

# Glossary



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.

asset backed  
security

FCA PRA

(as defined in the *PD Regulation*) *securities* which:

- (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
- (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.

asset  
identification  
rules

FCA PRA

*rules* made by the *appropriate regulator* which require an *authorised person* who has *permission* to *effecting* or *carry out contracts of insurance* to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.

asset  
management  
company

FCA PRA

a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an *undertaking* the registered office of which is outside the *EEA* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* if it had its registered office within the *EEA*.

<i>asset pool</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<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>
<i>asset pool monitor</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<p>a <i>person</i> appointed under regulation 17A of the <i>RCB Regulations</i>.</p>
<i>asset-related capital requirement</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<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 INSPRU 2.2 .</p>
<i>assignment</i> <span style="border: 1px solid black; padding: 2px;">FCA</span>	<p>in accordance with article 60L of the <i>Regulated Activities Order</i>, in relation to Scotland, means assignation.</p>
<i>assistance</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<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> <ul style="list-style-type: none"> <li>(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;</li> <li>(b) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties otherwise than as in (a).</li> </ul>
<i>assisting in the administration and performance of a contract of insurance</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<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>
<i>associate</i> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span>	<p>(A) in the <i>PRA Handbook</i>:</p> <p>(1) (in <i>LR</i>) (in relation to a <i>director, substantial shareholder, or person exercising significant influence</i>, who is an individual):</p> <ul style="list-style-type: none"> <li>(a) that individual's spouse, civil partner or child (together the "individual's family");</li> <li>(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 <i>occupational pension scheme</i> or an <i>employees' share scheme</i> which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties;</li> <li>(c) any <i>company</i> in whose <i>equity securities</i> 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</li> </ul>

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 undertakings* or *parent undertaking* or fellow *subsidiary undertakings* 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")):

(a) an *affiliated company* of A;

(b) an *appointed representative* of A, or a *tied agent* of A, or of any *affiliated company* of A;

(c) any other whose business or domestic relationship with A or his *associate* 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.

(B) in the *FCA Handbook*:

(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 instruction;

(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

(2A) (in *CONC* or in relation to a *credit-related regulated activity*), as defined in article 60L of the *Regulated Activities Order*, in relation to a person ("P"):

(a) where P is an individual any *person* who is or who has been:

(i) P's spouse or P's civil partner;

(ii) a *relative* of P, P's spouse or P's civil partner;

(iii) the spouse or civil partner of a *relative* of P or P's spouse or civil partner;

(iv) if P is a member of a *partnership*, any of P's *partners* and the spouse or civil partner of any such *person*;

(b) where P is a *body corporate*:

(i) any *person* who is a *controller* ("C") of P;

(ii) any other *person* for whom C is a *controller*.

(3) (except in *LR* or in relation to a *credit-related regulated activity*) (in relation to a *person* ("A")):

(a) an *affiliated company* of A;

(b) an *appointed representative* of A, or a *tied agent* of A, or of any *affiliated company* of A;

(c) any other *person* whose business or domestic relationship with A or his *associate* 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.

(4) (in *LR*) (when used in the context of a *controlling shareholder* 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 *controlling shareholders*);

(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 *controlling shareholder* 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 *controlling shareholders* and their *associates* will be aggregated when determining whether that *company* is an associate of the *controlling shareholder*.

(5) (in *LR*) (when used in the context of a *controlling shareholder* 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 *controlling shareholder's* directions or instructions;

(c) any *company* in the capital of which the *controlling shareholder* and any other *company* under paragraph (a) or (b) 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 (4)(c)(i) or (ii) of this definition;

*associated call option*

FCA PRA

a right to acquire a particular amount of the *relevant security* or of any *associated security* at a future date at a particular *price*.

*associated instrument*

FCA PRA

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) any of the following *financial instruments* (including those which are not admitted to trading on a *regulated market*, or for which a request for admission to trading on such a market has not been made, provided that the relevant



<p>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>at the money FCA PRA</p> <p>attached shares FCA PRA</p> <p>auction platform FCA</p> <p>auction regulation FCA</p> <p>auction regulation bidding FCA PRA</p> <p>Audit Directive FCA PRA</p> <p>AUT</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>(in CREDS) 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>a platform on which auctions of <i>emissions allowances</i> are held in accordance with the <i>auction regulation</i>.</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>the <i>regulated activity of bidding in emissions auctions</i> where it is carried on by:</p> <p>(a) a <i>firm</i> that is exempt from <i>MiFID</i> under article 2(1)(i); or</p> <p>(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> <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>an <i>authorised unit trust scheme</i>.</p>
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FCA PRA

*authorisation*authorisation as an *authorised person* for the purposes of the *Act*.

FCA PRA

*authorisation order*an order made by the *FCA* :

FCA PRA

(a) in relation to an *AUT* under section 243 of the *Act* (Authorisation orders);(b) in relation to an *ICVC* under regulation 14 of the *OEIC Regulations* (Authorisation);(c) in relation to an *ACS* under section 261D of the *Act* (Authorisation orders);as a result of which the *AUT* or *ACS* becomes authorised or the body becomes incorporated as an *ICVC* under regulation 3 of the *OEIC Regulations* (Open-ended investment company).*authorised AIF*an *AIF* which is an *authorised fund*.

FCA PRA

*authorised business overdraft agreement*a *borrower-lender agreement* which provides authorisation in advance for the *borrower* to overdraw on a current account, where the agreement is entered into by the *borrower* wholly or predominantly for the purposes of the *borrower's* business.

FCA

*authorised central counterparty*a *CCP* authorised or recognised under *EMIR*.

FCA PRA

*authorised contractual scheme*a *co-ownership scheme* or a *limited partnership scheme*.

FCA PRA

*authorised contractual scheme manager*a *firm*, including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM*, which is the *authorised fund manager* of the *ACS* in accordance with the *contractual scheme deed*.

FCA

*authorised corporate director*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*.

FCA PRA

*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 non-business overdraft agreement*

**FCA**

a *borrower-lender agreement* which provides authorisation in advance for the *borrower* to overdraw on a current account, where:

(a) the *credit* must be repaid on demand or within three months;

(b) the agreement is not entered into by the *borrower* wholly or predominantly for the purposes of the *borrower's* business.

*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.

(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)

(B) In the FCA Handbook:

(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 *FEES*, ■ **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* or *GENPRU* and *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*.

(2B) (in ■ **CASS 11** and ■ **CONC 10**) *money* which a *CASS debt management firm* receives or holds on behalf of a *client* in the course of or in connection with *debt management activity*.

(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*.

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

*client money  
(insurance)  
distribution  
rules*

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FCA PRA

*client money chapter*

**FCA** **PRA**

■ CASS 7.

*client money distribution rules*

**FCA** **PRA**

■ CASS 7A.

*client money rules*

**FCA** **PRA**

(A) In the PRA Handbook:

(1) [deleted]

(2) (in ■ CASS 5) ■ CASS 5.1 to ■ CASS 5.5.

(3) (in ■ CASS 3, ■ CASS 6, ■ CASS 7, ■ CASS 7A, UPRU, COBS and FEES) ■ CASS 7.1 to ■ 7.8.

(B) In the FCA Handbook:

(1) [deleted]

(2) (in ■ CASS 5) ■ CASS 5.1 to ■ CASS 5.5.

(3) (in ■ CASS 3, ■ CASS 6, ■ CASS 7, ■ CASS 7A, UPRU, COBS and FEES) ■ 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**

(A) In the PRA Handbook:

(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*]

(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 *Act* (Close links)) the relationship between a *person* ("A") and another *person* ("CL") which exists if:

- (a) CL is a *parent undertaking* of A; or
- (b) CL is a *subsidiary undertaking* of A; or
- (c) CL is a *parent undertaking* of a *subsidiary undertaking* of A; or
- (d) CL is a *subsidiary undertaking* of a *parent undertaking* of A; or
- (e) CL owns or controls 20% or more of the voting rights or capital of A; or
- (f) A owns or controls 20% or more of the voting rights or capital of CL.

(3) (in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator: persons with close links)) the relationship in (2), disregarding (e) and (f).

(B) In the FCA Handbook:

(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*]

(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 *Act* (Close links)) the relationship between a *person* ("A") and another *person* ("CL") which exists if:

- (a) CL is a *parent undertaking* of A; or
- (b) CL is a *subsidiary undertaking* of A; or
- (c) CL is a *parent undertaking* of a *subsidiary undertaking* of A; or
- (d) CL is a *subsidiary undertaking* of a *parent undertaking* of A; or
- (e) CL owns or controls 20% or more of the voting rights or capital of A; or
- (f) A owns or controls 20% or more of the voting rights or capital of CL.

<p><i>close matching rules</i></p> <p><b>FCA</b> <b>PRA</b></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>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 out</i></p> <p><b>FCA</b> <b>PRA</b></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 period</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>LR</i>) as defined in paragraph 1(a) of the <i>Model Code</i>.</p>
<p><i>close relative</i></p> <p><b>FCA</b> <b>PRA</b></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> <ul style="list-style-type: none"> <li>(a) his spouse or civil partner</li> <li>(b) his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; and</li> <li>(c) the spouse or civil partner of any <i>person</i> within (b).</li> </ul>
<p><i>closed</i></p> <p><b>FCA</b> <b>PRA</b></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></p> <p><b>FCA</b> <b>PRA</b></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></p> <p><b>FCA</b></p>	<p>an <i>AIF</i> which is a <i>body corporate</i> and not a <i>collective investment scheme</i>.</p>
<p><i>closed-ended investment fund</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>LR</i>) an entity:</p> <ul style="list-style-type: none"> <li>(a) which is an undertaking with limited liability, including a company, limited partnership, or <i>limited liability partnership</i>; and</li> <li>(b) whose primary object is investing and managing its assets (including pooled funds contributed by holders of its <i>listed securities</i>): <ul style="list-style-type: none"> <li>(i) in property of any description; and</li> <li>(ii) with a view to spreading investment risk.</li> </ul> </li> </ul>
<p><i>closely related</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>GENPRU</i> and <i>BIPRU</i>) describes a relationship between two or more <i>persons</i> under which one or more of the following applies:</p> <ul style="list-style-type: none"> <li>(a) the insolvency or default of one of them is likely to be associated with the insolvency or default of the others;</li> <li>(b) it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or</li> </ul>



	(c) there is, or there is likely to be, a close relationship between the financial performance of those <i>persons</i> .
<i>closing date</i> FCA PRA	the date specified in the earliest relevant <i>public announcement</i> of the <i>offer</i> as the last date for acceptance of the <i>offer</i> , or, if no such date is specified, then the date on which the <i>issuer</i> (or seller) of the <i>securities</i> offered receives any of the proceeds of the <i>offer</i> .
CMAR FCA PRA	a Client Money and Asset Return, containing the information specified in ■ SUP 16 Annex 29 R.
CNCOM	[deleted]
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.
<i>Code of Market Conduct</i> FCA PRA	the provisions in ■ MAR 1 indicated by an "E" or "C" in the margin or heading, issued by the <i>FCA</i> as required by section 119 of the <i>Act</i> (The Code).
<i>Code of Practice for Approved Persons</i> FCA PRA	(1) (in the <i>FCA Handbook</i> ) 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 <i>approved person's</i> conduct complies with the <i>Statements of Principle</i> and which are issued by the <i>FCA</i> under section 64(2) of the <i>Act</i> (Conduct: statements and codes).  (2) (in the <i>PRA Handbook</i> ) 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 <i>approved person's</i> conduct complies with the and which are issued by the <i>PRA</i> under section 64(2) of the <i>Act</i> (Conduct: statements and codes).  The provisions of ■ APER 1 marked with an "E" in the margin also form part of the <i>Code of Practice for Approved Persons</i> .
<i>cold call</i> FCA PRA	a <i>financial promotion</i> 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 <i>financial promotion</i> ; and  (ii) does not take place in response to an express request from the recipient of the <i>financial promotion</i> ; 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 <i>controlled activities</i> and <i>controlled investments</i> to which the communications in fact made relate.  In this definition:  (c) a <i>person</i> 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;

collateral rules

**FCA** **PRA**

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.

■ 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 either:

- (a) two or more of the following:
  - (i) *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);
  - (ii) *non-investment insurance contracts*;
  - (iii) *home finance transactions* (other than *regulated sale and rent back agreement*); or
- (b) *home finance transactions* (other than *regulated sale and rent back agreements*) only;

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).

*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 equity  
tier 1 capital*

**FCA**

as defined in article 50 of the *EU CRR*.

*common equity  
tier 1  
instrument*

**FCA**

a capital instrument that qualifies as a common equity tier 1 instrument under article 26 of the *EU CRR*.

*common  
platform firm*

**FCA** **PRA**

(A) In the PRA Handbook:

- (a) a *BIPRU firm*; or
- (aa) a *bank*; or
- (ab) a *building society*; or
- (ac) a *designated investment firm*; or
- (ad) an *IFPRU investment 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*

(d) a *dormant account fund operator*.

(B) In the FCA Handbook:

- (a) a *BIPRU firm*; or
- (aa) a *bank*; or
- (ab) a *building society*; or
- (ac) a *designated investment firm*; or
- (ad) an *IFPRU investment 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*

(d) a *dormant account fund operator*.

*common  
platform  
organisational  
requirements*

**FCA** **PRA**

■ SYSC 4 to ■ SYSC 9.

*common  
platform  
outsourcing  
rules*

■ SYSC 8.1.1 R to ■ SYSC 8.1.12 G.

FCA PRA

*common platform record-keeping requirements*

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

FCA PRA

*common platform requirements*

■ SYSC 4 to ■ SYSC 10.

FCA PRA

*common platform requirements on financial crime*

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

FCA PRA

*communicate*

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

FCA PRA

[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*

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

FCA PRA

*communicated to a person outside the United Kingdom*

- (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*;

	<p>(ii) the <i>financial promotion</i> is accompanied by an indication that it must not be acted upon by <i>persons</i> in the United Kingdom;</p> <p>(iii) the <i>financial promotion</i> is not referred to in, or directly accessible from, any other <i>financial promotion</i> which is <i>made to a person</i> or <i>directed at persons</i> in the <i>United Kingdom</i> by the same communicator;</p> <p>(iv) there are in place proper systems and procedures to prevent recipients in the <i>United Kingdom</i> (other than those to whom the <i>financial promotion</i> might otherwise lawfully have been made) engaging in the investment activity to which the <i>financial promotion</i> relates with the <i>person</i> directing the <i>financial promotion</i>, a <i>close relative</i> of his or a member of the same <i>group</i>;</p> <p>(v) the <i>financial promotion</i> is included in:</p> <p style="padding-left: 40px;">(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 style="padding-left: 40px;">(B) a radio or television broadcast or teletext service transmitted principally for reception outside the <i>United Kingdom</i>.</p>
<p><i>community benefit society</i> FCA</p>	<p>a society registered (or deemed to be registered) under the Industrial and Provident Societies Act 1965 which fulfils the condition in section 1(2)(b) of that Act or a society registered (or deemed to be registered) under the Industrial and Provident Societies Act (Northern Ireland) 1969 which fulfils the condition in section 1(2) of that Act.</p>
<p><i>Community Co-Insurance Directive</i> FCA PRA</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> 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><i>community finance organisation</i> FCA PRA</p>	<p>a <i>community benefit society</i>, a <i>registered charity</i> or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004).</p>
<p>COMP FCA PRA</p>	<p>the Compensation sourcebook.</p>
<p><i>company</i> FCA PRA</p>	<p>any <i>body corporate</i>.</p>
<p><i>Company Announcements Office</i> FCA PRA</p>	<p>the Company Announcements Office of the London Stock Exchange, the information dissemination provider approved by the UKLA.</p>



*compensation costs*

**FCA** **PRA**

the costs incurred:

- (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 *Act*; or
- (e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009;

(including the costs of paying interest, principal and other costs of borrowing to pay such costs).

*compensation costs levy*

**FCA** **PRA**

a levy imposed by the FSCS on *participant firms* to meet *compensation costs*, each *participant firm's* share being calculated in accordance with **■ FEES 6.5**

*compensation fund*

**FCA** **PRA**

any *policyholder* compensation scheme in any *EEA State*.

*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 transitionals 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**

(A) In the PRA Handbook:

- (1) (in relation to the functions referred to in Part VI of the *Act*)
  - (a) the *FCA*, or the functions referred to in Part VI of the *Act* under the laws of
  - (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)]

(B) In the FCA Handbook:

(1) (in relation to the functions referred to in Part VI of the *Act*)

(a) the *FCA*, or the functions referred to in Part VI of the *Act* under the laws of

(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*.

(10) (for the purposes of *IFPRU*) has the meaning in article 4(1)(40) of the *EU CRR*.

[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)]

competent employees rule

FCA PRA

- (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.

complaint

FCA PRA

- (A) In the PRA Handbook:
  - (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*.
- (B) In the FCA Handbook:
  - (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:

<p><i>complaints data publication rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(a) under all jurisdictions, part of a <i>complaint</i>; and</p> <p>(b) under the <i>Compulsory Jurisdiction</i>, all or part of a <i>relevant complaint</i> or a <i>relevant credit-related complaint</i>.</p> <p>■ DISP 1.10A.</p>
<p><i>complaints handling rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.3.</p>
<p><i>complaints investigator</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(1) (in relation to a <i>UK RIE</i>) the independent <i>person</i> appointed under arrangements referred to in paragraph 9(3) of the Schedule to the <i>Recognition Requirements Regulations</i> to investigate a complaint and to report on the result of his investigation to that <i>RIE</i> and to the complainant.</p> <p>(2) (in relation to a <i>UK RCH</i>) the independent <i>person</i> appointed under arrangements referred to in paragraph 23(3) of the Schedule to the <i>Recognition Requirements Regulations</i> to investigate a complaint and to report on the result of his investigation to that <i>RCH</i> and to the complainant.</p> <p>(3) (in relation to an <i>RAP</i>) the independent <i>person</i> appointed under arrangements referred to in regulations 22 and 23 of the <i>RAP regulations</i> to investigate a complaint and to report on the result of his investigation to that <i>RAP</i> and to the complainant.</p>
<p><i>complaints record rule</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.9.</p>
<p><i>complaints reporting rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.10.</p>
<p><i>complaints resolution rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.4.</p>
<p><i>complaints time barring rule</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.8.</p>
<p><i>complaints time limits rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ DISP 1.6.</p>

<p><i>compliance oversight function</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF10 in Parts 1 and 2 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.7.8 R.</p>
<p><i>composite firm</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>firm</i> that carries on both <i>long-term insurance business</i> and <i>general insurance business</i>.</p>
<p><i>composite insurer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in relation to <i>firm type</i> in ■ SUP 16.10 (Confirmation of <i>standing data</i>)) an <i>insurer</i> with permission to effect or carry out both <i>long-term insurance contracts</i> and <i>general insurance</i>.</p>
<p><i>Compulsory Jurisdiction</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the jurisdiction of the <i>Financial Ombudsman Service</i> to which <i>firms</i>, <i>payment service providers</i> and <i>electronic money issuers</i> (and certain other <i>persons</i> as a result of the <i>Ombudsman Transitional Order</i> or section 226(2)(b) and (c) of the <i>Act</i>) are compulsorily subject.</p>
<p>CONC</p> <p><b>FCA</b></p>	<p>the Consumer Credit sourcebook.</p>
<p><i>concentration risk capital component</i></p>	<p>[deleted]</p>
<p>COND</p> <p><b>FCA</b> <b>PRA</b></p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title Threshold Conditions.</p>
<p><i>conditional sale agreement</i></p> <p><b>FCA</b></p>	<p>in accordance with article 60L of the <i>Regulated Activities Order</i>, an agreement for the sale of <i>goods</i> or <i>land</i> under which the purchase price or part of it is payable by instalments, and the property in the <i>goods</i> or <i>land</i> is to remain with the seller (notwithstanding that the buyer is to be in possession of the <i>goods</i> or <i>land</i>) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled.</p>
<p><i>conflicts of interest policy</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(1) the policy established and maintained in accordance with ■ SYSC 10.1.10 R; and</p> <p>(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 <i>benchmark submissions</i> and the process of gathering information in order to make <i>benchmark submissions</i>, and sets out the process to manage such conflicts.</p>
<p><i>conglomerate capital resources</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in relation to a <i>financial conglomerate</i> with respect to which ■ GENPRU 3.1.29 R (Application of method 1 or 2 from Annex I of the <i>Financial Groups Directive</i>) 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 <i>financial conglomerate</i>.</p>
<p><i>conglomerate capital resources requirement</i></p>	<p>(in relation to a <i>financial conglomerate</i> with respect to which ■ GENPRU 3.1.29 RR (Application of method 1 or 2 from Annex I of the <i>Financial Groups Directive</i>) applies) the capital resources requirement defined in whichever of paragraphs</p>

FCA PRA

connected  
client

FCA PRA

1.3 or 2.4 of ■ GENPRU 3 Annex 1 R (Capital adequacy calculations for financial conglomerates) applies with respect to that *financial conglomerate*.

(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) In the PRA Handbook:

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.

(B) In the FCA Handbook:

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.

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

(i) a *hire-purchase agreement*; 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

*connected  
lending of a  
capital nature*

*connected  
person*

**FCA** **PRA**

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.

[deleted]

(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).

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*consolidated basis*

FCA

has the meaning in article 4(1)(48) of the *EU CRR*.

*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.

<i>consolidated operational risk requirement</i>	[deleted]
<i>consolidated requirement component</i> FCA	<p>has the meaning in ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components), which in summary is one of the following:</p> <ul style="list-style-type: none"> <li>(a) the <i>consolidated credit risk requirement</i>; or</li> <li>(b) the <i>consolidated fixed overheads requirement</i>; or</li> <li>(c) the <i>consolidated market risk requirement</i>; or</li> <li>(d) [deleted]</li> </ul>
<i>consolidated situation</i> FCA PRA	<p>(A) (in the <i>PRA Handbook</i>)</p> <p>the situation that results from applying the requirements of the <i>EU CRR</i> in accordance with Part One, Title II, Chapter 2 of the <i>EU CRR</i> to an <i>institution</i> as if that <i>institution</i> formed, together with one or more other <i>institutions</i>, a single <i>institution</i>.</p> <p>(B) (in the <i>FCA Handbook</i>)</p> <p>has the meaning in article 4(1)(47) of the <i>EU CRR</i>.</p>
<i>consolidating supervisor</i> FCA	has the meaning in article 4(1)(41) of the <i>EU CRR</i> .
<i>consolidation Article 12(1) relationship</i> FCA PRA	<p>a relationship between one <i>undertaking</i> (the first undertaking) and one or more other <i>undertakings</i> satisfying the conditions set out in Article 12(1) of the <i>Seventh Company Law Directive</i>, which in summary are as follows:</p> <ul style="list-style-type: none"> <li>(a) those <i>undertakings</i> are not connected, as described in article 1(1) or (2) of that Directive; and</li> <li>(b) one of the following conditions is satisfied: <ul style="list-style-type: none"> <li>(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 <i>undertakings</i>; or</li> <li>(ii) the administrative, management or supervisory bodies of those <i>undertakings</i> consist, for the major part, of the same <i>persons</i> in office during the financial year in respect of which it is being decided whether such a relationship exists.</li> </ul> </li> </ul>
<i>consolidation group</i> FCA PRA	<p>(A) In the <i>PRA Handbook</i>:</p> <p>(1) the following:</p> <ul style="list-style-type: none"> <li>(a) a <i>conventional group</i>; or</li> <li>(b) <i>undertakings</i> linked by a <i>consolidation Article 12(1) relationship</i> or (for the purposes of <i>BIPRU</i>) an <i>Article 134 relationship</i>.</li> </ul> <p>If a <i>parent undertaking</i> or <i>subsidiary undertaking</i> in a <i>conventional group</i> (the first person) has a <i>consolidation Article 12(1) relationship</i> or (for the purposes of <i>BIPRU</i>) an <i>Article 134 relationship</i> with another <i>person</i> (the second person), the second person (and any <i>subsidiary undertaking</i> of the second person) is also a member of the same <i>consolidation group</i>.</p>

(2) (in SYSC) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and ■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under [article 111 of the *CRD*].

(3) For the purposes of ■ SUP 16, the *group of undertakings* which are included in the *consolidated situation* of a *parent institution in a Member State*, an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* (including any *undertaking* which is included in that consolidation because of an *Article 12(1) relationship*, *Article 18(5) relationship* or *Article 18 relationship*).

(B) In the *FCA Handbook*:

(1) 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*.

(2) (for the purposes of ■ SUP 16) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the *EU CRR* and ■ IFPRU 8.1.3 R to ■ IFPRU 8.1.4 R (Prudential consolidation) for which the *FCA* is the *consolidating supervisor* under article 111 of the *CRD*.

*consolidation  
UK integrated  
group*

[deleted]

*consolidation  
wider  
integrated  
group*

[deleted]

*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

consumer

FCA PRA

accordance with the *rules* on consultancy charging and remuneration ( ■ COBS 6.1C).

(A) In the PRA Handbook:

(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 *E-Commerce Directive*, 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 *CRD* ; 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]

(B) In the FCA Handbook:

(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 *E-Commerce Directive*, article 4(11) of the *Payment Services Directive* and article 3 of the *Consumer Credit 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 *CRD*; 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 Directive

**FCA**

Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.

Consumer Credit Jurisdiction

**FCA**

the jurisdiction of the *Financial Ombudsman Service* which resulted from section 226A (repealed) of the *Act*.

consumer credit lending

**FCA**

in accordance with article 60B of the *Regulated Activities Order*, *entering into a regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement.*

consumer hire agreement

**FCA**

in accordance with article 60N of the *Regulated Activities Order*, an agreement between a *person* ("the owner") and an *individual* ("the hirer") for the bailment or, in Scotland, the hiring of *goods* to the hirer which:

- (a) is not a *hire-purchase agreement*; and
- (b) is capable of subsisting for more than three months.

consumer hiring

**FCA**

in accordance with article 60N of the *Regulated Activities Order*, entering into a *regulated consumer hire agreement* as *owner* or exercising, or having the right to exercise, the *owner's* rights and duties under a *regulated consumer hire agreement*.

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

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*)

FCA PRA

continuous  
payment  
authority

FCA

when the transaction falls to be completed or upon the earlier *closing out* of his position.

consent given by a *customer* for a *firm* to make one or more requests to a *payment service provider* for one or more payments from the *customer's* payment account, but excluding:

- (a) a direct debit to which the Direct Debit guarantee applies; and
- (b) separate consent given by a *customer* to a *firm*, following the making of the *credit agreement*, for the *firm* to make a single request to a *payment service provider* for one payment of a specified amount from the *customer's* payment account on the same day as the consent is given or on a specified day.

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.

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

contract of  
insurance

FCA PRA

(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);

(b) *credit and suretyship*, 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;

(c) *land vehicles* (other than *railway rolling stock*), *fire and natural forces*, other *damage to property, motor vehicle liability, general liability*, and *miscellaneous financial loss*, in so far as the *policyholder* exceeds the limits of at least two of the following three criteria:

(i) balance sheet total: €6.2 million;

(ii) net turnover: €12.8 million;

(iii) average number of *employees* during the financial year: 250.

*contractual cross product netting agreement*

FCA PRA

(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 *firm* and a *counterparty* which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.

*contractual scheme deed*

FCA

(in *COLL*) 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 *authorised fund manager* and:

(a) the *depository*, in the case of a *co-ownership scheme*; or

(b) the *nominated partner*, in the case of a *limited partnership scheme*.

the Collective Investment in Transferable Securities (Contractual Scheme) Regulations 2013 (SI 2013/1388).

*contractual  
scheme rules*

**FCA**

*rules* in COLL made by the FCA under section 261I of the Act (Contractual scheme rules) in relation to:

- (a) the constitution, management and operation of ACSs;
- (b) the powers, duties, rights, and liabilities of the *authorised fund manager* and *depository* of any such *scheme*;
- (c) the rights and duties of the *participants* in any such *scheme*; and
- (d) the winding up of any such *scheme*.

*contractually  
based  
investment*

**FCA PRA**

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *life policy* (except a *long-term care insurance* contract which is not a qualifying *contract of insurance*);
- (b) an *option, future, contract for differences* or *funeral plan contract*;
- (c) *rights to or interests in an investment* falling within (a) or (b).

*control*

**FCA PRA**

(1) (except in (2) and (2A)) (in relation to the acquisition, increase or reduction of control of a *firm*) the relationship between a *person* and the *firm* or other *undertaking* of which the *person* is a controller.

(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).

[Note: article 4 (1)(30) of MiFID]

(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.

controlled  
activity

FCA

- (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));
- (f) *making arrangements with a view to transactions in investments* (paragraph 4(2));
- (fa) operating a *multilateral trading facility* (paragraph 4A);
- (fab) credit broking (paragraph 4B);
- (fac) operating an electronic system in relation to lending (paragraph 4C);
- (g) *managing investments* (paragraph 5);
- (ga) debt adjusting (paragraph 5A);
- (gb) debt-counselling (paragraph 5B);
- (h) *safeguarding and administering investments* (paragraph 6);
- (i) *advising on investments* (paragraph 7);
- (j) *advising on syndicate participation at Lloyd's* (paragraph 8);
- (k) providing funeral plan contracts (paragraph 9);
- (l) providing qualifying credit (paragraph 10);
- (m) arranging qualifying credit etc. (paragraph 10A);
- (n) advising on qualifying credit etc. (paragraph 10B);
- (na) providing relevant consumer credit (paragraph 10BA);
- (nb) providing consumer hire (paragraph 10BB);
- (o) *entering into a home purchase plan* (paragraph 10C);
- (p) *making arrangements with a view to a home purchase plan* (paragraph 10D);
- (q) *advising on a home purchase plan* (paragraph 10E);
- (r) *entering into a home reversion plan* (paragraph 10F);
- (s) *making arrangements with a view to a home reversion plan* (paragraph 10G);
- (t) *advising on a home reversion plan* (paragraph 10H);

*controlled agreement*

FCA PRA

(u) agreeing to carry on specified kinds of activity (paragraph 11) which are specified in paragraphs 3 to 10H (other than paragraph 4A) of Part 1 of Schedule 1 to the *Financial Promotion Order*.

(as defined in section 30 of the *Act* (Enforceability of agreements resulting from unlawful communications)) an agreement the making or performance of which by either party constitutes a *controlled activity*.

*controlled function*

FCA PRA

a function, relating to the carrying on of a *regulated activity* by a *firm*, which is specified by either the *FCA* (in the *table of FCA controlled functions*) or the *PRA* (in the *table of PRA controlled functions*), under section 59 of the *Act* (Approval for particular arrangements) .

*controlled investment*

FCA PRA

(A) In the *PRA Handbook*:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments).

(B) In the *FCA Handbook*:

(in accordance with section 21(10) of the *Act* (Restrictions on financial promotion) and article 4 of the *Financial Promotion Order* (Definitions of controlled activities and controlled investments)) an *investment* specified in Part II of Schedule 1 to the *Financial Promotion Order* (Controlled investments) (having regard to the effect of paragraph 4C (10) of that Schedule).

*controlled undertaking*

FCA PRA

any subsidiary undertaking within the meaning of the *Act* other than one falling within section 1162(4)(b) of the *Companies Act 2006* or section 420(2)(b) of the *Act* .

*controller*

FCA PRA

(A) In the *PRA Handbook*

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm*) a *person* ("A") who (whether acting alone or in concert):

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

(b) holds 10% 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.

(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.

(B) In the FCA Handbook

(1) (in relation to a *firm* or other *undertaking* ("B"), other than a *non-directive firm* or a firm within (2A)) a *person* ("A") who (whether acting alone or in concert):

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

(b) holds 10% 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.

(2) (in relation to a *non-directive firm* ("B"), other than a firm within (2A)), 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.

(2A) (in relation to a *firm* ("B") with *limited permission* where the only regulated activities (other than ones in relation to which sections 20(1) and (1A) and 23(1A) of the *Act* do not apply under section 39(1D) of the *Act*) that B carries on, or seeks to carry on, are relevant credit activities within article 6A of the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009) a *person* ("A") who (whether acting alone or in concert):

(a) holds 33% or more of the *shares* in B or in a *parent undertaking* ("P") of B;

(b) holds 33% or more of the *voting power* in B or 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), (2) and (2A), 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.

*controlling shareholder*

FCA

as defined in ■ LR 6.1.2A R.

*conventional group*

FCA PRA

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

*conversion factor*

FCA

(A) In the PRA Handbook:

(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.

(B) In the FCA Handbook:

(in accordance with Article 4(28) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) 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

(A) In the PRA Handbook:

(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.

(B) In the FCA Handbook:

(for the purposes of *BIPRU* and *IFPRU*) 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 *financial conglomerate*.

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*co-ownership scheme*

FCA PRA

(as defined in section 235A(2) of the *Act* (Contractual schemes)) a *collective investment scheme* which satisfies the conditions in section 235A(3) and which is authorised for the purposes of the *Act* by an *authorisation order*.

core  
concentration  
risk group  
counterparty

FCA

(in relation to a *firm*) a 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* are:

(a) included within the scope of consolidation on a full basis with respect to the same *UK consolidation group*; and

(b) (where relevant) held by one or more intermediate *parent undertaking* or *financial holding company*, all of which are incorporated in the *United Kingdom*.

core market  
participant

FCA PRA

an entity of a type listed in ■ BIPRU 5.4.64 R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).

core provision

FCA PRA

(as defined in section 316(3) of the *Act* (Direction by a regulator )) a provision of the *Act* mentioned in section 317 of the *Act* (The core provisions) which applies to the carrying on of an insurance market activity by a *member*, or the *members* of the *Society* taken together, if the *appropriate regulator* so directs.

core tier one  
capital

FCA PRA

an item of capital that is stated in stage A of the *capital resources table* (Core tier one capital) to be core tier one capital.

core UK group

FCA PRA

(A) In the PRA Handbook:

has the meaning given in the *PRA Rulebook*: Large Exposures rules.

(B) In the FCA Handbook:

(1) (in relation to a *BIPRU firm*) all *undertakings* which, in relation to the *firm*, satisfy the conditions set out in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group).

(2) (in relation to an *IFPRU investment firm*) all counterparties which:

(a) are listed in the *firm's core UK group permission*;

(b) satisfy the conditions in article 113(6) of the *EU CRR* (Calculation of risk-weighted exposure amounts: intragroup); and

(c) (unless it is an *IFPRU limited-activity firm* or *IFPRU limited-licence firm*, or an *exempt IFPRU commodities firm* to which article 493(1) of the *EU CRR* (Transitional provision for large exposures) apply) for which *exposures* are exempted, under article 400(1)(f) of the *EU CRR* (Large exposures: exemptions), from the application of article 395(1) of the *EU CRR* (Limits to large exposures).

core UK group  
eligible capital

FCA PRA

(A) In the PRA Handbook

has the meaning given in the *PRA Rulebook*: Large Exposure rules.

(B) In the FCA Handbook

means the eligible capital in the *core UK group* calculated in line with ■ IFPRU 8.2.7 R.

core UK group  
permission

FCA PRA

(A) In the PRA Handbook

has the meaning given in the *PRA Rulebook*: Large Exposures rules

(B) In the FCA Handbook

core UK group waiver

FCA PRA

a permission given by the FCA under article 113(6) of the EU CRR (see ■ IFPRU 8.1.14 G to ■ IFPRU 8.1.21 G).

(A) In the PRA Handbook:

a waiver that has the result of requiring a firm to apply:

(a) (in relation to the *credit risk capital requirement*) ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a firm to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with ■ BIPRU 3.2.20 R (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) (in relation to *large exposures*) ■ BIPRU 10.8A (Intra-group exposures: core UK group), which in summary exempts all *exposures* between members of a *core UK group* from the limits described in ■ BIPRU 10.5 (Limits on exposures).

(B) In the FCA Handbook:

(in BIPRU) a waiver that has the result of requiring a firm to apply:

(a) (in relation to the *credit risk capital requirement*) ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a firm to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with ■ BIPRU 3.2.20 R (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) [deleted]

corporate

FCA PRA

(in relation to the *IRB approach* or the *standardised approach* to credit risk) a person an *exposure* to whom is a *corporate exposure*.

corporate access service

FCA

a service of arranging or bringing about contact between an *investment manager* and an *issuer* or potential *issuer*.

corporate exposure

FCA PRA

(1) (in relation to the *IRB approach*) an *exposure* falling into ■ BIPRU 4.3.2 R (3) (IRB exposure classes).

(2) (in relation to the *standardised approach* to credit risk) an *exposure* falling into ■ BIPRU 3.2.9 R (7) (Standardised approach to credit risk exposure classes).

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.

cost of credit

FCA

any costs, including interest, commission, taxes and any other kind of fees which are required to be paid by or on behalf of the *borrower* or a relative of the *borrower* in connection with the *credit agreement*, whether payable to the *lender* or to any other *person*, and which are known to the *lender*, except for notarial costs.

Council

FCA PRA

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

countercyclical  
buffer rate

FCA

(in accordance with article 128(7) of the *CRD* (Definitions)) the rate:

(a) expressed as a percentage of *total risk exposure amount* set by the *UK countercyclical buffer authority* or an *EEA countercyclical buffer authority*; or

(b) expressed in terms equivalent to a percentage of total risk exposure amount set by a *third-country countercyclical buffer authority*,

that a *firm* must apply in order to calculate its *countercyclical capital buffer*.

*countercyclical capital buffer*

FCA

(in accordance with article 128(2) of CRD (Definitions)) the amount of *common equity tier 1 capital* a firm must calculate in line with ■ IFPRU 10.3.

*counterparty*

FCA PRA

(A) In the PRA Handbook:

(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.

(B) In the FCA Handbook:

(1) [deleted]

(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



counterparty  
credit risk

FCA PRA

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.

(A) In the PRA Handbook:

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

(2) (other than in (1)) has the meaning as used in the *EU CRR*.

(B) In the FCA Handbook:

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

(2) (other than in (1)) has the meaning as used in the *EU CRR*.

counterparty  
risk

FCA

(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

FCA PRA

(A) In the PRA Handbook:

(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 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 in *BIPRU*) 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.

(B) In the FCA Handbook:

(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 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 in *BIPRU*) 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

FCA

the Consumer Prices Index.

CRD

FCA PRA

(A) In the PRA Handbook:

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

(B) In the FCA Handbook:

(1) (in *GENPRU* (except ■ *GENPRU* 3) and *BIPRU* (except ■ *BIPRU* 12)) the *Capital Adequacy Directive* and the *Banking Consolidation Directive*.

(2) (except in (1)) the Directive of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (No 2013/36/EU) and amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

CRD bank

FCA PRA

(A) In the PRA Handbook:

a *bank* which uses the *EU CRR* to measure the capital requirement on its trading book.

(B) In the FCA Handbook:

a *bank* which uses the *EU CRR* to measure the capital requirement on its trading book.

CRD credit institution

FCA PRA

(A) In the PRA Handbook:

a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the *CRD* does not apply under article 2 of the *CRD* (see also *full CRD credit institution*).

(B) In the FCA Handbook:

a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the *CRD* does not apply under article 2 of the *CRD* (see also *full CRD credit institution*).

CRD financial instrument

FCA PRA

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.

CRD full-scope firm

FCA

an investment firm as defined in article 4(1)(2) of the *EU CRR* that is subject to the requirements imposed by *MiFID* (or which would be subject to that Directive if its head office were in an *EEA State*) and that is not a *limited activity firm* or a *limited licence firm*.

CRD implementation measure

(A) In the PRA Handbook:

(in relation to an *person* and for the purposes of *GENPRU* and *BIPRU* (except in ■ *GENPRU* 3)), a provision of the *Banking*

FCA PRA

*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*.

(B) In the FCA Handbook:

(in relation to an *person* and for the purposes of *GENPRU* and *BIPRU* (except in ■ *GENPRU* 3 and ■ *BIPRU* 12), 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*.

CRED

the Credit Unions sourcebook.

FCA PRA

credit

(A) In the PRA Handbook:

FCA PRA

(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.

(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.

(B) In the FCA Handbook:

(1) (except in relation to a *class of contract of insurance* and a *credit-related regulated activity*) 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.

(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.

(3) (in relation to a *credit-related regulated activity*) includes a cash loan and any other form of financial accommodation, but an item entering into the *total charge for credit* is not treated as credit even though time is allowed for its payment.

credit agreement

in accordance with article 60B of the *Regulated Activities Order*, an agreement between an *individual* ("A") and any other *person* ("B") under which B provides A with *credit* of any amount.

FCA

credit broker

a *person* that carries on an activity, by way of business, of the kind specified in article 36A of the *Regulated Activities Order*.

FCA

credit broking

an activity of the kind specified in article 36A of the *Regulated Activities Order*.

FCA

*credit card  
cheque*

**FCA**

a cheque (whether or not drawn on a banker) which, whenever used, will result in the provision of *credit* under a *credit-token agreement*, which does not include a cheque to be used only in connection with a current account.

*credit  
enhancement*

**FCA**

(in accordance with Article 4(43) of the *Banking Consolidation Directive* (Definitions) and for the purposes of *BIPRU*) 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 firm*

**FCA**

a *firm* with *permission* to carry on a *credit-related regulated activity*.

*credit  
information  
agency*

**FCA**

a *person* who carries on by way of business one or more of the following activities specified in the *Regulated Activities Order*:

- (a) *credit broking* (article 36A);
- (b) *debt adjusting* (article 39D);
- (c) *debt counselling* (article 39E);
- (d) *debt collecting* (article 39F);
- (e) *debt administration* (article 39G);
- (f) *entering into a regulated credit agreement as lender* (article 60B(1) (disregarding the effect of article 60F));
- (g) *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement* (article 60B(2) (disregarding the effect of article 60F));
- (h) *entering into a regulated consumer hire agreement as owner* (article 60N(1) (disregarding the effect of article 60P));
- (i) *exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement* (article 60N(2) (disregarding the effect of article 60P));
- (j) *providing credit references* (article 89B).

*credit  
institution*

**FCA PRA**

(A) In the PRA Handbook:

- (1) (except in *REC*)
  - (a) has the meaning in article 4(1)(1) of the *EU CRR*; or
  - (b) [deleted]
  - (c) [deleted]
  - (d) [deleted]
- (2) (in *REC* and in *SUP* 11 (Controllers and close links) and *SUP* 16 (Reporting requirements)):
  - (a) a credit institution authorised under the *CRD*; or

(b) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* 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(1)(17) of the *EU CRR* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 47 of the *CRD*.

