis and the 10 year mid swap rate (L) = 5.9%;
 - (c) initial fixed *coupon* rate = G + 200bp;
 - (d) swap spread = 0.4% (= 5.9% - 5.5%);
 - (e) initial fixed coupon rate = 7.5%;

- (f) the swap spread shows that there is 40bps of spread in the stepped up index basis relative to the initial index basis; and
 - (g) the initial fixed coupon rate of 7.5% is equivalent to the mid swap rate + 160bp, or $L + 200\text{bp} - \text{the swap spread}$;
- (2) pricing of *stepped-up* rate at year 10 with *step-up* of 100bp without deducting swap spread:
- (a) *stepped-up* floating rate = $L + 200 + 100\text{bp step-up} = 8.9\%$; and
 - (b) effective *step-up* from initial fixed rate of 140bp (= $8.9\% - 7.5\%$); and
- (3) pricing of *stepped-up* rate at year 10 with step-up of 100bp with deduction of the swap spread:
- (a) *stepped-up* floating *coupon* rate = $L + 200$ less 40bp swap spread (difference between 5.5% and 5.9%) + 100bp step-up = 8.5%
 - (b) effective *step-up* from initial rate of 100bp (= $8.5\% - 7.5\%$).

2.2.151

FCA PRA

R

- (1) Subject to (2), if a *tier two instrument* is or may be subject to a *step-up* that does not meet the definition of moderate in the press release of the Basle Committee on Banking Supervision referred to in ■ GENPRU 2.2.147 R (1) as adjusted under ■ GENPRU 2.2.147 R (2), the first date that a *step-up* can take effect is deemed to be its final maturity date if that date is before its actual maturity date.

- (2) If a *tier two instrument*:

- (a) is or may be subject to a *step-up* during the period beginning on the fifth anniversary of the date of issue of that item and ending immediately before the tenth anniversary of the date of issue; and
- (b) the *step-up* or possible *step-up* is one which may result in an increase over the initial rate that is greater than 50 basis points, less the swap spread between the initial index basis and the stepped-up index basis (all these terms must be interpreted in accordance with ■ GENPRU 2.2.147 R);

the first date that a *step-up* can take effect is deemed to be its final maturity date if that date is before its actual maturity date.

2.2.152

FCA PRA

R

An instrument does not breach ■ GENPRU 2.2.147 R or as the case may be, is not subject to a deemed maturity date under ■ GENPRU 2.2.151 R, even though it is or may be subject to a *step-up* that exceeds the amount specified in those *rules* if:

- (1) the instrument is fungible with other instruments (the "existing stock") that are included in the *firm's tier one capital resources*

(in the case of ■ GENPRU 2.2.147 R) or *tier two capital resources* (in the case of ■ GENPRU 2.2.151 R);

- (2) (if there has been no more than one previous issue of the existing stock) the existing stock complied with those limits on its date of issue;
- (3) (if there has been more than one previous issue of the existing stock) the first such issue of the existing stock complied with those limits on its date of issue; and
- (4) the result of the *step-up* on the instrument to which this *rule* applies is that the *coupon* on that instrument and the *coupon* on the existing stock is the same.

2.2.153

R

FCA PRA

- (1) A *firm* must not include in its *tier one capital resources* a *potential tier one instrument* that is or may become subject to a *step-up* if that *step-up* can arise earlier than the tenth anniversary of the date of issue of that item of capital.

- (2) A *firm* must not include in its *tier two capital resources* a *capital instrument* that is or may become subject to a *step-up* if that *step-up* can arise earlier than the fifth anniversary of the date of issue of that item of capital.

2.2.154

G

FCA PRA

Debt instruments containing embedded options, e.g. issues containing options for the interest rate after the *step-up* to be at a margin over the higher of two (or more) reference rates, or for the interest rate in the previous period to act as a floor, may affect the funding costs of the borrower and imply a *step-up*. In such circumstances, a *firm* may wish to seek individual *guidance* on the application of the *rules* relating to *step-ups* to the *capital instrument* in question. See ■ SUP 9 (Individual guidance) for the process to be followed when seeking individual *guidance*.

Deductions from tier one: Intangible assets

2.2.155

R

FCA PRA

A *firm* must deduct from its *tier one capital resources* the value of intangible assets.

2.2.156

G

FCA PRA

Intangible assets include goodwill as defined in accordance with the requirements referred to in ■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied) applicable to the *firm*. The treatment of deferred acquisition cost assets for *BIPRU investment firms* is dealt with in ■ GENPRU 1.3 (Valuation); they should not be deducted as an intangible asset.

Tier two capital: General

2.2.157

G

FCA PRA

Tier two capital resources are split into upper and lower tiers. A major distinction between *upper* and *lower tier two capital* is that, except as provided by ■ GENPRU 2.2.26A R for *BIPRU firms*, only perpetual instruments may be included in *upper tier two capital* whereas dated instruments, such as fixed term *preference shares* and dated subordinated debt, may be included in *lower tier two capital*.

2.2.158

FCA PRA

G

Tier two instruments are *capital instruments* that combine the features of debt and equity in that they are structured like debt, but exhibit some of the loss absorption and funding flexibility features of equity.

General conditions for eligibility as tier two capital instruments

2.2.159

FCA PRA

R

A *capital instrument* must not form part of the *tier two capital resources* of a *firm* unless it meets the following conditions:

- (1) the claims of the creditors must rank behind those of all unsubordinated creditors;
- (2) the only events of default must be non-payment of any amount falling due under the terms of the *capital instrument* or the winding-up of the *firm* and any such event of default must not prejudice the subordination in (1);
- (3) to the fullest extent permitted under the laws of the relevant jurisdictions, the remedies available to the subordinated creditor in the event of non-payment or other breach of the terms of the *capital instrument* must (subject to ■ GENPRU 2.2.161 R) be limited to petitioning for the winding-up of the *firm* or proving for the debt in the liquidation or administration;
- (4) any:
 - (a) remedy permitted by (3);
 - (b) remedy that cannot be excluded under the laws of the relevant jurisdictions as referred to in (3);
 - (c) remedy permitted by ■ GENPRU 2.2.161 R; and
 - (d) terms about repayment as referred to in (5);
 must not prejudice the matters in (1) and (2) and in particular any damages permitted by (b) or (c) and repayment obligation must be subordinated in accordance with (1);
- (5) without prejudice to (1), the debt must not become due and payable before its stated final maturity date (if any) except on an event of default complying with (2) or as permitted by ■ GENPRU 2.2.172 R (Repayment at the option of the issuer) or ■ GENPRU 2.2.194 R (2) (Repayment of *lower tier two capital* at the option of the holder) and any remedy described in (4)(a) to (c) must not prejudice this requirement;
- (6) the debt agreement or terms of the *capital instrument* are governed by the law of England and Wales, or of Scotland or of Northern Ireland;

- (7) to the fullest extent permitted under the laws of the relevant jurisdictions, creditors must waive their right to set off amounts they owe the *firm* against subordinated amounts included in the *firm's capital resources* owed to them by the *firm*;
- (8) the terms of the *capital instrument* must be set out in a written agreement that contains terms that provide for the conditions set out in (1) to (7);
- (9) the debt must be unsecured and fully paid up;
- (10) the description of its characteristics used in its marketing is consistent with the characteristics required to satisfy (1) to (9) and, where it applies, ■ GENPRU 2.2.271 R (Other requirements: insurers carrying on with-profits business (Insurer only));
- (11) the amount of the item included must be net of any foreseeable tax charge at the moment of its calculation or must be suitably adjusted in so far as such tax charges reduce the amount up to which that item may be applied to cover risks or losses; and
- (12) the *firm* has obtained a properly reasoned independent legal opinion from an appropriately qualified individual stating that the requirements in (1) to (7) and (insofar as it relates to whether the *capital instrument* is unsecured) (9) have been met.

2.2.160 R
PRA

A holder of a non-deferred share of a *building society* must be treated as a senior unsecured creditor of that *building society* for the purpose of ■ GENPRU 2.2.159 R.

General conditions for eligibility as tier two capital instruments: Additional remedies

2.2.161 R
FCA PRA

A *capital instrument* may be included in a *firm's tier two capital resources* even though the remedies available to the subordinated creditor go beyond those referred to in ■ GENPRU 2.2.159 R (3), if the following conditions are satisfied:

- (1) those remedies are not available for failure to pay any amount of principal, interest or expenses or in respect of any other payment obligation; and
- (2) those remedies do not in substance amount to remedies to recover payment of the amounts in (1).

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79

2.2.162 G
FCA PRA

If damages are a remedy that cannot be excluded as referred to in ■ GENPRU 2.2.159 R (3) those damages should be subordinated in accordance with ■ GENPRU 2.2.159 R (1). Damages permitted by ■ GENPRU 2.2.161 R should also be subordinated in accordance with ■ GENPRU 2.2.159 R (1).

General conditions for eligibility as tier two capital instruments: Alternative governing laws

2.2.163
FCA PRA

R

■ GENPRU 2.2.159 R (6) does not apply if the *firm* has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the same degree of subordination has been achieved under the law that governs the debt and the agreement as that which would have been achieved under the laws of England and Wales, Scotland, or Northern Ireland.

General conditions for eligibility as tier two capital instruments: Standard form documentation

2.2.164
FCA PRA

G

The *appropriate regulator* is more concerned that the subordination provisions listed in ■ GENPRU 2.2.159 R should be effective than that they should follow a particular form. The *appropriate regulator* does not, therefore, prescribe that the loan agreement or *capital instrument* should be drawn up in a standard form.

Guidance on the general conditions for eligibility as tier two capital instruments

2.2.165
FCA PRA

G

For the purposes of ■ GENPRU 2.2.159 R (5) the debt agreement or terms of the instrument should not contain any clause which might require early repayment of the debt (e.g. cross default clauses, negative pledges and restrictive covenants). A cross default clause is a clause which says that the loan goes into default if any of the borrower's other loans go into default. It is intended to prevent one creditor being repaid before other creditors, e.g. obtaining full repayment through the courts. A negative pledge is a clause which puts the loan into default if the borrower gives any further charge over its assets. A restrictive covenant is a term of contract that directly, or indirectly, could lead to early repayment of the debt. Some covenants, e.g. relating to the provision of management information or ownership restrictions, are likely to comply with ■ GENPRU 2.2.159 R (3) as long as monetary redress is ruled out, or any payments are covered by the subordination clauses.

2.2.166
FCA PRA

G

■ GENPRU 2.2.159 R (3) allows a *capital instrument* to form part of the *tier two capital resources* even though the laws of the relevant jurisdiction do not allow remedies to be limited in the way described there. For example it is not possible to limit certain remedies in the case of an issue in the United States that is SEC-registered and subject to the provisions of the Trust Indenture Act.

2.2.167
FCA PRA

G

The purpose of ■ GENPRU 2.2.159 R (7) is to ensure that all of the *firm's* assets are available to *consumers* ahead of subordinated creditors. The waiver should apply both before and during liquidation or administration.

2.2.168
FCA PRA

G

The *guidance* in ■ GENPRU 2.2.119 G (Employee may give legal opinion) also applies for the purpose of ■ GENPRU 2.2.159 R (12) and ■ GENPRU 2.2.163 R.

Tier two capital instruments: Connected transactions

2.2.169
FCA PRA

R

An item of capital does not comply with ■ GENPRU 2.2.159 R (General conditions for eligibility as tier two *capital instruments*) or

■ GENPRU 2.2.177 R (Upper tier two capital: General) if the issue of that item of capital by the *firm* is connected with one or more other transactions which, when taken together with the issue of that item, could result in that item of capital no longer displaying all of the characteristics set out in whichever of those *rules* apply.

2.2.170
FCA PRA

G

■ GENPRU 2.2.66 G (*Guidance* on ■ GENPRU 2.2.65 R) applies to ■ GENPRU 2.2.169 R in the same way as it does to ■ GENPRU 2.2.65 R (The equivalent of ■ GENPRU 2.2.169 R in relation to *tier one capital*).

Amendment of tier two instruments

2.2.171
FCA PRA

R

A *firm* must not amend the terms of the capital or the documents referred to in ■ GENPRU 2.2.159 R (8) unless:

- (1) at least one *Month* before the amendment is due to take effect, the *firm* has given the *appropriate regulator* notice in writing of the proposed amendment and the *appropriate regulator* has not objected; and
- (2) that notice includes confirmation that the legal opinions referred to in ■ GENPRU 2.2.159 R (12) and, if applicable, ■ GENPRU 2.2.163 R (General conditions for eligibility as tier two *capital instruments*: Alternative governing laws) and ■ GENPRU 2.2.181 R (Legal opinions for *upper tier two instruments*), continue in full force and effect in relation to the terms of the debt and documents after any proposed amendment.

Redemption of tier two instruments

2.2.172
FCA PRA

R

A *tier two instrument* may be redeemable at the option of the *firm*, but any term of the instrument providing for the *firm* to have the right to exercise such an option must not provide for that right to be exercisable earlier than the fifth anniversary of the date of issue of the instrument.

2.2.173
FCA PRA

R

■ GENPRU 2.2.71 R to ■ GENPRU 2.2.73 G (*Tier one instruments* may be redeemed by the issuer before the fifth anniversary in limited circumstances) apply to ■ GENPRU 2.2.172 R in the same way as they do
 ■ GENPRU 2.2.70 R (The issuer should not redeem *tier one capital* before the fifth anniversary).

2.2.174
FCA PRA

R

In relation to a *tier two instrument*, a *firm* must notify the *appropriate regulator*:

- (1) in the case of an *insurer*, six *Months*; and
- (2) in the case of a *BIPRU firm*, one *Month*;

before it becomes committed to the proposed repayment (unless that *firm* intends to repay an instrument on its final maturity date) . When giving

notice, the *firm* must provide details of its position after such repayment in order to show how it will:

- (3) meet its *capital resources requirement*; and
- (4) have sufficient financial resources to meet the *overall financial adequacy rule*.

Tier two capital: step-ups

2.2.175

FCA PRA

G

The *rules* and *guidance* in ■ GENPRU 2.2.146 R to ■ GENPRU 2.2.154 G on *step-ups* cover *tier two capital* as well as *tier one capital*.

Upper tier two capital: General

2.2.176

FCA PRA

G

Examples of *capital instruments* which may be eligible to count in *upper tier two capital resources* include the following:

- (1) perpetual cumulative *preference shares*;
- (2) perpetual subordinated debt; and
- (3) other instruments that have the same economic characteristics as (1) or (2).

2.2.177

FCA PRA

R

A *capital instrument* must (in addition to meeting the requirements of the *rules* about eligibility for inclusion in *tier two capital*) meet the following conditions before it can be included in a *firm's upper tier two capital resources*:

- (1) it must have no fixed maturity date;
- (2) the terms of the instrument must provide for the *firm* to have the option to defer any *coupon* on the debt, except that the *firm* need not have that right in the case of a *coupon* payable in the form of an item of capital that is included in the *same stage of capital* or a *higher stage of capital* as that first item of capital;
- (3) the terms of the instrument must provide for the loss-absorption capacity of the *capital instrument* and unpaid *coupons*, whilst enabling the *firm* to continue its business;
- (4) it meets the conditions in ■ GENPRU 2.2.169 R (Connected transactions) and ■ GENPRU 2.2.180 R (Loss absorption); and
- (5) the terms of the instrument are such that either the instrument or debt is not redeemable or repayable or it is repayable or redeemable only at the option of the *firm*.

2.2.178

R

FCA PRA

If a *firm* gives notice of the redemption or repayment of an *upper tier two instrument*, the *firm* must no longer include it in its *upper tier two capital resources*.

2.2.179

G

FCA PRA

- (1) The purpose of ■ GENPRU 2.2.177 R (2) is to ensure that a *firm* which issues an item of capital with a *coupon* retains flexibility over the payments of such *coupon* and can preserve cash in times of financial stress. However, a *firm* may include, as part of the capital instrument terms, a right to make payments of a *coupon* mandatory if an item of capital becomes ineligible to form part of its *capital resources* (for example, through a change in the relevant *rules*) and the *firm* has notified the *appropriate regulator* that the instrument is ineligible.
- (2) For the purpose of ■ GENPRU 2.2.177 R (2), ■ GENPRU 2.2.68 G (Dividend pushers) applies equally in relation to the inclusion of an instrument in *upper tier two capital resources*.
- (3) ■ GENPRU 2.2.26A R provides an exception, in the case of a *BIPRU firm*, to the *rule* that instruments must have no fixed maturity date to be eligible for *upper tier two capital resources*.

Upper tier two capital: Loss absorption

2.2.180

R

FCA PRA

A *capital instrument* may only be included in *upper tier two capital resources* if a *firm's* obligations under the instrument either:

- (1) do not constitute a liability (actual, contingent or prospective) under section 123(2) of the Insolvency Act 1986; or
- (2) do constitute such a liability but the terms of the instrument are such that:
 - (a) any such liability is not relevant for the purposes of deciding whether:
 - (i) the *firm* is, or is likely to become, unable to pay its debts; or
 - (ii) its liabilities exceed its assets;
 - (b) a *person* (including but not limited to a holder of the instrument) is not able to petition for the winding up or administration of the *firm* or for any similar procedure in relation to the *firm* on the grounds that the *firm* is or may become unable to pay any such liability; and
 - (c) the *firm* is not obliged to take into account such a liability for the purposes of deciding whether or not the *firm* is, or may become, insolvent for the purposes of section 214 of the Insolvency Act 1986 (wrongful trading).

Upper tier two capital: Legal opinions

2.2.181

FCA PRA

R

A *firm* may not include an *upper tier two instrument* in its *upper tier two capital resources* unless it has obtained a properly reasoned independent legal opinion from an appropriately qualified individual confirming that the criteria in ■ GENPRU 2.2.177 R (3) and ■ GENPRU 2.2.180 R (Loss absorption) are met. This *rule* does not apply to a perpetual cumulative *preference share*.

Upper tier two capital: Guidance

2.2.182

FCA PRA

G

■ GENPRU 2.2.180 R is an example of the general principle in ■ GENPRU 2.2.177 R (3).

2.2.183

FCA PRA

G

The *guidance* in ■ GENPRU 2.2.117 G (There should be no liability to the extent that the *firm* would become insolvent, etc) also applies for the purpose of ■ GENPRU 2.2.180 R.

2.2.184

FCA PRA

G

The *guidance* in ■ GENPRU 2.2.119 G (Employee may give legal opinion) also applies for the purpose of ■ GENPRU 2.2.181 R.

Upper tier two capital: Revaluation reserves (BIPRU firm only)

2.2.185

FCA PRA

R

- (1) This *rule* applies to a *BIPRU firm*.
- (2) A *BIPRU firm* must, in relation to equities held in the available-for-sale financial assets category:
 - (a) deduct any net losses at stage E of the calculation in the *capital resources table* (Deductions from tier one capital); and
 - (b) include any net gains (after deduction of deferred tax) in revaluation reserves at stage G of the calculation in the *capital resources table* (Upper tier two capital).
- (3) A *BIPRU firm* must include any net gains, after deduction of deferred tax, on revaluation reserves of investment properties at stage G of the calculation in the *capital resources table*. A *firm* must include any losses on such revaluation reserves in profit and loss account and other reserves.
- (4) A *BIPRU firm* must include any net gains, after deduction of deferred tax, on revaluation reserves of land and buildings at stage G of the calculation in the *capital resources table*. A *firm* must include any losses on such revaluation reserves in profit and loss account and other reserves.
- (5) (2) only applies to a *firm* to the extent that the category of asset referred to in that paragraph exists under the accounting framework that applies to the *firm* as referred to in

■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied).

- (6) (3) and (4) apply to a *firm* whatever the accounting treatment of those items is under the accounting framework that applies to the *firm* as referred to in ■ GENPRU 1.3.4 R.

2.2.186

FCA PRA

G

Subject to ■ GENPRU 2.2.185 R, a *BIPRU firm* should value its revaluation reserves in accordance with the *rules* in ■ GENPRU 1.3 (Valuation).

Upper tier two capital: General/collective provisions (BIPRU firm only)

2.2.187

FCA PRA

R

A *BIPRU firm* which adopts the *standardised approach* to credit risk may include general/collective provisions in its *tier two capital resources* only if:

- (1) they are freely available to the *firm*;
- (2) their existence is disclosed in internal accounting records; and
- (3) their amount is determined by the management of the *firm*, verified by independent auditors and notified to the *appropriate regulator*.

2.2.188

FCA PRA

R

The value of general/collective provisions which a *firm* may include in its *tier two capital resources* as referred to in ■ GENPRU 2.2.187 R may not exceed 1.25% of the sum of the following:

- (1) the sum of the *market risk capital requirement* and the *operational risk capital requirement* (if applicable), multiplied by a factor of 12.5; and
- (2) the sum of *risk weighted assets* under the *standardised approach* for credit risk.

2.2.189

FCA PRA

R

Where a *firm* is unable to determine whether collective/general provisions relate only to *exposures* on either the *standardised approach* or the *IRB approach*, that *firm* must allocate them on a basis which is reasonable and consistent.

Upper tier two capital: Surplus provisions (BIPRU firm only)

2.2.190

FCA PRA

R

A *BIPRU firm* calculating *risk weighted exposure amounts* under the *IRB approach* may include in its *upper tier two capital resources* positive amounts resulting from the calculation in ■ BIPRU 4.3.8 R (Treatment of expected loss amounts), up to 0.6% of the *risk weighted exposure amounts* calculated under that approach.

2.2.191

FCA PRA

R

A *BIPRU firm* calculating *risk weighted exposure amounts* under the *IRB approach* may not include in its *capital resources* value adjustments and provisions included in the calculation in ■ BIPRU 4.3.8 R (Treatment of

expected loss amounts under the IRB approach for trading book exposures) or value adjustments and provisions for *exposures* that would otherwise have been eligible for inclusion in general/collective provisions other than in accordance with ■ GENPRU 2.2.190 R.

2.2.192

FCA PRA

R

For the purpose of ■ GENPRU 2.2.190 R and ■ GENPRU 2.2.191 R, *risk weighted exposure amounts* must not include those calculated in respect of *securitisation positions* which have a *risk weight* of 1250%.

2.2.193

FCA PRA

R

If a *BIPRU firm* calculates *risk weighted exposure amounts* under the *IRB approach* for the purposes of ■ BIPRU 14 (Capital requirements for settlement and counterparty risk) it must not include valuation adjustments referred to in ■ BIPRU 14.2.18 R (1) (Treatment of expected loss amounts) in its *capital resources* except in accordance with that *rule*.

Lower tier two capital

2.2.194

FCA PRA

R

A *firm* may include a *capital instrument* in its *lower tier two capital resources* if (in addition to meeting the requirements of the *rules* about eligibility for inclusion in *tier two capital*) either the holder has no right to repayment or it satisfies either of the following conditions:

- (1) it has an original maturity of at least five years; or
- (2) it is redeemable on notice from the holder, but the period of notice of repayment required to be given by the holder is five years or more.

2.2.195

FCA PRA

G

A *firm* may include perpetual *capital instruments* that do not meet the conditions in ■ GENPRU 2.2.177 R (Eligibility conditions for *upper tier two capital*) in *lower tier two capital resources* if they meet the general conditions described in ■ GENPRU 2.2.159 R (General conditions for eligibility as *tier two capital instruments*).

2.2.196

FCA PRA

R

- (1) For the purposes of calculating the amount of a *lower tier two instrument* which may be included in a *firm's capital resources*:
 - (a) in the case of an instrument with a fixed maturity date, in the final five years to maturity; and
 - (b) in the case of an instrument with or without a fixed maturity date but where five years' or more notice of redemption or repayment has been given, in the final five years to the date of redemption or repayment;

the principal amount must be amortised on a straight line basis.

- (2) If a *firm* gives notice of the redemption or repayment of a *lower tier two instrument* and (1) does not apply, the *firm* must no longer include it in its *lower tier two capital resources*.

2.2.197

G

FCA PRA

If a *firm* wishes to include in *lower tier two capital resources* an instrument with or without a fixed maturity date but where less than five years' notice of redemption or repayment has been given, it should seek individual *guidance* from the *appropriate regulator*.

The effect of swaps on debt capital

2.2.198

R

FCA PRA

■ GENPRU 2.2.198 R to ■ GENPRU 2.2.201 R apply to a *tier one instrument*, *tier two instrument* or *tier three instrument* of a *firm* that is treated as a liability under the accounting framework to which it is subject as referred to in ■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied) (a "debt instrument").

2.2.199

R

FCA PRA

A *firm* must recognise for the purpose of this section any effect that changes in exchange rates or interest rates have on a debt instrument (as defined in ■ GENPRU 2.2.198 R) under the accounting framework to which the *firm* is subject as referred to in ■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied).

2.2.200

R

FCA PRA

A *firm* must recognise, in accordance with ■ GENPRU 2.2.201 R, the effect of a *foreign currency* hedge on a debt instrument (as defined in ■ GENPRU 2.2.198 R) denominated in a *foreign currency* or of an interest rate hedge on a fixed rate *coupon* debt instrument if:

- (1) the accounting framework to which the *firm* is subject as referred to in ■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied) provides for a fair value hedge accounting relationship between a liability and its related hedge;
- (2) such a relationship exists under that accounting framework between that debt instrument and that hedge;
- (3) (if the debt instrument is a *tier one instrument*) the *firm's* obligations under that hedge comply with the conditions in ■ GENPRU 2.2.64 R to ■ GENPRU 2.2.65 R (General conditions for eligibility as tier one capital);
- (4) (if the debt instrument is a *tier two instrument* or an *upper tier three instrument*) the *firm's* obligations under that hedge comply with the conditions in ■ GENPRU 2.2.159 R to ■ GENPRU 2.2.169 R (General conditions for eligibility as tier two capital instruments) as modified, in the case of an *upper tier three instrument*, by ■ GENPRU 2.2.244 R (Application of *tier two capital rules* to *tier three capital debt*) except as follows:
 - (a) ■ GENPRU 2.2.159 R (9) only applies to the extent that it requires that hedge to be unsecured; and
 - (b) ■ GENPRU 2.2.159 R (12) (legal opinion) does not apply.

- 2.2.201 **R** A *firm* must recognise the effect of a hedge as referred to in
 ■ GENPRU 2.2.200 R by including the net accounting fair value of the hedging instrument in the valuation of the debt instrument (as defined in ■ GENPRU 2.2.198 R).
- Deductions from tiers one and two: Qualifying holdings (bank or building society only)**
- 2.2.202 **R** ■ GENPRU 2.2.202 R to ■ GENPRU 2.2.207 R only apply to a *bank* or *building society*.
- 2.2.203 **R** A *qualifying holding* is a direct or indirect holding of a *bank* or *building society* in a non-financial *undertaking* which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that *undertaking*.
- 2.2.204 **R** For the purpose of ■ GENPRU 2.2.203 R, a non-financial *undertaking* is an *undertaking* other than:
- (1) a *credit institution* or *financial institution*;
 - (2) an *undertaking* whose exclusive or main activities are a direct extension of banking or concern services ancillary to banking, such as leasing, factoring, the management of unit trusts, the management of data processing services or any other similar activity; or
 - (3) an *insurer*.
- 2.2.205 **R** The amount of *qualifying holdings* that a *bank* or *building society* must deduct in the calculation in the *capital resources table* is:
- (1) (if the *firm* has one or more *qualifying holdings* that exceeds 15% of its relevant *capital resources*) the sum of such excesses; and
 - (2) to the extent not already deducted in (1), the amount by which the sum of each of that *firm's qualifying holdings* exceeds 60% of its relevant *capital resources*.
- 2.2.206 **R** The relevant *capital resources* of a *firm* mean for the purposes of this *rule* the sum of the amount of *capital resources* calculated at stages L (Total tier one capital plus tier two capital) and Q (Total tier three capital) of the calculation in the *capital resources table* as adjusted in accordance with the following:
- (1) the *firm* must not take into account the items referred to in any of the following:

- (a) ■ GENPRU 2.2.190 R to ■ GENPRU 2.2.193 R (surplus provisions); or
 - (b) ■ GENPRU 2.2.236 R (*expected loss* amounts and other negative amounts); or
 - (c) ■ GENPRU 2.2.237 R (*securitisation positions*);
- (2) the *firm* must make the deductions to be made at stage S of the calculation in the *capital resources table* (Deductions from total capital); and
- (3) the *firm* need not deduct any *excess trading book position* under (2).

2.2.207

PRA

R

The following are not included as *qualifying holdings*:

- (1) *shares* that are not held as investments; or
- (2) *shares* that are held temporarily during the normal course of underwriting; or
- (3) *shares* held in a *firm's* name on behalf of others.

Deductions from tiers one and two: Material holdings (BIPRU firm only)

2.2.208

FCA PRA

R

■ GENPRU 2.2.208 R to ■ GENPRU 2.2.216 G only apply to a *BIPRU firm*.

2.2.209

FCA PRA

R

- (1) Subject to (2) and (3), a *material holding* is:
 - (a) a *BIPRU firm's* holdings of *shares* and any other interest in the capital of an individual *credit institution* or *financial institution* (held in the *non-trading book* or the *trading book* or both) exceeding 10% of the *share* capital of the issuer, and, where this is the case, any holdings of subordinated debt of the same issuer are also included as a *material holding*; the full amount of the holding is a *material holding*; or
 - (b) a *BIPRU firm's* holdings of *shares*, any other interest in the capital and subordinated debt in an individual *credit institution* or *financial institution* (held in the *non-trading book* or the *trading book* or both) not deducted under (a) if the total amount of such holdings exceeds 10% of that *firm's* *capital resources* at stage N (Total tier one capital plus tier two capital after deductions) of the calculation in the *capital resources table* (calculated before deduction of its *material holdings*); only the excess amount is a *material holding*; or
 - (c) a *bank* or *building society's* aggregate holdings in the *non-trading book* of *shares*, any other interest in the capital, and subordinated debt in all *credit institutions* or *financial institutions* not deducted under (a) or (b) if the total amount

of such holdings exceeds 10% of that *firm's capital resources* at stage N of the calculation in the *capital resources table* (calculated before deduction of its *material holdings*); only the excess amount is a *material holding*; or

(d) a *material insurance holding*.

(2) If a BIPRU firm holds *shares* in the capital of Business Growth Fund plc or another *financial institution* which makes *venture capital investments* (in this section and its related annexes, a "Venture Capital Investor") and the following conditions are met:

- (a) the sole business of the Venture Capital Investor is the making of *venture capital investments* together with the performance of *ancillary activities* in relation to the administration of the *venture capital investments*;
- (b) none of the *venture capital investments* made by the Venture Capital Investor is an investment (direct or indirect) in:
 - (i) a *credit institution*; or
 - (ii) a *financial institution* the principal activity of which is to perform any activity other than the acquisition of holdings in other *undertakings*;
- (c) the relevant proportion of the Venture Capital Investor is included in the *firm's UK consolidation group* in accordance with ■ BIPRU 8.5; and
- (d) the *firm* assigns a *risk weight* to its *exposure* to the Venture Capital Investor as if it were an *equity exposure* to which the simple *risk weight* approach is applied as set out in ■ BIPRU 4.7.9 R to ■ BIPRU 4.7.12 R (and in calculating its *capital resources requirement* the *firm* must assign a *risk weight* to that *exposure* in accordance with those *rules* and notwithstanding that those *rules* would not otherwise apply to that calculation);

the Venture Capital Investor may be ignored for the purposes of determining whether there is a *material holding*.

(3) If a BIPRU firm holds *shares* in the capital of a *subsidiary undertaking* which is a *financial institution* solely by reason of its principal activity being the acquiring of holdings and which in turn holds (directly or indirectly) *shares* in the capital of a Venture Capital Investor (in this section and its related annexes, a "Venture Capital Holding Company") and the following conditions are met:

- (a) the Venture Capital Investor meets the conditions in (2)(a) and (b);

- (b) the Venture Capital Holding Company is included in the *firm's UK consolidation group* in accordance with ■ BIPRU 8.5;
- (c) the proportion of the value of the Venture Capital Holding Company attributable to investment in Venture Capital Investors and the proportion of the value of the Venture Capital Holding Company attributable to investment in other investments can be identified and valued on a regular basis; and
- (d) the *firm* assigns a *risk weight* to its *exposure* to the proportion of the Venture Capital Holding Company that represents the value of its investment in Venture Capital Investors as if it were an *equity exposure* to which the simple *risk weight* approach is applied as set out in ■ BIPRU 4.7.9 R to ■ BIPRU 4.7.12 R (and in calculating its *capital resources requirement* the *firm* must assign a *risk weight* to that *exposure* in accordance with those *rules* and notwithstanding that those *rules* would not otherwise apply to that calculation);

the proportion of the *firm's* investment in the Venture Capital Holding Company that represents the value of its investment in Venture Capital Investors may be ignored for the purposes of determining whether there is a *material holding*. The proportion of the *firm's* investment in the Venture Capital Holding Company that represents the value of other investments is a *material holding*.

2.2.210

FCA PRA

G

For the purpose of the definition of a *material holding*, *share* capital includes *preference shares*. *Share* premium should be taken into account when determining the amount of *share* capital.

2.2.211

FCA PRA

R

When calculating the size of its *material holdings* a *firm* must only include an actual holding (that is, a long cash position). A *firm* must not net such holdings with a short position.

2.2.212

FCA PRA

R

A *material insurance holding* means the holdings of a *BIPRU firm* of items of the type set out in ■ GENPRU 2.2.213 R in any:

- (1) *insurance undertaking*; or
- (2) *insurance holding company*;

that fulfils one of the following conditions:

- (3) it is a *subsidiary undertaking* of that *firm*; or
- (4) that *firm* holds a *participation* in it.

2.2.213

FCA PRA

R

An item falls into this provision for the purpose of ■ GENPRU 2.2.212 R if it is:

- (1) an *ownership share*; or
- (2) subordinated debt or another item of capital that falls into Article 16(3) of the *First Non-Life Directive* or, as applicable, Article 27(3) of the *Consolidated Life Directive*.

2.2.214

FCA PRA

R

The amount to be deducted with respect to each *material insurance holding* is the higher of:

- (1) the book value of the *material insurance holding*; and
- (2) the *solo capital resources requirement* for the *insurance undertaking* or *insurance holding company* in question calculated in accordance with Part 3 of ■ GENPRU 3 Annex 1 R (Method 3 of the capital adequacy calculations for financial conglomerates).

2.2.215

FCA PRA

R

For the purpose of the definition of a *material holding*, holdings must be valued using the valuation method which the holder uses for its external financial reporting purposes.

2.2.216

FCA PRA

G

- (1) This paragraph gives *guidance* on how the calculation under ■ GENPRU 2.2.214 R (1) should be carried out where an *insurance undertaking* is accounted for using the embedded value method.
- (2) On acquisition, any "goodwill" element (that is, the difference between the acquisition value according to the embedded value method and the actual investment) should be deducted from *tier one capital resources*.
- (3) The embedded value should be deducted from the total of *tier one capital resources* and *tier two capital resources*.
- (4) Post-acquisition, where the embedded value of the *undertaking* increases, the increase should be added to reserves, while the new embedded value is deducted from total *capital resources*.
- (5) This means that the net impact on the level of total *capital resources* is zero, although *tier two capital resources* headroom will increase with any increase in *tier one capital resources* reserves.
- (6) Embedded value is the value of the *undertaking* taking into account the present value of the expected future inflows from existing life assurance business.

2.2.216A

PRA

G

- (1) This paragraph gives *guidance* as to the amount to be deducted at Part 2 of stage M (Deductions from the totals of tier one and two) of ■ GENPRU 2 Annex 2 R (Capital resources table for a bank) and ■ GENPRU 2 Annex 3 R (Capital resources table for a building society) in respect

of investments in *subsidiary undertakings* and *participations* (excluding any amount which is already deducted as *material holdings* or *qualifying holdings*).

- (2) The effect of those *rules* is to achieve the deduction of all investments in *subsidiary undertakings* and *participations* for *banks* and *building societies* by ensuring that amounts not already deducted under other *rules* are accounted for at this stage of the calculation of *capital resources*, except where the investment has been made in:
 - (a) a Venture Capital Investor and the conditions in ■ GENPRU 2.2.209R (2) are met; or
 - (b) a Venture Capital Holding Company and the conditions in ■ GENPRU 2.2.209R (3) are met;
- (3) The following investments in *subsidiary undertakings* and *participations* should be deducted at this stage:
 - (a) those not deducted in Part 1 of stage M because of the operation of the thresholds in ■ GENPRU 2.2.205 R (on qualifying holdings) and ■ GENPRU 2.2.209 R (on material holdings); and
 - (b) those which do not meet the definition of *qualifying holding* or *material holding*, but excluding investments in Venture Capital Investors which are ignored in accordance with ■ GENPRU 2.2.209R (2) and investments in Venture Capital Holding Companies which are ignored in accordance with ■ GENPRU 2.2.209R (3), for the purposes of determining whether there is a *material holding*.
- (4) For example, an investment in an *undertaking* which is not a *qualifying holding* under ■ GENPRU 2.2.204 R (2) (on the definition of a non-financial undertaking), that is whose exclusive or main activities are a direct extension of banking or concern services ancillary to banking, such as leasing, factoring, the management of unit trusts, the management of data processing services or any other similar activity, should be deducted at this stage.

Deductions from tiers one and two: Reciprocal cross holdings (BIPRU firm only)

2.2.217
FCA PRA

R

■ GENPRU 2.2.217 R to ■ GENPRU 2.2.220 R apply to a *BIPRU firm*.

2.2.218
FCA PRA

R

A *BIPRU firm* must deduct at stage M of the calculation in the *capital resources table* (Deductions from the totals of tier one and two) any *reciprocal cross-holdings*. However a *BIPRU firm* must not deduct such holdings to the extent that they fall to be deducted at Part 1 of stage M of the calculation in the *capital resources table* (Deductions for *material holdings*, *qualifying holdings* and certain other items).

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93

2.2.219
FCA PRA

R

A *reciprocal cross-holding* means a holding of the *BIPRU firm* of *shares*, any other interest in the capital, and subordinated debt, whether in the *trading* or *non-trading* book, in:

- (1) a *credit institution*; or

(2) a *financial institution*;

that satisfies the following conditions:

- (3) the holding is the subject of an agreement or arrangement between the *BIPRU firm* and either the issuer of the instrument in question or a member of a *group* to which the issuer belongs;
- (4) under the terms of the agreement or arrangement described in (3) the issuer invests in the *BIPRU firm* or in a member of the *group* to which that *BIPRU firm* belongs; and
- (5) the effect of that agreement or arrangement on the capital position of the *BIPRU firm*, the issuer, or any member of a *group* to which either belongs, under any relevant rules is significantly more beneficial than it is in economic terms, taking into account the agreement or arrangement as a whole.

2.2.220 **R**
FCA PRA

For the purpose of ■ GENPRU 2.2.219 R, a relevant rule means a *rule* in *GENPRU*, *BIPRU* or *INSPRU* or any other capital adequacy or solvency requirements of the *appropriate regulator* or any other regulator, territory or country.

Deductions from tiers one and two: Connected lending of a capital nature (bank only)

2.2.221 **R**
PRA

- (1) ■ GENPRU 2.2.221 R to ■ GENPRU 2.2.235 G only apply to a bank.
- (2) If a *firm* has elected to ignore an investment in a Venture Capital Investor or a Venture Capital Holding Company in accordance with ■ GENPRU 2.2.209R (2) or ■ (3), for the purposes of determining whether there is a *material holding*, ■ GENPRU 2.2.221 R to ■ GENPRU 2.2.233 R do not apply to any lending by the *firm* to that Venture Capital Investor or Venture Capital Holding Company, provided that any lending to the Venture Capital Holding Company is made to and deployed by the *firm* solely in connection with the Venture Capital Investor.

2.2.222 **R**
PRA

Connected lending of a capital nature means all lending within ■ GENPRU 2.2.227 R or ■ GENPRU 2.2.229 R and guarantees within ■ GENPRU 2.2.231 R or ■ GENPRU 2.2.233 R.

2.2.223 **R**
PRA

A *bank* must not deduct any item as *connected lending of a capital nature* to the extent that it falls to be deducted at Part 1 of stage M of the calculation in the *capital resources table* (Deductions for *material holdings*, *qualifying holdings* and certain other items) or as a *reciprocal cross-holding*.

2.2.224 **R**
PRA

For the purpose of the *rules* in this section about *connected lending of a capital nature* and in relation to a *bank*, a connected party means

another *person* ("P") who fulfils at least one of the following conditions and is not solo-consolidated with the *bank* under ■ BIPRU 2.1 (Solo consolidation):

- (1) P is *closely related* to the *bank*; or
- (2) P is an *associate* of the *bank*; or
- (3) the same *persons* significantly influence the *governing body* of P and the *bank*.

2.2.225

PRA

R

For the purpose of ■ GENPRU 2.2.224 R, in relation to a *person* ("P") to which a *bank* has an *exposure* when P is acting on his own behalf and also an *exposure* to P when P acts in his capacity as a trustee, custodian or general partner of an investment trust, unit trust, venture capital or other investment fund, pension fund or similar fund (a "fund") the *bank* may choose to treat this latter *exposure* as an *exposure* to the fund, unless such treatment would be misleading.

2.2.226

PRA

G

■ BIPRU 10.3.13 G (*Guidance* on exposures to trustees) applies to ■ GENPRU 2.2.225 R .

2.2.227

PRA

R

A loan is *connected lending of a capital nature* if:

- (1) it is made by the *bank* to a connected party; and
- (2) it falls into ■ GENPRU 2.2.228 R.

2.2.228

PRA

R

A loan falls into this *rule* for the purposes of ■ GENPRU 2.2.227 R (2) if, whether through contractual, structural, reputational or other factors:

- (1) based on the terms of the loan and the other knowledge available to the *bank*, the borrower would be able to consider it from the point of view of its characteristics as capital as being similar to *share* capital or subordinated debt; or
- (2) the position of the lender from the point of view of maturity and repayment is inferior to that of the senior unsecured and unsubordinated creditors of the borrower.

2.2.229

PRA

R

A loan is also *connected lending of a capital nature* if:

- (1) it funds directly or indirectly a loan to a connected party of the *bank* falling into ■ GENPRU 2.2.228 R or an investment in the capital of a connected party of the *bank*; and
- (2) it falls into ■ GENPRU 2.2.228 R.

2.2.230

PRA

G

It is likely that a loan is not *connected lending of a capital nature* if:

- (1) it is secured by collateral that is eligible for the purposes of *credit risk mitigation* under the *standardised approach* to credit risk as set out in ■ BIPRU 5.4 (Financial collateral) and ■ BIPRU 5.5 (Other funded credit risk mitigation); or
- (2) it is repayable on demand (and should be treated as such for accounting purposes by the borrower and lender) and the *bank* can demonstrate that there are no potential obstacles to exercising the right to repay, whether contractual or otherwise.

2.2.231

PRA

R

A guarantee is *connected lending of a capital nature* if it is a guarantee by the *bank* of a loan from a third party to a connected party of the *bank* and:

- (1) the loan meets the requirements of ■ GENPRU 2.2.228 R; or
- (2) the rights that the *bank* would have against the borrower with respect to the guarantee meet the requirements of ■ GENPRU 2.2.228 R (2).

2.2.232

PRA

R

A guarantee is also *connected lending of a capital nature* if it is a guarantee by the *bank* of a loan falling into ■ GENPRU 2.2.229 R (1); and

- (1) the loan meets the conditions in ■ GENPRU 2.2.228 R; or
- (2) the guarantee meets the conditions in ■ GENPRU 2.2.231 R (2).

2.2.233

PRA

R

The amount of a guarantee that constitutes *connected lending of a capital nature* that a *firm* must deduct is the amount guaranteed.

2.2.234

PRA

G

A loan may initially fall outside the definition of *connected lending of a capital nature* but later fall into it. For example, if the initial lending to a connected party is subsequently downstreamed to another connected party the relationship between the *bank* and the ultimate borrower may be such that, looking at the arrangements as a whole, the *undertaking* to which the *bank* lends is able to regard the loan to it as being capable of absorbing losses.

2.2.235

PRA

G

Lending to a connected party will not normally be *connected lending of a capital nature* where that party:

- (1) is acting as a vehicle to pass funding to an unconnected party; and
- (2) has no other creditors whose claims could be senior to those of the lender.

Deductions from tiers one and two: Expected losses and other negative amounts (BIPRU firm only)

2.2.236

R

FCA PRA

A BIPRU firm calculating *risk weighted exposure amounts* under the IRB approach must deduct:

- (1) any negative amounts arising from the calculation in ■ BIPRU 4.3.8 R (Treatment of expected loss amounts); and
- (2) any *expected loss* amounts calculated in accordance with ■ BIPRU 4.7.12 R (*Expected loss* amounts under the simple risk weight approach to calculating *risk weighted exposure amounts* for exposures belonging to the *equity exposure IRB exposure class*) or ■ BIPRU 4.7.17 R (*Expected loss* amounts under the PD/LGD approach).

Deductions from tiers one and two: Securitisation positions (BIPRU firm only)

2.2.237

R

FCA PRA

A BIPRU firm calculating *risk weighted exposure amounts* under the IRB approach or the *standardised approach* to credit risk must deduct from its *capital resources* the following:

- (1) the exposure amount of *securitisation positions* which receive a *risk weight* of 1250% under ■ BIPRU 9 (Securitisation), unless the firm includes the *securitisation positions* in its calculation of *risk weighted exposure amounts* (see ■ BIPRU 9.10 (Reduction in risk-weighted exposure amounts)); and
- (2) the exposure amount of *securitisation positions* in the *trading book* that would receive a *risk weight* of 1250% if they were in the firm's *non-trading book*.

Deductions from tiers one and two: Special treatment of material holdings and other items (BIPRU firm only)

2.2.238

R

FCA PRA

■ GENPRU 2.2.238 R to ■ GENPRU 2.2.241 R apply to a BIPRU firm and relate to the deductions in respect of:

- (1) *material holdings*;
- (2) *expected loss* amounts and other negative amounts referred to in ■ GENPRU 2.2.236 R; and
- (3) *securitisation positions* referred to in ■ GENPRU 2.2.237 R.

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2.2.239

R

FCA PRA

- (1) The treatment in the *capital resources table* of the deductions in ■ GENPRU 2.2.238 R only has effect for the purpose of the *capital resources gearing rules*.
- (2) In other cases (3) and (4) apply.

- (3) A *BIPRU firm* making the deductions described in ■ GENPRU 2.2.238 R must deduct 50% of the total amount of those deductions at stage E (Deductions from tier one capital) and 50% at stage J (Deductions from tier two capital) of the calculation in the *capital resources table* after the application of the *capital resources gearing rules*.
- (4) To the extent that half of the total of:
 - (a) *material holdings*;
 - (b) *expected loss* amounts and other negative amounts; and
 - (c) *securitisation positions*;
 exceeds the amount calculated at stage I (Total tier two capital) of that calculation, a *firm* must deduct that excess from the amount calculated at stage F (Total tier one capital after deductions) of the *capital resources table*.

2.2.240
PRA PRA

G The alternative calculation in ■ GENPRU 2.2.239 R (3) to ■ (4) is only relevant to ■ BIPRU 11 (Pillar 3 disclosures) and certain reporting requirements under *SUP*. However the deduction of *material holdings* at Part 2 of stage E of the *capital resources table* in the case of a *BIPRU investment firm* with an *investment firm consolidation waiver* has effect for all purposes.

Tier three capital: upper tier three capital resources (BIPRU firm only)

2.2.241
FCA PRA

R ■ GENPRU 2.2.241 R to ■ GENPRU 2.2.245 R only apply to a *BIPRU firm*.

2.2.242
FCA PRA

R A *BIPRU firm* may include subordinated debt in its *upper tier three capital resources* only if:

- (1) it has an original maturity of at least two years or is subject to at least two years' notice of repayment; and
- (2) payment of interest or principal is permitted only if, after that payment, the *firm's capital resources* would be not less than its *capital resources requirement*.

2.2.243
FCA PRA

R A *BIPRU firm* which includes subordinated debt in its *tier three capital resources* must notify the *appropriate regulator* one month in advance of all payments of either interest or principal made when the *firm's capital resources* are less than 120% of its *capital resources requirement*.

2.2.244
FCA PRA

R The *rules* in the table in ■ GENPRU 2.2.245 R apply to short term subordinated debt that a *BIPRU firm* includes in its *tier three capital resources* in the same way that they apply to a *firm's tier two capital resources* with the adjustments in that table.

2.2.245

R

Table: Application of tier two capital rules to tier three debt

FCA PRA

This table belongs to ■ GENPRU 2.2.244 R

<i>Tier two capital rule</i>	<i>Adjustment</i>
GENPRU 2.2.159 R (General conditions for eligibility as tier two capital)	<p>The references in GENPRU 2.2.159 R (5) (Capital must not become repayable prior to stated maturity date except in specified circumstances) to repayment at the option of the holder are replaced by a reference to GENPRU 2.2.242 R (1) (<i>Upper tier three capital should have maturity or notice period of at least two years</i>)</p> <p>The reference in GENPRU 2.2.159 R (10) (Description of <i>tier two capital</i> in marketing documents) to GENPRU 2.2.271 R (Other requirements: insurers carrying on with-profits business (Insurer only)) does not apply</p>
GENPRU 2.2.160 R (Holder of a non-deferred share of a <i>building society</i> to be treated as a senior creditor)	
GENPRU 2.2.161 R (Additional remedies)	
GENPRU 2.2.163 R (Legal opinion where debt subject to a law of a country outside the <i>United Kingdom</i>)	
GENPRU 2.2.169 R (Ineligibility as <i>tier two capital</i> owing to connected transactions)	The reference to GENPRU 2.2.177 R (General eligibility conditions for <i>upper tier two capital</i>) does not apply
GENPRU 2.2.171 R (Amendments to terms of the <i>capital instrument</i>)	
GENPRU 2.2.172 R to GENPRU 2.2.173 R (Redeemability at the option of the issuer)	
GENPRU 2.2.174 R (Notification of redemption)	
References in the <i>rules</i> in the first column to the fifth anniversary are amended so as to refer to the second anniversary.	

Tier three capital: lower tier three capital resources (BIPRU firm only).....

■ GENPRU 2.2.246 R to ■ GENPRU 2.2.249 R only apply to a *BIPRU firm*.

2.2.246

R

FCA PRA

2.2.247
FCA PRA

R A BIPRU firm's net interim trading book profits mean its net trading book profits adjusted as follows:

- (1) they are net of any foreseeable charges or dividends and less net losses on its other business; and
- (2) a firm must not take into account items that have already been included in the calculation of capital resources as part of the calculation of the following items:
 - (a) interim net profits (see stage (A) of the capital resources table); or
 - (b) interim net losses or material interim net losses (see stage (A) of the capital resources table); or
 - (c) profit and loss and other reserves (see stage (A) of the capital resources table).

2.2.248
FCA PRA

R Trading book profits and losses, other than those losses to which ■ GENPRU 2.2.86 R (2) (Valuation adjustment and reserves) refers, originating from valuation adjustments or reserves as referred to in ■ GENPRU 1.3.29 R to ■ GENPRU 1.3.35A G (Valuation adjustments or reserves) must be included in the calculation of net interim trading book profits and be added to or deducted from tier three capital resources.

2.2.249
FCA PRA

R Trading book valuation adjustments or reserves as referred to in ■ GENPRU 1.3.29 R to ■ GENPRU 1.3.35A G which exceed those made under the accounting framework to which a firm is subject must be treated in accordance with ■ GENPRU 2.2.248 R if not required to be treated under ■ GENPRU 2.2.86 R (2).

Deductions from total capital: Inadmissible assets (insurers only).....

2.2.250
PRA

R ■ GENPRU 2.2.250 R to ■ GENPRU 2.2.253 G only apply to an insurer.

2.2.251
PRA

R For the purposes of the capital resources table, an insurer which is not a pure reinsurer must deduct from total capital resources the value of any asset which is not an admissible asset as listed in ■ GENPRU 2 Annex 7 R (Admissible assets in insurance), unless the asset is held to cover property-linked liabilities or index-linked liabilities under ■ INSPRU 3.1.57 R or ■ INSPRU 3.1.58 R (Covering linked liabilities).

2.2.252
PRA

G ■ GENPRU 2.2.251 R does not apply to intangible assets which should be deducted from tier one capital resources under ■ GENPRU 2.2.155 R (Deductions from tier one: Intangible assets).

2.2.253
PRA

G The list of admissible assets has been drawn with the aim of excluding assets:

- (1) for which a sufficiently objective and verifiable basis of valuation does not exist; or

- (2) whose realisability cannot be relied upon with sufficient confidence; or
- (3) whose nature presents an unacceptable custody risk; or
- (4) the holding of which may give rise to significant liabilities or onerous duties.

Deductions from total capital: Adjustments for related undertakings

2.2.254 **R** ■ GENPRU 2.2.254 R to ■ GENPRU 2.2.258 G only apply to an *insurer*.

PRA

2.2.255 **R** An *insurer* must deduct from its *capital resources* the value of its investments in each of its *related undertakings* that is an *ancillary services undertaking*.

PRA

2.2.256 **R** In relation to each of its *related undertakings* that is a *regulated related undertaking* (other than an *insurance undertaking*) an *insurer* must add to (if positive), at stage J in the *capital resources table* (Positive adjustments for related undertakings), or deduct from (if negative), at stage L in the *capital resources table* (Deductions from total capital), its *capital resources* the value of its *shares* in that *undertaking* calculated in accordance with ■ GENPRU 1.3.47 R (Shares in and debts due from related undertakings).

PRA

2.2.257 **G** For the purposes of ■ GENPRU 2.2.255 R, investments must be valued at their accounting book value in accordance with ■ GENPRU 1.3.4 R (General requirements: accounting principles to be applied).

PRA

2.2.258 **G** *Related undertakings* which are also *insurance undertakings* are not included in ■ GENPRU 2.2.256 R because an *insurer* that is a *participating insurance undertaking* is subject to the requirements of ■ INSPRU 6.1 (Group Risk: Insurance Groups).

PRA

Deductions from total capital: Illiquid assets (BIPRU investment firm only)

2.2.259 **R** ■ GENPRU 2.2.259 R to ■ GENPRU 2.2.262 G only apply to a *BIPRU investment firm*.

FCA PRA

2.2.260 **R** *Illiquid assets* means illiquid assets including

FCA PRA

- (1) tangible fixed assets (except land and buildings if they are used by a *firm* as security for loans, but this exclusion is only up to the value of the principal outstanding on the loans); or
- (2) any holdings in the *capital resources* of *credit institutions* or *financial institutions*, except to the extent that:
 - (a) they have already been deducted as a *material holding*; or
 - (b) they are *shares* which are included in a *firm's trading book* and included in the calculation of the *firm's market risk capital requirement*; or

- (3) holdings of other *securities* which are not *readily realisable securities*; or
- (4) deficiencies of net assets in *subsidiary undertakings*; or
- (5) deposits which are not repayable within 90 days (except for payments in connection with margined *futures* or *options* contracts); or
- (6) loans and other amounts owed to a *firm* except where they are due to be repaid within 90 days; or
- (7) physical stocks except for *positions* in *physical commodities* which are included in the calculation of a *firm's commodity PRR*.

2.2.261
FCA PRA

G

If a loan or other amount owing to a *firm* was originally due to be paid more than 90 days from the date of the making of the loan or the incurring of the payment obligation, as the case may be, it may be treated as liquid for the purposes of ■ GENPRU 2.2.260 R (6) where through the passage of time the remaining time to the contractual repayment date falls below 90 days.

2.2.262
FCA PRA

G

If a loan or other amount is due to be paid within 90 days (whether measured by reference to original or remaining maturity), a *firm* should consider whether it can reasonably expect the amount owing to be paid within that period. If the *firm* cannot reasonably expect it to be paid within that period the *firm* should treat it as illiquid.

Deductions from total capital: Excess trading book position (bank or building society only)

2.2.263
PRA

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■ GENPRU 2.2.263 R to ■ GENPRU 2.2.265 R only apply to a *bank* or *building society*.

2.2.264
PRA

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- (1) The *excess trading book position* is the excess of:
 - (a) a *bank* or *building society's* aggregate net long (including notional) *trading book positions* in *shares*, subordinated debt or any other interest in the capital of *credit institutions* or *financial institutions*;
 - over;
 - (b) 25% of that *firm's capital resources* calculated at stage T (Total capital after deductions) of the *capital resources table* (calculated before deduction of the *excess trading book position*).

- (2) Only the excess amount calculated under (1) must be deducted.

2.2.265
PRA

R

The *standard market risk PRR rules* apply for establishing what is a net *position* and the amount and value of that *position* for the purposes of

■ GENPRU 2.2.264 R, ignoring *rules* which would otherwise exclude such *positions* from ■ BIPRU 7.2 (Interest rate PRR) or ■ BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) on the basis that they are to be deducted from a *bank or building society's capital resources*, or for any other reason.

Other capital resources: Unpaid share capital or initial funds and calls for supplementary contributions (Insurer only)

2.2.266
PRA

G

■ GENPRU 2.2.266 G to ■ GENPRU 2.2.269 G only apply to an *insurer*.

2.2.267
PRA

G

Unpaid *share capital* or, in the case of a *mutual*, *unpaid initial funds* and calls for supplementary contributions are excluded from the *capital resources* of a *firm* except to the extent allowed in a *waiver* under section 138A of the *Act* (Modification or waiver of rules).

2.2.268
PRA

G

Subject to a *waiver*, under the *Insurance Directives* a maximum of one half of unpaid *share capital* or, in the case of a *mutual*, one half of the *unpaid initial fund* may be included in an *insurer's capital resources*, once the paid-up part amounts to 25% of that *share capital* or fund, up to 50% of total *capital resources*.

2.2.269
PRA

G

In the case of a *mutual* carrying on *general insurance business* and subject to a *waiver*, calls for supplementary contributions within the *financial year* may only be included in a *firm's capital resources* up to a maximum of 50% of the difference between the maximum contributions and the contributions actually called in, subject to a limit of 50% of total *capital resources*. In the case of a *mutual* carrying on *long-term insurance business*, the *Consolidated Life Directive* does not permit calls for supplementary contributions to be included in a *firm's capital resources*.

Other requirements: insurers carrying on with-profits business (Insurer only)

2.2.270
FCA PRA

R

■ GENPRU 2.2.270 R to ■ GENPRU 2.2.275 G only apply to an *insurer*.

2.2.270A
FCA PRA

G

■ GENPRU 2.2.271 R to ■ GENPRU 2.2.272 G and ■ GENPRU 2.2.274 G are made by both the *PRA* and *FCA* for the purpose of applying these provisions to *insurers* pursuant to the *statutory objectives*.

2.2.271
FCA PRA

R

An *insurer* carrying on *with-profits insurance business* must, in addition to the other requirements in respect of *capital resources* elsewhere in ■ GENPRU 2.2, meet the following conditions before a *capital instrument* can be included in that *insurer's capital resources*:

- (1) the *insurer* must manage the *with-profits fund* so that discretionary benefits under a *with-profits insurance contract* are calculated and paid disregarding, insofar as is necessary for its *customers* to be treated fairly, any liability the *firm* may have to make payments under the *capital instrument*;

- (2) the intention to manage the *with-profits fund* on the basis set out in (1) must be disclosed in the *firm's Principles and Practices of Financial Management*; and
- (3) no amounts, whether interest, principal, or other amounts, must be payable by the *firm* under the *capital instrument* if the *firm's* assets would then be insufficient to enable it to declare and pay under a *with-profits insurance contract* discretionary benefits that are consistent with the *firm's* obligations under the *FCA's Principle 6* (Customers' interests).

2.2.272

FCA PRA

G

The purpose of ■ GENPRU 2.2.271 R is to achieve practical subordination of *capital instruments* if they are to qualify as *capital resources* to the liabilities an *insurer* has to *with-profits policyholders*, including liabilities which arise from the regulatory duty (as regulated by the *FCA*) to treat *customers* fairly in setting discretionary benefits. (*FCA's Principle 6* (Customers' interests) requires a *firm* to pay due regard to the interests of its customers and treat them fairly.) It is not sufficient for a *capital instrument* to be subordinated to such liabilities only on winding up of the *firm* because such liabilities to *policyholders* may have been reduced by the inappropriate use of management discretion to enable funds to be applied in repaying subordinated *capital instruments* before winding up proceedings commence.

2.2.273

PRA

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■ GENPRU 2.2.271 R is an additional requirement to all other *rules* in this section concerning the eligibility of a *capital instrument* to count as a component of an *insurer's capital resources*. Subordinated debt instruments will be the main type of *capital instrument* to which this *rule* is relevant, including both *upper tier two* (undated) and *lower tier two* (dated) subordinated debt instruments. Subordinated debt instruments which are issued by a *related undertaking* are not intended to be covered by this *rule* and may be included in *group capital resources* as appropriate if the other eligibility criteria are met.

2.2.274

FCA PRA

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■ GENPRU 2.2.64 R (10) and ■ GENPRU 2.2.159 R (10) contain provisions concerning the marketing of a *capital instrument*. In relation to a *firm* to which ■ GENPRU 2.2.271 R applies, in order to comply with ■ GENPRU 2.2.64 R (10) and ■ GENPRU 2.2.159 R (10), it should draw to the attention of subscribers the risk that payments may be deferred or cancelled in order to operate the *with-profits fund* so as to give priority to the payment of discretionary benefits to *with-profits policyholders*.

2.2.275

PRA

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- (1) *Upper tier two instruments* should meet the requirements of ■ GENPRU 2.2.177 R (3) which goes beyond the requirement in ■ GENPRU 2.2.271 R (3) since it requires a *firm* to have the option to defer payments in all circumstances, not just if necessary to treat *customers* fairly. However, for *lower tier two instruments*, ■ GENPRU 2.2.271 R (3) represents an additional requirement since a failure to pay amounts of interest or principal on a due date must not constitute an event of default under ■ GENPRU 2.2.159 R (2) for *firms* carrying on *with-profits insurance business*.
- (2) For *firms* which are *realistic basis life firms* compliance with ■ GENPRU 2.2.271 R (3) would usually be achieved if the *capital instrument* provides that no amounts will be payable under it unless the *firm's capital resources* exceed its *capital resources requirement*. However, such *firms*

should ensure that the terms of the *capital instrument* refer to *capital resources requirements* in force from time to time, including the current realistic reserving requirements and are not restricted to former minimum capital requirements based only on the *Insurance Directives*' required minimum margin of solvency. For *firms* which are not *realistic basis life firms*, compliance with

■ GENPRU 2.2.271 R (3) will probably require specific reference to be made to treating *customers* fairly in the terms of the *capital instrument*.

Public sector guarantees

2.2.276

R

FCA PRA

A *BIPRU firm* may not include a guarantee from a state or public authority in its *capital resources*.

2.3 Application of GENPRU 2 to Lloyd's

Application of GENPRU 2.1

2.3.1 **R** ■ GENPRU 2.1 applies to the *Society* in accordance with ■ INSPRU 8.1.2 R.

PRA

2.3.2 **R** ■ GENPRU 2.1.38 R to ■ GENPRU 2.2.39 G apply to *managing agents* in accordance with ■ INSPRU 8.1.4 R.

PRA

2.3.3 **G** ■ GENPRU 2.1.13 R requires the *Society* to ensure, in relation to each *member's insurance business*, that *capital resources* equal to or in excess of the *member's capital resources* requirement (CRR) are maintained. ■ GENPRU 2.1 sets out the overall framework of the CRR. ■ INSPRU 1.1 sets out the calculation of the components of the *general insurance capital requirement* and the *long-term insurance capital requirement*.

PRA

2.3.4 **G** *Managing agents* are required to calculate the ECR for the purposes of carrying out *syndicate ICAs* under ■ INSPRU 7.1. As *with-profits insurance business* is not carried on through any *syndicate*, the calculation of the *with-profits insurance capital component* will not be applicable. ■ INSPRU 1.3 is not applied to Lloyd's.

PRA

Calculation of the MCR

2.3.5 **R** For the purposes of ■ GENPRU 2.1.24 R, the *Society* must calculate the MCR in respect of the *general insurance business* of each *member* as the higher of:

PRA

- (1) the *member's share* of the *base capital resources requirement* in respect of *general insurance business* for the *members* in aggregate; and
- (2) the *general insurance capital requirement* for the *members*, calculated according to ■ GENPRU 2.3.11 R.

2.3.6 **R** For the purposes of ■ GENPRU 2.3.5 R (1), the *Society* must determine the *member's share* by apportioning the *base capital resources requirement* in respect of *general insurance business* for the *members* in aggregate between *members* in proportion to the result for each *member* of ■ GENPRU 2.3.11 R.

PRA

2.3.7
PRA **R** For the purposes of ■ GENPRU 2.1.25 R, the *Society* must calculate the MCR in respect of the *long-term insurance business* of each *member* as the higher of:

- (1) the *member's* share of the *base capital resources requirement* in respect of *long-term insurance business* for the *members* in aggregate; and
- (2) the sum of, for each *member*:
 - (a) the *long-term insurance capital requirement*; and
 - (b) the *resilience capital requirement*.

2.3.8
PRA **R** For the purposes of ■ GENPRU 2.3.7 R (1), the *Society* must determine the *member's* share by applying to the aggregate long-term business *base capital resources requirement* the ratio of the result for the *member* of ■ GENPRU 2.3.7 R (2) to the aggregate of the results of ■ GENPRU 2.3.7 R (2) for all *members*.

Calculation of the base capital resources requirement

2.3.9
PRA **R** The amount of the *base capital resources requirement* for the *members* in aggregate is:

- (1) for *general insurance business*, € 3.7 million; and
- (2) for *long-term insurance business*, € 3.7 million.

Calculation of the general insurance capital requirement

2.3.10
PRA **R** For the purposes of ■ GENPRU 2.1.34 R, the *Society* must calculate the *general insurance capital requirement* for the *members* in aggregate as the higher of:

- (1) the aggregate for all *members* of the higher of, for each *member*, the result of the *premiums amount* and the *claims amount*; and
- (2) the *brought forward amount*.

2.3.11
PRA **R** The *Society* must determine the *general insurance capital requirement* for each *member* by apportioning the result of ■ GENPRU 2.3.10 R between *members* on a fair and reasonable basis, provided that the *general insurance capital requirement* for a *member* must not be less than the higher of the result of the *premiums amount* and the *claims amount* for that *member*.

2.3.12
PRA **G** The *Society* should calculate the *premiums amount* and the *claims amount* for each *member* on the basis of the *member's* own *general insurance business*, including *insurance business* that attaches to the reinsuring *member* for the purposes of GENPRU following an *approved reinsurance to close* (see ■ INSPRU 8.2.16 R).

2.3.13 **R** The *Society* must calculate the *general insurance capital requirement* it would have to determine under ■ GENPRU 2.1.34 R if it were an *insurer* carrying on all the *general insurance business* carried on by its *members*, but eliminating *inter-syndicate reinsurance* (the *Society GICR*).

2.3.14 **G** For the purpose of ■ GENPRU 2.3.13 R the *Society* may make appropriate approximations, taking reasonable care to avoid underestimating the *Society GICR*.

2.3.15 **R** The *Society* must determine each *member's* share of the *Society GICR* by allocating the *Society GICR* between the *members* in proportion to the result for each *member* of ■ GENPRU 2.3.11 R.

Application of GENPRU 2.2

2.3.16 **R** Subject to ■ GENPRU 2.3.18 R, ■ GENPRU 2.3.19 R and ■ GENPRU 2.3.21 R, ■ GENPRU 2.2 applies to *managing agents* and to the *Society* in accordance with:

- (1) for *managing agents*, ■ INSPRU 8.1.4 R; and
- (2) for the *Society*, ■ INSPRU 8.1.2 R.

2.3.17 **G** ■ GENPRU 2.1 sets out minimum *capital resources requirements* for a *firm* and for Lloyd's *members*. ■ GENPRU 2.2 sets out how, for the purpose of these requirements, *capital resources* are defined and measured. ■ GENPRU 2.2 applies:

- (1) to *managing agents* for their calculation of the *capital resources* managed by them in respect of each *syndicate* they manage (by reference, where there is a change in the underlying capital provision, to each open *syndicate* year); and
- (2) to the *Society* for its calculation of:
 - (a) each *member's capital resources*; and
 - (b) its own *capital resources*.

2.3.18 **R** ■ GENPRU 2.2.32 R to ■ GENPRU 2.2.41 R (Limits on the use of different forms of capital) do not apply to *managing agents*.

2.3.19 **R** ■ GENPRU 2.2.32 R to ■ GENPRU 2.2.41 R (Limits on the use of different forms of capital) do apply to the *Society* with respect to:

- (1) the *capital resources* requirements for the *members* in aggregate; and
- (2) the aggregate *capital resources* supporting the *insurance business* of all the *members*.

- 2.3.20 **R** ■ GENPRU 2.2.74 R does not apply to the *Society* or to *managing agents*.
PRA
- 2.3.21 **R** In this section (■ GENPRU 2.3), "the aggregate *capital resources* supporting the *insurance business* of all the *members*" are:
PRA
- (1) the aggregate of all the *members' capital resources* calculated under ■ GENPRU 2.3.25 R; and
 - (2) the *Society's capital resources* excluding callable contributions.
- Calculation of capital resources**

- 2.3.22 **R** The *capital resources table* applies with the modifications that:
PRA
- (1) *Core tier one capital* includes *Lloyd's members' contributions* in accordance with ■ GENPRU 2.3.34 R, subject, in the case of letters of credit, guarantees and verifiable sums arising out of life assurance policies, to compliance with ■ GENPRU 1.5.8 G to ■ GENPRU 1.5.12 R; and
 - (2) the *Society* may also recognise and value *callable contributions*, pursuant to ■ GENPRU 2.3.24 R.
- 2.3.23 **G** *Lloyd's member's contributions* are *admissible assets* under ■ GENPRU 2.3.34 R and include letters of credit, guarantees and verifiable sums arising out of life assurance policies held as *funds at Lloyd's*. Assets that may be valued as part of *capital resources* under PRU are not necessarily, however, permitted investments for *members* under the terms of any *Lloyd's trust deed*.
PRA
- 2.3.24 **R** In calculating its *capital resources*, the *Society* may, subject to ■ GENPRU 1.5.13 R to ■ GENPRU 1.5.14 R, recognise and value *callable contributions*.
PRA
- 2.3.25 **R** The *Society* must calculate each *member's capital resources* as the sum of:
PRA
- (1) a *member's* proportionate share of the *capital resources* held at *syndicate* level for each *syndicate* in which the *member* participates; and
 - (2) the value of a *member's funds at Lloyd's* after deducting liabilities in compliance with ■ GENPRU 1.5.18 R.
- 2.3.26 **R** In order to comply with ■ GENPRU 2.1.13 R the *Society* must ensure at all times that:
PRA
- (1) each *member's capital resources requirement* is covered by:
 - (a) that *member's capital resources*, calculated according to ■ GENPRU 2.3.25 R; and

(b) to the extent that (a) is insufficient, by the *Society's* own *capital resources*; and

(2) the *Society GICR* is covered by the aggregate *capital resources* supporting the *insurance business* of all the *members*.

2.3.27

PRA

R For the purposes of ■ GENPRU 2.3.26 R (1)(b), the *Society* must maintain at all times *capital resources* sufficient to meet the aggregate of, for each *member*, the amount, if any, by which the *member's capital resources* fall short of the *member's capital resources requirement*.

2.3.28

PRA

R The *Society* must calculate each *member's* share of the amount of *capital resources* required to comply with ■ GENPRU 2.2.33 R as the higher of:

(1) 1/3 of the *long-term insurance capital requirement* for the *members* in aggregate; and

(2) the *base capital resources requirement*;

allocated between the *members* in proportion to the result for each *member* of ■ GENPRU 2.3.7 R (2).

2.3.29

PRA

R For the purposes of ■ GENPRU 2.2.34 R, the *Society* must ensure that the aggregate *capital resources* supporting the *insurance business* of all the *members* meet the higher of:

(1) 1/3 of the *general insurance capital requirement* for the *members* in aggregate;

(2) 1/3 of the *Society GICR*; and

(3) the *base capital resources requirement*;

with the sum of the items listed in ■ GENPRU 2.2.34 R.

2.3.30

PRA

R The *Society* must calculate each *member's* share of the amount of *capital resources* required to comply with ■ GENPRU 2.2.34 R as the higher of:

(1) 1/3 of the *general insurance capital requirement* for the *members* in aggregate;

(2) 1/3 of the *Society GICR*; and

(3) the *base capital resources requirement*;

allocated between the *members* in proportion to the result for each *member* of ■ GENPRU 2.3.11 R.

Characteristics of tier one capital

2.3.31

PRA

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A Lloyd's member's contribution may be included in tier one capital resources to the extent that:

- (1) the proceeds are immediately and fully available in respect of the member's insurance business at Lloyd's;
- (2) (except in relation to letters of credit), it complies with ■ GENPRU 2.2.64 R (3) or cannot be repaid to a member until all of the member's liabilities in respect of its insurance business at Lloyd's have been extinguished, covered or reinsured by an approved reinsurance to close;
- (3) it otherwise complies with ■ GENPRU 2.2.64 R (5) to ■ GENPRU 2.2.64 R (10).

Adjustments for related undertakings

2.3.32

PRA

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■ GENPRU 2.2.256 R (Adjustment for regulated related undertakings other than insurance undertakings) applies to the Society with the modification that the Society must also value its insurance undertakings in accordance with ■ GENPRU 2.2.256 R.

2.3.33

PRA

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If a related undertaking is an insurance undertaking which has a deficit in the capital resources available to cover its capital resources requirement, the Society must make provision for:

- (1) its proportionate share of that deficit; or
- (2) in the case of a subsidiary undertaking, the whole of that deficit.

Modification of GENPRU 2 Annex 7R for Lloyd's

2.3.34

PRA

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In the case of members, Lloyd's members' contributions are included in ■ GENPRU 2 Annex 7 R and include:

- (1) letters of credit;
- (2) guarantees; and
- (3) verifiable sums arising out of life assurance policies;

held as funds at Lloyd's.

2.3.35

PRA

G

The effect of ■ GENPRU 2.3.34 R is that Lloyd's members' contributions, including letters of credit, guarantees and life assurance policies, are admissible assets.

General Prudential sourcebook

GENPRU TP 16 AIFMD

FCA

Application

16.1 R GENPRU TP 16 applies to a *collective portfolio management investment firm*.

Duration of transitional

16.2 R GENPRU TP 16.4 applies from 22 July 2013 until 21 July 2014.

16.3 R GENPRU TP 16.5 applies from 22 July 2013.

Transitional provision

16.4 R (1) Where a *firm* meets the conditions in (2), the changes effected by Annex G of the Alternative Investment Fund Managers Directive Instrument 2013 do not apply and, therefore, the provisions in *GENPRU* amended by that Annex will continue to apply as they were in force as at 21 July 2013.

(2) The conditions referred to in (1) are:

- (a) the *firm* falls within regulation 72(1) of the *AIFMD UK regulation*; and
- (b) the *firm* does not have a *Part 4A permission to manage an AIF*.

16.5 R Where a *firm* falls within regulation 74(1) or 75(1) of the *AIFMD UK regulation* it need not include *AIFs* managed by it that fall within those regulations in the calculation of its *funds under management requirement*, *professional negligence capital requirement* or *PII excess capital requirement*.

Prudential sourcebook for Banks, Building Societies and Investment Firms

Chapter 1

Application

1.1 Application

1.1.1

FCA **PRA**

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There is no overall application statement for *BIPRU*. Each chapter or section has its own application statement. Broadly speaking however, *BIPRU* applies to:

- (1) a *bank*;
- (2) a *building society*;
- (3) a *BIPRU investment firm*; and
- (4) groups containing such *firms*.

1.1.2

FCA **PRA**

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***BIPRU* applies to a *firm* in relation to the whole of its business, except where a particular provision provides for a narrower scope.**

1.1.3

FCA **PRA**

G

In the main *BIPRU* only applies to a *collective portfolio management investment firm* in respect of *designated investment business* (excluding *managing an AIF* and *managing a UCITS*). However **■ BIPRU 2.2** (Internal capital adequacy standards), **■ BIPRU 2.3** (Interest rate risk in the non-trading book), **■ BIPRU 8** (Group risk - consolidation) and **■ BIPRU 11** (Disclosure) apply to the whole of its business.

Purpose

1.1.4

FCA **PRA**

G

■ BIPRU 1.1 implements in part Articles 3(1)(b), 5, 9, 10 and 20 of the *Capital Adequacy Directive*.

Guidance on the categorisation of BIPRU investment firms

1.1.5

FCA **PRA**

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Guidance on the categorisation of *investment firms* for the purposes of *BIPRU* and *GENPRU* is included in **■ PERG 13** (Guidance on the scope of the Markets in Financial Instruments Directive and the recast Capital Adequacy Directive).

The definition of a BIPRU firm

1.1.6

FCA **PRA**

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Subject to **■ BIPRU 1.1.7 R**, a *BIPRU firm* means a *firm* that is:

- (1) a *building society*; or
- (2) a *bank*; or

- (3) a *full scope BIPRU investment firm*; or
- (4) a *BIPRU limited licence firm*; or
- (5) a *BIPRU limited activity firm*.

1.1.7

FCA PRA

R

None of the following is a *BIPRU firm* and each of the following is excluded from each of the categories of *BIPRU investment firm* listed in

■ BIPRU 1.1.6 R (3) to ■ BIPRU 1.1.6R (5) and ■ BIPRU 1.1.18 R (2) to ■ (4):

- (1) an *incoming EEA firm*;
- (2) an *incoming Treaty firm*;
- (3) any other *overseas firm*;
- (4) an *ELMI*;
- (5) an *insurer*; and
- (6) an *ICVC*.

1.1.8

FCA PRA

R

A *firm* falling within ■ BIPRU 1.1.6 R (3) to ■ BIPRU 1.1.6R (5) is a *BIPRU investment firm*. A *BIPRU investment firm* includes a *collective portfolio management investment firm* that is not excluded under ■ BIPRU 1.1.7 R.

1.1.9

FCA PRA

G

EEA firms are subject to the prudential standards of their home state regulator. But the *Banking Consolidation Directive* permits a host state *competent authority* to require a *BCD credit institution* to meet certain standards relating to its liquidity. The *appropriate regulator's* approach to liquidity for such *firms* is set out in ■ BIPRU 12.

1.1.10

FCA PRA

G

- (1) This paragraph applies to an *undertaking* that would be a *third country BIPRU firm* if it were *authorised* under the *Act*.
- (2) Except in exceptional circumstances, it is the *appropriate regulator's* policy that it will not give an overseas applicant a *Part 4A permission* unless the *appropriate regulator* is satisfied that the applicant will be subject to prudential regulation by its home state *regulatory body* that is broadly equivalent to that provided for in the *Handbook* and the applicable *EEA prudential sectoral legislation*. The *appropriate regulator* will take into account not only the requirements to which the *firm* is subject but how they are enforced. The *appropriate regulator* will also take into account the laws, regulations and administrative provisions to which it is subject in its home state. The reasons for that policy include:
 - (a) it is unlikely that a *firm* that is not subject to equivalent supervision will be able to satisfy the *threshold conditions* (and in particular *threshold condition 5* (Suitability)) and it is unlikely that it will be possible to establish that the *firm* does satisfy them;
 - (b) such a *firm* is likely to pose a threat to the interests of *consumers* and potential *consumers*, particularly as effective supervision of an *overseas firm* depends on cooperation between the *appropriate regulator* and the *regulatory body* that authorises the *firm* in its home country and on the

appropriate regulator being able to place appropriate reliance on the supervision carried out by such *regulatory body*; and

- (c) under Article 38(1) of the *Banking Consolidation Directive* the *appropriate regulator* should not apply to *branches* of *credit institutions* having their head office outside the *EEA*, when commencing or carrying on their business, provisions which result in more favourable treatment than that accorded to *branches* of *credit institutions* having their head office in the *EEA*.
- (3) If an *undertaking* is not subject to equivalent supervision in its home state and it wishes to carry on in the *United Kingdom regulated activities* coming within the scope of the activities that define a *BIPRU firm* it should establish a *subsidiary undertaking* in the *United Kingdom*. Such a *subsidiary undertaking* should be able to show, amongst other things, how it would comply with the *threshold conditions* (and in particular *threshold conditions* 3 (Close links) and 5 (Suitability)).
- (4) If in exceptional circumstances the *appropriate regulator* does grant a *Part 4A permission* to an *undertaking* that is not subject to equivalent prudential regulation the *appropriate regulator* is likely to take measures under the *regulatory system* to compensate for the lack of equivalent supervision. These may include applying the prudential requirements for *BIPRU firms* to the *firm*.
- (5) An *overseas firm* that is subject to equivalent supervision is subject to the *threshold conditions* and the *Principles*. *BIPRU* and *GENPRU* do not generally apply. However ■ *BIPRU 12* applies to a *credit institution* with respect to liquidity risk in relation to its *United Kingdom branch*.

Types of investment firm: Limited activity firms

1.1.11

FCA PRA

R

A *limited activity firm* means (as specified by Article 20(3) of the *Capital Adequacy Directive* (Exemptions from operational risk)) a *CAD investment firm* that satisfies the following conditions:

- (1) it meets the criteria in (a) or the criteria in (b):
 - (a) it *deals on own account* only:
 - (i) for the purpose of fulfilling or executing a client order; or
 - (ii) for the purpose of gaining entrance to a clearing and settlement system or a *recognised investment exchange* or *designated investment exchange* when acting in an agency capacity or executing a client order; or
 - (b) it satisfies the following conditions:
 - (i) it does not hold client money or securities in relation to *investment services* that it provides and is not authorised to do so;

- (a) it is a *firm*; and
- (b) its head office is in the *United Kingdom* and it is not otherwise excluded from the definition of *BIPRU firm* under
 - BIPRU 1.1.7 R.

Alternative classification of BIPRU investment firms

1.1.18

FCA PRA

R

BIPRU investment firm are divided into the following classes for the purposes of the calculation of the *base capital resources requirement* and for the purpose of any other provision of the *Handbook* that applies this classification:

- (1) a *collective portfolio management investment firm*;
- (2) a *BIPRU 50K firm*;
- (3) a *BIPRU 125K firm*; and
- (4) a *BIPRU 730K firm*.

Types of investment firm: BIPRU 125K firm

1.1.19

FCA PRA

R

A *BIPRU 125K firm* means a *BIPRU investment firm* that satisfies the following conditions:

- (1) it does not:
 - (a) *deal on own account*; or
 - (b) underwrite issues of *financial instruments* (as referred in Section A of Annex I of *MiFID*) on a firm commitment basis;
- (2) it holds clients' money or securities in relation to *investment services* it provides or is authorised to do so;
- (3) it offers one or more of the following services (all as referred to in Section A of Annex I of *MiFID*):
 - (a) reception and transmission of investors' orders for *financial instruments*; or
 - (b) the execution of investors' orders for *financial instruments*; or
 - (c) the management of individual portfolios of investments in *financial instruments*;
- (4) it is not a *collective portfolio management investment firm*; and
- (5) it does not operate a *multilateral trading facility*.

1.1.20

FCA PRA

R

Types of investment firm: BIPRU 50K firm

A *BIPRU 50K firm* means a *BIPRU investment firm* that satisfies the following conditions:

- (1) it satisfies the conditions in ■ BIPRU 1.1.19 R (1) and ■ (3);
- (2) it does not hold clients' money or securities in relation to *investment services* it provides and it is not authorised to do so;
- (3) it is not a *collective portfolio management investment firm*; and
- (4) it does not operate a *multilateral trading facility*.

1.1.21

FCA PRA

R

Types of investment firm: 730K firm

A *BIPRU investment firm* that is not a *collective portfolio management investment firm*, a *BIPRU 50K firm* or a *BIPRU 125K firm* is a *BIPRU 730K firm*. A *BIPRU investment firm* that operates a *multilateral trading facility* is a *BIPRU 730K firm*.

1.1.22

FCA PRA

R

Types of investment firm: Part 4A permission

A *firm* also falls into one of the categories of *BIPRU investment firm* listed in ■ BIPRU 1.1.6 R (3) to ■ (5) or ■ BIPRU 1.1.18 R if its *Part 4A permission* contains a *requirement* that it comply with the *rules* in *GENPRU* and *BIPRU* applicable to that category of *firm*. If a *firm* is subject to such a *requirement* and it would otherwise also fall into another category of *BIPRU investment firm* it does not fall into that other category.

1.1.23

FCA PRA

R

Meaning of dealing on own account

- (1) *Dealing on own account* means (for the purpose of *GENPRU* and *BIPRU*) the service of dealing in any *financial instruments* for own account as referred to in point 3 of Section A of Annex I to *MiFID*, subject to (2) and (3).
- (2) In accordance with article 5(2) of the *Capital Adequacy Directive* (Definition of dealing on own account), a *CAD investment firm* that executes investors' orders for *financial instruments* and holds such *financial instruments* for its own account does not for that reason *deal on own account* if the following conditions are met:
 - (a) such *positions* only arise as a result of the *CAD investment firm's* failure to match investors' orders precisely;
 - (b) the total market value of all such *positions* is no higher than 15% of the *CAD investment firm's initial capital*;

- (c) (in the case of a *BIPRU investment firm*) it complies with the *main BIPRU firm Pillar 1 rules* and ■ BIPRU 10 (Large exposures requirements);
- (d) (in the case of a *CAD investment firm* that is an *EEA firm*) it complies with the *CRD implementation measures* of its *Home State* for Articles 18 and 20 (Minimum capital requirements) and 28 (Large exposures) of the *Capital Adequacy Directive*;
- (e) (in the case of any other *CAD investment firm*) it would comply with the *rules* in (2)(c) if it had been a *BIPRU investment firm* on the basis of the assumptions in ■ BIPRU 1.1.14 R (3)(a) and ■ BIPRU 1.1.14R (3)(b); and
- (f) such *positions* are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.

- (3) In accordance with Article 5(2) of the *Capital Adequacy Directive*, the holding of *non-trading book positions in financial instruments* in order to invest *capital resources* is not *dealing on own account* for the purposes referred to in ■ BIPRU 1.1.18 R.

Interpretation of the definition of types of firm and undertaking.....

1.1.24

FCA PRA

R

For the purposes of the definitions in ■ BIPRU 1.1, a *person* does any of the activities referred to in ■ BIPRU 1.1 if:

- (1) it does that activity anywhere in the world; or
- (2) if its *permission* includes that activity; or
- (3) (in the case of an *EEA firm*) it is authorised by its *Home State regulator* to do that activity; or
- (4) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *firm* has such an authorisation.

1.1.25

FCA PRA

R

For the purposes of the definitions in ■ BIPRU 1.1, a *person* offers any of the services referred to in ■ BIPRU 1.1.19 R (3)if:

- (1) it offers that service anywhere in the world; or
- (2) any of ■ BIPRU 1.1.24 R (1) to ■ BIPRU 1.1.24R (4) apply.

1.1.26

FCA PRA

R

For the purposes of the definitions in ■ BIPRU 1.1, a *person* has an authorisation to do any of the activities referred to in ■ BIPRU 1.1 if any of ■ BIPRU 1.1.24 R (2) to ■ (4) apply.

1.2 Definition of the trading book

Application

1.2.1 **R** This section applies to a *BIPRU firm*.

FCA **PRA**

Purpose

1.2.2 **G** This section implements certain provisions of the *Capital Adequacy Directive* and the *Banking Consolidation Directive* relating to the *trading book*. The precise provisions being implemented are listed as a note after each *rule*.

FCA **PRA**

Definition of the trading book: General

1.2.3 **R** The *trading book* of a *firm* consists of all *position* in *CRD financial instrument* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book* and which are either free of any restrictive covenants on their tradability or able to be hedged.

FCA **PRA**

[Note: CAD Article 11(1)]

Definition of the trading book: Positions

1.2.4 **R** The term *position* includes proprietary positions and positions arising from client servicing and market making.

FCA **PRA**

[Note: CAD Article 11(2) second sentence]

1.2.5 **G** *Positions* arising from client servicing include those arising out of contracts where a *firm* acts as principal (even in the context of activity described as 'broking' or 'customer business'). Such *positions* should be allocated to a *firm's trading book* if the intent is trading (see ■ BIPRU 1.2.10 R). This applies even if the nature of the business means that generally the only risks incurred by the *firm* are counterparty risks (i.e. no market risk charges apply). If the nature of the business means that generally the only risks incurred by the *firm* are counterparty risks, the *position* will generally still meet the trading intent requirement in ■ BIPRU 1.2.10 R if the *position* would meet the trading intent requirement if *position* risk did arise. The *appropriate regulator* understands that business carried out under International Uniform Brokerage Execution ("Give-Up") Agreements involve back to back trades as principal. Thus *positions* arising out of business carried out under such agreements should be allocated to a *firm's trading book*.

FCA **PRA**

8.5 Basis of consolidation

Undertakings to be included in consolidation

8.5.1

FCA PRA

R

A *firm* must include only the following types of *undertaking* in a *UK consolidation group* or *non-EEA sub-group* for the purposes of this chapter:

- (1) a *BIPRU firm*;
- (2) an *institution*;
- (3) a *financial institution*;
- (4) an *asset management company*;
- (5) a *financial holding company*;
- (6) a *mixed financial holding company*; and
- (7) an *ancillary services undertaking*.

8.5.2

FCA PRA

G

Although an *undertaking* falling outside ■ BIPRU 8.5.1 R will not be included in a *UK consolidation group* or *non-EEA sub-group* it may be relevant in deciding whether one *undertaking* in the *banking sector* or the *investment services sector* is a *subsidiary undertaking* of another with the result that they should be included in the same *UK consolidation group* or *non-EEA sub-group*.

8.5.3

FCA PRA

G

An example of ■ BIPRU 8.5.2 G is as follows. Say that the *undertaking* at the head of a *bank's UK group* is a *parent financial holding company in a Member State*. One of its *subsidiary undertakings* is the *bank*. The *parent financial holding company in a Member State* also has an *insurer* as a *subsidiary undertaking*. That *insurer* has several *investment firms* as *subsidiary undertakings*. Say that the *UK group* is not a *financial conglomerate*. The *UK consolidation group* will include the *parent financial holding company in a Member State* and the *bank*. It will also include the *investment firms* that are *subsidiary undertakings* of the *insurer*. This is because the *investment firms* are *subsidiary undertakings* of the *parent financial holding company in a Member State* through the *parent financial holding company in a Member State's* holding in the *insurer*. However it will not include the *insurer* itself.

Basis of inclusion of undertakings in consolidation

8.5.4

FCA PRA

R

A *firm* must include any *subsidiary undertaking* in the *UK consolidation group* or *non-EEA sub-group* in full in the calculations in this chapter.

8.5.5

FCA PRA

R

In carrying out the calculations for the purposes of this chapter a *firm* must only include the relevant proportion of an *undertaking* that is a member of the *UK consolidation group* or *non-EEA sub-group*:

- (1) by virtue of a *consolidation Article 12(1) relationship*;
- (2) by virtue of an *Article 134 relationship*; or
- (3) because the group holds a *participation* in it.

8.5.6

FCA PRA

R

In ■ BIPRU 8.5.5 R, the relevant proportion is either:

- (1) (in the case of a *participation*) the proportion of *shares* issued by the *undertaking* held by the *UK consolidation group* or the *non-EEA sub-group*; or
- (2) (in the case of a *consolidation Article 12(1) relationship* or an *Article 134 relationship*), such proportion (if any) as stated in the *Part 4A permission* of the *firm*.

Basis of inclusion of collective portfolio management investment firms in consolidation

8.5.7

FCA PRA

R

■ GENPRU 2.1.46 R (Adjustment of the variable capital requirement calculation for collective portfolio management investment firms) does not apply for the purpose of this chapter.

8.5.8

FCA PRA

G

In general a *collective portfolio management investment firm* only calculates its capital and concentration risk requirements in relation to its *designated investment business* and does not calculate them with respect to *managing an AIF* or *managing a UCITS*. The effect of ■ BIPRU 8.5.7 R is that this does not apply on a consolidated basis. For the purpose of this chapter the calculations are carried out with respect to the whole of the activities of a *collective portfolio management investment firm*.

Exclusion of undertakings from consolidation: Balance sheet size

8.5.9

FCA PRA

R

A *firm* may, having first notified the *appropriate regulator* in writing in accordance with ■ SUP 15.7 (Form and method of notification), exclude an *institution*, *asset management company*, *financial institution* or *ancillary services undertaking* that is a *subsidiary undertaking* in, or an *undertaking* in which a *participation* is held by, the *UK consolidation group* or *non-EEA sub-group* if the balance sheet total of that *undertaking* is less than the smaller of the following two amounts:

- (1) 10 million Euros;

Prudential sourcebook for Banks, Building Societies and Investment Firms

BIPRU TP 35 AIFMD

FCA

Application

16.1 R BIPRU TP 35 applies to a *collective portfolio management investment firm*.

Duration of transitional

16.2 R BIPRU TP 35 applies from 22 July 2013 until 21 July 2014

Transitional provision

- 16.3 R
- (1) Where a *firm* meets the conditions in (2), the changes effected by Annex H of the Alternative Investment Fund Managers Directive Instrument 2013 do not apply and, therefore, the provisions in *BIPRU* amended by that Annex will continue to apply as they were in force as at 21 July 2013.
 - (2) The conditions referred to in (1) are:
 - (a) the *firm* falls within regulation 72(1) of the *AIFMD UK regulation*; and
 - (b) the *firm* does not have a *Part 4A permission to manage an AIF*.

Prudential sourcebook for UCITS Firm

Chapter 1

UCITS firms

1.1 Introduction

Application

- 1.1.1** **R** Subject to 1.1.4R, this sourcebook and any provisions of the Interim Prudential sourcebook for investment businesses incorporated into this sourcebook by reference, apply to every *UCITS firm*.
FCA
- 1.1.2** **G** Firms are reminded that a *UCITS management company* can be either:
FCA
- (1) a *UCITS firm*; or
 - (2) a *UCITS investment firm*.
- 1.1.3** **G** This sourcebook only applies to *UCITS firms*. *UCITS investment firms* are *BIPRU limited licence firms* and the prudential requirements for those *firms* are set out in the Prudential sourcebook for banks, building societies and investment firms and the General prudential sourcebook. The difference between the two types of *UCITS management companies* is that a *UCITS investment firm* in addition to carrying on the activities permitted by Article 6(2) of the *UCITS Directive* (scheme management), may also carry on the activities permitted by Article 6(3) such as portfolio management.
FCA
- 1.1.4** **R** This sourcebook does not apply to a *UCITS firm* to which **■ IPRU (INV) 11 (Collective Portfolio Management Firms)** applies.
FCA
- 1.1.5** **G** **■ IPRU (INV) TP 5** allows a *UCITS firm* that is *authorised* as such on or before 21 July 2013 to continue to comply, if it so wishes, with *UPRU* rather than **■ IPRU (INV) 11** until 21 July 2014 or the date it becomes a *UK AIFM* (if earlier).
FCA
- 1.1.6** **G** This sourcebook will be deleted in its entirety on 22 July 2014 and, from this date, a *UCITS firm* must comply with **■ IPRU (INV) 11**.
FCA

**Interim Prudential
Sourcebook**

Friendly Societies



dependant's surplus assets (or proportional share);

general insurance business assets means assets of a *friendly society* or *insurance company* which are, for the time being, identified as representing the *general insurance business* fund or funds maintained by that body in respect of its *general insurance business*, and

general insurance business liabilities means liabilities of the body which are attributable to its general insurance business;

general premium income means, in any year, the net amount, after deduction of any *premiums* payable for reinsurance, of the *premiums receivable* in that year in respect of all *insurance business* other than *long-term insurance business*;

gross premiums, in relation to a *friendly society* and a financial year –

- (a) means *premiums* after deduction of discounts, refunds and rebates of *premium* but before deduction of *premiums* for reinsurance ceded and before deduction of *commission payable* by the *friendly society*; and
- (b) includes *premiums receivable* by the *friendly society* under reinsurance contracts accepted by the *friendly society*;

gross premiums earned in respect of a *financial year* means such proportion of *gross premiums receivable* as is attributable to risk borne by the *friendly society* during that *financial year*;

group has the meaning given in section 262(1) of the Companies Act 1985 where applicable, otherwise section 474(1) of the Companies Act 2006;

guarantee fund has the meaning given in rule 4.4(1);

hybrid linked contract means a *contract of insurance* the effecting of which constitutes the carrying on of *long-term insurance business* and which contains an option or options such that at some future time the contract may, according to how such option or options are exercised, constitute either a *linked contract* or a *non-linked contract*;

implicit items has the meaning given in rule 4.7(3);

incepted refers to the time when the liability to risk of a *friendly society* under a *contract of insurance* commenced and, for this purpose, a contract providing continuous cover is deemed to commence on each anniversary date of the contract;

initial margin in respect of a *derivative contract* or a contract or *asset* having the effect of a *derivative contract* means assets which, before or at the time the contract is entered into, are transferred by the *friendly society* subject to a condition that such assets (or, where the assets transferred are *securities, equivalent securities*) will be returned to the *friendly society* on completion of that contract;

insurance company means a person or body of persons (whether incorporated or not) carrying on *insurance business* other than a *friendly society*;

insurance Directives means –

- (a) the *first non-life Directive*, the *second non-life Directive* and the *third non-life Directive*, and such other Directives as make provision with respect to the business of direct insurance other than long-term assurance; and
- (b) the *Consolidated Life Directive*, and such other Directives as make provision with respect to the business of direct long-term assurance;

insurance holding company means a parent undertaking whose main business is to acquire and hold *participations in subsidiary undertakings*, where

- (a) those *subsidiary undertakings* are exclusively or mainly *insurance undertakings*;
- (b) at least one of those *subsidiary undertakings* is a *UK insurer* or an *EEA firm* that is a *regulated insurance entity*; and
- (c) it is not a *mixed financial holding company*.

insurance liabilities means amounts calculated in accordance with *liability valuation rules* in respect of those items shown at C and D under the heading "Liabilities" in Part I of Schedule 2 to the *Accounts Regulations*;

intermediary means a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into *contracts of insurance* with a *friendly society*, other than a person who only publishes such invitations on behalf of, or to the order of, some other person;

internal linked fund means an account to which a *friendly society* appropriates certain *linked assets* and which may be sub-divided into units the value of which is determined by the *friendly society* by reference to the value of those *linked assets*;

issuer in respect of a *collective investment scheme* means the manager or operator of the scheme and in respect of an interest in a limited partnership (other than a *limited partnership scheme*) means the partnership;

jointly controlled body is to be construed in accordance with section 13 of the 1992 Act;

liability valuation rules are the rules in Appendix 5;

linked assets means, in relation to a *friendly society*, *long-term insurance business assets* of the *friendly society* which are, for the time being, identified in the records of the *friendly society* as being assets by reference to the value of which *property linked benefits* are to be determined;

linked benefits, in relation to a *linked long-term contract*, means benefits payable to the *policyholder* which are determined by reference to the value of or the income from property of any description (whether or not specified in the contract) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);

linked contract means a contract falling within *class III*, and *non-linked contract* must be construed accordingly;

linked long-term contract means a *contract of insurance*, the effecting of which constitutes the carrying on of *long-term insurance business*, and under which *linked benefits* are payable;

listed means, in relation to an investment –

- (a) that the investment is included in an *official list*, or
 - (b) that facilities have been granted for dealing in that investment on a *regulated market*,
- and *unlisted* must be construed accordingly;

long-term insurance business means *insurance business* of any of the *classes* of long-term insurance specified in Part III of chapter 7;

long-term insurance business amount means the higher of –

- (a) the total of:
 - (i) the *friendly society's insurance liabilities* in respect of *long-term insurance business* (net of reinsurance ceded and the amount of any deposit back under a *deposit-back arrangement* in relation to a contract of reinsurance in respect of *long-term insurance business*;
 - (A) excluding *property linked liabilities*; and
 - (B) less:
 - (i) the amount of any *debt*, that is a *long-term insurance business asset* (excluding reinsurance ceded which has already been deducted from the *friendly society's insurance liabilities*), due from a *dependant* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates, and
 - (ii) the amount of any *implicit item* valued in accordance with a waiver under section 148 of the *Act*;
 - (which amount is to be zero where the result is negative); and
 - (ii) the amount of the *required minimum margin* for its *long-term insurance business* determined in accordance with rules 4.2 and 4.5 and Appendix 1 (or, in the case of a *friendly society* whose head office is not in the United Kingdom, that amount which would apply if its head office were in the United Kingdom); or
- (b) such other amount as the *friendly society* may select not exceeding the value of its assets determined in accordance with the *asset valuation rules*,
 - (i) excluding:
 - (A) reinsurance recoveries;
 - (B) assets required to match property linked liabilities;
 - (C) *debts* due from *dependants* of the *friendly society* to which paragraph B11C of Part 1 of Annex B of Appendix 4 relates; and
 - (D) if the *friendly society* is a *general insurer*, *general insurance business assets*, and
 - (ii) less:

(A) if the *friendly society* is a *general insurer*, debts due to dependants of the *friendly society* included in *long-term insurance business liabilities* (excluding reinsurance recoveries (other than amounts due or that relate to claims already paid by the dependant)), or

(B) if the *friendly society* is not a *general insurer*, debts due to dependants of the *friendly society* (excluding *reinsurance recoveries* (other than amounts due or that relate to claims already paid by the *dependant*)),

but for the purposes of (ii) above, for *dependants* to which paragraph B11C of Part 1 of Annex B of Appendix 4 does not relate, the amount deducted will not exceed the *dependant's surplus assets* (or *proportional share*);

except that for the purposes of determining the *permitted asset exposure limit* under paragraph B3 of Annex B of Appendix 4, *index linked liabilities* must also be excluded from (a)(i) and assets required to match such liabilities must be also excluded from (b);

long-term insurance business assets means assets of a *friendly society* or *insurance company* which are, for the time being, identified as representing the *long-term insurance business* fund or funds maintained by that body in respect of its *long-term insurance business*; and

long-term insurance business liabilities means liabilities of the body which are attributable to its long-term insurance business;

long-term gilt yield means the annualised equivalent of the 15 year medium coupon yield for United Kingdom Government fixed-interest *securities* jointly compiled by the Financial Times, the Institute of Actuaries and the Faculty of Actuaries;

long-term liabilities means liabilities of a *friendly society* arising under or in connection with contracts for *long-term insurance business* including *liabilities* arising from *deposit back arrangements*;

management expenses means all expenses, other than commission, incurred in the administration of a *friendly society* or its business;

margin of solvency has the meaning given in rule 4.1(4);

market value means the market value as determined in accordance with generally accepted accounting concepts, bases and policies or other generally accepted methods appropriate to societies;

material connected-party transaction means a *connected-party transaction* for which (together with any similar transactions):

(a) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or

(b) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties,

exceeds:

(c) in the case of a *friendly society* that carries on either general insurance business or long-term insurance business, but not both, 5% of the general business amount or long-term business amount, as applicable; or

- (d) in the case of a *friendly society* that carries on both types of business either –
- (i) 5% of the *long-term business amount* where the transaction is in connection with the *friendly society's long-term business*; and
 - (ii) in other cases, 5% of the *general business amount*;

mathematical reserves means the provision made by a *friendly society* to cover liabilities (excluding liabilities which have fallen due and liabilities arising from *deposit back arrangements*) arising under or in connection with contracts for *long-term insurance business*;

memorandum has the meaning given by paragraph 4(3) of Schedule 3 to the 1992 Act;

minimum guarantee fund has the meaning given in rule 4.4(2);

minor, in relation to Scotland, means not having attained the age of sixteen;

modifications, in relation to *enactments*, includes additions, omissions and amendments;

non-directive incorporated friendly society means a *non-directive friendly society* which is an *incorporated friendly society*;

non-directive registered friendly society means a *non-directive friendly society* which is a *registered friendly society*;

non-linked contract see *linked long term contract*;

non-profit policy see *with-profits policy*;

notional required minimum margin means:

- (a) in the case of an *insurance undertaking* (other than a *pure reinsurer*) that has its head office in a designated state or territory, the amount of the required minimum margin or general insurance capital requirement, or the equivalent requirement under the regulatory requirements of that state or territory;
- (b) in the case of a *pure reinsurer* that has its head office in a *designated state or territory*, the amount that would be the *required minimum margin* or *general insurance capital requirement*, or the equivalent requirement under the regulatory requirements of that state or territory, if the regulatory requirements of that state or territory applicable to undertakings carrying on *direct insurance business* were applied to the *pure reinsurer* (whether they are or not); and
- (c) in all other cases, the amount of the *required minimum margin* or *general insurance capital requirement* that would apply if the *insurance undertaking* were an *insurer* (other than a *pure reinsurer*), with its head office in the *United Kingdom* (whether it is or not)

officer means –

- (a) in relation to a registered friendly society or a registered branch –

- (i) a trustee;
 - (ii) the treasurer, secretary and chief executive (however described);
 - (iii) a member of the *committee*; and
 - (iv) a person appointed by the *friendly society* or branch to sue or be sued on its behalf; or
- (b) in relation to an *incorporated friendly society*, a member of the *committee*, the chief executive (however described) and the secretary;

option means an *option* which falls within article 83 of the Financial Services and Markets Act (Regulated Activities) Order 2001 or a *warrant*;

ordinary long term insurance business means long-term *insurance business* which is not industrial assurance business;

participating undertaking means an *undertaking* which is either a *parent undertaking* or other undertaking which holds a participation in or is linked by a consolidation Article 12(1) relationship with the undertaking in question

participation means:

- (a) the holding of a participating interest within the meaning of section 421(2) of the *Act*, or
- (b) the holding, directly or indirectly, of 20% or more of the voting rights or capital;

partnership pension society means an unincorporated *friendly society*, which satisfies the following conditions –

- (a) the purpose of the society is to effect or carry out unit-linked contracts to pay *annuities on human life*, which are approved by the Commissioners for HM Revenue and Customs under Section 620 of the Income and Corporation Taxes Act 1988;
- (b) the assets of each member of the society are separately identifiable;
- (c) the assets of each member of the society are invested solely or primarily by him or in accordance with his instructions;
- (d) the value of each member of the society's assets is dependent entirely on the performance of those assets;
- (e) no member of the society has a contract which comprises, or includes, a cash guarantee; and
- (f) no member of the society has a contract which is an annuity in payment.

pension fund management contract means a contract to manage the investments of pension funds (other than funds solely for the benefit of the officers or employees of the person effecting or carrying out the contract and their dependants or, in the case of a *company*, partly for the benefit of officers or employees and their dependants of its *subsidiary* or holding company or a *subsidiary* of its holding company);

period means –

- (a) for the purposes of completion of the FSC2 or FSC3 return, the date since the last return or three years if there was no previous actuarial investigation; and
- (b) for the purpose of completion of the FSC1 return the *financial year* to which the return relates;

permanent health contract means a contract falling within *class IV*;

permitted asset exposure limit for assets of any of the descriptions in Part II of Annex B of Appendix 4 is the percentage of the *business amount* set out opposite the relevant paragraph; in the case of an asset which is not covered by any of the descriptions in Part II of Annex B of Appendix 4 (other than a *derivative contract*), the permitted asset exposure limit is nil;

permitted counterparty exposure limit means –

- (a) where the *counterparty* is an individual or an unincorporated body of persons, 5% of the *business amount*;
- (b) where the *counterparty* is a *counterparty* of the type mentioned in (e) in the definition of *counterparty*, 5% of the *business amount*;
- (c) where the counterparty is a body corporate or group, each of
 - (i) 20% of the *business amount* or £2 million, whichever is the larger,
 - (ii) 10% of the *business amount* where the *exposure* arises otherwise than by reason that *debts* are due, or are to become due, as a result of *short term deposits* made with an *approved credit institution*, and
 - (iii) 5% of the *business amount* where the *exposure* is other than to bodies which are *approved counterparties*;
- (a) satisfies the conditions in 13(6) to 13(8) of Appendix 4 except that the references in 13 of Appendix 4 to "an asset for the valuation of which provision is made in this chapter" is construed as reference to *permitted connected property*;

premium includes a contribution in respect of an insurance benefit and the consideration for the granting of an annuity;

proper valuation means, in relation to land, a valuation made by a qualified valuer not more than three years before the *relevant date* which determined the amount which would be realised at the time of the valuation on an open market sale of the land free from any mortgage or charge;

property linked benefits means benefits other than index linked benefits –

- (a) provided for under a *linked long-term contract*; and
- (b) determined by reference to the value of, or income from, property of any description (whether specified in the contract or not);

property linked contract means a linked contract conferring property linked benefits;

property linked liabilities means insurance liabilities in respect of property linked benefits;

proportional share means, in relation to a *related undertaking*, the percentage which is the percentage holding (directly or indirectly) in the *related undertaking's* capital;

provision of insurance by a directive friendly society in the United Kingdom or any other EEA State means –

- (a) the covering (otherwise than by way of reinsurance) of a risk situated there through an establishment in another *EEA State* ('the provision of general insurance'); and
- (b) the covering (otherwise than by way of reinsurance) of a *commitment* situated there through an establishment in another *EEA State* ('the provision of long-term insurance');

proxy capital resources requirement means the *solo capital resources requirement* to which an *undertaking* would have been subject if it had a *permission* for each activity it carries on anywhere in the world, so far as that activity is a *regulated activity*.

public file, in relation to a *friendly society*, means the file relating to the *friendly society* which the *FCA* is required to maintain under section 104 of the *1992 Act*;

qualified valuer, in relation to any particular type of land in any particular area, means a person who is a fellow or professional associate of the Royal Institution of Chartered Surveyors or a fellow or associate of the Incorporated Society of Valuers and Auctioneers or a fellow or associate of the Rating and Valuation Association and either –

- (a) has knowledge of and experience in the valuation of that particular type of land in that particular area; or
- (b) has knowledge of and experience in the valuation of land and has taken advice from a valuer who he is satisfied has knowledge of and experience in the valuation of that particular type of land in that particular area;

readily realisable in relation to a *listed* investment means a *listed* investment in respect of which 9(4) of Appendix 4 does not apply or, by virtue of 9(5) of Appendix 4, is to be taken not to apply;

receivable in relation to a *friendly society*, a *period*, a *financial year* and a *premium* means, unless otherwise specified, such amounts as become due to the *friendly society*, whether or not received by the *friendly society* during that *period* or *financial year*, including (where appropriate) income which has accrued, except that in Appendix 2, "receivable" only includes amounts *receivable* in respect of *contracts of insurance* *incepted* in that *period* or *financial year*;

recoverable, in relation to a *friendly society* and a *financial year*, means recorded in the *friendly society's* books as due in that year, whether or not the *friendly society* has received any payment;

reference period, in relation to a *friendly society*, means the three last preceding *financial years*;

registered address, in relation to a member of an *incorporated friendly society*, has the meaning given in paragraph 14(6) of Schedule 3 to the *1992 Act*;

registered branch means a branch of a *registered friendly society* which is separately registered within the meaning of the *1974 Act*;

regulated institution means any of the following –

**Interim Prudential
Sourcebook**

**Investment
Businesses**



The Interim Prudential Sourcebook for Investment Businesses

Contents

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- 4 Lloyd's Firms
- 5 Investment Management Firms
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- 7 [Deleted]
- 8 Requirements on credit unions which are CTF providers
- 9 Exempt CAD firms
- 10 [deleted]
- 11 Collective Portfolio Management Firms
- 12 -
- 13 Personal Investment Firms

Transitional provisions

FCA

1 Table Transitional provisions applying to IPRU(INV)

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
1			[Deleted: material moved to UPRU]	[Deleted: material moved to UPRU]	[Deleted: material moved to UPRU]
2			[Deleted]	[Deleted]	[Deleted]
3	<i>IPRU(INV)</i> 9.2.5R and <i>IPRU(INV)</i> 13.1.4(2)R (b)	R	The new limits of <i>indemnity</i> apply to a <i>professional indemnity policy</i> or a comparable guarantee commenced, renewed or extended with effect from or after 1 March 2009. Any other existing non-annual arrangements must be aligned with the new <i>limits of indemnity</i> before 1 March 2010	1 March 2009 to 28 February 2010	1 March 2009
4	[deleted]				
5	<i>IPRU(INV)</i> 11	R	A <i>UCITS firm</i> authorised on or before 21 July 2013 need not comply with <i>IPRU(INV)</i> 11 until 22 July 2014 or the date it becomes a <i>UK AIFM</i> (if earlier), provided it continues to comply instead with <i>UPRU</i> .	22 July 2013 to 21 July 2014	22 July 2013
6	The changes to <i>IPRU(INV)</i> in Annex J of the Alternative Investment Fund Managers Directive Instrument 2013	R	(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex listed in column (2) do not apply and the provisions in <i>IPRU(INV)</i> amended by that Annex will continue to apply as they were in force as at 21 July 2013. (2) The conditions are: (a) the <i>firm</i> falls within regulation 72(1) of the <i>AIFMD UK regulation</i> ; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i> .	From 22 July 2013 until 21 July 2014	22 July 2013
7	<i>IPRU(INV)</i> 11	R	Where a <i>firm</i> falls within regulation 74(1) or 75(1) of the <i>AIFMD UK regulation</i> it need not include <i>AIFs</i> managed by it	From 22 July 2013	22 July 2013

			that fall within those regulations in the calculation of its <i>funds under management</i> requirement, <i>professional negligence capital requirement</i> or <i>PII excess capital requirement</i> .		
8	[to follow]				
9	[to follow]				

INTERIM PRUDENTIAL SOURCEBOOK FOR INVESTMENT BUSINESSES

1 Chapter 1: Application and General Provisions

1.1 PURPOSE

1.1.1 Before 1 January 2007, the Interim Prudential Sourcebook for Investment Businesses (*IPRU(INV)*) was the part of the *Handbook* that dealt with capital requirements for *investment firms* subject to the position risk requirements of the previous version of the *Capital Adequacy Directive*. Now, however, *investment firms* which are subject to the risk-based capital requirements of the *Capital Adequacy Directive* are subject to the General Prudential sourcebook (*GENPRU*) and the Prudential sourcebook for Banks, Building Societies and Investment Firms (*BIPRU*).

FCA PRA

1.1.2 The *rules* and *guidance* in this sourcebook will assist the *appropriate regulator* to meet the statutory objectives. This sourcebook does so by setting minimal capital and other risk management standards thereby mitigating the possibility that firms will be unable to meet their liabilities and commitments to *consumers* and counterparties.

FCA PRA

1.1.3 The general scheme of this sourcebook is, wherever appropriate, to apply the financial and other prudential standards which applied to a *firm* immediately prior to it becoming authorised by the *appropriate regulator* under the *Act*. For convenience, the chapter numbers adopted in this sourcebook correspond with those of the rulebooks of *previous regulators*.

FCA PRA

1.1.3A This sourcebook does not apply to *BIPRU* investment firms except as follows:

FCA PRA

- (1) it does apply to certain exempt *BIPRU commodities firms*; and
- (2) chapter TP of *BIPRU* applies parts of *IPRU(INV)* to certain *BIPRU investment firms* on a transitional basis.

1.1.4 This sourcebook does not apply to *banks, building societies, insurers, the Society of Lloyd's* (except in relation to underwriting agents), *friendly societies* and certain other categories of *firm* and *members' advisers*.

FCA PRA

1.1.5 On becoming authorised by the *appropriate regulator* a *firm* will have to comply with the particular chapter of this sourcebook appropriate to its business. The *firm* will be able to seek guidance on this during the authorisation procedure. If subsequently, the business for which a *firm* has *permission* changes it may be necessary for it to comply with a different set of financial resources requirements. *Firms* will be able to discuss this aspect with the appropriate regulator during the application process.

FCA PRA

1.1.6 The *Supervision manual* sets out provisions relating to the periodic reporting and notification of financial information to the *appropriate regulator* or to the auditing of accounts. However, this sourcebook contains a few additional notification requirements (*notification rules*).

FCA PRA

1.2 APPLICATION

1.2.1 R The *Glossary* applies to the transitional provisions, this chapter (*IPRU(INV) 1, IPRU(INV) 2, IPRU(INV) 4, IPRU(INV) 6, IPRU(INV) 11* and *IPRU(INV) 13*).

FCA PRA

1.2.2 R (1) *IPRU (INV)* applies to:

FCA PRA

- (a) a *members' adviser*;
 - (b) an *investment management firm*;
 - (c) a *personal investment firm*;
 - (d) an *authorised professional firm*;
 - (e) a *securities and futures firm*;
 - (f) a *service company*;
 - (g) the *Society of Lloyd's* (in relation to *underwriting agents*);
 - (h) [deleted]
 - (i) a *credit union* which is a *CTF provider*;
 - (j) an *exempt CAD firm*; and
 - (k) a *collective portfolio management firm*.
- (2) *IPRU (INV)* does not apply to:
- (a) a *lead regulated firm*; or
 - (b) a *media firm*;
 - (c) a *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*).
- (3) The definitions in the *Glossary* (which is applicable to the *Handbook* generally) apply to this chapter.

