

# Chapter 1

## Application and General Provisions

**1.1 PURPOSE**

- 1.1.1 **R** [deleted]
- 1.1.2 **G** The *rules and guidance* in this sourcebook will assist the *appropriate regulator* to meet the statutory objectives. This sourcebook does so by setting minimal capital and other risk management standards thereby mitigating the possibility that firms will be unable to meet their liabilities and commitments to *consumers* and counterparties.
- 1.1.3 **R** The general scheme of this sourcebook is, wherever appropriate, to apply the financial and other prudential standards which applied to a *firm* immediately prior to it becoming authorised by the *appropriate regulator* under the *Act*. For convenience, the chapter numbers adopted in this sourcebook correspond with those of the rulebooks of *previous regulators*.
- 1.1.3A **R** This sourcebook does not apply to *firms BIPRU firms* except:
  - (1) it does apply to certain *exempt BIPRU commodities firms*; and
  - (2) [deleted]
- 1.1.3B **R** This sourcebook does not apply to *IFPRU investment firms* except it does apply to *exempt IFPRU commodities firms*.
- 1.1.4 **R** This sourcebook does not apply to *banks, building societies, insurers, the Society of Lloyd's (except in relation to underwriting agents), friendly societies and certain other categories of firm and members' advisers*.
- 1.1.5 **R** On becoming authorised by the *appropriate regulator* a *firm* will have to comply with the particular chapter of this sourcebook appropriate to its business. The *firm* will be able to seek guidance on this during the authorisation procedure. If subsequently, the business for which a *firm* has *permission* changes it may be necessary for it to comply with a different set of financial resources requirements. *Firms* will be able to discuss this aspect with the appropriate regulator during the application process.

1.1.6

**R**

The *Supervision manual* sets out provisions relating to the periodic reporting and notification of financial information to the *appropriate regulator* or to the auditing of accounts. However, this sourcebook contains a few additional notification requirements (*notification rules*).

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## 1.2 APPLICATION

- 1.2.1 **R** The *Glossary* applies to the transitional provisions, this chapter (■ IPRU-INV 1), ■ IPRU-INV 2, ■ IPRU-INV 4, ■ IPRU-INV 6, ■ IPRU-INV 11 and ■ IPRU-INV 13.
- 1.2.2 **R**
- (1) *IPRU-INV* applies to:
    - (a) a *members' adviser*;
    - (b) an *investment management firm*;
    - (c) a *personal investment firm*;
    - (d) an *authorised professional firm*;
    - (e) a *securities and futures firm*;
    - (f) a *service company*;
    - (g) the *Society of Lloyd's* (in relation to *underwriting agents*);
    - (h) [deleted]
    - (i) a *credit union* which is a *CTF provider*; and
    - (j) an *exempt CAD firm*; and
    - (k) a *collective portfolio management firm*; and
    - (l) a *collective portfolio management investment firm*.
  - (2) *IPRU-INV* does not apply to:
    - (a) a *lead regulated firm*; or
    - (b) a *media firm*; or
    - (c) a *BIPRU firm* (unless it is an *exempt BIPRU commodities firm*); or
    - (d) an *IFPRU investment firm* (unless it is an *exempt IFPRU commodities firm*).
  - (3) The definitions in the *Glossary* (which is applicable to the *Handbook* generally) apply to this chapter.
- 1.2.3 **G** For the avoidance of doubt, *IPRU-INV* does not apply to any of the following:
- (a) a *bank*; or
  - (b) a *building society*; or
  - (ba) a *designated investment firm*; or

- (c) a *friendly society*; or
- (d) an *ICVC*; or
- (e) an *incoming EEA firm* or an *incoming Treaty firm* which does not have a *top up permission*; or
- (f) an *insurer*; or
- (g) a *UCITS qualifier*.

**Obligation to Comply**

1.2.4 **R** A *firm* of a kind listed in the left-hand column of Table 1.2.4R must comply with the provisions of IPRU (INV) shown in the right hand column and, where relevant, the provisions of Chapter 14.

1.2.5 **R** Table

This table belongs to IPRU (INV) 1.2.4R

<i>Authorised professional firm</i>	Chapters 1 and 2
<i>Securities and futures firm</i> (which is not a <i>MiFID investment firm</i> )	Chapters 1 and 3
<i>Securities and futures firm</i> (which is an <i>exempt BIPRU commodities firm</i> or an <i>exempt IFPRU commodities firm</i> )	Chapters 1 and 3
The <i>Society of Lloyd's</i> (in relation to <i>underwriting agents</i> ) and <i>members' advisers</i>	Chapters 1 and 4
<i>Investment management firm</i>	Chapters 1 and 5
An <i>exempt CAD firm</i> or a <i>local firm</i>	Chapters 1 and 9
<i>Service company</i>	Chapters 1 and 6
<i>Collective portfolio management firm</i>	Chapters 1 and 11
<i>Collective portfolio management investment firm</i>	Chapters 1 and 11
<i>Personal investment firm</i>	Chapters 1 and 13
<i>Credit union</i> which is a <i>CTF provider</i>	Chapters 1 and 8

**CAPITAL SUBSTITUTES: TRANSITIONAL PROVISION**

1.2.6 **G** The financial resource requirements of the Financial Services Act regulators permitted certain types of borrowings or facilities to be treated as part of a *firm's* capital resources. The most common example is that of a subordinated loan which met the relevant conditions. The following provisions permit *firms* to continue to use these borrowings or facilities in the same way as

under the relevant *previous regulator's* rules, provided that certain conditions are met.

1.2.7

**R**

- (1) If a *firm* was, immediately before *commencement* permitted to treat "relevant funds" as part of its capital resources under the financial resource rules of a *previous regulator* applicable to the *firm*, it may treat those funds in an equivalent manner under the corresponding provisions of *IPRU-INV*, provided that the conditions in (3) are met.
- (2) For the purposes of this *rule* "relevant funds" are funds provided to the *firm* under the terms of
  - (a) a subordinated loan agreement; or
  - (b) qualifying undertaking; or
  - (c) any other instrument treated in an equivalent manner under the financial resources *rules* applicable to the *firm*.
- (3) The conditions referred to in (1) are either:
  - (a) in the case of a subordinated loan agreement, qualifying undertaking or other relevant instrument to which the *firm's previous regulator* is not party:
    - (i) the parties to it treat all rights (including, without limitation, rights to notice) which the agreement, undertaking or instrument grants to the *firm's previous regulator* as having been granted to the *appropriate regulator*; and
    - (ii) if there is a variation of the commercial terms the parties include, in the terms of the instrument executed to effect the variation, provision to substitute reference to the *appropriate regulator* in place of any reference to the *firm's previous regulator*; or
  - (b) in the case of a subordinated loan agreement, qualifying undertaking or other relevant instrument to which the *firm's previous regulator* is party, the parties treat the rights accorded to the self regulating organisation under the relevant instrument as having been assigned to the *appropriate regulator* immediately before *commencement*.

1.2.8

**G**

[deleted]