(B) In the FCA Handbook:

(1) (except in *REC*):

(a) has the meaning in article 4(1)(1) of the *EU CRR*; or

(b) [deleted]

(c) [deleted]

(d) [deleted]

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

(a) a credit institution authorised under the *CRD*; or

(b) an institution which would satisfy the requirements for authorisation as a credit institution under the *CRD* 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(1)(17) of the *EU CRR* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 47 of the *CRD*.

*credit limit*

**FCA**

in accordance with article 60L of the *Regulated Activities Order*, in relation to *running-account credit*, as respects any period, the maximum debit balance which, under a *credit agreement*, is allowed to stand on the account during that period, disregarding any term of the agreement allowing that maximum to be exceeded on a temporary basis.

*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).

<p><i>credit reference agency</i></p> <p><b>FCA</b></p>	<p>a <i>person providing credit references</i>.</p>
<p><i>credit repair firm</i></p> <p><b>FCA</b></p>	<p>a <i>firm</i> which carries on the activity of <i>providing credit information services</i> with a view to securing or advising on the correction of or omission of anything from, or making of any modification of, information relevant to financial standing of an <i>individual</i> held by a <i>credit information agency</i> or to securing that the agency stops holding the information or does not provide it to another <i>person</i>.</p>
<p><i>credit risk capital component</i></p> <p><b>FCA PRA</b></p>	<p>the part of the <i>credit risk capital requirement</i> calculated in accordance with ■ BIPRU 3.1.5 R (Calculation of the credit risk capital component).</p>
<p><i>credit risk capital requirement</i></p> <p><b>FCA PRA</b></p>	<p>the part of the <i>capital resources requirement</i> of a <i>BIPRU firm</i> in respect of credit risk, calculated in accordance with ■ GENPRU 2.1.51 R (Calculation of the credit risk capital requirement).</p>
<p><i>credit risk mitigation</i></p> <p><b>FCA PRA</b></p>	<p>(A) In the PRA Handbook:</p> <p>(in accordance with Article 4(30) of the <i>Banking Consolidation Directive</i> (Definitions)) a technique used by an <i>undertaking</i> to reduce the credit risk associated with an <i>exposure</i> or <i>exposures</i> which the <i>undertaking</i> continues to hold.</p> <p>(B) In the FCA Handbook:</p> <p>(1) (in <i>GENPRU</i> (except in ■ GENPRU 3) and <i>BIPRU</i> (except in ■ BIPRU 12)) (in accordance with Article 4(30) of the <i>Banking Consolidation Directive</i> (Definitions)) a technique used by an <i>undertaking</i> to reduce the credit risk associated with an <i>exposure</i> or <i>exposures</i> which the <i>undertaking</i> continues to hold.</p> <p>(2) (except in (1)) has the meaning in article 4(1)(58) of the <i>EU CRR</i>.</p>
<p><i>credit token</i></p> <p><b>FCA</b></p>	<p>a credit token is a card, check, voucher, coupon, stamp, form, booklet or other document or thing given to an <i>individual</i> by a <i>person</i> carrying on a <i>credit-related regulated activity</i> ("the provider"), who undertakes that:</p> <p>(a) on production of it (whether or not some other action is also required) the provider will supply <i>cash</i>, <i>goods</i> or services (or any of them) on <i>credit</i>; or</p> <p>(b) where, on the production of it to a third party (whether or not any other action is also required), the third party supplies <i>cash</i>, <i>goods</i> and services (or any of them), the provider will pay the third party for them (whether or not deducting any discount or commission), in return for <i>payment</i> to the provider by the <i>individual</i> and the provider shall, without prejudice to the definition of <i>credit</i>, be taken to provide <i>credit</i> drawn on whenever a third party supplies the <i>individual</i> with <i>cash</i>, <i>goods</i> or services; and</p> <p>the use of an object to operate a machine provided by the person giving the object or a third party shall be treated as the production of the object to that <i>person</i> or third party.</p>
<p><i>credit union</i></p> <p><b>FCA PRA</b></p>	<p>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 <i>authorised person</i> or a body corporate registered under the Credit Unions (Northern Ireland) Order 1985 which is an <i>authorised person</i> or a body corporate</p>

<p><i>credit unions day</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>registered under the Industrial and Provident Societies Act (Northern Ireland) 1969 as a credit union which is an <i>authorised person</i>.</p> <p>(in relation to a <i>Great Britain credit union</i>) 1 July 2002 or (in relation to a <i>Northern Ireland credit union</i>) 31 March 2012.</p>
<p><i>credit valuation adjustment</i></p> <p><b>FCA</b></p>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:</p> <p>(a) reflects the market value of the credit risk due to any failure to perform on contractual agreements with a counterparty; and</p> <p>(b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the <i>firm</i> and the counterparty.</p>
<p><i>credit-impaired customer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>customer</i> who:</p> <p>(a) within the last two years has owed overdue payments, in an amount equivalent to three <i>months'</i> payments, on a mortgage or other loan (whether secured or unsecured), except where the amount overdue reached that level because of late payment caused by errors by a bank or other third party; or</p> <p>(b) has been the subject of one or more county court judgments, with a total value greater than £500, within the last three years; or</p> <p>(c) has been subject to an individual voluntary arrangement or bankruptcy order which was in force at any time within the last three years.</p>
<p><i>credit-related regulated activity</i></p> <p><b>FCA</b></p>	<p>(in accordance with section 22 of the <i>Act</i> (the classes of activity and categories of investments)) any of the following activities specified in Part 2 or 3A of the <i>Regulated Activities Order</i> (Specified Activities):</p> <p>(a) <i>entering into a regulated credit agreement as lender</i> (article 60B(1));</p> <p>(b) <i>exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement</i> (article 60B(2));</p> <p>(c) <i>credit broking</i> (article 36A);</p> <p>(d) <i>debt adjusting</i> (article 39D(1) and (2));</p> <p>(e) <i>debt counselling</i> (article 39E(1) and (2));</p> <p>(f) <i>debt collecting</i> (article 39F(1) and (2));</p> <p>(g) <i>debt administration</i> (article 39G(1) and (2));</p> <p>(h) <i>entering into a regulated consumer hire agreement as owner</i> (article 60N(1));</p> <p>(i) <i>exercising, or having the right to exercise, the owner's rights and duties under a regulated consumer hire agreement</i> (article 60N(2));</p> <p>(j) <i>providing credit information services</i> (article 89A);</p> <p>(k) <i>providing credit references</i> (article 89B);</p> <p>(l) <i>operating an electronic system in relation to lending</i> (article 36H);</p> <p>(m) <i>agreeing to carry on a regulated activity</i> (article 64) so far as relevant to any of the activities in (a) to (l);</p>



credit-sale agreement

FCA

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (j) and (k), relates to information about a *person's* financial standing.

an agreement for the sale of goods under which the purchase price, or part of it, is payable by instalments, but which is not a *conditional sale agreement* (see section 189 of the CCA).

credit-token agreement

FCA

a *regulated credit agreement* for the provision of *credit* in connection with the use of a *credit token*.

credit-worthiness assessment

FCA

the assessment, including as to the affordability of credit by the customer, required by ■ CONC 5.2.1 R.

CREDS

FCA PRA

the Credit Unions sourcebook.

CREST

FCA PRA

(A) In the PRA Handbook:

the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by CRESTCo Limited.

(B) In the FCA Handbook:

the computer-based system which enables securities to be held and transferred in uncertificated form and which is operated by Euroclear UK & Ireland 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

*Cross-Border Payments in Euro Regulations*

**FCA** **PRA**

product categories within the same *netting set* pursuant to the *rules* about cross-product netting set out in ■ BIPRU 13.

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*.

*CRR firm*

**FCA** **PRA**

(A) (in the *PRA Handbook*):

for the purposes of *SYSC* means *UK banks, buildings society and investment firms* that are subject to the *EU CRR*.

(B) (in the *FCA Handbook*)

(for the purposes of *SYSC*) a *UK bank, building society and an investment firm* that is subject to the *EU CRR*.

*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) .

<p>CTF transfer  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>a transaction resulting from a decision by a <i>customer</i>, made with or without advice from a <i>firm</i>, to transfer the <i>investments</i> (or their value) held in an existing CTF into another CTF whether or not provided by the same CTF provider.</p>
<p>currency class unit  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in COLL) a class of <i>unit</i> denominated in a currency that is not the <i>base currency</i> of the <i>authorised fund</i>, or if permitted, by ■ COLL 3.3.4 R (1) (Currency class units: requirements).</p>
<p>current account  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>(in ■ CONC App 1) an account under which the customer may, by means of cheques or similar orders payable to the customer or to any other <i>person</i> or by any other means, obtain or have the use of money held or made available by the <i>person</i> with whom the account is kept and which records alterations in the financial relationship between the said <i>person</i> and the customer.</p>
<p>current approved person approval  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to an <i>approved person</i> in relation to a particular <i>firm</i> and <i>controlled function</i> 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 <i>person</i> for the performance of that <i>controlled function</i> in relation to that <i>firm</i> that is in force at that time.</p>
<p>current customer order  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(a) a <i>customer order</i> to be <i>executed</i> immediately;                  (b) a <i>customer order</i> which is to be <i>executed</i> only on fulfilment of a condition, after the condition has been fulfilled.</p>
<p>current exposure  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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 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>current FCA approved person approval  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>a <i>current approved person approval</i> given by the FCA.</p>
<p>current market value  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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>current PRA approved person approval  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>a <i>current approved person approval</i> given by the PRA.</p>
<p>custodian  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(A) In the PRA Handbook:                  (a) an <i>approved bank</i>;                  (b) an <i>approved depositary</i>;</p>

custody

**FCA** **PRA**

custody asset

**FCA** **PRA**

custody  
chapter

**FCA** **PRA**

- (c) a member of a *recognised investment exchange*;
- (d) a *firm* whose *permitted activities* include *safeguarding and administering investments*;
- (e) a regulated *clearing firm*;
- (f) where it is not feasible to use a *custodian* in (a) to (e), and there are reasonable grounds to show that a *person* outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the *client* and in the *client's* best interest to use, that *person*.

(B) In the FCA Handbook:

- (a) an *approved bank*;
- (b) an *approved depositary*
- (c) a member of a *recognised investment exchange*;
- (d) a *firm* whose *permitted activities* include *safeguarding and administering investments*;
- (e) a regulated *clearing firm*;
- (f) where it is not feasible to use a *custodian* in (a) to (e), and there are reasonable grounds to show that a *person* outside the *United Kingdom*, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the *client* and in the *client's* best interest to use, that *person*.

(in relation to *clients'* assets) *safeguarding and administering investments*.

(A) (in the FCA Handbook)

- (1) other than when *acting as trustee or depositary of an AIF*:
  - (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*.
- (2) in relation to *acting as trustee or depositary of an AIF* in
  - CASS 6:
    - (a) an *AIF custody asset* held by a *depositary* in line with ■ FUND 3.11.21 R (Depositary functions: safekeeping of financial instruments); or
    - (b) any other asset of an *AIF* in respect of which a *depositary* exercises safe-keeping functions in line with ■ FUND 3.11.23 R (Depositary 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.

custody rules

**FCA** **PRA**

customer

**FCA** **PRA**

■ CASS 6.

(A) in the *PRA Handbook*:

- (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*.

(B) in the *FCA Handbook*:

- (1) (except in relation to *ICOBS*, a *credit-related regulated activity*, ■ **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*.
- (5) (in relation to a *credit-related regulated activity*) an *individual* who enters, may enter or has entered into a *credit agreement* or a *consumer hire agreement*; and:
  - (-a) (in relation to *consumer credit lending*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *borrower* under a *regulated credit agreement*;
  - (-aa) (in relation to *consumer hiring*) includes an *individual* who the *firm* treats as a *person* who is, or has been, the *hirer* under a *regulated consumer hire agreement*;
  - (a) (in relation to *credit broking*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;
  - (b) (in relation to *operating an electronic system in relation to lending*) an *individual* who is, may be, has been or may have been the *borrower* under a *P2P agreement*;
  - (c) (in relation to *debt adjusting*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;
  - (d) (in relation to *debt counselling*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*;
  - (e) (in relation to *debt collecting*) a *person* within (i) to (iv) in relation to whom the *firm* takes steps to procure the payment of a debt due under a *credit agreement* or a *consumer hire agreement* or a *P2P agreement* (whether or not that *person* is a party to the *credit agreement* or *consumer hire agreement* or *P2P agreement*):

*customer function*

FCA PRA

*customer order*

FCA PRA

*customer-dealing function*

FCA PRA

(i) an *individual* who is or has been the *borrower* under a *credit agreement*, or is or has been the *hirer* under a *consumer hire agreement*, or is or has been the *borrower* under a *P2P agreement*;

(ii) an *individual* who the *firm* treats as a *person* within (i);

(iii) a *person* providing a guarantee or indemnity under the agreement; and

(iv) a *person* to whom the rights and duties of a *person* within (iii) have passed by *assignment* or operation of law;

(f) (in relation to *debt administration*) a *person* within (i) to (iv) in relation to whom the *firm* takes steps to perform duties or exercise or enforce rights under a *credit agreement* on behalf of the *lender* or under a *consumer hire agreement* on behalf of the *owner* or under a *P2P agreement* on behalf of the *lender*:

(i) an *individual* who is or has been the *borrower* under a *credit agreement*, or is or has been the *hirer* under a *consumer hire agreement*, or is or has been the *borrower* under a *P2P agreement*;

(ii) an *individual* who the *firm* treats as a *person* within (i);

(iii) a *person* providing a guarantee or indemnity under the agreement; and

(iv) a *person* to whom the rights and duties of a *person* within (iii) have passed by *assignment* or operation of law;

(g) (in relation to *providing credit information services*) an *individual* who uses, may use or has used the services of a *firm* in carrying on that *regulated activity*; and

(h) (in relation to *providing credit references*) an *individual* about whom information relevant to the *individual's* financial standing is or was, may be or may have been held by the *credit reference agency*.

(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.





(a) (except in ■ LR 6.1.19 R and LR 8.7.8R (10)) an *issuer* and its *subsidiary undertakings* (if any); and

(b) in ■ LR 6.1.19 R and LR 8.7.8R (10), as defined in section 421 of the Act.

(5) (in relation to a *common platform firm*) means the group of which that *firm* forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC on consolidated accounts.

[Note: article 2(5) of the *MiFID implementing Directive*]

(B) In the FCA Handbook:

(1) (except in relation to an *ICVC* and except for the purposes of ■ SYSC 12 (Group risk systems and controls requirement) and *LR*) as defined in section 421 of the *Act* (Group) (in relation to a *person* ("A")) A and any *person* who is:

(a) a *parent undertaking* of A;

(b) a *subsidiary undertaking* of A;

(c) a *subsidiary undertaking* of a *parent undertaking* of A;

(d) a *parent undertaking* of a *subsidiary undertaking* of A;

(e) an *undertaking* in which A or an *undertaking* in (a) to (d) has a participating interest;

(f) if A or an *undertaking* in (a) or (d) is a *building society*, an associated undertaking of that *building society*;

(g) if A or an *undertaking* in (a) or (d) is an *incorporated friendly society*, a *body corporate* of which that *friendly society* has joint control (as defined in section 13(9)(c) or (cc) of the Friendly Societies Act 1992); in this definition:

(i) "participating interest" has the same meaning as in:

(A) Part VII of the Companies Act 1985 or Part VIII of the Companies (Northern Ireland) Order 1986, where these provisions are applicable; or

(B) 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

(C) paragraph 8 of Schedule 7 to the Small Companies and Groups (Accounts and Directors' Report) Regulations 2008 (SI 2008/409) where applicable; or

(D) paragraph 8 of Schedule 4 to the Large and Medium-sized Limited Liability Partnerships (Accounts) Regulations 2008 (SI 2008/1913) where applicable; or

(E) paragraph 8 of Schedule 5 to the Small Limited Liability Partnerships (Accounts)

Regulations 2008 (SI 2008/1912)  
where applicable;

In (A) to (E), the meaning also includes an interest held by an individual which would be a participating interest for the purposes of those provisions if he were an *undertaking*.

(ii) "associated undertaking" has the meaning given in section 119(1) of the Building Societies Act 1986.

(2) (in relation to an *ICVC*) a group as in (1) but (in *SYSC*) including also the *ICVC's authorised corporate director* (if any). (see also *immediate group*)

(3) (for the purposes of ■ SYSC 12 (Group risk systems and controls requirement), ■ SYSC 20 (Reverse stress testing) and ■ GENPRU 1.2 (Adequacy of financial resources) as applicable to a *BIPRU firm* and in relation to a *person "A"*) A and any *person*:

- (a) who falls into (1);
- (b) who is a member of the same *financial conglomerate* as A;
- (c) who has a *consolidation Article 12(1) relationship* with A;
- (d) who has a *consolidation Article 12(1) relationship* with any *person* in (3)(a);
- (e) who is a *subsidiary undertaking* of a person in (3)(c) or (3)(d); or
- (f) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (3)(a)-(3)(e) or an assessment of the financial resources available to such *persons* would be misleading.

(3A) (for the purposes of ■ SYSC 12 (Group risk systems and controls requirement) and ■ SYSC 20 (Reverse stress testing), as applicable to an *IFPRU investment firm* and *IFPRU*) and in relation to a *person "A"*), A and any *person*:

- (a) who falls into (1);
- (b) who is a member of the same *financial conglomerate* as A;
- (c) who has a *consolidation Article 12(1) relationship* with A;
- (d) who has a *consolidation Article 12(1) relationship* with any *person* in (a);
- (e) who is a *subsidiary* of a *person* in (c) or (d);
- (f) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (a) to (e) or an assessment of the financial resources available to such *persons* would be misleading.

(4) (in *LR*):

- (a) (except in ■ LR 6.1.4A G, ■ LR 6.1.19 R, ■ LR 6.1.20B G, ■ LR 8.7.8R (10), ■ LR 14.2.2 R, ■ LR 14.2.3A G, ■ LR 18.2.8 R and ■ LR 18.2.9A G ) an *issuer* and its *subsidiary undertakings* (if any); and

(b) ( in ■ LR 6.1.4A G, ■ LR 6.1.19 R , ■ LR 6.1.20B G, ■ LR 8.7.8R (10), ■ LR 14.2.2 R, ■ LR 14.2.3A G, ■ LR 18.2.8 R and ■ LR 18.2.9A G), as defined in section 421 of the Act.

(5) (in relation to a *common platform firm*) means the group of which that *firm* forms a part, consisting of a parent undertaking, its subsidiaries and the entities in which the parent undertaking or its subsidiaries hold a participation, as well as undertakings linked to each other by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC on consolidated accounts.

[Note: article 2(5) of the *MiFID implementing Directive*]

group capital resources

FCA PRA

in relation to an *undertaking* in INSPRU 6.1.17R , that *undertaking's* group capital resources as calculated in accordance with INSPRU 6.1.36R.

group capital resources requirement

FCA PRA

in relation to an *undertaking* in INSPRU 6.1.17R , that *undertaking's* group capital resources requirement as calculated in accordance with INSPRU 6.1.33R .

group ISA

FCA

an *individual savings account* of which the *plan manager* is the *authorised fund manager*, or in the same *group* as the *authorised fund manager*, of the *authorised fund* by reference to *units* in which the *plan register* is being, or is proposed to be, maintained.

group liquidity low frequency reporting conditions

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity low frequency reporting conditions if the *defined liquidity group* meets the following conditions:

(a) the *firm* or any other member is a *low frequency liquidity reporting firm*; and

(b) no member of that group is a *standard frequency liquidity reporting firm*.

For the purpose of deciding whether these conditions are met in relation to a *DLG by default*, any group member (other than the *group liquidity reporting firm* itself) that is a member of the group through no more than a *participation* is ignored.

group liquidity reporting firm

FCA PRA

see the definitions of *DLG by default*, *DLG by modification (firm level)*, and *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*).)

group liquidity standard frequency reporting conditions

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity standard frequency reporting conditions if the group does not meet the *group liquidity low frequency reporting conditions*.

group of connected clients

[deleted]

<p><i>group personal pension scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>personal pension scheme</i> (including a group <i>SIPP</i>) which is available to employees of the same employer or of employers within a <i>group</i>.</p>
<p><i>group plan</i></p> <p><b>FCA</b></p>	<p>a <i>group ISA</i> or a <i>group savings plan</i>.</p>
<p><i>group policy</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>non-investment insurance contract</i> which a <i>person</i> enters into as legal holder of the <i>policy</i> on his own behalf and for other persons who are or will become <i>policyholders</i> and:</p> <p>(a) those other <i>persons</i> are or become <i>policyholders</i> by virtue of a common employment, occupation or activity which has arisen independently of the <i>contract of insurance</i>;</p> <p>(b) the common employment, occupation or activity is not brought about, in relation to the <i>contract of insurance</i>, by</p> <p style="padding-left: 40px;">(i) the <i>insurance undertaking</i> which <i>effects</i> it or carries it out; or</p> <p style="padding-left: 40px;">(ii) any activity which if carried on by a firm would be an <i>insurance mediation activity</i>; and</p> <p>(c) the risks insured under the <i>policy</i> are related to the common employment, occupation or activity of the <i>policyholders</i>.</p>
<p><i>group respondents</i></p> <p><b>FCA</b></p>	<p>all <i>respondents</i> identified as part of the relevant <i>charging group</i> as defined in ■ FEES 5 Annex 3R Part 3.</p>
<p><i>group savings plan</i></p> <p><b>FCA</b></p>	<p>a savings plan:</p> <p>(a) of which the <i>plan manager</i> is the <i>authorised fund manager</i>, or in the same <i>group</i> as the <i>authorised fund manager</i>, of the <i>authorised fund</i> by reference to <i>units</i> in which the <i>plan register</i> is being, or is proposed to be, maintained;</p> <p>(b) under which <i>investments</i> are periodically acquired and held by a nominee for the absolute benefit of the respective subscribers to the savings plan; and</p> <p>(c) under which all the <i>investments</i> are <i>units</i> in one or more <i>authorised funds</i> managed by (or, in the case of an <i>ICVC</i>, whose <i>ACD</i> is) the <i>plan manager</i>, or a <i>body corporate</i> in the same <i>group</i> as the <i>plan manager</i>.</p>
<p><i>group stakeholder pension scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>stakeholder pension scheme</i> which is available to employees of the same employer or of employers within a <i>group</i>.</p>
<p><i>guarantee</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(1) (in <i>LR</i>) (in relation to <i>securitised derivatives</i>), either:</p> <p style="padding-left: 40px;">(a) a guarantee given in accordance with ■ LR 19.2.2 R (3) (if any); or</p> <p style="padding-left: 40px;">(b) any other guarantee of the issue of <i>securitised derivatives</i>.</p> <p>(2) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, keep well agreement, mono-line insurance policy or other equivalent commitment.</p>

*guarantee fund*

FCA PRA

(1)

(a) subject to (1)(b), in relation to a *firm* carrying on *general insurance business*, the higher of one third of the *general insurance capital requirement* and the *base capital resources requirement* applicable to that *firm*;

(b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under ■ INSPRU 1.5, for the purposes of that section in (1)(a) the reference to the *general insurance capital requirement* is replaced by *UK MCR* or *EEA MCR*, as appropriate, and the reference to the *base capital resources requirement* is replaced by the amount which is one half of the *base capital resources requirement* applicable to the *firm* set out in ■ GENPRU 2.1.30 R.

(2)

(a) subject to (2)(b), in relation to a *firm* carrying on *long-term insurance business*, the higher of one third of the *long-term insurance capital requirement* and the *base capital resources requirement* applicable to that *firm*;

(b) where the *firm* is required to calculate a *UK MCR* or an *EEA MCR* under INSPRU 1.5, for the purposes of that section in (2)(a) the reference to the *long-term insurance capital requirement* is replaced by *UK MCR* or *EEA MCR*, as appropriate, and the reference to the *base capital resources requirement* is replaced by the amount which is one half of the *base capital resources requirement* applicable to the *firm* set out in ■ GENPRU 2.1.30 R.

*guarantor*

FCA PRA

(in PR) a *person* that provides a *guarantee*.

*guidance*

FCA PRA

guidance given :

(a) in the *FCA Handbook*, by the *FCA* under the *Act*; or

(b) in the *PRA Handbook*, by the *PRA*.



income  
equalisation

FCA PRA

(A) In the PRA Handbook:

(in relation to a *scheme*) a capital sum which, in accordance with a power contained in the *instrument constituting the scheme*, is included in an allocation of income for a *unit* issued, sold or converted during the accounting period in respect of which that income allocation is made.

(B) In the FCA Handbook:

(in relation to a *scheme*) a capital sum which, in accordance with a power contained in the *instrument constituting the fund*, is included in an allocation of income for a *unit* issued, sold or converted during the accounting period in respect of which that income allocation is made.

income  
property

FCA PRA

the amount available for income allocations calculated in accordance with ■ COLL 6.8.3 R (3A) and not including any amount for the time being standing to the credit of the *distribution account*.

income unit

FCA PRA

a *unit* in an *AUT* which is not an *accumulation unit*.

income  
withdrawals

FCA PRA

(a) (as defined in paragraph 7 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, amounts (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement; or

(b) payments made under interim arrangements in accordance with section 28A of the Pension Schemes Act 1993;

in respect of an election to make income withdrawals, a reference to a *retail client*, an investor or a *policyholder* includes, after that *person's* death, his surviving spouse, his surviving civil partner or anyone who is, at that time, his dependant, or both.

incoming ECA  
provider

FCA PRA

a *person*, other than an *exempt person*, who:

(a) provides an *electronic commerce activity*, from an *establishment* in an *EEA State* other than the *United Kingdom*, with or for an *ECA recipient* present in the *United Kingdom*; and

(b) is a national of an *EEA State* or a company or firm mentioned in article 54 of the *Treaty*.

incoming EEA  
AIFM

FCA PRA

an *incoming EEA firm* which is an *AIFM* and exercising its rights under *AIFMD*.

incoming EEA  
AIFM branch

FCA PRA

an *incoming EEA firm* which is an *AIFM* and exercising its right to establish a *branch* under *AIFMD*.

incoming EEA  
firm

FCA PRA

(in accordance with section 193(1)(a) of the *Act* (Interpretation of this Part)) an *EEA firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 3 to the *Act* (EEA Passport Rights).

*incoming electronic commerce activity*

FCA PRA

(in accordance with regulation 2(1) of the *ECD Regulations*) an activity:

(a) which consists of the provision of an *information society service* from an *establishment* in an *EEA State* other than the *United Kingdom* to a *person* or *persons* in the *United Kingdom*; and

(b) which would, but for article 72A of the *Regulated Activities Order* (Information society services) (and irrespective of the effect of article 72 of that Order (Overseas Persons)), be a *regulated activity*.

*incoming firm*

FCA PRA

(in accordance with section 193(1) of the *Act* (Interpretation of this Part)) an *incoming EEA firm* or an *incoming Treaty firm*.

*incoming Treaty firm*

FCA PRA

(in accordance with section 193(1)(b) of the *Act* (Interpretation of this Part)) a *Treaty firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *United Kingdom* in accordance with Schedule 4 to the *Act* (Treaty rights).

*incorporated friendly society*

FCA PRA

a society incorporated under the Friendly Societies Act 1992.

*incremental risk charge*

FCA PRA

(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.116 R (Capital calculations for VaR models), which is in summary, in relation to a *business day*, the incremental risk charge required under the provisions in ■ BIPRU 7.10 about *specific risk*, in respect of the previous *business day's* close-of-business *positions* with respect to which those provisions apply.

*independent advice*

FCA PRA

a *personal recommendation* to a *retail client* in relation to a *retail investment product* where the *personal recommendation* provided meets the requirements of the *rule* on independent advice (■ COBS 6.2A.3 R).

*independent director*

FCA

a *director* whom a *new applicant* or *listed company* has determined to be independent under the *UK Corporate Governance Code*.

*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*.

*independent shareholder*

FCA

any *person* entitled to vote on the election of *directors* of a *listed company* that is not a *controlling shareholder* of the *listed company*.

*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*.

*indirect client*

**FCA**

as defined in article (1)(a) of the *EMIR L2 Regulation*.

*individual*

**FCA**

- (a) a natural *person*; or
- (b) a *partnership* consisting of two or three *persons* not all of whom are bodies corporate; or
- (c) an unincorporated body of *persons* which does not consist entirely of bodies corporate and is not a *partnership*.

*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*

**FCA** **PRA**

has the meaning in **■** *INSPRU 6.1.34 R*.

*individual  
client account*

**FCA**

as the context requires, either:

(a) 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*; or

(b) an *account* maintained by a *firm* for an *indirect client* at a *clearing member* of an *authorised central counterparty* in respect of which the *clearing member* has agreed with the *firm* to provide segregation arrangements that satisfy the requirements of article 4(2)(b) of the *EMIR L2 Regulation*.

*individual  
client  
segregation*

**FCA PRA**

as defined in article 39(3) of *EMIR*.

*individual  
CNCOM*

[deleted]

*individual  
counterparty  
CNCOM*

*Individual  
Liquidity  
Adequacy  
Assessment*

**FCA PRA**

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.

*Individual  
Liquidity  
Adequacy  
Standards*

**FCA PRA**

the regime of liquidity assessment set out in the *rules* and *guidance* in BIPRU 12.5.

*individual  
liquidity  
guidance*

**FCA PRA**

*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.

*Individual  
Liquidity  
Systems  
Assessment*

**FCA PRA**

a *simplified ILAS BIPRU firm's* assessment of the adequacy of its systems and controls as required by the *rules* in BIPRU 12.6.

*individual  
member*

**FCA PRA**

a *member*, or *former member*, who is a natural *person*.

*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

<p>on human life, or holds any interest in a collecting book, and includes such a deputy or substitute;</p> <p>(ii) "collecting book" includes any book or document held by a collector in which payments of premiums are recorded.</p>	
<p><i>industry block</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>FEES</i>) a grouping of <i>firms</i> by common business activity for the purposes of calculating the <i>general levy</i>.</p>
<p><i>information centre</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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).</p>
<p><i>information society service</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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.</p>
<p><i>inherited estate</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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 .</p>
<p><i>initial capital</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(A) In the PRA Handbook:</p> <p>(1) [deleted]</p> <p>(2) [deleted]</p> <p>(3) (in <i>UPRU</i>) capital calculated in accordance with ■ <i>UPRU</i> Table 2.2.1 R (Method of calculation of financial resources) composed of the specified items set out in that Table.</p> <p>(3A) (in ■ <i>IPRU(INV)</i> 11) capital calculated in line with ■ <i>IPRU(INV)</i> Table 11.4 (Method of calculating initial capital and own funds) composed of the specified items in that Table.</p> <p>(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);</p> <p>(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);</p> <p>(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></p> <p>(7) (in <i>IPRU(INV)</i> 13) the initial capital of a <i>firm</i> calculated in accordance with <i>IPRU(INV)</i> 13.1A.6R.</p> <p>(B) In the FCA Handbook:</p> <p>(1) [deleted]</p> <p>(2) [deleted]</p>

(3) (in *UPRU* and in accordance with article 28(1) of the *CRD*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (*Own funds*)

(3A) (in ■ *IPRU(INV)* 11 and in accordance with article 28(1) of the *CRD*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in line with Part Two of those Regulations (*Own funds*)

(4) (in the case of a *BIPRU firm*) *capital resources* included in stage A (Core tier one capital) of the *capital resources table* plus *capital resources* included in stage B of the *capital resources table* (Perpetual non-cumulative preference shares);

(5) (in the case of an *institution* that is an *EEA firm*) *capital resources* calculated in accordance with the *CRD implementation measures* of its *Home State* for Article 4 of the *Capital Adequacy Directive* (Definition of initial capital) or Article 9 of the *Banking Consolidation Directive* (Initial capital requirements);

(6) (for the purposes of the definition of *dealing on own account* in *BIPRU* and in the case of an *undertaking* not falling within (3) or (4)) *capital resources* calculated in accordance with (3) and paragraphs (3) and (4) of the definition of *capital resources*

(7) (in *IPRU(INV)* 13) the initial capital of a *firm* calculated in accordance with *IPRU(INV)* 13.1A.6R.

(8) (for an *IFPRU investment firm* and in accordance with article 28(1) of *CRD*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (*Own funds*).

(9) (for the purpose of the definition of *dealing on own account* in *IFPRU*) the amount of *own funds* referred to in article 26(1)(a) to (e) of the *EU CRR* and calculated in accordance with Part Two of those Regulations (*Own funds*).

*initial commitment*

FCA PRA

(for the purposes of *BIPRU* and in relation to *underwriting*) the date specified in ■ *BIPRU* 7.8.13 R (Time of initial commitment).

*initial contact*

FCA PRA

the first occasion when a *firm* is in contact with the *customer* and may perform any of the following in relation to a *home finance transaction*:

- (a) *advising* on the transaction;
- (b) *arranging (bringing about)* the transaction; or
- (c) *entering into* the transaction, when there is no *firm arranging (bringing about)* the transaction.

*initial coupon rate*

FCA PRA

(in relation to a *tier one instrument*) the *coupon rate* of the instrument at the time it is issued.

*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 *non-investment insurance contract* in accordance with ■ *ICOB*S 4.5.1 G and set out in ■ *ICOB*S 4 Annex 1 G.

*initial fund*

the items of capital which are available to a *mutual* at *authorisation*.

FCA PRA

*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
- (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;

(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 *market abuse*, as being generally available to them.

(as defined in section 118B of the Act) a person who has *inside information*:

- (a) as a result of his membership of the administrative, management or supervisory bodies of an *issuer* of *qualifying investments*;
- (b) as a result of his holding in the capital of an *issuer* of *qualifying investments*;

*insider dealing*

FCA PRA

(c) as a result of having access to the information through the exercise of his employment, profession or duties;

(d) as a result of his criminal activities; or

(e) which he has obtained by other means and which he knows, or could reasonably be expected to know, is *inside information*.

the activity described in section 52 of the Criminal Justice Act 1993, which is in summary:

(a) the offence of which an individual is guilty if he has information as an insider and:

(i) in the circumstances described in (b), he deals in securities that are price-affected securities in relation to the information;

(ii)

(A) he encourages another *person* 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

(B) he discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another *person*;

(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 *person* dealing relies on a professional intermediary or is himself acting as a professional intermediary.

*insider list*

FCA PRA

a list, as required by ■ DTR 2.8.1 R, of *persons* with access to *inside information*.

*insolvency order*

FCA PRA

an administration order, compulsory winding up order, bankruptcy order, or sequestration order.

## INSPRU

FCA PRA

the Prudential sourcebook for Insurers.

*instalment reversion plan*

FCA PRA

a *home reversion plan* under which more than one payment is made to the *customer* during the life of the plan.

*institution*

FCA PRA

(A) In the PRA Handbook:

(1) has the meaning in article 4(1)(3) of the *EU CRR*).

(2) (for the purposes of *GENPRU* and *BIPRU*) includes a *CAD investment firm*.

(B) In the FCA Handbook:

(1) has the meaning in article 4(1)(3) of the *EU CRR*).

(2) (for the purposes of *GENPRU* and *BIPRU*) includes a *CAD investment firm*.



*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) (in relation to an *AUT*) the *trust deed*;
- (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*;
- (bc) (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*;
- (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;
- (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).

*insurance client  
money chapter*

**FCA** **PRA**

■ CASS 5.

*insurance  
component*

**FCA** **PRA**

a *qualifying investment* prescribed in regulation 9 of the *ISA Regulations*.

*insurance  
conglomerate*

**FCA** **PRA**

a *financial conglomerate* that is identified in paragraph 4.3 of  
■ GENPRU 3 Annex 1 R (Types of financial conglomerate) as an insurance  
conglomerate.

*insurance  
death risk  
capital  
component*

**FCA** **PRA**

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.

*Insurance  
Directives*

**FCA** **PRA**

the *Consolidated Life Directive* and the *First Non-Life Directive*, *Second  
Non-Life Directive* and *Third Non-Life Directive*.

*insurance  
expense risk  
capital  
component*

**FCA** **PRA**

one of the components of the *long-term insurance capital requirement* as set  
out in ■ INSPRU 1.1.88 R.

*insurance  
group*

**FCA** **PRA**

- (1) an *insurance parent undertaking* and its *related undertakings*; or
- (2) a *participating insurance undertaking* (not within (1)) and its *related  
undertakings*.

*Insurance  
Groups  
Directive*

**FCA** **PRA**

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).

*insurance  
health risk and  
life protection  
reinsurance  
capital  
component*

**FCA** **PRA**

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 .

*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

*insurance mediation activity*

**FCA** **PRA**

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*.

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*:

<p><i>insurance undertaking</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(a) which assumes risks from such <i>insurance undertakings</i> or <i>reinsurance undertakings</i>; and</p> <p>(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 <i>undertaking's reinsurance obligations</i>.</p> <p>(1) (except in COBS) an undertaking, or (in <b>■ CASS 5</b> and <b>COMP</b>) a <i>member</i>, whether or not an <i>insurer</i>, which carries on <i>insurance business</i>.</p> <p>(2) (in COBS) an undertaking or a <i>member</i> which carries on <i>insurance business</i>.</p>
<p><i>insurance-related capital requirement</i></p> <p><b>FCA</b> <b>PRA</b></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 <b>■ INSPRU 1.1.76 R</b> to <b>■ INSPRU 1.1.79 R</b>.</p>
<p><i>insurer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>firm</i> with <i>permission</i> to <i>effect</i> or <i>carry out contracts of insurance</i> (other than a <i>UK ISPV</i>).</p>
<p><i>interdict</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a Scottish court order made by the Court of Session that prohibits a <i>person</i> from doing or continuing to do a certain act or requires a <i>person</i> to carry out a certain act.</p>
<p><i>interest rate duration method</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <b>■ BIPRU 7.2.63 R</b> (General market risk calculation: Duration method).</p>
<p><i>interest rate maturity method</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <b>■ BIPRU 7.2.59 R</b> (General market risk calculation: The maturity method).</p>
<p><i>interest rate PRR</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the part of the <i>market risk capital requirement</i> calculated in accordance with <b>■ BIPRU 7.2</b> (Interest rate PRR) or <b>■ BIPRU 7.3.45 R</b> (Basic interest rate PRR for equity derivatives) or, in relation to a particular <i>position</i>, the portion of the overall <i>interest rate PRR</i> attributable to that <i>position</i>.</p>
<p><i>interest rate simplified maturity method</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <b>■ BIPRU 7.2.56 R</b> (General market risk calculation: Simplified maturity method).</p>
<p><i>interest roll-up mortgage</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>an <i>interest-only mortgage</i> under which neither capital repayments, nor payment of any of the interest accruing under its terms, are required or anticipated until it comes to an end, whether on expiry of the term (if any), discharge of the mortgage or the happening of some other event.</p>

<p><i>interested party</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to an application made under section 60 of the <i>Act</i> (Applications for approval)):</p> <p>(a) the <i>firm</i> making the application;</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><i>interest-only mortgage</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>a <i>regulated mortgage contract</i> other than a <i>repayment mortgage</i>.</p>
<p><i>interest-rate contract</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>interest-rate contracts listed in paragraph 1 of Annex II to the <i>EU CRR</i>.</p>
<p><i>interim accounting period</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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>interim permission</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>in accordance with article 56 of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013, subject to article 59 of that Order, to be treated as:</p> <p>(a) in relation to a person who is a <i>firm</i> immediately before 1 April 2014, a variation of permission;</p> <p>(b) in any other case, a <i>Part 4A permission</i>.</p>
<p><i>intermediaries offer</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(1) (in <i>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> (■ <i>MAR 1</i>)) a marketing of <i>securities</i> 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><i>intermediate broker</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to a 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>  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>(for the purposes only of ■ <i>COBS TP 1</i> (Transitional Provisions in relation to Client Categorisation)) any <i>person</i> classified as an 'intermediate customer' under <i>COB</i> on 31 October 2007, in accordance with the applicable conditions in force at the time.</p>

*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:

(a) does not *manage investments* on behalf of the relevant beneficial owner of the *unit*; or

(b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

*intermediate unitholder in a qualified investor scheme*

FCA

a *firm* whose name is entered in the *register* of a *qualified investor scheme*, or which holds *units* in a *qualified investor scheme* indirectly through a third party acting as a nominee, and is not the beneficial owner of the relevant *unit*, and:

(a) does not *manage investments* on behalf of the relevant beneficial owner of the *unit*; or

(b) does not act as a *depository* of a *collective investment scheme* or on behalf of such a *depository* in connection with its role in holding property subject to the *scheme*.

For the purposes of this definition, "register" has the meaning set out in paragraph (3) of the *Glossary* definition of "register".

*internal approaches*

FCA

one or more of the following, as referred to in the *EU CRR*:

(a) the Internal Ratings Based Approach in article 143(1);

(b) the Internal Models Approach in article 221;

(c) the own estimates approach in article 225;

(d) the Advanced Measurement Approaches in article 312(2);

(e) the Internal Model Method and internal models in articles 283 and 363; and

(f) the internal assessment approach in article 259(3).

*internal capital adequacy assessment process*

FCA PRA

a *firm's* assessment of the adequacy of its capital and financial resources, as required by the *ICAAP rules*.