1.2.3 G For the avoidance of doubt, *IPRU (INV)* does not apply to any of the following:

FCA PRA

- (a) a *bank*; or
- (b) a *building society*; or
- (c) a *friendly society*; or

- (d) an *ICVC*; or
- (e) an *incoming EEA firm* or an *incoming Treaty firm* which does not have a *top up permission*; or
- (f) an *insurer*; or
- (g) a *UCITS qualifier*.

OBLIGATION TO COMPLY

1.2.4 R A *firm* of a kind listed in the left-hand column of Table 1.2.4R must comply with the provisions of IPRU (INV) shown in the right hand column and, where relevant, the provisions of Chapter 14.

FCA	PRA
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1.2.5 R Table

FCA	PRA
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This table belongs to IPRU (INV) 1.2.4R

<i>Authorised professional firm</i>	Chapters 1 and 2
<i>Securities and futures firm (which is not a MiFID investment firm)</i>	Chapters 1 and 3
<i>Securities and futures firm (which is an exempt BIPRU commodities firm)</i>	Chapters 1 and 3
<i>The Society of Lloyd's (in relation to underwriting agents) and members' advisers</i>	Chapters 1 and 4
<i>Investment management firm</i>	Chapters 1 and 5
<i>An exempt CAD firm or a local firm</i>	Chapters 1 and 9
<i>Service company</i>	Chapters 1 and 6
<i>Collective portfolio management firm</i>	Chapters 1 and 11
<i>Personal investment firm</i>	Chapters 1 and 13
<i>Credit union which is a CTF provider</i>	Chapters 1 and 8

CAPITAL SUBSTITUTES: TRANSITIONAL PROVISION

1.2.6 G The financial resource requirements of the Financial Services Act regulators permitted certain types of borrowings or facilities to be treated as part of a *firm's* capital resources. The most common example is that of a subordinated loan which met the relevant conditions. The following provisions permit *firms* to continue to use these borrowings or facilities in the same way as under the relevant *previous regulator's* rules, provided that certain conditions are met.

FCA	PRA
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1.2.7

FCA PRA

- R (1) If a *firm* was, immediately before *commencement* permitted to treat “relevant funds” as part of its capital resources under the financial resource rules of a *previous regulator* applicable to the *firm*, it may treat those funds in an equivalent manner under the corresponding provisions of *IPRU (INV)*, provided that the conditions in (3) are met.
- (2) For the purposes of this *rule* “relevant funds” are funds provided to the *firm* under the terms of
- (a) a subordinated loan agreement; or
 - (b) qualifying undertaking; or
 - (c) any other instrument treated in an equivalent manner under the financial resources *rules* applicable to the *firm*.
- (3) The conditions referred to in (1) are either:
- (a) in the case of a subordinated loan agreement, qualifying undertaking or other relevant instrument to which the *firm’s previous regulator* is not party:
 - (i) the parties to it treat all rights (including, without limitation, rights to notice) which the agreement, undertaking or instrument grants to the *firm’s previous regulator* as having been granted to the *appropriate regulator*; and
 - (ii) if there is a variation of the commercial terms the parties include, in the terms of the instrument executed to effect the variation, provision to substitute reference to the *appropriate regulator* in place of any reference to the *firm’s previous regulator*; or
 - (b) in the case of a subordinated loan agreement, qualifying undertaking or other relevant instrument to which the *firm’s previous regulator* is party, the parties treat the rights accorded to the self regulating organisation under the relevant instrument as having been assigned to the *appropriate regulator* immediately before *commencement*.

1.2.8

FCA PRA

- G An instrument treated in an equivalent manner would, for example, include (in relation to a *personal investment firm*) a “PASS loan”.

2 Chapter 2: Authorised professional firms

2.1 APPLICATION

- 2.1.1 R (1) This chapter applies to an *authorised professional firm* in accordance with *IPRU (INV) 2.1.2R* and *2.1.3R*.
- FCA
- (2) The definitions in the *Glossary* apply to this Chapter.
- 2.1.2 R (1) An *authorised professional firm* of a kind falling within (2) must comply with such of *IPRU (INV) 3, 5, 9* or *13* which in accordance with *IPRU (INV) 2.1.4R*, most appropriately correlates to the type and scale of the business which it conducts.
- FCA
- (2) The type of *authorised professional firm* to which (1) applies is one:
- (a) which is also an *exempt CAD firm*;
 - (b) which acts as a *market maker*;
 - (c) which acts as a *stabilising manager*;
 - (da) which acts as a *small authorised UK AIFM* or a *residual CIS operator*;
 - (db) which acts as a *depository*;
 - (e) which acts as a *broker fund adviser* or otherwise participates in a *broker fund* arrangement;
 - (f) whose main business, having regard to (3), is not the practice of its profession or professions;
 - (g) whose *permission* includes a requirement that it acts in conformity with the financial resources *rules* applicable to another type of *firm*; or
 - (h) whose *permission* includes *establishing, operating or winding up a personal pension scheme*.
- (3) For the purposes of (2)(f), a *firm's* professional business practice is not the “main business” of the *firm* unless the proportion of income it derives from *professional fees* is, during its annual accounting period, at least 50% of the *firm's* total income (a temporary variation of not more than 5% may be disregarded for this purpose).
- (4) An *authorised professional firm* which, in accordance with (1), is required to comply with *IPRU (INV) 3, 5, 9* or *13* must immediately give notification of that fact to the *FCA* in accordance with *SUP 15.7* (Forms and method of notification).
- 2.1.3 R An *authorised professional firm* which does not fall within *IPRU (INV) 2.1.2R* must comply with sections 2.2, 2.3 and 2.4 of this chapter.

FCA

2.1.4

R This table belongs to *IPRU (INV) 2.1.1R*

FCA

TYPE OF BUSINESS ACTIVITY	CHAPTER OF SOURCEBOOK
<p>(i) <i>managing investments</i> other than for <i>retail clients</i>; or</p> <p>(ii) <i>OPS activity</i>; or</p> <p>(iii) [deleted]</p> <p>(iv) [deleted]</p> <p>(iva) <i>acting as trustee or depositary of a UCITS</i>; or</p> <p>(ivb) <i>managing an AIF</i>; or</p> <p>(ivc) <i>acting as trustee or depositary of an AIF</i>; or</p> <p>(v) <i>acting as a residual CIS operator</i>; or</p> <p>(va) <i>establishing, operating or winding up a personal pension scheme</i>; or</p> <p>(vi) <i>safeguarding and administering investments</i>;</p>	<p><i>Investment management firm - IPRU (INV) 5</i></p> <p><i>Investment management firm</i> (which is an exempt CAD firm) – <i>IPRU(INV) 5 and 9</i></p>
<p>(i) <i>advising on, or arranging deals in, packaged products</i>; or</p> <p>(ii) <i>managing investments for retail clients</i>;</p>	<p><i>Personal investment firm - IPRU (INV) 13</i></p>
<p>(i) a <i>regulated activity</i> carried on as a member of an exchange; or</p> <p>(ii) acting as a <i>market maker in securities or derivatives</i>; or</p> <p>(iii) <i>corporate finance business</i>; or</p>	<p><i>Securities and futures firm</i> (which is an exempt CAD firm) - <i>IPRU(INV) 9</i></p> <p><i>Securities and futures firm</i> (which is not a <i>MiFID investment firm</i>) - <i>IPRU (INV) 3</i></p>
<p>(iv) <i>dealing or arranging deals in securities or derivatives, other than inter-professional investments</i>; or</p> <p>(v) the provision of clearing services as a <i>clearing firm</i>; or</p>	

(vi) spread betting;	
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2.1.5 G An *authorised professional firm* will be a *MiFID investment firm* if its business activities include the provision of *investment services and/or activities* for a third party. An *authorised professional firm* will not however be a *MiFID investment firm* if it falls within one of the exclusions contained in Article 2 of *MiFID*. Article 2(1)(c) provides an exclusion for an *authorised professional firm* which provides *investment services and/or activities* in an incidental manner in the course of a professional activity and that activity is regulated by the *firm's designated professional body*.

FCA

2.1.6 G The *FCA* considers the scope of this exclusion cannot be precisely defined. Ultimately questions of interpretation are for the Court to determine. The *FCA* considers that to satisfy the exclusion the services cannot be the major part of the practice of the *firm*. The *FCA* also considers the following factors to be among those that are relevant:

FCA

- (1) the scale of *regulated activity* in proportion to other professional services provided;
- (2) whether and to what extent activities that are *regulated activities* are held out as separate services;
- (3) the impression given as to how the *firm* provides *regulated activities*, for example through its advertising or other promotions of its service.

2.1.7 G The activities that a *full-scope UK AIFM* and a *UCITS management company* are allowed to perform are restricted by article 6 of *AIFMD* and article 6 of the *UCITS Directive* to the management of *AIFs* and/or *UCITS* and the additional investment activities permitted by article 6(4) of *AIFMD* and article 6(3) of the *UCITS Directive* (as applicable). As such, an *authorised professional firm* cannot be a *collective portfolio management firm* or a *collective portfolio management investment firm*.

FCA

2.2 FINANCIAL RESOURCES REQUIREMENTS

2.2.1 R (1) **A firm must be able to meet its liabilities as they fall due.**

FCA

(2) **In complying with (1) a firm may use any assets which are available to meet any of its liabilities.**

2.2.2 G *Firms* are reminded that:

FCA

- (1) requirements relating to the systems and controls which *firms* must establish and maintain for ensuring compliance with financial resources and other requirements are set out in *SYSC*.
- (2) the financial reports that a *firm* is required to make to the *FCA* are set out in *SUP 16*.

2.3 PROFESSIONAL INDEMNITY INSURANCE

2.3.1 R **A firm must effect and maintain at all times adequate professional indemnity insurance cover for all the business activities which it carries on, or for which it is responsible.**

FCA

2.3.2 G In assessing the adequacy of a *firms'* professional indemnity insurance cover for the purposes of *IPRU(INV) 2.3.1R*, the *FCA* may have regard to a *firm's* compliance with the professional indemnity insurance requirements of its *designated professional body* in force at the time.

FCA

2.4 BONDING REQUIREMENT FOR ACCOUNTANTS

2.4.1 R **This section applies to a firm of accountants practising as such in the UK.**

FCA

2.4.2 R (1) **If the aggregate value of *client money* and *bonded investments* a firm holds for a *client* is over £50,000 then the firm must ensure that it holds a bond for the excess over £50,000.**

FCA

(2) **A firm must:**

- (a) ensure that the bond is in the form prescribed by the *FCA*;
- (b) ensure that the *person* specified to act as trustee in the bond is a *designated professional body* or a solicitor practising as such in the UK;
- (c) ensure that the bond is lodged with the trustee; and
- (d) be able at all times to show that the amount of the bond is sufficient to meet the requirements of (1).

2.4.3 R **A firm must notify the FCA immediately:**

FCA

- (1) **of any bond taken out specifying the amount and where it is lodged; and**
- (2) **of the arrangements it has made to comply with *IPRU (INV) 2.4.2R* if a bond is not renewed or is cancelled.**

2.4.4 G (1) *Firms* which hold *client money* or bonded investments for more than one *client*, may hold one bond to cover all of the *clients* concerned. The bonding requirements may be complied with by taking out a global bond. In firms with numerous offices compliance may be achieved in practice by calculating the requirement based on figures supplied by offices which is likely to be at least quarterly. These figures would need to be supplied and assessed soon after the end of each quarter.

FCA

- (2) To ensure the global cover is sufficient, this approach would require an estimated safety margin to be incorporated, to allow for changes in the amounts of *client money*, *investments* or assets held. An additional prudent measure would be to ensure that exceptional amounts of these assets are notified by branch offices so that the *firm* can check whether the safety margin can absorb

them and reconsider whether the total global bond cover remains sufficient.

2.4.5

- G *Firms* which do not expect to hold *bonded investments* or *client money* in excess of the value limit need not hold a bond. However, *firms* may wish to make contingency arrangements with a surety whereby a bond facility is available and can be executed and delivered at short notice.

FCA

	settlement of those transactions;
<i>investment</i>	means a <i>designated investment</i> ;
<i>investment agreement</i>	means any agreement the making or performance of which by either party constitutes an activity which is <i>investment business</i> ;
<i>investment business</i>	means any of the following regulated activities specified in Part II of the Regulated Activities Order and which is carried on by way of business: <ul style="list-style-type: none"> (a) dealing in investments as principal (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc); (b) dealing in investments as agent (article 21); (ba) <i>auction regulation bidding</i> (part of <i>bidding in emissions auctions</i>) (article 24A); (c) arranging deals in investments for another person (article 25(1)) but only in relation to <i>investments</i>; (d) making arrangements for deals in investments (article 25(2)) but only in relation to <i>investments</i>; (e) managing investments (article 37); (f) safeguarding and administration of assets (article 40); (g) sending dematerialised instructions (article 45(1)); (h) causing dematerialised instructions to be sent (article 45(2)); (i) [deleted] (ia) <i>managing a UCITS</i> (article 51ZA); (ib) <i>acting as trustee or depositary of a UCITS</i> (article 51ZB); (ic) <i>managing an AIF</i> (article 51ZC); (id) <i>acting as trustee or depositary of an AIF</i> (article 51ZD); (ie) acting as a <i>residual CIS operator</i> (article 51ZE); (j) [deleted] (k) [deleted] (l) advising on investments (article 53); (m) agreeing to carry on the activities in (a) to (h) and (l) (article 64);ⁱ
<i>investment manager</i>	means a person who, acting only on behalf of a <i>customer</i> , either - <ul style="list-style-type: none"> (a) manages an account or portfolio in the exercise of discretion; or

	(b) has accepted responsibility on a continuing basis for advising on the composition of the account or portfolio;
<i>investment services</i>	means -
	(a) activities undertaken in the course of carrying on investment business; and
	(b) activities undertaken in connection with an ISA where those activities do not constitute investment business;
<i>launch</i>	means the time when any announcement, specifying the issuer or the guarantor of and indicating the final <i>pricing terms</i> of the <i>offering</i> is made for the first time to the public or the press or any <i>exchange</i> or <i>approved exchange</i> or information service;
<i>margin requirement</i>	means, in relation to a <i>counterparty</i> , the value of any amounts which the <i>firm</i> or <i>intermediate broker</i> would be required to pay under the rules of an <i>exchange</i> or <i>clearing house</i> to -
	(a) meet any <i>marked to market</i> losses occurring on contracts undertaken for that <i>counterparty</i> at that time; or
	(b) as an initial margin fidelity deposit in respect of all the <i>counterparty's</i> open positions at that time,
	on the assumption that those transactions were the only transactions undertaken on the <i>exchange</i> or <i>clearing house</i> by the <i>firm</i> or <i>intermediate broker</i> at that time;
<i>marginised transaction</i>	means a transaction effected by a <i>firm</i> with or for a <i>customer</i> relating to an <i>investment</i> of any description referred to in articles 83, 84 and 85 of the Regulated Activities Order (or any right or any interest in such an <i>investment</i>) under the terms of which the <i>customer</i> will or may be liable to make a deposit in cash or collateral to secure performance of obligations which he may have to perform when the transaction falls to be completed or upon the earlier closing out of his position;
<i>mark to market</i>	means to value an <i>investment</i> at its current market value in accordance with rule 3-41(9);
<i>marketable investment</i>	means -
	(a) an <i>investment</i> which is traded on or under the rules of an <i>exchange</i> or an <i>approved exchange</i> ;
	(b) a debt instrument which may be transferred without the consent of the issuer or any other person (including a collateralised mortgage obligation);
	(c) a <i>physical commodity</i> ;
	(d) a <i>warrant</i> , <i>option</i> , <i>future</i> or other instrument which entitles the holder to subscribe for or acquire -
	(i) an <i>investment</i> or <i>physical commodity</i> which falls under (a) to (c) above;

	(ii) any currency; or
	(iii) any combination of (i) and (ii) above;
(e)	a <i>contract for differences</i> (including interest rate and currency <i>swaps</i>) relating to fluctuations in -
	(i) the value or price of an <i>investment</i> or <i>physical commodity</i> in (a) to (d) above;
	(ii) any currency;
	(iii) the rate of interest in any currency or any index of such rates;
	(iv) the level of any index which is derived from the prices of an <i>investment</i> or <i>physical commodity</i> in (a) to (c) above; or
	(v) any combination of (i) to (iv) above;
(f)	<i>warrants, options, futures</i> or other instruments entitling the holder to obtain the rights of those contracts in (d) or (e) above; and
(g)	a unit in a <i>regulated collective investment scheme</i> ;
<i>model A clearing firm</i>	means a <i>regulated clearing firm</i> which uses its own money for settlement but is reimbursed on a daily basis by the non-clearing firms it settles for;
<i>money broker</i>	means a <i>firm</i> for which the total value of <i>repurchase, securities lending and sale and buy back agreements</i> is or has been at any time during the previous year, at least 25% of its total assets; ⁱⁱ
<i>new securities</i>	means, in relation to a particular <i>offering, securities</i> which are issued pursuant or with a view to an <i>offering</i> ;
<i>new to the market</i>	means, in relation to an <i>offering, securities</i> which are not already <i>exchange traded</i> ;
<i>non clearing floor member</i>	means a <i>firm</i> which:
	(a) is authorised to trade on the floor of a <i>recognised investment exchange</i> which permits this category;
	(b) is not prohibited by the rules of that exchange from dealing with <i>customers</i> ;
	(c) has entered in to an agreement with a <i>clearing firm</i> which accepts full responsibility for every deal entered into by the non clearing floor member; and
	(d) is not authorised to handle <i>client money</i> ;
<i>non recourse loan</i>	means a loan to a <i>firm</i> secured on specific land or buildings, under the terms of which the lender has no claim on the other assets of the <i>firm</i> nor on assets for which the <i>firm</i> is accountable in any circumstances (including a winding up);

<i>note issuance facility</i>	means an arrangement under the terms of which a borrower is able to issue short term notes in its own name with a guarantor, or consortium of guarantors ensuring the availability of funds to the borrower by agreeing to purchase any unsold notes, and which includes for example revolving underwriting facilities, note purchase facilities, euronote facilities and similar arrangements;
<i>offering</i>	means an offering of <i>securities</i> which are - <ul style="list-style-type: none"> (a) issued for the purpose of the offering; (b) <i>new to the market</i>; or (c) existing <i>securities</i> which are <i>exchange traded</i> subject to the purchase of those <i>securities</i> having the same characteristics as an <i>offering of new securities</i>, or <i>securities</i> which are <i>new to the market</i>;
<i>open-priced deal</i>	means an <i>international offering</i> which is not a <i>bought deal</i> or pre-priced deal;
<i>option</i>	(for the purposes of rule 3-173B) means a contract which confers the right to buy or sell a security, contractually based investment, currency, gold or commodity at a given price on or before a given date. (NB: the definition of an option used for this purposes deliberately differs from that in the main Handbook Glossary);
<i>out of the money</i>	means those <i>options</i> and <i>warrants</i> which are not <i>in the money</i> ;
<i>pari passu security</i>	means a <i>security</i> which is the same as another <i>security</i> , except only in respect of payment, entitlement to initial dividend and the nature of <i>documents of title</i> ;
<i>passport institution</i>	means an <i>incoming EEA firm</i> ;
<i>percentage risk addition</i>	means a percentage to be applied to the value of positions in investments held by the firm to determine its <i>PRR</i> ;
<i>perfectly matching contracts</i>	mean certain <i>OTC derivatives</i> contracts which are included in a legally binding netting agreement that are equal and exact opposites and perfectly matching in all material respects;
<i>physical commodities method</i>	means the method of calculating <i>PRR</i> under rules 3-166 to 3- 169B;
<i>physical commodity</i>	means the actual commodity, <i>documents of title</i> to actual commodities or shipping documents conveying title to actual commodities;
<i>preference security</i>	means a <i>share</i> with rights, in respect of capital or dividends, superior to those of ordinary equity;
<i>pre-priced deal</i>	means an <i>international offering</i> other than a <i>bought deal</i> all the <i>pricing terms</i> of which have been fixed;
<i>pricing terms</i>	means, in relation to an <i>offering</i> , the amount of currency, maturity, <i>offering price</i> , rate of or means of calculating interest and any prices at which <i>securities</i> may be redeemed or converted or exchanged into other <i>securities</i> ;
<i>primary requirement</i>	is the primary requirement calculated in accordance with Table 3-61;
<i>profit share</i>	means an appropriation of profit before tax on a predetermined basis for the

	benefit of management or <i>employees</i> ;
<i>property fund</i>	means a scheme dedicated to permitted immovables and property related assets, whether with or without other transferable securities;
<i>PRR</i>	means the position risk requirement of a firm as calculated in accordance with rules 3-80 to 3-169B;
<i>put option</i>	means an <i>option</i> to sell an <i>investment</i> , other instrument, foreign currency or <i>physical commodity</i> at a given price on or before a given date;
<i>qualifying debt security</i>	means a <i>debt security</i> which: <ul style="list-style-type: none"> (1) (other than for the purposes of rule 3-173B): <ul style="list-style-type: none"> (a) represents or evidences indebtedness; (b) is a <i>marketable investment</i>; (c) if it or “equivalent debt” is rated by a “relevant agency” (and there has been no announcement that the rating will be cancelled) - <ul style="list-style-type: none"> (i) the <i>security</i> or the “equivalent debt” is so rated at or higher than the level indicated in the table in Appendix 34; (ii) there has been no announcement that the rating will be down-graded below the level so indicated; and (iii) the <i>firm</i> has no reasonable cause to believe that another “relevant agency” has rated the security or “equivalent debt” below the level so indicated; and (d) if neither it nor any “equivalent debt” is rated by a “relevant agency” (or there has been an announcement that such a rating will be cancelled), it satisfies one or more of the following - <ul style="list-style-type: none"> (i) it is issued or guaranteed by or is subject to the full faith and credit of a sovereign government or province or state thereof (or a corporation over 75% owned by such sovereign government, or province or state), which is a member of the <i>OECD</i> and the government, province, state or corporation has not defaulted, or entered into any rescheduling or similar arrangement, or announced the intention of so doing, in respect of itself or its agency’s debt within the last five years; (ii) it is issued or guaranteed by a <i>supranational organisation</i>; (iii) it is issued or guaranteed by a corporation (not being a bank, for which see (iv) below) the ordinary <i>shares</i> of which are included within the following categories - <ul style="list-style-type: none"> (aa) UK : constituents of the FT All Share Index;

- (bb) Japan : constituents of the First Section of the Tokyo Stock Exchange;
- (cc) USA: constituents of the NYSE, AMEX or NASDAQ NMS; or
- (dd) countries listed below: the constituents of the FT-Actuaries World Indices in respect thereof;

Australia

Belgium

Canada

Denmark

France

Germany

Hong Kong

Italy

Netherlands

Norway

Singapore

Spain

Sweden

Switzerland

- (iv) it is issued or guaranteed by a bank which is supervised by an authority in a state such as is referred to above and has capital and reserves (including subordinated loans which are not repayable within five years) of not less than £100,000,000 or the equivalent as shown by its latest published audited consolidated accounts (or, in the absence of consolidated accounts, unconsolidated accounts); or
- (iv) is it issued or guaranteed by a local authority or building society in the United Kingdom;

provided that the issuer or guarantor of the *security* is not in default as to any payment on any other *security* issued or guaranteed by it; and

(2) for the purposes of (1) above -

- (a) in respect of any *security* of, or guaranteed by, any issuer or guarantor, "equivalent debt" means any debt which ranks pari

passu with, or subordinate to, the *security* or (as the case may be) the guarantee; and

- (b) in relation to any issuer or guarantor, a “relevant agency” means one of the agencies named in **Appendix 34** by reference to the category of issuer or guarantor;
- (3) (for the purposes of rule 3-173B) meets the following conditions:
 - (a) it attracts zero specific risk under Table 2 in **Appendix 47**; or
 - (b) it is issued by, or fully guaranteed by:
 - (i) a *Zone B* central government or central bank and the *security* is denominated in the local currency of the issuer;
 - (ii) a *multilateral development bank*;
 - (iii) a *Zone A* public sector entity;
 - (iv) a company whose *share* is a constituent of one of the indices making up the FTSE All-World Index; or
 - (v) an issue of, or fully guaranteed by an investment firm or recognised third-country investment firm; or
 - (c) it is issued by, fully guaranteed by, endorsed or accepted by:
 - (i) a *credit institution* incorporated in a *Zone A* country; or
 - (ii) a *credit institution* incorporated in a *Zone B* country and the debt *security* has a residual maturity of one year or less; or
 - (d) it is a mortgage backed *security* relating to residential real estate of the type referred to in *BIPRU 3.4.94R(1)(d)(i)* which meets the requirements about legal certainty referred to in *BIPRU 3.4.62R*; or
 - (e) it is rated by at least one of the agencies shown in Table 3 Appendix 47, and every such rating equals or exceeds the corresponding minimum shown in that table;

qualifying deposit

means a deposit which is one of the following -

- (a) balance on current account with an *approved bank*;
- (b) money on deposit with an *approved bank*, United Kingdom local authority, member of the Finance Houses Association, *stock exchange moneybroker*, *regulated clearing firm*, the National Savings Bank, *exchange*, *approved exchange* or *approved depository* which may be withdrawn within three months;
- (c) money on deposit with an *approved bank* directly related to a transaction creating an offsetting liability for the *firm* or subject to an agreement with the bank allowing its use as collateral for a loan that may be withdrawn within three months, which relates to a liability of

	the same maturity and arises out of a transaction;
	(d) amount evidenced by a certificate of tax deposit;
	(e) amount evidenced by a <i>certificate of deposit</i> issued by a <i>regulated banking institution</i> which matures within three months; or
	(f) deposit of cash by way of margin with an <i>exchange</i> , <i>approved exchange</i> , <i>clearing house</i> or <i>intermediate broker</i> ;
<i>regulated banking institution</i>	means any banking institution which has paid up share capital and reserves of over £5,000,000 as shown by its latest published audited accounts, and which is authorised under the <i>Act</i> or supervised by the central bank or other regulatory authority of a member state of the <i>OECD</i> in which the bank is incorporated;
<i>regulated business</i>	means <i>investment business</i> which is <ul style="list-style-type: none"> (a) business carried on from a permanent place of business maintained by a <i>firm</i> (or its <i>appointed representative</i>) in the United Kingdom; and (b) other business carried on with or for <i>customers</i> in the United Kingdom, unless that business is - <ul style="list-style-type: none"> (i) business carried on from an office of a <i>firm</i> outside the United Kingdom which, if that office were a separate person, would fall within the overseas persons exclusions set out in article 72 of the Regulated Activities Order; or (ii) business of an <i>appointed representative</i> of the <i>firm</i> which is not carried on in the United Kingdom;
<i>regulated clearing firm</i>	means a clearing firm which is an authorised person;
<i>regulated financial institution</i>	means a <i>firm</i> , or an institution which is authorised to conduct <i>investment business</i> involving the execution of transactions on <i>exchanges</i> or on <i>securities</i> or <i>derivatives exchanges</i> by one or more of the following regulators - <ul style="list-style-type: none"> (a) any regulator of <i>investment business</i> in any member state of the <i>EU</i> (other than the United Kingdom) established by law in that state; or (b) a body referred to in Part 1 of Appendix 35; provided, in the case of any such institution that the <i>firm</i> has no reason to suppose that the institution is in breach, in any material respect, of the rules enforceable by the relevant regulator;
<i>relevant annual expenditure</i>	means the relevant annual expenditure of a <i>firm</i> calculated in accordance with rule 3-73;
<i>reporting statement</i>	means any one or more of the following types of report as required by the <i>Supervision manual</i> : <ul style="list-style-type: none"> (a) audited <i>annual financial statements</i>; (b) <i>annual reporting statement</i>;

	(c) [deleted];
	(d) internal control letter;
	(e) quarterly reporting statement;
	(f) position risk reporting statement;
	(g) counterparty risk reporting statement;
	(h) annual reconciliation;
	(i) monthly reporting statement; and
	(j) the audited accounts of a <i>subsidiary</i> of the <i>firm</i> ;
<i>repurchase agreement</i>	(and <i>sale and buy back agreement</i>) means an agreement for the sale of <i>securities</i> or <i>physical commodities</i> subject to a commitment to repurchase from the same person the same or similar <i>securities</i> or <i>physical commodities</i> ;
<i>reverse repurchase agreement</i>	(and “ <i>buy and sale back agreement</i> ”) means an agreement for the purchase of <i>securities</i> or <i>physical commodities</i> subject to a commitment to resell to the same person the same or similar <i>securities</i> or <i>physical commodities</i> ;
<i>Sale</i>	includes any disposal for valuable consideration;
<i>sale and buy back agreement</i>	see repurchase agreement;
<i>scheme management activity</i>	[deleted]
<i>settlement day</i>	means the day on which under the recognised practice of an <i>exchange</i> or <i>approved exchange</i> , bargains are contracted for settlement; and in the case of bargains not transacted on an <i>exchange</i> or <i>approved exchange</i> , or entered into for forward settlement, 20 days from the date of the transaction, or, if earlier, the contractual due date;
<i>stock exchange moneybroker</i>	is a <i>moneybroker</i> which is an <i>authorised person</i> and acts as an intermediary in the gilt market;
<i>supranational organisation</i>	means any organisation referred to in Part 2 of Appendix 35 ;
<i>swap</i>	means a transaction in which two <i>counterparties</i> agree to exchange streams of payments over time according to a predetermined basis;
<i>takeover or related operation</i>	means: <ul style="list-style-type: none"> (a) any offer to which the <i>Takeover Code</i> applies and any transaction or arrangement which is of such a nature that the <i>Takeover Code</i> would have applied to it had it concerned a company whose shares are listed under Part VI of the <i>Act</i> and whose head office and place of central management are in the United Kingdom; (b) any offer, transaction or arrangement relating to the purchase of <i>securities</i> with a view to establishing or increasing a strategic holding

	of a person, or of a person together with his <i>associates</i> in the <i>securities</i> concerned;
	(c) any transaction or arrangement entered into in contemplation or furtherance of any offer, transaction or arrangement falling within (a) or (b) above; and
	(d) any transaction or arrangement entered into by way of defence or protection against any offer, transaction or arrangement falling within (a), (b) or (c) above which has taken place or which is contemplated;
<i>tangible net worth</i>	is the tangible net worth of a <i>firm</i> calculated in accordance with rule 3-62;
<i>total PRR</i>	means the sum of all the amounts calculated as a <i>PRR</i> under rules 3-80 to 3-169B;
<i>traditional option</i>	means any <i>option</i> arranged but not traded under the rules of the London Stock Exchange;
<i>trust beneficiary</i>	means a beneficiary under a trust (not being the settlor) who benefits from the performance by a <i>firm</i> as trustee of <i>investment services</i> relating to the management of the trust assets;
<i>underwriting</i>	means a commitment to take up <i>securities</i> where others do not acquire or retain them;
<i>underwriting price</i>	means the price at which the <i>firm</i> is committed to take up the securities or the price at which it is committed to do so if required under the <i>underwriting</i> commitment less any commissions or discounts paid or allowed in connection with the transaction, except to the extent that the <i>firm</i> has taken credit for them in its accounts;
<i>variable rate note</i>	means a debt <i>security</i> with the characteristics of an <i>FRN</i> except that the margin with respect to the index rate of interest is subject to variation depending on periodic negotiations;
<i>variation margin requirement</i>	means in relation to a <i>counterparty</i> the value of any amounts which the <i>firm</i> or <i>intermediate broker</i> would be required to pay under the rules of an <i>exchange</i> , <i>approved exchange</i> or <i>clearing house</i> to meet any <i>marked to market</i> losses occurring on contracts undertaken for that <i>counterparty</i> at that time on the assumption that those transactions were the only transactions undertaken on the <i>exchange</i> , <i>approved exchange</i> or <i>clearing house</i> by the <i>firm</i> or <i>intermediate broker</i> at that time;
<i>venture capital schemes</i>	means a scheme for providing capital to a <i>body corporate</i> whose equity is not traded or listed on an <i>exchange</i> ;
<i>walkaway clause</i>	means a provision which permits a non-defaulting counterparty to make only limited payments, or no payment at all, to the estate of the defaulter, even if the defaulter is a net creditor;
<i>warrant fund</i>	means a scheme which is dedicated to <i>transferable securities</i> except that it is permitted to invest entirely in <i>warrants</i> ;
<i>zone A</i>	see definition of <i>Zone A country</i> in the <i>Glossary</i> ; and
<i>zone B</i>	means any country not in <i>Zone A</i> .

(c) [deleted]

(d) [deleted]

5.2.2 FINANCIAL RESOURCES

Own funds

5.2.2(1) R A *firm* must calculate its *own funds* in accordance with Table 5.2.2(1).

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Liquid capital

5.2.2(2) R A *firm* must calculate its *liquid capital* in accordance with Table 5.2.2(1).

FCA

5.2.3 FINANCIAL RESOURCES REQUIREMENT

Determination of requirement

5.2.3(1)(a) R The *financial resources requirement* for a *firm* is a *liquid capital requirement*, determined in accordance with paragraph (a) of rule 5.2.3(4), unless the *firm* falls within any of the exceptions in rule 5.2.3(2).

FCA

(b) R [deleted]

(c) R [deleted]

Exceptions from the liquid capital requirement

5.2.3(2) R The *financial resources requirement* is an *own funds requirement* determined in accordance with paragraph (a) of rule 5.2.3(3) for a *firm* if its *permitted business* does not include *establishing, operating or winding up a personal pension scheme* and which:

FCA

(i) is an *exempt CAD firm* which is also a *residual CIS operator* or a *small authorised UK AIFM* and that scheme or *AIF* only invests in *venture capital investments for non-retail clients*; or

(ii) is not an *exempt CAD firm* if:

(a) the *firm's permitted business* does not include the holding of *customers' monies* or assets and it neither executes transactions (or otherwise arranges deals) in *investments* nor has such transactions executed for itself or its *customers*; or

(b) the *firm's permitted business* includes the activities as in (a) above, but only in respect of *venture capital*

investments for *non-retail clients*; or

- (c) the *firm* is a *trustee* of an *authorised unit trust scheme* whose *permitted business* consists only of trustee activities and does not include any other activity constituting *specified trustee business* or the *firm* is a *depository* of an *ICVC* or *ACS* or a *depository* appointed in line with *FUND 3.11.12R* (Eligible depositories for UK AIFs) or a *UK depository* of a *non-EEA AIF* whose permitted business consists only of *depository* activities.
- (d) the *firm's permitted business* limits it to acting as a *residual CIS operator* or a *small authorised UK AIFM* where the main purpose of the *collective investment scheme* or *AIF* (as applicable) is to invest in *permitted immovables* whether in the *UK* or abroad.

Own funds requirement

5.2.3(3)(a) R The *own funds requirement* for a *firm* subject to rule 5.2.3(2) is the higher of:

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- (i) £4,000,000 for a *firm* which is a *trustee* of an *authorised unit trust scheme* or a *depository* of an *ICVC* or *ACS*;
- (ia) €125,000 for *firm* which is a *depository* appointed in line with *FUND 3.11.12R* (Eligible depositories for UK AIFs) or a *UK depository* of a *non-EEA AIF*; and
- (ii) £5,000 for any other *firm*.

(b) R [deleted]

Liquid capital requirement

5.2.3(4)(a) R The *liquid capital requirement* for a *firm* subject to paragraph (a) of rule 5.2.3(1) is the greater of:

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- (i) £5,000; and
- (ii) its *total capital requirement* calculated in accordance with rule 5.2.3(5).

(b) R [deleted]

(c) R [deleted]

Total capital requirement

5.2.3(5) R A *firm's total capital requirement* is the sum of its:

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- (a) **expenditure based requirement** calculated in accordance with Table 5.2.3(5)(a);
- (b) **position risk requirement** calculated in accordance with Table 5.2.3(5)(b);
- (c) **counterparty risk requirement** calculated in accordance with Table 5.2.3(5)(c);
- (d) **foreign exchange requirement** calculated in accordance with Table 5.2.3(5)(d); and
- (e) **other assets requirement** calculated in accordance with Table 5.2.3(5)(e).

5.2.3(6) G A *firm* which discloses clients' money or assets on its balance sheet need not calculate the requirements under paragraphs (b) to (e) of rule 5.2.3(5) on such items where these do not represent assets or liabilities of the *firm* itself.

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5.2.4 ANNUAL EXPENDITURE

Determination

5.2.4(1) R **Annual expenditure is:**

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- (a) **the sum of the amounts described as total expenditure in the four *quarterly financial returns* up to (and including) that prepared at the *firm's* most recent *accounting reference date*, less the following items (if they are included within such expenditure):**
 - (i) **staff bonuses, except to the extent that they are guaranteed;**
 - (ii) ***employees'* and *directors'* shares in profits, except to the extent that they are guaranteed;**
 - (iii) **other appropriations of profits;**
 - (iv) **shared commission and fees payable which are directly related to commission and fees receivable which are included within total revenue;**
 - (v) **interest charges in respect of borrowings made to finance the acquisition of the *firm's* *readily realisable investments*;**
 - (vi) **interest paid to *customers* on *client money*;**
 - (vii) **interest paid to counterparties;**
 - (viii) **fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the**

purposes of executing, registering or clearing transactions;

(ix) foreign exchange losses; or

(b) where the previous accounting period does not include twelve months' trading, an amount calculated in accordance with paragraph (a) above prorated to an equivalent annual amount; or

(c) where a *firm* has not prepared four *quarterly financial returns* since the commencement of its *permitted business*, an amount based on forecast expenditure included in its budget for the first twelve months' trading, as submitted with its application for membership.

5.2.4(2) G A *firm's financial resources requirement* will be recalculated annually when its fourth *quarterly financial return* is prepared. The *firm* must maintain *financial resources* sufficient to meet its new *financial resources requirement* from the date on which the fourth *quarterly financial return* is prepared and no later than 80 business days after the *firms' accounting reference date*. The *expenditure based requirement* applicable at the *accounting reference date* will be based on the four *quarterly financial returns* prepared up to and on that date.

FCA

5.2.4(3) R [deleted]

5.2.5 QUALIFYING SUBORDINATED LOANS

Characteristics of Long Term Qualifying Subordinated Loans

5.2.5(1) R A long term *qualifying subordinated loan* (item 11 of Table 5.2.2(1)) must have the following characteristics:

FCA

(a) the loan is repayable only on maturity or on the expiration of a period of notice in accordance with paragraph (c) below or on the winding up of the *firm*;

(b) in the event of the winding up of the *firm*, the loan ranks after the claims of all other creditors and is not to be repaid until all other debts outstanding at the time have been settled;

(c) either:

(i) the minimum original maturity of the loan is 5 years; or

(ii) the loan does not have a minimum or fixed maturity but requires 5 years notice of repayment; and

(d) the loan is fully paid-up.

Amount allowable in the calculation of own funds

- 5.2.5(2) R A firm may only take into account the paid-up amount of a long term *qualifying subordinated loan* in the calculation of its *own funds*. This amount must be amortised on a straight-line basis over the five years prior to the date of repayment.
- FCA

Requirements applicable to short-term qualifying subordinated loans

- 5.2.5(3)(a) R A short term *qualifying subordinated loan* (item 15 of Table 5.2.2(1)) must have the characteristics set out in rule 5.2.5(1) save that the minimum period set out in paragraph (c) of rule 5.2.5(1) shall be two years.
- FCA
- (b) R A firm must not make any payment of principal or interest which would result in a breach of rule 5.2.1(2).

Form of qualifying subordinated loan agreement

- 5.2.5(4) R A *qualifying subordinated loan* must be in the form prescribed by the FCA for the purposes of this rule.
- FCA
- 5.2.5(5) G Firms wishing to initiate a subordinated loan agreement other than in the prescribed form are advised to contact the FCA.

FCA

Conditions applicable to qualifying subordinated loans

- 5.2.5(6) R A firm wishing to include a *qualifying subordinated loan* in its calculation of *liquid capital* must:
- FCA
- (a) provide the FCA with a copy of the agreement not less than 10 business days before the loan is to be made; and
 - (b) certify to the FCA that the loan agreement complies with the FCA's prescribed subordinated loan agreement.

Requirements on a firm in relation to qualifying subordinated loans

- 5.2.5(7) R A firm including a qualifying subordinated loan in its calculation of *liquid capital* must not:
- FCA
- (a) secure all or any part of the loan;
 - (b) redeem, purchase or otherwise acquire any of the liabilities of the borrower in respect of the loan;
 - (c) amend or concur in amending the terms of the loan agreement;
 - (d) repay all or any part of the loan otherwise than in accordance with the terms of the loan agreement; or
 - (e) take or omit to take any action whereby the subordination of the loan or any part thereof might be terminated, impaired

or adversely affected.

5.2.6 QUALIFYING PROPERTY AND QUALIFYING UNDERTAKINGS

Qualifying property and qualifying amount defined

5.2.6(1) **R** *Qualifying property* is any freehold or leasehold (or the equivalent tenure in Scotland or other territories) land and buildings purchased or secured by way of a mortgage (or other form of secured long-term arrangement) where the security for the liability is the property (and does not include any other allowable assets). The *qualifying amount* is the lowest of:

FCA

- (a) 85 per cent of the current market value of the property (if known);
- (b) 85 per cent of the net book value of the property;
- (c) the amount of the liability outstanding under mortgage or other secured long term arrangement, excluding any part of the liability repayable within one year.

5.2.6(2) **G** Rule 5.2.6(1) can be illustrated as follows:

FCA

Current market value	£200,000
Net book value	£100,000
Mortgage	£70,000, including £5,000 payable within one year

Qualifying amount is the lowest of:

- (a) $85\% \times £200,000 =$ £170,000
- (b) $85\% \times £100,000 =$ £85,000
- (c) $£70,000 - £5,000 =$ £65,000

i.e. £65,000

Qualifying undertakings

5.2.6(3) **R** A *qualifying undertaking* is an arrangement between a *firm* and an *approved bank* which:

FCA

- (a) is in the form prescribed by *the FCA* for the purposes of this rule; and
- (b) complies with the appropriate limitations set out in paragraph (7) of Part II to Table 5.2.2(1).

- 5.2.7(1) G [deleted]
- 5.2.7(2) R [deleted]**
- 5.2.7(3) R [deleted]**
- 5.2.7(4) R [deleted]**
- 5.2.7(5) R [deleted]**

TABLE 5.2.2(1) CALCULATION OF OWN FUNDS AND LIQUID CAPITAL

FCA

PART I

METHOD OF CALCULATION

A firm must calculate its *own funds* and *liquid capital* as shown below, subject to the detailed requirements set out in Part II.

Financial resources	Category	Part II Para
Tier 1		
(1) Paid-up share capital (excluding preference shares)	A	2
(1A) <i>Eligible LLP members' capital</i>		
(2) Share premium account		
(3) Reserves		2A
(4) Non-cumulative preference shares		
Less: (5) Investments in own shares	B	
(6) Intangible assets		3
(7) Material current year losses		4
(8) Material holdings in credit and financial institutions and, for <i>exempt CAD firms</i> only, <i>material insurance holdings</i> .		5 and 5A
(8A) <i>Excess LLP members' drawings</i>		
Tier 1 capital = (A-B)	C	
Plus: TIER 2		1
(9) Revaluation reserves	D	
(10) Fixed term cumulative preference share capital		1(a)
(11) Long-term Qualifying Subordinated Loans		1(a); 6
(12) Other cumulative preference share capital and debt capital but, for <i>exempt CAD firms</i> , only perpetual cumulative preference share capital and <i>qualifying capital instruments</i>		6A
(13) Qualifying arrangements		7
"Own Funds" = (C+D)	E	
Plus: TIER 3		
(14) Net trading book profits	F	1(b)(i); 8
(15) Short-term Qualifying Subordinated Loans and excess Tier 2 capital		1(b)(ii); 1(c); 9
Less: (16) Illiquid assets	G	10
Add: (17) Qualifying Property		11
"Liquid Capital" = (E+F+G)		

PART II

DETAILED REQUIREMENTS

- 1 Deductions and Ratios** (Items 10, 11 and 15)
- (a) Notwithstanding Table 5.2.2(1) for an *exempt CAD firm*, in calculating *own funds*, all of Item 8 must be deducted after the total of Tier 1 and Tier 2 capital and the following restrictions apply:
- (i) the total of fixed term cumulative preference shares (item 10) and long-term *qualifying subordinated loans* (item 11) that may be included in Tier 2 capital is limited to 50 per cent of Tier 1 capital;
 - (ii) Tier 2 capital must not exceed 100 per cent of Tier 1 capital.
- (b) [deleted]
- (c) A *firm* which is not an *exempt CAD firm* and which is subject to a *liquid capital requirement* under rule 5.2.3(1)(a) may take into account *qualifying subordinated loans* in the calculation of *liquid capital* up to a maximum of 400% of its Tier 1 capital.
- 2 Non corporate entities**
- (a) In the case of partnerships or sole traders, the following terms should be substituted, as appropriate, for items 1 to 4 in Tier 1 capital:
- (i) partners' capital accounts (excluding loan capital);
 - (ii) partners' current accounts (excluding unaudited profits and loan capital);
 - (iii) proprietors' account (or other term used to signify the sole trader's capital but excluding unaudited profits).
- (b) Loans other than *qualifying subordinated loans* shown within partners' or proprietors' accounts must be classified as Tier 2 capital under item 12.
- (c) For the calculation of *own funds*, partners' current accounts figures are subject to the following adjustments in respect of a *defined benefit occupational pension scheme*:
- (i) a *firm* must derecognise any *defined benefit asset*;
 - (ii) a *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.

Note

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*.

2A Reserves

For the calculation of *own funds* the following adjustments apply to the audited reserves figure:

- (a) a *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 firm must derecognise any defined benefit asset;
- (c) a *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

Note 1

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*.

- (d) a *firm* must not include any unrealised gains from investment property.

Note

Unrealised gains from investment property should be reported as part of revaluation reserves.

- (e) where applicable, a *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.

Note 2

Reserves must be audited unless the *firm* is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (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.

3 Intangible assets (Item 6)

Intangible assets comprise:

- (a) formation expenses to the extent that these are treated as an asset in the *firm's* accounts;
- (b) goodwill, to the extent that it is treated as an asset in the *firm's* accounts; and
- (c) other assets treated as intangibles in the *firm's* accounts.

Intangible assets do not include a deferred acquisition cost asset.

4. Material current year losses (Item 7)

Losses in current year operating figures must be deducted when calculating Tier 1 capital if such losses are material. For this purpose profits and losses must be calculated quarterly or monthly, as appropriate. If this calculation reveals a net loss it shall only be deemed to be material for the purposes of this Table if it exceeds 10 per cent of the *firm's* Tier 1 capital.

<p>5 Material holdings in credit and financial Institutions (Item 8)</p>	<p>Material holdings comprise:</p> <ul style="list-style-type: none"> (a) where the <i>firm</i> holds more than 10 per cent of the equity share capital of the institution, the value of that holding and the amount of any subordinated loans to the institution and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by the institution; (b) in the case of holdings other than those mentioned in (a) above, the value of holdings of equity share capital in, and the amount of subordinated loans made to, such institutions and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by such institutions to the extent that the total of such holdings and subordinated loans exceeds 10 per cent of the <i>firm's own funds</i> calculated before the deduction of item 8.
<p>5A Material insurance holdings (Item 8)</p>	<ul style="list-style-type: none"> (a) A <i>material insurance holding</i> means the holdings of an <i>exempt CAD firm</i> of items of the type set out in (b) in any: <ul style="list-style-type: none"> (i) <i>insurance undertaking</i>; or (ii) <i>insurance holding company</i>; that fulfils one of the following conditions: <ul style="list-style-type: none"> (iii) it is a <i>subsidiary undertaking</i> of that <i>firm</i>; or (iv) that <i>firm</i> holds a participation in it (b) An item falls into this provision for the purpose of (a) if it is: <ul style="list-style-type: none"> (i) an <i>ownership share</i>; or (ii) subordinated debt or another item of capital that falls into Article 16(3) of the <i>First Non-Life Directive</i> or, as applicable, Article 27(3) of the <i>Consolidated Life Directive</i>.
<p>6 Long term <i>qualifying subordinated loans</i> (Item 11)</p>	<p>Loans having the characteristics prescribed by rule 5.2.5(1) may be included in item 11, subject to the limits set out in paragraph (1) above.</p>
<p>6A Perpetual cumulative preference share capital</p>	<p>Perpetual cumulative preference share capital may not be included in the calculation of <i>own funds</i> by an <i>exempt CAD firm</i> unless it meets the following requirements:</p> <ul style="list-style-type: none"> (a) it may not be reimbursed on the holder's initiative or without the prior agreement of the <i>FCA</i>; (b) the instrument must provide for the <i>firm</i> to have the option of deferring the dividend payment on the share capital; (c) the shareholder's claims on the <i>firm</i> must be wholly subordinated to those of all non-subordinated creditors; (d) the terms of the instrument must provide for the loss-adsorption capacity of the share capital and unpaid dividends, whilst enabling the <i>firm</i> to continue its business; and

7 Qualifying arrangements (Item 13)

- (e) it must be fully paid-up.
- (a) An *exempt CAD firm* may only include a *qualifying undertaking* or other arrangement in item 13 if it is a *qualifying capital instrument* or a *qualifying capital item*.
- (b) A *firm* which is not an *exempt CAD firm* may only include *qualifying undertakings* in its calculation of *liquid capital* if:
 - (i) it maintains *liquid capital* equivalent to 6/52 of its *annual expenditure* in a form other than *qualifying undertakings*; and
 - (ii) the total amount of all *qualifying undertakings* plus *qualifying subordinated loans* does not exceed the limits set out in paragraph (1)(c) above.

8 Net trading book profits (Item 14)

For *firms* which are not *exempt CAD firms* unaudited profits can be included at item 14.

Note

Non-trading book interim profits may only be included in Tier 1 of the calculation if they have been independently verified by the *firm's* external auditors, unless the *firm* is exempt from the provisions of Part VII of the Companies Act 1985 (section 249A (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.

For this purpose, the external auditor should normally undertake at least the following:

- (a) satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
- (b) review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the *firm* in drawing up its annual financial statements;
- (c) perform analytical review procedures on the results to date, including comparisons of actual performance to date with budget and with the results of prior periods;
- (d) discuss with management the overall performance and financial position of the *firm*;
- (e) obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisions for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and
- (f) follow up problem areas of which the auditors are already aware in the course of auditing the *firm's* financial statements.

A *firm* wishing to include interim profits in Tier 1 capital in a *financial return* should submit to *the FCA* with the *financial*

return a verification report signed by its external auditor which states whether the interim results are fairly stated, unless the *firm* is exempt from the provisions of Part VII of the Companies Act 198 (section 249A (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.

Profits on the sale of capital items or arising from other activities which are not directly related to the *investment business* of the *firm* may also be included within the calculation of *liquid capital*, but (unless the firm is exempt as above) only if they can be separately verified by the *firm's* auditors. In such a case, such profits can form part of the *firm's* Tier 1 capital as profits.

9 Short term qualifying subordinated loans (Item 15)

Loans having the characteristics prescribed by rule 5.2.5(3) may be included in item 15 subject to the limits set out in paragraph (1) above. Tier 2 capital which exceeds the ratios prescribed by paragraph (1)(a) and (b) may be included in item 15 subject to paragraph (1) above.

10 Illiquid assets (Item 16)

Illiquid assets comprise:

- (a) tangible fixed assets;

Note

In respect of tangible fixed assets purchased under finance leases the amount to be deducted as an illiquid asset shall be limited to the excess of the asset over the amount of the related liability shown on the balance sheet.

- (b) holdings in, including subordinated loans to, *credit* or *financial institutions* which may be included in the *own funds* of such *institutions* unless they have been deducted under item 8;
- (c) any *investment* in undertakings other than *credit institutions* and other *financial institutions* where such *investments* are not readily realisable;
- (d) any deficiency in net assets of a *subsidiary*;
- (e) deposits not available for repayment within 90 days or less (except for payments in connection with margined futures or options contracts);

Note

Where cash is placed on deposit with a maturity of more than 90 days but is repayable on demand subject to the payment of a penalty, then this is not required to be deducted as an illiquid asset but a deduction is required for the amount of the penalty.

- (f) loans, other debtors and accruals not falling due to be repaid within 90 days or which are more than one month overdue by reference to the contractual payment date;
- (g) physical stocks (except where subject to the *position risk requirement* as set out in Table 5.2.3(5)(b)); and
- (h) prepayments to the extent that the period of prepayment exceeds six weeks in the case of a

firm subject to the 6/52 *expenditure based requirement* or thirteen weeks in the case of a *firm* subject to the 13/52 *expenditure based requirement* or where a *firm* is required to meet the requirement in rule 5.2.3(4)(c)(i).

- (i) if not otherwise covered, any holding in eligible capital instruments of an insurance undertaking, insurance holding company, or reinsurance undertaking that is a *subsidiary* or *participation*. Eligible capital instruments include ordinary share capital, cumulative preference shares, perpetual securities and long-term subordinated loans, that are eligible for insurance undertakings under PRU 2.

Illiquid assets do not include a *defined benefit asset* or a deferred acquisition cost asset.

11 Qualifying property (Item 17)

This item comprises the qualifying amount calculated in accordance with rule 5.2.6(1).

Table 5.2.3(3)(b)

[deleted]

Table 5.2.3(5)(a) EXPENDITURE BASED REQUIREMENT

FCA

PART I

CALCULATION OF REQUIREMENT

A *firm's expenditure based requirement* is a fraction of its *annual expenditure* determined in accordance with Part II of this Table.

PART II

FRACTIONS

1: The fraction is 6/52 where:

- (a) the *firm* is an *authorised unit trust manager*; or
- (aa) the *firm* is an *authorised contractual scheme manager*; or
- (b) the *firm* acts only as an *authorised corporate director* of an *ICVC*; or
- (c) the *firm* is an *investment manager* (including the *operator* of an *unregulated collective investment scheme* in relation to which the *firm* carries on the activity of an *investment manager*), unless paragraph 2 applies.

2: The fraction is 13/52 where the *firm* is an *investment manager* as in paragraph 1(c) above, or is a *custodian*, and the *firm* either:

- (a) itself holds *customers' monies* or assets; or
- (b) procures the appointment as *custodian* of its *customers' monies* or assets of an *associate* of the *firm* which is not an *approved bank*.

Note: Paragraph 1(a) above includes a *firm* which acts as an *authorised unit trust manager* and, in

addition, as both or either:

- (a) *an authorised corporate director of an ICVC; or*
- (b) *an authorised contractual scheme manager.*

Table 5.2.3(5)(b) POSITION RISK REQUIREMENT

FCA

PART I

CALCULATION OF REQUIREMENT

A *firm's* position risk requirement is determined by calculating on a daily mark to market basis, the sum of the weighted value of each position held by the *firm*. The weighted value for each position must be calculated by multiplying its current market value by the appropriate factor set out in Part II.

Note: This requirement does not attach to items deducted in full as illiquid assets.

PART II

WEIGHTINGS

Instrument	Requirement			
	Maturity	0-2 years	2-5 years	>5 years
A Debt				
Central Government		2%	5%	13%
Qualifying debt securities				
• fixed rate		8%	8%	15%
• floating rate		10%	10%	15%
Non-qualifying debt securities				
• fixed rate		10%	20%	30%
• floating rate		30%	30%	30%
B Equities				
• Traded on a recognised or designated investment exchange.	25%			
• other	100%			
C Stock position in physical commodities				
• Physical positions associated with <i>firm's investment business</i>	30% of realisable value			
D Derivatives				
• Exchange traded futures and written options	4 x initial margin requirement.			
• otc futures and written options	Apply the appropriate percentage shown in Sections A, B, & C above to the market value of the underlying position.			
• Purchased options	Apply the appropriate percentage shown in Sections A, B & C above to the market value of the underlying position but the result			

	may be limited to the market value of the option.
• Contracts for differences	20% of the market value of the contract.
E Other investments	
• units in regulated collective investment schemes	25% of realisable value (see Section F).
• with profit life policies	20% of surrender value.
• other	100% of the value of investment or underlying instrument.
F	
[deleted]	

Table 5.2.3(5)(c) COUNTERPARTY RISK REQUIREMENT (CRR)

FCA	
1	<p>Receivables</p> <p>In the case of receivables due to the <i>firm</i> in the form of fees, commission, interest, dividends and margin in exchange-traded futures or options contracts, which are directly related to items included in the <i>trading book</i>, the CRR is calculated as follows:</p> <p>CRR = A x RF, where</p> <p>A = the amount of the sum due; and</p> <p>RF = the appropriate risk factor derived from Table 5.2.3(5)(c)(ii).</p> <p>Note</p> <p>This requirement attaches only to balances arising from proprietary activity falling within the definition of the <i>trading book</i>.</p> <p>Note</p> <p>This requirement does not attach to items deducted in full as illiquid assets.</p>
2	<p>Delivery of cash against documents</p> <p>Where a <i>firm</i> enters into a <i>trading book</i> transaction and the transaction is to be settled by delivery of cash against documents, the <i>firm's</i> CRR in respect of that transaction is calculated as follows:</p> <p>CRR = (SP – MV) x RF, where</p> <p>SP = agreed settlement price;</p> <p>MV = current market value;</p> <p>RF = the appropriate risk factors derived from Table 5.2.3(5)(c)(i).</p> <p>The CRR should only be calculated where the difference between SP and MV would involve a loss if borne by the <i>firm</i>.</p>
3	<p>Free deliveries</p> <p>Where a <i>firm</i> enters into a <i>trading book</i> transaction and the <i>firm</i> pays for the securities before it receives documents of title or delivers documents of title before receiving payment, the CRR in respect of that transaction is calculated as follows:</p> <p>CRR = V x RF, where</p> <p>V = (i) the full amount due to the <i>firm</i> (i.e. the contract value) where the <i>firm</i> has delivered securities to a counterparty and has not</p>

		received payment; or
		(ii) the market value of the securities, where the <i>firm</i> has made payment to a counterparty for securities and has not received documents of title; and
		RF = the appropriate risk factor derived from Table 5.2.3(5)(c)(ii).
4	Settlement outstanding 30 days or more	In the case of trading book transactions entered into by a <i>firm</i> where the <i>firm</i> pays for the securities before it receives documents of title or delivers documents of title before receiving payment and settlement has not been effected within 30 days of falling due, $CRR = V$.
5	Repos/Stock Lending and Reverse Repos/Stock Borrowing	Where a <i>firm</i> enters into a transaction based on securities included in the trading book under the terms of a repurchase agreement or a securities lending agreement the <i>firm's</i> CRR in respect of that transaction is calculated as follows: $CRR = V \times RF$, where RF = the appropriate risk factor derived from Table 5.2.3(5)(c)(ii); and for repos/stock lending: V = the excess of the market value of the securities over the value of the collateral provided under the agreement, if the net figure is positive; or for reverse repos/stock borrowing: V = the excess of the amount paid or the collateral given for the securities received under the agreement, if the net figure is positive.
6	otc derivatives	In the case of a transaction entered into by a <i>firm</i> as principal in an <i>otc derivative</i> the CRR is calculated as follows: $CRR = A \times RF$, where A = the appropriate credit equivalent amount derived from Table 5.2.3(5)(c)(iii); and RF = the appropriate risk factor derived from Table 5.2.3(5)(c)(ii). This calculation shall not apply to contracts for interest rate and foreign exchange which are traded on a <i>recognised investment exchange</i> or <i>designated investment exchange</i> where they are subject to a daily margin requirement and foreign exchange contracts with an original maturity of 14 calendar days or less. A <i>firm</i> may net off contracts with the same counterparty in the same <i>otc derivative</i> contract for settlement on the same date in the same currency provided that the <i>firm</i> is legally entitled under the terms of the contracts with such a counterparty to net such contracts by novation.

Table 5.2.3(5)(c)(i) COUNTERPARTY RISK FACTOR – CASH SETTLEMENTS

FCA	
Number of working days after due settlement date	Risk Factor
0-4	0%
5-15	8%
16-30	50%
31-45	75%
46 or more	100%

Table 5.2.3(5)(c)(ii) COUNTERPARTY RISK REQUIREMENT

FCA			
Type of counterparty	Risk Weighting	Solvency Ratio	Risk Factor
1 A counterparty which is, or the contract of which is, explicitly guaranteed by a <i>category a</i> body.	NIL	8%	NIL
2 A counterparty which is, or the contract of which is, explicitly guaranteed by a <i>category b</i> body.	20%	8%	1.6%
3 Any other counterparty.	100%	8%	8%

Table 5.2.3(5)(c)(iii) OTC DERIVATIVES CALCULATION OF CREDIT EQUIVALENT AMOUNT

FCA			
A	By attaching current market values 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, the notional principal amounts or values underlying the firm's aggregate positions are multiplied by the following percentages:		
	Residual Maturity	Interest-Rate Contracts	Foreign-Exchange Contracts
	One year or less	nil	1%
C	The credit equivalent amount is the sum of current replacement cost and potential future credit exposure.		

Note

Except in the case of single-currency "floating/floating interest rate" swaps in which only the current replacement cost will be calculated, bought OTC equity options and covered warrants shall be subject to the treatment accorded to exchange rate contracts.

Table 5.2.3(5)(d) FOREIGN EXCHANGE REQUIREMENT

FCA

Calculation of Requirement

- (1) A firm's foreign exchange requirement is determined by calculating the excess of its *foreign exchange position* (FEP) above 2 per cent of its *own funds* and multiplying this excess by 8 per cent.
- (2) The FEP is the greater of:
- (a) the total in the *reporting currency* of the net short positions in each currency other than the *reporting currency*; and
 - (b) the total in the *reporting currency* of the net long positions in each currency other than the *reporting currency*;
- where the conversion to the *reporting currency* is performed using spot rates.

Note

For this purpose, long and short positions in the same currency can be netted to produce the net position.

- (3) In calculating the FEP, a firm must include relevant *foreign exchange items*.

EXCHANGE POSITION FOR HEDGING PURPOSES

Any positions which the firm has taken in order to hedge against the adverse effect of exchange rates on an item already deducted in the calculation of *liquid capital* may not be excluded from the calculation of net open currency positions

Table 5.2.3(5)(e) OTHER ASSETS REQUIREMENT

FCA

PART I

CALCULATION OF REQUIREMENT

The requirement to be met in respect of the assets set out in Part II of this Table, other than those to which *position risk requirements* and *counterparty risk requirements* apply or which have been deducted in full as illiquid assets, and in respect of off-balance sheet items set out in Part II of this Table, must be calculated as follows:

- A = AV x RF where
- A = the amount of the requirement;
- AV = the current asset value; and
- RF = the appropriate risk factor derived from Part II of this Table.

PART II

RISK FACTORS

Assets and Off-Balance Sheet Items	Risk Factor
Assets	
Cash at bank and in hand and equivalent items	NIL
Assets secured by acceptable collateral including deposits and	NIL

certificates of deposit with lending institutions	
Amount due from trustees of authorised unit trusts or depositaries of <i>authorised contractual schemes</i>	NIL
Note	
This only applies to <i>firms</i> who are <i>authorised unit trust managers</i> in relation to authorised unit trusts or <i>authorised contractual scheme managers</i> in relation to <i>authorised contractual schemes</i> they manage.	
Amount due from <i>depositaries</i> of ICVCs	NIL
Note	
This only applies to <i>firms</i> who are <i>authorised corporate directors</i> in relation to ICVCs they operate	
Other receivables due from or explicitly guaranteed by or deposits with <i>category a bodies</i>	NIL
Other receivables due from or explicitly guaranteed by or deposits with <i>category b bodies</i>	1.6%
Pre-payments and accrued income (See paragraph 10 of Part II of Table 5.2.2(1))	8%
Defined benefit asset	NIL
Deferred acquisition cost asset	NIL
All other assets	8%
OFF-BALANCE SHEET ITEMS	
Full Risk Items e.g.	
Charges granted against assets	8% x counterparty weight (see Table 5.2.3(5)(c)(ii))
Guarantees given	
Medium Risk Items e.g.	
Undrawn credit facilities granted by the <i>firm</i> with an original maturity of more than one year	4% x counterparty weight (see Table 5.2.3(5)(c)(ii))
Low Risk Items e.g.	
Undrawn credit facilities granted by the <i>firm</i> with an original maturity of one year or less	NIL
Note	
(1)	In determining the appropriate <i>other assets requirement</i> (OAR) for guarantees given in a group context, a <i>firm</i> should follow the calculation below:
(a)	Categorise the guarantee agreements into:
(i)	those with the character of credit substitutes; or
(ii)	those not having the character of credit substitutes; or
(iii)	agreements to provide guarantees.
(b)	Calculate the weighted value.
(i)	For guarantees falling under (1)(a)(i), the weighted value will be 100% of the estimated current year liability under the guarantee.

- (ii) For guarantees falling under (1)(a)(ii) the weighted value will be 50% of the estimated current year liability under the guarantee.
 - (iii) For guarantees falling under (1)(a)(iii), the weighted value will be nil.
- (c) The OAR is calculated as:
Weighted value x 8% x counterparty weighting (Table 5.2.3(5)(c)(ii))
- (2) For the purpose of this requirement, in assessing whether the guarantee has the characteristics of a credit substitute the following factors should be considered:
 - (a) do the agreements allow for periodic or ad-hoc calling of funds;
 - (b) have the guarantees been drawn upon on a regular basis;
 - (c) do *firms* in the group rely on such guarantees to meet their working capital or regulatory capital requirements.
- (3) Where a *firm* is part of a group including other *FCA* regulated entities which together have entered into cross group guarantee arrangements which give rise to an OAR, the estimate of the potential liability under the guarantee may be apportioned between the regulated entities for the purpose of calculating each *firm's* OAR.

5.3.1 [DELETED]

5.3.1(1) R [deleted]

(1) [deleted]

(2) [deleted]

(3) [deleted]

(a) [deleted]

(b) [deleted]

5.3.1(2) G [deleted]

5.3.1(3) R [deleted]

5.3.1(4) R [deleted]

(1) [deleted]

(2) [deleted]

(3) [deleted]

(4) [deleted]

(5) [deleted]

5.3.1(5) G [deleted]

5.3.1(6) R [deleted]

5.5.1 FINANCIAL NOTIFICATION

5.5.1(1) R [deleted]

5.7 CONSOLIDATED SUPERVISION

Under the Financial Conglomerates and Other Financial Groups Instrument 2004, the rules in Chapter 14 shall (with respect to a particular firm, group or financial conglomerate) apply from the first day of its financial year beginning in 2005 in place of rules 5.7.1(1) to 5.7.5(4).

5.7.1 [deleted]

5.7.2 [deleted]

5.7.3 [deleted]

5.7.4 [deleted]

5.7.5 [deleted]

11 Chapter 11: Collective Portfolio Management Firms

11.1 INTRODUCTION

Application

11.1.1 R This chapter applies to a **collective portfolio management firm**.

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11.1.2 G A *collective portfolio management firm* that manages an *AIF* is an *internally managed AIF* or an *external AIFM*. This affects the *firm's base capital resources requirement* (see *IPRU(INV)* 11.3.1R). An *internally managed AIF* is not permitted to engage in activities other than the management of that *AIF*, whereas an *external AIFM* may manage *AIFs* and/or *UCITS*, provided it has *permission* to do so. A *firm* that is an *external AIFM* and/or a *UCITS management company* may undertake any of the additional investment activities permitted by article 6(4) of *AIFMD* or article 6(3) of the *UCITS Directive* (as applicable), provided it has *permission* to do so, but if so it is subject to *GENPRU* and *BIPRU* rather than *IPRU(INV)* and is classified as a *collective portfolio management investment firm*, as opposed to a *collective portfolio management firm*.

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Relevant accounting principles

11.1.3 R (1) Except where a *rule* makes a different provision, terms in this chapter must have the meaning given to them in the **Companies Act 2006** or the *firm's accounting framework* (usually **UK generally accepted accounting principles** or **IFRS**) where defined in that Act or framework.

FCA

(2) Accounting policies must be the same as those adopted in the *firm's annual report and accounts* and must be consistently applied.

Purpose

11.1.4 G (1) This chapter amplifies *threshold condition 2D* (Appropriate resources) by providing that a *firm* must meet, on a continuing basis, a minimum capital resources requirement. This chapter also amplifies *Principles 3* and *4* which require a *firm* to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems, and to maintain adequate financial resources by setting out a capital resources requirement for a *firm* according to the *regulated activity* or activities it carries on.

FCA

(2) This chapter also implements relevant requirements of *AIFMD* and the *UCITS Directive*, which includes imposing capital and professional indemnity insurance requirements on an *AIFM* and a *UCITS management company*.

11.2 MAIN REQUIREMENTS

Collective portfolio management firm

11.2.1 R A **collective portfolio management firm** must:

FCA

- (1) when it first becomes a *collective portfolio management firm*, hold *initial capital* of not less than the applicable *base capital resources requirement* (in line with *IPRU(INV) 11.3.1R*);
- (2) at all times, maintain *own funds* which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU(INV) 11.3.2R*); and
 - (ii) the *fixed overheads requirement* (in line with *IPRU(INV) 11.3.3R*); plus
 - (b) whichever is applicable of:
 - (i) the *professional negligence capital requirement* (in line with *IPRU(INV) 11.3.11G(1)(a)*); or
 - (ii) the *PII capital requirement* (in line with *IPRU(INV) 11.3.11G(1)(b)*); and
- (3) at all times, hold liquid assets (in line with *IPRU(INV) 11.3.17R*) which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU(INV) 11.3.2R*) less the *base capital resources requirement* (in line with *IPRU(INV) 11.3.1R*); and
 - (ii) the *fixed overheads requirement* (in line with *IPRU(INV) 11.3.3R*); plus
 - (b) whichever is applicable of:
 - (i) the *professional negligence capital requirement* (in line with *IPRU(INV) 11.3.11G(1)(a)*); or
 - (ii) the *PII capital requirement* (in line with *IPRU(INV) 11.3.11G(1)(b)*).

[Note: article 9(5) and 9(7) of *AIFMD* and article 7(1)(a)(iii) of the *UCITS Directive*]

Professional negligence

- 11.2.2
- FCA
- G (1) The *professional negligence capital requirement* applies to a *firm* that manages an *AIF* (ie, an *external AIFM* or an *internally managed AIF*) and which, in line with *IPRU(INV) 11.3.11G(1)(a)*, covers professional liability risks by way of *own funds*.
 - (2) The *PII capital requirement* applies to a *firm* that manages an *AIF* and which, in line with *IPRU(INV) 11.3.11G(1)(b)*, decides to cover professional liability risks by professional indemnity insurance.

11.3 DETAIL OF MAIN REQUIREMENTS

Base capital resources requirement

11.3.1 R The *base capital resources requirement* for a *collective portfolio management firm* is:

FCA

- (1) €125,000 for a *firm* that is a *UCITS firm* or an *external AIFM*; and
- (2) €300,000 for an *internally managed AIF*.

[Note: article 9(1), (2) and (10) of *AIFMD* and article 7(1)(a) of the *UCITS Directive*]

Funds under management requirement

11.3.2 R The *funds under management requirement* is (subject to a maximum of €10,000,000) the sum of:

FCA

- (1) the *base capital resources requirement*; plus
- (2) 0.02% of the amount by which the *funds under management* exceed €250,000,000,

[Note: article 9(3) of *AIFMD* and article 7(1)(a)(i) of the *UCITS Directive*]

Fixed overheads requirement

11.3.3 R The *fixed overheads requirement* is one quarter (13/52) of the *firm's* relevant fixed expenditure calculated in line with *IPRU(INV)* 11.3.4R.

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[Note: article 9(5) of *AIFMD* and article 7(1)(a)(iii) of the *UCITS Directive*]

11.3.4 R In *IPRU(INV)* 11.3.3R, and subject to *IPRU(INV)* 11.3.6R to *IPRU(INV)* 11.3.9R, a *firm's* relevant fixed expenditure is the amount described as total expenditure in its final income statement (FSA030) for the previous financial year, less the following items (if they are included within such expenditure):

FCA

- (1) staff bonuses, except to the extent that they are guaranteed;
- (2) *employees' and directors'* shares in profits, except to the extent that they are guaranteed;
- (3) other appropriations of profits;
- (4) shared *commission* and fees payable which are directly related to *commission* and fees receivable which are included within total revenue;
- (5) interest charges in respect of borrowings made to finance the acquisition of the *firm's readily realisable investments*;

- (6) interest paid to *customers on client money*;
- (7) interest paid to *counterparties*;
- (8) fees, brokerage and other charges paid to *clearing houses, exchanges and intermediate brokers* for the purposes of *executing*, registering or clearing transactions;
- (9) foreign exchange losses; and
- (10) other variable expenditure.

11.3.5 G The income statement (FSA030) should be completed on a cumulative basis, so that the final income statement in a *firm's* financial year (ie the period that ends on the *firm's* accounting reference date) relates to the entire year.

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11.3.6 R **The relevant fixed expenditure of a *firm* is:**

FCA

- (1) where its final income statement (FSA030) for the previous financial year does not relate to a twelve-month period, an amount calculated in accordance with *IPRU(INV)* 11.3.4R, pro-rated so as to produce an equivalent twelve-month amount; or
- (2) where it has not completed twelve months' trading, an amount based on forecast expenditure included in the budget for the first twelve months' trading, as submitted with its application for *authorisation*.

11.3.7 R **A *firm* must adjust its relevant fixed expenditure calculation so far as necessary to the extent that since the submission of its final income statement (FSA030) for the previous financial year or since the budget was prepared (if *IPRU(INV)* 11.3.6R(2) applies):**

FCA

- (1) its level of fixed expenditure changes materially; or
- (2) the *regulated activities* comprised within its *permission* change.

11.3.8 G In *IPRU(INV)* 11.3.4R to *IPRU(INV)* 11.3.7R, fixed expenditure is expenditure which is inelastic relative to fluctuations in a *firm's* levels of business. Fixed expenditure is likely to include most salaries and staff costs, office rent, payment for the rent or lease of office equipment, and insurance *premiums*. It may be viewed as the amount of funds which a *firm* would require to enable it to cease business in an orderly manner, should the need arise. This is not an exhaustive list of such expenditure and a *firm* will itself need to identify which costs amount to fixed expenditure.

FCA

11.3.9 R **If a *firm* has a material proportion of its expenditure incurred on its behalf by another *person* and such expenditure is not fully recharged by that *person*, then the *firm* must adjust its relevant fixed expenditure calculation by adding back in the whole of the difference between the amount of the expenditure and the amount recharged.**

FCA

11.3.10 G Under *IPRU(INV)* 11.3.9R, the *FCA* would consider 10% of a *firm's* expenditure incurred on its behalf by other *persons* as material.

FCA

Professional negligence

11.3.11 G A firm that manages an AIF should:

FCA

- (1) cover the professional liability risks set out in article 12 of the *AIFMD level 2 regulation* (professional liability risks) (as replicated in *IPRU(INV)* 11.3.12EU) by either:
 - (a) maintaining an amount of *own funds* in line with article 14 of the *AIFMD level 2 regulation* (additional own funds) (as replicated in *IPRU(INV)* 11.3.14EU) (the *professional negligence capital requirement*); or
 - (b) holding professional indemnity insurance and maintaining an amount of *own funds* to meet the *PII capital requirement* under article 15 of the *AIFMD level 2 regulation* (professional indemnity insurance) (as replicated in *IPRU(INV)* 11.3.15EU) and *IPRU(INV)* 11.3.16R; and
- (2) comply with the qualitative requirements addressing professional liability risks in article 13 of the *AIFMD level 2 regulation* (qualitative requirements addressing professional liability risks) (as replicated in *IPRU(INV)* 11.3.13EU).

11.3.12 EU

FCA

Professional liability risks			
1.	The professional liability risks to be covered pursuant to Article 9(7) of Directive 2011/61/EU shall be risks of loss or damage caused by a relevant person through the negligent performance of activities for which the AIFM has legal responsibility.		
2.	Professional liability risks as defined in paragraph 1 shall include, without being limited to, risks of:		
	(a)	loss of documents evidencing title of assets of the AIF;	
	(b)	misrepresentations or misleading statements made to the AIF or its investors;	
	(c)	acts, errors or omissions resulting in a breach of:	
		(i)	legal and regulatory obligations;
		(ii)	duty of skill and care towards the AIF and its investors;
		(iii)	fiduciary duties;
		(iv)	obligations of confidentiality;
		(v)	AIF rules or instruments of incorporation;
		(vi)	terms of appointment of the AIFM by the AIF;
	(d)	failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts;	
	(e)	improperly carried out valuation of assets or calculation of	

		unit/share prices;
	(f)	losses arising from business disruption, system failures, failure of transaction processing or process management.
3.	Professional liability risks shall be covered at all times either through appropriate additional own funds determined in accordance with Article 14 or through appropriate coverage of professional indemnity insurance determined in accordance with Article 15.	
[Note: article 12 of the <i>AIFMD level 2 regulation</i>]		

11.3.13 EU

FCA

Qualitative requirements addressing professional liability risks	
1.	An AIFM shall implement effective internal operational risk management policies and procedures in order to identify, measure, manage and monitor appropriately operational risks including professional liability risks to which the AIFM is or could be reasonably exposed. The operational risk management activities shall be performed independently as part of the risk management policy.
2.	An AIFM shall set up a historical loss database, in which any operational failures, loss and damage experience shall be recorded. This database shall record, without being limited to, any professional liability risks as referred to in Article 12(2) that have materialised.
3.	Within the risk management framework the AIFM shall make use of its internal historical loss data and where appropriate of external data, scenario analysis and factors reflecting the business environment and internal control systems.
4.	Operational risk exposures and loss experience shall be monitored on an ongoing basis and shall be subject to regular internal reporting.
5.	An AIFM's operational risk management policies and procedures shall be well documented. An AIFM shall have arrangements in place for ensuring compliance with its operational risk management policies and effective measures for the treatment of non-compliance with these policies. An AIFM shall have procedures in place for taking appropriate corrective action.
6.	The operational risk management policies and procedures and measurement systems shall be subject to regular review, at least on an annual basis.
7.	An AIFM shall maintain financial resources adequate to its assessed risk profile.
[Note: article 13 of the <i>AIFMD level 2 regulation</i>]	

11.3.14 EU

FCA

Additional own funds	
1.	This Article shall apply to AIFMs that choose to cover professional liability risks through additional own funds.

2.	<p>The AIFM shall provide additional own funds for covering liability risks arising from professional negligence at least equal to 0,01 % of the value of the portfolios of AIFs managed.</p> <p>The value of the portfolios of AIFs managed shall be the sum of the absolute value of all assets of all AIFs managed by the AIFM, including assets acquired through use of leverage, whereby derivative instruments shall be valued at their market value.</p>
3.	<p>The additional own funds requirement referred to in paragraph 2 shall be recalculated at the end of each financial year and the amount of additional own funds shall be adjusted accordingly.</p> <p>The AIFM shall establish, implement and apply procedures to monitor on an ongoing basis the value of the portfolios of AIFs managed, calculated in accordance with the second subparagraph of paragraph 2. Where, before the annual recalculation referred to in the first subparagraph, the value of the portfolios of AIFs managed increases significantly, the AIFM shall without undue delay recalculate the additional own funds requirement and shall adjust the additional own funds accordingly.</p>
4.	<p>The competent authority of the home Member State of the AIFM may authorise the AIFM to provide additional own funds lower than the amount referred to in paragraph 2 only if it is satisfied — on the basis of the historical loss data of the AIFM as recorded over an observation period of at least three years prior to the assessment — that the AIFM provides sufficient additional own funds to appropriately cover professional liability risks. The authorised lower amount of additional own funds shall be not less than 0,008 % of the value of the portfolios of AIFs managed by the AIFM.</p>
5.	<p>The competent authority of the home Member State of the AIFM may request the AIFM to provide additional own funds higher than the amount referred to in paragraph 2 if it is not satisfied that the AIFM has sufficient additional own funds to appropriately cover professional liability risks. The competent authority shall give reasons why it considers that the AIFM's additional own funds are insufficient.</p>
<p>[Note: article 14 of the <i>AIFMD level 2 regulation</i>]</p>	

11.3.15 EU

FCA

Professional indemnity insurance	
1.	This Article shall apply to AIFMs that choose to cover professional liability risks through professional indemnity insurance.
2.	The AIFM shall take out and maintain at all times professional indemnity insurance that:
	(a) shall have an initial term of no less than one year;
	(b) shall have a notice period for cancellation of at least 90 days;
	(c) shall cover professional liability risks as defined in Article 12(1) and (2);
	(d) is taken out from an EU or non-EU undertaking authorised to provide professional indemnity insurance, in accordance with Union law or national law;

	(e)	is provided by a third party entity.
		Any agreed defined excess shall be fully covered by own funds which are in addition to the own funds to be provided in accordance with Article 9(1) and (3) of Directive 2011/61/EU.
3.		The coverage of the insurance for an individual claim shall be equal to at least 0,7 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).
4.		The coverage of the insurance for claims in aggregate per year shall be equal to at least 0,9 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).
5.		The AIFM shall review the professional indemnity insurance policy and its compliance with the requirements laid down in this Article at least once a year and in the event of any change which affects the policy's compliance with the requirements in this Article.
[Note: article 15 of the <i>AIFMD level 2 regulation</i>]		

11.3.16 R If a *firm* satisfies the requirement referred to in *IPRU(INV)* 11.3.11G with professional indemnity insurance it must, in addition to maintaining an amount of *own funds* to cover any defined excess, hold adequate *own funds* to cover any exclusions in the insurance policy that would otherwise result in the *firm* having insufficient resources to cover liabilities arising. A *firm* may satisfy its requirements for professional indemnity insurance with a policy that also provides cover to one or more entities other than the *firm*, provided that the policy satisfies the conditions of the *AIFMD level 2 regulation*, exclusive of the cover provided to other entities.

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Liquid assets

11.3.17 R For the purposes of this chapter, liquid assets are assets which:

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- (1) are readily convertible to cash within one month; and
- (2) have not been invested in speculative positions.

11.3.18 G Examples of liquid assets that are acceptable under *IPRU(INV)* 11.3.17R include cash, *readily realisable investments* that are not held for short-term resale, and debtors.

FCA

[Note: article 9(8) of AIFMD]

11.4 METHOD OF CALCULATING INITIAL CAPITAL AND OWN FUNDS

TABLE 11.4

PART I			
A firm must calculate its <i>initial capital</i> and <i>own funds</i> as shown below, subject to the detailed requirements set out in Part II.			
Paragraph	Category	Part II	
TIER 1			
(1)	Paid-up share capital (excluding preference shares)	A	2
(2)	Share premium account		
(3)	Audited reserves and interim profits		3 and 4
(4)	Non-cumulative preference shares		
(5)	<i>Eligible LLP members' capital</i>		5
Initial capital = A			
TIER 1			
(6)	Investments in own shares	B	
(7)	Intangible assets		6
(8)	Material current year losses		7
(9)	<i>Excess LLP members' drawings</i>		
(10)	Material holdings in credit and financial institutions		8
Tier 1 capital = (A-B) =		C	
TIER 2			1(b)
(11)	Revaluation reserves	D	
(12)	Fixed-term cumulative preference share capital		1(a)
(13)	Long-term <i>qualifying subordinated loans</i>		1(a); 9
(14)	Other cumulative preference share capital and debt capital		
(15)	Qualifying arrangements		10
OWN FUNDS = (C+D) =		E	
PART II			

DETAILED REQUIREMENTS		
1	Ratios	
	(a)	The total of fixed-term cumulative preference share capital (item 12) and long-term <i>qualifying subordinated loans</i> (item 13) that may be included in Tier 2 capital (D) is limited to 50 per cent of Tier 1 capital (C); and
	(b)	Tier 2 capital (D) must not exceed 100 per cent of Tier 1 capital (C).
2	Non corporate entities	
	(a)	In the case of partnerships, the following terms should be substituted, as appropriate, for items 1 to 4 in <i>initial capital</i> :
	(i)	partners' capital accounts (excluding loan capital);
	(ii)	partners' current accounts (excluding unaudited profits and loan capital); and
	(iii)	proprietor's account (or other term used to signify the sole trader's capital but excluding unaudited profits).
	(b)	Loans other than <i>qualifying subordinated loans</i> shown within partners' or proprietors' accounts must be classified as Tier 2 capital under item 14.
	(c)	For the calculation of <i>initial capital</i> and <i>own funds</i> , partners' current accounts figures are subject to the following adjustments for of a <i>defined benefit occupational pension scheme</i> :
	(i)	a <i>firm</i> must derecognise any <i>defined benefit</i> asset: and
	(ii)	a <i>firm</i> may substitute for <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in any one financial year.
Note		
A <i>firm</i> should keep a record of and be ready to explain to its supervisory contacts in the <i>FCA</i> the reasons for any difference between the <i>deficit reduction amount</i> and any commitment the <i>firm</i> has made in a public document to provide funding for a <i>defined benefit occupational pension scheme</i> .		
3	Audited Reserves (Item 3)	
For the calculation of <i>initial capital</i> and <i>own funds</i> , the following adjustments apply to the audited reserves figure:		
	(a)	a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of <i>financial instruments</i> measured at cost or amortised cost:

	(b)	for a <i>defined benefit occupational pension scheme</i> , a <i>firm</i> must derecognise any <i>defined benefit asset</i> ; and
	(c)	a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in respect of any one financial year.
Note		
A <i>firm</i> should keep a record of, and be ready to explain to its supervisory contacts in the <i>FCA</i> , the reasons for any difference between the <i>deficit reduction amount</i> and any commitment the <i>firm</i> has made in a public document to provide funding for a <i>defined benefit occupational pension scheme</i> .		
	(d)	a <i>firm</i> must not include any unrealised gains from investment property.
Note		
Unrealised gains from investment property should be reported as part of revaluation reserves.		
	(e)	where applicable, a <i>firm</i> must deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but excluding from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax.
Note		
If the <i>firm</i> uses the exemption in Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts then it will not be able to include its reserves under this Item (3), unless it appoints an auditor.		
4	Interim profits (Item 3)	
Non- <i>trading book</i> interim profits may only be included in Tier 1 of the calculation if they have been independently verified by the <i>firm's</i> auditor.		
For this purpose, the auditor should normally undertake at least the following:		
	(a)	satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
	(b)	review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the <i>firm</i> in drawing up its annual financial statements;
	(c)	perform analytical review procedures on the results to date, including comparisons of actual performance to date with budget and with the results of prior periods;
	(d)	discuss with management the overall performance and financial position of the <i>firm</i> ;

	(e)	obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisions for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and
	(f)	follow up problem areas of which the auditor is already aware in the course of auditing the <i>firm's</i> financial statements.
A <i>firm</i> wishing to include interim profits in Tier 1 capital must obtain a verification report signed by its auditor which states whether the interim results are fairly stated.		
Profits on the sale of capital items or arising from other activities which are not directly related to the <i>designated investment business</i> of the <i>firm</i> may also be included within the calculation of <i>own funds</i> if they can be separately verified by the <i>firm's</i> auditor. Such profits can form part of the <i>firm's</i> Tier 1 capital as audited profits.		
Note		
If the <i>firm</i> uses the exemption in Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) for the audit of accounts then it will not be able to include its interim profits under Item (3), unless it appoints an auditor.		
5	Eligible LLP members' capital (Item 5)	
Members' capital of a <i>limited liability partnership</i> may only be included in <i>initial capital</i> (see item 5) if the conditions in <i>IPRU(INV)</i> Annex A 2.2R (Specific conditions for eligibility) and <i>IPRU(INV)</i> Annex A 2.3R (General conditions for eligibility) are satisfied.		
6	Intangible assets (Item 7)	
Intangible assets comprise:		
	(a)	formation expenses to the extent that these are treated as an asset in the <i>firm's</i> accounts;
	(b)	goodwill, to the extent that it is treated as an asset in the <i>firm's</i> accounts; and
	(c)	other assets treated as intangibles in the <i>firm's</i> accounts.
7	Material current year losses (Item 8)	
Losses in current year operating figures must be deducted when calculating Tier 1 capital if such losses are material. For this purpose, profits and losses must be calculated quarterly, as appropriate. If this calculation reveals a net loss it shall only be deemed to be material for the purposes of this Table if it exceeds 10 per cent of the <i>firm's</i> Tier 1 capital.		

8	Material holdings in credit and financial institutions (Item 10)
Material holdings comprise:	
(a)	where the <i>firm</i> holds more than 10 per cent of the equity share capital of a <i>credit institution</i> or <i>financial institution</i> , the value of that holding and the amount of any subordinated loans to that institution and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by that institution;
(b)	for holdings other than those mentioned in (a) above, the value of holdings of equity share capital in, and the amount of subordinated loans made to, such institutions and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by such institutions to the extent that the total of such holdings and subordinated loans exceeds 10 per cent of the <i>firm's own funds</i> calculated before the deduction of item 10.
9	Long term qualifying subordinated loans (Item 13)
Loans having the characteristics prescribed by <i>IPRU(INV)</i> 11.5.1R may be included in item 13, subject to the limits in paragraph (1).	
10	Qualifying arrangements (Item 15)
A <i>firm</i> may only include an arrangement in item 15 if it is a <i>qualifying capital instrument</i> or a <i>qualifying capital item</i> .	

11.5 QUALIFYING SUBORDINATED LOANS

Characteristics of long-term qualifying subordinated loans

11.5.1 R A long-term *qualifying subordinated loan* (item (13) of Table 11.4) must have the following characteristics:

FCA

- (1) the loan is repayable only on maturity or on the expiration of a period of notice under (3) below, or on the winding up of the *firm*;
- (2) in the event of the winding up of the *firm*, the loan ranks after the claims of all other creditors and is not to be repaid until all other debts outstanding at the time have been settled;
- (3) either:
 - (a) the minimum original maturity of the loan is five years;

or

- (b) the loan does not have a minimum or fixed maturity but requires five years notice of repayment; and
- (4) the loan is fully paid-up.

[Note: article 4(1)(ad) of *AIFMD*, article 2(1)(l) of the *UCITS Directive* and article 64(3) of the *Banking Consolidation Directive*]

- 11.5.2 R A firm may only take into account the paid-up amount of a long term *qualifying subordinated loan* in the calculation of its *own funds*. This amount must be amortised on a straight-line basis over the five years prior to the date of repayment.
- FCA

[Note: article 4(1)(ad) of *AIFMD*, article 2(1)(l) of the *UCITS Directive* and article 64(3)(c) of the *Banking Consolidation Directive*]

Form of qualifying subordinated loan agreement

- 11.5.3 R A *qualifying subordinated loan* must be in the form prescribed for Chapter 5 of *IPRU(INV)* by Annex D to *IPRU(INV)* with the following changes:
- FCA

- (1) the reference to “Chapter 5” in Recital B on page 2 deleted and replaced with “Chapter 11”; and
- (2) the references to “rule 5.2.1(1) of Chapter 5” in clause 3(b) (Interest) deleted and replaced with “rule 11.2.1 (collective portfolio management firm) of Chapter 11”.

Requirements on a firm in relation to qualifying subordinated loans

- 11.5.4 R A firm including a *qualifying subordinated loan* in its calculation of *own funds* must not:

FCA

- (1) secure all or any part of the loan; or
- (2) redeem, purchase or otherwise acquire any of the liabilities of the borrower in respect of the loan; or
- (3) amend or concur in amending the terms of the loan agreement; or
- (4) repay all or any part of the loan otherwise than in line with the terms of the loan agreement; or
- (5) take or omit to take any action which may terminate, impair or adversely affect the subordination of the loan or any part thereof.

14 Chapter 14: Consolidated Supervision for Investment Businesses

14.1 APPLICATION

14.1.1 R Subject to rule 14.1.2, *consolidated* supervision and this chapter apply to a *firm* which is a member of a group if:

FCA

- (1) It is:
 - (a) a *securities and futures firm*, subject to the financial rules in Chapter 3, which is a *broad scope firm* but not a *venture capital firm*; and
 - (b) [deleted]
 - (c) [deleted]
- (2) It is not a *BIPRU firm*.
- (3) [Deleted]
- (4) [Deleted]
- (5) [Deleted]

Cases where consolidated supervision under this chapter will not apply

14.1.2 R A *firm* is not subject to *consolidated supervision* under the rules in this Chapter where any of the following conditions are fulfilled:

FCA

- (1) the *firm* is included in the supervision on a consolidated basis of the group of which it is a member by a *competent authority* other than the *FCA*; or
- (2) the *firm* is a member of a *UK consolidation group* already included in the supervision on a consolidated basis of the group of which it is a member by the *FCA* or *PRA* under *BIPRU 8*.

14.1.3 G (1) [Deleted]

FCA

- (2) [Deleted]
- (3) Where there is more than one authorised *firm* in the group, subject to the rules of this chapter, one consolidated supervision return may be submitted on behalf of all the *firms* in the group in accordance with *SUP 16.3.25G*.

Exemption from consolidated supervision

14.1.4 R A *firm* need not meet the requirements in rules 14.3.1 and 14.3.2 if:

FCA

- (1) there is no *credit institution* in the group;
- (2) no *firm* in the group *deals in investments as principal*, except where it is dealing solely as a result of its activity of operating a *collective investment scheme*, or where the *firm's* positions fulfil the *CAD Article 3 exempting criteria*;
- (3) [Deleted]
- (4) the *firm* notifies the *FCA* of any serious risk that could undermine the financial stability of the group as soon as it becomes aware of that risk;
- (5) the *firm* reports to the *FCA* all group *large exposures* as at the end of each quarter, and within the period specified in *SUP 16*;
- (6) the *firm* meets the conditions in rule 14.1.5; and
- (7) the *firm* has first notified the *FCA* in writing that it intends to rely on this rule.

14.1.5 R If the *firm* notifies the *FCA* under rule 14.1.4 that it will not apply the rules in this section, it must:

FCA

- (1) submit to *FCA* a consolidated supervision return within the time period specified by *SUP 16*, together with a consolidated profit and loss account;
- (2) ensure that each *firm* in the group deducts from its solo financial resources any quantifiable *contingent liability* in respect of other group entities;
- (3) ensure that the solo financial resources requirement of each *firm* in the group incorporates the full value of the expenditures of the *firm* wherever they are incurred on behalf of the *firm*; and
- (4) make a note in its audited financial statements that it is not subject to regulatory consolidated capital requirements.

14.1.6 G (1) [Deleted]

FCA

- (2) The conditions in rule 14.1.5 aim to ensure that the *firm* is protected

from weaknesses in other group entities.

- (3) In rule 14.1.5(2), *contingent liabilities* includes direct and indirect guarantees.
- (4) 14.1.5(3) aims to ensure that the expenditure-based requirement incorporates the *firm's* actual ongoing annual expenditures (including any share of depreciation on fixed assets) where these have been met by another group entity.
- (5) The *FCA* may require further information from the *firm* if it considers that the *firm's* consolidated financial position raises undue risks to consumers. It may also seek reassurance that the *firm* has sufficiently robust *client money* and asset controls - for example, it may require a *skilled person's* report. The *FCA* may also use its own *initiative power* to impose conditions on the *firm*. This could include raising additional capital or further limitations on the *firm's* intra-group exposures.
- (6) Rule 14.1.4(5) refers to *large exposures*, which should be measured against group consolidated own funds or (if this would result in all *exposures* being classified as *large exposures*) by aggregating all the *exposures* of the individual entities in the group and measuring them against the own funds of the individual *firm* giving rise to the consolidated supervision requirement. If there is more than one *firm* in the group giving rise to the consolidated supervision requirement, the group *large exposures* should be measured against the *firm* with the smallest own funds.

14.2 SCOPE OF CONSOLIDATION

14.2.1 R For the purposes of the rules in this chapter, a *firm's* group means the *firm* and:

FCA

- (1) any *EEA parent* in the group which is a *financial holding company*, a *credit institution*, or an *investment firm*;
- (2) any *credit institution*, *investment firm* or *financial institution* which is a *subsidiary* either of the *firm* or of the *firm's EEA parent* as defined in (1); and
- (3) any *credit institution*, *investment firm* or *financial institution* in which the *firm* or one of the entities in (1) or (2) holds a *participation*.

14.2.2 R If a group exists under rule 14.2.1, the *firm* must also include in the scope of consolidation any *ancillary services undertaking* and *asset management company* in the group.

FCA

14.2.3 G Rule 14.1.1 states what type of *firm* may be subject to consolidated supervision (trigger firm). Rule 14.2.1 states what type of relationship triggers the existence of a group for consolidated supervision purposes. Rules 14.2.1 and 14.2.2 specify what entities should be included in the scope of

FCA

consolidated supervision.

14.2.4

G

(1) *A firm's parent is a financial holding company if it is either a financial institution or a securities and futures firm that is subject to the financial rules in Chapter 3 and that is a broad scope firm (but not a venture capital firm) and if its subsidiary undertakings carry out mainly listed activities, activities of a credit institution or activities undertaken by a Chapter 3 broad scope firm. For this purpose the FCA interprets the phrases 'mainly' or 'main business' to mean where the balance of business is over 40% of the relevant group or sub-group's balance sheet (measured on the basis of total assets) or profit and loss statement (measured on the basis of gross income). In addition, if the firm's parent has significant holdings in insurance undertakings or reinsurance undertakings, it is a mixed financial holding company, and the firm is subject to the rules in GENPRU 3.1 instead of the rules in this chapter. This is because a parent cannot be a financial holding company and a mixed financial holding company at the same time. GENPRU 3.1 sets out what constitutes significant insurance holdings (broadly more than 10% of the financial sector activities of the group). A firm's parent is a financial holding company and not regarded as a mixed financial holding company unless:*

FCA

- (a) the parent has been notified by its *coordinator* that the group it heads is a *financial conglomerate* (in accordance with Article 4(2) of the *Financial Groups Directive*); and
- (b) it has not been notified that the *coordinator* and the *relevant competent authorities* have agreed not to treat the group as a *financial conglomerate* in accordance with Article 3(3) of the *Financial Groups Directive*.

(2) *A firm with an ultimate non-EEA parent may also be subject to the provisions in GENPRU 3.2.*

(3) *In the case where undertakings are linked to the domain of consolidation by a relationship within the meaning of article 12(1) of Directive (83/349/EEC), the FCA will determine how consolidation is to be carried out.*

Exclusions

14.2.5

R

A firm may, having first notified the FCA in writing, exclude from its group the following:

FCA

- (1) **any entity the total assets of which are less than the smaller of the following two amounts:**
 - (a) **10 million euros; or**
 - (b) **1% of the total assets of the group's parent or the undertaking that holds the participation;**

provided that the total assets of such entities do not collectively breach these limits.

- (2) **any entity the inclusion of which within the group would be misleading or inappropriate for the purposes of consolidated supervision.**

14.2.6

FCA

- G (1) The *FCA* may require a *firm* to provide information about the position in the group of any undertaking excluded from the consolidation under rule 14.2.5.
- (2) An exclusion under rule 14.2.5(2) would normally be appropriate when an entity would be excluded from the scope of consolidation under the relevant UK generally accepted accounting principles.

14.3 CONSOLIDATED SUPERVISION REQUIREMENT

- 14.3.1 R **A *firm* must at all times ensure that its group maintains group financial resources in excess of its group financial resources requirement.**

FCA

- 14.3.2 R **A *firm*, other than one which is defined in rule 14.1.1(1), must at all times comply with large exposures limits applied on a group basis.**

FCA

14.4 GROUP FINANCIAL RESOURCES

- 14.4.1 R **A *firm* must calculate its group financial resources on the basis of the consolidated accounts of the relevant group, subject to the adjustments in rule 14.4.2 and on the basis specified in rule 14.4.3.**

FCA

- 14.4.2 R (1) **If more than one *firm* in the group is subject to the rules of this chapter, group financial resources are defined according to the relevant rules applicable to the main firm in the group to which this chapter applies, with Tier 1 minority interests being allowed as Group Tier 1 capital and Tier 2 minority interests being allowed as Group Tier 2 capital.**

FCA

- (2) **In calculating the group financial resources, deductions should be made for intangible assets, material unaudited losses incurred since the balance sheet date and investments in own shares.**

- (3) **Material holdings and material insurance holdings must be recalculated on a group basis and deducted in arriving at the group financial resources.**

- 14.4.3 R **Financial resources will be defined based upon the main *firm* in the group to which this chapter applies as follows:**

FCA

- (1) **if a *broad scope securities and futures firm* (excluding a *venture capital firm*), Table 3-61R;**
- (2) **[Deleted]**
- (3) **[Deleted]**
- (4) **[deleted]**
- (5) **[deleted]**

- 14.4.4 G (1) The *FCA* interprets 'main' by reference to the share of the *firm's* business in the group, its contribution to the group's balance sheet (measured on the basis of total assets) or profit and loss statement (measured on the basis of gross income).
- (2) The form in *SUP* 16 Ann 19 R, together with the guidance in *SUP* 16 Ann 20G, shows the mechanics of the calculation.

- 14.4.5 G *A firm* may apply for a *waiver* of rule 14.4.1 to permit an aggregation approach to determine *group financial resources*. Any *waiver* application should guarantee future compliance with any relevant own funds limit.

14.5 GROUP FINANCIAL RESOURCES REQUIREMENT

- 14.5.1 R **A *firm* must calculate its *group financial resources requirement* as the aggregate of:**

- (1) **the sum of the financial resources requirements of all group entities within the scope of consolidation calculated in accordance with rule 14.5.2, except that:**
- (a) **requirements in respect of intra-group balances with other entities within the scope of consolidation should be excluded; and**
 - (b) **[deleted]**
- (2) **the sum of any adjustments that are made to each *firm's* financial resources, calculated on a solo basis in accordance with rule 14.4.3, in order to arrive at the amount of financial resources used to meet its solo financial resources requirement. These adjustments must exclude deductions in respect of the investment in and other relationships with other entities that are included within the scope of consolidation.**
- (3) **[deleted]**

The financial resources requirements of entities in which the

group holds a *participation* must be included proportionately.

14.5.2 R Financial resources requirements for individual entities in the group are:

FCA

- (1) for *firms* regulated by the *FCA*, their regulatory capital requirement under *FCA* rules;
- (2) for entities regulated by an *EEA regulator* and which is subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement;
- (2A) for entities that are *recognised third country credit institutions or recognised third country investment firms* and which is subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement;
- (2B) for entities not in (2A) that are regulated by a *third country competent authority* named in the table in *BIPRU 8 Annex 3R* ad which is subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement; and
- (3) for other entities in the group, a notional financial resources requirement calculated as if the entity were regulated by the *FCA*.

14.5.3 G (1) For the purposes of rule 14.5.2(3) the notional financial resources requirements of group entities should normally be calculated as if the entities were subject to the financial rules in IPRU(INV) relevant to the main *firm* in the group. The interpretation of 'main' given in 14.4.4 G applies here.

FCA

- (2) For the purposes of calculating an expenditure-based requirement, no account should be taken of expenses that have been recharged to another entity included in the scope of consolidation. For example, in calculating the notional requirement for a service company, the expenditure-based requirement should be calculated net of recharged expenses. This is to avoid double counting of the expenses.
- (3) [deleted]

14.5.4 G A *firm* may apply for a *waiver* of rule 14.5.1R, to permit a line-by-line approach to determine its *group financial resources requirement*. A *firm* should also demonstrate that calculating its requirement in this way does not result in a distortion of the *group financial resources requirement*.

FCA

Annex A: LIMITED LIABILITY PARTNERSHIPS: ELIGIBLE MEMBERS' CAPITAL

1 Introduction

Application

- 1.1 [FCA] R This annex applies to any *firm* :
- (1) that is a *limited liability partnership*; and
 - (2) that is a kind of *firm* to whom the provisions of this sourcebook apply.
- 1.2 [FCA] R In this annex, an expression in italics has the meaning given in the *Handbook Glossary*.
- 1.3 [FCA] G (1) *Firms* are reminded that a *limited liability partnership* incorporated under the Limited Liability Partnership Act 2000 is a *body corporate* with legal personality separate to that of its members and is not therefore a form of *partnership* for the purposes of this sourcebook.
- (2) A *limited liability partnership* is not a separate prudential categorisation under this sourcebook but a kind of *firm* for whom the appropriate provisions of this sourcebook are modified to the extent indicated in this annex.

Purpose

- 1.4 [FCA] G The purpose of this annex is to amplify *Principle 8* (Financial resources) which requires a *firm* to maintain adequate financial resources to meet its investment business commitments and to withstand the risks to which its business is subject. This annex imposes various conditions that must be satisfied for members' capital to count as "Tier 1" or equivalent grade capital in meeting the *limited liability partnership's* financial resources requirement. These conditions are made up of conditions specific to *limited liability partnerships* and general conditions based for the most part on those set out in article 57 of the *Banking Consolidation Directive*. This assists in the achievement of the *statutory objective* of consumer protection.
- 1.5 [FCA] G The following *rules* allow inclusion of members' capital within a *firm's* capital if it meets the conditions in this annex:

Chapter	IPRU(INV) rule	How <i>eligible LLP members' capital</i> should be treated for the purposes of the IPRU(INV) rule
3	Table 3-61	<i>Eligible LLP members' capital</i> may be counted as Tier 1 capital under item "A" within Table 3-61.
5	Table 5.2.2 (1):	<i>Eligible LLP members' capital</i> may be counted as

	Item (1A)	Tier 1 capital within Category A of Table 5.2.2(1).
9	9.3.1	<i>Eligible LLP members' capital</i> may be counted as initial capital with <i>IPRU(NV)</i> 9.3.1
10	Table 10-61(1)A Table 10-61(1)B Table 10-62(2)A Table 10-62(2)B Table 10-62(2)C	<i>Eligible LLP members' capital</i> may be counted as initial capital within the relevant table.
11	Table 11.4	<i>Eligible LLP members' capital</i> may be counted as Item (5) in Table 11.4.
13	Table 13.3.2(1) Table 13.10(2) 13.1A.7	<i>Eligible LLP members' capital</i> may be counted as <i>own funds</i> relating to companies in Table 13.3.2(1) and Table 13.10(2). <i>Eligible LLP members' capital</i> may be counted as initial capital within <i>IPRU(INV)</i> 13.1A.7.

2. CONDITIONS FOR USE OF MEMBERS' CAPITAL

Members' capital of a limited liability partnership

2.1 R In this sourcebook, members' capital of a *limited liability partnership* may be included within a *firm's* resources if it complies with:

[FCA]

- (1) the specific conditions; and
- (2) the general conditions.

Specific conditions for eligibility

2.2 R The specific conditions are that:

[FCA]

- (1) members' capital is made up of the members' capital account; and
- (2) the members' capital account is an account:
 - (a) into which capital contributed by the members is paid; and
 - (b) from which under the terms of the *limited liability partnership* agreement an amount representing capital may be withdrawn by a member only if:
 - (i) he ceases to be a member and an equal amount is transferred to another such account by his former fellow members or any person replacing him as a member;
 - (ii) the *limited liability partnership* is wound up or otherwise dissolved; or

- (iii) the *firm* has ceased to be *authorised* or no longer has a *Part 4A permission*.

General conditions for eligibility

- 2.3 [FCA] R The general conditions in respect of the members' capital are that:
- (1) it is fully paid and the proceeds are immediately and fully available to the *firm*;
 - (2) it is not capable of being redeemed at all (otherwise than in the circumstances set out in the specific conditions) or can only be redeemed on a winding up of the *firm*;
 - (3) any *coupon* is non-cumulative;
 - (4) it is able to absorb losses to allow the *firm* to continue trading;
 - (5) the amount of the item included is net of any foreseeable tax charge;
 - (6) it is available to the *firm* for unrestricted and immediate use to cover risks and losses as soon as they occur;
 - (7) it ranks for repayment on a winding up of the *firm* no higher than a *share* of a company incorporated under the Companies Act 2006 (whether or not it is such a *share*); and
 - (8) the *firm* is under no obligation to pay a *coupon* on it at any time.

Surplus eligible LLP members' capital

- 2.4 [FCA] G If a *firm* has surplus *eligible LLP members' capital* that it wishes to repay in circumstances otherwise than those in the specific conditions, it may apply to the *FCA* for a *waiver* to allow it to do so. If a *firm* applies for such a *waiver* the information that the *firm* supplies to support the application might include:
- (1) a demonstration that the *firm* would have sufficient financial resources to meet its financial resources requirement immediately after the repayment; and
 - (2) a two to three year capital plan demonstrating that the *firm* would be able to meet the requirements in (1) and (2) at all times without needing further capital injections.

Limited liability partnership excess drawings

- 2.5 [FCA] R A *firm* which is a *limited liability partnership* must in calculating its tier one capital in accordance with the requirements of any chapter of this sourcebook deduct the amount by which the aggregate of the amounts withdrawn by its members exceeds the profits of that *firm* ("*excess LLP members' drawings*"). Amounts of *eligible LLP*

members' capital repaid in accordance with the specific conditions are not to be included in this calculation.

Conduct of Business Sourcebook

Application (see COBS 1.1.2R)

Part 1: What?

Modifications to the general application rule according to activities

1. Eligible counterparty business

1.1 R The *COBS* provisions shown below do not apply to *eligible counterparty business*.

[FCA]

COBS provision	Description
COBS 2 (other than COBS 2.4)	Conduct of business obligations
COBS 4 (other than COBS 4.4.1 R and COBS 4.4.2 G)	Communicating with clients including financial promotions
COBS 6.1	Information about the firm, its services and remuneration
COBS 8	Client agreements
COBS 10	Appropriateness (for non-advised services)
COBS 11.2, COBS 11.3 and COBS 11.6	Best execution, client order handling and use of dealing commission
COBS 12.3.1 R to COBS 12.3.3 R	Labelling of non-independent research
COBS 14.3	Information about designated investments
COBS 16	Reporting information to clients
[Note: article 24(1) of <i>MiFID</i>]	

2. Transactions between an MTF operator and its users

2.1 R The *COBS* provisions in paragraph 1.1R and **COBS 11.4 (Client limit orders)** do not apply to a transaction between an operator of an *MTF* and a member or participant in relation to the use of the *MTF*.

[FCA]

[Note: article 14(3) of *MiFID*]

3. Transactions concluded on an MTF

3.1 R The *COBS* provisions in paragraph 1.1R and **COBS 11.4 (client limit orders)** do not apply to transactions concluded under the rules governing an *MTF* between members or participants of the *MTF*. However, the member or participant must comply with those provisions in respect of its *clients* if, acting on its *clients* behalf, it is executing their orders on an *MTF*.

[FCA]

[Note: article 14(3) of *MiFID*]

4. Transactions concluded on a regulated market

- 4.1 R In relation to transactions concluded on a *regulated market*, members and participants of the *regulated market* are not required to apply to each other the *COBS* provisions in paragraph 1.1R and **COBS 11.4** (client limit orders). However, the member or participant must comply with those provisions in respect of its *clients* if, acting on its *clients* behalf, it is executing their orders on a *regulated market*.

[FCA]

[Note: article 42(4) of *MiFID*]

5. Consumer credit products

- 5.1 R If a *firm*, in relation to its *MiFID* business, offers an *investment service* as part of a financial product that is subject to other provisions of *EU* legislation or common European standards related to *credit institutions* and consumer credits with respect to risk assessments of clients and/or information requirements, that service is not subject to the *rules* in this sourcebook that implement Article 19 of *MiFID*.

[FCA]

[Note: article 19(9) of *MiFID*]

- 5.2 G This exclusion for consumer credit products is intended to apply on a narrow basis in relation to cases in which the *investment service* is a part of another financial product. It does not apply where the *investment service* is the essential or leading part of the financial product. It also does not apply where the service provided is a combination of an *investment service* and an *ancillary service* (for example, granting a credit for the execution of an order where the credit is instrumental to the buying or the selling of a *financial instrument*.) The exclusion also does not apply in relation to the sale of a *financial instrument* for the purpose of enabling a *client* to invest money to repay his obligations under a loan, mortgage or home reversion.

[FCA]

6. Use of third party processors in life insurance mediation activities

- 6.1 R If a *firm* (or its *appointed representative* or, where applicable, its *tied agent*) outsources *insurance mediation activities* to a *third party processor*:

[FCA]

(1) the *firm* must accept responsibility for the acts and omissions of that *third party processor* conducting those outsourced activities; and

(2) any *COBS* rule requiring the *third party processor's* identity to be disclosed to *clients* must be applied as a requirement to disclose the *firm's* identity;

unless the *third party processor* is *advising on investments*.

7. Modified meaning of regulated activities for UK AIFMs and UK UCITS management companies

7.1 [FCA]	R	In determining whether a provision in <i>COBS</i> applies to a <i>UK AIFM</i> or a <i>UK UCITS management company</i> , an activity carried on by the <i>firm</i> which would be a <i>regulated activity</i> but for article 72AA (Managers of UCITS and AIFs) of the <i>Regulated Activities Order</i> , must be treated as a <i>regulated activity</i> carried on by the <i>firm</i> .
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Part 2: Where?

Modifications to the general application rule according to location

1. EEA territorial scope rule: compatibility with European law		
1.1 [FCA] [PRA]	R	(1) The territorial scope of this sourcebook is modified to the extent necessary to be compatible with European law (see Part 3 for <i>guidance</i> on this).
		(2) This <i>rule</i> overrides every other <i>rule</i> in this sourcebook.
1.2 [FCA] [PRA]	R	In addition to the <i>EEA territorial scope rule</i> , the effect of the <i>Electronic Commerce Directive</i> on territorial scope is applied in the fields covered by the 'derogations' in the Annex to that Directive other than the 'insurance derogation' in the fourth indent (see paragraph 7.3 of Part 3 for <i>guidance</i> on this). [Note: article 3(3) of, and Annex to, the <i>Electronic Commerce Directive</i>]
2. Business with UK clients from overseas establishments		
2.1 [FCA] [PRA]	R	(1) This sourcebook applies to a <i>firm</i> which carries on business with a <i>client</i> in the <i>United Kingdom</i> from an establishment overseas.
		(2) But the sourcebook does not apply to those activities if the office from which the activity is carried on were a separate <i>person</i> and the activity: (a) would fall within the overseas <i>persons</i> exclusions in article 72 of the <i>Regulated Activities Order</i> ; or (b) would not be regarded as carried on in the <i>United Kingdom</i> .
2.2 [FCA] [PRA]	G	One of the effects of the <i>EEA territorial scope rule</i> is to override the application of this sourcebook to the overseas establishments of <i>EEA firms</i> in a number of cases, including circumstances covered by <i>MiFID</i> , the <i>Distance Marketing Directive</i> or the <i>Electronic Commerce Directive</i> . See Part 3 for <i>guidance</i> on this.

Part 3: Guidance

1. The main extensions and restrictions to the general application rule		
1.1 [FCA] [PRA]	G	The <i>general application rule</i> is modified in Parts 1 and 2 of Annex 1 and in certain chapters of the <i>Handbook</i> . The modification may be an extension of this <i>rule</i> . For example, COBS 4 (Communicating with clients, including financial promotions) has extended the application of the rule.

1.2	G	The provisions of the <i>Single Market Directives</i> and other directives also extensively modify the <i>general application rule</i> , particularly in relation to territorial scope. However, for the majority of circumstances, the <i>general application rule</i> is likely to apply.
[FCA] [PRA]		
2.		The Single Market Directives and other directives
2.1	G	This <i>guidance</i> provides a general overview only and is not comprehensive.
[FCA] [PRA]		
2.2	G	When considering the impact of a directive on the territorial application of a <i>rule</i> , a <i>firm</i> will first need to consider whether the relevant situation involves a non-UK element. The <i>EEA territorial scope rule</i> is unlikely to apply if a <i>UK firm</i> is doing business in a <i>UK establishment</i> for a <i>client</i> located in the <i>United Kingdom</i> in relation to a <i>United Kingdom</i> product. However, if there is a non-UK element, the <i>firm</i> should consider whether:
[FCA] [PRA]		
		(1) it is subject to the directive (in general, directives only apply to <i>UK firms</i> and <i>EEA firms</i> , but the implementing provisions may not treat non- <i>EEA firms</i> more favourably than <i>EEA firms</i>);
		(2) the business it is performing is subject to the directive; and
		(3) the particular <i>rule</i> is within the scope of the directive.
		If the answer to all three questions is 'yes', the <i>EEA territorial scope rule</i> may change the effect of the <i>general application rule</i> .
2.3	G	When considering a particular situation, a <i>firm</i> should also consider whether two or more directives apply.
[FCA] [PRA]		
3.		MiFID: effect on territorial scope
3.1	G	PERG 13 contains general <i>guidance</i> on the <i>persons</i> and businesses to which <i>MiFID</i> applies.
[FCA]		
3.2	G	This <i>guidance</i> concerns the <i>rules</i> within the scope of <i>MiFID</i> including those <i>rules</i> which are in the same subject area as the implementing <i>rules</i> . A <i>rule</i> is within the scope of <i>MiFID</i> if it is followed by a 'Note:' indicating the article of <i>MiFID</i> or the <i>MiFID implementing Directive</i> which it implements.
[FCA]		
3.3	G	For a <i>UK MiFID investment firm</i> , <i>rules</i> in this sourcebook that are within the scope of <i>MiFID</i> generally apply to its <i>MiFID business</i> carried on from an establishment in the <i>United Kingdom</i> . They also generally apply to its <i>MiFID business</i> carried on from an establishment in another <i>EEA State</i> , but only where that business is not carried on within the territory of that State. (See articles 31(1) and 32(1) and (7) of <i>MiFID</i>)
[FCA]		
3.4	G	For an <i>EEA MiFID investment firm</i> , <i>rules</i> in this sourcebook that are within the scope of <i>MiFID</i> generally apply only to its <i>MiFID business</i> if that business is carried on from an establishment in, and within the territory of, the <i>United Kingdom</i> . (See article 32(1) and (7) of <i>MiFID</i>)
[FCA]		

3.5 G However, the *rules on investment research and non-independent research* (COBS 12.2 and 12.3) and the *rules on personal transactions* (COBS 11.7) apply on a "home state" basis. This means that they apply to the establishments of a *UK MiFID investment firm* in the *United Kingdom* and another *EEA State* and do not apply to an *EEA MiFID investment firm*.

