

INVESTMENT FIRMS PRUDENTIAL REGIME (CONSEQUENTIAL AMENDMENTS) INSTRUMENT 2021

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
 - (a) section 73A (Part 6 Rules);
 - (b) section 89A (Transparency rules);
 - (c) section 89B (Provision of voteholder information)
 - (d) section 137A (The FCA’s general rules);
 - (e) section 137D (Product intervention rules);
 - (f) section 137H (General rules about remuneration);
 - (g) section 137R (Financial promotion rules);
 - (h) section 137T (General supplementary powers);
 - (i) section 138D (Actions for damages);
 - (j) section 139A (Power of the FCA to give guidance);
 - (k) section 247 (Trust scheme rules);
 - (l) section 261I (Contractual scheme rules);
 - (m) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (the Financial Conduct Authority);
 - (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and
 - (3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2022.

Revocation of the Prudential sourcebook for Investment Firms (IFPRU)

- D. The Prudential sourcebook for Investment Firms (IFPRU) is revoked.

Amendments to the Handbook

- E. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Code of Conduct sourcebook (COCON)	Annex C
General Provisions (GEN)	Annex D
Fees manual (FEES)	Annex E
General Prudential sourcebook (GENPRU)	Annex F
Prudential sourcebook for MiFID investment firms (MIFIDPRU)	Annex G
Market Conduct sourcebook (MAR)	Annex H
Supervision manual (SUP)	Annex I
Collective Investment Schemes sourcebook (COLL)	Annex J
Consumer Credit sourcebook (CONC)	Annex K
Investment Funds sourcebook (FUND)	Annex L
Regulated Covered Bonds sourcebook (RCB)	Annex M

- F. The FCA confirms and remakes in the Glossary of definitions any defined expressions used in the modules of the FCA’s Handbook of rules and guidance referred to in paragraph E where such defined expressions relate to any UK legislation that has been amended since those defined expressions were last made.

Amendments to material outside the Handbook

- G. The material outside the Handbook listed in column (1) below is amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Energy Market Participants guide (EMPS)	Annex N
Oil Market Participants guide (OMPS)	Annex O
Perimeter Guidance manual (PERG)	Annex P
The Wind-down Planning Guide (WDPG)	Annex Q

Notes

- H. In the annexes to this instrument, the “notes” (indicated by “**Note:**” or “*Editor’s note:*”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- I. This instrument may be cited as the Investment Firms Prudential Regime (Consequential Amendments) Instrument 2021.

By order of the Board
25 November 2021

Annex A

Amendments to the Glossary of definitions

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

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

<i>CRR investment services sector</i>	a sector composed of one or more of the following entities: <ul style="list-style-type: none"> (a) a <i>designated investment firm</i>; and (b) a <i>financial institution</i> that is not an <i>investment firm</i>.
<i>MIFIDPRU investment services sector</i>	a sector composed of one or more of the following entities: <ul style="list-style-type: none"> (a) an <i>investment firm</i> (other than a <i>designated investment firm</i>); (b) a <i>financial institution</i> that is not an <i>investment firm</i>; and (c) (in the circumstances described in <i>GENPRU</i> 3.1.39R (The financial sectors: asset management companies and alternative investment fund managers)) an <i>asset management company</i> or an <i>alternative investment fund manager</i>.
<i>significant SYSC firm</i>	has the meaning in <i>SYSC</i> 1.5 (Significant SYSC firm).

Amend the following definitions as shown.

<i>ancillary services undertaking</i>	(1) (for the purpose of <i>GENPRU</i> (except in <i>GENPRU</i> 3) and <i>BIPRU</i> (except in <i>BIPRU</i> 12) and subject to (2)) and in relation to an <i>undertaking</i> in a <i>consolidation group</i>, <i>sub-group</i> or another group of <i>persons</i>) an <i>undertaking</i> complying with the following conditions: <ul style="list-style-type: none"> (a) its principal activity consists of: <ul style="list-style-type: none"> (i) owning or managing property; or (ii) managing data processing services; or (iii) any other similar activity; (b) the activity in (a) is ancillary to the principal activity of one or more <i>credit institutions</i> or <i>investment firms</i>; and
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- (e) ~~those credit institutions or investment firms are also members of that consolidation group, sub group or group. [deleted]~~

[Note: article 4(21) of the *Banking Consolidation Directive* (Definitions)]

- (2) ~~(for the purpose of GENPRU 1.3 (Valuation) and INSPRU 6.1 (Group Risk: Insurance Groups) an undertaking in (1) and an - [deleted]~~
- (3) ~~(except in (1)) has the meaning in article 4(1)(18) of the UK CRR. means an undertaking the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more investment firms.~~

asset backed commercial paper programme

~~(for the purposes of BIPRU 9 (Securitisation) a programme of securitisations (within the meaning of paragraph (2) of the definition of securitisation) the securities issued by which predominantly take the form of commercial paper with an original maturity of one year or less.~~

[Note: Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)]

banking and investment group

- ...
- (a) form a group in respect of which the consolidated capital adequacy requirements for the *banking sector* or the *investment services sector* under the appropriate regulator's sectoral rules apply.÷
- (i) ~~the appropriate regulator's sectoral rules; or [deleted]~~

...

...

Banking sector

- ...
- (b) a *financial institution* that is not an investment firm; and

...

base currency

- ...
- (2) ~~(in GENPRU and BIPRU) (in relation to a firm) the currency in which that firm's books of account are drawn up. [deleted]~~

base own funds requirement

- (1) ~~(for the purpose of IFPRU) an amount of own funds that an IFPRU investment firm must hold as set out in IFPRU 3.1.6R (Own funds: main requirement). [deleted]~~

	...
<i>capital instrument</i>	(in <i>COBS</i> , <i>GENPRU</i> and <i>BIPRU</i> and in relation to an <i>undertaking</i>) any <i>security</i> issued by or loan made to that <i>undertaking</i> or any other investment in, or external contribution to the capital of, that <i>undertaking</i> .
<i>central bank</i>	(1) (for the purposes of <i>GENPRU</i> (except <i>GENPRU 3</i>) and <i>BIPRU</i> (except <i>BIPRU 12</i>)) includes the European Central Bank unless otherwise indicated, the Bank of England and the central banks of other countries. [Note: article 4(23) of the <i>Banking Consolidation Directive</i> (Definitions)] [deleted] (2) (except in (1)) has the meaning in article 4(1)(46) of the <i>UK CRR</i> .
<i>charity</i>	(in <i>BCOBS</i> , <i>BIPRU</i> and in the definition of <i>relevant credit union client</i>) includes: ...
<i>CIU</i>	(1) (except in <i>IFPRU</i>) collective investment undertaking. (2) (in <i>IFPRU</i>) has the meaning in article 4(1)(7) of the <i>UK CRR</i>. [deleted]
<i>class</i>	(1) (in <i>GENPRU</i> , <i>INSPRU</i> and <i>SUP</i>) (in relation to a <i>contract of insurance</i>) any class of <i>contract of insurance</i> listed in Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of insurance) and references to: ...
<i>clean-up call option</i>	(1) (for the purposes of <i>BIPRU 9</i> (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) a contractual option for the originator to repurchase or extinguish the securitisation positions before all of the underlying exposures have been repaid, when the amount of outstanding exposures falls below a specified level. [Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)] [deleted]
<i>client money</i> (2A) (in <i>MIFIDPRU</i> , <i>FEES</i> , <i>CASS 6</i> , <i>CASS 7</i> , <i>CASS 7A</i> and <i>CASS 10</i> and, in so far as it relates to matters covered by <i>CASS 6</i> , <i>CASS 7</i> ,

COBS or ~~*GENPRU*~~ and *IPRU(INV)* 11) subject to the *client money rules*, money of any currency:

...

(5) (in SYSC 1.5) has the meaning in (1) to (4).

commodity

...

(2) ~~(for the purpose of calculating *position risk requirements* and for the purposes of *COBS* 22.5) any of the following (but excluding gold):~~

...

...

competent authority

...

(3) (in relation to a group, and for the purposes of SYSC 12 (Group risk systems and controls requirement); and *GENPRU*) ~~and *BIPRU*~~, any national authority of the *UK* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

...

(10) ~~(for the purposes of *IFPRU*) has the meaning in article 4(1)(40) of the *UK CRR*. [deleted]~~

...

consolidation group

(1) the following

(a) a *conventional group*; or

(b) *undertakings* linked by a *consolidation Article 12(1) relationship* or either of ~~(for the purposes of *BIPRU*) an *Article 134 relationship* or an *article 18(6) relationship*.~~

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or either of ~~(for the purposes of *BIPRU*) an *Article 134 relationship* or an *article 18(6) relationship*~~ with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(2) ~~(for the purposes of *SUP* 16) the *undertakings* included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of~~

~~the UK CRR and IFPRU 8.1.3R to IFPRU 8.1.4R (Prudential consolidation) for which the FCA is the consolidating supervisor under article 4B of the UK CRR. [deleted]~~

contingent convertible instrument

a *financial instrument* which meets the requirements for either:

- (a) Additional Tier 1 instruments under article 52; or
- (b) Tier 2 instruments under article 63, provided:
 - (i) the provisions governing the instrument require that, upon the occurrence of a trigger event, the principal amount of the instrument be written down on a permanent or temporary basis or the instrument be converted to one or more common equity Tier 1 instruments; and
 - (ii) the trigger mechanism in (i) is different from, or additional to, any discretionary mechanism for converting or writing down the principal amount of the instrument which is activated following a determination by the relevant authority that the issuer of the *financial instrument* (or its *group*, or any member of its *group*) is no longer viable, or will no longer be viable unless the relevant instrument is converted or written down;

in each case of the *UK CRR*, or (where applicable) its provisions as applied and amended by *MIFIDPRU 3*.

counterparty

...

- (3) ~~(for the purposes of the rules relating to BIPRU firms in GENPRU and BIPRU and in relation to an exposure of a person ('A')) the counterparty with respect to that exposure or, if the context requires, another person in respect of whom, under that exposure, A is exposed to credit risk or the risk of loss if that person fails to meet its obligations, such as the issuer of the underlying security in relation to a derivative held by A. [deleted]~~

covered bond

- (1) ~~(except for the purposes of the IRB approach or the standardised approach to credit risk)~~ a bond that is issued by a *credit institution* which has its registered office in the *UK* or an *EEA State* and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

[Note: article 52(4) of the *UCITS Directive*]

- (2) ~~(for the purposes of the IRB approach or the *standardised approach* to credit risk in *BIPRU*) a covered bond as defined in (1) that meets the following conditions:~~
- ~~(a) it is issued by a *credit institution* which has its registered office in the *United Kingdom*; and~~
 - ~~(b) it is collateralised in accordance with *BIPRU* 3.4.107R (Exposures in the form of covered bonds).~~

[Note: point 68 of Part 1 of Annex VI of the *Banking Consolidation Directive* (Exposures in the form of covered bonds)] [deleted]

...

- credit enhancement* (1) ~~(for the purposes of *BIPRU*) a contractual arrangement whereby the credit quality of a *position* in a *securitisation* (within the meaning of paragraph (2) of the definition of *securitisation*) is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior *tranches* in the *securitisation* and other types of credit protection.~~

[Note: article 4(43) of the *Banking Consolidation Directive* (Definitions)] [deleted]

...

- credit quality step* (1) ~~(except in *MIPRU*) a credit quality step in a *credit quality assessment scale* as set out in *BIPRU* 3.4 (Risk weights under the standardised approach to credit risk) and *BIPRU* 9 (*Securitisation*). [deleted]~~

...

- credit risk capital requirement* (1) ~~(for a *BIPRU firm*) the part of the *capital resources requirement* of a *BIPRU firm* in respect of credit risk, calculated in accordance with *GENPRU* 2.1.51R (Calculation of the credit risk capital requirement). [deleted]~~

...

- CRM eligibility conditions* (1) ~~(in relation to the *standardised approach* to credit risk), *BIPRU* 5.3.1R *BIPRU* 5.3.2R, *BIPRU* 5.4.1R *BIPRU* 5.4.8R, *BIPRU* 5.5.1R, *BIPRU* 5.5.4R, *BIPRU* 5.5.8R, *BIPRU* 5.1.6R and *BIPRU* 5.7.1R *BIPRU* 5.7.4R; or [deleted]~~
- (2) ~~(in relation to the *IRB approach*), the provisions in (1) and *BIPRU* 4.4.83R, *BIPRU* 4.10 *BIPRU* 4.10.7R, *BIPRU*~~

~~4.10.9R, BIPRU 4.10.10R, BIPRU 4.10.12R, BIPRU 4.10.14R, BIPRU 4.10.16R, BIPRU 4.10.19R, and BIPRU 4.10.38R, BIPRU 4.10.39R; or [deleted]~~

...