*internal controls*

FCA PRA

the whole system of controls, financial or otherwise, established by the management of a *firm* in order to:

(a) carry on the business of the *firm* in an orderly and efficient manner;

<p><i>internally managed AIF</i> FCA</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>(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> 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> 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>
<p><i>International Financial Reporting Standards</i> FCA PRA</p>	<p>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.</p>
<p><i>international organisation</i> FCA PRA</p>	<p>(for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) an organisation referred to in ■ BIPRU 3.4.30 R (Exposures to international organisations).</p>
<p><i>International Securities Identification Number (ISIN)</i> FCA PRA</p>	<p>a 12-character, alphanumeric code which uniquely identifies a <i>financial instrument</i> and provides for the uniform identification of <i>securities</i> at trading and settlement.</p>
<p><i>inter-professional business</i> FCA</p>	<p>(for the purposes only of ■ COBS TP 1 (Transitional Provisions in relation to Client Categorisation)) business which comes within the meaning of 'inter-professional business' as defined in <i>COB</i> on 31 October 2007.</p>
<p><i>inter-professional investment</i></p>	<p>[deleted]</p>
<p><i>inter-syndicate reinsurance</i> FCA PRA</p>	<p>reinsurance between one <i>syndicate year</i> and another, not being <i>reinsurance to close</i>.</p>



<p><i>intra-group liquidity modification</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a modification to the <i>overall liquidity adequacy rule</i> of the kind described in BIPRU 12.8.7G.</p>
<p><i>intra-group transactions</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in accordance with Article 2(18) of the <i>Financial Groups Directive</i> (Definitions)) all transactions by which <i>regulated entities</i> within a <i>financial conglomerate</i> rely either directly or indirectly upon other <i>undertakings</i> within the same <i>financial conglomerate</i> or upon any <i>person</i> linked to the <i>undertakings</i> within that <i>financial conglomerate</i> by <i>close links</i>, for the fulfilment of an obligation whether or not contractual, and whether or not for payment.</p>
<p><i>introducer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>an individual appointed by a <i>firm</i>, an <i>appointed representative</i> or, where applicable, a <i>tied agent</i>, to carry out in the course of <i>designated investment business</i> either or both of the following activities:</p> <ul style="list-style-type: none"> <li>(a) effecting introductions;</li> <li>(b) distributing <i>non-real time financial promotions</i>.</li> </ul>
<p><i>introducer appointed representative</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>an <i>appointed representative</i> appointed by a <i>firm</i> whose scope of appointment is limited to:</p> <ul style="list-style-type: none"> <li>(a) effecting introductions; and</li> <li>(b) distributing <i>non-real time financial promotions</i>.</li> </ul>
<p><i>introducing broker</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>firm</i> which introduces transactions relating to <i>designated investments arranged</i> (brought about) for its <i>clients</i> to a <i>clearing firm</i>.</p>
<p><i>investment</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in accordance with sections 22(4) of the <i>Act</i> (Regulated activities) and section 93(2) of the <i>Financial Services Act 2012</i>) any investment, including any asset, right or interest.</p>
<p><i>investment adviser</i></p> <p><b>FCA</b></p>	<p>(in relation to an <i>authorised fund</i>) a <i>person</i> who is retained by an <i>ICVC</i>, its <i>directors</i> or its <i>ACD</i> or by a <i>manager</i> of an <i>AUT</i> or by an <i>authorised contractual scheme manager</i> of an <i>ACS</i> under a commercial arrangement which is not a contract of service:</p> <ul style="list-style-type: none"> <li>(a) to supply any of them with advice in relation to the <i>authorised fund</i> as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or</li> <li>(b) to exercise for any of them any function concerning the management of the <i>scheme property</i>.</li> </ul>
<p><i>investment agreement</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>any agreement the making or performance of which by either party constitutes a <i>regulated activity</i>, but disregarding the exclusions in Part II of the <i>Regulated Activities Order</i>.</p>
<p><i>investment business compensation scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) any of the following:</p> <ul style="list-style-type: none"> <li>(a) the scheme established under section 54 of the <i>Financial Services Act 1986</i> and known as the <i>Investors Compensation Scheme</i>;</li> <li>(b) the scheme established under section 22j of the <i>Grey Paper</i> published by the <i>FSA</i> on 26 September 1998 and known as the <i>Section 43 Compensation Scheme</i>;</li> </ul>

*investment company with variable capital*

**FCA** **PRA**

*investment entity*

**FCA** **PRA**

*investment firm*

**FCA** **PRA**

*investment firm consolidation waiver*

**FCA** **PRA**

(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.

a body incorporated under the *OEIC Regulations*.

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

(A) In the *PRA Handbook*:

(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.

[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*.

(5) (in **■ SYSC 19A**) a *firm* in (3) except for a *BIPRU firm*

(B) In the *FCA Handbook*:

(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.

[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*.

(3) (in *IFPRU*, **■ GENPRU 3** and **■ BIPRU 12**) has the meaning in article 4(1)(2) of the *EU CRR*.

(4) (in *GENPRU* (except **■ GENPRU 3**) and *BIPRU* (except **■ BIPRU 12**) any of the following:

(a) a *firm* in (3); and

(b) a *BIPRU firm*.

(5) (in **■ SYSC 19A**) a *firm* in (3).

(A) In the *PRA Handbook*:

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*.

investment  
management  
firm

FCA PRA

(B) In the FCA Handbook:

(in relation to a *BIPRU firm*) 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*.

(A) In the PRA Handbook:

(a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU 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):

(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*):

(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*.

(B) In the FCA Handbook:

a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm*, *bank*, *IFPRU investment firm*, *BIPRU firm*, *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):

(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):

(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*.

*investment manager*

FCA PRA

(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*.

*Investment Ombudsman*

FCA PRA

*investment professional*

FCA PRA

(in accordance with article 19(5) of the *Financial Promotion Order*) (in relation to a *financial promotion*):

(a) an *authorised person*;

*investment research*

FCA PRA

(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*.

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* ]

the Council Directive of 10 May 1993 on investment services in the securities field (No 93/22/EEC).

Investment  
Services  
Directive

FCA PRA

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* ]

(A) In the PRA Handbook:

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*.

(B) In the FCA Handbook:

(1) 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  
services sector

FCA PRA

<p><i>investment transaction</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(2) (in <i>BIPRU</i> (except in ■ <i>BIPRU</i> 12) a sector comprised of one or more of the following entities:</p> <p style="padding-left: 40px;">(a) the entities in (1); and</p> <p style="padding-left: 40px;">(b) a <i>CAD investment firm</i>.</p>
<p><i>investment trust</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a transaction to <i>buy, sell</i>, subscribe for or underwrite a <i>security</i> or <i>contractually based investment</i>.</p> <p>(A) In the PRA Handbook:</p> <p>a <i>company listed</i> in the <i>United Kingdom</i> or another <i>EEA State</i> which:</p> <p style="padding-left: 40px;">(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed <i>company</i>, has declared its intention to conduct its affairs so as to obtain such approval); or</p> <p style="padding-left: 40px;">(b) is resident in an <i>EEA State</i> other than the <i>United Kingdom</i> and would qualify for such approval if resident and <i>listed</i> in the <i>United Kingdom</i>.</p> <p>(B) In the FCA Handbook:</p> <p>a <i>company</i> which:</p> <p style="padding-left: 40px;">(a) is approved by the Commissioners for HM Revenue and Customs under sections 1158 and 1159 of the Corporation Tax Act 2010 (or, in the case of a newly formed <i>company</i>, has declared its intention to conduct its affairs so as to obtain such approval); or</p> <p style="padding-left: 40px;">(b) is resident in an <i>EEA State</i> other than the <i>United Kingdom</i> and would qualify for such approval if resident in the <i>United Kingdom</i>.</p>
<p><i>investment trust savings scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(a) a <i>dealing service</i> (whether or not held within a <i>pension contract</i>) dedicated to the <i>securities</i> of one or more <i>investment trusts</i>;</p> <p>(b) <i>securities</i> to be acquired through an investment trust savings scheme in (a).</p>
<p><i>Investor Compensation Directive</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the Council Directive of 3 March 1997 on investor compensation schemes (No 97/9/EC).</p>
<p><i>IOSCO</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the International Organisation of Securities Commissions.</p>
<p><i>IPA</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>individual pension account.</p>
<p><i>IPA eligible investment</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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) .</p>



<p><i>IPRU</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential sourcebook, comprising ■ <i>IPRU(BANK)</i>, ■ <i>IPRU(BSOC)</i>, ■ <i>IPRU(FSOC)</i>, ■ <i>IPRU(INS)</i> and ■ <i>IPRU(INV)</i>, or according to the context one of these Interim Prudential sourcebooks.</p>
<p><i>IPRU(BANK)</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential sourcebook for Banks.</p>
<p><i>IPRU(BSOC)</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential sourcebook for Building Societies.</p>
<p><i>IPRU(FSOC)</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential sourcebook for Friendly Societies.</p>
<p><i>IPRU(INS)</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential Sourcebook for Insurers.</p>
<p><i>IPRU(INV)</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Interim Prudential sourcebook for Investment Businesses.</p>
<p><i>IRB approach</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>one of the following:</p> <ul style="list-style-type: none"> <li>(a) the adjusted method of calculating the <i>credit risk capital component</i> set out in ■ <i>BIPRU 4</i> (IRB approach) and ■ <i>BIPRU 9.12</i> (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under ■ <i>BIPRU 14</i> (Capital requirements for settlement and counterparty risk);</li> <li>(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 ■ <i>BIPRU 8</i> (Group risk - consolidation); or</li> <li>(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.</li> </ul>
<p><i>IRB exposure class</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to the <i>IRB approach</i>) one of the classes of <i>exposure</i> set out in ■ <i>BIPRU 4.3.2 R</i> (exposure classes).</p>
<p><i>IRB permission</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(A) In the PRA Handbook:  an <i>Article 129 implementing measure</i>, a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or an <i>institution</i> to use the <i>IRB approach</i>.</p> <p>(B) In the FCA Handbook:  an <i>Article 129 implementing measure</i>, a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or a <i>CAD investment firm</i> to use the <i>IRB approach</i>.</p>
<p><i>ISA</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>an <i>individual savings account</i>.</p>

*ISA manager*

FCA PRA

a *person* who is approved by HM Revenue and Customs for the purposes of the *ISA Regulations* as an account manager.

*ISA Regulations*

FCA PRA

the Individual Savings Account Regulations 1998 (SI 1998/1870).

*ISA transfer*

FCA PRA

a transaction resulting from a decision, made with or without advice from a *firm*, by a *customer* who is an individual, to transfer the *investments* (or their value) held in his existing *ISA* in favour of another *ISA* which may or may not be managed by the same *ISA manager*.

*ISD*

FCA PRA

*Investment Services Directive*.

*ISPV*

FCA PRA

an *insurance special purpose vehicle*.

*issue*

FCA PRA

(in relation to *units*):

(1) (except in ■ EG 14 ) the issue of new *units* by the *trustee* of an *AUT*, the *depository* of an *ACS* or by an *ICVC*;

(2) (in ■ EG 14 ):

(a) an issue in accordance with (1); and

(b) the sale of *units*.

*issue price*

FCA PRA

(in relation to the *issue* of *units* of a *dual-priced authorised fund*) the *price* for each *unit* payable by the *authorised fund manager* to the *depository* on that *issue*.

*issuer*

FCA PRA

(1) (except as otherwise provided for below) :

(a) (in relation to any *security*) (other than a *unit* in a *collective investment scheme*) the *person* by whom it is or is to be issued;

(b) (in relation to a *unit* in a *collective investment scheme*) the *operator* of the *scheme*;

(c) (in relation to an interest in a limited *partnership* except for a *limited partnership scheme*) the *partnership*;

(d) (in relation to *certificates representing certain securities*) the *person* who issued or is to issue the *security* to which the certificate or other instrument relates ; or

(e) an entity which issues *transferable securities* and, where appropriate, other *financial instruments*.

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

(2) (in chapters 1, 2 and 3 of *DTR* and *FEES* in relation to *DTR*) any *company* or other legal person or undertaking (including a *public sector issuer*), any class of whose *financial instruments*:

(a) have been *admitted to trading* on a *regulated market*; or

(b) are the subject of an application for *admission to trading* on a *regulated market*;

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*.

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*.

issuing  
electronic  
money

FCA PRA



*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*

**FCA** **PRA**

■ 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.

*MiFID  
implementing  
Directive*

**FCA** **PRA**

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.

*MiFID  
implementing  
requirement*

**FCA** **PRA**

(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*

**FCA** **PRA**

(A) In the PRA Handbook:

(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 *CRD 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 20 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*.

(B) In the FCA Handbook:

(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);

<p><i>MiFID or equivalent third country business</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(2) a <i>CRD credit institution</i> (only when providing an <i>investment service or activity</i> in relation to the <i>rules</i> implementing the Articles referred to in Article 1(2) of <i>MiFID</i>);</p> <p>(3) a <i>collective portfolio management investment firm</i> (only when providing the services referred to in article 6(4) <i>AIFMD</i> or Article 6(3) of the <i>UCITS Directive</i> in relation to the <i>rules</i> implementing the articles of <i>MiFID</i> referred to in article 6(6) of <i>AIFMD</i> or Article 20 6(4) of the <i>UCITS Directive</i> and for a <i>full-scope UK AIFM</i> the <i>rules</i> implementing article 12(2)(b) of <i>AIFMD</i>);</p> <p>unless, and to the extent that, <i>MiFID</i> does not apply to it as a result of Article 2 (Exemptions) or Article 3 (Optional exemptions) of <i>MiFID</i>.</p> <p><i>MiFID business</i> or the <i>equivalent business of a third country investment firm</i>.</p>
<p><i>MiFID outsourcing rules</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>■ SYSC 8.1.1 R to ■ SYSC 8.1.11 R.</p>
<p><i>MiFID Regulation</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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.</p>
<p><i>MIIC</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the <i>Motor Insurers' Information Centre</i>.</p>
<p><i>mineral company</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>LR</i>) a <i>company</i> or <i>group</i>, whose principal activity is, or is planned to be, the <i>extraction of mineral resources</i> (which may or may not include exploration for <i>mineral resources</i>).</p>
<p><i>mineral expert's report</i></p> <p><b>FCA</b></p>	<p>(in <i>LR</i>) a competent person's report prepared in accordance with paragraph 133 of the <i>ESMA recommendations</i>.</p>
<p><i>mineral resources</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in <i>LR</i>) include metallic and non-metallic ores, mineral concentrates, industrial minerals, construction aggregates, mineral oils, natural gases, hydrocarbons and solid fuels including coal.</p>
<p><i>mini-ISA</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>an <i>ISA</i> which contains only one of the following <i>qualifying investments</i>:</p> <p>(a) a <i>stocks and shares component</i>;</p> <p>(b) a <i>cash component</i>;</p>

<p><i>obligor grade</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in relation to the <i>IRB approach</i> and the <i>sovereign, institutional and corporate IRB exposure class</i> and in accordance with BIPRU 4.4.8R) a risk category within a <i>rating system's</i> obligor rating scale, to which obligors are assigned on the basis of a specified and distinct set of rating criteria, from which estimates of <i>PD</i> are derived.</p>
<p><i>occupational pension fund management business</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in <i>COMP</i>) the business of carrying on:</p> <p>(1) <i>pension fund management</i>; or</p> <p>(2) (other than in connection with a <i>personal pension scheme</i>) <i>pension fund management</i>, written as linked long term business, for an <i>occupational pension scheme</i> or for an institution falling within article 2 of the Council Directive of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision (No 2003/41/EC) but only to the extent that:</p> <p style="margin-left: 40px;">(a) there is no transfer to the <i>participant firm</i> of:</p> <p style="margin-left: 80px;">(i) investment, market, or credit risk;</p> <p style="margin-left: 80px;">(iii) mortality or expense risk prior to any annuity being effected; and</p> <p style="margin-left: 40px;">(b) any annuity options provide for the <i>participant firm</i> to change the annuity rates without prior notice.</p>
<p><i>occupational pension scheme</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(a) (a scheme specified in article 3(1) of the <i>Regulated Activities Order</i> (Interpretation)) which is, in summary, a pension scheme established for the purpose of providing benefits to people with service in employments of a prescribed description.</p>
<p><i>OECD</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>Organisation for Economic Co-operation and Development.</p>
<p><i>OECD state guaranteed issuer</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>an <i>issuer of debt securities</i> whose obligations in relation to those securities have been guaranteed by a member state of the <i>OECD</i>.</p>
<p><i>OEIC</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p><i>open-ended investment company</i>. (see also <i>ICVC</i>.)</p>
<p><i>OEIC Regulations</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228)</p>
<p><i>offer</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(1) (in <span style="color: #000080;">■</span> <b>MAR 1</b> (Code of market conduct)) an offer as defined in the <i>Takeover Code</i>.</p> <p>(2) (in <span style="color: #000080;">■</span> <b>MAR 2</b> (Buy-backs and Stabilisation)) an offer or invitation to make an offer.</p> <p>(3) (in <i>LR</i> and <i>PR</i>) an <i>offer of transferable securities to the public</i>.</p>
<p><i>offer document</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(in <i>MCOB</i>) a document in which the <i>home finance provider</i> offers to enter into a <i>home finance transaction</i> with a <i>customer</i>.</p>

*offer for sale*

**FCA** **PRA**

(in *LR*) an invitation to the public by, or on behalf of, a third party to purchase *securities* of the *issuer* already in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).

*offer for subscription*

**FCA** **PRA**

(in *LR*) an invitation to the public by, or on behalf of, an *issuer* to subscribe for *securities* of the *issuer* not yet in issue or allotted (and may be in the form of an invitation to tender at or above a stated minimum price).

*offer of transferable securities to the public*

**FCA** **PRA**

(in *PR* and *LR*) (as defined in section 102B of the *Act*), in summary:

(a) a communication to any person which presents sufficient information on:

- (i) the transferable securities to be offered, and
- (ii) the terms on which they are offered;

to enable an investor to decide to buy or subscribe for the securities in question;

(b) which is made in any form or by any means;

(c) including the placing of securities through a financial intermediary;

(d) but not including a communication in connection with trading on:

- (i) a regulated market;
- (ii) a multilateral trading facility; or
- (iii) any market prescribed by an order under section 130A of the *Act*.

Note: This is only a summary; to see the full text of the definition, readers should consult section 102B of the *Act*.

*offer price*

**FCA** **PRA**

the price at which a *person* could purchase a *unit* in a *dual-priced authorised fund* or a *security*.

*offeree*

**FCA** **PRA**

(in **MAR 1**) an offeree as defined in the *Takeover Code*.

*offering programme*

**FCA** **PRA**

(in *PR*) (as defined in Article 2.1(k) of the *prospectus directive*) a plan which would permit the issuance of non-equity securities, including warrants in any form, having a similar type and/or class, in a continuous or repeated manner during a specified issuing period.

*offeror*

**FCA**

- (1) (in **MAR 1** (The Code of Market Conduct) and **LR 5.2.10 R** to **LR 5.2.11D R**) an offeror as defined in the *Takeover Code*.
- (2) (in **MAR 2** (Buy-backs and Stabilisation)) (as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) the prior holders of, or the entity issuing, the *relevant securities*.
- (3) (in *LR* (except **LR 5.2.10 R** to **LR 5.2.11D R**), *PR* and *FEES* provisions in relation to *PR*) a *person* who makes an *offer of transferable securities to the public*.

*off-exchange*

**FCA** **PRA**

(in relation to a transaction in an *investment*) a transaction which is not *on-exchange*.



*officer*

FCA PRA

(1) (in connection with the exercise of the *appropriate regulator's* power to require information) an officer of the *appropriate regulator*, a member of the *appropriate regulator's* staff or an agent of the *appropriate regulator*.

(2) (otherwise) (in relation to a *body corporate*) (as defined in section 400(5) of the *Act* (Offences by *bodies corporate* etc)) a director, member of the committee of management, *chief executive*, *manager*, secretary, or other similar officer of the body, or a *person* purporting to *act* in that capacity or a *controller* of the body.

*official list*

FCA PRA

(1) (in *LR*) the list maintained by the *FCA* in accordance with section 74(1) of the *Act* for the purposes of Part VI of the *Act*.

(2) (except in *LR*):

(a) the list maintained by the *FCA* in accordance with section 74(1) of the *Act* (The official list) for the purposes of Part VI of the *Act* (Official Listing);

(b) any corresponding list maintained by a *competent authority* for listing in another *EEA State*.

*oil*

FCA PRA

mineral oil of any description and petroleum gases, whether in liquid or vapour form, including products and derivatives of oil.

*oil collective investment scheme*

FCA PRA

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

*oil investment*

FCA PRA

any of the following:

(a) a *unit* in an *oil* collective investment scheme;

(b) an *option* to acquire or dispose of an *oil* investment;

(c) a future where the *commodity* in question is *oil*;

(d) a *contract for differences* where the property in question is *oil* or an *oil* investment or the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of *oil* or any *oil* investments;

(e) *rights to or interests in investments* in (a) - (d).

*oil market activity*

FCA PRA

(A) In the PRA Handbook:

(a) any *regulated activity* in relation to an *oil investment* or to *oil*, or in relation to a *biofuel investment*, *biofuel*, a *biomass investment* or *biomass* that is ancillary to activities related to *oil investments* or *oil*, 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 individuals; and

(b) *establishing, operating or winding up a collective investment scheme* which is an *oil collective investment scheme* in which individuals do not participate.

(B) In the FCA Handbook:

oil market  
participant

FCA PRA

(a) any *regulated activity* in relation to an *oil investment* or to *oil*, or in relation to a *biofuel investment*, *biofuel*, a *biomass investment* or *biomass* that is ancillary to activities related to *oil investments* or *oil*, 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 individuals;

(b) [deleted]

(A) In the PRA Handbook:

a *firm*:

(a) whose permission:

(i) includes a *requirement* that the *firm* must not carry on any *designated investment business* other than *oil market activity*; and

(ii) does not include a *requirement* that it comply with IPRU(INV) 5 (Investment management *firms*) or 13 (Personal *investment firms*); and

(b) which is not an *authorised professional firm*, *bank*, *BIPRU firm*, (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm*, *service company*, *insurance intermediary*, *home finance administrator*, *mortgage intermediary*, *home finance provider*, *incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

(B) In the FCA Handbook:

a *firm*:

(a) whose permission:

(i) includes a *requirement* that the *firm* must not carry on any *designated investment business* other than *oil market activity*; and

(ii) does not include a *requirement* that it comply with IPRU(INV) 5 (Investment management *firms*) or 13 (Personal *investment firms*); and

(b) which is not an *authorised professional firm*, *bank*, *BIPRU firm*, (unless it is an *exempt BIPRU commodities firm*), *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*), *building society*, *credit union*, *friendly society*, *ICVC*, *insurer*, *MiFID investment firm* (unless it is an *exempt BIPRU commodities firm* or *exempt IFPRU commodities firm*), *media firm*, *service company*, *insurance intermediary*, *home finance administrator*, *mortgage intermediary*, *home finance provider*, *incoming EEA*

	<i>firm</i> (without a <i>top-up permission</i> ), or <i>incoming Treaty firm</i> (without a <i>top-up permission</i> ).
<i>Ombudsman</i> FCA PRA	a <i>person</i> appointed to the panel of <i>persons</i> maintained by the <i>FOS Ltd</i> to determine complaints, including the Chief Ombudsman.
<i>Ombudsman Transitional Order</i> FCA PRA	the Financial Services and Markets Act 2000 (Transitional Provisions) (Ombudsman Scheme and Complaints Scheme) Order 2001 (SI 2001/2326).
<i>omnibus client account</i> FCA	as the context requires, either:  an account maintained by a <i>firm</i> at an <i>authorised central counterparty</i> for more than one <i>client</i> of the <i>firm</i> in respect of which the <i>authorised central counterparty</i> has agreed with the <i>firm</i> to provide <i>omnibus client segregation</i> ; or  an <i>account</i> maintained by a <i>firm</i> for more than one <i>indirect client</i> at a <i>clearing member</i> in respect of which that clearing member has agreed with the <i>firm</i> to provide segregation arrangements that satisfy the requirements of article 4(2)(a) of the <i>EMIR L2 Regulation</i> .
<i>omnibus client segregation</i> FCA PRA	as defined in article 39(2) of <i>EMIR</i> .
OMPS FCA PRA	the Handbook Guide for oil market participants.
ONA FCA PRA	(A) In the PRA Handbook: the <i>appropriate regulator's</i> online notifications and applications system, by whatever name known.  (B) In the FCA Handbook: the <i>appropriate regulator's</i> online notifications and applications system, by whatever name known.
<i>one-day VaR measure</i> FCA PRA	(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.98R (Backtesting: One day VaR measure), which is in summary and in relation to a particular <i>business day</i> , the <i>VaR number</i> for that <i>business day</i> calibrated to a one <i>business day</i> holding period and a 99% one-tailed confidence level.
<i>one-off promotion</i> FCA	a communication meeting the requirements set out in articles 15 or 15A of the <i>Promotion of Collective Investment Schemes Order</i> or in articles 28 or 28A of the <i>Financial Promotions Order</i> .
<i>one-off transaction</i> FCA PRA	any transaction other than a transaction carried out in the course of an established business relationship formed by a <i>person</i> acting in the course of relevant financial business.
<i>one-sided credit</i>	(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i> ) a <i>credit valuation adjustment</i> that

*valuation adjustment*

FCA

reflects the market value of the credit risk of the counterparty to a *firm*, but does not reflect the market value of the credit risk of the *firm* to the counterparty.

*on-exchange*

FCA PRA

(a) (in relation to a transaction in the *United Kingdom*) effected by means of the *facilities* of, or governed by the *rules* of, an *RIE* or a *regulated market*;

(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-end agreement*

FCA

a *credit agreement* with no fixed duration.

*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*.)

<p><i>Shari'ah compliant firm</i></p> <p><b>PRA</b></p>	<p>(b) (in relation to a <i>share</i> that is not represented by a <i>bearer certificate</i>) the <i>person</i> whose name is entered on the <i>register</i> in relation to that <i>share</i>.</p> <p>(2) (in relation to chapters 5 [ ] of <i>DTR</i>) any natural person or legal entity governed by private or public law, who holds directly or indirectly:</p> <p>(a) <i>shares</i> of the <i>issuer</i> in its own name and on its own account;</p> <p>(b) <i>shares</i> of the <i>issuer</i> in its own name, but on behalf of another natural person or legal entity;</p> <p>(c) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying <i>shares</i> represented by the depository receipts.</p> <p>a <i>firm</i> whose entire operations are structured and conducted in accordance with Islamic commercial jurisprudence and its investment principles.</p>
<p><i>ships</i></p> <p><b>FCA PRA</b></p>	<p>(in relation to a <i>class of contract of insurance</i> ) the <i>class of contract of insurance</i> , specified in paragraph 6 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (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.</p>
<p><i>short selling regulation</i></p>	<p>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.</p>
<p><i>shortfall</i></p> <p><b>FCA PRA</b></p>	<p>(1) (in relation to cancellation of an <i>investment agreement</i> ) the amount a <i>firm</i> is entitled to charge a <i>customer</i> for the market loss in accordance with ■ COBS 15.4.3 R.</p> <p>(2) (in relation to <i>client money</i> ) the amount by which the <i>client money</i> in a <i>client bank account</i> is insufficient to satisfy the claims of <i>clients</i> in respect of that <i>money</i>, or not immediately available to satisfy such claims.</p>
<p><i>short-term annuity</i></p> <p><b>FCA PRA</b></p>	<p>(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:</p> <p>(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;</p> <p>(b) it is payable by an insurance company;</p> <p>(c) the member had an opportunity to select an insurance company;</p> <p>(d) it is payable for a term which does not exceed five years ; and</p> <p>(e) it is either a level annuity, an increasing annuity or a relevant linked annuity.</p>
<p><i>short-term money market fund</i></p> <p><b>FCA PRA</b></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></p> <p><b>FCA PRA</b></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</p>

<p><i>sickness or distressed circumstances contract</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>within paragraph IV of Part II of Schedule 1 to the Regulated Activities Order (Permanent health).</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>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>(as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i>) an initial or secondary <i>offer</i> of <i>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 IFPRU firm</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>has the meaning in <span style="color: #000080;">■</span> IFPRU 1.2 (Significant IFPRU firm).</p>
<p><i>significant management function</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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 <span style="color: #000080;">■</span> SUP 10A.9.9 R.</p>
<p><i>significant-influence function</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></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>  <span style="border: 1px solid black; padding: 2px;">FCA</span></p>	<p>a <i>BIPRU firm</i> that meets the following conditions:</p> <ul style="list-style-type: none"> <li>(a) it does not raise capital through a special purpose vehicle;</li> <li>(b) it only includes non-convertible and non-exchangeable <i>capital instruments</i> in its <i>capital resources</i>;</li> <li>(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>;</li> <li>(d) it only includes <i>capital instruments</i> in its <i>tier one capital resources</i> consisting of ordinary <i>shares</i>, perpetual non-cumulative preference <i>shares</i> or partnership or <i>limited liability partnership</i> capital accounts;</li> <li>(e) it only includes non-redeemable <i>capital instruments</i> in its <i>tier one capital resources</i>; and</li> <li>(f) (if it includes <i>capital instruments</i> in its <i>tier one capital resources</i> on which <i>coupons</i> are payable) such <i>coupons</i> are non-cumulative, non-mandatory and in cash.</li> </ul>
<p><i>simplified buffer requirement</i>  <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>	<p>BIPRU 12.6.9R.</p>

<p><i>simplified equity method</i></p> <p><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></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><b>FCA</b> <b>PRA</b></p>	<p>(A) In the PRA Handbook:</p> <ul style="list-style-type: none"> <li>(a) the <i>Banking Consolidation Directive</i> (to the extent it applies to <i>CAD investment firms</i>);</li> <li>(aa) the <i>CRD</i>;</li> <li>(b) the Insurance Directives (within the meaning of paragraph 1 of Schedule 3 to the <i>Act</i>);</li> <li>(ba) the <i>Reinsurance Directive</i>;</li> <li>(c) <i>MiFID</i>;</li> <li>(d) the <i>Insurance Mediation Directive</i>;</li> <li>(e) the <i>UCITS Directive</i>; and</li> <li>(f) <i>AIFMD</i>.</li> </ul> <p>(B) In the FCA Handbook:</p> <ul style="list-style-type: none"> <li>(a) the <i>Banking Consolidation Directive</i> (to the extent it applies to <i>CAD investment firms</i>);</li> </ul>

<p><i>single-priced AUT</i> FCA PRA</p>	<p>(aa) the <i>CRD</i>;</p> <p>(b) the <i>Insurance Directives</i> (within the meaning of paragraph 1 of Schedule 3 to the <i>Act</i>);</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> <p>(f) <i>AIFMD</i>.</p>
<p><i>single-priced authorised fund</i> FCA PRA</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 <i>fund</i>), for the <i>units</i> of which there is only one <i>price</i> applicable by reference to a <i>valuation point</i>.</p>
<p><i>SIPP</i> FCA PRA</p>	<p>a <i>self-invested personal pension scheme</i>.</p>
<p><i>skilled person</i> FCA PRA</p>	<p>a <i>person</i> 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 <i>Act</i> for provision to the <i>appropriate regulator</i> and who must be a person:</p> <p>(a) nominated, approved or appointed by the <i>appropriate regulator</i>; and</p> <p>(b) appearing to the <i>appropriate regulator</i> to have the skills necessary to make a report on the matter concerned.</p>
<p><i>SLRP</i> FCA PRA</p>	<p>the <i>Supervisory Liquidity Review Process</i>.</p>
<p><i>small AIFM</i> FCA PRA</p>	<p>an <i>AIFM</i> which meets the conditions in regulation 9 (meaning of "small AIFM") of the <i>AIFMD UK regulation</i>.</p>
<p><i>small and medium-sized enterprise</i> FCA PRA</p>	<p>(in <i>PR</i>) (as defined in Article 2.1(f) of the <i>prospectus directive</i>) 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.</p>
<p><i>small authorised UK AIFM</i> FCA PRA</p>	<p>a <i>UK AIFM</i> which:</p> <p>(a) is a <i>small AIFM</i>; and</p> <p>(b) has not opted in to <i>AIFMD</i> in accordance with article 3(4) of <i>AIFMD</i> to become a <i>full-scope UK AIFM</i>.</p>



*small borrower-lender-supplier agreement*

**FCA**

a *borrower-lender-supplier agreement* which is a small agreement within the meaning of section 17 of the CCA.

*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*.

*small friendly society function*

**FCA PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF6 in Part 1 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.6.31 R to ■ SUP 10A.6.32 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF6 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.6.16 R to ■ SUP 10B.6.17 R.

*small non-EEA AIFM*

**FCA**

a *non-EEA AIFM* that is a *small AIFM*.

*small 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* pursuant to regulation 4(1)(b) of the *Payment Services Regulations*.

*small personal investment firm*

**FCA PRA**

a *personal investment firm*:

- (a) which is not a *MiFID investment firm* ;
- (b) whose *permission* does not include *establishing, operating or winding up a personal pension scheme*;
- (c) which is not a *network*; and
- (d) which has fewer than 26 *representatives*.

*small registered UK AIFM*

**FCA**

a *small AIFM* that is registered by the FCA in accordance with regulation 10 of the *AIFMD UK regulation*.

*small self-administered scheme*

**FCA PRA**

an *occupational pension scheme* of a kind described in article 4(4) and 4(5) of the *Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177)*.

*smaller denomination share*

**FCA PRA**

a *share* to which are attached rights in a smaller denomination as provided by regulation 45 of the *OEIC regulations*.

*smallest 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 smallest 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), the *banking sector* and *investment services sector* being treated as one *financial sector* in the circumstances set out in ■ GENPRU 3.1 .

*smoothed linked long term stakeholder product*

FCA PRA

the *stakeholder product* specified by regulations 6, 7 and 8 (smoothed linked long term contracts) of the *Stakeholder Regulations*;

*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

*solo capital resources*

**FCA** **PRA**

(b) takes place in response to an express request from the recipient of the *financial promotion*.

(A) In the PRA Handbook:

(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).

(B) In the FCA Handbook:

(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*.

[deleted]

*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*.

a waiver of the type described in **■ BIPRU 2.1** (Solo consolidation).

*solo consolidation waiver*

**FCA** **PRA**

*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

<i>sovereign issuer</i>	<p>amount (if any) by which its <i>solo capital resources</i> fall short of its <i>solo capital resources requirement</i>.</p> <p>(as defined in article 2(1)(d) of the <i>short selling regulation</i>) any of the following that issues debt instruments:</p> <ul style="list-style-type: none"> <li>(a) the <i>EU</i>; or</li> <li>(b) a Member State including a government department, an agency, or a special purpose vehicle of the Member State; or</li> <li>(c) in the case of a federal Member State, a member of the federation; or</li> <li>(d) a special purpose vehicle for several Member States; or</li> <li>(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</li> <li>(f) the European Investment Bank.</li> </ul>
<i>sovereign large exposure waiver</i> <b>PRA</b>	<p>a <i>waiver</i> that has the result of requiring the <i>firm</i> to apply ■ BIPRU 10.6.35 R, which in summary exempts partially or fully any of the <i>exposures</i> listed in ■ BIPRU 10.6.36 R constituting claims on <i>central banks</i> or central governments from the limits in ■ BIPRU 10.5 (Limits on exposures).</p>
<i>sovereign, institution and corporate IRB exposure class</i> <b>FCA PRA</b>	<p>(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into the <i>IRB exposure classes</i> referred to in ■ BIPRU 4.3.2 R (1)-■ (3) (Sovereigns, institutions and corporates).</p>
<i>special adjustment</i> <b>FCA PRA</b>	<p>(in <i>IPRU(INV)</i> 13) a <i>position</i> risk adjustment, counterparty risk adjustment and foreign exchange adjustment.</p>
<i>special purpose vehicle</i> <b>FCA PRA</b>	<p>(1) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) an <i>issuer</i> whose objects and purposes are primarily the issue of <i>securities</i>.</p> <p>(2) (except in <i>PR</i>) a <i>body corporate</i>, 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:</p> <ul style="list-style-type: none"> <li>(a) issuing <i>designated investments</i>, other than <i>life policies</i>;</li> <li>(b) redeeming or terminating or repurchasing (whether with a view to re-issue or to cancellation) an issue (in whole or part) of <i>designated investments</i>, other than <i>life policies</i>;</li> <li>(c) entering into transactions or terminating transactions involving <i>designated investments</i> in connection with the <i>issue</i>, redemption, termination or re-purchase of <i>designated investments</i>, other than <i>life policies</i>;</li> </ul>
<i>specialised lending exposure</i> <b>FCA PRA</b>	<p>(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into ■ BIPRU 4.5.3 R (Definition of specialised lending).</p>

*specialist investor*

FCA PRA

(in LR) an investor who is particularly knowledgeable in investment matters.

*specialist securities*

FCA PRA

(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.

*specialist securitised derivative*

FCA PRA

(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.

*specific costs*

FCA PRA

*management expenses* other than *base costs* and *establishment costs*.

*specific costs levy*

FCA PRA

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 .

*specific non-real time financial promotion*

FCA PRA

a *non-real time financial promotion* which identifies and promotes a particular *investment* or service.

*specific risk*

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*.

*specific risk backtesting exception*

FCA PRA

(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*.

*specific risk position risk adjustment*

FCA

(in BIPRU) 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).

*specific wrong-way 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 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

*specified  
benchmark*

FCA

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*

*specified  
investment*

FCA PRA

(A) In the PRA Handbook:

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).

(B) In the FCA Handbook:

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);
- (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);
- (of) *credit agreement* (article 88D) for the purposes of the *permission regime* with respect to the *regulated activities* of *entering into a regulated credit agreement as lender* and *exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement*, this is sub-divided into:
  - (i) a *credit agreement* (excluding *high-cost short-term credit*, a *home credit loan agreement* and a *bill of sale loan agreement*);
  - (ii) *high-cost short-term credit*;
  - (iii) a *home credit loan agreement*;
  - (iv) *bill of sale loan agreement*;

and this has effect as if the reference to a *credit agreement* includes a reference to an article 36H agreement within the meaning of article 36H (4) of the *Regulated Activities Order*;

- (og) *consumer hire agreement* (article 88E);
- (p) *rights to or interests in investments* (article 89).

*sponsor*

**FCA** **PRA**

(A) In the *PRA Handbook*:

(in *BIPRU*), 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.

(B) In the *FCA Handbook*:

(1) (in *LR*) approved, under section 88 of the *Act* by the *FCA*, as a sponsor.

(2) (in *BIPRU*), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in **■** *MIPRU* 4 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.

(3) in *IFPRU* and *FUND*) has the meaning in article 4(1)(14) of the *EU CRR*.

*sponsor service*

**FCA**

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 <i>sponsor</i> when requested to agree to act as a <i>sponsor</i> for a <i>company</i> or in relation to a transaction.
<i>spread bet</i> FCA PRA	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.
<i>spread risk</i> FCA PRA	the risk that a spread (that is, the difference in price or yield) between two variables will change.
SPV FCA PRA	(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).  (2) (in ■ BIPRU 8 (Group risk - consolidation)) has the meaning in ■ BIPRU 8.6.15 R (Indirectly issued capital and group capital resources).
SRB administrator FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>administering a regulated sale and rent back agreement</i> .
SRB adviser FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>advising on a regulated sale and rent back agreement</i> .
SRB agreement provider FCA PRA	(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> .
SRB agreement seller FCA PRA	(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> .
SRB arranger FCA PRA	a <i>firm</i> which carries on the <i>regulated activity</i> of <i>arranging (bringing about) a regulated sale and rent back agreement</i> or <i>making arrangements with a view to a regulated sale and rent back agreement</i> .
SRB intermediary FCA PRA	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> .
SREP FCA PRA	the <i>supervisory review and evaluation process</i> .
SSAS FCA PRA	<i>small self-administered scheme</i> .
SSPE	a <i>securitisation special purpose entity</i> .

FCA PRA

*stabilisation*

FCA PRA

(in ■ MAR 2) (as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) any purchase or offer to purchase *relevant securities*, or any transaction in *associated instruments* equivalent thereto, by *investment firms* or *credit institutions*, which is undertaken in the context of a *significant distribution* of such *relevant securities* exclusively for supporting the market price of these *relevant securities* for a predetermined period of time, due to a selling pressure in such securities.

*staff mortgage*

FCA PRA

a *regulated mortgage contract* between an employer, or an *undertaking* in the same *group* as the employer, as lender and the employee (alone or with another *person*) as borrower to defray money applied for any of the following purposes:

- (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).

*stakeholder CTF*

FCA PRA

a *CTF* that has the characteristics, and complies with the conditions, set out in paragraph 2 of the Schedule to the *CTF Regulations*.

*stakeholder pension scheme*

FCA PRA

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.

*stakeholder product*

FCA PRA

(as defined in article 52B(3) of the *Regulated Activities Order*):

- (a) a *stakeholder CTF*; or
- (b) a *stakeholder pension scheme*; or
- (c) an investment of a kind specified in the *Stakeholder Regulations*.

*Stakeholder Regulations*

FCA PRA

the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 (SI 2004/2738).

*standard CIU look through method*

FCA PRA

the method for calculating the *PRR* for a *position* in a *CIU* set out in ■ BIPRU 7.7.4 R and ■ BIPRU 7.7.7 R to ■ BIPRU 7.7.10 R.

*standard equity method*

FCA PRA

the method of calculating the *equity PRR* set out in BIPRU 7.3.32R (Standard equity method).

*standard frequency*

a *standard ILAS BIPRU firm* that is not a *low frequency liquidity reporting firm*.

liquidity reporting firm

FCA PRA

standard ILAS BIPRU firm

FCA PRA

standard listing

FCA PRA

standard listing (shares)

FCA PRA

standard market risk PRR rules

FCA

standard method of internal client money reconciliation

FCA PRA

standard terms

FCA PRA

standardised approach

FCA PRA

an *ILAS BIPRU firm* that is not a *simplified ILAS BIPRU firm*.

in relation to *securities*, means a *listing* that is not a *premium listing*.

a *standard listing* of *shares* other than *preference shares* that are *specialist securities*.

(in *BIPRU*) the rules relating to the calculation of the *market risk capital requirement* excluding the *VaR model approach* and any *rules* modified so as to provide for the *CAD 1 model approach*.

■ CASS 7 Annex 1 G.

(in *DISP*) the contractual terms made under paragraph 18 of Schedule 17 to the *Act* (The Ombudsman Scheme), under which *VJ participants* participate in the *Voluntary Jurisdiction*.

(A) In the PRA Handbook:

(for the purposes of *BIPRU*) one of the following:

(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ *BIPRU 3* (Credit risk) and *BIPRU 9.2.1R(1)* and *BIPRU 9.11* (Standardised approach);

(b) (where expressed to relate to *operational risk*) the method for calculating capital requirements for *operational risk* in *BIPRU 6.3* (Standardised approach);

(c) (where not expressed to relate to any risk and used in ■ *BIPRU 3*, ■ *BIPRU 4* (IRB approach), ■ *BIPRU 5* (Credit risk mitigation), ■ *BIPRU 9* (Securitisation) or ■ *BIPRU 10* (Large exposures requirements)) it has the meaning in (a);

(d) (where not expressed to relate to any risk and used in *BIPRU 6* (Operational risk)) it has the meaning in (b);

(e) (where the one of the approaches in (a) to (d) is being applied on a consolidated basis) that approach as applied

<p><i>standardised credit risk exposure class</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>on a consolidated basis in accordance with BIPRU 8 (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>(B) In the FCA Handbook:</p> <p>(for the purposes of <i>BIPRU</i>) one of the following:</p> <p>(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ BIPRU 3 (Credit risk) and BIPRU 9.2.1R(1) and BIPRU 9.11 (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 BIPRU 6.3 (Standardised approach);</p> <p>(c) (where not expressed to relate to any risk and used in ■ BIPRU 3, ■ BIPRU 4 (IRB approach), ■ BIPRU 5 (Credit risk mitigation), ■ BIPRU 9 (Securitisation) or ■ BIPRU 10 (Large exposures requirements)) it has the meaning in (a);</p> <p>(d) (where not expressed to relate to any risk and used in BIPRU 6 (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 BIPRU 8 (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 deterministic projection</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(in relation to the <i>standardised approach</i> to credit risk) one of the classes of exposure set out in BIPRU 3.2.9R (Exposure classes).</p>
<p><i>standing data</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>projection</i> which is either a <i>generic projection</i> or a <i>personal projection</i> produced in accordance with the assumptions contained in ■ COBS 13 Annex 2.</p>
<p><i>standing independent valuer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the information relating to a <i>firm</i> held by the <i>appropriate regulator</i> on the matters set out in ■ SUP 16 Annex 16A R.</p>
<p><i>standing independent valuer</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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) .</p>

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.