[FCA]

4. Insurance Mediation Directive: effect on territorial scope

4.1 G The *Insurance Mediation Directive's* scope covers most *firms* carrying on most types of *insurance mediation*. The *rules* in this sourcebook within the Directive's scope are those relating to *life policies* that require the provision of pre-contract information or the provision of advice on the basis of a fair analysis. The *rules* implementing the minimum information and other requirements in articles 12 and 13 of the Directive are set out in COBS 7 (Insurance mediation) and COBS 9 (Suitability (including basic advice)).

[FCA]

4.2 G In the *FCA's* view, the responsibility for these minimum requirements rests with the *Home State*, but a *Host State* is entitled to impose additional requirements within the Directive's scope in the 'general good'. Accordingly, the general rules on territorial scope are modified so that:

[FCA]

- (1) for a *UK firm* providing *passport activities* through a *branch* in another *EEA State* under the Directive, the *rules* implementing the Directive's minimum requirements apply but the territorial scope of the additional *rules* within the Directive's scope is not modified;
- (2) for an *EEA firm* providing *passport activities* under the Directive in the *United Kingdom*, the *rules* implementing the Directive's minimum requirements do not apply, but the additional *rules* within the Directive's scope have their unmodified territorial scope unless the *Home State* imposes measures of like effect. (See recital 19 and article 12(5) of the *Insurance Mediation Directive*)

5. Consolidated Life Directive: effect on territorial scope

5.1 G The *Consolidated Life Directive's* scope covers *long-term insurers* authorised under that Directive conducting *long-term insurance business*. The *rules* in this sourcebook within the Directive's scope are the *cancellation rules*(COBS 15) and those *rules* requiring the provision of pre-contract information or information during the term of the contract concerning the *insurer* or the *contract of insurance*. The Directive specifies minimum information and cancellation requirements and permits *EEA States* to adopt additional information requirements that are necessary for a proper understanding by the *policyholder* of the essential elements of the commitment.

[FCA]

5.2 G If the *State of the commitment* is an *EEA State*, the Directive provides that the applicable information rules and cancellation rules shall be determined by that state. Accordingly, if the *State of the commitment* is the *United Kingdom*, the relevant *rules* in this sourcebook apply. Those *rules* do not apply if the *State of the commitment* is another *EEA State*. The territorial scope of other *rules*, in particular the *financial promotion rules*, is not affected since the Directive explicitly permits *EEA States* to apply rules, including advertising rules, in the 'general good'. (See articles 33, 35, 36 and 47 of the *Consolidated Life Directive*)

[FCA]

6. Distance Marketing Directive: effect on territorial scope

6.1 G In broad terms, a *firm* is within the *Distance Marketing Directive's* scope when conducting an activity relating to a *distance contract* with a *consumer*. The rules in this sourcebook within the Directive's scope are those requiring the provision of pre-contract information, the cancellation rules (COBS 15) and the other specific rules implementing the Directive contained in COBS 5 (Distance communications).

[FCA]

6.2 G In the *FCA's* view, the Directive places responsibility for requirements within the Directive's scope on the *Home State* except in relation to business conducted through a branch, in which case the responsibility rests with the *EEA State* in which the branch is located (this is sometimes referred to as a 'country of origin' or 'country of establishment' basis). (See article 16 of the *Distance Marketing Directive*)

[FCA]

6.3 G This means that relevant rules in this sourcebook will, in general, apply to a *firm* conducting business within the Directive's scope from an establishment in the *United Kingdom* (whether the *firm* is a national of the *UK* or of any other *EEA* or non-*EEA* state).

[FCA]

6.4 G Conversely, the territorial scope of the relevant rules in this sourcebook is modified as necessary so that they do not apply to a *firm* conducting business within the Directive's scope from an establishment in another *EEA state* if the *firm* is a national of the *United Kingdom* or of any other *EEA state*.

[FCA]

6.5 G In the *FCA's* view:

[FCA]

- (1) the 'country of origin' basis of the Directive is in line with that of the *Electronic Commerce Directive*; (See recital 6 of the *Distance Marketing Directive*)
- (2) for business within the scope of both the *Distance Marketing Directive* and the *Consolidated Life Directive*, the territorial application of the *Distance Marketing Directive* takes precedence; in other words, the rules requiring pre-contract information and cancellation rules (COBS 15) derived from the *Consolidated Life Directive* apply on a 'country of origin' basis rather than being based on the *state of the commitment*; (See articles 4(1) and 16 of the *Distance Marketing Directive* noting that the *Distance Marketing Directive* was adopted after the *Consolidated Life Directive*)
- (3) for business within the scope of both the *Distance Marketing Directive* and the *Insurance Mediation Directive*, the minimum information and other requirements in the *Insurance Mediation Directive* continue to be those applied by the '*Home State*', but the minimum requirements in the *Distance Marketing Directive* and any additional pre-contract information requirements are applied on a 'country of origin' basis. (The basis for this is that the *Insurance Mediation Directive* was adopted after the *Distance Marketing Directive* and is not expressed to be subject to it.)

- 7. Electronic Commerce Directive: effect on territorial scope**
- 7.1** G The *Electronic Commerce Directive's* scope covers every *firm* carrying on an *electronic commerce activity*. Every rule in this sourcebook is within the Directive's scope.
[FCA]
- 7.2** G A key element of the Directive is the ability of a *person* from one *EEA state* to carry on an *electronic commerce activity* freely into another *EEA state*. Accordingly, the territorial application of the *rules* in this sourcebook is modified so that they apply at least to a *firm* carrying on an *electronic commerce activity* from an *establishment* in the *United Kingdom* with or for a *person* in the *United Kingdom* or another *EEA state*. Conversely, a *firm* that is a national of the *UK* or another *EEA State*, carrying on an *electronic commerce activity* from an *establishment* in another *EEA State* with or for a *person* in the *United Kingdom* need not comply with the *rules* in this sourcebook. (See article 3(1) and (2) of the *Electronic Commerce Directive*)
[FCA]
- 7.3** G The effect of the Directive on this sourcebook is subject to the 'insurance derogation', which is the only 'derogation' in the Directive that the *FCA* has adopted for this sourcebook. The derogation applies to an *insurer* that is authorised under and carrying on an *electronic commerce activity* within the scope of the *Consolidated Life Directive* and permits *EEA States* to continue to apply their advertising rules in the 'general good'. Where the derogation applies, the *financial promotion rules* continue to apply for incoming *electronic commerce activities* (unless the *firm's* 'country of origin' applies rules of like effect) but do not apply for outgoing *electronic commerce activities*. (See article 3(3) and Annex, fourth indent of the *Electronic Commerce Directive*; Annex to European Commission Discussion Paper MARKT/2541/03)
[FCA]
- 7.4** G In the *FCA's* view, the Directive's effect on the territorial scope of this sourcebook (including the use of the 'insurance derogation'):
[FCA]
- (1) is in line with the *Distance Marketing Directive*; and
 - (2) overrides that of any other Directive discussed in this Annex to the extent that it is incompatible.
- 7.5** G The 'derogations' in the Directive may enable other *EEA States* to adopt a different approach to the *United Kingdom* in certain fields. (See recital 19 of the *Insurance Mediation Directive*, recital 6 of the *Distance Marketing Directive*, article 3 and Annex of the *Electronic Commerce Directive*)
[FCA]
- 8. Investor Compensation Directive**
- 8.1** G (1) The *Investor Compensation Directive* generally requires *MiFID investment firms* to belong to a compensation scheme established in accordance with the Directive. The *rules* in this sourcebook that implement the Directive are those (i) requiring *MiFID investment firms*, including their branches, to make available specified information about the compensation scheme to which they belong and specifying the language in which such information must be provided (**COBS 6.1.16 R**) and (ii) restricting mention of the compensation scheme in advertising to factual references (**COBS 4.2.5 G**).
[FCA]

- (2) In the *FCA's* view, these matters are a *Home State* responsibility although a *Host State* may continue to apply its own rules in the 'general good'. Accordingly, these *rules* apply to the establishments of a *UK MiFID investment firm* in the *United Kingdom* and another *EEA State* but also apply in accordance with their standard territorial scope to an *EEA MiFID investment firm* providing services in the *UK* unless its *Home State* applies rules of like effect.

9. UCITS Directive: effect on territorial scope

9.1 G The *UCITS Directive* covers undertakings for collective investment in transferable securities (*UCITS*) meeting the requirements of the Directive, and their *management companies* and *depositories*. The *rules* in this sourcebook within the Directive's scope (all of which will apply to a *management company*) are those in:

[FCA]

- (1) COBS 2.1 (Acting honestly, fairly and professionally);
- (2) COBS 2.3 (Inducements);
- (3) COBS 4.2.1 R (The fair, clear and not misleading rule);
- (4) COBS 4.3.1 R (Financial promotions to be identifiable as such);
- (5) COBS 4.13 (UCITS);
- (6) COBS 11.2 (Best execution);
- (7) COBS 11.3 (Client order handling);
- (8) COBS 11.7 (Personal account dealing);
- (9) COBS 14 (Providing product information to clients) relating to the provision of *key investor information* by the *management company* (in addition to applying to a *management company*, COBS 14.2 also applies to an *ICVC* that is a *UCITS scheme*); and
- (10) COBS 16.2 (Occasional reporting).

9.1A G The majority of the *COBS rules* referred to in paragraph 9.1 are rules of conduct which each *EEA State* must draw up under article 14.1 of the *UCITS Directive* which *management companies* authorised in that State must observe at all times. The exceptions are COBS 4 and COBS 14 in so far as they relate to a *UCITS scheme*, which form part of the *FCA's fund application rules* and which are the responsibility of the *UCITS Home State* (for a *UCITS scheme*, the *FCA* - see COLL 12.3.5 R (COLL fund rules under the management company passport: the fund application rules) and article 19 of the *UCITS Directive*).

[FCA]

9.1B G Where a *management company* is providing *collective portfolio management* services for a *UCITS* established in a different *EEA State*, responsibility for its compliance with the applicable rules of conduct drawn up under article 14 will generally be for the *management company's Home State*, but when a *branch* is established it will be the responsibility of the *Host Member State (UCITS Home State)* (see articles 17(4) and 17(5) of the *UCITS Directive*).

[FCA]

9.1C G Under the *UCITS Directive* certain *Host State* marketing and *MiFID-specific* rules might also apply to a *management company* providing *collective portfolio management* services for a *UCITS* established in a different *EEA State*. Conse-

[FCA]

quently, an *EEA UCITS management company* should note that, under *COBS*, certain of the *FCA's rules* apply to it, including the *financial promotion rules*. *COBS 4.13 (UCITS)* is concerned with marketing communications for *UCITS schemes* and *EEA UCITS schemes*.

- 9.1D G *EEA UCITS management companies* should be aware that there is a special narrower application of *COBS* for *scheme management activity* provided for by *COBS 18.5 (Operators of collective investment schemes)*.
[FCA]
- 9.2 G [deleted]
- 9.3 G The Directive does not affect the territorial scope of *rules* as they apply to an intermediary (that is not a *management company*) selling *units* of a *UCITS*.
[FCA]
- [Note: articles 12, 14, 17, 18, 19 and 94 of the *UCITS Directive*]
10. AIFMD: effect on territorial scope
[FCA]
- 10.1 G PERG 16 contains general *guidance* on the businesses to which *AIFMD* applies. *FUND 1* contains *guidance* on the types of *AIFM*.
- 10.2 G The only *rule* in this sourcebook which implements *AIFMD* is *COBS 2.1.4 R*, which applies to:
- (1) a *full-scope UK AIFM* operating from an establishment in the *UK* or a *branch* in another *EEA State*; and
 - (2) an *incoming EEA AIFM branch*.
- 10.3 G The other rules in *COBS* which apply to a *full-scope UK AIFM* or *incoming EEA AIFM* (including an *AIFM qualifier*) fall outside the scope of *AIFMD* and are, therefore, not affected by its territorial scope.

- (2) The general law, including the *Unfair Terms Regulations*, also limits the scope for a *firm* to exclude or restrict any duty or liability to a *consumer*.

AIFMs

2.1.4

FCA

R

A *full-scope UK AIFM* and an *incoming EEA AIFM branch* must, for all *AIFs* it manages:

- (1) act honestly, fairly and with due skill care and diligence in conducting their activities;
- (2) act in the best interests of the *AIF* it manages or the investors of the *AIF* it manages and the integrity of the market;
- (3) treat all investors fairly; and
- (4) not allow any investor in an *AIF* to obtain preferential treatment, unless such preferential treatment is disclosed in the relevant *AIF's instrument constituting the fund*.

[Note: article 12(1)(a), (b) and (f) and article 12(1) last paragraph of *AIFMD*]

Subordinate measures for alternative investment fund managers

2.1.5

FCA

G

Articles 16 to 29 of the *AIFMD level 2 regulation* provide detailed rules supplementing the relevant provisions of Article 12(1) of *AIFMD*.

2.2 Information disclosure before providing services

Application

2.2.-1
FCA

R

- (1) This section applies in relation to *MiFID* or equivalent third country business.
- (2) This section applies in relation to other *designated investment business* carried on for a *retail client*:
 - (a) in relation to a *derivative*, a *warrant* or *stock lending activity*, but as regards the matters in ■ COBS 2.2.1R (1)(b) only; and
 - (b) in relation to a *retail investment product*, but as regards the matters in ■ COBS 2.2.1R (1)(a) and ■ (d) only.

[Note: article 19(3) of *MiFID*]

Information disclosure before providing services

2.2.1
FCA

R

- (1) A *firm* must provide appropriate information in a comprehensible form to a *client* about:
 - (a) the *firm* and its services;
 - (b) *designated investments* and proposed investment strategies; including appropriate guidance on and warnings of the risks associated with investments in those *designated investments* or in respect of particular investment strategies;
 - (c) execution venues; and
 - (d) costs and associated charges;

so that the *client* is reasonably able to understand the nature and risks of the service and of the specific type of *designated investment* that is being offered and, consequently, to take investment decisions on an informed basis.
- (2) That information may be provided in a standardised format.
- (3) [deleted]

3.2.3

FCA

R

Who is the client?

- (1) If a *firm* provides services to a *person* that is acting as an agent, the identity of its client will be determined in accordance with the *rule* on agents as clients (see ■ COBS 2.4.3 R).
- (2) In relation to a *firm* establishing, operating or winding up a *personal pension scheme* or a *stakeholder pension scheme*, a member or beneficiary of that scheme is a *client* of the *firm*.
- (3) If a *firm* that does not fall within (2) provides services to a *person* that is acting as the trustee of a trust, that *person* will be the *firm's client* and the underlying beneficiaries of the trust will not.
- (4) In relation to business that is neither *MiFID* or *equivalent third country business*, if a *firm* provides services to a *fund* that does not have separate legal personality, that *fund* will be the *firm's client*.
- (5) If a *firm* provides services relating to a contribution to or interest in a *CTF* (except for a *personal recommendation* relating to a contribution to a *CTF* or in relation to the *communication* or *approval* of a *financial promotion*), the *firm's* only *client* is:
 - (a) the *registered contact*, if there is one;
 - (b) otherwise, the *person* to whom the statement must be sent in accordance with Regulation 10 of the *CTF Regulations*.

3.3 General notifications

3.3.1

FCA

R

A *firm* must:

- (1) notify a new *client* of its categorisation as a *retail client*, *professional client*, or *eligible counterparty* in accordance with this chapter; and
- (2) prior to the provision of services, inform a *client* in a *durable medium* about:
 - (a) any right that *client* has to request a different categorisation; and
 - (b) any limitations to the level of *client* protection that such a different categorisation would entail.

[Note: paragraph 2 of section I of annex II to *MiFID* and articles 28(1) and (2) and the second paragraph of article 50(2) of the *MiFID implementing Directive*]

3.3.2

FCA

G

This chapter requires a *firm* to allow a *client* to request re-categorisation as a *client* that benefits from a higher degree of protection (see ■ COBS 3.7.1 R). A *firm* must therefore notify a *client* that is categorised as a *professional client* or an *eligible counterparty* of its right to request a different categorisation whether or not the *firm* will agree to such requests. However, a *firm* need only notify a *client* of a right to request a different categorisation involving a lower level of protection if it is prepared to consider such requests.

Promotion to:	Promotion of an unregulated collective investment scheme which is:
<p>(3) section 25 of the Charities Act (Northern Ireland) 1964 ; or</p> <p>(4) section 100 of the Charities Act 2011.</p> <p>Category 4 person</p> <p>An eligible employee, that is, a <i>person</i> who is:</p> <p>(1) an officer;</p> <p>(2) an <i>employee</i>;</p> <p>(3) a former officer or <i>employee</i>; or</p> <p>(4) a member of the immediate family of any of (1) - (3),</p> <p>of an employer which is (or is in the same <i>group</i> as) the <i>firm</i>, or which has accepted responsibility for the activities of the <i>firm</i> in carrying out the <i>designated investment business</i> in question.</p>	<p>1. A <i>collective investment scheme</i> the instrument constituting which:</p> <p>A. restricts the property of the <i>scheme</i>, apart from cash and near cash, to:</p> <p>(1) (where the employer is a company) <i>shares</i> in and <i>debentures</i> of <i>company</i> or any other connected <i>company</i> (see Note 4);</p> <p>(2) (in any case), any property, provided that the <i>scheme</i> takes the form of:</p> <p>(i) a limited <i>partnership</i>, under the terms of which the employer (or connected <i>company</i>) will be the unlimited partner and the eligible employees will be some or all of the limited partners; or</p> <p>(ii) a trust which the <i>firm</i> reasonably believes not to contain any risk that any eligible employee may be liable to make any further payments (other</p>

Promotion to:

Promotion of an unregulated collective investment scheme which is:

than *charges*) for *investment* transactions earlier entered into, which the eligible employee was not aware of at the time he entered into them; and

B. (in a case falling within A(1) above) restricts participation in the *scheme* to eligible employees, the employer and any connected *company*.

2. Any *collective investment scheme* provided that the participation of eligible employees is to facilitate their co-investment:

(i) with one or more *companies* in the same *group* as their employer (which may include the employer); or

(ii) with one or more *clients* of such a *company*.

Category 5 person

A *person* admitted to membership of the Society of Lloyd's or any *person* by law entitled or bound to administer his affairs.

Category 6 person

An exempt *person* (other than a *person* exempted

A *scheme* in the form of a limited *partnership* which is established for the sole purpose of underwriting *insurance business* at Lloyd's.

Any *collective investment scheme*.

18.5 Residual CIS operators, UCITS management companies and AIFMs

Application

18.5.1

FCA

R

Subject to ■ COBS 18.5.1A R, this section applies to a *firm* which is :

- (1) a *UCITS management company*;
- (2) a *full-scope UK AIFM*;
- (3) a *small authorised UK AIFM*;
- (4) a *residual CIS operator*; or
- (5) an *incoming EEA AIFM branch*.

18.5.1A

FCA

R

■ COBS 18.5.3 R (2) and ■ COBS 18.5.5 R to ■ COBS 18.5.18 E do not apply to a *small authorised UK AIFM* of an *unauthorised AIF* which is not a *collective investment scheme*.

Application or modification of general COBS rules

18.5.2

FCA

R

A *firm* when it is carrying on *scheme management activity* or, for an *AIFM*, *AIFM investment management functions*:

- (1) must comply with the *COBS rules* specified in the table, as modified by this section; and
- (2) need not comply with any other *rule* in *COBS*.

18.5.2-A

FCA

G

For activities carried on by *firms* which are not *scheme management activities* or, for an AIFM, *AIFM investment management functions*, the COBS rules apply under the *general application rule*, as modified in ■ COBS 1 Annex 1.

Table: Application of conduct of business rules

This table belongs to ■ COBS 18.5.2 R

Chapter, section, rule	Full-scope UK AIFM	Small authorised UK AIFM and a residual CIS operator	Incoming EEA AIFM branch	UCITS management company
1	Applies	Applies	Applies	Applies
2.1.1	Does not apply	Applies	Does not apply	Applies
2.1.4	Applies	Does not apply	Applies	Does not apply
2.3	Does not apply	Applies	Does not apply	Applies
2.4	Does not apply	Applies	Does not apply	Applies
4.2.1-4.2.3	Applies	Applies	Applies	Applies
5.2	Applies	Applies	Applies	Applies
6.1G.2	Applies	Applies	Applies	Applies
11.2	Applies as modified by COBS 18.5.4A R	Applies to a <i>small authorised UK AIFM</i> of an <i>authorised AIF</i> . Applies (as modified by COBS 18.5.4 R) to a <i>small authorised UK AIFM</i> of an <i>unauthorised AIF</i> or <i>residual CIS operator</i>	Applies as modified by COBS 18.5.4A R	Applies
11.3	Does not apply	Applies	Does not apply	Applies
11.5	Does not apply	Applies as <i>rules</i>	Does not apply	Does not apply
11.6	Applies	Applies	Applies	Applies
11.8	Applies	Applies	Applies	Applies
16.3	Does not apply	Applies to a <i>small authorised UK AIFM</i> of an <i>unauthorised AIF</i> which is not a <i>collective investment scheme</i> , as modified by COBS 18.5.4B R. Otherwise does not apply.	Does not apply	Does not apply
18.5	Applies	Applies	Applies	Applies

Additional application of COBS rules for management companies

18.5.2A

FCA

R

A management company must:

- (1) in addition to complying with the *COBS rules* specified in ■ COBS 18.5.2 R, comply with ■ COBS 11.7 (Personal account dealing); and
- (2) comply with ■ COBS 2.3 (Inducements) as modified by ■ COBS 2.3.2A R

[Note: article 13(1) to 13(4) of the *UCITS implementing Directive*]**General modifications**

18.5.3

FCA

R

Where *COBS rules* specified in the table in ■ COBS 18.5.2 R apply to a *firm* carrying on *scheme management activities* or, for an *AIFM*, *AIFM investment management functions*, the following modifications apply:

- (1) subject to (2), references to *customer* or *client* are to be construed as references to any *fund* in respect of which the *firm* is acting or intends to act, and with or for the benefit of which the relevant activity is to be carried on;
- (2) in the case of a *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator*, when a *firm* is required by the rules in *COBS* to provide information to, or obtain consent from, a *customer* or *client*, the *firm* must ensure that the information is provided to, or consent obtained from, an investor or a potential investor in the *fund* as the case may be;
- (3) references to the service of *portfolio management* in ■ COBS 11.2 (Best execution), ■ 11.3 (Client order handling) are to be read as references to the management by a *firm* of *financial instruments* held for or within the *fund*; and
- (4) references to *investment firm* in ■ COBS 11.5 are to be read as references to *small authorised UK AIFM* or *residual CIS operator*.

Modification of best execution

18.5.4

FCA

R

The best execution provisions applying to a *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* do not apply in relation to a *fund* whose *fund* documents include a statement that best execution does not apply in relation to the *fund* and in which:

- (1) no investor is a *retail client*; or
- (2) no current investor in the *fund* was a *retail client* when it invested in the *fund*.

18.5.4A

FCA

R Only the following provisions in ■ COBS 11.2 apply to a *full-scope UK AIFM*:

- (1) ■ COBS 11.2.5 G;
- (2) ■ COBS 11.2.17 G;
- (3) ■ COBS 11.2.23A R, but references to *management company* should be read as references to an *AIFM* and references to *unitholders* read as references to investors. This obligation only applies for the execution policy required under article 27(3) of the *AIFMD level 2 regulation* (Execution of decisions to deal on behalf of the managed AIF);
- (4) ■ COBS 11.2.24 R;
- (5) ■ COBS 11.2.25 R (1) and ■ COBS 11.2.26 R, but only where an *AIF* itself has a governing body which can provide prior consent; and
- (6) ■ COBS 11.2.27 R, but only regarding the obligation on an *AIFM* to notify the *AIF* of any material changes to their order execution arrangements or execution policy.

Modification of periodic reporting requirements

18.5.4B

FCA

R A *small authorised UK AIFM* of an *unauthorised AIF* which is not a *collective investment scheme* must comply with ■ COBS 16.3 (Periodic reporting) with references to *managing investments* to be construed as providing *AIFM investment management functions*.

Scheme documents for an unauthorised fund

18.5.5

FCA

R A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* must not accept a *retail client* as an investor in the *fund* unless it has taken reasonable steps to offer and, if requested, provide to the potential investor, fund documents which adequately describe how the *fund* is governed.

Distance marketing

18.5.5A

FCA

G *Firms* should also be aware that if they are carrying on distance marketing activity from an establishment in the *UK*, with or for a *consumer* in the *UK* or another *EEA State*, ■ COBS 5.1 applies specific requirements for that activity.

Format and content of fund documents

18.5.6

FCA

G The fund documents required under ■ COBS 18.5.5 R may consist of any number of *documents* provided that it is clear that collectively they constitute the fund documents and provided the use of several *documents* in no way diminishes the significance of any of the statements which are required to be given to the potential investor.

18.5.7

FCA

G

The fund documents of an *unauthorised fund* managed by a *small authorised UK AIFM* or a *residual CIS operator* (if those fund documents exist) should make it clear that if an investor is reclassified as a *retail client*, this reclassification will not affect certain activities of the firm . In particular, despite such a reclassification, the *firm* will not be required to comply with the best execution provisions . It should be noted that there is no requirement that fund documents must be produced by a *small authorised UK AIFM* of an *unauthorised fund* or a *residual CIS operator*.

18.5.8

FCA

R

Where the *fund* is an *unauthorised fund* managed by a *small authorised UK AIFM* or a *residual CIS operator* and no current investor in the *fund* was a *retail client* when it invested in the *fund*, the fund documents must include a statement that:

- (1) explains that if an investor is reclassified as a *retail client* subsequent to investing in the *fund*, then the *firm* may continue to treat all investors in the *fund* as though they were not *retail clients*;
- (2) explains that if an investor is reclassified as a *retail client* subsequent to investing in the *fund*, then the modification of best execution (see ■ COBS 18.5.4 R) will continue to apply to that fund; and
- (3) explains that, in the event of such a reclassification, the *firm* will not be required to provide best execution in relation to the *fund*.

18.5.9

FCA

G

A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* will still have to comply with other COBS provisions as a result of the reclassification of an investor as a *retail client*. For example, the *firm* must provide *periodic statements* to investors who are *retail clients* in an *unauthorised fund* (see the rule on periodic statements for an unauthorised fund (■ COBS 18.5.11 R)).

Adequate information

18.5.10

FCA

A

- (1) In order to provide adequate information to describe how the *fund* is governed, a *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* should include in the fund documents a provision about each of the items of relevant information set out in the following table (Content of fund documents).
- (2) Compliance with (1) may be relied on as tending to establish compliance with ■ COBS 18.5.5 R.
- (3) Contravention of (1) may be relied on as tending to establish contravention of ■ COBS 18.5.5 R.

Table: Content of fund documents

Content of fund documents

The *fund* documents should include provision about:

- (1) Regulator

The *firm* statutory status in accordance with GEN 4 Annex 1 R (Statutory status disclosure);
- (2) Services

the nature of the services that the *firm* will provide;
- (3) Payments for services

details of any payment for services payable by the *fund* or from the property of the fund or investors in the *fund* to the *firm*, including where appropriate:

 - (a) the basis of calculation;
 - (b) how it is to be paid and collected;
 - (c) how frequently it is to be paid; and
 - (d) whether or not any other payment is receivable by the *firm* (or to its knowledge by any of its *associates*) in connection with any transactions effected by the *firm* with or for the *fund*, in addition to or in lieu of any fees;
- (4) Commencement

when and how the *firm* is appointed;
- (5) Accounting

the arrangements for accounting to the *fund* or investors in the *fund* for any transaction effected;
- (6) Termination method

how the appointment of the *firm* may be terminated;
- (7) Complaints procedure

how to complain to the *firm* and a statement that the investors in the *fund* may subsequently complain direct to the *Financial Ombudsman Service*;
- (8) Compensation

whether or not compensation may be available from the *compensation scheme* should the *firm* be unable to meet its liabilities, and information about any other applicable compensation scheme; and, for each applicable compensation scheme, the extent and level of cover and how further information can be obtained;

The *fund* documents should include provision about:

- (9) Investment objectives
- the investment objectives for the portfolio of the *fund*;
- (10) Restrictions
- (a) any restrictions on:
- (i) the types of *investments* or property which may be included in the portfolio of the *fund*;
- (ii) the markets on which *investments* or property may be acquired for the portfolio of the *fund*;
- (iii) the amount or value of any one *investment* or asset, or on the proportion of the portfolio of the *fund* which any one *investment* or asset or any particular kind of *investment* or asset may constitute; or
- (b) that there are no such restrictions;
- (11) Holding fund assets
- (a) if it is the case, that the *firm* will:
- (i) hold *money* on behalf of the *fund* or be the *custodian* of *investments* or other property of the *fund*; or
- (ii) arrange for some other *person* to act in either capacity and, if so, whether that *person* is an associate of the *firm* identifying that *person* and describing the nature of any association; and
- (b) in either case:
- (i) how any *money* is to be deposited;
- (ii) the arrangements for recording and separately identifying registrable *investments* of the *fund* and, where the registered holder is the *firm's* own nominee, that the *firm* will be responsible for the acts and omissions of that *person*;
- (iii) the extent to which the *firm* accepts liability for any loss of the *investment* of the *fund*;
- (iv) the extent to which the *firm* or any other *person* mentioned in (11)(a)(ii), may hold a lien or security interest over *investments* of the *fund*;

The *fund* documents should include provision about:

- (v) where *investments* of the *fund* will be registered collectively in the same name, a statement that the entitlements of the *fund* may not be identifiable by separate certificates or other physical documents of title, and that, should the *firm* default, any shortfall in *investments* of the *fund* registered in that name may be shared proportionately among all *funds* and any other *customers* of the *firm* whose *investments* are so registered;
 - (vi) whether or not *investments* or other property of the *fund* can be lent to, or deposited by way of collateral with, a third party and whether or not *money* can be borrowed on behalf of the *fund* against the security of those *investments* or property and, if so, the terms upon which they may be lent or deposited;
 - (vii) the arrangements for accounting to the *fund* for *investments* of the *fund*, for income received (including any interest on *money* and any income earned by lending *investments* or other property) of the *fund*, and for rights conferred in respect of *investments* or other property of the *fund*;
 - (viii) the arrangements for determining the exercise of any voting rights conferred by *investments* of the *fund*; and
 - (ix) where *investments* of the *fund* may be held by an eligible *custodian* outside the *United Kingdom*, a general statement that different settlement, legal and regulatory requirements, and different practices relating to the segregation of those *investments*, may apply;
- (12) Clients' money outside the United Kingdom
- if it is the case, that the *firm* may hold the *money* of the *fund* in a *client bank account* outside the *United Kingdom*;
- (13) Exchange rates
- if a liability of the *fund* in one currency is to be matched by an asset in a different currency, or if the services to be provided to the *firm* for the *fund* may relate to an *investment* denominated in

The *fund* documents should include provision about:

- a currency other than the currency in which the *investments* of the *fund* are valued, a warning that a movement of exchange rates may have a separate effect, unfavourable or favourable, on the gain or loss otherwise made on the *investments* of the *fund*;
- (14) Stabilised investments
- if it is the case, that the *firm* is to have the right under the *fund documents* to effect transactions in *investments* the prices of which may be the subject of stabilisation;
- (15) Conflict of interest and material interest
- if it is the case, that the *firm* is to have the right under the agreement or *instrument constituting the fund* to effect transactions on behalf of the *fund* in which the *firm* has directly or indirectly a material interest (except for an interest arising solely from the investment of the *firm* as agent for the *fund*), or a relationship of any description with another party which may involve a conflict with the *firm* duty to the *fund*, together with a disclosure of the nature of the interest or relationship;
- (16) Use of dealing commission
- if the *firm* receives goods or services in addition to the *execution* of its *customer orders* in accordance with the section on the use of dealing commission, the prior disclosure required by the *rule* on prior disclosure (see COBS 11.6.2 R);
- (17) Acting as principal
- if it is the case, that the *firm* may act as *principal* in a transaction with the *fund*;
- (18) Stock lending
- if it is the case, that the *firm* may undertake *stock lending activity* with or for the *fund* specifying the type of assets of the *fund* to be lent, the type and value of *relevant collateral* from the borrower and the method and amount of payment due to the *fund* in respect of the lending;
- (19) Transactions involving contingent liability investments
- (a) if it is the case, that the agreement or *instrument constituting the fund* allows the *firm* to effect transactions involving *contingent liability investments* for the account of the portfolio of the *fund*;
- (b) if applicable, whether there are any limits on the amount to be committed by way of margin and, if so, what those limits are; and

The *fund* documents should include provision about:

- (c) if applicable, that the *firm* has the authority to effect transactions involving *contingent liability investments* otherwise than under the rules of a *recognised investment exchange* or *designated investment exchange* and in a contract traded thereon;
- (20) Periodic statements
- (a) the frequency of any *periodic statement* (this should not be less than once every 12 months) except where a *periodic statement* is not required (see COBS 18.5.13R); and
- (b) whether those statements will include some measure of performance, and, if so, what the basis of that measurement will be;
- (21) Valuation
- the bases on which assets comprised in the portfolio of the *fund* are to be valued;
- (22) Borrowings
- if it is the case, that the *firm* may supplement the funds in the portfolio of the *fund* and, if it may do so:
- (a) the circumstances in which the *firm* may do so;
- (b) whether there are any limits on the extent to which the *firm* may do so and, if so, what those limits are; and
- (c) any circumstances in which such limits may be exceeded;
- (23) Underwriting commitments
- if it is the case, that the *firm* may for the account of the portfolio of the *fund* underwrite or sub-underwrite any issue or offer for sale of *securities*, and:
- (a) whether there are any restrictions on the categories of *securities* which may be underwritten and, if so, what these restrictions are; and
- (b) whether there are any financial limits on the extent of the underwriting and, if so, what these limits are;
- (24) Investments in other funds
- whether or not the portfolio may invest in *funds* either managed or advised by the *firm* or by an *associate* of the *firm* or in a *fund* which is not a *regulated collective investment scheme*;

The *fund* documents should include provision about:

- (25) Investments in securities underwritten by the firm
- whether or not the portfolio may contain *securities* of which any issue or offer for sale was underwritten, managed or arranged by the *firm* or by an *associate* of the *firm* during the preceding 12 months.

Application of COBS 18.5.10E to a full-scope UK AIFM

18.5.10A

FCA

R

A *full-scope UK AIFM* which *markets an unauthorised AIF to a retail client* must, in addition to providing the information in ■ FUND 3.2, take reasonable steps to offer and, if requested, provide to that potential investor information about the following items in the ■ COBS 18.5.10 E table (content of fund documents):

- (1) (1) (Regulator);
- (2) (4) (Commencement);
- (3) (5) (Accounting);
- (4) (6) (Termination method);
- (5) (7) (Complaints procedure);
- (6) (8) (Compensation);
- (7) (13) (Exchange rates);
- (8) (14) (Stabilised investments);
- (9) (16) (Use of dealing commission);
- (10) (17) (Acting as principal);
- (11) (23) (Underwriting commitments);
- (12) (24) (Investments in other funds); and
- (13) (25) (Investments in securities underwritten by the firm).

Periodic statements for an unauthorised fund

18.5.11

FCA

R

A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* must, subject to the exceptions from the requirement to provide a *periodic statement*, provide to investors in the *fund*, promptly and at suitable intervals, a statement in a *durable medium* which contains adequate

information on the value and composition of the portfolio of the *fund* at the beginning and end of the period of the statement.

Promptness, suitable intervals and adequate information

18.5.12



FCA

- (1) A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* should act in accordance with the provisions in the right hand column of the periodic statements table (see ■ COBS 18.5.15E) to fulfil the requirement to prepare and issue *periodic statements* indicated in the left hand column against these provisions.
- (2) Compliance with (1) may be relied on as tending to establish compliance with the requirement to prepare and issue *periodic statements*.
- (3) Contravention of (1) may be relied on as tending to establish contravention of the requirement to prepare and issue *periodic statements*.

Exceptions from the requirement to provide a periodic statement

18.5.13



FCA

- (1) A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* need not provide a *periodic statement*:
 - (a) (i) to an investor in the *fund* who is a *retail client* ordinarily resident outside the *United Kingdom*; or
 - (ii) to an investor in the *fund* who is a *professional client*; if the investor has so requested or the *firm* has taken reasonable steps to establish that the investor does not wish to receive it; or
 - (b) if it would duplicate a statement to be provided by someone else.
- (2) For a *firm* acting as an *outgoing ECA provider*, the exemption for *retail client* investors ordinarily resident outside the *United Kingdom* applies only to an investor in the *fund* who is a *retail client* ordinarily resident outside the *EEA*.

Record keeping requirements

18.5.14



FCA

A *small authorised UK AIFM* of an *unauthorised AIF* or a *residual CIS operator* must make a copy of any *periodic statement* it has provided in accordance with the requirement to prepare and issue *periodic statements* to investors in the *fund*. The record must be retained for a minimum period of three years.

18.5.15



Table: Periodic statements

FCA

This table belongs to ■ COBS 18.5.12 E.

Periodic statements

Suitable inter-vals	(1)	A <i>periodic statement</i> should be provided at least:	
	(a)	six-monthly; or	
	(b)	once in any other period, not exceeding 12 months, which has been mutually agreed between the <i>firm</i> and the investor in the <i>fund</i> .	
Adequate in-formation	(2)	(a)	A <i>periodic statement</i> should contain:
		(i)	(A) The information set out in the table of general contents of a <i>periodic statement</i> ;
			(B) where the portfolio of the <i>fund</i> includes uncovered open positions in <i>contingent liability investments</i> , the additional information in the table listing the contents of a <i>periodic statement</i> (see COBS 18.5.18 E) in respect of <i>contingent liability investments</i> ; or
		(ii)	such information as an investor who is a <i>retail client</i> ordinarily resident outside the <i>United Kingdom</i> , or a <i>professional client</i> , has on his own initiative agreed with the <i>firm</i> as adequate.
		(b)	For a <i>firm</i> acting as an <i>outgoing ECA provider</i> , the words ' <i>United Kingdom</i> ' is replaced by ' <i>EEA</i> '

18

18.5.16



Examples of uncovered open positions include:

FCA

- (1) selling a call *option* on an *investment* not held in the portfolio;
- (2) unsettled sales of call *options* on currency in amounts greater than the portfolio's holding of that currency in cash or in *readily realisable investments* denominated in that currency; and
- (3) transactions having the effect of *selling* an index to an amount greater than the portfolio's holdings of *investments* included in that index.

18.5.17



Table: General contents of a periodic statement

FCA

This table belongs to ■ COBS 18.5.15 E.

General contents of periodic statements

1	<p>Contents and value</p> <p>(a) As at the beginning of the account period, the total value of the portfolio of the <i>fund</i>, being either:</p> <p style="margin-left: 20px;">(i) the value of the assets comprised in the portfolio on the date as at which the statement provided for the immediately preceding period of account is made up; or</p> <p style="margin-left: 20px;">(ii) in the case of the first <i>periodic statement</i>, the value of the assets comprised in the portfolio on the date on which the <i>firm</i> assumed responsibility for the management of the portfolio.</p> <p>(b) As at the end of the account period:</p> <p style="margin-left: 20px;">(i) the number, description and value of each <i>investment</i> held on behalf of the <i>fund</i>;</p> <p style="margin-left: 20px;">(ii) the amount of cash held on behalf of the <i>fund</i>; and</p> <p style="margin-left: 20px;">(iii) the total value of the portfolio of the <i>fund</i>.</p>
2	<p>Basis of valuation</p> <p>A statement of the basis on which the value of each <i>investment</i> has been calculated and, if applicable, a statement that the basis for valuing a particular <i>investment</i> has changed since the previous <i>periodic statement</i>. Where any <i>investments</i> are shown in a currency other than the usual one used for valuation of the portfolio of the <i>fund</i>, the relevant currency exchange rates must be shown.</p>
3	<p>Details of any assets loaned or charged</p> <p>(a) A summary of those <i>investments</i> (if any) which were, at the closing date, loaned to any third party and those <i>investments</i> (if any) that were at that date charged to secure borrowings made on behalf of the portfolio of the <i>fund</i>; and</p> <p>(b) the aggregate of any interest payments made and income received during the account period in respect of loans or borrowings made during the period.</p>
4	<p>Transactions and changes in composition</p> <p>Except in the case of a portfolio which aims to track the performance of an external index:</p>

General contents of periodic statements

- (a) a statement that summarises the transactions entered into for the portfolio of the *fund* during the period; and
- (b) the aggregate of *money* and a summary of all investments transferred into and out of the portfolio of the *fund* during the period; and
- (c) the aggregate of any interest payments, dividends and other benefits received by the *firm* for the portfolio of the *fund* during that period.

5 Charges and remuneration

If not previously advised in writing, a statement for the account period:

- (a) of the aggregate charges of the *firm* and its *associates*; and
- (b) of any *remuneration* received by the *firm* or its *associates* or both from a third party in respect of the transactions entered into, or any other services provided, for the portfolio of the *fund*.

6 Movement in value of portfolio

A statement of the difference between the value of the portfolio at the closing date and its value at the starting date of the account period, having regard at least, during the account period, to the following:

- (a) the aggregate of assets received from investors of the *fund* and added to the portfolio of the *fund*;
- (b) the aggregate of the value of assets transferred, or of amounts paid, to the *fund*;
- (c) the aggregate income received on behalf of the *fund* in respect of the portfolio; and
- (d) the aggregate of realised and unrealised profits or gains and losses attributable to the assets comprised in the portfolio of the *fund*.

Notes:

For the purposes of Item 1, where the *fund* is a *property enterprise trust*, it will be sufficient for the *periodic statement* to disclose the number of properties held in successive valuation bands where this is appropriate to the size and composition of the *fund*, rather than the value of each asset in the portfolio. The valuation bands of over £10m, £5-£10m, £2.5-£5m, £1-£2.5m and under £1m would be appropriate, unless a *firm* could show that different bands were justifiable in the circumstances.

18.5.18

FCA



Table: Contents of a periodic statement in respect of contingent liability investments

This table belongs to ■ COBS 18.5.15 E.

General contents of periodic statements

The statement to be provided under Item 6 is not intended to be an indicator of the performance of the portfolio of the *fund*.

A *firm* may wish to distinguish capital and income, and thereby provide more information than referred to in this table. If the statement includes some measure of performance, the basis of measurement should be stated.

Contents of a periodic statement in respect of contingent liability investments

- | | |
|-----|---|
| (1) | Changes in value |
| | The aggregate of <i>money</i> transferred into and out of the portfolio of the <i>fund</i> during the account period. |
| (2) | Open positions |
| | In relation to each open position in the portfolio of the <i>fund</i> at the end of the account period, the unrealised profit or loss to the portfolio of the <i>fund</i> (before deducting or adding any <i>commission</i> which would be payable on closing out). |
| (3) | Closed positions |
| | In relation to each transaction effected during the account period to close out a position of the <i>fund</i> , the resulting profit or loss to the portfolio of the <i>fund</i> after deducting or adding any <i>commission</i> . |
| | (Instead of the specific detail required by Items 2 or 3, the statement may show the net profit or loss in respect of the overall position of the <i>fund</i> in each contract) |
| (4) | Aggregate of contents |
| | The aggregate of each of the following in, or relating to, the portfolio of the <i>fund</i> at the close of business on the valuation date: |
| (a) | cash; |
| (b) | <i>collateral</i> value; |
| (c) | management fees; and |
| (d) | <i>commissions</i> attributable to transactions during the period or a statement that this information has been |

Contents of a periodic statement in respect of contingent liability investments

separately disclosed in writing on earlier statements or confirmations to the investor.

(5) Option account valuations

In respect of each open *option* comprising the portfolio of the *fund* on the valuation date:

- (a) the *share, future, index* or other *investment* or asset involved;
- (b) (unless the valuation statement follows the statement for the period in which the *option* was opened) the trade price and date for the opening transaction;
- (c) the market price of the contract; and
- (d) the exercise price of the contract.

Options account valuations may show an average trade price and market price in respect of an *option* series where a number of contracts within the same series have been purchased on behalf of the *fund*.

18.6 Lloyd's

Application

18.6.1 **R** This section applies to a *firm* when it carries on *Lloyd's market activities*.

FCA

COBS rules that apply to Lloyd's market activities

18.6.2 **R** Only **■** COBS 3 (Client categorisation) and the *financial promotion rules* apply when a *firm* is carrying out *Lloyd's market activities*.

FCA

18.6.3 **G** *Firms* are reminded that *syndicate* business plans may be used in ways that bring them within the definition of a *financial promotion*.

FCA

Definitions and modifications

18.6.4 **R** When a *firm* is carrying on *Lloyd's market activities*, any reference in COBS to the term:

FCA

- (1) *designated investment* is to be taken to include the following specified investments:
 - (a) the *underwriting capacity of a Lloyd's syndicate*;
 - (b) *membership of a Lloyd's syndicate*; and
 - (c) *rights to or interests in the specified investments* in (a) or (b);
- (2) *designated investment business* is to be taken to include the following *regulated activities*:
 - (a) *advising on syndicate participation at Lloyd's*;
 - (b) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's*; and
 - (c) *agreeing to carry on the regulated activities* in (a) or (b).

The Principles and Lloyd's market activities

18.6.5 **G** Whilst COBS has limited application to *Lloyd's market activities*, firms conducting *Lloyd's market activities* are reminded that they are required to comply with the *Principles*.

FCA

18.7 Depositaries

18.7.1

FCA

R

Only the COBS provisions in the table apply to a *depositary* when acting as such, when carrying on business which is not *MiFID or equivalent third country business*:

COBS	Description
2.1	Acting honestly, fairly and professionally
2.3	Inducements, except COBS 2.3.1 R (2)(b) and COBS 2.3.2 R
4	Communication to clients including financial promotions, but only in relation to <i>communicating or approving a financial promotion</i>
11.7	Personal account dealing

18.8 OPS firms - non scope business

18.8.1

FCA

R

COBS applies to an *OPS firm* when it carries on business which is not *MiFID or equivalent third country business*, with the following modifications:

- (1) references to *client* are to be taken to be references to the *OPS* or *welfare trust*, as the case may be, in respect of which the *OPS firm* is acting or intends to act, and with or for the benefit of whom the relevant business is to be carried on;
- (2) if an *OPS firm* is required by any *COBS rule* to provide information to, or obtain consent from, a *client*, that *firm* must ensure that the information is provided to, or consent obtained from, each of the trustees of the *OPS* or *welfare trust* for whom that *firm* is acting; and
- (3) COBS is modified by the addition of the *rules* in the table below:

Additional COBS rules applicable to an OPS firm

COBS	Description
16.2.6R (4)	If an <i>OPS firm</i> carries on <i>OPS activity</i> for an <i>OPS trustee</i> who is a <i>professional client</i> and who is habitually resident in the <i>United Kingdom</i> , it may rely upon the exceptions in COBS 16.2.1 R (2) or COBS 16.2.6 R (1) only if it provides a <i>periodic statement</i> to the <i>professional client</i> containing the information required by COBS 18.8.2R

18.8.2

FCA

R

Where an *OPS firm* conducts *OPS activity* and is obliged to provide a *periodic statement*, the *periodic statement* must contain the information in the table below.

Information to be included in a periodic statement provided by an OPS firm conducting OPS activity

- (1) Investment objectives

Information to be included in a periodic statement provided by an OPS firm conducting OPS activity

- A statement of any investment objectives governing the mandate of the portfolio of the *occupational pension scheme* as at the closing and starting date of the *periodic statement*.**
- (2) **Details of any asset loaned or charged**
- (a) a summary of any *investments* that were, at the closing date, lent to a third party and any *investments* that were at that date charged to secure borrowings made on behalf of the portfolio; and
- (b) the aggregate of any interest payments made and income received during the account period in respect of loans or borrowings made during that period and a comparison with the previous period.
- (3) ***Transactions* and changes in composition**
- (a) a summary of the *transactions* entered into for the portfolio during the period and a comparison with the previous period;
- (b) the aggregate of *money* and a summary of all *investments* transferred into and out of the portfolio during the period; and
- (c) the aggregate of any interest payments, dividends and other benefits received by the firm for the portfolio during that period and a comparison with the previous period.
- (4) ***Charges* and remuneration**
- If not previously advised in writing, a statement for the period of account:
- (a) of the aggregate *charges* of the *firm* and its *associates*; and
- (b) of any *remuneration* received by the *firm* or its *associates* or both from a third party in respect of the *transactions* entered into, or any other services provided, for the portfolio.
- (5) **Movement in value of portfolio**
- A statement of the difference between the value of the portfolio at the closing date of the period of account and its value at the starting date, having regard, during the period of account, to:
- (a) the aggregate of assets received from the *occupational pension scheme* and added to the portfolio;

Information to be included in a periodic statement provided by an OPS firm conducting OPS activity

(b) the aggregate of the value of assets transferred, or of amounts paid, to the *client*;

(c) the aggregate income received on behalf of the *client* in respect of the portfolio; and

(d) the aggregate of realised and unrealised profits or gains and losses attributable to the assets comprised in the portfolio.

18.8.3

FCA

R

■ COBS 8 (Client agreements) does not apply to an *OPS firm*, where the *OPS firm* is carrying on *designated investment business* as part of its *OPS activity* in relation to an *occupational pension scheme* of which it is a *trustee*.

 18.9 ICVCs

18.9.1

FCA

R

- (1) The *financial promotion rules* in COBS apply to an ICVC, except that COBS 4.13 (UCITS) applies only to an ICVC that is a UCITS scheme.
- (2) ■ COBS 14.2 (Providing product information to clients) applies to an ICVC that is a UCITS scheme.

18.9.2

FCA

G

Firms should note that the *operator* of an ICVC when it is undertaking *scheme management activity* will be subject to ■ COBS 18.5.2R.



18.10 UCITS qualifiers, AIFM qualifiers and service companies

18.10.1
FCA

R The COBS provisions in the table apply to a *UCITS qualifier* and a *service company*:

COBS	Description
4	Communications to clients, but only in relation to <i>communicating or approving a financial promotion</i>
5.2	E-Commerce
12.4	Investment Research recommendations: required disclosures

18.10.2
FCA

R ■ COBS 4 and ■ COBS 12.4 apply to an *AIFM qualifier*.

18.11 Authorised professional firms

- 18.11.1** **R** **FCA** COBS applies to an *authorised professional firm*, except that its application in relation to *non-mainstream regulated activities* and *financial promotion* is modified as set out below.
- 18.11.2** **R** **FCA** COBS does not apply to an *authorised professional firm* with respect to its *non-mainstream regulated activities*, except that:
- (1) the *fair, clear and not misleading rule* applies;
 - (2) the *financial promotion rules* apply as modified below;
 - (3) ■ COBS 7 (Insurance mediation) applies but only if the *designated professional body* of the *firm* does not have rules approved by the FCA under section 332(5) of the Act that implement articles 12 and 13 of the *Insurance Mediation Directive* and that apply to the *firm*;
 - (4) ■ COBS 8.1.3 R (Client agreements) applies, except for the requirement to provide information on conflicts of interest; and
 - (5) ■ COBS 5.2 (E-commerce) applies.
- 18.11.3** **R** **FCA** The *financial promotion rules* do not apply to an *authorised professional firm* in relation to the *communication* of a *financial promotion* if:
- (1) the *firm's* main business is the practice of its profession (see IPRU(INV) 2.1.2R(3));
 - (2) the *financial promotion* is made for the purposes of and incidental to the promotion or provision by the *firm* of its professional services or its *non-mainstream regulated activities*; and
 - (3) the *financial promotion* is not *communicated* on behalf of another *person* who would not be able lawfully to *communicate* the *financial promotion* if he were acting in the course of business;

however, a *firm* may use the exemptions for promoting *unregulated collective investment schemes* in ■ COBS 4 (Communicating with clients, including financial promotions) if it wishes.

18.11.4

FCA

G

The *rules* on *approving financial promotions* continue to apply.

(1)	(2)	(3)	(4)	(5)	(6)
1.9	COBS 3	R	Expired		
2.23	The changes to <i>COBS</i> set out in Annex K of the Alternative Investment Fund Managers Directive Instrument 2013	R	<p>(1) Where a <i>firm</i> meets the conditions in (2), the changes effected by the Annex listed in column (2) do not apply and, therefore, the provisions in <i>COBS</i> amended by that Annex will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) the conditions are: (a) the <i>firm</i> falls within regulation 73(1) of the <i>AIFMD UK regulation</i>; and</p> <p>(b) the <i>firm</i> does not have a <i>Part 4A permission</i> to manage an <i>AIF</i>.</p>	From 22 July 2013 until 21 July 2014	22 July 2013

Conduct of Business Sourcebook

Schedule 6 Rules that can be waived

R

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Insurance: Conduct of Business sourcebook

Insurance: Conduct of Business sourcebook

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Mortgages and Home Finance: Conduct of Business sourcebook

Mortgages and Home Finance: Conduct of Business sourcebook

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Banking: Conduct of Business sourcebook

Banking: Conduct of Business sourcebook

Schedule 6 Rules that can be waived

FCA**6.1**

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the United Kingdom's responsibilities under those directives.

Client Assets



1.4 Application: particular activities

Occupational pension scheme firms (OPS firms)

1.4.1

FCA

R

In the case of *OPS activity* undertaken by an *OPS firm*, CASS applies with the following general modifications:

- (1) references to *customer* are to the *OPS* or *welfare trust*, whichever fits the case, in respect of which the *OPS firm* is acting or intends to act, and with or for the benefit of which the relevant activity is to be carried on; and
- (2) if an *OPS firm* is required by any *rule* in CASS to provide information to, or obtain consent from, a *customer*, that *firm* must ensure that the information is provided to, or consent obtained from, each of the trustees of the *OPS* or *welfare trust* in respect of which that *firm* is acting, unless the context requires otherwise.

Stock lending activity with or for clients

1.4.2

FCA

G

- (1) The *custody chapter* and the *client money chapter* apply in respect of any *stock lending activity* that is undertaken with or for a *client* by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *stock lending activity*.

Corporate finance business

1.4.3

FCA

G

- (1) The *custody chapter* and the *client money chapter* apply in respect of *corporate finance business* that is undertaken by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *corporate finance business*.

Oil market activity and energy market activity

1.4.4

FCA

G

- (1) The *custody chapter* and the *client money chapter* apply in respect of *oil market activity* and other *energy market activity* that is undertaken by a *firm*.
- (2) The *collateral rules* apply, where relevant, in respect of *energy market activity*.

Appointed representatives and tied agents

1.4.5
FCA

G

- (1) Although CASS does not apply directly to a *firm's appointed representatives*, a *firm* will always be responsible for the acts and omissions of its *appointed representatives* in carrying on business for which the *firm* has accepted responsibility (section 39(3) of the Act). In determining whether a *firm* has complied with any provision of CASS, anything done or omitted by a *firm's appointed representative* (when acting as such) will be treated as having been done or omitted by the *firm* (section 39(4) of the Act). Equally, CASS does not apply directly to *tied agents*. A *MiFID investment firm* will be fully and unconditionally responsible for the acts and omission of the *tied agents* that it appoints.
- (2) *Firms* should also refer to ■ SUP 12 (Appointed representatives), which sets out requirements which apply to *firms* using *appointed representatives* and *tied agents*.

Depositaries

1.4.6
FCA

R

The *client money chapter* does not apply to a *depositary* when acting as such.

1.4.6A
FCA

G

Firms acting as trustee or depositary of an AIF are reminded of the obligations in ■ FUND 3.11 (Depositaries) and Chapter IV (Depositary) of the *AIFMD level 2 regulation* which apply in addition to those in CASS.

1.4.7
FCA

R

Subject to ■ CASS 1.4.6 R, CASS applies to a *depositary*, when acting as such, with the following general modification: '*client*' means '*trustee*', '*trust*', '*AIF*', '*AIFM acting on behalf of the AIF*', or '*collective investment scheme*', as appropriate.

1.4.8
FCA

R

- (1) Other than the *mandate rules*, CASS does not apply to a *trustee firm* which is not a *depositary*, or the trustee of a *personal pension scheme* or *stakeholder pension scheme*, unless *MiFID* applies to it, in which case the *custody chapter* and the *client money chapter* do apply.
- (2) In the *custody chapter*, the *client money chapter* and the *mandate rules*, '*client*' means '*trustee*', '*trust*', '*trust instrument*' or '*beneficiary*', as appropriate.

Auction regulation bidding

1.4.9
FCA

R

Where a *firm* carries on *auction regulation bidding* it may elect to comply with CASS (but not ■ CASS 5) in respect of this activity, subject to the general modifications in ■ CASS 1.4.10 R.

1.4.10
FCA

R

Where a *firm* has made an election in accordance with ■ CASS 1.4.9 R, CASS is modified so that in relation to that *firm*:

- (1) each reference to:
- (a) *designated investments*;

- (b) *safe custody assets*; and
 - (c) *contingent liability investments*;
- includes a reference to a *two-day emissions spot*;
- (2) each reference to *designated investment business* includes *auction regulation bidding*;
 - (3) each reference to *safeguarding and administering investments, including safeguarding and administration of assets (without arranging) and arranging safeguarding and administration of assets*, includes those activities where they are carried on in relation to a *two-day emissions spot*; and
 - (4) the reference in ■ CASS 6.2.3A R to an '*emissions auction product*' includes a *two-day emissions spot*;

1.4.11

FCA

G

The effect of ■ CASS 1.4.10 R is that when a *firm* makes an election in accordance with ■ CASS 1.4.9 R:

- (1) a *two-day emissions spot* falls within the scope of each chapter in CASS (save for ■ CASS 5), for example:
 - (a) the reference in ■ CASS 6.1.1 R (1)(b) to *safeguarding and administering investments* is modified to include the activity of safeguarding and administering a *two-day emissions spot*; and
 - (b) any *money* that the *firm* receives or holds for or on behalf of a *client* in the course of or in connection with its *auction regulation bidding* activities will be treated as *client money* and so will need to be dealt with in accordance with the *client money rules*; and
- (2) that election also has effect in relation to *rules* and *guidance* elsewhere in the *Handbook*, including:
 - (a) ■ COBS 3 (Client categorisation);
 - (b) ■ COBS 6.1.7 R (Information concerning safeguarding of designated investments belonging to clients and client money);
 - (c) ■ COBS 6.1.11 R (Timing of disclosure);
 - (d) ■ COBS 16.4 (Statements of client designated investments or client money);
 - (e) ■ SUP 3 (Auditors);
 - (f) ■ SUP 10A.4.4 R (the *table of controlled functions*) and ■ SUP 10A.7.9 R (CASS operational oversight function (CF10a)); and
 - (g) ■ SUP 16.14 (Client money and asset return).

1.4.12

FCA

G

The option to elect to comply with CASS set out in ■ CASS 1.4.9 R only applies to the extent the *firm* is carrying on *auction regulation bidding*. Where a *firm* is carrying on *MiFID business bidding*, CASS applies to it in accordance with the general application *rules* in CASS for a *firm* that is carrying on *MiFID business*.

1.4.13
FCA

R Where a *firm* makes an election in accordance with ■ CASS 1.4.9 R it must:

- (1) make a written record of the election, including the date from which the election is to be effective, on the date it makes the election;
- (2) keep that record from the date that it is made for a period of five years after ceasing to use the opt in.

1.4.14
FCA

R Where a *firm* that has opted in to CASS under ■ CASS 1.4.9 R subsequently decides to cease its use of that opt in it must:

- (1) make a written record of this decision, including the date from which the decision is to be effective, on the date it takes the decision;
- (2) keep that record from the date that it is made for a period of five years after the date it is to be effective; and
- (3) discharge any outstanding fiduciary obligations that had arisen because the *firm* had elected to comply with CASS.

Chapter 6

Custody rules

6.1 Application

6.1.1

FCA

R

This chapter (the *custody rules*) applies to a *firm*:

(1) [deleted]

(a) [deleted]

(b) [deleted]

(1A) when it holds *financial instruments* belonging to a *client* in the course of its *MiFID business*;

(1B) when it is *safeguarding and administering investments*, in the course of business that is not *MiFID business*;

(1C) when it is *acting as trustee or depositary of an AIF*; and/or

(1D) when it is *acting as trustee or depositary of a UCITS*.

(2) [deleted]

6.1.1A

FCA

G

The *regulated activity of safeguarding and administering investments* covers both the *safeguarding and administration of assets (without arranging)* and *arranging safeguarding and administration of assets*, when those assets are either *safe custody investments* or *custody assets*. A *safe custody investment* is, in summary, a *designated investment* which a *firm* receives or holds on behalf of a *client*. *Custody assets* include *designated investments*, and any other assets that the *firm* holds or may hold in the same portfolio as a *designated investment* held for or on behalf of a *client*.

6.1.1B

FCA

R

Firms to which the *custody rules* apply by virtue of ■ CASS 6.1.1R (1B) , ■ (1C) or ■ (1D) must also apply the *custody rules* to those *custody assets* which are not *safe custody investments* in a manner appropriate to the nature and value of those *custody assets*.

6.1.1C

FCA

G

In accordance with article 42 of the *Regulated Activities Order*, a *firm* ("I") will not be *arranging safeguarding and administration of assets* if it introduces a *client* to another *firm* whose *permitted activities* include the *safeguarding and administration of investments*, or to an *exempt person* acting as such, with a view to that other *firm* or *exempt person*:

- (1) providing a safe custody service in the *United Kingdom*; or
- (2) arranging for the provision of a safe custody service in the *United Kingdom* by another *person*;

and the other *firm*, *exempt person* or other *person* who is to provide the safe custody service is not in the same *group* as I, and does not remunerate I.

6.1.2
FCA

G *Firms* are reminded that dividends (actual or payments in lieu), *stock lending* fees and other payments received for the benefit of a *client*, and which are due to the *clients*, should be held in accordance with the *client money chapter* where appropriate.

6.1.3

G [deleted]

Business in the name of the firm

6.1.4
FCA

R The *custody rules* do not apply where a *firm* carries on business in its name but on behalf of the *client* where that is required by the very nature of the transaction and the *client* is in agreement.

[Note: recital 26 to *MiFID*]

6.1.5
FCA

G For example, this chapter does not apply where a *firm* borrows *safe custody assets* from a client as principal under a *stock lending* agreement.

Title transfer collateral arrangements

6.1.6
FCA

R (1) The *custody rules* do not apply where a *client* transfers full ownership of a *safe custody asset* to a *firm* for the purpose of securing or otherwise covering present or future, actual, contingent or prospective obligations.

[Note: recital 27 to *MiFID*]

- (2) Excepted from (1) is a transfer of the full ownership of a *safe custody asset*:
 - (a) belonging to a *retail client*;
 - (b) whose purpose is to secure or otherwise cover that *client's* present or future, actual, contingent or prospective obligations under a *contract for differences* or a *rolling spot forex contract* that is a *future*, and in either case where that contract is entered into with a *firm* acting as *market maker*; and
 - (c) which is made to that *firm* or to any other *person* arranging on its behalf.

6.1.6A
FCA

R (1) Subject to (2), where a *firm* makes arrangements for the purpose of securing or otherwise covering present or future, actual, contingent or prospective obligations of a *retail client* those

arrangements must not provide for the taking of a transfer of full ownership of any of that *client's safe custody assets*.

- (2) The application of (1) is confined to the taking of a transfer of full ownership:
- (a) whose purpose is to secure or otherwise cover that *retail client's obligations under a contract for differences or a rolling spot forex contract that is a future, and in either case where that contract is entered into with a firm acting as market maker; and*
 - (b) which is made to that *firm* or to any other *person* arranging on its behalf.

6.1.7
FCA

G A title transfer financial collateral arrangement under the *Financial Collateral Directive* is a type of transfer of instruments to cover obligations where the *financial instrument* will not be regarded as belonging to the *client*.

6.1.8
FCA

G *Firms* are reminded of the *client's best interests rule*, which requires them to act honestly, fairly and professionally in accordance with the best interests of their *clients* when structuring their business particularly in respect of the effect of that structure on *firms'* obligations under this chapter.

6.1.9
FCA

G *Firms* are reminded that, in certain cases, the *collateral rules* apply where a *firm* receives collateral from a *client* in order to secure the obligations of the *client*.

Prime brokerage agreements

6.1.9A
FCA

G A *prime brokerage firm* is reminded of the additional obligations in ■ CASS 9.3.1 R which apply to *prime brokerage agreements*.

Affiliated companies - MiFID business

6.1.10
FCA

G The fact that a *client* is an *affiliated company* in respect of *MiFID business* does not affect the operation of the *custody rules* in relation to that *client*.

Affiliated companies - non-MiFID business

6.1.10A
FCA

G In respect of business which is not *MiFID business*, the *custody rules* do not apply to a *firm* when it safeguards and administers a *designated investment* on behalf of an *affiliated company*, unless:

- (1) the *firm* has been notified that the *designated investment* belongs to a *client* of the *affiliated company*; or
- (2) the *affiliated company* is a *client* dealt with at arm's length.

6.1.11

G [deleted]

Delivery versus payment transactions

6.1.12

FCA

R

- (1) A *firm* need not treat this chapter as applying in respect of a delivery versus payment transaction through a commercial settlement system if it is intended that the *safe custody asset* is either to be:
- (a) in respect of a *client's* purchase, due to the *client* within one *business day* following the *client's* fulfilment of a payment obligation; or
 - (b) in respect of a *client's* sale, due to the *firm* within one *business day* following the fulfilment of a payment obligation;
- unless the delivery or payment by the *firm* does not occur by the close of business on the third *business day* following the date of payment or delivery of the *safe custody asset* by the *client*.
- (2) Until such a delivery versus payment transaction through a commercial settlement system settles, a *firm* may segregate *money* (in accordance with the *client money chapter*) instead of the *client's safe custody assets*.

6.1.13

G

[deleted]

6.1.14

G

[deleted]

Temporary handling of safe custody assets

6.1.15

FCA

G

The *custody rules* do not apply if a *firm* temporarily handles a *safe custody asset* belonging to a *client*. A *firm* should temporarily handle a *safe custody asset* for no longer than is reasonably necessary. In most transactions this would be no longer than one *business day*, but it may be longer or shorter depending upon the transaction in question. For example, when a *firm* executes an order to sell shares which have not been registered on a de-materialised exchange, handling documents for longer periods may be reasonably necessary. However, in the case of *safe custody assets* in *bearer form*, the *firm* is expected to handle them for less than one *business day*. When a *firm* temporarily handles *safe custody assets*, it is still obliged to comply with *Principle 10* (Clients' assets).

6.1.16

FCA

G

When a *firm* temporarily handles a *safe custody asset*, in order to comply with its obligation to act in accordance with *Principle 10* (Clients' assets), the following are guides to good practice:

- (1) a *firm* should keep the *safe custody asset* secure, record it as belonging to that *client*, and forward it to the *client* or in accordance with the *client's* instructions as soon as practicable after receiving it; and
- (2) a *firm* should make and retain a record of the fact that the *firm* has handled that *safe custody asset* and of the details of the *client* concerned and of any action the *firm* has taken.

Exemptions which do not apply to MiFID business

6.1.16A **R** The exemptions in ■ CASS 6.1.16B R to ■ CASS 6.1.16D G do not apply to a *MiFID investment firm* which holds *financial instruments* belonging to a client in the course of *MiFID business*.
FCA

Operators of regulated collective investment schemes

6.1.16B **R** The *custody rules* do not apply to a *firm* when it acts as the *operator* of a *regulated collective investment scheme*, in relation to activities carried on for the purpose of, or in connection with, the operation of the *scheme*.
FCA

Managers of AIFs and UCITS

6.1.16BA **G** The *custody rules* do not apply to a *firm* that is *managing an AIF* or *managing a UCITS* in relation to activities which are carried on by that *firm* in connection with, or for the purposes of, managing the *AIF* or *UCITS*.
FCA

Personal investment firms

6.1.16C **R** The *custody rules* do not apply to a *personal investment firm* when it temporarily holds a *designated investment*, other than in *bearer form*, belonging to a *client*, if the *firm*:
FCA

- (1) keeps it secure, records it as belonging to that *client*, and forwards it to the *client* or in accordance with the *client's* instructions, as soon as practicable after receiving it;
- (2) retains the *designated investment* for no longer than the *firm* has taken reasonable steps to determine is necessary to check for errors and to receive the final *document* in connection with any series of transactions to which the *documents* relate; and
- (3) makes a record, which must then be retained for a period of 5 years after the record is made, of all the *designated investments* handled in accordance with (1) and (2) together with the details of the *clients* concerned and of any action the *firm* has taken.

6.1.16D **G** Administrative convenience alone should not lead a *personal investment firm* to rely on ■ CASS 6.1.16C R. *Personal investment firms* should consider what is in the *client's* interest and not rely on ■ CASS 6.1.16C R as a matter of course.
FCA

Trustees and depositaries (except depositaries of AIFs)

6.1.16E **R** The specialist regime in ■ CASS 6.1.16F R to ■ CASS 6.1.16I G does not apply to a *MiFID investment firm* which holds *financial instruments* belonging to a client in the course of *MiFID business*.
FCA

6.1.16F
FCA

R

When a *trustee firm* or *depository* acts as a *custodian* for a trust or *collective investment scheme* , (except for a *firm acting as trustee or depository of an AIF*), and:

- (1) the trust or *scheme* is established by written instrument; and
- (2) the *trustee firm* or *depository* has taken reasonable steps to determine that the relevant law and provisions of the trust instrument or *scheme* constitution will provide protections at least equivalent to the *custody rules* for the trust property or *scheme* property;

the *trustee firm* or *depository* need comply only with the *custody rules* listed in the table below.

Reference	Rule
CASS 6.1.1 R to CASS 6.1.9 G and CASS 6.1.15 G to CASS 6.1.16C R	Application
CASS 6.1.16E R to CASS 6.1.16I G	Trustees and depositories
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.2.1 R and CASS 6.2.2 R	Protection of clients' safe custody assets
CASS 6.2.3 R and CASS 6.2.6 G	Registration and recording
CASS 6.2.7 R	Holding
CASS 6.4.1 R and CASS 6.4.2 G	Use of safe custody assets
CASS 6.5.	Records, accounts and reconciliations

6.1.16G
FCA

G

The reasonable steps referred in ■ CASS 6.1.16FR (2) could include obtaining an appropriate legal opinion to that effect.

6.1.16H
FCA

R

When a *trustee firm* or *depository* within ■ CASS 6.1.16F R arranges for, or delegates the provision of safe custody services by or to another *person*, the *trustee firm* or *depository* must also comply with ■ CASS 6.3.1 R (Depositing assets and arranging for assets to be deposited with third parties) in addition to the custody rules listed in the table in ■ CASS 6.1.16F R.

6.1.16I
FCA

G

A *trustee firm* or *depository* that just arranges safeguarding and administration of assets may also take advantage of the exemption in ■ CASS 6.1.16J R (Arrangers).

Depositories of AIFs

6.1.16IA
FCA

R

- (1) Subject to (2), when a *firm* is *acting as trustee or depository of an AIF* the *firm* need comply only with the *custody rules* in the table below:

Reference	Rule
CASS 6.1.1 R, CASS 6.1.9 G, CASS 6.1.9A G and CASS 6.1.16B G	Application
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.2.3 R and CASS 6.2.4 R to CASS 6.2.6 G	Registration and recording
CASS 6.2.7 R	Holding
CASS 6.3.1R (1A) and CASS 6.3.1R (4)	Arranging registration
CASS 6.5.1 R, CASS 6.5.2 R, CASS 6.5.3 R, CASS 6.5.13R (1A) and CASS 6.5.14 G	Records, accounts and reconciliations

(2) When a firm is acting as trustee or depositary of an AIF that is an authorised AIF the firm must, in addition to the custody rules in (1), also comply with the custody rules in the table below:

Reference	Rule
CASS 6.1.1B R	Application
CASS 6.5.4 G to CASS 6.5.4 G, CASS 6.5.5 R, CASS 6.5.7A G, CASS 7.5.8AG, CASS 6.5.9 G and CASS 6.5.15 G	Records, accounts and reconciliations

6.1.16B

FCA

G

Firms acting as trustee or depositary of an AIF are reminded of the obligations in ■ FUND 3.11 (Depositaries) and Chapter IV (Depositary) of the AIFMD level 2 regulation which apply in addition to those in ■ CASS 6.

6.1.16IC

FCA

G

A firm (Firm A) to which another firm acting as trustee or depositary of an AIF (Firm B) has delegated safekeeping functions in line with ■ FUND 3.11.25R (Delegation: safekeeping) will not itself be acting as trustee or depositary of an AIF for that AIF. ■ CASS 6.1.16IA R will not apply to Firm A in respect of that AIF. However, Firm A may be safeguarding and administering investments in respect of that AIF.

Arrangers

6.1.16J

FCA

R

Only the *custody rules* in the table below apply to a *firm* when *arranging safeguarding and administration of assets*.

Reference	Rule
CASS 6.1.1 R to CASS 6.1.9 G and CASS 6.1.15 G to CASS 6.1.16B R	Application
CASS 6.1.16J R	Arrangers
CASS 6.1.22 G to CASS 6.1.24 G	General purpose
CASS 6.3.1 R (1A) and CASS 6.3.2 G	Arranging for assets to be deposited with third parties
CASS 6.1.16K R	Records

6.1.16K

FCA

R

When a *firm* arranges *safeguarding and administration of assets*, it must ensure that proper records of the *custody assets* which it arranges for another to hold or receive, on behalf of the *client*, are made and retained for a period of 5 years after they are made.

6.1.17

R

(1) [deleted]

(1A) [deleted]

(2) [deleted]

(3) [deleted]

6.1.18

G

[deleted]

6.1.19

G

[deleted]

6.1.20

G

[deleted]

6.1.20A

G

[deleted]

6.1.21

R

[deleted]

General purpose

6.1.22

FCA

G

Principle 10 (Clients' assets) requires a *firm* to arrange adequate protection for *clients'* assets when it is responsible for them. As part of these protections, the *custody rules* require a *firm* to take appropriate steps to protect *safe custody assets* for which it is responsible.

6.1.23

FCA

G

The *rules* in this chapter are designed primarily to restrict the commingling of *client* and the *firm's* assets and minimise the risk of the *client's safe custody assets* being used by the

firm without the *client's* agreement or contrary to the *client's* wishes, or being treated as the *firm's* assets in the event of its insolvency.

6.1.24

FCA

G

The *custody rules* also, where relevant, implement the provisions of *MiFID* which regulate the obligations of a *firm* when it holds *financial instruments* belonging to a *client* in the course of its *MiFID business*.

6.2 Holding of client assets

6.2.1

FCA

R

Requirement to protect clients' safe custody assets

A *firm* must, when holding *safe custody assets* belonging to *clients*, make adequate arrangements so as to safeguard *clients'* ownership rights, especially in the event of the *firm's* insolvency, and to prevent the use of *safe custody assets* belonging to a *client* on the *firm's* own account except with the *client's* express consent.

[Note: article 13(7) of *MiFID*]

6.2.2

FCA

R

Requirement to have adequate organisational arrangements

A *firm* must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of *clients' safe custody assets*, or the rights in connection with those *safe custody assets*, as a result of the misuse of the *safe custody assets*, fraud, poor administration, inadequate record-keeping or negligence.

[Note: article 16(1)(f) of the *MiFID implementing Directive*]

6.2.3

FCA

R

Registration and recording of legal title

To the extent practicable, a *firm* must effect appropriate registration or recording of legal title to a *safe custody asset* in the name of:

- (1) the *client* (or, where appropriate, the *trustee firm*), unless the *client* is an *authorised person* acting on behalf of its *client*, in which case it may be registered in the name of the *client* of that *authorised person*;
- (2) a *nominee company* which is controlled by:
 - (a) the *firm*;
 - (b) an *affiliated company*;
 - (c) a *recognised investment exchange* or a *designated investment exchange*; or

- (d) a third party with whom *financial instruments* are deposited under ■ CASS 6.3 (Depositing assets and arranging for assets to be deposited with third parties);
- (3) any other third party if:
- (a) the *safe custody asset* is subject to the law or market practice of a jurisdiction outside the *United Kingdom* and the *firm* has taken reasonable steps to determine that it is in the *client's* best interests to register or record it in that way, or that it is not feasible to do otherwise, because of the nature of the applicable law or market practice; and
- (b) the *firm* has notified the *client* in writing;
- (4) the *firm* if:
- (a) the *safe custody asset* is subject to the law or market practice of a jurisdiction outside the *United Kingdom* and the *firm* has taken reasonable steps to determine that it is in the *client's* best interests to register or record it in that way, or that it is not feasible to do otherwise, because of the nature of the applicable law or market practice; and
- (b) the *firm* has notified the *client* if a *professional client*, or obtained prior written consent if a *retail client*.

6.2.3A

FCA

R

If:

- (1) the *safe custody asset* is an *emission auction product* that is a *financial instrument*; and
- (2) it is not practicable or possible for a *firm* to effect registration or recording of legal title in this asset in the manner set out in ■ CASS 6.2.3 R,

the *firm* must register or record legal title in its name provided it has notified the *client* in writing.

6.2.4

FCA

R

A *firm* must accept the same level of responsibility to its *client* for any *nominee company* controlled by the *firm* with respect of any requirements of the *custody rules*.

6.2.5

FCA

R

A *firm* may register or record legal title to its own *applicable assets* in the same name as that in which legal title to a *safe custody asset* is registered or recorded, but only if:

- (1) the *firm's applicable assets* are separately identified in the *firm's* records from the *safe custody assets*; or

(2) the *firm* registers or records a *safe custody asset* in accordance with ■ CASS 6.2.3 R (4).

6.2.6

FCA

G

A *firm* when complying with ■ CASS 6.2.3 R (3) or ■ CASS 6.2.3 R (4) will be expected to demonstrate that adequate investigations have been made of the market concerned by reference to local sources, which may include an appropriate legal opinion.

6.2.7

FCA

R

A *firm* must ensure that any documents of title to *applicable assets* in *bearer form*, belonging to the *firm* and which it holds in its physical possession, are kept separately from any document of title to a *client's safe custody assets* in *bearer form*.

6.3.1

FCA

R

6.3 Depositing assets and arranging for assets to be deposited with third parties

- (1) A *firm* may deposit *safe custody assets* held by it on behalf of its *clients* into an account or accounts opened with a third party, but only if it exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those *safe custody assets*.
- (1A) A *firm* which arranges the registration of a *safe custody investment* through a third party must exercise all due skill, care and diligence in the selection and appointment of the third party.
- (2) A *firm* must take the necessary steps to ensure that any *client's safe custody assets* deposited with a third party, in accordance with this *rule* are identifiable separately from the *applicable assets* belonging to the *firm* and from the *applicable assets* belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection.
- (3) When a *firm* makes the selection, appointment and conducts the periodic review referred to under this *rule*, it must take into account:
 - (a) the expertise and market reputation of the third party; and
 - (b) any legal requirements or market practices related to the holding of those *safe custody assets* that could adversely affect *clients'* rights.
- (4) A *firm* must make a record of the grounds upon which it satisfies itself as to the appropriateness of its selection of a third party as required in this *rule*. The *firm* must make the record on the date it makes the selection and must keep it from the date of such selection until five years after the *firm* ceases to use the third party to hold *safe custody assets* belonging to *clients*.

[Note: articles 16(1)(d) and 17(1) of the *MiFID implementing Directive*]

6.3.2

FCA

G

In discharging its obligations under this section, a *firm* should also consider, together with any other relevant matters:

- (1) once a *safe custody asset* has been lodged by the *firm* with the third party, the third party's performance of its services to the *firm*;
- (2) the arrangements that the third party has in place for holding and safeguarding the *safe custody asset*;
- (3) current industry standard reports, for example Financial Reporting and Auditing Group (FRAG) 21 report or its equivalent;
- (4) the capital or financial resources of the third party;
- (5) the credit rating of the third party; and
- (6) any other activities undertaken by the third party and, if relevant, any *affiliated company*.

6.3.3

FCA

G

A *firm* should consider carefully the terms of its agreements with third parties with which it will deposit *safe custody assets* belonging to a *client*. The following terms are examples of the issues *firms* should address in this agreement:

- (1) that the title of the account indicates that any *safe custody asset* credited to it does not belong to the *firm*;
- (2) that the third party will hold or record a *safe custody asset* belonging to the *firm's client* separately from any *applicable asset* belonging to the *firm* or to the third party;
- (3) the arrangements for registration or recording of the *safe custody asset* if this will not be registered in the *client's* name;
- (4) [deleted]
- (5) the restrictions over the circumstances in which the third party may withdraw assets from the account;
- (6) the procedures and authorities for the passing of instructions to or by the *firm*;
- (7) the procedures regarding the claiming and receiving of dividends, interest payments and other entitlements accruing to the *client*; and
- (8) the provisions detailing the extent of the third party's liability in the event of the loss of a *safe custody asset* caused by the fraud, wilful default or negligence of the third party or an agent appointed by him.

6.3.4

FCA

R

- (1) A *firm* must only deposit *safe custody assets* with a third party in a jurisdiction which specifically regulates and supervises the safekeeping of *safe custody assets* for the account of another person with a third party who is subject to such regulation.

- (2) A *firm* must not deposit *safe custody assets* held on behalf of a *client* with a third party in a country that is not an *EEA State* (third country) and which does not regulate the holding and safekeeping of *safe custody assets* for the account of another person unless:
- (a) the nature of the *safe custody assets* or of the *investment services* connected with those *safe custody assets* requires them to be deposited with a third party in that third country; or
 - (b) the *safe custody assets* are held on behalf of a *professional client* and the *client* requests the *firm* in writing to deposit them with a third party in that third country.
- (3) [deleted]
- (a) [deleted]
 - (b) [deleted]
 - (i) [deleted]
 - (ii) [deleted]
 - (iii) [deleted]

[Note: article 17(2) and (3) of the *MiFID implementing Directive*]

6.3.5

FCA

R

Subject to ■ CASS 6.3.6 R, in relation to a third party with which a *firm* deposits *safe custody assets* belonging to a *client*, a *firm* must ensure that any agreement with that third party relating to the custody of those assets does not include the grant to that party, or to any other *person*, of a lien or a right of retention or sale over the *safe custody assets*, or a right of set-off over any *client money* derived from those *safe custody assets*.

6.3.6

FCA

R

A *firm* may conclude an agreement with a third party relating to the custody of *safe custody assets* which confers on that party, or on another *person* instructed by that party to provide custody services for those assets, a lien, right of retention or sale, or right of set-off in favour of that party or that other *person* only if that lien or right:

- (1) is confined to those *safe custody assets* held in an account with that third party or that other person and extends only to properly incurred charges and liabilities arising from the provision of custody services in respect of *safe custody assets* held in that account; or
- (2) arises under the operating terms of a securities depository, securities settlement system or central counterparty in whose

account *safe custody assets* are recorded or held, and provided that it does so for the purpose only of facilitating the settlement of trades involving the assets held in that account; or

- (3) arises in relation to those *safe custody assets* held in a jurisdiction outside the *United Kingdom*, provided that:
- (a) it does so as a result of local applicable law in that jurisdiction or is necessary for that *firm* to gain access to the local market in that jurisdiction; and
 - (b) in respect of each *client* to which those assets belong, either:
 - (i) the *firm* has taken reasonable steps to determine that holding those assets subject to that lien or right is in the best interests of that *client*; or
 - (ii) where a *client* is a *professional client*, the *firm* is instructed by that *client* to hold those assets in that jurisdiction notwithstanding the existence of that lien or right.

6.3.7

FCA

G

A *firm* will be considered to be acting on the instructions of its *professional client* under ■ CASS 6.3.6R (3)(b)(ii) where:

- (1) the *firm* has received an individual instruction or has a standing instruction in its terms of business which results in it holding *safe custody assets* in the relevant jurisdiction; and
- (2) prior to acting on the instruction, the *firm* has expressly informed the *client* that holding that *client's safe custody assets* in the relevant jurisdiction will involve the granting of a lien or right over those assets. The *firm* may do this by discussing the lien or right individually with the *client* or by including reference to it in terms of business (which may themselves cross refer to a separate list of relevant jurisdictions to which ■ CASS 6.3.6R (3)(a) applies maintained on the *firm's* website in a form accessible to *clients*) or by a similar method.

6.3.8

FCA

R

For the purpose of ■ CASS 6.3.6 R, references to a *safe custody asset* include any *client money* derived from that *safe custody asset*. *Client money* derived from a *safe custody asset* may be regarded as held in the same account as that *safe custody asset* even though that money and those assets may be recorded separately.

6.3.9

FCA

R

■ CASS 6.3.6 R does not permit a *firm* to agree to a right of set-off of the kind prohibited by either ■ CASS 7.8.1 R or ■ CASS 7.8.2 R in relation to *client money*.

6.4 Use of safe custody assets

6.4.1

FCA

R

- (1) A *firm* must not enter into arrangements for *securities financing transactions* in respect of *safe custody assets* held by it on behalf of a *client* or otherwise use such *safe custody assets* for its own account or the account of another *client* of the *firm*, unless:
 - (a) the *client* has given express prior consent to the use of the *safe custody assets* on specified terms; and
 - (b) the use of that *client's safe custody assets* is restricted to the specified terms to which the *client* consents.
- (2) A *firm* must not enter into arrangements for *securities financing transactions* in respect of *safe custody assets* held by it on behalf of a *client* in an omnibus account held by a third party, or otherwise use *safe custody assets* held in such an account for its own account or for the account of another *client* unless, in addition to the conditions set out in (1):
 - (a) each *client* whose *safe custody assets* are held together in an omnibus account has given express prior consent in accordance with (1)(a); or
 - (b) the *firm* has in place systems and controls which ensure that only *safe custody assets* belonging to *clients* who have given express prior consent in accordance with the requirements of (1)(a) are used.
- (3) For the purposes of obtaining the express prior consent of a *retail client* under this *rule* the signature of the *retail client* or an equivalent alternative mechanism is required.
- (4) [deleted]

[Note: article 19 of the *MiFID implementing Directive*]

6.4.2

FCA

G

Firms are reminded of the *client's best interests rule*, which requires the *firm* to act honestly, fairly and professionally in accordance with the best interests of their *clients*. An example of what is generally considered to be such conduct, in the context of *stock lending activities* involving *retail clients* is that:

- (1) the *firm* ensures that *relevant collateral* is provided by the borrower in favour of the *client*;
- (2) the current realisable value of the *safe custody asset* and of the *relevant collateral* is monitored daily; and
- (3) the *firm* provides *relevant collateral* to make up the difference where the current realisable value of the collateral falls below that of the *safe custody asset* , unless otherwise agreed in writing by the *client*.

6.4.3

FCA

R

Where a *firm* uses *safe custody assets* as permitted in this section, the records of the *firm* must include details of the *client* on whose instructions the use of the *safe custody assets* has been effected, as well as the number of *safe custody assets* used belonging to each *client* who has given consent, so as to enable the correct allocation of any loss.

[Note: article 19(2) of the *MiFID implementing Directive*]

6

6.5 Records, accounts and reconciliations

Records and accounts

6.5.1
FCA

R A *firm* must keep such records and accounts as necessary to enable it at any time and without delay to distinguish *safe custody assets* held for one *client* from *safe custody assets* held for any other *client*, and from the *firm's* own *applicable assets*.

[Note: article 16(1)(a) of the *MiFID implementing Directive*]

6.5.2
FCA

R A *firm* must maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the *safe custody assets* held for *clients*.

[Note: article 16(1)(b) of the *MiFID implementing Directive*]

6.5.2A
FCA

R A *firm* must keep a copy of every executed *client* agreement that includes that *firm's* right to use *safe custody assets* for its own account, including in the case of a *prime brokerage agreement* the disclosure annex referred to in ■ CASS 9.3.1 R.

Record keeping

6.5.3
FCA

R A *firm* must ensure that the records made under this section are retained for a period of five years after they are made.

Internal reconciliation of safe custody assets held for clients

6.5.4
FCA

G (1) Carrying out internal reconciliations of the *safe custody assets* held for each *client* with the *safe custody assets* held by the *firm* and third parties is an important step in the discharge of the *firm's* obligations under ■ CASS 6.5.2 R (Records and accounts) and, where relevant, ■ SYSC 4.1.1 R (General requirements) and ■ SYSC 6.1.1 R (Compliance).

(1A) For a *firm acting as trustee or depositary of an AIF* that is an *authorised AIF*, carrying out internal reconciliations of the *safe custody assets* held for each *client* with the *safe custody assets* held by the *firm* and third parties is an important step in the discharge of the *firm's* obligations under article 89(1)(b) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation* and, where relevant, ■ SYSC 4.1.1 R (General requirements) and ■ SYSC 6.1.1 R (Compliance).

- (2) A *firm* should perform such internal reconciliations:
 - (a) as often as is necessary; and
 - (b) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of the *firm's* records and accounts.
- (3) Reconciliation methods which can be adopted for these purposes include the 'total count method', which requires that all *safe custody assets* be counted and reconciled as at the same date.
- (4) If a *firm* chooses to use an alternative reconciliation method (for example the 'rolling stock method') it needs to ensure that:
 - (a) all of a particular *safe custody asset* are counted and reconciled as at the same date; and
 - (b) all *safe custody assets* are counted and reconciled during a period of six months.

6.5.5

FCA

R

A *firm* that uses an alternative reconciliation method must first send a written confirmation to the *FCA* from the *firm's* auditor that the *firm* has in place systems and controls which are adequate to enable it to use the method effectively.

Reconciliations with external records

6.5.6

FCA

R

A *firm* must conduct on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those *safe custody assets* are held.

[Note: article 16(1)(c) of the *MiFID implementing Directive*]

6.5.7

FCA

G

Where a *firm* deposits *safe custody assets* belonging to a *client* with a third party, in complying with the requirements of ■ CASS 6.5.6 R, the *firm* should seek to ensure that the third party will deliver to the *firm* a statement as at a date or dates specified by the *firm* which details the description and amounts of all the *safe custody assets* credited to the account, and that this statement is delivered in adequate time to allow the *firm* to carry out the periodic reconciliations required in ■ CASS 6.5.6 R.

6.5.7A

FCA

G

If a *firm acting as trustee or depositary of an AIF* that is an *authorised AIF* deposits *safe custody assets* belonging to a *client* with a third party, under article 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*, the *firm* should seek to ensure that the third party will deliver to the *firm* a statement as at a date or dates specified by the *firm* which details the description and amounts of all the *safe custody assets* credited to the account, and that this statement is delivered in adequate time to allow the *firm* to carry out the periodic reconciliations required under article 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*.

Frequency of external reconciliations

6.5.8

FCA

G

A *firm* should perform the reconciliation required by ■ CASS 6.5.6 R:

- (1) as regularly as is necessary; and
- (2) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of its internal accounts and records against those of third parties by whom *safe custody assets* are held.

6.5.8A

FCA

G

A *firm acting as trustee or depositary of an AIF* that is an *authorised AIF* should perform the reconciliation under article 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*:

- (1) as regularly as is necessary; and
- (2) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of its internal accounts and records against those of third parties by whom *safe custody assets* are held.

Independence of person conducting reconciliations

6.5.9

FCA

G

Whenever possible, a *firm* should ensure that reconciliations are carried out by a *person* (for example an *employee* of the *firm*) who is independent of the production or maintenance of the records to be reconciled.

Reconciliation discrepancies

6.5.10

FCA

R

A *firm* must promptly correct any discrepancies which are revealed in the reconciliations envisaged by this section, and make good, or provide the equivalent of, any unreconciled *shortfall* for which there are reasonable grounds for concluding that the *firm* is responsible.

6.5.11

FCA

G

Items recorded or held within a suspense or error account fall within the scope of discrepancies.

6.5.12

FCA

G

A *firm* may, where justified, conclude that another *person* is responsible for an irreconcilable *shortfall* despite the existence of a dispute with that other *person* about the unreconciled item. In those circumstances, the *firm* is not required to make good the *shortfall* but is expected to take reasonable steps to resolve the position with the other *person*.

Notification requirements

6.5.13

FCA

R

A *firm* must inform the *FCA* in writing without delay:

- (1) if it has not complied with, or is unable, in any material respect, to comply with the requirements in ■ CASS 6.5.1 R, ■ CASS 6.5.2 R or ■ CASS 6.5.6 R; or

- (1A) if it is a *firm acting as trustee or depositary of an AIF* and has not complied with, or is materially unable to comply with, the requirements in ■ CASS 6.5.1 R and/or articles 89(1)(b) or 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2* regulation; or
- (2) if, having carried out a reconciliation, it has not complied with, or is unable, in any material respect, to comply with ■ CASS 6.5.10 R.

Audit of compliance with the custody rules

6.5.14

FCA

G

Firms are reminded that the auditor of the *firm* has to confirm in the report submitted to the *FCA* under ■ SUP 3.10 (Duties of auditors: notification and report on client assets) that the *firm* has maintained systems adequate to enable it to comply with the *custody rules*.

6.5.15

FCA

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Firms that use an alternative reconciliation method are reminded that the *firm's* auditor must confirm to the *FCA* in writing that the *firm* has in place systems and controls which are adequate to enable it to use another method effectively (see ■ CASS 6.5.5 R).

Chapter 8

Mandates

8.1 Application

8.1.1

FCA

R

This chapter (the *mandate rules*) applies to a *firm* when it has a *mandate* in the course of, or in connection with, the *firm*'s:

- (1) *designated investment business* (including *MiFID business*); or
- (2) *insurance mediation activity*, except where it relates to a *reinsurance contract*.

8.1.2

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[deleted]

8.1.2A

FCA

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The *mandate rules* do not apply to a *firm*:

- (1) in relation to *client money* that the *firm* is holding in accordance with ■ CASS 5 or ■ CASS 7 (including *client money* that the *firm* has allowed another *person* to hold or control in accordance with ■ CASS 7.5.2 R); or
- (2) in relation to *safe custody assets* that the *firm* is holding, or in respect of which the *firm* is carrying on *safeguarding and administration of assets (without arranging), acting as trustee or depositary of an AIF or acting as trustee or depositary of a UCITS* in accordance with ■ CASS 6; or
- (3) in relation to a *client's* assets that the *firm* is holding or has received under an arrangement to which ■ CASS 3 applies; or
- (4) when it acts as the *operator* of a *regulated collective investment scheme* in relation to property held for or within the *scheme*.

8.1.2B

FCA

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- (1) ■ CASS 8.1.2A R is not an absolute exemption, but it excludes the application of the *mandate rules* in relation to *money* or assets that a *firm* has received, is holding, or is responsible for (as appropriate and in the circumstances described in ■ CASS 8.1.2A R).
- (2) This means that, for example in respect of ■ CASS 8.1.2A R (1), a *firm* holding *client money* in accordance with ■ CASS 5 or ■ CASS 7 does not also need to comply with the *mandate rules* in relation to the *client money* which it

actually holds, but the *mandate rules* would apply if the *firm* has a *mandate* under which it can receive a *client's money* from another *person* in the course of, or in connection with, the activities set out at ■ CASS 8.1.1 R (1) and ■ CASS 8.1.1 R (2).

- (3) Similarly, in respect of ■ CASS 8.1.2A R (4), the *mandate rules* apply to a *firm* that is the *operator* of a *regulated collective investment scheme* if, for example, it has a *mandate* under which it can receive a *client's money* from another *person* for the purposes of investing it in the *scheme*.

8.1.3

FCA

G

Firms are reminded that the *mandate rules* do not apply to an *incoming EEA firm*, other than an *insurer*, with respect to its *passport activities*. The application of the *mandate rules* is also dependent on the location from which the activity is undertaken (see ■ CASS 1.3).

Purpose

8.1.4

FCA

G

The *mandate rules* require *firms* to establish and maintain records and *internal controls* to prevent the misuse of a *mandate*.

8.1.4A

FCA

G

The *mandate rules* only apply to a *firm* that has a *mandate*, and do not affect the duties of any other *person* to whom the *firm* is able to give the types of instructions referred to in ■ CASS 8.2.1R (4). For example, if a *person* (A) has accepted a *deposit* from a *client*, and a *firm* (B) has a *mandate* in respect of that *client's deposit* held by A, the *mandate rules* only apply to B, and do not affect the duties of A in relation to the *deposit*.

8.1.5

R

[deleted]

8

8.2 Definition of mandate

8.2.1

FCA

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A *mandate* is any means that give a *firm* the ability to control a *client's* assets or liabilities, which meet the conditions in (1) to (5):

- (1) they are obtained by the *firm* from the *client*, and with the *client's* consent;
- (2) they are in written form at the time they are obtained from the *client*;
- (3) they are retained by the *firm*;
- (4) they put the *firm* in a position where it is able to give any or all of the types of instructions described in (a) to (d):
 - (a) instructions to another *person* in relation to the *client's* money that is credited to an account maintained by that other *person* for the *client*;
 - (b) instructions to another *person* in relation to any money to which the *client* has an entitlement, where that other *person* is responsible to the *client* for that entitlement (including where that other *person* is holding *client* money for the *client* in accordance with ■ CASS 5 or ■ CASS 7);
 - (c) instructions to another *person* in relation to an asset of the *client*, where that other *person* is responsible to the *client* for holding that asset (including where that other *person* is *safeguarding and administering investments*, acting as trustee or depositary of an AIF or acting as trustee or depositary of a UCITS);
 - (d) instructions to another *person* such that the *client* incurs a debt or other liability to that other *person* or any other *person* (other than the *firm*); and
- (5) their circumstances are such that the *client's* further involvement would not be necessary for the *firm's* instructions described in 4(a) to 4(d) to be given effect.

9.2 Prime broker's daily report to clients

9.2.1

FCA

R

- (1) A *firm* must make available to each of its *clients* to whom it provides *prime brokerage services* a statement in a *durable medium*:
 - (a) showing the value at the close of each *business day* of the items in (3); and
 - (b) detailing any other matters which that *firm* considers are necessary to ensure that a *client* has up-to-date and accurate information about the amount of *client money* and the value of *safe custody assets* held by that *firm* for it.
- (2) The statement must be made available to those *clients* not later than the close of the next *business day* to which it relates.
- (3) The statement must include:
 - (a) the total value of *safe custody assets* and the total amount of *client money* held by that *prime brokerage firm* for a *client*;
 - (b) the cash value of each of the following:
 - (i) Cash loans made to that *client* and accrued interest;
 - (ii) *securities* to be redelivered by that *client* under open short positions entered into on behalf of that *client*;
 - (iii) current settlement amount to be paid by that *client* under any *futures* contracts;
 - (iv) short sale cash proceeds held by the *firm* in respect of short positions entered into on behalf of that *client*;
 - (v) cash margin held by the *firm* in respect of open *futures* contracts entered into on behalf of that *client*;
 - (vi) mark-to-market close-out exposure of any *OTC* transaction entered into on behalf of that *client* secured by *safe custody assets* or *client money*;
 - (vii) total secured obligations of that *client* against the *prime brokerage firm*; and

(viii) all other *safe custody assets* held for that *client*.

- (c) total collateral held by the *firm* in respect of secured transactions entered into under a *prime brokerage agreement*, including where the *firm* has exercised a right of use in respect of that *client's safe custody assets*;
- (d) the location of all of a *client's safe custody assets*, including assets held with a sub-custodian; and
- (e) a list of all the institutions at which the *firm* holds or may hold *client money*, including money held in *client bank accounts* and *client transaction accounts*.

9.2.2**FCA****G**

Where a *firm* has entered into an agreement with a *client* under article 91 (Reporting obligations for prime brokers) of the *AIFMD level 2 regulation*, and to the extent that the *firm* makes available to the *client* the same statements as specified by that article that it is required to provide to the relevant *depository*, the *FCA* will treat the obligations under ■ CASS 9.2.1 R as satisfied by the *firm*.

9.3 Prime brokerage agreement disclosure annex

9.3.1

FCA

R

- (1) A *firm* must ensure that every *prime brokerage agreement* that includes its right to use *safe custody assets* for its own account includes a disclosure annex.
- (2) A *firm* must ensure that the disclosure annex sets out a summary of the key provisions within the *prime brokerage agreement* permitting the use of *safe custody assets*, including:
 - (a) the contractual limit, if any, on the *safe custody assets* which a *prime brokerage firm* is permitted to use;
 - (b) all related contractual definitions upon which that limit is based;
 - (c) a list of numbered references to the provisions within that *prime brokerage agreement* which permit the *firm* to use the *safe custody assets*; and
 - (d) a statement of the key risks to that *client's safe custody assets* if they are used by the *firm*, including but not limited to the risks to the *safe custody assets* on the *failure* of the *firm*.
- (3) A *firm* must ensure that it sends to the *client* in question an updated disclosure annex if the terms of the *prime brokerage agreement* are amended after completion of that agreement such that the original disclosure annex no longer accurately records the key provisions of the amended agreement.

9.3.2

FCA

G

- (1) *Principle 10* (Clients' assets) requires a *firm* to arrange adequate protection for *client's* assets when it is responsible for them. As part of these protections, the *custody rules* require a *firm* to take appropriate steps to protect *safe custody assets* for which it is responsible.
- (2) Subject to paragraph (3), a *prime brokerage firm* should not enter into "right to use arrangements" for a *client's safe custody assets* unless:
 - (a) in the case of a *CASS small firm* or a *firm* to which ■ CASS 1A.3.1CR applies, the person in that *firm* to whom the responsibilities set out in ■ CASS 1A.3.1R or in ■ CASS 1A.3.1C R (2) respectively have been allocated; or

- (b) in the case of any other *firm*, the *person* who carries out the CASS *operational oversight function*; and
- (c) those of that *firm's* managers who are responsible for those *safe custody assets*;

are each satisfied that the *firm* has adequate systems and controls to discharge its obligations under *Principle 10* which include (where applicable):

- (i) the daily reporting obligation in ■ CASS 9.2.1 R; and
 - (ii) the record-keeping obligations in ■ CASS 6.3.6 R (3)(b)(i).
- (3) Paragraph (2) does not apply where the *prime brokerage firm* is also *acting as trustee or depository of an AIF* which is an *unauthorised AIF* and exercises a right of reuse for a *safe custody asset* of that *unauthorised AIF* under ■ FUND 3.11.24 R (Reuse of assets).

Chapter 10

CASS resolution pack

10.1 Application, purpose and general provisions

Application

10.1.1
FCA

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- (1) Subject to (2) this chapter applies to a *firm* when it:
- holds *financial instruments*, is *safeguarding and administering investments*, is *acting as trustee or depositary of an AIF* or is *acting as trustee or depositary of a UCITS*, in accordance with ■ CASS 6; and/or
 - holds *client money* in accordance with ■ CASS 7.
- (2) This chapter does not apply to a *firm* to which ■ CASS 6 applies merely because it is a *firm* which *arranges safeguarding and administration of assets*.

Purpose

10.1.2
FCA

G

The purpose of the *CASS resolution pack* is to ensure that a *firm* maintains and is able to retrieve information that would, in the event of its insolvency, assist an insolvency practitioner in achieving a timely return of *client money* and *safe custody assets* held by the *firm* to that *firm's clients*.

General provisions

10.1.3
FCA

R

A *firm* falling within ■ CASS 10.1.1 R must maintain and be able to retrieve, in the manner described in this chapter, a *CASS resolution pack*.

10.1.4
FCA

G

A *firm* is required to maintain a *CASS resolution pack* at all times when ■ CASS 10.1.1 R applies to it.

10.1.5
FCA

G

- (1) The *rules* in this chapter specify the types of documents and records that must be maintained in a *firm's CASS resolution pack* and the retrieval period for the pack. The *firm* should maintain the component documents of the *CASS resolution pack* in order for them to be retrieved in accordance with ■ CASS 10.1.7 R, and should not use the retrieval period to start producing these documents.

Client Assets

Schedule 2
Notification requirements

Sch 2.1 G

FCA

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 1A.2.5 R	Election to be treated as a <i>CASS medium firm</i> or a <i>CASS large firm</i>	The fact of that election	The fact of that election	To be made at least one week before the election is intended to take effect
CASS 1A.2.8 R (1) - (3)				[deleted]
CASS 1A.2.8 R (4)				[deleted]
CASS 1A.2.8A R				[deleted]
CASS 1A.2.9 R (1) - (3)	The highest total amount of <i>client money</i> and the highest total value of <i>safe custody assets</i> held by a <i>firm</i> , as more fully described in CASS 1A.2.9 R	The highest total amount of <i>client money</i> and <i>safe custody assets</i> held by a <i>firm</i> , as more fully described in CASS 1A.2.9 R.	The need to comply with CASS 1A.2.9 R (1)-(3)	By the fifteenth <i>business day</i> of January unless contrary provision is made in CASS 1A.2.9 R
CASS 1A.2.9 R (4)	A <i>firm's</i> 'CASS firm type' classification	A <i>firm's</i> 'CASS firm type' classification	The need to comply with CASS 1A.2.9 R (4)	At the same time the <i>firm</i> makes the notification under CASS 1A.2.9 R (1), (2) or (3)
CASS 1A.3.2 R				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]
				[deleted]

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
				[deleted] [deleted]
CASS 5.5.84 R	Failure of <i>bank, broker or settlement agent</i>	Full details including whether it intends to make good any <i>shortfall</i> that may have arisen in the amounts involved	As soon as the <i>firm</i> becomes aware	Immediately
CASS 5.5.84 R	Inability to perform the calculation required by CASS 5.5.84 R	Inability to perform the calculation	Inability to perform the calculation	Immediately
CASS 5.5.84 R	Inability to make good any <i>shortfall</i> identified by CASS 5.5.84 R	Inability to make good any <i>shortfall</i> in <i>client money</i>	Inability to make good any <i>shortfall</i>	Immediately
CASS 5.5.84 R	Inability to comply with the requirements in CASS 5.5.84 R; CASS 5.5.84 R; CASS 5.5.84 R; CASS 5.5.84 R	Inability to comply with the requirements of the <i>rules</i> listed	Inability to comply with the requirements of the <i>rules</i> listed	As soon as reasonably practicable
CASS 6.5.13R (1)	Non-compliance or inability, in any material respect, to comply with the requirements in CASS 6.5.1 R (Records and accounts), CASS 6.5.2 R (Records and accounts, including internal reconciliations) or CASS 6.5.6R (Reconciliations with external records)	The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that	Non-compliance or inability, in any material respect, to comply with the requirements	Without delay
CASS 6.5.13 R (1A)	Non-compliance or material inability to comply with the requirements in CASS 6.5.1 R (Records and accounts) and/or articles 89(1)(b) or 89(1)(c) (Safekeeping duties with regard to assets held in custody) of the AIFMD level 2 regulation	The fact that the <i>firm</i> has not complied or is materially unable to comply with the requirements and the reasons for that	Non-compliance or material inability to comply with the requirement	Without delay
CASS 6.5.13R (2)	Non-compliance or inability, in any mate-	The fact that the <i>firm</i> has not complied or	Non-compliance or inability, in any mate-	Without delay

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 7.4.35 R	<p>rial respect, to comply with the requirements in CASS 6.5.10R (Reconciliation discrepancies)</p> <p>LME bond arrangements</p>	<p>is unable, in any material respect, to comply with the requirements and the reasons for that</p> <p>Issue of an individual letter of credit issued by the <i>firm</i></p>	<p>rial respect, to comply with the requirements</p> <p>Upon issue of an individual letter of credit under an LME bond arrangement</p>	Immediately
CASS 7.6.16 R (1)	<p>Non-compliance or inability, in any material respect, to comply with the requirements in CASS 7.6.1R (Records and accounts), CASS 7.6.2R (Records and accounts, including internal reconciliations) or CASS 7.6.9R (Reconciliations with external records)</p>	<p>The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that</p>	<p>Non-compliance or inability, in any material respect, to comply with the requirements</p>	Without delay
CASS 7.6.16 R (2)	<p>Non-compliance or inability, in any material respect, to comply with the requirements in CASS 7.6.13R to CASS 7.6.15R (Reconciliation discrepancies)</p>	<p>The fact that the <i>firm</i> has not complied or is unable, in any material respect, to comply with the requirements and the reasons for that</p>	<p>Non-compliance or inability, in any material respect, to comply with the requirements</p>	Without delay
CASS 7A.3.19 R (1)	<p>Failure of a third party with which <i>money</i> is held - i.e.: bank, <i>intermediate broker</i>, <i>settlement agent</i> or OTC counterparty or other entity with which it has placed or to which it has passed <i>client money</i></p>	<p>Full details</p>	<p><i>Firm</i> becomes aware of the <i>failure</i> of the entity</p>	<p>As soon as the <i>firm</i> becomes aware</p>
CASS 7A.3.19 R (2)	<p><i>Failure</i> of a third party with which money is held - i.e.: bank, <i>intermediate broker</i>, <i>settlement agent</i> or OTC counterparty or other entity with which it has placed or to which it has passed <i>client money</i></p>	<p>Intentions regarding making good any <i>shortfall</i> that has arisen or may arise, and of the amounts involved</p>	<p><i>Failure</i> of third party with which <i>client money</i> is held</p>	<p>As soon as reasonably practical</p>

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
CASS 10.1.16 R	If a <i>firm</i> has not complied with, or is unable to comply with, CASS 10.1.3 R	The fact of that <i>firm's</i> non-compliance or inability to comply with the <i>rule</i> in CASS 10.1.3 R	Non-compliance or inability to comply with CASS 10.1.3 R	Immediately (as per CASS 10.1.16 R)

Client Assets

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules), the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Market Conduct

Market Conduct

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Supervision

3.10.4A

FCA

R

- (1) For the purpose of ■ SUP 3.10.4 R (1), an auditor must ensure that the report is prepared in accordance with the terms of a *reasonable assurance engagement*.
- (2) For the purpose of ■ SUP 3.10.4 R (2), an auditor must ensure that the report is prepared in accordance with the terms of a *limited assurance engagement*.

3.10.5

FCA

R

Table Client assets report

Whether in the auditor's opinion

- (1) the *firm* has maintained systems adequate to enable it to comply with the *custody rules*, the *collateral rules*, the *client money rules* (except CASS 5.2) and the *mandate rules* throughout the period ;
- (2) the *firm* was in compliance with the *custody rules*, the *collateral rules*, the *client money rules* (except CASS 5.2) and the *mandate rules*, at the date as at which the report has been made;
- (3) in the case of an *investment management firm*, *personal investment firm*, a *UCITS firm*, *securities and futures firm*, *firm acting as trustee or depositary of an AIF*, *firm acting as trustee or depositary of a UCITS* or *BIPRU investment firm*, when a *subsidiary* of the *firm* is during the period a *nominee company* in whose name *custody assets* of the *firm* are registered during the period, that *nominee company* has maintained throughout the period systems for the custody, identification and control of *custody assets* which:
 - (a) were adequate; and
 - (b) included reconciliations at appropriate intervals between the records maintained (whether by the *firm* or the *nominee company*) and statements or confirmations from *custodians* or from the *person* who maintained the record of legal entitlement; and
- (4) if there has been a *secondary pooling event* during the period, the *firm* has complied with the *rules* CASS 5.6 and CASS 7A (Client money distribution) in relation to that pooling event.

3.10.5A

FCA

R

In relation to a client assets report provided in accordance with ■ SUP 3.10.4 R, an auditor must ensure that it:

- (1) is submitted in the form prescribed by ■ SUP 3 Annex 1 R; and

(2) is signed on behalf of the audit firm by the individual with primary responsibility for a *firm's* client assets report and in that individual's own name.

3.10.5B
FCA

G

■ SUP 3.10.4 R provides that an auditor must ensure that a client assets report is prepared in accordance with the terms of, as the case may be, a *reasonable assurance engagement* or a *limited assurance engagement*. However, the FCA also expects an auditor to have regard, where relevant, to material published by the Auditing Practices Board that deals specifically with the client assets report which the auditor is required to submit to the FCA . In the FCA's view, a client assets report that is prepared in accordance with that material is likely to comply with ■ SUP 3.10.4 R and ■ SUP 3.10.5 R where that report is prepared for a *firm* within the scope of the material in question.

3.10.5C
FCA

R

- (1) An auditor must ensure that the information provided to it by a *firm* in accordance with ■ SUP 3.11.1 G is included in the client assets report.
- (2) If by the date at which the report is due for submission in accordance with ■ SUP 3.10.7 R or ■ SUP 3.10.8A R an auditor has not received the information prescribed in ■ SUP 3.11.1 G it must submit the report without that information, together with an explanation for its absence.

Client assets report: period covered

3.10.6
FCA

R

The period covered by a report under ■ SUP 3.10.4 R must end not more than 53 weeks after the period covered by the previous report on such matters, or, if none, after the *firm* is *authorised* or becomes subject to ■ SUP 3.11 and its auditor becomes subject to ■ SUP 3.10.

Client assets report: timing of submission

3.10.7
FCA

R

An auditor must deliver a client assets report under ■ SUP 3.10.4 R to the FCA within four months from the end of each period covered , unless it is the auditor of a *firm* falling within category (10) of ■ SUP 3.1.2 R.

3.10.7A

G

[deleted]

3.10.8
FCA

R

- (1) If an auditor expects that it will fail to comply with ■ SUP 3.10.7 R, it must no later than the end of the four month period in question:
 - (a) notify the FCA that it expects that it will be unable to deliver a client assets report by the end of that period; and
 - (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its expected failure to comply with ■ SUP 3.10.7 R.

- (2) If an auditor fails to comply with ■ SUP 3.10.7 R, it must promptly:
 - (a) notify the *FCA* of that failure; and
 - (b) ensure that the notification in (a) is accompanied by a full account of the reasons for its failure to comply with ■ SUP 3.10.7 R.

3.10.8A
FCA

R The auditor of a *firm* falling within category (10) of ■ SUP 3.1.2 R must deliver a report under ■ SUP 3.10.4 R:

- (1) to the *firm* so as to be received within four months of the end of each period covered; and
- (2) to the *FCA* upon request within six years of the end of the period covered.

3.10.8B
FCA

G The rights and duties of auditors are set out in ■ SUP 3.8 (Rights and duties of all auditors) and ■ SUP 3.10 (Duties of auditors: notification and report on client assets). ■ SUP 3.8.10 G also refers to the auditor's statutory duty to report certain matters to the *FCA* imposed by regulations made by the Treasury under sections 342(5) and 343(5) of the *Act* (information given by auditor or actuary to a regulator). An auditor should bear these rights and duties in mind when carrying out *client* asset report work, including whether anything should be notified to the *FCA* immediately.

3.10.8C
FCA

G It is the responsibility of an *insurance intermediary's* senior management to determine, on a continuing basis, whether the *firm* is an *exempt insurance intermediary* for the purposes of this requirement and to appoint an auditor if management determines the *firm* is no longer exempt. ■ SUP 3.7 (amplified by ■ SUP 15) sets out what a firm should consider when deciding whether it should notify the *FCA* of matters raised by its auditor.

3.10.8D
FCA

R An auditor must:

- (1) deliver to a *firm* a draft of its client assets report such that the *firm* has an adequate period of time to consider the auditor's findings and to provide the auditor with comments of the kind to which ■ SUP 3.11.1 G refers; and
- (2) unless it is the auditor of a *firm* falling within category (10) of ■ SUP 3.1.2 R, deliver to the *firm* a copy of the final report at the same time as it delivers that report to the *FCA* in accordance with ■ SUP 3.10.7 R.

Client assets report: requirements not met or inability to form opinion ...

3.10.9
FCA

R If the client assets report under ■ SUP 3.10.4 R states that one or more of the applicable requirements described in ■ SUP 3.10.5 R(1) to ■ (4) has or have not been met, the auditor must specify in the report each of those requirements and the respects in which it has or they have not been met.

3.10.9A
FCA

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(1) Whether or not an auditor concludes that one or more of the requirements specified in ■ SUP 3.10.5 R (1) to ■ (4) has or have been met, the auditor must ensure that the client assets report identifies each individual *rule* in respect of which a breach has been identified.

