

Own funds

Chapter 3

Own funds

3.2 Composition of own funds and initial capital

3.2.1 **R** The *own funds* of a *firm* are the sum of its:

- (1) *common equity tier 1 capital*;
- (2) *additional tier 1 capital*; and
- (3) *tier 2 capital*.

3.2.2 **R** A *firm* must, at all times, have *own funds* that satisfy all the following conditions:

- (1) the *firm's common equity tier 1 capital* must be equal to or greater than 56% of the *firm's own funds requirement* under ■ MIFIDPRU 4.3;
- (2) the sum of the *firm's common equity tier 1 capital* and *additional tier 1 capital* must be equal to or greater than 75% of the *firm's own funds requirement* under ■ MIFIDPRU 4.3; and
- (3) the *firm's own funds* must be equal to or greater than 100% of the *firm's own funds requirement* under ■ MIFIDPRU 4.3.

3.2.3 **R** A *firm's initial capital* must be made up of *own funds*.

3.2.4 **G** For the purposes of this chapter, the categorisation and the valuation of assets and off-balance sheet items should be carried out in accordance with the applicable accounting framework, unless a *rule* directs otherwise.