

Glossary

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 authority

FCA

(a) in England and Wales, a local authority within the meaning of the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973;

(c) in Northern Ireland, a district council within the meaning of the Local Government Act (Northern Ireland) 1972.

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.

loss

FCA PRA

(in accordance with Article 4(26) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach*, the *standardised approach* 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.

loss given default

FCA PRA

(in accordance with Article 4(27) of the *Banking Consolidation Directive* (Definitions) and in relation to the *IRB approach*) the ratio of the *loss* on an *exposure* due to the *default* of a counterparty to the amount outstanding at *default*.

low frequency liquidity reporting firm

FCA PRA

any of the following:

- (a) a *simplified ILAS BIPRU firm*; or
- (b) a *standard ILAS BIPRU firm* whose most recent *annual report and accounts* 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 *standard ILAS BIPRU firm* that meets the following conditions:
 - (i) it does not have any *annual report and accounts* and it has been too recently established to be required to have produced any;
 - (ii) it has submitted a projected balance sheet to the *FCA* or *PRA* (as the case may be) as part of an application for a *Part 4A permission* or a variation of one; and
 - (iii) the most recent such balance sheet shows that the *firm* will meet the size condition set out in (b) in all periods covered by those projections.

In respect of an *incoming EEA firm* or *third country BIPRU firm* that is also a *standard ILAS BIPRU firm* and which reports on the basis of its branch operation in the *United Kingdom*, if the balance sheet assets attributable to the *UK branch* can be determined from the *firm's* most recent *annual report and accounts* (or, if applicable, the projected balance sheet) or any *data item* submitted by the *firm*, then paragraphs (b) and (c) apply at the level of the *branch* rather than of the *firm*.

lower rate of return

FCA PRA

(in *COBS*) the lower rate of return described in paragraph 2.3 of the projection rules (■ *COBS 13 Annex 2*).

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lower stage of capital

FCA PRA

(with respect to a particular item of capital in the *capital resources table*) a stage in the *capital resources table* below that in which that item of capital appears.

lower tier three capital

an item of capital that is specified in stage P of the *capital resources table* (Lower tier three).

FCA **PRA**

lower tier three capital resources

the sum calculated at stage P of the *capital resources table* (Lower tier three).

FCA **PRA**

lower tier two capital

(1) [deleted]

(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) .

FCA **PRA**

lower tier two capital resources

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**

<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 <i>CREDS</i>) 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 <i>CREDS</i>) 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 <i>UPRU</i>) 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 [web address tbc]</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>

Fees Manual

Chapter 8

Interim Fees

8.1 Consumer Credit permissions

8.1.1

FCA

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- (1) A *person* who notifies the *FCA* of a desire to obtain interim permission in accordance with article 56 (Interim permission) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No 2) Order 2013 must pay to the *FCA*, in full and without deduction, a fee of :
- (a) where the *person* is a sole trader:
 - (i) if the notification is made on or before 30 November 2013, £105; or
 - (ii) £150;
 - (b) in any other case:
 - (i) if the notification is made on or before 30 November 2013, £245; or
 - (ii) £350.
- (2) Paragraph (1) does not apply if, immediately before 1 April 2014, the *person* held a standard licence under the Consumer Credit Act 1974 which covered only the carrying on of:
- (a) non-commercial debt counselling; or
 - (b) non-commercial debt counselling and non-commercial debt adjusting; or
 - (c) non-commercial debt counselling and non-commercial credit information services (including non-commercial credit repair); or
 - (d) non-commercial debt counselling, non-commercial debt adjusting and non-commercial credit information services (including non-commercial credit repair);
- and which did not cover any other description or type of business.
- (3) Paragraph (1) does not apply if the *person* is a *credit union*.

- (4) Unless (5) or (6) applies, the fee required by (1) must be paid through the online system used to notify the *FCA* of the *person's* desire to obtain interim permission and must be paid by debit card (Maestro/Visa only) or credit card (Visa/Mastercard only).
- (5) If the *person* is a *local authority*, the fee required by (1) must be paid by debit card (Maestro/Visa only), credit card (Visa/Mastercard only), bankers draft, cheque, or other payable order.
- (6) If it appears to the *FCA* that, in the exceptional circumstances of a particular case, payment via the online system referred to in (3) would be inequitable, the *FCA* may allow payment of the fee required by (1) by bankers draft, cheque or other payable order.
- (7) The fee required by (1) must be paid when the *person* notifies the *FCA* of a desire to obtain interim permission.
- (8) This *rule* applies from 2 September 2013 until (and including) 14 April 2014.