*Statement of Principle*

**FCA** **PRA**

(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*.

*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*):

<p><i>step-up</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(a) its general objective of promoting the safety and soundness of <i>PRA-authorized persons</i>; and</p> <p>(b) its insurance objective of contributing to the securing of an appropriate degree of protection for those who are or may become <i>policyholders</i>.</p> <p>(in relation to any item of capital) any change in the <i>coupon</i> 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:</p> <p>(a) includes (in the case of a fixed rate) an increase in that <i>coupon</i> rate;</p> <p>(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;</p> <p>(c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the <i>coupon</i> is calculated that results in an increase in the absolute amount of the <i>coupon</i>; and</p> <p>(d) does not include (in the case of a floating rate) an increase in the absolute amount of the <i>coupon</i> caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the <i>coupon</i> floats.</p>
<p><i>stochastic projection</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>projection</i> 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.</p>
<p><i>stock financing</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a transaction where a <i>physical commodity</i> is sold forward and the cost of funding is locked in until the date of the forward sale.</p>
<p><i>stock lending</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the disposal of a <i>designated investment</i> subject to an obligation or right to reacquire the same or a similar <i>designated investment</i> from the same counterparty.</p>
<p><i>stock lending activity</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>the activity of undertaking a <i>stock lending</i> transaction.</p>
<p><i>stocks and shares component</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>a <i>qualifying investment</i> as prescribed in paragraph 7 of the <i>ISA Regulations</i>.</p>
<p><i>store card</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>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 <i>firm</i>, but excluding a <i>plastic card</i> used to pay for goods or services through a network such as Visa or MasterCard.</p>
<p><i>strategic investment</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>an investment which:</p> <p>(a) is made for a strategic purpose;</p> <p>(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</p> <p>(c) is significant in value in proportion to the size of the <i>with-profits fund</i>.</p>

*stressed VaR*

**FCA**

(in *BIPRU*) 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-consolidated basis*

**FCA**

has the meaning in article 4(1)(49) of the *EU CRR*.

*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:
  - (i) a *subsidiary undertaking* of that *person*; or
  - (ii) an *undertaking* in which that *person* or a *subsidiary undertaking* of that *person* holds a *participation*.

*subsidiary*

**FCA PRA**

(A) In the PRA Handbook:

(1) (except in relation to *MiFID business*) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary", etc)) (in relation to another *body corporate* ("H")) a *body corporate* of which H is a *holding company*.

(2) (in relation to *MiFID business*) 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 *parent undertaking*.



[Note: article 4 (1)(29) of *MiFID*]

(B) In the FCA Handbook:

(1) (except in relation to *MiFID business*) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary", etc)) (in relation to another *body corporate* ("H")) a *body corporate* of which H is a *holding company*.

(2) (in relation to *MiFID business*) 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 *parent undertaking*.

(3) (for the purpose of *IFPRU*) has the meaning in article 4(1)(16) of the *EU CRR*.

[Note: article 4 (1)(29) of *MiFID*]

(1) (except for the purposes of determining whether a *person* has *close links* with another *person*) an *undertaking* of which another *undertaking* is its *parent undertaking*.

(2) (for the purposes of determining whether a *person* has *close links* with another *person*) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator) and paragraph 3(3) of Schedule 6 to the *Act* (Threshold conditions)):

(a) an *undertaking* in (1);

(b) an *undertaking* ("S") if:

(i) another *undertaking* (its parent) is a member of S;

(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

(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 *parent undertaking*.

(3) (in *LR* and *BSOCS*) as defined in section 1162 of the Companies Act 2006.

(in *BCOBS*) any sum of money payable by a *firm* to a *consumer* or standing to the credit of the *consumer* in an account with the *firm* where that sum is needed by the *consumer* to meet essential living expenses or *priority debts* (whether owed to the *firm* or a third party).

as defined in ■ LR 11.1.4A R.

a report which a *firm* must provide to its *client* under ■ COBS 9.4 (Suitability reports) which, among other things, explains why the *firm* has concluded that a recommended transaction is suitable for the *client*.

certificates of equal value representing an undivided interest in the ownership of specified assets or investments acquired or to be acquired and that comply with Islamic commercial jurisprudence and its investment principles, but excluding *shares*.

*subsidiary undertaking*

FCA PRA

*subsistence balance*

FCA PRA

*substantial shareholder*

FCA PRA

*suitability report*

FCA PRA

*sukuk*

PRA

*summary*

**FCA** **PRA**

(in relation to a *prospectus*) the summary included in the *prospectus*.

*SUP*

**FCA** **PRA**

the Supervision manual.

*supervisory authority*

**FCA**

(1) (in accordance with article 4(1)(a) 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**

(A) In the *PRA Handbook*:

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.

(B) In the *FCA Handbook*:

(1) the *appropriate regulator's* assessment of the adequacy of certain *firms'* capital, as more fully described in ■ BIPRU 2.2.9 G (*BIPRU firms*) and ■ INSPRU 7.1.91 G to ■ INSPRU 7.1.99 G (*insurers*).

(2) the *FCA's* assessment of the adequacy of an *IFPRU investment firm's* capital, as more fully described in IFPRU 2.3 (Supervisory review and evaluation process).

*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.

*supplementary prospectus*

**FCA** **PRA**

(in *Part 6 rules*) a supplementary prospectus containing details of a new factor, mistake or inaccuracy.

*supplier*

**FCA**

(a) the *person* referred to as the supplier in the definitions of *borrower-lender agreement*, *borrower-lender-supplier agreement* and *restricted-use credit agreement*; and

(b) in relation to a *credit agreement* falling within (2) (a) of the definition of *restricted-use credit agreement*, is the *lender*; and

(c) includes a *person* to whom the rights and duties of a *person* falling within (a) or (b) have passed by *assignment* or operation of law.

*suretyship*

**FCA** **PRA**

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 15 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), namely:

(a) a *contract of insurance* against the risks of loss to the *person* 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:

(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.

*surrender value*

**FCA** **PRA**

(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 *firm* or other body issuing the contract on surrender of the *policy*;

(b) where the contract is a *personal pension scheme* or *stakeholder pension scheme*, the amount payable on the transfer of the investor's accrued rights under that contract to another *personal pension scheme* or *stakeholder pension scheme*;

(c) where the contract is a *Holloway sickness policy*, the amount payable by the *firm* on surrender on or before the *projection date* for the *policy*;

(d) where the contract is for any other matter, the amount payable by the *firm* on the surrender of the *policy*.

*sustainable*

**FCA**

(in *CONC*) has the meaning given in ■ CONC 5.3.1 G.

*swap*

FCA PRA

a transaction in which two counterparties agree to exchange streams of payments over time according to a predetermined basis or a *contract for differences*.

*Swiss general insurance company*

FCA PRA

(in accordance with article 1(2) of the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 201/2507)) a *person*:

- (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 *Swiss Treaty Agreement*; and
- (c) who is seeking to carry on, or is carrying on, from a branch in the *United Kingdom*, a *regulated activity* consisting of the *effecting* or *carrying out* of *contracts of insurance* of a kind which is subject to that agreement.

*Swiss general insurer*

FCA PRA

a *Swiss general insurance company* which has *permission* to effect or carry out *contracts of insurance* of a kind which is subject to the *Swiss Treaty Agreement*.

*Swiss Treaty Agreement*

FCA PRA

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).

*syndicate*

FCA PRA

one or more *persons*, to whom a particular syndicate number has been assigned by or under the authority of the *Council*, *carrying out* or *effecting contracts of insurance* written at Lloyd's.

*syndicate actuary*

FCA PRA

an *actuary* appointed to a *syndicate* as required by ■ SUP 4.6.9 R (1).

*syndicate assets*

FCA PRA

assets managed by or at the direction of a *managing agent* in respect of *insurance business* carried on through a *syndicate* and overseas business regulatory deposits funded from those assets.

*syndicate ICA*

FCA PRA

the capital assessment performed by a *managing agent* under the *overall Pillar 2 rule*, GENPRU 1.5.1R(1), INSPRU 7.1 and INSPRU 1.1.57R(1) in respect of each *syndicate* managed by it.

*syndicate year*

FCA PRA

a year of account of a *syndicate*.

*synthetic cash*

FCA PRA

a position in a *derivative* 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 *derivative* is the same as if the *authorised fund* had received or stood to receive the value of the property in cash.

*synthetic future*

FCA PRA

- (a) a synthetic bought future, that is, a bought call *option* coupled with a written put *option*; or
  - (b) a synthetic sold future, that is, a bought put *option* coupled with a written call *option*;
- provided that in either case the two *options*:

<p><i>synthetic risk and reward indicator</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(i) are bought and written, whether simultaneously or not, on a single <i>eligible derivatives</i> market;</p> <p>(ii) relate to the same underlying <i>security</i> or other asset;</p> <p>(iii) give the purchasers of the <i>options</i> the same rights of exercise (whether at the same price or not); and</p> <p>(iv) will expire together, if not exercised.</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></p> <p><b>FCA</b></p>	<p>(in accordance with Article 4(38) of the <i>Banking Consolidation Directive</i> (Definitions) and for the purpose of <i>BIPRU</i>) 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</p> <p><b>FCA</b> <b>PRA</b></p>	<p>the part of the <i>Handbook</i> in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.</p>
<p><i>systematic internaliser</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p><i>investment firm</i> which, on an organised, frequent and systematic basis, <i>deals on own account</i> by executing <i>client</i> orders outside a <i>regulated market</i> or an <i>MTF</i>.</p> <p>[Note: article 4(1)(7) of <i>MiFID</i>]</p>
<p><i>systemic risk</i></p> <p><b>FCA</b></p>	<p>a risk of disruption in the financial system with the potential to have serious negative consequences for the financial system and the real economy.</p>
<p><i>systemically important institution</i></p> <p><b>FCA</b></p>	<p>(in accordance with article 3(30) of <i>CRD</i>) an <i>EEA parent institution</i>, an <i>EEA parent financial holding company</i>, an <i>EEA parent mixed financial holding company</i> or an <i>institution</i> the failure or malfunction of which could lead to systemic risk.</p>
<p><i>systems and controls function</i></p> <p><b>FCA</b> <b>PRA</b></p>	<p>(1) (in the <i>FCA Handbook</i>) <i>FCA controlled function</i> CF28 in Part 1 of the <i>table of FCA controlled functions</i>, described more fully in ■ SUP 10A.8.1 R.</p> <p>(2) (in the <i>PRA Handbook</i>) <i>PRA controlled function</i> CF28 in the <i>table of PRA controlled functions</i>, described more fully in ■ SUP 10B.9.1 R.</p>



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*.

(d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and *EU CRR* or the *Financial Groups Directive*.

(e) If the group is a *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 parent  
mixed financial  
holding  
company in a  
Member State

**FCA**

a *parent mixed financial holding company* in a *Member State* where the *EEA State* in question is the *UK*.

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

(A) In the PRA Handbook:

an *EEA insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *EEA insurance parent undertaking* or of a *mixed financial holding company* which has its head office in an *EEA State*.

(B) In the FCA Handbook:

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

(A) In the PRA Handbook:

an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking* or of a *mixed financial holding company*.

(B) In the FCA Handbook:

an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking*.

ultimate mixed  
financial  
holding  
company

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*.



FCA PRA

*ultimate parent undertaking*

(in relation to an *insurer*) a *parent undertaking* of the *insurer* that is not itself the *subsidiary undertaking* of another *undertaking*.

FCA PRA

*umbrella*

(A) In the PRA Handbook:

(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 are entitled to exchange rights in one part for rights in another.

(B) In the FCA Handbook:

(in *FEES*, *COLL* and *COBS*) a *collective investment scheme* whose *instrument constituting the fund* 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 are entitled to exchange rights in one part for rights in another.

*umbrella collective investment scheme*

(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.

FCA PRA

*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:

(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*.

FCA

*unauthorised fund*

FCA PRA

a *fund* which is not an *authorised fund*.

*unauthorised person*

FCA PRA

a *person* who is not an *authorised person*.

*unauthorised reversion provider*

FCA PRA

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*.

*unauthorised SRB agreement provider*

FCA PRA

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*.

*underlying instrument*

FCA PRA

(in LR) (in relation to *securitised derivatives*) means either:

- (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

(1) (in *BIPRU* and 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.

(2) (in *IFPRU*) has the meaning in article 4(1)(59) of the *EU CRR*.

*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

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

(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*.

<p><i>unrestricted-use credit agreement</i></p> <p><b>FCA</b></p>	<p>a <i>credit agreement</i> which is not a <i>restricted-use credit agreement</i>.</p>
<p><i>unsecured debt</i></p> <p><b>FCA PRA</b></p>	<p>debt that does not fall within the definition of <i>secured debt</i>.</p>
<p><i>unsecured lending</i></p> <p><b>FCA PRA</b></p>	<p>lending where the <i>mortgage lender</i> does not take a mortgage or other form of security in respect of the credit provided to the <i>customer</i>.</p>
<p><i>unsolicited real time financial promotion</i></p> <p><b>FCA PRA</b></p>	<p>(in accordance with article 8 of the <i>Financial Promotion Order</i>) a <i>real time financial promotion</i> which is not a <i>solicited real time financial promotion</i>.</p>
<p><i>unsustainable</i></p> <p><b>FCA</b></p>	<p>(in <i>CONC</i> ) has the meaning given in ■ <i>CONC 5.3.1 G</i>.</p>
<p><i>upper tier three capital</i></p> <p><b>FCA PRA</b></p>	<p>an item of capital that is specified in stage O of the <i>capital resources table</i> (Upper tier three).</p>
<p><i>upper tier three capital resources</i></p> <p><b>FCA PRA</b></p>	<p>the sum calculated at stage O of the <i>capital resources table</i> (Upper tier three).</p>
<p><i>upper tier three instrument</i></p> <p><b>FCA PRA</b></p>	<p>an item of capital that meets the conditions in <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>upper tier two capital</i></p> <p><b>FCA PRA</b></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 stage G of the <i>capital resources table</i> (Upper tier two capital) .</p>
<p><i>upper tier two capital resources</i></p> <p><b>FCA PRA</b></p>	<p>the sum calculated at stage G of the calculation in the <i>capital resources table</i> (Upper tier two capital) .</p>
<p><i>upper tier two instrument</i></p> <p><b>FCA PRA</b></p>	<p>a <i>capital instrument</i> that meets the conditions in ■ <i>GENPRU 2.2.177 R</i> (Upper tier two capital: General) and is eligible to form part of a <i>firm's upper tier two capital resources</i>.</p>

*UPRU*

**FCA** **PRA**

the Prudential sourcebook for UCITS Firms.

# Senior Management Arrangements, Systems and Controls





- (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

- (1) A *firm* must apply the *remuneration* requirements in ■ SYSC 19A.3 other than ■ SYSC 19A.3.44 R (3) and ■ SYSC 19A.3.44 R in relation to:
- (a) *remuneration* awarded, whether pursuant to a contract or otherwise, on or after 1 January 2011;
  - (b) *remuneration* due on the basis of contracts concluded before 1 January 2011 which is awarded or paid on or after 1 January 2011; and
  - (c) *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)]

- (2) A *firm* must apply the *remuneration* requirements in SYSC 19A.3.44R(3) and SYSC 19.3.44AR in relation to *remuneration* awarded for services provided or performance from the year 2014 onwards, whether due on the basis of contracts concluded before, on or after 31 December 2013.

[Note: article 162(3) of CRD]

19A.1.4

G

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

R

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

FCA PRA

G

- (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 *CRD* which relate to *remuneration*. The Committee of European Banking Supervisors published Guidelines on Remuneration Policies and Practices on 10 December 2010. 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

G

- (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

# Fees Manual



**Part 1: Application, notification and vetting fees**

<b>report before the latest time specified in DTR 4.2.2 R (2).</b>	<b>report before the latest time specified in DTR 4.2.2 R (2), £250 in respect of that half-yearly financial report.</b>
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[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**

<b>(1) Fee payer</b>	<b>(2) Fee payable</b>	<b>Due date</b>
<b>(a) Any applicant for Part 4A permission (including an <i>incoming firm</i> applying for <i>top-up permission</i>) which includes a <i>PRA-regulated activity</i></b>	<p><b>(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.</b></p> <p><b>(2) In respect of a particular application which is:</b></p> <p><b>(i) a straightforward or moderately complex case for the purposes of FEES 3 Annex 1 R part 1, and</b></p> <p><b>(ii) only involves a simple change of legal status as set out in FEES 3 Annex 1 part 6, the fee payable is 50% of the tariff that would otherwise be payable in FEES 3 Annex 1 part 1.</b></p>	<b>On or before the application is made</b>
<b>(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made be-</b>	<b>As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.</b>	<b>Within 30 days of the date of the invoice.</b>

fore 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 (the "relevant application")

(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), (2A), (3), (3A) or (3B) 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 or Part 1 of FEES 4 Annex 1B 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) Subject to (2A) below, if the *firm's* application includes an application for a *Part 4A permission* to carry on a new *credit-related regulated activity*, the fee is 50% of the highest of the tariffs set out in FEES 3 Annex 1 that would be payable under (1) above or, if

higher, 50% of the highest of the tariffs set out in **FEES 3 Annex 1** that would be payable in relation to the new *credit-related regulated activity*.

**(2A)** If the applicant which already has a *Part 4A permission* to carry on a *credit-related regulated activity* exclusively applies for a *Part 4A permission* to carry on a new *credit-related regulated activity*, that is specified in **Part 3** of **FEES 3 Annex 1AR** in the straightforward category (or if it exclusively applies for a number of such *permissions*), the fee is **£250**

**(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.

**(3A)** If the applicant had a *limited permission* prior to the application to vary its *Part 4A permission*, 100% of the highest of the tariffs set out in **FEES 3 Annex 1** which apply to that application

	<p><b>(3B) If the applicant has a <i>limited permission</i> and its application exclusively relates to another <i>limited permission</i>, the fee is 0</b></p>	
	<p><b>(4) In all other cases, other than applications by <i>credit unions</i>, the fee payable is 125, 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.</b></p>	
<p><b>(ca) A person who makes an application under section 30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the "relevant variation application")</b></p>	<p><b>As (a) or (c) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation application.</b></p>	<p><b>Within 30 days of the date of the invoice.</b></p>
<p><b>(d) Any person to which the Special Project Fee for restructuring applies under FEES 3 Annex 9.</b></p>	<p><b>Special Project Fee for restructuring in accordance with FEES 3 Annex 9 .</b></p>	<p><b>30 days of the date of the invoice.</b></p>
<p><b>(e) In the case of an <i>insurance business transfer scheme</i>, a transferor.</b></p>	<p><b>Either (1) or (2) as set out below:</b></p> <p><b>(1) In the case of an <i>insurance business transfer scheme</i> involving</b></p>	<p><b>On or before any application is made to the PRA for the appointment of a person as an <i>independent expert</i>.</b></p>
<p><b>Note - for the purpose of this paragraph an <i>insurance business</i></b></p>	<p><b><i>long term insurance business</i>, 9,250 is payable to the PRA; or</b></p>	



*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 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 internal approaches listed in **FEES 3 Annex 6B** (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 consolidating supervisor under the *EU CRR*) any *firm* making such an application; or

(ii) in the case of an application to the consolidating supervisor other than the *appropriate regulator* for the use of the IRB approach and the consolidating supervisor requesting the *appropriate regulator's* assistance in accordance with the *EU CRR*, any

(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 collected by the *FCA* as agent of the *PRA*.

(a) Unless (2) applies, **FEES 3 Annex 6B**. (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 6B**, 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 consolidating supervisor has request-

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 consolidating supervisor has requested assistance.

<p>firm to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</p>	<p>ed the assistance described in paragraph (f)(ii) of column 1 except in the cases specified in <b>FEES 3 Annex 6B</b></p>	
<p>(g) An applicant for a <i>ceding insurer's waiver</i>.</p>	<p>20,000</p>	<p>On or before the date the application is made.</p>
<p>(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 <b>SUP 5.2</b>.</p>	<p>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>.</p>	<p>Within 30 <i>days</i> of the date of the invoice.</p>
<p>(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>.</p>	<p>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>.</p>	<p>Within 30 <i>days</i> of the date of the invoice.</p>

# Prudential sourcebook for Banks, Building Societies and Investment Firms



## Chapter 12

# Liquidity standards

## 12.1 Application

12.1.1

PRA

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

- (1) [deleted]
- (1A) a *UK bank*;
- (1B) a *building society*;
- (1C) a *UK designated investment firm*;
- (2) an *incoming EEA firm* which:
  - (a) is a *CRD credit institution*; and
  - (b) has a *branch* in the *United Kingdom*; and
- (3) a *third country BIPRU firm* which:
  - (a) [deleted]
  - (b) has a *branch* in the *United Kingdom*.

12.1.1A

FCA

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

- (1) an *IFPRU investment firm*; and
- (2) a *BIPRU firm*.

12.1.2

FCA PRA

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

12.1.3

FCA

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

12.1.4

FCA

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

12.1.5

FCA

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The effect of ■ BIPRU 12.1.4R is therefore to require the *firm* to sum the values of cell entries 20A and 20B in *data item* FSA001 and deduct from that total the sum of the values of cell entries 42, 43 and 44 in the same *data item*.

12.1.6

FCA PRA

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There are some provisions in other sections of ■ BIPRU 12 which apply only to an *ILAS BIPRU firm*. Where this is the case, the provision in question says so.

12.1.7

FCA PRA

R

In relation to an *incoming EEA firm* or a *third country BIPRU firm*, this chapter applies only with respect to the activities of the *firm's UK branch*.

## 12.2 Adequacy of liquidity resources

### The overall liquidity adequacy rule

12.2.1

FCA PRA

R

- (1) A *firm* must at all times maintain liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.
- (2) For the purpose of (1):
  - (a) a *firm* may not include liquidity resources that can be made available by other members of its *group*;
  - (b) an *incoming EEA firm* or a *third country BIPRU firm* may not, in relation to its *UK branch*, include liquidity resources other than those which satisfy the conditions in
    - BIPRU 12.2.3R;
  - (c) a *firm* may not include liquidity resources that may be made available through emergency liquidity assistance from a central bank (including the European Central Bank).

12.2.2

FCA PRA

G

■ BIPRU 12.2.1R is the *overall liquidity adequacy rule*.

### Branch liquidity resources

12.2.3

FCA PRA

R

The conditions to which ■ BIPRU 12.2.1R (2)(b) refers are that the *firm's* liquidity resources are:

- (1) under the day-to-day control of the *UK branch's* senior management;
- (2) held in an account with one or more *custodians* in the sole name of the *UK branch*;
- (3) unencumbered; and
- (4) for the purpose of the *overall liquidity adequacy rule* only, attributed to the balance sheet of the *UK branch*.



## 12.2.4

FCA PRA

G

The effect of ■ BIPRU 12.2.1R (2)(b) and ■ BIPRU 12.2.3 R is to require an *incoming EEA firm* or a *third country BIPRU firm* to maintain a local operational liquidity reserve in relation to the activities of its *UK branch*. ■ BIPRU 12.9 contains further *guidance* on this point.

### Liquidity resources: general

## 12.2.5

FCA PRA

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For the purposes of the *overall liquidity adequacy rule*, liquidity resources are not confined to the amount or value of a *firm's* marketable, or otherwise realisable, assets. Rather, in assessing the adequacy of those resources, a *firm* should have regard to the overall character of the resources available to it which enable it to meet its liabilities as they fall due. Therefore, for the purposes of that *rule*, a *firm* should ensure that:

- (1) it holds sufficient assets which are marketable, or otherwise realisable;
- (2) it is able to generate funds from those assets in a timely manner;
- (3) it maintains a prudent funding profile in which its assets are of appropriate maturities, taking account of the expected timing of that *firm's* liabilities; and
- (4) it is able to generate unsecured funding of appropriate tenor in a timely manner.

## 12.2.6

FCA PRA

G

The *overall liquidity adequacy rule* is expressed to apply to each *firm* on a solo basis. Each *firm* must be able to satisfy that *rule* relying solely on its own liquidity resources. Where the *firm* is an *incoming EEA firm* or a *third country BIPRU firm*, compliance with the *overall liquidity adequacy rule* with respect to the *UK branch* must be achieved relying solely on liquidity resources that satisfy the conditions in ■ BIPRU 12.2.3R.

## 12.2.7

FCA PRA

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The starting point, therefore, is that each *firm*, or where relevant its *UK branch*, must be self-sufficient in terms of its own liquidity adequacy. The *appropriate regulator* does, however, recognise that there are circumstances in which it may be appropriate for a *firm* or *branch* to rely on liquidity support provided by other entities in its *group* or from elsewhere within the *firm*. A *firm* wishing to rely on support of this kind, whether for itself or for its *UK branch*, may only do so with the consent of the *appropriate regulator*, given by way of a *waiver* under section 138A (Modification or waiver of rules) of the *Act* to the *overall liquidity adequacy rule*.

### Liquid assets buffer and funding profile

## 12.2.8

FCA PRA

R

For the purposes of the *overall liquidity adequacy rule*, an *ILAS BIPRU firm* must also ensure that:

- (1) its liquidity resources contain an adequate buffer of high quality, unencumbered assets; and
- (2) it maintains a prudent funding profile.

## 12.2.9

FCA PRA

G

The purpose of ■ BIPRU 12.2.8R is to ensure that an *ILAS BIPRU firm* has a buffer of liquid assets which are available to meet those liabilities which fall due in periods of stress experienced by that *firm*. Those periods of stress may be both market-wide and idiosyncratic in nature. The *appropriate regulator* acknowledges that in periods of stress a *firm's* liquid assets buffer may be eroded.

**12.2.10** FCA PRA G The *appropriate regulator* recognises, however, that it may take time for a *firm* to build a buffer which is of a sufficient size and quality to help reduce the effect of periods of stress on the *firm*. In particular, the *appropriate regulator* recognises that the transition from the *appropriate regulator's* liquidity regime in force immediately prior to the ■ BIPRU 12 regime is likely to be a gradual one for many *firms*. The *appropriate regulator* will seek to agree with a *firm* an appropriate period of time over which its liquid assets buffer ought to be built. The *appropriate regulator* will, in any event, incorporate into the *individual liquidity guidance* which it gives to the *firm* details of the steps that it expects the *firm* to take so that it may establish an appropriately robust liquid assets buffer.

**12.2.11** FCA PRA R In complying with ■ BIPRU 12.2.8R, a *simplified ILAS BIPRU firm* must ensure that its liquid assets buffer is at least equal to the amount of liquidity resources required by the *simplified buffer requirement*.

**12.2.12** FCA PRA G The *appropriate regulator* is likely to regard a *simplified ILAS BIPRU firm* whose liquid assets buffer accords with the *simplified buffer requirement* as having an adequate buffer of assets and a prudent funding profile for the purpose of ■ BIPRU 12.2.8R. Further *guidance* on this matter is provided in ■ BIPRU 12.6.5G.

**12.2.13** FCA PRA G ■ BIPRU 12.7 contains more detailed *rules* and *guidance* about the type of assets that an *ILAS BIPRU firm* is permitted to hold in order to satisfy ■ BIPRU 12.2.8R.

#### Individual assessments of liquidity adequacy

**12.2.14** FCA PRA G The adequacy of an *ILAS BIPRU firm's* liquidity resources needs to be assessed both by that *firm* and by the *appropriate regulator* . This process involves:

- (1) in the case of a *standard ILAS BIPRU firm*, an *Individual Liquidity Adequacy Assessment (ILAA)* which such a *firm* is obliged to carry out in accordance with ■ BIPRU 12.5;
- (2) in the case of a *simplified ILAS BIPRU firm*, an *Individual Liquidity Systems Assessment (ILSA)* which such a *firm* is obliged to carry out in accordance with ■ BIPRU 12.6; and
- (3) a *Supervisory Liquidity Review Process (SLRP)*, which is conducted by the *appropriate regulator*.

**12.2.15** FCA PRA G ■ BIPRU 12.5 sets out the *ILAS* framework. That section describes some of the stress tests that a *standard ILAS BIPRU firm* must carry out in conducting its *ILAA* and identifies a number of sources of *liquidity risk* in relation to which a *firm* is required to assess the impact of those stresses. For a *standard ILAS BIPRU firm*, the requirements in ■ BIPRU 12.5 are in addition to the stress testing requirements in ■ BIPRU 12.4. The *rules* in ■ BIPRU 12.5 require a *standard ILAS BIPRU firm* to report the results of both sets of stress tests in its *ILAA*, while the *rules* in ■ BIPRU 12.6 require a *simplified ILAS BIPRU firm* to report those results in its *ILSA*.

## 12.2.16

FCA PRA

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As part of its *SLRP*, the *appropriate regulator* will, having regard to the *liquidity risk* profile of the *firm*, consider:

- (1) the adequacy, both as to amount and quality, of the liquidity resources (including the liquid assets buffer) held by the *firm*; and
- (2) the degree of prudence reflected in the *firm's* funding profile.

## 12.2.17

FCA PRA

G

In assessing the adequacy of those resources, the *appropriate regulator* will consider a *firm's* overall ability to generate funding in a way that ensures that it can meet its liabilities as they fall due both in stressed and in ordinary business conditions.

## 12.2.18

FCA PRA

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After completing a review of the *ILAA* as part of the *SLRP*, the *appropriate regulator* will give a *standard ILAS BIPRU firm individual liquidity guidance*, advising it of the amount and quality of liquidity resources which the *appropriate regulator* considers are appropriate having regard to the *liquidity risk* profile of the *firm*. In giving *individual liquidity guidance*, the *appropriate regulator* will also advise the *firm* of what it considers to be a prudent funding profile for the *firm*. In giving the *firm individual liquidity guidance* as to its funding profile, the *appropriate regulator* will consider the extent to which the *firm's* liabilities are adequately matched by assets of appropriate maturities. Although the *appropriate regulator* may have given a *firm individual liquidity guidance*, this does not remove the need for the *firm* to monitor its *liquidity risk* profile on an ongoing basis and to consider whether it should be holding liquidity resources that are greater in amount or higher in quality, or maintaining a more prudent funding profile, than those advised in its *individual liquidity guidance*.

## 12.2.19

FCA PRA

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■ BIPRU 12.5 sets out in greater detail the *appropriate regulator's* *ILAS* regime. ■ BIPRU 12.9 sets out in greater detail the *appropriate regulator's* process for issuing an *ILAS BIPRU firm* with *individual liquidity guidance* and its approach to monitoring a *firm's* adherence to that *guidance* or, as the case may be, to the *simplified buffer requirement*.

 12.3

## 12.3.1

FCA

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The approach taken in ■ BIPRU 12.3 is to set out:

- (1) overarching systems and controls provisions in relation to a *firm's* management of its *liquidity risk*;
- (2) provisions outlining the responsibilities of that *firm's governing body* and *senior managers* for the oversight of *liquidity risk*;
- (3) more detailed provisions covering a number of specific areas, including:
  - (a) pricing *liquidity risk*;
  - (b) intra-day management of liquidity;
  - (c) management of collateral;
  - (d) management of liquidity across legal entities, business lines and currencies; and
  - (e) funding diversification and market access.

## 12.3.1A

PRA

G

The approach taken in ■ BIPRU 12.3 is to set out:

- (1) overarching systems and controls provisions in relation to a *firm's* management of its *liquidity risk*;
- (2) provisions outlining the responsibilities of that *firm's governing body* and *senior managers* for the oversight of *liquidity risk*;
- (3) more detailed provisions covering a number of specific areas, including:
  - (a) pricing *liquidity risk*;
  - (b) intra-day management of liquidity;
  - (c) management of collateral;
  - (d) management of liquidity across legal entities, business lines and currencies;
  - (e) funding diversification and market access; and
  - (f) asset encumbrance.

## 12.3.2

FCA PRA

G

■ BIPRU 12.4 contains further *rules* and *guidance* on stress testing and *contingency funding plans*. These are both extensions of the overarching systems and controls provisions in ■ BIPRU 12.3. In formulating the *rules* and *guidance* in these two sections, the *appropriate regulator* has taken account of the Principles for Sound Liquidity Management and Supervision dated September 2008 issued by the Basel Committee on Banking Supervision. It is intended that the content of ■ BIPRU 12.3 and ■ BIPRU 12.4 be consistent with those Principles.

## 12.3.3

FCA PRA

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■ BIPRU 12.5.4R provides that, in relation to a *standard ILAS BIPRU firm*, it must include in its *ILAA* an assessment of its compliance with the standards set out in ■ BIPRU 12.3 and ■ BIPRU 12.4, including the results of the stress tests required by the *rules* in ■ BIPRU 12.4. A *simplified ILAS BIPRU firm* is not subject to ■ BIPRU 12.5 and consequently it is not required to prepare an *ILAA*. Instead, the *rules* in ■ BIPRU 12.6 provide that such a *firm* is to carry out an *ILSA*, being alone an assessment of that *firm's* compliance with the standards set out in ■ BIPRU 12.3 and ■ BIPRU 12.4.

### Overarching liquidity systems and controls requirements

## 12.3.4

FCA PRA

R

A *firm* must have in place robust strategies, policies, processes and systems that enable it to identify, measure, manage and monitor *liquidity risk* over an appropriate set of time horizons, including intra-day, so as to ensure that it maintains adequate levels of liquidity buffers. These strategies, policies, processes and systems must be tailored to business lines, currencies, *branches* and legal entities and must include adequate allocation mechanisms of liquidity costs, benefits and risks.

[Note: article 86(1) of the *CRD*]

## 12.3.4A

FCA PRA

G

The strategies, policies, processes and systems referred to in ■ BIPRU 12.3.4 R should include those which enable it to assess and maintain on an ongoing basis the amounts, types and distribution of liquidity resources that it considers adequate to cover:

- (1) the nature and level of the *liquidity risk* to which it is or might be exposed;
- (2) the risk that the *firm* cannot meet its liabilities as they fall due; and
- (3) in the case of an *ILAS BIPRU firm*, the risk that its liquidity resources might in the future fall below the level, or differ from the quality and funding profile, of those resources advised as appropriate by the *appropriate regulator* in that *firm's individual liquidity guidance* or, as the case may, its *simplified buffer requirement*.

## 12.3.5

FCA PRA

R

The strategies, policies, processes and systems referred to in ■ BIPRU 12.3.4 R must be proportionate to the complexity, risk profile and scope of operation of the *firm*, and the liquidity risk tolerance set by the *firm's governing body* in accordance with ■ BIPRU 12.3.8 R, and must reflect the *firm's* importance in each *EEA State*, in which it carries on business .

[Note: article 86(2) (part) of the *CRD*]

12.3.5A

PRA

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The strategies, policies, process and systems referred to in ■ BIPRU 12.3.4 R must ensure that the risks associated with collateral management and asset encumbrance are adequately identified, monitored and managed.

12.3.6

FCA PRA

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- (1) [deleted]
- (2) [deleted]
- (3) A *firm* should ensure that its strategies, policies, processes and systems in relation to *liquidity risk* enable it to identify, measure, manage and monitor its *liquidity risk* positions for:
  - (a) all sources of contingent liquidity demand (including those arising from off-balance sheet activities);
  - (b) all currencies in which that *firm* is active; and
  - (c) correspondent, custody and settlement activities.
- (4) [deleted]
- (5) A *firm* should ensure that it has in place early warning indicators to identify immediately the emergence of increased *liquidity risk* or vulnerabilities, including indicators that signal whether embedded triggers in funding or security arrangements such as warranties, covenants, events of default, conditions precedent or terms having similar effect are likely to, or will, be breached, occur or fail to be satisfied, or contingent risks will or are likely to crystallise, in either case with the result that access to liquidity resources may be impaired.
- (6) A *firm* should ensure that it has in place reliable management information systems to provide its *governing body*, *senior managers* and other appropriate personnel with timely and forward-looking information on the liquidity position of the *firm*.
- (7) Contravention of any of (3), (5) and (6) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4R.

12.3.7

FCA PRA

G

As well as the *rules* in ■ BIPRU 12.3 requiring a *firm* to have robust systems to enable it to identify, measure, manage and monitor *liquidity risk*, an ILAS BIPRU *firm* is also subject to obligations in ■ SUP 16 (Reporting requirements) requiring it to report quantitative data about its liquidity position to the *appropriate regulator*. That chapter of SUP sets out the applicable *data items* and the *rules* governing the frequency of their submission to the *appropriate regulator*. Absent a *firm-specific liquidity stress* or a *market liquidity stress*, the *rules* in ■ SUP 16 do not require daily (weekly for a *low frequency liquidity reporting firm* and a *simplified ILAS BIPRU firm*) reporting of *data items*. An ILAS BIPRU *firm* should, however, note that those *rules* do require that it has systems in place to ensure that it is able at all times to meet the requirements for daily (or weekly as applicable) reporting of applicable *data items* even if there is no *firm-specific liquidity stress* or *market liquidity stress* and none is expected.

12.3.7A

FCA PRA

R

A *firm* must, taking into account the nature, scale and complexity of its activities, have liquidity risk profiles that are consistent with and not in excess of those required for a well-functioning and robust system.

[Note: article 86(3) of the *CRD*]

#### **Governing body and senior management oversight: liquidity risk tolerance**

12.3.8

FCA PRA

R

A *firm* must ensure that:

- (1) its *governing body* establishes that *firm's liquidity risk* tolerance and that this is appropriately documented;
- (2) its *liquidity risk* tolerance is appropriate for its business strategy and reflects its financial condition and funding capacity; and
- (3) its *liquidity risk* tolerance is communicated to all relevant business lines.

[Note: article 86(2) of the *CRD*]

12.3.8A

PRA

R

A *firm* must ensure that its *governing body* establishes that *firm's* approach to asset encumbrance and that this is appropriately documented.

12.3.9

FCA PRA

G

As part of the *SLRP*, the *appropriate regulator* will assess the appropriateness of the *liquidity risk* tolerance adopted by an *ILAS BIPRU firm* to ensure that this risk tolerance is consistent with maintenance by the *firm* of adequate liquidity resources for the purpose of the *overall liquidity adequacy rule*. The *appropriate regulator* will expect a *firm* to provide it with an adequately reasoned explanation for the level of *liquidity risk* which that *firm's governing body* has decided it should assume. In assessing the appropriateness of the *liquidity risk* tolerance adopted by a *firm*, the *appropriate regulator* will consider whether the tolerance adopted is consistent with the *firm's* satisfaction of threshold condition 2E, 3D, 4E or 5E as applicable. Consistent with the *appropriate regulator's* statutory objectives under the *Act*, in assessing the appropriateness of a *firm's* adopted *liquidity risk* tolerance the *appropriate regulator* will also have regard to the role and importance of a *firm* in the *UK financial system*.

#### **Governing body and senior management oversight: approval and review of arrangements**

12.3.10

FCA PRA

R

A *firm* must ensure that its *governing body* approves the *firm's* strategies, policies, processes and systems relating to the management of *liquidity risk*, including those described in ■ BIPRU 12.3.4R.

12.3.11

FCA PRA

R

A *firm* must ensure that its *governing body* reviews regularly (and not less frequently than annually):

- (1) the continued adequacy of any strategies, policies, processes and systems approved in accordance with ■ BIPRU 12.3.10R; and
- (2) the *firm's liquidity risk* tolerance.

12.3.12

FCA

R

A *firm* must ensure that its *senior managers*:

- (1) continuously review that *firm's* liquidity position, including its compliance with the *overall liquidity adequacy rule*; and
- (2) report to its *governing body* on a regular basis adequate information as to that *firm's* liquidity position and its compliance with the *overall liquidity adequacy rule* and with ■ BIPRU 12.3.4R.

12.3.12A

PRA

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A *firm* must ensure that its *senior managers*:

- (1) continuously review that *firm's* liquidity position, including its compliance with the *overall liquidity adequacy rule*;
- (2) report to its *governing body* on a regular basis adequate information as to that *firm's* liquidity position and its compliance with the *overall liquidity adequacy rule* and with ■ BIPRU 12.3.4 R; and
- (3) continuously review that *firm's* asset encumbrance position in accordance with that *firm's* approach to asset encumbrance.

12.3.13

FCA PRA

G

Although a *firm's senior managers* are likely to develop strategies, policies and practices for the management of that *firm's liquidity risk*, it is the responsibility of a *firm's governing body* to approve those strategies, policies and practices as adequate. In determining the adequacy of those strategies, policies and practices, a *firm's governing body* should have regard to that *firm's liquidity risk* tolerance established in accordance with ■ BIPRU 12.3.8R.

12.3.14

FCA PRA

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The *appropriate regulator* will assess the adequacy of an ILAS BIPRU *firm's liquidity risk* management framework as part of the SLRP.

### Pricing liquidity risk

12.3.15

FCA

A

- (1) In relation to all significant business activities, a *firm* should ensure that it accurately quantifies liquidity costs, benefits and risks and fully incorporates them into:
  - (a) product pricing;
  - (b) performance measurement and incentives; and
  - (c) the approval process for new products.
- (2) For the purposes of (1), a *firm* should ensure that it:
  - (a) includes significant business activities whether or not they are accounted for on-balance sheet; and



(b) carries out the exercise of quantification and incorporation both in normal financial conditions and under the stresses required by ■ BIPRU 12.4.1R.

(3) A *firm* should ensure that the liquidity costs, benefits and risks are clearly and transparently attributed to business lines and are understood by business line management.

(4) Contravention of any of (1), (2) or (3) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4R.

12.3.15A

R

PRA

(1) In relation to all significant business activities, a *firm* should ensure that it accurately quantifies liquidity costs, benefits and risks and fully incorporates them into:

(a) product pricing;

(b) performance measurement and incentives; and

(c) the approval process for new products.