<i>CRR firm</i>	(for the purposes of SYSC) a UK bank, building society and an investment firm that is subject to the UK CRR a <u>UK designated investment firm</u> .
<i>default</i>	(1) (in relation to the IRB approach and for the purposes of BIPRU) has the meaning in BIPRU 4.3 (The IRB approach: Provisions common to different exposure classes). [deleted]
...	
<i>ECAI</i>	(1) (except in MIPRU) an external credit assessment institution, as defined in article 4(1)(98) of the UK CRR. [deleted] (2) (in MIPRU) an external credit assessment institution.
<i>eligible ECAI</i>	an ECAI : (a) (for exposure risk weighting purposes other than those in (b) or (d)) recognised by the appropriate regulator under regulation 22 of the Capital Requirements Regulations 2006 (Recognition for exposure risk weighting purposes); or [deleted] (b) (for securitisation risk weighting purposes except under MIPRU 4.2BA) recognised by the appropriate regulator under regulation 23 of the Capital Requirements Regulations 2006 (Recognition for securitisation risk weighting purposes). [deleted] (c) (in BIPRU 12) that is listed in the first row in the table set out in BIPRU 12 Annex 1R; or [deleted] (d) (in MIPRU) an ECAI listed in the table in MIPRU 4.2E.14R.
<i>eligible LLP members' capital</i>	members' capital of a <i>limited liability partnership</i> that meets the conditions in IPRU(INV) Annex A or, for a BIPRU firm , the requirements of GENPRU 2.2.94R (Core tier one capital: Eligible LLP members' capital).
<i>energy market participant</i>	a firm : ...
	(b) which is not an <i>authorised professional firm, bank, BIPRU firm</i> (unless it is an exempt BIPRU commodities firm), IFPRU investment firm (unless it is an exempt IFPRU commodities firm), <i>building society, credit union, friendly society, ICVC, insurer, MiFID investment firm</i> (unless it is

~~an exempt BIPRU commodities firm or exempt IFPRU commodities firm), media firm, oil market participant, service company, insurance intermediary, home finance administrator, home finance provider or regulated benchmark administrator.~~

<i>exposure</i>	<p>...</p> <p>(2) (for the purposes of the calculation of the credit risk capital component and the counterparty risk capital component (including BIPRU 3 (Standardised credit risk), BIPRU 4 (The IRB approach), BIPRU 5 (Credit risk mitigation), BIPRU 9 (Securitisation) an asset or off balance sheet item.</p> <p>[Note: article 77 of the Banking Consolidation Directive] [deleted]</p> <p>(3) [delete] [deleted]</p> <p>(4) (in IFPRU and to calculate own funds requirements under Part Three Title II (credit risk and counterparty credit risk)) has the meaning in article 5(1) of the UK CRR. [deleted]</p> <p>(5) (in IFPRU 8.2 (Large exposures) for the purpose of Part Four ((Large exposures) of the UK CRR) has the meaning in article 389 of the UK CRR (Large exposures: definitions). [deleted]</p> <p>...</p>
<i>financial instrument</i>	<p>...</p> <p>(3) (in IFPRU) has the meaning in article 4(50) of the UK CRR. [deleted]</p> <p>...</p>
<i>financial sector</i>	<p>(1) (subject to (2)) one of the banking sector, the insurance sector or the investment services sector, the MIFIDPRU investment services sector or the CRR investment services sector.</p> <p>(2) (for the purposes of the definition of <i>financial conglomerate</i> and for any other provision of GENPRU 3 that treats the <i>banking sector</i> and the <i>investment services sector</i> as one) one of the <i>banking and investment services sector</i> or the <i>insurance sector</i>.</p>
<i>financial year</i>	<p>...</p> <p>(3) (in GENPRU and INSPRU) the period at the end of which the balance of the accounts of the <i>insurer</i> is struck, or, if no balance is struck, the calendar year.</p>

- foreign currency* ~~(in GENPRU and BIPRU)~~ (in relation to a *firm*) any currency other than the *base currency*.
- group* ...
- (3) (for the purposes of SYSC 12 (Group risk systems and controls requirement), SYSC 20 (Reverse stress testing) and ~~GENPRU 1.2 (Adequacy of financial resources)~~ as applicable to a *BIPRU firm* MIFIDPRU investment firm and in relation to a *person* “A”) A and any *person*:
- (a) who falls into (1);
 - (b) who is a member of the same *financial conglomerate* as A;
 - (c) who has a *consolidation Article 12(1) relationship* with A;
 - (d) who has a *consolidation Article 12(1) relationship* with any *person* in (3)(a);
 - (e) who is a *subsidiary undertaking* of a *person* in (3)(c) or (3)(d); or
 - (f) whose omission from an assessment of the risks to A of A’s connection to any *person* coming within (3)(a)-(3)(e) or an assessment of the financial resources available to such *persons* would be misleading.
- (3A) ~~(for the purposes of SYSC 12 (Group risk systems and controls requirement) and SYSC 20 (Reverse stress testing), as applicable to an IFPRU investment firm and IFPRU) and in relation to a person “A”), A and any person:~~
- ~~(a) who falls into (1);~~
 - ~~(b) who is a member of the same financial conglomerate as A;~~
 - ~~(c) who has a consolidation Article 12(1) relationship with A;~~
 - ~~(d) who has a consolidation Article 12(1) relationship with any person in (a);~~
 - ~~(e) who is a subsidiary undertaking of a person in (c) or (d); or~~
 - ~~(f) whose omission from an assessment of the risks to A of A’s connection to any person coming within (a) (e) or an~~

		assessment of the financial resources available to such persons would be misleading. <u>[deleted]</u>
	...	
immediate group	...	(2) (in BIPRU and in relation to any person) has the same meaning as in paragraph (1), with the omission of (1)(e). <u>[deleted]</u>
implicit items		(in relation to long-term insurance business) economic reserves arising in respect of future profits, assets which relate to future surpluses, zillmerising or hidden reserves as more fully described in GENPRU 2 Annex 8.
in the money	...	(2) (for the purposes of BIPRU 7 (Market risk) and in relation to an option or warrant) the strike price of that option or warrant being less than the current market value of the underlying instrument (in the case of a call option or warrant) or vice versa (for a put option). <u>[deleted]</u>
individual liquidity guidance		(other than in (2)) guidance given to a firm about the amount, quality and funding profile of liquidity resources that the appropriate regulator has asked the firm to maintain. <u>[deleted]</u>
investment firm	...	(3) (in the definition of IDD ancillary insurance intermediary, and in IFPRU and BIPRU 12) has the meaning in article 4(1)(2) of the UK CRR. <u>[Note: article 2(1)(4) of the IDD]</u> <u>[deleted]</u>
		(4) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) any of the following: <ul style="list-style-type: none"> (a) a firm in (3); and (b) a BIPRU firm. <u>[deleted]</u>
		(5) (in SYSC 19A (IFPRU Remuneration Code)) a firm in (3). <u>[deleted]</u>
	...	
investment services sector	(1)	a sector composed of one or more of the following entities: <ul style="list-style-type: none"> (a) an investment firm;

- (b) ~~a financial institution; and~~
- (c) ~~(in the circumstances described in GENPRU 3.1.39R (The financial sectors: Asset management companies and alternative investment fund managers)) an asset management company or an alternative investment fund manager. [deleted]~~
- (2) ~~(in BIPRU (except in BIPRU 12) a sector comprised of one or more of the following entities:~~
 - (a) ~~the entities in (1); and~~
 - (b) ~~a CAD investment firm. [deleted]~~

The MIFIDPRU investment services sector and the CRR investment services sector taken together.

lead regulated firm

a firm which is the subject of the financial supervision requirements of an *overseas regulator* in accordance with an agreement between the *appropriate regulator* and that regulator relating to the financial supervision of *firms* whose head office is within the country of that regulator.

~~This definition is not related to the defined terms *UK lead regulated firm* or *non UK lead regulated firm*.~~

long-term insurance capital requirement

~~(in relation to a firm carrying on long term insurance business) an amount of capital resources that the firm must hold calculated in accordance with GENPRU 2.1.36R. means:~~

- (a) ~~(for a non-directive friendly society) the required margin of solvency with respect to long-term insurance business, as calculated under rule 3.1 of the Friendly Society – Overall Resources and Guarantee Fund part of the PRA Rulebook;~~
- (b) ~~(for a non-directive insurer other than a non-directive friendly society) the requirement in rule 14.1 of the Insurance Company – Capital Resources Requirement part of the PRA Rulebook; and~~
- (c) ~~(for a Solvency II firm) the equivalent PRA rules transposing the Solvency II directive.~~

management body

- (1) ~~(other than in (2) or (3)) (in accordance with article 4(1)(9) of the UK CRR) the governing body and senior personnel who are empowered to set the person's strategy, objectives and overall direction, and which oversee and monitor management decision-making in the following:~~

(a) a *common platform firm* (in relation to the requirements imposed by or under the *UK* provisions which implemented *MiFID* or *MiFIR*); or

(ai) a *MIFIDPRU investment firm* (in relation to the requirements in *MIFIDPRU*); or

...

...

*matched
principal
exemption
conditions*

(for the purposes of any limitation that is placed on a *firm's permission* to deal as principal):

(1) ~~(for the purposes of *BIPRU*)~~ for a *firm* that would have been subject to *BIPRU* on 31 December 2021 the conditions set out in *BIPRU* 1.1.23R(2) (Meaning of dealing on own account), as they applied on 31 December 2021.

(2) ~~(other than in *BIPRU* for a *firm* that would have been subject to~~ *IFPRU* on 31 December 2021) the conditions set out in *IFPRU* 1.1.12R (Meaning of dealing on own account), as they applied on 31 December 2021.

*most important
financial
sector*

~~(in relation to a financial sector in a *consolidation group* or a *financial conglomerate* and in accordance with *GENPRU* 3.1 (Cross sector groups)) the *financial sector*, being either the *insurance sector* or the *banking and investment services sector*, with which has the largest average referred to in the box titled Threshold Test 2 in the *financial conglomerate definition decision tree* (10% ratio of balance sheet size and solvency requirements); and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of *financial conglomerate* and for any other purpose that *GENPRU* 3.1 (Cross sector groups) says they are.~~

*nominated
ECAI*

(a) ~~(in the case of an eligible *ECAI* within paragraph (a) of the definition of that term (Recognition for exposure risk weighting purposes)) an *eligible ECAI* nominated by a *firm* in accordance with *BIPRU* 3.6 (Use of rating agencies' credit assessments for the determination of risk weights under the standardised approach to credit risk) for the purpose of calculating its *risk weighted exposure amounts* under the *standardised approach* to credit risk except under (b); [deleted]~~

(b) ~~(in the case of an eligible *ECAI* within paragraph (b) of the definition of that term (Recognition *securitisation risk weighting* purposes)) an *eligible ECAI* nominated by a *firm* in accordance with *BIPRU* 9.8 (Use of *ECAI* credit assessments for the determination of applicable risk weights) for the purpose of calculating its *securitisation risk weighted exposure amounts*. [deleted]~~

- (c) (for paragraph (d) of the definition of an *eligible ECAI* (in *MIPRU*)) an *eligible ECAI* nominated by a firm in accordance with *MIPRU* 4.2E for calculating its *risk weighted exposure amounts*.
- oil market participant* a firm:
- ...
- (b) which is not an *authorised professional firm*, bank, ~~*BIPRU firm*~~ (unless it is an ~~*exempt BIPRU commodities firm*~~), ~~*IFPRU investment firm*~~ (unless it is an ~~*exempt IFPRU commodities firm*~~), building society, credit union, friendly society, ICVC, insurer, MiFID investment firm (unless it is an ~~*exempt BIPRU commodities firm*~~ or ~~*exempt IFPRU commodities firm*~~), media firm, service company, insurance intermediary, home finance administrator, mortgage intermediary, home finance provider or regulated benchmark administrator.
- operational risk* (1) ...
- (2) ~~(in *GENPRU* (except *GENPRU* 3 (Cross sector groups) and *BIPRU* (except *BIPRU* 12 (Liquidity Standards))) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.~~
~~[Note: article 4(22) of the *Banking Consolidation Directive*]~~
~~[deleted]~~
- (3) ~~(except in (1) and (2)) has the meaning in article 4(1)(52) of the *UK CRR*.~~ ~~[deleted]~~
- originator* (1) ~~(in *GENPRU* (except *GENPRU* 3), *MIPRU* and *BIPRU* (except *BIPRU* 12))~~ in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) either of the following:
- ...
- (2) ~~(except in (1)) has the meaning in article 4(1)(13) of the *UK CRR*.~~ means an entity which:
- (a) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or

- (b) purchases a third party's exposures for its own account and then securitises them.