8.1.2

FCA

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The Fees manual does not apply in respect of the fee provided for in ■ FEES 8.1.1 R (1), except for the rules and guidance in ■ FEES 2.3 and ■ FEES 8.1.

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a group of closely related persons) or asset exposure in respect of those assets exceeds any of the limits in (3);

the *firm* must deduct from the measure of the value of those assets (as determined in accordance with ■ GENPRU 1.3) the amount by which that exposure exceeds the relevant limit in (3), or that portion of the deduction that relates to the part of the *firm* or fund or part of a fund in question.

- (3) The limits referred to in (1) and (2) are the following, expressed as a percentage of the *firm's* business amount:
- (a) for a *counterparty* exposure to an individual, unincorporated body of individuals or the aggregate exposure arising from the *counterparty* exposures to each member of a group of closely related individuals or unincorporated bodies of individuals:
 - (i) ¼% for that part of the exposure that arises from unsecured debt ;
 - (ii) 1% for the whole exposure (after deduction of the excess arising from the limit in (a)(i));
 - (b) for a *counterparty* exposure to an *approved counterparty* or the aggregate exposure arising from the *counterparty* exposures to each member of a group of closely related *approved counterparties* :
 - (i) 40% for that part of the exposure arising from *covered bonds*;
 - (ii) 5% for that part of the exposure not arising from *covered bonds* or, if the *counterparty* is an *approved credit institution*, from short term deposits; this limit is increased to 10% if the total of such exposures which are greater than 5% arising from applying a 10% limit, when taken together with any exposures arising from *covered bonds* which are within the 40% limit in (i), does not exceed 40%;
 - (iii) 20% or 2 million, if larger, for the whole exposure (but excluding any exposure arising from *covered bonds* and after deduction of the excess arising from the limit in (b)(ii));
 - (c) for a *counterparty* exposure to a *person*, or the aggregate exposure arising from the *counterparty* exposures to each member of a group of closely related *persons*, who do not fall into the categories of *counterparty* to whom (a) and (b) apply:
 - (i) 1% for that part of the exposure arising from unsecured debt ; this limit is increased to 2.5% in the case of an exposure to a *regulated institution*;

- (ii) 1% for that part of the exposure arising from *shares* and other variable yield participations, bonds, *debt securities* and other *money market instruments* and capital market instruments from the same *counterparty* that are not dealt in on a *regulated market*, or a beneficial interest in a *collective investment scheme* to which ■ INSPRU 2.1.39 R applies; the limit for that part of the exposure arising from *debt securities* (other than hybrid securities) issued by the same *regulated institution* is increased to 5%;
 - (iii) 5% for the whole exposure (after deduction of the excesses arising from the limits in (c)(i) and (ii));
 - (d) 5% for the aggregate of all *counterparty* exposures that fall within (c)(i) whether or not they arise from *persons* who are closely related, but excluding amounts that are in excess of the limit in (c)(i);
 - (e) 10% for the aggregate of all *counterparty* exposures and asset exposures that fall within (c)(ii) above or (j) below, whether or not they arise from *persons* who are closely related, but excluding amounts that are in excess of the limit in (c)(ii) above or, in the case of an asset exposure, (j) below;
 - (f) 5% for the aggregate of all *counterparty* exposures arising from unsecured loans, other than those falling within (3)(b);
 - (g) 3% for the asset exposure arising from all cash in hand;
 - (h) 10% for the asset exposure (including an exposure arising from a reversionary interest) arising from any one piece of land or building, or a number of pieces of land or buildings close enough to each other to be considered effectively as one investment;
 - (i) 5% for the asset exposure arising from a beneficial interest in any single *non-UCITS retail scheme* or *recognised scheme* which does not fall within the *UCITS Directive*; and
 - (j) 1% for the asset exposure arising from a beneficial interest in any single *collective investment scheme* which does not fall within the *UCITS Directive* and is not a *non-UCITS retail scheme* or a *recognised scheme*.
- (4) In (3) a *firm's* business amount means the sum of:
- (a) the *firm's* total gross *technical provisions* (that is, calculated gross of *reinsurance*);
 - (b) the amount of its other liabilities (except those included in the calculation of capital resources in accordance with the *capital resources table*); and

Interim Prudential Sourcebook

Investment Businesses

Appendix 14(1): Interpretation

FCA

Glossary of defined terms for Chapter 14

If a defined term does not appear in the IPRU(INV) 14 glossary below, the definition appearing in the main Handbook *Glossary* applies.