(2) For the purposes of (1), a *firm* should ensure that it:

(a) includes significant business activities whether or not they are accounted for on-balance sheet; and

(b) carries out the exercise of quantification and incorporation both in normal financial conditions and under the stresses required by ■ BIPRU 12.4.1A R.

(3) A *firm* should ensure that the liquidity costs, benefits and risks are clearly and transparently attributed to business lines and are understood by business line management.

(4) Contravention of any of (1), (2) or (3) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4 R.

12.3.16

G

FCA PRA

The incorporation of liquidity pricing into a *firm's* processes assists in aligning the risk-taking incentives of individual business lines within that *firm* with the *liquidity risk* to which the *firm* as a whole is exposed as a result of their activities. It is important that all significant business activities are addressed, including activities which involve the creation of contingent exposures which may not have an immediate balance sheet impact.

### **Intra-day management of liquidity**

A *firm* must actively manage its intra-day liquidity positions and any related risks so that it is able to meet its payment and settlement obligations on a timely basis.

PAGE  
13

12.3.17

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FCA PRA

12.3.18

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FCA PRA

In complying with ■ BIPRU 12.3.17R, a *firm* should take into account all obligations arising from its acting as a custodian, a correspondent bank or a settlement agent.

12.3.19

FCA

R

For the purposes of ■ BIPRU 12.3.17R, a *firm* must ensure that:

- (1) it is able to meet its payment and settlement obligations on a timely basis under both normal financial conditions and under the stresses required by ■ BIPRU 12.4.1R; and
- (2) its arrangements for the management of intra-day liquidity enable it to identify and prioritise the most time-critical payment and settlement obligations.

12.3.19A

PRA

R

For the purposes of ■ BIPRU 12.3.17 R, a *firm* must ensure that:

- (1) it is able to meet its payment and settlement obligations on a timely basis under both normal financial conditions and under the stresses required by ■ BIPRU 12.4.1A R; and
- (2) its arrangements for the management of intra-day liquidity enable it to identify and prioritise the most time-critical payment and settlement obligations.

12.3.20

FCA PRA

G

The *appropriate regulator* considers that a *firm's* ability to meet its payment and settlement obligations on an intra-day basis is important not just for that *firm*, but also for the liquidity position of that *firm's* counterparties and for the smooth functioning of payment and settlement systems as a whole.

12.3.21

FCA PRA

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- (1) A *firm* should ensure that its intra-day liquidity management arrangements enable it, in relation to the markets in which it is active and the currencies in which it has significant positions, to:
  - (a) measure expected daily gross liquidity inflows and outflows, anticipate the intra-day timing of these flows where possible, and forecast the range of potential net funding shortfalls that might arise at different points during the day;
  - (b) monitor its intra-day liquidity positions against expected activities and available resources;
  - (c) identify gross liquidity inflows and outflows attributable to any correspondent, custodian or settlement agency services provided by that *firm*;
  - (d) manage the timing of its liquidity outflows such that priority is given to that *firm's* most time-critical obligations;
  - (e) deal with unexpected disruptions to its intra-day liquidity flows;
  - (f) acquire sufficient intra-day funding such that it is able to meet its most time-critical obligations when expected and other less time-critical obligations as soon as possible thereafter; and

(g) manage and mobilise collateral as necessary for the purposes of achieving the aim in (f).

(2) Contravention of any of (1)(a) to (g) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4R.

#### Management of collateral

12.3.22

**R**

A *firm* must actively manage its collateral positions.

FCA PRA

12.3.22A

**R**

A *firm* must distinguish between pledged and unencumbered assets that are available at all times, in particular during emergency situations. A *firm* must also take into account the legal entity in which assets reside, the country where assets are legally recorded either in a register or in an account as well as their eligibility and must monitor how assets can be mobilised in a timely manner.

FCA PRA

[Note: article 86(5) of the *CRD*]

12.3.22B

**R**

A *firm* must also have regard to existing legal, regulatory and operational limitations to potential transfers of liquidity and unencumbered assets amongst entities, both within and outside the *EEA*.

FCA PRA

[Note: article 86(6) of the *CRD*]

12.3.23

**R**

For the purposes of ■ BIPRU 12.3.22R, a *firm* must, in relation to all currencies in which it has significant positions and all jurisdictions in which it carries on significant business activities, ensure that it:

FCA PRA

- (1) can calculate all of its collateral positions, including assets currently provided as collateral, relative to the total amount of security required;
- (2) can calculate the amount of unencumbered assets available to it to be provided as collateral;
- (3) can mobilise collateral in a timely manner;
- (4) monitors the location of available collateral;
- (5) takes into account the extent to which counterparties with which it has deposited collateral may have re-hypothecated that collateral;
- (6) has access to adequately diversified sources of collateral;
- (7) assesses the eligibility of each major asset class that it holds for use as collateral with central banks;
- (8) assesses on an ongoing basis the acceptability of its assets to major counterparties and providers of funds in secured funding markets; and

- (9) monitors and manages the impact that the terms of existing funding or security arrangements, such as warranties, covenants, events of default, negative pledges and cross default clauses could have on its ability to mobilise collateral including for use in borrowing under any central bank facility (in particular, emergency liquidity assistance on a secured basis).

12.3.24

FCA

G

For the purposes of ■ BIPRU 12.3.23R (8) and ■ (9), a *firm* should take into account the impact of the stresses that it conducts under ■ BIPRU 12.4.1R on the requirements which may be imposed on the provision of its assets as collateral (for example, haircuts) and also the availability of funds from private counterparties during such periods of stress.

12.3.24A

PRA

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For the purposes of ■ BIPRU 12.3.23 R (8) and ■ BIPRU 12.3.23 R (9), a *firm* should take into account the impact of the stresses that it conducts under ■ BIPRU 12.4.1A R on the requirements which may be imposed on the provision of its assets as collateral (for example, haircuts) and also the availability of funds from private counterparties during such periods of stress.

12.3.25

FCA

A

- (1) A *firm* should ensure that its arrangements for the management of *liquidity risk*:

- (a) enable it to monitor shifts between intra-day and overnight or term collateral usage;
- (b) enable it to appropriately adjust its calculation of available collateral to account for assets that are part of a tied hedge;
- (c) include adequate consideration of the potential for uncertainty around, or disruption to, intra-day asset flows; and
- (d) take into account the potential for additional collateral requirements under the terms of contracts governing existing collateral positions (for example, as a result of a deterioration in its own credit rating).

- (2) Contravention of any of (1)(a) to (d) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4 R.

12.3.25A

PRA

A

- (1) A *firm* should ensure that its arrangements for the management of *liquidity risk*:

- (a) enable it to monitor shifts between intra-day and overnight or term collateral usage;
- (b) enable it to appropriately adjust its calculation of available collateral to account for assets that are part of a tied hedge;
- (c) include adequate consideration of the potential for uncertainty around, or disruption to, intra-day asset flows; and

(d) take into account the potential for additional collateral requirements under the terms of contracts governing existing collateral positions (for example, as a result of a deterioration in its own credit rating) and the impact of these on its asset encumbrance position.

(2) Contravention of any of (1)(a) to (d) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4 R.

#### Managing liquidity across legal entities, business lines and currencies

12.3.26

FCA PRA

R

In complying with ■ BIPRU 12.3.4 R, a *firm* must ensure that:

- (1) it actively manages its *liquidity risk* exposures and related funding needs; and
- (2) it takes into account:
  - (a) the impact on its own liquidity position of its forming part of a *group*;
  - (b) the need to manage the liquidity position of individual business lines in addition to that of the *firm* as a whole; and
  - (c) the *liquidity risk* arising from its taking positions in foreign currencies; and
- (3) where it forms part of a *group*, it understands and has regard to any legal, regulatory, operational or other constraints on the transferability to it of funds and collateral by other entities in that *group*.

12.3.27

FCA PRA

R

A *firm* must develop methodologies for the identification, measurement, management and monitoring of funding positions. Those methodologies must include the current and projected material cash-flows in and arising from assets, liabilities, off-balance-sheet items, including contingent liabilities and the possible impact of reputational risk.

[Note: article 86(4) of the *CRD*]

12.3.28

FCA PRA

G

In its *liquidity risk* management plans, a *firm* should identify clearly its assumptions regarding the transferability of funds and collateral. A *firm* should expect that the *appropriate regulator* will scrutinise those assumptions.

#### Funding diversification and market access

12.3.29

FCA PRA

R

In complying with ■ BIPRU 12.3.4 R, a *firm* must ensure that it has access to funding which is adequately diversified, both as to source and tenor.

12.3.30  
FCA PRA

**R** A *firm* must ensure that its *governing body*:

- (1) is aware of the composition, characteristics and degree of diversification of its assets and funding sources; and
- (2) regularly reviews its funding strategy in the light of any changes in the environment in which it operates.

12.3.31  
FCA PRA

**G**

Funding diversification should not be considered an end in its own right. Rather, the purpose of diversification is to ensure that a *firm* has in place alternative sources of funding that strengthen its capacity to withstand a variety of severe yet plausible institution-specific and market-wide liquidity shocks.

12.3.32  
FCA PRA

**A**

- (1) A *firm* should ensure that funding diversification is taken into account in that *firm's* business planning process.
- (2) A *firm* should ensure that its funding arrangements take into account correlations between market conditions and the ability to access funds from different sources.
- (3) A *firm* should ensure that in establishing adequate diversification it sets limits on its funding according to the following variables:
  - (a) maturity;
  - (b) nature of depositor or counterparty;
  - (c) levels of secured and unsecured funding;
  - (d) instrument type;
  - (e) securitisation vehicle;
  - (f) currency; and
  - (g) geographic market.
- (4) A *firm* should ensure that it maintains an ongoing presence in its chosen funding markets and strong relationships with its chosen providers of funds.
- (5) A *firm* should regularly test its capacity to raise funds quickly from its chosen funding sources to provide short, medium and long-term liquidity.
- (6) A *firm* should ensure that its *senior managers* identify the main factors that affect its ability to raise funds and should monitor those factors closely to ensure that their estimates of fund raising capacity remain valid.
- (7) Contravention of any of (1) to (6) may be relied upon as tending to establish contravention of **■** BIPRU 12.3.4 R.

**Asset encumbrance**

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12.3.33

**R**

A *firm* must actively manage its asset encumbrance position.

PRA

12.3.34

**R**

For the purposes of ■ BIPRU 12.3.33 R, a *firm* must ensure that:

PRA

- (1) its policies take into account the *firm's* business model, the specificities of the funding markets and the macroeconomic situation; and
- (2) its *governing body* receives timely information on:
  - (a) the level, evolution and types of asset encumbrance;
  - (b) the amount, evolution and credit quality of unencumbered but encumberable assets; and
  - (c) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

12.3.35

**G**

Asset encumbrance occurs when assets are used to secure creditors' claims so that they are no longer available to general creditors in the event of a *firm's* failure. The PRA considers that this is the case where an asset is, either explicitly or implicitly, pledged or subject to an arrangement to secure, collateralise or credit-enhance a transaction

PRA

## 12.4 Stress testing and contingency funding

12.4.-2

FCA PRA

R

A *firm* must consider different liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and an adequately diversified funding structure and access to funding sources. Those arrangements must be reviewed regularly.

[Note: article 86(7) of the *CRD*]

### Stress testing

12.4.-1

FCA PRA

R

A *firm* must consider alternative scenarios on liquidity positions and on risk mitigants and must review the assumptions underlying decisions concerning the funding position at least annually. For these purposes, alternative scenarios must address, in particular, off-balance sheet items and other contingent liabilities, including those of *securitisation special purpose entities (SSPEs)* or other special purpose entities, as referred to in the *EU CRR*, in relation to which the *firm* acts as *sponsor* or provides material liquidity support.

[Note: article 86(8) of the *CRD*]

12.4.1

FCA

R

In order to ensure compliance with the *overall liquidity adequacy rule* and with ■ BIPRU 12.3.4R and ■ BIPRU 12.4.-1 R , a *firm* must:

- (1) conduct on a regular basis appropriate stress tests so as to:
  - (a) identify sources of potential liquidity strain;
  - (b) ensure that current liquidity exposures continue to conform to the *liquidity risk* tolerance established by that *firm's governing body*; and
  - (c) identify the effects on that *firm's* assumptions about pricing; and
- (2) analyse the separate and combined impact of possible future liquidity stresses on its:
  - (a) cash flows;
  - (b) liquidity position;



(c) profitability; and

(d) solvency.

12.4.1A

PRA

R

In order to ensure compliance with the *overall liquidity adequacy rule* and with ■ BIPRU 12.3.4 R and ■ BIPRU 12.4.1 R, a *firm* must:

(1) conduct on a regular basis appropriate stress tests so as to:

(a) identify sources of potential liquidity strain;

(b) ensure that current liquidity exposures continue to conform to the *liquidity risk* tolerance established by that *firm's governing body*; and

(c) identify the effects on that *firm's* assumptions about pricing; and

(d) identify contingent asset encumbrance; and

(2) analyse the separate and combined impact of possible future liquidity stresses on its:

(a) cash flows;

(b) liquidity position;

(c) profitability; and

(d) solvency.

12.4.1B

PRA

G

For the purpose of ■ BIPRU 12.4.1A R (1)(d), the stress tests should take into account a range of different stress scenarios, including downgrades in the *firm's* credit rating, devaluation of pledged assets and increases in margin requirements.

12.4.2

FCA PRA

R

In accordance with ■ BIPRU 12.3.11R, ■ BIPRU 12.4.-2 R and ■ BIPRU 12.4.-1 R, a *firm* must ensure that its *governing body* reviews regularly the stresses and scenarios tested to ensure that their nature and severity remain appropriate and relevant to that *firm*.

12.4.3

FCA PRA

G

Consistent with ■ BIPRU 12.3.5R, the expects that the extent and frequency of such testing, as well as the degree of regularity of *governing body* review under ■ BIPRU 12.4.2R, should be proportionate to the nature scale and complexity of a *firm's* activities, as well as to the size of its liquidity risk exposures. Consistent with the *appropriate regulator's* statutory objectives under the *Act*, in assessing the adequacy of a *firm's* stress testing arrangements (including their frequency and the regularity of *governing body* review) the *appropriate regulator* will also have regard to the role and importance of that *firm* in the *UK financial system*. The *appropriate regulator* will, however, expect stress testing and *governing body* review to be carried out no less frequently than annually. The *appropriate regulator* expects that a *firm* will build into its stress testing arrangements the capability to increase the frequency of those tests in special circumstances, such as in volatile market conditions or where requested by the *appropriate regulator*.

12.4.4

FCA PRA

G

For the purposes of ■ BIPRU 12.4.2R, a review should take into account:

- (1) changes in market conditions;
- (2) changes in the nature, scale or complexity of the *firm's* business model and activities; and
- (3) the *firm's* practical experience in periods of stress.

12.4.5

A

(1) [deleted]

(2) [deleted]

12.4.5A

FCA PRA

R

**A *firm* must consider the potential impact of institution-specific, market-wide and combined alternative scenarios. Different time periods and varying degrees of stressed conditions must be considered.**

**[Note: article 86(9) of the CRD]**

12.4.6

FCA PRA

G

The *appropriate regulator* expects every *firm*, including a *firm* with an apparently strong liquidity profile, to consider the potential impact of severe stress scenarios.

12.4.7

FCA PRA

G

In conducting its stress testing, a *firm* should also, where relevant, consider the impact of its chosen stresses on the appropriateness of its assumptions relating to:

- (1) correlations between funding markets;
- (2) the effectiveness of diversification across its chosen sources of funding;
- (3) additional margin calls and collateral requirements;
- (4) contingent claims, including potential draws on committed lines extended to third parties or to other entities in that *firm's group*;
- (5) liquidity absorbed by off-balance sheet vehicles and activities (including conduit financing);
- (6) the transferability of liquidity resources;
- (7) access to central bank market operations and liquidity facilities;
- (8) estimates of future balance sheet growth;
- (9) the continued availability of market liquidity in a number of currently highly liquid markets;
- (10) ability to access secured and unsecured funding (including retail *deposits*);
- (11) currency convertibility; and
- (12) access to payment or settlement systems on which the *firm* relies.

12.4.8



FCA PRA

- (1) A *firm* should ensure that the results of its stress tests are:
- (a) reviewed by its *senior managers*;
  - (b) reported to that *firm's governing body*, specifically highlighting any vulnerabilities identified and proposing appropriate remedial action;
  - (c) reflected in the processes, strategies and systems established in accordance with ■ BIPRU 12.3.4R;
  - (d) used to develop effective *contingency funding plans*;
  - (e) integrated into that *firm's* business planning process and day-to-day risk management; and
  - (f) taken into account when setting internal limits for the management of that *firm's liquidity risk* exposure.
- (2) Contravention of any of (1)(a) to (f) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4 R.

12.4.9



FCA PRA

A *firm* must ensure that the results of its stress tests are reported to the *appropriate regulator* in a timely manner.

#### Contingency funding plans

12.4.10



FCA PRA

A *firm* must adjust its strategies, internal policies and limits on *liquidity risk* and develop an effective *contingency funding plan*, taking into account the outcome of the alternative scenarios referred to in ■ BIPRU 12.4.-1 R.

[Note: article 86(10) of the *CRD*]

12.4.11



FCA PRA

A *firm* must have in place liquidity recovery plans setting out adequate strategies and proper implementation measures in order to address possible liquidity shortfalls, including in relation to *branches* established in another *EEA State*. Those plans must be tested at least annually, updated on the basis of the outcome of the alternative scenarios set out in ■ BIPRU 12.4.-1 R, and be reported to and approved by the *firm's governing body*, so that internal policies and processes can be adjusted accordingly. A *firm* must take the necessary operational steps in advance to ensure that liquidity recovery plans can be implemented immediately.

[Note: article 86(11) (part) of the *CRD*]

12.4.11A



PRA

For a *firm* that is a *CRD credit institution* the operational steps referred to in ■ BIPRU 12.4.11 R must include holding collateral immediately available for central bank funding. This includes holding collateral where necessary in the currency of another *EEA State*, or currency of a *non-EEA state* to which the *firm* has exposures, and where operationally necessary within the territory of a *Host State* or *non-EEA state* to whose currency it is exposed.

[Note: article 86(11) (part) of the *CRD*]

12.4.12

FCA

G

A *contingency funding plan* sets out a *firm's* strategies for addressing liquidity shortfalls in emergency situations. Its aim should be to ensure that, in each of the stresses required by ■ BIPRU 12.4.1R, it would still have sufficient liquidity resources to ensure that it can meet its liabilities as they fall due.

12.4.12A

PRA

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A *contingency funding plan* sets out a *firm's* strategies for addressing liquidity shortfalls in emergency situations. Its aim should be to ensure that, in each of the stresses required by ■ BIPRU 12.4.1A R, it would still have sufficient liquidity resources to ensure that it can meet its liabilities as they fall due.

12.4.13

FCA

R

A *firm* must ensure that its *contingency funding plan*:

- (1) outlines strategies, policies and plans to manage a range of stresses;
- (2) establishes a clear allocation of roles and clear lines of management responsibility;
- (3) is formally documented;
- (4) includes clear invocation and escalation procedures;
- (5) is regularly tested and updated to ensure that it remains operationally robust;
- (6) outlines how that *firm* will meet time-critical payments on an intra-day basis in circumstances where intra-day liquidity resources become scarce;
- (7) outlines that *firm's* operational arrangements for managing a retail funding run;
- (8) in relation to each of the sources of funding identified for use in emergency situations, is based on a sufficiently accurate assessment of:
  - (a) the amount of funding that can be raised from that source; and
  - (b) the time needed to raise funding from that source;
- (9) is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement systems;
- (10) outlines how that *firm* will manage both internal communications and those with its external stakeholders; and

12.4.13A

PRA

R

A *firm* must ensure that its *contingency funding plan*:

- (1) outlines strategies, policies and plans to manage a range of stresses;
- (2) establishes a clear allocation of roles and clear lines of management responsibility;
- (3) is formally documented;
- (4) includes clear invocation and escalation procedures;
- (5) is regularly tested and updated to ensure that it remains operationally robust;
- (6) outlines how that *firm* will meet time-critical payments on an intra-day basis in circumstances where intra-day liquidity resources become scarce;
- (7) outlines that *firm's* operational arrangements for managing a retail funding run;
- (8) in relation to each of the sources of funding identified for use in emergency situations, is based on a sufficiently accurate assessment of:
  - (a) the amount of funding that can be raised from that source; and
  - (b) the time needed to raise funding from that source;
- (9) is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement systems;
- (10) outlines how that *firm* will manage both internal communications and those with its external stakeholders;
- (11) establishes mechanisms to ensure that the *firm's governing body* and senior managers receive management information that is both relevant and timely; and
- (12) outlines strategies to address the contingent asset encumbrance resulting from the relevant stress events.

12.4.14

FCA

E

- (1) In designing a *contingency funding plan* a *firm* should ensure that it takes into account:

12.4.14A



PRA

- (a) the impact of stressed market conditions on its ability to sell or securitise assets;
  - (b) the impact of extensive or complete loss of typically available market funding options;
  - (c) the financial, reputational and any other additional consequences for that *firm* arising from the execution of the *contingency funding plan* itself;
  - (d) its ability to transfer liquid assets having regard to any legal, regulatory or operational constraints; and
  - (e) its ability to raise additional funding from central bank market operations and liquidity facilities.
- (2) Contravention of any of (1)(a) to (e) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4R.

(1) In designing a *contingency funding plan* a *firm* should ensure that it takes into account:

- (a) the impact of stressed market conditions on its ability to sell or securitise assets;
- (b) the impact of extensive or complete loss of typically available market funding options;
- (c) the financial, reputational and any other additional consequences for that *firm* arising from the execution of the *contingency funding plan* itself;
- (d) its ability to transfer liquid assets having regard to any legal, regulatory or operational constraints;
- (e) its ability to raise additional funding from central bank market operations and liquidity facilities; and
- (f) the impact of increased collateral requirements.

(2) Contravention of any of (1)(a) to (f) may be relied upon as tending to establish contravention of ■ BIPRU 12.3.4 R.

12.4.15



FCA

PRA

A *firm* should ensure that its *contingency funding plan* takes into account the terms and conditions of any central bank liquidity facilities to which it has access, including both facilities that form part of normal liquidity management operations and emergency liquidity assistance on a secured basis. Where a *firm* includes in its *contingency funding plan* the use of central bank liquidity facilities it should consider the nature of those facilities, collateral eligibility, haircuts to which its collateral might be subject, terms in its existing or available funding arrangements which might impact its ability to access central bank facilities, operational arrangements for accessing those facilities and the potential reputational consequences for that *firm* in accessing them. In formulating its *contingency funding plan*, a *firm* should not rely on expectations it may have about future changes to central bank facilities, either in relation to their

normal liquidity management operations or in relation to the availability of specific liquidity facilities in exceptional circumstances.

12.4.16

FCA

G

The *appropriate regulator* expects that a *firm's contingency funding plan* will encompass a range of actions that the *firm* might take in anticipation of or in response to changes in its funding position. These changes could result from either *firm-specific* or general developments. The *appropriate regulator* anticipates that different actions in a *contingency funding plan* would be taken at different stages of a developing situation.

12.4.16A

PRA

G

The *appropriate regulator* expects that a *firm's contingency funding plan* will encompass a range of actions that the *firm* might take in anticipation of or in response to changes in its funding position or asset encumbrance position. These changes could result from either *firm-specific* or general developments. The *appropriate regulator* anticipates that different actions in a *contingency funding plan* would be taken at different stages of a developing situation.

## 12.5 Individual Liquidity Adequacy Standards

### Individual Liquidity Adequacy Assessment

12.5.1

FCA PRA

R

This section applies to a *standard ILAS BIPRU firm*.

12.5.2

FCA PRA

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A *firm* must carry out an individual liquidity adequacy assessment (*ILAA*) in accordance with this section.

12.5.3

FCA PRA

G

In conducting its *ILAA*, a *firm* is obliged to comply with the stress testing and related requirements which appear in this section. The *rules* in this section also provide that in its *ILAA* a *firm* must include an assessment of the *firm's* compliance with the standards set out in ■ BIPRU 12.3 and ■ BIPRU 12.4.

12.5.4

FCA PRA

R

A *firm* must ensure that:

- (1) it regularly carries out an *ILAA*;
- (2) it makes a written record of its *ILAA*;
- (3) its *ILAA* is proportionate to the nature, scale and complexity of its activities;
- (4) its *ILAA* takes into account whole-*firm* and group-wide liquidity resources only to the extent that reliance on these is permitted by the *appropriate regulator*;
- (5) its *ILAA* includes an assessment of the results of the stress tests required by ■ BIPRU 12.5.6 R; and
- (6) its *ILAA* includes an assessment of the *firm's* compliance with ■ BIPRU 12.3 and ■ BIPRU 12.4, including the results of the stress tests required by the rules in ■ BIPRU 12.4.

12.5.5

FCA PRA

G

A *firm* should carry out an *ILAA* at least annually, or more frequently if changes in its business or strategy or the nature, scale or complexity of its activities or the operational environment suggest that the current level of liquidity resources is no longer adequate. A *firm* should expect that its usual supervisory contact at the *appropriate regulator* will ask for the *ILAA* to be submitted as part of the ongoing supervisory process.



12.5.6

FCA PRA

R

A *firm* must ensure that in carrying out its *ILAA* it considers how that *firm's* liquidity resources change as a result of:

- (1) the stress in ■ BIPRU 12.5.8 R (the first liquidity stress);
- (2) the stress in ■ BIPRU 12.5.11 R (the second liquidity stress); and
- (3) the first and second liquidity stresses occurring simultaneously.

#### ILAA stresses

12.5.7

FCA PRA

G

The *appropriate regulator* will review the results of a *firm's* *ILAA*, including the results of the stress tests required by ■ BIPRU 12.5.6R, as part of its *Supervisory Liquidity Review Process (SLRP)*. The *appropriate regulator's* review of the stress test results will assist it assessing the adequacy of a *firm's* liquidity resources relative to other *ILAS BIPRU firms* and, consequently, in calibrating the *individual liquidity guidance* that it gives to that *firm*. ■ BIPRU 12.9.2G sets out the *appropriate regulator's* approach to assessing the adequacy of a *firm's* liquidity resources and indicates that, among other factors, it will have regard to the *firm's* *ILAA*. It is not, therefore, the case that the amount of liquidity resources advised to the *firm* as being adequate in its *individual liquidity guidance* will necessarily equate to the amount needed to meet its liabilities as they fall due in the stresses required by ■ BIPRU 12.5.6R. The *appropriate regulator* will assess the adequacy of a *firm's* liquidity resources on a case-by-case basis and, accordingly, the amount of liquidity resources judged as adequate in the *firm's* *individual liquidity guidance* might be either above or below the amount needed to survive the stresses required by ■ BIPRU 12.5.6R.

#### First liquidity stress

12.5.8

FCA PRA

R

The first liquidity stress to which ■ BIPRU 12.5.6R refers is an unforeseen, name-specific, liquidity stress in which:

- (1) financial market participants and retail depositors consider that in the short-term the *firm* will be or is likely to be unable to meet its liabilities as they fall due;
- (2) the *firm's* counterparties reduce the amount of intra-day credit which they are willing to extend to it;
- (3) the *firm* ceases to have access to foreign currency spot and *swap* markets; and
- (4) over the longer-term the *firm's* obligations linked to its credit rating crystallise as a result of a reduction in that credit rating.

12.5.9

FCA PRA

R

For the purpose of ■ BIPRU 12.5.8R (1) to ■ (3), a *firm* must assume that the initial, short-term, period of stress lasts for at least two weeks.

12.5.10

FCA PRA

G

For the purpose of ■ BIPRU 12.5.8R (4), a *firm* should consider the effect of credit rating downgrades of varying degrees of severity. In doing so, it should also consider the cumulative effect of successive credit rating downgrades to its long-term credit rating.

12.5.11

FCA PRA

R

The second liquidity stress to which ■ BIPRU 12.5.6R refers is an unforeseen, market-wide liquidity stress of three *months* duration.

12.5.12

FCA PRA

R

For the purpose of ■ BIPRU 12.5.11R, a *firm* must assume that the second liquidity stress is characterised by:

- (1) uncertainty as to the accuracy of the valuation attributed to that *firm's* assets and those of its counterparties;
- (2) inability to realise, or ability to realise only at excessive cost, particular classes of assets, including those which represent claims on other participants in the financial markets or which were originated by them;
- (3) uncertainty as to the ability of a significant number of *firms* to ensure that they can meet their liabilities as they fall due; and
- (4) risk aversion among participants in the markets on which the *firm* relies for funding.

#### ILAA methodology

12.5.13

FCA PRA

R

In carrying out the liquidity stresses required by ■ BIPRU 12.5.6R, a *firm* must:

- (1) analyse each of the sources of risk identified in ■ BIPRU 12.5.14R;
- (2) record the evidence which supports any behavioural assumptions that it makes in carrying out those stress tests;
- (3) record the evidence which supports its assessment of the adequacy of its liquid assets buffer; and
- (4) identify those of the measures set out in its *contingency funding plan* that it would implement.

12.5.14

FCA PRA

R

The sources of risk referred to in ■ BIPRU 12.5.13R are:

- (1) wholesale secured and unsecured funding risk;
- (2) retail funding risk;
- (3) intra-day *liquidity risk*;
- (4) intra-group *liquidity risk*;
- (5) cross-currency *liquidity risk*;

- (6) off-balance sheet *liquidity risk*;
- (7) franchise-viability risk;
- (8) marketable assets risk;
- (9) non-marketable assets risk; and
- (10) funding concentration risk.

#### Wholesale secured and unsecured funding risk

12.5.15

FCA PRA

R

For the purpose of assessing its wholesale funding risk, a *firm* must estimate the gross wholesale outflows that could occur under the liquidity stresses required by ■ BIPRU 12.5.6R.

12.5.16

FCA PRA

R

In assessing its wholesale funding risk, a *firm* must:

- (1) identify its wholesale liabilities;
- (2) determine how those liabilities behave under normal financial conditions;
- (3) assess how they will behave under the stresses required by ■ BIPRU 12.5.6R; and
- (4) divide its wholesale liabilities into funding which the *firm* assesses as having a higher than average likelihood of withdrawal in response to actual or perceived changes in the *firm's* credit-worthiness (Type A wholesale funding) and other funding (Type B wholesale funding).

12.5.17

FCA PRA

G

In assessing how its liabilities behave under stress, the *firm* should categorise its liabilities according to value, maturity and estimated speed of outflow. The *firm* should bear in mind that wholesale funding risk may crystallise as an acute loss of funds in the short term, or as a longer-term gradual leakage of funds, or as both.

12.5.18

FCA PRA

G

In the *appropriate regulator's* view, Type A wholesale funding is likely to include at least funding which:

- (1) is accepted from a *credit institution*, local authority, *insurance undertaking*, pension fund, money market fund, asset manager (including a hedge fund manager), government-sponsored agency, sovereign government, or sophisticated non-financial corporation; or
- (2) is accepted through the treasury function of a sophisticated non-financial corporation which may be assumed to respond swiftly to negative news about a *firm's* credit-worthiness; or
- (3) is accepted on wholesale market terms as a part of a *firm's* money market operations; or

- (4) is accepted from a depositor with whom a *firm* does not have a long-established relationship or to whom a *firm* does not supply a range of services; or
- (5) is accepted from overseas counterparties (other than those in the country or territory of incorporation of a *firm's parent undertaking* or, in the case of a *UK branch*, of the *firm* of which it forms part); or
- (6) is obtained through unsecured debt instruments (such as certificates of deposit, medium-term notes and commercial paper); or
- (7) is not obtained through *repo* against assets of the type described in ■ BIPRU 12.7.2R (1) or ■ BIPRU 12.7.2R (2); or
- (8) is obtained from counterparties with a relatively low creditor seniority on the liquidation of the *firm*.

12.5.19

FCA PRA

R

For the purpose of ■ BIPRU 12.5.15R, a *firm* must assume that it is unable to roll any of its Type A wholesale funding in the first two weeks of the stresses.

#### Retail funding risk

12.5.20

FCA PRA

R

In this part of ■ BIPRU 12.5, retail funding is funding that is accepted from a *consumer*.

12.5.21

FCA PRA

R

For the purpose of assessing its retail funding risk, a *firm* must:

- (1) estimate the gross retail outflows that could occur under the liquidity stresses required by ■ BIPRU 12.5.6R;
- (2) identify the stress, or combination of stresses, to which it considers its retail funding to be most vulnerable and estimate the gross retail outflows that could occur under that stress or combination of stresses; and
- (3) divide its retail funding into funding which the *firm* assesses as having a higher than average likelihood of withdrawal in response to actual or perceived changes in the *firm's* credit-worthiness (Type A retail funding) and other funding (Type B retail funding).

12.5.22

FCA PRA

G

In general, the *appropriate regulator* expects a *firm's* retail funding to be less responsive than its wholesale funding to actual or perceived changes in the *firm's* credit-worthiness. However, a *firm* should nevertheless make its own assessment of the relative responsiveness of its wholesale and retail funding.

12.5.23

FCA PRA

G

For the purposes of assessing behaviour under stress, a *firm* should categorise its retail liabilities according to: value, maturity, estimated speed of outflow, product type, interest rate applied and any other factor that it considers relevant to its retail *deposit* structure.

## 12.5.24

FCA PRA

G

A *firm* should also be mindful that its retail funding profile is unlikely to be constant. In carrying out its *ILAA*, a *firm* should have regard to any changes to its retail funding profile since the previous *ILAA* and also to the possible impact of any future changes on its ability to maintain retail funding during periods of stress. In its *ILAA* submission to the *appropriate regulator*, a *firm* should include an analysis of:

- (1) its retail funding profile as at the date of its *ILAA*;
- (2) its retail funding profile over the twelve *months* preceding its *ILAA*;
- (3) its projected retail funding profile over the twelve *months* following the date of its *ILAA*; and
- (4) its approach to assessing which of its retail funding it has classed as Type A retail funding and which as Type B retail funding.

## 12.5.25

FCA PRA

G

In the *appropriate regulator's* view Type A retail funding is likely to include at least funding which:

- (1) has been accepted through the internet; or
- (2) is considered to have a more than average sensitivity to interest rate changes (such as a *deposit* whose acceptance can reasonably be attributed to the use of price-focused advertising by the *firm* accepting the *deposit*); or
- (3) in relation to any individual depositor exceeds to a significant extent the amount of that individual's *deposits* with the accepting *firm* that are covered by a national deposit guarantee scheme; or
- (4) is not accepted from a depositor with whom the *firm* has had a long relationship; or
- (5) is accepted from retail depositors who can access their *deposits* before their residual contractual maturity subject to a loss of interest or payment of another form of early access charge (as a general proposition, the behaviour of liabilities to retail depositors is likely to depend in part on the contractual terms and conditions which give rise to those liabilities); or
- (6) is not held in an account which is maintained for transactional purposes.

**Intra-day liquidity risk**

## 12.5.26

FCA PRA

R

For the purpose of assessing its intra-day *liquidity risk* arising from its direct participation in a payment or settlement system, a *firm* must in relation to each such system in which it participates:

- (1) calculate on an intra-day basis the net amounts of collateral and cash required by that *firm* to fund participation in that system; and
- (2) estimate how the amounts in (1) could change under the liquidity stresses required by ■ BIPRU 12.5.6 R.

12.5.27

FCA PRA

G

For the purpose of calculating the net amounts of collateral and cash under

■ BIPRU 12.5.26R, a *firm* should separately analyse:

- (1) the amounts of collateral and cash needed in relation to both its own payments and those of its customers; and
- (2) the intra-day timing of the payment of cash and the posting of the collateral, including the time at which the demand for its collateral and cash is greatest.

12.5.28

FCA PRA

G

For the purpose of ■ BIPRU 12.5.26R, a *firm* should ensure that it takes into account, in both normal financial conditions and in periods of stress, the effect of:

- (1) other participants in a payment system withholding some or all of the payments expected from them; and
- (2) its customers increasing either or both the volume and value of their payments.

12.5.29

FCA PRA

R

At the same time as it carries out the calculation and estimation in ■ BIPRU 12.5.26 R, a *firm* which participates directly in one or more payment or settlement systems must also estimate the impact on its liquidity position of the customer to which it has the largest intra-day credit exposure defaulting on its payment obligations to the *firm*:

- (1) under normal financial conditions; and
- (2) under the stresses required by ■ BIPRU 12.5.6 R.

12.5.30

FCA PRA

G

For the purpose of ■ BIPRU 12.5.29R, a *firm* should assume that the effect of that default is that the exposure is rolled overnight.

12.5.31

FCA PRA

R

A *firm* must, as part of its *ILAA* submission to the *appropriate regulator* :

- (1) identify those payment and settlement systems in which it is a direct participant; and
- (2) provide details of the intra-day credit policies that it applies, including the criteria against which it sets credit limits, when extending credit to a customer which is not a direct participant in the payment or settlement system in question.

12.5.32

FCA PRA

G

For the purpose of ■ BIPRU 12.5.31R, the *appropriate regulator* would expect a *firm*, in relation to each payment or settlement system in which it participates directly, to provide details of:

- (1) that *firm's* charges for providing intra-day credit;
- (2) any collateral requirements which it applies to its customers;

- (3) the credit limits that it imposes (and the circumstances, if any, in which credit may be provided notwithstanding a limit breach);
- (4) the extent to which the customers of that *firm* make use of the credit extended to them; and
- (5) where relevant, the points during the day at which a customer is required to settle, or provide assets as collateral to cover, that *firm's* credit exposure to it.

## 12.5.33

FCA PRA

R

■ BIPRU 12.5.34R applies to a *firm* which:

- (1) is not a direct participant in a given payment or settlement system;
- (2) is a customer of a *firm* that is a direct participant in such a system for the purposes of gaining access to that system; and
- (3) receives intra-day credit from that participant *firm* or prefunds its account with such a *firm*.

## 12.5.34

FCA PRA

R

For the purpose of assessing its intra-day *liquidity risk* a *firm* to which ■ BIPRU 12.5.33R applies must assess the effect on its own position of a participant *firm* from which it receives intra-day credit or with which it has a prefunded account being unable to perform its obligations to that *firm*:

- (1) under normal financial conditions; and
- (2) under the stresses required by ■ BIPRU 12.5.6 R.

## 12.5.35

FCA PRA

G

As part of its *ILAA* submission to the *appropriate regulator*, a *firm* to which ■ BIPRU 12.5.33R applies should include:

- (1) details of any alternative arrangements that it has in place to ensure that it continues to be able to meet its liabilities as they fall due in the circumstances set out in ■ BIPRU 12.5.34R; and
- (2) details of the policies governing the use of intra-day credit provided to it by a *firm* which is a direct participant in a given payment or settlement system, including details of the criteria against which that participant will decide whether to reduce or cease the provision of intra-day credit.

### Intra-group liquidity risk

## 12.5.36

FCA PRA

R

Where a *firm* has an *intra-group liquidity modification* permitting it to rely on liquidity from other members of its *group* in order to satisfy the *overall liquidity adequacy rule*, or may be exposed to calls on its own liquidity resources from others in its *group*, then in assessing its *intra-group liquidity risk* it must:

- (1) take into account:

- (a) the extent to which it and other entities in its *group* have access to central bank funding;
  - (b) in relation to any *group* entity on which a *firm* relies for liquidity support, the legal and regulatory regime to which that entity is subject, in particular that covering liquidity regulation; and
  - (c) the contractual arrangements governing any agreed forms of intra-*group* liquidity support (including committed funding lines); and
- (2) assume that in periods of stress, *group* entities will not repay loans or *deposits* made by the *firm* to them, but that the *firm* will meet its liabilities that fall due to other *group* entities during the period of the relevant stress.

12.5.37

FCA PRA

G

For the purpose of ■ BIPRU 12.5.36R, a *firm* should consider the full range of legal and regulatory restrictions on the availability to it of liquidity support from other members of its *group*. A *firm* should ensure that it understands restrictions in force in other jurisdictions, as well as the potential for such restrictions to be imposed in the future, as to the allowable size of intra-*group* exposures. A *firm* should also consider the circumstances in which it may find itself obliged to transfer liquidity resources to other entities in its *group*.

12.5.38

FCA PRA

R

In relation to an *incoming EEA firm* or *third country BIPRU firm* which does not have a *whole-firm liquidity modification*, that *firm* must assess the risk that its *UK branch* may be exposed to calls on liquidity under its control from its head office:

- (1) in normal financial conditions; and
- (2) under the liquidity stresses required by ■ BIPRU 12.5.6 R.

12.5.39

FCA PRA

G

In complying with ■ BIPRU 12.5.38R a *firm* is therefore assessing its exposure to inter-office *liquidity risk*, rather than intra-*group liquidity risk*. It is the *appropriate regulator's* assessment of the *firm's* inter-office *liquidity risk* that is one of the factors that will inform the *appropriate regulator's* decision as to the appropriate size for the *firm's* local operational liquidity reserve (as described in ■ BIPRU 12.2).

### Cross-currency liquidity risk

12.5.40

FCA PRA

R

For the purpose of assessing its cross-currency *liquidity risk*, a *firm* must:

- (1) in relation to each currency in which it has significant positions, calculate its gross outflows and gross inflows having regard to their respective maturities;



- (2) where it identifies a net outflow in (1), assess how it will fund that outflow; and
- (3) estimate how the amounts in (1) and the assessment in (2) could change under the liquidity stresses required by ■ BIPRU 12.5.6R.

12.5.41

FCA PRA

R

A *firm* must, as part of its *ILAA* submission to the *appropriate regulator*, in relation to each currency in which it has significant positions:

- (1) identify the type of financial instruments which that firm uses to raise funding in that currency;
- (2) identify the main counterparties which provide funding to that *firm* in that currency; and
- (3) describe the arrangements that it has in place to fund net outflows in that currency on a timely basis.

#### Off-balance sheet liquidity risk

12.5.42

FCA PRA

R

For the purpose of assessing its off-balance sheet *liquidity risk*, a *firm* must:

- (1) identify all off-balance sheet activities that might affect its cash flows;
- (2) calculate the effect on its cash flows of those activities in normal financial conditions; and
- (3) estimate the effect on its cash flows of those activities under the liquidity stresses required by ■ BIPRU 12.5.6R.

12.5.43

FCA PRA

R

For the purpose of ■ BIPRU 12.5.42R, a *firm* must take into account the circumstances in which it may choose to provide liquidity support in respect of its off-balance sheet activities beyond its contractual obligations (if any) to do so.