[Note: article 4(1)(13) of the *UK CRR*]

<i>overall financial sector</i>	a sector composed of one or more <u>of</u> the following types of entities: <ol style="list-style-type: none"> (a) members of each of the <i>financial sectors</i>; and (b) (except where <i>GENPRU</i> 3.1 (Cross sector groups) or <i>GENPRU</i> 3 Ann 1R (Capital adequacy calculations for financial conglomerates) provide otherwise) a <i>mixed financial holding company</i>.
<i>PD</i>	<ol style="list-style-type: none"> (1) (except in <i>GENPRU</i> and <i>BIPRU</i>) Prospectus Directive. (2) (in <i>GENPRU</i>, <i>BIPRU</i> and <i>BSOCS</i>) probability of default. [deleted]
<i>PRR</i>	<ol style="list-style-type: none"> (1) (in <i>BIPRU</i>) position risk requirement. [deleted] (2) (except in <i>BIPRU</i>) the Prospectus Regulation Rules sourcebook.
<i>qualifying holding</i>	<ol style="list-style-type: none"> (1) (in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in <i>GENPRU</i> 2.2.203R (Qualifying holdings), which is in summary a direct or indirect holding of a <i>bank</i> or <i>building society</i> in a non financial <i>undertaking</i> which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that <i>undertaking</i>. [deleted] (2) ...
<i>rated position</i>	<p>(for the purposes of <i>MIPRU</i> and <i>BIPRU</i> 9 (Securitisation), and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which has an eligible credit assessment by an <i>eligible ECAI</i>.</p> <p>[Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]</p>
<i>recognised third country investment firm</i>	<ol style="list-style-type: none"> (1) (in <i>BIPRU</i> and <i>GENPRU</i> 3.2 (Third country groups) as applies to a <i>BIPRU firm</i> in relation to a <i>third country banking and investment group</i> and a <i>banking and investment group</i>) a <i>CAD investment firm</i> that satisfies the following conditions: <ol style="list-style-type: none"> (a) its head office is outside the <i>UK</i>; (b) it is authorised by a <i>third country competent authority</i> in the state or territory in which the <i>CAD investment firm's</i> head office is located; (c) that <i>third country competent authority</i> is named in Part 2 of <i>BIPRU</i> 8 Annex 6 (Non <i>UK</i> investment firm regulators²

requirements deemed CRD equivalent for individual risks);
and

(d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down for *BIPRU* firms in *GENPRU* and *BIPRU*.
[deleted]

(2) ~~(except for the purpose in (1))~~ (in *GENPRU* 3.2 (Third country groups) 3 (Cross sector groups) in relation to a *third country banking and investment group* and a *banking and investment group*) an *investment firm* that falls within the meaning of “investment firm” in article 4(1)(2) of the *UK CRR* and which satisfies the following conditions:

(a) its head office is outside the *UK*;

(b) it is authorised by a *third country competent authority* in the state or territory in which the *investment firm’s* head office is located; and

(c) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in ~~the~~ whichever of the *UK CRR* or *MIFIDPRU* would apply if its head office was in the *UK*.

(3) ~~(in *GENPRU* 3.1) a firm in either (1) or (2), or both.~~ [deleted]

risk weight

(1) ~~(in relation to an exposure for the purposes of *BIPRU*) a degree of risk expressed as a percentage assigned to that exposure in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under *BIPRU* 9 (Securitisation).~~ [deleted]

...

risk weighted exposure amount

(1) ~~(in relation to an exposure for the purposes of *BIPRU*) the value of an exposure for the purposes of the calculation of the *credit risk capital component* after application of a *risk weight*.~~ [deleted]

(2) ...

sectoral rules

(in relation to a *financial sector*) rules and requirements relating to the prudential supervision of *regulated entities* applicable to *regulated entities* in that *financial sector* as follows:

(a) (for the purposes of *GENPRU* 3.1.12R (Definition of financial conglomerate: Solvency requirement)) ~~*UK prudential sectoral regulation*~~ *UK prudential sectoral legislation* for that *financial*

sector together with as appropriate the rules and requirements in (c); ~~or~~

- (b) (for the purpose of calculating *solo capital resources* and a *solo capital resources requirement*):
 - (i) (to the extent provided for in paragraphs 6.4 to 6.6 of *GENPRU 3 Annex 1R*) rules and requirements that are referred to in those paragraphs; and
 - (ii) the rules and requirements in (c); or
- (c) (for all other purposes) rules and requirements of the *appropriate regulator* and so that:
 - ~~(d)~~ (i) (in relation to consolidated supervision for any *financial sector*) those requirements include ones relating to the form and extent of consolidation;
 - ~~(e)~~ (ii) (in relation to any *financial sector*) those requirements include ones relating to the eligibility of different types of capital;
 - ~~(f)~~ (iii) (in relation to any *financial sector*) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis; and
 - ~~(g)~~ ~~[deleted]~~
 - ~~(h)~~ ~~references~~ References to the *appropriate regulator's sectoral rules* are to *sectoral rules* in the form of *rules* and, as applicable, the *UK CRR*.

- securitisation*
- (1) ...
 - (2) (in ~~*BIPRU*~~ and *MIPRU* 4) a transaction or scheme whereby the credit risk associated with an *exposure* or pool of *exposures* is tranching having the following characteristics:
 - ...
 - (3) ~~(in *IFPRU*) has the meaning in article 4(1)(61) of the *UK CRR*.~~
~~[deleted]~~

- securitisation position*
- (1) (in ~~*GENPRU*~~, *MIPRU* and ~~*BIPRU*~~) an *exposure* to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*; and so that:
 - ...

- (2) ~~(in *IFPRU*) has the meaning in article 4(1)(62) of the *UK CRR*.
[deleted]~~
- securitisation special purpose entity* (1) ~~(for the purposes of *BIPRU*) a corporation, trust or other entity, other than a *credit institution*, organised for carrying on a *securitisation* or *securitisations* (within the meaning of paragraph (2) of the definition of *securitisation*), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the *SSPE* from those of the *originator*, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.~~
~~[Note: article 4(44) of the *Banking Consolidation Directive* (Definitions)] [deleted]~~
- ...
- securitised exposure* (for the purposes of *BIPRU* and *MIPRU*) an *exposure* in the pool of *exposures* that has been securitised, either via a *traditional securitisation* or a *synthetic securitisation*. The cash-flows generated by the securitised exposures are used to make payments to the *securitisation positions*.
- senior management* (1) ~~(in *BIPRU* 7.10 (Use of a value at risk model) and in relation to a *firm*) the *firm's governing body* and those of the *firm's senior managers* and other senior management who have responsibilities relating to the measurement and control of the risks which the *firm's VaR model* is designed to measure or whose responsibilities require them to take into account those risks.
[deleted]~~
- (2) (in *SYSC* (except *SYSC* 4.3A) and *IFPRU* and in accordance with article 4(1)(10) of the *UK CRR*) those *persons* who are a natural person and who exercise executive functions in an *institution* and who are responsible and accountable to the *management body* for the day-to-day management of the *institution*.
- ...
- (4) (in *MIFIDPRU*) those natural persons who exercise executive functions in *MIFIDPRU investment firms* and who are responsible and accountable to the *management body* for the day-to-day management of the *firm*, including for the implementation of the policies concerning the distribution of services and products to *clients* by it and its personnel.
- solo capital resources requirement* (1) (for the purpose of *GENPRU* 3) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of *GENPRU* 3 Ann 1R.

- (2) ~~(for the purposes of GENPRU 1) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as it would apply if references to *financial conglomerate* in those paragraphs were replaced with references to *insurance group*. [deleted]~~
- (3) ~~(for the purposes of GENPRU 2.2.214R (Deductions from tiers one and two: Material holdings)) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as those paragraphs apply to the *insurance sector*. [deleted]~~
- specific risk* ...
- (2) ~~(in GENPRU and BIPRU) the risk of a price change in an *investment* due to factors related to its issuer or, in the case of a *derivative*, the issuer of the underlying *investment*.
[Note: paragraph 12 of Annex I of the *Capital Adequacy Directive*] [deleted]~~
- sponsor* ...
- (2) ~~(in BIPRU), and in MIPRU 4 and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*, an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.
[Note: article 4(42) of the *Banking Consolidation Directive* (Definitions)]~~
- (3) ~~(in IFPRU) has the meaning in article 4(1)(14) of the *UK CRR*. [deleted]~~
- third-country banking and investment group* ...
- a *banking and investment group* that meets the following conditions:
- (b) it is not part of a wider *consolidation group* that is required by ~~UK prudential sectoral regulation~~ UK prudential sectoral legislation for the *banking sector*, the CRR investment services sector or the MIFIDPRU investment services sector to be subject to consolidated supervision.
- trading book* ...
- (5) ~~(in DTR) has the meaning in article 4.1(86) of *UK CRR*. all positions in *financial instruments* and commodities held by a *credit institution* or an *investment firm* that are:~~

- (a) positions held with trading intent; or
- (b) held in order to hedge positions held with trading intent.

...

traditional securitisation (for the purpose of ~~BIPRU and MIPRU~~) a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) involving the economic transfer of the *exposures* being *securitised* to a *securitisation special purpose entity* which issues securities; and so that:

...

tranche in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation and for the purposes of ~~BIPRU and MIPRU~~) a contractually established segment of the credit risk associated with an *exposure* or number of *exposures*, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

[Note: article 4(39) of the *Banking Consolidation Directive* (Definitions)]

UK consolidation group (1) (for the purposes of SYSC as it applies to a *CRR firm*) the *group of undertakings* which are included in the *consolidated situation* of a *UK parent institution*, a *UK parent financial holding company* or a *UK parent mixed financial holding company* (including any *undertaking* which is included in that consolidation because of a *consolidation article 12(1) relationship*, *article 18(5) relationship* or *article 18(6) relationship*).

(2) ~~(for the purposes of BIPRU and SYSC as it applies to a BIPRU firm) has the meaning in BIPRU 8.2.4R (Definition of UK consolidation group), which is in summary the group that is identified as a UK consolidation group in accordance with the decision tree in BIPRU 8 Annex 1R (Decision tree identifying a UK consolidation group); in each case only persons included under BIPRU 8.5 (Basis of consolidation) are included in the UK consolidation group. [deleted]~~

UK designated investment firm (in ~~BIPRU 12 and in SYSC 19D~~ and the definitions of *CRR firm* and *institution*) a *designated investment firm* which is a *body corporate* or *partnership* formed under the law of any part of the *UK*.

UK prudential sectoral legislation (in relation to a *financial sector*) requirements applicable to *persons* in that *financial sector* in accordance with *UK* legislation and *rules* about prudential supervision of *regulated entities* in that *financial sector* and so that:

- (a) (in relation to the *banking sector* and the *CRR investment services sector*) in particular this includes the requirements laid down in

		the <i>UK CRR</i> and the <i>PRA Rulebook</i> (in relation to a <i>CAD investment firm</i>), <i>GENPRU</i> and <i>BIPRU</i> ; and
	(b)	(in relation to the <i>insurance sector</i>) in particular this includes requirements laid down in the <i>UK</i> provisions which implemented the <i>Solvency II Directive</i> and <i>Solvency II Regulations</i> ; and
	(c)	<u>(in relation to the <i>MIFIDPRU investment services sector</i>) in particular this includes the requirements laid down in <i>MIFIDPRU</i>.</u>
<i>unfunded credit protection</i>	(1)	(in <i>BIPRU</i>) a technique of <i>credit risk mitigation</i> where the reduction of the credit risk on the <i>exposure</i> of an undertaking derives from the <i>undertaking</i> of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events. [Note: article 4(32) of the <i>Banking Consolidation Directive (Definitions)</i>] [deleted]
	(2)	(in <i>IFPRU</i>) has the meaning in article 4(1)(59) of the <i>UK CRR</i>. [deleted]
	...	
<i>working day</i>	...	
	(2)	(in relation to an underwriter and for the purpose of <i>BIPRU</i> but not for the purpose of the definition of <i>working day 0</i>) the number of <i>business days</i> after <i>working day 0</i> specified by the provision in question so that, for example, <i>working day one</i> means the <i>business day</i> following <i>working day 0</i>. [deleted]
	...	

Delete the following definitions. The text is not shown struck through.