<i>ancillary services undertaking</i>	an undertaking the principal activity of which consists of owning or managing property, managing data-processing services, or any other similar activity which is ancillary to the principal activity of one or more of the <i>firms</i> subject to this chapter.
<i>broad scope firm</i>	as in the Glossary in IPRU(INV) chapter 3.
<i>CAD Article 5 exempting criteria</i>	<p>the following criteria in respect of the <i>firm's</i> dealing positions:</p> <ul style="list-style-type: none">- such positions arise only as a result of the <i>firm's</i> failure to match investors orders precisely;- the total market value of all such positions is subject to a ceiling of 15% of the <i>firm's</i> initial capital; and- such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.
<i>CAD investment firm</i>	a <i>firm</i> subject to the requirements of the <i>Capital Adequacy Directive</i> excluding a person to whom the CAD does not apply under Article 3.1(b) of that Directive.
<i>contingent liability</i>	<p>the meaning in FRS 12 which states that it is:</p> <ul style="list-style-type: none">(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control or(b) a present obligation that arises from past events but is not recognised because:<ul style="list-style-type: none">(i) it is not probable that a transfer of economic benefits will be required to settle the obligation; or(ii) the amount of the obligation cannot be measured with sufficient reliability.
<i>consolidated supervision</i>	the application of the financial rules in the Interim Prudential sourcebook for investment businesses in accordance with rules and guidance in 14.1.1 to 14.5.4.
<i>EEA parent</i>	a <i>firm's</i> direct or indirect <i>parent</i> which has its head office in the <i>EEA</i> .
<i>financial holding company</i>	<p>an undertaking that satisfies the following conditions:</p> <ul style="list-style-type: none">(a) it is:<ul style="list-style-type: none">(i) a <i>financial institution</i>; or

- (ii) a *firm* falling within *IPRU(INV) rule 14.1.1(1)*;
- (b) is *subsidiary undertakings* are either exclusively or mainly:
 - (i) *credit institutions*;
 - (ii) *investment firms*;
 - (iii) *broad scope firms* or *undertakings* carrying on activities which (if they were *firms* doing those activities in the *United Kingdom*) would make them *broad scope firms*; and
 - (iv) *financial institutions*,

one of which at least is a *credit institution*, a *firm* falling within *IPRU(INV) rule 14.1.1(1)* or an investment firm; and

- (c) it is not a *mixed financial holding company*.

<i>financial institution</i>	an undertaking other than a <i>credit institution</i> , the principal activity of which is to acquire holdings or to carry on a <i>listed activity</i> .
<i>group financial resources</i>	the resources of a <i>firm's</i> group calculated in accordance with rules 14.4 (Group financial resources).
<i>group financial resources requirement</i>	the requirement that a <i>firm's</i> group maintains financial resources calculated in accordance with the rules in 14.5 (Group financial resources requirement).
<i>investment firm</i>	<i>investment firm</i> as in the main <i>Glossary</i> except that it excludes persons to which the <i>MiFID</i> does not apply as a result of article 2 or 3 of the <i>MiFID</i> .
<i>Listed activity</i>	<p>a listed activity within the meaning of the <i>BCD</i>, that is one or more of the following activities:</p> <ul style="list-style-type: none"> (a) lending; (b) financial leasing; (c) money transmission services; (d) issuing and administering means of payment; (e) guarantees and commitments; (f) trading for own account or for the account of customers in: <ul style="list-style-type: none"> (i) money market instruments (cheques, bills, certificates of deposit, etc); (ii) foreign exchange; (iii) financial futures and options; (iv) exchange and interest rate instruments; (v) transferable securities;

- (g) participation in share issues and the provision of services related to such issues;
- (h) corporate finance advice;
- (i) money broking;
- (j) portfolio management and advice; or
- (k) safekeeping and administration of securities.