12.5.44

FCA PRA

R

For the purpose of ■ BIPRU 12.5.42R, a *firm* must in particular consider the impact on its cash flows of:

- (1) *derivatives* positions;
- (2) contingent liabilities;
- (3) commitments given; and
- (4) liquidity facilities to support securitisation programmes.

12.5.45

FCA PRA

G

In relation to *derivatives* positions, a *firm* should:

- (1) assess the effect on its cash flows arising from the maturity, exercise and repricing of *derivatives* in which it holds a position, including the impact of counterparties:
  - (a) who may require the posting of additional margin or collateral in the event of a decline in that *firm's* credit rating;
  - (b) who may require the posting of additional margin or collateral (or the return to them of margin or collateral) in the event of a change in the value of a *derivative* or of the posted collateral;
  - (c) who (in the case of those that are any of a *recognised investment exchange*, a *designated investment exchange* or a *recognised clearing house*) may require the posting of additional margin in volatile market conditions;
  - (d) who may choose to terminate an *OTC derivative* which they have entered into with the *firm* rather than post additional margin or collateral;
  - (e) who, in periods of name-specific liquidity stress experienced by the *firm*, may choose to terminate out of the money *derivatives* which they have entered into with that *firm*; and
  - (f) who, in periods of stress, may choose to post less liquid collateral than would likely be the case in normal financial conditions; and
- (2) assume that under the stresses required by ■ BIPRU 12.5.6 R there may be uncertainty as to the accuracy of the valuation attributed to a *derivative* contract.

12.5.46

FCA PRA

G

In relation to its contingent liabilities, a *firm* should:

- (1) calculate the impact on its cash flows of those of its contingent obligations that will be triggered in normal financial conditions; and
- (2) estimate the impact on its cash flows of those of its contingent obligations that may be triggered under the liquidity stresses required by ■ BIPRU 12.5.6 R.

12.5.47

FCA PRA

G

For the purpose of ■ BIPRU 12.5.46G, a *firm* should therefore assess the impact on its cash flows of the triggering of contingent obligations contained in all contractual documentation to which it is party, including: acceptances, endorsements, guarantees, underwriting agreements, standby letters of credit, documentary credits, warrants, indemnities, undrawn note issuance facilities and other revolving credit facilities. A *firm* should also assess the degree of concentration in its total contingent liabilities as respects obligations arising from particular types of contract, counterparty and market sector.

12.5.48

FCA PRA

G

In relation to its commitments (other than liquidity facilities to support securitisation programmes)), a *firm* should:

- (1) calculate its maximum contractual exposure arising from those commitments;

- (2) calculate the effect on its cash flows of the drawing of those commitments in normal financial conditions; and
- (3) estimate the effect on its cash flows of the drawing of those commitments under the liquidity stresses required by ■ BIPRU 12.5.6 R.

## 12.5.49

FCA PRA

G

For the purpose of ■ BIPRU 12.5.48G, a firm should:

- (1) consider its contractual exposure to the following types of commitment: committed funding facilities, undrawn loans and advances to wholesale counterparties, mortgages that have been agreed but not yet been drawn down, credit cards, overdrafts (and other retail lending facilities);
- (2) ensure that its analysis of each type of commitment is sufficiently granular to enable that *firm* to:
  - (a) assess the circumstances in which counterparties will draw down;
  - (b) identify the extent of any correlations as between counterparties in deciding whether or not to draw down;
  - (c) identify the extent to which decisions by the *firm's* counterparties to draw down may be correlated to a decline in the *firm's* own liquidity resources; and
  - (d) assess the proportion of its total commitments attributable to particular counterparties; and
- (3) assess the extent to which draw down requires the counterparty in question to deliver to the *firm* collateral in the form of marketable assets, while also assessing the anticipated effect of such a requirement on:
  - (a) the likelihood that the counterparty in question will draw down; and
  - (b) the *firm's* liquidity position if the counterparty in question delivers collateral on draw down; and
- (4) assess the impact on its cash flows of its commitment counterparties experiencing liquidity stress at the same time as that *firm* is subject to the stresses required by ■ BIPRU 12.5.6 R.

## 12.5.50

FCA PRA

G

In relation to liquidity facilities to support securitisation programmes, a *firm* should:

- (1) assess the extent of its contractual obligations to provide liquidity support to sponsored and third-party structured vehicles;
- (2) identify the circumstances in which support will, or is likely to, be called; and
- (3) assess the impact on that *firm's* cash flows of such support being called:
  - (a) in normal financial conditions; and
  - (b) under the liquidity stresses required by ■ BIPRU 12.5.6R.

**12.5.51** **G** For the purpose of ■ BIPRU 12.5.50G (2), a *firm* should consider the impact of the following events on the likelihood of a call for liquidity support: inability of a vehicle to roll over commercial paper (due either to disruption in the CP market or to concern as to the quality of the assets securitised) and, in relation to sponsored vehicles, concern as to the solvency of that *firm* as sponsor and, separately, the possibility of draw down of undrawn commitments entered into by the sponsored vehicle in its own right.

**FCA** **PRA**

### Franchise-viability risk

**12.5.52** **R** For the purposes of assessing its franchise-viability risk, a *firm* must assess, under the liquidity stresses required by ■ BIPRU 12.5.6 R, the liquidity resources required to maintain its core business franchise and reputation.

**FCA** **PRA**

**12.5.53** **G** Franchise-viability risk is the risk that in the stresses required by ■ BIPRU 12.5.6R a *firm* may not have sufficient liquidity resources to maintain its core business franchise and reputation.

**FCA** **PRA**

**12.5.54** **G** In complying with ■ BIPRU 12.5.52R, a *firm* should assess the extent to which it can and realistically will:

**FCA** **PRA**

- (1) restrict new retail lines without significantly damaging customer relationships;
- (2) restrict new wholesale lending without significantly damaging its ability to resume such lending following the period of stress in question;
- (3) cease to provide liquidity support to its sponsored vehicles;
- (4) decline to exercise call *options* whose effect if not exercised might be to cause market participants to question the *firm's* ability to continue to meet its liabilities as they fall due; and
- (5) continue any regular programme of buying back its issued debt.

**12.5.55** **G** For the purpose of ■ BIPRU 12.5.54G (5), a *firm* may wish to continue repurchasing its debt to help demonstrate that a two-way market continues to be made in its paper and, more generally, in order to maintain the long-term viability of its debt issuance programme. Equally, a *firm* may wish to continue repaying retail depositors before the contractual maturity of those *deposits* in order to maintain confidence in its ability to continue to meet its liabilities as they fall due.

**FCA** **PRA**

### Marketable assets risk

**12.5.56** **R** For the purpose of assessing its exposure to marketable assets risk, a *firm* must assess how the marketable assets comprised in its liquidity resources will behave:

**FCA** **PRA**

- (1) under normal financial conditions; and
- (2) under the liquidity stresses identified in ■ BIPRU 12.5.6R, including an assessment of the effect of these stresses on:

- (a) its ability to derive funding from its marketable assets in a timely fashion;
- (b) the potential for using those assets as collateral to raise secured funding and the size of the haircut likely to be required by a counterparty;
- (c) the likelihood and extent of forced-sale loss; and
- (d) the effect on its business activities of any changes in (a) to (c) identified as likely to result from those liquidity stresses.

12.5.57

FCA PRA

G

In complying with ■ BIPRU 12.5.56R, a *firm* should consider all marketable assets which count towards its liquidity resources for the purposes of meeting the *overall liquidity adequacy rule*. A firm should therefore include in this assessment any assets that it holds in its liquid assets buffer.

12.5.58

FCA PRA

G

The *appropriate regulator* regards as marketable those of a *firm's* assets that it is able to sell outright or *repo*. For liquidity management purposes, a *firm* would ordinarily expect to hold a stock of assets of this kind in order to reduce the likelihood that it may need to borrow unsecured at short notice. To the extent that these assets may behave differently under stress conditions than under normal financial conditions, a *firm* is subject to marketable assets risk.

12.5.59

FCA PRA

G

As a general proposition, the speed with which a *firm* may be able to realise a marketable asset, and the price impact of doing so, will depend to a significant extent on the volume of those assets which that *firm* wishes to realise and the market conditions prevailing at the time.

12.5.60

FCA PRA

G

The behaviour of a *firm's* marketable assets under conditions of stress is likely to depend on a number of different factors, including:

- (1) the depth and competitiveness of the market for the marketable asset in question, the size of the bid-offer spread, the presence of committed market-makers, the nature of the information available to potential counterparties, the degree of structural complexity of the assets in question and the assets eligibility in central bank market operations and liquidity facilities; and
- (2) that *firm's* operational capability to generate funding from those assets in a timely manner.

12.5.61

FCA PRA

G

In considering its operational capability to generate funding from assets, a *firm* should be aware that its capability in this regard is likely to depend on:

- (1) whether it has in place arrangements for *repo*;
- (2) the extent to which that *firm* already holds a significant proportion of the market for the marketable asset in question;
- (3) the extent to which that *firm* periodically realises some or all of its holdings of that asset; and

- (4) that *firm's* accounting treatment and valuation of that asset.

12.5.62

FCA PRA

R

For the purpose of its *ILAA* submission to the *appropriate regulator*, a *firm* must provide the *appropriate regulator* with an analysis of the profile of its marketable assets as at the date of submission in a way that:

- (1) separately identifies its marketable assets according to asset class, maturity, currency, their eligibility for use in central bank monetary operations and liquidity facilities and any other characteristic that it uses in its liquidity management; and
- (2) assesses the degree of diversification achieved across its marketable assets.

#### Non-marketable assets risk

12.5.63

FCA PRA

R

For the purpose of assessing its exposure to non-marketable assets risk, a *firm* must assess how the non-marketable assets in its liquidity resources will behave:

- (1) under normal financial conditions; and
- (2) under the liquidity stresses required by ■ BIPRU 12.5.6 R, including an assessment of the effect of these stresses on:
  - (a) the *firm's* ability to derive funding from its non-marketable assets; and
  - (b) the impact on the *firm's* liquidity position of any consequences for its funding ability identified in (a).

12.5.64

FCA PRA

G

In complying with ■ BIPRU 12.5.63R, a *firm* should consider all non-marketable assets which count towards its liquidity resources for the purposes of meeting the *overall liquidity adequacy rule*.

12.5.65

FCA PRA

G

■ BIPRU 12.2.5 G notes that a *firm* should include in its liquidity resources sufficient assets which are marketable or otherwise realisable. The *appropriate regulator* considers those assets which are capable of realisation, but other than through *repo* or outright sale, as non-marketable assets. To the extent that these assets may behave differently under stress conditions than under normal financial conditions, a *firm* is subject to non-marketable assets risk. Different forms of non-marketable assets risk arise, particularly in relation to:

- (1) retail loans; and
- (2) unsecured wholesale assets.

12.5.66

FCA PRA

G

In addition to realising a *firm's* marketable assets, a *firm* can meet its outflows in part by expected inflows from maturing non-marketable assets such as retail loans. Inflows

from these assets (principal and interest) may in stressed conditions be affected by counterparty behaviour, exposing that *firm* to non-marketable assets risk.

12.5.67

FCA PRA

R

For the purpose of assessing its exposure to non-marketable assets risk a *firm* must assess the extent to which the behaviour of inflows from retail loans under the liquidity stresses required by ■ BIPRU 12.5.6R may differ from that suggested by their contractual terms.

12.5.68

FCA PRA

G

For the purpose of the assessment in ■ BIPRU 12.5.67R, a *firm* should ensure that it assesses repayment behaviour at a level of granularity sufficient to enable it to draw informed conclusions about its liquidity exposure. The *appropriate regulator* would expect a *firm's* assessment to analyse separately the non-marketable assets risk associated with each of its relevant products and with each type of counterparty from whom it is expecting repayments.

12.5.69

FCA PRA

G

For the purpose of the assessment in ■ BIPRU 12.5.67R, a *firm* should in particular have regard to the risk associated with:

- (1) repayment defaults; and
- (2) exercise by its counterparties of contractual rights to repay before the expected maturity date or to delay repayment beyond that date.

12.5.70

FCA PRA

G

A *firm* may also use its unsecured wholesale assets to generate liquidity, otherwise than by outright sale or *repo*. A *firm* may, for example, choose to generate funding from some of the assets included in its liquidity resources by using them in securitisation or covered bond programmes. Assets that are typically used to raise liquidity in this manner include residential mortgage loans; commercial mortgage and other loans; credit card and automobile receivables, which have been packaged for the wholesale markets. To the extent that the ability to fund from these non-marketable assets may be limited under stressed conditions, a *firm* may be exposed to non-marketable assets risk.

12.5.71

FCA PRA

G

The assessment required by ■ BIPRU 12.5.63R is particularly important for a *firm* which:

- (1) ordinarily does not raise funding from its non-marketable assets in this way; or
- (2) places proportionately greater reliance on securitisation programmes as compared to other funding strategies to generate liquidity.

12.5.72

FCA PRA

R

In complying with ■ BIPRU 12.5.63R, a *firm* must in particular assess the non-marketable assets risk associated with asset securitisations, having regard to:

- (1) the existence of early amortisation triggers and the consequences of their operation; and
- (2) its financing of assets which are warehoused prior to their securitisation.

12.5.73

FCA PRA

G

A *firm* which chooses to warehouse assets in the way described in ■ BIPRU 12.5.72R should consider the particular risks that arise from the method of financing that it uses to pre-fund those assets. For example, financing of warehoused assets by means of short-term (rather than long-term) funding is more likely to put that *firm* under liquidity pressure in the event that its proposed securitisation is not completed (either at all, or at the expected date).

### Funding concentration risk

12.5.74

FCA PRA

G

A *firm* with a sufficiently flexible funding strategy should be able to reduce its *liquidity risk* by diversifying its liquidity resources.

12.5.75

FCA PRA

R

**As part of its ILAA, a *firm* must assess the impact on the degree of diversification in its liquidity resources of the stresses required by ■ BIPRU 12.5.6R.**

12.5.76

FCA PRA

G

For the purpose of ■ BIPRU 12.5.75R, a *firm* should take into account the extent to which its liquidity resources are diversified according to:

- (1) type of instrument and product;
- (2) currency;
- (3) counterparty;
- (4) liability term structure; and
- (5) market for their realisation (provided that such market is open to the *firm* as counterparty).

12.5.77

FCA PRA

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A *firm* should be aware that the degree of diversification in its liquidity resources can be compromised, particularly in periods of stress, by a number of factors, including:

- (1) reduced or terminated funding provision from some counterparties as a result of that *firm's* credit-rating being downgraded or its financial condition deteriorating;
- (2) disputes over the terms of legally binding commitments to lend which delay the provision of funding;
- (3) markets previously used by the *firm* for raising funding ceasing to be open or operating but at reduced capacity;
- (4) reliance on a small number of brokers to access funding sources; and
- (5) positive correlations in the behaviour of different instruments and products.



## 12.6 Simplified ILAS

### 12.6.1

FCA PRA

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

### 12.6.2

FCA PRA

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

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

### 12.6.3

FCA PRA

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

### 12.6.4

FCA PRA

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

### 12.6.5

FCA PRA

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

12.6.6

FCA PRA

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**Simplified ILAS conditions**

The first condition is that:

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

12.6.6A

FCA PRA

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

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

12.6.7

FCA PRA

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In this section :

- (1) a retail *deposit* is a *deposit* accepted from a *consumer*; and
- (2) SME *deposits* are *deposits* accepted from, and account balances where the account holders are, *small and medium-sized enterprises* (or *partnerships* or *sole traders* or *charities* which would be *small and medium-sized enterprises* if they were companies).

12.6.8

FCA PRA

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The second condition is that no less than 99.5% of the *firm's* total assets and no less than 99.5% of its total liabilities are denominated in sterling, euros or United States dollars.

#### Size of the simplified buffer requirement

12.6.9

FCA PRA

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- (1) A *simplified ILAS BIPRU firm* must ensure that the size of its liquid assets buffer is at all times greater than or equal to 50% of the amount produced by adding:
  - (a) the wholesale net cash outflow component;
  - (b) the retail and SME *deposit* component; and
  - (c) the credit pipeline component.
- (2) This is the *simplified buffer requirement*.

#### The wholesale net cash outflow component

12.6.10

FCA PRA

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- (1) The wholesale net cash outflow component is a *firm's* peak cumulative wholesale net cash outflow over the next three *months* where the peak is established by:
  - (a) calculating the daily wholesale net cash flow by reference to a *firm's* wholesale assets maturing that day and its wholesale liabilities falling due on that day;
  - (b) for each of the *business days* in the next three *months*, calculating the cumulative total of such daily net cash flows as at the *business day* in question; and
  - (c) identifying the minimum cumulative total figure out of all of the cumulative total figures calculated in accordance with (b).
- (2) The figure identified in (1)(c) is the peak cumulative wholesale net cash outflow.
- (3) For the purpose of calculating the peak cumulative wholesale net cash outflow, a *firm* must:
  - (a) exclude from the calculation in (1)(a) cash flows attributable to *repo* and reverse *repo*, forward sales, forward purchases, redemptions and any other transactions entered into by the

*firm* where the security leg of the transaction in question is in respect of securities of the type described in

■ BIPRU 12.7.2R (1) and ■ (2);

- (b) include wholesale cash outflows in that calculation according to their earliest contractual maturity;
- (c) exclude wholesale cash flows attributable to reserves in the form of sight deposits with a central bank and *designated money market funds* that it includes in its liquid assets buffer in accordance with the *rules* on asset eligibility in ■ BIPRU 12.7; and
- (d) exclude any retail *deposits* or SME *deposits*.

#### The retail and SME deposit component

12.6.11

FCA PRA

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(1) The retail and SME *deposit* component is the sum represented by:

- (a) 20% of a *firm's* Type A retail *deposits*;
- (b) 10% of a *firm's* Type B retail *deposits*; and
- (c) 20% of a *firm's* SME *deposits*.

(2) A *firm* must:

- (a) assess the likelihood that retail *deposits* that it holds will be withdrawn in response to actual or perceived changes in the *firm's* credit-worthiness;
- (b) calculate the amount of retail *deposits* that it assesses as having a higher than average likelihood of withdrawal in the circumstances described in (a) (Type A retail *deposits*); and
- (c) class all other of its retail *deposits* as Type B retail *deposits*.

12.6.12

FCA PRA

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In the *appropriate regulator's* view, a Type A retail *deposit* is likely to include one which:

- (1) has been accepted through the internet; or
- (2) is considered to have a more than average sensitivity to interest rate changes (such as a deposit whose acceptance can reasonably be attributed to the use of price-focused advertising by the *firm* accepting the *deposit*); or
- (3) in relation to any individual depositor exceeds to a significant extent the amount of that individuals *deposits* with the accepting *firm* that are covered by a national deposit guarantee scheme; or
- (4) is not accepted from a depositor with whom the *firm* has had a long relationship; or

- (5) is accepted from retail depositors who can access their *deposits* before their residual contractual maturity subject to a loss of interest or payment of another form of early access charge (as a general proposition, the behaviour of liabilities to retail depositors is likely to depend in part on the contractual terms and conditions which give rise to those liabilities); or
- (6) is not held in an account which is maintained for transactional purposes.

## 12.6.13

FCA PRA

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Before applying for a *simplified ILAS waiver*, a *firm* must prepare a written policy statement recording its approach to assessing the likelihood of withdrawal of its retail *deposits* in the circumstances described in ■ BIPRU 12.6.11R (2)(a) and ensure that:

- (1) the *firm's governing body* approves and conducts appropriate reviews of the policy statement; and
- (2) the *firm* submits a copy of the policy statement to its usual supervisory contact at the *appropriate regulator*.

## 12.6.14

FCA PRA

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In considering a *firm's* application for a *simplified ILAS waiver*, the *appropriate regulator* will take into account the *firm's* policy statement submitted to it under ■ BIPRU 12.6.13R and form a view about the appropriateness of the assumptions on which the policy statement is based. Where a policy statement submitted after the grant of a *simplified ILAS waiver* reflects a materially different assessment to that set out in the policy statement considered as part of a *firm's* *waiver* application, a *firm* should expect that the *appropriate regulator* will wish to review the continued appropriateness of the *firm's* *simplified ILAS waiver* and in so doing will re-examine afresh all matters to which it had regard when the *waiver* in question was granted. The *appropriate regulator* expects a *firm* to review the appropriateness of its policy statement as often as is necessary and in any event no less frequently than annually. A *firm* should always review the continued appropriateness of its policy statement following a material change to the nature of the *firm's* business. Where a *firm* updates or otherwise changes its policy statement it should submit promptly to the *appropriate regulator* the new document.

### The credit pipeline component

## 12.6.15

FCA PRA

R

The credit pipeline component is the sum represented by 25% of a *firm's* credit facilities offered to its *customers* but which are yet to be drawn down, including:

- (1) offers to make loans secured on residential property;
- (2) overdraft facilities; and
- (3) credit card facilities.

### Buffer securities restriction

## 12.6.16

FCA PRA

R

- (1) A *simplified ILAS BIPRU firm* may only include in its liquid assets buffer eligible government and *designated multilateral development bank* debt securities up to the value of the *buffer securities restriction*.

- (2) For the purpose of calculating the *buffer securities restriction*, a *firm* must:
  - (a) calculate its daily net flow in government and *designated multilateral development bank* debt securities eligible as classes of assets for inclusion in the *firm's* liquid assets buffer;
  - (b) for each of the *business days* in the next three *months* calculate the cumulative total of such daily securities flows, including the opening balance, as at the *business day* in question; and
  - (c) identify the minimum cumulative total figure out of all of the cumulative total figures calculated in accordance with (b).
  
- (3) For the purpose of (2)(a), a *firm* must include :
  - (a) all contractual inflows and outflows of eligible debt securities arising from *repo*, reverse *repo*, forward sales, forward purchases, redemptions and any other transactions involving those securities; and
  - (b) those cash flows excluded under ■ BIPRU 12.6.10 R (3)(a).

12.6.17

FCA PRA

G

In mathematical terms the calculation in ■ BIPRU 12.6.9R and ■ BIPRU 12.6.16R may be represented as follows:

Liquidity Buffer  $\geq$  (Wholesale net cash outflow component + Retail and SME deposit component + Credit pipeline component)  $\times 0.5$

Liquidity buffer	$FSA048_{18,1} + FSA048_{19,1} + FSA048_{6,1} + FSA048_{6,2} + FSA048_{25,2} + FSA048_{34,2}$ $+ \inf \{f(x) : x = 1,2,3..y\}$ <p>where :</p> $f(x) = \sum_{m=1}^x FSA047_{6,m} + \sum_{m=1}^x FSA047_{25,m} + \sum_{m=1}^x FSA047_{34,m}$
Retail and SME deposit component	$\left( 0.2 \times \sum_{n=33}^{54} \sum_{m=1}^{10} FSA048_{n,m} \right) + \left( 0.1 \times \sum_{m=1}^{10} FSA048_{55,m} \right)$
Credit pipeline component	$0.25 \times \left( \sum_{n=39}^{69} FSA048_{n,1} \right)$
Wholesale net cash outflow component	$\min \left( 0, \left( \sum_{n=20}^{22} FSA048_{n,1} \right) + \left( \sum_{n=26}^{30} FSA048_{n,2} \right) + \left( \sum_{n=35}^{39} FSA048_{n,2} \right) + \left( \sum_{n=44}^{51} FSA048_{n,1} \right) + \left( \sum_{m=1}^5 FSA048_{52,m} \right) + FSA048_{36,1} + \inf \{g(x) : x = 1,2,3..y\} \right)$ <p>where :</p> $g(x) = \sum_{m=1}^y \left[ \left( \sum_{n=20}^{23} FSA047_{n,m} \right) + \left( \sum_{n=26}^{30} FSA047_{n,m} \right) + \left( \sum_{n=35}^{51} FSA047_{n,m} \right) + FSA047_{57,m} \right]$

Where :

y = number of business days in three months

FSAxxx<sub>m,n</sub> = The entry in FSAxxx row m column n

inf {f(x) : x = 1,2,3} represents the greatest lower bound of the function f(x) over the range x = 1,2,3

**Foreign currency positions**

12.6.18

FCA PRA

R

- (1) Subject to (3), a *simplified ILAS BIPRU firm* that has assets or liabilities denominated in either or both euros and United States dollars must carry out separate calculations under ■ BIPRU 12.6.9R in relation to its positions in each of those currencies, in addition to that which it carries out in relation to its sterling positions (if any).
- (2) A *firm* to which (1) applies must ensure that, for the purpose of meeting the *simplified buffer requirement*, it holds in its liquid assets buffer assets denominated in either or both euros and United States dollars (as relevant) greater than or equal to the amount produced by the calculation in the corresponding currency required under (1), in addition to any sterling liquid assets that it is required to hold in its buffer in respect of its sterling positions.
- (3) Paragraph (1) does not apply to a *simplified ILAS BIPRU firm* that hedges fully its positions in either or both euros and United States dollars such that the *firm* is not exposed to any cross-currency *liquidity risk* in respect of those positions.

### Content of the simplified ILAS liquid assets buffer

12.6.19

FCA PRA

G

The *rules* in ■ BIPRU 12.7 set out the sorts of assets that are eligible for the liquid assets buffer of an *ILAS BIPRU firm*. Every *ILAS BIPRU firm* may include in its buffer reserves in the form of sight deposits at a central bank and high quality debt securities issued by governments and *designated multilateral development banks* subject to the eligibility rules in ■ BIPRU 12.7. ■ BIPRU 12.7 provides that a *simplified ILAS BIPRU firm* may also include in its buffer investments in a *designated money market fund*.

12.6.20

FCA PRA

G

A *simplified ILAS BIPRU firm* may include in the liquid assets buffer any combination of the eligible assets permitted by the *rules* in ■ BIPRU 12.7.

### ILSA

12.6.21

FCA PRA

R

- (1) A *simplified ILAS BIPRU firm* must regularly carry out an *ILSA* which contains an assessment of the *firm's* compliance with the standards set out in ■ BIPRU 12.3 and ■ BIPRU 12.4, including the results of the stress tests required by the rules in ■ BIPRU 12.4.
- (2) The *firm* must make a written record of its *ILSA*.
- (3) The *ILSA* must be proportionate to the nature, scale and complexity of that *firm's* activities.
- (4) The *ILSA* must take into account *group-wide* liquidity resources only to the extent that reliance on these is permitted by the *appropriate regulator*.

12.6.22

FCA PRA

G

For the purpose of ■ BIPRU 12.6.21R, a *firm* should carry out an *ILSA* at least annually, or more frequently if changes in its business or strategy or the nature, scale or complexity of its activities or the operational environment suggest that the current level of liquidity resources is no longer adequate. A *firm* should expect that the *firm's* usual supervisory contact at the *appropriate regulator* will ask for the *ILSA* to be submitted as part of the ongoing supervisory process.



## 12.7 Liquid assets buffer

### 12.7.1

FCA PRA

G

■ BIPRU 12.2 provides that an *ILAS BIPRU firm* must ensure that its liquidity resources contain an adequate buffer of high quality, unencumbered assets. ■ BIPRU 12.7 describes in more detail the nature of the assets that are eligible for inclusion in that buffer. The *rules* in this section provide that some types of assets are eligible for use only by a *simplified ILAS BIPRU firm*.

### 12.7.2

FCA PRA

R

For the purpose of satisfying ■ BIPRU 12.2.8R, a *firm* to which this section applies may include in its liquid assets buffer only:

- (1) high quality debt securities issued by a government or central bank;
- (2) securities issued by a *designated multilateral development bank*;
- (3) reserves in the form of sight deposits with a central bank of the kind specified in ■ BIPRU 12.7.5R and ■ BIPRU 12.7.6R; and
- (4) in the case of a *simplified ILAS BIPRU firm* only, investments in a *designated money market fund*.

### 12.7.2A

PRA

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Notwithstanding ■ BIPRU 12.7.2 R, for the purpose of satisfying ■ BIPRU 12.2.8 R a *Shari'ah compliant firm* may include *sukuk* in its liquid assets buffer.

### 12.7.3

FCA PRA

R

Subject to ■ BIPRU 12.7.4R, for the purpose of ■ BIPRU 12.7.2R (1), a *firm* may include only a debt security which is:

- (1) issued by the central government or central bank of an *EEA State*;  
or
- (2) issued by the central government or central bank of Canada, the Commonwealth of Australia, Japan, Switzerland or the United States of America.

12.7.4

FCA PRA

R

For the purpose of ■ BIPRU 12.7.3R, a *firm* may not include a debt security unless:

- (1) the central government or central bank in question has been assessed by at least two *eligible ECAIs* as having a credit rating associated with credit quality step 1 in the table set out in ■ BIPRU 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps); and
- (2) that debt security is either:
  - (a) denominated in the domestic currency of the country in question; or
  - (b) denominated in a currency other than the domestic currency, provided it is denominated in any of Canadian dollars, euros, Japanese yen, sterling, Swiss francs or United States dollars.

12.7.5

FCA PRA

R

Subject to ■ BIPRU 12.7.6R, for the purpose of ■ BIPRU 12.7.2R (3) a *firm* may include only reserves in the form of sight deposits held by the *firm* with the central bank of:

- (1) an *EEA State*; or
- (2) Canada, the Commonwealth of Australia, Japan, Switzerland or the United States of America.

12.7.6

FCA PRA

R

For the purpose of ■ BIPRU 12.7.5R, a *firm* may not include reserves held at a central bank unless:

- (1) the central bank in question has been assessed by at least two *eligible ECAIs* as having a credit rating associated with credit quality step 1 in the table set out in ■ BIPRU 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps); and
- (2) those reserves are denominated in the domestic currency of the central bank in question.

12.7.6A

FCA PRA

R

For the purpose of ■ BIPRU 12.7.2R (2), a *firm* may not include securities issued by a *designated multilateral development bank* unless:

- (1) the *designated multilateral development bank* in question has been assessed by at least two *eligible ECAIs* as having a credit rating associated with credit quality step 1 in the table set out in ■ BIPRU 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps); and

- (2) those securities are denominated in any of Canadian dollars, euros, Japanese yen, sterling, Swiss francs or United States dollars.

12.7.7

FCA PRA

G

It is important that a *firm* identifies and understands the range of central bank facilities in which it is eligible to participate. A *firm* may be eligible to participate in some facilities of this kind by virtue of its having a *branch* in a particular country. In addition to identifying the central bank facilities to which it has access, a *firm* should ensure that it has in place appropriate legal and administrative arrangements to enable it to draw on those facilities in a timely manner.

12.7.8

FCA PRA

G

In deciding on the precise composition of its liquid assets buffer, a *firm* should ensure that it tailors the contents of the buffer to the needs of its business and the *liquidity risk* that it faces. In particular, a *firm* should ensure that it holds assets in its buffer which can be realised with the speed necessary to meet its liabilities as they fall due. In doing so, a *firm* should have regard to the currencies in which its liabilities are denominated and should take into account the potential effect of stressed conditions on its ability to access spot and *swap* foreign exchange markets in a manner consistent with the settlement cycles of foreign exchange settlement systems. A *firm* should have regard to the results of its *ILAA* or, as the case may be, its *ILSA*, in assessing the speed with which its liabilities fall due in stressed and non-stressed conditions.

12.7.8A

PRA

R

For the purpose of ■ BIPRU 12.7.2A R, a *Shari'ah compliant firm* may include only a *sukuk* which:

- (1) is issued by a government or central bank or *designated multilateral development bank*; or
- (2) satisfies the following conditions:
  - (a) the *sukuk* is not issued by a member of the *financial sector* or where that member is a member of a *group* by any member of that *group*; and
  - (b) the issuer of the *sukuk* has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 3 or above in the table set out in ■ BIPRU 12 Annex 1 (Mapping of credit assessments of *ECAs* to credit quality steps).

12.7.8B

PRA

R

For the purpose of ■ BIPRU 12.7.8A R, a *Shari'ah compliant firm* may count *sukuk* only up to the limits on the share of total assets in the *firm's* liquid assets buffer and after haircuts have been applied as follows:

- (1) For the purpose of ■ BIPRU 12.7.8A R (1),
  - (a) if the central bank or government or *designated multilateral development bank* in question has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 1 in the table set out in ■ BIPRU 12 Annex 1 (Mapping of credit assessments of *ECAs* to credit quality steps), *sukuk* can comprise an unlimited share of the total assets

in the *firm's* liquid assets buffer and are not subject to a haircut; or

- (b) if the central bank or government or *designated multilateral development bank* in question has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 2 in the table set out in ■ BIPRU 12 Annex 1 (Mapping of credit assessments of *ECAIs* to credit quality steps), *sukuk* can comprise not more than 40% of the total assets in the *firm's* liquid assets buffer after a haircut of 25% has been applied; or
- (c) in all other cases, *sukuk* can comprise not more than 20% of the total assets in the *firm's* liquid assets buffer after a haircut of 50% has been applied.

(2) For the purpose of ■ BIPRU 12.7.8A R (2), *sukuk* cannot comprise more than 10% of the total assets in the *firm's* liquid assets buffer after a haircut of 50% has been applied.

(3) The total amount of *sukuk* not falling under ■ BIPRU 12.7.8B R (1)(a) cannot comprise more than 40% of the total amount of assets in the *firm's* liquid assets buffer.

## 12.7.9

FCA PRA

R

For the purposes of ■ BIPRU 12.7.2R (1) and ■ (2), a *firm* must only count securities:

- (1) which are unencumbered;
- (2) (a) to which it has legal title; or
  - (b) to which a *central bank* has legal title but which meet the requirements of ■ BIPRU 12.7.9AR (1), subject to ■ BIPRU 12.7.9AR (2); and
- (3) which that *firm* realises on a regular basis.

## 12.7.9A

FCA PRA

R

(1) For the purposes of ■ BIPRU 12.7.9R (2)(b) the requirements are that:

- (a) the securities are in excess of the amount of collateral required to be held by that *central bank*; and
- (b) the *firm* is entitled to regain legal title to such securities without any encumbrance.

(2) The *firm* may only count securities that meet the requirements of ■ BIPRU 12.7.9 R and ■ BIPRU 12.7.9AR (1) from the point in time when the *firm* would regain legal title to the securities from the *central bank*, subsequent to any required notice period.

- (3) For the purposes of ■ BIPRU 12.7.9AR (2) any required notice period is deemed to commence on the first *business day* that the *central bank* could receive notice from the *firm*.

## 12.7.10

FCA PRA

G

The *appropriate regulator* regards as encumbered any asset which the *firm* in question has provided as collateral. Therefore, where assets have been used as collateral in this way (for example, in a *repo*), they should not be included in the *firm's* liquid assets buffer. However, any assets provided by the *firm* to a *central bank* as collateral which meet the requirements in ■ BIPRU 12.7.9A R will be recognised as unencumbered by the for the purposes of ■ BIPRU 12.7.9R (1). For the avoidance of doubt, there is no need for notice to have actually been served to meet the requirements in ■ BIPRU 12.7.9AR (2).

## 12.7.11

FCA PRA

R

- (1) For the purpose of ■ BIPRU 12.7.9R (3), a *firm* must periodically realise a proportion of the assets in its liquid assets buffer through *repo* or outright sale to the market.
- (2) [deleted]
- (3) A *firm* must ensure that in carrying out such periodic realisation:
- (a) it does so without reference to the *firm's* day-to-day liquidity needs;
  - (b) it realises in varying amounts the assets in its liquid assets buffer;
  - (c) the cumulative effect of its periodic realisation over any twelve *month* period is that a significant proportion of the assets in its liquid assets buffer is realised; and
  - (d) in *repo* to the market it enters into transactions of varying durations.
- (4) A *firm* must establish and maintain a written policy setting out its approach to periodic realisation of its assets.
- (5) A *firm* must also ensure that it periodically tests its operational ability to raise funds, through the use of central bank liquidity facilities to which it has access, using a proportion of those of its assets not in its liquid assets buffer.

## 12.7.12

FCA PRA

G

The *appropriate regulator* will, as part of its review of a *firm's* ILAA or, as the case may be, its ILSA, assess the adequacy of a *firm's* periodic realisation policy and its implementation in practice.

## 12.7.12A

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For the purpose of ■ BIPRU 12.7.8A R (1) and ■ BIPRU 12.7.8A R (2), a *Shari'ah compliant firm* must count *sukuk* only that comply with ■ BIPRU 12.7.9 R (1), ■ BIPRU 12.7.9 R (2) and ■ BIPRU 12.7.9 R (3).

## 12.8 Cross-border and intra-group management of liquidity

### 12.8.1

FCA PRA

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Every *firm* subject to ■ BIPRU 12 is subject to the *overall liquidity adequacy rule*. The effect of that rule is that every *firm* is required to be self-sufficient in terms of liquidity adequacy and to be able to satisfy that rule relying on its own liquidity resources. Where the *firm* is an *incoming EEA firm* or *third country BIPRU firm* compliance with the *overall liquidity adequacy rule* with respect to the *UK branch* must be achieved relying solely on liquidity resources that satisfy the conditions in ■ BIPRU 12.2.3 R.

### 12.8.2

FCA PRA

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However, the *appropriate regulator* recognises that there may be circumstances in which it would be appropriate for a *firm* to rely on liquidity resources which can be made available to it by other members of its *group*, or for a *firm* to rely on liquidity resources elsewhere in the *firm* for the purposes of ensuring that its *UK branch* has adequate liquidity resources in respect of the activities carried on from the *branch*. Where the *appropriate regulator* is satisfied that the statutory tests in section 138A (Modification or waiver of rules) of the *Act* are met, the *appropriate regulator* will consider modifying the *overall liquidity adequacy rule* to permit reliance on liquidity support of this kind.

### 12.8.3

FCA PRA

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■ BIPRU 12.8 provides *guidance* on two types of modification to the *overall liquidity adequacy rule* and to other *rules* in ■ BIPRU 12 for which the *appropriate regulator* considers a *firm* may wish to apply, namely:

- (1) an *intra-group liquidity modification*; and
- (2) a *whole-firm liquidity modification*.

### 12.8.4

FCA PRA

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In considering whether the statutory tests in section 138A of the *Act* have been met, the *appropriate regulator* will, amongst others, have regard to the factors detailed below in relation to an *intra-group liquidity modification* (of the kind permitting the inclusion in a *firm's* liquidity resources of *parent undertaking* liquidity support) and a *whole-firm liquidity modification*. In practice it is likely that the *appropriate regulator* will view these as preconditions to the grant of an *intra-group liquidity modification* of that type or a *whole-firm liquidity modification* and will therefore ordinarily need to be satisfied fully that each has been adequately addressed. They include matters on which the *appropriate regulator* will need to reach agreement with the *Home State regulator*, *third country competent authority*, or other relevant supervisor, and also matters which it will need to agree directly with a *firm* or the *parent undertaking* of a *firm*. It is likely that a number of these matters will be reflected as requirements or conditions in the modification.

**12.8.5** FCA PRA G This section represents merely an indication of the matters to which the *appropriate regulator* will have regard in considering an application for a *whole-firm liquidity modification* or an *intra-group liquidity modification*. In considering such an application, the *appropriate regulator* will always take into account anything that it reasonably considers to be relevant for the purposes of assessing whether the statutory tests in section 138A of the *Act* are met. In doing so, it will have regard to the role and importance of a *firm* or *UK branch* in the *UK financial system*.

**12.8.6** FCA PRA G The *appropriate regulator* anticipates that an application to modify the *overall liquidity adequacy rule* may be accompanied by an application to waive or modify other rules in ■ BIPRU 12 (for example, the stress testing and *contingency funding plan rules* in ■ BIPRU 12.4). The *appropriate regulator* offers some *guidance* in this section on applications of this type.

### **Intra-group liquidity modification: general**

**12.8.7** FCA PRA G The *appropriate regulator* recognises that a *firm* may be part of a wider *group* which manages its liquidity on a *group-wide* basis. A *firm* which considers that the statutory tests in section 138A of the *Act* are met may apply for an *intra-group liquidity modification* permitting it to rely on liquidity support from elsewhere in its *group*. Until a *firm* has such a modification it will need to meet the *overall liquidity adequacy rule* from its own liquidity resources. The effect of an *intra-group liquidity modification* is to modify the *overall liquidity adequacy rule* to recognise the extent to which the *appropriate regulator* is prepared to accept liquidity resources from other entities in a *firm's* group for the purposes of the *firm's* own compliance with the *overall liquidity adequacy rule*. ■ BIPRU 12.8.11G offers additional *guidance* on the likely extent of this recognition.

**12.8.8** FCA PRA G ■ BIPRU 12.8.14 G to ■ BIPRU 12.8.20 G set out the *appropriate regulator's* likely approach in considering an application for an *intra-group liquidity modification* in which a *firm* seeks to rely on support from a *parent undertaking* which is constituted under the law of a country or territory outside the *United Kingdom*.

**12.8.9** FCA PRA G The *appropriate regulator* may also consider an application for an *intra-group liquidity modification* where a *firm* wishes to rely on liquidity resources from an entity in its *group* other than an *overseas parent undertaking*. The *appropriate regulator* recognises that a *firm* incorporated in the *United Kingdom* and to which ■ BIPRU 12 applies may wish to rely on liquidity support from another such *firm*. In practice, the *appropriate regulator* anticipates that a *firm* applying for an *intra-group liquidity modification* in these circumstances will be asking for permission to rely on support from its *parent undertaking* in the *United Kingdom*. In any event, the *appropriate regulator* will consider such applications on a case-by-case basis and will apply the approach outlined in ■ BIPRU 12.8.14 G to ■ BIPRU 12.8.20 G where relevant and by analogy.

**12.8.10** FCA PRA G The *appropriate regulator* also recognises that a *firm* incorporated in the *United Kingdom* and to which ■ BIPRU 12 applies may wish to rely on liquidity support from a *subsidiary undertaking* of that *firm* which is incorporated in a country or territory outside the *United Kingdom*. The *appropriate regulator* is, however, likely to consider that an application for an *intra-group liquidity modification* that contemplates reliance for liquidity support on only, or mostly, an applicant *firm's* overseas *subsidiary undertakings* is unlikely to satisfy the tests in section 138A of the *Act*. As a general principle, and unless persuaded otherwise by an applicant *firm's* arguments in support of its application for an *intra-group liquidity modification*, the *appropriate regulator* is likely to take the view that a *firm's*

overseas *subsidiary undertakings* are likely to be constrained in their ability to provide meaningful levels of liquidity support to their *parent undertaking*.