(2) If an auditor does not identify a breach of any individual *rule*, it must include a statement to that effect in the client assets report.

3.10.9B
FCA

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For the purpose of ■ SUP 3.10.9 R and ■ SUP 3.10.9A R, an auditor must ensure that the information prescribed under those *rules* is submitted using, respectively, Part 1 (Auditor's Opinion) and Part 2 (Breaches Schedule) of ■ SUP 3 Annex 1 R.

3.10.9C
FCA

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(1) The FCA expects that the list of breaches will include every breach of a *rule* in CASS insofar as that *rule* is within the scope of the client assets report and is identified in the course of the auditor's review of the period covered by the report, whether identified by the auditor or disclosed to it by the *firm*, or by any third party.

(2) For the purpose of determining whether to qualify its opinion or express an adverse opinion, the FCA would expect an auditor to exercise its professional judgment as to the significance of a *rule* breach, as well as to its context, duration and incidence of repetition. The FCA would expect an auditor to consider the aggregate effect of any breaches when judging whether a *firm* had failed to comply with the requirements described in ■ SUP 3.10.5 R (1) to ■ (4).

3.10.10
FCA

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If an auditor is unable to form an opinion as to whether one or more of the applicable requirements described in ■ SUP 3.10.5 R have been met, the auditor must specify in the report under ■ SUP 3.10.4 R those requirements and the reasons why the auditor has been unable to form an opinion.

3.10.11

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[deleted]

Method of submission of reports

3.10.12
FCA

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An auditor of a *firm* must submit a report under ■ SUP 3.10.4 R in accordance with the rules in ■ SUP 16.3.6 R to ■ SUP 16.3.13 R as if those *rules* applied directly to the auditor.

Service of Notice Regulations

3.10.13
FCA

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The Financial Services and Markets Act 2000 (Service of Notices) Regulations 2001 (SI 2001/1420) contain provisions relating to the service of documents on the FCA . They do not apply to reports required by ■ SUP 3.10 because of the specific provisions in ■ SUP 3.10.12 R.

SUP 3 Annex 1

FCA

Auditor's client assets report - SUP 3 Annex 1

3

Chapter 6

Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements

6.1 Application, interpretation and purpose

Application

6.1.1

FCA PRA

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This chapter applies to every *firm* with a *Part 4A permission* which wishes to:

- (1) vary its *Part 4A permission*; or
- (2) cancel its *Part 4A permission* and end its *authorisation* ;
- (3) have a new *requirement* imposed on it;
- (4) vary a *requirement* imposed on it; or
- (5) cancel a *requirement* imposed on it.

6.1.2

FCA PRA

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If appropriate, a *firm* which is an *authorised fund manager* should also refer to ■ COLL 7 for *guidance* on the termination of *ICVCs* , *ACs* and *AUTs* and on winding up *authorised funds* that are not commercially viable.

6.1.3

FCA PRA

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This chapter applies to an *incoming firm* or a *UCITS qualifier* only in respect of a *top-up permission*. An *incoming firm* or a *UCITS qualifier* should refer to ■ SUP 14 (Variation of passport rights by incoming EEA firms and ending authorisation) for the procedures for changes to *permission* granted under Schedules 3, 4 or 5 of the *Act*.

6.1.3A

FCA PRA

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- (1) In ■ SUP 6 the "relevant regulator" is the regulator to which a *firm* with a *Part 4A permission* has made or can make (in accordance with ■ SUP 6) an application to vary or cancel its *Part 4A permission* or to have imposed on it a new *requirement* or to vary or cancel any existing *requirement* (see ■ SUP 6.2.3A G to ■ SUP 6.2.3E G).
- (2) Where the *PRA* can only determine an application with the consent of the *FCA*, the *FCA* may request further information as if it were the relevant regulator.
- (3) In some instances, the *Act* requires the *FCA* and the *PRA* to consult with each other prior to exercising their powers under the *Act*. Details of where consultation is required have not been set out in ■ SUP 6. Where a provision in ■ SUP 6 makes reference to a power, the exercise of which by the *FCA* or the *PRA* (as the case may be) requires consultation under the *Act*, *firms*

- (5) a *firm* with *permission* to carry on *insurance mediation activity* in relation to *non-investment insurance contracts* but no other *regulated activity*.

10A.1.19

FCA

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It will be a matter of fact in each case whether, having regard to all the circumstances, including in particular where the balance of the business lies, a *firm's* principal purpose is to carry on activities other than *regulated activities*. If a *firm* wishes to rely on ■ SUP 10A.1.18 R, it should be in a position to demonstrate that its principal purpose is to carry on activities other than *regulated activities*.

Insolvency practitioners

10A.1.20

FCA

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This chapter does not apply to a function performed by:

- (1) a *person* acting as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986; or
- (2) a *person* acting as a nominee in relation to a voluntary arrangement under Parts I (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency Act 1986; or
- (3) a *person* acting as an insolvency practitioner within the meaning of Article 3 of the Insolvency (Northern Ireland) Order 1989; or
- (4) a *person* acting as a nominee in relation to a voluntary arrangement under Parts II (Company Voluntary Arrangements) and VIII (Individual Voluntary Arrangements) of the Insolvency (Northern Ireland) Order 1989.

Bidders in emissions auctions

10A.1.21

FCA

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For a *firm* that is exempt from *MiFID* under article 2(1)(i) and whose only *permission* is *bidding in emissions auctions*, the only *FCA controlled functions* that apply to it are:

- (1) the *FCA governing functions*;
- (2) the *money laundering reporting function*;
- (3) the *customer function*; and
- (4) (where it has exercised an opt-in to CASS in accordance with ■ CASS 1.4.9 R and is a *CASS medium firm* or a *CASS large firm*) the *CASS operational oversight function*.

This is because the *FCA-approved person* regime specifies a number of functions by incorporation of requirements in SYSC; however, a *firm* carrying on *auction regulation bidding* is only subject to SYSC to a limited extent in relation to that activity. This means that the *FCA required functions* do not apply to *auction regulation bidding*, except for the *money laundering reporting function*. Similarly, the *significant management function* does not apply in relation to *auction regulation bidding* because, in carrying on that activity, a *firm* is not subject to ■ SYSC 2.1.1 R or ■ SYSC 4.1.1 R and is not undertaking *proprietary trading*.

10A.1.22
FCA

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Territorial scope of SUP 10A in relation to benchmark submission

Notwithstanding anything to the contrary in ■ SUP 10A.1.5 R, ■ SUP 10A.1.6 R and ■ SUP 10A.1.13 R the application of ■ SUP 10A to the *benchmark submission function* is as set out in ■ MAR 8.2.3 R.

10A.1.23
FCA

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■ MAR 8.2.3 R says that the obligation on a *benchmark submitter* to appoint a benchmark manager applies if it maintains an establishment in the *United Kingdom*. Therefore, ■ SUP 10A applies to the *benchmark submission function* whether or not the activity of *providing information in relation to a specified benchmark* (or any other regulated activity) or the *benchmark submission function* are carried on from that establishment.

10A.1.24
FCA

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Internally managed corporate AIFs

In accordance with section 59(7C) of the *Act* this chapter does not apply to an *internally managed corporate AIF*.



10A.6 FCA governing functions

Introduction

10A.6.1

FCA

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Every *firm* will have one or more *persons* responsible for directing its affairs. These *persons* will be performing the *FCA governing functions* and will be required to be *FCA-approved persons* unless the application provisions in ■ SUP 10A.1, or the particular description of an *FCA controlled function*, provide otherwise. For example, each *director* of a *company* incorporated under the Companies Acts will perform an *FCA governing functions*. However, if the *firm* is a *PRA-authorised person*, the *governing functions* do not apply. Instead, those *persons* will be performing the *PRA governing functions* and will be required to be *PRA-approved person* instead.

10A.6.2

FCA

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A *sole trader* does not fall within the description of the *governing functions*.

What the FCA governing functions include

10A.6.3

FCA

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Each of the *FCA governing functions* includes:

- (1) (where apportioned under ■ SYSC 2.1.1 R or ■ SYSC 4.3.1 R and ■ SYSC 4.4.3 R (or, for a *full-scope UK AIFM* apportioned under article 60(1) of the *AIFMD level 2 regulation*))
 - (a) the *systems and controls function* (if it applies to the *firm*); and
 - (b) the *significant management function*;
- (2) (in respect of *bidding in emissions auctions*) that part of the *customer function* specified in ■ SUP 10A.10.7R (7) (bidder's representative).

This does not apply to the *non-executive director function* or the function described in ■ SUP 10A.6.8 R.

PAGE
15

10A.6.4

FCA

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- (1) The effect of ■ SUP 10A.6.3 R is that a *person* who is approved to perform an *FCA governing function* will not have to be specifically *FCA-approved* to perform the *systems and controls function* or the *significant management function* or the part of the *customer function* specified in ■ SUP 10A.10.7R (7). However, a *person* who is approved to perform an *FCA governing function* will have to be additionally *FCA-approved* before he can perform any of the *FCA required*

functions or the *customer function* (except the part specified in ■ SUP 10A.10.7R (7)).

- (2) ■ SUP 10A.6.3 R does not apply to the *non-executive director function*. It does not apply to the *director function* if the only part of that function that the *FCA-approved person* is performing is the function described in ■ SUP 10A.6.8 R.

10A.6.5
FCA

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A *firm* carrying on *insurance mediation activity*, other than a *sole trader*, must allocate to a *director* or *senior manager* the responsibility for the *firm's insurance mediation activity* (■ MIPRU 2.2.1 R). ■ MIPRU 2.2.2 R (1) provides that the *firm* may allocate this responsibility to one or more of the *persons* performing an *FCA governing function* (other than the *non-executive director function*).

10A.6.6
FCA

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Where a *person* performing a *governing function* is also responsible for the *firm's insurance mediation activity*, the words "(insurance mediation)" will be inserted after the relevant *FCA controlled function* (see ■ MIPRU 2.2.5 G).

Director function (CF1)

10A.6.7
FCA

R

If a *firm* is a *body corporate* (other than a *limited liability partnership*), the *director function* is the function of acting in the capacity of a *director* (other than *non-executive director*) of that *firm*.

10A.6.8
FCA

R

- (1) If a *firm* is a *body corporate* (other than a *limited liability partnership*), the *director function* is also the function of acting in the capacity of a *person*:
 - (a) who is a *director*, partner, officer, member (if the *parent undertaking* or *holding company* is a *limited liability partnership*), *senior manager*, or employee of a *parent undertaking* or *holding company* of the *firm*; and
 - (b) whose decisions or actions are regularly taken into account by the *governing body* of the *firm*.
- (2) (1) does not apply if that *parent undertaking* or *holding company* has a *Part 4A permission* or is regulated by an *EEA regulator*.
- (3) (1) does not apply to the function falling into ■ SUP 10A.6.13 R (*non-executive director* of the *parent undertaking* or *holding company*).

10A.6.9
FCA

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Examples of where ■ SUP 10A.6.8 R might apply include (but are not limited to):

- (1) a chairman of an audit committee of a *parent undertaking* or *holding company* of a *UK firm* where that audit committee is working for that *UK firm* (that is, functioning as the audit committee for the *group*); or

- (2) a *director* (other than a *non-executive director*) of a *parent undertaking* or *holding company* of a *UK firm* exercising significant influence by way of his involvement in taking decisions for that *UK firm*; or
- (3) an individual (such as a *senior manager*) of a *parent undertaking* or *holding company* of a *UK firm* who is responsible for and/or has significant influence in setting the objectives for and the remuneration of executive *directors* of that *UK firm*; or
- (4) an individual who is a *director* (other than a *non-executive director*) or a *senior manager* of a *parent undertaking* or *holding company* of a *UK firm* who is accustomed to influencing the operations of that *UK firm*, and acts in a manner in which it can reasonably be expected that an executive *director* or *senior manager* of that *UK firm* would act; or
- (5) an individual of an *overseas firm* which maintains an establishment in the *United Kingdom* from which *regulated activities* are carried on, where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*.

10A.6.10

G

A *director* can be a *body corporate* and may accordingly require approval as an *FCA-approved person* in the same way as a natural *person* may require approval.

FCA

10A.6.11

G

The *director function* does not apply in relation to a *PRA-authorized person*. *PRA* approval is required instead.

FCA

Non-executive director function (CF2)

10A.6.12

R

If a *firm* is a *body corporate*, the *non-executive director function* is the function of acting in the capacity of a *non-executive director* of that *firm*.

FCA

10A.6.13

R

- (1) If a *firm* is a *body corporate*, the *non-executive director function* is also the function of acting in the capacity of a *person*:
 - (a) who is a *non-executive director* of a *parent undertaking* or *holding company*; and
 - (b) whose decisions or actions are regularly taken into account by the *governing body* of the *firm*.
- (2) However, (1) does not apply if that *parent undertaking* or *holding company* has a *Part 4A permission* or is regulated by an *EEA regulator*.

FCA

10A.6.14

G

Examples of where ■ SUP 10A.6.13 R might apply include (but are not limited to):

FCA

- (1) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* who takes an active role in the running of the business of a *UK firm*, for example, as a member of a board or committee (on audit or remuneration) of that *firm*; or

- (2) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* having significant influence in setting and monitoring the business strategy of the *UK firm*; or
- (3) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* of a *UK firm* involved in carrying out responsibilities such as scrutinising the approach of executive management, performance, or standards of conduct of the *UK firm*; or
- (4) an individual who is a *non-executive director* of a *parent undertaking* or *holding company* of a *UK firm* who is accustomed to influence the operations of the *UK firm*, and acts in a way in which it can reasonably be expected that a *non-executive director* of the *UK firm* would act; or
- (5) an individual who is a *non-executive director* of an *overseas firm* which maintains a *branch* in the *United Kingdom* from which *regulated activities* are carried on where that individual has responsibilities for those *regulated activities* which are likely to enable him to exercise significant influence over the *UK branch*.

10A.6.15 G
FCA

The *non-executive director function* does not apply in relation to a *PRA-authorized person*. *PRA* approval is required instead.

Guidance on persons in a parent undertaking or holding company exercising significant influence

10A.6.16 G
FCA

- (1) This paragraph explains the basis on which the *director function* and the *non-executive director function* are applied to *persons* who have a position with the *firm's parent undertaking* or *holding company* under ■ SUP 10A.6.8 R or ■ SUP 10A.6.13 R.
- (2) The basic position is set out in ■ SUP 10A.3.4 G. As is the case with all *controlled functions*, ■ SUP 10A.6.8 R and ■ SUP 10A.6.13 R are subject to the overriding provisions in ■ SUP 10A.3.1 R, which sets out the requirements of section 59(1) and (2) of the *Act*. This means that unless the *firm* has an *arrangement* permitting the performance of these roles by the *persons* concerned, these *persons* will not be performing these *controlled functions*. Therefore, the *FCA* accepts that there will be cases in which a *person* performing these roles will not require approval. However where there is such an *arrangement* the function may apply.

Chief executive function (CF3)

10A.6.17 R
FCA

The *chief executive function* is the function of acting in the capacity of a *chief executive* of a *firm*.

10A.6.18 G
FCA

This function is having the responsibility, alone or jointly with one or more others, under the immediate authority of the *governing body*:

- (1) for the conduct of the whole of the business (or relevant activities); or
- (2) in the case of a *branch* in the *United Kingdom* of an *overseas firm*, for the conduct of all of the activities subject to the *UK regulatory system*.

10A.6.19 **G** For a *branch* in the *United Kingdom* of an *overseas firm*, the *FCA* would not normally expect the overseas *chief executive* of the *firm* as a whole to be *FCA*-approved for this function where there is a *senior manager* under him with specific responsibility for those activities of the *branch* which are subject to the *UK regulatory system*. In some circumstances, the *person* within the *firm* responsible for *UK operations* may, if the function is likely to enable him to exercise significant influence over the *branch*, also perform the *chief executive function* (see ■ SUP 10A.7.4 G).

10A.6.20 **G** A *person* performing the *chief executive function* may be a member of the *governing body* but need not be. If the chairman of the *governing body* is also the *chief executive*, he will be discharging this function. If the responsibility is divided between more than one *person* but not shared, there is no *person* exercising the *chief executive function*. But if that responsibility is discharged jointly by more than one *person*, each of those *persons* will be performing the *chief executive function*.

10A.6.21 **G** Note that a *body corporate* may be a *chief executive*. If so, it will need to be approved (if the *firm* in question is an *FCA-authorised person*) to perform the *chief executive function*.

10A.6.22 **G** The *chief executive function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.

Partner function (CF4)

- 10A.6.23** **R**
- (1) If a *firm* is a *partnership*, the *partner function* is the function of acting in the capacity of a *partner* in that *firm*.
 - (2) If the principal purpose of the *firm* is to carry on one or more *regulated activities*, each *partner* performs the *partner function*.
 - (3) If the principal purpose of the *firm* is other than to carry on *regulated activities*:
 - (a) a *partner* performs the *partner function* to the extent only that he has responsibility for a *regulated activity*; and
 - (b) a *partner* in a *firm* will be taken to have responsibility for each *regulated activity* except where the *partnership* has apportioned responsibility to another *partner* or group of *partners*.

10A.6.24 **G** Any apportionment referred to in ■ SUP 10A.6.23R (3)(b) will have taken place under ■ SYSC 2.1.1 R or ■ SYSC 4.3.1 R and ■ SYSC 4.4.3 R. The *FCA* may ask to see details of the apportionment but will not require, as a matter of course, a copy of the material which records this (see ■ SYSC 2.2).

10A.6.25 **G** The effect of ■ SUP 10A.1.17 R is that *regulated activity* in ■ SUP 10A.6.23 R (and elsewhere) is to be taken as not including an activity that is a *non-mainstream regulated activity*. Therefore, a *partner* whose only *regulated activities* are incidental to his professional services, in a *partnership* whose principal purpose is to carry on other than *regulated activities*, need not be an *FCA-approved person*. What amounts to the principal purpose

of the *firm* is a matter of fact in each case having regard to all the circumstances, including the activities of the *firm* as a whole. Any *regulated activities* which such a partner carries on are not within the description of the *partner function*.

10A.6.26 **R** If a *firm* is a *limited liability partnership*, the *partner function* extends to the *firm* as if the *firm* were a *partnership* and a member of the *firm* were a *partner*.
FCA

10A.6.27 **R** If a *partnership* is registered under the *Limited Partnership Act 1907*, the *partner function* does not extend to any function performed by a *limited partner*.
FCA

10A.6.28 **G** The *partner function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.
FCA

Director of unincorporated association function (CF5)

10A.6.29 **R** If a *firm* is an unincorporated association, the *director of unincorporated association function* is the function of acting in the capacity of a *director* of the unincorporated association.
FCA

10A.6.30 **G** The *director of unincorporated association function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.
FCA

Small friendly society function (CF6)

10A.6.31 **R** (1) If a *firm* is a *non-directive friendly society*, the *small friendly society function* is the function of directing its affairs, either alone or jointly with others.
FCA

(2) If the principal purpose of the *firm* is to carry on *regulated activities*, each *person* with responsibility for directing its affairs performs the *FCA controlled function*.

(3) If the principal purpose of the *firm* is other than to carry on *regulated activities*, a *person* performs the *small friendly society function* only to the extent that he has responsibility for a *regulated activity*.

10A.6.32 **R** (1) Each *person* on the *non-directive friendly society's governing body* will be taken to have responsibility for its *regulated activities*, unless the *firm* has apportioned this responsibility to one particular individual to whom it is reasonable to give this responsibility.
FCA

(2) The individual need not be a member of the *governing body*.

10A.6.33 **G** Typically a *non-directive friendly Society* will appoint a "committee of management" to direct its affairs. However, the governing arrangements may be informal and flexible. If this is the case, the *FCA* would expect the society to resolve to give responsibility
FCA

for the carrying on of *regulated activities* to one individual who is appropriate in all the circumstances. That individual may, for example, have the title of *chief executive* or similar. The individual would have to be an *FCA-approved person* under ■ SUP 10A.6.31 R.

10A.6.34

FCA

G

In practice, the *FCA* expects that most *non-directive friendly societies* will be *PRA-authorised persons*. Where that is the case, the *small friendly society function* will not apply. *PRA* approval is required instead.

10A.7 FCA required functions

Apportionment and oversight function (CF8)

- 10A.7.1** **R** The *apportionment and oversight function* is the function of acting in the capacity of a *director or senior manager* responsible for either or both of the apportionment function and the oversight function set out in ■ SYSC 2.1.3 R or ■ SYSC 4.4.5 R.
- 10A.7.2** **G** In requiring someone to apportion responsibility, a *common platform firm* should not apply for that *person or persons* to be FCA-approved to perform the *apportionment and oversight function* (see ■ SUP 10A.7.1 R, ■ SYSC 2.1.3 R and ■ SYSC 1 Annex 1).
- 10A.7.3** **G** The fact that there is a *person* performing the *apportionment and oversight function*, and who has responsibility for activities subject to regulation by the FCA, may have a bearing on whether a manager who is based overseas will be performing an *FCA controlled function*. It is a factor to take into account when assessing the likely influence of the overseas manager.
- 10A.7.4** **G** Generally, in relation to a UK establishment of an *overseas firm* or a *firm* which is part of an overseas *group*, where an overseas manager's responsibilities in relation to the *United Kingdom* are strategic only, he will not need to be an *FCA-approved person*. However, where, in accordance with ■ SYSC 3 or ■ SYSC 4 to ■ SYSC 10, he is responsible for implementing that strategy in the *United Kingdom*, and has not delegated that responsibility to a *senior manager* in the *United Kingdom*, he is likely to be performing an *FCA controlled function* for example, the *chief executive function* or a *PRA controlled function*.
- 10A.7.5** **G** A *firm* carrying on *insurance mediation activity*, other than a *sole trader*, must allocate to a *director or senior manager* the responsibility for the *firm's insurance mediation activity* (■ MIPRU 2.2.1 R). ■ MIPRU 2.2.2 R (2) provides that the *firm* may allocate this responsibility to the *person* performing the *apportionment and oversight function*.
- 10A.7.6** **G** Where the *person* performing the *apportionment and oversight function* is also responsible for the *firm's insurance mediation activity*, the words "(insurance mediation)" will be inserted after this *FCA controlled function* (see ■ MIPRU 2.2.5 G).

10A.7.7 **G** As explained in ■ SUP 10A.11 (Minimising overlap with the PRA approved persons regime), the application of the *apportionment and oversight function* is sometimes disapplied for a *PRA-authorized person*.
FCA

Compliance oversight function (CF10)

10A.7.8 **R** The *compliance oversight function* is the function of acting in the capacity of:
FCA

- (1) a *director or senior manager* who is allocated the function set out in ■ SYSC 3.2.8 R or ■ SYSC 6.1.4 R (2); or
- (2) for a *full-scope UK AIFM*, a person allocated the function in article 61(3)(b) of the *AIFMD level 2 regulation*.

CASS operational oversight function (CF10a)

10A.7.9 **R** In relation to a *CASS medium firm* and a *CASS large firm*, the *CASS operational oversight function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ CASS 1A.3.1A R.
FCA

Money laundering reporting function (CF11)

10A.7.10 **R** The *money laundering reporting function* is the function of acting in the capacity of the *money laundering reporting officer* of a *firm*.
FCA

10A.7.11 **G** A *firm's* obligations in respect of its *money laundering reporting officer* are set out elsewhere in the *Handbook* (see ■ SYSC 3.2.6I R and ■ SYSC 6.3.9 R and for their scope, see the application provisions in ■ SYSC 1 Annex 1).
FCA

Benchmark submission function (CF40)

10A.7.12 **R** The *benchmark submission function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ MAR 8.2.3 R (1) (Organisational and governance arrangements).
FCA

Benchmark administration function (CF50)

10A.7.13 **R** The *benchmark administration function* is the function of acting in the capacity of a *person* to whom is allocated the function set out in ■ MAR 8.3.5 R (1) (Requirements for benchmark administrators).
FCA

10A.8 Systems and controls functions

Systems and controls function (CF28)

10A.8.1

FCA

R

The *systems and controls function* is the function of acting in the capacity of an *employee* of the *firm* with responsibility for reporting to the *governing body* of a *firm*, or the audit committee (or its equivalent) in relation to:

- (1) its financial affairs;
- (2) setting and controlling its risk exposure (see ■ SYSC 3.2.10 G and ■ SYSC 7.1.6 R);
- (3) adherence to internal systems and controls, procedures and policies (see ■ SYSC 3.2.16 G and ■ SYSC 6.2).

10A.8.2

FCA

R

The *systems and controls function* does not apply in relation to *bidding in emissions auctions* carried on by a *firm* that is exempt from MiFID under article 2(1)(i).

10A.8.3

FCA

G

The *systems and controls function* does not apply in relation to a *PRA-authorised person*. *PRA* approval is required instead.

10A.8.4

FCA

G

Where an *employee* performs the *systems and controls function* the *FCA* would expect the *firm* to ensure that the *employee* had sufficient expertise and authority to perform that function effectively. A *director* or *senior manager* would meet this expectation.

Full scope UK AIFM

10A.8.5

FCA

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For a *full-scope UK AIFM*, the requirement to have an *employee* responsible for reporting to the *governing body* of the *firm* or the audit committee for matters in ■ SUP 10A.8.1R (2) and ■ SUP 10A.8.1 R (3) is derived from the *AIFMD level 2 regulation*, which imposes obligations on such *firms* to have a permanent risk management function and, where appropriate and proportionate for their business, an internal audit function.

does not apply to a *UK firm* in relation to its exercise of an *EEA right* under the *auction regulation* to provide services or establish a branch in another *EEA state*. This is because a *UK firm* is not subject to the requirements in Schedule 3 to the *Act* in respect of its exercise of that *EEA right*.

13.1.4

FCA PRA

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■ SUP App 3 contains *guidance* on the *Single Market Directives*.

Purpose

13.1.5

FCA PRA

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This chapter gives *guidance* on Schedule 3 to the *Act* for a *UK firm* which wishes to exercise its *EEA right* and establish a *branch* in, or provide *cross border services* into, another *EEA State*. That is, when a *UK firm* wishes to establish its first *branch* in, or provide *cross border services* for the first time into, a particular *EEA State*.

13.1.6

FCA PRA

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The chapter also explains how a *UK firm* which has already established a *branch* in, or is providing *cross border services* into, another *EEA State*, may change the details of its *branch* or of the *cross border services* it is providing: for example, where a *UK firm* wishes to establish additional *branches* in an *EEA State* in which it has already established a *branch* where this would result in a change to the details provided previously. Such changes are governed by the *EEA Passport Rights Regulations*.

13.2 Introduction

13.2.1

FCA PRA

G

This chapter gives *guidance* to *UK firms*. In most cases *UK firms* will be *authorised persons* under the *Act*. However, under the *Banking Consolidation Directive*, a subsidiary of a *firm* which is a *credit institution* which meets the criteria set out in that Directive also has an *EEA right*. Such an unauthorised subsidiary is known as a *financial institution*. References in this chapter to a *UK firm* include a *financial institution*.

13.2.2

FCA PRA

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A *UK firm* should be aware that the *guidance* is the *FSA's* interpretation of the *Single Market Directives*, the *Act* and the legislation made under the *Act*. The *guidance* is not exhaustive and is not a substitute for *firms* consulting the legislation or taking their own legal advice in the *United Kingdom* and in the relevant *EEA States*.

13.2.3

FCA PRA

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In some circumstances, a *UK firm* that is carrying on business which is outside the scope of the *Single Market Directives* has a right under the *Treaty* to carry on that business. For example, for an *insurer* carrying on both direct insurance and *reinsurance* business, the *authorisation* of *reinsurance* business is not covered by the *Insurance Directives*. The *firm* may, however, have rights under the *Treaty* in respect of its *reinsurance* business. Such *UK firms* may wish to consult with the *appropriate UK regulator* on their particular circumstances (see ■ SUP 13.12.2 G).

13.2.4

FCA PRA

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In ■ SUP 13 the "appropriate UK regulator" amounts to whichever of the *FCA* and the *PRA* is the competent authority for *authorising* the relevant *UK firm*.

13.2.5

FCA

G

A *UK firm* that is an *AIFM* will only be entitled to carry on an activity under *AIFMD* under a passport in another *EEA State* if it is a *full-scope UK AIFM*.



13.3 Establishing a branch in another EEA State

What constitutes a branch

13.3.1

FCA PRA

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Guidance on what constitutes a *branch* is given in ■ SUP App 3 . Note that if a UK MiFID investment firm is seeking to use a *tied agent* established in another EEA State, the rules in ■ SUP 13 will apply as if that firm were seeking to establish a *branch* in that EEA State unless the firm has already established a *branch* in that EEA State (paragraph 20A of Schedule 3 to the Act).

The conditions for establishing a branch

13.3.2

FCA PRA

G

A UK firm other than a UK pure reinsurer cannot establish a *branch* in another EEA State for the first time under an EEA right unless the relevant conditions in paragraph 19 of Part III of Schedule 3 to the Act are satisfied. It is an offence for a UK firm which is not an authorised person to contravene this prohibition (paragraph 21 of Part III of Schedule 3 to the Act). These conditions are that:

- (1) the UK firm has given the appropriate UK regulator, in accordance with the appropriate UK regulator's rules (see ■ SUP 13.5.1 R), notice of its intention to establish a *branch* (known as a *notice of intention*) which :
 - (a) identifies the activities which it seeks to carry on through the *branch*; and
 - (b) includes such other information as may be specified by the appropriate UK regulator (see ■ SUP 13.5.1 R);
- (2) the appropriate UK regulator has given notice (known as a *consent notice*) to the Host State regulator;
- (2A) if the UK firm's EEA right relates to providing *collective portfolio management* services under the UCITS Directive , the FCA has provided to the Host State regulator:
 - (a) confirmation that the firm has been authorised as a *management company* under the provisions of the UCITS Directive;
 - (b) a description of the scope of the firm's *authorisation*; and
 - (c) details of any restriction on the types of EEA UCITS scheme that the firm is authorised to manage; and
- (3) (a) if the UK firm's EEA right derives from the Insurance Mediation Directive one month has elapsed beginning on the date on which the UK firm received

notice that the *appropriate UK regulator* had given a *consent notice* as described in ■ SUP 13.3.6 G (1) (see ■ SUP 13.3.2A G);

- (b) in any other case (except for a *firm* passporting under AIFMD):
 - (i) the *Host State regulator* has notified the *UK firm* (or, where the *UK firm* is passporting under the *Insurance Directives*, the *PRA*) of the *applicable provisions* or, in the case of a *UK firm* passporting under *MiFID* or the *UCITS Directive*, that the *branch* may be established ; or
 - (ii) two *months* have elapsed beginning with the date on which the *appropriate UK regulator* gave the *consent notice*.

13.3.2A G
FCA PRA

If the *UK firm* is passporting under the *Insurance Mediation Directive* and the *EEA State* in which the *UK firm* is seeking to establish a *branch* has not notified the European Commission of its wish to be informed of the intention of *persons* to establish a *branch* in its territory in accordance with article 6(2) of that directive, ■ SUP 13.3.2 G (2) and ■ SUP 13.3.2 G (3) do not apply. Accordingly, the *UK firm* may establish the *branch* to which its *notice of intention* relates as soon as the conditions referred to in ■ SUP 13.3.2 G (1) are satisfied. The list of *EEA States* that have notified the European Commission of their wish to be informed in accordance with article 6(2) of the *Insurance Mediation Directive* is published on the *FCA's* website at www.fca.org.uk.

13.3.2B G
FCA PRA

An *appointed representative* appointed by a *firm* to carry on *insurance mediation activity* on its behalf may establish a *branch* in another *EEA State* under the *Insurance Mediation Directive*. In this case, the *notice of intention* in ■ SUP 13.3.2 G (1) should be given to the *appropriate UK regulator* by the *firm* on behalf of the *appointed representative*.

13.3.2C G
FCA

An *exempt professional firm* which is included in the record of *unauthorised persons* carrying on *insurance mediation activity* maintained by the *FCA* under article 93 of the *Regulated Activities Order* may establish a *branch* in another *EEA State* under the *Insurance Mediation Directive* (see ■ PROF 7.2).

13.3.2D G
FCA PRA

A *tier agent* appointed by a *MiFID investment firm* to carry on *investment services and activities* (and *ancillary services* where relevant) does not have its own passporting right to establish a *branch* in another *EEA State*. However, a *MiFID investment firm* remains free to appoint a *tier agent* to do business in another *EEA State* and where it does so, the *tier agent* will benefit from its passport.

13.3.2E G
PRA

Once authorised in the *United Kingdom*, a *UK pure reinsurer* has an automatic *EEA right* to carry on *reinsurance* business in another *EEA State* by establishing a *branch* in that state or providing *cross border services* into that state. There are no additional requirements to be satisfied before the *firm* can commence business in that state.

13.3.3 G
PRA

Where the *UK firm* is passporting under the *Insurance Directives* and the *Host State regulator* has notified the *PRA* of the *applicable provisions*, then under paragraph 19(9) of Part III of Schedule 3 to the *Act*, the *PRA* is required to inform the *firm* of these provisions.

- 13.3.3A PRA G
- (1) ■ SUP 13.3.3 G does not apply to *UK pure reinsurers* as they have automatic passport rights on the basis of their *Home State authorisation* under the *Reinsurance Directive*.
 - (2) Under section 3 of Part III of the *General Protocol*, *Home State regulators* have agreed to inform *Host State regulators* if a *pure reinsurer* for which the *Home State* is responsible carries on business through a *branch* in the *Host State*. Therefore ■ SUP 13.5.1A R requires a *UK firm* passporting under the *Reinsurance Directive* to notify the *PRA* of certain information relating to the *branch*.

13.3.4 G [deleted]

13.3.4-A FCA G If a *UK firm* is passporting under *AIFMD*, it may establish a *branch* in another *EEA State* as soon as the conditions in ■ SUP 13.3.2 G (1) and ■ SUP 13.3.2 G (2) are met.

13.3.4A G [deleted]

Issue of a consent notice to the Host State regulator

- 13.3.5 FCA PRA G
- (1) If the *UK firm's EEA right* derives from the *Banking Consolidation Directive* or *MiFID*, the *appropriate UK regulator* will give the *Host State regulator* a *consent notice* within three *months* unless it has reason to doubt the adequacy of a *UK firm's* resources or its administrative structure. The *Host State regulator* then has a further two *months* to notify the *applicable provisions* (if any) and prepare for the supervision, as appropriate, of the *UK firm*, or in the case of a *MiFID investment firm*, to inform the *UK firm* that a *branch* can be established.
 - (1A) If the *UK firm's EEA right* derives from the *UCITS Directive*, the *FCA* will give the *Host State regulator* a *consent notice* within two *months* unless it has reason to doubt the adequacy of the *UK firm's* resources or its administrative structure. The *Host State regulator* then has a further two *months* to prepare for the supervision of the *UK firm*.
 - (1B) Where the *UK firm's EEA right* derives from *AIFMD*, the *FCA* will give the *Host State regulator* a *consent notice* within two *months* of having received the *notice of intention* and immediately inform the *UK firm* pursuant to ■ SUP 13.3.6 G (1) if the *FCA* is satisfied that the *firm* complies, and continues to comply with:
 - (a) the provisions implementing the *AIFMD*; and
 - (b) any directly applicable EU regulation made under that directive.
 - (2) (a) If the *UK firm's EEA right* derives from the *Insurance Directives*, the *PRA* will give the *Host State regulator* a *consent notice* within three *months* unless it has reason to:
 - (i) doubt the adequacy of the *UK firm's* resources or its administrative structure; or
 - (ii) question the reputation, qualifications or experience of the *directors* or managers of the *UK firm* or its proposed authorised agent;

in relation to the business the *UK firm* intends to conduct through the proposed *branch*. The *Host State regulator* then has a further two *months* to notify the *applicable provisions* (if any) and prepare for the supervision, as appropriate, of the *UK firm*.

- (b) In assessing the matters in (2)(a), the *PRA* may, in particular, seek further information from the *firm* or require a report from a *skilled person* (see ■ SUP 5 (skilled persons)).
- (c) If the *PRA* has required a financial recovery plan of a *UK firm* of the kind mentioned in paragraph 1 of article 38 of the *Consolidated Life Directive* or paragraph 1 of article 20a of the *First Non-Life Directive*, the *PRA* will not give a *consent notice* for so long as it considers that *policyholders* are threatened within the meaning of those provisions.
- (d) If the *UK firm's EEA right* derives from the *Insurance Mediation Directive* and ■ SUP 13.3.2 G (2) applies, the *appropriate UK regulator* will give the *Host State regulator* a *consent notice* within one *month* of the date on which it received the *UK firm's notice of intention*. In cases where ■ SUP 13.3.2 G (2) does not apply (see ■ SUP 13.3.2A G), the *UK firm* may establish a *branch* as soon as it satisfies the conditions referred to in ■ SUP 13.3.2 G.

13.3.5A

FCA PRA

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Where the *PRA* is the *appropriate UK regulator*, it will consult the *FCA* before deciding whether to give a *consent notice*, except where paragraph 19(7A) of Part III of Schedule 3 to the *Act* applies. Where the *FCA* is the *appropriate UK regulator*, it will consult the *PRA* before deciding whether to give a *consent notice* in relation to a *UK firm* whose immediate group includes a *PRA-authorized person*.

13.3.6

FCA PRA

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- (1) If the *appropriate UK regulator* gives a *consent notice*, it will inform the *UK firm* in writing that it has done so.
- (2) The *consent notice* will contain, among other matters, the *requisite details* or, if the *firm* is passporting under the *Insurance Directives*, the *relevant EEA details* (see ■ SUP 13 Annex 1 R) provided by the *UK firm* in its *notice of intention* (see ■ SUP 13.5 (Notices of intention)).
- (3) Where a *consent notice* is given under the *UCITS Directive*, the *FCA* will at the same time:
 - (a) communicate to the *Host State regulator* details of the *compensation scheme* intended to protect investors; and
 - (b) enclose the information described at ■ SUP 13.3.2 G (2A).
- (4) Where a *consent notice* is given under the *AIFMD* it must include confirmation that the *UK firm* has been *authorized* by the *FCA* under *AIFMD*.

13.3.7

FCA PRA

G

- (1) If the *appropriate UK regulator* proposes to refuse to give a *consent notice*, then paragraph 19(8) of Part III of Schedule 3 to the *Act* requires the *appropriate UK regulator* to give the *UK firm* a *warning notice*.

(2) If the *appropriate UK regulator* decides to refuse to give a *consent notice*, then paragraph 19(12) of Part III of Schedule 3 to the *Act* requires the *appropriate UK regulator* to give the *UK firm* a *decision notice* within three *months* of the date on which it received the *UK firm's notice of intention* (two *months* in the case of a *UK firm* which is a *UCITS management company* or an *AIFM*). The *UK firm* may refer the matter to the *Tribunal*.

(3) [deleted]

13.3.7A

FCA

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For details of the *FCA's* procedures for the giving of *warning notices* or *decision notices* see ■ DEPP 2 (Statutory notices and the allocation of decision making).

UCITS management companies: other information to be provided to the Host State

13.3.8

G

A *UK firm* seeking to provide *collective portfolio management* services from a *branch* in another *EEA State*, is advised that it will need to refer to the rules of the *competent authority* of the *UCITS Home State* implementing article 20 of the *UCITS Directive* which will require it to submit to that *competent authority* information relating to its depositary agreement and certain delegation arrangements.

13.4 Providing cross border services into another EEA State

Where is the service provided?

13.4.1

G

Guidance on where a *cross border service* is provided is given in ■ SUP App 3 .

The conditions for providing cross border services into another EEA State

13.4.2

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FCA PRA

A *UK firm*, other than a *UK pure reinsurer* or an *AIFM* exercising an *EEA right* to market an *AIF* under *AIFMD*, cannot start providing *cross border services* into another *EEA State* under an *EEA right* unless it satisfies the conditions in paragraphs 20(1) of Part III of Schedule 3 to the *Act* and, if it derives its *EEA right* from the *Insurance Directives*, *AIFMD*, *MiFID* or the *UCITS Directive*, paragraph 20(4B) of Part III of Schedule 3 to the *Act*. It is an offence for a *UK firm* which is not an *authorised person* to breach this prohibition (paragraph 21 of Part III of Schedule 3 to the *Act*). The conditions are that:

- (1) the *UK firm* has given the *appropriate UK regulator*, in the way specified by *appropriate UK regulator's rules* (see ■ SUP 13.5.2 R), notice of its intention to provide *cross border services* (known as a *notice of intention*) which:
 - (a) identifies the activities which it seeks to carry on by way of provision of *cross border services*; and
 - (b) includes such other information as may be specified by the *appropriate UK regulator* (see ■ SUP 13.5.2 R); and
- (2) if the *UK firm* is passporting under the *Insurance Directives*, the *firm* has received written notice from the *PRA* as described in ■ SUP 13.4.6 G; or
- (3) if the *UK firm* is passporting under the *Insurance Mediation Directive* and the *EEA State* in which the *UK firm* is seeking to provide services has notified the European Commission of its wish to be informed of the intention of *persons* to provide *cross border services* in its territory in accordance with article 6(2) of that directive, one *month* has elapsed beginning with the date on which the *UK firm* received written notice from the *appropriate UK regulator* as described in ■ SUP 13.4.5 G (paragraph 20 (3B)(c) of Schedule 3 to the *Act*) ; or
- (4) if the *UK firm* is passporting under *AIFMD*, the *firm* has received written notice from the *FCA* as described in ■ SUP 13.4.4A G (1)(c).

13.4.2A G An *appointed representative* appointed by a *firm* to carry on *insurance mediation activity* on its behalf may provide *cross border services* in another *EEA State* under the *Insurance Mediation Directive*. In this case, the *notice of intention* in ■ SUP 13.4.2 G (1) should be given to the *appropriate UK regulator* by the *firm* on behalf of the *appointed representative*.

FCA PRA

13.4.2B G An *exempt professional firm* which is included in the record of *unauthorised persons* carrying on *insurance mediation activity* maintained by the *FCA* under article 93 of the *Regulated Activities Order* may provide *cross border services* in another *EEA State* under the *Insurance Mediation Directive* (see ■ PROF 7.2).

FCA

13.4.2C G A *tied agent* appointed by a *MiFID investment firm* to carry on *investment services and activities* (and *ancillary services* where relevant) does not have its own passporting right to provide *cross border services* in another *EEA State*. However, a *MiFID investment firm* remains free to appoint a *tied agent* to do business in another *EEA State* and where it does so, the *tied agent* will benefit from its passport.

FCA PRA

13.4.2D G A *MiFID investment firm* that wishes to obtain a passport for the activity of *operating an MTF* should follow the procedures described in this chapter. A *UK market operator* that operates a *recognised investment exchange*, a *recognised auction platform* (pursuant to the *RAP regulations*, the definition of *regulated market* in the *Act* is read for these purposes as including a *recognised auction platform*) or an *MTF* and wishes to provide *cross border services* into another *EEA State* should follow the procedure described in ■ REC 4.2B.

FCA PRA

13.4.2E G ■ SUP 13.4.2 G does not apply to *UK pure reinsurers* as they have automatic passport rights on the basis of their *Home State authorisation* under the *Reinsurance Directive*. No notification is required from *UK pure reinsurers* in respect of the provision of *cross border services*.

PRA

13.4.2F G A *UK firm* that is an *AIFM* may exercise an *EEA right to market* a *UK AIF* or *EEA AIF* managed by it under *AIFMD* when the following conditions are satisfied:

FCA

- (1) the *UK firm* has given the *FCA* a *notice of intention* to *market* the *AIF* under ■ SUP 13.5.2 R; and
- (2) the *FCA* has sent a copy of the *notice of intention* to the *Host State regulator* where the *AIF* will be *marketed* and has given the *UK firm* written notice that it has done so.

13.4.3 G [deleted]

13.4.3A G [deleted]

13.4.4 G **Issuing a consent notice or notifying the Host State regulator**
■ (1) If the *UK firm's EEA right* derives from *MiFID*, the *Banking Consolidation Directive* or the *UCITS Directive*, paragraph 20(3) of Part III of Schedule 3 to the *Act* requires the *appropriate UK regulator* to send a copy of the *notice of*

FCA PRA

intention to the *Host State Regulator* within one *month* of receipt . A *UK firm* passporting under the *Banking Consolidation Directive* may start providing *cross border services* as soon as it satisfies the relevant conditions (see ■ SUP 13.4.2 G).

- (2) (a) If the *UK firm's EEA right* derives from the *Insurance Directives*, paragraph 20(3A) of Part III of Schedule 3 to the *Act* requires the *PRA*, within one *month* of receiving the *notice of intention* , to:
- (i) give notice in a specified form (known as a *consent notice*) to the *Host State regulator*; or
 - (ii) give written notice to the *UK firm* of its refusal to give a *consent notice* and the reasons for that refusal.
- (b) The issue or refusal of a *consent notice* under paragraph 20(3A) of Part III of Schedule 3 to the *Act* is the consequence of a regulatory decision, and this *consent notice* (unlike the *consent notice* for establishment of a *branch*) is not a *statutory notice* as set out in section 395 of the *Act*. A *UK firm* that receives notice that the *PRA* refuses to give a *consent notice* may refer the matter to the *Tribunal* under paragraph 20(4A) of Part III of Schedule 3 to the *Act*.
- (c) If the *PRA* has required of a *UK firm* a financial recovery plan of the kind mentioned in paragraph 1 of article 38 of the *Consolidated Life Directive* or paragraph 1 of article 20a of the *First Non-Life Directive*, the *PRA* will not give a *consent notice* for so long as it considers that *policyholders'* rights are threatened within the meaning of those provisions.
- (2A) (a) If the *UK firm's EEA right* derives from the *Insurance Mediation Directive*, and the *EEA State* in which the *UK firm* is seeking to provide services has notified the European Commission of its wish to be informed of the intention of *persons* to provide *cross border services* in its territory in accordance with article 6(2) of that directive, paragraph 20(3B)(a) of Part III of Schedule 3 to the *Act* requires the *appropriate UK regulator* to send a copy of the *notice of intention* to the *Host State regulator* within one *month* of receipt. Otherwise, the *UK firm* may start providing *cross border services* as soon as it satisfies the relevant conditions (see ■ SUP 13.4.2 G).
- (b) The list of the *EEA States* that have notified the European Commission of their wish to be informed in accordance with article 6(2) of the *Insurance Mediation Directive* is published on the *FCA's* website at www.fca.org.uk.
- (2B) Where a *consent notice* is given under the *UCITS Directive*, the *FCA* will at the same time:
- (a) communicate to the *Host State regulator* details of the *compensation scheme* intended to protect investors; and
 - (b) provide to the *Host State regulator*:
 - (i) confirmation that the *firm* has been *authorised* as a *management company* under the provisions of the *UCITS Directive*;
 - (ii) a description of the scope of the *firm's authorisation*; and

(iii) details of any restriction on the types of *EEA UCITS scheme* that the *firm* is *authorised* to manage.

13.4.4-A

FCA

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- (1) If the *UK firm's EEA right* derives from *AIFMD* (other than the *EEA right to market an AIF* (referred to in (3))) and the condition in (2) is met, paragraph 20(3D) of Part III of Schedule 3 to the *Act* requires the *FCA* to:
 - (a) send a copy of the *notice of intention* to the *Host State regulator* within one month of receipt;
 - (b) include confirmation that the *UK firm* has been *authorised* by the *FCA* under *AIFMD*; and
 - (c) immediately inform the *UK firm* that the *notice of intention* and confirmation have been sent to the *Host State regulator*;
- (2) The condition referred to in (1) is that the *FCA* is satisfied that the *firm* complies and will continue to comply with:
 - (a) the provisions implementing *AIFMD*, and
 - (b) any directly applicable EU regulation made under *AIFMD*.
- (3) If the *UK firm's EEA right* derives from *AIFMD* and relates to the *EEA right to market an AIF* and both the conditions in (4) are met, paragraph 20C of Part III of Schedule 3 to the *Act* requires the *FCA* to:
 - (a) send a copy of the *notice of intention* to the *Host State regulator* within 20 working days of receipt;
 - (b) include confirmation that the *UK firm* has been authorised by the *FCA* to manage *AIFs* with a particular investment strategy; and
 - (c) where the *notice of intention* relates to an *EEA AIF*, inform the *competent authority* of the *EEA AIF* that the *UK firm* may start *marketing* the *AIF* in the *EEA States* covered by the *notice of intention*.
- (4) The conditions referred to in (3) are that:
 - (a) the *FCA* is satisfied that the *UK firm* complies, and will continue to comply with, *AIFMD* and any directly applicable EU regulation made under *AIFMD*; and
 - (b) where the *AIF* is a *feeder AIF*, its *master AIF* is a *UK AIF* or *EEA AIF* that is managed by a *full-scope UK AIFM* or a *full-scope EEA AIFM*.
- (5) If the *FCA* refuses to send a copy of the *notice of intention* to the *Host State regulator* it must notify the *AIFM* in writing and include the reasons for such refusal. In such case, the *AIFM* may refer the matter to the *Tribunal*.

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13

13.4.4A

FCA PRA

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

13

13.4.5

FCA PRA

G

When the *appropriate UK regulator* sends a copy of a *notice of intention*, or if it gives a *consent notice* to the *Host State regulator*, it must inform the *UK firm* in writing that it has done so (paragraphs 20 (3B)(b), (3D)(a)(iii) and (4) and 20C(9) of Schedule 3 to the *Act*).

Applicable provisions for cross border services

13.4.6

PRA

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- (1) [deleted]
- (2) If the *UK firm* is passporting under the *Insurance Directives*, then the *Host State regulator* may notify the *PRA* if there are any *applicable provisions*. If so, the *PRA* will inform the *UK firm* of the *applicable provisions*.
- (3) If a *UK firm* is not notified of the *applicable provisions*, it should, for its own protection, take all reasonable steps to determine the *applicable provisions* for itself.

UCITS management companies: other information to be provided to the Host State

13.4.7

FCA

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A *UK firm* seeking to provide *collective portfolio management* services in another *EEA State* under the freedom to provide *cross border services*, is advised that it will need to refer to the rules of the *competent authority* of the *UCITS Home State* implementing article 20 of the *UCITS Directive* which will require it to submit to that *competent authority* information relating to its depositary agreement and certain delegation arrangements.



13.5 Notices of intention

Specified contents: notice of intention to establish a branch

13.5.1

R

FCA PRA

A UK firm, other than a UK pure reinsurer, wishing to establish a branch in a particular EEA State for the first time under an EEA right other than under the auction regulation must submit a notice of intention in the form set out in ■ SUP 13 Annex 1 R.

(1) [deleted]

(2) [deleted]

13.5.1A

R

PRA

A UK pure reinsurer establishing a branch in a particular EEA state for the first time under the Reinsurance Directive must submit a notice in the form set out in ■ SUP 13 Annex 1 R. Whenever possible, this notification must be made as soon as the information specified in that form is known by the firm.

13.5.1AA

R

FCA

A UK firm establishing a branch in a particular EEA state for the first time under the auction regulation must submit a notice of intention in the form set out in ■ SUP 13 Annex 7R prior to its establishment of that branch or whenever possible thereafter.

13.5.1B

G

PRA

■ SUP 13.5.1 R does not apply to UK pure reinsurers or a UK firm exercising an EEA right under the auction regulation as they have automatic passport rights on the basis of their Home State authorisation under the Reinsurance Directive or the auction regulation. However, the information required by ■ SUP 13.5.1A R and ■ SUP 13.5.1AA R assists the FSA's supervision of a branch in another EEA state.

Specified contents: notice of intention to provide cross border services

13.5.2

R

FCA PRA

A UK firm wishing to provide cross border services into a particular EEA State for the first time under an EEA right other than under the auction regulation must submit a notice in the form set out in:

(1) ■ SUP 13 Annex 2 R if the UK firm is passporting under MiFID; or

(1A) ■ SUP 13 Annex 3 R if the UK firm is passporting under the Insurance Directives; or

13.5.2-A
FCA

R

- (2) ■ Sup 13 Annex 4 R if the *UK firm* is passporting under the *Banking Consolidation Directive*; or
 - (3) ■ Sup 13 Annex 5 R if the *UK firm* is passporting under the *Insurance Mediation Directive*
 - (4) ■ SUP 13 Annex 6 R, if the *UK firm* is a *management company* passporting under the *UCITS Directive*.
 - (5) ■ SUP 13 Annex 8AR, if the *UK firm* is providing *cross-border services* under *AIFMD* to manage an *AIF* in another *EEA State*.
 - (6) ■ SUP 13 Annex 8BR, if the *UK firm* is providing *cross-border services* under *AIFMD* to market an *AIF* in another *EEA State*.
- (1) A *UK firm* wishing to provide a service into a particular *EEA State* for the first time under the *auction regulation* must inform the *appropriate UK regulator* of the information in (2) by email to emissionstrading@fca.org.uk prior to its provision of that service or whenever possible thereafter.
- (2) The information required by (1) is:
- (a) name of the *firm* and the *firm* reference number;
 - (b) *EEA state* in which the service is or will be provided; and
 - (c) the proposed commencement date of the service or the date on which the service commenced.

13.5.2A
FCA

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■ SUP 13.5.2 R does not apply to *UK pure reinsurers* or a *UK firm* exercising an *EEA right* under the *auction regulation* as they have automatic passport rights on the basis of their *Home State authorisation* under the *Reinsurance Directive* or the *auction regulation*. However, the information required by ■ SUP 13.5.2-A R assists the *FSA's* supervision of a *UK firm's* provision of a service in another *EEA state* under the *auction regulation*.

Method of submission of notices

13.5.3
FCA PRA

R

- (1) A *UK firm*, other than a *credit union*, must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R online at www.fca.org.uk using the ONA system.
 - (a) [deleted]
 - (b) [deleted]
- (2) [deleted]
 - (a) [deleted]
 - (b) [deleted]

- (c) [deleted]
- (d) [deleted]
- (e) [deleted]
- (f) [deleted]

(3) Where a *firm* is obliged to submit a notice in accordance with (1), 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* must submit that notice in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

(4) [deleted]

13.5.3A

PRA

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A *credit union* must submit any notice under ■ SUP 13.5.1 R (1), ■ SUP 13.5.1A R or ■ SUP 13.5.2 R in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

13.5.4

FCA PRA

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- (1) 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 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) should be used.
- (2) Where ■ SUP 13.5.3 R (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

13.5.4A

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[deleted]

Unregulated activities

13.5.5

FCA PRA

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A *notice of intention* (other than one to establish a branch or provide services in another EEA state under the *auction regulation*) may include activities within the scope of the relevant *Single Market Directive* which are not *regulated activities* (paragraphs 19(3) and 20(2) of Part III of Schedule 3 to the *Act*), although in the case of a *MiFID investment firm* a notice of intention may only include *ancillary services* which are to be carried on with one or more *investment services and activities* (paragraphs 19(5B) and 20(2A) of Part III of Schedule 3 to the *Act*). Regulation 19 of the *EEA Passport Rights Regulations* states that where a *UK firm* is able to carry on such an *unregulated activity* in the EEA State in question without contravening any law of the *United Kingdom* (or any part of the *United Kingdom*) the *UK firm* is treated, for the purposes of the exercise of its EEA right, as being *authorised* to carry on that activity.

Translations

13.5.6

PRA

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- (1) A *UK firm* passporting under the *Banking Consolidation Directive*, the *Insurance Directives* or the *Reinsurance Directive* may have to submit the *requisite details* or relevant details in the language of the *Host State* as well as in English. For

a *UK firm* passporting under the *Insurance Directives* this translated document will not include the relevant UK details. Further information is available from the *PRA* authorisations team .

- (2) A *UK firm* may wish to discuss with the *PRA* authorisations team the appropriate time for providing the translations in (1), given that further information or clarification of the details provided may be required by the *PRA*.
- (3) A *UK firm* passporting under the *Insurance Directives* should keep the *EEA* and *UK* relevant details separate as, if the application is approved, only the former will be sent to the *Host State regulator*.

Notifications to more than one EEA State

13.5.7

FCA PRA

G

If a *UK firm* wishes to establish *branches* in, or provide *cross border services* into, more than one *EEA State*, a single notification may be provided but the relevant information for each *EEA State* should be clearly identifiable.



13.6 Changes to branches

13.6.1

FCA PRA

G

Where a *UK firm* is exercising an *EEA right*, other than under the *Insurance Mediation Directive* (see ■ SUP 13.6.9A G) or the *Reinsurance Directive* (see ■ SUP 13.6.9B R), and has established a *branch* in another *EEA State*, any changes to the details of the *branch* are governed by the *EEA Passport Rights Regulations*. References to regulations in this section are to the *EEA Passport Rights Regulations*. A *UK firm* which is not an *authorised person* should note that, under regulation 18, contravention of the prohibition imposed by regulation 11(1), 13(1) or 15(1) is an offence. It is a defence, however, for the *UK firm* to show that it took all reasonable precautions and exercised due diligence to avoid committing the offence.

13.6.2

FCA PRA

G

UK firms should note that if a *branch* in another *EEA State* ceases to provide services, this may represent a change in *requisite details* or, if the *firm* is passporting under the *Insurance Directives*, the *relevant EEA details* or *relevant UK details*.

13.6.3

FCA PRA

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UK firms should also note that changes to the details of *branches* may lead to changes to the *applicable provisions* to which the *UK firm* is subject. These changes should be communicated to the *UK firm* either by the *Host State regulator*, or, if the *firm* is passporting under *Insurance Directives*, via the *PRA*.

Firms passporting under the Banking Consolidation Directive and the UCITS Directive.

13.6.4

FCA PRA

G

If a *UK firm* has exercised an *EEA right*, under the *Banking Consolidation Directive* or the *UCITS Directive*, and established a *branch* in another *EEA State*, regulation 11(1) states that the *UK firm* must not make a change in the *requisite details* of the *branch* (see ■ SUP 13 Annex 1), unless it has satisfied the requirements of regulation 11(2), or, where the change arises from circumstances beyond the *UK firm's* control, regulation 11(3) (see ■ SUP 13.6.10 G).

13.6.5

FCA PRA

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Where the change arises from circumstances within the control of the *UK firm*, the requirements in regulation 11(2) are that:

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

- (3) either the *Host State regulator* has informed the *UK firm* that it may make the change, or the period of one *month* beginning with the day on which the *UK firm* gave the *Host State regulator* the notice in (1) has elapsed.

Firms passporting under MiFID

13.6.5A

FCA PRA

G

If a *UK firm* has exercised an *EEA right* to establish a *branch* under *MiFID*, it must not make a change in the *requisite details* of the *branch* (see ■ SUP 13 Annex 1 R), use, for the first time, a *tiered agent* established in the *EEA State* in which the *branch* is established, or cease to use a *tiered agent* established in the *EEA State* in which the *branch* is established, unless it has satisfied the requirements of regulation 11A(2) (see ■ SUP 13.6.5B G).

13.6.5B

FCA PRA

G

The requirements of regulation 11A(2) are that:

- (1) the *UK firm* has given a 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 has elapsed.

Firms passporting under the Insurance Directives

13.6.6

PRA

G

If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and established a *branch* in another *EEA State*, regulation 13(1) states that the *UK firm* must not make a change in the *relevant EEA details*, unless it has satisfied the requirements of regulation 13(2), or, where the change arises from circumstances beyond the *UK firm's* control, regulation 13(3) (see ■ SUP 13.6.10 G).

13.6.7

PRA

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Where the change arises from circumstances within the control of the *UK firm*, the requirements in regulation 13(2) are that:

- (1) the *UK firm* has given notice to the *PRA* and to the *Host State regulator* stating the details of the proposed change;
- (2) the *PRA* has given the *Host State regulator* a notice informing it of the details of the proposed change;
- (3) the period of at least one *month* beginning on the day on which the *UK firm* gave the *PRA* the notice in (1) has elapsed; and
- (4) either:
 - (a) a further period of one *month* has elapsed; or
 - (b) the *PRA* has informed the *UK firm* of any consequential changes in the *applicable provisions* of which the *PRA* has been notified by the *Host State regulator*.

13.6.8

PRA

G

If a *UK firm* has exercised an *EEA right* under the *Insurance Directives* and established a *branch* in another *EEA State*, regulation 15(1) states that the *UK firm* cannot make a change in any of the *relevant UK details* unless the *UK firm* has given a notice to the

PRA stating the details of the proposed change at least one *month* before the change is effected.

13.6.9

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 Insurance Mediation Directive

13.6.9A

FCA PRA

G

A *UK firm* exercising its *EEA right* under the *Insurance Mediation Directive* to establish a *branch* in another *EEA State* is not required to supply a change to the details of *branches* notice .

Firms passporting under the Reinsurance Directive

13.6.9B

PRA

R

A *UK firm* exercising its *EEA right* under the *Reinsurance Directive* to establish a *branch* in another *EEA State* must notify the *PRA* of any changes in the information specified in ■ SUP 13 Annex 1 R. Whenever possible, this notification must be made as soon as the change in information is known by the *firm*.

Firms passporting under AIFMD

13.6.9C

FCA

G

- (1) If a *UK firm* has exercised an *EEA right* under *AIFMD* and established a *branch* in another *EEA State*, the *UK firm* must not make a material change in the *requisite details* of the *branch* or the identity of the *AIFs* it manages in the *EEA State* in which it has established a *branch* (see ■ SUP 13 Annex 1 R), unless:
 - (a) it has complied with regulation 17A(4) for a planned change; or
 - (b) it has complied with regulation 17A(5) for an unplanned change.
- (2) The requirements in regulation 17A(4) for a planned change are that:
 - (a) the *UK firm* has given notice to the *FCA* stating the details of the proposed change; and
 - (b) either the *FCA*:
 - (i) has consented to the change; or
 - (ii) has not objected to the change in the period of one month beginning on the day on which the *UK firm* gave notice.
- (3) The requirements in regulation 17A(5) for an unplanned change are that:
 - (a) the *UK firm* has given notice to the *FCA* immediately after an unplanned change has occurred; and
 - (b) the *FCA* has consented to the change.

Changes arising from circumstances beyond the control of a UK firm

13.6.10

FCA PRA

G

- (1) If the change arises from circumstances beyond the *UK firm's* control, the *UK firm*:
 - (a) is required by regulation 11(3) or regulation 13(3) to give a notice to the *appropriate UK regulator* and to the *Host State regulator* stating the details of the change as soon as reasonably practicable;
 - (b) may, if it is passporting under the *Insurance Directives*, make a change to its *relevant UK details* under regulation 15(1) if it has, as soon as practicable (whether before or after the change), given notice to the *PRA* stating the details of the change.
- (2) The *appropriate UK regulator* believes that for a change to arise from circumstances beyond the control of a *UK firm*, the circumstances should be outside the control of the *firm* as a whole and not just the *branch* in the *EEA State*.
- (3) This *guidance* is not applicable to *MiFID investment firms* or *AIFMs*.

The process

13.6.11

FCA PRA

G

When the *appropriate UK regulator* receives a notice from a *UK firm* other than a *MiFID investment firm* (see ■ SUP 13.6.5 G (1) and ■ SUP 13.6.7 G (1)) a *pure reinsurer* (see ■ SUP 13.6.9B R) or an *AIFM* (see ■ SUP 13.6.9C G) it is required by regulations 11(4) and 13(4) to either refuse, or consent to the change within a period of one *month* from the day on which it received the notice.

13.6.12

FCA PRA

G

If the *appropriate UK regulator* consents to the change, then under regulations 11(5) and 13(5) it will:

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

13.6.12A

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*.

13.6.13

PRA

G

If a *UK firm* is passporting under the *Banking Consolidation Directive*, then regulation 11(7) provides that the *PRA* may not refuse to consent to a change unless, having regard to the change and to the *EEA* activities the *UK firm* is seeking to carry on, it doubts the adequacy of the administrative structure or the financial situation of the *UK firm*. In reaching its determination, the *PRA* may have regard to the adequacy of management, systems and the presence of relevant skills needed for the *EEA* activities to be carried on.

13.6.14 PRA G If a *UK firm* is passporting under the *Insurance Directives*, then regulation 13(7) provides that the *PRA* may not refuse to consent to a change unless, having regard to the change, the *PRA* has reason:

- (1) to doubt the adequacy of the *UK firm's* administrative structure or financial situation; or
- (2) to question the reputation, qualifications or experience of the directors or managers of the firm or the authorised agent;

in relation to the business conducted, or to be conducted, through the branch.

13.6.15 FCA PRA G If the *appropriate UK regulator* refuses to consent to a change, then under regulations 11(6) and 13(6):

- (1) the *appropriate UK regulator* will 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 on such a reference; and
- (2) the *UK firm* may refer the matter to the *Tribunal*.

13.6.16 FCA PRA G Standard forms are available from the *FCA* and *PRA* authorisations teams (see ■ SUP 13.12 (Sources of further information)) to give the notices to the *appropriate UK regulator* described in ■ SUP 13.6.5 G (1), ■ SUP 13.6.5B G, ■ SUP 13.6.7 G (1), ■ SUP 13.6.8 G and ■ SUP 13.6.10 G (1).

The process: MiFID investment firms

13.6.17 FCA PRA G When the *appropriate UK regulator* receives a notice from a *UK MiFID investment firm* (see ■ SUP 13.6.5B G (1)), it is required by regulation 11A(3) to inform the relevant *Host State regulator* of the proposed change as soon as reasonably practicable. The *firm* in question may make the change once the period of one *month* beginning with the day on which it gave notice has elapsed.

The process: AIFMs

13.6.18 FCA G (1) When the *FCA* receives a notice from an *AIFM* (see ■ SUP 13.6.9C G) for a planned change and such change means the *AIFM* no longer complies with *AIFMD*, the *FCA* must inform the *AIFM* without undue delay that:

- (a) the *FCA* objects to the change, including reasons for its decision; and
- (b) the *AIFM* must not implement the change.

In these circumstances the *AIFM* may refer the matter to the *Tribunal*.

(2) If a planned change is implemented or an unplanned change takes place and results in the *AIFM* no longer complying with an implementing provision of *AIFMD*, the *FCA* must:

- (a) take steps to ensure that the *AIFM* complies with that provision or ceases to exercise the *EEA right*; and
- (b) give notice to the *AIFM* with reasons for taking such steps.

In these circumstances, the *AIFM* may refer the matter to the *Tribunal*.

-
- (3) If a planned change is implemented or an unplanned change takes place and results in no change to the *AIFM*'s compliance with an implementing provision, the *FCA* must:
- (a) give a notice to the *Host State regulator* informing it of the change; and
 - (b) inform the *firm* that it has given the notice, stating the date on which it did so.



13.7 Changes to cross border services

13.7.1

FCA PRA

G

Where a *UK firm* is exercising an *EEA right* under the *UCITS Directive*, *MiFID*, the *Insurance Directives* or *AIFMD* and is providing *cross border services* into another *EEA State*, any changes to the details of the services are governed by the *EEA Passport Rights Regulations*. References to regulations in this section are to the *EEA Passport Rights Regulations*. A *UK firm* which is not an *authorised person* should note that contravention of the prohibition imposed by regulation 12(1), 12A(1) or 16(1) is an offence. It is a defence, however, for the *UK firm* to show that it took all reasonable precautions and exercised due diligence to avoid committing the offence.

13.7.2

FCA PRA

G

UK firms should also note that changes to the details of *cross border services* may lead to changes to the *applicable provisions* to which the *UK firm* is subject.

Firms passporting under the UCITS Directive

13.7.3

FCA

G

If a *UK firm* is passporting under the *UCITS Directive*, regulation 12(1) states that the *UK firm* must not make a change in its programme of operations, or the activities to be carried on under its *EEA right*, unless the relevant requirements in regulation 12(2) have been complied with. These requirements are:

- (1) the *UK firm* has given a notice to the *FCA* and to the *Host State regulator* stating the details of the proposed change; or
- (2) if the change arises as a result of circumstances beyond the *UK firm's* control, the *UK firm* has as soon as practicable (whether before or after the change) given a notice to the *FCA* and to the *Host State regulator*, stating the details of the change.

Standard forms are available from the *FCA* authorisations team (see ■ SUP 13.12 (Sources of further information)) to give the notices to the *FCA* referred to in ■ SUP 13.7.3 G (1) and ■ SUP 13.7.3A G.

Firms passporting under MiFID

13.7.3A

FCA PRA

G

If a *UK firm* is providing *cross border services* in a particular *EEA State* in exercise of an *EEA right* deriving from *MiFID*, the *UK firm* must comply with the requirements of regulation 12A(2) before it makes a change to its programme of operations, including:

- (1) changing the activities to be carried on in exercise that *EEA right*;
- (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 *tier 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

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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*.

13.7.8 PRA G 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 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-authorized person*.

Firms passporting under AIFMD

13.7.13B FCA G If a *UK firm* has exercised an *EEA right* under *AIFMD* to provide *cross-border services* to manage an *AIF*, regulation 17A(2) states that the *UK firm* must not make a material change to:

- (1) the programme of operations, or the *EEA* activities, to be carried out in exercise of that right; or
- (2) the *EEA States* in which it manages *AIFs*; or
- (3) the identity of the *AIFs* it manages in those *EEA States*;

unless the *UK firm* complies with the relevant requirements in regulation 17A(4) for a planned change or regulation 17A(5) for an unplanned change (see ■ SUP 13.6.9C G (2) and ■ SUP 13.6.9C G (3)).

13.7.14

FCA

G

If a *UK firm* has exercised an *EEA right* deriving from *AIFMD* to provide *cross-border services* to market an *AIF*, regulation 17A(3) states that it must not make a material change to any of the following:

- (1) the programme of operations identifying the *AIF* the *AIFM* intends to *market* and information on where the *AIF* is established;
- (2) the *AIF* rules or instruments of incorporation;
- (3) the *depository* of the *AIF*;
- (4) the description of, or information on, the *AIF* available to investors;
- (5) if the *AIF* is a *feeder AIF*, the jurisdiction where the *master AIF* is *established*;
- (6) any additional information referred to in ■ FUND 3.2.2 R (Prior disclosure of information to investors), for each *AIF* the *AIFM* intends to *market*;
- (7) the *EEA States* in which the *AIFM* intends to *market* the *units* or *shares* of the *AIF* to an investor that is a *professional client*; and
- (8) information about arrangements made for the *marketing* of the *AIF* and, where relevant, arrangements to prevent the *AIF* from being *marketed* to an investor that is a *retail client*, including where the *AIFM* relies on the activities of independent entities to provide investment services for the *AIF*;

unless the *UK firm* complies with regulation 17A(4) for a planned change or regulation 17A(5) for an unplanned change (see ■ SUP 13.6.9C G (2) and ■ SUP 13.6.9C G (3)).



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

13.8.1

R

FCA PRA

(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 ■ SUP 13.6.10 G (1) and ■ SUP 13.6.9C G 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) ■ SUP 13.7.6 G, SUP 13.7.13G and ■ SUP 13.7.14 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

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FCA PRA

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 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

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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

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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.



13.9 [Deleted]



13.10 Applicable provisions

13.10.1

FCA **PRA**

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UK firms are reminded that conduct of business rules, and other rules made for the general good, may apply to business carried on in the *Host State* by a *UK firm*. These are known in the *Act* as the *applicable provisions* (paragraph 19(13) of Part III of Schedule 3 to the *Act*).

13.10.2

PRA

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UK firms passporting under the *Banking Consolidation Directive* should note that, under the Directive, the *Host State* is responsible, together with the *PRA*, for monitoring the liquidity of a *branch* established by a *UK firm* in another *EEA State*.

13.10.3

FCA **PRA**

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These *Host State* provisions often have requirements about the soliciting of business, for example, advertising and cold-calling rules. A *UK firm* should ensure it is familiar with, and acts in compliance with, the relevant requirements of its *Host State regulator*.

13.11 Record keeping

13.11.1

FCA PRA

R

- (1) A UK firm which is exercising an EEA right must make and retain a record of:
- (a) the services or activities it carries on from a branch in, or provides cross-border into, another EEA State under that EEA right; and
 - (b) the details relating to those services or activities (as set out in ■ SUP 13.6 and ■ SUP 13.7) .
- (2) The record in (1) must be kept for five years (for firms passporting under MiFID) or three years (for other firms) from the earlier of the date on which:
- (a) it was superseded by a more up-to-date record; or
 - (b) the UK firm ceased to have a branch in, or carry on cross border services into, any EEA State under an EEA right.

13.11.2

FCA PRA

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The record in ■ SUP 13.11.1 R need not relate to the level of business carried on. A UK firm may comply with ■ SUP 13.11.1 R by, for example, keeping copies of all notices of intention and change to details notices.

13.11.3

FCA PRA

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A UK firm should monitor the business carried on under an EEA right to ensure that any changes to details are notified as required by ■ SUP 13.6 (Changes to branches) and ■ SUP 13.7 (Changes to cross border services).

13.12 Sources of further information

13.12.1 G
FCA PRA

- (1) Given the complexity of issues raised by passporting, *UK firms* are advised to consult legislation and also to obtain legal advice at earliest opportunity. Firms are encouraged to contact their usual supervisory contact at the *appropriate UK regulator* to discuss their proposals. However, a *UK firm* which is seeking *guidance* on procedural or notification issues relating to passporting should contact the *FCA* and *PRA* authorisations teams, as and where appropriate.
- (2) An applicant for *Part 4A permission* which is submitting a *notice of intention* with its application for such *permission* should contact the *FCA* and *PRA* authorisations teams, as and where appropriate .

13.12.2 G
FCA PRA

To contact the *FCA* and/or *PRA* authorisations teams, please see the details provided on that regulator's website.

Passporting: Notification of intention to establish a branch in another EEA state

FCA **PRA**

This annex consists of only one or more forms. Forms can be completed online now by visiting:
<http://www.fsa.gov.uk/Pages/doing/index.shtml>

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

*Passporting: Notification of intention to establish a branch in another EEA state - SUP 13
Annex 1*

Passporting: AIFMD

FCA

This annex consists of one or more forms. Forms can be completed online now by visiting [FCA web address to follow]

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

Passporting: AIFMD - cross border services (management) - SUP 13 Annex 8AR

Passporting: AIFMD - cross border services (marketing) - SUP 13 Annex 8BR

13A.1.3

FCA PRA

G

- (b) pursuant to a *community co-insurance operation* in which the *firm* is participating otherwise than as *leading insurer* (see Article 11 of the *Regulated Activities Order*); or
- (3) a *Treaty firm* that wishes to provide *electronic commerce activities* into the *United Kingdom* ; or
- (4) a *market operator* that operates a *regulated market* or an *MTF* in an *EEA State* other than the *UK* and wishes to make appropriate arrangements so as to facilitate access to and use of its system by remote users or participants in the *UK*. See ■ SUP App 3.6.25 G for *guidance*.
- (1) Under the *Gibraltar Order* made under section 409 of the *Act* , a *Gibraltar firm* is treated as an *EEA firm* under Schedule 3 to the *Act* if it is:
 - (a) authorised in Gibraltar under the *Insurance Directives*; or
 - (aA) authorised in Gibraltar under the *Reinsurance Directive*; or
 - (b) authorised in Gibraltar under the *Banking Consolidation Directive* ; or
 - (c) authorised in Gibraltar under the *Insurance Mediation Directive*; or
 - (d) authorised in Gibraltar under the *MiFID* ;
 - (e) authorised in Gibraltar under the *UCITS Directive*.
- (1A) Similarly, an *EEA firm* which:
 - (a) has satisfied the Gibraltar establishment conditions and has established a *branch* in the *UK*; or
 - (b) has satisfied the Gibraltar service conditions and is providing *cross border services* into the *UK*;

is treated as having satisfied the *establishment conditions* or *service conditions* (as appropriate) under Schedule 3 to the *Act*. Regulations 4 to 7 of the *EEA Passport Rights Regulations* will apply to the establishment of the *branch* or the provision of *cross border services*.
- (2) Gibraltar insurance companies, *credit institutions*, *insurance intermediaries* and *investment firms* are allowed to passport their services into the *United Kingdom* if they comply with the relevant notification procedures. So, any references in this chapter to *EEA State* or *EEA right* include references to Gibraltar and the entitlement under the *Gibraltar Order* where appropriate.
- (3) [deleted]

Purpose

13A.1.4

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- (1) This chapter explains how an *EEA firm* and a *Treaty firm* can qualify for *authorisation* under Schedules 3 and 4 to the *Act* and how a *UCITS qualifier* is *authorised* under Schedule 5 to the *Act*.
- (2) This chapter also provides *guidance* on Schedule 3 to the *Act* for an *incoming EEA firm* that wishes to establish a *branch* in the *United Kingdom* instead of, or in addition to, providing *cross border services* into the *United Kingdom* or vice versa.

13A.1.5

FCA PRA

G

- (1) *EEA firms* should note that this chapter only addresses the procedures which the *appropriate UK regulator* will follow under the *Act*. So, an *EEA firm* should consider this *guidance* in conjunction with the requirements with which it will have to comply in its *Home State*.
- (2) The *guidance* in this chapter represents the *appropriate UK regulator's* interpretation of the *Single Market Directives*, the *auction regulation*, the *Act* and the secondary legislation made under the *Act*. The *guidance* is not exhaustive and should not be seen as a substitute for a *person* consulting the legislation or taking legal advice.

within two *months* of the notice date .

- (1A) The notice date is:
- (a) for a *MiFID investment firm*, the date on which the *Home State* gave the consent notice; and
 - (b) in any other case, the date on which the *appropriate UK regulator* received the consent notice.
- (2) Although the *appropriate UK regulator* is not required to notify the *applicable provisions* to an *EEA firm* passporting under the *Insurance Mediation Directive*, *MIFID* or *AIFMD*, these provisions are set out in ■ SUP 13A Annex 1 G (Application of the Handbook to Incoming EEA Firms).

13A.4.4A
FCA PRA

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- (1) Where the *PRA* receives a consent notice, it will give a copy to the *FCA* without delay, and where the *FCA* receives a consent notice it will give a copy to the *PRA*, where relevant, without delay.
- (2) In a case where the *FCA* is the *appropriate UK regulator*, the consent of the *PRA* is required for any notification by the *FCA* which relates to:
 - (a) a *PRA-regulated activity*;
 - (b) a *PRA-authorised person*; or
 - (c) a *person* whose immediate group includes a *PRA-authorised person*.

Auction regulation bidding: notification rule and applicable provisions

13A.4.5
FCA

R

An *incoming EEA firm* that is exercising an *EEA right* under the *auction regulation* to establish a branch in the *United Kingdom* must submit the form in ■ SUP 13A Annex 4 R prior to its establishment of that branch or whenever possible thereafter.

13A.4.6
FCA

G

The sole purpose of the notification in ■ SUP 13A.4.5 R is to enable the *FSA* to supervise the *UK branch* of the *incoming EEA firm's* compliance with the *applicable provisions* on an ongoing basis. The *applicable provisions* that apply to that branch are set out in ■ SUP 13A Annex 1 G (Application of the Handbook to Incoming EEA Firms).



13A.5 EEA firms providing cross border services into the United Kingdom

Is the service provided within the United Kingdom?

13A.5.1
FCA PRA

G

There is *guidance* for UK firms in ■ SUP Appendix 3.6 on when a service is provided cross border. EEA firms may find this of interest although they should follow the guidance of their *Home State regulators*.

13A.5.2
FCA PRA

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An EEA firm (other than an EEA pure reinsurer or an EEA firm that received authorisation under article 18 of the *auction regulation*) should note that the requirement under the *Single Market Directives* to give a notice of intention to provide *cross border services* applies whether or not:

- (1) it has established a *branch* in the *United Kingdom*; or
- (2) those *cross border services* are *regulated activities*.

The conditions for providing cross border services into the United Kingdom

13A.5.3
FCA PRA

G

- (1) Before an EEA firm (other than an EEA pure reinsurer or an EEA firm that has received authorisation under article 18 of the *auction regulation*) exercises an EEA right to provide *cross border services* into the *United Kingdom*, the Act requires it to satisfy the *service conditions*, as set out in paragraph 14 of Part II of Schedule 3 to the Act.
- (2) For the purposes of paragraph 14(1)(b) of Part II of Schedule 3 to the Act, the information to be contained in the regulator's notice has been prescribed under regulation 3 of the *EEA Passport Rights Regulations*.
- (3) An EEA UCITS management company may not exercise an EEA right to provide *collective portfolio management services* for a UCITS scheme on a *cross border services* basis until approved by the FCA to do so (see ■ SUP 13A.3.1C G).
- (4) An EEA firm that has received authorisation under article 18 of the *auction regulation* is not subject to the service conditions in its exercise of an EEA right under the *auction regulation* to provide services in the *United Kingdom*. The notification procedure in ■ SUP 13A.5.4 G does not apply to it and it does not need to notify the FCA prior to providing services into the *United Kingdom* because there are presently no *applicable provisions* that apply in these circumstances. Instead, its provision of these services is supervised by its *Home State regulator*.

The notification procedure

13A.5.4

FCA PRA

G

- (1) Unless the *EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that received authorisation under article 18 of the *auction regulation*) is passporting under the *Insurance Mediation Directive*, if the *appropriate UK regulator* receives a regulator's notice or, where no notice is required (in the case of an *EEA firm* passporting under the *Banking Consolidation Directive*), is informed of the *EEA firm's* intention to provide *cross border services* into the *United Kingdom*, the *appropriate UK regulator* will, under paragraphs 14(2) and 14(3) of Part II of Schedule 3 to the *Act*, notify the *EEA firm* of the *applicable provisions* (if any) within two *months* of the *day* on which the *appropriate UK regulator* received the regulator's notice or was informed of the *EEA firm's* intention.
- (2) Although the *appropriate UK regulator* is not required to notify the *applicable provisions* to an *EEA Firm* passporting under the *Insurance Mediation Directive*, *MIFID* or *AIFMD* these provisions are set out in ■ SUP 13A Annex 1 G (Application of the Handbook to Incoming EEA Firms).

13A.5.4A

FCA PRA

G

Where the *PRA* receives a notice, it will give a copy to the *FCA* without delay and where the *FCA* receives a notice, it will give a copy to the *PRA* without delay, where relevant.

13A.5.5

FCA PRA

G

An *EEA firm* (other than an *EEA UCITS management company*) that has satisfied the *service conditions* in paragraph 14 of Part II of Schedule 3 to the *Act* is entitled to start providing *cross border services* into the *United Kingdom*. In the case of an *EEA UCITS management company*, *FCA* approval must first be obtained, as explained in ■ SUP 13A.5.3 G (see also ■ SUP 13A.3.1C G). However, an *EEA firm* that wishes to start providing *cross border services* but has not yet received notification of the *applicable provisions* may wish to contact the authorisations team in the *FCA* or *PRA*, as appropriate (see ■ SUP 13A.8.1 G (2)).



13A.6 Which rules will an incoming EEA firm be subject to?

13A.6.1 G
FCA PRA

- (1) ■ SUP 13A Annex 1 G summarises how the *Handbook* applies to *incoming EEA firms*.
- (2) ■ SUP 13A Annex 2 G summarises the matters that are reserved to a *firm's Home State regulator*.

13A.6.2 G
FCA PRA

An *incoming EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that has received authorisation under article 18 of the *auction regulation* and only provides services in the *United Kingdom*) or *incoming Treaty firm* carrying on business in the *United Kingdom* must comply with the *applicable provisions* (see ■ SUP 13A.4.4 G, ■ SUP 13A.4.6 G, and ■ SUP 13A.5.4 G) and other relevant *UK legislation*. For example where the business includes:

- (1) business covered by the Consumer Credit Act 1974, then an *incoming EEA firm* or *incoming Treaty firm* must comply with the provisions of that Act, as modified by paragraph 15(3) of Schedule 3 to the *Act*; or
- (2) effecting or carrying out contracts covering motor vehicle third party liability risks as part of direct *insurance business*, then an *incoming EEA firm* or *incoming Treaty firm* is required to become a member of the Motor Insurers' Bureau.

13A.6.3 G
FCA PRA

In particular, an *EEA firm* (other than an *EEA pure reinsurer*) or *Treaty firm* must comply with the *applicable provisions* in ■ SUP 10 (Approved persons). An *EEA firm* or *Treaty firm* should also refer to ■ SUP 10.1 (Application) which sets out the territorial provisions of the *approved persons* regime.

13A.6.4 G
FCA PRA

Under the *EEA Passport Rights Regulations*, references in section 60 of the *Act* (applications for approval for persons to perform controlled functions) to "the authorised person concerned" include :

- (1) an *EEA MiFID investment firm* whose *Home State regulator* has given a consent notice under paragraph 13 of Schedule 3 to the *Act* (see ■ SUP 13A.4.1G (1) and ■ SUP 13A.4.2 G) or a regulator's notice under paragraph 14 of that Schedule (see ■ SUP 13A.5.3G (1)), and which will be the *authorised person* concerned if the *EEA firm* qualifies for *authorisation* under that Schedule; and

Application of the Handbook to Incoming EEA Firms

FCA **PRA**

1. The table below summarises the application of the *Handbook* to an *incoming EEA firm*. Where the table indicates that a particular module of the *Handbook* may apply, its application in relation to any particular activity is dependent on the detailed application provisions in that module. The table does not apply to *incoming ECA providers*. These should refer to COBS 1 Annex 1 Part 3 section 7 for *guidance* on how *COBS* applies to them. The table does not apply to *EEA pure reinsurers* or to an *EEA firm* in relation to its exercise of an *EEA right* under the *auction regulation* to provide services in the *United Kingdom*.

2. In some cases, the application of the *Handbook* depends on whether responsibility for a matter is reserved under an *EU* instrument to the *incoming EEA firm's Home State regulator*. *Guidance* on the reservation of responsibility is contained in SUP 13A Annex 2 G (Matters reserved to a Home State regulator). *Guidance* on the territorial application of *MiFID* is contained in PERG 13.6 and PERG 13.7 and SUP 13A Annex 2 G.

3. For an *incoming EEA firm* which has *permission* for *cross-border services* only, many parts of the *Handbook* apply only if the *firm* carries on *regulated activities* in the *United Kingdom*. Those parts of the *Handbook* will therefore not apply if the *firm* confines its activities to those within the *overseas persons* exclusions in article 72 of the *Regulated Activities Order*, or which would not be regarded as carried on in the *United Kingdom*. Further *guidance* may be found in PERG 2.4 (Link between activities and the *United Kingdom*) and PERG 2.9.15 G to PERG 2.9.17 G (Overseas persons).

4. An *EEA firm* that exercises an *EEA right* under the *auction regulation* to establish a branch in the *United Kingdom* to provide *auction regulation bidding* is subject to a limited set of requirements in the *Handbook* that apply to that activity. These are the *rules* listed in paragraph 2.6A of SYSC 1 Annex 1, GEN 4 and SUP (in particular, the *money laundering reporting function* in SUP 10A and requirements to notify the *FCA*). Aside from this note, the table does not apply to those firms.

5. An *EEA firm* that exercises an *EEA right* under *MiFID* to carry on *MiFID business bidding* is subject to the *applicable provisions* relating to its carrying on of *MiFID business*.

(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
PRIN	<p>The <i>Principles</i> apply only in so far as responsibility for the matter in question is not reserved by an <i>EU</i> instrument to the <i>firm's Home State regulator</i> (PRIN 3.1.1 R (1)).</p> <p>For an <i>incoming EEA firm</i> which is a <i>BCD credit institution</i> without</p>	<p>The <i>Principles</i> do not apply if the <i>firm</i> has <i>permission</i> only for <i>cross-border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> (PRIN 3.1.1 R (2)).</p> <p>The <i>Principles</i> have limited application for activities which are not carried on from a <i>UK</i> establishment (see PRIN 3.1.1 R).</p>

SYSC

a *top-up permission*, Principle 4 applies only in relation to the liquidity of a branch established in the *United Kingdom* (PRIN 3.1.1 R (2)).

Otherwise, see column (2).

SYSC 1 and SYSC 1 Annex 1 (Application of SYSC 2 and SYSC 3) contain application provisions only. SYSC 2 and SYSC 3 apply only to an *insurer*, a *managing agent* and the *Society* as set out in SYSC 1 Annex 1.1.1R , which include the following exceptions:

SYSC 2 and SYSC 3 do not apply if the *firm* has *permission* only for *cross-border services* and does not carry on *regulated activities* in the *United Kingdom* (SYSC 1 Annex 1.1.1 R). SYSC 2 and SYSC 3 have limited application for activities which are not carried on from a *UK* establishment (see SYSC 1 Annex 1.1.1 R (2A)).

(1) SYSC 2.1.1 R (1) and SYSC 2.1.2 G do not apply;

Otherwise, see column (2).

(2) SYSC 2.1.3 R to SYSC 2.2.3 G apply, but only in relation to allocation of the function in SYSC 2.1.3 R (2) and only in so far as responsibility for the matter in question is not reserved by an *EU* instrument to the *firm's Home State regulator*; and

The *common platform requirements* in SYSC 4 - SYSC 10 apply as set out in SYSC 1 Annex 1.2.2R.

SYSC 11 - SYSC 17 do not apply.

SYSC 18 applies.

(3) SYSC 3 applies, but only in so far as responsibility for the matter in question is not reserved by an *EU* instrument to the *firm's Home State regulator*.

SYSC 19A does not apply.

SYSC 1 Annex 1, Part 1, 1.8 R(Where?) further restricts the territorial application of SYSC 1 to SYSC 3 for an *incoming EEA firm*. Further *guidance* is contained in SYSC 2.1.6 G, Question 12. SYSC 18 applies to the extent that the Public Interest Disclosure Act 1998 applies to the *firm*.

The *common platform requirements* in SYSC 4 - 10 apply as set out in Part 2 of SYSC 1 Annex 1 (Application of the common platform requirement).

SYSC 1 Annex 1 row 2.6F provides that the *common platform requirements* do not apply to an *incoming EEA AIFM branch*, except the *AIFMD Host State requirements* and certain requirements regarding *financial crime*.

SYSC 1 Annex 1.2.7G reminds *EEA MiFID investment firms* that they must comply with the *common platform record-keeping requirements* in relation to a *branch* in the *United Kingdom*.

SYSC 1 Annex 1, Part 2, 2.7AG provides guidance on the application of the *common platform requirements* to the *UK branch* of an *EEA UCITS management company*.

SYSC 9 applies to activities carried on from an establishment in the *United Kingdom*, unless another applicable *rule* which is relevant to the activity has a wider territorial scope, in which case the *common platform record-keeping requirements* apply with that wider scope in relation to the activity described in that *rule* (SYSC 1 Annex 1.2.17R).

SYSC 12 does not apply (SYSC 12.1.3 R).

SYSC 13 does not apply (SYSC 13.1.1 G).

SYSC 14 does not apply (SYSC 14.1.1 R).

SYSC 15 does not apply (SYSC 15.1.1 G).

SYSC 16 does not apply (SYSC 16.1.1 G).

SYSC 17 does not apply (SYSC 17.1.1 G).

SYSC 18 applies.

SYSC 19A and 19B do not apply .

COND *COND* does not apply if the *firm* As column (2). does not have, or apply for, a *top-up permission*.

Otherwise, the threshold conditions apply in a limited way

(1) in the case of a *top-up permission* under Part 4A of the *Act* (that

is, a *permission* to carry on *regulated activities* in addition to those permitted through its *authorisation* under Schedule 3 to the *Act* (EEA Passport Rights)); and

(2) the exercise of the *FCA's* powers under sections 55J and 55L of the *Act* in relation to the *top-up permission*. (COND 1.2.4 G)

APER *APER* applies to *approved persons* (*APER* 1.1.1 G). See below under *SUP* 10 as to whether *controlled functions* are performed, and approval therefore required. Not relevant because *SUP* 10 does not apply.

FIT *FIT* applies to a *firm* wishing to establish a *branch* in the *United Kingdom* or to apply for a *top-up permission* in respect of any application that it makes for the approval of a *person* to perform a *controlled function* (*FIT* 1.1). See under *SUP* 10 below as to whether such approval is required. Does not apply.

FIT applies in a limited way in relation to an incoming *MiFID investment firm* (see *FIT* 1.2.4A G).

GEN *GEN* applies (*GEN* 1.1, *GEN* 2.1, *GEN* 4.1, *GEN* 5.1 and *GEN* 6.1). However, (a) *GEN* 4 does not apply to the extent that the *firm* is subject to equivalent *rules* imposed by its *Home State* (*GEN* 4.1.1 R (3)), and (b) *GEN* 6 only applies to business that can be regulated under sections 137A and 137G of the *Act* (The *FCA's* General rules) and (The *PRA's* General rules), respectively. It does not therefore apply if, or to the extent that, responsibility has been reserved to an *incoming firm's Home State regulator* by an *EU instrument*. Only *GEN* 4.5 applies in relation to *MiFID or equivalent third country business* (see *GEN* 4.1.1 R). *GEN* 4 does not apply if the *firm* has *permission* only for *cross-border services* and does not carry on *regulated activities* in the *United Kingdom* (see *GEN* 4.1.1 R).

Otherwise, as column (2).

FEES Applies to the extent a *firm* is required to pay a fee in regards to carrying out any *regulated activity* in the *UK*, normally this would be the case when the *firm* holds a *top-up permission* As column (2)

<p>GENPRU</p>	<p>Does not apply.</p>	<p>Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i>.</p>
<p>BIPRU</p>	<p><i>EEA firms</i> are subject to the prudential standards of their home state regulator (BIPRU 1.1.7 R and BIPRU 1.1.9 G).</p> <p>However, BIPRU 12 applies to an <i>EEA firm</i> as respects the activities of its <i>UK branch</i>, but in relation to <i>liquidity risk</i> only.</p>	<p>Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i>.</p>
<p>MIPRU</p>	<p>MIPRU 1 (Application and general provisions) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p>MIPRU 2 (Responsibility for insurance mediation activity) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p>MIPRU 3 (Requirement to hold professional indemnity insurance) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p>MIPRU 4 (Requirement to hold capital resources) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p> <p>See MIPRU 4.1.2 G for more detailed <i>guidance</i>.</p> <p>MIPRU 5 (Insurance undertakings and mortgage lenders using insurance or mortgage mediation services) does not apply unless the <i>firm</i> has a <i>top-up permission</i>.</p>	<p>As column (2)</p>
<p>INSPRU</p>	<p>INSPRU does not apply unless the <i>firm</i> is an <i>insurer</i> to which INSPRU 1.5.33R applies.</p>	
<p>IPRU(FSOC)</p>	<p>Does not apply because an <i>incoming EEA firm</i> cannot be a <i>friendly society</i> (IPRU(FSOC) 1.1).</p>	<p>Does not apply because an <i>incoming EEA firm</i> cannot be a <i>friendly society</i> (IPRU(FSOC) 1.1).</p>
<p>IPRU(INV)</p>	<p>IPRU(INV) does not apply unless the <i>firm</i>:</p> <p>(1) has a <i>top-up permission</i>;</p> <p>(2) is an <i>authorised professional firm, investment management firm, members' adviser, personal invest-</i></p>	<p>As column (2).</p>

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ment firm, securities and futures firm, service company or underwriting agent; and

(3) is not a lead regulated firm, a media firm or a BIPRU investment firm.

(IPRU(INV) 1.1.1R and 1.2R)

COBS

Guidance on the territorial application of COBS is contained in COBS 1 Annex 1 Part 3.

Guidance on the territorial application of COBS is contained in COBS 1 Annex 1 Part 3.

ICOBS

ICOBS applies except to the extent necessary to be compatible with European law. Guidance on the territorial application of ICOBS is contained in ICOBS 1 Annex 1 G Part 4.

ICOBS 8.4 applies except to the extent necessary to be compatible with European law. Other chapters of ICOBS do not apply, except to the extent necessary to be compatible with European law. Guidance on the territorial application of ICOBS is contained in ICOBS 1 Annex 1 G Part 4.

MCOB

Applies where the activity is carried on with or for a customer resident in the United Kingdom or another EEA State at the time that the activity is carried on, but see the territorial scope in MCOB 3.3 (Application: where?).

Applies where the activity is carried on with or for a customer resident in the United Kingdom at the time that the activity is carried on but see MCOB 1.3.4 R (Distance contracts entered into from an establishment in another EEA State) and MCOB 3.3 (Application: where?).

CASS

CASS does not apply with respect to the firm's passported activities unless the firm is an insurer (CASS 1.2.3 R (2)).

As column (2).

MAR

MAR 1 (Code of market conduct)

MAR 1 (Code of market conduct)

Applies if the firm is seeking guidance as to whether or not behaviour amounts to market abuse (MAR 1.1.1 G).

As column (2).

MAR 2 (Price stabilising rules)

MAR 2 (Price stabilising rules)

Applies if the firm undertakes stabilising action and wishes to show that it has acted in conformity with price stabilising rules, or that its behaviour conforms with rules in accordance with section 118A(5)(a) of the Act (Market abuse) (MAR 2.1 Application).

Only applies in so far as the firm undertakes stabilising action and wishes to rely on a defence that it has acted in conformity with price stabilising rules, or that its behaviour conforms with rules in accordance with section 118A(5)(a) of the Act (Market abuse) (MAR 2.1 and in particular MAR 2.1.3 R).

[deleted]

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	<p>MAR 4 (Endorsement of the Take-over Code)</p> <p>Applies to <i>firms</i> whose <i>permission</i> includes, or ought to include, any <i>designated investment business</i>, except as set out in MAR 4.4.1 R.</p>	<p>MAR 4 (Endorsement of the Take-over Code)</p> <p>Does not apply (MAR 4.4.1 R (4)(b)).</p>
	<p>MAR 5 (Multilateral Trading Facilities)</p> <p>Does not apply (MAR 5.1.1 R).</p>	<p>MAR 5 (Multilateral Trading Facilities)</p> <p>Does not apply (MAR 5.1.1 R).</p>
	<p>MAR 8 (Benchmarks)</p> <p>Applies only to <i>firms</i> whose <i>top-up permission</i> includes <i>providing information in relation to a regulated benchmark</i>.</p>	<p>MAR 8 (Benchmarks)</p> <p>As column (2)</p>
TC	<p>TC applies, but only in so far as responsibility for any matter it covers is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i>.</p>	<p>TC Appendix 1 sets out the activities to which TC applies.</p> <p>TC Appendix 2 sets out the sourcebook's territorial scope.</p> <p>TC Appendix 3 sets out the limitations on TC App 2.</p>
SUP	<p>SUP 1A (The FCA's approach to supervision)</p> <p>Applies, but contains only <i>guidance</i>.</p>	<p>SUP 1A (The FCA's approach to supervision)</p> <p>As column (2).</p>
	<p>SUP 2 (Information gathering by the [FCA & PRA] on its own initiative)</p> <p>The application of this chapter is the same as for <i>Principle 11</i> (see under <i>PRIN</i> above).</p>	<p>SUP 2 (Information gathering by the [FCA & PRA] on its own initiative).</p> <p>As column (2)</p>
	<p>SUP 3 (Auditors)</p> <p>Applies to the <i>firm</i> (and its auditor) only if the <i>firm</i> has a <i>top-up permission</i>.</p>	<p>SUP 3 (Auditors)</p> <p>As column (2)</p>
	<p>SUP 4 (Actuaries)</p> <p>Does not apply.</p>	<p>SUP 4 (Actuaries)</p> <p>Does not apply.</p>
	<p>SUP 5 (Skilled persons)</p> <p>Applies only if the <i>firm</i> is required by the <i>FCA</i> or <i>PRA</i> to provide a report under section 166 of the <i>Act</i> (Reports by skilled persons).</p>	<p>SUP 5 (Skilled persons)</p> <p>As column (2).</p>

SUP 6 (Applications to vary and cancel Part 4A permission) SUP 6 (Applications to vary and cancel Part 4A permission)

Applies only if the *firm* has a *top-up permission* As column (2).

SUP 7 (Individual requirements) SUP 7 (Individual requirements)

Applies only if the *firm* has a *top-up permission*. It contains only *guidance* on the exercise of the *FCA's* powers under sections 55J and 55L of the *Act*. The *FCA* has similar, but more limited, powers of intervention under Part 13 of the *Act* in relation to the *permission* of the *firm* under Schedule 3 to the *Act* (see EG 8). As column (2).

SUP 8 (Waiver and modification of rules) SUP 8 (Waiver and modification of rules)

Applies only if the *firm* wishes to apply for, or consent to, or has been given, a *waiver* of the *appropriate regulator's* rules (SUP 8.1.1 R). As column (2).

SUP 9 (Individual guidance) SUP 9 (Individual guidance)

Applies only if the *firm* wishes to obtain individual *guidance* from the *FCA* or if the *FCA* gives the *firm* individual *guidance* on its own initiative (SUP 9.1.1 G). As column (2).

SUP 10A (Approved persons) SUP 10A (Approved persons)

Applies, but the applicable *controlled functions* are limited. See SUP 10A.1 (Application) for more detailed *guidance*. Does not apply (SUP 10A.1.6 R).

SUP 10B (Approved Persons) SUP 10B (Approved Persons)

Does not apply As column (2)

SUP 11 (Controllers and close links) SUP 11 (Controllers and close links)

Does not apply (SUP 11.1.1 R (2)). Does not apply (SUP 11.1.1 R (2)).

SUP 12 (Appointed representatives) SUP 12 (Appointed representatives)

Applies only if the *firm* has *permission* to carry on *designated investment business, insurance mediation activity* or *mortgage mediation activity* and wishes to appoint, or has As column (2).

appointed, an *appointed representative* (SUP 12.1.1 R (1)).

SUP 13 (Exercise of passport rights by UK firms)

SUP 13 (Exercise of passport rights by UK firms)

Does not apply.

Does not apply.

SUP 13A (Qualifying for authorisation under the Act)

SUP 13A (Qualifying for authorisation under the Act)

SUP 13A applies to the *firm* if it:

As column (2).

(1) is considering carrying on activities in the *United Kingdom* which may fall within the scope of the *Act* and is seeking *guidance* on whether it needs a *top-up permission*; or

(2) is, or is considering, applying to the *appropriate regulator* to carry on *regulated activities* in the *United Kingdom* under a *top-up permission*; or

(3) is, or is considering, establishing a *branch* or providing *cross-border services* into the *United Kingdom* using *EEA rights*.

SUP 14 (Incoming EEA Firms: Changing detail and cancelling qualifications for authorisation)

SUP 14 (Incoming EEA Firms: Changing detail and cancelling qualifications for authorisation)

Applies.

Applies.

SUP 15 (Notifications to the FCA or PRA)

SUP 15 (Notifications to the FCA or PRA)

Applies in full if the *firm* has a *top-up permission*. Otherwise, the application is modified as set out in SUP 15 Annex 1 R.

Does not apply if the *firm* has *permission* only for *cross border services* and does not carry on *regulated activities* in the *United Kingdom* (SUP 15 Annex 1 R).

Otherwise, as column (2).

SUP 16 (Reporting requirements) SUP 16 (Reporting requirements)

Parts of this chapter may apply if the *firm* has a *top-up permission* or if the *firm* is:

- | | |
|---|--|
| <ul style="list-style-type: none"> (a) a <i>bank</i>; or (b) a <i>depository</i> of an <i>ICVC</i>; or (c) an <i>OPS firm</i>; or (d) a <i>trustee</i> of an <i>AUT</i>; or (da) a <i>depository</i> of an <i>ACS</i>; or (e) an <i>insurer</i> with <i>permission</i> to effect or carry out <i>life policies</i>; or (f) a <i>firm</i> with <i>permission</i> to establish, operate or wind up a <i>personal pension scheme</i> or a <i>stakeholder pension scheme</i>; or (g) a <i>firm</i> with <i>permission</i> to advise on investments, arrange (bring about) deals in investments, make arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets. | <ul style="list-style-type: none"> (a) a <i>depository</i> of an <i>ICVC</i>; or (b) an <i>OPS firm</i>; or (c) a <i>trustee</i> of an <i>AUT</i>; or (ca) a <i>depository</i> of an <i>ACS</i>; or (d) an <i>insurer</i> with <i>permission</i> to effect or carry out <i>life policies</i>; or (e) a <i>firm</i> with <i>permission</i> to establish, operate or wind up a <i>personal pension scheme</i> or a <i>stakeholder pension scheme</i>; or (f) a <i>firm</i> with <i>permission</i> to advise on investments, arrange (bring about) deals in investments, make arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets. |
|---|--|

(SUP 16.1)

(SUP 16.1)

SUP 17 (Transaction reporting) SUP 17 (Transaction reporting)

<p>Applies to <i>UK</i> branches of <i>incoming EEA firms</i> which are <i>MiFID investment firms</i> in respect of reportable <i>transactions</i> executed in the course of services provided, whether within in the <i>United Kingdom</i> and outside. (SUP 17.1.2 G and SUP 17.1.3A G)</p>	<p>Applies as appropriate to <i>incoming EEA firms</i> which are <i>MiFID investment firms</i> in respect of reportable <i>transactions</i>. (SUP 17.1.1 R and SUP 17.1.4 R).</p>
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SUP 18 (Transfers of business) SUP 18 (Transfers of business)

<p>SUP 18.4 does not apply. SUP 18.1, SUP 18.2 and SUP 18.3 may be relevant if the <i>firm</i> proposes to transfer the whole or part of its business by an <i>insurance business transfer scheme</i> or to accept such a transfer or proposes to accept certain transfers of <i>insurance business</i> taking place outside the <i>United Kingdom</i>.</p>	<p>As column (2).</p>
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	SUP App 2 (Insurers: Scheme of operations)	SUP App 2 (Insurers: Scheme of operations)
	Does not apply (SUP App 2.1.1 R).	Does not apply (SUP App 2.1.1 R).
DEPP	DEPP applies and contains a description of the FCA's procedures for taking statutory notice decisions, the FCA's policy on the imposition and amount of penalties and the conduct of interviews to which a direction under section 169(7) of the Act has been given or the FCA is considering giving.	DEPP applies and contains a description of the FCA's procedures for taking statutory notice decisions, the FCA's policy on the imposition and amount of penalties and the conduct of interviews to which a direction under section 169(7) of the Act has been given or the FCA is considering giving.
DISP	Generally applies (DISP 1.1.1 G) but in a limited way in relation to MiFID business . For an incoming EEA AIFM branch DISP applies (subject to some limitations, see DISP 1.1.3 R), except for an incoming EEA AIFM branch of a closed-ended corporate AIF, when DISP does not apply.	Generally does not apply (DISP 1.1.1 G). However, for an incoming EEA firm which is a UCITS management company managing a UCITS scheme or an AIFM managing an authorised AIF, DISP applies (subject to some limitations, see DISP 1.1.3 R).
COMP	Applies, except in relation to the passported activities of a MiFID investment firm, a BCD credit institution (other than an electronic money institution within the meaning of article 1(3)(a) of the E-Money Directive that has the right to benefit from the mutual recognition arrangements under the Banking Consolidation Directive), an IMD insurance intermediary . a UCITS management company carrying on non-core services under article 6.3 of the UCITS Directive and an incoming AIFM branch carrying on either AIFM management functions for an unauthorised AIF or non-core services under article 6.4 of AIFMD (see the definition of "participant firm"). However, a firm specified above may be able to apply for top-up cover in relation to its passported activities (see COMP 14 (Participation by EEA Firms)).	Does not apply in relation to the passported activities of an MiFID investment firm, a BCD credit institution , an IMD insurance intermediary or a UCITS management company carrying on non-core services under article 6.3 of the UCITS Directive or an incoming EEA AIFM regarding AIFM management functions carried on for an unauthorised AIF or non-core services under article 6.4. Otherwise, COMP may apply, but the coverage of the compensation scheme is limited for non-UK activities (see COMP 5).
COLL	A. The following provisions of COLL apply to an EEA UCITS management company providing collective portfolio management services for a UCITS scheme:	For an EEA UCITS management company providing collective portfolio management services for a UCITS scheme, as column (2)A.(d), (e), (f)

(a) COLL 6.6A.2 R (Duties of AFMs of UCITS schemes and EEA UCITS schemes to act in the best interests of the scheme and its unitholders); and (g) and the other parts of *COLL* specified.
For an *incoming EEA AIFM*, as column (2) B.

(b) COLL 6.6A.4 R (Due diligence requirements of AFMs of UCITS schemes and EEA UCITS schemes);

(c) COLL 6.6A.5 R (Compliance with the regulatory requirements applicable to the conduct of business activities of a UCITS management company);

(d) COLL 12.3.4 R (Provision of documentation to the FSA: EEA UCITS management companies);

(e) the *fund application rules* (see COLL 12.3.5 R (COLL fund rules under the management company passport: the fund application rules));

(f) COLL 12.3.6 R (Requirement to make information available to the public or the FSA);

(g) COLL 12.3.7 G (EEA UCITS management companies: compliance with FSA rules); and

(h) COLL 12.3.8 G (EEA UCITS management companies: conduct of business rules).

An *EEA UCITS management company* providing *collective portfolio management* services for a *UCITS scheme* should be aware that it will be expected to comply with the above *rules* in relation to all aspects of the functioning of the relevant *UCITS scheme* where, for example, the *firm*:

(a) [deleted]

(b) wishes to apply for an *authorisation order* to establish an *AUT*, *ACS* or *ICVC* as a *UCITS scheme*; or

(ba) is the *management company* of a *UCITS scheme* that wishes to exercise an *EEA right* to market its *units* in another *EEA State*; or

(c) is the *operator* of a *recognised scheme*.

B. Subject to FUND 1.1.2 R, *COLL* applies to an *incoming EEA AIFM* as relevant.

<i>FUND</i>	<p>FUND 3.8 (Prime brokerage firms) applies to an <i>incoming EEA AIFM branch</i>.</p> <p>FUND 10 (Operating on a cross-border basis), provides guidance for an <i>incoming EEA AIFM branch</i>.</p>	<p>Does not apply, except FUND 10 (Operating on a cross border basis) which provides guidance for an <i>EEA AIFM</i> managing an <i>AIF</i> on a services basis or <i>marketing</i> an <i>AIF</i> using the <i>marketing</i> passport under <i>AIFMD</i>.</p>
<i>CREDS</i>	Does not apply.	Does not apply.
<i>PROF</i>	<i>PROF</i> applies only if the <i>firm</i> is an <i>authorised professional firm</i> .	As column (2).
<i>REC</i>	Does not apply.	Does not apply.
<i>LR</i>	<i>LR</i> (Listing Rules)	<i>LR</i> (Listing Rules)
	May apply if the <i>firm</i> is applying for <i>listing</i> in the <i>United Kingdom</i> , is a <i>listed issuer</i> in the <i>United Kingdom</i> , is a <i>sponsor</i> or is applying for approval as a <i>sponsor</i> .	As column (2).
<i>PR</i>	<i>PR</i> (Prospectus Rules)	<i>PR</i> (Prospectus Rules)
	May apply if the <i>firm</i> makes an <i>offer of transferable securities to the public</i> in the <i>United Kingdom</i> or is seeking the <i>admission to trading of transferable securities on a regulated market</i> situated or operating in the <i>United Kingdom</i> .	As column (2).
<i>DTR</i>	<i>DTR</i> (Disclosure Rules and Transparency Rules)	<i>DTR</i> (Disclosure Rules and Transparency Rules)
	May apply if the <i>firm</i> is an <i>issuer</i> , any class of whose <i>financial instruments</i> have been <i>admitted to trading</i> on a <i>regulated market</i> , or are the subject of an application for <i>admission to trading on a regulated market</i> , other than <i>issuers</i> who have not requested or approved admission of their <i>financial instruments</i> to trading on a <i>regulated market</i> .	As column (2).

<i>EG</i>	<i>EG</i> describes the <i>FCA's</i> approach to exercising the main enforcement powers given to it by FSMA and by regulation 12 of the <i>Unfair Terms Regulations</i> . <i>EG</i> is a Regulatory Guide and as such does not form part of the Handbook.	<i>EG</i> (Enforcement Guide) As column (2).
<i>CONRED</i>	Applies to a <i>firm</i> which made a <i>personal recommendation</i> in relation to an Arch cru fund, after which a <i>consumer</i> made an investment in the Arch cru fund, and to which the suitability requirements (specified at paragraph 5.1R of the instructions in CONRED 2 Annex 13) applied (CONRED 2.1.1R).	Does not apply

Notes to Annex 1

Note 1: The following modules or chapters are relevant to *firms* in both the *PRA Handbook* and the *FCA Handbook*: *PRIN, SYSC, APER, FIT, GEN, FEES, GENPRU, BIPRU, MIPRU, IPRU(INV), SUP 2 to 6, 8, 11, 13 to 16, 18 & Appendix 2 and COMP*.

Note 2: The following modules or chapters are relevant in the *FCA Handbook* only: *COND, INSPRU, COBS, ICOBS, MCOB, CASS, MAR, TC, SUP 1A, 7, 9, 10A, 12 & 17, DEPP, DISP, COLL, PROF, LR, PR, DTR and EG*.

Matters reserved to a Home State regulator

FCA **PRA**

Introduction

1[FCA/PRA] The application of certain provisions in the *Handbook* to an *incoming EEA firm* or *incoming Treaty firm* depends on whether responsibility for the matter in question is reserved to the *firm's Home State regulator*. This annex contains *guidance* designed to assist such *firms* in understanding the application of those provisions. This annex is not concerned with the *FCA* or the *PRA's* rights to take enforcement action against an *incoming EEA firm* or an *incoming Treaty firm*, which, in the case of the *FCA*, are covered in the Enforcement Guide (*EG*), or with the position of a *firm* with a *top-up permission*.

Requirements in the interest of the general good

2[FCA/PRA] The *Single Market Directives*, and the *Treaty* (as interpreted by the European Court of Justice) adopt broadly similar approaches to reserving responsibility to the *Home State regulator*. To summarise, the *FCA* or *PRA*, as *Host State regulator*, is entitled to impose requirements with respect to activities carried on within the *United Kingdom* if these can be justified in the interests of the "general good" and are imposed in a non-discriminatory way. This general proposition is subject to the following in relation to activities passported under the *Single Market Directives*:

- (1) the *Single Market Directives* expressly reserve responsibility for the prudential supervision of a *MiFID investment firm*, *BCD credit institution*, *UCITS management company AIFM* or passporting *insurance undertaking* to the *Firm's Home State regulator*. The *Insurance Mediation Directive* reaches the same position without expressly referring to the concept of prudential supervision. Accordingly, the *FCA*, as *Host State regulator*, is entitled to regulate only the conduct of the firm's business within the *United Kingdom*;
- (2) there is no explicit "general good" provision in *MiFID* or *AIFMD*. Rather, the responsibilities for a *Host State regulator* under *MiFID* are contained in paragraphs 8 to 10 and under *AIFMD* are contained in paragraphs 11G to 11J;
- (3) for a *BCD credit institution*, the *PRA* or *FCA*, as *Host State regulator*, is jointly responsible with the *Home State regulator* under article 41 of the *Banking Consolidation Directive* for supervision of the liquidity of a *branch* in the *United Kingdom*;
- (4) for a *MiFID investment firm* including a *BCD credit institution* which is a *MiFID investment firm*), the protection of *clients' money* and *clients' assets* is reserved to the *Home State regulator* under *MiFID*; and
- (5) responsibility for participation in compensation schemes for *BCD credit institutions* and *MiFID investment firm* is reserved in most cases to the *Home State regulator* under the *Deposit Guarantee Directive* and the *Investor Compensation Directive*.

3. It is necessary to refer to the case law of the European Court of Justice to interpret the concept of the "general good". To summarise, to satisfy the general good test, *Host State* rules must come within a field which has not been harmonised at *EU* level, satisfy the general requirements that they pursue an objective of the general good, be non-discriminatory, be objectively necessary, be proportionate to the objective pursued and not already be safeguarded by rules to which the *firm* is subject in its *Home State*.

[FCA/PRA]

Application of SYSC 2 and SYSC 3

4. SYSC 2 and SYSC 3 only apply to an *insurer*, a *managing agent* and the *Society*. See paragraph 8 below for a discussion of how the *common platform requirements* apply. SYSC 2.1.1 R and SYSC 2.1.2 G do not apply for a relevant *incoming Treaty firm*. The *FCA* and *PRA* consider that they are entitled, in the interests of the general good, to impose the requirements in SYSC 2.1.3 R to SYSC 2.2.3 G (in relation to the allocation of the function in

[FCA/PRA]

SYSC 2.1.3 R (2)) and SYSC 3 on an *incoming EEA firm* and an *incoming Treaty firm*; but only in so far as they relate to those categories of matter responsibility for which is not reserved to the *firm's Home State regulator*.

5. Should the *FCA* or *PRA* become aware of anything relating to an *incoming EEA firm* or *incoming Treaty firm* (whether or not relevant to a matter for which responsibility is reserved to the *Home State regulator*), the *PRA* or *FCA* may disclose it to the *Home State regulator* in accordance with any directive and the applicable restrictions in Part 23 of the Act (Public Record, Disclosure of Information and Co-operation).

