

SUPERVISION MANUAL (AMENDMENT NO 12) INSTRUMENT 2003

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (the "Act"):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance)

Commencement

- B. This instrument comes into force on 1 September 2003.

Amendments to the Supervision manual

- C. The Supervision manual is amended in accordance with the Annex to this instrument.

Citation

- D. This instrument may be cited as the Supervision Manual (Amendment No 12) Instrument 2003.

By order of the Board
17 July 2003

Annex

Amendments to the Supervision manual

In this Annex, underlining indicates new text and striking through indicates deleted text.

15.8.3 R ...

(2) A notification in (1):

- (a) ~~need not be given unless the total amounts outstanding under (1) (a) and (b) in respect of the intermediary exceed £1,000; and~~
- (b) must give the identity of the intermediary and the amount of *commission* which remains outstanding;
- (b) need not be given unless the total amounts outstanding under 1(a) and (b) in respect of the intermediary exceed £1000; and
- (c) need not be given if the *insurer* has reported the events in SUP 15.8.3R(1)(a) and (b) on the database run for these purposes by Elixir.

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16.3.17 R ...

(2) When a *firm* extends its accounting period, it must make the notification in (1) before the ~~previous~~ date which otherwise would have been the *accounting reference date*.

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16.7.8 R Table Financial reports from a UK bank (see SUP 16.7.7R)

Content of Report	Form (Note 1)	Frequency	Due Date
...			
List of <i>companies</i> included in the <i>bank's</i> consolidated large exposure reporting (Note 2)	N/A	Annually	6 months after the <i>firm's accounting reference date</i>

Annual confirmation that all <i>companies</i> included in solo consolidation meet the criteria for such consolidation as set out in <i>IPRU (BANK) CS 9.2 (Note 7)</i>	N/A	Annually	6 months after the <i>firm's accounting reference date</i>
...			
<u>Note 7 = The requirement to submit this report applies only to a <i>bank</i> which, at the <i>firm's accounting reference date</i>, reports on a solo-consolidated basis in accordance with <i>IPRU (BANK) Chapter CS 9</i>.</u>			

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16.7.49 R Table Financial reports required from a small personal investment firm (see SUP 16.7.48R)

Report	Frequency	Due Date
Annual questionnaire	Annually	4 months after the <i>firm's accounting reference date</i>
Audited consolidated annual financial statements (Notes 1, and 2 and 3)	Annually	4 months after the <i>firm's accounting reference date</i>
<p>Note 1 = Only required from a <i>firm</i> if it is a <i>holding company</i>, or if one of its <i>controllers</i> is a company.</p> <p>Note 2 = The <i>firm</i> must submit the statutory accounts of the <i>group</i> to which it belongs.</p> <p><u>Note 3 = These must be the latest financial statements available.</u></p>		

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SUP 16 Annex 2 G

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Form BSD3

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APPENDIX B-V: CAPITAL REQUIREMENT FOR FOREIGN EXCHANGE RISK

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From 1 September 1999, only the basic method should be used to calculate foreign exchange risk unless the reporting institution is using a VaR model. Accordingly, Columns 2 and 3 are no longer applicable, as column 1 is the same as column 2.

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APPENDIX B-V VALIDATIONS

Ref No.	Appx B-V Item No.
1	Column 1 = Column 2 + Column 3
2	NSOP Column 1 0
3	NSOP Column 2 = higher of the sum of the negatives or the sum of the positives (if equal defaults to positive)
4	NSOP Column 3 = higher of the sum of the negatives or sum of the positives (if equal defaults to positive)
5-4	SUMG Column 1 0
6-5	SUMG Column 2 sum of the absolute values of gold
7	SUMG Column 3 sum of the absolute values of gold
8-6	CAPR Column 1 Zero
9-7	CAPR Column 2 8% of absolute value of NSOP in Column 2 plus SUMG in Column 2
10	CAPR Column 3 >2% of absolute value of NSOP in Column 3 plus SUMG in Column 3

In SUP 16 Ann 2G, amend the Form BSD3 Guidance Notes as follows:

A300 Loans to non-group companies with which directors and controllers are associated

For the purposes of this item (refer to SGN12 and 13), include as a director/controller any employee of the reporting institution who is appointed by the reporting institution to be a director of another company.

Any employee of the reporting institution is deemed to be associated with another company, whether the company is registered or domiciled in the UK or overseas, if any of the conditions set out in SGN14 are met:

The definition should be consistent with that adopted for reporting on Form LE2 or LE3, as appropriate.

Indicate, in the lines provided, in which weight band on the assets section of this return the lending has been reported.

If a loan reported here is of a capital nature, it should be included additionally in item A280.

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B110-B140 LARGE EXPOSURES IN THE TRADING BOOK

When an exposure arising from tradable securities in the Trading Book exceeds 25% of adjusted capital base, it should be broken down on the Form LE2 or LE3, as appropriate, into the individual exposures undertaken with the group of connected counterparties. The nature of each exposure should be identified along with the appropriate capital charge for counterparty or specific risk. The reporting institution should show how these capital charges have been used to generate the additional capital charge for large exposures reported in items B120 and B130.

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B110 Adjusted large exposures capital base

Report here the adjusted large exposures capital base (that is the adjusted capital base shown on Form LE2 (part 5), or Form LE3 (part 8) as appropriate, as at BSD3 reporting date) which the bank has agreed with the FSA.

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D170 Incremental capital for large exposures

This equals item B140 of section B divided by 8% and multiplied by the institution's Trading Book trigger ratio. Note that when this form is completed on a consolidated basis, item B140 will include incremental capital for large exposures for the consolidated group as set out on Form LE2 (part 5) or LE3 (Part 8) (that is including subsidiaries consolidated using the aggregation plus method as well as those consolidated line-by-line), since large exposures are consolidated line-by-line only.

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In SUP 16 Ann 2G, amend the Form BSD3 validations as follows:

CROSS FORM VALIDATIONS: FORM LE2 AND FORM BSD3

Ref no	BSD items	LE2 items
1	Appendix A-V 80s	\geq _A4+_B4+_C4+_D4+_E4+_FB4 (SRN/1998/5)

CROSS FORM VALIDATIONS: FORM LE3 AND FORM BSD3

<u>Ref no</u>	<u>BSD items</u>	<u>LE3 items</u>
<u>1</u>	<u>Appendix A-V 80s</u>	<u>\geq DGT</u>
<u>2</u>	<u>B120+B130</u>	<u>= P8TOT</u>

In SUP 16 Ann 2G, amend the Guidance note on Large Exposures (Form LE3) as follows:

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Reportable exposures

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Each exposure should appear as a single line of the report, so counterparty names should not straddle lines. If you have no exposures to report in a Part of the form, you should enter 0 in the box for the number of exposures reported in that Part. A form still needs to be submitted if there are no reportable exposures at all.

If you lend to non-bank counterparties within a banking group, or to a bank with a non-bank parent, you may encounter reporting problems. These may occur if your systems cannot segregate the non-banking exposures (reportable in Part 1) from the banking exposures (reportable in Parts 3-5). In such circumstances, you should report according to which sector the majority of the exposure is with at the reporting date. So, if the non-banking exposure accounts for more than 50% at the reporting date, show the whole exposure in Part 1, although you would not then benefit from any 1-3 year derivatives concession. If the majority of the exposure at the reporting date is to banks, then you should report the exposure in Parts 3-5 (and, for such exposures, columns E and T should be blank, otherwise the exposure in column F will be overstated).

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