Chapter 4

Own funds requirements

Guidance on the interaction between K-AUM and K-COH

(1) This annex contains *guidance* on the interaction between the *K-AUM requirement* and the *K-COH requirement* in certain scenarios.

(2) The scenarios contained in this annex are not intended to be exhaustive. *MIFIDPRU investment firms* should analyse any arrangement that is not covered by the *guidance* in this annex by reference to the *rules* and *guidance* in ■ MIFIDPRU 4.7 (in relation to the *K-AUM requirement*) and ■ MIFIDPRU 4.10 (in relation to the *K-COH requirement*). *Firms* should also refer to the *guidance* in ■ MIFIDPRU 4.6.2G.

(1) The following table indicates whether a *MIFIDPRU investment firm* is required to calculate a *K-AUM requirement* or a *K-COH requirement* in a particular scenario.

(2) In the table, a reference to:

(a) "DPM" is to the activity of discretionary *portfolio management*;

(b) "IF1" is to the first *MIFIDPRU investment firm*;

(c) "IF2" is to the second *MIFIDPRU investment firm*;

(d) "IF3" is to the third *MIFIDPRU investment firm*;

(e) a dash (-) indicates that there is no second *MIFIDPRU investment firm* involved in the relevant scenario;

(f) "Yes" means that the relevant requirement applies to that activity; and

(g) "No" means that the relevant requirement does not apply to that activity.

	IF1	IF1 K-AUM	IF1 K-COH	IF2	IF2 K-AUM	IF2 K-COH
1	DPM, executes the resulting orders	Yes	No	-	-	-
2	DPM, delegates DPM to IF2	Yes	No	Undertakes delegated DPM and executes the resulting orders	No	Yes
3	DPM, delegates DPM to IF2. Receives orders back from IF2 to execute	Yes	No	Undertakes delegated DPM and passes orders back to IF1 to execute	No	No
4	DPM, delegates DPM to IF2	Yes	No	Undertakes delegated DPM and passes orders back to IF3 to executeNoNo	No	No

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		IF1	IF1 K-AUM	IF1 K-COH	IF2	IF2 K-AUM	IF2 K-COH
5	DPM, delegates DPM to IF2. Receives orders back from IF2 and passes them to IF3 to execute	Yes	No		Undertakes delegated DPM and passes orders back to IF1	No	No
6	DPM, passes orders to IF2 for execution	Yes	No		Executes orders on behalf of IF1	No	Yes
7	DPM, receives ongoing advice from IF2	Yes	No		Gives ongoing advice on assets managed by IF1	Yes	No
8	Provides ongoing investment advice in relation to assets and executes resulting orders	Yes	No		-	-	-
9	Provides ongoing investment advice in relation to assets, with orders executed by IF2	Yes	No		Executes orders received from IF1 for execution	No	Yes
10	Provides "one-off" investment advice to a client. Any orders are passed to IF2 for execution	No	Yes		Executes orders received from IF1 for execution	No	Yes
11	Provides "one-off" investment advice to a client. Executes any resulting orders	No	Yes		-	-	-
12	Execution only of client orders	No	Yes		-	-	-
13	Client orders received are passed to IF2	No	Yes		Executes orders received from	No	Yes

	IF1	IF1 K-AUM	IF1 K-COH	IF2	IF2 K-AUM	IF2 K-COH
	for execution			IF1 for execution		