<i>ABCP internal assessment approach</i>	the method for calculating the <i>risk weighted exposure amount</i> for a <i>securitisation position</i> in relation to an <i>asset backed commercial paper programme</i> as set out in <i>BIPRU</i> 9.12.20R.
<i>ABCP programme</i>	(for the purposes of <i>BIPRU</i> 9 (Securitisation)) an <i>asset backed commercial paper programme</i> .
<i>advanced IRB approach</i>	one of the following: <ol style="list-style-type: none"> (a) (in relation to the <i>sovereign, institutional and corporate IRB exposure class</i>) the approach under the <i>IRB approach</i> under which a <i>firm</i> supplies its own estimates of <i>LGD</i> and <i>conversion factors</i>;

- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with *BIPRU 8* (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

Advanced Measurement Approach has the meaning in the *PRA Rulebook*.

advanced prudential calculation approach one of the following:

- (a) the *IRB approach*; or
- (b) the *advanced measurement approach*; or
- (c) the *VaR model approach*; or
- (d) the *CAD 1 model approach*; or
- (e) the *master netting agreement internal models approach*; or
- (f) the *CCR internal model method*;

including, in each case, whatever corresponds to that approach under the rules of or administered by a *regulatory body* other than the *appropriate regulator*.

advanced prudential calculation approach permission one of the following:

- (a) an *IRB permission*; or
- (b) an *AMA permission*; or
- (c) a *VaR model permission*; or
- (d) a *CAD 1 model waiver*; or
- (e) a *master netting agreement internal models approach permission*; or
- (f) a *CCR internal model method permission*.

all price risk measure (in *BIPRU 7.10* (Use of a Value at Risk Model)) has the meaning in *BIPRU 7.10.116AR* (Capital calculations for VaR models), which is, in relation to a *business day*, the *all price risk measure* required under the provisions in *BIPRU 7.10* about *specific risk* for the *correlation trading portfolio*.

<i>allocation period</i>	a single 24-hour period or, with the agreement of each <i>professional client</i> concerned, a period spanning five consecutive <i>business days</i> , during which an aggregated <i>series of transactions</i> may be <i>executed</i> .
<i>alternative standardised approach</i>	<p>one of the following:</p> <p>(a) a version of the <i>standardised approach to operational risk</i> under which a <i>firm</i> uses different indicators for certain business lines as referred to in <i>BIPRU 6.4.19R</i> (The alternative standardised approach);</p> <p>(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation); or</p> <p>(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.</p>
<i>appropriate position risk adjustment</i>	<p>(1) (in relation to a <i>position</i> treated under <i>BIPRU 7.6</i> (Option PRR)) the percentage figure applicable to that <i>position</i> under the table in <i>BIPRU 7.6.8R</i> (Appropriate Position Risk Adjustment);</p> <p>(2) (for any other purpose and in relation to a <i>position</i>) the <i>position risk adjustment</i> applicable to that position under <i>BIPRU 7</i> (Market risk).</p>
<i>Article 134 relationship</i>	<p>(in accordance with Article 134 of the <i>Banking Consolidation Directive</i>) a relationship of one of the following kinds:</p> <p>(a) where a <i>person</i> exercises a significant influence over one or more <i>persons</i>, but without holding a <i>participation</i> or other capital ties in these <i>persons</i> and without being a <i>parent undertaking</i> of these persons; or</p> <p>(b) where two or more <i>persons</i> are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.</p>
<i>at the money</i>	(for the purposes of <i>BIPRU 7</i> (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) the strike price of that <i>option</i> or <i>warrant</i> being equal to the current market value of the underlying instrument.
<i>backtesting exception</i>	(in <i>BIPRU 7.10</i> (Use of a value at risk model)) an exception (excluding a <i>specific risk backtesting exception</i>) arising out of backtesting a <i>VaR model</i> as more fully defined in <i>BIPRU 7.10.103R</i> .

<i>Bank Accounts Directive</i>	Council Directive 86/635/EEC of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions.
<i>base capital resources requirement</i>	(1) an amount of <i>capital resources</i> that an <i>insurer</i> must hold as set out in <i>GENPRU</i> 2.1.30R (Table: Base capital resources requirement for an insurer) or a <i>BIPRU firm</i> must hold under <i>GENPRU</i> 2.1.41R (Base capital resources requirement for a BIPRU firm) and <i>GENPRU</i> 2.1.48R (Table: Base capital resources requirement for a BIPRU firm). (2) [deleted]
<i>basic indicator approach</i>	the approach to calculating the <i>ORCR</i> set out in <i>BIPRU</i> 6.3 (Operational risk: Basic indicator approach).
<i>basis risk</i>	the risk that the relationship between two financial variables will change, particularly between two sorts of interest rate or between a hedge and the position it ostensibly hedges.
<i>BIPRU Remuneration Code</i>	<i>SYSC</i> 19C (BIPRU Remuneration Code).
<i>BIPRU Remuneration Code staff</i>	for a <i>BIPRU firm</i> and a <i>third country BIPRU firm</i> , has the meaning given in <i>SYSC</i> 19C.3.4R.
<i>BIPRU remuneration principles proportionality rule</i>	(in <i>SYSC</i> 19C) has the meaning given in <i>SYSC</i> 19C.3.3R.
<i>buffer securities restriction</i>	<i>BIPRU</i> 12.6.16R.
<i>CAD 1 model</i>	a risk management model of the type described in <i>BIPRU</i> 7.9 (Use of a CAD 1 model).
<i>CAD 1 model approach</i>	one of the following: (a) the approach to calculating part of the <i>market risk capital requirement</i> set out in <i>BIPRU</i> 7.9 (Use of a CAD 1 model); (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with <i>BIPRU</i> 8 (Group risk - consolidation); or

	(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i> , whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<i>CAD 1 model waiver</i>	a <i>waiver</i> that requires a <i>firm</i> to use the <i>CAD 1 model approach</i> on a solo basis or, if the context requires, a consolidated basis.
<i>CAD Article 22 group</i>	a <i>UK consolidation group</i> or <i>non-UK sub-group</i> that meets the conditions in <i>BIPRU 8.4.9R</i> (Definition of a <i>CAD Article 22 group</i>).
<i>CAD investment firm</i>	a <i>firm</i> that is subject to the requirements imposed by the <i>UK</i> implementation of <i>MiFID</i> (or a <i>firm</i> which would be subject to those requirements if its head office were in the <i>UK</i>) but excluding a <i>bank</i> , a <i>building society</i> , a <i>credit institution</i> , a <i>local firm</i> and an <i>exempt CAD firm</i> that meets the following conditions: <ul style="list-style-type: none"> (a) it is a <i>firm</i> as defined in article 4(1)(2)(c) of the <i>UK CRR</i>; (b) it is authorised to provide one or more the following <i>investment services</i>: <ul style="list-style-type: none"> (i) execution of orders on behalf of <i>clients</i>; (ii) portfolio management; and (c) it may provide one or more of the following <i>investment services</i>: <ul style="list-style-type: none"> (i) reception and transmission of orders in relation to one or more <i>financial instruments</i>; (ii) investment advice.
<i>capital conservation buffer</i>	(in accordance with regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014) the amount of <i>common equity tier 1 capital</i> a <i>firm</i> must calculate in line with <i>IFPRU 10.2</i> .
<i>capital market-driven transaction</i>	(in accordance with point 2 of Part 1 of Annex VIII of the <i>Banking Consolidation Directive</i> (Eligible forms of credit risk mitigation)) any transaction giving rise to an <i>exposure</i> secured by collateral which includes a provision conferring upon the <i>person</i> with the <i>exposure</i> the right to receive margin frequently.
<i>capital planning buffer</i>	(in <i>BIPRU 2.2</i> or <i>IFPRU 2</i>) the amount and quality of capital resources that a <i>firm</i> should hold at a given time in accordance with the <i>general stress and scenario testing rule</i> , so that the <i>firm</i> is able to continue to meet the <i>overall financial adequacy rule</i> throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.
<i>Capital Requirements</i>	the Capital Requirements Regulations 2006 (SI 2006/3221).

*Regulations
2006*

<i>capital resources gearing rules</i>	(1)	[deleted]
	(2)	[deleted]
	(3)	(in relation to a <i>BIPRU firm</i>) <i>GENPRU 2.2.30R</i> , <i>GENPRU 2.2.46R</i> and <i>GENPRU 2.2.49R</i> and <i>GENPRU 2.2.50R</i> .
<i>capital resources table</i>	(1)	[deleted]
	(2)	[deleted]
	(3)	[deleted]
	(4)	(in relation to a <i>BIPRU firm</i>) whichever of the tables in <i>GENPRU 2 Annex 4</i> , <i>GENPRU 2 Annex 5</i> or <i>GENPRU 2 Annex 6</i> applies to the <i>firm</i> under <i>GENPRU 2.2.19R</i> .
<i>cash assimilated instrument</i>		a certificate of deposit or other similar instrument issued by a <i>lending firm</i> . [Note: article 4(35) of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>CCR</i>		<i>counterparty credit risk</i>
<i>CCR internal model method</i>		one of the following:
	(a)	the method of calculating the amount of an <i>exposure</i> set out in <i>BIPRU 13.6</i> (CCR internal model method);
	(b)	(where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation); or
	(c)	when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i> , whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<i>CCR internal model method permission</i>		a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or a <i>CAD investment firm</i> to use the <i>CCR internal model method</i>
<i>CCR mark to market method</i>		the method of calculating the amount of an <i>exposure</i> set out in <i>BIPRU 13.4</i> (CCR mark to market method).
<i>CCR standardised method</i>		the method of calculating the amount of an <i>exposure</i> set out in <i>BIPRU 13.5</i> (CCR standardised method).

CIU look through method	one of the <i>standard CIU look through method</i> or the <i>modified CIU look through method</i> .
CIU PRR	the <i>collective investment undertaking PRR</i> .
closely related	(in <i>GENPRU</i> and <i>BIPRU</i>) describes a relationship between two or more <i>persons</i> under which one or more of the following applies: <ul style="list-style-type: none"> (a) the insolvency or default of one of them is likely to be associated with the insolvency or default of the others; (b) it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or (c) there is, or there is likely to be, a close relationship between the financial performance of those <i>persons</i>.
<i>collective investment undertaking PRR</i>	the part of the <i>market risk capital requirement</i> calculated in accordance with <i>BIPRU 7.7.5R</i> (Calculation of the collective investment undertaking PRR).
<i>combined buffer</i>	has the meaning in regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014).
<i>commodity extended maturity ladder approach</i>	the method of calculating the <i>commodity PRR</i> in <i>BIPRU 7.4.32R</i> (Extended maturity ladder approach).
<i>commodity maturity ladder approach</i>	the method of calculating the <i>commodity PRR</i> in <i>BIPRU 7.4.25R</i> (Maturity ladder approach).
<i>commodity PRR</i>	the part of the <i>market risk capital requirement</i> calculated in accordance with <i>BIPRU 7.4</i> (Commodity PRR) or, in relation to a particular <i>position</i> , the portion of the overall <i>commodity PRR</i> attributable to that <i>position</i> .
<i>commodity simplified approach</i>	the method of calculating the <i>commodity PRR</i> in <i>BIPRU 7.4.24R</i> (Simplified approach).
<i>consolidated capital resources</i>	(in relation to a <i>UK consolidation group</i> or a <i>non-UK sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) that group's capital resources calculated in accordance with <i>BIPRU 8.6</i> (Consolidated capital resources).