6. This Annex represents the *FCA's* and *PRA's* views, but a *firm* is also advised to consult the relevant *EU* instrument and, where necessary, seek legal advice. The views of the European Commission in the banking and insurance sectors are contained in two Commission Interpretative Communications (Nos. 97/C209/04 and C(1999)5046).

7. [deleted]

Application of the common platform requirements in SYSC to *EEA MiFID investment firms*

8. Whilst the *common platform requirements* (located in SYSC 4 - SYSC 10) do not generally apply to *incoming EEA firms* (but for *EEA UCITS management companies*, see 8A below), *EEA MiFID investment firms* must comply with the *common platform record-keeping requirements* in relation to a *branch* in the *United Kingdom*.

Application of SYSC to *EEA UCITS management companies*

8A. SYSC 1 Annex 1 (Detailed application of SYSC), Part 2, 2.7AG provides guidance on the application of the *common platform requirements* to the *UK branch* of an *EEA UCITS management company*.

[FCA]

Requirements under MiFID

9. Article 31(1) of *MiFID* prohibits Member States from imposing additional requirements on a *MiFID investment firm* in relation to matters covered by *MiFID* if the *firm* is providing services on a cross-border basis. Such firms will be supervised by their Home State regulator.

10. Article 32 of *MiFID* requires the *FSA* as the *Host State regulator* to apply certain obligations to an *incoming EEA firm* with an establishment in the *UK*. In summary, these are Articles:

[FCA/PRA]

- (1) 19 (conduct of business obligations);
- (2) 21 (execution of orders on terms most favourable to the client);
- (3) 22 (client order handling);
- (4) 25 (upholding the integrity of markets, reporting transactions and maintaining records);
- (5) 27 (making public firm quotes); and
- (6) 28 (post-trade disclosure).

The remaining obligations under *MiFID* are reserved to the Home State regulator.

11. *MiFID* is more highly harmonising than other *Single Market Directives*. Article 4 of the *MiFID implementing Directive* permits Member States to impose additional requirements only where certain tests are met. The *FSA* has made certain requirements that fall within the scope of Article 4. These requirements apply to an *EEA MiFID investment firm* with an establishment in the *United Kingdom* as they apply to a *UK MiFID investment firm*, in the circumstances contemplated by article 32(7) *MiFID*.

[FCA/PRA]

Requirements under the UCITS Directive

11A Article 19(8) of the *UCITS Directive* prohibits an *EEA State* from imposing additional requirements on a *management company* providing *collective portfolio management* services for a *UCITS* in its territory on a cross-border basis by establishing a *branch* or under the freedom to provide *cross border services* in respect of the subject matter of the *UCITS Directive*, except in the cases expressly permitted (see 11C below).

[FCA]

11B A *management company* which provides *collective portfolio management* services on a cross-border basis by establishing a *branch* in another *EEA State* or under the freedom to provide services must comply with the *rules* of the *UCITS Home State* which relate to the constitution and functioning of the *UCITS*. Where the *UCITS Home State* is the *United Kingdom*, the applicable *rules* that the *EEA UCITS management company* must comply with are as follows:

[FCA]

- (1) COLL 12.3.4 R (Provision of documentation to the FCA: EEA UCITS management companies);
- (2) the *fund application rules* (see COLL 12.3.5 R (COLL fund rules under the management company passport: the fund application rules)); and
- (3) COLL 12.3.6 R (Requirement to make information available to the public or the FCA).

11C [FCA] A *management company*, however, which provides *collective portfolio management* services from a *branch* in another *EEA State*, is obliged under article 17(4) to comply with the applicable rules of the *Host State regulator* drawn up under article 14(1) that require a *management company* to:

- (1) act honestly and fairly in conducting its business activities in the best interests of the *UCITS* it manages and the integrity of the market;
- (2) act with due skill, care and diligence, in the best interests of the *UCITS* it manages and the integrity of the market;
- (3) have and employ effectively the resources and procedures that are necessary for the proper performance of its business activities;
- (4) try to avoid conflicts of interests and, when they cannot be avoided, to ensure that the *UCITS* it manages is fairly treated; and
- (5) comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of its investors and the integrity of the market.

11D The *rules* implementing the requirements set out in paragraph 11C (1) to (5) are as follows:

[FCA]

- (1) SYSC, to the extent indicated in column A+ (Application to management company) of Part 3 of SYSC 1 Annex 1 (Detailed application of SYSC); and
- (2) COBS, to the extent indicated at paragraph 9.1 of Part 3 of COBS 1 Annex 1 (Application).
- (3) COLL 6.6A.2 R (Duties of AFMs of UCITS schemes and EEA UCITS schemes to act in the best interests of the scheme and its unitholders) (*branch* only);
- (4) COLL 6.6A.4 R (Due diligence requirements of AFMs of UCITS schemes and EEA UCITS schemes) (*branch* only); and
- (5) COLL 6.6A.5 R (Compliance with the regulatory requirements applicable to the conduct of business activities of a UCITS management company) (*branch* only).

Territorial application of the *Handbook*

The auction regulation

11E [FCA/PRA] Where an *incoming EEA firm* exercises an *EEA right* under the *auction regulation* to provide services or establish a *branch* in the *United Kingdom*, it is carrying on *auction regulation bidding*. Authorisation and supervision of a *firm* under the *auction regulation* are almost exclusively matters reserved to the *Home State regulator*. The only requirements which the *FCA* has applied as *Host State regulator* under the *auction regulation* in respect of *auction regulation bidding* is on a *UK branch* in relation to safeguards against money laundering and financial crime as well as a statutory status disclosure obligation and requirements to notify the *FCA* (see Note 4 of SUP 13A Annex 1 G).

11F [FCA] An *incoming EEA firm* that carries on *MiFID business bidding* is exercising an *EEA right* under *MiFID* and is subject to the *applicable provisions* relating to its carrying on of *MiFID business*. The respective responsibilities of the *Home State regulator* and *Host State regulator* are the same as under *MiFID*.

Requirements under *AIFMD*

11G [FCA] Article 33(5) of *AIFMD* prohibits *Host States* from imposing additional requirements on an *AIFM* to matters covered by *AIFMD* if the *firm* is managing an *AIF* on a cross-border basis by establishing a *branch* or providing *cross-border services* to manage an *AIF* in that *EEA State*, except as expressly permitted (see 11H below).

- 11H Under article 45(2) (Responsibility of competent authorities in Member States) of *AIFMD* the supervision of an *AIFM's* compliance with articles 12 (General principles) and 14 (Conflicts of interest) are the responsibility of the *Host State* of the *AIFM* where the *AIFM* manages and/or markets an *AIF* through a *branch* in that *EEA State*.
[FCA]
- 11I As a result, an *incoming EEA AIFM branch* is required to comply with the *AIFMD Host State requirements* (as set out below):
[FCA]
- (a) FUND 3.8;
 - (b) SYSC 4.1.2C R;
 - (c) SYSC 10.1.22 R to SYSC 10.1.26 R; and
 - (d) COBS 2.1.4 R.
- 11J Under article 32(5) of *AIFMD*, arrangements in point (h) of Annex IV of *AIFMD* for the *marketing* of *AIFs* is subject to the laws and supervision of the *Host State* of the *AIFM*.
[FCA]
- 11K A *full-scope EEA AIFM* that is *marketing* an *AIF* in the *UK* using the *marketing* passport should have regard to the *financial promotions* regime, as explained in PERG 8.37.5 G (2) (Communications with investors in relation to draft documentation).
[FCA]
12. Further *guidance* on the territorial application of the *Handbook* can be found at PERG 13.6 and PERG 13.7.
[FCA/PRA]
13. Examples of how SYSC 3 and/or the common platform provisions apply in practice.
[FCA/PRA]
- (1) The Prudential Standards part of the *Handbook* (with the exception of INSPRU 1.5.33 R on the payment of financial penalties and the Interim Prudential sourcebook (insurers) (IPRU(INS)) (rules 3.6 and 3.7) do not apply to an *insurer* which is an *incoming EEA firm*. Similarly, SYSC 3 does not require such a *firm*:
 - (a) to establish systems and controls in relation to financial resources (SYSC 3.1.1 R); or
 - (b) to establish systems and controls for compliance with that Prudential Standards part of the *Handbook* (SYSC 3.2.6 R); or
 - (c) to make and retain records in relation to financial resources (SYSC 3.2.20 R and SYSC 9.1.1 R to 9.1.4 G).
 - (2) The Conduct of Business sourcebook (*COBS*) applies to an *incoming EEA firm*. Similarly, SYSC 3 and SYSC 4- 10 do require such a *firm*:
 - (a) to establish systems and controls in relation to those aspects of the conduct of its business covered by applicable sections of *COBS* (SYSC 3.1.1 R and SYSC 4.1.1 R);
 - (b) to establish systems and controls for compliance with the applicable sections of *COBS* (SYSC 3.2.6 R and SYSC 6.1.1 R); and
 - (c) to make and retain records in relation to those aspects of the conduct of its business (SYSC 3.2.20 R and SYSC 9.1.1 R to 9.1.4 G).

See also Question 12 in SYSC 2.1.6 G for guidance on the application of SYSC 2.1.3 R (2)

14.2.4

FCA PRA

G

Changes to the *requisite details* may lead to changes to the *applicable provisions* to which the *incoming EEA firm* is subject. The *appropriate UK regulator* will, as soon as practicable after receiving a notice in ■ SUP 14.2.3 G or ■ SUP 14.2.8 G, inform the *incoming EEA firm* of any consequential changes in the *applicable provisions* (regulation 4(6)).

Firms passporting under the Insurance Directives

14.2.5

PRA

G

- (1) Where an *incoming EEA firm*, passporting under the *Insurance Directives* has established a *branch* in the *United Kingdom*, regulation 6 states that it must not make a change to the information referred to in regulation 2(5)(a) to (c) unless it has complied with the relevant requirements.
- (2) The relevant requirements are set out in regulation 6(4) or, where the change arises from circumstances beyond the *incoming EEA firm's* control, regulation 6(5) (see ■ SUP 14.2.8 G).

14.2.6

PRA

G

Where the change arises from circumstances within the control of the *incoming EEA firm*, the relevant requirements in regulation 6(4) are that:

- (1) the *incoming EEA firm* has given a notice to the *PRA* (see ■ SUP 14.4.1 G) and to its *Home State regulator* stating the details of the proposed change;
- (2) the *PRA* has received from the *Home State regulator* a notice stating that it has approved the proposed change;
- (3) the period of at least one month beginning with the day on which the *incoming EEA firm* gave the *PRA* the notice in (1) has elapsed; and
- (4) either:
 - (a) a further period of one month has elapsed; or
 - (b) the *PRA* has informed the *Home State regulator* of any consequential changes in the *applicable provisions*.

14.2.7

PRA

G

Under regulation 6(6) the *FSA* is required, as soon as practicable, to:

- (1) acknowledge receipt of the documents sent under regulation 6(4) or 6(5); and
- (2) in the case of a notice under regulation 6(5), inform the *incoming EEA firm's Home State regulator* of any consequential changes in the *applicable provisions*.

Changes arising from circumstances beyond the control of an incoming EEA firm passporting under the Banking Consolidation Directive, UCITS Directive or Insurance Directive

14.2.8

FCA PRA

G

If the change arises from circumstances beyond the *incoming EEA firm's* control, the *firm* is required by regulation 4(5) (see ■ SUP 14.2.2 G) or regulation 6(5) (see ■ SUP 14.2.5 G (2)) to give a notice to the *appropriate UK regulator* (see ■ SUP 14.4.1 G) and to its *Home State regulator* stating the details of the change as soon as reasonably practicable.

14.2.9
FCA PRA

G

The *appropriate UK regulator* believes that for a change to arise from circumstances beyond the control of an *incoming EEA firm*, the circumstances should be outside the control of the *firm* as a whole and not just its UK branch. For example, the *appropriate UK regulator* considers that this provision would be unlikely to apply to circumstances in which lack of planning at the *incoming EEA firm's* head office resulted in a problem arising in a *UK branch* which was outside its control. In practice, therefore, use of this provision is likely to be rare.

14.2.10
FCA PRA

G

Firms passporting under MiFID

Where an *EEA MiFID investment firm* has established a *branch* in the *UK*, regulation 4A states that it must not:

- (1) make a change in the requisite details of the *branch*; or
- (2) use, for the first time, any *tied agent* established in the *United Kingdom*; or
- (3) cease to use *tied agents* established in the *United Kingdom*;

unless it has complied with the relevant requirements in regulation 4A(3).

14.2.11
FCA PRA

G

The relevant requirements in regulation 4A(3) are that:

- (1) the *EEA MiFID investment firm* has given notice to its *Home State regulator* stating the details of the proposed change; and
- (2) the period of one *month* beginning with the date on which the *EEA MiFID investment firm* gave the notice mentioned in (1) has elapsed.

14.2.12
FCA PRA

G

Changes to the *requisite details* may lead to changes to the applicable provisions to which the *EEA MiFID investment firm* is subject. The *appropriate UK regulator* will, as soon as practicable after receiving a notice in ■ SUP 14.2.11 G inform the *EEA MiFID investment firm* of any consequential changes in the applicable provisions.

14.2.13
FCA PRA

G

■ SUP 14.2.10 G does not apply to a change occasioned by circumstances beyond the *incoming EEA firm's* control.

Firms passporting under the auction regulation

14.2.14
FCA

R

An *EEA firm* that is exercising an *EEA right* to provide *auction regulation bidding* from a *branch* in the *United Kingdom* must notify the *FSA* of any change to the information submitted under ■ SUP 13A.4.5 R by email to emissionstrading@fsa.gov.uk prior to the change or whenever possible thereafter.

Firms passporting under AIFMD

14.2.15
FCA

G

Where an *EEA AIFM* has established a *branch* in the *UK*, it must not make a material change to:

- (1) the requisite details of the *branch*; or

(2) the identity of the *AIFs* that the *EEA AIFM* intends to manage; unless it has complied with the relevant requirement in regulation 7A(3).

14.2.16

FCA

G

The relevant requirement in regulation 7A(3) is that the *Home State regulator* has informed the *FCA* that it has approved the proposed change.

14.3 Changes to cross border services

14.3.1

FCA PRA

G

Where an *incoming EEA firm* passporting under the *MiFID*, *UCITS Directive*, *Insurance Directives* or *AIFMD* is exercising an *EEA right* and is providing *cross border services* into the *United Kingdom*, the *EEA Passport Rights Regulations* govern any changes to the details of those services. Where an *incoming EEA firm* has complied with the *EEA Passport Rights Regulations*, then the *firm's permission* under Schedule 3 to the *Act* is to be treated as varied .

14.3.2

FCA

G

Where an *incoming EEA firm* passporting under the *UCITS Directive* is providing *cross border services* into the *United Kingdom*, it must not make a change in the details referred to in regulation 5(1A) unless it has complied with the relevant requirements in regulation 5(3).

14.3.3

FCA

G

The relevant requirements in regulation 5(3) are that:

- (1) the *incoming EEA firm* has given a notice to the *FCA* (see ■ SUP 14.4.1 G) and to its *Home State regulator* stating the details of the proposed change;
- (2) if the change arises from circumstances beyond the *incoming EEA firm's* control, that firm has, as soon as practicable, given to the *appropriate UK regulator* and to its *Home State regulator* the notice in (1).

14.3.3A

G

[deleted]

14.3.4

FCA PRA

G

Under regulation 5(4), the *FCA* is required, as soon as practicable after receiving the notice in ■ SUP 14.3.3 G, to inform the *incoming EEA firm* of any consequential changes in the *applicable provisions*.

14.3.4A

FCA PRA

G

Where an *incoming EEA firm* passporting under *MiFID* is providing *cross border services* into the *United Kingdom*, it must not:

- (1) make a change in the details referred to in regulation 5A(1)(a); or
- (2) use, for the first time, any *tiered agent* to provide services in the *United Kingdom*; or

(3) cease to use *tiered agents* to provide services in the *United Kingdom*;
unless it has complied with the relevant requirements in regulation 5A(3).

14.3.4B
FCA PRA

G The relevant requirements in regulation 5A(3) are that:

- (1) the incoming *EEA firm* has given notice to its *Home State regulator* stating the details of the proposed change; and
- (2) the period of one *month* beginning with the day on which the *incoming EEA firm* gave that notice has elapsed.

14.3.4C
FCA

G Under regulation 5(4), the *FCA* is required, as soon as practicable after receiving the notice in **■ SUP 14.3.4B G**, to inform the *incoming EEA firm* of any consequential changes in the applicable provisions.

14.3.4D
FCA PRA

G **■ SUP 14.3.4A G** does not apply to a change occasioned by circumstances beyond the *incoming EEA firm's* control.

Firms passporting under the Insurance Directives

14.3.5
PRA

G If an *incoming EEA firm* passporting under the *Insurance Directives* is providing *cross border services* into the *United Kingdom*, it must not make a change to the details referred to in regulation 7(1) unless it has complied with the relevant provisions.

14.3.6
PRA

G The relevant provisions are those set out in regulation 7(4), namely that:

- (1) the *incoming EEA firm* has given a notice to its *Home State regulator* stating the details of the proposed change; and
- (2) the *Home State regulator* has passed on to the *PRA* the information contained in that notice.

14.3.7
PRA

G If the change arises from circumstances beyond the *incoming EEA firm's* control, the *incoming EEA firm* is required to comply with the relevant provisions referred to in **■ SUP 14.3.6 G** as soon as reasonably practicable (whether before or after the change). See also **■ SUP 14.2.9 G**, as relevant to *cross border services*.

Firms passporting under AIFMD

14.3.8
FCA

G Where an *EEA AIFM* is providing *cross-border services* to manage an *AIF* in the *UK*, it must not make a material change to:

- (1) the particulars of the programme of operations to be carried out in the *UK*, including the description of the particular *EEA* activities; or
- (2) the identity of the *AIFs* that the *EEA AIFM* intends to manage;

unless it has complied with the relevant requirement in regulation 7A(3).

14.3.9

FCA

G

Where an *EEA AIFM* is providing *cross-border services to market* an *AIF* in the *UK*, it must not make a material change to:

- (1) the documents and information referred to in Annex IV to *AIFMD*; or
- (2) the statement that the *EEA AIFM* is authorised to manage *AIFs* with a particular management strategy;

unless it has complied with the relevant requirement in regulation 7A(3).

14.3.10

FCA

G

The relevant requirement in regulation 7A(3) is that the *Home State regulator* has informed the *FCA* that it has approved the proposed change.



14.4 Notices of proposed changes: form and delivery

14.4.1

FCA **PRA**

G

- (1) Regulation 7 to 9 of the Financial Services and Markets Act 2000 (Services of Notices) Regulations 2001 (SI2001/1420) govern the manner in which notices may be submitted to the regulators under the *EEA Passport Rights Regulations*. In summary, they should be delivered or posted to the *appropriate UK regulator's* address (See (2) below) and will be treated as given when received by the *appropriate UK regulator* . They should not be sent by fax or electronic mail.
- (2) [deleted]

14.4.1A

FCA

G

The address for *FCA* notices is: The Passport Notifications Unit, The Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

14.4.1B

PRA

G

The address for *PRA* notices is: PRA authorisations team, The Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA.



14.5

Variation of a top-up permission to carry on regulated activities outside the scope of the Single Market Directives or the auction regulation

14.5.1

FCA **PRA**

G

Where an *incoming EEA firm* has been granted *top-up permission* by the *appropriate UK regulator* and wishes to vary that *permission*, the *Act* requires it to apply to the *appropriate UK regulator* for a variation of the *top-up permission*.

14.5.2

FCA **PRA**

G

Guidance on the procedures for applying for a variation of a *permission* granted under Part 4A of the *Act*, including a *top-up permission*, is given in ■ SUP 6 (Applications to vary and cancel Part 4A Permission).

14.6 Cancelling qualification for authorisation

Incoming EEA firms

14.6.1

FCA PRA

G

Section 34 of the *Act* states that an *incoming EEA firm* no longer qualifies for *authorisation* under Schedule 3 to the *Act* if it ceases to be an *incoming EEA firm* as a result of:

- (1) having its *EEA authorisation* withdrawn by its *Home State regulator*; or
- (2) ceasing to have an *EEA right* in circumstances in which *EEA* authorisation is not required; this is relevant to a *financial institution* that is a subsidiary of a *credit institution* (of the kind mentioned in Article 19 of the *Banking Consolidation Directive*) which fulfils the conditions in articles 18 and 19 of that *Directive*.

14.6.2

FCA PRA

G

In addition, under section 34(2) an *incoming EEA firm* may ask the *appropriate UK regulator* to give a direction cancelling its *authorisation* under Schedule 3 to the *Act*.

14.6.3

FCA PRA

G

Regulation 8 states that where an *incoming EEA firm* which qualifies for *authorisation* under Schedule 3:

- (1) has ceased, or is to cease, to carry on *regulated activities* in the *United Kingdom*; and
- (2) gives notice of that fact to the *appropriate UK regulator* ;

the notice is treated under regulation 8 as a request for cancellation of the *incoming EEA firm's* qualification for *authorisation* under Schedule 3 to the *Act* and so as a request under section 34(2) of the *Act*.

Auction regulation bidding: notification rule

14.6.3A

FCA

R

An *EEA firm* that has exercised an *EEA right* under the *auction regulation* to establish a branch in the *United Kingdom* must notify the *FCA* by email to emissionstrading@fca.org.uk when it ceases to carry on *regulated activities* through a branch passport in the *United Kingdom* or whenever possible thereafter.

14.6.3B

FCA

G

The sole purpose of the notification in ■ SUP 14.6.3A R is to inform the *FCA* that it may discontinue its supervision of the *UK* branch of the *incoming EEA firm's* compliance with the *applicable provisions*. The *applicable provisions* that apply to that branch are set out in ■ SUP 13A Annex 1 G (Application of the Handbook to Incoming EEA Firms).

Financial institutions giving up right to authorisation

14.6.4
PRA

G

Where a *financial institution* (that is, a subsidiary of a *credit institution*) is passporting under the *Banking Consolidation Directive* (see ■ SUP 14.6.1 G (2)), regulation 9(1) states that the *incoming EEA firm* may request the *PRA* to direct that its qualification for *authorisation* under Schedule 3 to the *Act* is cancelled from such date as may be specified in the direction.

14.6.5
PRA

G

The *PRA* may not, however, give a direction referred to in ■ SUP 14.6.4 G unless:

- (1) the *incoming EEA firm* has given notice to its *Home State regulator*; and
- (2) the *PRA* has agreed with the *Home State regulator* that the direction should be given.

14.6.6
PRA

G

Regulation 9(3) requires that the date specified by the *PRA* in a direction referred to in ■ SUP 14.6.4 G:

- (1) must not be earlier than the date requested in the application; but
- (2) subject to (1), is as agreed between the *PRA* and the *incoming EEA firm's Home State regulator*.

14.6.7
PRA

G

The *PRA* is required to send, as soon as practicable, a copy of the direction to the *incoming EEA firm* and to its *Home State regulator* (regulation 9(4)).

14.6.8
PRA

G

Where the *PRA* gives a direction referred to in ■ SUP 14.6.4 G, the *incoming EEA firm* may apply for *Part 4A permission* (see the *PRA* website www.bankofengland.co.uk/pr/Pages/authorisations/newfirm/default.aspx) to take effect not earlier than the date that its qualification for *authorisation* is cancelled (as specified in the direction).

Incoming Treaty firms

14.6.9
FCA PRA

G

Section 35 of the *Act* states that an *incoming Treaty firm* no longer qualifies for *authorisation* under Schedule 4 to the *Act* if its *Home State* authorisation is withdrawn.

14.6.10
FCA PRA

G

In addition, under section 35(2) an *incoming Treaty firm* may ask the *appropriate UK regulator* to give a direction cancelling its *authorisation* under Schedule 4 to the *Act*.

UCITS qualifiers

14.6.11
FCA

G

Section 36 of the *Act* states that a *UCITS qualifier* may ask the *FCA* to give a direction cancelling its *authorisation* under paragraph 1(1) of Schedule 5 to the *Act*. *UCITS qualifiers* should also refer to ■ COLLG 3.1.11 G (Revocation of recognition of overseas schemes (section 279)).



14.7

Cancellation of a top-up permission to carry on regulated activities outside the scope of the Single Market Directives or the auction regulation

14.7.1

FCA **PRA**

G

Where an *incoming EEA firm*, an *incoming Treaty firm* or a *UCITS qualifier* wishes to cancel its *top-up permission*, either with or without cancellation of its qualification for *authorisation* under Schedule 3, 4, or 5 to the *Act*, it should make an application following the procedures set out in **■ SUP 6** (Applications to vary and cancel Part 4A Permission).



14.8 Further guidance

14.8.1

FCA PRA

G

For further *guidance* on passporting procedures, an *incoming EEA firm* may contact the *FCA* or *PRA* authorisations team, or their usual supervisory contact at the *appropriate UK regulator*. *Incoming Treaty firms* and *UCITS qualifiers* may speak to their supervisory contact at the *appropriate UK regulator* in the first instance

with *operating a dormant account fund* on a continuous and satisfactory basis;

- (2) any significant failure in the *firm's* systems or controls, including those reported to the *firm* by the *firm's* auditor;
- (3) any action which a *firm* proposes to take which would result in a material change in its capital adequacy or solvency, including, but not limited to:
 - (a) any action which would result in a material change in the *firm's* financial resources or financial resources requirement; or
 - (b) a material change resulting from the payment of a special or unusual dividend or the repayment of *share* capital or a subordinated loan; or
 - (c) for *firms* which are subject to the *rules* on consolidated financial supervision, any proposal under which another *group company* may be considering such an action; or
 - (d) significant trading or non-trading losses (whether recognised or unrecognised).

15.3.9

FCA PRA

G

The period of notice given to the *appropriate regulator* will depend on the event, although the *appropriate regulator* expects a *firm* to discuss relevant matters with it at an early stage, before making any internal or external commitments.

15.3.10

FCA PRA

G

A notification under *Principle 11* may be given orally or in writing (as set out in ■ SUP 15.7.1 R and ■ SUP 15.7.2 G), although the *appropriate regulator* may request written confirmation of a matter. However, it is the responsibility of a *firm* to ensure that matters are properly and clearly communicated to the *appropriate regulator*. A *firm* should provide a written notification if a matter either is complex or may be such as to make it necessary for the *appropriate regulator* to take action. A *firm* should also have regard to *Principle 11* and the *guidance* in ■ SUP 15.7.2 G in respect of providing important information promptly.

Breaches of rules and other requirements in or under the Act

15.3.11

FCA PRA

R

- (1) A *firm* must notify the *appropriate regulator* of:
 - (a) a significant breach of a *rule* (which includes a *Principle*) or *Statement of Principle*; or
 - (b) a breach of any requirement imposed by the *Act* or by regulations or an order made under the *Act* by the Treasury (except if the breach is an *offence*, in which case (c) applies);
 - (c) the bringing of a prosecution for, or a conviction of, any *offence* under the *Act*;
 - (d) a breach of a directly applicable provision in the *MiFID Regulation*; or
 - (e) a breach of any requirement in regulation 4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007; or

- (ea) a breach of a directly applicable provision in the *auction regulation*; or
- (f) it exceeding (or becoming aware that it will exceed) the limit in ■ BIPRU 10.5.6 R; or
- (g) a breach of the *AIFMD UK regulation*; or
- (h) a breach of any directly applicable EU regulation made under *AIFMD*;

by (or as regards (c) against) the *firm* or any of its *directors, officers, employees, approved persons, or appointed representatives* or, where applicable, *tied agents*.

- (2) A *firm* must make the notification in (1) immediately it becomes aware, or has information which reasonably suggests, that any of the matters in (1) has occurred, may have occurred or may occur in the foreseeable future.

15.3.11A
FCA PRA

G

■ SUP 15.3.11 R(1)(e) relates to the standard requirement in the *permission* of those *firms* which fall outside *MiFID* because of the Treasury's implementation of Article 3 of *MiFID*. *Guidance* on how the Treasury has exercised the Article 3 exemption for the *United Kingdom* is given in Q48 and the following questions and answers in ■ PERG 13.5 (Exemptions from MiFID).

15.3.12
FCA PRA

G

In ■ SUP 15.3.11 R(1)(a), significance should be determined having regard to potential financial losses to *customers* or to the *firm*, frequency of the breach, implications for the *firm's* systems and controls and if there were delays in identifying or rectifying the breach.

15.3.13
FCA PRA

G

In assessing whether an event that may occur in the foreseeable future should be notified to the *appropriate regulator*, a *firm* should consider the *guidance* in ■ SUP 15.3.3 G.

15.3.14
FCA PRA

G

A notification under ■ SUP 15.3.11 R should include:

- (1) information about any circumstances relevant to the breach or *offence*;
- (2) identification of the *rule* or requirement or *offence*; and
- (3) information about any steps which a *firm* or other *person* has taken or intends to take to rectify or remedy the breach or prevent any future potential occurrence.

Civil, criminal or disciplinary proceedings against a firm

15.3.15
FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if:

- (1) civil proceedings are brought against the *firm* and the amount of the claim is significant in relation to the *firm's* financial resources or its reputation; or

- (2) any action is brought against the *firm* under section 71 of the *Act* (Actions for damages) or section 150 (Actions for damages); or
- (3) disciplinary measures or sanctions have been imposed on the *firm* by any statutory or regulatory authority, professional organisation or trade body (other than the *appropriate regulator*) or the *firm* becomes aware that one of those bodies has started an investigation into its affairs; or
- (4) the *firm* is prosecuted for, or convicted of, any *offence* involving fraud or dishonesty, or any penalties are imposed on it for tax evasion; or
- (5) it is an *OPS firm*, which is a trustee, and is removed as trustee by a court order.

15.3.16

FCA PRA

G

A notification under ■ SUP 15.3.15 R should include details of the matter and an estimate of the likely financial consequences, if any.

Fraud, errors and other irregularities

15.3.17

FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately if one of the following events arises and the event is significant:

- (1) it becomes aware that an *employee* may have committed a fraud against one of its *customers*; or
- (2) it becomes aware that a *person*, whether or not employed by it, may have committed a fraud against it; or
- (3) it considers that any *person*, whether or not employed by it, is acting with intent to commit a fraud against it; or
- (4) it identifies irregularities in its accounting or other records, whether or not there is evidence of fraud; or
- (5) it suspects that one of its *employees* may be guilty of serious misconduct concerning his honesty or integrity and which is connected with the *firm's regulated activities* or *ancillary activities*.

15.3.18

FCA PRA

G

In determining whether a matter is significant, a *firm* should have regard to:

- (1) the size of any monetary loss or potential monetary loss to itself or its *customers* (either in terms of a single incident or group of similar or related incidents);
- (2) the risk of reputational loss to the *firm*; and
- (3) whether the incident or a pattern of incidents reflects weaknesses in the *firm's internal controls*.

15.3.19
FCA PRA

G

The notifications under ■ SUP 15.3.17 R are required as the *appropriate regulator* needs to be aware of the types of fraudulent and irregular activity which are being attempted or undertaken, and to act, if necessary, to prevent effects on *consumers* or other *firms*. A notification under ■ SUP 15.7.3 G should provide all relevant and significant details of the incident or suspected incident of which the *firm* is aware.

15.3.20
FCA PRA

G

In addition, the *firm* may have suffered significant financial losses as a result of the incident, or may suffer reputational loss, and the *appropriate regulator* will wish to consider this and whether the incident suggests weaknesses in the *firm's internal controls*.

Insolvency, bankruptcy and winding up

15.3.21
FCA PRA

R

A *firm* must notify the *appropriate regulator* immediately of any of the following events:

- (1) the calling of a meeting to consider a resolution for winding up the *firm*; or
- (2) an application to dissolve the *firm* or to strike it off the Register of Companies; or
- (3) the presentation of a petition for the winding up of the *firm*; or
- (4) the making of, or any proposals for the making of, a composition or arrangement with any one or more of its creditors; or
- (5) an application for the appointment of an administrator or trustee in bankruptcy to the *firm*; or
- (6) the appointment of a receiver to the *firm* (whether an administrative receiver or a receiver appointed over particular property); or
- (7) an application for an interim order against the *firm* under section 252 of the Insolvency Act 1986 (or, in Northern Ireland, section 227 of the Insolvency (Northern Ireland) Order 1989); or
- (8) if the *firm* is a *sole trader*:
 - (a) an application for a sequestration order on the *firm*; or
 - (b) the presentation of a petition for bankruptcy; or
- (9) anything equivalent to (1) to (8) above occurring in respect of the *firm* in a jurisdiction outside the *United Kingdom*.

15.3.22

FCA PRA

D

Lloyd's of London

■ SUP 15.3.23 D to ■ SUP 15.3.25 D are given in relation to the exercise of the powers of the *Society* and of the *Council* generally, with a view to achieving the objective of enabling the *appropriate regulator* to:

- (1) comply with its general duty under section 314 of the *Act* (Regulators' general duty);
- (2) determine whether *underwriting agents*, or *approved persons* acting for them or on their behalf, are complying with the requirements imposed on them by or under the *Act*;
- (3) enforce the provisions of the *Act*, or requirements made under the *Act*, by enabling the *appropriate regulator* to consider, where appropriate, whether it should use its powers, for example, to:
 - (a) vary or cancel the *permission* of an *underwriting agent*, under section 55J of the *Act* (Variation or cancellation on initiative of regulator);
 - (b) withdraw approval from an *approved person* acting for or on behalf of an *underwriting agent*, under section 63 of the *Act* (Withdrawal of approval) (see ■ EG 9);
 - (c) prohibit an individual acting for or on behalf of an *underwriting agent* from involvement in *regulated activities*, under section 56 of the *Act* (Prohibition orders) (see ■ EG 9);
 - (d) require an *underwriting agent* to make restitution, under section 384 of the *Act* (Power of FCA or PRA to require restitution) (see ■ EG 11);
 - (e) discipline an *underwriting agent*, or an *approved person* acting for it or on its behalf, for a breach of a requirement made under the *Act*, including the *Principles*, *Statements of Principle* and *rules* (see ■ DEPP 6 and ■ EG 7);
 - (f) apply to court for an *injunction*, restitution order or *insolvency order* (see ■ EG 10, ■ EG 11 and ■ EG 13); and
 - (g) prosecute any criminal offence that the *appropriate regulator* has power to prosecute under the *Act* (see ■ EG 12).

15.3.23

FCA PRA

D

The *Society* must immediately inform the *appropriate regulator* in writing if it becomes aware that any matter likely to be of material concern to the *appropriate regulator* may have arisen in relation to:

- (1) the *regulated activities* for which the *Society* has *permission*; or
- (2) *underwriting agents*; or
- (3) *approved persons* or individuals acting for or on behalf of *underwriting agents*.

15.3.24
FCA PRA

D

The *Society* must inform the *appropriate regulator* if it commences investigations or disciplinary proceedings relating to apparent breaches:

- (1) of the *Act* or requirements made under the *Act*, including the *threshold conditions* or the *Principles* or other *rules*, by an *underwriting agent*; or
- (2) of the *Statements of Principle* by an individual or other *person* who carries out *controlled functions* for or on behalf of an *underwriting agent*.

15.3.25
FCA PRA

D

The *Society* must inform the *appropriate regulator* if it commences investigations or disciplinary proceedings which do not fall within the scope of ■ SUP 15.3.24 D but which:

- (1) involve an *underwriting agent*, or an *approved person* who carries out *controlled functions* for it or on its behalf; or
- (2) may indicate that an individual acting for or on behalf of an *underwriting agent* may not be a fit and proper *person* to perform functions in relation to *regulated activities*.

UK AIFMs

15.3.26
FCA

R

A *full-scope UK AIFM* must notify the *FCA* before implementing any material changes to the conditions under which it was granted *permission to manage an AIF*, in particular to the information it provided in its application for that *permission*.

[Note: article 10(1) of *AIFMD*]

15.3.27
FCA

G

Changes that the *FCA* would expect to be notified of under ■ SUP 15.3.26 R include:

- (1) an *AIFM* being appointed to manage another *AIF*;
- (2) the appointment of a different *depository* for an *AIF* the *AIFM* manages; and
- (3) the appointment of any new *senior personnel* if the *AIFM* is not required to apply for the *FCA*'s approval for that appointment under section 59 of the *Act*.

15.3.28
FCA

R

Where a *small authorised UK AIFM* no longer meets the conditions in regulation 11 of the *AIFMD UK regulation* (within the meaning of Chapter 1 of the *AIFMD level 2 regulation*) it must:

- (1) immediately notify the *FCA*; and
- (2) within 30 calendar days, apply to the *FCA* for a variation of its *permission* to become a *full-scope UK AIFM*.

[Note: article 3(3) second and third paragraphs of *AIFMD*]

Chapter 16

Reporting requirements



16.1 Application

16.1.1
FCA PRA

R

This chapter applies to every *firm* within a category listed in column (2) of the table in ■ SUP 16.1.3 R and in accordance with column (3) of that table.

16.1.1A
FCA

D

The directions and *guidance* in ■ SUP 16.13 apply to an *authorised payment institution* and a *small payment institution*.

16.1.1B
FCA

D

The directions and *guidance* in ■ SUP 16.15 apply to *electronic money issuers* that are not *credit institutions*.

16.1.1C
FCA

G

The directions and *guidance* in ■ SUP 16.18 apply for the following types of *AIFM*:

- (1) a *small registered UK AIFM*;
- (2) an *above-threshold non-EEA AIFM marketing in the UK*; and
- (3) a *small non-EEA AIFM marketing in the UK*.

16.1.2
FCA PRA

G

The only categories of *firm* to which no section of this chapter applies are:

- (1) an *ICVC*;
- (2) an *incoming EEA firm* or *incoming Treaty firm*, unless it is:
 - (a) a *firm* of a type listed in ■ SUP 16.1.3 R as a type of *firm* to which ■ SUP 16.6, ■ SUP 16.9 , ■ SUP 16.12, or ■ SUP 16.14 applies; or
 - (b) an *insurer with permission to effect or carry out life policies*;
 - (c) a *firm with permission to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme*;
- (3) a *UCITS qualifier*.

16.1.3
FCA PRA

R

Table Application of different sections of SUP 16(excluding SUP 16.13, SUP 16.15, SUP 16.16 and SUP 16.17)

(1) Sec- tion(s)	(2) Categories of firm to which section applies		(3) Applicable rules and guidance
SUP 16.1, SUP 16.2 and SUP 16.3	All categories of <i>firm</i> except:		Entire sections
	(a)	an <i>ICVC</i>;	
	(b)	an <i>incoming EEA firm</i> or <i>incoming Treaty firm</i>, which is not:	
		(i) a <i>firm</i> of a type to which SUP 16.6 or SUP 16.12 applies; or	
		(ii) an <i>insurer</i> with <i>permission to effect</i> or <i>carry outlife policies</i>; or	
		(iii) a <i>firm</i> with <i>permission to establish, operate or wind up a personal pension scheme</i> or <i>a stakeholder pension scheme</i>;	
	(c)	a <i>UCITS qualifier</i>.	
SUP 16.4 and SUP 16.5	All categories of <i>firm</i> except:		Entire sections
	(-a)	a <i>credit union</i>;	
	(a)	an <i>ICVC</i>;	
	(b)	an <i>incoming EEA firm</i>;	
	(c)	an <i>incoming Treaty firm</i>;	
	(d)	a <i>non-directive friendly society</i>;	
	(e)	[deleted]	
	(f)	a <i>sole trader</i>;	
	(g)	a <i>service company</i>;	
	(h)	a <i>UCITS qualifier</i> ;	

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
	(i) a firm with <i>permission to carry on only retail investment activities</i> ;	
	(j) a firm with <i>permission to carry on only insurance mediation activity, home finance mediation activity, or both</i> ;	
	(k) a firm falling within both (i) and (j)	
SUP 16.6	Bank	SUP 16.6.4 R to SUP 16.6.5 R
	Depository of an ICVC	SUP 16.6.6 R to SUP 16.6.9 G
	OPS firm	SUP 16.6.6 R to SUP 16.6.8 R
	Trustee of an AUT	SUP 16.6.6 R to SUP 16.6.9 G
	Depository of an ACS	SUP 16.6.6 R to SUP 16.6.9 G
SUP 16.8	Insurer with permission to effect or carry out life policies, unless it is a non-directive friendly society	Entire section
	Firm with permission to establish, operate or wind up a personal pension scheme or a stakeholder pension scheme	Entire section
SUP 16.9	Firm with permission to advise on investments; arrange (bring about) deals in investments; make arrangements with a view to transactions in investments; or arrange safeguarding and administration of assets	Entire section
SUP 16.10	All categories of firm except:	Entire section
	(a) an ICVC;	
	(b) a UCITS qualifier;	
	(c) a credit union; and	
	(d) a dormant account fund operator.	

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
SUP 16.11	A firm, other than a managing agent, which is:	Entire section
	(1) a home finance provider; or	
	(2) an insurer; or	
	(3) the operator of a regulated collective investment scheme or an investment trust savings scheme; or	
	(4) a person who issues or manages the relevant assets of the issuer of a structured capital-at-risk product.	
SUP 16.12	A firm undertaking the regulated activities as listed in SUP 16.12.4 R, unless exempted in SUP 16.12.1 G	Sections as relevant to regulated activities as listed in SUP 16.12.4 R
SUP 16.14	A CASS large firm and a CASS medium firm	Entire section
SUP 16.18	A full-scope UK AIFM and a small authorised UK AIFM	SUP 16.8.3 R

Note 1 [deleted]

Note 2 = The application of SUP 16.13 is set out under SUP 16.13.1 G ; the application of SUP 16.15 is set out under SUP 16.15.1 G; the application of SUP 16.16 is set out SUP 16.16.1 R and SUP 16.16.2 R and the application of SUP 16.17 is set out in SUP 16.17.3 R and SUP 16.17.4 R .

Note 3 = The application of SUP 16.18 for the types of AIFMs specified in SUP 16.1.1C G is set out in SUP 16.18.2 G.

16.1.4

FCA PRA

G

- (1) This chapter contains requirements to report to the *appropriate regulator* on a regular basis. These requirements include reports relating to a *firm's* financial condition, and to its compliance with other *rules* and requirements which apply to the *firm*. Where the relevant requirements are set out in another section of the *Handbook*, this chapter contains cross references. An example of this is financial reporting for *insurers* and *friendly societies*.
- (2) Where such requirements already apply to a *firm* under legislation other than the *Act*, they are not referred to in this chapter. An example of this is reporting to the *appropriate regulator* by *building societies* under those parts of the Building Societies Act 1986 which have not been repealed.
- (3) Requirements for individual *firms* reflect:
 - (a) the category of *firm*;

- (b) the nature of business carried on;
- (c) whether a *firm* has its registered office (or if it does not have a registered office, its head office) in the *United Kingdom*;
- (d) whether a *firm* is an *incoming EEA firm* or *incoming Treaty firm* ; and
- (e) the regulated activities the *firm* undertakes.

16.1.5 G [deleted]

16.1.6 G [deleted]

16.1.7 G Where a *PRA-authorised person* is required to notify or provide any information to (a) the *appropriate regulator* by a *PRA Handbook* provision and (b) the *FCA* by the equivalent provision in the *FCA Handbook*, the *PRA-authorised person* is expected to comply with both provisions.

FCA PRA

16.2 Purpose

16.2.1

FCA PRA

G

- (1) In order to discharge its functions under the *Act*, the *appropriate regulator* needs timely and accurate information about *firms*. The provision of this information on a regular basis enables the *appropriate regulator* to build up over time a picture of *firms'* circumstances and behaviour.
- (2) *Principle 11* requires a *firm* to deal with its regulators in an open and cooperative way, and to disclose to the *appropriate regulator* appropriately anything relating to the *firm* of which the *appropriate regulator* would reasonably expect notice. The reporting requirements are part of the *appropriate regulator's* approach to amplifying *Principle 11* by setting out in more detail the information that the *appropriate regulator* requires. They supplement the provisions of ■ SUP 2 (Information gathering by the appropriate regulator on its own initiative) and ■ SUP 15 (Notifications to the FCA or PRA). The reports required under these *rules* help the *appropriate regulator* to monitor *firms'* compliance with *Principles* governing relationships between *firms* and their *customers*, with *Principle 4*, which requires *firms* to maintain adequate financial resources, and with other requirements and standards under the *regulatory system*.

16.3 General provisions on reporting

16.3.1

FCA PRA

G

Application

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* except:

- (1) an *ICVC*;
- (2) an *incoming EEA firm* or *incoming Treaty firm*, which is not:
 - (a) a *firm* of a type listed in ■ SUP 16.1.3 R as a *firm* to which section ■ SUP 16.6 or ■ SUP 16.12 applies;
 - (b) an *insurer* with *permission* to *effect* or *carry out life policies*;
- (3) a *UCITS qualifier*.

16.3.2

FCA PRA

G

Structure of the chapter

This chapter has been split into the following sections, covering:

- (1) annual controllers reports (■ SUP 16.4);
- (2) annual close links reports (■ SUP 16.5);
- (3) compliance reports (■ SUP 16.6);
- (4) [deleted]
- (5) persistency reports (■ SUP 16.8);
- (6) annual appointed representatives reports (■ SUP 16.9);
- (7) Verification of *standing data* (■ SUP 16.10);
- (8) product sales data reporting (■ SUP 16.11);
- (9) integrated regulatory reporting (■ SUP 16.12);
- (10) reporting under the *Payment Services Regulations* (■ SUP 16.13) ;

- (11) client money and asset return (■ SUP 16.14);
- (12) reporting under the *Electronic Money Regulations* (■ SUP 16.15).
- (13) prudent valuation reporting (■ SUP 16.16);
- (14) remuneration reporting (■ SUP 16.17) ; and
- (15) *AIFMD* reporting (■ SUP 16.18).

16.3.3

FCA PRA

G

The annual controllers, annual close links, persistency and annual appointed representatives reports sections are the same for all categories of *firm* to which they apply.

16.3.4

FCA PRA

G

The compliance section is set out by category of *firm*, with detailed requirements set out in tables giving:

- (1) a brief description of each report;
- (2) the frequency with which the report is required; and
- (3) the due date for submission of the report.

16.3.5

FCA PRA

G

Further requirements about the reports, such as form and content, are set out in the sections for each category of *firm*, where this is appropriate. In many cases, however, it is more appropriate to provide this information by means of a separate annex; in these cases the relevant section refers to the annex.

How to submit reports

16.3.6

FCA PRA

R

A periodic report required to be submitted under this chapter, or under any other *rule*, must be submitted in writing in accordance with ■ SUP 16.3.7 R to ■ SUP 16.3.10 G, unless:

- (1) a contrary intention appears; or
- (2) the report is required under the *listing rules*.

16.3.7

FCA PRA

R

A report or *data item* must:

- (1) give the firm reference number (or all the firm reference numbers in those cases where a report is submitted on behalf of a number of *firms*, as set out in ■ SUP 16.3.25 G) ; and
- (2) if submitted in paper form, be submitted with the cover sheet contained in ■ SUP 16 Annex 13 R fully completed .

16.3.8

FCA PRA

R

A written report must be delivered to the *appropriate regulator* by one of the methods listed in ■ SUP 16.3.9 R.

16.3.9

FCA PRA

R

Table Method of submission of reports (see ■ SUP 16.3.8 R)

Method of delivery
<ol style="list-style-type: none"> 1. Post to the published address of the <i>FCA</i> for postal submission of reports 2. Leaving the report marked for the attention of "Central Reporting" at the published address of the <i>FCA</i> for hand delivery of reports and obtaining a dated receipt 3. Electronic mail or fax to the published e-mail address or fax number of the <i>FCA</i>'s Central Reporting team 4. Online submission via the appropriate systems accessible from the <i>appropriate regulator's</i> website

16.3.10

FCA PRA

G

- (1) The current published address of the *FCA* for postal submission of reports is:

Central Reporting
The Financial Conduct Authority
PO BOX 35747
London E14 5WP

- (2) The current published address of the *FCA* for hand delivery of reports is:

- (a) Central Reporting
The Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS

if the *firm's* usual supervisory contact at the *appropriate regulator* is based in London, or:

- (b) The Financial Conduct Authority
Quayside House
127 Fountainbridge
Edinburgh EH3 8DJ

if the *firm's* usual supervisory contact at the *FCA* is based in Edinburgh.

- (3) The current published email address and fax number for the *FCA*'s Central Reporting team is regulatory.reports@fca.org.uk and 020 7066 3905. The Central Reporting team does not handle general correspondence between *firms* and the *appropriate regulator* . Accordingly, *firms* should not make submissions to the Central Reporting team's email address or fax number other than as directed in ■ SUP 16.3.8 R.

16.3.11

FCA PRA

R

Complete reporting

A *firm* must submit reports required under this chapter to the *appropriate regulator* containing all the information required.

16.3.12

FCA PRA

G

■ SUP 15.6 refers to and contains requirements regarding the steps that *firms* must take to ensure that information provided to the *appropriate regulator* is accurate and complete. Those requirements apply to reports required to be submitted under this chapter.

Timely reporting

16.3.13

FCA PRA

R

- (1) A *firm* must submit a report required by this chapter in the frequency, and so as to be received by the *appropriate regulator* no later than the due date, specified for that report.
- (2) If the due date for submission of a report required by this chapter falls on a day which is not a *business day*, the report must be submitted so as to be received by the *appropriate regulator* no later than the first *business day* after the due date.
- (3) If the due date for submission of a report required by this chapter is a set period of time after the quarter end, the quarter ends will be the following dates, unless another *rule* or the reporting form states otherwise:
 - (a) the *firm's accounting reference date*;
 - (b) 3 months after the *firm's accounting reference date*;
 - (c) 6 months after the *firm's accounting reference date*; and
 - (d) 9 months after the *firm's accounting reference date*.
- (4) If the due date for submission of a report required by this chapter is a set period of time after the end of a half-year, a quarter, or a month, the dates will be determined by (a) or (b) below except where otherwise indicated:
 - (a) the *firm's accounting reference date*;
 - (b) monthly, 3 monthly or 6 months after the *firm's accounting reference date*, as the case may be.

Failure to submit reports

16.3.14

FCA PRA

R

- (1) If a *firm* does not submit a complete report by the date on which it is due in accordance with the *rules* in, or referred to in, this chapter or the provisions of relevant legislation and any prescribed submission procedures, the *firm* must pay an administrative fee of £250.
- (2) The administrative fee in (1) does not apply in respect of quarterly reports required to be submitted by *credit unions* whose liability

to pay a periodic fee under ■ FEES 4.2.1 R in respect of the A.1 activity group in ■ FEES 4 Annex 1A R and ■ FEES 4 Annex 1B R, for the financial year prior to the due date for submission of the report, was limited to the payment of the minimum fee .

16.3.14A
FCA PRA

G

Failure to submit a report in accordance with the *rules* in , or referred to in, this chapter or the provisions of relevant legislation may also lead to the imposition of a financial penalty and other disciplinary sanctions . A *firm* may be subject to reporting requirements under relevant legislation other than the *Act*, not referred to in this chapter. An example of this is reporting to the *appropriate regulator* by *building societies* under those parts of the Building Societies Act 1986 which have not been repealed (see ■ SUP 16.1.4 G). If it appears to the *appropriate regulator* that, in the exceptional circumstances of a particular case, the payment of any fee would be inequitable, the *appropriate regulator* may reduce or remit all or part of the fee in question which would otherwise be payable (see ■ FEES 2.3).

16.3.15
FCA PRA

G

The *appropriate regulator* may from time to time send reminders to *firms* when reports are overdue. *Firms* should not, however, assume that the *appropriate regulator* has received a report merely because they have not received a reminder.

16.3.16
FCA PRA

G

The *firm* is responsible for ensuring delivery of the required report at the by the due date. If a report is received by the *appropriate regulator* after the due date and the *firm* believes its delivery arrangements were adequate, it may be required to provide proof of those arrangements. Examples of such proof would be:

- (1) "proof of posting" receipts from a UK post office or overseas equivalent which demonstrates that the report was posted early enough to allow delivery by the due date in accordance with the delivery service standards prescribed by the relevant postal authority; or
- (2) recorded postal delivery receipts showing delivery on the required day; or
- (3) records of a courier service provider showing delivery on the required day.

Change of accounting reference date

16.3.17
FCA PRA

R

- (1) A *firm* must notify the *appropriate regulator* if it changes its *accounting reference date*.
- (2) When a *firm* extends its accounting period, it must make the notification in (1) before the previous *accounting reference date*.
- (3) When a *firm* shortens its accounting period, it must make the notification in (1) before the new *accounting reference date*.
- (4) ■ SUP 16.10.4A R to ■ SUP 16.10.4C G (Requirement to check the accuracy of standing data and to report changes to the *appropriate regulator*) apply to any notification made under (1).

16.3.18
FCA PRA

G

■ SUP 16.2.1 G emphasises the importance to the *appropriate regulator* of timely and accurate information. The extension of a *firm's* accounting period to more than 15 months may hinder the timely provision of relevant and important information to the *appropriate regulator* . This is because many due dates for reporting to the *appropriate regulator* are linked to *firms' accounting reference dates*. Indeed, for some categories of *firm*, the only reports required by the *appropriate regulator* have due dates for submission which are linked to the *firm's accounting reference date*. If the extension of a *firm's* accounting period appears likely to impair the effectiveness of the *appropriate regulator's* supervisory work, the *appropriate regulator* may take action to ensure that it continues to receive the information it requires on a timely basis. This may include the use of any of the tools of supervision set out in ■ SUP 1.4.5 G.

16.3.19
FCA PRA

G

If more than one *firm* in a *group* intends to change its *accounting reference date* at the same time, a single notification may be given to the *appropriate regulator* , as described in ■ SUP 15.7.8 G.

Underwriting agents: submission to the Society of Lloyd's

16.3.20

R

- (1) [deleted]
- (2) [deleted]

16.3.21

G

[deleted]

Service of Notices Regulations

16.3.22
FCA PRA

G

The Financial Services and Markets Act 2000 (Service of Notices) Regulations 2001 (SI 2001/1420) contain provisions relating to the service of documents on the *appropriate regulator* . They do not apply to reports required under SUP 16, because of the specific *rules* in this section.

Confidentiality and sharing of information

16.3.23
FCA PRA

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When the *appropriate regulator* receives a report which contains confidential information and whose submission is required under this chapter, it is obliged under Part 23 of the Act (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential. (See ■ SUP 2.2.4 G for the *FCA* and ■ SUP 2.2.4A G for the *PRA*)

16.3.24
FCA PRA

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■ SUP 2.3.12A G and ■ SUP 2.3.12B G state that the *appropriate regulator* may pass to other regulators information which it has in its possession. Such information includes information contained in reports submitted under this chapter. The *appropriate regulator's* disclosure of information to other regulators is subject to ■ SUP 2.2.4 G or ■ SUP 2.2.4A G (Confidentiality of information).

Reports from groups

PAGE
13

16.3.25
FCA PRA

G

If this chapter requires the submission of a report or *data item* covering a *group*, a single report or *data item* may be submitted, and so satisfy the requirements of all *firms* in the *group*. Such a report or *data item* should contain the information required from all of them, meet all relevant due dates and indicate all the *firms* on whose behalf it is submitted; if necessary a separate covering sheet should list the *firms* on whose behalf a report or *data item* is submitted. Nevertheless, the requirement to provide a report or *data item* ,

and the responsibility for the report or *data item*, remains with each *firm* in the *group*. However, reporting requirements that apply to a *firm*, by reason of the *firm* being a member of a *financial conglomerate*, are imposed on only one member of the *financial conglomerate* (see, for example, ■ SUP 16.12.32 R).

16.3.26

FCA PRA

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Examples of reports covering a *group* are:

- (1) the compliance reports required from *banks* under ■ SUP 16.6.4 R;
- (2) annual controllers reports required under ■ SUP 16.4.5 R ;
- (3) annual close links reports required under ■ SUP 16.5.4 R
- (4) consolidated financial reports required from *banks* under ■ SUP 16.12.5 R;
- (5) consolidated reporting statements required from *securities and futures firms* under ■ SUP 16.12.11 R ;
- (6) reporting in relation to *defined liquidity groups* under ■ SUP 16.12.



16.4 Annual controllers report

Application

16.4.1

FCA PRA

G

This section applies to every *firm* except those *firms* excluded from its operation by ■ SUP 16.1.1 R and ■ SUP 16.1.3 R.

16.4.2

FCA PRA

G

This section may be of relevance to a *directive friendly society*:

- (1) if it has 10 members or less;
- (2) if it has a delegate voting system and has 10 delegates or less; or
- (3) if it has 20 members or less and effects or carries out group insurance contracts where one person may exercise one vote on behalf of the members of a group and one vote in their private capacity; or

where a member or delegate, whether alone or acting in concert, is entitled to exercise, or control the exercise of, 10% or more of the total voting power.

16.4.2A

FCA PRA

G

This section may be of relevance to *non-directive firms*.

16.4.3

FCA PRA

G

Requirements for notifications of a change in *control* can be found in ■ SUP 11 (Controllers and close links).

Purpose

16.4.4

FCA PRA

G

A *firm* and its *controllers* are required to notify certain changes in *control* (see ■ SUP 11 (Controllers and close links)). The purpose of the *rules* and *guidance* in this section is:

- (1) to ensure that, in addition to such notifications, the *appropriate regulator* receives regular and comprehensive information about the identities of all of the *controllers* of a *firm*, which is relevant to a *firm's* continuing to satisfy the effective supervision *threshold conditions* ;
- (2) to implement certain requirements relating to annual reporting of *controllers* which must be imposed on *firms* under the *Investment Services Directive*, the *Banking Consolidation Directive*, the *Consolidated Life Directive* and the *Third Non-Life Directive*; and

16.4.5

FCA PRA

R

- (3) to support the regulatory functions under Part 12 of the *Act* (Notices of acquisitions of control over UK authorised persons) (see SUP 11 (Controllers and close links)).

Reporting requirement

- (1) A *firm* must submit a report to the *appropriate regulator* annually, containing the information in (3) or (4) (as applicable).
- (2) A *firm* must submit the report in (1) to the *appropriate regulator* within four months of the *firm's accounting reference date*.
- (3) If a *firm* is not aware:
- that it has any *controllers*; or
 - of any changes in the identity of its *controllers* since the submission of its previous report under (1); or
 - of any changes in the percentage of shares or *voting power* in the *firm* held by any *controllers* (alone or acting in concert) since the submission of its previous report;
- then the report in (1) must confirm this.
- (4) Unless (3) applies, the report in (1) must contain a list of all the *controllers* as at the *firm's accounting reference date* of which it is aware and, for each such *controller*, state:
- its name;
 - the percentage of *voting power* in the *firm*, or in the *firm's parent undertaking*, which it is entitled to exercise or control the exercise of, whether alone or acting in concert ;
 - the percentage of shares in the *firm*, or in the *firm's parent undertaking*, which it holds, whether alone or acting in concert ;
 - if the *controller* is a *body corporate*, its country of incorporation, address and registered number; and
 - if the *controller* is an individual, his date and place of birth.
- (4A) A *firm* that is a *regulated entity* must include in its report to the *appropriate regulator* under (1) whether any *consolidation group* of which it is a member is a *third-country banking and investment group*.
- (4B) A *firm* does not have to give notice to the *appropriate regulator* under (4A) if it, or another member of the *third-country banking and investment group*, has already given notice to the *appropriate regulator* of the relevant fact.

(5) [deleted]

16.4.6 G The information required by ■ SUP 16.4.5 R(4) may be provided in the form of a group organisation chart.
FCA PRA

16.4.7 G If a *group* includes more than one *firm*, a single annual controllers report may be submitted, and so satisfy the requirements of all *firms* in the *group*. Such a report should contain the information required from all of them, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their firm reference numbers. Nevertheless, the requirement to provide a report, and the responsibility for the report, remain with each *firm* in the *group*.
FCA PRA

16.4.8 G A *firm* may submit a single report satisfying the requirements of its annual controllers report (■ SUP 16.4.5 R) and its annual close links report (■ SUP 16.5.4 R). Such a report should contain the information required on both *controllers* and *close links*.
FCA PRA

16.4.9 G *Firms* are reminded of the requirement in ■ SUP 11.4.10 R to take reasonable steps to keep themselves informed about the identity of their *controllers*.
FCA PRA

Exceptions: friendly societies and building societies

16.4.10 R If a *firm* is a *friendly society* or a *building society*, then it is required to submit a report under ■ SUP 16.4.5 R only if it is aware that it has a *controller*.
FCA PRA

16.4.11 R In ■ SUP 16.4.5 R and ■ SUP 16.4.10 R, a *building society* may regard a *person* as not being a *controller* if that *person* is exempt from the obligation to notify a change in *control* under The Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774) (see ■ SUP 11.3.2A G (2)).
FCA PRA

Exception: insurers

16.4.12 R An *insurer* need not submit a report under ■ SUP 16.4.5 R to the extent that the information has already been provided to the *appropriate regulator* under IPRU(INS) 9.30R (Additional information on controllers).
FCA PRA



16.5 Annual Close Links Reports

Application

16.5.1
FCA PRA

G

This section applies to every *firm* listed in ■ SUP 11.1.1 R (1) to ■ SUP 11.1.1 R (6), except those *firms* excluded from its operation by ■ SUP 16.1.1 R and ■ SUP 16.1.3 R or which have elected to report on a monthly basis in accordance with ■ SUP 11.9.5 R.

Purpose

16.5.2
FCA PRA

G

A *firm* is required to notify the *appropriate regulator* of changes to its *close links* (see ■ SUP 11.9). The effective supervision *threshold conditions* provide that, if a *firm* has *close links* with another *person*, the matters which are relevant in determining whether a *firm* satisfies the condition of being capable of being effectively supervised include:

- (1) the nature of the relationship between the *firm* and that *person*;
- (2) whether those links or that relationship are likely to prevent the *appropriate regulator's* effective supervision of the *firm*; and
- (3) if the *person* is subject to the laws, regulations or administrative provisions of a territory which is not an *EEA State*, whether those foreign provisions, or any deficiency in their enforcement, would prevent the *appropriate regulator's* effective supervision of the *firm*.

16.5.3
FCA PRA

G

The purposes of the *rules* and *guidance* in this section are:

- (1) to ensure that, in addition to such notifications, the *appropriate regulator* receives regular and comprehensive information about the identities of all persons with whom a *firm* has *close links*, which is relevant to a *firm's* continuing to satisfy the effective supervision *threshold conditions* and to the protection of *consumers*; and
- (2) to implement certain requirements relating to the provision of information on *close links* which must be imposed on *firms* under the '*Post-BCCI Directive*'.

Report

16.5.4
FCA PRA

R

- (1) A *firm* must submit a report to the *appropriate regulator* annually by completing the Close Links Notification Form (see ■ SUP 11.9.3B G for the *FCA* and ■ SUP 11.9.3C G for the *PRA*)

and must include the information in (3) or (4) (as applicable) and (5).

- (2) A *firm* must submit the report in (1) to the *appropriate regulator* within four months of the *firm's accounting reference date*.
- (3) If a *firm* is not aware:
 - (a) that it has any *close links*; or
 - (b) of any material changes to the details in (4) (a) to (c) in respect of its *close links* since the submission of its previous report under (1);

then the report in (1) must confirm this.
- (4) Unless (3) applies, the report in (1) must contain a list of all *persons* with whom the *firm* has *close links* as at the *firm's accounting reference date* of which it is aware, and for each such *person* state:
 - (a) its name;
 - (b) the nature of the *close links*;
 - (c) if the *close link* is with a *body corporate*, its country of incorporation, address and registered number; and
 - (d) if the *close link* is with an individual, his date and place of birth.
- (5) The *firm* must also submit a *group* organisation chart.

16.5.5 G [deleted]

16.5.6 G If a *group* includes more than one *firm*, a single annual close links report may be submitted and so satisfy the requirements of all *firms* in the *group*. Such a report should contain the information required from all of them, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their firm reference numbers. Nevertheless, the requirement to provide a report, and the responsibility for the report, remain with each *firm* in the *group*.

16.5.7 G A *firm* may submit a single report satisfying the requirements of its annual controllers report (■ SUP 16.4.5 R) and its annual close links report (■ SUP 16.5.4 R). Such a report should contain the information required on both *controllers* and *close links*.

16.5.8 R If a *firm* is an unincorporated *friendly society*, then it is only required to submit a report under ■ SUP 16.5.4 R if it is aware that it has *close links*.



16.6 Compliance reports

Application

16.6.1
FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* within a category listed in the left hand column of the table in ■ SUP 16.6.2 G.

16.6.1A
FCA

D

The directions and *guidance* in SUP 16.13 apply to an *authorised payment institution* and a *small payment institution*.

16.6.2
FCA PRA

G

Table Applicable provisions of this section (see ■ SUP 16.6.1 G)

Category of firm	Applicable provisions
<i>Bank</i>	SUP 16.6.4 R - SUP 16.6.5 R
<i>Trustee of an AUT</i>	SUP 16.6.6 R - SUP 16.6.9 G
<i>Depository of an ICVC</i>	
<i>Depository of an ACS</i>	
<i>OPS firm</i>	SUP 16.6.6 R - SUP 16.6.8 R

Purpose

16.6.3

G

[deleted]

16.6.3A
FCA

G

The *FCA* performs part of its supervision work by reviewing and analysing information about *firms'* records of compliance with the requirements and standards under the *regulatory system*. The type of report the *FCA* requires will vary, depending on the type of business a *firm* undertakes. This information helps the *FCA* to determine whether a *firm* is complying with the requirements applicable to its business, and what procedures it is operating to ensure its compliance.

16.6.3B
PRA

G

The *PRA* performs part of its supervision work by reviewing and analysing information about *firms'* records of compliance with prudential requirements and standards. The type of report the *PRA* requires will vary, depending on the type of business a *firm* undertakes. This information helps the *PRA* to determine whether a *firm* is complying with the requirements applicable to its business, and what procedures it is operating to ensure its compliance.

Banks

16.6.4

FCA PRA

R

A *bank* must submit compliance reports to the *appropriate regulator* in accordance with ■ SUP 16.6.5 R.

16.6.5

FCA PRA

R

Table Compliance reports from a bank (see ■ SUP 16.6.4 R)

Report	Frequency	Due date
List of all <i>overseas regulators</i> for each legal entity in the <i>firm's group</i>	Annually	6 months after the <i>firm's accounting reference date</i>
Organogram showing the <i>authorised entities</i> in the <i>firm's group</i>	Annually	6 months after the <i>firm's accounting reference date</i>

Trustees of authorised unit trust schemes, depositaries of ICVCs and authorised contractual schemes, and OPS firms

16.6.6

FCA

R

A *firm* within a category listed in the left-hand column of ■ SUP 16.6.7 R must submit compliance reports in accordance with ■ SUP 16.6.7 R.

16.6.7

FCA

R

Table Compliance reports from trustees of AUTs, depositaries of ICVCs and ACSs, and OPS firms (see SUP 16.6.6R)

Report	Frequency	Due date
Report from a <i>trustee</i> of an <i>AUT</i> on <i>manager's</i> failures as set out in SUP 16.6.8 R (1)	Quarterly	1 month after quarter end (Note)
Report from a <i>depositary</i> of an <i>ACS</i> on failures by the <i>authorised contractual scheme manager</i> as set out in SUP 16.6.8 R (2A)	Quarterly	1 month after quarter end (Note)
Report from a <i>depositary</i> of an <i>ICVC</i> on failures by the <i>authorised corporate director</i> as set out in SUP 16.6.8 R (2)	Quarterly	1 month after quarter end (Note)
<i>OPS firms</i> only: Annual accounts of each <i>occupational pension scheme</i> in respect of which the <i>firm</i> is acting	Annually	7 months after end of the scheme year
<i>OPS firms</i> only:	Annually	7 months after end of the scheme year

Report	Frequency	Due date
<p>Audited annual accounts of each <i>OPS collective investment scheme</i> in respect of which the <i>firm</i> is acting</p> <p>Note = The quarter ends are 31 March, 30 June, 30 September, 31 December.</p>		

16.6.8
FCA

R

- (1) The report from a *trustee* of an *AUT* to the *FCA* must state, in relation to the *manager* of each *AUT* for which it is a *trustee*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *manager* had failed (materially or otherwise) to:
 - (a) give correct instructions to the *trustee* to create or cancel *units* in the *AUT* when the *manager* should have done so, and the error:
 - (i) resulted in the creation of too few *units* or in the cancellation of too many *units*; and
 - (ii) was not corrected in accordance with the *FCA's guidance* as set out in ■ COLL 6.2.12 G;
 - (b) price *units* in the *AUT* in accordance with ■ COLL 6.3 where the pricing error was:
 - (i) greater than 0.5% of the price of a *unit*; or
 - (ii) less than 0.5% of the price of a *unit*, and the *trustee* did not consider the *manager's* controls to be adequate;

unless the failure was an isolated incident.
- (2) The report from a *depository* of an *ICVC* to the *FCA* must state, in relation to the *authorised corporate director* of each *ICVC* for which the *firm* is a *depository*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *authorised corporate director* had failed (materially or otherwise) to:
 - (a) arrange for the *issue* or cancellation of *shares* in the *ICVC* when the *authorised corporate director* should have done so, and the error:
 - (i) resulted in the creation of too few *shares* or in the cancellation of too many *shares*; and
 - (ii) was not corrected in accordance with the *FCA's guidance* as set out in ■ COLL 6.2.12 G;

- (b) price *shares* in the ICVC in accordance with the provisions of
 - COLL 6.3 , where the pricing error was:
 - (i) greater than 0.5% of the price of a *share*; or
 - (ii) less than 0.5% of the price of a *share*, and the *depository* did not consider the *authorised corporate director's* controls to be adequate;

unless the failure was an isolated incident.

(2A) The report from a *depository* of an ACS to the FCA must state, in relation to the *authorised contractual scheme manager* of each ACS for which the *firm* is a *depository*, the number of times during the quarter in which facts came to the *firm's* knowledge from which it appeared, or might have appeared, that the *authorised contractual scheme manager* had failed (materially or otherwise) to:

- (a) arrange for the *issue* or cancellation of *units* in the ACS when the *authorised contractual scheme manager* should have done so, and the error:
 - (i) resulted in the creation of too few *units* or in the cancellation of too many *units*; and
 - (ii) was not corrected in accordance with the FCA's *guidance* as set out in COLL 6.2.12G;
- (b) price *units* in the ACS in accordance with the provisions of COLL 6.3, where the pricing error was:
 - (i) greater than 0.5% of the price of a *unit*; or
 - (ii) less than 0.5% of the price of a *unit*, and the *depository* did not consider the *authorised contractual scheme manager's* controls to be adequate;

unless the failure was an isolated incident.

(3) An *OPS firm* must notify the FCA of any change in the date of commencement of the scheme year of an *OPS* or *OPS collective investment scheme*, in respect of which the *firm* is acting, not less than 15 *business days* before the date on which such a change is to become effective.

16.6.9

G

■ SUP 16 Annex 12 provides *guidance* on the completion of the report from a *trustee* of an AUT on a *manager's* failures as set out in ■ SUP 16.6.8 R(1), and the report from a *depository* of an ICVC or ACS on failures by the *authorised corporate director* or *authorised contractual scheme manager* as set out in ■ SUP 16.6.8 R(2) and ■ SUP 16.6.8 R(2A) . This *guidance* includes suggested formats for the submission of the reports.



16.7 [Deleted]



16.8 Persistency reports from insurers and data reports on stakeholder pensions

Application

16.8.1
FCA

G

The effect of ■ SUP 16.1.1 R is that this section applies to:

- (1) every *insurer* with *permission* to *effect* or *carry out life policies*, unless it is a *non-directive friendly society*; and
- (2) every *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme*.

Purpose

16.8.2
FCA

G

The purpose of this section is to enable information on the persistency of life policies and data on stakeholder pensions to be prepared and provided to the *FCA* in a standard format. This information is used in the monitoring of *firms* both individually and collectively.

Requirement to submit persistency and data reports

16.8.3
FCA

R

- (1) An *insurer* with *permission* to *effect* or *carry out life policies* must submit to the *FCA* a persistency report in respect of *life policies* by 30 April each year in accordance with this section.
- (2) A *firm* with *permission* to establish, operate or wind up a *stakeholder pension scheme* must submit to the *FCA*:
 - (a) a data report on stakeholder pensions by 30 April each year prepared in accordance with this section; and
 - (b) two extra data reports on stakeholder pensions prepared in accordance with this section as follows:
 - (i) by 31 October 2002, of the number effected in the period to 30 June 2001 and the number of those still in force 12 months after the contract was effected;
 - (ii) by 31 January 2003, of the number effected in the period 1 July 2001 to 30 September 2001 and the number of those still in force 12 months after the contract was effected.

16.8.4

FCA

R

Interpretation of this section

In this section, and Forms 1R(2) to (4) in ■ SUP 16 Annex 6R:

- (1) '12 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions *effected* in Y-2, '24 month report' means the part of a persistency report or data report reporting on *life policies* or stakeholder pensions *effected* in Y-3, and so on;
- (2) 'CC' means the number of *life policies* or stakeholder pensions which:
 - (a) were effected during the period to which the calculation relates; and
 - (b) are reported on in the persistency report or data report (see ■ SUP 16.8.8 R to ■ SUP 16.8.15 R);
- (3) 'CF' means the number of *life policies* or stakeholder pensions within 'CC' which are treated as in force at the end of Y-1 or, for a report under ■ SUP 16.8.3 R (2) (b), the relevant 12 month period (see ■ SUP 16.8.16 R to ■ SUP 16.8.18 R);
- (4) 'contract anniversary' means the anniversary of the date on which the *life policy* or stakeholder pension was effected falling within Y-1;
- (5) 'data report' means a report in respect of stakeholder pensions complying with ■ SUP 16.8.19 R to ■ SUP 16.8.21 R;
- (6) Forms 1R(1), 1R(2), 1R(3) and 1R(4) mean the forms in ■ SUP 16 Annex 6;
- (7) 'group personal pension policy' means a *life policy* which is not a separate *pension scheme*, effected under a collecting arrangement made for the *employees* of a particular employer to participate in a personal pension arrangement on a group basis;
- (8) [deleted]
- (9) 'mortgage endowment' means an *endowment assurance effected* or believed to be *effected* for the purposes of paying off a loan on land;
- (10) 'new', in relation to a stakeholder pension, has the meaning given in ■ SUP 16.8.11 R (2);

- (11) 'ordinary assurance policy' means a *life policy* which is not an *industrial assurance policy*;
- (12) 'other life assurance' means a *life policy* other than a *pension policy, endowment assurance or whole life assurance*;
- (13) 'other pension policy' means a *pension policy* other than a *personal pension policy*;
- (14) 'persistency rate' means a rate calculated using this formula: $CF \times 100/CC$ (see the example in ■ SUP 16.8.5 G);
- (15) 'persistency report' means a report in respect of life policies complying with ■ SUP 16.8.19 R to ■ SUP 16.8.21 R;
- (16) 'regular premium life policy' means a *life policy* where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions (for example by means of a direct debit mandate);
- (17) 'regular premium stakeholder pension' means a stakeholder pension where there is (or could be, or has been) a commitment by the policyholder to make a regular stream of contributions;
- (18) 'single premium life policy' means a *life policy* that is not a regular premium *life policy*, except that a recurrent single premium *life policy* must be treated as a regular premium *life policy*;
- (19) 'single premium stakeholder pension' means a stakeholder pension which is not a regular premium stakeholder pension, except that a recurrent single premium stakeholder pension must be treated as a regular premium stakeholder pension;
- (20) 'stakeholder pension' means an individual's rights under a *stakeholder pension scheme*;
- (21) 'substitute', in relation to stakeholder pension, has the meaning given in ■ SUP 16.8.11 R (2);
- (22) 'Y' means the year in which the report must be submitted, 'Y-1' means the preceding year, 'Y-2' means the next earlier year and so on;
- (23) 'year' means calendar year, unless ■ SUP 16.8.7 R applies.

Y (year of reporting)	Number of <i>life policies</i> which commenced during 1996	Number of 1996 <i>policies</i> that cease to be in force during Y-1	Deaths and retirements (not included in CC and CF)	CF	CC
1998	1000	143	2	1000 - 143 - 2 = 855	1000 - 2 = 998
1999	1000	25	1	1000 - 143 - 25 - 2 - 1 = 829	1000 - 2 - 1 = 997

Report submitted in 1998 Persistency rate for *life policies* that commenced during Y-2 (that is 1996)

Report submitted in 1999 Persistency rate for *life policies* that commenced during Y-3 (that is 1996)

16.8.6
FCA

G *Firms* are reminded that annuity contracts other than deferred annuity contracts are not within the definition of '*life policy*'.

16.8.7
FCA

R In relation to a persistency report, a *firm* may treat a 12-month period ending between 1 October and 31 March as a 'year' for the purposes of this section and Forms 1R(1) to (3):

- (1) if the *firm's* financial year does not end on 31 December; or
- (2) for *industrial assurance policy* business;

provided that the use of an alternative period is disclosed in the persistency report.

Life policies and stakeholder pension to be reported on in the persistency or data reports

16.8.8
FCA

R A persistency report or data report must report on a *life policy* or stakeholder pension if:

- (1) it is not of a type listed in ■ SUP 16.8.13 R or ■ SUP 16.8.14 R;
- (2) it was effected by:
 - (a) the *firm* submitting the report; or
 - (b) an *unauthorised* member of the *group* of the *firm* submitting the report and in circumstances in which that *firm* was responsible for the promotion of that *life policy* or stakeholder pension; or

(c) another *firm*, but is being carried out by the *firm* submitting the report; and

(3) the *person* who sold it or who was responsible for its promotion was, in so doing, subject to *rules* in COBS .

16.8.9

FCA

G

Life policies and stakeholder pensions falling within ■ SUP 16.8.8 R (2) (c) are those which have been transferred from another *firm*, for example under an insurance business transfer scheme under Part 7 of the *Act* (Control of Business Transfers).

16.8.10

FCA

R

Life policies falling within ■ SUP 16.8.8 R, which were sold subject to the conduct of business rules of a *previous regulator*, need to be reported only if they were required to be reported on by the rules of the *previous regulator* of the *firm* submitting the report.

16.8.11

FCA

R

(1) A *life policy* or stakeholder pension which was issued in substitution for a similar contract may be treated as being effected on the inception date of the previous *life policy* or stakeholder pension, provided that the *firm* is satisfied that no loss to the *policyholder* is attributable to the substitution;

(2) A stakeholder pension which is treated as in (1) is a "substitute" stakeholder pension. A "new" stakeholder pension is any other stakeholder pension.

16.8.12

FCA

G

Examples of loss to the *policyholder* under ■ SUP 16.8.11 R are losses resulting from higher charges and more restrictive benefits and options.

16.8.13

FCA

R

A persistency or data report must not report on any of the following:

(1) a *life policy* or stakeholder pension that was cancelled from inception whether or not this was as a result of service of a notice under the *rules* on cancellation (■ COBS 15) ;

(2) [deleted]

(3) a *life policy* (excluding *income withdrawal*) or stakeholder pension which has terminated as a result of death, critical illness, retirement, maturity or other completion of the contract term;

(4) *income withdrawals* that have ceased as a result of the death of the *policyholder*;

(5) in the case of a persistency report only, a *life policy* which is a stakeholder pension;

(6) a *life policy* purchased by the trustees of an *occupational pension scheme* which is a *defined benefits pension scheme*;

(7) a *life policy* purchased by the trustees of an *executive money purchase occupational pension scheme*.

16.8.14
FCA

R A persistency report required by ■ SUP 16.8.3 R (1) need not report on a *life policy* if the number of *life policies* on substantially the same terms effected by the relevant *firm* (or member of the *firm's group*) in the relevant year did not exceed the higher of fifty and 1% of the total reportable *life policies* effected by the *person* in that year.

16.8.15
FCA

R If the term of an *endowment assurance* is less than five years, the *life policy* must only be included in a persistency report in respect of years up to and including the anniversary prior to maturity.

Life policies and stakeholder pensions to be treated as in force

16.8.16
FCA

R Subject to ■ SUP 16.8.17 R and ■ SUP 16.8.18 R, a *life policy* or stakeholder pension must be treated as in force at the end of Y-1 (that is, included in CF) if and only if:

- (1) in the case of a regular premium life policy:
 - (a) in the case of an *industrial assurance policy* on which the *premiums* are paid at intervals of four weeks, the *premium* has been paid in respect of the four-week period in which the policy anniversary falls; or
 - (b) in any other case, the *premium* has been paid in respect of the month in which the policy anniversary falls;
- (2) in the case of a single premium life policy, the policy has not been surrendered as at the policy anniversary;
- (3) in the case of a regular premium stakeholder pension:
 - (a) for a report required by ■ SUP 16.8.3 R (2) (a), the premium has been paid in respect of the month in which the contract anniversary falls;
 - (b) for a report required by ■ SUP 16.8.3 R (2) (b), the premium has been paid in respect of the month 12 months after the contract was effected;
- (4) in the case of a single premium stakeholder pension:
 - (a) for a report required by ■ SUP 16.8.3 R (2)(a), the contract has not been surrendered as at the contract anniversary; or
 - (b) for a report required by ■ SUP 16.8.3 R (2)(b), the contract has not been surrendered as at the end of the 12 month period.

16.8.17 **R** A cluster *life policy* must be reported as a single *life policy* and must be treated as in force (that is included in CF) even if some of the constituent *life policies* have been terminated.
FCA

16.8.18 **R** An *income withdrawal* that has terminated other than by death of the *policyholder* must be treated as not in force at the end of Y-1 (that is, not included in CF).
FCA

Contents of the persistency or data report

16.8.19 **R** (1) A persistency report on life policies must be a report in the format of Forms 1R(1), (2) and (3).
FCA

(2) A data report on stakeholder pensions must be a report in the format of Form 1R(4).

(3) A persistency and a data report must include:

- (a) for a report required by **■ SUP 16.8.3 R** (1) or (2) (a), a separate copy of each Form reporting on *life policies* or stakeholder pensions effected during each of Y-2, Y-3, Y-4, Y-5;
- (b) for a persistency report, a separate copy of Forms IR(1) and IR(2) reporting on:
 - (i) regular premium life policies and single premium *life policies*; and
 - (ii) *life policies* classified as ordinary assurance policies and *industrial assurance policies* .

16.8.20 **R** If, in relation to any Form, a *firm* has no *life policies* or stakeholder pensions to report on in a copy of that Form, the *firm* need not submit that copy provided that it confirms in writing to the *FCA*, as part of the persistency or data report, that it is not doing so and the reason for not doing so.
FCA

16.8.21 **R** The *firm* must, if a persistency report reports on;
FCA

- (1) an *endowment assurance* with a term of five years or less:
 - (a) report on such a *policy* in Form 1R(2); and
 - (b) not report on such a *policy* in Form 1R(1);
- (2) a group personal pension policy, include the policy as a personal pension policy in Forms 1R(1) and 1R(3);
- (3) a mortgage endowment, also include the policy as an endowment assurance in Forms 1R(1) and 1R(3);

16.8.22
FCA

G

(4) an *income withdrawal*, not include the policy under any other relevant category in Forms 1R(1) and 1R(3).

- (1) Under ■ SUP 16.8.16 R, a *life policy* must be treated as not in force if *premiums* have not been paid at the relevant date. Form 1R(3) seeks additional information on the number of *policies* treated as not in force which are subject to genuine contribution holidays.
- (2) A *firm* should treat a *life policy* as 'subject to a contribution holiday' if:
 - (a) the terms of the *policy* allow the *policyholder* to take a contribution holiday;
 - (b) the *policyholder* has opted to take a contribution holiday in accordance with those terms;
 - (c) the *policyholder* has clearly stated his intention to resume payments; and
 - (d) at the end of Y-1, not more than 12 months have elapsed from the date that *premiums* ceased to be paid.

Records

16.8.23
FCA

R

A *firm* must make and retain such records as will enable it to:

- (1) monitor regularly the persistency of *life policies* and stakeholder pensions effected through each of its *representatives*; and
- (2) make persistency reports or data reports to the FCA in accordance with SUP 16.8.3R.

16.8.24
FCA

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In order to comply with ■ SUP 16.8.23 R, a *firm* will as a minimum need to make and retain separate records for:

- (1) *life policies* and stakeholder pensions originally promoted:
 - (a) by *representatives*; or
 - (b) by *independent intermediaries*; or
 - (c) through the *firm's* own *direct offer financial promotions*; or
 - (d) as adopted *packaged products*;
- (2) *life policies* and stakeholder pensions not within (1), including those *effected* as execution-only transactions, for inclusion in the relevant form under 'Otherwise';
- (3) *life policies* and stakeholder pensions written assuming the payment of:
 - (a) regular premiums;
 - (b) a single premium;
- (4) *life policies* written as:

- (a) ordinary assurance policies;
 - (b) *industrial assurance policies*;
- (5) the categories of *life policies* and stakeholder pensions referred to in Forms 1R(1) to (4).



16.9 Appointed representatives annual report

Application

16.9.1 **G** The effect of **■ SUP 16.1.1 R** is that this section applies to every *firm* with a *Part 4A permission to advise on investments, arrange (bring about) deals in investments, making arrangements with a view to transactions in investments, or arrange safeguarding and administration of assets.*

FCA

Purpose

16.9.2 **G** The purpose of the *rules and guidance* in this section is to ensure that, in addition to the notifications made under **■ SUP 12.7** (Appointed representatives; notification requirements), the *FCA* receives regular and comprehensive information about the *appointed representatives* engaged by a *firm*, so that the *FCA* is in a better position to pursue the *statutory objective* of the protection of *consumers*.

FCA

- 16.9.3** **R**
- FCA**
- (1) A *firm* must:
 - (a) submit a report to the *FCA* annually, in the form of an amended copy of the relevant extract from the *Financial Services Register*, containing the information in (2);
 - (b) submit the report in (1) to the *FCA* within four *months* of the *firm's accounting reference date*.
 - (2) The report in (1) must contain a list of all the current *appointed representatives* of the *firm* as at the *firm's accounting reference date*.
 - (3) The report in (1) is not required if:
 - (a) the *firm* has no *appointed representatives* as at the *firm's accounting reference date*; and
 - (b) this is reflected in the relevant extract from the *Financial Services Register*.

16.9.4 **G** The *Financial Services Register* is maintained under section 347 of the *Act* (The record of authorised persons, etc.) and may be viewed at the *FCA's* website.

FCA

16.9.5 G [deleted]

16.9.6 G If a group includes more than one *firm*, a single annual *appointed representatives* report may be submitted on behalf of all *firms* in the *group*. Such a report should contain the information required from all the *firms*, meet all relevant due dates, indicate all the *firms* on whose behalf it is submitted and give their *Financial Services Register* firm reference numbers. The requirement to provide a report, and the responsibility for the report remains with each *firm* in the *group*.

FCA



16.10 Verification of standing data

Application

16.10.1
FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* except:

- (1) an *ICVC*; or
- (2) a *UCITS qualifier*; or
- (3) a *credit union*; or
- (4) a *dormant account fund operator*.

Purpose

16.10.2
FCA PRA

G

Standing data is used by the *appropriate regulator* :

- (1) to ensure that a *firm* is presented with the correct regulatory return when it seeks to report electronically;
- (2) in order to communicate with a *firm*;
- (3) as the basis for some sections of the *Financial Services Register*; and
- (4) in order to carry out thematic analysis across sectors and groups of *firms*.

16.10.3
FCA PRA

G

In view of the importance attached to *standing data*, and the consequences which may result if it is wrong, this section provides the framework for a *firm* to check and correct it.

Requirement to check the accuracy of standing data and to report changes to the appropriate regulator

16.10.4
FCA PRA

R

- (1) Within 30 *business days* of its *accounting reference date*, a *firm* must check the accuracy of its *standing data* through the relevant section of the *appropriate regulator's* website.
- (2) [paragraph suspended by FSA 2004/79]

16.10.4A **R**
FCA **PRA**

(3) If any *standing data* is incorrect, the *firm* must submit the corrected *standing data* to the *appropriate regulator*, using the appropriate form set out in ■ SUP 15 Ann 3 R and in accordance with ■ SUP 16.10.4A R.

(1) A *firm* other than a *credit union* must submit any corrected *standing data* under ■ SUP 16.10.4R (3) online at the *appropriate regulator's* website using the ONA system.

(2) A *credit union* must submit any corrected *standing data* under ■ SUP 16.10.4R (3) to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .

(3) Where a *firm* is obliged to submit corrected *standing data* online under (1), if the *FCA's* 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* must submit its corrected *standing data* to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team' .

16.10.4B **G**
FCA **PRA**

If the *FCA's* information technology systems fail and online submission is unavailable for 24 hours or more, the *FCA* will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 16.3.9 R should be used.

16.10.4C **G**
FCA **PRA**

Where ■ SUP 16.10.4AR (3) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

16.10.5 **G**
FCA **PRA**

The *standing data* is made available to the *firm* when the *firm* logs into the appropriate section of the *appropriate regulator's* website. The *firm* should check the *standing data* and send any corrections to the *appropriate regulator* . The *appropriate regulator's* preferred method of receiving corrections to *standing data* is by the online forms available at the *appropriate regulator's* website.

16.10.6 **G**
FCA **PRA**

A *firm* may check, and submit corrections to, its *standing data* more frequently than annually.

16.10.7 **G**

[deleted]

16.11 Product Sales Data Reporting

Application

16.11.1

FCA

R

This section applies to a firm which is a *home finance provider*, or in respect of sales to a *retail client* or a *consumer*:

- (1) an *insurer*; or
- (2) the *operator* of a *regulated collective investment scheme*, an *investment trust savings scheme*, or a *personal pension scheme*; or
- (3) a *person* who issues or manages the relevant assets of the issuer of a *structured capital-at-risk product*,

unless the *firm* is a *managing agent*.

Purpose

16.11.2

FCA

G

- (1) The purpose of this section is to set out the requirements for *firms* in the retail mortgage, investment, and *pure protection contract* markets specified in ■ SUP 16.11.1 R to report individual product sales data to the *FCA*. In the case of *firms* in the sale and rent back market, there is a requirement to record, but not to submit, the data. These requirements apply whether the *regulated activity* has been carried out by the *firm*, or through an intermediary which has dealt directly with the *firm*.
- (2) The purpose of collecting this data is to assist the *FCA* in the ongoing supervision of *firms* engaged in retail activities and to enable the *FCA* to gain a wider understanding of market trends in the interests of protecting *consumers*.

Reporting requirement

16.11.3

FCA

R

- (1) A *firm* must submit a report (the 'data report') containing the information required by ■ SUP 16.11.5 R quarterly, within 20 *business days* of the end of the quarter, unless (3) or (4) applies.
- (2) The reporting periods are the four calendar quarters of each year beginning on 1 January.

- (3) A *firm* need not submit a data report if no relevant sales have occurred in the quarter.
- (4) A *SRB agreement provider* must compile, and keep for at least five years from the end of the relevant quarter, a data report containing the information required by ■ SUP 16.11.5 R, but is not subject to the requirement in (1) to submit a data report (or to the requirement in ■ SUP 16.11.9 R).

16.11.4

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FCA

- (1) A *firm* may submit a data report more frequently than quarterly if it wishes.
- (2) If it is easier and more practical for a *firm* to submit additional data relating to products other than those specified in ■ SUP 16.11.5 R, it may submit that additional data to the *FCA* in a data report.

Content of the report

16.11.5

R

FCA

The data report must contain sales data in respect of the following products:

- (1) *retail investments*;
- (2) *pure protection contracts*;
- (3) *regulated mortgage contracts* (but not further advances);
- (4) *home purchase plans*;
- (5) *home reversion plans*; and
- (6) *regulated sale and rent back agreements*.

16.11.6

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FCA

Guidance on the type of products covered by ■ SUP 16.11.5 R is contained in ■ SUP 16 Annex 20 GG.

16.11.7

R

FCA

The data report must comply with the provisions of ■ SUP 16 Annex 21 RR.

16.11.8

R

FCA

The data report must relate both to transactions undertaken by the *firm* and to transactions undertaken by an intermediary which has dealt directly with the customer on the *firm's* behalf.

16.11.8A

G

FCA

Where the *operator* of a *collective investment scheme* receives business from a *firm* which operates a nominee account, the data report in respect of those transactions submitted by the *operator* should treat those transactions as transactions undertaken by the *operator* with the *firm*.

16.11.9

R

FCA

A *firm* must provide the data report to the *FCA* electronically in a standard format provided by the *FCA*.

16.11.10 G
FCA

A data report will have been provided to the *FCA* in accordance with ■ SUP 16.11.9 R only if all mandatory data reporting fields (as set out in ■ SUP 16 Annex 21 RR) have been completed correctly and the report has been accepted by the relevant *FCA* reporting system.

Use of reporting agents

16.11.11 R
FCA

- (1) A *firm* may appoint another *person* to provide the data report on the *firm*'s behalf if the *firm* has informed the *FCA* of that appointment in writing.
- (2) Where (1) applies, the *firm* must ensure that the data report complies with the requirements of ■ SUP 16.11 and identifies the originator of the transaction.

16.12 Integrated Regulatory Reporting

Application

16.12.1

FCA PRA

G

The effect of ■ SUP 16.1.1 R is that this section applies to every *firm* carrying on business set out in column (1) of ■ SUP 16.12.4 R except:

- (1) an *incoming EEA firm* with *permission* for *cross border services* only;
- (1A) an *incoming EEA firm* in relation to its carrying on of *bidding in emissions auctions*;
- (2) an *oil market participant* that is not subject to the requirements of *IPRU(INV)* Chapter 3;
- (3) an *authorised professional firm* (other than one that must comply with *IPRU(INV)* 3, 5 or 13 in accordance with *IPRU(INV)* 2.1.4R, where ■ SUP 16.12.4 R will apply in respect of the business the firm undertakes), which must comply with ■ SUP 16.12.30 R and ■ SUP 16.12.31 R; and
- (4) a *financial conglomerate*, which must comply with ■ SUP 16.12.32 R: *firms* that are members of a *financial conglomerate* will have their own reporting requirements under ■ SUP 16.12.32 R.

Purpose

16.12.2

FCA PRA

G

- (1) *Principle 4* requires *firms* to maintain adequate financial resources. The Interim Prudential sourcebooks, *BIPRU* and *GENPRU* set out the *appropriate regulator's* detailed capital adequacy requirements. By submitting regular data, *firms* enable the *appropriate regulator* to monitor their compliance with *Principle 4* and their prudential requirements in the *Handbook*.
- (2) The *data items* submitted help the *appropriate regulator* analyse *firms'* financial and other conditions and performance and to understand their business. By means of further collation and review of the data which the *data items* provide, the *appropriate regulator* also uses the *data items* to identify developments across the financial services industry and its constituent sectors.
- (3) The requirements in this section differ according to a *firm's regulated activity group (RAG)*, as different information is required to reflect different types of business. Standard formats are used for reporting, to assist compatibility between *firms* which carry on similar types of business. Timely submission is important to ensure the *appropriate regulator* has up-to-date information.

16.12.3

FCA PRA

R

Reporting requirement

- (1) Any *firm* permitted to carry on any of the activities within each of the RAGs set out in column (1) of the table in ■ SUP 16.12.4 R must:
- (a) (i) unless (ii) or (iii) applies, submit to the *appropriate regulator* the duly completed *data items* or other items applicable to the *firm* as set out in the provision referred to in column (2) of that table;
 - (ii) unless (iii) applies, where a *firm* is required to submit completed *data items* for more than one RAG, that *firm* must only submit the *data item* of the same name and purpose in respect of the lowest numbered RAG applicable to it, RAG 1 being the lowest and RAG 10 the highest;
 - (iii) where a *firm* is, but for this *rule*, required to submit *data items* for more than one RAG and this includes the submission of *data items* in respect of fees, the FOS or FSCS levy, or threshold conditions, that *firm* must only submit these *data items* if they belong to the lowest numbered of the RAGs applicable to it;
 - (iv) in the case of a *non-EEA bank*, or an *EEA bank* (whether or not it has *permission for accepting deposits*) other than one with *permission for cross border services* only, any *data items* submitted should, unless indicated otherwise, only cover the activities of the branch operation in the *United Kingdom*;
in the format specified as applicable to the *firm* in the provision referred to in column (2);
- (b) submit this information at the frequency and in respect of the periods set out in the provision referred to in column (3); and
- (c) submit this information by the due date referred to in the provision referred to in column (4).
- (2) Unless (3) applies, any *data item* in (1) must be submitted by electronic means made available by the *appropriate regulator* ;
- (3) Paragraph (2) does not apply to:
- (a) *credit unions* solely in relation to the reporting requirement for RAG 1 activities where the following submission methods apply:
 - (i) *Post* to the Bank of England for postal submission:

Regulatory Data Group

Statistics and Regulatory Data Division (HO5 A-B)

Bank of England

Threadneedle Street

London

EC2R 8AH

(ii) Leaving the report marked for the attention of "Regulatory Data Group, Statistics and Regulatory Data Division (HO 5 A-B) at the Bank of England, Threadneedle Street, London, EC2R 8AH, and obtaining a dated receipt

(iii) Electronic mail

(CreditUnionReporting@BankofEngland.co.uk) or fax (020 7601 3334) to the Regulatory Data Group of the Bank of England

(iv) Online submission via the appropriate systems accessible from the *appropriate regulator's* website;

(b) *firms* in RAG 2 in relation to the reporting requirements for RAG 2 activities; and

(c) those data items specified as "No standard format", where ■ SUP 16.3.6 R to ■ SUP 16.3.10 G will apply.

(4) A *firm* that is a member of a *financial conglomerate* must also submit financial reports as required by ■ SUP 16.12.32 R.

16.12.3A

FCA PRA

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The following is designed to assist *firms* to understand how the reporting requirements set out in this chapter operate when the circumstances set out in ■ SUP 16.12.3 R (1)(a)(ii) apply.

(1) Example 1

A BIPRU 730K *firm* that undertakes activities in both RAG 3 and RAG 7

Overlaying the requirements of RAG 3 (*data items*) with the requirements of RAG 7 shows the following:

RAG 3 (SUP 16.12.11 R) data items	RAG 7 (SUP 16.12.22A R) data items
<i>Annual reports and accounts</i>	<i>Annual reports and accounts</i>
<i>Annual report and accounts of the mixed-activity holding company</i>	<i>Annual report and accounts of the mixed-activity holding company (note 10)</i>

RAG 3 (SUP 16.12.11 R) data items	RAG 7 (SUP 16.12.22A R) data items
Solvency statement	Solvency statement
Balance sheet	Balance Sheet
Income statement	Income statement
Capital adequacy	Capital adequacy
Credit risk	Credit risk
Market risk	Market risk
Market risk - supplementary	Market risk - supplementary
Operational risk	Operational risk
Large exposures	Large exposures
UK integrated group large exposures	UK integrated group large exposures
Solo consolidation data	Solo consolidation data
Pillar 2 questionnaire	Pillar 2 questionnaire
Non-EEA sub-group	Non-EEA sub-group
	Professional indemnity insurance
	Threshold Conditions
	Training and Competence
	COBS data
Client money and client assets	Client money and client assets
	Fees and levies
CFTC	
IRB portfolio risk	IRB portfolio risk
Securitisation : non-trading book	Securitisation : non-trading book
Daily Flows (if it is an <i>ILAS BIPRU firm</i>)	
Enhanced Mismatch Report (if it is an <i>ILAS BIPRU firm</i>)	
Liquidity Buffer Qualifying Securities (if it is an <i>ILAS BIPRU firm</i>)	
Funding Concentration (if it is an <i>ILAS BIPRU firm</i>)	
Pricing data (if it is an <i>ILAS BIPRU firm</i>)	
Retail and corporate funding (if it is an <i>ILAS BIPRU firm</i>)	

RAG 3 (SUP 16.12.11 R) data items	RAG 7 (SUP 16.12.22A R) data items
Currency Analysis (if it is a <i>ILAS BIPRU firm</i>)	
Systems and Controls Questionnaire (if it is a <i>non-ILAS BIPRU firm</i>)	
Securitisation: trading book	Securitisation: trading book

From this, the additional reports that are required are:

- (a) [deleted]
- (b) Professional indemnity insurance, where *RAG 7 firms* complete Section E of the *RMAR*, and therefore a *RAG 3 firm* should complete that;
- (c) [deleted]
- (d) Training and competence data, where *RAG 3 firms* should also complete Section G of *RMAR*;
- (e) Conduct of business data, where *RAG 3 firms* should complete Section H of *RMAR* .
- (f) [deleted]
- (g) [deleted]

The reporting frequency and submission times for items (b), (d) and (e) above are then derived from the rules applicable to *BIPRU firms* in ■ SUP 16.12.23 R and ■ SUP 16.12.24 R. Threshold conditions and fees and levies reports do not need to be submitted as they are not required under the lowest numbered of the two *RAGs* in this example, see ■ SUP 16.12.3 R (1)(a)(iii).

(2) Example 2

A *UK bank* in *RAG 1* that also carries on activities in *RAG 5*

Again, overlaying the *RAG 1* reporting requirements with the requirements for a *RAG 5 firm* gives the following :

RAG 1 requirements (SUP 16.12.5 R)	RAG 5 requirements (SUP 16.12.18A R)
<i>Annual report and accounts</i>	<i>Annual report and accounts</i>
<i>Annual report and accounts of the mixed-activity holding company</i> (note 9)	
Solvency statement (note 10)	
Balance sheet	Balance Sheet
Income statement	Income statement
Capital adequacy	Capital Adequacy
Credit risk	
Market risk	

RAG 1 requirements (SUP 16.12.5 R)	RAG 5 requirements (SUP 16.12.18A R)
<p>Market risk -supplementary</p> <p>Operational risk</p> <p>Large exposures</p> <p>UK integrated group large exposures</p> <p>Liquidity (other than stock)</p> <p>Liquidity - stock</p> <p>Forecast data</p> <p>Solo consolidation data</p> <p>Interest rate gap report</p> <p>[deleted]</p> <p>Non-EEA sub-group</p> <p>Sectoral information, including arrears and impairment</p> <p>IRB portfolio risk</p> <p>Securitisation: non-trading book</p> <p>Daily Flows (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Enhanced Mismatch Report (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Liquidity Buffer Qualifying Securities (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Funding Concentration (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Pricing data (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Retail and corporate funding (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Currency Analysis (if it is an <i>ILAS BIPRU firm</i>)</p> <p>Securitisation: trading book</p>	<p>Lending - Business flow and rates</p> <p>Residential Lending to individuals - New business profile</p> <p>Lending - Arrears analysis</p> <p>Mortgage administration - Business profile</p>

RAG 1 requirements (SUP 16.12.5 R)	RAG 5 requirements (SUP 16.12.18A R)
	Mortgage Administration - Arrears analysis
	Analysis of loans to customers
	Provisions analysis
	Fees and levies

In this case, it is more obvious that the firm's reporting requirement in RAG 1 is not all the data items listed above. However, for the purposes of this exercise, it is the list of potential data items that is important. Thus comparing RAG 1 with RAG 5, the additional reporting requirements are:

- (a) Lending - Business flow and rates, where Section D MLAR is required;
- (b) Residential Lending to individuals - New business profile, where Section E MLAR is required;
- (c) Lending - Arrears analysis, where Section F MLAR is required;
- (d) Mortgage administration - Business profile, where Section G MLAR is required;
- (e) Mortgage Administration - Arrears analysis, where Section H MLAR is required
- (f) Analysis of loans to customers, where section A3 of MLAR is required
- (g) Provisions analysis, where Section B2 of MLAR is required; and

Fees and levies are not applicable as they are not required to be submitted under the lowest numbered RAG in this example. The reporting frequency and submission times for items (a) to (g) above are then derived from the rules applicable to RAG 5 firms in ■ SUP 16.12.18 R.

16.12.3B
FCA PRA

G Firms' attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all firms in the group.

16.12.4
FCA PRA

R

Table of applicable rules containing *data items*, frequency and submission periods

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable <i>data items</i>	reporting frequency/ period	due date
RAG 1	<ul style="list-style-type: none"> • accepting deposits • <i>meeting of repayment claims</i> • <i>managing dormant account funds (including the investment of such funds)</i> 	SUP 16.12.5 R	SUP 16.12.6 R	SUP 16.12.7 R
RAG 2.1	<ul style="list-style-type: none"> • effecting contracts of insurance • carrying out contracts of insurance • entering as provider into a funeral plan contract 	SUP 16.12.8 R	SUP 16.12.8 R	SUP 16.12.8 R
RAG 2.2	<ul style="list-style-type: none"> • managing the under-writing capacity of a Lloyds syndicate as a managing agent at Lloyds • advising on syndicate 	SUP 16.12.9 R	SUP 16.12.9 R	SUP 16.12.9 R

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 3	<p>participation at Lloyds</p> <ul style="list-style-type: none"> • arranging deals in contracts of insurance written at Lloyds 			
	<ul style="list-style-type: none"> • dealing in investment as principal 	SUP 16.12.10 R SUP 16.12.11 R	SUP 16.12.10 R SUP 16.12.12 R	SUP 16.12.10 R SUP 16.12.13 R
	<ul style="list-style-type: none"> • dealing in investments as agent 			
	<ul style="list-style-type: none"> • advising on investments (excluding retail investment activities) 			
RAG 4	<ul style="list-style-type: none"> • arranging (bringing about) deals in investments (excluding retail investment activities) 			
	<ul style="list-style-type: none"> • managing investments 	SUP 16.12.14 R SUP 16.12.15 R	SUP 16.12.14 R SUP 16.12.16 R	SUP 16.12.14 R SUP 16.12.17 R
	<ul style="list-style-type: none"> • establishing, operating or winding up a collective investment scheme 			

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
	<ul style="list-style-type: none"> • establishing, operating or winding up a stakeholder pension scheme • establishing, operating or winding up a personal pension scheme • managing an AIF • managing a UCITS 			
RAG 5	<ul style="list-style-type: none"> • home finance administration or home finance providing activity 	SUP 16.12.18A R	SUP 16.12.18A R	SUP 16.12.18A R
RAG 6	<ul style="list-style-type: none"> • acting as the depositary of an authorised contractual scheme • safeguarding and administration of assets (without arranging) 	SUP 16.12.19 R	SUP 16.12.20 R	SUP 16.12.21 R

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 7	<ul style="list-style-type: none"> • arranging safeguarding and administration of assets 			
	<ul style="list-style-type: none"> • <i>acting as trustee or depository of an AIF</i> 			
	<ul style="list-style-type: none"> • <i>acting as trustee or depository of a UCITS</i> 			
	<ul style="list-style-type: none"> • retail investment activities 	SUP 16.12.22A R	SUP 16.12.23 R	SUP 16.12.24 R
RAG 8	<ul style="list-style-type: none"> • advising on pensions transfers & opt-outs 			
	<ul style="list-style-type: none"> • arranging (bringing about deals) in retail investments 			
	<ul style="list-style-type: none"> • making arrangements with a view to transactions in investments 	SUP 16.12.25A R	SUP 16.12.26 R	SUP 16.12.27 R
	<ul style="list-style-type: none"> • operating a multilateral trading facility 			

(1)		(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 9	<ul style="list-style-type: none"> • home finance mediation activity • insurance mediation activity (non-investment insurance contracts) 	SUP 16.12.28A R	SUP 16.12.28A R	SUP 16.12.28A R
RAG 10	• the activities of an RIE	SUP 16.12.29 G	SUP 16.12.29 G	SUP 16.12.29 G
RAG 11	bidding in emissions auctions	SUP 16.12.29A R	SUP 16.12.29A R	SUP 16.12.29A R

16.12.4A G
PRA

RAG 1 includes an *incoming EEA firm* exercising a *BCD* right through a *UK branch*.

16.12.4B G
FCA PRA

Group liquidity reporting

Reporting at group level for liquidity purposes by *firms* falling within BIPRU 12 (Liquidity) is by reference to *defined liquidity groups*. *Guidance* about the different types of *defined liquidity groups* and related material is set out in ■ SUP 16 Annex 26 (Guidance on designated liquidity groups in ■ SUP 16.12).

16.12.5

R

FCA PRA

Regulated Activity Group 1

The applicable *data items* and forms or reports referred to in ■ SUP 16.12.4 R are set out according to *firm* type in the table below:

De- scrip- tion of da- ta item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has per- mis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border services only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
<i>Annual report and ac- counts</i>	No stan- dard format		No stan- dard for- mat, but in En- glish					No stan- dard format
<i>Annual report and ac- counts of the mixed- activity holding compa- ny (note 9)</i>	No stan- dard format							

De- scrip- tion of <i>data item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and report- ing format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)

Solven- cy stan- state- ment (note 10)	No stan- dard for- mat							
Bal- ance sheet	FSA001 (note 2)	FSA001 (note 2)					CQ; CY	
In- come state- ment	FSA002 (note 2)	FSA002 (note 2)	FSA002				CQ; CY	
Capi- tal ade- quacy	FSA003 (note 2)	FSA003 (note 2)					CQ; CY	
Credit risk	FSA004 (note 2)	FSA004 (note 2)						

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)
Market risk	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)						
Market risk - supplementary	FSA006 (note 5)							
Operational risk	FSA007 (notes 2, 6)	FSA007 (notes 2, 6)						
Large exposures	FSA008 (note 2)	FSA008 (note 2)					CQ; CY	
UK integrated group large exposures	FSA018 (note 12)	FSA018 (note 12)						

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)								
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)	
Liquidity (other than stock)	FSA011							CQ; CY	
Forecast data	FSA014 (note 11)	FSA014 (note 11)							
Solo consolidation data	FSA016 (note 7)	FSA016 (note 7)							
Interest rate gap report	FSA017	FSA017							
Non-EEA	FSA028 (note 8)								

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has <i>permission</i> to accept deposits, other than one with <i>permission</i> for cross border services only	EEA bank that does not have <i>permission</i> to accept deposits, other than one with <i>permission</i> for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)

sub-group								
Sec-toral infor-ma-tion, in-cluding arrears and im-pair-ment	FSA015 (Note 2)	FSA015 (Note 2)						
IRB portfo-lio risk	FSA045 (note 13)	FSA045 (note 13)						
Securi-tisa-tion: non-trading book	FSA046 (Notes 2 and 14)	FSA046 (Notes 2 and 14)						

De- scrip- tion of <i>data</i> <i>item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and report- ing format (Note 1)							
	<i>UK bank</i>	<i>Build- ing soci- ety</i>	<i>Non- EEA bank</i>	<i>EEA bank that has permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	<i>EEA bank that does not have permis- sion to accept de- posits, other than one with permis- sion for cross border ser- vices only</i>	[the ed]	<i>Cred- it union</i>	<i>Dor- mant ac- count fund opera- tor</i> (note 15)
Daily Flows	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)			
En- hanced Mis- match Report	FSA048 (Notes 16, 20 and 22)	FSA048 (Notes 16, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)	FSA048 (Notes 16, 18, 20 and 22)			
Liquid- ity Buffer Quali- fying Securi- ties	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)			
Fund- ing Con-	FSA051 (Notes 17, 21	FSA051 (Notes 17, 21	FSA051 (Notes 17, 19,	FSA051 (Notes 17, 19,	FSA051 (Notes 17, 19,			

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)
centralisation	and 22)	and 22)	21 and 22)	21 and 22)	21 and 22)			
Pricing data	FSA052 (Notes 17, 22 and 24)	FSA052 (Notes 17, 22 and 24)	FSA052 (Notes 17, 19, 22 and 24)	FSA052 (Notes 17, 19, 22 and 24)	FSA052 (Notes 17, 19, 22 and 24)			
Retail and corporate funding	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)			
Currency Analysis	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)			
Securitisation:	FSA058 (Notes 2 and 23)							

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

trading book

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R, except for credit union reports that are in SUP 16 Annex 14 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G (or Ann 15 G for credit unions).

Note 2 *Firms* that are members of a *UK consolidation group* subject to the capital resources requirement at stage 1 of BIPRU 8 Annex 5 R are also required to submit this data item on a *UK consolidation group* basis. *Firms'* attention is drawn to SUP 16.3.25 G regarding a single submission for all *firms* in the *group*.

Note 3 [deleted]

Note 4 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA005 ("Firm A") or not reporting this item ("Firm B"). In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)

threshold was exceeded. In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded. The threshold is exceeded where *data element* 93A in *data item* FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

- Note 5** Only applicable to *firms* with a *VaR model permission*
- Note 6** This is only applicable to a *firm* that has adopted, in whole or in part, either the *standardised approach*, *alternative standardised approach*, or *advanced measurement approach* under BIPRU 6.
- Note 7** Only applicable to a *firm* that has a *solo consolidation waiver*.
- Note 8** This will be applicable to *firms* (other than building societies) that are members of a *UK consolidation group* on the reporting date.
- Note 9** Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.
- Note 10** Only applicable to a *firm* that is a *partnership*, when the report must be submitted by each *partner*.
- Note 11** Members of a *UK consolidation group* should only submit this *data item* at the *UK consolidation group* level.
- Note 12** Members of a *UK integrated group* should only submit this *data item* at the *UK integrated group* level.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)

Note 13 Only applicable to *firms* that have an *IRB permission*

Note 14 Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations* of *non-trading book exposures*.

Note 15 Only applies to a *dormant account fund operator* that does not fall into any of the other prudential categories in this table.

Note 16 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis (including on the basis of the *firm's UK branch*). Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

(4) If it is a group liquidity reporting firm in a non-UK DLG by modification, it must complete the item on the basis of that group.

Note 17 A firm must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis (including on the basis of the firm's UK branch) unless it is a group liquidity reporting firm in a UK DLG by modification. Therefore even if it has a solo consolidation waiver it must complete the item on an unconsolidated basis by reference to the firm alone.

(2) If it is a group liquidity reporting firm in a UK DLG by modification, it must complete the item on the basis of that group.

Note 18 **(1) If the firm has a whole-firm liquidity modification it must complete this item on the basis of the whole firm (or at any other reporting level the whole-firm liquidity modification may require) and not just its UK branch.**

(2) Otherwise the firm must complete this item by reference to the activities of its branch operation in the United Kingdom in accordance with SUP 16.12.3R (1)(a)(iv).

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)

Note 19 (1) If the *firm* has a *whole-firm liquidity modification* there is no obligation to report this item.

(2) Otherwise the *firm* must complete this item by reference to the activities of its branch operation in the *United Kingdom* in accordance with SUP 16.12.3R (1)(a)(iv).

Note 20 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[dit ed]	Credit union	Dormant account fund operator (note 15)

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 21 Note 20 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[the ed]	Credit union	Dormant account fund operator (note 15)

Note 22 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* or a *whole-firm liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification*, *whole-firm liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* or a *whole-firm liquidity modification* says to the contrary.

Note 23 Only applicable to *firms* that hold *securitisation positions* in the *trading book* and/ or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

Note 24 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8,

Description of data item	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	UK bank	Building society	Non-EEA bank	EEA bank that has permission to accept deposits, other than one with permission for cross border services only	EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	Credit union	Dormant account fund operator (note 15)

and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

16.12.6

FCA PRA

R

The applicable reporting frequencies for submission of *data items* and periods referred to in ■ SUP 16.12.5 R are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
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Annual report and accounts Annual Annual

<i>Data item</i>	<i>Unconsolidated UK banks and building societies</i>	<i>Solo consolidated UK banks and building societies</i>	<i>Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies</i>	<i>Other members of RAG 1</i>
Annual report and accounts of the mixed-activity holding company	Annual			
Solvency statement	Annual			
CQ				Quarterly
CY				Annually (note 2)
FSA001	Quarterly		Half yearly	
FSA002	Quarterly		Half yearly	Half yearly
FSA003	Quarterly or monthly (note 1)		Half yearly	
FSA004	Quarterly		Half yearly	
FSA005	Quarterly		Half yearly	
FSA006	Quarterly			
FSA007	Annually			
FSA008	Quarterly			
FSA011	Quarterly			
FSA014	Half yearly			
FSA015	Quarterly		Half yearly	
FSA016		Half yearly		
FSA017	Quarterly		Half yearly	
FSA018	Quarterly			

<i>Data item</i>	<i>Unconsolidated UK banks and building societies</i>	<i>Solo consolidated UK banks and building societies</i>	<i>Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies</i>	<i>Other members of RAG 1</i>
FSA028	Half yearly			
FSA045	Quarterly		Half yearly	
FSA046	Quarterly		Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 4, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4,5, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4, 8 and 9)	Daily, weekly, monthly or quarterly (Notes 4,7 and 9)
FSA048	Daily, weekly, monthly or quarterly (Notes 4, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4,5, 6 and 9)	Daily, weekly, monthly or quarterly (Notes 4, 8 and 9)	Daily, weekly, monthly or quarterly (Notes 4,7 and 9)
FSA050	Monthly (Note 4)	Monthly (Notes 4 and 5)	Monthly (Note 4)	Monthly (Note 4)
FSA051	Monthly (Note 4)	Monthly (Notes 4 and 5)	Monthly (Note 4)	Monthly (Note 4)
FSA052	Weekly or monthly (Notes 4 and 10)	Weekly or monthly (Notes 4, 5 and 10)	Weekly or monthly (Notes 4 and 11)	Weekly or monthly (Notes 4 and 10)
FSA053	Quarterly (Note 4)	Quarterly (Notes 4 and 5)	Quarterly (Note 4)	Quarterly (Note 4)
FSA054	Quarterly (Note 4)	Quarterly (Notes 4 and 5)	Quarterly (Note 4)	Quarterly (Note 4)
FSA058	Quarterly		Quarterly	

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
Note 1	<p>Monthly submission only applicable if the <i>firm</i> has been notified in writing that it is required to report (when, on an annual review, it has two consecutive quarterly submissions of FSA003 showing <i>data element</i> 93A being greater than £50 million, or its currency equivalent, and also greater than 50% of <i>data element</i> 70A .</p>			
Note 2	<p>The annual report required from a <i>credit union</i> by SUP 16.12.5 R must be made up for the same period as the audited accounts published by the <i>credit union</i> in accordance with section 3A of the Friendly and Industrial and Provident Societies Act 1968 or provided in accordance with article 49 of the Credit Unions (Northern Ireland) Order 1985 (as appropriate). CREDS 8.2.6 R (2)(a) states that the audited accounts referred to in SUP 16.12.5 R are to be made up for the period beginning with the date of the <i>credit union's</i> registration or with the date to which the <i>credit union's</i> last annual accounts were made up, and ending on the <i>credit union's</i> most recent financial year end.</p>			
Note 3	<p>[deleted]</p>			

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
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Note 4 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* or a *whole-firm liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the firm receives that *intra-group liquidity modification*, *whole-firm liquidity modification* or variation part of the way through such a period, unless the *whole-firm liquidity modification* or *intra-group liquidity modification* says otherwise.