## 12.8.11

FCA PRA

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In each application for an *intra-group liquidity modification*, the *appropriate regulator* will consider the extent to which it is appropriate to modify the *overall liquidity adequacy rule* to allow reliance by an applicant *firm* on liquidity resources elsewhere in a *firm's group*. However, it is unlikely that the *appropriate regulator* would consider the conditions in section 138A of the *Act* to be met in circumstances in which the *overall liquidity adequacy rule* was modified to allow unlimited reliance on liquidity resources that are not the applicant *firm's* own. As a general principle, the *appropriate regulator* is likely to wish to ensure that, having regard to the results of an applicant *firm's* ILAA:

- (1) once modified, the *overall liquidity adequacy rule* still requires the *firm* to have adequate liquidity resources to enable it to wind down its business in an orderly and controlled manner in circumstances in which its business ceases to be viable; and
- (2) the amount of liquidity support permitted in the modification is a reasonable one having regard to the total liquidity resources of the *group* entity on which it is proposed that reliance should be placed.

## 12.8.12

FCA PRA

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In determining the appropriate duration of an *intra-group liquidity modification*, the *appropriate regulator* will have regard to the role and importance of the *firm* in question in the *UK financial system*. In some cases, the *appropriate regulator* may take the view that an *intra-group liquidity modification* covering a *firm* whose role and importance in the *UK financial system* are significant ought to be reviewed more regularly than one granted in respect of a less systemically significant *firm*. The *appropriate regulator* will consider this issue in determining the appropriate duration of such a modification.

## 12.8.13

FCA PRA

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In modifying the *overall liquidity adequacy rule* by means of an *intra-group liquidity modification*, the *appropriate regulator* may also modify the stress testing and *contingency funding plan rules* in ■ BIPRU 12.4 such that an applicant *firm* may achieve compliance with those *rules* by its *parent undertaking* conducting *group-wide* stress testing and preparing a *group-wide contingency funding plan* which gives adequate recognition to the position of the applicant *firm*.

### Consideration of an application for an intra-group liquidity modification

## 12.8.14

FCA PRA

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■ BIPRU 12.8.15 G to ■ BIPRU 12.8.20 G set out some of the matters on which the *appropriate regulator* will expect to be satisfied before granting an *intra-group liquidity modification* where permission is sought to rely on support from an *overseas parent undertaking* which is itself subject to a regime of liquidity regulation.

## 12.8.15

FCA PRA

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In relation to the regime of liquidity regulation imposed by the authority that regulates for liquidity purposes an applicant *firm's parent undertaking* which is constituted under the law of a country or territory outside the *United Kingdom*, the *appropriate regulator* will ordinarily expect to be satisfied that:

- (1) the regime of liquidity regulation to which that *undertaking* is subject delivers outcomes as regards the regulation of that *undertaking's liquidity risk* that are broadly equivalent to those intended by ■ BIPRU 12; and



- (2) there is clarity as to any legal constraints imposed by the authority which regulates that *undertaking* for liquidity purposes on the provision of liquidity from that *undertaking* to the applicant *firm*.

## 12.8.16

FCA PRA

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It will not always be the case that an applicant *firm* wishes to rely on a *parent undertaking*, or other *group* entity, that is itself subject to a regime of liquidity regulation, whether or not equivalent to the *appropriate regulator's*. In assessing a *firm's* application for an *intra-group liquidity modification*, the *appropriate regulator* will always have regard to the regulatory framework to which the entity on which it is proposed to rely for liquidity support is subject. Other things being equal, however, the *appropriate regulator* is more likely to be persuaded that the tests in section 138A of the *Act* are met in circumstances in which the entity on which it is proposed to rely for liquidity support is itself subject to an appropriate degree of regulation. Even where the *parent undertaking*, or other *group* entity, in question is subject to a regime of liquidity regulation, the *appropriate regulator* will in principle be more likely to grant an *intra-group liquidity modification* in circumstances in which the applicant *firm* does not accept a significant amount of retail *deposits*.

## 12.8.17

FCA PRA

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In relation to an applicant *firm* wishing to rely on liquidity support from a *parent undertaking* constituted under the law of a country or territory outside the *United Kingdom*, the *appropriate regulator* will ordinarily expect to reach agreement with the authority that regulates that *undertaking* for liquidity purposes in a number of areas, including agreement that:

- (1) it will notify the *appropriate regulator* of any material or persistent breaches by that *undertaking* of that authority's liquidity rules, or of risks that such breaches are imminent;
- (2) it is satisfied with the adequacy of the *parent undertaking's* arrangements for *liquidity risk* management;
- (3) it is satisfied as to the adequacy of the *parent undertaking's* liquidity resources including:
  - (a) the size and quality of its liquid assets buffer; and
  - (b) the size and quality of any liquidity resources that are held in the *United Kingdom* for the purpose of meeting the liabilities of an applicant *firm* as they fall due;
- (4) it does not object to any undertakings given by that *parent undertaking* in respect of an applicant *firm* to ensure that the *firm* has adequate liquidity resources; and
- (5) it will have due regard to the views of the *appropriate regulator* in its supervision of the liquidity position of that *parent undertaking*.

## 12.8.18

FCA PRA

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In relation to an applicant *firm* wishing to rely on liquidity support from a *parent undertaking* constituted under the law of a country or territory outside the *United Kingdom*, the *appropriate regulator* will, before granting an *intra-group liquidity modification*, ordinarily expect to have reached agreement with that *parent undertaking* that:

- (1) it will make available liquidity resources at all times to that applicant *firm* if needed;
- (2) it will enter into an undertaking in a suitable form with an applicant *firm* committing it to provide liquidity support to that *firm* on the occurrence of certain defined events;
- (3) it will ensure that the applicant *firm* maintains liquidity resources of appropriate size and quality in the *United Kingdom* for the purposes of meeting the liquidity needs of that *firm*;
- (4) it will maintain arrangements, including having adequate liquidity resources, to ensure that it, the applicant *firm* and any other entities in its *group* to which it provides liquidity support are able to wind down their businesses in an orderly and controlled manner in circumstances where its, or their, businesses cease to be viable;
- (5) it will make available to the *appropriate regulator* information in an appropriate format on *group* liquidity; and
- (6) it will participate in the *appropriate regulator's* thematic supervisory work in relation to liquidity when requested to do so by the *appropriate regulator*.

## 12.8.19

FCA PRA

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The *appropriate regulator* will wish to ensure that it has adequate data at the time of consideration of the *intra-group liquidity modification* application and, if the application is granted, on a continuing basis thereafter, about the liquidity position of any *group* entity on which the applicant *firm* proposes to rely for liquidity purposes. It is therefore likely that an applicant *firm* will be asked to provide as part of its application relevant liquidity *data items* populated by the entities on which the applicant *firm* proposes to rely. It is also likely that an applicant *firm* will be asked to ensure as a condition of the modification, if granted, that the entities on which it is given permission to rely for the purpose of meeting the *overall liquidity adequacy rule* provide completed relevant *data items* to the *appropriate regulator* on a continuing basis. The frequency of *data item* submission will be determined as part of the *appropriate regulator's* consideration of the applicant *firm's* case but is in any event likely to be reflective of the *appropriate regulator's* assessment of the *liquidity risk* profile of the entities on which liquidity support is permitted.

## 12.8.20

FCA PRA

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In addition, the *appropriate regulator* will also wish to understand in relation to any *group* entity on which an applicant *firm* proposes to rely for liquidity support the legal structure of the *group* and the extent to which that structure, or any relevant legal principles, may restrict the provision of timely liquidity support in appropriate amounts to the applicant *firm* when required.

### Ongoing requirements

## 12.8.21

FCA PRA

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The *appropriate regulator* also anticipates that an *intra-group liquidity modification* would be made subject to a number of ongoing conditions and requirements. These are likely to include:

- (1) the *appropriate regulator* receiving annual confirmation from the authority that regulates an applicant *firm's parent undertaking* for liquidity purposes that it remains satisfied with the arrangements in respect of that *undertaking* for liquidity supervision and their operation; and

- (2) an annual meeting with the same authority to discuss liquidity supervision of that *undertaking*.

### Whole-firm liquidity modification: general

12.8.22

FCA PRA

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In relation to an *incoming EEA firm* or *third country BIPRU firm*, the *overall liquidity adequacy rule* provides that, for the purpose of complying with that *rule*, a *firm* may not, in relation to its *UK branch*, include liquidity resources other than those which satisfy the conditions in ■ BIPRU 12.2.3 R. Those conditions seek to ensure that a *firm* of this kind has a reserve of liquidity for operational purposes that is under the control of, and available for use by, that *firm's UK branch*. Further *guidance* is given in ■ BIPRU 12.5.39 G in relation to the local operational liquidity reserve. In addition, ■ BIPRU 12.9.10 G explains how the *appropriate regulator* will approach the giving of *individual liquidity guidance* to an *incoming EEA firm* or *third country BIPRU firm*. The *appropriate regulator* does, however, recognise that there are circumstances in which it may be appropriate for a *UK branch* to rely on the availability of liquidity resources from elsewhere within the *firm*. A *firm* wishing to rely on support of this kind for its *UK branch* may apply for a modification to the *overall liquidity adequacy rule* where it considers that the statutory tests in section 138A of the *Act* are met.

12.8.23

FCA PRA

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Although an *incoming EEA firm* or *third country BIPRU firm* may apply to modify the *overall liquidity adequacy rule* and other *rules* in ■ BIPRU 12, in relation to its *UK branch*, the *appropriate regulator* anticipates that many such *firms* will wish to apply for a modification in the form which the *appropriate regulator* defines as a *whole-firm liquidity modification*. In the *appropriate regulator's* view, a modification to the *overall liquidity adequacy rule* for a *firm* of this kind will tend to be appropriate where an applicant *firm* manages its liquidity on an integrated, whole-firm basis. Where that is the case, and having regard to the matters outlined in the *guidance* in this section, the *appropriate regulator* is likely to consider it more appropriate for the *UK branch* to be subject, in large part, to the same regulatory liquidity regime which applies to the rest of the *firm*. In granting a *whole-firm liquidity modification* the *appropriate regulator* therefore recognises that in certain circumstances a *UK branch* can have adequate liquidity resources in circumstances where the liquidity resources upon which the *firm* seeks to rely do not meet the criteria set out in ■ BIPRU 12.2.3 R.

12.8.24

FCA PRA

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Accordingly, a *whole-firm liquidity modification* envisages:

- (1) a modification to the *overall liquidity adequacy rule* so as to permit reliance by the *firm*, in relation to its *UK branch*, on liquidity resources wherever held in the *firm* for the purposes of meeting that *rule*; and
- (2) a *waiver* of the remainder of the substantive *rules* in ■ BIPRU 12, with the effect that the *UK branch* of the applicant *firm* becomes subject for the purpose of day-to-day liquidity supervision to the liquidity regime of the *Home State regulator* or *third country competent authority* in question.

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12.8.25

FCA PRA

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The effect of a *whole-firm liquidity modification* is that the *appropriate regulator* will in its supervision of the liquidity of the *UK branch* place reliance on the liquidity regime of the *Home State regulator* or *third country competent authority* in question. The *appropriate regulator* will wish to ensure that it has adequate data at the time of consideration of the *whole-firm liquidity modification* application and, if the application is granted, on a continuing basis thereafter, about the liquidity position of the *firm* as a whole. It is therefore likely that an applicant *firm* will be asked to provide as part of its application relevant

liquidity *data items* covering the liquidity position of the *firm* as a whole. It is also likely that an applicant *firm* will be asked, as part of its application, to provide an appropriately detailed account as to the activities conducted by its *UK branch* as at the date of the application. In addition, the *appropriate regulator* anticipates that an applicant *firm* will be asked to ensure as a condition of the modification, if granted, that it provides relevant *data items*, covering the whole-*firm* liquidity position, to the *appropriate regulator* on a continuing basis at a frequency to be determined as part of the *appropriate regulator's* consideration of the applicant *firm's* case but in any event likely to be reflective of the *appropriate regulator's* assessment of the *liquidity risk* profile of the *firm*.

### Consideration of an application for a whole-firm liquidity modification

12.8.26

FCA PRA

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In relation to the *Home State regulator's* or *third country competent authority's* regime of liquidity regulation, the *appropriate regulator* will, before granting a *whole-firm liquidity modification*, ordinarily expect to be satisfied that:

- (1) the regime in question delivers outcomes as regards the regulation of the applicant *firm's liquidity risk* that are broadly equivalent to those intended by this chapter; and
- (2) there is clarity as to any legal constraints imposed by the *Home State regulator* or *third country competent authority* on the provision of liquidity by a *firm* to its *UK branch*, as well as the potential for such restrictions to be imposed in the future.

12.8.27

FCA PRA

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In relation to the applicant *firm* in question, the *appropriate regulator* will, before granting a *whole-firm liquidity modification*, ordinarily expect to have reached agreement with the *Home State regulator* or *third country competent authority* in a number of areas, including agreement that:

- (1) it will notify the *appropriate regulator* promptly of any material or persistent breaches by that *firm* of its liquidity rules, or of risks that such breaches are imminent;
- (2) it is satisfied with the adequacy of the arrangements in place for *firm-wide liquidity risk* management;
- (3) it is satisfied as to the adequacy of that *firm's* liquidity resources including the size and quality of its liquid assets buffer;
- (4) it does not object to any undertakings given by that *firm* in respect of its *UK branch* to ensure that the *branch* has adequate liquidity resources; and
- (5) it will have due regard to the views of the *appropriate regulator* in its supervision of that *firm's* liquidity position.

12.8.28

FCA PRA

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In relation to the applicant *firm* in question, the *appropriate regulator* will, before granting a *whole-firm liquidity modification*, ordinarily expect to have reached agreement with that *firm* in a number of areas, including agreement that:

- (1) it will make available liquidity resources at all times to its *UK branch* if needed;

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- (2) it will make available to the *appropriate regulator* information in an appropriate format on *firm-wide* liquidity;
- (3) it will notify the *appropriate regulator* at the same time as it notifies the *Home State regulator* or *third country competent authority* of any issues relevant to the liquidity position of its *UK branch* or compliance with the rules to which it is subject in respect of its liquidity (including with the terms of its *whole-firm liquidity modification*);
- (4) its *UK branch* will continue to be fully integrated with the rest of the *firm* for *liquidity risk* management purposes; and
- (5) it will participate in the *appropriate regulator's* thematic supervisory work in relation to liquidity when requested to do so by the *appropriate regulator*.

### Ongoing requirements

The *appropriate regulator* also anticipates that a *whole-firm liquidity modification* would be made subject to a number of ongoing conditions and requirements. These are likely to include:

- (1) the *appropriate regulator* receiving annual confirmation from the *Home State regulator* or *third country competent authority* that it remains satisfied with the arrangements in respect of that *firm* for liquidity supervision and their operation;
- (2) an annual meeting with the *Home State regulator* or *third country competent authority* to discuss liquidity supervision of that *firm*;
- (3) the *appropriate regulator* receiving annual confirmation from the *firm*, approved by its *governing body*, that it remains in full compliance with the terms of its *whole-firm liquidity modification*; and
- (4) as at the first anniversary of the grant of the *whole-firm liquidity modification* and on each anniversary thereafter, the *appropriate regulator* receiving from the *firm*:
  - (a) an appropriate account of the activities conducted by the *UK branch* over the previous year; and
  - (b) a copy of the *firm's* latest business plan where this differs from that previously sent to the *appropriate regulator* after grant of its *whole-firm liquidity modification*.

12.8.29

FCA PRA

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12.8.30

FCA PRA

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In determining the appropriate duration of a *whole-firm liquidity modification*, the *appropriate regulator* will have regard to the role and importance of the *UK branch* in question in the *UK financial system*. In some cases, the *appropriate regulator* may take the view that a *whole-firm liquidity modification*, covering a *UK branch* whose role and importance in the *UK financial system* are significant, ought to be reviewed more regularly than one granted in respect of a less systemically significant *branch*. The *appropriate regulator* will consider this issue in determining the appropriate duration of such a modification. The *appropriate regulator* is also likely to consider it appropriate in modifications other than those of short duration to reflect in the terms of the modification representations made either in an applicant *firm's* business plan or direct to the *appropriate regulator* as part of the application process, but in either case as to the expected nature

and size of the *UK branch's* activities over the course of the duration of the modification. Where requirements are included in a modification in relation to these matters, a *firm* that anticipates that it will breach those requirements will need to apply in advance of any such event for a variation to its then existing *whole-firm liquidity modification*. In considering an application to vary, the *appropriate regulator* will consider afresh whether the tests in section 138A of the *Act* continue to be met for the grant of a *whole-firm liquidity modification* to the *firm* in question.

## 12.9 Individual liquidity guidance and regulatory intervention points

### Appropriate regulator assessment process

- 12.9.1** FCA PRA G The *appropriate regulator* will give *individual liquidity guidance* to a *standard ILAS BIPRU firm*. Ordinarily, the *appropriate regulator* will give *individual liquidity guidance* after a review of a *standard ILAS BIPRU firm's ILAA*. The *appropriate regulator* will, however, issue *individual liquidity guidance* to such a *firm* whenever it is considered appropriate.
- 12.9.2** FCA PRA G In assessing the adequacy of an *ILAS BIPRU firm's* liquidity resources, the *appropriate regulator* draws on more than just a review of the submitted *ILAA*, or in the case of a *simplified ILAS BIPRU firm*, the submitted *ILSA*. Use is made of wider supervisory knowledge of a *firm* and of wider market developments and practices. When forming a view of the *individual liquidity guidance* to be given to an *ILAS BIPRU firm*, the *appropriate regulator* will also consider the regulator's firm risk assessment and any other issues arising from day-to-day supervision.
- 12.9.3** FCA PRA G The *appropriate regulator* will take a risk-based and proportionate approach to the review of a *firm's ILAA* or *ILSA*, focusing where appropriate on that *firm's* approach to dealing with the risks it faces.
- 12.9.4** FCA PRA G As part of the *SLRP*, the *appropriate regulator* will give a *standard ILAS BIPRU firm individual liquidity guidance* advising it of the amount and quality of liquidity resources which the *appropriate regulator* considers are appropriate, having regard to the *liquidity risk* profile of that *firm*. In giving *individual liquidity guidance*, the *appropriate regulator* will also advise the *firm* of what it considers to be a prudent funding profile for the *firm*. In giving the *firm individual liquidity guidance* as to its funding profile, the *appropriate regulator* will consider the extent to which the *firm's* liabilities are adequately matched by assets of appropriate maturities. In both cases, the *appropriate regulator* will have regard to the adequacy of a *firm's* systems and controls in relation to *liquidity risk* when judged against the standard described in the *rules* and *guidance* in ■ BIPRU 12.3 and ■ BIPRU 12.4. *Individual liquidity guidance* will therefore have two components:
- (1) *guidance* about the *firm's* liquid assets buffer; and
  - (2) *guidance* about the *firm's* funding profile.
- 12.9.5** FCA PRA G The *appropriate regulator* will ordinarily not expect to give *individual liquidity guidance* to a *simplified ILAS BIPRU firm*. However, if after review of such a *firm's ILSA*, the *appropriate regulator* is not satisfied that the *simplified buffer requirement* delivers an

adequate amount and quality of liquidity resources for that *firm*, having regard to its *liquidity risk* profile, the *appropriate regulator* will issue the *firm* with *individual liquidity guidance* and may also consider revoking the *firm's simplified ILAS waiver*.

12.9.6

FCA PRA

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In giving *individual liquidity guidance*, the *appropriate regulator* seeks a balance between delivering consistent outcomes across the *individual liquidity guidance* that it gives to every *ILAS BIPRU firm* and recognising that such *guidance* should reflect the individual features of a *firm*. Comparison with the assumptions used by other *firms* will be used to trigger further enquiry.

12.9.7

FCA PRA

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Following an internal validation process, the *appropriate regulator* will write to the *standard ILAS BIPRU firm* whose *ILAA* it has reviewed, providing both quantitative and qualitative feedback on the results of the *appropriate regulator's* assessment. This letter will notify that *firm* of the *individual liquidity guidance* that the *appropriate regulator* considers appropriate together with its reasons for concluding that such *guidance* is appropriate. The *appropriate regulator* will adopt the same process where it chooses to give *individual liquidity guidance* to a *simplified ILAS BIPRU* following a review of that *firm's ILSA*.

12.9.8

FCA PRA

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Where the amount and quality of liquidity resources which the *appropriate regulator* considers a *firm* needs having regard to its *liquidity risk* profile are not the same as the *firm's* own assessment of those resources under its *ILAA*, the *appropriate regulator* expects to discuss any such difference with the *firm*.

12.9.9

FCA PRA

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Consistent with *Principle 11* (Relations with regulators), the *appropriate regulator* will expect a *firm* to notify it if the *firm* does not propose to follow its *individual liquidity guidance*. The *appropriate regulator* will expect any such notification to be accompanied by a clear account of the *firm's* reasons for considering the *individual liquidity guidance* to be inappropriate. The *appropriate regulator* will expect to receive any such notification within one *month* from the date on which it gives *individual liquidity guidance* to the *firm*. If agreement through further analysis and discussion cannot be reached (including through use of the *appropriate regulator's* powers under section 166 (Reports by skilled persons) of the *Act*), then the *appropriate regulator* will consider using its powers under the *Act* (for example, its power under section 55J to vary, on its own initiative, a *firm's Part IV permission* or its *power of intervention* under section 196) so as to require a *firm* to hold such liquidity resources as the *appropriate regulator* considers are adequate having regard to the *liquidity risk* profile of the *firm*.

### Additional guidance for branches

12.9.10

FCA PRA

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In relation to an *incoming EEA firm* or *third country BIPRU firm*, where the *appropriate regulator* gives that *firm individual liquidity guidance* in relation to its *UK branch*, it will have regard to the *liquidity risk* profile of the *branch*. In the absence of a *whole-firm liquidity modification*, the effect of ■ BIPRU 12.2.1R (2)(b) and ■ BIPRU 12.2.3 R is to require the *firm* to hold a liquid assets buffer of the amount identified as appropriate in its *individual liquidity guidance* (or in the case of a *simplified ILAS BIPRU firm*, the amount of its *simplified buffer requirement* unless this has been superseded by the *appropriate regulator* issuing *individual liquidity guidance* to the *firm* in question) in the form of a local operational liquidity reserve. Further *guidance* is given in ■ BIPRU 12.5.39 G in relation to the local operational liquidity reserve. In determining the appropriate size of such a *firm's* liquid assets buffer the *appropriate regulator* will have regard to all relevant factors, including the extent to which the



*appropriate regulator* has adequate data to enable it to assess accurately the *liquidity risk* elsewhere in the *firm* beyond its *UK branch*.

### Regulatory intervention points for ILAS BIPRU firms

12.9.11

FCA PRA

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■ BIPRU 12.2.9 G records the *appropriate regulator's* recognition that in periods of stress a *firm's* liquid assets buffer may be eroded. It may also be the case that in such periods a *firm's* funding profile deteriorates such that it no longer conforms to the prudent liquidity profile described in the *individual liquidity guidance* given to the *firm*. Deviation by a *firm* from the terms of the *individual liquidity guidance* given to it by the *appropriate regulator* or, as the case may be, from the *simplified buffer requirement*, does not automatically mean that the *appropriate regulator* will consider that the *firm* is in breach of, or likely to breach, *threshold conditions*.

12.9.12

FCA PRA

G

The *appropriate regulator* will examine any deviation on its own facts and will always want to understand clearly the reasons for that deviation and the *firm's* plans for remedying it. Deviation is, however, likely to prompt a re-examination by the *appropriate regulator* of the *firm's* compliance, and likely future compliance, with *threshold conditions*. The *appropriate regulator* will have regard to the information provided by the *firm* and to any other relevant factors in assessing the *firm's* continuing ability to satisfy *threshold conditions*. ■ BIPRU 12.9.13 R to ■ BIPRU 12.9.18 R set out a number of requirements which apply to an *ILAS BIPRU firm* that deviates from its *individual liquidity guidance*, or as the case may be, from the *simplified buffer requirement*.

12.9.12A

FCA PRA

G

The *appropriate regulator* expects that a *firm* will respond dynamically to any deterioration in its liquidity position and will take contingent action as set out in its *contingency funding plan* well in advance of a potential event.

12.9.13

FCA PRA

R

As soon as a *firm* becomes aware of the occurrence or expected occurrence of the events identified in ■ BIPRU 12.9.14 R, it must immediately provide to the *appropriate regulator* :

- (1) notification in writing of the event;
- (2) an adequately reasoned explanation for the event; and
- (3) an indication of the management actions the *firm* has taken to date to address the event, including actions from its *contingency funding plan*.

12.9.14

FCA PRA

R

For the purpose of ■ BIPRU 12.9.13 R, the events in question are:

- (1) in the case of a *simplified ILAS BIPRU firm* only, breach of the *simplified buffer requirement* unless this has been superseded by *individual liquidity guidance* that it has accepted;
- (2) in the case of a *standard ILAS BIPRU firm* or a *simplified ILAS BIPRU firm*, being a *firm* which in either case has accepted *individual liquidity guidance* given to it by the *appropriate regulator*:

- (a) its liquid assets buffer falling below the level advised in the *guidance*; or
- (b) its funding profile ceasing to conform to that advised in the *guidance*.

12.9.15

FCA PRA

G

As part of the *appropriate regulator's* enquiry into the reasons for a *firm's* deviation, or expected deviation, from its *individual liquidity guidance* or, as the case may be, its *simplified buffer requirement*, the *appropriate regulator* may ask for further assessments and analyses of a *firm's* liquidity resources and the risks faced by the *firm*. The *appropriate regulator* may consider the use of its powers under section 166 of the *Act* to assist in such circumstances.

12.9.16

FCA PRA

G

Consistent with *Principle 11* of the *appropriate regulator's Principles for Businesses* (Relations with regulators), if a *firm* has not accepted *individual liquidity guidance* given by the *appropriate regulator* it should, nevertheless, notify the *appropriate regulator* as soon as it becomes aware of either of the events identified in

■ BIPRU 12.9.14R (2)(a) or ■ (b).

12.9.17

FCA PRA

R

No later than two *days* after the *day* on which a *firm* notifies the *appropriate regulator* under ■ BIPRU 12.9.13R (1), the *firm* must submit a liquidity remediation plan to the *appropriate regulator*.

12.9.18

FCA PRA

R

For the purposes of ■ BIPRU 12.9.17 R, a *firm's* liquidity remediation plan must:

- (1) be communicated in writing;
- (2) detail the *firm's* forward estimates of the evolution of the size of the *firm's* liquid assets buffer and of its funding profile;
- (3) in relation to any of the events identified in ■ BIPRU 12.9.14 R that has occurred, or is expected to occur, detail the actions that the *firm* intends to take to remedy the event, or avoid the expected event, as the case may be, including information about:
  - (a) the amount of funding that it is intended to raise;
  - (b) the intended funding providers; and
  - (c) the maturity profile of the intended funding;
- (4) identify clear timescales for achieving each of the actions that it details in accordance with ■ BIPRU 12.9.18R (3); and
- (5) include an adequately reasoned assessment of the likelihood of the timely achievement of the actions that it details in accordance with ■ BIPRU 12.9.18R (3).

**12.9.19** FCA PRA G The *appropriate regulator* will assess the adequacy of the liquidity remediation plan submitted by a *firm*, including the likelihood of its success. A *firm* should expect that the *appropriate regulator* will want to discuss the terms of the liquidity remediation plan submitted to it under ■ BIPRU 12.9.18 R. In its re-examination of the *firm's* compliance, and likely future compliance, with *threshold conditions* taken as a whole, the *appropriate regulator* will have regard to the adequacy of the *firm's* liquidity remediation plan.

**12.9.20** FCA PRA G Other things being equal, the *appropriate regulator* will expect a *firm* which is not experiencing a period of stress to restore its liquidity resources more rapidly than one which is under stress at the time that it deviates from its *individual liquidity guidance* or, as the case may be, from its *simplified buffer requirement*.

**12.9.21** FCA PRA G If agreement through discussion with the *appropriate regulator* cannot be reached as to the necessary actions and timescales to remedy deviation from that *guidance*, the *appropriate regulator* will consider using its powers under the *Act* (for example, its power under section 55J to vary, on its own initiative, a *firm's Part 4A permission* or its *power of intervention* under section 196) so as to require the *firm* to take such actions as the *appropriate regulator* considers are necessary to return the *firm* to conformity with the terms of its *individual liquidity guidance* or, as the case may be, with its *simplified buffer requirement*.

**12.9.22** FCA PRA G Although ■ BIPRU 12.9.17 R to ■ BIPRU 12.9.21 G set out the *appropriate regulator's* likely approach, the *appropriate regulator* will take whatever action it considers appropriate in the particular circumstances of a given case.

**12.9.23** FCA PRA G A *firm* that deviates from current *individual liquidity guidance* that it has accepted or, as the case may be, from its *simplified buffer requirement*, will be experiencing a *firm-specific liquidity stress* for the purpose of the reporting rules in ■ SUP 16 (Reporting requirements). Those rules require the *firm* to report specified *data items* more frequently than would otherwise be the case. Additionally, a *firm* that is implementing a liquidity remediation plan should expect that the *appropriate regulator* will wish to monitor its implementation of that plan. The *firm's* progress in achieving the remedial actions identified in its plan is a matter to which the *appropriate regulator* will have regard in considering the *firm's* compliance, and likely future compliance, with *threshold conditions*.

#### Monitoring requirement

**12.9.24** FCA PRA R An *ILAS BIPRU firm* must monitor on each *business day* whether it is in conformity with *individual liquidity guidance* that it has accepted or, as the case may be, with the *simplified buffer requirement*.

#### Mode of notification

**12.9.25** FCA PRA R Notification to the *appropriate regulator* under ■ BIPRU 12.9.13R (1) and submission to the *appropriate regulator* under ■ BIPRU 12.9.17 R must be made to the following *appropriate regulator* email address:  
data\_collection@fca.org.uk .

**12.9.26** FCA PRA G Although ■ BIPRU 12.9.25 R requires notification and submission in the way prescribed in that rule, the *appropriate regulator* expects that a *firm* would also bring to the attention of its usual supervisory contact at the *appropriate regulator* the fact that it had made such a notification or submission.

12.9.27

FCA PRA

G

For the purpose of the notification expected under ■ BIPRU 12.9.26 G, the *appropriate regulator* would expect any such notification to be made in the way envisaged in ■ BIPRU 12.9.25 R.

# Prudential sourcebook for Insurers



- (2) (1) does not apply to a *pure reinsurer* which became a *firm in run-off* before 10 December 2007 and whose *Part 4A permission* has not subsequently been varied to add back the *regulated activity of effecting contracts of insurance*.

6.1.16

PRA

G

*Principle 4* requires a *firm* to maintain adequate financial resources, taking into account any activity of other members of the *group* of which the *firm* is a member. ■ INSPRU 6.1 sets out provisions that deal specifically with the way the activities of other members of the *group* should be taken into account. This results in the *firm* being required to hold sufficient capital resources so that the *group capital resources* are at least equal to the *group capital resources requirement*. However, the adequacy of the *group capital resources* needs to be assessed both by the *firm* and the *PRA*. *Firms* are required to carry out an assessment of the adequacy of their financial resources under the *overall financial adequacy rule*, the *overall Pillar 2 rule* and ■ GENPRU 1.2.39 R, and the *PRA* will review this and may provide individual guidance on the amount and quality of *capital resources* the *PRA* considers adequate. As part of such reviews, the *PRA* may also form a view on the appropriateness of the *group capital resources requirement* and *group capital resources*. Where necessary, the *PRA* may also give individual *guidance* on the *capital resources* a *firm* should hold in order to comply with *Principle 4* expressed by reference to ■ INSPRU 6.1.9 R and ■ INSPRU 6.1.15 R.

6.1.17

PRA

R

#### Scope - undertakings whose group capital is to be calculated and maintained

The *undertakings* referred to in ■ INSPRU 6.1.8 R, ■ INSPRU 6.1.9 R, ■ INSPRU 6.1.10 R and ■ INSPRU 6.1.15 R are:

- (1) for any *firm* that is not within (2), each of the following:
- (a) its *ultimate insurance parent undertaking*;
  - (b) its *ultimate EEA insurance parent undertaking* (if different to (a) );
  - (ba) the *ultimate mixed financial holding company* at the head of a *MFHC conglomerate* of which the *firm* is a member;
  - (bb) the *ultimate EEA mixed financial holding company* at the head of a *MFHC conglomerate* of which the *firm* is a member (if different from (ba)); and
  - (c) the *firm* itself, if it is a *participating insurance undertaking*; and
- (2) the *firm* itself, where the *firm* is a *participating insurance undertaking* and is:
- (a) a *non-EEA insurer*; or
  - (b) a *friendly society*.

6.1.18  
PRA

G

Article 3(3) of the *Insurance Groups Directive* allows an *undertaking* to be excluded from supplementary supervision if:

- (1) its head office is in a non-EEA State where there are legal impediments to the transfer of the necessary information; or
- (2) in the opinion of the *competent authority* responsible for exercising supplementary supervision, having regard to the objectives of supplementary supervision:
  - (a) its inclusion would be inappropriate or misleading; or
  - (b) it is of negligible interest.

6.1.19  
PRA

G

If an application is made for a *waiver* contemplated by Article 3(3) of the *Insurance Groups Directive*, it is the policy of the PRA to consider the effect, in the circumstances described in ■ INSPRU 6.1.18 G, of granting a *waiver* allowing the exclusion of a *related undertaking* from the calculation of *group capital resources* and the *group capital resources requirement* required by ■ INSPRU 6.1.8 R.

6.1.20  
PRA

G

Examples of *related undertakings* which may be excluded from supplementary supervision by Article 3(3) of the *Insurance Groups Directive* include *insurance holding companies* in the *insurance group* that are not the *ultimate insurance parent undertaking* or, if different, the *ultimate EEA insurance parent undertaking* of a *firm*.

6.1.21  
PRA

G

If more than one member of the *insurance group* is to be excluded in the circumstances described in ■ INSPRU 6.1.18G (2)(b), they may only be excluded if, considered together, they are of negligible interest in the context of the *insurance group*.

6.1.22  
PRA

G

When giving a *waiver* in the circumstances described in ■ INSPRU 6.1.18 G, the PRA may impose a condition requiring the *firm* to provide information about any member of the *insurance group* excluded pursuant to a *waiver* granted in the circumstances described in ■ INSPRU 6.1.18 G.

**Optional alternative method of calculation for firms subject to supplementary supervision by another EEA competent authority**

6.1.23  
PRA

R

If the *competent authority* in an EEA State other than the *United Kingdom* has agreed to be the *competent authority* responsible for exercising supplementary supervision of an *insurance group* or an *MFHC conglomerate* of which a *firm* is a member under Article 4(2) of the *Insurance Groups Directive*, the *firm* may prepare the calculations required under ■ INSPRU 6.1.8 R in relation to the *ultimate EEA insurance parent undertaking* or *ultimate EEA mixed financial holding company* in accordance with the requirements of supplementary supervision in that EEA State.

6.1.24  
PRA

G

The PRA will notify the *firm* if it has reached agreement with the *competent authority* in an EEA State other than the *United Kingdom* in accordance with Article 4(2) of the *Insurance Groups Directive*.



# **Interim Prudential Sourcebook Insurers**



## **Appendix 9.9** (rule 9.40 to guidance 9.43)

### **Group Capital Adequacy**

(Form 95)

**PRA**

**This appendix contains guidance as to how the report to be provided under rule 9.40 may be.**

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Form 95

**INSURANCE GROUP CAPITAL ADEQUACY (page 1)**

Name of reporting insurance firm:

Name of insurance parent undertaking:


Calculation of Consolidated Position:

1. **TIER 1**  
 Group core tier one  
 Group perpetual non-cumulative preference shares  
 Group innovative tier one  
 Deductions from tier one
2. Total group tier one capital
3. **TIER 2**  
 Group upper tier two  
 Group lower tier two
4. Total group tier two capital

- 5.
6. **Group capital resources before deductions**

Total group capital resources deductions

**Group capital resources:**

**Group capital resources requirement:**

**Group surplus/ (deficit)**

Limits on capital (see notes)	£'000
Sum of column G1 (page 4)	H1
Sum of column G2 (page 4)	H2
Sum of column G3 (page 4)	H3
Sum of column C (page 2)	H4
= H1 + H2 + H3 – H4	TT1
Sum of column G4 (page 4)	H5
Sum of column G5 (page 4)	H6
= H5 + H6	TT2
= TT2 + TT1	TCR
Sum of column D1 & D2 (page 2)	H7
= TCR – H7	GCR
Sum of column B (page 2)	GCRR
= GCR – GCRR	I

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Form 95

**INSURANCE GROUP CAPITAL ADEQUACY (page 2)**

Name of reporting insurance firm:

Name of insurance parent undertaking:


A	A1	A2	B	C	D1	D2
Name of related undertaking	% interest	Type of firm	CRR	Deductions from Tier 1	Inadmissible assets	Ancillary services undertakings deduction

Related undertaking 1						
Related undertaking 2						
Related undertaking 3						
Parent:						

Totals:						
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FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Insurance Group Capital Adequacy

Ref	Instructions
A (pages 2, 3 & 4)	<p>List the name of each <i>related undertaking</i> of the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> (as applicable) which is a <i>regulated related undertaking</i> or an <i>ancillary services undertaking</i> .</p> <p>Pursuant to <i>INSPRU 6.1.18R</i> to <i>INSPRU 6.1.22R</i>, several entities may be combined where these are not material in relation to the <i>insurance group</i> . The <i>firm</i> should list the relevant entities in a note to the return and should be able to demonstrate the contribution of the individual entities to the group calculation.</p>
A1 (page 2)	<p>List the percentage interest in the <i>regulated related undertaking</i> listed in A held by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> (as applicable).</p> <p>For the purposes of calculating the percentage interest in accordance with <i>INSPRU 6.1.28R</i> and <i>6.1.29R</i>, if the interest is not held directly by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> but by another member of the <i>insurance group</i> , enter the effective percentage interest of the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in that <i>undertaking</i> (e.g. where a <i>parent</i> has a 50% holding in a <i>subsidiary</i> which in turn has a 50% holding in another <i>subsidiary</i>, the ultimate <i>parent undertaking's</i> effective percentage interest in the second <i>subsidiary</i> is 25% etc.).</p> <p>Where the entity is a <i>subsidiary</i> of a <i>subsidiary</i> of the <i>parent undertaking</i> (etc.), indicate (S) after the effective percentage interest. Such an entity should be treated as a <i>subsidiary</i> of the <i>parent undertaking</i> and will be included in the calculations in proportion to the <i>parent undertaking's</i> effective percentage interest (or in full if there is a capital resources deficit) (see <i>INSPRU 6.1.30R</i> and <i>6.1.31R</i>).</p>



FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Ref	Instructions
A2 (page 2)	State if the <i>related undertaking</i> listed in A is a <i>regulated insurance entity</i> , <i>pure reinsurer</i> , <i>insurance undertaking</i> that is not a <i>regulated insurance entity</i> , <i>insurance holding company</i> , <i>investment firm</i> , <i>credit institution</i> , <i>financial institution</i> which is not either a <i>credit institution</i> or <i>investment firm</i> , <i>financial holding company</i> , <i>asset management company</i> or <i>ancillary services undertaking</i> .  For <i>related undertakings</i> which are <i>ancillary services undertakings</i> entries should only be made in this column and column D2 on page 2.
B (page 2)	State the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> 's share (i.e multiplied by the percentage in A1) of the <i>individual capital resources requirement</i> of the <i>regulated related undertaking</i> , or the full amount if there is a capital resources deficit. This is the requirement set out in INSPRU 6.1.34R.
C (page 2)	State the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> 's share (or the full amount if there is a capital resources deficit) of the <i>regulated related undertaking</i> 's Tier 1 deductions calculated under the <i>sectoral rules</i> that apply to it.
D1 (page 2)	State the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> 's share (or the full amount if there is a capital resources deficit) of any inadmissible assets held by the <i>regulated related undertaking</i> (see INSPRU 6.1.60R)
D2 (page 2)	This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> when computing the <i>group capital resources</i> of an <i>insurance group</i> . The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i> ; and the <i>ancillary services undertaking</i> 's notional capital resources requirement (see INSPRU 6.1.62R to 6.1.64R).  For insurance-led conglomerates, for the purposes of INSPRU 6.1.43R, in calculating the <i>group capital resources</i> of an <i>undertaking</i> in INSPRU 6.1.17R (1)(ba) or (bb) or in applying the provisions of INSPRU 6.1 for the purposes of calculating the <i>conglomerate capital resources</i> of a <i>financial conglomerate</i> under the provisions of GENPRU 3.1, a firm must, in accordance with GENPRU 3.1.30R but subject to GENPRU 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in GENPRU 3 Annex 1 R to reflect direct or indirect investments by the <i>undertaking</i> in INSPRU 6.1.17R (1)(ba) or (bb) or by members of the <i>financial conglomerate</i> in each <i>related undertaking</i> which is an <i>ancillary services undertaking</i> .