<i>consolidated capital resources requirement</i>	(in relation to a <i>UK consolidation group</i> or a <i>non-UK sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) an amount of <i>consolidated capital resources</i> that that group must hold in accordance with <i>BIPRU</i> 8.7 (Consolidated capital resources requirement).
<i>consolidated credit risk requirement</i>	(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in <i>BIPRU</i> 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to credit risk calculated in accordance with <i>BIPRU</i> 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under <i>BIPRU</i> 8.7.
<i>consolidated fixed overheads requirement</i>	(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in <i>BIPRU</i> 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to the <i>fixed overheads requirement</i> (as referred to Article 21 of the <i>Capital Adequacy Directive</i> and the definition of <i>fixed overheads requirement</i>) calculated in accordance with <i>BIPRU</i> 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under <i>BIPRU</i> 8.7.
<i>consolidated indirectly issued capital</i>	has the meaning in <i>BIPRU</i> 8.6.12R (Indirectly issued capital and group capital resources), which is in summary any <i>capital instrument</i> issued by a member of a <i>UK consolidation group</i> or <i>non-UK sub-group</i> where the conditions in <i>BIPRU</i> 8.6.12R are met.
<i>consolidated market risk requirement</i>	(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in <i>BIPRU</i> 8.7 (Consolidated capital resources requirement) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to <i>market risk</i> calculated in accordance with <i>BIPRU</i> 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under <i>BIPRU</i> 8.7.
<i>consolidated requirement component</i>	has the meaning in <i>BIPRU</i> 8.7.11R (Calculation of the consolidated requirement components), which in summary is one of the following: <ul style="list-style-type: none"> (a) the <i>consolidated credit risk requirement</i>; or (b) the <i>consolidated fixed overheads requirement</i>; or (c) the <i>consolidated market risk requirement</i> (d) [deleted]
<i>consolidating supervisor</i>	has the meaning in article 4(1)(41) of the <i>UK CRR</i> .
<i>contingency funding plan</i>	(1) [deleted]

	(2) (in <i>BIPRU</i> 12 and <i>BSOCS</i>) a plan for dealing with liquidity crises as required by <i>BIPRU</i> 12.4.10R.
<i>contractual cross product netting agreement</i>	(for the purpose of <i>BIPRU</i> 13.7 (Contractual netting)) has the meaning set out in <i>BIPRU</i> 13.7.2R, which is in summary a written bilateral agreement between a <i>firm</i> and a <i>counterparty</i> which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.
<i>conversion factor</i>	(for the purposes of <i>BIPRU</i>) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher. [Note: article 4(28) of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>core business lines</i>	business lines and associated services which represent material sources of revenue, profit or franchise value for an <i>RRD institution</i> or an <i>RRD group</i> . [Note: article 2(1)(36) of <i>RRD</i>]
<i>core concentration risk group counterparty</i>	(in relation to a <i>firm</i>) a counterparty which is its <i>parent undertaking</i> , its <i>subsidiary undertaking</i> or a <i>subsidiary undertaking</i> of its <i>parent undertaking</i> , provided that (in each case) both the counterparty and the <i>firm</i> are: (a) included within the scope of consolidation on a full basis with respect to the same <i>UK consolidation group</i> ; and (b) (where relevant) held by one or more intermediate <i>parent undertaking</i> or <i>financial holding company</i> , all of which are incorporated in the <i>United Kingdom</i> .
<i>core market participant</i>	an entity of a type listed in <i>BIPRU</i> 5.4.64R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).
<i>core tier one capital</i>	an item of capital that is stated in stage A of the <i>capital resources table</i> (Core tier one capital) to be core tier one capital.
<i>core UK group</i>	(1) (in relation to a <i>BIPRU firm</i>) all <i>undertakings</i> which, in relation to the <i>firm</i> , satisfy the conditions set out in <i>BIPRU</i> 3.2.25R (Zero risk-weighting for intra-group exposures: core UK group). (2) (in relation to an <i>IFPRU investment firm</i>) all counterparties which: (a) are listed in the <i>firm's</i> core UK group permission; (b) satisfy the conditions in article 113(6) of the <i>UK CRR</i> (Calculation of risk-weighted exposure amounts: intragroup); and

- (c) (unless it is an *IFPRU limited-activity firm* or *IFPRU limited-licence firm*, or an exempt *IFPRU commodities firm* to which article 493(1) of the *UK CRR* (Transitional provision for large exposures) apply) for which *exposures* are exempted, under article 400(1)(f) of the *UK CRR* (Large exposures: exemptions), from the application of article 395(1) of the *UK CRR* (Limits to large exposures).
- core UK group eligible capital* means the eligible capital in the *core UK group* calculated in line with *IFPRU 8.2.7R*.
- core UK group permission* a permission given by the *FCA* under article 113(6) of the *UK CRR* (see *IFPRU 8.1.14G* to *IFPRU 8.1.21G*).
- core UK group waiver* (in *BIPRU*) a *waiver* that has the result of requiring a *firm* to apply:
- (a) (in relation to the *credit risk capital requirement*) *BIPRU 3.2.25R* (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a *firm* to assign a *risk weight* of 0% to *exposures* to members of its *core UK group* instead of complying with *BIPRU 3.2.20R* (Calculation of risk-weighted exposure amounts under the standardised approach); or
- (b) [deleted]
- corporate* (in relation to the *IRB approach* or the *standardised approach* to credit risk) a *person* an *exposure* to whom is a *corporate exposure*.
- corporate exposure*
- (1) (in relation to the *IRB approach*) an *exposure* falling into *BIPRU 4.3.2R(3)* (IRB exposure classes).
- (2) (in relation to the *standardised approach* to credit risk) an *exposure* falling into *BIPRU 3.2.9R(7)* (Standardised approach to credit risk exposure classes).
- correlation trading portfolio* (in *BIPRU 7*) a portfolio consisting of *securitisation positions* and nth-to-default credit derivatives that meet the criteria set out at *BIPRU 7.2.42AR*, or other *positions* which may be included in accordance with *BIPRU 7.2.42BR*.
- countercyclical buffer rate* the rate:
- (a) expressed as a percentage of *total risk exposure amount* set by the *UK countercyclical buffer authority*; or
- (b) expressed in terms equivalent to a percentage of total risk exposure amount set by a *third-country countercyclical buffer authority*,
- that a *firm* must apply in order to calculate its *countercyclical capital*

buffer.

[Note: article 128(7) of the *CRD* (Definitions)]

<i>countercyclical capital buffer</i>	(in accordance with regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures Regulations 2014)) the amount of <i>common equity tier 1 capital</i> a firm must calculate in line with <i>IFPRU</i> 10.3.
<i>counterparty credit risk</i>	(1) (for the purposes of <i>BIPRU</i>) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. (2) (other than in (1)) has the meaning as used in the <i>UK CRR</i> . [Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>counterparty risk capital component</i>	the part of the <i>credit risk capital requirement</i> calculated in accordance with <i>BIPRU</i> 14.2.1R (Calculation of the counterparty risk capital component).
<i>CRD bank</i>	a <i>bank</i> which uses the <i>UK CRR</i> to measure the capital requirement on its trading book.
<i>CRD financial instrument</i>	has the meaning set out in <i>BIPRU</i> 1.2.7R to <i>BIPRU</i> 1.2.8R (CRD financial instruments), which is in summary any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.
<i>CRD full-scope firm</i>	an investment firm as defined in article 4(1)(2) of the <i>UK CRR</i> that is subject to the requirements imposed by the <i>UK</i> provisions that implemented <i>MiFID</i> (or which would be subject to those requirements if its head office were in the <i>UK</i>) and that is not a <i>limited activity firm</i> or a <i>limited licence firm</i> .
<i>CRD implementation measure</i>	(in relation to an <i>person</i> and for the purposes of <i>GENPRU</i> and <i>BIPRU</i> (except in <i>GENPRU</i> 3 and <i>BIPRU</i> 12), a provision of the <i>Banking Consolidation Directive</i> or the <i>Capital Adequacy Directive</i> and an <i>EEA State</i> other than the <i>United Kingdom</i>) a measure implementing that provision of that Directive for that type of <i>person</i> in that <i>EEA State</i> .
<i>CRD ITS on templates, definitions and IT-solutions</i>	the <i>UK</i> version of Regulation (EU) 2016/2070 of 14 September 2016 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting in accordance with Article 78(2) of the <i>CRD</i> which is part of <i>UK</i> law by virtue of the <i>EUWA</i> .
<i>CRD RTS on the identification of the geographical</i>	the <i>UK</i> version of Regulation (EU) No 1152/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures

<i>location of credit exposures for calculating institution-specific countercyclical capital buffer rates</i>	for calculating institution-specific countercyclical capital buffer rates which is part of <i>UK</i> law by virtue of the <i>EUWA</i> .
<i>credit quality assessment scale</i>	<p>the credit quality assessment scale:</p> <p>(1) onto which the credit assessments of an export credit agency are mapped under the table in <i>BIPRU</i> 3.4.9R (Exposure for which a credit assessment by an export credit agency is recognised); or</p> <p>(2) published by the <i>appropriate regulator</i> in accordance with the <i>Capital Requirements Regulations 2006</i> which determine:</p> <p style="margin-left: 40px;">(a) (in relation to an <i>eligible ECAI</i> whose recognition is for <i>risk weighting</i> purposes other than those in (2)(b)) with which of the <i>credit quality steps</i> set out in <i>BIPRU</i> 3.4 (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an <i>eligible ECAI</i> are to be associated; or</p> <p style="margin-left: 40px;">(b) (in relation to an <i>eligible ECAI</i> whose recognition is for <i>securitisation risk-weighting</i> purposes) with which of the <i>credit quality steps</i> set out in <i>BIPRU</i> 9 (Securitisation) the relevant credit assessments of the <i>eligible ECAI</i> are to be associated.</p>
<i>credit risk capital component</i>	the part of the <i>credit risk capital requirement</i> calculated in accordance with <i>BIPRU</i> 3.1.5R (Calculation of the credit risk capital component).
<i>credit risk mitigation</i>	<p>(1) (in <i>GENPRU</i> (except in <i>GENPRU</i> 3) and <i>BIPRU</i> (except in <i>BIPRU</i> 12)) a technique used by an <i>undertaking</i> to reduce the credit risk associated with an <i>exposure</i> or <i>exposures</i> which the <i>undertaking</i> continues to hold.</p> <p style="margin-left: 40px;">[Note: article 4(30) of the <i>Banking Consolidation Directive</i> (Definitions)]</p> <p>(2) (except in (1)) has the meaning in article 4(1)(58) of the <i>UK CRR</i>.</p>
<i>credit valuation adjustment</i>	<p>(in accordance with Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions) and for the purposes of <i>BIPRU</i>) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:</p> <p>(a) reflects the market value of the credit risk due to any failure to</p>

perform on contractual agreements with a counterparty; and

- (b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the *firm* and the counterparty.

critical functions

activities, services or operations (wherever carried out) the discontinuance of which is likely to lead to the disruption of essential services to the real economy of the *UK* or to disrupt financial stability in the *UK* due to the:

- (a) size;
- (b) market share;
- (c) external and internal interconnectedness;
- (d) complexity; or
- (e) cross-border activities,

of an *RRD institution* or *RRD group*, particularly bearing in mind the substitutability of those activities, service or operations.

[Note: article 2(1)(35) of *RRD*]

CRM minimum requirements

- (1) in relation to the *standardised approach* to credit risk); *BIPRU* 5.2.9R-*BIPRU* 5.2.10R, *BIPRU* 5.3.3R, *BIPRU* 5.4.9R-*BIPRU* 5.4.13R, *BIPRU* 5.5.2R, *BIPRU* 5.5.5R-*BIPRU* 5.5.6R, *BIPRU* 5.6.2R-*BIPRU* 5.6.3R, *BIPRU* 5.7.6R-*BIPRU* 5.7.14R; or
- (2) (in relation to the *IRB approach*), the provisions in (1) and *BIPRU* 4.4.85R, *BIPRU* 4.10.13R, *BIPRU* 4.10.15R, and *BIPRU* 4.10.18R-*BIPRU* 4.10.19R.

cross product netting

(for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the inclusion of transactions of different product categories within the same *netting set* pursuant to the *rules* about cross-product netting set out in *BIPRU* 13.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

CRR ITS on supervisory reporting

the *UK* version of Regulation (EU) 2015/1278 of 9 July 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards instructions, templates and definitions which is part of *UK* law by virtue of the *EUWA*.

current exposure

(for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the larger of zero, or the market value

of a transaction or portfolio of transactions within a *netting set* with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

defined liquidity group

a *DLG by default* or *DLG by modification*.

designated committee

(in relation to a firm) a management body of the *firm* with delegated authority from the *firm's governing body* for approving either:

- (a) (in relation to a *firm* that uses the *IRB approach*) all material aspects of the *firm's rating systems* and material changes to the *firm's rating systems*; or
- (b) (in relation to a *firm* that uses the *advanced measurement approach*) all material aspects of the *advanced measurement approach* as carried out by the *firm* and material changes to the *firm's advanced measurement approach*; and
- (c) a policy statement defining the *firm's* overall approach to material aspects of rating and estimation processes for all *rating systems* including non-material *rating systems* in relation to the *IRB approach*, or its overall approach to the *advanced measurement approach*, as relevant;

at least one of whose members is a member of the *firm's governing body*.

designated money market fund

(in *BIPRU 12* and *BSOCS*) an *authorised fund* which satisfies the following conditions:

- (a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;
- (b) it must, with a view to achieving that primary investment objective, invest exclusively in either or both assets (i) of the kind mentioned in *BIPRU 12.7.2R(1)* and (2), or (ii) sight deposits with *credit institutions* that are at all times fully secured against assets of the kind mentioned in *BIPRU 12.7R(1)* and (2);
- (c) it must, for the purpose of condition (b), only count assets with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;
- (d) it must, for the purpose of condition (b), ensure that if it invests in sight deposits with *credit institutions* of the kind mentioned in

(b)(ii), no more than 20% of those deposits are held with any one body; and

- (e) it must provide liquidity through same day settlement in respect of any request for redemption made at or before 1200 hours GMT or, as the case may be, BST.

*designated
multilateral
development
bank*

Any of the following:

- (a) African Development Bank;
- (b) Asian Development Bank;
- (ba) Asian Infrastructure Investment Bank;
- (bb) Caribbean Development Bank;
- (d) European Bank for Reconstruction and Development;
- (e) European Investment Bank;
- (ea) European Investment Fund;
- (f) Inter-American Development Bank;
- (g) International Bank for Reconstruction and Development;
- (ga) International Development Association;
- (h) International Finance Corporation;
- (ha) International Finance Facility for Immunisation;
- (i) Islamic Development Bank;
- (ia) Multilateral Investment Guarantee Agency; and
- (j) Nordic Investment Bank.

dilution risk

the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.