Note 5 As specified in SUP 16.12.5 R, solo consolidation has no application to liquidity reporting. Therefore it does not make any difference to the reporting of this item whether or not the *firm* is solo consolidated.

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
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Note 6 If the report is on a solo basis (and the *firm* is a UK firm) the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

Note 7 (1) If the report is on a solo basis (and the *firm* is not a UK firm) the reporting frequency is as follows:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*.

(2) If the *firm* has a *whole-firm liquidity modification* (1) does not apply and instead the frequency of solo reporting is quarterly (or whatever other frequency the *whole-firm liquidity modification* requires).

<i>Data item</i>	Unconsolidated <i>UK banks and building societies</i>	Solo consolidated <i>UK banks and building societies</i>	Report on a <i>UK consolidation group</i> or, as applicable, <i>defined liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
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Note 8

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 9

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm, branch* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm, branch* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

<i>Data item</i>	Unconsolidated UK banks and building societies	Solo consolidated UK banks and building societies	Report on a UK consolidation group or, as applicable, defined liquidity group basis by UK banks and building societies	Other members of RAG 1
Note 10	<p>If the report is on a solo basis (including by reference to the <i>firm's UK branch</i>) the reporting frequency is as follows:</p> <p>(1) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</p>			
Note 11	<p>If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>			

16.12.7
FCA PRA

R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.6 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
<i>Annual report and accounts</i>						80 business days (note 1)
						7 months (note 2)
<i>Annual report and accounts of</i>						7 months

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
the mixed-activity holding company						
Solvency statement						3 months
CQ				1 month		
CY						6 months
FSA001				20 business days	45 business days	
FSA002				20 business days	45 business days	
FSA003			15 business days	20 business days	45 business days	
FSA004				20 business days	45 business days	
FSA005				20 business days	45 business days	
FSA006				20 business days		
FSA007						6 months
FSA008				20 business days (note 3)		
				45 business days (note 4)		
[deleted]				[deleted]		
FSA011				15 business days		
[deleted]					[deleted]	
[deleted]				[deleted]		

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA014					30 business days (note 3);	
					45 business days (note 4)	
FSA015				30 business days	45 business days	
FSA016					30 business days	
FSA017				20 business days	45 business days	
FSA018				45 business days		
FSA028					30 business days	
FSA045				20 business days	45 business days	
FSA046				20 business days (Note 3), 45 business days (Note 4)		
FSA047	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the	15 business days	15 business days or one Month (Note 5)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
	item in question	item in question				
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 5)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>second business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>			
FSA053			15 <i>business days</i>			
FSA054			15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA058				20 <i>business days</i> (Note 3), 45 <i>business days</i> (Note 4)		
Note 1	Applicable to UK banks and dormant account fund operators.					
Note 2	Applicable to non-EEA banks					
Note 3	Applicable to unconsolidated and solo consolidated reports					
Note 4	Applicable to UK consolidation group reports					
Note 5	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i> or the <i>firm</i> has a <i>whole-firm liquidity modification</i>.					

16.12.8
PRA

R

Regulated Activity Group 2.1

- (1) The financial reporting requirements for RAG 2.1 activities for *insurers*, excluding *friendly societies*, are set out in IPRU(INS).
- (2) The financial reporting requirements for RAG 2.1 activities for *friendly societies* are set out in IPRU(FSOC).
- (3) A UK insurance special purpose vehicle must submit a copy of its annual audited financial statements within 3 months of its *accounting reference date*, but the report is only required if it was audited as a result of a statutory provision other than under the Act.

16.12.9
FCA

R

Regulated Activity Group 2.2

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below .

The applicable reporting frequencies for submission of *data items* and periods referred to in ■ SUP 16.12.4 R are set out in the table below and are calculated from a *firm's accounting reference date*, unless indicated otherwise.

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

<i>Member's adviser</i>			<i>the Society (note 1)</i>		
Description of data item and data item	Frequency	Submission deadline	Description of data item	Frequency	Submission deadline
			<i>Annual re- port and ac- counts</i>	Annually	6 month's after the Society's ac- counting reference date
			Annual Lloyd's re- turn	Annually	6 months after the Society's ac- counting reference date
			Syndicate accounts and reports (note 2)	Annually	6 months after the Society's ac- counting reference date
Quarterly reporting statement	Quarterly	15 business days after the quarter end			
Balance Sheet					
FSA001 (notes 15, 20) or	Quarterly or half yearly	(note 14)			
FSA029	Quarterly (note 14)	(note 14)			
Income Statement					
FSA002 (note 20), or	Quarterly or half yearly (note 14)	(note 14)			
FSA030	Quarterly	(note 14)			
Capital Adequacy					
FSA003 (notes 4, 20) or	Monthly, quarterly or half	(note 14)			

	<i>Member's adviser</i>	<i>the Society (note 1)</i>
	yearly (note 14)	
FSA033 (note 12)	Quarterly (note 14)	
	or	
FSA034 (note 13)	Quarterly (note 14)	
	or	
FSA035 (note 13)	Quarterly (note 14)	
Credit Risk		
FSA004 (notes 5, 20)	Quarterly (note 14) or half yearly (note 14)	
Market Risk		
FSA005 (notes 6, 20)	Quarterly (note 14) or half yearly (note 14)	
Large Exposures		
FSA008 (Notes 20, 21)	Quarterly	20 <i>business days</i> (note 19)
Note 1	The <i>Society</i> must prepare its reports in the format specified in <i>IPRU(INS)</i> Appendix 9.11, unless Note 2 applies.	
Note 2	The <i>Society</i> must ensure that the annual syndicate accounts and reports are prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (S.I. 2008/1950).	
Note 3	[deleted]	
Note 4	Only <i>firms</i> subject to <i>IPRU(INV)</i> 4 report <i>data item</i> FSA003.	
Note 5	This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at anytime within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was re-	

	<i>Member's adviser</i>	the <i>Society</i> (note 1)
	<p>porting <i>data item</i> FSA004 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 77A in <i>data item</i> FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p> <p>Note 6 This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at anytime within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA005 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 93A in <i>data item</i> FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p>	
Note 7	[deleted]	
Note 8	[deleted]	
Note 9	[deleted]	
Note 10	[deleted]	
Note 11	[deleted]	
Note 12	FSA033 is only applicable to <i>firms</i> subject to <i>IPRU(INV)</i> 3	
Note 13	<p>Only applicable to <i>firms</i> subject to <i>IPRU(INV)</i> 5. FSA034 must be completed by a <i>firm</i> not subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2)R.</p> <p>FSA035 must be completed by a <i>firm</i> subject to the exemption in <i>IPRU(INV)</i> 5.2.3(2)R.</p>	

	<i>Member's adviser</i>	<i>the Society (note 1)</i>
Note 14	<i>BIPRU 50K firms report half yearly on 30 business days submission, all other BIPRU firms on unconsolidated basis report quarterly on 20 business days submission. All UK consolidation group reports report half yearly on 45 business days submission. All other firms report monthly on 20 business days submission.</i>	
Note 15	<i>This data item only applies to BIPRU firms.</i>	
Note 16	[deleted]	
Note 17	[deleted]	
Note 18	[deleted]	
Note 19	<i>UK consolidation group reports have 45 business days submission.</i>	
Note 20	<i>Firms that are members of a UK consolidation group are also required to submit FSA001, FSA002, FSA003, FSA004, FSA005 and FSA008 on a UK consolidation group basis.</i>	
Note 21	<i>This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2 G.</i>	

16.12.9A G
FCA

A *Member's adviser* that is also a *BIPRU investment firm* will also fall under one of the higher number *RAGs* that apply to *BIPRU investment firms*. That means that it will have to report a number of *data items* in addition to the ones that it has to supply under *RAG 2.2*.

16.12.10 R
FCA PRA

Regulated Activity Group 3

 (1) ■ SUP 16.12.11 R to ■ SUP 16.12.13 R do not apply to:

- (a) a *lead regulated firm* (except in relation to *data items 47 to 55 (inclusive)*);
- (b) an *OPS firm*;
- (c) a local authority;
- (d) a *service company*.

(2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

(3) A *service company* must submit a copy of its annual audited financial statements within 6 months from its *accounting reference date*. However, the *firm* need only submit this if the report was audited as a result of a statutory provision other than the *Act*.

16.12.11
FCA PRA

R

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to *firm* type in the table below:

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUN Chap- ter 3	IRUN Chap- ter 5	IRUN Chap- ter 9	IRUN Chap- ter 13	UP- RU
<i>Annual report and accounts</i>	No standard format			No stan- dard format (note 19)	No standard for- mat		No stan- dard format	No stan- dard for- mat
<i>Annual report and accounts of the mixed-activity holding company</i> (note 10)	No standard format							
<i>Solven- cy state- ment</i>	No standard format (note 11)			No stan- dard format (note 20)	No stan- dard format (note 11)			No stan- dard for- mat (note 11)
<i>Bal- ance sheet</i>	FSA001 (note 2)	FSA001 (note 2)	FSA001 (note 2)	FSA029 (note 18)	FSA029	FSA029	FSA029 (note 15) or	FSA029

De- scrip- tion of data item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU
In- come state- ment	FSA002 (note 2)	FSA002 (note 2)	FSA002 (note 2)	FSA030 (note 18)	FSA030	FSA030	FSA030 (note 15) or Section B RMAR (note 15)	FSA030
Capi- tal ade- quacy	FSA003 (note 2)	FSA003 (note 2)	FSA003 (note 2)	FSA033 (note 18)	FSA034 or FSA035 (note 14)	FSA031	FSA032 (note 15) or Sec- tions D1 and D2 RMAR (note 15)	FSA036
Supple- men- tary capital		FIN067 (note 35)						

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUM Chap- ter 3	IRUM Chap- ter 5	IRUM Chap- ter 9	IRUM Chap- ter 13	UP- RU

data for col- lective portfo- lio man- age- ment invest- ment firms								
Credit risk	FSA004 (notes 2, 3)	FSA004 (notes 2, 3)	FSA004 (notes 2, 3)					
Mar- ket risk	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)					
Mar- ket risk - supple- men- tary	FSA006 (note 5)	FSA006 (note 5)	FSA006 (note 5)					
Opera- tional risk	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)					

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>BIPRU firms (note 17)</i>			<i>Firms other than BIPRU firms</i>				
	<i>730K</i>	<i>125K and col- lec- tive port- folio man- age- ment in- vest- ment firms</i>	<i>50K</i>	<i>IRU Chap- ter 3</i>	<i>IRU Chap- ter 5</i>	<i>IRU Chap- ter 9</i>	<i>IRU Chap- ter 13</i>	<i>UP- RU</i>
Large exposures	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)					
UK integrated group large exposures	FSA018 (note 12)	FSA018 (note 12)	FSA018 (note 12)					
Solo consolidation data	FSA016 (note 25)	FSA016 (note 25)	FSA016 (note 25)					
Pillar 2 questionnaire	FSA019 (note 8)	FSA019 (note 8)	FSA019 (note 8)					
Non-EEA subgroup	FSA028 (note 9)	FSA028 (note 9)	FSA028 (note 9)					
Threshold conditions								Section F RMAR

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)								
	BIPRU firms (note 17)			Firms other than BIPRU firms					
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUM Chap- ter 3	IRUM Chap- ter 5	IRUM Chap- ter 9	IRUM Chap- ter 13	UP- RU	
									(Note 15)
Client money and client assets	FSA039	FSA039	FSA039	FSA039 (note 18)	FSA039	FSA039	FSA039	Section C RMAR (Note 15) or FSA039	FSA039
CFTC	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)	FSA040 (note 24)
IRB portfolio risk	FSA045 (note 22)	FSA045 (note 22)	FSA045 (note 22)						
Securitisations: non-trading book	FSA046 (note 23)	FSA046 (note 23)	FSA046 (note 23)						
Daily Flows	FSA047 (Notes 26, 29, 31 and 33)								
Enhanced Mismatch Report	FSA048 (Notes 26, 29, 31 and 33)								

De- scrip- tion of data item	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>BIPRU firms (note 17)</i>			<i>Firms other than BIPRU firms</i>				
	<i>730K</i>	<i>125K and col- lec- tive port- folio man- age- ment in- vest- ment firms</i>	<i>50K</i>	<i>IRU Chap- ter 3</i>	<i>IRU Chap- ter 5</i>	<i>IRU Chap- ter 9</i>	<i>IRU Chap- ter 13</i>	<i>UP- RU</i>

Liquid- ity Buffer Quali- fying Securi- ties	FSA050 (Notes 27, 30, 31 and 33)
Fund- ing Con- centra- tion	FSA051 (Notes 27, 30, 31 and 33)
Pric- ing da- ta	FSA052 (Notes 27, 31, 33 and 34)
Retail and corpo- rate fund- ing	FSA053 (Notes 27, 30, 31 and 33)
Cur- rency Analy- sis	FSA054 (Notes 27, 30, 31 and 33)

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUM Chap- ter 3	IRUM Chap- ter 5	IRUM Chap- ter 9	IRUM Chap- ter 13	UP- RU

Systems and Controls Questionnaire

Securiti- FSA058 FSA058 FSA058
tisa- (Note (Note (Note
tion: 32) 32) 32)
trading
book

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 *months* up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>BIPRU firms (note 17)</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 77A* in *data item FSA003* is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 4 This applies to a *firm* that is required to submit *data item FSA003* and, at anytime within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item FSA005* ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 93A* in *data item FSA003* is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 5 Only applicable to *firms* with a *VaR model permission*.

Note 6 This will not be applicable to *BIPRU limited activity firms* or *BIPRU limited licence firms* unless they have a waiver under **BIPRU 6.1.2 G**.

Description of data item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collective portfolio management investment firms	50K	BIPRU Chapter 3	BIPRU Chapter 5	BIPRU Chapter 9	BIPRU Chapter 13	UP-RU

Note 7 This is only applicable to a firm that has adopted, in whole or in part, either the *standardised approach*, *alternative standardised approach*, or *advanced measurement approach* under **BIPRU 6**

Note 8 Only applicable to *BIPRU investment firms* that:

(a) are subject to consolidated supervision under **BIPRU 8**, except those that are either included within the consolidated supervision of a group that includes a *UK credit institution*, or that have been granted an *investment firm consolidation waiver*; or

(b) have been granted an *investment firm consolidation waiver*; or

(c) are not subject to consolidated supervision under **BIPRU 8**.

A *BIPRU investment firm* under (a) must complete the report on the basis of its *UK consolidation group*. A *BIPRU investment firm* under (b) or (c) must complete the report on the basis of its solo position.

Note 9 This will be applicable to firms that are members of a *UK consolidation group* on the reporting date.

Note 10 Only applicable to a firm whose ultimate parent is a *mixed activity holding company*.

Note 11 Only applicable to a firm that is a *sole trader* or a *partnership*, when the report must be submitted by each *partner*.

Note 12 Members of a *UK integrated group* should only submit this *data item* at the *UK integrated group* level.

De- scrip- tion of <i>data item</i>	<i>Firms'</i> prudential category and applicable data items (note 1)							
	<i>BIPRU firms</i> (note 17)			<i>Firms other than BIPRU firms</i>				
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IPRU Chap- ter 3	IPRU Chap- ter 5	IPRU Chap- ter 9	IPRU Chap- ter 13	UP- RU

Note 13 This does not apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*.

Note 14 FSA034 must be completed by a *firm* not subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

FSA035 must be completed by a *firm* subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

Note 15 FSA029, FSA030, FSA032 and FSA039 only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*. Sections A, B, C, D1, D2 and F RMAR only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.

Note 16 [deleted]

Note 17 An *exempt BIPRU commodity firm* will, by virtue of the definition of **BIPRU TP 15**, be exempt from completing FSA003 (and thus FSA004, FSA005, FSA006 and FSA007) for the duration of the transitional provision. It is however required to submit all other *data items* applicable according to the firm's *BIPRU* classification including, for the avoidance of doubt, **BIPRU TP 16**.

Note 18 Except if the *firm* is an *adviser, local* or traded options market maker (as referred to in *IPRU(INV)* 3-60(4)R).

Note 19 In the case of an *adviser, local* or traded options market maker (as referred to in *IPRU(INV)* 3-60(4)R), it is only required from *partnerships* and *bodies corporate*, and then only if the report

Description of data item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collective portfolio management investment firms	50K	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 13	UP-RU

was audited as a result of a statutory provision other than under the Act.

Note 20 Only required in the case of an *adviser, local* or traded options market maker (as referred to in *IPRU(INV) 3-60(4)R*) that is a *sole trader*.

Note 21 [deleted]

Note 22 Only applicable to *firms* that have an *IRB permission*.

Note 23 Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations*. of *non-trading book exposures*.

Note 24 Only applicable to *firms* granted a *Part 30 exemption order* and operating an arrangement to cover forward profits on the London Metals Exchange.

Note 25 Only applicable to a *firm* that has a *solo consolidation waiver*.

De- scrip- tion of data item	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>BIPRU firms (note 17)</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU

Note 26 A *firm* must complete this item separately on each of the following bases (if applicable).

(1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.

Note 27 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	BRUN) Chap- ter 3	BRUN) Chap- ter 5	BRUN) Chap- ter 9	BRUN) Chap- ter 13	UP- RU

Note 28 If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 29 (1) This item must be reported in the reporting currency.
 (2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>							
	<i>BIPRU firms (note 17)</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 13	UP- RU

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 30 Note 29 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 31 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 32 Only applicable to *firms* that hold *securitisation positions* in the trading book and/ or are the *originator* or *sponsor* of *securitisations* held in the *trading book*.

De- scrip- tion of da- ta item	Firms' prudential category and applicable data items (note 1)							
	BIPRU firms (note 17)			Firms other than BIPRU firms				
	730K	125K and collec- tive port- folio man- age- ment in- vest- ment firms	50K	ILAS Chap- ter 3	ILAS Chap- ter 5	ILAS Chap- ter 9	ILAS Chap- ter 13	UP- RU

Note 33 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an *ILAS BIPRU firm*. An *ILAS BIPRU firm* does not need to complete FSA055. A *non-ILAS BIPRU firm* must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 34 This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 35 Only applicable to *firms* that are *collective portfolio management investment firms*.

16.12.11A

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The columns in the table in ■ SUP 16.12.11 R that deal with *BIPRU 50K firms* and *BIPRU 125K firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm*. In fact a *BIPRU 50K firm* and a *BIPRU 125K firm* cannot be an *ILAS BIPRU firm*. One reason for drafting the table in this way is that the classification of *firms* into *ILAS BIPRU firms* and *non-ILAS BIPRU firms* is not based on the classification into *BIPRU 50K firms*, *BIPRU 125K firms* and *BIPRU 730K firms* and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual *firm* is classified.

16.12.12

R

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The applicable reporting frequencies for *data items* referred to in ■ SUP 16.12.4 R are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
<i>Annual report and accounts</i>	Annually	Annually	Annually		Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually	Annually	Annually		
Solvency statement	Annually	Annually	Annually		Annually
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	
FSA003	Monthly	Quarterly	Half yearly	Half yearly	
FSA004	Quarterly	Quarterly	Half yearly	Half yearly	
FSA005	Quarterly	Quarterly	Half yearly	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	Quarterly	
FSA007	Annual (note 4)	Annual (note 4)	Annual (note 4)	Annual (note 4)	
FSA008	Quarterly	Quarterly	Quarterly	Quarterly	
FSA016	Half yearly	Half yearly	Half yearly		
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually	Annually	
FSA028	Half yearly	Half yearly	Half yearly		
FSA029					Quarterly
FSA030					Quarterly
FSA031					Quarterly
FSA032					Quarterly

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
FSA033					Quarterly
FSA034					Quarterly
FSA035					Quarterly
FSA036					Quarterly
FSA039	Half yearly	Half yearly	Half yearly		Half yearly
FSA040	Quarterly	Quarterly	Quarterly		Quarterly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	
FSA046	Quarterly	Quarterly	Quarterly	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)			Monthly (Note 5)	
FSA051	Monthly (Note 5)			Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)			Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)			Quarterly (Note 5)	
FSA054	Quarterly (Note 5)			Quarterly (Note 5)	
FSA055	Annually (Note 5)			Annually (Note 5)	
FSA058	Quarterly	Quarterly	Quarterly	Quarterly	

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
FIN067	Quarterly				
Section A RMAR					Half yearly (note 2) Quarterly (note 3)
Section B RMAR					Half yearly (note 2) Quarterly (note 3)
Section C RMAR					Half yearly (note 2) Quarterly (note 3)
Section D1 and D2 RMAR					Half yearly (note 2) Quarterly (note 3)
Section F RMAR					Half yearly
Note 1	[deleted]				
Note 2	Annual regulated business revenue up to and including £5 million.				
Note 3	Annual regulated business revenue over £5 million.				
Note 4	The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i>.				

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
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Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
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Note 6 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
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Note 7

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 8

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

<i>Data Item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
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Note 9 If the report is on a solo basis the reporting frequency is as follows:

(1) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(2) monthly if the *firm* is a *low frequency liquidity reporting firm*.

Note 10 If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(1) weekly if the *group liquidity standard frequency reporting conditions* are met;

(2) monthly if the *group liquidity low frequency reporting conditions* are met.

16.12.13
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R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.12 R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Annual report and accounts						80 business days
<i>Annual report and accounts of the mixed-activity holding company</i>						7 months

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Solvency statement						3 months
FSA001				20 business days	30 business days (note 1)	
					45 business days (note 2)	
FSA002				20 business days	30 business days (note 1)	
					45 business days (note 2)	
FSA003			15 business days	20 business days	30 business days (note 1)	
					45 business days (note 2)	
FSA004				20 business days	30 business days (note 1)	
					45 business days (note 2)	
FSA005				20 business days	30 business days (note 1)	
					45 business days (note 2)	
FSA006				20 business days		
FSA007						2 months

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
FSA008				20 busi-ness days (note 1);		
				45 busi-ness days (note 2)		
FSA016					30 busi-ness days	
FSA018				45 busi-ness days		
FSA019						2 months
FSA028					30 busi-ness days	
FSA029				20 busi-ness days		
FSA030				20 busi-ness days		
FSA031				20 busi-ness days		
FSA032				20 busi-ness days		
FSA033				20 busi-ness days		
FSA034				20 busi-ness days		
FSA035				20 busi-ness days		
FSA036				20 busi-ness days		
FSA039					30 busi-ness days	
FSA040				15 busi-ness days		
FSA045				20 busi-ness days	30 busi-ness days (note 1), 45 busi-ness days (note 2)	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA046				20 business days (Note 1), 45 business days (Note 2)		
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours	15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
		(London time) on the second <i>business day</i> immediately following the last day of the reporting period for the item in question				
FSA053				15 <i>business days</i>		
FSA054				15 <i>business days</i>		
FSA055						15 <i>business days</i>
FSA058				20 <i>business days</i> (Note 1), 45 <i>business days</i> (Note 2)		
FIN067				20 <i>business days</i>		
Section A RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section B RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section C RMAR				30 <i>business days</i>	30 <i>business days</i>	
Section D1 and D2 RMAR				30 <i>business days</i>	30 <i>business days</i>	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Section F RMAR					30 business days	
Note 1	For unconsolidated and solo-consolidated reports.					
Note 2	For UK consolidation group reports.					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG</i> by <i>modification</i>.					

Regulated Activity Group 4

16.12.14

FCA

R

- (1) ■ SUP 16.12.15 R to ■ SUP 16.12.17 R do not apply to:
- (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
 - (b) an *OPS firm*;
 - (c) a local authority.
- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.15

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R

The applicable *data items* referred to in ■ SUP 16.12.4 R according to type of *firm* are set out in the table below:

<i>Description of data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>									
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>						
	730K	125K	50K	IRU	IRU	IRU	IRU	IRU	IRU	UP-RU
		and		Chapter 3	Chapter 5	Chapter 9	Chapter 11	Chapter 13		
		<i>col- lec- tive port- folio man- age- ment in- vest- ment firms</i>								
Annual report	No standard format (note 13)									

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>									
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>						
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUN Chap- ter 3	IRUN Chap- ter 5	IRUN Chap- ter 9	IRUN Chap- ter 11	IRUN Chap- ter 13	UP- RU	
<i>and ac- counts</i>										
<i>Annua- l re- port and ac- counts of the mixed- activi- ty hold- ing com- pa- ny(note 10)</i>	No standard format (note 13)									
<i>Sol- vency state- ment (note 11)</i>	No standard format			No stan- dard for- mat			No stan- dard for- mat			
<i>Bal- ance sheet</i>	FSA001 (note 2)	FSA001 (note 2)	FSA001 (note 2)	FSA029	FSA029	FSA029	FSA029	FSA029 (note 15) or Sec-	FSA029	FSA029

Description of data item	Firms' prudential category and applicable data items (note 1)								
	BIPRU			Firms other than BIPRU firms					
	730K	125K and collective portfolio management investment firms	50K	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11	IRU Chapter 13	UP-RU
Income statement	FSA002 (note 2)	FSA002 (note 2)	FSA002 (note 2)	FSA030	FSA030	FSA030	FIN066	FSA030 (note 15) or Section B RMAR (note 15)	FSA030
Capital adequacy	FSA003 (note 2)	FSA003 (note 2)	FSA003 (note 2)	FSA033	FSA034 or FSA035 (note 14)	FSA031	FIN066	Section D1 and D2 RMAR or FSA032 (note 15)	FSA036
Supplementary capital data for		FIN067 (note 32)							

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>									
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>						
	<i>730K</i>	<i>125K and col- lec- tive port- folio man- age- ment in- vest- ment firms</i>	<i>50K</i>	<i>IRU\</i> Chap- ter 3	<i>IRU\</i> Chap- ter 5	<i>IRU\</i> Chap- ter 9	<i>IRU\</i> Chap- ter 11	<i>IRU\</i> Chap- ter 13	<i>UP- RU</i>	
<i>collec- tive portfo- lio man- age- ment invest- ment firms</i>	Cred- it risk	FSA004 (Notes 2, 3)	FSA004 (Notes 2, 3)	FSA004 (Notes 2, 3)						
	Mar- ket risk	FSA005 (Notes 2, 4)	FSA005 (Notes 2, 4)	FSA005 (Notes 2, 4)						
	Mar- ket risk - sup- ple- men- tary	FSA006 (note 5)	FSA006 (note 5)	FSA006 (note 5)						
	Oper- a- tional risk	FSA007 (Notes 2, 6, 7)	FSA007 (Notes 2, 6, 7)	FSA007 (Notes 2, 6, 7)						

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	BIPRU			Firms other than BIPRU firms					
	730K	125K and collective portfolio management investment firms	50K	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11	IRU Chapter 13	UP-RU
Large exposures	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)						
UK integrated group large exposures	FSA018 (note 12)	FSA018 (note 12)	FSA018 (note 12)						
Solo consolidation data	FSA016 (note 20)	FSA016 (note 20)	FSA016 (note 20)						
Pillar 2 questionnaire	FSA019 (note 8)	FSA019 (note 8)	FSA019 (note 8)						
Non-EEA group	FSA028 (note 9)	FSA028 (note 9)	FSA028 (note 9)						
Threshold conditions									Section F RMAR (note 15)

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K and collective portfolio management investment firms	50K	IRU\ Chapter 3	IRU\ Chapter 5	IRU\ Chapter 9	IRU\ Chapter 11	IRU\ Chapter 13	UP-RU	
Volumes and types of business (note 21)	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038	FSA038
Client money and client assets	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	Section C RMAR (note 15) or FSA039	FSA039
UCITS (note 22)		FSA042					FSA042		FSA042	
IRB portfolio risk	FSA045 (note 18)	FSA045 (note 18)	FSA045 (note 18)							
Securitisation: non-trading book	FSA046 (note 19)	FSA046 (note 19)	FSA046 (note 19)							

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>									
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>						
	<i>730K</i>	<i>125K</i>	<i>50K</i>	<i>IRU</i>	<i>IRU</i>	<i>IRU</i>	<i>IRU</i>	<i>IRU</i>	<i>IRU</i>	<i>UP- RU</i>
		and col- lec- tive port- folio man- age- ment in- vest- ment firms		Chap- ter 3	Chap- ter 5	Chap- ter 9	Chap- ter 11	Chap- ter 13		

Daily Flows	FSA047 (Notes 23, 26, 28 and 30)
En-hanced Mismatch Report	FSA048 (Notes 23, 26, 28 and 30)
Liquidity Buffer Qualifying Securities	FSA050 (Notes 24, 27, 28 and 30)
Funding Concentration	FSA051 (Notes 24, 27, 28 and 30)
Pricing data	FSA052 (Notes 24, 28, 30 and 31)
Retail and corporate	FSA053 (Notes 24, 27, 28 and 30)

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K and collective portfolio management investment firms	50K	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11	IRU Chapter 13		UP-RU

**fund-
ing**

**Cur-
rency
Analy-
sis** FSA054 (Notes 24,
27, 28 and 30)

**Sys-
tems
and
Con-
trols
Ques-
tion-
naire** FSA055 (Notes 25
and 30)

**Secu-
ritisa-
tion:
trad-
ing
book** FSA058 FSA058 FSA058
(Note 29) (Note 29) (Note 29)

Note 1 When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the *data items* are contained in SUP 16 Annex 25 G.

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and at anytime within the 12 *months* up to its latest *accounting*

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	BIPRU			Firms other than BIPRU firms					
	730K	125K	50K	IRU	IRU	IRU	IRU	IRU	UP- RU
		and col- lec- tive port- folio man- age- ment in- vest- ment firms		Chap- ter 3	Chap- ter 5	Chap- ter 9	Chap- ter 11	Chap- ter 13	

reference date ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element* 77A in *data item* FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 4 This applies to a *firm* that is required to submit *data item* FSA003 and at any time within the 12 *months* up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA005 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element* 93A in *data item* FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

De- scrip- tion of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRU Chap- ter 3	IRU Chap- ter 5	IRU Chap- ter 9	IRU Chap- ter 11	IRU Chap- ter 13		UP- RU
Note 5	Only applicable to <i>firms</i> with a <i>VaR model permission</i> .									
Note 6	This will not be applicable to <i>BIPRU limited activity firms</i> or <i>BIPRU limited licence firms</i> unless they have a waiver under BIPRU 6.1.2 G .									
Note 7	This is only applicable to a <i>firm</i> that has adopted, in whole or in part, either the <i>standardised approach</i> , <i>alternative standardised approach</i> , or <i>advanced measurement approach</i> under BIPRU 6 .									
Note 8	<p>Only applicable to <i>BIPRU investment firms</i> that :</p> <p>(a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a <i>UK credit institution</i>, or that have been granted an <i>investment firm consolidation waiver</i>; or</p> <p>(b) have been granted an <i>investment firm consolidation waiver</i>;</p> <p>or</p> <p>(c) are not subject to consolidated supervision under BIPRU 8.</p> <p>A <i>BIPRU investment firm</i> under (a) must complete the report on the basis of its <i>UK consolidation group</i>. A <i>BIPRU investment firm</i> under (b) or (c) must complete the report on the basis of its solo position.</p>									
Note 9	This will be applicable to firms that are members of a <i>UK consolidation group</i> on the reporting date.									

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K and collective portfolio management investment firms	50K	IRU Chapter 3	IRU Chapter 5	IRU Chapter 9	IRU Chapter 11	IRU Chapter 13	UP-RU	

- Note 10** Only applicable to a *firm* whose ultimate parent is a *mixed-activity holding company*.
- Note 11** Only applicable to a *firm* that is a *sole trader* or a *partnership*, when the report must be submitted by each *partner*.
- Note 12** Members of a *UK integrated group* should only submit this *data item* at the *UK integrated group* level.
- Note 13** This *data item* is applicable to all *firms* in this table except a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.
- Note 14** FSA034 must be completed by a *firm* not subject to the exemption in *IPRU(INV)* 5.2.3(2)R.

FSA035 must be completed by a *firm* subject to the exemption in *IPRU(INV)* 5.2.3(2)R.
- Note 15** FSA029, FSA030, FSA032 and FSA039 only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is an *exempt CAD firm*.

Sections A, B, C, D1, D2 and F RMAR only apply to a *firm* subject to *IPRU(INV)* Chapter 13 which is not an *exempt CAD firm*.
- Note 16** [deleted]
- Note 17** [deleted]
- Note 18** Only applicable to *firms* that have an *IRB permission*.
- Note 19** Only applicable to *firms* that hold *securitisation positions*, or are the *originator* or *sponsor* of *securitisations* of *non-trading book exposures*.

De- scrip- tion of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K and col- lec- tive port- folio man- age- ment in- vest- ment firms	50K	IRUW Chap- ter 3	IRUW Chap- ter 5	IRUW Chap- ter 9	IRUW Chap- ter 11	IRUW Chap- ter 13		UP- RU

Note 20 Only applicable to a *firm* that has a *solo consolidation waiver*.

Note 21 [deleted]

Note 22 Only applicable to *firms* that have *permission* for *managing a UCITS*.

Note 23 A *firm* must complete this item separately on each of the following bases (if applicable).

(1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

(2) If it is a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.

(3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.

(4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.

Note 24 A *firm* must complete this item separately on each of the following bases that are applicable.

(1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)								
	BIPRU			Firms other than BIPRU firms					
	730K	125K	50K	ILAS Chapter 3	ILAS Chapter 5	ILAS Chapter 9	ILAS Chapter 11	ILAS Chapter 13	UP-RU
		and collective portfolio management investment firms							

(2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that *group*.

Note 25 If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.

Note 26 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>									
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>						
	730K	125K	50K	IRUW	IRUW	IRUW	IRUW	IRUW	IRUW	UP- RU
		and		Chap- ter 3	Chap- ter 5	Chap- ter 9	Chap- ter 11	Chap- ter 13		
		col- lec- tive								
		port- folio								
		man- age- ment								
		in- vest- ment								
		<i>firms</i>								

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 27 Note 26 applies, except that paragraphs (3), (4), and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 28 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the firm receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular data item or does not have to report it at a particular *reporting level*, the *firm* must nevertheless report that item or at that *reporting level* for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Description of data item	Firms' prudential category and applicable <i>data items</i> (note 1)									
	BIPRU			Firms other than BIPRU firms						
	730K	125K	50K	ILAS Chapter 3	ILAS Chapter 5	ILAS Chapter 9	ILAS Chapter 11	ILAS Chapter 13	UP-RU	
		and collective portfolio management investment firms								

Note 29 Only applicable to firms that hold securitisation positions in the trading book and/or are the originator or sponsor of securitisations held in the trading book.

Note 30 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an ILAS BIPRU firm. An ILAS BIPRU firm does not need to complete FSA055. A non-ILAS BIPRU firm must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 31 This data item must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

Note 32 Only applicable to firms that are collective portfolio management investment firms.

16.12.15A

FCA PRA

G

The columns in the table in ■ SUP 16.12.15 R that deal with BIPRU 50K firms and BIPRU 125K firms cover some liquidity items that only have to be reported by an ILAS BIPRU firm. In fact a BIPRU 50K firm and a BIPRU 125K firm cannot be an ILAS BIPRU firm. One reason for drafting the table in this way is that the classification of firms into ILAS BIPRU firms and non-ILAS BIPRU firms is not based on the classification into BIPRU 50K firms, BIPRU 125K firms and BIPRU 730K firms and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual firm is classified.

16.12.16

FCA PRA

R

The applicable reporting frequencies for data items referred to in ■ SUP 16.12.15 R are set out in the table below according to firm type. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise.

<i>Data item</i>	<i>Firms' prudential category</i>				
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
<i>Annual report and accounts</i>	Annually	Annually	Annually		Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually	Annually	Annually		
Solvency statement	Annually	Annually	Annually		Annually
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	
FSA003	Monthly	Quarterly	Half yearly	Half yearly	
FSA004	Quarterly	Quarterly	Half yearly	Half yearly	
FSA005	Quarterly	Quarterly	Half yearly	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	Quarterly	
FSA007	Annual (note 4)	Annual (note 4)	Annual (note 4)	Annual (note 4)	
FSA008	Quarterly	Quarterly	Quarterly	Quarterly	
FSA016	Half yearly	Half yearly	Half yearly		
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually	Annually	
FSA028	Half yearly	Half yearly	Half yearly		
FSA029					Quarterly
FSA030					Quarterly
FSA031					Quarterly
FSA032					Quarterly

<i>Data item</i>	<i>Firms' prudential category</i>				
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
FSA033					Quarterly
FSA034					Quarterly
FSA035					Quarterly
FSA036					Quarterly
FSA038	Half yearly	Half yearly	Half yearly		Half yearly
FSA039	Half yearly	Half yearly	Half yearly		Half yearly
FSA042		Quarterly			Quarterly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	
FSA046	Quarterly	Quarterly	Quarterly	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)			Monthly (Note 5)	
FSA051	Monthly (Note 5)			Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)			Weekly or monthly (Notes 5 and 10)	

<i>Data item</i>	<i>Firms' prudential category</i>				
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>
FSA053	Quarterly (Note 5)			Quarterly (Note 5)	
FSA054	Quarterly (Note 5)			Quarterly (Note 5)	
FSA055	Annually (Note 5)			Annually (Note 5)	
FSA058	Quarterly	Quarterly	Quarterly	Quarterly	
FIN066					Quarterly
FIN067		Quarterly			
Section A RMAR					Half yearly (note 2) Quarterly (note 3)
Section B RMAR					Half yearly (note 2) Quarterly (note 3)
Section C RMAR					Half yearly (note 2) Quarterly (note 3)
Section D1 and D2 RMAR					Half yearly (note 2) Quarterly (note 3)
Section F RMAR					Half yearly
Note 1	[deleted]				
Note 2	Annual regulated business revenue up to and including £5 million.				
Note 3	Annual regulated business revenue over £5 million.				

<i>Data item</i>	<i>Firms' prudential category</i>				
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>

Note 4 The reporting date for this *data item* is six months after a *firm's* most recent *accounting reference date*.

Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's* *accounting reference date*. In particular:

(1) A week means the period beginning on Saturday and ending on Friday.

(2) A month begins on the first day of the calendar month and ends on the last day of that month.

(3) Quarters end on 31 March, 30 June, 30 September and 31 December.

(4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

<i>Data item</i>	<i>Firms' prudential category</i>				
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms</i>

Note 6 **If the report is on a solo basis the reporting frequency is as follows:**

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

Data item	Firms' prudential category				
	BIPRU 730K firm	BIPRU 125K firm and collective portfolio management investment firm	BIPRU 50K firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms

Note 7

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 8

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Data item	Firms' prudential category				
	BIPRU 730K firm	BIPRU 125K firm and collective portfolio management investment firm	BIPRU 50K firm	UK consolidation group or defined liquidity group	Firm other than BIPRU firms

Note 9 If the report is on a solo basis the reporting frequency is as follows:

(1) weekly if the firm is a standard frequency liquidity reporting firm; and

(2) monthly if the firm is a low frequency liquidity reporting firm.

Note 10 If the report is by reference to the firm's UK DLG by modification the reporting frequency is:

(1) weekly if the group liquidity standard frequency reporting conditions are met;

(2) monthly if the group liquidity low frequency reporting conditions are met.

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R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.16 R, unless indicated otherwise.

Data item	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Annual report and accounts						80 business days
Annual report and accounts of the mixed-activity						7 months

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
holding company						
Solvency statement						3 months
FSA001				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA002				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA003			15 business days	20 business days	30 business days (note 2); 45 business days (note 3)	
FSA004				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA005				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA006				20 business days		
FSA007						2 months
FSA008				20 business days (note 2); 45 business days (note 3)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA016				30 business days		
FSA018				45 business days		
FSA019						2 months
FSA028					30 business days	
FSA029				20 business days		
FSA030				20 business days		
FSA031				20 business days		
FSA032				20 business days		
FSA033				20 business days		
FSA034				20 business days		
FSA035				20 business days		
FSA036				20 business days		
FSA038					30 business days	
FSA039					30 business days	
FSA042				20 business days		
FSA045				20 business days	30 business days (note 2); 45 business days (note 3)	
FSA046				20 business days (Note 2), 45 busi-		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
						ness days (Note 3)
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 4)		
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 4)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the <i>second busi-</i>	15 <i>business days</i>			

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
		business day immediately following the last day of the reporting period for the item in question				
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
FSA058				20 business days (Note 2), 45 business days (Note 3)		
FIN066				20 business days		
FIN067				20 business days		
Section A RMAR				30 business days	30 business days	
Section B RMAR				30 business days	30 business days	
Section C RMAR				30 business days	30 business days	
Section D1 and D2 RMAR				30 business days	30 business days	
Section F RMAR					30 business days	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
Note 1	[deleted]					
Note 2	For unconsolidated and solo-consolidated reports.					
Note 3	For <i>UK consolidation group</i> reports.					
Note 4	It is one <i>Month</i> if the report relates to a <i>non-UK DLG by modification</i> .					

Regulated Activity Group 5

16.12.18

FCA PRA

R

- (1) ■ SUP 16.12.18A R does not apply to:
 - (a) a *lead regulated firm*;
 - (b) an *OPS firm*;
 - (c) a local authority.

- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.18A

FCA PRA

R

The applicable *data items*, reporting frequencies and submission deadlines referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency	Submission deadline
<i>Annual report and accounts</i>	No standard format	Annually	80 <i>business days</i>
Balance Sheet	Sections A.1 and A.2 MLAR	Quarterly	20 <i>business days</i>
Income Statement	Sections B.0 and B.1 MLAR	Quarterly	20 <i>business days</i>
Capital Adequacy	Section C MLAR	Quarterly	20 <i>business days</i>
Lending - Business flow and rates	Section D MLAR	Quarterly	20 <i>business days</i>
Residential Lending to individuals - New business profile	Section E MLAR	Quarterly	20 <i>business days</i>
Lending - Arrears analysis	Section F MLAR	Quarterly	20 <i>business days</i>

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency	Submission deadline
Mortgage administration - Business profile	Section G MLAR	Quarterly	20 <i>business days</i>
Mortgage Administration - Ar-rears analysis	Section H MLAR	Quarterly	20 <i>business days</i>
Analysis of loans to customers	Section A3 MLAR	Quarterly	20 <i>business days</i>
Provisions analysis	Section B2 MLAR	Quarterly	20 <i>business days</i>
Fees and levies	Section J MLAR	Annually	30 <i>business days</i>
Sale and rent back	Section K MLAR	Annually	30 <i>business days</i>
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 19A R. Guidance notes for the completion of the <i>data items</i> is set out in SUP 16 Annex 19B G.		

Regulated Activity Group 6

16.12.19 **R**
FCA

(1) ■ SUP 16.12.19A R to ■ SUP 16.12.21 R do not apply to:

- (a) a *lead regulated firm*;
- (b) an *OPS firm*;
- (c) a local authority.

(2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.19A **R**
FCA

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

Description of <i>data item</i>	<i>Firm's</i> prudential category and applicable <i>data item</i> (note 1)				
	<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 9	<i>IPRU(INV)</i> Chapter 13	<i>UPRU</i>
<i>Annual report and accounts</i>	No standard format				

Description of data item	Firm's prudential category and applicable data item (note 1)				
	IPRU(INV) Chapter 3	IPRU(INV) Chapter 5	IPRU(INV) Chapter 9	IPRU(INV) Chapter 13	UPRU
Solvency statement (note 6)		No standard format			No standard format
Balance sheet	FSA029	FSA029	FSA029	FSA029 or Section A RMAR (note 7)	FSA029
Income statement	FSA030	FSA030	FSA030	FSA030 or Section B RMAR (note 7)	FSA030
Capital adequacy	FSA033	FSA034 or FSA035 (note 4)	FSA031	FSA032 (note 5) or Section D1 and D2 RMAR (note 7)	FSA036
Threshold conditions				Section F RMAR (Note 7)	
Client money and client assets	FSA039	FSA039	FSA039	Section C RMAR (note 7) or FSA039	FSA039
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.				
Note 2	[deleted]				
Note 3	[deleted]				
Note 4	FSA034 must be completed by a <i>firm</i> not subject to the exemption in IPRU(INV) 5.2.3(2)R. FSA035 must be completed by a <i>firm</i> subject to the exemption in IPRU(INV) 5.2.3(2)R.				
Note 5	FSA032 must be completed by a <i>firm</i> subject to IPRU(INV) Chapter 13 which is an <i>exempt CAD firm</i> .				

Description of data item	Firm's prudential category and applicable data item (note 1)				
	IPRU(INV) Chapter 3	IPRU(INV) Chapter 5	IPRU(INV) Chapter 9	IPRU(INV) Chapter 13	UPRU
Note 6	Only applicable to a firm that is a <i>partnership</i>, when the report must be submitted by each <i>partner</i>.				
Note 7	FSA029 , FSA030, FSA032 and FSA039 only apply to a <i>firm</i> subject to IPRU(INV) Chapter 13 which is an <i>exempt CAD firm</i> . Sections A, B, C, D1, D2 and F RMAR only apply to a <i>firm</i> subject to IPRU(INV) Chapter 13 which is not an <i>exempt CAD firm</i>.				

16.12.20

FCA

R

The applicable reporting frequencies for submission of *data items* referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Annual report and accounts</i>	Annually
Solvency statement	Annually
FSA029	Quarterly
FSA030	Quarterly
FSA031	Quarterly
FSA032	Quarterly
FSA033	Quarterly
FSA034	Quarterly
FSA035	Quarterly
FSA036	Quarterly
FSA039	Half yearly
Section A RMAR	Half yearly (note 2)
	Quarterly (note 3)
Section B RMAR	Half yearly (note 2)
	Quarterly (note 3)
Section C RMAR	Half yearly (note 2)
	Quarterly (note 3)
Section D1 and D2 RMAR	Half yearly (note 2)
	Quarterly (note 3)

Section F RMAR	Half yearly
Note 1	[deleted]
Note 2	Annual regulated business revenue up to and including £5 million.
Note 3	Annual regulated business revenue over £5 million.

16.12.21
FCA

R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.20 R.

<i>Data item</i>	Quarterly	Half yearly	Annual
Annual report and accounts			80 business days
Solvency statement			3 months
FSA029	20 business days		
FSA030	20 business days		
FSA031	20 business days		
FSA032	20 business days		
FSA033	20 business days		
FSA034	20 business days		
FSA035	20 business days		
FSA036	20 business days		
FSA039		30 business days	
FSA040	15 business days		
Section A RMAR	30 business days	30 business days	
Section B RMAR	30 business days	30 business days	
Section C RMAR	30 business days	30 business days	
Section D1 and D2 RMAR	30 business days	30 business days	
Section F RMAR		30 business days	

Regulated Activity Group 7

16.12.22
FCA

R

(1) ■ SUP 16.12.22A R to ■ SUP 16.12.24 R do not apply to:

- (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
- (b) an *OPS firm*;

(c) a local authority.

(2) *A lead regulated firm and an OPS firm must submit a copy of its annual report and audited accounts within 80 business days from its accounting reference date.*

16.12.22A **R**
FCA **PRA**

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

Description of Data item	<i>Firms' prudential category and applicable data item (note 1)</i>					
	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU 50K firm</i>	<i>Exempt CAD firms subject to IPRU(INV) Chapter 13</i>	<i>Firms (other than exempt CAD firms) subject to Chapter 13 IPRU(INV)</i>	<i>Firms that are also in one or more of RAGs 1 to 6 and not subject to IPRU(INV) Chapter 13</i>
<i>Annual report and accounts</i>	No standard format			No standard format		
<i>Annual report and accounts of the mixed-activity holding company (note 10)</i>	No standard format					
<i>Solvency statement</i>	No standard format (note 11)					
<i>Balance Sheet</i>	FSA001 (note 2)	FSA001 (note 2)	FSA001 (note 2)	FSA029	Section A RMAR	

Description of Data item	<i>Firms' prudential category and applicable data item (note 1)</i>				
Income Statement	FSA002 (note 2)	FSA002 (note 2)	FSA002 (note 2)	FSA030	Section B RMAR
Capital Adequacy	FSA003 (note 2)	FSA003 (note 2)	FSA003 (note 2)	FSA032	Section D1 and D2 RMAR
Credit risk	FSA004 (notes 2, 3)	FSA004 (notes 2, 3)	FSA004 (notes 2, 3)		
Market risk	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)		
Market risk - supplementary	FSA006 (note 5)	FSA006 (note 5)	FSA006 (note 5)		
Operational risk	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)		
Large exposures	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)		
UK integrated group large exposures	FSA018 (note 12)	FSA018 (note 12)	FSA018 (note 12)		
Solo consolidation data	FSA016	FSA016	FSA016		
Pillar 2 questionnaire	FSA019 (note 8)	FSA019 (note 8)	FSA019 (note 8)		
Non-EEA sub-group	FSA028 (note 9)	FSA028 (note 9)	FSA028 (note 9)		
Professional indemnity	Section E RMAR	Section E RMAR	Section E RMAR		Section E RMAR Section E RMAR

Description of <i>Data item</i>	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)					
insurance (note 15)						
Threshold Conditions	Section F RMAR Section F RMAR					
Training and Competence	Section G RMAR	Section G RMAR	Section G RMAR	Section G RMAR	Section G RMAR	Section G RMAR
COBS data	Section H RMAR	Section H RMAR	Section H RMAR	Section H RMAR	Section H RMAR	Section H RMAR
Client money and client assets	Section C RMAR	Section C RMAR	Section C RMAR	Section C RMAR	Section C RMAR	
Fees and levies	Section J RMAR	Section J RMAR	Section J RMAR	Section J RMAR	Section J RMAR	
Adviser charges	Section K RMAR	Section K RMAR	Section K RMAR	Section K RMAR	Section K RMAR	Section K RMAR
Consultancy charges	Section L RMAR	Section L RMAR	Section L RMAR	Section L RMAR	Section L RMAR	Section L RMAR
IRB portfolio risk	FSA045 (note 13)	FSA045 (note 13)	FSA045 (note 13)			
Securitisation: non-trading book	FSA046 (note 14)	FSA046 (note 14)	FSA046 (note 14)			

Description of <i>Data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>		
Daily Flows	FSA047 (Notes 16, 19, 21 and 24)		
Enhanced Mismatch Report	FSA048 (Notes 16, 19, 21 and 24)		
Liquidity Buffer Qualifying Securities	FSA050 (Notes 17, 20, 21 and 24)		
Funding Concentration	FSA051 (Notes 17, 20, 21 and 24)		
Pricing data	FSA052 (Notes 17, 20, 24 and 25)		
Retail and corporate funding	FSA053 (Notes 17, 20, 21 and 24)		
Currency Analysis	FSA054 (Notes 17, 20, 21 and 24)		
Systems and Controls Questionnaire	FSA055 (Notes 18 and 24)		
Securitisation: trading book	FSA058 (Note 22)	FSA058 (Note 22)	FSA058 (Note 22)
Supplementary capital data for collective portfolio management in-	FIN067 (note 28)		

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
<i>vestment firms</i>	<p>Note 1 When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 24 R, or SUP 16 Annex 18A R in the case of the RMAR. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G, or SUP 16 Annex 18B G in the case of the RMAR.</p> <p>Note 2 <i>Firms</i> that are members of a <i>UK consolidation group</i> are also required to submit this report on a <i>UK consolidation group</i> basis.</p> <p>Note 3 This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at any time within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA004 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p> <p>The threshold is exceeded where <i>data element</i> 77A in data item FSA003 is greater than £10 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p> <p>Note 4 This applies to a <i>firm</i> that is required to submit <i>data item</i> FSA003 and, at any time within the 12 <i>months</i> up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA005 ("Firm A") or not reporting this item ("Firm B").</p> <p>In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded.</p> <p>In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.</p>

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
	<p>The threshold is exceeded where <i>data element</i> 93A in <i>data item</i> FSA003 is greater than £50 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>.</p>
Note 5	<p>Only applicable to <i>firms</i> with a <i>VaR model permission</i>.</p>
Note 6	<p>This will not be applicable to <i>BIPRU limited activity firms</i> or <i>BIPRU limited licence firms</i> unless they have a waiver under BIPRU 6.1.2 G.</p>
Note 7	<p>This is only applicable to a <i>firm</i> that has adopted, in whole or in part, either the <i>standardised approach</i>, <i>alternative standardised approach</i>, or <i>advanced measurement approach</i> under BIPRU 6.</p>
Note 8	<p>Only applicable to <i>BIPRU investment firms</i> that:</p>
	<p>(a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a <i>UK credit institution</i>, or that have been granted an <i>investment firm consolidation waiver</i>; or</p>
	<p>(b) have been granted an <i>investment firm consolidation waiver</i>; or</p>
	<p>(c) are not subject to consolidated supervision under BIPRU 8.</p>
	<p><i>A BIPRU investment firm</i> under (a) must complete the report on the basis of its <i>UK consolidation group</i>. <i>A BIPRU investment firm</i> under (b) or (c) must complete the report on the basis of its solo position.</p>
Note 9	<p>This will be applicable to <i>firms</i> that are members of a <i>UK consolidation group</i> on the reporting date.</p>
Note 10	<p>Only applicable to a <i>firm</i> whose ultimate parent is a <i>mixed-activity holding company</i>.</p>
Note 11	<p>Only applicable to a <i>firm</i> that is a <i>sole trader</i> or a <i>partnership</i>, when the report must be submitted by each <i>partner</i>.</p>
Note 12	<p>Members of a <i>UK integrated group</i> should only submit this <i>data item</i> at the <i>UK integrated group</i> level.</p>
Note 13	<p>Only applicable to <i>firms</i> that have an <i>IRB permission</i>.</p>
Note 14	<p>Only applicable to <i>firms</i> that hold <i>securitisation positions</i>, or are the <i>originator</i> or <i>sponsor</i> of <i>securitisations</i> of <i>non-trading book exposures</i>.</p>

Description of Data item	Firms' prudential category and applicable <i>data item</i> (note 1)
Note 15	This item only applies to <i>firms</i> that are subject to an <i>FSA</i> requirement to hold professional indemnity insurance and are not <i>exempt CAD firms</i> .
Note 16	<p>A <i>firm</i> must complete this item separately on each of the following bases (if applicable).</p> <p>(1) It must complete it on a solo basis. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p> <p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>DLG by default</i> and is a <i>UK lead regulated firm</i>, it must complete the item on the basis of that group.</p> <p>(3) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p> <p>(4) If it is a <i>group liquidity reporting firm</i> in a <i>non-UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 17	<p>A <i>firm</i> must complete this item separately on each of the following bases that are applicable.</p> <p>(1) It must complete it on a solo basis unless it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.</p> <p>(2) If it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>, it must complete the item on the basis of that group.</p>
Note 18	If it is a <i>non-ILAS BIPRU firm</i> , it must complete it on a solo basis. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.

Description of Data item	Firms' prudential category and applicable <i>data item</i> (note 1)
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Note 19 (1) This item must be reported in the reporting currency.

(2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
	<p>Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).</p>
<p>Note 20</p>	<p>Note 19 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that <i>material currencies</i> must not be recorded separately.</p>
<p>Note 21</p>	<p>Any changes to reporting requirements caused by a <i>firm</i> receiving an <i>intra-group liquidity modification</i> (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the <i>data item</i> in question if the <i>firm</i> receives that <i>intra-group liquidity modification</i> or variation part of the way through such a period. If the change is that the <i>firm</i> does not have to report a particular <i>data item</i> or does not have to report it at a particular <i>reporting level</i>, the <i>firm</i> must nevertheless report that item or at that <i>reporting level</i> for any reporting period that has already begun. This paragraph is subject to anything that the <i>intra-group liquidity modification</i> says to the contrary.</p>
<p>Note 22</p>	<p>Only applicable to <i>firms</i> that hold <i>securitisation positions</i> in the <i>trading book</i> and/ or are the <i>originator</i> or <i>sponsor</i> of <i>securitisations</i> held in the <i>trading book</i>.</p>
<p>Note 24</p>	<p>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an <i>ILAS BIPRU firm</i>. An <i>ILAS BIPRU firm</i> does not need to complete FSA055. A <i>non-ILAS BIPRU firm</i> must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</p>
<p>Note 25</p>	<p>This <i>data item</i> must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.</p>
<p>Note 26</p>	<p>This item only applies to <i>firms</i> that provide advice on <i>retail investment products</i>.</p>

Description of Data item	<i>Firms'</i> prudential category and applicable <i>data item</i> (note 1)
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Note 27 This item applies only to firms that provide advice and related services to employers on *group personal pension schemes* and/or *group stakeholder pension schemes*.

Note 28 Only applicable to *firms* that are *collective portfolio management investment firms*.

16.12.22B

FCA PRA

G

The columns in the table in ■ SUP 16.12.22A R that deal with *BIPRU 50K firms* and *BIPRU 125K firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm*. In fact a *BIPRU 50K firm* and a *BIPRU 125K firm* cannot be an *ILAS BIPRU firm*. One reason for drafting the table in this way is that the classification of *firms* into *ILAS BIPRU firms* and *non-ILAS BIPRU firms* is not based on the classification into *BIPRU 50K firms*, *BIPRU 125K firms* and *BIPRU 730K firms* and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual *firm* is classified.

16.12.23

FCA PRA

R

The applicable reporting frequencies for *data items* referred to in ■ SUP 16.12.22A R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data item</i>	Frequency				
	<i>Unconsolidated BIPRU investment firm</i>	<i>Solo consolidated BIPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	<i>Annual regulated business revenue up to and including £5 million</i>	<i>Annual regulated business revenue over £5 million</i>
<i>Annual reports and accounts</i>	Annually			Annually	Annually
<i>Annual accounts of the mixed-activity holding company</i>	Annually			Annually	Annually
<i>Solvency statement</i>	Annually				

<i>Data item</i>	Frequency				
	<i>Uncon- solidated BIPRU invest- ment firm</i>	<i>Solo con- solidated BIPRU invest- ment firm</i>	<i>UK Con- solida- tion Group or defined liquidity group</i>	<i>Annual regulated business revenue up to and in- cluding £5 mil- lion</i>	<i>Annual regulated business revenue over £5 million</i>
FSA001	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA002	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA003	Monthly, quarterly or half yearly (note 2)	Monthly, quarterly or half yearly (note 2)	Half yearly		
FSA004	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA005	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA006	Quarterly	Quarterly	Quarterly		
FSA007	Annually (note 3)	Annually (note 3)	Annually (note 3)		
FSA008	Quarterly	Quarterly	Quarterly		
FSA016		Half yearly			
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually		
FSA028	Half yearly	Half yearly			
FSA032				Quarterly	Quarterly

<i>Data item</i>	Frequency				
	<i>Unconsolidated BIPRU investment firm</i>	<i>Solo consolidated BIPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	<i>Annual regulated business revenue up to and including £5 million</i>	<i>Annual regulated business revenue over £5 million</i>
FSA045	Quarterly or half yearly (note 1)	Quarterly or half yearly (note 1)	Half yearly		
FSA046	Quarterly	Quarterly	Quarterly		
FSA047	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		
FSA048	Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)	Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)	Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)		
FSA050	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		
FSA051	Monthly (Note 4)	Monthly (Notes 4 and 10)	Monthly (Note 4)		
FSA052	Weekly or monthly (Notes 4 and 8)	Weekly or monthly (Notes 4, 8 and 10)	Weekly or monthly (Notes 4 and 9)		
FSA053	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		
FSA054	Quarterly (Note 4)	Quarterly (Notes 4 and 10)	Quarterly (Note 4)		

<i>Data item</i>	Frequency				
	<i>Uncon- solidated BIPRU invest- ment firm</i>	<i>Solo con- solidated BIPRU invest- ment firm</i>	<i>UK Con- solida- tion Group or defined liquidity group</i>	<i>Annual regulated business revenue up to and in- cluding £5 mil- lion</i>	<i>Annual regulated business revenue over £5 million</i>
FSA055	Annually (Note 4)	Annually (Notes 4 and 10)	Annually (Note 4)		
FSA058	Quarterly	Quarterly	Quarterly		
FIN067	Quarterly				
Section A RMAR				Half yearly	Quarterly
Section B RMAR				Half yearly	Quarterly
Section C RMAR				Half yearly	Quarterly
Section D1 and D2 RMAR				Half yearly	Quarterly
Section E RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Quarterly
Section F RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section G RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section H RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section J RMAR	Annually	Annually	Annually	Annually	Annually
Section K RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly
Section L RMAR	Half yearly	Half yearly	Half yearly	Half yearly	Half yearly

<i>Data item</i>	Frequency				
	Unconsolidated BIPRU investment firm	Solo consolidated BIPRU investment firm	UK Consolidation Group or defined liquidity group	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

Note 1: *BIPRU 730K firms and BIPRU 125K firms - quarterly;*

BIPRU 50K firms - half yearly.

Note 2 *BIPRU 730K firms - monthly;*

BIPRU 125K firms - quarterly;

BIPRU 50K firms - half yearly.

Note 3 The reporting date for this *data item* is six months after a *firm's* most recent *accounting reference date*.

Note 4 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's* *accounting reference date*. In particular:

(1) A week means the period beginning on Saturday and ending on Friday.

(2) A month begins on the first day of the calendar month and ends on the last day of that month.

(3) Quarters end on 31 March, 30 June, 30 September and 31 December.

(4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

<i>Data item</i>	Frequency				
	Uncon- solidated <i>BIPRU</i> <i>invest-</i> <i>ment</i> <i>firm</i>	Solo con- solidated <i>BIPRU</i> <i>invest-</i> <i>ment</i> <i>firm</i>	<i>UK Con-</i> <i>solida-</i> <i>tion</i> <i>Group</i> <i>or</i> <i>defined</i> <i>liquidity</i> <i>group</i>	Annual regulated business revenue up to and in- cluding £5 mil- lion	Annual regulated business revenue over £5 million

Note 5 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

<i>Data item</i>	Frequency				
	Unconsolidated <i>BIPRU investment firm</i>	Solo consolidated <i>BIPRU investment firm</i>	<i>UK Consolidation Group or defined liquidity group</i>	Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million

Note 6

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

- (a) weekly if the *group liquidity standard frequency reporting conditions* are met;
- (b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 7

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

Data item	Frequency				
	Uncon- solidated <i>BIPRU</i> <i>invest-</i> <i>ment</i> <i>firm</i>	Solo con- solidated <i>BIPRU</i> <i>invest-</i> <i>ment</i> <i>firm</i>	<i>UK Con-</i> <i>solida-</i> <i>tion</i> <i>Group</i> <i>or</i> <i>defined</i> <i>liquidity</i> <i>group</i>	Annual regulated business revenue up to and in- cluding £5 mil- lion	Annual regulated business revenue over £5 million
Note 8	<p>If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) weekly if the firm is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</p>				
Note 9	<p>If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>				
Note 10	<p>As specified in SUP 16.12.22A R, solo consolidation has no application to liquidity reporting. Therefore it does not make any difference to the reporting of this item whether or not the <i>firm</i> is solo consolidated.</p>				

16.12.24
FCA PRA

R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.23 R, unless indicated otherwise.

Data Item	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
<i>Annual reports and accounts</i>						80 business days
<i>Annual report</i>						7 months

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
<i>and ac- counts of the mixed-ac- tivity holding company</i>						
Solvency statement						3 months
FSA001				20 busi- ness days	30 busi- ness days (note 1); 45 busi- ness days (note 2)	
FSA002				20 busi- ness days	30 busi- ness days (note 1); 45 busi- ness days (note 2)	
FSA003	15 busi- ness days			20 busi- ness days	30 busi- ness days (note 1); 45 busi- ness days (note 2)	
FSA004				20 busi- ness days	30 busi- ness days (note 1); 45 busi- ness days (note 2)	
FSA005				20 busi- ness days	30 busi- ness days (note 1); 45 busi- ness days (note 2)	
FSA006				20 busi- ness days		
FSA007						2 months

<i>Data Item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA008				20 business days (note 1); 45 business days (note 2)		
FSA016					30 business days	
FSA018				45 business days		
FSA019						2 months
FSA028					30 business days	
FSA032				20 business days		
FSA045				20 business days	30 business days (note 1), 45 business days (note 2)	
FSA046				20 business days (Note 1), 45 business days (Note 2)		
FSA047	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the	22.00 hours (London time) on the business day immediately following the last day of the reporting period for the	15 business days	15 business days or one Month (Note 3)		

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
	item in question	item in question				
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		
FSA050			15 <i>business days</i>			
FSA051			15 <i>business days</i>			
FSA052		22.00 hours (London time) on the second <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>			
FSA053				15 <i>business days</i>		

<i>Data Item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA054				15 business days		
FSA055						15 business days
FSA058				20 business days (Note 1), 45 business days (Note 2)		
FIN067	20 business days					
Section A RMAR				30 business days	30 business days	
Section B RMAR				30 business days	30 business days	
Section C RMAR				30 business days	30 business days	
Section D1 and D2 RMAR				30 business days	30 business days	
Section E RMAR				30 business days	30 business days	
Section F RMAR					30 business days	
Section G RMAR					30 business days	
Section H RMAR					30 business days	
Section J RMAR						30 business days
Section K RMAR					30 business days	
Section L RMAR					30 business days	

<i>Data Item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
Note 1	For unconsolidated and solo consolidated reports					
Note 2	For UK consolidation group reports					
Note 3	It is one <i>Month</i> if the report relates to a <i>non-UK DLG by modification</i>.					

Regulated Activity Group 8

16.12.25

FCA

R

- (1) ■ SUP 16.12.25A R does not apply to:
 - (a) a *lead regulated firm* (except in relation to *data items* 47 to 55 (inclusive));
 - (b) an *OPS firm*;
 - (c) a local authority;
 - (d) a *service company*.
- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.
- (3) A *service company* must submit a copy of its annual audited financial statements (only if the report was audited as a result of a statutory provision other than under the *Act*) within 6 months from its *accounting reference date*.

16.12.25A

FCA PRA

R

The applicable *data items* referred to in ■ SUP 16.12.4 R are set out according to type of *firm* in the table below:

De- scrip- tion of <i>da- ta item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	IRU(N) Chap- ter 3	IRU(N) Chap- ter 5	IRU(N) Chap- ter 9	IRU(N) Chap- ter 13	UP- RU
<i>Annual report and ac- counts</i>	No standard format							
<i>Annual report and ac- counts of the mixed-</i>	No standard format							

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>								
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>					<i>UP- RU</i>
	<i>730K</i>	<i>125K</i>	<i>50K</i>	<i>PRU(N) Chap- ter 3</i>	<i>PRU(N) Chap- ter 5</i>	<i>PRU(N) Chap- ter 9</i>	<i>PRU(N) Chap- ter 13</i>		
<i>activity hold- ing compa- ny (note 10)</i>									
Solven- cy state- ment (note 11)	No standard for- mat							No stan- dard for- mat	
Bal- ance sheet	FSA001 (note 2)	FSA001 (note 2)	FSA001 (note 2)	FSA029	FSA029	FSA029	Section A RMAR (note 17) or FSA029		
In- come state- ment	FSA002 (note 2)	FSA002 (note 2)	FSA002 (note 2)	FSA030	FSA030	FSA030	Section B RMAR (note 17) or FSA030	FSA030	
Capi- tal ade- quacy	FSA003 (note 2)	FSA003 (note 2)	FSA003 (note 2)	FSA033	FSA034 or FSA035 (note 14)	FSA031	Section D1 and D2 RMAR (note 17) or FSA 032 (note 15)	FSA036	
Credit risk	FSA004 (note 2, 3)	FSA004 (note 2, 3)	FSA004 (note 2, 3)						
Mar- ket risk	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)	FSA005 (notes 2, 4)						

Description of data item	Firms' prudential category and applicable data item (note 1)							
	BIPRU			Firms other than BIPRU firms				
	730K	125K	50K	PRU(N) Chapter 3	PRU(N) Chapter 5	PRU(N) Chapter 9	PRU(N) Chapter 13	UP-RU
Market risk - supplementary	FSA006 (note 5)	FSA006 (note 5)	FSA006 (note 5)					
Operational risk	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)	FSA007 (notes 2, 6, 7)					
Large exposures	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)	FSA008 (Notes 2, 6)					
UK Integrated group large exposures	FSA018 (note 12)	FSA018 (note 12)	FSA018 (note 12)					
Solo consolidation data	FSA016 (note 20)	FSA016 (note 20)	FSA016 (note 20)					
Pillar 2 questionnaire	FSA019 (note 8)	FSA019 (note 8)	FSA019 (note 8)					
Non-EEA sub-group	FSA028 (note 9)	FSA028 (note 9)	FSA028 (note 9)					
Threshold conditions								Section F RMAR (note 17)

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	<i>PRU(N)</i> Chap- ter 3	<i>PRU(N)</i> Chap- ter 5	<i>PRU(N)</i> Chap- ter 9	<i>PRU(N)</i> Chap- ter 13	UP- RU
Client money and client assets	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	Section C RMAR (Note 13) or FSA039	FSA039
IRB portfolio risk	FSA045 (note 18)	FSA045 (note 18)	FSA045 (note 18)					
Securitized non-trading book	FSA046 (note 19)	FSA046 (note 19)	FSA046 (note 19)					
Daily Flows	FSA047 (Notes 21, 24, 26 and 28)							
Enhanced Mismatch Report	FSA048 (Notes 21, 24, 26 and 28)							
Liquidity Buffer Qualifying Securities	FSA050 (Notes 22, 25, 26 and 28)							
Funding Concentration	FSA051 (Notes 22, 25, 26 and 28)							
Pricing data	FSA052 (Notes 22, 26, 28 and 29)							

Description of data item	Firms' prudential category and applicable data item (note 1)							
	BIPRU			Firms other than BIPRU firms				
	730K	125K	50K	PRU(N) Chapter 3	PRU(N) Chapter 5	PRU(N) Chapter 9	PRU(N) Chapter 13	UP-RU

Retail and corporate funding	FSA053 (Notes 22, 25, 26 and 28)							
Currency Analysis	FSA054 (Notes 22, 25, 26 and 28)							
Systems and Controls Questionnaire	FSA055 (Notes 23 and 28)							
Securitisations: trading book	FSA058 (Note 27)	FSA058 (Note 27)	FSA058 (Note 27)					

Note 1: When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.

Note 2 *Firms* that are members of a *UK consolidation group* are also required to submit this report on a *UK consolidation group* basis.

Note 3 This applies to a *firm* that is required to submit *data item* FSA003 and, at any time within the 12 *months* up to its latest *accounting reference date* ("the relevant period"), was reporting *data item* FSA004 ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	PRU Chap- ter 3	PRU Chap- ter 5	PRU Chap- ter 9	PRU Chap- ter 13	UP- RU

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 77A* in *data item FSA003* is greater than £10 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 4 This applies to a *firm* that is required to submit *data item FSA003* and, at any time within the 12 months up to its latest *accounting reference date* ("the relevant period"), was reporting *data item FSA005* ("Firm A") or not reporting this item ("Firm B").

In the case of Firm A it must report this *data item* if one or both of its last two submissions in the relevant period show that the threshold was exceeded.

In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.

The threshold is exceeded where *data element 93A* in *data item FSA003* is greater than £50 million, or its currency equivalent, at the relevant reporting date for the *firm*.

Note 5 Only applicable to *firms* with a *VaR model permission*.

Note 6 This will not be applicable to *BIPRU limited activity firms* or *BIPRU limited licence firms* unless they have a waiver under **BIPRU 6.1.2 G**.

Note 7 This is only applicable to a *firm* that has adopted, in whole or in part, either the *standardised approach*, *alternative standardised approach*, or *advanced measurement approach* under **BIPRU 6**.

Note 8 Only applicable to *BIPRU investment firms* that :

(a) are subject to consolidated supervision under **BIPRU 8**, those that are either included within the consolidated supervision of a group that includes a UK *credit institution*, or that have been granted an *investment firm consolidation waiver*; or

(b) have been granted an *investment firm consolidation waiver*; or

Description of data item	Firms' prudential category and applicable data item (note 1)							
	BIPRU			Firms other than BIPRU firms				
	730K	125K	50K	IPRU(INV) Chapter 3	IPRU(INV) Chapter 5	IPRU(INV) Chapter 9	IPRU(INV) Chapter 13	UP-RU

(c) are not subject to consolidated supervision under BIPRU 8.

A BIPRU investment firm under (a) must complete the report on the basis of its UK consolidation group. A BIPRU investment firm under (b) or (c) must complete the report on the basis of its solo position.

Note 9 This will be applicable to firms that are members of a UK consolidation group on the reporting date.

Note 10 Only applicable to a firm whose ultimate parent is a mixed-activity holding company.

Note 11 Only applicable to a firm that is a sole trader or a partnership, when the report must be submitted by each partner.

Note 12 Members of a UK integrated group should only submit this data item at the UK integrated group level.

Note 13 FSA039 must only be completed by a firm subject to IPRU(INV) Chapter 13 which is an exempt CAD firm. Section C RMAR must only be completed by a firm subject to IPRU(INV) Chapter 13 which is not an exempt CAD firm.

Note 14 FSA034 must be completed by a firm not subject to the exemption in IPRU(INV) 5.2.3(2)R.

FSA035 must be completed by a firm subject to the exemption in IPRU(INV) 5.2.3(2) R.

Note 15 FSA032 must be completed by a firm subject to IPRU(INV) Chapter 13 which is an exempt CAD firm.

Note 16 [deleted]

Note 17 This is only applicable to a firm subject to IPRU(INV) Chapter 13 that is not an exempt CAD firm.

Note 18 Only applicable to firms that have an IRB permission.

Note 19 Only applicable to firms that hold securitisation positions, or are the originator or sponsor of securitisations of non-trading book exposures.

De- scrip- tion of <i>data</i> <i>item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	<i>PRU(N)</i> Chap- ter 3	<i>PRU(N)</i> Chap- ter 5	<i>PRU(N)</i> Chap- ter 9	<i>PRU(N)</i> Chap- ter 13	UP- RU

- Note 20** Only applicable to a *firm* that has a *solo consolidation waiver*.
- Note 21** A *firm* must complete this item separately on each of the following bases (if applicable).
- (1) It must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
 - (2) If it a *group liquidity reporting firm* in a *DLG by default* and is a *UK lead regulated firm*, it must complete the item on the basis of that group.
 - (3) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.
 - (4) If it is a *group liquidity reporting firm* in a *non-UK DLG by modification*, it must complete the item on the basis of that group.
- Note 22** A *firm* must complete this item separately on each of the following bases that are applicable.
- (1) It must complete it on a solo basis unless it is a *group liquidity reporting firm* in a *UK DLG by modification*. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
 - (2) If it is a *group liquidity reporting firm* in a *UK DLG by modification*, it must complete the item on the basis of that group.
- Note 23** If it is a *non-ILAS BIPRU firm*, it must complete it on a solo basis. Therefore even if it has a *solo consolidation waiver* it must complete the item on an unconsolidated basis by reference to the *firm* alone.
- Note 24**
- (1) This item must be reported in the reporting currency.
 - (2) If any *data element* is in a currency or currencies other than the reporting currency, all currencies (including the reporting currency) must be combined into a figure in the reporting currency.

De- scrip- tion of da- ta item	Firms' prudential category and applicable <i>data item</i> (note 1)							
	BIPRU			Firms other than BIPRU firms				
	730K	125K	50K	PRU(N) Chap- ter 3	PRU(N) Chap- ter 5	PRU(N) Chap- ter 9	PRU(N) Chap- ter 13	UP- RU

(3) In addition, all *material currencies* (which may include the reporting currency) must each be recorded separately (translated into the reporting currency). However if:

(a) the reporting frequency is (whether under a *rule* or under a *waiver*) quarterly or less than quarterly; or

(b) the only *material currency* is the reporting currency;

(3) does not apply.

(4) If there are more than three *material currencies* for this *data item*, (3) only applies to the three largest in amount. A *firm* must identify the largest in amount in accordance with the following procedure.

(a) For each currency, take the largest of the asset or liability figure as referred to in the definition of *material currency*.

(b) Take the three largest figures from the resulting list of amounts.

(5) The date as at which the calculations for the purposes of the definition of *material currency* are carried out is the last day of the reporting period in question.

(6) The reporting currency for this *data item* is whichever of the following currencies the *firm* chooses, namely USD (the United States Dollar), EUR (the euro), GBP (sterling), JPY (the Japanese Yen), CHF (the Swiss Franc), CAD (the Canadian Dollar) or SEK (the Swedish Krona).

Note 25 Note 24 applies, except that paragraphs (3), (4) and (5) do not apply, meaning that *material currencies* must not be recorded separately.

Note 26 Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements for the *data item* in question if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period. If the change is that the *firm* does not have to report a particular *data item* or

De- scrip- tion of <i>data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	PRU Chap- ter 3	PRU Chap- ter 5	PRU Chap- ter 9	PRU Chap- ter 13	UP- RU

does not have to report it at a particular reporting level, the firm must nevertheless report that item or at that reporting level for any reporting period that has already begun. This paragraph is subject to anything that the *intra-group liquidity modification* says to the contrary.

Note 27 Only applicable to firms that hold securitisation positions in the trading book and/ or are the originator or sponsor of securitisations held in the trading book.

Note 28 FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an ILAS BIPRU firm. An ILAS BIPRU firm does not need to complete FSA055. A non-ILAS BIPRU firm must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

Note 29 This data item must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.

16.12.25B G
FCA PRA

The columns in the table in ■ SUP 16.12.25A R that deal with BIPRU 50K firms and BIPRU 125K firms cover some liquidity items that only have to be reported by an ILAS BIPRU firm. In fact a BIPRU 50K firm and a BIPRU 125K firm cannot be an ILAS BIPRU firm. One reason for drafting the table in this way is that the classification of firms into ILAS BIPRU firms and non-ILAS BIPRU firms is not based on the classification into BIPRU 50K firms, BIPRU 125K firms and BIPRU 730K firms and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual firm is classified.

16.12.26 R
FCA PRA

The applicable reporting frequencies for data items referred to in ■ SUP 16.12.25A R are set out according to the type of firm in the table below. Reporting frequencies are calculated from a firm's accounting reference date, unless indicated otherwise.

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
<i>Annual reports and accounts</i>	Annually	Annually	Annually		Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually	Annually	Annually	Annually	
Solvency statement	Annually	Annually	Annually		Annually
FSA001	Quarterly	Quarterly	Half yearly	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	Half yearly	
FSA003	Monthly	Quarterly	Half yearly	Half yearly	
FSA004	Quarterly	Quarterly	Half yearly	Half yearly	
FSA005	Quarterly	Quarterly	Half yearly	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly		
FSA007	Annually(note 4)	Annually(note 4)	Annually(note 4)	Annually (note 4)	
FSA008	Quarterly	Quarterly	Quarterly	Quarterly	
FSA016	Half yearly	Half yearly	Half yearly		
FSA018	Quarterly	Quarterly	Quarterly		
FSA019	Annually	Annually	Annually	Annually	
FSA028	Half yearly	Half yearly	Half yearly		
FSA029					Quarterly
FSA030					Quarterly
FSA031					Quarterly
FSA032					Quarterly
FSA033					Quarterly
FSA034					Quarterly
FSA035					Quarterly

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
FSA036					Quarterly
FSA039	Half yearly	Half yearly	Half yearly		Half yearly
FSA045	Quarterly	Quarterly	Half yearly	Half yearly	
FSA046	Quarterly	Quarterly	Quarterly	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)			Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)			Monthly (Note 5)	
FSA051	Monthly (Note 5)			Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)			Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)			Quarterly (Note 5)	
FSA054	Quarterly (Note 5)			Quarterly (Note 5)	
FSA055	Annually (Note 5)			Annually (Note 5)	
FSA058	Quarterly	Quarterly	Quarterly	Quarterly	
Section A RMAR					Half yearly (note 2) Quarterly (note 3)

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
Section B RMAR					Half yearly (note 2) Quarterly (note 3)
Section C RMAR					Half yearly (note 2) Quarterly (note 3)
Section D1 and D2 RMAR					Half yearly (note 2) Quarterly (note 3)
Section F RMAR					Half yearly
Note 1	[deleted]				
Note 2	Annual regulated business revenue up to and including £5 million.				
Note 3	Annual regulated business revenue over £5 million.				
Note 4	The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i>.				

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
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Note 5 Reporting frequencies and reporting periods for this *data item* are calculated on a calendar year basis and not from a *firm's accounting reference date*. In particular:

- (1) A week means the period beginning on Saturday and ending on Friday.
- (2) A month begins on the first day of the calendar month and ends on the last day of that month.
- (3) Quarters end on 31 March, 30 June, 30 September and 31 December.
- (4) Daily means each *business day*.

All periods are calculated by reference to London time.

Any changes to reporting requirements caused by a *firm* receiving an *intra-group liquidity modification* (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the *firm* receives that *intra-group liquidity modification* or variation part of the way through such a period, unless the *intra-group liquidity modification* says otherwise.

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
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Note 6 If the report is on a solo basis the reporting frequency is as follows:

(1) if the *firm* does not have an *intra-group liquidity modification* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(2) if the *firm* is a *group liquidity reporting firm in a non-UK DLG by modification (firm level)* the frequency is:

(a) weekly if the *firm* is a *standard frequency liquidity reporting firm*; and

(b) monthly if the *firm* is a *low frequency liquidity reporting firm*;

(3) the frequency is quarterly if the *firm* is a *group liquidity reporting firm in a UK DLG by modification*.

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
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Note 7

(1) If the report is by reference to the *firm's DLG by default* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(2) If the report is by reference to the *firm's UK DLG by modification* the reporting frequency is:

(a) weekly if the *group liquidity standard frequency reporting conditions* are met;

(b) monthly if the *group liquidity low frequency reporting conditions* are met.

(3) If the report is by reference to the *firm's non-UK DLG by modification* the reporting frequency is quarterly.

Note 8

(1) If the reporting frequency is otherwise weekly, the item is to be reported on every *business day* if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a *firm-specific liquidity stress* or *market liquidity stress* in relation to the *firm* or group in question.

(3) A *firm* must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

<i>Data item</i>	<i>BIPRU 730K firm</i>	<i>BIPRU 125K firm</i>	<i>BIPRU 50K firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firms other than BIPRU firms</i>
Note 9	<p>If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</p>				
Note 10	<p>If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p>				

16.12.27

FCA PRA

R

The applicable due dates for submission referred to in ■ SUP 16.12.4 R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in ■ SUP 16.12.26 R, unless indicated otherwise .

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
<i>Annual accounts</i>						80 business days
<i>Annual reconciliation</i>						80 business days
<i>Annual reports and accounts of the mixed-activity holding company</i>						7 months

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
Solvency statement						3 months
FSA001				<i>20 business days</i>	<i>30 business days (note 1);45 business days (note 2)</i>	
FSA002				<i>20 business days</i>	<i>30 business days (note 1);45 business days (note 2)</i>	
FSA003				<i>20 business days</i>	<i>30 business days (note 1);45 business days (note 2)</i>	
FSA004				<i>20 business days</i>	<i>30 business days note 1);45 business days (note 2)</i>	
FSA005				<i>20 business days</i>	<i>30 business days (note 1);45 business days (note 2)</i>	
FSA006				<i>20 business days</i>	<i>30 business days (note 1);45 business</i>	

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
					<i>days (note 2)</i>	
FSA007						2 months
FSA008				20 business days (note 1); 45 business days (note 2)		
FSA016					30 business days	
FSA018				45 business days		
FSA019						2 months
FSA028					30 business days	
FSA029				20 business days		
FSA030				20 business days		
FSA031				20 business days		
FSA032				20 business days		
FSA033				20 business days		
FSA034				20 business days		
FSA035				20 business days		
FSA036				20 business days		
FSA039					30 business days	
FSA040				15 business days		
FSA045			20 business days	30 business days		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA046				(note 1); 45 <i>business days</i> (note 2) 20 <i>business days</i> (Note 1), 45 <i>business days</i> (Note 2)		
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one <i>Month</i> (Note 3)		

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
FSA050			15 business days			
FSA051			15 business days			
FSA052		22.00 hours (London time) on the second business day immediately following the last day of the reporting period for the item in question	15 business days			
FSA053				15 business days		
FSA054				15 business days		
FSA055						15 business days
FSA058				20 business days (Note 1), 45 business days (Note 2)		
Section A RMAR				30 business days	30 business days	
Section B RMAR				30 business days	30 business days	
Section C RMAR				30 business days	30 business days	
Section D1 and				30 business days	30 business days	

<i>Data item</i>	Daily	Weekly	Month-ly	Quarter-ly	Half yearly	Annual
D2 RMAR						
Section F RMAR					30 business days	
Note 1	For unconsolidated and solo consolidated reports.					
Note 2	For UK consolidation group reports					
Note 3	It is one Month if the report relates to a non-UK DLG by modification.					

Regulated Activity Group 9

16.12.28 **R**
FCA

- (1) ■ SUP 16.12.28A R does not apply to:
 - (a) a *lead regulated firm*;
 - (b) an *OPS firm*;
 - (c) a local authority;
 - (d) a *third party processor* in respect of any *home finance activity*.

- (2) A *lead regulated firm* and an *OPS firm* must submit a copy of its annual report and audited accounts within 80 *business days* from its *accounting reference date*.

16.12.28A **R**
FCA

The applicable *data items*, reporting frequencies and submission deadlines referred to in ■ SUP 16.12.4 R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency		Submission deadline
		Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million	
Balance Sheet	Section A RMAR	Half yearly	Quarterly	30 business days

Description of data item	Data item (note 1)	Frequency		Submission deadline
		Annual regulated business revenue up to and including £5 million	Annual regulated business revenue over £5 million	
Income Statement	Section B RMAR	Half yearly	Quarterly	30 business days
Capital Adequacy	Section D1 RMAR	Half yearly	Quarterly	30 business days
Professional indemnity insurance	Section E RMAR	Half yearly	Quarterly	30 business days
(note 2)				
Threshold Conditions	Section F RMAR	Half yearly	Half yearly	30 business days
Training and Competence	Section G RMAR	Half yearly	Half yearly	30 business days
COBS data	Section H RMAR	Half yearly	Half yearly	30 business days
Supplementary product sales data	Section I RMAR	Half yearly	Annually	30 business days
Client money and client assets	Section C RMAR	Half yearly	Quarterly	30 business days
Fees and levies	Section J RMAR	Annually	Annually	30 business days
Note 1	When submitting the completed <i>data item</i> required, a <i>firm</i> must use the format of the <i>data item</i> set out in SUP 16 Annex 18A R. Guidance notes for the completion of the data items is set out in SUP 16 Annex 18B G.			
Note 2	This item only applies to <i>firms</i> that may be subject to an <i>FSA</i> requirement to hold professional indemnity insurance and are not <i>exempt CAD firms</i> .			

Regulated Activity Group 10

RIEs have separate reporting as set out in REC.

16.12.29

G

FCA

Regulated Activity Group 11

16.12.29A **R**
FCA

A *firm* must submit the form contained in ■ SUP 16 Annex 32 R (Bidding in emissions auctions return) annually within 30 *business days* from its *accounting reference date* unless the *firm* did not carry on any *auction regulation bidding* during the year to which that form relates.

Authorised professional firms

16.12.30 **R**
FCA

- (1) An *authorised professional firm*, other than one that must comply with IPRU(INV) 3, 5 or 13 in accordance with IPRU(INV) 2.1.4R, must submit an annual questionnaire, contained in ■ SUP 16 Annex 9 R, unless:
 - (a) its only *regulated activities* are one or more of:
 - (i) *insurance mediation*;
 - (ii) *mortgage mediation*;
 - (iii) *retail investment*;
 - (iv) *mortgage lending*;
 - (v) *mortgage administration*; or
 - (b) its "main business" as determined by IPRU(INV) 2.1.2R(3) is advising on, or *arranging deals* in, *packaged products*, or *managing investments* for *private customers*;

in which case the *authorised professional firm* must complete the appropriate report specified in ■ SUP 16.12.31 R.
- (2) The due date for submission of the annual questionnaire is four months after the *firm's accounting reference date*.
- (3) An *authorised professional firm* must also, where applicable, submit the other report to the FCA in accordance with ■ SUP 16.12.31 R in respect of the other *regulated activities* it undertakes under (1)(a).

16.12.30A **R**
FCA

An *authorised professional firm* that must comply with IPRU(INV) 3, 5, 10 or 13 in accordance with IPRU(INV) 2.1.4R must submit the relevant reports in ■ SUP 16.12.4 R to ■ SUP 16.12.29 G, according to the *regulated activity groups* that its business falls into.

16.12.31 **R**
FCA

Table of data items from an *authorised professional firm*

Report	Return (note 1)	Frequency (Note 4)	Due date
Adequate information relating to the following activities:	RMAR (Note 3)	Half yearly (quarterly for sections A to E)	For half yearly report: 30 <i>business days</i> after period end For

Report	Return (note 1)	Frequency (Note 4)	Due date
<p>(1) <i>insurance mediation activity</i>;</p> <p>(2) <i>mortgage mediation activity</i>;</p> <p>(3) <i>retail investment activity</i>;</p> <p>(4) <i>advising on, or arranging deals in, packaged products, or managing investments for private customers where these activities are the authorised professional firm's "main business" as determined by IPRU(INV) 2.1.2 R (3)</i></p>		<p>for larger firms, subject to Note 3 exemptions) (note 2)</p>	<p>quarterly report: 30 business days after quarter end</p>
<p>Adequate information relating to mortgage lending and mortgage administration.</p>	<p>MLAR</p>	<p>Quarterly</p>	<p>20 business days after quarter end</p>
<p>Note 1</p>	<p>When giving the report required, a <i>firm</i> must use the return indicated. The RMAR and MLAR are located at SUP 16 Annex 18A R and SUP 16 Annex 19A R respectively. Guidance on the completion of the <i>data items</i> are located at SUP 16 Annex 18B G and SUP 16 Annex 19B G respectively.</p>		
<p>Note 2</p>	<p>For the purposes of RMAR reporting, a larger <i>firm</i> is a <i>firm</i> whose annual regulated business revenue in its previous financial year was greater than £5m. Annual regulated business revenue for these purposes is a <i>firm's</i> total revenue relating to <i>insurance mediation activity, mortgage mediation activity and retail investment activity</i>.</p>		
<p>Note 3</p>	<p>A <i>firm</i> which submits an MLAR is not required to submit sections A and B of the RMAR.</p>		
<p>Note 4</p>	<p>Reporting dates are calculated from a <i>firm's accounting reference date</i>.</p>		

16.12.32 **R**
 FCA PRA

Financial conglomerates

- (1) A *firm* that is a member of a *financial conglomerate* must submit financial reports to the *appropriate regulator* in accordance with the table in ■ SUP 16.12.33 R if:
 - (a) it is at the head of a *UK-regulated EEA financial conglomerate* ; or
 - (b) its *Part 4A permission* contains a relevant *requirement*.
- (2) In (1)(b), a relevant *requirement* is one which:
 - (a) applies ■ SUP 16.12.33 R to the *firm*; or
 - (b) applies ■ SUP 16.12.33 R to the *firm* unless the *mixed financial holding company* of the to which the *financial conglomerate firm* belongs submits the report required under this *rule* (as if the *rule* applied to it).

16.12.33 **R**
 FCA PRA

Financial reports from a member of a financial conglomerate (see ■ SUP 16.12.32 R)

Content of Report	Form (Note 1)	Frequency	Due Date
Calculation of supplementary capital adequacy requirements in accordance with one of the three technical calculation methods	Note 2	Note 5 Yearly	Note 5
Identification of significant <i>risk concentration</i> levels	Note 3	Yearly	4 months after year end
Identification of significant <i>intra-group transactions</i>	Note 4	Yearly	4 months after year end
Report on compliance with GENPRU 3.1.35 R where it applies	Note 6	Note 5	Note 5
Note 1	When giving the report required, a <i>firm</i> must use the form indicated, if any.		

Content of Report	Form (Note 1)	Frequency	Due Date
<p>Note 2</p>	<p>If Part 1 of GENPRU 3 Annex 1 R (method 1), or Part 2 of GENPRU 3 Annex 1 R (method 2), or Part 3 of GENPRU 3 Annex 1 R (method 3) applies, there is no specific form. Adequate information must be provided, specifying the calculation method used and each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form which this reporting will take and the extent to which verification by an auditor will be required.</p> <p>For the purposes of the above, where relevant to the agreed reporting arrangements, <i>rules 9.40(1), 9.40(1A), 9.40(3) and 9.40(4) of IPRU(INS)</i> apply as they would if the <i>financial conglomerate</i> were an <i>insurance group</i>.</p>		
<p>Note 3</p>	<p>Rather than specifying a standard format for each <i>financial conglomerate</i> to use, each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form of the information to be reported. This should mean that usual information management systems of the <i>financial conglomerate</i> can be used to the extent possible to generate and analyse the information required.</p> <p>When reviewing the <i>risk concentration</i> levels, the <i>appropriate regulator</i> will in particular monitor the possible risk of contagion in the <i>financial conglomerate</i>, the risk of a conflict of interests, the risk of circumvention of sectoral <i>rules</i>, and the level or volume of risks.</p>		
<p>Note 4</p>	<p>For the purposes of this reporting requirement, an <i>intra-group transaction</i> will be presumed to be significant if its amount exceeds 5% of the total amount of capital adequacy requirements at the level of the <i>financial conglomerate</i>.</p> <p>Rather than specifying a standard format for each <i>financial conglomerate</i> to use, each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form of the information to be reported. This should mean that usual information management systems of the <i>financial conglomerate</i> can be used to the extent possible to generate and analyse the information required.</p>		

Content of Report	Form (Note 1)	Frequency	Due Date
<p>Note 5</p>		<p>When reviewing the <i>intra-group transactions</i>, the <i>appropriate regulator</i> will in particular monitor the possible risk of contagion in the <i>financial conglomerate</i>, the risk of a conflict of interest , the risk of circumvention of <i>sectoral rules</i>, and the level or volume of risks.</p> <p>The frequency and due date will be as follows:</p> <p>(1) <i>banking and investment services conglomerate</i>: frequency is yearly with due date <i>45 business days</i> after period end;</p> <p>(2) <i>insurance conglomerate</i>: frequency is yearly with due date four months after period end for the capital adequacy return and three months after period end for the report on compliance with GENPRU 3.1.35 R where it applies.</p>	
<p>Note 6</p>		<p>Adequate information must be added as a separate item to the relevant form for sectoral reporting.</p>	



16.13 Reporting under the Payment Services Regulations

Application

16.13.1
FCA

G

This section applies to *authorised payment institutions* and *small payment institutions* (see ■ SUP 16.1.1A D).

Purpose

16.13.2
FCA

G

The purpose of this section is to give directions to *authorised payment institutions* and *small payment institutions* under regulation 82 (Reporting requirements) of the *Payment Services Regulations* in relation to:

- (1) the information in respect of their provision of *payment services* and their compliance with requirements imposed by or under Parts 2 to 6 of the *Payment Services Regulations* that they must provide to the *FCA*; and
- (2) the time at which and the form in which they must provide that information.

16.13.2A
FCA

G

The purpose of this section is also to set out the rules applicable to *authorised payment institutions* and *small payment institutions* in relation to complete and timely reporting and failure to submit reports.

Reporting requirement

16.13.3
FCA

D

- (1) An *authorised payment institution* or a *small payment institution* must submit to the *FCA* the duly completed return applicable to it as set out in column (2) of the table in ■ SUP 16.13.4D.
- (2) An *authorised payment institution* or a *small payment institution* must submit the return referred to in (1):
 - (a) in the format specified as applicable in column (3) of the table in ■ SUP 16.13.4D;
 - (b) at the frequency and in respect of the periods specified in column (4) of that table;
 - (c) by the due date specified in column (5) of that table; and
 - (d) by electronic means made available by the *FCA*.

16.13.3A
FCA

D

■ SUP 16.3.11 R (Complete reporting) and ■ SUP 16.3.13 R (Timely reporting) also apply to *authorised payment institutions* and *small payment institutions* as if a

reference to *firm* in these *rules* were a reference to *authorised payments institutions* and *small payment institutions*.

16.13.3B **R**
FCA

■ SUP 16.3.14 R (Failure to submit reports) also applies to *authorised payment institutions* and *small payment institutions* as if a reference to *firm* in this *rule* were a reference to *authorised payments institutions* and *small payment institutions*.

16.13.4 **D**
FCA

The table below sets out the format, reporting frequency and due date for submission in relation to regulatory returns that apply to *authorised payment institutions* and *small payment institutions*.

(1)	(2)	(3)	(4)	(5)
Type of firm	Return	Format	Reporting Frequency	Due date
<i>Authorised Payment Institution</i>	Authorised Payment Institution Capital Adequacy Return	FSA056 (Note 1)	Annual (Note 2)	30 <i>business days</i> (Note 3)
<i>Small Payment Institution</i>	Payment Services Directive Transactions	FSA057 (Note 4)	Annual (Note 5)	1 month (Note 3)
Note 1	When submitting the completed return required, the <i>authorised payment institution</i> must use the format of the return set out in SUP 16 Annex 27A D. Guidance notes for the completion of the return are set out in SUP 16 Annex 27B G.			
Note 2	This reporting frequency is calculated from an <i>authorised payment institution's accounting reference date</i> .			
Note 3	The due dates are the last day of the periods given in column (5) of the table above following the relevant reporting frequency period set out in column (4) of the table above.			
Note 4	When submitting the completed return required, the <i>small payment institution</i> must use the format of the return set out in SUP 16 Annex 28A D. Guidance notes for the completion of the return are set out in SUP 16 Annex 28B G.			
Note 5	This reporting frequency is calculated from 31 December each calendar year.			

16.14 Client money and asset return

Application

16.14.1

R

This section applies to a *CASS large firm* and a *CASS medium firm*.

FCA

Purpose

16.14.2

G

The purpose of the *rules* and *guidance* in this section is to ensure that the *FCA* receives regular and comprehensive information from a *firm* which is able to hold *client money* and *safe custody assets* on behalf of its *clients*.

FCA

Report

16.14.3

R

- (1) Subject to (3), a *firm* must submit a completed *CMAR* to the *FCA* within 15 *business days* of the end of each month.
- (2) In this *rule* month means a calendar month and ■ SUP 16.3.13 R (4) does not apply.
- (3) A *firm* which changes its 'CASS firm type' and notifies the *FCA* that it is a *CASS medium firm* or a *CASS large firm* in accordance with ■ CASS 1A.2.9 R is not required to submit a *CMAR* in respect of the month in which the change to its 'CASS firm type' takes effect in accordance with ■ CASS 1A.2.12 R, unless it was a *firm* to which the requirement in (1) applied immediately prior to that change taking effect.

FCA

16.14.4

R

For the purposes of the *CMAR*:

FCA

- (1) *client money* is that to which the *client money rules* in ■ CASS 7 apply; and
- (2) *safe custody assets* are those to which the *custody rules* in ■ CASS 6 apply but only in relation to the holding of *financial instruments* (in the course of *MiFID business*) , the *safeguarding and administration of assets (without arranging)* (in the course of business that is not *MiFID business*) , *acting as trustee or depositary of an AIF* and *acting as trustee or depositary of a UCITS*.

16.14.5

FCA

G

For the avoidance of doubt, the effect of ■ SUP 16.14.4 R is that the following are to be excluded from any calculations which the *CMAR* requires :

- (1) any *client money* held by the *firm* in accordance with ■ CASS 5;
- (2) any *safe custody assets* in respect of which the *firm* is merely *arranging safeguarding and administration of assets* in accordance with ■ CASS 6; and
- (3) any *client money* or *safe custody assets* in respect of which the *firm* merely has a *mandate* in accordance with ■ CASS 8.

Method of submission

16.14.6

FCA

R

A *CMAR* must be submitted by electronic means made available by the *FCA*.



16.15 Reporting under the Electronic Money Regulations

Application

16.15.1
FCA

G

This section applies to *electronic money issuers* that are not *credit institutions* (see ■ SUP 16.1.1B D).

Purpose

16.15.2
FCA

G

The purpose of this section is to give directions to the *electronic money issuers* referred to in ■ SUP 16.1.1B D under regulation 49 (Reporting requirements) of the *Electronic Money Regulations* in relation to:

- (1) the information in respect of their issuance of *electronic money* and provision of *payment services* and their compliance with requirements imposed by or under Parts 2 to 5 of the *Electronic Money Regulations* that they must provide to the *FCA*; and
- (2) the time at which and the form in which they must provide that information.

16.15.3
FCA

G

The purpose of this section is also to set out the rules applicable to these types of *electronic money issuers* in relation to complete and timely reporting and, where relevant, the failure to submit reports.

Reporting requirement

16.15.4
FCA

D

An *electronic money issuer* that is not a *credit institution* must submit to the *FCA*:

- (1) the duly completed return applicable to it as set out in column (2) of the table in ■ SUP 16.15.8 D; and
- (2) the return referred to in (1):
 - (a) in the format specified as applicable in column (3) of the table in ■ SUP 16.15.8 D;
 - (b) at the frequency and in respect of the periods specified in column (4) of that table;
 - (c) by the due date specified in column (5) of that table; and
 - (d) by electronic means made available by the *FCA* where necessary.

- 16.15.5** FCA D ■ SUP 16.4.5 R (Annual Controllers Report) and ■ SUP 16.5.4 R (Annual Close Links Reports) apply to an *authorised electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution*.
- 16.15.6** FCA D ■ SUP 16.3.11 R (Complete reporting) and ■ SUP 16.3.13 R (Timely reporting) apply to an *authorised electronic money institution* and a *small electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution* and a *small electronic money institution*.
- 16.15.7** FCA R ■ SUP 16.3.14 R (Failure to submit reports) also applies to an *authorised electronic money institution* and a *small electronic money institution* as if a reference to *firm* in these rules were a reference to an *authorised electronic money institution* and a *small electronic money institution*.

16.15.8 FCA D The table below sets out the format, reporting frequency and due date for submission in relation to regulatory returns that apply to *electronic money issuers* that are not *credit institutions*.

(1)	(2)	(3)	(4)	(5)
Type of <i>electronic money issuer</i>	Return	Format	Reporting Frequency	Due date (Note 4)
<i>Authorised electronic money institution</i> (Note 1)	Balance sheet	FSA059	Half yearly (Note 3)	30 <i>business days</i>
	Income statement	FSA060	Half yearly (Note 3)	30 <i>business days</i>
	Capital requirements	FSA061	Half yearly (Note 3)	30 <i>business days</i>
	Safeguarding	FSA062	Half yearly (Note 3)	30 <i>business days</i>
	Supplementary information	FSA063	Half yearly (Note 3)	30 <i>business days</i>
<i>Small electronic money institutions</i> (Note 2)	<i>Annual report and accounts</i>	No standard format	Annual (Note 3)	80 <i>business days</i>
	Return	FSA064	Half yearly (note 5)	30 <i>business days</i>
	Total electronic money outstanding @ 31st December	FSA065	Annual (Note 5)	1 month
(a) the Post Office Limited	<i>Annual report and accounts</i>	No standard format	Annual (Note 5)	80 <i>business days</i>
	<i>Average outstanding electronic money</i>	No standard format	Half yearly (Note 6)	30 <i>business days</i>

(1)	(2)	(3)	(4)	(5)
Type of <i>elec- tronic mon- ey issuer</i>	Return	Format	Reporting Frequency	Due date (Note 4)
(b) the Bank of England, the ECB and the national central banks of <i>EEA States</i> other than the <i>United Kingdom</i>				
(c) Government departments and local authorities				
(d) <i>credit unions</i>				
(e) municipal banks				
(f) the National Savings Bank				
Note 1	When submitting the completed returns required, the <i>authorised electronic money institution</i> must use the format of the returns set out in SUP 16 Annex 30A D to SUP 16 Annex 30E D.			
Note 2	When submitting the completed returns required, the <i>small electronic money institution</i> must use the format of the returns set out in SUP 16 Annex 30F D to SUP 16 Annex 30G D.			
Note 3	Where the <i>authorised electronic money institution's</i> reporting frequency is half yearly or annual, this field is calculated from the <i>authorised electronic money institution's accounting reference date</i> .			
Note 4	The due dates for returns are the last day of the periods given in column (5) of the table above following the relevant reporting frequency period set out in column (4) of the table above.			
Note 5	The reporting frequency in relation to FSA065 is calculated from 31 December each calendar year. Otherwise, where the <i>small electronic money institution's</i> reporting frequency is half yearly or annual, this field is calculated from the <i>small electronic money institution's accounting reference date</i> .			
Note 6	This is calculated from 31 December each calendar year.			



16.16 Prudent valuation reporting

Application

16.16.1
FCA PRA

R This section applies to a *UK bank* or a *BIPRU 730k firm* which meets the condition in ■ SUP 16.16.2 R.

16.16.2
FCA PRA

R The condition referred to in ■ SUP 16.16.1 R is that, on its last *accounting reference date*, the *firm* had balance sheet positions measured at fair value which, on a gross basis (the sum of the absolute value of each of the assets and liabilities), exceeded £3 billion.

Purpose

16.16.3
FCA PRA

- G**
- (1) The purpose of this section is to set out the requirements for a *firm* specified in ■ SUP 16.16.1 R to report the outcomes of its prudent valuation assessments under the prudent valuation rules, in ■ GENPRU 1.3.4 R and ■ GENPRU 1.3.14 R to ■ GENPRU 1.3.34 R, to the *appropriate regulator* and to do so in a standard format.
 - (2) The purpose of collecting this data on the prudent valuation assessments made by a *firm* under ■ GENPRU 1.3.4 R and ■ GENPRU 1.3.14 R to ■ GENPRU 1.3.34 R is to assist the *appropriate regulator* in assessing the capital resources of *firms*, to enable the *appropriate regulator* to gain a wider understanding of the nature and sources of measurement uncertainty in fair-valued financial instruments, and to enable comparison of the nature and level of that measurement uncertainty across *firms* and over time.

Reporting requirement

16.16.4
FCA PRA

- R**
- (1) ■ A *firm* to which this section applies must submit to the *appropriate regulator* quarterly (on a calendar year basis and not from a *firm's accounting reference date*), within six weeks of each quarter end, a Prudent Valuation Return in respect of its fair-value assessments under ■ GENPRU 1.3.4 R and ■ GENPRU 1.3.14 R to ■ GENPRU 1.3.34 R in the format set out in ■ SUP 16 Annex 31A R.
 - (2) A PRA-*authorised person* to which this section applies must submit the report via electronic mail to prudentvaluationreturns@bankofengland.co.uk or via post or hand delivery to Regulatory Data Group, Statistics and

Regulatory Data Division (HO5 A-B), Bank of England,
Threadneedle Street, London EC2R 8AH; or via fax to the
Regulatory Data Group of the Bank of England (020 7601 3334)

16.16.5

FCA PRA

R

Where a *firm* to which ■ SUP 16.16.4 R applies is a member of a *UK consolidation group*, the *firm* must comply with ■ SUP 16.16.4 R:

- (1) on a solo-consolidation basis if the *firm* has a *solo consolidation waiver*, or on an unconsolidated basis if the *firm* does not have a *solo consolidation waiver*; and
- (2) separately, on the basis of the consolidated financial position of the *UK consolidation group*. (*Firms'* attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all *firms* in the *group*.)



16.17 Remuneration reporting

Purpose

16.17.1
FCA PRA

G

The purpose of this section is to ensure that the *appropriate regulator* receives regular and comprehensive information about *remuneration* in a standard format to assist it to benchmark *remuneration* trends and practices and to collect *remuneration* information on *high earners*. It also takes account of the Capital Requirements (Amendment) Regulations 2012 (SI 2012/917) together with the European Banking Authority's Guidelines to article 22(3) and (5) of the *Banking Consolidation Directive*.

Interpretation

16.17.2
FCA PRA

R

In this section "UK lead regulated group" means a *UK consolidation group* that is headed either by an *EEA parent institution* or by an *EEA parent financial holding company*.

Remuneration Benchmarking Reporting Requirements

16.17.3
PRA

R

- (1) A *firm* to which this *rule* applies must submit a Remuneration Benchmarking Information Report to the *PRA* annually.
- (2) The *firm* must complete that report in the format set out in ■ SUP 16 Annex 33A R.
- (3) The *firm* must submit that report to the *PRA* within four months of the *firm's accounting reference date*.
- (4) A *firm* that:
 - (a) is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year;
 - (b) is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* in the UK lead regulated group in the last completed financial year.

- (5) The *firm* must complete the report in the currency of its annual audited accounts.
- (6) A *firm* to which this *rule* applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this *rule* came into effect.
- (7) This *rule* applies to:
- (a) a *BIPRU firm*; and
 - (b) a *third country BIPRU firm*;
- that:
- (c) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (d) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*;
- and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.
- (8) This *rule* also applies to:
- (a) a *BIPRU firm*; and
 - (b) a *third country BIPRU firm*;
- that:
- (c) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (d) is part of a UK lead regulated group;
- and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.
- (9) In this rule "total assets" means
- (a) in relation to a *BIPRU firm*, the *firm's* total assets as set out in its balance sheet on the relevant *accounting reference date*; and
 - (b) in relation to a *third country BIPRU firm*, the total assets of the *firm* as set out in its balance sheet on the relevant

accounting reference date that cover the activities of the branch operation in the *United Kingdom*.

High Earners Reporting Requirements

16.17.4

FCA PRA

R

- (1) A *firm* to which this *rule* applies must submit a High Earners Report to the *appropriate regulator* annually.
- (2) The *firm* must submit that report to the *appropriate regulator* within four months of the end of the *firm's accounting reference date*.
- (3) A *firm* that is not part of a UK lead regulated group must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *EEA*.
- (4) A *firm* that is part of a UK lead regulated group must not complete that report on either a solo consolidation basis or an unconsolidated basis. The *firm* must complete that report on a consolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* who mainly undertook their professional activities within the *EEA* at:
 - (a) the *EEA parent institution* or *EEA parent financial holding company* of the UK lead regulated group; and
 - (b) each *subsidiary* of the UK lead regulated group that has its registered office (or, if it has no registered office, its head office) in an *EEA State*; and
 - (c) each *branch* of the UK lead regulated group that is established or operating in an *EEA State*.
- (5) The *firm* must complete a separate template, in the format set out in ■ SUP 16 Annex 34A R, for each *EEA State* in which there is a *high earner*. Those templates together form the report.
- (6) *High earners* who carried out their professional activities in an *EEA State* should be classified under that *EEA State*.
- (7) *High earners* who carried out their professional activities in more than one *EEA State* should be classified under the *EEA State* where they mainly undertook their professional activities.
- (8) A *firm* to which this section applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this section came into force.

- (9) The information in the report must be denominated in euros determined, if necessary, by reference to the conversion rate table specified from time to time by the European Banking Authority as applicable to that year's High Earners Report.
- (10) This *rule* applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*.
- (11) This *rule* also applies to a *BIPRU firm* and a *third country BIPRU firm* that:
- (a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and
 - (b) is part of a UK lead regulated group.
- (12) This *rule* also applies to a *BIPRU limited licence firm* or a *BIPRU limited activity firm*:
- (a) that is part of a UK lead regulated group; and
 - (b) where that UK lead regulated group contains a *BIPRU firm* or a *third country BIPRU firm* that is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*.

16.17.5

FCA PRA

G

Firms' attention is drawn to ■ SUP 16.3.25 G regarding a single submission for all *firms* in a *group*.



16.18 AIFMD reporting

Application

16.18.1
FCA

G

This section applies to the following types of *AIFM* in line with ■ SUP 16.18.2 G:

- (1) a *full-scope UK AIFM*;
- (2) a *small authorised UK AIFM*;
- (3) a *small registered UK AIFM*;
- (4) an *above-threshold non-EEA AIFM marketing in the UK*; and
- (5) a *small non-EEA AIFM marketing in the UK*.

16.18.2
FCA

G

Type of AIFM	Rules	Directions	Guidance	AIFMD level 2 regulation
<i>full-scope UK AIFM</i>	FUND 3.4 (Reporting obligation to the FCA) and SUP 16.18.5 R			Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>small authorised UK AIFM</i>	SUP 16.18.6 R			Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>small registered UK AIFM</i>		SUP 16.18.7 D		Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)
<i>above-threshold non-EEA AIFM marketing in the UK</i>			SUP 16.18.8 G	Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)

Type of AIFM	Rules	Directions	Guidance	AIFMD level 2 regulation
<i>small non-EEA AIFM marketing in the UK</i>		SUP 16.18.9 D		Article 110 (Reporting to competent authorities) (as replicated in SUP 16.18.4 EU)

Purpose

16.18.3

FCA

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This section specifies the end dates for reporting periods for *AIFMs* and the reporting period for *small AIFMs* for the types of *AIFM* to whom this section applies. Although article 110 of the *AIFMD level 2 regulations* (Reporting to competent authorities) (as replicated in ■ SUP 16.18.4 EU) applies certain reporting requirements directly to *AIFMs*, it does not specify the end dates for reporting periods for an *AIFM* and, for *small AIFMs*, it does not specify the reporting period. Therefore, *competent authorities* are required to specify these requirements.

Article 110 of the AIFMD level 2 regulation

16.18.4



Reporting to competent authorities

1. In order to comply with the requirements of the second subparagraph of Article 24(1) and of point (d) of Article 3(3) of Directive 2011/61/EU, an AIFM shall provide the following information when reporting to competent authorities:

- (a) **the main instruments in which it is trading, including a breakdown of financial instruments and other assets, including the AIF's investment strategies and their geographical and sectoral investment focus;**
- (b) **the markets of which it is a member or where it actively trades;**
- (c) **the diversification of the AIF's portfolio, including, but not limited to, its principal exposures and most important concentrations.**

The information shall be provided as soon as possible and not later than one month after the end of the period referred to in paragraph 3. Where the AIF is a fund of funds this period may be extended by the AIFM by 15 days.

2. For each of the EU AIFs they manage and for each of the AIFs they market in the Union, AIFMs shall provide to the competent authorities of their home Member State the following information in accordance with Article 24(2) of Directive 2011/61/EU:

- (a) **the percentage of the AIF's assets which are subject to special arrangements as defined in Article 1(5) of this Regulation arising from their illiquid nature as referred to in point (a) of Article 23(4) of Directive 2011/61/EU;**
- (b) **any new arrangements for managing the liquidity of the AIF;**

Reporting to competent authorities

- (c) **the risk management systems employed by the AIFM to manage the market risk, liquidity risk, counterparty risk and other risks including operational risk;**
 - (d) **the current risk profile of the AIF, including:**
 - (i) **the market risk profile of the investments of the AIF, including the expected return and volatility of the AIF in normal market conditions;**
 - (ii) **the liquidity profile of the investments of the AIF, including the liquidity profile of the AIF's assets, the profile of redemption terms and the terms of financing provided by counterparties to the AIF;**
 - (e) **information on the main categories of assets in which the AIF invested including the corresponding short market value and long market value, the turnover and performance during the reporting period; and**
 - (f) **the results of periodic stress tests, under normal and exceptional circumstances, performed in accordance with point (b) of Article 15(3) and the second subparagraph of Article 16(1) of Directive 2011/61/EU.**
3. **The information referred to in paragraphs 1 and 2 shall be reported as follows:**
- (a) **on a half-yearly basis by AIFMs managing portfolios of AIFs whose assets under management calculated in accordance with Article 2 in total exceed the threshold of either EUR 100 million or EUR 500 million laid down in points (a) and (b) respectively of Article 3(2) of Directive 2011/61/EU but do not exceed EUR 1 billion, for each of the EU AIFs they manage and for each of the AIFs they market in the Union;**
 - (b) **on a quarterly basis by AIFMs managing portfolios of AIFs whose assets under management calculated in accordance with Article 2 in total exceed EUR 1 billion, for each of the EU AIFs they manage, and for each of the AIFs they market in the Union;**
 - (c) **on a quarterly basis by AIFMs which are subject to the requirements referred to in point (a) of this paragraph, for each AIF whose assets under management, including any assets acquired through use of leverage, in total exceed EUR 500 million, in respect of that AIF;**
 - (d) **on an annual basis by AIFMs in respect of each unleveraged AIF under their management which, in accordance with its core investment policy, invests in non-listed companies and issuers in order to acquire control.**

Reporting to competent authorities

4. By way of derogation from paragraph 3, the competent authority of the home Member State of the AIFM may deem it appropriate and necessary for the exercise of its function to require all or part of the information to be reported on a more frequent basis.
5. AIFMs managing one or more AIFs which they have assessed to be employing leverage on a substantial basis in accordance with Article 111 of this Regulation shall provide the information required under Article 24(4) of Directive 2011/61/EU at the same time as that required under paragraph 2 of this Article.
6. AIFMs shall provide the information specified under paragraphs 1, 2 and 5 in accordance with the pro-forma reporting template set out in the Annex IV.
7. In accordance with point (a) of Article 42(1) of Directive 2011/61/EU, for non-EU AIFMs, any reference to the competent authorities of the home Member State shall mean the competent authority of the Member State of reference.