<i>Material holding</i>	<p>a holding of –</p> <ul style="list-style-type: none"> (a) ordinary share capital and non cumulative preference share capital; or (b) subordinated loan and non fixed-term cumulative preference share capital, <p>in a <i>credit institution</i> or a <i>financial institution</i> where –</p> <ul style="list-style-type: none"> (i) (a) or (b) above exceeds 10% of the share capital plus share premium of the issuer; or (ii) the aggregate of (a) and (b) above exceeds 10% of the <i>firm's own funds</i>, before deducting the holding.
<i>Material insurance holding</i>	<p>the higher of –</p> <ul style="list-style-type: none"> (1) the book value of an <i>investment</i> held in an insurance undertaking, reinsurance undertaking, or insurance holding company (<i>investment</i> for this purpose is either a <i>participation</i> or the <i>investment</i> in a <i>subsidiary</i> undertaking); or (2) the group's proportionate share of that undertaking's local or notional regulatory capital requirement."
<i>Non-trading book</i>	in relation to a <i>firm's</i> business or exposures, means any position, counterparty exposure or balance sheet item not falling within the definition of <i>trading book</i> .
<i>parent</i>	any parent undertaking as defined in section 1162 of the Companies Act 2006 and any undertaking which effectively exercises a dominant influence over another undertaking.
<i>participation</i>	a participation within the meaning of Article 17 of Directive 78/660/EEC or the ownership either direct or indirect of 20% or more of the voting rights or capital of another undertaking which is not a <i>subsidiary</i> .
<i>subsidiary</i>	as in section 1159(1) of the Companies Act 2006.
<i>trading book</i>	as in the Glossary in IPRU(INV) chapter 5.

Conduct of Business Sourcebook

(e) [deleted]

(f) to the extent that it relates to a *pure protection contract* that is a *long-term care insurance contract*.

[Note: see article 51(3) of the *MiFID implementing Directive*]

4.11.2

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A *firm* should consider maintaining a record of why it is satisfied that the *financial promotion* complies with the *financial promotion rules*.

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4.11.3

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If the *financial promotion* includes market information that is updated continuously in line with the relevant market, the record-keeping *rules* do not require a firm to record that information.

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4.12 Unregulated collective investment schemes

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4.12.1

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- (1) A *firm* may *communicate* an invitation or inducement to participate in an *unregulated collective investment scheme* without breaching the restriction on promotion in section 238 of the *Act* if the promotion falls within an exemption in the table in (4), as explained further in the Notes.
- (2) Where the left-hand column in the table in (4) refers to promotion to a category of *person*, this means that the invitation or inducement:
 - (a) is made only to recipients who the *firm* has taken reasonable steps to establish are *persons* in that category; or
 - (b) is directed at recipients in a way that may reasonably be regarded as designed to reduce, so far as possible, the risk of participation in the *collective investment scheme* by *persons* who are not in that category.
- (3) A *firm* may rely on more than one exemption in relation to the same invitation or inducement.

Promotion to:	Promotion of an unregulated collective investment scheme which is:
<p>Category 1 person</p> <p>(1) a <i>person</i> who is already a <i>participant</i> in an <i>unregulated collective investment scheme</i>; or</p> <p>(2) A <i>person</i> who has been, in the last 30</p>	<p>A. that <i>collective investment scheme</i>; or</p> <p>B. any other <i>collective investment scheme</i> whose underlying property and risk profile are both 'substantially similar' (see Note 1) to those of that <i>collective investment scheme</i>; or</p>

Promotion to:

**Promotion of an unregulated
collective investment scheme
which is:**

**months, a *participant* in
an *unregulated collective
investment scheme*.**

**C. a *collective investment
scheme* which is intend-
ed to absorb or take
over the assets of that
*collective investment
scheme*; or**

**D. a *collective investment
scheme*, *units* in which
are being offered by its
operator as an alterna-
tive to cash on the liqui-
dation of that *collective
investment scheme*.**

Category 2 person

**That *collective invest-
ment scheme***

(1) A *person*:

**(a) for whom the *firm*
has taken reasonable
steps to ensure that *in-
vestment* in the *collective
investment scheme* is
suitable; and**

**(b) who is an 'estab-
lished' or 'newly accept-
ed' *client* of the *firm* or
of a *person* in the same
group as the *firm* (see
Notes 2 & 3).**

Category 3 person

**Any such *collective in-
vestment scheme***

**A *person* who is eligible
to participate in a
scheme constituted un-
der:**

**(1) the Church Funds
Investment Measure
1958;**

**(2) section 96 of the
Charities Act 2011;**

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*.