[Note: article 4(24) of the *Banking Consolidation Directive* (Definitions)]

*distribution in
connection
with common
equity tier 1
capital*

includes:

- (a) a payment of cash dividends;
- (b) a distribution of fully or partly paid bonus *shares* or other capital instruments referred to in article 26(1)(a) of the *UK CRR* (Common equity tier 1 items);

- (c) a redemption or purchase by a *firm* of its own *shares* or other capital instruments referred to in article 26(1)(a) of the *UK CRR* (Common equity tier 1 items);
- (d) a repayment of amounts paid in connection with capital instruments referred to in article 26(1)(a) of the *UK CRR* (Common equity tier 1 items); and
- (e) a distribution of items referred to in article 26(1)(b) to (e) of the *UK CRR*124 (Common equity tier 1 items).

[Note: article 141(10) of *CRD*]

distribution of exposures for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of market values that is generated by setting forecast instances of negative net market values equal to zero.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

distribution of market values for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of net market values of transactions within a *netting set* for some future date (the forecasting horizon), given the realised market value of those transactions up to the present time.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

DLG by default (in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under *SUP* 16 (Reporting requirements)) the *firm* and each *person* identified in accordance with the following:

- (a) (in a case in which the *firm* is the only *UK ILAS BIPRU firm* in its *group*) that *person* meets any of the following conditions for any part of that period:
 - (i) that *person* provides material support to the *firm* against *liquidity risk*; or
 - (ii) that *person* is committed to provide such support or would be committed to do so if that *person* were able to provide it; or
 - (iii) the *firm* has reasonable grounds to believe that that *person* would supply such support if asked or would do so if it were able to provide it; or

- (iv) the *firm* provides material support to that *person* against *liquidity risk*; or
 - (v) the *firm* is committed to provide such support to that *person* or would be committed to do so if the *firm* were able to provide it; or
 - (vi) the *firm* has reasonable grounds to believe that that *person* would expect the *firm* to supply such support if asked or that the *firm* would do so if it were able to provide it; or
- (b) (in a case in which the *firm* is not the only UK ILAS BIPRU firm in its *group*):
- (i) each of those other *UK ILAS BIPRU firms*; and
 - (ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*;
 - (iii) no *DLG by default* exists where the group consists only of *UK ILAS BIPRU firms*.

The following provisions also apply for the purpose of this definition.

- (c) A *person* is not a member of a firm's *DLG by default* unless it also satisfies one of the following conditions:
- (i) it is a member of the *firm's group*; or
 - (ii) it is a *securitisation special purpose entity* or a *special purpose vehicle*; or
 - (iii) it is an *undertaking* whose main purpose is to raise funds for the *firm* or for a *group* to which that *firm* belongs.
- (ca) In the case of a *group liquidity reporting firm* that is within paragraph (a) of the definition of *UK lead regulated firm* (it is not part of a group that is subject to consolidated supervision by the *FCA* or the *PRA* or any other *regulatory body*), paragraph (c)(i) of the definition of *DLG by default* is amended so that it only includes a member of the *firm's group* that falls into one of the following categories:
- (i) it is a *credit institution*; or
 - (ii) it is an *investment firm* or *third country investment firm* authorised to *deal on own account*.

For these purposes:

- (iii) *credit institution* has the meaning used in SUP 16 (Reporting requirements), namely either of the following:
 - (A) a credit institution authorised under the *CRD* or
 - (B) an institution which would satisfy the requirements for authorisation as a credit institution under the *UK* provisions which implemented the *CRD* if it had its registered office (or if it does not have a registered office, its head office) in the *UK*; and
- (iv) a *person* is authorised to *deal on own account* if:
 - (A) it is a *firm* and its *permission* includes that activity; or
 - (B) [deleted]
 - (C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that *person* has such an authorisation.
- (d) *Group* has the meaning in paragraph (1) of the definition in the *Glossary* (the definition in section 421 of the *Act*).
- (e) The conditions in (a) are satisfied even if the *firm* or *person* in question provides or is committed or expected to provide support for only part of the period. (f) In deciding for the purpose
- (f) In deciding for the purpose of (a) or (b) whether the *firm* is the only *UK ILAS BIPRU firm* in its *group* and identifying which are the other *UK ILAS BIPRU firms* in its *group*, any *group* member that is a member of the group through no more than a *participation* is ignored.
- (g) A *firm* has a *DLG by default* for a period even if it only has one during part of that period.
- (h) Liquidity support may be supplied by or to the *firm* directly or indirectly.
- (i) Support is material if it is material either by reference to the *person* giving it or by reference to the *person* receiving it.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in *SUP 16 Annex 26* (Guidance on designated liquidity groups in *SUP 16.12*.)

DLG by modification

either of the following:

- (a) a *DLG by modification (firm level)*; or
- (b) a *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in *SUP 16 Annex 26* (Guidance on designated liquidity groups in *SUP 16.12*.)

DLG by modification (firm level)

(in relation to any reporting period under *SUP 16* (Reporting requirements) and a *UK ILAS BIPRU firm* that has an *intra-group liquidity modification* during any part of that period (a *group liquidity reporting firm*)) the *firm* and each *person* on whose liquidity support the *firm* can rely, under that *intra-group liquidity modification*, for any part of that period for the purpose of the *overall liquidity adequacy rule* (as the *overall liquidity adequacy rule* applies to the *firm* on a solo basis). A *firm* has a ‘DLG by modification (firm level)’ for a period even if it only has one during part of that period.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in *SUP 16 Annex 26* (Guidance on designated liquidity groups in *SUP 16.12*.)

early amortisation provision

- (1) (in *BIPRU*) (in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) a contractual clause which requires, on the occurrence of defined events, investors’ positions to be redeemed prior to the originally stated maturity of the securities issued.

[Note: article 100 of the *Banking Consolidation Directive* (Securitisation of revolving exposures)]

- (2) (except in (1)) has the meaning in article 242(16) of the *UK CRR*.

EE

expected exposure.

effective EE

effective expected exposure.

effective EPE

effective expected positive exposure.

effective expected exposure

for the purpose of *BIPRU 13* (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions) and as at a specific date) the maximum *expected exposure* that occurs at that date or any prior date; alternatively, it may be defined for a specific date as the greater of the *expected exposure* at that date, or the *effective exposure* at the previous date.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

effective expected positive exposure for the purpose of *BIPRU* 13) the weighted average over time of *effective expected exposure* over the first year, or, if all the contracts within the *netting set* mature before one year, over the time period of the longest maturity contract in the *netting set*, where the weights are the proportion that an individual *expected exposure* represents of the entire time interval.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

effective maturity for the purpose of the *CCR internal model method* and with respect to a *netting set* with maturity greater than one year) the ratio of the sum of *expected exposure* over the life of the transactions in the *netting set* discounted at the risk-free rate of return divided by the sum of *expected exposure* over one year in a *netting set* discounted at the risk-free rate; this effective maturity may be adjusted to reflect *rollover risk* by replacing *expected exposure* with *effective expected exposure* for forecasting horizons under one year.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

EL *expected loss*.

eligible capital has the meaning in article 4(1)(71) of the *UK CRR*.

eligible partnership capital (in relation to a *BIPRU firm*) has the meaning in *GENPRU* 2.2.93R.

EPE *expected positive exposure*.

equity (for the purposes of *BIPRU* 7 and *IFPRU* 6) a *share*

equity exposure (in relation to the *IRB approach*) an exposure falling into the *IRB exposure class* referred to in *BIPRU* 4.3.2R(5) (equity exposures).

equity PRR the part of the *market risk capital requirement* calculated in accordance with *BIPRU* 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

- (a) the *equity PRR* excludes the part of the *market risk capital requirement* calculated under *BIPRU* 7.3.45R (Basic interest rate PRR for equity derivatives); and
- (b) in relation to a particular *position*, it means the portion of the overall *equity PRR* attributable to that *position*.

excess spread (for the purposes of *BIPRU* 9 (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of

	<p>securitisation¹³⁷) finance charge collections and other fee income received in respect of the <i>securitised exposures</i> net of costs and expenses.</p> <p>[Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]</p>
<i>excess trading book position</i>	has the meaning in <i>GENPRU 2.2.264R</i> (Deductions from total capital: Excess trading book position).
<i>exempt full scope IFPRU investment firm</i>	a <i>full-scope IFPRU investment firm</i> falling into BIPRU 12.1.4R.
<i>expected exposure</i>	<p>for the purpose of <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of <i>exposures</i> at any particular future date before the longest maturity transaction in the <i>netting set</i> matures.</p> <p>[Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>expected loss</i>	<p>for the purposes of the <i>IRB approach</i> and the <i>standardised approach</i> to credit risk) the ratio of the amount expected to be lost on an <i>exposure</i> from a potential <i>default</i> of a counterparty or dilution over a one year period to the amount outstanding at default.</p> <p>[Note: article 4(29) of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>expected positive exposure</i>	<p>for the purpose of <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of <i>expected exposures</i> where the weights are the proportion that an individual <i>expected exposures</i> represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the <i>netting set</i> mature before one year, over the time period of the longest-maturity contract in the <i>netting set</i>.</p> <p>[Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>extraordinary public financial support</i>	has the meaning provided in section 3 of the Banking Act 2009.
<i>facility grade</i>	(in relation to the <i>advanced IRB approach</i> and the <i>sovereign, institutional and corporate IRB exposure class</i> and in accordance with <i>BIPRU 4.4.49R</i>) a risk category within a <i>rating system's</i> facility scale to which <i>exposures</i> are assigned on the basis of a specified and distinct set of rating criteria from which own estimates of <i>LGDs</i> are derived.

<i>FCA consolidation group</i>	the <i>undertakings</i> included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the <i>UK CRR</i> and <i>IFPRU</i> 8.1.3R to <i>IFPRU</i> 8.1.4R (Prudential consolidation) for which the <i>FCA</i> is the <i>consolidating supervisor</i> under article 4B of the <i>UK CRR</i> .
<i>FICOD 1</i>	the European Parliament and Council Directive amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC regarding the supplementary supervision of financial entities in a financial conglomerate (No 2011/89/EU).
<i>financial collateral comprehensive method</i>	the method for calculating the effects of credit risk mitigation described in those parts of <i>BIPRU</i> 5.4 (Financial collateral) that are expressed to apply to that method.
<i>financial collateral simple method</i>	the method for calculating the effects of credit risk mitigation described in those parts of <i>BIPRU</i> 5.4 (Financial collateral) that are expressed to apply to that method.
<i>Financial Collateral Directive</i>	the Council Directive of 6 June 2002 relating to financial collateral arrangements (No. 2002/47/EC).
<i>financial derivative instrument</i>	(for the purposes of <i>BIPRU</i>) has the meaning in <i>BIPRU</i> 13.3.3R (Definition of a financial derivative instrument); the definition is adjusted for the purposes of the definition of <i>counterparty risk capital component</i> in accordance with <i>BIPRU</i> 14.2.3R (Credit derivatives).
<i>FINREP firm</i>	<p>(a) a <i>credit institution</i> or <i>investment firm</i> subject to the <i>UK CRR</i> that is also subject to section 403(1) of the Companies Act 2006; or</p> <p>(b) a <i>credit institution</i> other than one referred to in section 403(1) of the Companies Act 2006 that prepares its consolidated accounts in conformity with <i>UK-adopted international accounting standards</i>.</p> <p>[Note: article 99 of the <i>UK CRR</i>]</p>
<i>firm-specific liquidity stress</i>	<p>(in relation to a <i>firm</i> and any reporting obligations under <i>SUP</i> 16 (Reporting requirements)):</p> <p>(a) (in the case of reporting obligations on a solo basis (including on the basis of the <i>firm's UK branch</i>) the <i>firm</i> failing to meet, not complying with or being in breach of:</p> <p style="padding-left: 40px;">(i) the liquidity resources requirement calculated by that <i>firm</i> as adequate in its current <i>Individual Liquidity Adequacy Assessment</i> or <i>Individual Liquidity Systems Assessment</i>; or</p>

- (ii) the level of its liquid assets buffer advised in any current *individual liquidity guidance* that the *firm* has accepted; or
- (iii) its funding profile advised in any current *individual liquidity guidance* that the *firm* has accepted; or
- (iv) the *overall liquidity adequacy rule*; or
- (v) BIPRU 12.2.8R (*ILAS BIPRU firm* adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the *simplified buffer requirement*); or
- (vi) the *simplified buffer requirement* (taking into account *BIPRU TP 29* (Liquid assets buffer scalar: simplified *ILAS BIPRU firms*) unless this has been superseded by *individual liquidity guidance* that it has accepted; or
- (vii) any requirement imposed by or under the *regulatory system* under which the *firm* must hold a specified level of liquidity resources;

or it being likely that the *firm* will do so;

- (b) (in the case of reporting obligations with respect to the *firm* and a group of other *persons*) has the same meaning as in (a) except that references to any *rule* or other requirement, *Individual Liquidity Adequacy Assessment*, *Individual Liquidity Systems Assessment* or *individual liquidity guidance* are to any such thing so far as it applies to the *firm* and that group considered together.

foreign currency PRR the part of the *market risk capital requirement* calculated in accordance with *BIPRU 7.5* (Foreign currency PRR) or, in relation to a particular position, the portion of the overall *foreign currency PRR* attributable to that *position*.

forward rate agreement an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.

foundation IRB approach one of the following:

- (a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach*, described in *BIPRU 4.4* (The *IRB approach*: Exposures to corporates, institutions and sovereigns) under which a *firm* uses the values

for *LGD* and *conversion factors* set out in *BIPRU* 4.4 rather than supplying its own estimates;

- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with *BIPRU* 8 (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

FRA *forward rate agreement.*

free delivery (for the purposes of *BIPRU*) a transaction of the type set out in *BIPRU* 14.4.2R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a *person*:

- (a) has paid for *securities*, *foreign currencies* or *commodities* before receiving them or it has delivered *securities*, *foreign currencies* or *commodities* before receiving payment for them; and
- (b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

full-scope IFPRU investment firm a *CRD full-scope firm* that is an *IFPRU investment firm*.

funded credit protection (for the purposes of *BIPRU*) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the right of the *undertaking*, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the *exposure* to, or to replace it with, the amount of the difference between the amount of the *exposure* and the amount of a claim on the *undertaking*.