[Note: Article 110 of the *AIFMD level 2 regulation*]

Reporting periods and end dates

- 16.18.5 FCA R The reporting period of a *full-scope UK AIFM* must end on the following dates:
- (1) for *AIFMs* that are required to report annually, on 31 December each calendar year;
 - (2) for *AIFMs* that are required to report half-yearly, on 30 June and 31 December in each calendar year; and
 - (3) for *AIFMs* that are required to report quarterly, on 31 March, 30 June, 30 September and 31 December in each calendar year.
- 16.18.6 FCA R A *small authorised UK AIFM* must report annually and its reporting period must end on 31 December in each calendar year.
- 16.18.7 FCA D A *small registered UK AIFM* must report annually and its reporting period must end on 31 December in each calendar year.
- 16.18.8 FCA G In accordance with regulation 59(3)(a) of the *AIFMD UK regulation*, an *above-threshold non-EEA AIFM* that is *marketing* in the UK is required to comply with the implementing provisions of the *AIFMD UK regulation* that apply to a *full-scope UK AIFM* and relate to articles 22 to 24 *AIFMD* in so far as such provisions are relevant to the *AIFM* and the *AIF*. Therefore, such an *AIFM* should comply with the provisions in ■ SUP 16.18.5 R that are applicable to a *full-scope UK AIFM*.
- 16.18.9 FCA D A *small non-EEA AIFM marketing* in the UK must report annually and its reporting period must end on 31 December in each calendar year.

16.18.10

FCA

G

All periods in this section should be calculated by reference to London time.

Data items for SUP 16.12

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

Data items for SUP 16.12 Forms/sup/sup_chapter16_annex24r_20130723.pdf

Guidance notes for data items in SUP 16 Annex 24R

FCA **PRA**

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 24R - Forms/sup/sup_chapter16_annex25g_20130723.pdf

1	R	(1)	A <i>firm</i> may, in the written contract with its <i>introducer appointed representative</i> , extend the scope of appointment to include:
		(a)	receiving and forwarding to an <i>insurer</i> or <i>insurance intermediary</i> an application by a <i>customer</i> for a <i>connected travel insurance contract</i> together with any associated documentation; and
		(b)	receiving <i>client money</i> from a <i>customer</i> in respect of a <i>connected travel insurance contract</i> , and holding that <i>client money</i> .
		(2)	The extension of the scope of the appointment must apply only where the receipt of an application or of <i>client money</i> results from documentation given to a <i>customer</i> , where the deadline for submission of this documentation to the publishers for publishing was on or before 15 November 2008.
		(3)	This <i>rule</i> applies until 31 December 2009.

FCA PRA FCA PRA FCA FCA

6 [deleted]

FCA

7 Client assets report

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook provision: coming into force
1	The <i>rules and guidance</i> in SUP 3.10	R	In relation to an auditor of a <i>firm</i> whose client assets report period ends on or before 29 September 2011, that auditor may comply with SUP 3.10 as it was in force on 31 May 2011.	From 1 June 2011	1 June 2011
2	The <i>rules and guidance</i> in SUP 3.11	R	In relation to a <i>firm</i> whose client assets report period ends on or before 29 September 2011, the <i>rules and guidance</i> to which	From 1 June 2011	1 June 2011

(1)	(2)	(3)	(4)	(5)	(6)
			column (2) refers do not apply.		

FCA

8 AIFMD

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
1	The changes to SUP 16.12 set out in Annex M of the Alternative Investment Fund Managers Directive Instrument 2013, other than those relating to FSA041.	R	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex listed in column (2) do not apply and, therefore, the provisions in SUP 16.12 amended by that Annex will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) The conditions are: (a) the <i>firm</i> falls within regulation 73(1) of the <i>AIFMD UK regulation</i>; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i>.</p>	From 22 July 2013 until 21 July 2014	22 July 2013

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
2	<p>The changes to SUP 16.12 set out in Annex M of the Alternative Investment Fund Managers Directive Instrument 2013, other than those relating to FSA041.</p>	R	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex listed in column (2) do not apply provided that: (a) for a <i>firm</i> which is an existing <i>firm</i> on 21 July 2013, it continues to comply with the requirements applicable to that <i>firm</i> on 21 July 2013; or</p> <p>(b) for a <i>firm</i> that was not an existing <i>firm</i> on 21 July 2013, it complies with the requirements applicable to a <i>firm</i> that was establishing, operating or winding up a regulated collective investment scheme on 21 July 2013 (with the exception of FSA042 if the firm does not <i>manage a UCITS</i>).</p>	From 22 July 2013 until 30 January 2014	22 July 2013

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: date in force	(6) Handbook provisions: coming into force
			(2) The conditions are that the <i>firm</i> has a <i>Part 4A permission</i> to (a) <i>manage an AIF</i> ; and/or (b) <i>manage a UCITS</i> .		

Supervision

Schedule 6 Rules that can be waived

Sch 6.1 G

[deleted]

Sch 6.1A G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particulars rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.1B G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Decision Procedure and Penalties Manual

Section of the Act	Description	Handbook reference	Decision maker
189(4)/(7)	when the <i>FCA</i> is proposing or deciding to approve a change in <i>control</i> with conditions, following receipt of a <i>section 178 notice</i>	SUP 11	<i>Executive procedures</i>
187(1)/(3) and 188(1)191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person</i> who has acquired or increased control without giving a <i>section 178 notice</i>	SUP 11	<i>Executive procedures</i>
191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's control</i> on the basis of the matters in section 186	SUP 11	<i>Executive procedures</i>
191A(4)/(6)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's control</i> on the grounds that he is in breach of a condition imposed under section 187	SUP 11	<i>Executive procedures</i>
192L(1)	when the <i>FCA</i> is proposing or deciding to take action against a qualifying parent undertaking by exercising the disciplinary powers conferred by section 192K*		RDC
192L(4)			
200(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse an application for variation or rescission of a requirement imposed on an <i>EEA incoming firm</i>		RDC or <i>executive procedures</i> See DEPP 2.5.6 G
207(1)/ 208(1)	when the <i>FCA</i> is proposing or deciding to publish a statement (under section 205) or impose a financial penalty (under section 206) or suspend a <i>permission</i> or impose a restriction in relation to the carrying on of a <i>regulated activity</i> (under section 206A) . This applies in respect of an <i>authorised person</i> , or an <i>unauthorised person</i> to whom section 404C applies.*		RDC
245(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation</i> order declaring a <i>unit trust scheme</i> to be an <i>AUT</i>	COLL 2	RDC or <i>executive procedures</i> See DEPP 2.5.15 G
249	when the <i>FCA</i> is proposing or deciding to take action against an auditor by exercising the disciplinary powers conferred by section 249*		RDC
345B(1)/(4)			
252(1)/(4)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal to replace the <i>trustee</i> or <i>manager</i> of an <i>AUT</i>	COLL 2	<i>Executive procedures</i>
252A(4)(b)/(6)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by the <i>manager</i> of a <i>feeder UCITS</i> to make an alteration to the <i>trust deed</i> to enable the <i>feeder UCITS</i> to convert into a <i>UCITS</i> scheme which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
255(1)/(2)	when the <i>FCA</i> is proposing or deciding to make an order under section 254 revoking the <i>authorisation order</i> of an <i>AUT</i> *	None, but see Chapter 14 of the Regulatory Guide EG.	RDC
256(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse a request for the revocation of the <i>authorisation order</i> of an <i>AUT</i>		RDC

Section of the Act	Description	Handbook reference	Decision maker
260(1)/(2)	when the <i>FCA</i> , on an application to revoke or vary a direction under section 257, proposes or decides to refuse to revoke or vary the direction or proposes or decides to vary the direction otherwise than in accordance with the application		<i>RDC</i>
261G(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation order</i> declaring a <i>scheme</i> to be an <i>ACS</i>	COLL 2	<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.15 G
261R(1)/(4)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal to replace the <i>depository</i> or <i>authorised contractual scheme manager</i> of an <i>ACS</i>	COLL 2	<i>Executive procedures</i>
261S(4)(b)/ (6)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by the <i>authorised contractual scheme manager</i> of an <i>ACS</i> which is a <i>feeder UCITS</i> to make an alteration to the <i>contractual scheme deed</i> to enable the <i>feeder UCITS</i> to convert into a <i>UCITS scheme</i> which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
261V(1)/(2)	when the <i>FCA</i> is proposing or deciding to make an order under section 261U revoking the <i>authorisation order</i> of an <i>ACS</i> *	None, but see Chapter 14 of the Regulatory Guide <i>EG</i> .	<i>RDC</i>
261W(4)/(5)	when the <i>FCA</i> is proposing or deciding to refuse a request for the revocation of the <i>authorisation order</i> of an <i>ACS</i>		<i>RDC</i>
261Z2(1)/(2)	when the <i>FCA</i> , on an application to revoke or vary a direction under section 261X, proposes or decides to refuse to revoke or vary the direction or proposes or decides to vary the direction otherwise than in accordance with the application		<i>RDC</i>
264(2)/ 265(4)	[deleted]		
269(1)/(2)	when the <i>FCA</i> , on an application under section 267(4) or (5) by an <i>operator</i> of a section 264 <i>recognised scheme</i> to revoke or vary a direction that the promotion of the <i>scheme</i> be suspended, proposes or decides to refuse the application or to vary the direction otherwise than in accordance with the application		<i>RDC</i>
276(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an order declaring a <i>collective investment scheme</i> to be a <i>recognised scheme</i> under section 272	COLL 9	<i>Executive procedures</i>
280(1)/(2)	when the <i>FCA</i> is proposing or deciding to revoke a section 272 order in respect of a <i>recognised scheme</i> *		<i>RDC</i>
301G(3)(b)/(5)	when the <i>FCA</i> is proposing or deciding to object to a proposed acquisition of a <i>UK RIE</i> following receipt of a section 301A notice .	REC 4.2C	<i>Executive procedures</i>

Section of the Act	Description	Handbook reference	Decision maker
301I(3)/(4)	when the <i>FCA</i> is proposing or deciding to object to a <i>person</i> who has acquired or increased <i>control</i> in a <i>UK RIE</i> without giving a section 301 notice	REC 4.2C	<i>Executive procedures</i>
301I(3)/(4)	when the <i>FCA</i> is proposing or deciding to object to a <i>person's</i> control in a <i>UK RIE</i> on the basis of the approval requirement in section 301F(4)	REC 4.2C	<i>Executive procedures</i>
312G(1)	when the <i>FCA</i> is proposing or deciding to take action against a <i>recognised investment exchange</i> by exercising the disciplinary powers conferred by sections 312E and 312F*		<i>RDC</i>
312H(1)			
313B(9)	[deleted]		
313B(10)/(11)	[deleted]		
313BB(5)/ 313BC(5)	when, upon the application of an institution, the <i>FCA</i> is proposing or deciding not to revoke a requirement imposed on an institution under section 313A or is proposing or deciding that a requirement imposed on a class of institutions under section 313A will continue to apply to the applicant	REC 4.2D	<i>Executive procedures</i>
313BD(5)/ 313BE(4)	when, upon the application of an <i>issuer</i> , the <i>FCA</i> is proposing or deciding not to revoke a requirement imposed on an institution or a class of institutions under section 313A or to revoke a requirement imposed on a class of institutions under section 313A in relation to the class apart from one or more specified members of it, or one or more specified members of the class only	REC 4.2D	<i>Executive procedures</i>
331(1)/(3)	when the <i>FCA</i> is proposing or deciding to make an order disapplying the exemption from the <i>general prohibition</i> under section 327*		<i>RDC</i>
331(7)/(8)	when the <i>FCA</i> is proposing or deciding to refuse an application for the variation or revocation of an order made under section 329*		<i>RDC</i>
345B(1)	when the <i>FCA</i> is proposing or deciding to disqualify an auditor or actuary from being the auditor of, or acting as an actuary for, any <i>authorised person</i> or class of <i>authorised person</i> or from being the auditor of any <i>AUT</i> , <i>ACS</i> or <i>ICVC</i> *		<i>RDC</i>
345B(4)			
345B(1)	when the <i>FCA</i> is proposing or deciding to disqualify an auditor from being the auditor of any <i>recognised investment exchange</i> or any class of <i>recognised investment exchange</i> *		<i>RDC</i>
345B(4)			
345B(1)	when the <i>FCA</i> is proposing or deciding to take action against an auditor or <i>actuary</i> by exercising the disciplinary powers conferred by sections 345(2)(c) or (d)*		<i>RDC</i>
345B(4)			
385(1)/ 386(1)	when the <i>FCA</i> is proposing or deciding to exercise the power under section 384(5) to require a <i>person</i> to pay restitution*		<i>RDC</i>

Section of the Act	Description	Handbook reference	Decision maker
404A(8)(a)	In connection with a <i>consumer redress scheme</i> , when the <i>FCA</i> is proposing to make a determination of whether a failure by a relevant firm has caused (or may cause) loss or damage to a <i>consumer</i> , or what the redress should be in respect of the failure	CONRED	Executive procedures
404A(8)(a)	In connection with a <i>consumer redress scheme</i> , when the <i>FCA</i> is deciding to make a determination of whether a failure by a relevant firm has caused (or may cause) loss or damage to a <i>consumer</i> , or what the redress should be in respect of the failure	CONRED	Executive procedures
412B(2)/(3)	when the <i>FCA</i> is proposing/deciding to refuse to approve a relevant system as defined in section 412A(9) of the <i>Act</i>		Executive procedures
412B(4)/(5)	when the <i>FCA</i> is proposing/deciding to suspend or withdraw its approval in relation to a relevant system as defined in section 412A(9) of the <i>Act</i> *		Executive procedures
412B(8)/(9)	when the <i>FCA</i> is proposing/deciding to refuse an application to cancel the suspension of approval in relation to a relevant system as defined in section 412A(9) of the <i>Act</i> *		Executive procedures
Paragraph 15A(4) of Schedule 3	when the <i>FCA</i> is notifying an <i>EEA firm</i> wishing to manage a <i>UCITS scheme</i> and its <i>Home State regulator</i> that the <i>EEA firm</i> does not comply with the <i>fund application rules</i> , or is not authorised by its <i>Home State regulator</i> to manage the type of <i>collective investment scheme</i> for which <i>authorisation</i> is required, or has not provided the documentation required under article 20(1) of the <i>UCITS Directive</i>	SUP 13A See DEPP 2.5.16 G	Executive procedures
Paragraph 15A(5) of Schedule 3	[deleted]		
Paragraph 15B(2) (a) of Schedule 3	when the <i>FCA</i> is deciding not to withdraw a notice issued to an <i>EEA firm</i> wishing to manage a <i>UCITS scheme</i> and to its <i>Home State regulator</i> that the <i>EEA firm</i> does not comply with the <i>fund application rules</i> , or is not authorised by its <i>Home State regulator</i> to manage the type of <i>collective investment scheme</i> for which <i>authorisation</i> is required, or has not provided the documentation required under article 20(1) of the <i>UCITS Directive</i>	SUP 13A	Executive procedures
Paragraph 19(8)/(12) of Schedule 3	when the <i>FCA</i> is proposing or deciding to refuse to give a <i>consent notice</i> to a <i>UK firm</i> wishing to establish a <i>branch</i> under an <i>EEA right</i>	SUP 13	RDC

Section of the Credit Unions Act 1979	Description	Handbook reference	Decision maker
20	where the <i>FCA</i> is proposing to cancel or suspend the registration of a <i>credit union</i> or to petition for the winding up of a <i>credit union</i>		RDC

Articles of the Credit Unions (Northern Ireland) Order 1985	Description	Handbook reference	Decision maker
60(1), 61(1) and 63	where the <i>FCA</i> is proposing to consent to the Registrar of Credit Unions for Northern Ireland cancelling or suspending the registration of a <i>Northern Ireland credit union</i> , or petitioning for the winding up of a <i>Northern Ireland credit union</i>		<i>RDC</i>

Section of the Friendly Societies Act 1992	Description	Handbook reference	Decision maker
58A(1)(a)/(3)(a)	when the <i>FCA</i> is proposing or deciding to give a direction under section 54 or section 55 requiring a <i>friendly society</i> to take or refrain from taking steps where certain activities have become disproportionate to those of the <i>friendly society</i> group or, as the case may be, the society, or varying such a direction other than at the request of the society*	See DEPP 2.5.18 G (3)	<i>RDC</i>
58A(1)(b)/(3)(b)	when the <i>FCA</i> is proposing or deciding to give a direction under section 90 providing for a transfer of the engagements of a <i>friendly society</i> *		<i>RDC</i>
85(4A)	when the <i>FCA</i> , on an amalgamation between <i>friendly societies</i> each of which has a <i>Part 4A permission</i> , notifies the successor society of the terms of its <i>Part 4A permission</i>		<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.12 G

OEIC Regulations reference	Description	Handbook reference	Decision maker
Regulation 16(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application for an <i>authorisation order</i> in respect of a proposed <i>ICVC</i>	COLL 2	<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.15 G
Regulation 22(1)/(2)/(4)/(5)	when the <i>FCA</i> is proposing to refuse approval of (or, having given a <i>warning notice</i> , deciding to refuse) a proposal to replace the <i>depository</i> or director of an <i>ICVC</i> , or any other proposal or decision falling within regulation 21	COLL 2	<i>Executive procedures</i>
Regulation 22A(5)(b)/(8)(a)	when the <i>FCA</i> is proposing or deciding to refuse approval of a proposal by an <i>ICVC</i> which is a <i>feeder UCITS</i> to make an alteration to its <i>instrument of incorporation</i> to enable it to convert into a <i>UCITS scheme</i> which is not a <i>feeder UCITS</i>	COLL 11	<i>Executive procedures</i>
Regulation 24(1)/(2)	when the <i>FCA</i> is proposing or deciding to revoke an <i>authorisation order</i> relating to an <i>ICVC</i> under regulation 23(1)*		<i>RDC</i>
Regulation 28(1)/(2)	when the <i>FCA</i> is proposing or deciding to refuse an application to revoke or vary a direction in accor-		<i>RDC</i>

OEIC Regulations reference	Description	Handbook reference	Decision maker
Paragraph 20 of Schedule 5	dance with a request under regulation 25(7) or to vary the direction in accordance with the application when the <i>FCA</i> is proposing or deciding to use the disqualification powers under section 249(1)*		<i>RDC</i>
Regulated Activities Order	Description	Handbook reference	Decision maker
Article 95(2)/(3)	when the <i>FCA</i> is proposing or deciding not to include, or to remove, an <i>appointed representative</i> from the <i>Register</i> *	SUP 12.4.10 G	<i>RDC</i>
Article 95(7)/(8)	when the <i>FCA</i> is proposing or deciding to refuse an application to revoke a determination not to include, or to remove, an <i>appointed representative</i> from the <i>Register</i> *	SUP 12.4.10 G	<i>RDC</i>
Payment Services Regulations	Description	Handbook reference	Decision maker
Regulations 9(7) and 14	when the <i>FCA</i> is proposing to refuse an application for authorisation as an <i>authorised payment institution</i> , or for registration as a <i>small payment institution</i> , or to impose a requirement, or to refuse an application to vary an authorisation		<i>Executive procedures</i>
Regulations 9(8)(a) and 14	when the <i>FCA</i> is deciding to refuse an application for authorisation as an <i>authorised payment institution</i> , or for registration of a <i>small payment institution</i> , or to impose a requirement, or to refuse an application to vary an authorisation		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 10(2) and 10(3)(a) and 14	when the <i>FCA</i> is proposing or deciding to either cancel an <i>authorised payment institution's</i> authorisation, or to cancel a <i>small payment institution's</i> registration, otherwise than at that institution's own request*		<i>RDC</i>
Regulation 24(2)	when the <i>FCA</i> is proposing to refuse to register an <i>EEA branch</i>		<i>Executive procedures</i>
Regulation 24(3)(a)	when the <i>FCA</i> is deciding to refuse to register an <i>EEA branch</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 24(2) and 24(3)(a)	when the <i>FCA</i> is proposing or deciding to cancel the registration of an <i>EEA branch</i> *		<i>RDC</i>
Regulation 29(9)	when the <i>FCA</i> is proposing to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i>

Payment Services Regulations	Description	Handbook reference	Decision maker
Regulation 29(10)(a)	when the <i>FCA</i> is deciding to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 30(2) and 30(3)(a)	when the <i>FCA</i> is proposing or deciding to remove an <i>agent</i> from the <i>Financial Services Register</i> otherwise than at the request of a <i>payment institution</i> *		<i>RDC</i>
Regulations 86(1) and 86(3)	when the <i>FCA</i> is proposing, or deciding, to impose a financial penalty*		<i>RDC</i>
Regulations 86(1) and 86(3)	when the <i>FCA</i> is proposing, or deciding, to publish a statement that a <i>payment service provider</i> has contravened the <i>Payment Services Regulations</i> *		<i>RDC</i>
Regulations 89(1) and 89(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution*		<i>RDC</i>
Regulation 121(7)	when the <i>FCA</i> is proposing to decide that it has not received the required information or that the required conditions are not met as concerns deemed authorisation		<i>Executive Procedures</i>
Regulation 121(8)	when the <i>FCA</i> is deciding that it has not received the required information or that the required conditions are not met as concerns deemed authorisation		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 5 paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>Payment Services Regulations</i> (Note 2)		<i>RDC</i>
Schedule 5 paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 3)		<i>RDC</i>
Notes:			
(2) The <i>Payment Services Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.			
(3) The <i>Payment Services Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.			

Regulated Covered Bonds Regulations 2008	Description	Handbook reference	Decision maker
Regulation 13(4)/(5)(a)	when the <i>FCA</i> is proposing or deciding to refuse an application under regulation 8	RCB 6	<i>Executive procedures</i>
Regulation 20(5)/(6)(a)	when the <i>FCA</i> is proposing or deciding not to approve a material change	RCB 6	<i>Executive procedures</i>
Regulation 25(5)/(6)(a)	when the <i>FCA</i> is proposing or deciding not to approve a change of ownership	RCB 6	<i>Executive procedures</i>
Regulation 32(1)(a)/(2)(a)	before the <i>FCA</i> gives a direction under regulation 30 or when it decides to make the direction	RCB 6	<i>Executive procedures</i>
Regulation 32(1)(b)/(2)(b)	before the <i>FCA</i> removes an <i>issuer</i> from the register of <i>issuers</i> under regulation 31 or when it decides to remove the <i>issuer</i> from the register of <i>issuers</i> *	RCB 6	<i>Executive procedures</i>
Regulation 35(1)/(3)	when the <i>FCA</i> is proposing or deciding to impose a penalty on a person under regulation 34*	RCB 6	<i>RDC</i>

Cross-Border Payments in Euro Regulations 2010	Description	Handbook reference	Decision maker
Regulations 7(1) and 7(3)	when the <i>FCA</i> is proposing or deciding to impose a financial penalty*		<i>RDC</i>
Regulations 7(1) and 7(3)	when the <i>FCA</i> is proposing or deciding to publish a statement that a <i>payment service provider</i> has contravened the <i>EU Cross-Border Regulation</i> *		<i>RDC</i>
Regulations 10(1) and 10(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution*		<i>RDC</i>
Schedule paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>EU Cross-Border Regulation</i> (Note 1)		<i>RDC</i>
Schedule paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 1)		<i>RDC</i>

Note:

(1) The *Cross-Border Payments in Euro Regulations* do not require third party rights and access to *FCA* material when the *FCA* exercises this power. However, the *FCA* generally intends to allow for third party rights and access to material when exercising this power.

Electronic Money Regulations	Description	Handbook reference	Decision maker
Regulations 9(6) and 15	where the <i>FCA</i> is proposing to refuse an application for authorisation as an <i>authorised electronic money institution</i> , or for registration as a <i>small electronic money institution</i> , or impose a requirement, or refuse to vary an authorisation or registration		<i>Executive procedures</i>

Electronic Money Regulations	Description	Handbook reference	Decision maker
Regulations 9(7)(a) and 15	when the <i>FCA</i> is deciding to refuse an application for authorisation as an <i>authorised electronic money institution</i> , or for registration as a <i>small electronic money institution</i> , or impose a requirement or refuse to vary an authorisation or registration		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 10(4), 10(5)(a) and 15	when the <i>FCA</i> is proposing or deciding to either cancel an <i>authorised electronic money institution's</i> authorisation, or to cancel a <i>small electronic money institution's</i> registration otherwise than at that institution's own request *		<i>RDC</i>
Regulations 11(6), 11(9), 11(10)(b) and 15	when the <i>FCA</i> is exercising its powers to vary an <i>electronic money institution's</i> authorisation or vary a <i>small electronic money institution's</i> registration on its own initiative		<i>RDC</i> or <i>Executive procedures</i> (Note 1)
Regulation 29(2)	when the <i>FCA</i> is proposing to refuse to register an <i>EEA branch of an authorised electronic money institution</i>		<i>Executive procedures</i>
Regulation 29(3)(a)	when the <i>FCA</i> is deciding to refuse to register an <i>EEA branch of an authorised electronic money institution</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulation 29(2) and Regulation 29(3)(a)	when the <i>FCA</i> is proposing or deciding to cancel the registration of an <i>EEA branch of an authorised electronic money institution*</i>		<i>RDC</i>
Regulation 34(9)	when the <i>FCA</i> is proposing to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i>
Regulation 34(10)(a)	when the <i>FCA</i> is deciding to refuse an application for registration as an <i>agent</i>		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Regulations 35(2) and 35(3)(a)	when the <i>FCA</i> is proposing or deciding to remove an <i>agent</i> from the <i>Financial Services Register</i> otherwise than at the request of the <i>electronic money institution</i> *		<i>RDC</i>
Regulations 53(1) and 53(3)	when the <i>FCA</i> is proposing, or deciding, to publish a statement that an <i>electronic money issuer</i> has contravened the <i>Electronic Money Regulations</i> *		<i>RDC</i>
Regulations 53 (1) and 53 (3)	when the <i>FCA</i> is proposing or deciding, to impose a financial penalty *		<i>RDC</i>
Regulations 53(1) and 53(3)	When the <i>FCA</i> is proposing or deciding to suspend the authorisation of an <i>authorised electronic money institution</i> or registration of a <i>small electronic money institution</i> , or to limit or otherwise restrict the carry-		<i>RDC</i>

Electronic Money Regulations	Description	Handbook reference	Decision maker
	ing on of <i>electronic money</i> issuance or <i>payment services</i> business by an <i>electronic money institution</i> *		
Regulations 56(1) and 56(3)	when the <i>FCA</i> is proposing or deciding to exercise its powers to require restitution *		<i>RDC</i>
Regulation 74(7)	when the <i>FCA</i> is proposing to decide not to include a person on the register		<i>Executive procedures</i>
Regulation 74(8) (a)	when the <i>FCA</i> is deciding not to include a person on the register		<i>Executive procedures</i> where no representations are made in response to a warning notice, otherwise by the <i>RDC</i>
Schedule 3, paragraph 1	when the <i>FCA</i> is proposing or deciding to publish a statement that a relevant person has been knowingly concerned with a contravention of the <i>Electronic Money Regulations</i> (Note 2)		<i>RDC</i>
Schedule 3, paragraph 1	when the <i>FCA</i> is proposing or deciding to impose a financial penalty against a relevant person (Note 2)		<i>RDC</i>
Notes:			
(1) The <i>RDC</i> will take the decision to give the notice exercising the <i>FCA's</i> own-initiative power if the action involves:			
(a) removing a type of activity from an authorisation or registration; or			
(b) refusing an application to include a type of activity in an authorisation or registration; or			
(c) restricting a person from taking on new business, dealing with a particular category of customer or refusing an application to vary or cancel such a restriction; or			
(d) imposing or varying a capital requirement, or refusing an application to vary or cancel such a requirement.			
(2) The <i>Electronic Money Regulations</i> do not require third party rights and access to <i>FCA</i> material when the <i>FCA</i> exercises this power. However, the <i>FCA</i> generally intends to allow for third party rights and access to material when exercising this power.			

Recognised Auction Platforms Regulations 2011	Description	Handbook reference	Decision maker
Regulation 5A	where the <i>FCA</i> is proposing or deciding to publish a statement censuring an <i>RAP</i> , or to impose a financial penalty on an <i>RAP</i>	REC 2A.4	<i>RDC</i>

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 13(1)	where the <i>FCA</i> proposes to refuse an application for entry on the register of <i>small registered UK AIFMs</i>		<i>Executive procedures</i>
Regulation 13(2)(a)	where the <i>FCA</i> decides to refuse an application for entry on the register of <i>small registered UK AIFMs</i>		<i>Executive procedures</i> where no representations are made in response to a <i>warning notice</i> otherwise by the <i>RDC</i>
Regulation 18(1)	where the <i>FCA</i> proposes to revoke the registration of a <i>small registered UK AIFM</i> including, where applicable, its registration as a <i>EuSEF manager</i> or <i>EuVECA manager</i>		<i>RDC</i>
Regulation 18(2)(a)	where the <i>FCA</i> decides to revoke the registration of a <i>small registered UK AIFM</i> including where applicable its registration as a <i>EuSEF manager</i> or <i>EuVECA manager</i>		<i>RDC</i>
Regulation 25(2)	where the <i>FCA</i> proposes to disqualify an <i>external valuer</i>		<i>RDC</i>
Regulation 25(3)(a)	where the <i>FCA</i> decides to disqualify an <i>external valuer</i>		<i>RDC</i>
Regulation 27(2)	where the <i>FCA</i> proposes to revoke approval given to a <i>full-scope UK AIFM</i> for the delegation of functions of portfolio or risk management		<i>Executive procedures</i>
Regulation 27(3)(a)	where the <i>FCA</i> decides to revoke approval given to a <i>full-scope UK AIFM</i> for the delegation of functions of portfolio management or risk management		<i>Executive procedures</i>
Regulation 56	where the <i>FCA</i> is proposing to revoke a <i>full-scope UK AIFM's</i> approval to <i>market</i> an <i>AIF</i> under regulation 54		<i>RDC</i>
Regulation 56	where the <i>FCA</i> is deciding to revoke a <i>full-scope UK AIFM's</i> approval to <i>market</i> an <i>AIF</i> under regulation 54		<i>RDC</i>
Regulation 62(2)	where the <i>FCA</i> proposes to revoke an <i>AIFM's</i> entitlement to <i>market</i> an <i>AIF</i>		<i>RDC</i>

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 62(3)	where the <i>FCA</i> decides to revoke the entitlement of an <i>AIFM</i> to market an <i>AIF</i>		<i>RDC</i>
Regulation 71(1)(e)	where the <i>FCA</i> is proposing or deciding to publish a statement that an <i>unauthorised AIFM</i> has contravened the regulations or directly applicable <i>EuSEF regulation</i> or <i>EuVECA regulation</i>		<i>RDC</i>
Regulation 71(1)(f)	where the <i>FCA</i> is proposing or deciding to impose a financial penalty on an <i>unauthorised AIFM</i> that has contravened the regulations or directly applicable <i>EuSEF regulation</i> or <i>EuVECA regulation</i>		<i>RDC</i>

(c) restricting a person from taking on new business, dealing with a particular category of customer or refusing an application to vary or cancel such a restriction; or

d) imposing or varying a capital requirement, or refusing an application to vary or cancel such a requirement.

For all other types of action the decision to give a notice will be taken by *FCA* staff under *executive procedures*.

Alternative Investment Fund Managers Regulations 2013	Description	Handbook reference	Decision maker
Regulation 22(4)	where the <i>FCA</i> is exercising its power on its <i>own initiative</i> to give or vary a direction under regulation 22(1) to a <i>small registered UK AIFM</i> , a <i>EuSEF manager</i> or <i>EuVECA manager</i>		<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.7 G to DEPP 2.5.8 G
Regulation 22(4)	where the <i>FCA</i> is exercising its power on its <i>own initiative</i> to give or vary a direction under regulation 22(2) to a <i>small registered UK AIFM</i> with its registered office in an <i>EEA State</i> other than the <i>UK</i> in accordance with article 19.3 of the <i>EuSEF regulation</i> or article 18.3 of the <i>EuVECA regulation</i>		<i>RDC</i> or <i>executive procedures</i> See DEPP 2.5.7 G to DEPP 2.5.8 G

Decision Procedure and Penalties Manual

Schedule 3 Fees and other required payments

Sch 3.1 G

FCA

There are no requirements for fees in *DEPP*.

Sch 3.2 G

FCA

The *FCA's* power to impose financial penalties is contained in:

- Section 63A (Power to impose penalties) of the *Act*
- Section 66 (Disciplinary powers) of the *Act*
- Section 88A (Disciplinary powers: contravention of s.88(3)(c) or (e)) of the *Act*
- Section 89Q (Disciplinary powers: contravention of s.89P(4)(b) or (d)) of the *Act*
- Section 91 (Penalties for breach of Part 6 Rules) of the *Act*
- Section 123 (Power to impose penalties in cases of market abuse) of the *Act*
- section 131G (Power to impose penalty or issue censure) of the *Act*
- Section 192K (Power to impose penalty or issue censure) of the *Act*
- Section 206 (Financial penalties) of the *Act*
- Section 249 (Disciplinary measures) of the *Act*
- Section 312F (Financial penalties) of the *Act*
- Section 345 (Disciplinary measures) of the *Act*
- Part III of Schedule 1ZA (The Financial Conduct Authority) to the *Act*
- the *Money Laundering Regulations*
- the *Transfer of Funds (Information on the Payer) Regulations 2007 (SI 2007/3298)*
- the *RCB Regulations*
- the *Payment Services Regulations*
- the *Cross-Border Payments in Euro Regulations*
- the *OTC derivatives, CCPs and trade repositories regulation*
- the *AIFMD UK regulation*

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Schedule 4 Powers Exercised

Sch 4.1 G

FCA

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the statements of policy in *DEPP*:

Section 63C (Statement of policy)

Section 69 (Statement of policy) (including as applied by paragraph 1 of Schedule 5 to the *Payment Services Regulations* and by paragraph 1 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Section 88C (Action under s.88A: statement of policy)

Section 89S (Action under s. 89Q: statement of policy)

Section 93(1) (Statement of policy)

Section 124(1) (Statement of policy)

Section 131J (Impositions of penalties under section 131G: statement of policy)

Section 139A (Power of the FCA to give guidance)

Section 169(9) (Investigations etc in support of overseas regulator) (including as applied by paragraph 3 of Schedule 5 to the *Payment Services Regulations*)

Section 192N (Imposition of penalties under section 192K: statement of policy)

Section 210(1) (Statements of policy) (including as applied by regulation 86(6) of the *Payment Services Regulations* and by paragraph 3 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Section 249 (Disciplinary measures)

Section 312J (Statement of policy)

Section 345D (Imposition of penalties on auditors or actuaries: statement of policy)

Section 395 (The Authority's procedures) (including as applied by paragraph 7 of Schedule 5 to the *Payment Services Regulations* and by paragraph 5 of the Schedule to the *Cross-Border Payments in Euro Regulations*)

Paragraph 16 (Penalties) of Schedule 1 (The Financial Services Authority)

Sch 4.2 G

FCA

The following additional powers and related provisions have been exercised by the *FCA* to make the statements of policy in *DEPP*:

Regulation 42 (Guidance) of the *RCB Regulations*

Regulation 44 (Warning notices and decision notices) of the *RCB Regulations*

Regulation 86 (Proposal to take disciplinary measures) of the *Payment Services Regulations*

Regulation 93 (Guidance) of the *Payment Services Regulations*

Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*

Regulation 70 (Warning Notices, Decision Notices and Supervisory Notices) of the *AIFMD UK regulation*

Regulation 71 (Application of Act to *unauthorised AIFs*) of the *AIFMD UK regulation*

Dispute Resolution: Complaints

Chapter 1

Treating complainants fairly

1.1 Purpose and application

Purpose

1.1.1

FCA

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This chapter contains *rules* and *guidance* on how *respondents* should deal promptly and fairly with *complaints* in respect of business carried on from establishments in the *United Kingdom*, by certain *branches* of *firms* in the *EEA* or by certain *EEA firms* carrying out activities in the *United Kingdom* under the freedom to provide *cross border services*. It is also relevant to those who may wish to make a *complaint* or refer it to the *Financial Ombudsman Service*.

1.1.1A

[Deleted]

1.1.1B

[Deleted]

1.1.1C

[Deleted]

1.1.1D

[Deleted]

1.1.1E

[Deleted]

Background

1.1.2

FCA

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Details of how this chapter applies to each type of *respondent* are set out below. For this purpose, *respondents* include:

- (1) *persons* carrying on *regulated activities (firms)* , providing *payment services (payment service providers)* or providing *electronic money issuance services (electronic money issuers)* and which are covered by the *Compulsory Jurisdiction* ;
- (2) *persons* covered by the *Consumer Credit Jurisdiction (licensees)*; and
- (3) *persons* who have opted in to the *Voluntary Jurisdiction (VJ participants)*.

Application to firms

1.1.3

FCA

R

- (1) Subject to ■ DISP 1.1.5 R, this chapter applies to a *firm* in respect of *complaints* from *eligible complainants* concerning activities carried on from an establishment maintained by it or its *appointed representative* in the *United Kingdom*.
- (2) For *complaints* relating to the *MiFID business* of a *firm*, the *complaints handling rules* and the *complaints record rule*:

- (a) apply to *complaints* from *retail clients* and do not apply to *complaints* from *eligible complainants* who are not *retail clients*;
 - (b) also apply in respect of activities carried on from a *branch* of a *UK firm* in another *EEA State*; and
 - (c) do not apply in respect of activities carried on from a *branch* of an *EEA firm* in the *United Kingdom*.
- (3) The *complaints data publication rules* do not apply in respect of activities carried on from a *branch* of an *EEA firm* in the *United Kingdom* or activities carried on by an *EEA firm* in the *United Kingdom* under the freedom to provide *cross border services*.
- (4) This chapter, except the *complaints data publication rules*, also applies to an *incoming EEA AIFM* for *complaints* from *eligible complainants* concerning *AIFM management functions* carried on for an *authorised AIF* under the freedom to provide *cross-border services*.

1.1.4

FCA

R

Where a *firm* has outsourced activities to a *third party processor*, ■ DISP 1.1.3 R does not apply to the *third party processor* when acting as such, but applies to the *firm* which is taking responsibility for the acts and omissions of the *third party processor* in respect of the outsourced activities.

1.1.5

FCA

R

This chapter does not apply to:

- (1) [deleted]
- (2) [deleted]
- (3) an *authorised professional firm* in respect of expressions of dissatisfaction about its *non-mainstream regulated activities* ;
- (4) *complaints* in respect of *auction regulation bidding* ;
- (5) a *full-scope UK AIFM*, *small authorised UK AIFM* or an *incoming EEA AIFM*, for *complaints* concerning *AIFM management functions* carried on for a *closed-ended corporate AIF*; and
- (6) a *depository*, for *complaints* concerning activities carried on for:
 - (a) an *unauthorised AIF* which is not a *charity AIF*; or
 - (b) any *closed-ended corporate AIF*.

1.1.5-A

FCA

G

References in ■ DISP 1.1.5 R to a *full-scope UK AIFM* and *small authorised UK AIFM* carrying on *AIFM management functions* for a *closed-ended corporate AIF* include *firms* that are *internally managed corporate AIFs*.

1.1.5A FCA	R	The <i>complaints reporting rules</i> and the <i>complaints data publication rules</i> do not apply to a <i>credit union</i> .
1.1.6 FCA	G	■ CREDS 9 sets out <i>rules</i> for <i>credit unions</i> in relation to reporting <i>complaints</i> .
1.1.6A FCA	G	In relation to a <i>credit union</i> , the nature, scale and complexity of the <i>credit union's</i> business should be taken into account when deciding the appropriate procedures to put in place for dealing with <i>complaints</i> .
1.1.7 FCA	R	This chapter applies to the <i>Society</i> , <i>members</i> of the <i>Society</i> and <i>managing agents</i> , subject to the <i>Lloyd's complaint rules</i> .
1.1.8 FCA	R	An <i>insurance intermediary</i> , that is not also an <i>insurer</i> , must have in place and operate appropriate and effective procedures for registering and responding to <i>complaints</i> from a <i>person</i> who is not an <i>eligible complainant</i> . [Note: article 10 of the <i>Insurance Mediation Directive</i>]
1.1.9	G	[deleted]
1.1.9A FCA	G	The scope of this sourcebook does not include: <ul style="list-style-type: none"> (1) a <i>complaint</i> about pre-commencement investment business which was regulated by a <i>recognised professional body</i> (those <i>complaints</i> will be handled under the arrangements of that professional body); or (2) a <i>complaint</i> about the administration of an <i>occupational pension scheme</i>, because this is not a <i>regulated activity</i> (<i>firms</i> should refer complainants to the Pensions Advisory Service rather than to the <i>Financial Ombudsman Service</i>).
1.1.10 FCA	R	In relation to a <i>firm's</i> obligations under this chapter, references to a <i>complaint</i> also include an expression of dissatisfaction which is capable of becoming a <i>relevant new complaint</i> or a <i>relevant transitional complaint</i> .
		Application to payment service providers
1.1.10A FCA	R	This chapter (except the <i>complaints record rule</i> , the <i>complaints reporting rules</i> and the <i>complaints data publication rules</i>) applies to <i>payment service providers</i> in respect of <i>complaints</i> from <i>eligible complainants</i> concerning activities carried on from an establishment maintained by it or its <i>agent</i> in the <i>United Kingdom</i> .
1.1.10B FCA	G	(1) In this sourcebook, the term <i>payment service provider</i> does not include <i>full credit institutions</i> (which are covered by this sourcebook as <i>firms</i>), but it does include <i>small electronic money institutions</i> .

- (2) Although *payment service providers* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should this be necessary.

Application to electronic money issuers

1.1.10C

FCA

R

This chapter (except the *complaints record rule*, the *complaints reporting rules*, and the *complaints data publication rules*) applies to *electronic money issuers* in respect of *complaints* from *eligible complainants* concerning activities carried on from an establishment maintained by it or its *agent* in the *United Kingdom*.

1.1.10D

FCA

G

- (1) In this sourcebook, the term *electronic money issuer* does not include *credit institutions*, *credit unions* or municipal banks (which will be carrying on a *regulated activity* if they issue *electronic money* and will be covered by this sourcebook as *firms* in those circumstances), but it does include *small electronic money institutions* and *persons* who meet the conditions set out in regulation 75(1) or regulation 76(1) of the *Electronic Money Regulations*.
- (2) Although *electronic money institutions* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should this be necessary.

Application to UCITS management companies

1.1.10E

FCA

R

For *complaints* related to *collective portfolio management* services of a *UK UCITS management company* for a *UCITS scheme* or an *EEA UCITS scheme*, ■ DISP 1.1.3R (1) applies, except where modified as follows:

- (1) the *consumer awareness rules*, *complaints handling rules* and *complaints record rule* apply in respect of *complaints* from *unitholders* rather than from *eligible complainants*; and
- (2) the *consumer awareness rules*, the *complaints handling rules* and the *complaints record rule*, as modified in (1), also apply where the services are provided from a *branch* in another *EEA State* (and any reference to *respondent* in the *consumer awareness rules* includes such a *branch*).

1.1.10F

FCA

R

For *complaints* related to *collective portfolio management* services of an *EEA UCITS management company* for a *UCITS scheme*, ■ DISP 1.1.3R (1) applies, except where modified as follows:

- (1) where the services are provided from a *branch* in the *United Kingdom*, the *consumer awareness rules*, *complaints handling rules* and *complaints record rule* apply in respect of *complaints* from *unitholders* rather than from *eligible complainants*; and

- (2) this chapter, except the *consumer awareness rules, complaints handling rules, complaints record rule and complaints data publication rules*, also applies to an *EEA UCITS management company* providing services in the *United Kingdom* under the freedom to provide *cross border services*.

FSAVC Review

1.1.11

FCA

R

Where the subject matter of a *complaint* is subject to a review directly or indirectly under the terms of the policy statement for the review of specific categories of *FSAVC* business issued by the *FSA* on 28 February 2000, the *complaints resolution rules*, the *complaints time limit rules*, the *complaints record rule*, the *complaints reporting rules* and the *complaints data publication rules* will apply only if the *complaint* is about the outcome of the review.

Consumer redress schemes

1.1.11A

FCA

R

Where the subject matter of a *complaint* falls to be dealt with (or has properly been dealt with) under a *consumer redress scheme*, the *complaints resolution rules*, the *complaints time limits rules*, the *complaints record rule* and the *complaints reporting rules* do not apply.

Exemptions for firms, payment service providers and electronic money issuers

1.1.12

FCA

R

- (1) A *firm*, *payment service provider* or *electronic money issuer* falling within the *Compulsory Jurisdiction* which does not conduct business with *eligible complainants* and has no reasonable likelihood of doing so, can, by written notification to the *FCA*, claim exemption from the *rules* relating to the funding of the *Financial Ombudsman Service*, and from the remainder of this chapter.
- (2) Notwithstanding (1):
- (a) the *complaints handling rules* and *complaints record rule* will continue to apply in respect of *complaints* concerning *MiFID business*; and
 - (b) the *consumer awareness rules*, the *complaints handling rules* and the *complaints record rule* will continue to apply in respect of *complaints* concerning the provision of *collective portfolio management services*.
- (3) The exemption takes effect from the date on which the written notice is received by the *FCA* and will cease to apply when the conditions relating to the exemption no longer apply.

1.1.13

FCA

G

■ SUP 15.6 refers to and contains requirements regarding the steps that *firms* must take to ensure that information provided to the *FCA* is accurate and complete. Those requirements apply to information submitted to the *FCA* under this chapter.

Application to licensees and VJ participants

- 1.1.14** **R** This chapter (except the *complaints record rule*, the *complaints reporting rules* and the *complaints data publication rules*) applies to *licensees* for *complaints* from *eligible complainants*.
FCA
- 1.1.15** **R** This chapter (except the *complaints record rule*, the *complaints reporting rules* and the *complaints data publication rules*) applies to *VJ participants* for *complaints* from *eligible complainants* as part of the *standard terms*.
FCA
- 1.1.16** **G** Although *licensees* and *VJ participants* are not required to comply with the *complaints record rule*, it is in their interest to retain records of *complaints* so that these can be used to assist the *Financial Ombudsman Service* should it be necessary.
FCA
- 1.1.17** **R** In relation to the *Consumer Credit Jurisdiction* only, *FOS Ltd* may dispense with, or modify, the application of the *rules* in this chapter to *licensees* where it considers it appropriate to do so and is satisfied that:
- (1) compliance by the *licensee* with the *rules* would be unduly burdensome or would not achieve the purpose for which the *rules* were made; and
 - (2) it would not result in undue risk to the *persons* whose interests the *rules* were intended to protect.
- 1.1.18** **G** This power is intended to deal with exceptional circumstances, for example, where it is not possible for a *licensee* to meet the specified time limits, and any dispensation or modification is likely to be rare.
FCA
- ### Outsourcing of complaint handling
- 1.1.19** **G**
- (1) This chapter does not prevent:
 - (a) the use by a *respondent* of a third party administrator to handle or resolve *complaints* (or both); or
 - (b) two or more *respondents* arranging a one-stop shop for handling or resolving *complaints* (or both) under a service level agreement.
 - (2) These arrangements do not affect *respondents'* obligations as set out in *DISP* or the provisions relating to *outsourcing* by a *firm* set out in ■ SYSC 8 and ■ SYSC 13.
- 1.1.20** **G** Further *guidance* on the application of this chapter is set out in the table in ■ DISP 1 Annex 2 G.
FCA

1.2 Consumer awareness rules

Publishing and providing summary details

1.2.1

FCA

R

To aid consumer awareness of the protections offered by the provisions in this chapter, *respondents* must:

- (1) publish appropriate information regarding their internal procedures for the reasonable and prompt handling of *complaints*;
- (2) refer *eligible complainants* to the availability of this information:
 - (a) in relation to a *payment service*, in the information on out-of-court complaint and redress procedures required to be provided or made available under regulations 36(2)(e) (Information required prior to the conclusion of a single payment service contract) or 40 (Prior general information for framework contracts) of the *Payment Services Regulations*; or
 - (b) otherwise, in writing at, or immediately after, the point of sale; and
- (3) provide such information in writing and free of charge to *eligible complainants*:
 - (a) on request; and
 - (b) when acknowledging a *complaint*.

[Note: article 15 of the *UCITS Directive*]

[Deleted]

1.2.1A

1.2.2

FCA

R

Where the activity does not involve a sale, the obligation in ■ DISP 1.2.1 R (2)(b) shall apply at, or immediately after, the point when contact is first made with an *eligible complainant*.

Application of DISP 1 to type of respondent / complaint

FCA

1. The table below summarises the application of DISP 1. Where the table indicates that a particular section may apply, its application in relation to any particular activity or *complaint* is dependent on the detailed application provisions set out in DISP 1.
2. In some cases the application of DISP 1 to *firms* depends on whether responsibility for the matter is reserved under an *EU* instrument to an *incoming EEA firm's Home State regulator*. Reference should be made to the detailed application provisions set out in DISP 1.

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Complaints handling rules	DISP 1.4 - 1.8 Complaints resolution rules etc.	DISP 1.9 Complaints record rule	DISP 1.10 Complaints reporting rules	DISP 1.10A Complaints data publication rules
<i>firm</i> (other than a <i>UCITS management company</i> when providing <i>collective portfolio management services</i> in respect of a <i>UCITS scheme</i> or an <i>EEA UCITS scheme</i>) in relation to <i>complaints</i> concerning <i>non-MiFID business</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i> (DISP 1.3.4 G does not apply)	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>firm</i> in relation to <i>complaints</i> concerning <i>MiFID business</i>	Applies for <i>eligible complainants</i>	Applies for <i>retail clients</i> (DISP 1.3.3 R does not apply)	Applies for <i>eligible complainants</i>	Applies for <i>retail clients</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>UK UCITS management company</i> in relation to <i>complaints</i> concerning <i>collective portfolio management services</i> in respect of a <i>UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Applies for <i>eligible complainants</i>	Applies for <i>unitholders</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints resolution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
or an <i>EEA UCITS scheme</i> provided under the freedom to provide <i>cross border services</i>						
<i>branch of a UK UCITS management company in another EEA State in relation to complaints concerning collective portfolio management services in respect of an EEA UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Does not apply	Applies for <i>unitholders</i>	Does not apply	Does not apply
<i>branch of a UK firm (other than a UK UCITS management company when providing collective portfolio management services in respect of an EEA UCITS scheme) in another EEA State in relation to complaints concerning non-MiFID business</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>branch of a UK firm in another EEA State in relation to complaints concerning MiFID business</i>	Does not apply	Applies for <i>retail clients</i> (DISP 1.3.3 R does not apply)	Does not apply	Applies for <i>retail clients</i>	Does not apply	Does not apply
<i>incoming branch of an EEA firm (other than an EEA UCITS management company</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
when providing <i>collective portfolio management</i> services in re-spect of an <i>EEA UCITS scheme</i>) in relation to <i>complaints</i> concern-ing non- <i>Mi-FID business</i>						
<i>incoming branch</i> of an <i>EEA firm</i> in rela-tion to <i>com-plaints</i> concern-ing <i>MiFID busi-ness</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming branch</i> of an <i>EEA UCITS management company</i> in rela-tion to <i>com-plaints</i> concern-ing <i>collective portfolio man-agement</i> ser-vices in respect of a <i>UCITS scheme</i>	Applies for <i>unitholders</i>	Applies for <i>unitholders</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>unitholders</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming EEA UCITS manage-ment company</i> in relation to <i>complaints</i> concern-ing <i>collec-tive portfolio management</i> services in re-spect of a <i>UCITS scheme</i> provided under the freedom to provide <i>cross border services</i>	Does not apply	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Applies for <i>eligi-ble com-plainants</i>	Does not apply
<i>incoming EEA firm</i> providing cross-border	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
<i>services from outside the UK</i>						
<i>branch of an overseas firm (in relation to all complaints)</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>
<i>payment service provider in relation to complaints concerning payment services</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>EEA branch of a UK payment service provider in relation to complaints concerning payment services</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>incoming branch of an EEA authorised payment institution in relation to complaints concerning payment services</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>incoming EEA authorised payment institution providing cross border payment services from outside the UK</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
<i>electronic money issuer in relation to complaints concerning issuance of electronic money</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Applies for <i>eligible complainants</i>	Does not apply	Does not apply	Does not apply
<i>EEA branch of an authorised electronic money institution or an EEA branch of any other UK</i>	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
<i>electronic mon-ey issuer in rela-tion to com-plaints concern-ing issuance of electronic mon-ey</i>						
incoming branch of an EEA authorised electronic money institution in relation to complaints concerning issuance of electronic money	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i>	Does not apply	Does not apply	Does not apply
incoming EEA authorised electronic money institution providing cross border electronic money issuance services from outside the UK	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
licensee	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i> (DISP 1.3.4 G to DISP 1.3.5 G do not ap-ply)	Applies for <i>eligi-ble com-plainants</i> (DISP 1.6.8 G does not apply)	Does not apply	Does not apply	Does not apply
VJ participant	Applies for <i>eligi-ble com-plainants</i>	Applies for <i>eligi-ble com-plainants</i> (DISP 1.3.4 G to DISP 1.3.5 G do not ap-ply)	Applies for <i>eligi-ble com-plainants</i> (DISP 1.6.8 G does not apply)	Does not apply	Does not apply	Does not apply
complaints relat-ing to auction regulation bidding	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply
a full-scope UK AIFM, small au-thorised UK AIFM or an in-coming EEA	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply	Does not apply

Type of respondent/complaint	DISP 1.2 Consumer awareness rules	DISP 1.3 Com-plaints handling rules	DISP 1.4 - 1.8 Com-plaints res-olution rules etc.	DISP 1.9 Com-plaints record rule	DISP 1.10 Com-plaints re-ported rules	DISP 1.10A Com-plaints da-ta publica-tion rules
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AIFM, for com-plaints concern- ing AIFM man- agement func- tions carried on for a closed-end- ed corporate AIF

a depositary, for complaints con- cerning activi- ties carried on for an unautho- rised AIF (where the AIF is not a charity AIF) or a closed-ended corporate AIF.

an incoming EEA AIFM, for complaints con- cerning AIFM management functions carried on for an autho- rised AIF under the freedom to provide cross- border services

Does not apply

Does not apply

Does not apply

Does not apply

Does not apply

Does not apply

Applies for *eligi- ble com- plainants*

Applies for *eligi- ble com- plainants*

Applies for *eligi- ble com- plainants*

Applies for *eligi- ble com- plainants*

Applies for *eligi- ble com- plainants*

Does not apply



2.6 What is the territorial scope of the relevant jurisdiction?

Compulsory Jurisdiction

2.6.1
FCA

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- (1) The *Compulsory Jurisdiction* covers *complaints* about the activities of a *firm* (including its *appointed representatives*), of a *payment service provider* (including *agents* of a *payment institution*) or of an *electronic money issuer* (including *agents* of an *electronic money institution*) carried on from an establishment in the *United Kingdom*.
- (2) The *Compulsory Jurisdiction* also covers *complaints* about :
 - (a) *collective portfolio management* services provided by an *EEA UCITS management company* managing a *UCITS scheme*; and
 - (b) *AIFM management functions* provided by an *incoming EEA AIFM* managing an *authorised AIF*;

from an establishment in another *EEA State* under the freedom to provide *cross border services*.
- (3) [deleted]
- (4) [deleted]
- (5) [deleted]
- (6) [deleted]

2.6.2
FCA

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This:

- (1) includes *incoming EEA firms* , *incoming EEA authorised payment institutions*, *incoming EEA authorised electronic money institutions* and *incoming Treaty firms*; but
- (2) excludes *complaints* about business conducted in the *United Kingdom* on a services basis from an establishment outside the *United Kingdom* (other than *complaints* about *collective portfolio management* services provided by an *EEA UCITS management company* in managing a *UCITS scheme*, and *complaints* about *AIFM management functions* provided by an *incoming EEA AIFM* managing an *authorised AIF*).

Consumer Credit Jurisdiction

2.6.3 **R** The *Consumer Credit Jurisdiction* covers only *complaints* about the activities of a *licensee* carried on from an establishment in the *United Kingdom*.
FCA

2.6.3A [Deleted]

Voluntary Jurisdiction

2.6.4 **R** The *Voluntary Jurisdiction* covers only *complaints* about the activities of a *VJ participant* carried on from an establishment:
FCA

- (1) in the *United Kingdom*; or
- (2) elsewhere in the *EEA* if the following conditions are met:
 - (a) the activity is directed wholly or partly at the *United Kingdom* (or part of it);
 - (b) contracts governing the activity are (or, in the case of a potential customer, would have been) made under the law of England and Wales, Scotland or Northern Ireland; and
 - (c) the *VJ participant* has notified appropriate regulators in its *Home State* of its intention to participate in the *Voluntary Jurisdiction*.

Location of the complainant

2.6.5 **G** A *complaint* can be dealt with under the *Financial Ombudsman Service* whether or not the complainant lives or is based in the *United Kingdom*.
FCA

2.6.6 [Deleted]

2.6.7 [Deleted]

2.6.8 [Deleted]

2.6.8A [Deleted]

2.6.8B [Deleted]

2.6.8C [Deleted]

2.6.9 [Deleted]

2.6.9A [Deleted]

2.6.9B [Deleted]

2.6.9C [Deleted]

2.6.10 [Deleted]

2.6.10A [Deleted]

2.6.10B [Deleted]

2.6.11 [Deleted]

2.6.12 [Deleted]

2.6.13 [Deleted]

Dispute Resolution: Complaints

Schedule 4 Powers Exercised

Sch 4.1 G

[deleted]

Sch 4.2 G

[deleted]

Sch 4.3 G

[deleted]

Sch 4.4 G

[deleted]

Sch 4.5 G

[deleted]

[Note: certain rules in *FEES* are made exclusively by the *FOS Ltd*. A list of those rules is set out in

■ GEN Sch 4.12 G.]

Dispute Resolution: Complaints

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives or European Regulations, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives or Regulations.

Compensation

1.4 EEA Firms

- 1.4.1** FCA PRA G *Incoming EEA firms* which are conducting *regulated activities* in the *United Kingdom* under a *BCD*, *IMD* or *MiFID* passport are not required to participate in the *compensation scheme* in relation to those *passporting activities*. They may apply to obtain the cover of, or 'top-up' into, the *compensation scheme* if there is no cover provided by the *incoming EEA firm's Home State* compensation scheme or if the level or scope of the cover is less than that provided by the *compensation scheme*. This is covered by ■ COMP 14.
- 1.4.2** FCA PRA G If an *incoming EEA firm* "tops-up", and then becomes insolvent, the *Home State* compensation scheme will pay compensation for *claims* up to the limit and scope of the *Home State* compensation scheme, with the *FSCS* paying compensation for the additional amount in accordance with the provisions in this sourcebook.
- 1.4.3** FCA PRA G The *Deposit Guarantee Directive* and *Investor Compensation Directives* require the *FSCS* to make arrangements with the relevant *Home State* compensation scheme regarding the payment of compensation (COMP 14.3.1R).
- 1.4.4** FCA G *Incoming EEA firms* which are passporting into the *UK* under the *UCITS Directive* or *AIFMD* passport, to manage a *UCITS scheme* or *authorised AIF*, are required to participate in the *compensation scheme*.
- 1.4.5** FCA G *Incoming EEA firms* which are passporting into the *UK* under an *AIFMD* passport, to manage an *unauthorised AIF* or to provide the services in article 6(4) of *AIFMD*, are not required to participate in the *compensation scheme* for those activities, but may choose to 'top-up' into the *compensation scheme* if they carry on those activities from a *branch* in the *UK* and there is no cover provided by the *incoming EEA firm's Home State* compensation scheme, or if the level or scope of the cover is less than provided by the *compensation scheme*.

1.5 Application to Lloyd's

1.5.1

PRA

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The PRA has exercised its power under section 316 of the *Act* (Direction by Authority) to direct in ■ COMP 1.5.4 G - ■ COMP 1.5.6 G that certain *core provisions* in the *Act* should apply to *members* of the *Society* of Lloyd's (an "*insurance market direction*"). The effect of the direction is that the PRA may, in relation to *members*, and in respect of *insurance market activities* carried on by them, exercise any of the statutory powers conferred by the provisions which are applied by the direction. Those include the powers in Part 9A to make general *rules* and give *guidance* and also the powers in Part XV to make *rules* for the establishment and operation of a compensation scheme. Accordingly this sourcebook makes provision for the payment of compensation by the FSCS in certain cases arising from *insurance business* carried on by *members*, and for raising levies on the *Society*.

1.5.2

PRA

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Notwithstanding anything to the contrary in this sourcebook, in relation to the *Society*, *members* and *Lloyd's policies* FSCS must act, so far as is reasonably practicable, to ensure that:

- (1) *Eligible claimants* have protection under this sourcebook in relation to *Lloyd's policies* equivalent to that otherwise afforded to *eligible claimants* by the FSCS;
- (2) FSCS does not meet *claims* in relation to *Lloyd's policies* unless the *Central Fund* is unlikely to be able to meet them;
- (3) *Claims* against *members* under the *compensation scheme* which arise from the same loss under the same *Lloyd's policy* must be treated as a single *claim*;
- (4) any recovery resulting from the exercise of any rights assigned to the FSCS in connection with the payment of compensation to an *eligible claimant*, is treated by the FSCS in accordance with ■ COMP 7.2.4 R, and any such recovery which is not paid to the claimant in accordance with that rule, is used for the benefit of FSCS in priority to any interest that the *Society* may have.

1.5.3

PRA

G

The effect of ■ COMP 1.5.2 R(4) and ■ COMP 7.2.4A R, and subject to ■ COMP 7.2.4 R(2), is that any recovery obtained by FSCS is retained by FSCS up to an amount equal to the cost to FSCS of paying compensation. To the extent that the *Society* is entitled to

- (17) Where the *claim* is in relation to a *protected contract of insurance* or *protected non-investment insurance mediation, body corporate, partnerships, mutual associations* and *unincorporated associations* which are not *small businesses*.
- (18) *Alternative investment funds*, and anyone who is the *AIFM* or *depository of an alternative investment fund*.

4.2.3

FCA PRA

R

A *person* who is a *small business* is an *eligible claimant* in respect of a *relevant general insurance contract* entered into before *commencement* only if the *person* is a *partnership*.

4

4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

Deposits (and balances in dormant accounts)

4.3.1

PRA

R

A *person* is eligible to claim compensation in respect of a *protected deposit* or a *protected dormant account* if, at the date on which the *relevant person* is determined to be *in default*:

- (1) he came within category (14) of COMP 4.2.2R; or
- (2) he came within any of categories (1)-(3), (7) or (12) of COMP 4.2.2R, and was not a *large company*, *large mutual association*, or a *credit institution*; or
- (3) he was a *credit union*.

Long term insurance

4.3.2

FCA PRA

R

A *person* other than one which comes within any of categories (7), (9), (12) or (15) of COMP 4.2.2R is eligible to claim compensation in respect of a *long term insurance* contract.

Relevant general insurance contracts

4.3.3

FCA PRA

R

- (1) A *person* falling within categories (1)-(4) of COMP 4.2.2 R is eligible to claim compensation in respect of a *relevant general insurance contract* if, at the date the contract commenced he was a *small business*.
- (2) Where the contract has been renewed, the last renewal date shall be taken as the commencement date.

4.3.4

FCA PRA

R

A *partnership* which falls within category 14, or category 17, or both of COMP 4.2.2R is eligible to claim compensation in respect of a *relevant general insurance contract* entered into before *commencement*.

-
- (3) the unexpired portion of any *premium* in relation to *relevant general insurance contracts* which are not *reinsurance contracts*;
or
 - (4) *claims* by *persons* entitled to the benefit of a judgement under section 151 of the Road Traffic Act 1988 or Article 98 of the Road Traffic (Northern Ireland) Order 1981.

5.5 Protected investment business

5.5.1

FCA

R *Protected investment business is:*

- (1) *designated investment business* carried on by the *relevant person* with , or for the benefit of, the claimant (so long as that claimant has a *claim*), or as agent on the claimant's behalf;
- (2) the activities of the manager or *trustee* of an *AUT*, provided that the *claim* is made by a *holder*;
- (3) the activities of the *ACD* or *depository* of an *ICVC*, provided that the *claim* is made by a *holder*;
- (4) the activities of the *authorised contractual scheme manager* or *depository* of an *ACS*, provided that the *claim* is made by a *holder*;

provided that the territorial scope condition in ■ COMP 5.5.2 R is satisfied and, for a *firm* acting as the manager or *depository* of a *fund*, one of the conditions in ■ COMP 5.5.3 R is satisfied.

Territorial scope condition

5.5.2

FCA

R The territorial scope condition is that the *protected investment business* was carried on from:

- (1) an establishment of the *relevant person* in the *United Kingdom*;
or
- (2) a of a which is:
 - (a) a *MiFID investment firm* established in another *EEA State*;
or
 - (b) a *UCITS management company* established in another *EEA State* (but only in relation to *managing investments* (other than *advising on investments* or *safeguarding and administering investments*);

and the *claim* is an *ICD claim*; or

- (3) both (1) and (2); or
- (4) (a) a *UK branch* of an *EEA UCITS management company*; or
 - (b) an establishment of such an *EEA UCITS management company* in its *Home State* from which *cross border services* are being carried on;

and in either case the *management company* is providing *collective portfolio management* services for a *UCITS scheme* but only if the *claim* relates to that activity; or
- (5) an establishment of an *incoming EEA AIFM* in another *EEA State* if the claim relates to providing *AIFM management functions* on a *cross-border services* basis for an *authorised AIF*.

Managers and depositaries of funds

5.5.3

FCA

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The conditions referred to in ■ COMP 5.5.1 R for a manager or *depositary* of a *fund* are:

- (1) for the activities of *managing an AIF* or *establishing, operating or winding up a collective investment scheme*, the *claim* is in respect of an investment in:
 - (a) an *authorised fund*; or
 - (b) any other *fund* which has its registered office or head office in the *UK* or is otherwise domiciled in the *UK* and is not a *closed-ended corporate AIF*;
- (2) where a *firm* is acting as *depositary* of an *AIF* and in so doing is carrying on the activity of *acting as trustee or depositary of an AIF* or *safeguarding and administering assets*, the *claim* is in respect of their activities for:
 - (a) an *authorised AIF*; or
 - (b) a *charity AIF* which is not a *closed-ended corporate AIF*;

 5.6 Protected home finance mediation

5.6.1

FCA

R

Protected *home finance mediation* is:

- (1) *advising on a home finance transaction; or*
- (2) *arranging (bringing about) a home finance transaction; or*
- (3) *making arrangements with a view to a home finance transaction; or*
- (4) *agreeing to carry on a regulated activity in (1) to (3); or*
- (5) *the activities of a home finance provider which would be arranging but for article 28A of the Regulated Activities Order (Arranging contracts or plans to which the arranger is a party);*

provided that the condition in ■ COMP 5.6.2 R is satisfied.

5.6.2

FCA

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■ COMP 5.6.1 R applies only if the *protected home finance mediation* was carried on by a *relevant person*:

- (1) *with a customer who was a resident in the United Kingdom; or*
- (2) *from an establishment maintained by the relevant person (or its appointed representative) in the United Kingdom with a customer who was resident elsewhere in the EEA;*

at the time the *protected home finance mediation* was carried on.

6.2 Who is a relevant person?

6.2.1

FCA PRA

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A *relevant person* is a *person* who was, at the time the act or omission giving rise to the *claim* against it took place:

- (1) a *participant firm*; or
- (2) an *appointed representative of a participant firm*.

6.2.2

FCA PRA

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- (1) An *incoming EEA firm*, which is a *credit institution*, an *IMD insurance intermediary* or a *MiFID investment firm*, and its *appointed representatives* are not *relevant persons* in relation to the *firms's passported activities*, unless it has *top-up cover*. (See definition of "*participant firm*").
- (2) An *EEA UCITS management company* providing *collective portfolio management services* for a *UCITS scheme* from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*, is a *relevant person* to the extent that it carries on those services.
- (3) An *EEA UCITS management company* carrying on the activities of *managing investments* (other than *collective portfolio management*), *advising on investments* or *safeguarding and administering investments*, is not a *relevant person* in relation to those activities, unless it has *top-up cover*.
- (4) An *incoming EEA AIFM* managing an *authorised AIF* from a *branch* in the *UK* or under the freedom to provide *cross-border services*, is a *relevant person* in respect of that activity.
- (5) An *incoming EEA AIFM* managing an *unauthorised AIF* is not a *relevant person* in respect of that activity unless it has *top-up cover*.
- (6) An *incoming EEA AIFM* providing the services in article 6(4) of *AIFMD* is not a *relevant person* in relation to those activities, unless it has *top-up cover*.

6.3 When is a relevant person in default?

6.3.1

FCA PRA

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A *relevant person* is *in default* if:

- (1) (except in relation to an *ICD claim* or *DGD claim*) the *FSCS* has determined it to be *in default* under ■ COMP 6.3.2 R, ■ COMP 6.3.3 R, ■ COMP 6.3.4 R or ■ COMP 6.3.5 R; or
 - (2) (in relation to an *ICD claim* or *DGD claim*):
 - (a) the *appropriate regulator* has determined it to be *in default* under ■ COMP 6.3.2 R; or
 - (b) a judicial authority has made a ruling that had the effect of suspending the ability of *eligible claimants* to bring *claims* against the *participant firm*, if that is earlier than (a); and
- if a *relevant person* is *in default* in relation to an *ICD claim* or a *DGD claim* it shall be deemed to be *in default* in relation to any other type of *protected claim*.

6.3.1A

PRA

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The *PRA* will make the determination in ■ COMP 6.3.1 R (2)(a) in relation to a *DGD claim* as soon as possible and in any event no later than five *working days* after being satisfied that either of the conditions in ■ COMP 6.3.2 R has been met.

[Note: article 1(3)(i) of the *Deposit Guarantee Directive*]

6.3.2

FCA PRA

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Subject to ■ COMP 3.3.3 R to ■ COMP 3.3.6 R and ■ COMP 6.3.6 R, the *FSCS* (or, where ■ COMP 6.3.1 R(2)(a) applies, the *appropriate regulator*) may determine a *relevant person* to be *in default* when it is, in the opinion of the *FSCS* or the *appropriate regulator*:

- (1) unable to satisfy *protected claims* against it; or
- (2) likely to be unable to satisfy *protected claims* against it.

6.3.3

FCA PRA

R

Subject to ■ COMP 6.3.6 R the *FSCS* may determine a *relevant person* to be *in default* if it is satisfied that a *protected claim* exists (other than an *ICD claim* or *DGD claim*), and the *relevant person* is the subject of one

Chapter 14

Participation by EEA Firms

14.1 Application and Purpose

Application

14.1.1

R

This chapter applies to the *FSCS*.

FCA PRA

14.1.2

R

This chapter also applies to an *incoming EEA firm* which is a *credit institution*, or an *MiFID investment firm* (or both), an *IMD insurance intermediary*, a *UCITS management company* or an *AIFM*.

FCA PRA

Purpose

14.1.3

G

This chapter provides supplementary *rules and guidance* for an *incoming EEA firm* which is a *credit institution*, an *IMD insurance intermediary*, an *MiFID investment firm*, *UCITS management company* or an *AIFM*. It reflects in part the implementation of the *Deposit Guarantee Directive*, *Investors Compensation Directive*, and *UCITS Directive*. This sourcebook applies in the usual way to an *incoming EEA firm* which is exercising *EEA rights* under the *Insurance Directives*. Such a *firm* is not affected by the *Deposit Guarantee Directive*, the *Investors Compensation Directive* or the *UCITS Directive*.

FCA PRA

14.1.4

G

- (1) An *incoming EEA firm*, which is a *credit institution*, an *IMD insurance intermediary* or an *MiFID investment firm* is not a *participant firm* in relation to its *passport activities* unless it "tops-up" into the *compensation scheme*. This reflects section 213(10) of the *Act* (The *compensation scheme*) and regulation 2 of the *Electing Participants Regulations* (Persons not to be regarded as relevant persons). If an *incoming EEA firm* also carries on *non-passported activities* for which the *compensation scheme* provides cover, it will be a *participant firm* in relation to those activities and will be covered by the *compensation scheme* for those activities in the usual way.
- (2) Whether an *incoming EEA firm* which is an *EEA UCITS management company* is a *participant firm* in relation to its *passport activities* depends on the nature of its activities. In so far as it carries on the activities of *managing investments* (other than *collective portfolio management*), *advising on investments* or *safeguarding and administering investments*, it is not a *participant firm* unless it "tops-up" into the *compensation scheme*. To the extent that such a *firm* provides *collective portfolio management services* for a *UCITS scheme* from a *branch* in the *United Kingdom* or under the freedom to provide *cross border services*, it is a *participant firm* in respect of those services.

FCA PRA

14.1.4A

FCA

R

For an *incoming EEA firm* which is an *AIFM*, the question of whether it is a *participant firm* for its *passport activities* depends on the type of activities it carries on under that passport. If it manages an *authorised AIF* from a *branch* in the *UK* or under the freedom to provide *cross-border services*, it is a *participant firm* for that activity. If it manages an *unauthorised AIF*, or provides the services in article 6(4) of *AIFMD* from a *branch* in the *UK* or on a *cross-border services* basis, it is not a *participant firm* for that activity; however, it may choose to obtain *top-up cover* for those activities if carried on from a *branch* in the *UK*.

14.1.5

FCA PRA

G

In relation to an *incoming EEA firm's passport activities*, its *Home State* compensation scheme must provide compensation cover in respect of business within the scope of the *Deposit Guarantee Directive*, *Investors Compensation Directive*, article 6(3) of the *UCITS Directive* and article 6(4) of *AIFMD*, whether that business is carried on from a *UK branch* or on a *cross border services* basis. *Insurance mediation activity* relating to *non-investment insurance contracts* is not within the scope of the *Deposit Guarantee Directive* and the *Investor Compensation Directive*.

14.1.6

FCA PRA

G

If there is no cover provided by the *incoming EEA firm's Home State* or the scope and/or level of cover is less than that provided by the *compensation scheme*, this chapter enables the *firm* to obtain cover or 'top-up' cover from the *compensation scheme* for its *passport activities* carried on from a *UK branch*, up to the *compensation scheme's* limits (set out in ■ COMP 10). This reflects section 214(5) of the *Act (General)* and regulation 3 of the *Electing Participants Regulations (Persons who may elect to participate)*. If the *firm* 'tops up' and then becomes insolvent, the *Home State* compensation scheme will pay compensation up to the limit and scope of the *Home State* compensation scheme, with the *FSCS* paying compensation for the additional amount in accordance with the provisions in this sourcebook (■ COMP 12.4.1 R and ■ COMP 12.4.4 R).

14.2 Obtaining top-up cover

14.2.1

FCA PRA

R

An *incoming EEA firm* may, by notice in writing to the FSCS, elect to receive *top-up cover* from the *compensation scheme* if it falls within one of the categories prescribed in regulation 3 of the *Electing Participants Regulations* (Persons who may elect to participate).

14.2.2

FCA PRA

R

An election under ■ COMP 14.2.1 R takes effect on the date when the FSCS notifies the *incoming EEA firm* that its election has been accepted.

14.2.3

FCA PRA

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A notice under ■ COMP 14.2.1 R should include details confirming that the *incoming EEA firm* falls within a prescribed category. In summary:

- (1) the *firm* must be:
 - (a) a *credit institution*; or
 - (b) an *IMD insurance intermediary*; or
 - (c) a *MiFID investment firm*; or
 - (d) a *UCITS management company* that carries on the activities of *managing investments* (other than *collective portfolio management*), *advising on investments* or *safeguarding and administering investments*;
 - (e) an *AIFM* that carries on *AIFM management functions* for an *unauthorised AIF*; or
 - (f) an *AIFM* that provides the services in article 6(4) of *AIFMD*;
- (2) the *firm* must have established a *branch* in the *United Kingdom* in the exercise of an *EEA right*; and
- (3) the scope and/or level of cover provided by the *firm's Home State* compensation scheme must be less than that provided by the *compensation scheme*.

14.2.4

FCA PRA

R

When the FSCS accepts an application, it must allocate the *incoming EEA firm* to the *contribution group* (or groups) which seems to the FSCS to be most appropriate, taking into account the nature of the business for which the *incoming EEA firm* is seeking cover from the *compensation scheme*.

Compensation

Schedule 6 Rules that can be waived

Sch 6.1 G

[deleted]

Sch 6.1A G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Sch 6.1B G

PRA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *PRA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *PRA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Collective Investment Schemes

- 3** A provision that a *unitholder* in an *AUT, ICVC* or *co-ownership scheme* is not liable to make any further payment after he has paid the *price* of his *units* and that no further liability can be imposed on him in respect of the *units* which he holds.
- 3A** A provision that a *unitholder* in a *limited partnership scheme* is not liable for the debts or obligations of the *limited partnership scheme* beyond the amount of the *scheme property* which is available to the *authorised contractual scheme manager* to meet such debts or obligations, provided that the *unitholder* does not take part in the management of the partnership business.
- 3B** A provision that the exercise of rights conferred on *limited partners* by *FCA rules* does not constitute taking part in the management of the partnership business.
- Base currency**
- 4** A statement of the *base currency* of the *scheme*.
- Valuation and pricing**
- 5** A statement setting out the basis for the valuation and pricing of the *scheme*.
- Duration of the scheme**
- 6** If the *scheme* is to be wound up after a particular period expires, a statement to that effect.
- Object of the scheme**
- 7** A statement:
- (1) as to the object of the *scheme*, in particular the types of *investments* and assets in which it and each *sub-fund* (where applicable) may invest; and
 - (2) that the object of the *scheme* is to invest in property of that kind with the aim of spreading investment risk and giving *unitholders* the benefits of the results of the management of that property.
- 7A** Where the *authorised fund* is a *qualifying money market fund*, a statement to that effect and a statement that the *authorised fund's* investment objectives and policies will meet the conditions specified in the definition of *qualifying money market fund*.
- [deleted]
- Government and public securities: investment in one issuer**
- 8** Where relevant, for a *UCITS scheme*, a statement in accordance with **COLL 5.2.12 R** (Spread: government and public securities) as to the individual states or bodies in which over 35% of the value of the *scheme* may be invested in *government and public securities*.
- Classes of unit**
- 9** A statement:

- (1) specifying the *classes of unit* that may be issued, and for a *scheme* which is an *umbrella*, the *classes* that may be issued in respect of each *sub-fund*; and
- (2) if the rights of any *class of unit* differ, a statement describing those differences in relation to the differing *classes*.

Authorised fund manager's charges and expenses

- 10 A statement setting out the basis on which the *authorised fund manager* may make a charge and recover expenses out of the *scheme property*.

Issue or cancellation directly through the ICVC or depositary of an AUT or ACS

- 11 Where relevant, a statement authorising the *issue or cancellation of units* to take place through the *ICVC* or *depositary* of an *AUT* or *ACS* directly.

In specie issue and cancellation

- 12 Where relevant, a statement authorising payment for the *issue or cancellation of units* to be made by the transfer of assets other than cash.

Restrictions on sale and redemption

- 13 Where relevant, the restrictions which will apply in relation to the *sale and redemption of units* under COLL 6.2.16 R (Sale and redemption).

Voting at meetings

- 14 The manner in which votes may be given at a meeting of *unitholders* under COLL 4.4.8 R (Voting rights).

Certificates

- 15 A statement:
- (1) for *ICVCs* and *AUTs*, authorising the issue of *bearer certificates* if any, and how such *holders* are to identify themselves; and
 - (2) authorising the *person* responsible for the *register* to charge for issuing any document recording, or for amending, an entry on the *register*, other than on the *issue or sale of units*.

Income

- 16 A statement setting out the basis for the distribution or re-investment of income.

Income equalisation

- 17 Where relevant, a provision for *income equalisation*.

Redemption or cancellation of units on breach of law or rules

- 18 A statement that where any holding of *units* by a *unitholder* is (or is reasonably considered by the *authorised fund manager* to be)

an infringement of any law, governmental regulation or rule, those *units* must be redeemed or cancelled.

ICVCs: larger and smaller denomination shares

- 19 A statement of the proportion of a *larger denomination share* represented by a *smaller denomination share* for any relevant *unit class*.

ICVCs: resolution to remove a director

- 20 A statement that the *ICVC* may (without prejudice to the requirements of regulation 21 of the *OEIC Regulations* (The Authority's approval for certain changes in respect of a company), by a resolution passed by a simple majority of the votes validly cast for and against the resolution at a general meeting of *unitholders*, remove a *director* before his period of office expires, despite anything else in the *ICVC's instrument of incorporation* or in any agreement between the *ICVC* and that *director*.

ICVCs: unit transfers

- 21 A statement that the *person* designated for the purposes of paragraph 4 of Schedule 4 to the *OEIC Regulations* (Share transfers) is the *person* who, for the time being, is the *ACD* of the *ICVC*.

ICVCs and ACSs: Charges and expenses

- 22 A statement that charges or expenses of the *ICVC* or *ACS* may be taken out of the *scheme property*.

ICVCs: Umbrella schemes - principle of limited recourse

- 22A For an *ICVC* which is an *umbrella*, a statement that the assets of a *sub-fund* belong exclusively to that *sub-fund* and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other *person* or body, including the *umbrella*, or any other *sub-fund*, and shall not be available for any such purpose.

Co-ownership schemes: umbrella schemes - principle of limited recourse

- 22B For a *co-ownership scheme* which is an *umbrella*, a statement that the property subject to a *sub-fund* is beneficially owned by the *participants* in that *sub-fund* as tenants in common (or, in Scotland, is the common property of the *participants* in that *sub-fund*) and must not be used to discharge any liabilities of, or meet any claims against, any *person* other than the *participants* in that *sub-fund*.

AUTs: governing law for a trust deed

- 23 A statement that the *trust deed* is made under and governed by the law of England and Wales, Wales or Scotland or Northern Ireland.

AUTs: trust deed to be binding and authoritative

- 24 A statement that the *trust deed*:
- (1) is binding on each *unitholder* as if it had been a party to it and that it is bound by its provisions; and

- (2) authorises and requires the *trustee* and the *manager* to do the things required or permitted of them by its terms.

AUTs: declaration of trust

- 25 A declaration that, subject to the provisions of the *trust deed* and all *rules* made under section 247 of the *Act* (Trust scheme rules) and for the time being in force:

- (1) the *scheme property* (other than sums standing to the credit of the *distribution account*) is held by the *trustee* on trust for the *unitholders* according to the number of *units* held by each *unitholder* or, where relevant, according to the number of undivided shares in the *scheme property* represented by the *units* held by each *unitholder*; and
- (2) the sums standing to the credit of the *distribution account* are held by the *trustee* on trust to distribute or apply them in accordance with COLL 6.8 (Income: accounting, allocation and distribution).

AUTs: trustee's remuneration

- 26 Where relevant, a statement authorising payments to the *trustee* by way of *remuneration* for its services to be paid (in whole or in part) out of the *scheme property*.

AUTs: responsibility for the register

- 27 A statement identifying the *person* responsible under the *rules* for the maintenance of the *register*.

ACSS: governing law for a contractual scheme deed

- 27A A statement that the *contractual scheme deed* is made under and governed by the law of England and Wales, or Scotland or Northern Ireland.

ACSS: contractual scheme deed to be binding and authoritative

- 27B A statement that the *contractual scheme deed*:
- (1) is binding on each *unitholder* as if it had been a party to it and that it is bound by its provisions; and
- (2) authorises and requires the *depository* and the *authorised contractual manager* to do the things required or permitted of them by its terms.

ACSS: ownership of scheme property

- 27C A statement that, subject to the provisions of the *contractual scheme deed* and all *rules* made under section 261I of the *Act* (Contractual scheme rules) and for the time being in force:

- (1) the *scheme property* (other than sums standing to the credit of the *distribution account*) is held by, or to the order of, the *depository* for and on behalf of the *unitholders* according to the number of *units* held by each *unitholder* or, where rele-

vant, according to the number of undivided shares in the *scheme property* represented by the *units* held by each *unitholder*;

- (2) the sums standing to the credit of the *distribution account* are held by the *depository* to distribute or apply them in accordance with COLL 6.8 (Income: accounting, allocation and distribution); and
- (3) the *scheme property* of a *co-ownership scheme* is beneficially owned by the *participants* as tenants in common (or, in Scotland, is the common property of the *participants*).

ACSs: responsibility for the register

27D A statement identifying the *person* responsible under the *rules* for the maintenance of the *register*.

ACSs: UCITS and NURS eligible investors

27E For an *ACS* which is a *UCITS scheme* or a *non-UCITS retail scheme*, a statement that *units* may not be *issued* to a *person* other than a:

- (1) *professional ACS investor*;
- (2) *large ACS investor*; or
- (3) *person* who already holds *units* in the *scheme*.

27F A statement that the *authorised contractual scheme manager* must *redeem units* as soon as practicable after becoming aware that those *units* are vested in anyone (whether as a result of subscription or transfer of *units*) other than a *person* meeting the criteria in paragraph 27E.

ACSs: UCITS and NURS transfer of units

27G (1) A statement whether the transfer of *units* in the *ACS scheme* is either:

- (a) prohibited; or
- (b) allowed

(2) Where transfer of *units* is allowed in accordance with (1)(b), a statement that *units* may only be transferred in accordance with the conditions specified by *FCA rules*, including that *units* may not be transferred to a *person* other than a:

- (a) *professional ACS investor*;
- (b) *large ACS investor*; or
- (c) *person* who already holds *units* in the *scheme*.

(3) For a *co-ownership scheme* which is an *umbrella*, a statement in accordance with (1)(a) or (1)(b) and, where appropriate, a statement in accordance with (2), must also be made for the *sub-funds*. Where individual *sub-funds* have differing policies

in relation to transfer of *units*, separate statements are required.

Co-ownership schemes: constitution

27H For a *co-ownership scheme*, a statement that the arrangements constituting the *scheme* are intended to constitute a *co-ownership scheme* as defined in section 235A(2) of the *Act*.

Co-ownership schemes: operator's powers

27I A statement that the *operator* of a *co-ownership scheme* is authorised to:

- (1) acquire, manage and dispose of the *scheme property*; and
- (2) enter into contracts which are binding on *unitholders* for the purposes of, or in connection with, the acquisition, management or disposal of *scheme property*.

Co-ownership schemes: winding-up

27J A statement that the *operator* and *depository* of a *co-ownership scheme* are required to wind up the *scheme* if directed to do so by the *FCA* in exercise of its power under section 261X (Directions) or section 261Z (Winding up or merger of master UCITS) of the *Act*.

Limited partnership schemes: participants

27K A statement that the *limited partners*, other than the *nominated partner*, are to be the *participants* in the *scheme*.

Limited partnership schemes: resignation of limited partners

27L A statement that the *scheme* is not dissolved on any *person* ceasing to be a *limited partner* or *nominated partner* provided that there remains at least one *limited partner*.

Limited partnership schemes: inability to operate as an umbrella

27M A statement that the *limited partnership scheme* prohibits pooling as is mentioned in section 235(3)(a) of the *Act* in relation to separate parts of the *scheme property*, with the effect that the *scheme* cannot be an *umbrella*.

Investment in overseas property through an intermediate holding vehicle

28 If investment in an overseas immovable is to be made through an *intermediate holding vehicle* or a series of *intermediate holding vehicles*, a statement that the purpose of that *intermediate holding vehicle* or series of *intermediate holding vehicles* will be to enable the holding of overseas immovables by the *scheme*.

Umbrella scheme with only one sub-fund

(1) [deleted]

3.2.7

R

(2) [deleted]

(3) [deleted]

UCITS obligations

3.2.8

FCA

R

(1) The instrument constituting a *UCITS scheme* may not be amended in such a way that it ceases to be a *UCITS scheme*.

(2) [deleted]

(3) [deleted]

3

3.3 Units

Application

3.3.1
FCA

R

This section applies to an *authorised fund manager*, an *ICVC* and the *depository* of an *AUT* or *ACS*.

Classes of units

3.3.2
FCA

G

- (1) The *instrument constituting the scheme* may provide for different *classes of unit* to be issued in an *authorised fund* and, for a *scheme* which is an *umbrella*, provide that *classes of units* may be issued for each *sub-fund*.
- (2) In order to be satisfied that ■ COLL 3.2.2 R (Relationship between the instrument constituting the scheme and the rules) is complied with, the *FCA* will take into account the principles in (a) to (c) when considering proposals for *unit classes*:
 - (a) a *unit class* should not provide any advantage for that *class* if that would result in prejudice to *unitholders* of any other *class*;
 - (b) the nature, operation and effect of the new *unit class* should be capable of being explained clearly to prospective investors in the *prospectus*; and
 - (c) the effect of the new *unit class* should not appear to be contrary to the purpose of any part of this sourcebook.

Currency class units

3.3.3
FCA

G

A *currency class unit* differs from other *units* mainly in that its *price*, having been calculated initially in the *base currency*, will be quoted, and normally paid for, in the currency of the designation of the *class*. Income distributions will also be paid in the currency of designation of the *class*.

Currency class units: requirements

3.3.4
FCA

R

For a *currency class unit*:

- (1) the currency of the *class* concerned must not be the *base currency* (or, in the case of a *sub-fund* which, in accordance with a statement in the *prospectus*, is to be valued in some other currency, the currency of the *class* may be in the *base currency*, but must not be in that other currency);

- (f) for an *ICVC*, the maximum and minimum sizes of its capital;
- (g) the circumstances in which it may be wound up under the *rules* and a summary of the procedure for, and the rights of *unitholders* under, such a winding up; and
- (h) if it is not an *umbrella*, a statement that it is a *feeder UCITS*, a *feeder NURS*, a *fund of alternative investment funds* or a *property authorised investment fund*, where that is the case.

Umbrella ICVCs or co-ownership schemes

2A The following statements for an *ICVC* or a *co-ownership scheme* which is an *umbrella*:

- (a) for an *ICVC*, a statement that its *sub-funds* are segregated portfolios of assets and, accordingly, the assets of a *sub-fund* belong exclusively to that *sub-fund* and shall not be used to discharge directly or indirectly the liabilities of, or claims against, any other *person* or body, including the *umbrella*, or any other *sub-fund*, and shall not be available for any such purpose;
- (aa) for a *co-ownership scheme*, a statement that the property subject to a *sub-fund* is beneficially owned by the *participants* in that *sub-fund* as tenants in common (or, in Scotland, is the common property of the *participants* in that *sub-fund*) and must not be used to discharge any liabilities of, or meet any claims against, any *person* other than the *participants* in that *sub-fund*; and
- (b) for an *ICVC* or a *co-ownership scheme*, a statement that while the provisions of the *OEIC Regulations*, and section 261P (Segregated liability in relation to umbrella co-ownership schemes) of the *Act* in the case of *co-ownership schemes*, provide for segregated liability between *sub-funds*, the concept of segregated liability is relatively new. Accordingly, where claims are brought by local creditors in foreign courts or under *foreign law contracts*, it is not yet known how those foreign courts will react to regulations 11A and 11B of the *OEIC Regulations* or, as the case may be, section 261P of the *Act*.

Umbrella Schemes

2B For a *UCITS scheme* or *non-UCITS retail scheme* which is an *umbrella*, a statement detailing whether each specific *sub-fund* is a *feeder UCITS*, a *feeder NURS*, a *fund of alternative investment funds* or a *property authorised investment fund*, as appropriate.

Investment objectives and policy

3 The following particulars of the investment objectives and policy of the *authorised fund*:

- (a) the investment objectives, including its financial objectives;

- (b) the *authorised fund's* investment policy for achieving those investment objectives, including the general nature of the portfolio and, if appropriate, any intended specialisation;
- (c) an indication of any limitations on that investment policy;
- (ca) for an *authorised fund* that has indicated in its name, investment objectives or fund literature (including in any *financial promotions* for the fund), through use of descriptions such as 'absolute return', 'total return' or similar, an intention to deliver positive returns in all market conditions (and where there is no actual guarantee of such returns), additional statements in the *authorised fund's* investment objectives specifying:
 - (i) that capital is in fact at risk;
 - (ii) the investment period over which the *authorised fund* aims to achieve a positive return; and
 - (iii) there is no guarantee that this will be achieved over that specific, or any, time period;
- (d) the description of assets which the *capital property* may consist of;
- (e) the proportion of the *capital property* which may consist of an asset of any description;
- (f) the description of transactions which may be effected on behalf of the *authorised fund* and an indication of any techniques and instruments or borrowing powers which may be used in the management of the *authorised fund*;
- (g) a list of the *eligible* markets through which the *authorised fund* may invest or *deal* in accordance with [COLL 5.2.10 R \(2\)\(b\)](#) (Eligible markets: requirements);
- (h) for an ICVC, a statement as to whether it is intended that the *scheme* will have an interest in any immovable property or movable property ((in accordance with [COLL 5.6.4 R \(2\)](#) (Investment powers: general) or [COLL 5.2.8 R \(2\)](#) (UCITS schemes: general)) for the direct pursuit of the *ICVC's* business;
- (i) where [COLL 5.2.12 R \(3\)](#) (Spread: government and public securities) applies, a prominent statement as to the fact that more than 35% of the *scheme property* is or may be invested in *government and public securities* and the names of the individual states, local authorities or public international bodies in whose *securities* the *authorised fund* may invest more than 35% of the *scheme property*;
- (j) the policy in relation to the exercise of borrowing powers by the *authorised fund*;

- (k) for an *authorised fund* which may invest in other *schemes*, the extent to which the *scheme property* may be invested in the *units* of *schemes* which are managed by the *authorised fund manager* or by its *associate*;
- (ka) where a *scheme* is a *feeder scheme* (other than a *feeder UCITS* or a *feeder NURS*), which (in respect of investment in *units* in *collective investment schemes*) is *dedicated* to *units* in a single *collective investment scheme*, details of the *master scheme* and the minimum (and, if relevant, maximum) investment that the *feeder scheme* may make in it;
- (l) where a *scheme* invests principally in *scheme units*, *deposits* or *derivatives*, or replicates an index in accordance with COLL 5.2.31 R or COLL 5.6.23 R (Schemes replicating an index), a prominent statement regarding this investment policy;
- (m) where *derivatives* transactions may be used in a *scheme*, a prominent statement as to whether these transactions are for the purposes of *efficient portfolio management* (including hedging) or meeting the investment objectives or both and the possible outcome of the use of *derivatives* on the risk profile of the *scheme*;
- (n) information concerning the profile of the typical investor for whom the *scheme* is designed;
- (o) information concerning the historical performance of the *scheme* presented in accordance with COBS 4.6.2 R (the rules on past performance);
- (p) for a *non-UCITS retail scheme* which invests in immovables, a statement of the countries or territories of situation of land or buildings in which the *authorised fund* may invest;
- (q) for a *UCITS scheme* which invests a substantial portion of its assets in other *schemes*, a statement of the maximum level of management fees that may be charged to that *UCITS scheme* and to the *schemes* in which it invests;
- (qa) where the *authorised fund* is a *qualifying money market fund*, *short-term money market fund* or *money market fund*, a statement identifying it as such a fund and a statement that the *authorised fund's* investment objectives and policies will meet the conditions specified in the definition of *qualifying money market fund*, *short-term money market fund* or *money market fund*, as appropriate;
- (r) where the net asset value of a *UCITS scheme* is likely to have high volatility owing to its portfolio composition or the portfolio management techniques that may be used, a prominent statement to that effect;
- (s) for a *UCITS scheme*, a statement that any *unitholder* may obtain on request the types of information (which must be

listed) referred to in **COLL 4.2.3R (3) (Availability of prospectus and long report)**; and

- (t) for a *UCITS scheme* that is or is intended to be a *master UCITS*, a statement that it is not a *feeder UCITS* and will not hold *units* of a *feeder UCITS*.

Reporting, distributions and accounting dates

4 Relevant details of the reporting, accounting and distribution information which includes:

- (a) the accounting and distribution dates;
- (b) procedures for:
 - (i) determining and applying income (including how any distributable income is paid);
 - (ii) unclaimed distributions; and
 - (iii) if relevant, calculating, paying and accounting for *income equalisation*;
- (c) the *accounting reference date* and when the long report will be published in accordance with **COLL 4.5.14 R (Publication and availability of annual and half-yearly long report)**; and
- (d) when the short report will be sent to *unitholders* in accordance with **COLL 4.5.13 R (Provision of short report)**.

Characteristics of the units

5 Information as to:

- (a) where there is more than one *class of unit in issue* or available for *issue*, the name of each such *class* and the rights attached to each *class* in so far as they vary from the rights attached to other *classes*;
- (b) where the *instrument constituting the scheme* provides for the *issue of bearer certificates*, that fact and what procedures will operate for them;
- (c) how *unitholders* may exercise their voting rights and what these amount to;
- (d) where a mandatory *redemption, cancellation* or conversion of *units* from one *class* to another may be required, in what circumstances it may be required; and
- (e) for an *AUT*, the fact that the nature of the right represented by *units* is that of a beneficial interest under a trust.

5A ACSs: UCITS and NURS eligible investors

- (a) A statement that *units* may not be *issued* to a *person* other than a:
 - (i) *professional ACS investor*; or

- (ii) *large ACS investor; or*
- (iii) *person who already holds units in the scheme.*

(b) A statement that the *authorised contractual scheme manager* must *redeem units* as soon as practicable after becoming aware that those *units* are vested in anyone (whether as a result of subscription or transfer of *units*) other than a *person* meeting the criteria in paragraph 5A(a).

5B ACSs: UCITS and NURS transfer of units

(a) A statement whether the transfer of *units* in the *ACS scheme* is either:

- (i) prohibited; or
- (ii) allowed;

by the *instrument constituting the scheme* and *prospectus*.

(b) Where transfer of *units* is allowed by the *instrument constituting the scheme* and *prospectus* in accordance with (a)(ii), a statement that *units* may only be transferred in accordance with the conditions specified by *FCA rules*, including that *units* may not be transferred to a *person* other than a:

- (i) *professional ACS investor; or*
- (ii) *large ACS investor; or*
- (iii) *person who already holds units in the scheme.*

(c) For a *co-ownership scheme* which is an *umbrella*, a statement in accordance with (5B)(a)(i) or (ii) and, where appropriate, a statement in accordance with (5B)(b), must also be made for the *sub-funds*. Where individual *sub-funds* have differing policies in relation to transfer of *units*, separate statements are required.

Authorised fund manager

6 The following particulars of the *authorised fund manager*:

- (a) its name;
- (b) the nature of its corporate form;
- (c) the date of its incorporation;
- (d) the address of its registered office;
- (e) the address of its head office, if that is different from the address of its registered office;
- (f) if neither its registered office nor its head office is in the *United Kingdom*, the address of its principal place of business in the *United Kingdom*;
- (g) if the duration of its corporate status is limited, when that status will or may cease; and

- (h) the amount of its issued share capital and how much of it is paid up.

Directors of an ICVC, other than the ACD

7 Other than for the *ACD*:

- (a) the names and positions in the *ICVC* of any other *directors* (if any); and
- (b) the manner, amount and calculation of the *remuneration* of such *directors*.

Depository

8 The following particulars of the *depository*:

- (a) its name;
- (b) the nature of its corporate form;
- (c) the address of its registered office;
- (d) the address of its head office, if that is different from the address of its registered office;
- (e) if neither its registered office nor its head office is in the *United Kingdom*, the address of its principal place of business in the *United Kingdom*; and
- (f) a description of its principal business activity.

Investment adviser

9 If an *investment adviser* is retained in connection with the business of an *authorised fund*:

- (a) its name; and
- (b) where it carries on a significant activity other than providing services to the *authorised fund* as an *investment adviser*, what that significant activity is.

Auditor

10 The name of the auditor of the *authorised fund*.

Contracts and other relationships with parties

11 The following relevant details:

- (a) for an *ICVC*:
 - (i) a summary of the material provisions of the contract between the *ICVC* and the *ACD* which may be relevant to *unitholders* including provisions (if any) relating to remuneration, termination, compensation on termination and indemnity;
 - (ii) the main business activities of each of the *directors* (other than those connected with the business of the *ICVC*) where these are of significance to the *ICVC's* business;

- (iii) if any *director* is a *body corporate* in a *group* of which any other corporate *director* of the *ICVC* is a member, a statement of that fact;
 - (iv) the main terms of each contract of service between the *ICVC* and a *director* in summary form; and
 - (v) for an *ICVC* that does not hold annual general meetings, a statement that copies of contracts of service between the *ICVC* and its *directors*, including the *ACD*, will be provided to a *unitholder* on request;
- (b) the names of the *directors* of the *authorised fund manager* and the main business activities of each of the *directors* (other than those connected with the business of the *authorised fund*) where these are of significance to the *authorised fund's* business;
- (c) a summary of the material provisions of the contract between the *ICVC* or the *manager* of the *AUT* and the *depository* which may be relevant to *unitholders*, including provisions relating to the *remuneration* of the *depository*;
- (ca) in the case of an *ACS*, a summary of the material provisions of the contracts between:
- (i) the *authorised fund manager* and the *nominated partner* (if any); and
 - (ii) the *authorised fund manager* and *depository*;
- which may be relevant to *unitholders*, including provisions relating to the *remuneration* of the *depository*;
- (d) if an *investment adviser* retained in connection with the business of the *authorised fund* is a *body corporate* in a *group* of which any *director* of the *ICVC* or the *authorised fund manager* of the *AUT* or *ACS* is a member, that fact;
- (e) a summary of the material provisions of any contract between the *authorised fund manager* or the *ICVC* and any *investment adviser* which may be relevant to *unitholders*;
- (f) if an *investment adviser* retained in connection with the business of the *authorised fund* has the authority of the *authorised fund manager* or the *ICVC* to make decisions on behalf of the *authorised fund manager* or the *ICVC*, that fact and a description of the matters in relation to which it has that authority;
- (g) a list of:
- (i) the functions which the *authorised fund manager* has delegated in accordance with *FCA rules* or, for an *EEA UCITS management company*, in accordance

with applicable *Home State* measures implementing article 13 of the *UCITS Directive*; and

- (ii) the *person* to whom such functions have been delegated; and
- (h) in what capacity (if any), the *authorised fund manager* acts in relation to any other *regulated collective investment schemes* and the name of such *schemes*.

Register of unitholders

12 Details of:

- (a) the address in the *United Kingdom* where the *register of unitholders*, and where relevant the *plan register* is kept and can be inspected by *unitholders*; and
- (b) the *registrar's* name and address.

Payments out of scheme property

13 In relation to each type of payment from the *scheme property*, details of:

- (a) who the payment is made to;
- (b) what the payment is for;
- (c) the rate or amount where available;
- (d) how it will be calculated and accrued;
- (e) when it will be paid; and
- (f) where a performance fee is taken, examples of its operation in plain English and the maximum it can amount to.

Allocation of payments

14 If, in accordance with COLL 6.7.10 R (Allocation of payments to income or capital), the *authorised fund manager* and the *depository* have agreed that all or part of any income expense payments may be treated as a capital expense:

- (a) that fact;
- (b) the policy for allocation of these payments; and
- (c) a statement that this policy may result in capital erosion or constrain capital growth.

Moveable and immovable property (ICVC only)

15 An estimate of any expenses likely to be incurred by the *ICVC* in respect of movable and immovable property in which the *ICVC* has an interest.

Valuation and pricing of scheme property

16 In relation to the valuation of *scheme property* and *pricing of units*:

- (a) either:
 - (i) in the case of a *single-priced authorised fund*, a provision that there must be only a single *price* for any *unit* as determined from time to time by reference to a particular *valuation point*; or
 - (ii) in the case of a *dual-priced authorised fund*, the *authorised fund manager's* policy for determining *prices* for the *sale and redemption* of *units* by reference to a particular *valuation point* and an explanation of how those *prices* may differ;
- (b) details of:
 - (i) how the value of the *scheme property* is to be determined in relation to each purpose for which the *scheme property* must be valued;
 - (ii) how frequently and at what time or times of the *day* the *scheme property* will be regularly valued for *dealing* purposes and a description of any circumstance in which the *scheme property* may be specially valued;
 - (iii) where relevant, how the *price* of *units* of each *class* will be determined for *dealing* purposes;
 - (iv) where and at what frequency the most recent *prices* will be published; and
 - (v) where relevant in the case of a *dual-priced authorised fund*, the *authorised fund manager's* policy in relation to *large deals*; and
- (c) if provisions in (a) and (b) do not take effect when the *instrument constituting the scheme* or (where appropriate) supplemental *trust deed* takes effect, a statement of the time from which those provisions are to take effect or how it will be determined.

Dealing

17 The following particulars:

- (a) the procedures, the dealing periods and the circumstances in which the *authorised fund manager* will effect:
 - (i) the *sale and redemption* of *units* and the settlement of transactions (including the minimum number or value of *units* which one *person* may hold or which may be subject to any transaction of *sale or redemption*) for each *class* of *unit* in the *authorised fund*; and
 - (ii) any direct *issue or cancellation* of *units* by an *ICVC* or by the *depository* of an *AUT* or *ACS* (as appropri-

- ate) through the *authorised fund manager* in accordance with COLL 6.2.7R (2) (Issue and cancellation of units through an authorised fund manager);
- (b) the circumstances in which the *redemption* of *units* may be suspended;
 - (c) whether certificates will be issued in respect of registered *units*;
 - (d) the circumstances in which the *authorised fund manager* may arrange for, and the procedure for the *issue* or *cancellation* of *units* in specie;
 - (e) the investment exchanges (if any) on which *units* in the *scheme* are listed or dealt;
 - (f) the circumstances and conditions for issuing *units* in an *authorised fund* which limit the *issue* of any *class* of *units* in accordance with COLL 6.2.18 R (Limited issue);
 - (g) the circumstances and procedures for the limitation or deferral of *redemptions* in accordance with COLL 6.2.19 R (Limited redemption) or COLL 6.2.21 R (Deferred redemption);
 - (h) in a *prospectus* available during the period of any *initial offer*:
 - (i) the length of the *initial offer* period;
 - (ii) the *initial price* of a *unit*, which must be in the *base currency*;
 - (iii) the arrangements for issuing *units* during the *initial offer*, including the *authorised fund manager's* intentions on investing the subscriptions received during the *initial offer*;
 - (iv) the circumstances when the *initial offer* will end;
 - (v) whether *units* will be *sold* or *issued* in any other currency; and
 - (vi) any other relevant details of the *initial offer* ; and
 - (i) whether a *unitholder* may effect transfer of title to *units* on the authority of an *electronic communication* and if so the conditions that must be satisfied in order to effect a transfer.

Dilution

18 In the case of a *single-priced authorised fund*, details of what is meant by *dilution* including:

- (a) a statement explaining:

- (i) that it is not possible to predict accurately whether *dilution* is likely to occur; and
- (ii) which of the policies the *authorised fund manager* is adopting under COLL 6.3.8 (1) (Dilution) together with an explanation of how this policy may affect the future growth of the *authorised fund*; and
- (b) if the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment*, a statement of:
 - (i) the *authorised fund manager's* policy in deciding when to require a *dilution levy*, including the *authorised fund manager's* policy on *large deals*, or when to make a *dilution adjustment*;
 - (ii) the estimated rate or amount of any *dilution levy* or *dilution adjustment* based either on historical data or future projections; and
 - (iii) the likelihood that the *authorised fund manager* may require a *dilution levy* or make a *dilution adjustment* and the basis (historical or projected) on which the statement is made.

SDRT provision

- 19 An explanation of:
- (a) what is meant by stamp duty reserve tax, *SDRT provision* and *large deals*; and
 - (b) the *authorised fund manager's* policy on imposing an *SDRT provision* including its policy on *large deals*, and the occasions, and the likely frequency of the occasions, in which an *SDRT provision* may be imposed and the maximum rate of it (a usual rate may also be stated).

Forward and historic pricing

- 20 The *authorised fund manager's* normal basis of pricing under COLL 6.3.7 (Forward and historic pricing).

Preliminary charge

- 21 Where relevant, a statement authorising the *authorised fund manager* to make a *preliminary charge* and specifying the basis for and current amount or rate of that charge.

Redemption charge

- 22 Where relevant, a statement authorising the *authorised fund manager* to deduct a *redemption charge* out of the proceeds of *redemption*; and if the *authorised fund manager* makes a *redemption charge*:
- (a) the current amount of that charge or if it is variable, the rate or method of calculating it;

- (b) if the amount, rate or method has been changed, that details of any previous amount, rate or method may be obtained from the *authorised fund manager* on request; and
- (c) how the order in which *units* acquired at different times by a *unitholder* is to be determined so far as necessary for the purposes of the imposition of the *redemption charge*.

Property Authorised Investment Funds

22A For a *property authorised investment fund*, a statement that:

- (1) [deleted]
- (2) no *body corporate* may seek to obtain or intentionally maintain a holding of more than 10% of the net asset value of the fund; and
- (3) in the event that the *authorised fund manager* reasonably considers that a *body corporate* holds more than 10% of the net asset value of the fund, the *authorised fund manager* is entitled to delay any redemption or cancellation of *units* if the *authorised fund manager* reasonably considers such action to be:
 - (a) necessary in order to enable an orderly reduction of the holding to below 10%; and
 - (b) in the interests of the *unitholders* as a whole.

General information

23 Details of:

- (a) the address at which copies of the *instrument constituting the scheme*, any amending instrument and the most recent annual and half-yearly long reports may be inspected and from which copies may be obtained;
- (b) the manner in which any notice or *document* will be served on *unitholders*;
- (c) the extent to which and the circumstances in which:
 - (i) the *scheme* is liable to pay or suffer tax on any appreciation in the value of the *scheme property* or on the income derived from the *scheme property*; and
 - (ii) deductions by way of withholding tax may be made from distributions of income to *unitholders* and payments made to *unitholders* on the *redemption of units*;
- (d) for a *UCITS scheme*, any possible fees or expenses not described in paragraphs 13 to 22, distinguishing between those to be paid by a *unitholder* and those to be paid out of *scheme property* ; and

- (e) for an *ICVC*, whether or not annual general meetings will be held.

Information on the umbrella

24 In the case of a *scheme* which is an *umbrella* with two or more *sub-funds*, the following information:

- (a) that a *unitholder* is entitled to exchange *units* in one *sub-fund* for *units* in any other *sub-fund* (other than a *sub-fund* which has limited the *issue* of *units*);
- (b) that an exchange of *units* in one *sub-fund* for *units* in any other *sub-fund* is treated as a *redemption* and *sale* and will, for *persons* subject to *United Kingdom* taxation, be a realisation for the purposes of capital gains taxation;
- (c) that in no circumstances will a *unitholder* who exchanges *units* in one *sub-fund* for *units* in any other *sub-fund* be given a right by law to withdraw from or cancel the transaction;
- (d) the policy for allocating between *sub-funds* any assets of, or costs, charges and expenses payable out of, the *scheme property* which are not attributable to any particular *sub-fund*;
- (e) what charges, if any, may be made on exchanging *units* in one *sub-fund* for *units* in any other *sub-fund*; and
- (f) for each *sub-fund*, the currency in which the *scheme property* allocated to it will be valued and the *price* of *units* calculated and payments made, if this currency is not the *base currency* of the *scheme* which is an *umbrella*.
- (g) [deleted]

Application of the prospectus contents to an umbrella

25 For a *scheme* which is an *umbrella*, information required must be stated:

- (a) in relation to each *sub-fund* where the information for any *sub-fund* differs from that for any other; and
- (b) for the *umbrella* as a whole, but only where the information is relevant to the *umbrella* as a whole.

Information on a feeder UCITS

25A In the case of a *feeder UCITS*, the following information:

- (a) a declaration that the *feeder UCITS* is a feeder of a particular *master UCITS* and as such permanently invests at least 85% in value of the *scheme property* in *units* of that *master UCITS*;
- (b) the investment objective and policy, including the risk profile; and whether the performance records of the *feeder*

UCITS and the *master UCITS* are identical, or to what extent and for which reasons they differ, including a description of how the balance of the *scheme property* which is not invested in *units* of the *master UCITS* is invested in accordance with COLL 5.8.3 R (Balance of scheme property: investment restrictions on a feeder UCITS);

- (c) a brief description of the *master UCITS*, its organisation, its investment objective and policy, including the risk profile, and an indication of how the *prospectus* of the *master UCITS* may be obtained;
- (d) a summary of the *master-feeder agreement* or where applicable, the internal conduct of business rules referred to in COLL 11.3.2 R (2) (Master-feeder agreement and internal conduct of business rules);
- (e) how the *unitholders* may obtain further information on the *master UCITS* and the *master-feeder agreement*;
- (f) a description of all remuneration or reimbursement of costs payable by the *feeder UCITS* by virtue of its investment in *units* of the *master UCITS*, as well as the aggregate charges of the *feeder UCITS* and the *master UCITS*; and
- (g) a description of the tax implications of the investment into the *master UCITS* for the *feeder UCITS*.

[Note: article 63(1) of the *UCITS Directive*]

Information on a feeder NURS

25B In the case of a *feeder NURS*, the following information:

- (a) a declaration that the *feeder NURS* is a feeder of a particular *qualifying master scheme* and as such is *dedicated to units* in a single *qualifying master scheme* and the minimum (and, if relevant, maximum) investment that the *feeder NURS* may make in its *qualifying master scheme*;
- (b) the investment objective and policy of the *feeder NURS*, including its risk profile; and whether the performance records of the *feeder NURS* and the *qualifying master scheme* are identical, or to what extent and for which reasons they differ, including a description of how the balance of the *scheme property* which is not invested in *units* of the *qualifying master scheme* is invested in accordance with COLL 5.6.7 R (6A) (Spread: general);
- (c) a brief description of the *qualifying master scheme*, its organisation, its investment objective and policy, including the risk profile, and an indication of how the *prospectus* of the *qualifying master scheme* may be obtained;
- (d) how the *unitholders* may obtain further information on the *qualifying master scheme*;

- (e) a description of all remuneration or reimbursement of costs payable by the *feeder NURS* by virtue of its investment in units of the *qualifying master scheme*, as well as the aggregate charges of the *feeder NURS* and the *qualifying master scheme*; and
- (f) a description of the tax implications of the investment into the *qualifying master scheme* for the *feeder NURS*.

Marketing in another EEA state

26 A *prospectus* of a *UCITS scheme* which is prepared for the purpose of marketing units in a *EEA State* other than the *United Kingdom*, must give details as to:

- (a) what special arrangements have been made:
 - (i) for paying in that *EEA State* amounts distributable to *unitholders* resident in that *EEA State*;
 - (ii) for *redeeming* in that *EEA State* the units of *unitholders* resident in that *EEA State*;
 - (iii) for inspecting and obtaining copies in that *EEA State* of the *instrument constituting the scheme* and amendments to it, the *prospectus* and the annual and half-yearly long report; and
 - (iv) for making public the *price of units* of each *class*; and
- (b) how the *ICVC* or the *authorised fund manager* of an *AUT* or *ACS* will publish in that *EEA State* notice:
 - (i) that the annual and half-yearly long report are available for inspection;
 - (ii) that a distribution has been declared;
 - (iii) of the calling of a meeting of *unitholders*; and
 - (iv) of the termination of the *authorised fund* or the revocation of its authorisation.

Investment in overseas property through an intermediate holding vehicle

26A If investment in an overseas immovable is to be made through an *intermediate holding vehicle* or a series of *intermediate holding vehicles*, a statement disclosing the existence of that *intermediate holding vehicle* or series of *intermediate holding vehicles* and confirming that the purpose of that *intermediate holding vehicle* or series of *intermediate holding vehicle* is to enable the holding of overseas immovables by the *scheme*.