Promotion to:	Promotion of an unregulated collective investment scheme which is:
<p>only by section 39 of the <i>Act</i> (Exemption of appointed representatives)) if the <i>financial promotion</i> relates to a <i>regulated activity</i> in respect of which the <i>person</i> is exempt from the <i>general prohibition</i>.</p> <p>Category 7 person</p> <p>An <i>eligible counterparty</i> or a <i>professional client</i>.</p> <p>Category 8 person</p> <p>A <i>person</i>:</p> <p>(1) in relation to whom the <i>firm</i> has undertaken an adequate assessment of his expertise, experience and knowledge and that assessment gives reasonable assurance, in light of the nature of the transactions or services envisaged, that the <i>person</i> is capable of making his own investment decisions and understanding the risks involved;</p> <p>(2) to whom the <i>firm</i> has given a clear written warning that this will enable the <i>firm</i> to promote <i>unregulated collective investment</i></p>	<p>Any <i>collective investment scheme</i> in relation to which the <i>client</i> is categorised as a <i>professional client</i> or <i>eligible counterparty</i> (see Note 5).</p> <p>Any <i>collective investment scheme</i> covered by the assessment.</p>

Promotion to:	Promotion of an unregulated collective investment scheme which is:
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schemes to the client;
and

(3) who has stated in writing, in a *document* separate from the contract, that he is aware of the fact the *firm* can promote certain *unregulated collective investment schemes* to him.

The following Notes explain certain words and phrases used in the table above.

Note 1 The property of a *collective investment scheme* is 'substantially similar' to that of another *collective investment scheme* if in both cases the objective is to invest in the same one of the following sectors:

-) a (*on-exchange derivatives* or *warrants*;
-) b (*on-exchange* (or quoted) *securities*;
-) c (the property market (whether in *security* of property *companies* or in property itself);
-) d (collectable items of a particular description (such as works of art, antique vehicles, etc);
-) e (artistic productions (such as films, television, opera, theatre or music);
-) f (*unlisted investments* (including *unlisted debt securities*).

The risk profile of a *scheme* will be substantially similar to that of another *scheme* only if there is such similarity in relation to both liquidity and volatility.

Note 2 A *person* is an 'established client' of another *person* if he has been and remains an actual *client* of that *person* in relation to *designated investment business* done with or through that other *person*.

Note 3

A *person* is a 'newly accepted' *client* of a *firm* if:

-) a (a written agreement relating to *designated investment business* exists between the *client* and the *firm* (or, if the *client* is normally resident outside the *United Kingdom*, an oral or written agreement); and
-) b (that agreement has been obtained without any contravention of section 238 or 240 of the *Act*, or of any *rule* in *COBS* applying to the *firm* or (as far as the *firm* is reasonably aware) any other *authorised person*.

Note 4

A *company* is 'connected' with another *company* if:

-) a (they are in the same *group*; or
-) b (one *company* is entitled either alone or with another *company* in the same *group*, to exercise or control the exercise of a majority of the voting rights attributable to the share capital, which are exercisable in all circumstances at any general meeting of the other *company* or of its *holding company*.

Note 5

Firms may use the *client* categorisation regime that applies to business other than *MiFID* or equivalent *third country business*. [This is the case even if the *firm* will be within the scope of *MiFID* when it makes the promotion.]

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Guidance on the regulatory system as it applies to *unregulated collective investment schemes* appears at PERG 8.20.

Insurance: Conduct of Business sourcebook

Initial disclosure document

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This annex consists only of one or more forms. Forms are to be found through the following address:

Initial disclosure document - [FSA/docs/icobs/future/icobs4_annex_1.pdf](https://www.fsa.gov.uk/pubs/other/initial_disclosure_document.pdf)