[Note: article 4(31) of the *Banking Consolidation Directive* (Definitions)]

GCR *group capital resources.*

GCCR *group capital resources requirement.*

general market risk the risk of a price change in an *investment*:

- (a) (in relation to items that may or must be treated under *BIPRU* 7.2 (Interest Rate PRR)) owing to a change in the level of interest rates; or

- (b) (in relation to items that may or must be treated under *BIPRU 7.3* (Equity PRR and basic interest rate PRR for equity derivatives) except insofar as *BIPRU 7.3* relates to the calculation of the *interest rate PRR*) owing to a broad equity-market movement unrelated to any specific attributes of individual *securities*.

[Note: paragraph 12 of Annex I of the *Capital Adequacy Directive*]

<i>general market risk position risk adjustment</i>	a <i>position risk adjustment</i> with respect to <i>general market risk</i>
<i>general stress and scenario testing rule</i>	<p>(1) (in <i>GENPRU</i>, <i>BIPRU</i> and <i>INSPRU</i>) <i>GENPRU 1.2.42R</i> (Stress and scenario tests).</p> <p>(2) (for the purpose of <i>IFPRU</i>) <i>IFPRU 2.2.37R</i> (Stress and scenario tests).</p>
<i>general wrong-way risk</i>	<p>for the purpose of <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the probability of default of counterparties is positively correlated with general market risk factors.</p> <p>[Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>gross leverage</i>	the ratio of total assets to total equity.
<i>group liquidity low frequency reporting conditions</i>	<p>(in relation to a <i>group liquidity reporting firm</i> and its <i>defined liquidity group</i>) the <i>defined liquidity group</i> meets the group liquidity low frequency reporting conditions if the <i>defined liquidity group</i> meets the following conditions:</p> <p>(a) the <i>firm</i> or any other member is a <i>low frequency liquidity reporting firm</i>; and</p> <p>(b) no member of that group is a <i>standard frequency liquidity reporting firm</i>.</p> <p>For the purpose of deciding whether these conditions are met in relation to a <i>DLG by default</i>, any group member (other than the <i>group liquidity reporting firm</i> itself) that is a member of the group through no more than a <i>participation</i> is ignored.</p>
<i>group liquidity reporting firm</i>	<p>see the definitions of <i>DLG by default</i>, <i>DLG by modification (firm level)</i>, and <i>non-UK DLG by modification (DLG level)</i>.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other related definitions, is set out in <i>SUP 16 Annex 26</i> (Guidance on designated liquidity groups in <i>SUP 16.12</i>.)</p>

<i>group liquidity standard frequency reporting conditions</i>	(in relation to a <i>group liquidity reporting firm</i> and its <i>defined liquidity group</i>) the <i>defined liquidity group</i> meets the group liquidity standard frequency reporting conditions if the group does not meet the <i>group liquidity low frequency reporting conditions</i> .
<i>group recovery plan</i>	a document which provides for measures to be taken in relation to an <i>RRD group</i> , or any <i>RRD institution</i> in the <i>group</i> , to achieve the stabilisation of the <i>group</i> as a whole, in cases of financial stress, to address or remove the causes of the stress and restore the financial position of the <i>group</i> or the <i>RRD institution</i> . [Note: articles 2(1)(33) and 7(4) of <i>RRD</i>]
<i>guarantee fund</i>	<p>(1) (a) subject to (1)(b), in relation to a <i>firm</i> carrying on <i>general insurance business</i>, the higher of one third of the <i>general insurance capital requirement</i> and the <i>base capital resources requirement</i> applicable to that <i>firm</i>;</p> <p>(b) where the <i>firm</i> is required to calculate a <i>UK MCR</i> or an <i>EEA MCR</i> under <i>INSPRU 1.5</i>, for the purposes of that section in (1)(a) the reference to the <i>general insurance capital requirement</i> is replaced by <i>UK MCR</i> or <i>EEA MCR</i>, as appropriate, and the reference to the <i>base capital resources requirement</i> is replaced by the amount which is one half of the <i>base capital resources requirement</i> applicable to the <i>firm</i> set out in <i>GENPRU 2.1.30R</i>.</p> <p>(2) (a) subject to (2)(b), in relation to a <i>firm</i> carrying on <i>long-term insurance business</i>, the higher of one third of the <i>long-term insurance capital requirement</i> and the <i>base capital resources requirement</i> applicable to that <i>firm</i>;</p> <p>(b) where the <i>firm</i> is required to calculate a <i>UK MCR</i> or an <i>EEA MCR</i> under <i>INSPRU 1.5</i>, for the purposes of that section in (2)(a) the reference to the <i>long-term insurance capital requirement</i> is replaced by <i>UK MCR</i> or <i>EEA MCR</i>, as appropriate, and the reference to the <i>base capital resources requirement</i> is replaced by the amount which is one half of the <i>base capital resources requirement</i> applicable to the <i>firm</i> set out in <i>GENPRU 2.1.30R</i>.</p>
<i>hedging set</i>	for the purpose of <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of <i>risk positions</i> from the transactions within a single <i>netting set</i> for which only their balance is relevant for determining the <i>exposure</i> value under the <i>CCR standardised method</i> .

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

<i>higher stage of capital</i>	(with respect to a particular item of capital in the capital resources table) a stage in the <i>capital resources table</i> above that in which that item of capital appears.
<i>hybrid capital</i>	an item of capital that is stated in <i>GENPRU 2.2</i> as eligible for inclusion at stage B1, B2 or C of the calculation in the <i>capital resources table</i> .
<i>ICAAP</i>	the <i>internal capital adequacy assessment process</i> .
<i>ICAAP rules</i>	<p>(1) (in <i>GENPRU</i>) the <i>rules</i> in <i>GENPRU 1.2.30R</i> to <i>GENPRU 1.2.39R</i> (Systems, strategies, processes and reviews), <i>GENPRU 1.2.42R</i> (Main Requirements: Stress and scenario tests) and <i>GENPRU 1.2.60R</i> to <i>GENPRU 1.2.61R</i> (Documentation of risk assessments) as they apply on a solo level and on a consolidated level.</p> <p>(2) (for the purpose of <i>IFPRU</i>) the <i>rules</i> in <i>IFPRU 2.2.2R</i> to <i>IFPRU 2.2.7R</i> (Strategies, processes and systems) to <i>IFPRU 2.2.16R</i>, <i>IFPRU 2.2.37G</i> (Stress and scenario tests) in relation to a <i>significant IFPRU firm</i> and <i>IFPRU 2.2.43R</i> to <i>IFPRU 2.2.44R</i> (Documentation of risk assessments) as they apply on a individual basis and on a <i>consolidated basis</i>.</p>
<i>ICG</i>	<i>individual capital guidance</i> .
<i>IFPRU limited-activity firm</i>	<p>a <i>limited activity firm</i> that meets the following conditions:</p> <p>(a) it is a <i>firm</i>; and</p> <p>(b) its head office is in the <i>UK</i> and it is not otherwise excluded under <i>IFPRU 1.1.5R</i>.</p>
<i>IFPRU limited-licence firm</i>	<p>a <i>limited licence firm</i> that meets the following conditions:</p> <p>(a) it is a <i>firm</i>; and</p> <p>(b) its head office is in the <i>UK</i> and it is not otherwise excluded under <i>IFPRU 1.1.5R</i>.</p>
<i>ILAA</i>	<i>Individual Liquidity Adequacy Assessment</i> .
<i>ILAS</i>	<i>Individual Liquidity Adequacy Standards</i> .
<i>ILAS BIPRU firm</i>	<p>a <i>firm</i> falling into <i>BIPRU 12.1.1AR</i>, but excluding a <i>firm</i> that is:</p> <p>(a) an <i>exempt full scope IFPRU investment firm</i>; or</p>

	(b) an <i>IFPRU limited-licence firm</i> ; or
	(c) an <i>IFPRU limited-activity firm</i> ; or
	(d) an <i>exempt BIPRU commodities firm</i> ; or
	(e) an <i>exempt IFPRU commodities firm</i> ; or
	(f) a <i>BIPRU firm</i> .
<i>illiquid asset</i>	has the meaning in <i>GENPRU 2.2.260R</i> (Deductions from total capital: Illiquid assets).
<i>ILSA</i>	<i>Individual Liquidity Systems Assessment</i> .
<i>in the money percentage</i>	(for the purposes of <i>BIPRU 7</i> (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) the percentage calculated under <i>BIPRU 7.6.6R</i> (The in the money percentage).
<i>incremental risk charge</i>	(in <i>BIPRU 7.10</i> (Use of a value at risk model)) has the meaning in <i>BIPRU 7.10.116R</i> (Capital calculations for VaR models), which is in summary, in relation to a <i>business day</i> , the incremental risk charge required under the provisions in <i>BIPRU 7.10</i> about <i>specific risk</i> , in respect of the previous <i>business day's</i> close-of-business <i>positions</i> with respect to which those provisions apply.
<i>Individual Liquidity Adequacy Assessment</i>	a <i>standard ILAS BIPRU firm's</i> assessment of the adequacy of its liquidity resources and systems and controls as required by the <i>rules</i> in <i>BIPRU 12.5</i> .
<i>Individual Liquidity Adequacy Standards</i>	the regime of liquidity assessment set out in the <i>rules</i> and <i>guidance</i> in <i>BIPRU 12.5</i> .
<i>Individual Liquidity Systems Assessment</i>	a <i>simplified ILAS BIPRU firm's</i> assessment of the adequacy of its systems and controls as required by the <i>rules</i> in <i>BIPRU 12.6</i> .
<i>initial commitment</i>	(for the purposes of <i>BIPRU</i> and in relation to <i>underwriting</i>) the date specified in <i>BIPRU 7.8.13R</i> (Time of initial commitment).
<i>initial coupon rate</i>	(in relation to a <i>tier one instrument</i>) the <i>coupon</i> rate of the instrument at the time it is issued.
<i>innovative tier one capital</i>	an item of capital that is stated in <i>GENPRU 2.2</i> (Capital resources) to be innovative tier one capital.