Additional information

27 Any other material information which is within the knowledge of the *directors* of an *ICVC* or the *authorised fund manager* of an *AUT* or *ACS*, or which the *directors* or *authorised fund manager* would

have obtained by making reasonable enquiries, including but not confined to, the following matters:

- (a) information which investors and their professional advisers would reasonably require, and reasonably expect to find in the *prospectus*, for the purpose of making an informed judgement about the merits of investing in the *authorised fund* and the extent and characteristics of the risks accepted by so participating;
- (b) a clear and easily understandable explanation of any risks which investment in the *authorised fund* may reasonably be regarded as presenting for reasonably prudent investors of moderate means;
- (c) if there is any arrangement intended to result in a particular capital or income return from a holding of *units* in the *authorised fund* or any investment objective of giving protection to the capital value of, or income return from, such a holding:
 - (i) details of that arrangement or protection;
 - (ii) for any related guarantee, sufficient details about the guarantor and the guarantee to enable a fair assessment of the value of the guarantee;
 - (iii) a description of the risks that could affect achievement of that return or protection; and
 - (iv) details of the arrangements by which the *authorised fund manager* will notify *unitholders* of any action required by the *unitholders* to obtain the benefit of the guarantee; and
- (d) whether any notice has been given to *unitholders* of the *authorised fund manager* intention to propose a change to the *scheme* and if so, its particulars.

[Note: A transitional provision applies to row 3(ca) of this table: see ■ COLL TP 1.28.]

Guidance on contents of the prospectus

4.2.6

FCA

G

- (1) In relation to ■ COLL 4.2.5R (3)(b) the *prospectus* might include:
 - (a) a description of the extent (if any) to which that policy does not envisage the *authorised fund* remaining fully invested at all times;
 - (b) for a *non-UCITS retail scheme* which may invest in immovable property:
 - (i) the maximum extent to which the *scheme property* may be invested in immovables; and
 - (ii) a statement of the policy of the *authorised fund manager* in relation to insurance of immovables forming part of the *scheme property*; and

- (c) a description of any restrictions in the assets in which investment may be made, including restrictions in the extent to which the *authorised fund* may invest in any category of asset, indicating (if appropriate) where the restrictions are more onerous than those imposed by ■ COLL 5 (Investment and borrowing powers).
- (2) In relation to ■ COLL 4.2.5R (13), the type of payments are likely to include management fees (such as periodic and performance fees), *depository* fees, custodian fees, transaction fees, registrar fees, audit fees and *FCA* fees. Expenses which represent properly incurred costs of the *scheme* may also be treated as a type of payment for this purpose.
- (3) In relation to ■ COLL 4.2.5R (27), the *prospectus* might include a statement of the *authorised fund manager's* policy in relation to holding *units* in the *scheme* as *principal*, and in particular whether it seeks to make a profit from doing so. It might also include a prominent statement of non-accountability referred to in ■ COLL 6.7.16 G (Exemptions from liability to account for profits).
- (4) In relation to ■ COLL 4.2.5 R (16)(a), where the *prospectus* includes provisions for both a *single-priced authorised fund* and a *dual-priced authorised fund*, it should state prominently which method of *pricing* is applicable to which *authorised fund*, and explain how the differences between them may affect *unitholders* (for example if a *unitholder* exchanges *units* in a *single-priced authorised fund* for *units* in a *dual-priced authorised fund*, or vice versa).
- (5) Additional matters which are not contained in ■ COLL 4.2.5 R may be required to be included in the *prospectus*, for example for the purposes of making the *scheme* eligible under relevant tax legislation.



4.3 Approvals and notifications

Application

4.3.1
FCA

R This section applies to an *authorised fund manager*.

Explanation

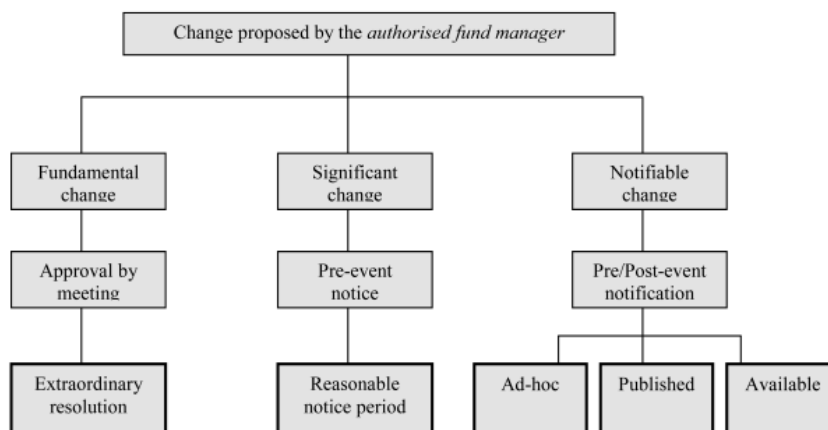
4.3.2
FCA

- G**
- (1) The diagram in ■ COLL 4.3.3 G explains how an *authorised fund manager* should treat changes it is proposing to a *scheme* and provides an overview of the *rules* and *guidance* in this section.
 - (2) Regulation 21 of the *OEIC Regulations* (The Authority's approval for certain changes in respect of a company), section 261Q of the *Act* (Alteration of contractual schemes and changes of operator or depositary) and section 251 of the *Act* (Alteration of schemes and changes of manager or trustee) require the prior approval of the *FCA* for certain proposed changes to an *authorised fund*, including a change of the *authorised fund manager* or *depositary* or a change to the *instrument constituting the scheme*. This should be kept in mind when considering any proposed change.

Diagram: Change event

4.3.3
FCA

G This diagram belongs to ■ COLL 4.3.2 G.



Fundamental change requiring prior approval by meeting

4.3.4
FCA

- R**
- (1) The *authorised fund manager*, must, by way of an *extraordinary resolution*, obtain prior approval from the

■ COLL 5.2.19 R (3A) (Derivatives: general)), whether used as part of the *scheme's* general investment policy, for the purposes of risk reduction or for the purposes of *efficient portfolio management* in accordance with the *rules* of this chapter; and

- (2) convert each *derivative* or forward transaction into the market value of an equivalent position in the underlying asset of that *derivative* or forward (standard commitment approach).

[Note: articles 42(1) and 42(2) first paragraph of the *UCITS implementing Directive*]

5.3.10

FCA

R

- (1) An *authorised fund manager* of a *UCITS scheme* may apply other calculation methods which are equivalent to the standard commitment approach.
- (2) An *authorised fund manager* may take account of netting and hedging arrangements when calculating global exposure of a *UCITS scheme*, where those arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.
- (3) Where the use of *derivatives* or forward transactions does not generate incremental exposure for the *UCITS scheme*, the underlying exposure need not be included in the commitment calculation.
- (4) Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the *UCITS scheme* in accordance with ■ COLL 5.5.4 R (General power to borrow) need not form part of the global exposure calculation.

[Note: articles 42(2) final paragraph, 42(3), 42(4) and 42(5) of the *UCITS implementing Directive*]

ESMA guidelines

5.3.11

FCA

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Authorised fund managers are advised that both CESR and its successor body, the European Securities and Markets Authority (ESMA) have issued guidelines which, in accordance with the *UCITS implementing Directive*, *authorised fund managers* should comply with in applying the *rules* in this section:

Guidelines: Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS (CESR/10-788)

<http://www.esma.europa.eu/content/Guidelines-Risk-Measurement-and-Calculation-Global-Exposure-and-Counterparty-Risk-UCITS>

Guidelines to competent authorities and UCITS management companies on risk measurement and the calculation of global exposure for certain types of structured UCITS (ESMA/2012/197)

<http://www.esma.europa.eu/system/files/2012-197.pdf>



5.4 Stock lending

Application

5.4.1

FCA

R

This section applies to an *ICVC*, the *depository* of an *authorised fund* and an *authorised fund manager* in any case where the *authorised fund* is a *UCITS scheme* or a *non-UCITS retail scheme*.

Permitted stock lending

5.4.2

FCA

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- (1) This section covers techniques relating to *transferable securities* and *approved money-market instruments* which are used for the purpose of *efficient portfolio management*. It permits the generation of additional income for the benefit of the *authorised fund*, and hence for its investors, by entry into *stock lending* transactions for the account of the *authorised fund*.
- (2) The specific method of *stock lending* permitted in this section is in fact not a transaction which is a loan in the normal sense. Rather it is an arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992, under which the lender transfers *securities* to the borrower otherwise than by way of *sale* and the borrower is to transfer those *securities*, or *securities* of the same type and amount, back to the lender at a later date. In accordance with good market practice, a separate transaction by way of transfer of assets is also involved for the purpose of providing *collateral* to the "lender" to cover him against the risk that the future transfer back of the *securities* may not be satisfactorily completed.

Stock lending: general

5.4.3

FCA

R

An *authorised fund* may only enter into a *stock lending* arrangement or *repo* contract in accordance with the *rules* in this section if it reasonably appears to the *ICVC* or *authorised fund manager* of an *AUT* or *ACS* to be appropriate to do so with a view to generating additional income for the *authorised fund* with an acceptable degree of risk.

Stock lending: requirements

5.4.4

FCA

R

- (1) An *ICVC*, or the *depository* at the request of the *ICVC*, or the *depository* of an *AUT* or *ACS* at the request of the *authorised fund manager*, may enter into a *repo* contract, or a *stock lending* arrangement of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if:

is or are the *merging UCITS* and one or more *EEA UCITS schemes*, is permissible provided:

- (1) it is effected in accordance with the requirements of:
 - (a) the *UCITS Regulations 2011*, which include the need for the *FCA* to have made a prior order approving the proposed merger (which may be made subject to (2)); and
 - (b) this chapter; and
- (2) in the case of a *UCITS scheme* that is:
 - (a) a *merging UCITS* in a *domestic* or *cross-border UCITS merger*, an *extraordinary resolution* is approved by *unitholders* in accordance with ■ COLL 7.6.2 R (3) and ■ (4) (Schemes of arrangement: requirements); and
 - (b) a *receiving UCITS* in a *domestic* or *cross-border UCITS merger*, the *authorised fund manager* and *depository* of the *AUT* or *ACS* and the *directors* of the *ICVC* comply with ■ COLL 7.6.2 R (5) and ■ (6).

[Note: articles 39(1), 39(4) and 44 first paragraph of the *UCITS Directive*]

Meetings of unitholders

7.7.5
FCA

G

- (1) The effect of ■ COLL 7.7.4 R (2)(a) is that the 75% majority that is needed in support for an *extraordinary resolution* of *unitholders* to be passed is without prejudice to the presence quorum that is required by ■ COLL 4.4.6 R (Quorum).
- (2) Any meeting of *unitholders* that is needed to give effect to a proposed *UCITS merger* is subject to the requirements of ■ COLL 4.4 (Meeting of unitholders and service of notices).

UCITS Regulations 2011

7.7.6
FCA

G

- (1) The requirements and the process which must be followed to give effect to a proposal for a *UCITS merger* as specified by Chapter VI of the *UCITS Directive* (see articles 37 to 48) have been implemented in the *United Kingdom* by the provisions of Part 4 of the *UCITS Regulations 2011*. The main features of the regime as set out in those provisions include:
 - (a) the different types of merger operation that will be recognised for a *UCITS merger*;
 - (b) the need for the *FCA* to give prior approval to the proposed merger under regulation 9 (Application for authorisation) of the *UCITS Regulations 2011*, where the arrangements proposed constitute either:
 - (i) a *domestic UCITS merger*; or
 - (ii) a *cross-border UCITS merger* in which the *merging UCITS* is a *UCITS scheme* (a *UK UCITS*);

- (c) the information that has to be given to the *FCA* in order to obtain the approval under (b);
 - (d) the need for draft terms of merger to be prepared;
 - (e) the role of the relevant *depositories* and auditors;
 - (f) the need for appropriate and accurate information to be prepared for the benefit of *unitholders*;
 - (g) rights of *redemption* and suspension of *dealing* in *units* in the relevant *UCITS*; and
 - (h) the consequences of the proposed merger.
- (2) *Firms* are advised that they do not need to seek approval from the *FCA* under section 251 (Alteration of schemes and changes of manager or trustee) or 261Q (Alteration of contractual schemes and changes of operator or depositary) of the *Act* or, as the case may be, regulation 21 (The Authority's approval for certain changes in respect of a company) of the *OEIC Regulations* where they are required to obtain the prior approval of the *FCA* to a proposed merger under regulation 9 of the *UCITS Regulations 2011*.
- (3) [deleted]

Common draft terms of merger

- (1) The *authorised fund manager* of a *UCITS scheme* that is a *merging UCITS* or a *receiving UCITS* in a proposed *UCITS merger*, must in conjunction with any other *authorised fund manager* or, as the case may be, *management company* of an *EEA UCITS scheme* that is a party to the proposed merger, draw up common draft terms of the proposed *UCITS merger*.
- (2) The common draft terms in (1) must set out the following particulars:
 - (a) an identification of the type of *UCITS merger* and of the *UCITS* involved;
 - (b) the background to and the rationale for the proposed *UCITS merger*;
 - (c) the expected impact of the proposed *UCITS merger* on the *unitholders* of both the *merging UCITS* and the *receiving UCITS*;
 - (d) the criteria adopted for valuation of the assets and, where applicable, the liabilities of the *UCITS* on the date for calculating the exchange ratio as referred to in regulation 13 (Consequences of a merger) of the *UCITS Regulations 2011*;
 - (e) the calculation method of the exchange ratio;
 - (f) the planned effective date of the *UCITS merger*;

- (g) the rules applicable respectively to the transfer of assets and the exchange of *units*; and
- (h) in the case of a *UCITS merger* where the *receiving UCITS* or the *sub-fund* is being specially formed for the purpose, the *instrument constituting the scheme* of the newly constituted *receiving UCITS*.

[Note: article 40(1) of the *UCITS Directive*]

7.7.8

FCA

G

The *management companies* of the *merging UCITS* and the *receiving UCITS* may decide to include further items in the common draft terms of the *UCITS merger*.

[Note: article 40(2) of the *UCITS Directive*]

Verification by the depositary

7.7.9

FCA

R

The *depositary* of a *UCITS scheme* that is either a *merging UCITS* or a *receiving UCITS* in a proposed *UCITS merger* must verify that the statements in the common draft terms of merger required under ■ COLL 7.7.7 R (2)(a), ■ (f) and ■ (g), to the extent they relate to the *scheme* for which it is the *depositary*, conform with the provisions of the *regulatory system* and the *instrument constituting the scheme*.

[Note: article 41 of the *UCITS Directive*]

Information to be given to unitholders

7.7.10

FCA

R

- (1) The *authorised fund manager* of a *UCITS scheme* that is a *merging UCITS* or a *receiving UCITS* in a proposed *UCITS merger* must ensure that a *document* containing appropriate and accurate information on the merger is provided to the *unitholders* of that *scheme* so as to enable them to:
 - (a) make an informed judgment about the impact of the proposal on their investment;
 - (b) exercise their rights under regulation 12 (Right of redemption) of the *UCITS Regulations 2011*; and
 - (c) where applicable, exercise their right to vote on whether or not to approve the merger in accordance with ■ COLL 7.7.4 R (2)(a) (*UCITS mergers*).
- (2) Where a *UCITS scheme* is the *merging UCITS* in a *domestic UCITS merger* or *cross-border UCITS merger*, its *authorised fund manager* must provide the information *document* in (1):
 - (a) to the *unitholders* of the *merging UCITS* and (in the case of a *domestic UCITS merger*) the *receiving UCITS* only after the *FCA* has given its approval to the *UCITS merger* proposal under regulation 9 of the *UCITS Regulations 2011*; and

- (b) where the *receiving UCITS* (in the case of a *cross-border UCITS merger*) is an *EEA UCITS scheme*, to the *unitholders* of that *scheme* only after the *Home State regulator* of each *merging UCITS* has authorised the *UCITS merger* proposal under national measures implementing article 39 of the *UCITS Directive*;

and in either case must do so at least 30 days before the last date by which *unitholders* may request repurchase or *redemption* of their *units* or, where applicable, conversion without additional charge.

- (3) The information *document* to be provided to the *unitholders* of the *merging UCITS* and the *receiving UCITS* under (1) must include the following:
 - (a) the background to and the rationale for the proposed *UCITS merger*;
 - (b) the possible impact of the proposed *UCITS merger* on *unitholders*, including but not limited to any material differences in respect of investment policy and strategy, costs, expected outcome, periodic reporting, possible dilution in performance, and, where relevant, a prominent warning to investors that their tax treatment may be changed following the *UCITS merger*;
 - (c) any specific rights *unitholders* have in relation to the proposed *UCITS merger*, including but not limited to:
 - (i) the right to obtain additional information;
 - (ii) the right to obtain a copy of the report of the independent auditor or the *depository* on request prepared for the purposes of regulation 11 of the *UCITS Regulations 2011* or, if applicable, the equivalent national implementing measure of the *UCITS Home State*;
 - (iii) the right to request the repurchase or *redemption* or, where applicable, the conversion of their *units* without charge under regulation 12 of the *UCITS Regulations 2011* or, if applicable, the equivalent national implementing measure of the *UCITS Home State*; and
 - (iv) the last date for exercising that right;
 - (d) the relevant procedural aspects and the planned effective date of the merger; and
 - (e) a copy of the *key investor information* of the *receiving UCITS*.

- (4) If a *UCITS marketing notification* in respect of the *merging UCITS* or *receiving UCITS* has been made, the *information document* referred to in (3) must be provided in the official language, or one of the official languages, of the relevant *Host State* in which *units* of the *UCITS scheme* are to be marketed, or in a language approved by its *Host State regulator*. The *authorised fund manager* of the relevant *UCITS scheme* must provide an accurate translation of the *information document*.

[Note: article 43(1), 43(2), 43(3) and 43(4) of the *UCITS Directive*]

General rules regarding the content of merger information to be provided to unitholders

7.7.11

FCA

R

- (1) The *information document* that must be provided to *unitholders* under ■ COLL 7.7.10 R (Information to be given to unitholders) by the *authorised fund manager* of a *UCITS scheme* must be written in a concise manner and in non-technical language.
- (2) In the case of a proposed *cross-border UCITS merger*, the *authorised fund manager* of the *UCITS scheme*, being either the *merging UCITS* or the *receiving UCITS* respectively, must explain in plain language any terms or procedures relating to the *EEA UCITS scheme* which differ from those commonly used in the *United Kingdom*.
- (3) The information to be provided to the *unitholders* of the *merging UCITS* must meet the needs of investors who have no prior knowledge of the features of the *receiving UCITS* or of the manner of its operation, drawing their attention to the *key investor information* of the *receiving UCITS* and emphasising the desirability of reading it.
- (4) The information to be provided to the *unitholders* of the *receiving UCITS* must focus on the operation of the merger and its potential impact on the *receiving UCITS*.

[Note: article 3 of the *UCITS implementing Directive No 2*]

7.7.12

FCA

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- (1) The information provided to *unitholders* under ■ COLL 7.7.10 R and ■ COLL 7.7.13 R on any proposed *merger* should reflect the different needs of the *unitholders* of the *merging UCITS* and the *receiving UCITS* and assist their understanding of what is being proposed.
- (2) The reference to "conversion" in ■ COLL 7.7.10 R (2) means an exchange of *units* in the *merging UCITS* or *receiving UCITS* for *units* in another *UCITS scheme* or *EEA UCITS scheme* that has similar investment policies and that is managed by the same *authorised fund manager* or one of its *affiliated companies*.

[Note: recital (1) of the *UCITS implementing Directive No 2*]

Specific rules regarding the content of merger information to be provided to unitholders of the merging UCITS

7.7.13

FCA

R

- (1) Where the *merging UCITS* is a *UCITS scheme*, the information *document* that its *authorised fund manager* must provide to its *unitholders* under ■ COLL 7.7.10 R (3)(b) must also include:
- (a) details of any differences in the rights of *unitholders* of the *merging UCITS* before and after the proposed *UCITS merger* takes effect;
 - (b) if the *key investor information* of the *merging UCITS* and the *receiving UCITS* show *synthetic risk and reward indicators* in different categories, or identify different material risks in the accompanying narrative, a comparison of those differences;
 - (c) a comparison of all charges, fees and expenses for both *schemes*, based on the amounts disclosed in their respective *key investor information*;
 - (d) if the *merging UCITS* applies a performance-related fee, an explanation of how it will be applied up to the point at which the *merger* becomes effective;
 - (e) if the *receiving UCITS* applies a performance-related fee, how it will subsequently be applied to ensure fair treatment of those *unitholders* who previously held *units* in the *merging UCITS*;
 - (f) in cases where costs associated with the preparation and the completion of the *merger* may be charged to either the *merging* or the *receiving UCITS* or any of their *unitholders*, details of how those costs are to be allocated; and
 - (g) an explanation of whether the *authorised fund manager* of the *merging UCITS* itself intends to undertake any *rebalancing of the portfolio* before the merger takes effect.
- (2) The information to be provided under ■ COLL 7.7.10 R (3)(c) must also include:
- (a) details of how any accrued income in each *scheme* is to be treated; and
 - (b) an indication of how the report of the independent auditor or the *depository* may be obtained.
- (3) The information to be provided in accordance with ■ COLL 7.7.10 R (3)(d) must include:
- (a) where required by ■ COLL 7.6.2 R (Schemes of arrangement: requirements), the procedure by which *unitholders* will be

- (j) a copy of the *prospectus* or any similar document giving details of the *scheme*;
- (k) a copy of the latest annual report and any subsequent half-yearly report;
- (l) a copy of any other *document* affecting the rights of *participants* in the *scheme*; and
- (m) for notifications under section 270 only, a copy of the authorisation document issued by the authority in the designated territory confirming that the *scheme* is of a class covered by the designation order.

Additional information required in the prospectus for an application under section 272

9.3.2

FCA

R

An operator of a *scheme* recognised under section 272 of the *Act* must ensure the *prospectus*:

- (1) contains a statement that "Complaints about the operation of the *scheme* may be made to the *FCA*."; and
- (2) states whether or not investors in the *scheme* would be covered by the *compensation scheme*, and if so, it must state how they are covered and who they would need to contact for further information.

Preparation and maintenance of prospectus

9.3.3

FCA

R

- (1) An operator of a *scheme* which is a *recognised scheme* by virtue of section 270 or 272 of the *Act* must comply, subject to paragraph (2) below, with the requirements set out in ■ COLL 4.2 (Pre-sale notifications).
- (2) Where a *scheme* recognised under section 270 of the *Act* is managed and authorised in Guernsey, Jersey, or the Isle of Man, the *prospectus* need not comply with the requirements of ■ COLL 4.2.5 R (Table: contents of prospectus), providing it contains corresponding matter required under the law in its home territory.

9.4 Facilities in the United Kingdom

General

9.4.1
FCA

R

- (1) The *operator* of a *recognised scheme* under section 264, section 270 or section 272 of the *Act* must maintain facilities in the *United Kingdom* in order to satisfy the requirements of
 - COLL 9.4.2 R to ■ COLL 9.4.6 R.
- (2) In this section, a facility is a place of business that complies with
 - COLL 9.4.6 R (Place of facilities).

Documents

9.4.2
FCA

R

- (1) The *operator* of a *recognised scheme* must maintain facilities in the *United Kingdom* for any *person*, for inspection (free of charge) and for the obtaining (free of charge, in the case of the *documents* at (c), (d) and (e), and otherwise at no more than a reasonable charge) of copies in English of:
 - (a) the *instrument constituting the scheme*;
 - (b) any instrument amending the *instrument constituting the scheme*;
 - (c) the latest *prospectus* (which must include the address where the facilities are maintained and details of those facilities);
 - (d) for a section 264 *recognised scheme*, the *EEA key investor information document*; and
 - (e) the latest annual and half-yearly reports.
- (1A) For a section 264 *recognised scheme*, the requirement in (1) for documents to be in English applies only to the *EEA key investor information document* referred to in (1)(d).
- (2) In relation to notices and *documents* sent by *operators* and *depositories* to and from the *United Kingdom*, ■ COLL 4.4.12 R (Notice to unitholders) and ■ COLL 4.4.13 R (Other notices) apply.

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
27	COLL 3 to COLL 8	G	Prior to amending the <i>instrument of incorporation</i> as set out in <i>COLL TP1.1R(25)(2)(a)</i> , regulation 4(9) of the Open-Ended Investment Companies (Amendment) Regulations 2011 requires notification to be provided to the <i>FCA</i> in such form as the <i>FCA</i> may direct. The form in which the <i>FCA</i> directs this notification is to be provided is set out in TP1.1D(26).	From 21 December 2011 to 20 December 2014	21 December 2011
28	COLL 4.2.5 R(3)(ca)	R	The <i>authorised fund manager</i> need not comply with COLL 4.2.5 R(3)(ca) during the application period of this transitional provision, unless it makes any other change to the <i>prospectus</i> of the <i>authorised fund</i> during that period.	From 26 July 2013 to 26 January 2014	26 July 2013

Professional Firms

Professional Firms

Schedule 6 Rules that can be waived

Sch 6.1 G

FCA

As a result of section 138A of the *Act* (Modification or waiver of rules) the *FCA* has power to waive all its *rules*, other than *rules* made under section 137O (Threshold condition code), section 247 (Trust scheme rules), section 248 (Scheme particular rules), section 261I (Contractual scheme rules) or section 261J (Contractual scheme particular rules) of the *Act*. However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *FCA* to grant a waiver that would be incompatible with the *United Kingdom's* responsibilities under those directives.

Investment Funds sourcebook

Investment Funds sourcebook

FUND 1	Introduction
1.1	Application and purpose Application
1.2	Structure of the investment funds sourcebook
1.3	Types of fund manager
1.4	AIFM business restrictions
FUND 2	Authorisation
2.1	[To follow]
FUND 3	Requirements for alternative investment fund managers
3.1	Application
3.2	Investor information
3.3	Annual report of an AIF
3.4	Reporting obligations to the FCA
3.5	Investment in securitisation positions
3.6	Liquidity
3.7	Risk management
3.8	Prime brokerage firms
3.9	Valuation
3.10	Delegation
3.11	Depositaries
3.12	Marketing in the home Member State of the AIFM
3 Annex 1	Notification of intention to market at AIF in the United Kingdom
FUND 4	Common requirements for all retail funds
4.1	[To follow]
FUND 5	Additional requirements for retail alternative investment funds
5.1	[To follow]
FUND 6	Additional requirements for qualified investor alternative investment funds
6.1	[To follow]

FUND 7	Additional requirements for UCITS funds
7.1	[To follow]
FUND 8	Additional requirements for UCITS and AIF master-feeder arrangements
8.1	[To follow]
FUND 9	Suspension of dealings and termination of authorised funds
9.1	[To follow]
FUND 10	Operating on a cross-border basis
10.1	Application and purpose
10.2	AIFM management passport
10.3	AIFM marketing passport
10.4	AIFM third country management
10.5	National private placement
10 Annex 1	National private placement notification
FUND 11	Recognised funds
11.1	[To follow]
	Transitional Provisions and Schedules
TP 1	Transitional Provisions
Sch 1	Record keeping requirements
Sch 2	Notification requirements
Sch 3	Rights of action for damages
Sch 4	Rules that can be waived

Chapter 1

Introduction

1.1 Application and purpose Application

1.1.1

FCA

R

- (1) The application of this sourcebook is summarised at a high level in the following table. The detailed application is provided in each chapter.

Type of firm	Applicable chapters
<i>full-scope UK AIFM of an unauthorised AIF</i>	Chapters 1, 3 and 10
<i>full-scope UK AIFM of an authorised AIF</i>	Chapters 1, 3 and 10
<i>full-scope UK AIFM of an EEA AIF</i>	Chapters 1, 3 and 10
<i>full-scope UK AIFM of a non-EEA AIF</i>	Chapters 1, 3 and 10
<i>small authorised UK AIFM of an unauthorised AIF</i>	Chapter 1
<i>small authorised UK AIFM of an unauthorised AIF</i>	Chapter 1
<i>incoming EEA AIFM branch of a UK AIF</i>	Chapters 1, 3 and 10
<i>depository of an AIF managed by a full-scope UK AIFM</i>	Chapters 1 and 3

- (2) A residual CIS operator is not subject to the requirements in FUND.
- (3) ■ FUND 10 will apply to a UK AIFM or incoming EEA AIFM which intends to passport or market on a cross-border basis.

1.1.2

FCA

R

Compatibility with European law

Handbook rules which conflict with either a rule which transposes AIFMD or a provision in the AIFMD level 2 regulation are modified to the extent necessary to be compatible with European law.

1.1.3

FCA

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Interaction between FUND and COLL

A full-scope UK AIFM of an authorised AIF is subject to the requirements in FUND and COLL. The effect of ■ FUND 1.1.2 R is that if a rule in COLL which applies to a UK AIFM, an ICVC that is an AIF, or a UK depositary of an AIF conflicts with either a rule in FUND transposing AIFMD or the AIFMD level 2 regulation, the COLL rule is modified to the extent necessary to be compatible with the FUND rule or the AIFMD level 2 regulation.

1.2 Structure of the investment funds sourcebook

Structure of the investment funds sourcebook

1.2.1

FCA

G

FUND is structured as follows:

- (1) ■ FUND 1 sets out the broad application of *FUND* and describes the types of *fund* manager to whom *FUND* applies.
- (2) [A description of FUND 2 will follow when this section in FUND is introduced]
- (3) ■ FUND 3 sets out the baseline requirements that apply to all *full-scope UK AIFM*.

[A description of FUND 4 to 9 will follow when the relevant sections in FUND are introduced]

- (10) ■ FUND 10 sets out the requirements that apply to an *AIFM* that operates on a cross-border basis.

1.3 Types of fund manager

Types of fund manager within the scope of European legislation

1.3.1

FCA

G

The UK regulatory regime provides that an *undertaking* which manages an *AIF* or *UCITS* in the UK and is within the scope of *AIFMD* or the *UCITS Directive* must fall into one or both of the following categories:

- (1) an *AIFM*; or
- (2) a *UCITS management company*.

Types of fund manager outside the scope of European legislation

1.3.2

FCA

G

An *authorised person* that operates a *collective investment scheme* in the UK and falls entirely outside the scope of *AIFMD* or the *UCITS Directive* will be a *residual CIS operator*.

AIFMs

1.3.3

FCA

G

An *AIFM* with a *Part 4A permission of managing an AIF* will be a *UK AIFM* and must fall into at least one of the following categories:

- (1) a *full-scope UK AIFM*;
- (2) a *small authorised UK AIFM* of an *authorised AIF*; and
- (3) a *small authorised UK AIFM* of an *unauthorised AIF*.

Full-scope UK AIFM

1.3.4

FCA

G

- (1) A *full-scope UK AIFM* is a *UK AIFM* which is authorised in accordance with *AIFMD* and, therefore, subject to its full requirements.
- (2) A *full-scope UK AIFM* must be either:
 - (a) an *external AIFM*; or
 - (b) an *internally managed AIF*.
- (3) PERG 16, question 3.6 provides guidance on where an *AIFM* is acting as an *external AIFM* or an *internally managed AIF*.

- (4) A *full-scope UK AIFM* is permitted under ■ FUND 1.4.3 R (3) to ■ FUND 1.4.3 R (6) to provide certain additional services. Where it carries on those services it is also an *AIFM investment firm* and subject to additional requirements for those services.

Small AIFM

1.3.5
FCA

G

- (1) *AIFMD* provides that an *AIFM* which has assets under management below certain thresholds (a "*small AIFM*") may be subject to limited requirements under *AIFMD*. However, this is subject to the right of *EEA States* to impose stricter requirements.
- (2) In the *UK*, the regulatory regime provides that a *small AIFM* with a registered office in the *UK* may be either:
 - (a) a *small authorised UK AIFM*; or
 - (b) a *small registered UK AIFM*.

Small authorised UK AIFM

1.3.6
FCA

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- (1) A *small authorised UK AIFM* will be carrying on the *regulated activity* of *managing an AIF* and will be subject to *FCA rules* in respect of that activity. The application of *FCA rules* to a *small authorised UK AIFM* will depend on whether it manages an *authorised AIF* or an *unauthorised AIF*. A *small authorised UK AIFM* which manages an *authorised AIF* will be subject to the requirements in *COLL*, but a *small authorised UK AIFM* of an *unauthorised AIF* will not be subject to *COLL*.
- (2) A *small authorised UK AIFM* may also opt in to the full requirements in *AIFMD*, in which case it will become a *full-scope UK AIFM*.

Small registered UK AIFM

1.3.7
FCA

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A *small registered UK AIFM* will not be carrying on a *regulated activity* in respect of its activities as an *AIFM* for an *AIF* for which it is entitled to be registered. Regulation 10 of the *AIFMD UK regulation* provides for three categories of *small registered UK AIFM*:

- (1) to fall within the first category the *AIFM* must:
 - (a) have a registered office in the *UK*;
 - (b) be a *small AIFM*;
 - (c) be an *internally managed AIF* of an *AIF* which is a *body corporate* and is not a *collective investment scheme*; and
 - (d) not be an *external AIFM*.
- (2) to fall within the second category the *AIFM* must:
 - (a) have a registered office in the *UK*;
 - (b) be a *small AIFM*; and
 - (c) only manage *AIFs* which:

- (i) are *collective investment schemes*;
 - (ii) are not *authorised AIFs*;
 - (iii) holds the majority of their assets as land, directly or indirectly, through an entity which also meets the conditions in (ii) to (iv) of this sub-paragraph (but this condition does not apply during the first 180 days and the last 180 days of the period during which the undertaking is an *AIF*); and
 - (iv) do not hold any *specified investments* other than:
 - (aa) *contracts of insurance* which relate to land held by the *AIF*; and
 - (bb) *shares* through which the *AIF* holds land.
 - (v) Are *operated*, or will be established and *operated*, by a *person* with a *Part 4A permission* to carry on the regulated activity of *establishing, operating or winding up a collective investment scheme*.
- (3) to fall within the third category the *AIFM* must:
- (a) have a registered office in the *UK*;
 - (b) be a *small AIFM*; and
 - (c) have applied for registration as a *EuSEF manager* or *EuVECA manager* and meet the conditions for such registration.

1.3.8

FCA

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Under regulation 16 of the *AIFMD UK regulation* a *small registered UK AIFM* may apply to the *FCA* for a *Part 4A permission* to *manage an AIF*. In its application a *small registered UK AIFM* may apply to become:

- (1) a *small authorised UK AIFM*; or
- (2) a *full-scope UK AIFM*, in accordance with article 3(4) of *AIFMD*.

1.4 AIFM business restrictions

Single AIFM

1.4.1
FCA

R A *full-scope UK AIFM* must ensure that for each *AIF* it is appointed to manage, it is the only *AIFM* of that *AIF*, and is responsible for ensuring compliance with *AIFMD*.

[Note: article 5(1) of *AIFMD*]

Internally managed AIFs

1.4.2
FCA

R An *internally managed AIF* which is a *full-scope UK AIFM* must not engage in any activities other than *AIFM management functions* in respect of that *AIF*.

[Note: article 6(3) of *AIFMD*]

External AIFMs

1.4.3
FCA

R An *external AIFM* that is a *full-scope UK AIFM* must not engage in any activities other than:

- (1) *AIFM management functions*;
- (2) the management of *UCITS*, for which it is subject to authorisation under the *UCITS Directive*;
- (3) the management of portfolios of investments in accordance with mandates given by investors on a discretionary client-by-client basis, including portfolios of investments for pension funds and institutions for occupation retirement provisions in accordance with article 19(1) of Directive 2003/41/EC;
- (4) investment advice;
- (5) safe-keeping and administration in relation to shares or units of collective investment undertakings; and
- (6) reception and transmission of orders in relation to *financial instruments*.

[Note: article 6(2) and (4) of AIFMD]

1.4.4

FCA

G

An *external AIFM* that is a *full-scope UK AIFM* must not provide:

- (1) only the services in ■ FUND 1.4.3R (3) to ■ (6); or
- (2) only the services in ■ FUND 1.4.3R (4) to ■ (6) without also having been authorised to provide the services in ■ FUND 1.4.3R (3); or
- (3) only the *AIFM management functions* in point 2 of Annex I of AIFMD; or
- (4) the *AIFM investment management function* in point 1(a) (portfolio management) of Annex I of AIFMD without also providing the *AIFM investment management function* in point 1(b) (risk management) of Annex I of AIFMD or vice versa.

[Note: article 6(5) of AIFMD]

1.4.5

FCA

G

Where a *full-scope UK AIFM* carries on the activities in ■ FUND 1.4.3R (3) and ■ (4) in relation to assets which are not *financial instruments* and it is not carrying on the activities of *managing investments* or *advising on investments*, the FCA will deem the *firm* as having been authorised to carry on such activities by virtue of its authorisation as an *AIFM*. However, for such an *AIFM* to be able to carry on the activity in ■ FUND 1.4.3R (4) in relation to assets which are *financial instruments* or the activities in ■ FUND 1.4.3R (5) and ■ (6) it must have a *Part 4A permission to manage investments*.

1.4.6

FCA

G

In the FCA's view an *AIFM* is permitted under ■ FUND 1.4.3 R to carry out *AIFM management functions* for a collective investment undertaking the management of which falls outside the scope of AIFMD or the *UCITS Directive*.

AIFM management functions

1.4.7

FCA

G

AIFM management functions are set out in Annex I of AIFMD as follows:

- (1) the *AIFM investment management functions* of:
 - (a) portfolio management; and
 - (b) risk management; and
- (2) other functions that an *AIFM* may additionally perform in the course of the collective management of an *AIF*:
 - (a) administration:
 - (i) legal and fund management accounting services;
 - (ii) *customer* enquiries;
 - (iii) valuation and pricing (including tax returns);
 - (iv) regulatory compliance monitoring;
 - (v) maintenance of *unit/share* holder register;
 - (vi) distribution of income;

- (vii) *unit* issues and redemptions;
- (viii) contract settlements (including certificate dispatch); and
- (ix) record keeping;
- (b) *marketing*; and
- (c) activities related to the assets of *AIFs*, namely:
 - (i) services necessary to meet the fiduciary duties of the *AIFM*;
 - (ii) facilities management;
 - (iii) real estate administration activities;
 - (iv) advice to *undertakings* on capital structure, industrial strategy and related matters;
 - (v) advice and services relating to mergers and the purchase of *undertakings*; and
 - (vi) other services connected to the management of the *AIF* and the companies and other assets in which it has invested.

[Note: Annex I of *AIFMD*]

Chapter 2

Authorisation



2.1

[To follow]

[To follow]

Chapter 3

Requirements for alternative investment fund managers



3.1 Application

3.1.1

FCA

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The application of this chapter is summarised in the following table; the detailed application is provided in each section.

Type of firm	Applicable sections
<i>Full-scope UK AIFM of a UK AIF.</i>	All of chapter 3.
<i>Full-scope UK AIFM of an EEA AIF operating from an establishment in the UK.</i>	All of chapter 3.
<i>Full-scope UK AIFM of an EEA AIF operating from a branch in another EEA state.</i>	All of chapter 3 with the exception of FUND 3.8 (Prime brokerage firms).
<i>Incoming EEA AIFM branch which manages a UK AIF.</i>	FUND 3.8 (Prime brokerage firms).
<i>Full-scope UK AIFM of a non-EEA AIF marketed in the UK.</i>	All of chapter 3 with the exception of FUND 3.12 (Marketing in the home Member State of the AIFM).
<i>Full-scope UK AIFM of a non-EEA AIF not marketed in the UK.</i>	All of chapter 3 with the exception of FUND 3.3 (Annual report of an AIF), FUND 3.11 (Depositaries) and FUND 3.12 (Marketing in the home Member State of the AIFM).
<i>UK depositary of a UK AIF or a non-EEA AIF.</i>	FUND 3.11 (Depositaries).

3.2 Investor information

Application

3.2.1

FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Prior disclosure of information to investors

3.2.2

FCA

R

An *AIFM* must, for each *UK AIF* and *EEA AIF* that it manages, and for each *AIF* it *markets* in the *EEA*, make available to *AIF* investors before they invest, in line with the *instrument constituting the fund*, the following information and any material changes to it:

- (1) (a) a description of the investment strategy and objectives of the *AIF*;
- (b) if the *AIF* is a *feeder AIF*, information on where the *master AIF* is established;
- (c) if the *AIF* is a fund of funds, information on where the underlying funds are established;
- (d) a description of the types of assets in which the *AIF* may invest;
- (e) the investment techniques that the *AIF*, or the *AIFM* on behalf of the *AIF*, may employ and all associated risks;
- (f) any applicable investment restrictions;
- (g) the circumstances in which the *AIF* may use *leverage*;
- (h) the types and sources of *leverage* permitted and the associated risks;
- (i) any restrictions on the use of *leverage* and any *collateral* and asset reuse arrangements; and
- (j) the maximum level of *leverage* which the *AIFM* is entitled to employ on behalf of the *AIF*;

- (2) a description of the procedures by which the *AIF* may change its investment strategy or investment policy, or both;
- (3) a description of the main legal implications of the contractual relationship entered into for the purpose of investment, including information on jurisdiction, the applicable law and the existence or absence of any legal instruments providing for the recognition and enforcement of judgments in the territory where the *AIF* is established;
- (4) the identity of the *AIFM*, the *AIF's depositary*, the auditor and any other service providers and a description of their duties and the investors' rights;
- (5) a description of how the *AIFM* complies with the requirements referred to in ■ IPRU-INV 11.3.11G (Professional negligence) or GENPRU 2.1.67G (Requirements relevant to collective portfolio management investment firms) relating to professional liability risk;
- (6) a description of:
 - (a) any *AIFM management function* delegated by the *AIFM*;
 - (b) any safe-keeping function delegated by the *depositary*;
 - (c) the identity of each delegate appointed in accordance with ■ FUND 3.10 (Delegation); and
 - (d) any conflicts of interest that may arise from such delegations;
- (7) a description of the *AIF's* valuation procedure and of the pricing methodology for valuing assets, including the methods used in valuing any hard-to-value assets, in line with ■ FUND 3.9 (Valuation);
- (8) a description of the *AIF's* liquidity risk management, including the redemption rights of investors in normal and exceptional circumstances, and the existing redemption arrangements with investors;
- (9) a description of all fees, charges and expenses, and the maximum amounts directly or indirectly borne by investors;
- (10) a description of how the *AIFM* ensures a fair treatment of investors;
- (11) whenever an investor obtains preferential treatment or the right to obtain preferential treatment, a description of:
 - (a) that preferential treatment;

- (b) the type of investors who obtain such preferential treatment; and
 - (c) where relevant, their legal or economic links with the *AIF* or *AIFM*;
- (12) the procedure and conditions for the issue and sale of *units* or *shares*;
- (13) the latest net asset value of the *AIF* or the latest market price of the *unit* or *share* of the *AIF*, in line with ■ FUND 3.9 (Valuation);
- (14) the latest annual report, in line with ■ FUND 3.3 (Annual report of an *AIF*);
- (15) where available, the historical performance of the *AIF*;
- (16) (a) the identity of the *prime brokerage firm*;
- (b) a description of any material arrangements of the *AIF* with its *prime brokerage firm* and the way any conflicts of interest are managed;
- (c) the provision in the contract with the *depository* on the possibility of transfer and reuse of *AIF* assets; and
- (d) information about any transfer of liability to the *prime brokerage firm* that may exist; and
- (17) a description of how and when the information required under ■ FUND 3.2.5 R and ■ FUND 3.2.6 R will be disclosed.

[Note: article 23(1) of *AIFMD*]

3.2.3

FCA

R

- (1) An *AIFM* must inform investors before they invest in the *AIF* of any arrangement made by the *depository* to contractually discharge itself of liability, in accordance with regulation 30 of the *AIFMD UK Regulation*.
- (2) The *AIFM* must also inform investors without delay of any changes with respect to *depository* liability.

[Note: article 23(2) of *AIFMD*]

PAGE
5

3.2.4

FCA

R

Where the *AIF* is required to publish a *prospectus* under section 85 of the *Act* or the equivalent provision implementing article 3 of the *Prospectus Directive* in the *AIF's Home State*, only information referred to in ■ FUND 3.2.2 R and ■ 3.2.3 R that is additional to that contained in the *prospectus* needs to be disclosed, either separately or as additional information in the *prospectus*.

[Note: article 23(3) of AIFMD]

Periodic disclosure

3.2.5
FCA

R

An AIFM must, for each UK AIF and EEA AIF it manages, and each AIF it markets in the EEA, disclose to investors periodically:

- (1) the percentage of the AIF's assets that are subject to special arrangements arising from their illiquid nature;
- (2) any new arrangements for managing the liquidity of the AIF; and
- (3) the current risk profile of the AIF and the risk management systems employed by the AIFM to manage those risks.

[Note: article 23(4) of AIFMD]

3.2.6
FCA

R

An AIFM that manages a UK AIF or an EEA AIF or markets an AIF in the EEA must, for each such AIF that employs leverage, disclose on a regular basis:

- (1) any changes to:
 - (a) the maximum level of leverage that the AIFM may employ on behalf of the AIF; and
 - (b) any right of reuse of collateral or any guarantee granted under the leveraging arrangement; and
- (2) the total amount of leverage employed by that AIF.

[Note: article 23(5) of AIFMD]

Subordinate measures

3.2.7
FCA

G

Articles 108 and 109 of the AIFMD level 2 regulation provide detailed rules supplementing this section.



3.3 Annual report of an AIF

Application

3.3.1
FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF marketed* in the *UK*.

Provision of an annual report

3.3.2
FCA

R

An *AIFM* must, for each *UK AIF* and *EEA AIF* it manages and for each *AIF* it *markets* in the *UK*:

- (1) make an annual report available to investors for each financial year;
- (2) provide the annual report to investors on request; and
- (3) make the annual report available to the *FCA* and, in the case of an *EEA AIF*, to the *competent authority* of that *AIF*.

[Note: article 22(1) first paragraph and article 24(3)(a) of *AIFMD*]

3.3.3
FCA

R

Subject to ■ FUND 3.3.4R (2), an *AIFM* must make the annual report available, in line with ■ FUND 3.3.2R (1), no later than six months after the end of the financial year.

[Note: article 22(1) first paragraph of *AIFMD*]

3.3.4
FCA

R

- (1) Where the *AIF* is required to make an annual financial report public under ■ DTR 4.1.3 R (Publication of annual financial reports) or an equivalent provision implementing article 4.1 of the *Transparency Directive* in the *Home State* of the *AIF*, only information referred to in ■ FUND 3.3.5 R that is additional to the annual financial report needs to be provided to investors on request, either separately or as an additional part of the annual financial report.

- (2) Where additional information in (1) is provided as an addition to the annual financial report, that report must be made public no later than four months following the end of the financial year, under ■ DTR 4.1.3 R (Publication of annual financial reports) or an equivalent provision implementing article 4.1 of the *Transparency Directive* in the *Home State* of the AIF.

[Note: second paragraph, article 22(1) of AIFMD]

Contents of the annual report

3.3.5

FCA

R

The annual report must contain:

- (1) a balance sheet or a statement of assets and liabilities;
- (2) an income and expenditure account for the financial year;
- (3) a report on the activities of the financial year;
- (4) any material changes in the information required to be made available to investors under ■ FUND 3.2.2 R (Prior disclosure of information to investors) during the financial year covered by the report;
- (5) (a) the total amount of *remuneration* paid by the AIFM to its staff for the financial year, split into fixed and variable remuneration, including, where relevant, any *carried interest* paid by the AIF; and
 (b) the number of beneficiaries; and
- (6) the aggregate amount of *remuneration* of the AIFM *Remuneration Code staff*, broken down by senior management and members of staff.

[Note: article 22(2) of AIFMD]

Accounting information in the annual report

3.3.6

FCA

R

The accounting information given in the annual report must be:

- (1) prepared in accordance with the accounting standards of the *Home State* of the AIF (or, for a *non-EEA AIF*, the accounting standards of the third country where it is *established*) and with the accounting rules set out in the AIF's *instrument constituting the fund*; and
- (2) audited by one or more persons empowered by law to audit accounts under the *Audit Directive* (or for a *non-EEA AIF*, under international auditing standards in force in the country where the *non-EEA AIF* is *established*).

[Note: article 22(3) of *AIFMD*]

3.3.7

FCA

R

The auditor's report, including any qualifications, must be reproduced in full in the annual report.

[Note: second paragraph article 22(3) of *AIFMD*]

Subordinate measures.....

3.3.8

FCA

G

Articles 103 to 107 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.

3

3.4 Reporting obligations to the FCA

Application

3.4.1
FCA

R This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Reporting obligations

3.4.2
FCA

R An *AIFM* must regularly report to the *FCA* on behalf of each *AIF* it manages:

- (1) the main instruments in which it is trading;
- (2) the principal markets of which it is a member or where it actively trades; and
- (3) the principal exposures and most important concentrations of each *AIF* it manages.

[Note: article 24(1) of *AIFMD*]

Content of reporting information

3.4.3
FCA

R An *AIFM* must, for each *UK AIF* and *EEA AIF* it manages, and for each *AIF* it markets in the *EEA*, provide the following to the *FCA*:

- (1) the percentage of the *AIF*'s assets that are subject to special arrangements arising from their illiquid nature;
- (2) any new arrangements for managing the liquidity of the *AIF*;
- (3) the current risk profile of the *AIF* and the risk management systems employed by the *AIFM* to manage the *market risk*, *liquidity risk*, *counterparty risk* and other risks, including *operational risk*;

(4) information on the main categories of assets in which the *AIF* is invested; and

(5) the results of the stress tests performed in accordance with
 ■ FUND 3.6.3 R (2) (Liquidity systems and procedures) and
 ■ FUND 3.7.5 R (2)(b) (Risk management systems).

[Note: article 24(2) of *AIFMD*]

3.4.4

FCA

R

An *AIFM* must, at the *FCA*'s request, provide at the end of each quarter a detailed list of all *AIFs* which it manages.

[Note: article 24(3)(b) of *AIFMD*]

AIFs that employ leverage on a substantial basis

3.4.5

FCA

R

An *AIFM* managing an *AIF* that employs *leverage* on a substantial basis must make the following information available to the *FCA* about that *AIF*:

- (1) the overall level of leverage employed by the *AIF*;
- (2) a breakdown of *leverage* arising from borrowing of cash or *securities* and *leverage* embedded in financial *derivatives*;
- (3) the extent to which the *AIF*'s assets have been reused under *leveraging* arrangements; and
- (4) the identity of the five largest sources of borrowed cash or *securities* for the *AIF*, and the amounts of *leverage* received from each of those sources.

[Note: article 24(4) of *AIFMD*]

Meaning of employing leverage on a substantial basis

3.4.6

FCA

EU

Use of leverage on a 'substantial basis'

- 1. Leverage shall be considered to be employed on a substantial basis for the purposes of Article 24(4) of Directive 2011/61/EU when the exposure of an *AIF* as calculated according to the commitment method under Article 8 of this Regulation exceeds three times its net asset value.

[Note: article 111(1) of the *AIFMD level 2 regulation*]

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11

3.4.7

FCA

G

Subordinate measures

Articles 110 and 111 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.

3.5 Investment in securitisation positions

Application

3.5.1
FCA

G

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

3.5.2
FCA

G

To ensure cross-sectoral consistency and remove misalignment between the interests of firms that repackage loans into tradable securities and *originators* within the meaning of article 4(41) of the *BCD* and *AIFMs* that invest in those securities or other *financial instruments*, the *AIFMD level 2 regulation* sets out:

- (1) requirements that must be met by the *originator*, the *sponsor* or the original lender, for an *AIFM* to be allowed to invest on behalf of the *AIF* in securities or other *financial instruments* of this type issued after 1 January 2011; and
- (2) qualitative requirements that must be met by *AIFMs* which invest in these securities or other *financial instruments* on behalf of the *AIF*.

[Note: article 17 of *AIFMD*]

Subordinate measures

3.5.3
FCA

G

Articles 50 to 56 of the *AIFMD level 2 regulation* provide detailed rules supplementing the provisions in *AIFMD* on investment in securitisation positions.



3.6 Liquidity

Application

3.6.1
FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Alignment of investment strategy, liquidity profile and redemption policy

3.6.2
FCA

R

An *AIFM* must ensure that the investment strategy, liquidity profile and redemption policy of each *AIF* it manages are consistent.

[Note: article 16(2) of *AIFMD*]

Liquidity systems and procedures

3.6.3
FCA

R

An *AIFM* must, for each *AIF* it manages that is not an unleveraged closed-ended *AIF*:

- (1) employ an appropriate liquidity management system and adopt procedures which:
 - (a) enable it to monitor the liquidity risk of the *AIF*; and
 - (b) ensure that the liquidity profile of the investments of the *AIF* complies with the *AIF*'s underlying obligations; and
- (2) regularly conduct stress tests, under normal and exceptional liquidity conditions, which enable it to assess the liquidity risk of the *AIF* and monitor that risk.

[Note: article 16(1) of *AIFMD*]

Subordinate measures

3.6.4
FCA

G

Articles 46 to 49 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.



3.7 Risk management

Application

3.7.1

FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Functional and hierarchical separation

3.7.2

FCA

R

- (1) An *AIFM* must functionally and hierarchically separate the functions of risk management from the operating units, including from the functions of portfolio management.
- (2) An *AIFM* must, in any event, be able to demonstrate that:
 - (a) specific safeguards against conflicts of interest allow for the independent performance of risk management activities; and
 - (b) the risk management process satisfies the requirements of this section and is consistently effective.

[Note: article 15(1) of *AIFMD*]

3.7.3

FCA



Functional and hierarchical separation of the risk management function

1. The risk management function shall be considered as functionally and hierarchically separated from the operating units, including the portfolio management function, only where all the following conditions are satisfied:
 - (a) persons engaged in the performance of the risk management function are not supervised by those responsible for the performance of the operating units, including the portfolio management function, of the *AIFM*;
 - (b) persons engaged in the performance of the risk management function are not engaged in the performance of activities

- within the operating units, including the portfolio management function;
- (c) persons engaged in the performance of the risk management function are compensated in accordance with the achievement of the objectives linked to that function, independently of the performance of the operating units, including the portfolio management function;
2. The functional and hierarchical separation of the risk management function in accordance with paragraph 1 shall be ensured throughout the whole hierarchical structure of the AIFM, up to its governing body. It shall be reviewed by the governing body and, where it exists, the supervisory function of the AIFM.

[Note: article 42(1) and (2) of the *AIFMD level 2 regulation*]

3.7.4

FCA



Safeguards against conflicts of interest

1. The safeguards against conflicts of interest referred to in Article 15(1) of Directive 2011/61/EU shall ensure, at least, that:
- (a) decisions taken by the risk management function are based on reliable data, which are subject to an appropriate degree of control by the risk management function;
 - (b) the remuneration of those engaged in the performance of the risk management function reflects the achievement of the objectives linked to the risk management function, independently of the performance of the business areas in which they are engaged;
 - (c) the risk management function is subject to an appropriate independent review to ensure that decisions are being arrived at independently;
 - (d) the risk management function is represented in the governing body or the supervisory function, where it has been established, at least with the same authority as the portfolio management function;
 - (e) any conflicting duties are properly segregated.
2. Where proportionate, taking into account the nature, scale and complexity of the AIFM, the safeguards referred to in paragraph 1 shall also ensure that:
- (a) the performance of the risk management function is reviewed regularly by the internal audit function, or, if the latter has not been established, by an external party appointed by the governing body;
 - (b) where a risk committee has been established, it is appropriately resourced and its non-independent members do not have undue influence over the performance of the risk management function.

3. The governing body of the AIFM and, where it exists, the supervisory function shall establish the safeguards against conflicts of interest laid down in paragraphs 1 and 2, regularly review their effectiveness and take timely remedial action to address any deficiencies.

[Note: article 43 of the *AIFMD level 2 regulation*]

Risk management systems

3.7.5
FCA

R

- (1) An *AIFM* must implement adequate risk management systems to identify, measure, manage and monitor all risks relevant to each *AIF* investment strategy and to which each *AIF* is, or may be, exposed.
- (2) An *AIFM* must, at least:
 - (a) implement an appropriate, documented and regularly updated due diligence process when investing on behalf of the *AIF*, according to the investment strategy, objectives and risk profile of the *AIF*;
 - (b) ensure that the risks associated with each investment position of the *AIF* and their overall effect on the *AIF*'s portfolio can be properly identified, measured, managed and monitored on an ongoing basis, including through the use of appropriate stress testing procedures; and
 - (c) ensure that the risk profile of the *AIF* corresponds to the size, portfolio structure and investment strategies and objectives of the *AIF* as set out in the *instrument constituting the fund, prospectus* and offering documents.

[Note: article 15(2) first paragraph and article 15(3) of *AIFMD*]

Review of risk management systems

3.7.6
FCA

R

An *AIFM* must:

- (1) review the risk management systems with appropriate frequency and, in any event, at least once a year; and
- (2) adapt them whenever necessary.

[Note: article 15(2) second paragraph of *AIFMD*]

Maximum leverage levels

3.7.7
FCA

R

- (1) An *AIFM* must:
 - (a) set a maximum level of *leveraging* which it may employ on behalf of each *AIF* it manages; and

(b) where the *leverage* arrangement allows the right to reuse *collateral* or the granting of a guarantee, set out the extent of that right or guarantee.

(2) An *AIFM*, in complying with (1), must take into account relevant matters including:

- (a) the type of *AIF*;
- (b) the investment strategy of the *AIF*;
- (c) the sources of *leverage* of the *AIF*;
- (d) any other link or relevant relationship with other financial services institutions which could pose systemic risk;
- (e) the need to limit the exposure to any single counterparty;
- (f) the extent to which the *leverage* is *collateralised*;
- (g) the asset-liability ratio; and
- (h) the scale, nature and extent of the activity of the *AIFM* on the markets concerned.

[Note: article 15(4) of *AIFMD*]

3.7.8

FCA

R

An *AIFM* must demonstrate that the *leverage* limits it sets under ■ FUND 3.7.7R (1)(a) are reasonable and that it complies with those limits at all times.

[Note: article 25(3) first sentence of *AIFMD*]

3.7.9

FCA

G

To comply with ■ FUND 3.7.8 R, an *AIFM* should report to the *FCA* any changes to the leverage limits it sets.

Subordinate measures

3.7.10

FCA

G

Articles 6 to 11 of the *AIFMD level 2 regulation* provide detailed rules on the calculation of levels of leverage, articles 38 to 47 of the *AIFMD level 2 regulation* provide detailed rules on risk management and article 112 of the *AIFMD level 2 regulation* provides detailed rules on circumstances when *competent authorities* may impose leverage limits or other restrictions on the management of *AIFs*.



3.8 Prime brokerage firms

Application

3.8.1
FCA

R

This section applies to:

- (1) a *full-scope UK AIFM* of:
 - (a) a *UK AIF*;
 - (b) an *EEA AIF* managed or *marketed* from an establishment in the *UK*; and
 - (c) a *non-EEA AIF*; and
- (2) an *incoming EEA AIFM branch* which manages or *markets* a *UK AIF*.

Selection of a prime brokerage firm

3.8.2
FCA

R

An *AIFM* must exercise due skill, care and diligence in the selection and appointment of a *prime brokerage firm*.

[Note: article 14(3) second paragraph of the *AIFMD*]

Prime brokerage firm contract

3.8.3
FCA

R

Where the *AIFM*, on behalf of an *AIF*, uses the services of a *prime brokerage firm*, the terms must be in a written contract. In particular, any possibility of transfer and reuse of *AIF* assets must be provided for in that contract and must comply with the *AIF's instrument constituting the fund*. The contract must provide for the *depository* to be informed of the contract.

[Note: article 14(3) first paragraph of the *AIFMD*]



3.9 Valuation

Application

3.9.1

FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*.

Responsibility of the AIFM

3.9.2

FCA

R

An *AIFM* is responsible for the proper valuation of *AIF* assets, the calculation of the net asset value and the publication of that net asset value.

[Note: article 19(10) first sentence first paragraph of *AIFMD*]

Standard of care of the valuation

3.9.3

FCA

R

An *AIFM* must ensure that any valuation of an *AIF*'s assets is performed impartially and with all due skill, care and diligence.

[Note: article 19(8) of *AIFMD*]

Establishment of procedures for valuation of assets

3.9.4

FCA

R

An *AIFM* must ensure that, for each *AIF* it manages, appropriate and consistent procedures are established so that under the rules laid down in the applicable national law of the country where the *AIF* is *established* and the *instrument constituting the fund*:

- (1) a proper and independent valuation of the assets of the *AIF* can be performed; and
- (2) the net asset value per unit or share of the *AIF* is calculated and disclosed to investors.

[Note: article 19(1), (2) and (3) first paragraph of *AIFMD*]

3.9.5
FCA

R

Frequency of valuation of assets and calculation of net asset value

- (1) An *AIFM* must ensure that the valuation procedure in ■ FUND 3.9.4 R provides for the assets of any *AIF* under the *AIFM*'s management to be valued and the net asset value per *unit* or *share* to be calculated at least once a year.
- (2) Where an *AIF* is open-ended, such valuations and calculations must also be carried out at a frequency that is appropriate both to the assets held by the *AIF* and its issuance and redemption frequency.
- (3) Where an *AIF* is closed-ended, such valuations and calculations must also be carried out in case of an increase or decrease of the capital by the relevant *AIF*.

[Note: article 19(3) second, third and fourth paragraphs of *AIFMD*]

Informing investors of valuations of assets and calculations of net asset value

3.9.6
FCA

R

An *AIFM* must ensure that investors in the *AIFs* under its management are informed of the valuations and calculations in the manner set out in the relevant *instrument constituting the fund*.

[Note: article 19(3) fifth paragraph of *AIFMD*]

Performance of the valuation function

3.9.7
FCA

R

- (1) An *AIFM* may perform the valuation itself, provided that:
 - (a) the valuation task is functionally independent from the portfolio management; and
 - (b) the remuneration policy and other measures ensure that conflicts of interest are mitigated and that undue influence upon the employees involved is prevented.
- (2) An *AIFM* that does not perform the valuation function itself must ensure that the function is performed by an *external valuer*.
- (3) An *external valuer* appointed under (2) must be a *person* independent from:
 - (a) the *AIF* in respect of which the valuation function is performed;
 - (b) the *AIFM*; and
 - (c) any other *persons* with *close links* to the *AIF* or the *AIFM*.

[Note: article 19(4) first paragraph of *AIFMD*]

3.9.8
FCA

R

Appointment of the depositary as an external valuer

The *depositary* appointed for an *AIF* may not be appointed as an *external valuer* of that *AIF* unless:

- (1) it has functionally and hierarchically separated the performance of its depositary functions from its tasks as an *external valuer*; and
- (2) the potential conflicts of interests are properly identified, managed, monitored and disclosed to the investors of the *AIF*.

[Note: article 19(4) second paragraph of *AIFMD*]

3.9.9
FCA

R

Appointment of an external valuer

Where an *external valuer* performs the valuation function, the *AIFM* must be able to demonstrate that:

- (1) the *external valuer* is subject to mandatory professional registration recognised by law or legal or regulatory provisions or rules of professional conduct;
- (2) the *external valuer* can provide sufficient professional guarantees to be able to perform the relevant valuation function effectively under this section; and
- (3) the appointment of the *external valuer* complies with the requirements of ■ FUND 3.10.2 R (General delegation arrangements) and the *AIFMD level 2 regulation*.

[Note: article 19(5) of *AIFMD*]

3.9.10
FCA

G

Delegation by an external valuer

AIFMs should be aware that regulation 24(2) of the *AIFMD UK Regulation* prohibits an *external valuer* from delegating valuation to a third party.

3.9.11
FCA

R

Notification of appointment of an external valuer

An *AIFM* must notify the appointment of an *external valuer* to the *FCA*.

[Note: article 19(7) first part of first paragraph of *AIFMD*]

3.9.12
FCA

G

Under regulation 24(3) of the *AIFMD UK regulation*, the *FCA* may require an *AIFM* to appoint another *external valuer* where it considers that the appointment does not comply with ■ FUND 3.9.9 R.

PAGE
21

3.9.13
FCA

G

Subordinate measures

Articles 67 to 74 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.



3.10 Delegation

Application

3.10.1

FCA

R

This section applies to a *full-scope UK AIFM* of:

- (1) a *UK AIF*;
- (2) an *EEA AIF*; and
- (3) a *non-EEA AIF*

in relation to the delegation of those *AIFM management functions* for which it is responsible, other than supporting tasks such as administrative or technical functions.

[Note: recital 31 of *AIFMD*]

General delegation requirements

3.10.2

FCA

R

An *AIFM* must ensure the following conditions are met when a delegate carries out any function on its behalf:

- (1) the *AIFM* has notified the *FCA* of the delegation before the delegation arrangements become effective; and
- (2) (a) the *AIFM* is able to justify its entire delegation structure with objective reasons;
- (b) the delegate has sufficient resources to perform the respective activity and the persons who effectively conduct the business of the delegate are of sufficiently good repute and experience;
- (c) (subject to ■ FUND 3.10.7 G) the delegation of *AIFM investment management functions* is conferred only on a delegate that is authorised or registered for the purpose of asset management and subject to supervision;
- (d) in addition to (c), where the delegation of *AIFM investment management functions* is conferred on a third-country delegate, cooperation between the *FCA* and the supervisory authority of the delegate is ensured;

- (e) the delegation does not prevent the *FCA* from supervising the *AIFM* effectively and, in particular, does not prevent the *AIFM* from acting, or the *AIF* from being managed, in the best interests of its investors; and
- (f) the *AIFM* is able to demonstrate that:
 - (i) the delegate is qualified and capable of undertaking the functions in question;
 - (ii) it was selected with all due care; and
 - (iii) the *AIFM* can monitor the delegated activity effectively at any time, give further instructions to the delegate at any time and withdraw the delegation with immediate effect when this is in the interest of investors.

[Note: article 20(1) of *AIFMD*]

3.10.3

FCA

G

For the purposes of ■ FUND 3.10.2R (2)(d) cooperation is ensured between the *FCA* and the supervisory authorities of a third-country delegate where a cooperation arrangement is in place between the two authorities in accordance with *AIFMD* and article 78(3) of the *AIFMD level 2 regulation*.

Sub-delegation

3.10.4

FCA

R

An *AIFM* must ensure the following conditions are met when any of its delegates carries out a sub-delegation:

- (1) the *AIFM* has consented to the sub-delegation before the sub-delegation arrangements become effective;
- (2) the *AIFM* has notified the *FCA* of the sub-delegation before the sub-delegation arrangements become effective; and
- (3) the conditions in ■ FUND 3.10.2R (2) (General delegation requirements) are satisfied in relation to the sub-delegation, with references to 'delegate' and 'delegation' replaced by references to 'sub-delegate' and 'sub-delegation'.

[Note: article 20(4) of *AIFMD*]

3.10.5

FCA

R

An *AIFM* must comply with the *rules* in this section which are applicable to a sub-delegation in relation to any further sub-delegation of its functions by a sub-delegate.

[Note: article 20(6) of *AIFMD*]

Delegation of AIFM investment management functions

3.10.6
FCA

R

An *AIFM* must not delegate or consent to the sub-delegation of *AIFM investment management functions* to:

- (1) the *depository* or a delegate of the *depository*; or
- (2) any other entity whose interests may conflict with those of the *AIFM* or the investors of the *AIF*, unless:
 - (a) that entity has functionally and hierarchically separated the performance of its *AIFM investment management function* from its other potentially conflicting tasks; and
 - (b) the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the *AIF*.

[Note: article 20(2) and (5) of *AIFMD*]

3.10.7
FCA

G

The *FCA* may consent to the delegation by a *Full-scope UK AIFM* of its *AIFM investment management functions* to an entity which is not authorised or registered for the purpose of asset management and subject to supervision in accordance with regulation 26 of the *AIFMD UK* regulation.

Letterbox entity

3.10.8
FCA

R

An *AIFM* must not delegate its functions to the extent that, in essence, it can no longer be considered to be the *AIFM* of the *AIF* and to the extent that it becomes a letter-box entity.

[Note: article 20(3) of *AIFMD*]

3.10.9
FCA



Letter-box entity and AIFM no longer considered to be managing an AIF

1. An *AIFM* shall be deemed a letter-box entity and shall no longer be considered to be the manager of the *AIF* at least in any of the following situations:
 - (a) the *AIFM* no longer retains the necessary expertise and resources to supervise the delegated tasks effectively and manage the risks associated with the delegation;
 - (b) the *AIFM* no longer has the power to take decisions in key areas which fall under the responsibility of the senior management or no longer has the power to perform senior management functions in particular in relation to the implementation of the general investment policy and investment strategies;
 - (c) the *AIFM* loses its contractual rights to inquire, inspect, have access or give instructions to its delegates or the exercise of such rights becomes impossible in practice;

- (d) **the AIFM delegates the performance of investment management functions to an extent that exceeds by a substantial margin the investment management functions performed by the AIFM itself. When assessing the extent of delegation, competent authorities shall assess the entire delegation structure taking into account not only the assets managed under delegation but also the following qualitative criteria:**
 - (i) **the types of assets the AIF or the AIFM acting on behalf of the AIF is invested in, and the importance of the assets managed under delegation for the risk and return profile of the AIF;**
 - (ii) **the importance of the assets under delegation for the achievement of the investment goals of the AIF;**
 - (iii) **the geographical and sectoral spread of the AIF's investments;**
 - (iv) **the risk profile of the AIF;**
 - (v) **the type of investment strategies pursued by the AIF or the AIFM acting on behalf of the AIF;**
 - (vi) **the types of tasks delegated in relation to those retained; and**
 - (vii) **the configuration of delegates and their sub-delegates, their geographical sphere of operation and their corporate structure, including whether the delegation is conferred on an entity belonging to the same corporate group as the AIFM.**

[Note: Article 82(1) of the *AIFMD level 2 regulation*]

Liability for delegated functions

3.10.10

FCA

G

An *AIFM*'s liability towards the *AIF* and its investors is not affected by the *AIFM* delegating functions to a third party, or by any further sub-delegation (see regulation 28(1) of the *AIFMD UK Regulation*).

Review of delegation and sub-delegation

3.10.11

FCA

R

An *AIFM* must review on an ongoing basis the services provided by each:

- (1) delegate appointed under ■ FUND 3.10.2 R; and
- (2) sub-delegate appointed under ■ FUND 3.10.4 R.

[Note: article 20(1) and 20(4) of *AIFMD*]

3.10.12

FCA

G

An *AIFM* should make each of its delegates aware of the requirement to review the services provided by each of its sub-delegates on an ongoing basis (see regulation 28(2) of the *AIFMD UK Regulation*).

3.10.13

FCA

G

Subordinate measures

Articles 75 to 82 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.



3.11 Depositaries

Application

3.11.1

FCA

R

This section applies in accordance with the table in ■ FUND 3.11.2 R and ■ FUND 3.11.3 R.

3.11.2

FCA

R

This table belongs to ■ FUND 3.11.1 R.

<i>Rule</i>	<i>Full-scope UK AIFM of a UK AIF or an EEA AIF</i>	<i>Full-scope UK AIFM of a non-EEA AIF which is marketed in the UK</i>	<i>UK depositary of a UK AIF managed by a full-scope UK AIFM or an EEA AIFM</i>	<i>UK depositary of a non-EEA AIF</i>
3.11.4R	x			
3.11.5R	x		x	
3.11.7R	x			
3.11.9R			x	
3.11.10R	x			
3.11.12R	x			
3.11.14R	x			
3.11.16R			x	
3.11.18R	x			
3.11.19R	x		x	
3.11.20R			x	x
3.11.21R			x	x
3.11.23R			x	x
3.11.24R			x	
3.11.25R			x	x
3.11.26R			x	
3.11.28R			x	
3.11.29R			x	

3.11.30R		X
3.11.33R	X	
Note: "x" means "applies".		

3.11.3
FCA

R

A UK depositary of a non-EEA AIF that does not perform all of the functions of cash monitoring, safekeeping and oversight for the AIF need only comply with the following rules that are applicable to the functions it performs:

- (1) ■ FUND 3.11.20 R if it performs only the cash monitoring function;
- (2) ■ FUND 3.11.21 R and ■ FUND 3.11.23 R if it performs only the safekeeping function;
- (3) ■ FUND 3.11.25 R if it performs only the oversight function;
- (4) ■ FUND 3.11.20 R, ■ FUND 3.11.21 R and ■ FUND 3.11.23 R if it performs only the cash monitoring and safekeeping functions;
- (5) ■ FUND 3.11.20 R and ■ FUND 3.11.25 R if it performs only the cash monitoring and oversight functions; and
- (6) ■ FUND 3.11.21 R, ■ FUND 3.11.23 R and ■ FUND 3.11.25 R if it performs only the safekeeping and oversight functions.

Appointment of a single depositary

3.11.4
FCA

R

An AIFM must, for each AIF it manages, ensure that:

- (1) a single *depositary* is appointed; and
- (2) the assets of the AIF are entrusted to the *depositary* for safekeeping in accordance with ■ FUND 3.11.21 R and ■ FUND 3.11.23 R.

[Note: article 21(1) and (8) of AIFMD]

General obligations

3.11.5
FCA

R

An AIFM and a *depositary* must, in the context of their respective roles, act honestly, fairly, professionally, independently and in the interest of the AIF and its investors.

[Note: article 21(10) first paragraph of AIFMD]

3.11.6
FCA

G

The Act specifies that the *trustee* of an AUT and the *depositary* of an ACS must be independent of its *authorised fund manager*, and the OEIC Regulations specify that the *depositary* of an ICVC must be independent of the ICVC and its *directors*. However, these requirements do not apply to AIFs which are not *authorised funds*, and, therefore,

an *AIFM* and a *depository* of an *unauthorised AIF* may be from within the same *group*, but only if conflicts of interest are avoided and there is sufficient organisational separation between the two entities.

Conflicts of interest: AIFM

3.11.7

FCA

R

To avoid conflicts of interest between the *depository*, the *AIFM*, the *AIF* and its investors, an *AIFM* must ensure that:

- (1) it does not act as a *depository* or a delegate of a *depository*; and
- (2) a *prime brokerage firm* acting as counterparty to an *AIF* does not act as the *depository* for that *AIF*, unless:
 - (a) the *prime brokerage firm* has functionally and hierarchically separated the performance of its *depository* functions from its tasks as a *prime brokerage firm*; and
 - (b) potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the *AIF* by the *AIFM*.

[Note: article 21(4) of *AIFMD*]

3.11.8

FCA

G

A *depository* may delegate custody tasks to one or more *prime brokerage firms* provided the *depository* complies with ■ FUND 3.11.26 R to ■ FUND 3.11.30 R. In addition to the delegated custody tasks, *prime brokerage firms* are allowed to provide *prime brokerage services* to the *AIF*. Those *prime brokerage services* do not form part of the delegation arrangement.

[Note: recital 43 of *AIFMD*]

Conflicts of interest: depositaries

3.11.9

FCA

R

A *depository* must not carry out activities with regard to the *AIF*, or the *AIFM* on behalf of the *AIF*, that may create conflicts of interest between the *AIF*, the investors in the *AIF*, the *AIFM* and itself, unless:

- (1) the *depository* has properly identified any such potential conflicts of interest;
- (2) the *depository* has functionally and hierarchically separated the performance of its *depository* tasks from its other potentially conflicting tasks; and
- (3) the potential conflicts of interest are properly managed, monitored and disclosed to the investors of the *AIF*.

[Note: article 21(10) second paragraph of *AIFMD*]

Eligible depositories for UK AIFs

3.11.10
FCA

R

Subject to ■ FUND 3.11.12 R, an AIFM must, for each UK AIF it manages, ensure the appointment of a *depository* which is a *firm established in the UK* and which is one of the following:

- (1) a *credit institution*; or
- (2) a *MiFID investment firm* which:
 - (a) has *own funds* of not less than £730,000; and
 - (b) provides the *ancillary service* of safe-keeping and administration of *financial instruments* for the account of clients; or
- (3) another category of institution that is subject to prudential regulation and ongoing supervision and which, on 21 July 2011, fell within the categories of institution eligible to be a *trustee* of an *AUT* or a *depository* of an *ICVC*.

[Note: article 21(3)(a) to (c) and (5)(a) of AIFMD]

3.11.11
FCA

G

For a *depository* to be *established* in the UK it must have its registered office or *branch* in the UK. A *MiFID investment firm* that has its registered office in the UK must be a *full scope BIPRU investment firm* to meet the requirements of ■ FUND 3.11.10R (2). A *MiFID investment firm* that has a *branch* in the UK is not subject to the requirements of GENPRU and BIPRU, but must meet the equivalent capital requirements to a *full scope BIPRU investment firm* in its *Home State* to meet the requirements of ■ FUND 3.11.10R (2).

3.11.12
FCA

R

An AIFM that manages a UK AIF which:

- (1) has no redemption rights exercisable during the period of five years from the date of the initial investments; and
- (2) in accordance with its core investment policy:
 - (a) does not generally invest in *AIF custodial assets*; or
 - (b) generally invests in issuers or non-listed companies in order to potentially acquire *control* over such companies in accordance with regulation 35 of the *AIFMD UK regulation*

may appoint, as its *depository*, a firm which is established in the UK and which complies with ■ FUND 3.11.14 R.

3.11.13
FCA

G

For the purposes of ■ FUND 3.11.12R (2)(a), an AIF does not generally invest in *AIF custodial assets* if it invests in such assets on a temporary basis or if those assets do not constitute a significant proportion of its overall assets. However, in line with ■ FUND 3.11.12R (2)(b), an AIF may invest in *AIF custodial assets* if it invests in issuers

to acquire control of such companies in accordance with regulation 35 of the *AIFMD UK regulation* or if it is in the process of divesting its investment in an issuer which it controls or previously controlled.

3.11.14

FCA

R

An *AIFM* must ensure that a *depositary* appointed in line with

■ FUND 3.11.12 R is a *firm*:

- (1) which has the *Part 4A permission of acting as trustee or depositary of an AIF*; and
- (2) which has *own funds* of at least £125,000.

[Note: article 21(3) second paragraph after (c) and (5)(a) of *AIFMD*]

3.11.15

FCA

G

For certain types of closed-ended *AIFs* (such as private equity, venture capital and real estate funds) a wider range of entities than those specified in ■ FUND 3.11.10 R may perform the relevant *depositary* functions. The *FCA* requires such entities to obtain authorisation as a *depositary* to demonstrate that they can meet the commitments inherent in those functions, but imposes a lower level of capital requirements in recognition of the different degree of risk implied by the characteristics of the *AIF*. The capital requirements of such firms are contained in ■ *IPRU-INV* 5 (particularly ■ *IPRU-INV* 5.2.3R(3)(a)(ia) (Own funds requirement)) or in *GENPRU* and *BIPRU* if the *firm* undertakes *MiFID business*.

[Note: recital 34 of *AIFMD*]

Additional requirements for depositaries of authorised AIFs

3.11.16

FCA

R

A *MiFID investment firm* (other than a *PRA-authorised person*) which is appointed as a *depositary* for an *authorised AIF* in accordance with ■ FUND 3.11.10R (2) must maintain own funds of at least £4 million.

3.11.17

FCA

G

Where the *firm* referred to in ■ FUND 3.11.16 R is a *full scope BIPRU investment firm* which is a *depositary* for an *authorised AIF* appointed in line with ■ FUND 3.11.10R (2), it is subject to the capital requirements of *GENPRU* and *BIPRU*. However, these requirements are not in addition to ■ FUND 3.11.16 R and, therefore, a *firm* subject to this *rule* may use the *own funds* required under *GENPRU* and *BIPRU* to meet the £4 million requirement.

Eligible depositaries for EEA AIFs

3.11.18

FCA

R

An *AIFM* must, for each *EEA AIF* it manages, ensure the appointment of a *depositary* which is *established* in the *Home State* of the *AIF* and which is eligible to be a *depositary* in that *Home State* in accordance with article 21(3) of *AIFMD*.

[Note: article 21(3) and (5)(a) of *AIFMD*]

Written contract

3.11.19

FCA

R

An *AIFM* and a *depositary* must ensure that the appointment of the *depositary* is evidenced by a written contract. The contract must regulate the flow of information deemed necessary to allow the *depositary* to

perform its functions for the *AIF* for which it has been appointed as *depository*.

[Note: article 21(2) of *AIFMD*]

Depository functions: cash monitoring

3.11.20

FCA

R

A *depository* must ensure that the *AIF*'s cash flows are properly monitored and that:

- (1) all payments made by, or on behalf of, investors upon the subscription of *units* or *shares* of an *AIF* have been received;
- (2) all cash of the *AIF* has been booked in cash accounts opened:
 - (a) in the name of:
 - (i) the *AIF*; or
 - (ii) the *AIFM* acting on behalf of the *AIF*; or
 - (iii) the *depository* acting on behalf of the *AIF*; and
 - (b) at:
 - (i) a central bank; or
 - (ii) a *BCD credit institution*; or
 - (iii) a bank authorised in a third country; or
 - (iv) another entity of the same nature, in the relevant market where cash accounts are required, provided such an entity is subject to effective prudential regulation and supervision which have the same effect as *EU* law and are effectively enforced and in accordance with the principles set out in article 16 (safeguarding of client financial instruments and funds) of the *MiFID implementing directive*; and
- (3) where cash accounts are opened in the name of the *depository* acting on behalf of the *AIF* in accordance with (2)(a)(iii), the *depository* must ensure that no cash of the entity referred to in (2)(b), and none of the *depository*'s own cash, is booked on such accounts.

[Note: article 21(7) of *AIFMD*]

Depository functions: safekeeping of financial instruments

3.11.21

FCA

R

- (1) A *depository* must hold in custody all *AIF custodial assets*.
- (2) The *depository* must ensure that all *AIF custodial assets* that can be registered in a *financial instruments* account are

registered in the *depository's* books within segregated accounts opened in the name of the *AIF*, or the *AIFM* acting on behalf of the *AIF*, so that they can be clearly identified as belonging to the *AIF* at all times in accordance with the applicable law and

- CASS 6.1.16IA R (Depositaries of AIFs).

[Note: article 21(8)(a) of *AIFMD*]

3.11.22



FCA

Financial instruments to be held in custody

1. Financial instruments belonging to the *AIF* or to the *AIFM* acting on behalf of the *AIF* which are not able to be physically delivered to the depository shall be included in the scope of the custody duties of the depository where all of the following requirements are met:
 - (a) they are transferable securities including those which embed derivatives as referred to in the last subparagraph of Article 51(3) of Directive 2009/65/EC and Article 10 of Commission Directive 2007/16/EC, money market instruments or units of collective investment undertakings;
 - (b) they are capable of being registered or held in an account directly or indirectly in the name of the depository.
2. Financial instruments which, in accordance with applicable national law, are only directly registered in the name of the *AIF* with the issuer itself or its agent, such as a registrar or a transfer agent, shall not be held in custody.
3. Financial instruments belonging to the *AIF* or the *AIFM* acting on behalf of the *AIF* which are able to be physically delivered to the depository shall always be included in the scope of the custody duties of the depository.

[Note: Article 88 of the *AIFMD level 2 regulation*]

3.11.23



FCA

Depository functions: safekeeping of other assets

For assets of the *AIF* that are not *AIF custodial assets*, a *depository* must:

- (1) verify that the *AIF*, or the *AIFM* acting on behalf of the *AIF*, is the owner of the assets based on information or documents provided by the *AIF* or the *AIFM* and, where available, on external evidence; and
- (2) maintain, and keep up to date a record of those assets for which it is satisfied that the *AIF*, or the *AIFM* acting on behalf of the *AIF*, is the owner.

[Note: article 21(8)(b) of *AIFMD*]

Reuse of assets

3.11.24
FCA

R

A depositary must not reuse the assets of the AIF without the prior consent of the AIF or the AIFM acting on behalf of the AIF.

[Note: article 21(10) third paragraph of AIFMD]

Depositary functions: oversight

3.11.25
FCA

R

A depositary must:

- (1) ensure that the sale, issue, repurchase, redemption and cancellation of *units* or *shares* of the AIF are carried out in accordance with the applicable national law and the *instrument constituting the fund*;
- (2) ensure that the value of the *units* or *shares* of the AIF is calculated in accordance with the applicable national law, the *instrument constituting the fund* and ■ FUND 3.9 (Valuation);
- (3) carry out the instructions of the AIFM, unless they conflict with the applicable national law or the *instrument constituting the fund*;
- (4) ensure that in transactions involving the AIF's assets, any consideration is remitted to the AIF within the usual time limits; and
- (5) ensure that an AIF's income is applied in accordance with the applicable national law and the *instrument constituting the fund*.

[Note: article 21(9) of AIFMD]

Delegation: general prohibition

3.11.26
FCA

R

A depositary must not delegate its functions to third parties, except as permitted by ■ FUND 3.11.28 R.

[Note: article 21(11) first paragraph of AIFMD]

3.11.27
FCA

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The use of services provided by securities settlement systems, as specified in the *Settlement Finality Directive*, or similar services provided by third-country securities settlement systems, does not constitute a delegation by the *depositary* of its functions.

[Note: article 21(11) fifth paragraph of AIFMD]

3.11.28

FCA

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Delegation: safekeeping

A *depositary* may delegate the functions in ■ FUND 3.11.21 R and ■ FUND 3.11.23 R to third parties, subject to the following conditions:

- (1) the tasks are not delegated with the intention of avoiding the requirements of *AIFMD*;
- (2) the *depositary* can demonstrate that there is an objective reason for the delegation;
- (3) the *depositary*:
 - (a) has exercised all due skill, care and diligence in the selection and appointment of any third party to whom it wants to delegate parts of its tasks; and
 - (b) continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring:
 - (i) of any third party to whom it has delegated parts of its tasks; and
 - (ii) of the arrangements of that third party in respect of the matters delegated to it;
- (4) the *depositary* ensures that the third party delegate meets the following conditions at all times:
 - (a) the third party has structures and expertise that are adequate and proportionate to the nature and complexity of the assets of the *AIF*, or the *AIFM* acting on behalf of the *AIF*, that have been entrusted to it;
 - (b) (subject to ■ FUND 3.11.29 R) for custody tasks in relation to *AIF custodial assets*, the third party is subject to:
 - (i) effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned; and
 - (ii) an external periodic audit to ensure that the *financial instruments* remain in its custody;
 - (c) the third party segregates the assets of the *depositary's* clients from its own assets and from the assets of the *depositary* in such a way that they can, at any time, be clearly identified as belonging to clients of a particular *depositary*;
 - (d) the third party does not make use of the assets unless it has:
 - (i) obtained the prior consent of the *AIF*, or the *AIFM* acting on behalf of the *AIF*; and

(ii) given prior notification to the *depositary*; and

- (e) the third party complies with the general obligations and prohibitions relating to the *depositary* in ■ FUND 3.11.5 R, ■ FUND 3.11.5 G, ■ FUND 3.11.9 R, ■ FUND 3.11.21 R, ■ FUND 3.11.23 R and ■ FUND 3.11.24 R.

[Note: article 21(11) second paragraph of *AIFMD*]

Delegation: third countries

3.11.29

FCA

R

A *depositary* may delegate custody tasks in relation to *AIF custodial assets* to an entity in a third country that does not satisfy the conditions in ■ FUND 3.11.28R (4)(b), provided that:

- (1) the law of that third country requires those *AIF custodial assets* to be held in custody by a local entity;
- (2) no local entity satisfies the conditions in ■ FUND 3.11.28R (4)(b);
- (3) the *depositary* delegates its functions to such a local entity only to the extent required by the law of that third country and only for as long as there is no local entity that satisfies the delegation conditions in ■ FUND 3.11.28R (4)(b);
- (4) the investors of the relevant *AIF* are informed before their investment that such delegation is required due to legal constraints in the third country and of the reasons as to why the delegation is necessary; and
- (5) the *AIF*, or the *AIFM* on behalf of the *AIF*, has consented to the delegation arrangements before they become effective.

[Note: article 21(11) third paragraph of *AIFMD*]

Delegation: sub-delegation

3.11.30

FCA

R

A *depositary* must ensure that a third party to whom the *depositary* has delegated functions does not, in turn, sub-delegate those functions unless the delegate complies with the same requirements that apply to the *depositary*, with any necessary changes, in relation to the delegation by the *depositary* of its functions in ■ FUND 3.11.26 R to ■ FUND 3.11.29 R.

[Note: article 21(11) fourth paragraph of *AIFMD*]

Delegation: omnibus account

3.11.31

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FCA

A *depository* may delegate the safe-keeping of assets to a third party that maintains a common account for multiple *AIFs*, a so-called 'omnibus account', provided it is a segregated common account that is segregated from the third party's own assets.

[Note: recital 40 of *AIFMD*]

Provision of information

3.11.32

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FCA

The requirements of ■ SUP 2 (Information gathering by the *FCA* on its own initiative) apply to the *depository*, under which it must enable the *FCA* to obtain, on request, all information that the *depository* has obtained while discharging its duties and that the *FCA* considers necessary.

[Note: article 21(16) of *AIFMD*]

AIFM of a non-EEA AIF

3.11.33

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FCA

An *AIFM* of a *non-EEA AIF* which is *marketed* in the *UK* must:

- (1) ensure that the duties referred to in ■ FUND 3.11.20 R, ■ FUND 3.11.21 R, ■ FUND 3.11.23 R and ■ FUND 3.11.25 R are carried out in relation to that *AIF* by one or more:
 - (a) *firms* that are *established* in the *UK* and which have the *Part 4A permission of acting as trustee or depository of an AIF*, where the duties are carried out in the *UK*; or
 - (b) entities that are not *established* in the *UK*, where the duties are not carried out in the *UK*;
- (2) not perform the duties referred to in (1) itself; and
- (3) provide the *FCA* with information about the identity of those entities responsible for carrying out the duties referred to in (1).

[Note: article 36(1)(a) of *AIFMD*]

Subordinate measures

3.11.34

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FCA

Articles 83 to 102 of the *AIFMD level 2 regulation* provide detailed rules supplementing this section.

3.12 Marketing in the home Member State of the AIFM

Application

3.12.1

FCA

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This section applies to:

- (1) a *full-scope UK AIFM* of:
 - (a) a *UK AIF*; and
 - (b) an *EEA AIF*; and
- (2) a *full-scope EEA AIFM* of:
 - (a) a *UK AIF*; and
 - (b) an *EEA AIF*.

Marketing application

3.12.2

FCA

D

Under regulation 54 (FCA approval for marketing) of the *AIFMD UK regulation*, a *full-scope UK AIFM* and a *full-scope EEA AIFM* may apply to *market* a *UK AIF* or *EEA AIF* it manages in the *UK* by submitting a notice to the *FCA* in the form set out in ■ FUND 3 Annex 1 D.

3.12.3

FCA

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If the *UK AIF* or *EEA AIF* is a *feeder AIF*, the *master AIF* needs to be an *AIF* that is not managed by a *non-EEA AIFM* or is not a *non-EEA AIF* for it to be *marketed* in accordance with regulation 54 of the *AIFMD UK Regulation*. If the *master AIF* is managed by a *non-EEA AIFM* or is a *non-EEA AIF*, the *AIF* may be *marketed* in the *UK* in accordance with regulation 57 (Marketing under article 36 of the directive) of the *AIFMD UK regulation* (see FUND 10.5.3G (Marketing under article 36 of AIFMD)).

3.12.4

FCA

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- (1) A *full-scope UK AIFM* may use the form set out in FUND 3 Annex 1D to apply to *market* a *UK AIF* or *EEA AIF* (that is not a *feeder AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*) to *professional clients* and/or *retail clients*.
- (2) A *full-scope UK AIFM* may inform the *FCA* of its intention to *market* such an *AIF* in the *UK* in its application to become authorised as a *Full-scope UK AIFM*, in which case the *firm* does not also have to submit the form in FUND 3 Annex 1D in respect of that *marketing*.

3.12.5

FCA

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- (1) A *full-scope EEA AIFM* that wishes to *market* a *UK AIF* or *EEA AIF* (that is not a *feeder AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*) to *professional clients* should do so using the *marketing passport* provided for under *AIFMD* and should, therefore, apply to its *Home State* regulator for permission to do so.
- (2) In accordance with regulation 49 (Marketing by *full-scope EEA AIFMs* of certain AIFs) of the *AIFMD UK Regulation*, a *full-scope EEA AIFM* may *market* such an *AIF* to *retail clients* in the *UK* if the *FCA* has received a regulator's notice in relation to the *marketing* in accordance with Schedule 3 to the *Act* (EEA Passport rights) or if the *AIFM* has applied to the *FCA* for permission to *market* the *AIF* using the form in ■ FUND 3 Annex 1 D and the *FCA* has approved such *marketing*.
- (3) As such, a *full-scope EEA AIFM* may use the form in FUND 3 Annex 1D to apply to *market* such an *AIF* in the *UK* to *retail clients*, but should not use this form to apply to *market* such an *AIF* to *professional clients* in the *UK*.

3.12.6

FCA

G

A *full-scope UK AIFM* or a *full-scope EEA AIFM* that intends to *market* to *retail clients* should consider the application of the *financial promotions* regime and ensure it is compliant with the relevant requirements (see ■ PERG 8.37.14 G (Application of the financial promotion and scheme promotion restrictions)).

Notification of intention to market at AIF in the United Kingdom

FCA

This annex consists only of one or more forms. Forms are to be found through the following address:

Notification of intention to market at AIF in the United Kingdom - FUND 3 Annex 1 D

Chapter 4

Common requirements for all retail funds



4.1 [To follow]

[To follow]

Chapter 5

Additional requirements for retail alternative investment funds



5.1

[To follow]

[To follow]

Chapter 6

Additional requirements for qualified investor alternative investment funds



6.1

[To follow]

[To follow]

Chapter 7

Additional requirements for UCITS funds



7.1

[To follow]

[To follow]

Chapter 8

Additional requirements for UCITS and AIF master-feeder arrangements



8.1 [To follow]

[To follow]

Chapter 9

Suspension of dealings and termination of authorised funds



9.1

[To follow]

[To follow]

Chapter 10

Operating on a cross-border basis



10.1 Application and purpose

Application

10.1.1
FCA

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- (1) This chapter applies to the following types of *firm* in relation to the activities in (2):
- (a) a *full-scope UK AIFM*;
 - (b) a *full-scope EEA AIFM*;
 - (c) a *small non-EEA AIFM*; and
 - (d) an *above-threshold non-EEA AIFM*.
- (2) The activities to which this chapter relates are the management and *marketing* on a cross-border basis, into or from the *UK* of:
- (a) a *UK AIF*;
 - (b) an *EEA AIF*; and
 - (c) a *non-EEA AIF*.

Purpose

10.1.2
FCA

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The purpose of this chapter is to provide *guidance* on the requirements that apply to the types of *firm* set out in ■ FUND 10.1.1 G when operating on a cross-border basis into or from the *UK*.

Introduction

10.1.3
FCA

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An *AIFM* operates on a cross-border basis when it manages or *markets* an *AIF* in an *EEA State* other than the state in which it has its registered office (which may include, in certain cases, a state which is a *non-EEA State*).

10.1.4
FCA

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- (1) *AIFMD* allows certain types of *AIFM* to operate on a cross-border basis using a passport. There are two types of passport that are provided for in *AIFMD*:
- (a) a management passport, which allows an *AIFM* to establish a *branch* in, or provide *cross-border services* into, another *EEA State* to manage an *AIF*; and

(b) a *marketing* passport, which allows an *AIFM* to provide *cross-border services* into another *EEA State* to *market* an *AIF* to investors that are *professional clients*.

(2) The following types of *AIFM* are allowed to operate on a cross-border basis using the management and *marketing* passport:

(a) a *full-scope UK AIFM* of:

- (i) a *UK AIF*; and
- (ii) an *EEA AIF*; and

(b) a *full-scope EEA AIFM* of:

- (i) a *UK AIF*; and
- (ii) an *EEA AIF*.

10.1.5

FCA

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(1) *AIFMD* also contains specific provisions for third country *AIFs* and *AIFMs* (ie, in relation to *non-EEA AIFs* and *non-EEA AIFMs*) and the *marketing* of a *UK AIF* or an *EEA AIF* that is a *feeder AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*.

(2) In line with these provisions, the following types of *AIFM* are allowed to manage a *non-EEA AIF* from an *EEA State*:

- (a) a *full-scope UK AIFM*; and
- (b) a *full-scope EEA AIFM*.

(3) In addition, *EEA States* may allow the *marketing* by the following types of *AIFM* in their territory only:

(a) a *full-scope UK AIFM* of:

- (i) a *UK AIF* or an *EEA AIF* that is a *feeder AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF* and;
- (ii) a *non-EEA AIF*;

(b) a *full-scope EEA AIFM* of:

- (i) a *UK AIF* or an *EEA AIF* that is a *feeder AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*; and
- (ii) a *non-EEA AIF*; and

(c) a *non-EEA AIFM* of:

- (i) a *UK AIF*;
- (ii) an *EEA AIF*; and
- (iii) a *non-EEA AIF*.

10

10.2 AIFM management passport

Application

G This section applies to:

10.2.1
FCA

- (1) a *full-scope UK AIFM* that intends to manage an *EEA AIF*:
 - (a) by establishing a *branch* in another *EEA State*; or
 - (b) under the freedom to provide *cross-border services*; and
- (2) a *full-scope EEA AIFM* that intends to manage a *UK AIF*:
 - (a) by establishing a *branch* in the *UK* (an *incoming EEA AIFM branch*); or
 - (b) under the freedom to provide *cross-border services*.

Management passport for full-scope UK AIFMs

G Information on the use of the management passport by a *full-scope UK AIFM* is contained in ■ SUP 13 (exercise of passport rights by UK firms), which includes:

10.2.2
FCA

- (1) *guidance* on the conditions for establishing a *branch* to manage an *AIF* in an *EEA State* other than the *UK* (■ SUP 13.3.2 G);
- (2) *guidance* on the conditions for providing *cross-border services* to manage an *AIF* in an *EEA State* other than the *UK* (■ SUP 13.4.2 G);
- (3) the *notice of intention* that a *full-scope UK AIFM* must submit to establish a *branch* in an *EEA State* other than the *UK* (■ SUP 13 Annex 1 R);
- (4) the *notice of intention* that a *full-scope UK AIFM* must submit to provide *cross-border services* to manage an *AIF* in an *EEA State* other than the *UK* (■ SUP 13 Annex 8AR);
- (5) *guidance* on changes to *branches* (■ SUP 13.6.10 G); and
- (6) *guidance* on changes to *cross-border services* to manage an *AIF* in an *EEA State* other than the *UK* (SUP 13.7.13G).

10.2.3

FCA

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Management passport for full-scope EEA AIFMs

Information on the use of the management passport by a *full-scope EEA AIFM* is contained in ■ SUP 13A (Qualifying for authorisation under the Act) and ■ SUP 14 (Incoming EEA firms changing details, and cancelling qualification for authorisation), which include:

- (1) *guidance* on the conditions for establishing a *branch* to manage an *AIF* in the UK (■ SUP 13A.4.1 G);
- (2) *guidance* on the conditions for providing *cross border services* to manage an *AIF* in the UK (■ SUP 13A.5.3 G);
- (3) *guidance* on *Handbook* provisions that apply to an *incoming EEA AIFM branch* (■ SUP 13A Annex 1 G);
- (4) *guidance* on the matters that are reserved to a *firm's Home State regulator* (■ SUP 13A Annex 2 G);
- (5) *guidance* on changes to *branches* (SUP 14.2.15G and SUP 14.2.16G); and
- (6) *guidance* on changes to *cross-border services* to manage an *AIF* (SUP 14.3.8G to SUP 14.3.10G).



10.3 AIFM marketing passport

Application

10.3.1

FCA

G

This section applies to:

- (1) a *full-scope UK AIFM* of:
 - (a) a *UK AIF*; and
 - (b) an *EEA AIF*;

that intends to *market* the *AIF* it manages in an *EEA State* other than the *UK*; and

- (2) a *full-scope EEA AIFM* of:
 - (a) a *UK AIF*; and
 - (b) an *EEA AIF*;

that intends to *market* the *AIF* it manages in the *UK*.

Feeder AIFs

10.3.2

FCA

G

If the *UK AIF* or *EEA AIF* is a *feeder AIF*, the *full-scope UK AIFM* or *full-scope EEA AIFM* may only *market* the *AIF* using the *marketing passport* if the *master AIF* is a *UK AIF* or an *EEA AIF* that is managed by a *full-scope UK AIFM* or a *full-scope EEA AIFM*. However, the *AIFM* of such an *AIF* will be entitled to *market* the *AIF* if it meets the conditions in regulation 57 (Marketing under Article 36 of the directive) of the *AIFMD UK regulation*, as explained in ■ FUND 10.5.3 G to ■ FUND 10.5.5 G.

Marketing passport for full-scope UK AIFMs

10.3.3

FCA

G

Information on the use of the *marketing passport* by a *full-scope UK AIFM* is contained in ■ SUP 13 (exercise of passport rights by UK firms), which includes:

- (1) *guidance* on the conditions for providing *cross-border services* to market an *AIF* in an *EEA State* other than the *UK* (SUP 13.4.2FG);
- (2) the *notice of intention* that a *full-scope UK AIFM* must submit to provide *cross-border services* to market an *AIF* (SUP 13 Annex 8BR); and

- (3) *guidance* on changes to *cross-border services to market* an *AIF* in an *EEA State* other than the *UK* (SUP 13.7.14G).

Marketing passport for full-scope EEA AIFMs

10.3.4

FCA

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Information on the use of the *marketing* passport by a *full-scope EEA AIFM* is contained in ■ SUP 13A (Qualifying for authorisation under the Act) and ■ SUP 14 (Incoming EEA firms changing details, and cancelling qualification for authorisation), which include:

- (1) *guidance* on the conditions for providing *cross-border services to market* an *AIF* into the *UK* (■ SUP 13A.5.3 G); and
- (2) *guidance* on changes to *cross-border services to market* an *AIF* in the *UK* (SUP 14.3.9G and SUP 14.3.10G).

10.3.5

FCA

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In accordance with article 32(5) of *AIFMD* arrangements for the *marketing* of *AIFs* (referred to in point (h) of Annex IV of *AIFMD*) are subject to the laws and supervision of the *Host State* of the *AIFM*. This means that a *full-scope EEA AIFM* that is *marketing* an *AIF* in the *UK* using the *marketing* passport should have regard to the *financial promotions* regime, as explained in ■ PERG 8.37.6 G (3) (Communications with investors in relation to draft documentation).

Further guidance on marketing an AIF

10.3.6

FCA

G

Further guidance on marketing an *AIF* can be found in ■ PERG 8.37 (AIFMD Marketing).



10.4 AIFM third country management

Application

10.4.1
FCA

G

This section applies to a *full-scope UK AIFM* of a *non-EEA AIF* that is not *marketed* in the *EEA* to *EEA* investors.

Applicable requirements

10.4.2
FCA

G

A *full-scope UK AIFM* may manage a *non-EEA AIF* subject to the satisfaction of certain conditions. If the *AIF* is not *marketed*, these conditions are that:

- (1) the *AIFM* complies with the full requirements of *AIFMD* in respect of that *AIF*, except article 21 (Depositaries) and article 22 (Annual reporting); and
- (2) (in accordance with regulation 33 of the *AIFMD UK regulation*) appropriate cooperation arrangements are in place between the *competent authorities* of the *Home State* of the *AIFM* and the *supervisory authorities* of the third country where the *non-EEA AIF* is *established* in order to ensure an efficient exchange of information that allows the *competent authority* of the *Home State* of the *AIFM* to carry out its duties in accordance with *AIFMD*.

10.4.3
FCA

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As a result, a *full-scope UK AIFM* of a *non-EEA AIF* that is not *marketed* is required to comply with:

- (1) all of ■ FUND 3 with the exception of ■ FUND 3.3 (Annual report of an *AIF*), ■ FUND 3.11 (Depositaries) and ■ FUND 3.12 (Marketing in the home Member State of the *AIFM*); and
- (2) such other provisions of the *FCA Handbook* as are applicable to a *full-scope UK AIFM*.

10.4.4
FCA

G

If a *full-scope UK AIFM* wishes to market in the *UK* a *non-EEA AIF* that it manages, the *AIFM* must comply with the relevant requirements, as explained in ■ FUND 10.5.3 G to ■ FUND 10.5.5 G (Marketing under article 36 of *AIFMD*).



10.5 National private placement

Application

10.5.1

FCA

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This section applies to the following types of *AIFM* that intend to market an *AIF* in the UK:

- (1) a *full-scope UK AIFM* of:
 - (a) a *feeder AIF* that is a *UK AIF* or an *EEA AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*; and
 - (b) a *non-EEA AIF*;
- (2) a *full-scope EEA AIFM* of:
 - (a) a *feeder AIF* that is a *UK AIF* or an *EEA AIF*, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*; and
 - (b) a *non-EEA AIF*;
- (3) a *small non-EEA AIFM* of:
 - (a) a *UK AIF*;
 - (b) an *EEA AIF*; and
 - (c) a *non-EEA AIF*; and
- (4) an *above-threshold non-EEA AIFM* of:
 - (a) a *UK AIF*;
 - (b) an *EEA AIF*; and
 - (c) a *non-EEA AIF*.

Introduction

10.5.2

FCA

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AIFMD permits *EEA States* to allow the *marketing* in their territory only of the types of *AIF* set out in ■ FUND 10.5.1 G, subject to certain conditions. This has been implemented in the UK by Part 6 (Marketing) of the *AIFMD UK regulation*. In accordance with these provisions, an *AIFM* of the type set out in ■ FUND 10.5.1 G may *market* an *AIF* in the UK providing it has notified the *FCA* of its intention to *market*, it meets the relevant conditions in the *AIFMD UK regulation* and the *FCA* has not suspended or revoked the *AIFM*'s

entitlement to *market* the AIF. The AIFM is entitled to *market* the AIF as soon as a notification containing all of the required information has been sent to the FCA.

Marketing under article 36 of AIFMD

10.5.3

FCA

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In accordance with regulation 57 (Marketing under Article 36 of the directive) of the AIFMD UK regulation, a *full-scope UK AIFM* and a *full-scope EEA AIFM* may *market* the following types of AIF in the UK by submitting a notification to the FCA in the form in ■ FUND 10 Annex 1 D:

- (1) a *feeder AIF* that is a UK AIF or an EEA AIF, the *master AIF* of which is managed by a *non-EEA AIFM* or is a *non-EEA AIF*; and
- (2) a *non-EEA AIF*.

10.5.4

FCA

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To allow the AIFM to comply with regulation 57(4), the notification includes a statement from the AIFM confirming that the following conditions are met:

- (1) subject to (2), the AIFM complies with the requirements of AIFMD in respect of that AIF;
- (2) the AIFM is not required to comply with the requirements of article 21 (Depositaries) of AIFMD provided the AIFM:
 - (a) ensures that one or more entities, other than the AIFM, are appointed to carry out the duties in article 21(7) to (9) of AIFMD; and
 - (b) informs the FCA about the identity of each entity;
- (3) appropriate cooperation arrangements for the purpose of systemic risk oversight and in line with international standards are in place between the FCA and the *supervisory authorities* of the relevant third country to ensure an efficient exchange of information that enables the FCA to carry out its duties in accordance with AIFMD; and
- (4) the third country where the *non-EEA AIF* is *established* is not listed as a Non-Cooperative Country and Territory by the Financial Action Task Force (FATF).

10.5.5

FCA

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- (1) As a result of *marketing* an AIF in the UK, a *full-scope UK AIFM* is required to comply with:
 - (a) all of ■ FUND 3, except certain sections of ■ FUND 3.11 (Depositaries) (as set out in ■ FUND 3.11.33R (AIFM of a non-EEA AIF)) and ■ (Marketing in the home Member State of the AIFM); and
 - (b) such other provisions of the FCA Handbook that apply to a *full-scope UK AIFM* of a UK AIF.
- (2) A *full-scope UK AIFM* managing a *non-EEA AIF* that is not *marketed* should note that the *rules* it needs to comply with will change in relation to that AIF as a result of the AIF being *marketed* (see ■ FUND 10.4.3 G for details of the rules that apply to a *full-scope UK AIFM* managing, a *non-EEA AIF* that is not *marketed*). In particular, an AIFM will be subject to the annual

report requirements in ■ FUND 3.3 (Annual report of an AIF) and some of the depositary provisions in ■ FUND 3.11 (Depositaries) (as set out in ■ FUND 3.11.33 R (AIFM of a non-EEA AIF)).

Marketing of AIFs managed by small third-country AIFMs

10.5.6

FCA

G

In accordance with regulation 58 (Marketing of AIFs managed by small third country AIFMs) of the *AIFMD UK regulation*, a *small non-EEA AIFM* may *market* an *AIF* in the *UK* managed by it by submitting a notification to the *FCA* in the form set out in ■ FUND 10 Annex 1 D.

10.5.7

FCA

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To allow the *AIFM* to comply with the requirements of regulation 58(2), the notification includes a statement from the *AIFM* confirming that the following conditions are met:

- (1) the *AIFM* is the person responsible for complying with the implementing provisions relating to the *marketing* of the *AIF* (as explained in ■ FUND 10.5.8 G); and
- (2) the *AIFM* is a *small non-EEA AIFM*.

10.5.8

FCA

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As a result of *marketing* an *AIF* in the *UK*, a *small non-EEA AIFM* is required to provide the *FCA* with information on:

- (1) the main instruments in which the *AIFM* trades; and
- (2) the principal exposures and most important concentrations of the *AIFs* it manages.

in accordance with SUP 16.18 (AIFMD reporting).

Marketing under Article 42 of the directive

10.5.9

FCA

G

In accordance with regulation 59 (Marketing under article 42 of the directive) of the *AIFMD UK regulation*, an *above-threshold non-EEA AIFM* may *market* a *UK AIF*, an *EEA AIF* or a *non-EEA AIF* in the *UK* managed by it by submitting a notification to the *FCA* in the form in ■ FUND 10 Annex 1 D.

10.5.10

FCA

G

To allow the *AIFM* to comply with the requirements of regulation 59(2), the notification includes a statement from the *AIFM* confirming that the following conditions are met:

- (1) the *AIFM* is the person responsible for complying with the implementing provisions relating to the *marketing* of the *AIF* (see ■ FUND 10.5.11 G);
- (2) the *AIFM* complies with the requirements of articles 22 to 24 *AIFMD* in so far as such provisions are relevant to the *AIFM* and the *AIF* to be *marketed*;
- (3) if applicable, the *AIFM* complies with Part 5 (AIFs which acquire control of non-listed companies and issuers) of the *AIFMD UK regulation* in relation to the *AIF* to be *marketed*;

- (4) appropriate cooperation arrangements for the purpose of systemic risk oversight and in line with international standards are in place between:
 - (a) the *FCA* and, if applicable, the *competent authorities* of the other *EEA State* where the *AIF* is *established*; and
 - (b) the *supervisory authorities* of the country where the *non-EEA AIFM* is *established* and, if applicable, of the country where the *non-EEA AIF* is *established*,

to ensure an efficient exchange of information that enables the *FCA* to carry out its duties in accordance with *AIFMD*; and
- (5) the third country where the *non-EEA AIF* is *established* is not listed as a Non-Cooperative Country and Territory by the Financial Action Task Force (FATF).

10.5.11
FCA

G

As a result of *marketing* an *AIF* in the *UK*, an *above-threshold non-EEA AIFM* is required to comply with:

- (1) the requirements that apply to a *full-scope UK AIFM* in ■ FUND 3.2 (Investor information), ■ FUND 3.3 (Annual report of an AIF) and ■ FUND 3.4 (Reporting obligations to the FCA) in so far as such provisions are relevant to the *AIFM* and the *AIF*; and
- (2) if applicable, Part 5 (AIFs which acquire control of non-listed companies and issuers) of the *AIFMD UK regulation*.

Further guidance on marketing an AIF

10.5.12
FCA

G

Further *guidance* on marketing an *AIF* can be found in ■ PERG 8.37 (AIFMD marketing).

National private placement notification

FCA

This annex consists of one or more forms. Forms can be completed online by visiting <http://www.fca.org.uk/firms/markets/international-markets/aifmd/nppr>

Chapter 11

Recognised funds



11.1 [To follow]

[To follow]

Investment Funds sourcebook

FUND TP 1 Transitional Provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
1 [FCA]	FUND 3.11.2 R	R	A <i>credit institution established in the UK</i> and appointed as a <i>depository</i> of an <i>EEA AIF</i> managed by a <i>full-scope UK AIFM</i> or a <i>full-scope EEA AIFM</i> in accordance with article 61(5) of <i>AIFMD</i> must comply with the provisions of FUND 3.11 that apply to a <i>UK depository</i> of a <i>UK AIF</i> managed by a <i>full-scope UK AIFM</i> or an <i>EEA AIFM</i> .	From 22 July 2013 until 22 July 2017.	22 July 2013
2 [FCA]	FUND 3.11.10 R	R	An <i>AIFM</i> may ensure the appointment of a <i>credit institution</i> that is <i>established</i> in an <i>EEA State</i> other than the <i>UK</i> for each <i>UK AIF</i> it	From 22 July 2013 until 22 July 2017.	22 July 2013

3	FUND 3.11.14 R(1) R	manages that is an <i>unauthorised AIF</i> .	An <i>AIFM</i> may ensure the appointment of a <i>depository</i> in line with FUND 3.11.2 R of a <i>firm</i> that does not have a <i>Part 4A permission of acting as trustee or depository of an AIF</i> .	From 22 July 2013 until 21 July 2014.	22 July 2013
[FCA]					
4	FUND 3.11.18 R R	An <i>AIFM</i> may ensure the appointment of a <i>depository</i> that is a <i>credit institution</i> established in an <i>EEA State</i> other than the <i>Home State</i> of the <i>AIF</i> for each <i>EEA AIF</i> it manages if this is permitted by the laws and regulations of the <i>Home State</i> of the <i>AIF</i> .	An <i>AIFM</i> may ensure the appointment of a <i>depository</i> that is a <i>credit institution</i> established in an <i>EEA State</i> other than the <i>Home State</i> of the <i>AIF</i> for each <i>EEA AIF</i> it manages if this is permitted by the laws and regulations of the <i>Home State</i> of the <i>AIF</i> .	From 22 July 2013 until 22 July 2017.	22 July 2013
[FCA]					
5	FUND 3.11.33 R(1)(a) R	An <i>AIFM</i> may ensure the duties referred to in FUND 3.11.20 R, FUND 3.11.21 R, FUND 3.11.23 R and FUND 3.11.25 R are carried out in relation to that <i>AIF</i> by one or more <i>firms</i>	An <i>AIFM</i> may ensure the duties referred to in FUND 3.11.20 R, FUND 3.11.21 R, FUND 3.11.23 R and FUND 3.11.25 R are carried out in relation to that <i>AIF</i> by one or more <i>firms</i>	From 22 July 2013 until 21 July 2014.	22 July 2013
[FCA]					

that do not have
a *Part 4A* per-
mission of act-
ing as trustee or
depository of an
AIF.

Investment Funds sourcebook

Schedule 1 Record keeping requirements

Sch 1.1 G
[to follow]

Investment Funds sourcebook

Schedule 2 Notification requirements

Sch 2.1 G
[to follow]

Investment Funds sourcebook

Schedule 3 Rights of action for damages

Sch 3.1 G

FCA

The table below sets out the rules in *FUND* where contravention by an authorised person may be actionable under section 138D of the Act (Actions for damages) by a person who suffers loss as a result of the contravention.

If a Yes appears in the column headed 'For private person', the rule may be actionable by a private person under section 138D, unless a Yes appears in the column headed 'Removed'. A Yes in the column headed 'Removed' indicates that the *FCA* has removed the right of action under section 138F(3) of the Act. If so, a reference to the rule in which it is removed is also given.

In accordance with The Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256), a private person is:

- (1) any individual, except when acting in the course of carrying on a regulated activity; and
- (2) any person who is not an individual, except when acting in the course of carrying on business of any kind; but does not include a government, a local authority or an international organisation.

The column headed For other person indicates whether the rule is actionable by a person other than a private person, in accordance with those Regulations. If so, an indication of the type of person by whom the rule is actionable is given.

Sch 3.2 G

1. Actions for damages: Investment Funds sourcebook

Chapter/ Appendix	Section/ Annex	Paragraph	Right of action section 138D		
			For private person?	Removed	For other person
All rules in <i>FUND</i>			Yes	No	No

Investment Funds sourcebook

Schedule 4 Rules that can be waived

G

FCA

The *FCA* has the formal power to waive *rules* under sections 138A or section 250 of the Act (Modification or waiver of rules). However, the large majority of the *rules* in *FUND* are derived from *AIFMD* and it is not possible for the *FCA* to grant a *waiver* that would be incompatible with the *UK's* responsibilities under that directive. In practice, the ability of the *FCA* to *waive rules* in *FUND* is, therefore, severely constrained.