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Ref	Instructions
E1 E2 E3 E4 E5 (page 3)	<p>The entries in E1 to E5 should be the book value of the investments of all members of the <i>insurance group</i> in the <i>solo capital resources</i> of each <i>regulated related undertaking</i> listed in A (this represents internal group holdings of the <i>solo capital resources</i> of each <i>regulated related undertaking</i> to be excluded from <i>group capital resources</i> under <i>INSPRU</i> 6.1.49R, 6.1.51R, 6.1.54R, 6.1.56R and 6.1.58R).</p> <p>The book value of the group's investment in <i>core tier one capital resources</i> * should be shown in E1; investments in perpetual non-cumulative <i>preference shares</i> * should be shown in E2; and investments in <i>innovative tier 1 capital resources</i> * should be shown in E3.</p> <p>The book value of the group's investment in <i>tier two capital resources</i> should be shown in E4 (<i>upper tier two capital resources</i> *) and E5 (<i>lower tier two capital resources</i> *).</p> <p>[* these terms should be applied in accordance with <i>INSPRU</i> 6.1.37R to the <i>undertaking</i> in question].</p>
F1 F2 F3 F4 F5 (page 3)	<p>The entries in F1 to F5 should be the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking's</i> share (or the full amount if there is a capital resources deficit) of the components of the <i>solo capital resources</i> of the <i>regulated related undertaking</i> (see <i>INSPRU</i> 6.1.48R(2), 6.1.50R(2), 6.1.53R(2), 6.1.55R(2) and 6.1.57R(2)).</p>

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Ref	Instructions
G1 G2 G3 G4 G5 (page 4)	<p>These entries represent the contribution to <i>group capital resources</i> of the <i>regulated related undertaking</i>. G1 is calculated as the difference between column F1 and E1. (G1 can be positive or negative. A negative figure would principally represent goodwill on acquisition).</p> <p>Similarly G2 is the difference between F2 and E2, G3 is the difference between F3 and E3 etc. (G2, G3, G4 &amp; G5 would normally be positive).</p> <p>The totals of columns G1, G2 and G3 respectively represent the group's <i>core tier one capital, perpetual non-cumulative preference shares</i> and <i>innovative tier one capital resources</i> (see H1 to H3 on page 1).</p> <p>The sum of columns G4 and G5 represent the group's <i>tier two capital resources</i> (see H5 and H6).</p>
Parent's capital resources (page 4)	<p>The entries in this line represent the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking's capital resources</i>, after deduction of the book value of the investments taken together of the individual members of the <i>insurance group</i> in those <i>capital resources</i>. The deduction excludes any holding by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> (as applicable) of its own <i>shares</i>; such holdings are deducted in calculating the parent's <i>tier one capital resources</i>.</p>
H1 H2 H3 H4 (page 1)	<p>H1 to H3 represent the total contribution of the <i>regulated related undertakings</i> and the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> to <i>total group tier one capital</i>. H4 represents the sum of the Tier 1 deductions for all members of the <i>insurance group</i>.</p>

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

Ref	Instructions
TT1 (page 1)	<p>This entry is <i>total group tier one capital</i> (see stage A of <i>INSPRU</i> 6.1.43R) after application of limits 1, 2 and 3 below:</p> <p>Limit 1: <i>Total group tier one capital</i>, less <i>innovative tier one capital resources</i> included in <i>total group tier one capital</i>, must account for at least 50% of the <i>group capital resources requirement</i> less any <i>with-profits insurance capital components</i> included in the <i>group capital resources requirement</i> (see <i>INSPRU</i> 6.1.45R(1)(a)).</p> <p>Limit 2: <i>Core tier one capital resources</i> included in <i>total group tier one capital</i> must account for at least 50% of <i>total group tier one capital</i> (see <i>INSPRU</i> 6.1.45R(1)(c)).</p> <p>Limit 3: <i>Innovative tier one capital resources</i> included in <i>total group tier one capital</i> must not exceed 15% of <i>total group tier one capital</i> (see <i>INSPRU</i> 6.1.45R(1)(d)).</p> <p>Any capital item excluded by limit 3 may form part of <i>total group tier two capital</i> (see <i>INSPRU</i> 6.1.46G).</p>
H5 H6 (page 1)	<p>These entries represent the total contribution of the <i>regulated related undertakings</i> and the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> to <i>total group tier two capital</i>.</p>
TT2 (page 1)	<p>This entry is calculated as the sum of H5 and H6 which represents <i>total group tier two capital</i> (stage B in <i>INSPRU</i> 6.1.43R) after application of limits 4 and 5 as follows:</p> <p>Limit 4: <i>Total group tier two capital</i> must not exceed <i>total group tier one capital</i> (see <i>INSPRU</i> 6.1.45R(1)(e)).</p> <p>Limit 5: <i>Lower tier two capital resources</i> calculated in accordance with <i>INSPRU</i> 6.1.57R included in <i>total group tier two capital</i> must not exceed 50% of <i>total group tier one capital</i> (see <i>INSPRU</i> 6.1.45R(1)(f)).</p>

FORM 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM

<i>Ref</i>	<i>Instructions</i>
TCR (page 1)	This entry is calculated as the sum of TT1 and TT2 and represents group capital resources before deductions (stage C in <i>INSPRU</i> 6.1.43R) after application of limit 6 as follows:
	Limit 6: <i>Total group tier one capital less innovative tier one capital resources</i> included in <i>total group tier one capital</i> , plus <i>total group tier two capital less any lower tier two capital resources</i> included in <i>total tier two capital</i> must account for at least 75% of the <i>group capital resources requirement</i> less any <i>with-profits insurance capital components</i> included in the <i>group capital resources requirement</i> ( <i>INSPRU</i> 6.1.45R(1)(b)).
H7 (page1)	This entry is the sum of columns D1 and D2 on page 2 which represent deductions to be made from total <i>group capital resources</i> in respect of the group's interest in inadmissible assets (see 8.3.59R), and <i>ancillary services undertakings</i> (see <i>INSPRU</i> 6.1.62R).
GCR (page1)	This entry is calculated as TCR less H7. This represents <i>group capital resources</i> (stage H in <i>INSPRU</i> 6.1.43R).
GCRR (page 1)	This entry is calculated as the sum of column B on page 2 which represents the <i>group capital resources requirement</i> ( <i>INSPRU</i> 6.1.33R).
I (page 1)	This is calculated as total <i>group capital resources</i> less total <i>group capital resources requirement</i> (GCR – GCRR). This represents the amount by which <i>group capital resources</i> exceed or fail to exceed the <i>group capital resources requirement</i> .



# Conduct of Business Sourcebook





- where the venue is a trading venue: its unique harmonised identification code;
- otherwise: the code 'OTC'.

## 11.6 Use of dealing commission

11.6.1

FCA

G

This section deals with the acceptance of certain inducements by *investment managers* and builds upon the *rule* on inducements (■ COBS 2.3.1 R). *Investment managers* should ensure they comply with both this section and the *rule* on inducements.

### Application

11.6.2

FCA

R

This section applies to a *firm* that acts as an *investment manager* when it *executes customer orders* that relate to:

- (1) *shares*; and
- (2) (a) *warrants*;  
 (b) *certificates representing certain securities*;  
 (c) *options*; and  
 (d) *rights to or interests in investments* of the nature referred to in (a) to (c);

to the extent that they relate to *shares*.

11.6.2A

FCA

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■ COBS 11.6.3 R applies to a *full-scope UK AIFM* that is an *internally managed AIF* in accordance with the modification in ■ COBS 18.5.4C R.

### Use of dealing commission to purchase goods or services

11.6.3

FCA

R

- (1) Subject to (3), an *investment manager* must not accept any good or service in addition to the *execution* of its *customer orders* if it:
  - (a) *executes its customer orders* through a broker or another *person*;
  - (b) *passes on the broker's or other person's charges* to its *customers*; and
  - (c) is offered that good or service in return for the *charges* referred to in (b).

- (2) [deleted]
- (3) The prohibition under (1) does not apply where:
  - (a) the *investment manager* has reasonable grounds to be satisfied that the good or service received in return for the *charges* in (1)(b) will reasonably assist the *investment manager* in the provision of its services to its *customers*, on whose behalf the relevant *customer orders* are being *executed*;
  - (b) the *investment manager's* receipt of that good or service in return for the *charges* in (1)(b) does not, and is not likely to, impair compliance with the duty of the *investment manager* to act in the best interests of its *customers*; and
  - (c) that good or service either:
    - (i) is directly related to the *execution* of trades on behalf of the *investment manager's customers*; or
    - (ii) amounts to the provision of substantive research.

## 11.6.4



FCA

- (1) Under ■ COBS 11.6.3R (3)(c)(i), for a good or service to be directly related to the *execution* of trades on behalf of the *investment manager's customers* it must be:
  - (a) linked to the arranging and conclusion of a specific investment transaction (or series of related transactions); and
  - (b) provided between the point at which the *investment manager* makes an investment or trading decision and the point at which the investment transaction (or series of related transactions) is concluded.
- (2) Compliance with (1) may be relied upon as tending to establish compliance with ■ COBS 11.6.3R (3)(c)(i)
- (3) Contravention of (1) may be relied on as tending to establish a contravention of ■ COBS 11.6.3R (3)(c)(i).

## 11.6.5



FCA

- (1) Under ■ COBS 11.6.3R (3)(c)(ii), for a good or service to amount to the provision of substantive research the relevant research must:
  - (a) be capable of adding value to the investment or trading decisions by providing new insights that inform the *investment manager* when making such decisions about its *customers'* portfolios;
  - (b) whatever form its output takes, represent original thought, in the critical and careful consideration and assessment of new and existing facts, and must not merely repeat or repackage what has been presented before;

- (c) have intellectual rigour and must not merely state what is commonplace or self-evident; and
- (d) present the *investment manager* with meaningful conclusions based on analysis or manipulation of data.

(2) Compliance with (1) may be relied upon as tending to establish compliance with ■ COBS 11.6.3R (3)(c)(ii).

(3) Contravention of (1) may be relied on as tending to establish a contravention of ■ COBS 11.6.3R (3)(c)(ii).

## 11.6.6

FCA

G

An example of a good or service relating to the *execution* of trades that the *FCA* does not regard as meeting the requirements of the *rule* on use of dealing commission (■ COBS 11.6.3 R) is post-trade analytics. These would not meet the evidential criteria for a good or service to be directly related to the *execution* of trades under ■ COBS 11.6.4E (1).

## 11.6.7

FCA

G

Examples of goods or services that relate to the provision of research that the *FCA* does not regard as meeting the requirements of the *rule* on use of dealing commission (■ COBS 11.6.3 R) include price feeds or historical price data that have not been analysed or manipulated in order to present the *investment manager* with meaningful conclusions. These would not meet the evidential criteria for a good or service to amount to the provision of substantive research under ■ COBS 11.6.5E (1).

## 11.6.8

FCA

G

Examples of goods or services that relate to the *execution* of trades or the provision of research that the *FCA* does not regard as meeting the requirements of either evidential provisions ■ COBS 11.6.4E (1) or ■ COBS 11.6.5E (1) include:

- (1) services relating to the valuation or performance measurement of portfolios;
- (2) computer hardware;
- (3) connectivity services such as electronic networks and dedicated telephone lines;
- (4) seminar fees;
- (4A) *corporate access services*;
- (5) subscriptions for publications;
- (6) travel, accommodation or entertainment costs;
- (7) order and execution management systems;
- (8) office administrative computer software, such as word processing or accounting programmes;
- (9) membership fees to professional associations;

- (10) purchase or rental of standard office equipment or ancillary facilities;
- (11) employees' salaries;
- (12) direct money payments;
- (13) publicly available information; and
- (14) *custody* services relating to *designated investments* belonging to, or managed for, *customers* other than those services that are incidental to the *execution* of trades.

## 11.6.8A

G

FCA

- (1) An *investment manager* intending to pass on to its *customers* any *charges* under the exemption at ■ COBS 11.6.3R (3) should have regard to its duties under the *client's best interests rule*. For example, this means that:
  - (a) an *investment manager* should not pass on a *charge* to a *customer* under the exemption at ■ COBS 11.6.3R (3) that is greater than the cost charged by the broker or relevant person specifically for the relevant good or service falling under ■ COBS 11.6.3R (3);
  - (b) if an *investment manager* intends to pass on a *charge* to a *customer* under the exemption at ■ COBS 11.6.3R (3), and the relevant good or service being offered in return for a *broker's* or other *person's charges* is not distinctly priced, the *investment manager* should make a fair assessment of the *charge* that it would be permitted to pass onto its *customer* under that *rule*. In making this determination, the *investment manager* may need to consider whether it can carry out a fact-based analysis of the unpriced good or service. For example, it may be appropriate to use other comparable priced goods or services (whether produced internally or procured from another *person*) or an estimate of the cost of providing a comparable good or service internally as an indication of a fair *charge* to pass onto a *customer* for the relevant good or service; and
  - (c) where the *investment manager* is in a position to negotiate or itself dictate the price of a good or service it receives that is to be charged to a *customer* under the exemption at ■ COBS 11.6.3R (3), it should act honestly, fairly and professionally in accordance with the best interests of its *customer*.
- (2) (a) Where a good or service received by an *investment manager* comprises the provision of substantive research together with elements that are not substantive research (see ■ COBS 11.6.7 G and ■ COBS 11.6.8 G), ■ COBS 11.6.3R (3) only applies for those elements that amount to the provision of substantive research. This means that the *investment manager* should disaggregate any such good or service received, to ensure that it only passes on *charges* under the exemption at ■ COBS 11.6.3R (3) for the substantive research elements that it receives.
- (b) In disaggregating elements under (a), it may be useful for an *investment manager* to consider the amount that it would be willing, in good faith, to pay for those elements of a good or service that cannot be charged to a *customer* under ■ COBS 11.6.3 R. Such an exercise can assist the *investment manager*, when determining the charges to be passed on to the *customer* under the exemption at ■ COBS 11.6.3R (3) for the substantive

research elements, to ensure that the *customer* will not subsidise the other elements that benefit the *investment manager*.

- (c) The guidance under (a) and (b) is equally relevant to situations where:
  - (i) the good or service to be disaggregated is priced as a whole but the elements to be disaggregated are not distinctly priced; and
  - (ii) the overall good or service that is to be disaggregated is not distinctly priced.
- (d) The considerations in (1) are equally relevant for any disaggregated good or service.

11.6.9

FCA

G

The reference to substantive research in the *rule* on use of dealing commission (■ COBS 11.6.3 R) is not confined to *investment research* as defined in the *Glossary*. Substantive research can potentially be or include *investment research*, but this is not part of the criteria under ■ COBS 11.6.5 E. In addition, any goods or services that relate to the provision of research that the *FCA* regards as not acceptable under ■ COBS 11.6.7 G or ■ COBS 11.6.8 G should be viewed as not meeting the requirements of ■ COBS 11.6.3R (3), notwithstanding that their content might qualify as *investment research*.

11.6.10

FCA

G

This section applies only to arrangements under which an *investment manager* receives from brokers or other *persons* a good or service that directly relates to the *execution* of trades or amounts to the provision of substantive research. It has no application in relation to *execution* and research generated internally by an *investment manager* itself.

11.6.11

FCA

G

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

#### Rule on prior disclosure

11.6.12

FCA

R

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

#### Guidance on prior disclosure

11.6.13

FCA

G

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

11.6.14

FCA

G

- (1) The prior disclosure required by this section should include an adequate disclosure of the *firm's* policy relating to the receipt of goods or services that directly relate to the execution of trades or amount to the provision of substantive research in accordance with the *rule* on use of dealing commission (■ COBS 11.6.3 R).

- (2) The prior disclosure should explain generally why the *firm* might find it necessary or desirable to use dealing commission to purchase goods or services, bearing in mind the practices in the markets in which it does business on behalf of its *customers*. While the appropriate method of making such a disclosure is for the *firm* to decide, this could, for example, be achieved in a client agreement.

#### Rule on periodic disclosure

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

FCA

#### Adequate prior and periodic disclosure

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

FCA

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

FCA

#### Making periodic disclosures in a timely manner

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

FCA

#### Record keeping

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

FCA

- 11.6.20 **G** Firms are also reminded of the general record keeping requirements in ■ SYSC 3.2 and ■ SYSC 9 (as applicable). An *investment manager* should keep appropriate records of the basis on which it concludes that a particular good or service may be received under the exemption at ■ COBS 11.6.3R (3) in return for the *charges* in ■ COBS 11.6.3R (1)(b).

FCA

## 11.7 Personal account dealing

### Rule on personal account dealing

11.7.1

FCA

R

A *firm* that conducts *designated investment business* must establish, implement and maintain adequate arrangements aimed at preventing the following activities in the case of any *relevant person* who is involved in activities that may give rise to a conflict of interest, or who has access to inside information as defined in the *Market Abuse Directive* or to other confidential information relating to *clients* or transactions with or for *clients* by virtue of an activity carried out by him on behalf of the *firm*:

- (1) entering into a *personal transaction* which meets at least one of the following criteria:
  - (a) that *person* is prohibited from entering into it under the *Market Abuse Directive*;
  - (b) it involves the misuse or improper disclosure of that confidential information;
  - (c) it conflicts or is likely to conflict with an obligation of the *firm* to a *customer* under the *regulatory system* or any other obligation of the *firm* under *MiFID* or the *UCITS Directive*;
- (2) advising or procuring, other than in the proper course of his employment or contract for services, any other *person* to enter into a transaction in *designated investments* which, if a *personal transaction* of the *relevant person*, would be covered by (1) or a relevant provision;
- (3) disclosing, other than in the normal course of his employment or contract for services, any information or opinion to any other *person* if the *relevant person* knows, or reasonably ought to know, that as a result of that disclosure that other *person* will or would be likely to take either of the following steps:
  - (a) to enter into a transaction in designated investments which, if a *personal transaction* of the *relevant person*, would be covered by (1) or a relevant provision;



- (b) to advise or procure another *person* to enter into such a transaction.

[Note: article 12(1) of *MiFID implementing Directive* and article 13(1) of the *UCITS implementing Directive*]

11.7.2

FCA

R

For the purposes of this section, the relevant provisions are:

- (1) the *rules* on *personal transactions* undertaken by *financial analysts* in ■ COBS 12.2.5 R (1) and ■ (2);
- (2) the *rule* on the misuse of information relating to pending *client orders* in ■ COBS 11.3.5 R.

11.7.2A

FCA

G

The requirements of this section are without prejudice to article 3(a) of the *Market Abuse Directive* which prohibits any *person* who possesses inside information under article 2 of that directive from disclosing that information to any other *person* unless that disclosure is made in the normal course of the exercise of his employment, profession or duties.

11.7.3

FCA

G

For the purposes of ■ COBS 11.7.1R (1)(c), any other obligation of the *firm* under *MiFID* refers to a *firm's* obligations under the *regulatory system* that are not owed to a *customer* and any of the *firm's* obligations under another *EEA States'* implementation of *MiFID* where it operates a *branch* in the *EEA*.

11.7.4

FCA

R

The arrangements required under this section must in particular be designed to ensure that:

- (1) each *relevant person* covered by this section is aware of the restrictions on *personal transactions*, and of the measures established by the *firm* in connection with *personal transactions* and disclosure, in accordance with this section;
- (2) the *firm*:
  - (a) is informed promptly of any *personal transaction* entered into by a *relevant person*, either by notification of that transaction or by other procedures enabling the *firm* to identify such transactions; or
  - (b) in the case of *outsourcing* arrangements, ensures that the *service provider* to which the activity is *outsourced* maintains a record of *personal transactions* entered into by any *relevant person* and provides that information to the *firm* promptly on request;
- (3) a record is kept of the *personal transaction* notified to the *firm* or identified by it, including any authorisation or prohibition in connection with such a transaction.

[Note: article 12(2) of *MiFID implementing Directive* and article 13(2) of the *UCITS implementing Directive*]

11.7.5

FCA

R

**Disapplication of rule on personal account dealing**

This section does not apply to the following kinds of *personal transaction*:

- (1) *personal transactions* effected under a discretionary portfolio management service where there is no prior communication in connection with the transaction between the portfolio manager and the *relevant person* or other *person* for whose account the transaction is executed;
- (2) *personal transactions* in *units* or *shares* in collective undertakings that comply with the conditions necessary to enjoy the rights conferred by the *UCITS Directive* or are subject to supervision under the law of an *EEA State* which requires an equivalent level of risk spreading in their assets, where the *relevant person* and any other *person* for whose account the transactions are effected, are not involved in the management of that undertaking;
- (3) *personal transactions* in *life policies*.

[Note: article 12(3) of *MiFID implementing Directive* and article 13(3) of the *UCITS implementing Directive*]

11.7.6

FCA

R

For the purposes of this section, a *person* who is not:

- (1) a director, partner or equivalent, manager or *appointed representative* (or, where applicable, a *tied agent*) of the *firm*;  
or
- (2) a director, partner or equivalent, or manager of any *appointed representative* (or where applicable, a *tied agent*) of the *firm*;

will only be a *relevant person* to the extent that they are involved in the provision of *designated investment business* or *collective portfolio management* services.

**Successive personal transactions**

11.7.7

FCA

R

Where successive *personal transactions* are carried out on behalf of a *person* in accordance with prior instructions given by that *person*, the obligations under this section do not apply:

- (1) separately to each successive transaction if those instructions remain in force and unchanged; or
- (2) to the termination or withdrawal of such instructions, provided that any *financial instruments* which had previously been acquired pursuant to the instructions are not disposed of at the same time as the instructions terminate or are withdrawn.

Obligations under this section do apply in relation to a *personal transaction*, or the commencement of successive *personal transactions*, that are carried out on behalf of the same *person* if those instructions are changed or if new instructions are issued.

[Note: recital 17 to *MiFID implementing Directive*]

## 11.8 Recording telephone conversations and electronic communications

### Application - Who?

11.8.1

FCA

R

This section applies to a *firm*:

- (1) which carries out any of the following activities:
  - (a) receiving *client* orders;
  - (b) executing *client* orders;
  - (c) arranging for *client* orders to be executed;
  - (d) carrying out transactions on behalf of the *firm*, or another person in the *firm's* group, and which are part of the *firm's* trading activities or the trading activities of another person in the *firm's* group;
  - (e) executing orders that result from decisions by the *firm* to deal on behalf of its *client*;
  - (f) placing orders with other entities for execution that result from decisions by the *firm* to deal on behalf of its *client*;
- (2) to the extent that the activities referred to in (1) relate to:
  - (a) *qualifying investments* admitted to trading on a *prescribed market*;
  - (b) *qualifying investments* in respect of which a request for admission to trading on such a market has been made;
  - (c) investments which are *related investments* in relation to such *qualifying investments*.

11.8.2

FCA

R

This section does not apply to the carrying on of the following activities:

- (1) activities carried on between *operators*, or between *operators* and *depositories*, of the same *fund* (when acting in that capacity);
- (2) *corporate finance business*;

(3) corporate treasury functions.

11.8.3

FCA

**R** This section does not apply to the following *firms* or *persons*:

- (1) a *service company*;
- (2) a *non-directive friendly society*;
- (3) a *non-directive insurer*;
- (4) a *UCITS qualifier*.

#### Application - Where?

11.8.4

FCA

**R** This section applies only with respect to a *firm's* activities carried on from an establishment maintained by the *firm* in the *United Kingdom*.

#### Recording telephone conversations, etc

11.8.5

FCA

**R** A *firm* must take reasonable steps to record relevant telephone conversations, and keep a copy of relevant electronic communications, made with, sent from or received on equipment:

- (1) provided by the *firm* to an employee or contractor; or
- (2) the use of which by an employee or contractor has been sanctioned or permitted by the *firm*;

to enable that employee or contractor to carry out any of the activities referred to in **■** COBS 11.8.1 R.

11.8.5A

FCA

**R** A *firm* must take reasonable steps to prevent an employee or contractor from making, sending or receiving relevant telephone conversations and electronic communications on privately-owned equipment which the *firm* is unable to record or copy.

11.8.6

FCA

**R** The obligation in **■** COBS 11.8.5 R and **■** COBS 11.8.5A R does not apply to:

- (1) [deleted]
- (2) a *discretionary investment manager*, in respect of telephone conversations or electronic communications made with, sent to or received from a *firm* which the *discretionary investment manager* reasonably believes is subject to the recording obligation in **■** COBS 11.8.5 R in respect of that conversation or communication; or
- (3) a *discretionary investment manager*, in respect of telephone conversations or electronic communications made with, sent to or received from a *person* who is not subject to the recording obligation in **■** COBS 11.8.5 R, provided that such telephone

conversations or electronic communications are made with, sent to or received from such *persons* on an infrequent basis, and represent a small proportion of the total telephone conversations and electronic communications made, sent or received by the *discretionary investment manager* to which ■ COBS 11.8.5 R apply.

11.8.7

FCA

G

Electronic communications includes communications made by way of facsimile, email and instant messaging devices.

11.8.8

FCA

R

For the purposes of ■ COBS 11.8.5 R and ■ COBS 11.8.5A R a relevant conversation or communication is any one of the following:

- (1) a conversation or communication between an employee or contractor of the *firm* with a *client*, or when acting on behalf of a *client*, with another *person*, which concludes an agreement by the *firm* to carry out the activities referred to in ■ COBS 11.8.1 R as principal or as agent;
- (2) a conversation or communication between an employee or contractor of the *firm* with a *professional client* or an *eligible counterparty*, or when acting on behalf of a *professional client* or an *eligible counterparty*, with another *person*, which is carried on with a view to the conclusion of an agreement referred to in (1) above, and whether or not it is part of the same conversation or communication as in (1).

11.8.9

FCA

G

- (1) ■ COBS 11.8.8R (2) includes conversations and communications relating to specific transactions which are intended to lead to the conclusion of an agreement by the *firm* to deal with or on behalf of the *client* as principal or agent, even if those conversations or communications do not lead to the conclusion of such an agreement. It does not include conversations or communications which are not intended to lead to the conclusion of such an agreement, such as general conversations or communications about market conditions.
- (2) The FCA would not usually expect the obligation in ■ COBS 11.8.5 R to include conversations or communications made by investment analysts, retail financial advisers, and persons carrying on back office functions, as such persons will not normally make relevant conversations or communications when acting in those capacities.

#### Retention of records

11.8.10

FCA

R

A *firm* must take reasonable steps to retain all records made by it under ■ COBS 11.8.5 R:

- (1) for a period of at least 6 *months* from the date the record was created;

- 
- (2) in a medium that allows the storage of the information in a way accessible for future reference by the *FCA*, and so that the following conditions are met:
- (a) the *FCA* must be able to access the records readily;
  - (b) it must be possible for any corrections or other amendments, and the contents of the records prior to such corrections and amendments, to be easily ascertained;
  - (c) it must not be possible for the records to be otherwise manipulated or altered.





# Supervision



15.9.4

FCA PRA

R

A *firm* does not have to give notice to the *appropriate regulator* under ■ SUP 15.9.1 R if it or another member of the *consolidation group* has already given notice of the relevant fact to:

- (1) the *appropriate regulator*; or
- (2) (if another *competent authority* is *co-ordinator* of the *financial conglomerate* ) that *competent authority*; or
- (3) (in the case of a *financial conglomerate* that does not yet have a *co-ordinator* ) the *competent authority* who would be *co-ordinator* under Article 10(2) of the *Financial Groups Directive* (Competent authority responsible for exercising supplementary supervision (the *co-ordinator*)).

15.9.5

FCA

R

- (1) A *firm* must, at the level of the *EEA financial conglomerate*, regularly provide the *appropriate regulator* with details on the *financial conglomerate's* legal structure and governance and organisational structure, including all *regulated entities*, non-regulated subsidiaries and significant *branches*.
- (2) A *firm* must disclose publicly, at the level of the *EEA financial conglomerate*, on an annual basis, either in full or by way of references to equivalent information, a description of the *financial conglomerate's* legal structure and governance and organisational structure.
- (3) For the purposes of (1) and (2), where a *firm* is a member of an *EEA financial conglomerate* which is part of a wider *UK regulated EEA financial conglomerate*, reporting applies only at the level of the *EEA parent mixed financial holding company* or *ultimate EEA mixed financial holding company*.



## 15.10 Reporting suspicious transactions (market abuse)

### Application: where

15.10.1

FCA

R

This section applies in relation to activities carried on from an establishment maintained by the *firm* or its *appointed representative* in the *United Kingdom*. [Note: Article 7 2004/72/EC]

### Notification of suspicious transactions: general

15.10.2

FCA

R

A *firm* which *arranges* or *executes* a transaction with or for a client and which has reasonable grounds to suspect that the transaction might constitute *market abuse* must notify the *FCA* without delay.

[Note: Article 6(9) *Market Abuse Directive*]

### Notification of suspicious transactions: investment firms and credit institutions

15.10.3

FCA

R

A *firm*, that is an *investment firm* or a *credit institution*, must decide on a case-by-case basis whether there are reasonable grounds for suspecting that a transaction involves *market abuse*, taking into account the elements constituting *market abuse*. [Note: Articles 1(3) and 7 2004/72/EC]

15.10.4

FCA

G

- (1) Notification of suspicious transactions to the *FCA* requires sufficient indications (which may not be apparent until after the transaction has taken place) that the transaction might constitute *market abuse*. In particular a *firm* will need to be able to explain the basis for its suspicion when notifying the *FCA* (see ■ SUP 15.10). Certain transactions by themselves may seem completely devoid of anything suspicious, but might deliver such indications of possible *market abuse*, when seen in perspective with other transactions, certain behaviour or other information (though *firms* are not expected to breach effective information barriers put in place to prevent and avoid conflicts of interest so as actively to seek to detect suspicious transactions). [Note: Recital 9 2004/72/EC]
- (2) Assistance in identifying the elements constituting *market abuse* may be derived from the *Code of Market Conduct* (■ MAR 1), and some example indications of *market abuse* are set out in ■ SUP 15 Ann 5 G. A fuller set of example indications is published by the Committee of European Securities Regulators ([CESR](#)).

# Decision Procedure and Penalties Manual



- (3) The length of the period during which the *person* performed a *controlled function* without approval.
- (4) Whether the *person* is an individual.
- (5) The appropriateness of taking action against the *person* instead of, or in addition to, taking action against an *authorised person*. In assessing this, the *FCA* will take into consideration the extent of the culpability of an *authorised person* for the *person* performing a *controlled function* without approval. For example, a relevant factor may be that an *authorised person* decided that the *person* did not need to obtain approval and it was reasonable for the *person* to rely on the *authorised person's* judgment.
- (6) The *person's* position and responsibilities. The more senior the *person* that performs a *controlled function* without approval, the more seriously the *FCA* is likely to view his behaviour, and therefore the more likely it is to take action against the *person*.

**Action against directors, former directors and persons discharging managerial responsibilities for breaches under Part VI of the Act**

6.2.10  
FCA

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The primary responsibility for ensuring compliance with Part VI of the *Act*, the *Part 6 rules*, the *prospectus rules* or a provision otherwise made in accordance with the *Prospectus Directive* or a requirement imposed under such provision rests with the persons identified in section 91(1) and section 91(1A) (Penalties for breach of Part 6 rules) of the *Act* respectively. Normally therefore, any disciplinary action taken by the *FCA* for contraventions of these obligations will in the first instance be against those persons.

6.2.11  
FCA

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However, in the case of a contravention by a *person* referred to in section 91(1)(a) or section 91(1)(b) or section 91(1A) of the *Act* ("P"), where the *FCA* considers that another *person* who was at the material time a *director* of P was knowingly concerned in the contravention, the *FCA* may take disciplinary action against that *person*. In circumstances where the *FCA* does not consider it appropriate to seek a disciplinary sanction against P (notwithstanding a breach of relevant requirements by such person), the *FCA* may nonetheless seek a disciplinary sanction against any other person who was at the material time a *director* of P and was knowingly concerned in the contravention.

6.2.12  
FCA

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*Persons* discharging managerial responsibilities within an issuer and their *connected persons*, who have requested or approved the admission of a *financial instrument* to trading on a *regulated market*, and *connected persons* have their own responsibilities under the *disclosure rules*, as set out in ■ DTR 3, for which they are primarily responsible. Accordingly, disciplinary action for a breach of the *disclosure rules* will not necessarily involve the issuer.

**[Note: In paragraph 6.2.12, 'connected person' has the meaning in relation to a *person discharging managerial responsibilities within an issuer* attributed to it in subsection (5) of the definition of 'connected person' in the Handbook Glossary.]**

6.2.13  
FCA

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In deciding whether to take action, the *FCA* will consider the full circumstances of each case. Factors that may be relevant for this purpose include, but are not limited to, the factors at ■ DEPP 6.2.1 G.

### Discipline for breaches of the Principles for Businesses

6.2.14

FCA

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The *Principles* are set out in ■ PRIN 2.1.1 R. The *Principles* are a general statement of the fundamental obligations of *firms* under the *regulatory system*. The *Principles* derive their authority from the FCA's rule-making powers set out in section 137A (General rule-making power) of the *Act*. A breach of a *Principle* will make a *firm* liable to disciplinary action. Where the FCA considers this is appropriate, it will discipline a *firm* on the basis of the *Principles* alone.

6.2.15

FCA

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In determining whether a *Principle* has been breached, it is necessary to look to the standard of conduct required by the *Principle* in question at the time. Under each of the *Principles*, the onus will be on the FCA to show that a *firm* has been at fault in some way.

### Discipline for breaches of the Listing Principles and Premium Listing Principles

6.2.16

FCA

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The Listing Principles and Premium Listing Principles are set out in ■ LR 7. The Listing Principles set out in ■ LR 7.2.1 R are a general statement of the fundamental obligations of all *listed companies*. In addition to the Listing Principles, the Premium Listing Principles set out in ■ LR 7.2.1A R are a general statement of the fundamental obligations of all *listed companies* with a *premium listing* of *equity shares*. The Listing Principles and Premium Listing Principles derive their authority from the FCA's rule making powers set out in section 73A(1) (Part 6 Rules) of the *Act*. A breach of a Listing Principle or, if applicable, a Premium Listing Principle, will make a *listed company* liable to disciplinary action by the FCA.

6.2.17

FCA

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In determining whether a Listing Principle or Premium Listing Principle has been broken, it is necessary to look to the standard of conduct required by the Listing Principle or Premium Listing Principle in question. Under each of the Listing Principles and Premium Listing Principles, the onus will be on the FCA to show that a *listed company* has been at fault in some way. This requirement will differ depending upon the relevant Listing Principle or Premium Listing Principle.

6.2.18

FCA

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In certain cases, it may be appropriate to discipline a *listed company* on the basis of the a Listing Principle or, if applicable, a Premium Listing Principle, alone. Examples include the following:

- (1) where there is no detailed *listing rule* which prohibits the *behaviour* in question, but the *behaviour* clearly contravenes a Listing Principle or, if applicable, a Premium Listing Principle;
- (2) where a *listed company* has committed a number of breaches of detailed *rules* which individually may not merit disciplinary action, but the cumulative effect of which indicates the breach of a Listing Principle or, if applicable, a Premium Listing Principle.

### Action involving other regulatory authorities or enforcement agencies

6.2.19

FCA

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Some types of *breach* may potentially result not only in action by the FCA, but also action by other domestic or overseas regulatory authorities or enforcement agencies.



- 6.2.20**  
**FCA** **G** When deciding how to proceed in such cases, the *FCA* will examine the circumstances of the case, and consider, in the light of the relevant investigation, disciplinary and enforcement powers, whether it is appropriate for the *FCA* or another authority to take action to address the *breach*. The *FCA* will have regard to all the circumstances of the case including whether the other authority has adequate powers to address the *breach* in question.
- 6.2.21**  
**FCA** **G** In some cases, it may be appropriate for both the *FCA* and another authority to be involved, and for both to take action in a particular case arising from the same facts. For example, a breach of *RIE* rules may be so serious as to justify the *FCA* varying or cancelling the *firm's Part IV permission*, or withdrawing approval from *approved persons*, as well as action taken by the *RIE*. In such cases, the *FCA* will work with the relevant authority to ensure that cases are dealt with efficiently and fairly, under operating arrangements in place (if any) between the *FCA* and the relevant authority.
- 6.2.22**  
**FCA** **G** In relation to *behaviour* which may have happened or be happening in the context of a *takeover bid*, the *FCA* will refer to the *Takeover Panel* and give due weight to its views. Where the *Takeover Code* has procedures for complaint about any behaviour, the *FCA* expects parties to exhaust those procedures. The *FCA* will not, save in exceptional circumstances, take action under any of section 123 (*FCA's* power to impose penalties), section 129 (Power of court to impose penalties), section 381 (Injunctions), sections 383 or 384 (Restitution) in respect of *behaviour* to which the *Takeover Code* is relevant before the conclusion of the procedures available under the *Takeover Code*.
- 6.2.23**  
**FCA** **G** The *FCA* will not take action against a *person* over *behaviour* which (a) conforms with the *Takeover Code* or rules of an *RIE* and (b) falls within the terms of any provision of the *Code of Market Conduct* which states that *behaviour* so conforming does not amount to *market abuse*. The *FCA* will seek the *Takeover Panel's* or relevant *RIE's* views on whether *behaviour* complies with the *Takeover Code* or *RIE* rules and will attach considerable weight to its views.
- 6.2.24**  
**FCA** **G** If any of the circumstances in ■ DEPP 6.2.26 G apply, and the *FCA* considers that the use of its disciplinary powers under section 123 or section 129, or of its injunctive powers under section 381 or of its powers relating to restitution under section 383 or 384 is appropriate, it will not take action during an offer to which the *Takeover Code* applies except in the circumstances set out in ■ DEPP 6.2.27 G.
- 6.2.25**  
**FCA** **G** In any case where the *FCA* considers that the use of its powers under any of sections 123, 129, 381, 383 or 384 of the *Act* may be appropriate, if that use may affect the timetable or outcome of a *takeover bid* or where it is appropriate in the context of any exercise by the *Takeover Panel* of its powers and authority, the *FCA* will consult the *Takeover Panel* before using any of those powers.
- 6.2.26**  
**FCA** **G** Where the *behaviour* of a *person* which amounts to *market abuse* is *behaviour* to which the *Takeover Code* is relevant, the use of the *Takeover Panel's* powers will often be sufficient to address the relevant concerns. In cases where this is not so, the *FCA* will need to consider whether it is appropriate to use any of its own powers under the *market abuse regime*. The principal circumstances in which the *FCA* is likely to consider such exercise are:
- (1) where the *behaviour* falls within sections 118(2), 118(3) or 118(4) of the *Act*;

- (2) where the *FCA's* approach in previous similar cases (which may have happened otherwise than in the context of a *takeover bid*) suggests that a financial penalty should be imposed;
- (3) where the *behaviour* extends to *securities* or a class of *securities* which may be outside the *Takeover Panel's* jurisdiction;
- (4) where the *behaviour* threatens or has threatened the stability of the *financial system*; and
- (5) where for any other reason the *Takeover Panel* asks the *FCA* to consider the use of any of its powers referred to in ■ DEPP 6.2.22 G.

**[Note: In this section, 'securities' has the same meaning given in subsection (1) of the definition of 'security' in the Handbook Glossary]**

6.2.27

FCA

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The exceptional circumstances in which the *FCA* will consider the use of powers during a *takeover bid* are listed in ■ DEPP 6.2.26G (1), ■ DEPP 6.2.26G (3) and ■ DEPP 6.2.26G (4), and, depending on the circumstances, ■ DEPP 6.2.26G (5).

6.2.28

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[deleted]

# Recognised Investment Exchanges





## 3.26 Proposals to make regulatory provision

### Statutory power

3.26.1  
FCA

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Under section 300B(1) of the *Act* (Duty to notify proposal to make regulatory provision), a *UK RIE* that proposes to make any *regulatory provision* must give written notice of the proposal to the *FCA* without delay.

3.26.2  
FCA

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Under section 300B(2) of the *Act*, the *FCA* may, by rules under section 293 (Notification requirements):

- (1) specify descriptions of *regulatory provision* in relation to which, or circumstances in which, the duty in section 300B(1) does not apply, or
- (2) provide that the duty applies only to specified descriptions of *regulatory provision* or in specified circumstances.

3.26.3  
FCA

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Under section 300B(3) of the *Act*, the *FCA* may also by rules under section 293:

- (1) make provision as to the form and contents of the notice required, and
- (2) require the *UK recognised body* to provide such information relating to the proposal as may be specified in the rules or as the *FCA* may reasonably require.

### Disapplication of duty to notify proposal to make regulatory provision

3.26.4  
FCA

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The duty in section 300B(1) of the *Act* does not apply to any of the following:

- (1) any *regulatory provision* which is required under *EU law* or any enactment or rule of law in the *United Kingdom*; or
- (2) (a) the specification of the standard terms of any *derivative* which a *UK RIE* proposes to *admission to trading*, or the amendment of the standard terms of any *derivative* already *admitted to trading*; or
- (b) the specification or any amendment of standard terms relating to the provision of *clearing facilitation services* for any *derivative*; or

- (c) the specification or any amendment of operating procedures which are reasonably consequential on any *regulatory provision* falling within (a) or (b); or
- (3) any *regulatory provision* which is expressed to have effect for no longer than three months which is made by a *UK recognised body* in response to an emergency event (including, without limitation, a war, terrorist attack or labour strike); or
- (4) any *regulatory provision* which does not impose a requirement (including any obligation or burden) on *persons* affected (directly or indirectly) by it; or
- (5) any other *regulatory provision* which has not been excluded under (1), (2), (3) or (4) other than any such provision which (taken together with any other *regulatory provision* not otherwise the subject of a notice under section 300B(1) of the *Act*):
  - (a) materially increases disclosure, reporting or corporate governance requirements imposed on any *person* (whether directly or indirectly); or
  - (b) imposes a material limitation affecting any *person* (whether directly or indirectly including, without limitation, through an amendment to fees or charges) on the type or nature of *financial instruments* which may be *listed* or the subject of *admission to trading* on the *facilities* operated by the *UK RIE* proposing to make the *regulatory provision*; or
  - (c) materially limits access to, or use by, any *person* (whether directly or indirectly including, without limitation, through an amendment to fees or charges) of the *facilities* operated by the *UK recognised body* proposing to make the *regulatory provision* ; or
  - (d) materially limits or restricts the ability of any *person* to supply services (including, without limitation, trading, clearing, settlement or information services) to *persons* who are users of the *facilities* operated by the *UK RIE* proposing to make the *regulatory provision* (whether directly or indirectly, including by the imposition of an obligation or burden on the supplier or on a user of the *UK RIE*); or
  - (e) materially adds to the circumstances in which any *person* (whether directly or indirectly) may be liable to penalties or other sanctions or have liability in damages.

**Notice to the FCA**

3.26.5

FCA

R

A notice under section 300B(1) of the *Act* of a proposal to make a *regulatory provision* must be in writing and state expressly that it is a notice for the purpose of that section. To be effective, a notice must:

- (1) contain full particulars of the proposal to make a *regulatory provision* which is the subject of that notice; and
- (2) either be accompanied by sufficient supporting information to enable the *FCA* to assess the purpose and effect of the proposed *regulatory provision* or refer to such information in circumstances where such information has already been provided to the *FCA*.

3.26.6

FCA

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In determining whether a *UK RIE* has provided sufficient supporting information, the *FCA* may have regard to the extent to which the information includes:

- (1) clearly expressed reasons for the proposed *regulatory provision*; and
- (2) an appropriately detailed assessment of the likely costs and benefits of the proposed *regulatory provision*.

3.26.7

FCA

R

A *UK RIE* must provide such additional information in connection with a notice under section 300B(1) of the *Act* as the *FCA* may reasonably require.

3.26.8

FCA

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Where a *UK RIE* wishes to give notice to the *FCA* for the purposes of section 300B(1) of the *Act*, it should in the first instance inform its usual supervisory contact at the *FCA*.

3.26.9

FCA

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The *FCA* expects that an advanced draft of any consultation document a *UK RIE* intends to publish in connection with a proposed *regulatory provision* could provide some or all of the information described in ■ REC 3.26.5 R .

