

Chapter 6

Basic liquid assets requirement



6.1 Application and purpose

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This chapter applies to:

 - (1) a *MIFIDPRU investment firm*; and
 - (2) a *UK parent entity* that is required by ■ MIFIDPRU 2.5.11R to comply with ■ MIFIDPRU 6 on the basis of its *consolidated situation*.
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Where this chapter applies on the basis of the *consolidated situation* of the *UK parent entity*, any reference to a “*firm*” or “*MIFIDPRU investment firm*” in this chapter is a reference to the hypothetical single *MIFIDPRU investment firm* created under the *consolidated situation*.
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■ MIFIDPRU 2.5.47R and ■ MIFIDPRU 2.5.48G contain additional *rules and guidance* on how a *UK parent entity* should apply the requirements in this chapter on a *consolidated basis*. A *UK parent entity* may apply for an exemption from the application of this chapter on a consolidated basis under ■ MIFIDPRU 2.5.19R.
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Purpose and interpretation

This chapter contains:

 - (1) a *basic liquid assets requirement* for *MIFIDPRU investment firms* (■ MIFIDPRU 6.2); and
 - (2) *rules and guidance* on which assets count as *core liquid assets* for the purposes of the *basic liquid assets requirement* (■ MIFIDPRU 6.3).
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- (1) Where this chapter applies to a *MIFIDPRU investment firm* on a solo basis, the *firm* must comply with this chapter relying only on the *core liquid assets* it holds itself.
 - (2) However, the *FCA* recognises that there are circumstances in which it may be appropriate for a *firm* to rely on liquidity support provided by other entities within its group. Therefore, a *firm* that is subject to prudential consolidation may apply for an exemption from the application of this chapter on an individual basis under ■ MIFIDPRU 2.3.2R(1).

6.1.6 G ■ MIFIDPRU 7 contains requirements relating to a *MIFIDPRU investment firm's* systems and controls for the identification, monitoring and management of material potential harms that arise out of liquidity risk.

6.1.7 G The *basic liquid assets requirement* in this chapter is based on a proportion of a *firm's fixed overheads requirement* and any guarantees provided to *clients*. A *firm* may need to hold more *liquid assets* to comply with its *liquid assets threshold requirement* under ■ MIFIDPRU 7.