<i>innovative tier one capital resources</i>	the amount of <i>capital resources</i> at stage C of the <i>capital resources table</i> (Innovation tier one capital).
<i>innovative tier one instrument</i>	a <i>potential tier one instrument</i> that is stated in <i>GENPRU 2.2</i> (Capital resources) to be an innovative instrument.
<i>interest rate duration method</i>	the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <i>BIPRU 7.2.63R</i> (General market risk calculation: Duration method).
<i>interest rate maturity method</i>	the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <i>BIPRU 7.2.59R</i> (General market risk calculation: The maturity method).
<i>interest rate PRR</i>	the part of the <i>market risk capital requirement</i> calculated in accordance with <i>BIPRU 7.2</i> (Interest rate PRR) or <i>BIPRU 7.3.45R</i> (Basic interest rate PRR for equity derivatives) or, in relation to a particular <i>position</i> , the portion of the overall <i>interest rate PRR</i> attributable to that <i>position</i> .
<i>interest rate simplified maturity method</i>	the method of calculating the part of the <i>interest rate PRR</i> that relates to <i>general market risk</i> set out in <i>BIPRU 7.2.56R</i> (General market risk calculation: Simplified maturity method).
<i>interest-rate contract</i>	interest-rate contracts listed in paragraph 1 of Annex II to the <i>UK CRR</i> .
<i>internal approaches</i>	one or more of the following, as referred to in the <i>UK CRR</i> : <ul style="list-style-type: none"> (a) the Internal Ratings Based Approach in article 143(1); (b) the Internal Models Approach in article 221; (c) the own estimates approach in article 225; (d) the Advanced Measurement Approaches in article 312(2); (e) the Internal Model Method and internal models in articles 283 and 363; and (f) the internal assessment approach in article 259(3).
<i>internal capital adequacy assessment process</i>	a <i>firm's</i> assessment of the adequacy of its capital and financial resources, as required by the <i>ICAAP rules</i> .
<i>international organisation</i>	(for the purposes of <i>GENPRU</i> and <i>BIPRU</i>) an organisation referred to in <i>BIPRU 3.4.30R</i> (Exposures to international organisations).

<i>intra-group liquidity modification</i>	a modification to the <i>overall liquidity adequacy rule</i> of the kind described in <i>BIPRU 12.8.7G</i> .
<i>investment firm consolidation waiver</i>	(in relation to a <i>BIPRU firm</i>) a <i>waiver</i> (described in <i>BIPRU 8.4</i> (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a <i>CAD Article 22 group</i> .
<i>IRB approach</i>	<p>one of the following:</p> <ul style="list-style-type: none"> (a) the adjusted method of calculating the <i>credit risk capital component</i> set out in <i>BIPRU 4</i> (IRB approach) and <i>BIPRU 9.12</i> (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under <i>BIPRU 14</i> (Capital requirements for settlement and counterparty risk); (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation); or (c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<i>IRB exposure class</i>	(in relation to the <i>IRB approach</i>) one of the classes of <i>exposure</i> set out in <i>BIPRU 4.3.2R</i> (exposure classes).
<i>IRB permission</i>	a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or a <i>CAD investment firm</i> to use the <i>IRB approach</i> .
<i>KIRB</i>	<p>(for the purposes of <i>BIPRU 9</i> (Securitisation), in relation to a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of <i>securitisation</i>) 8% of the <i>risk weighted exposure amounts</i> that would be calculated under the <i>IRB approach</i> in respect of the <i>securitised exposures</i>, had they not been <i>securitised</i>, plus the amount of <i>expected losses</i> associated with those <i>exposures</i> calculated under the <i>IRB approach</i>.</p> <p>[Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]</p>
<i>lending firm</i>	<p>(for the purposes of <i>rules</i> in <i>BIPRU</i> about <i>credit risk mitigation</i>) a <i>firm</i> that has an <i>exposure</i>, whether or not deriving from a loan.</p> <p>[Note: article 90 of the <i>Banking Consolidation Directive</i> (Credit risk mitigation)]</p>

<i>LGD</i>	<i>loss given default.</i>
<i>limited activity firm</i>	has the meaning in article 96(1) of the <i>UK CRR</i> .
<i>limited licence firm</i>	has the meaning in article 95(1) of the <i>UK CRR</i> .
<i>liquidity facility</i>	(for the purposes of <i>BIPRU 9</i> (Securitisation), in relation to a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of securitisation) the <i>securitisation position</i> arising from a contractual agreement to provide funding to ensure timeliness of cash-flows to investors. [Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]
<i>loss</i>	for the purposes of the <i>IRB approach</i> , the <i>standardised approach</i> to credit risk and <i>BIPRU 5</i> (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument. [Note: article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions)] (1) (in <i>BIPRU</i> and for the purposes of the <i>IRB approach</i> , the <i>standardised approach</i> to credit risk and <i>BIPRU 5</i> (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument. [Note: article 4(26) of the <i>Banking Consolidation Directive</i> (Definitions)] (2) (except in (2)) has the meaning in article 5(1) of the <i>UK CRR</i> .
<i>loss given default</i>	in relation to the <i>IRB approach</i>) the ratio of the <i>loss</i> on an <i>exposure</i> due to the <i>default</i> of a counterparty to the amount outstanding at <i>default</i> . [Note: article 4(27) of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>low frequency liquidity reporting firm</i>	any of the following: (a) a <i>simplified ILAS BIPRU firm</i> ; or (b) a <i>standard ILAS BIPRU firm</i> whose most recent <i>annual report and accounts</i> show balance sheet assets of less than £541 billion (or its equivalent in foreign currency translated into sterling at the balance sheet date); or (c) a <i>standard ILAS BIPRU firm</i> that meets the following conditions: (i) it does not have any <i>annual report and accounts</i> and it has been too recently established to be required to have

produced any;

- (ii) it has submitted a projected balance sheet to the *FCA* or *PRA* (as the case may be) as part of an application for a *Part 4A permission* or a variation of one; and
- (iii) the most recent such balance sheet shows that the *firm* will meet the size condition set out in (b) in all periods covered by those projections.

In respect of a *third country BIPRU firm* that is also a *standard ILAS BIPRU firm* and which reports on the basis of its branch operation in the *United Kingdom*, if the balance sheet assets attributable to the *UK branch* can be determined from the *firm's* most recent *annual report and accounts* (or, if applicable, the projected balance sheet) or any *data item* submitted by the *firm*, then paragraphs (b) and (c) apply at the level of the *branch* rather than of the *firm*.

<i>lower stage of capital</i>	(with respect to a particular item of capital in the <i>capital resources table</i>) a stage in the <i>capital resources table</i> below that in which that item of capital appears.
<i>lower tier three capital</i>	an item of capital that is specified in stage P of the <i>capital resources table</i> (Lower tier three).
<i>lower tier three capital resources</i>	the sum calculated at stage P of the <i>capital resources table</i> (Lower tier three).
<i>lower tier two capital</i>	(1) [deleted] (2) (in <i>BIPRU</i> , <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stage H of the capital resources table (Lower tier two capital)
<i>lower tier two capital resources</i>	the sum calculated at stage H of the calculation in the <i>capital resources table</i> (Lower tier two capital)
<i>lower tier two instrument</i>	an item of capital that meets the conditions in <i>GENPRU</i> 2.2.194R (Lower tier two capital) and is eligible to form part of a <i>firm's lower tier two capital resources</i> .
<i>LTICR</i>	<i>long-term insurance capital requirement</i>
<i>main BIPRU firm Pillar 1 rules</i>	<i>GENPRU</i> 2.1.40R (Variable capital requirement for <i>BIPRU firms</i>), <i>GENPRU</i> 2.1.41R (<i>Base capital resources requirement</i> for <i>BIPRU firms</i>), <i>GENPRU</i> 2.1.48R (Table: Base capital resources requirement for a <i>BIPRU firm</i>).
<i>margin agreement</i>	for the purpose of <i>BIPRU</i> 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions)

and long settlement transactions)) a contractual agreement or provisions to an agreement under which one counterparty must supply collateral to a second counterparty when an *exposure* of that second counterparty to the first counterparty exceeds a specified level.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

margin period of risk for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the time period from the last exchange of collateral covering a *netting set* of transactions with a defaulting counterparty until that counterparty is closed out and the resulting market risk is re-hedged.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

margin threshold for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the largest amount of an *exposure* that remains outstanding until one party has the right to call for collateral.

[Note: Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)]

market liquidity stress (in relation to a *firm* and any reporting obligations under *SUP* 16 (Reporting requirements)):

- (a) (in the case of reporting obligations on a solo basis) any market that is of material significance to the *firm* being materially adversely affected by crystallised *liquidity risk* or a substantial number of participants in any such market being materially adversely affected by crystallised *liquidity risk*, whether or not the *firm* itself is so affected;
- (b) (in the case of reporting obligations with respect to the *firm* and a group of other persons) has the same meaning as in (a) except that references to the *firm* are to the *firm* and that group considered together;
- (c) (in the case of reporting obligations with respect to a *firm's UK branch*) has the same meaning as in (a) except that references to the *firm* are to that *branch*.

market risk capital requirement the part of the *capital resources requirement* of a *BIPRU firm* in respect of *market risk*, calculated in accordance with GENPRU 2.1.52R (Calculation of the market risk capital requirement).

master netting agreement internal (a) the method of calculating the effect of *credit risk mitigation* described in *BIPRU* 5.6.16R to *BIPRU* 5.6.28G;

*models
approach*

- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with *BIPRU 8* (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

*master netting
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permission*

requirement or a waiver that requires a *BIPRU firm* to use the *master netting agreement internal models approach* on a solo basis or, if the context requires, a consolidated basis.

*material
currency*

- (a) *Material currencies*, in respect of a *firm* at any time, are currencies determined in accordance with the following.
- (b) First, the amount of its assets and the amount of its liabilities in each currency (ignoring the sign) are separately calculated. The figures are as shown in the most recent *data item FSA054* submitted to the *appropriate regulator*.
- (c) Then, each such amount is converted into the reporting currency for the *data item* referred to in (b).
- (d) Each currency (which may include the reporting currency) that represents 20% or more of the total asset figure or 20% or more of the total liabilities figure is a *material currency*.
- (e) A currency is also a *material currency* if it is identified by the *firm's* current:
 - (i) *Individual Liquidity Adequacy Assessment*; or
 - (ii) *Individual Liquidity Systems Assessment*; or
 - (iii) *ILG* that has been accepted by the *firm*;

as being significant in the context of cross-currency *liquidity risk* (as referred to in *BIPRU 12.5* (Individual Liquidity Adequacy Standards)).
- (f) The conversion rate for a currency into the reporting currency is the exchange rate on the date as of which the calculation is being made.

- (g) The reporting currency means the currency in which the most recent *data item* FSA054 (as referred to in (b)) is reported.
- (h) A currency is a *material currency* in relation to a *firm's branch* or a *defined liquidity group* of which it is a *group liquidity reporting firm* if it is identified as such in accordance with the procedures in the previous paragraphs of this definition except that the identification is carried out by reference to that *branch* or *defined liquidity group*. For these purposes, *data item* FSA054 for the *reporting level* concerned is used.
- (i) If the *firm* has not delivered *data item* FSA054 to the *appropriate regulator* at the *reporting level* concerned or is currently not required to do so at the *reporting level* concerned, the calculation is carried out using the methods for drawing up *data item* FSA054.
- material holding*
- (1) [deleted]
- (2) (for the purposes of *GENPRU* and *BIPRU*) has the meaning in *GENPRU* 2.2.209R (Deductions from tiers one and two: Material holdings (BIPRU firm only)).
- material insurance holding*
- has the meaning in *GENPRU* 2.2.212R (Material holdings) or, for an *exempt CAD firm* which is an *investment management firm*, in *IPRU(INV)* Table 5.8.
- Material Risk Takers Regulation*
- the *UK* version of Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, which is part of *UK* law by virtue of the *EUWA*.
- MCR*
- minimum capital requirement*.
- MDA*
- the maximum distributable amount calculated in line with *IFPRU* 10.4.3R.
- member contribution*
- any paid up contribution by a member of a *mutual* where the members' accounts meet the following criteria:
- (a) the memorandum and articles of association or other constitutional documents must stipulate that payments may be made from these accounts to members only in so far as this does not cause the *firm's capital resources* to fall below the required level, or, if after dissolution of the *firm*, all the *firm's* other debts have been settled;

- (b) the memorandum and articles of association or other constitutional documents must stipulate, with respect to the payments referred to in (a) made for reasons other than the individual termination of membership, that the *appropriate regulator* must be notified at least one month in advance of the intended date of such payments; and
- (c) the *appropriate regulator* must be notified of any amendment to the relevant provisions of the memorandum and articles of association or other constitutional documents.

mezzanine securitisation positions for the purposes of *BIPRU 9.3.7R*, *BIPRU 9.4.11R* and *BIPRU 9.5.1R(6)*, *securitisation positions* to which a *risk weight* lower than 1250% applies and which are more junior than the most senior position in the relevant *securitisation* and more junior than any *securitisation* position in the relevant *securitisation* to which:

- (a) in the case of a *securitisation position* subject to the *standardised approach* to *securitisation* set out in *BIPRU 9.11.1R* and *BIPRU 9.11.2R*, a *credit quality step* 1 is assigned; or
- (b) in the case of a *securitisation position* subject to the *IRB approach* to *securitisation* set out in *BIPRU 9.12.10R* and *BIPRU 9.12.11R*, a *credit quality step* 1 or 2 is assigned under *BIPRU 9.7.2R*, *BIPRU 9.8.2R* to *BIPRU 9.8.7R* and regulation 23 of the *Capital Requirements Regulations 2006*.

[Note: *BCD*, Annex IX, Part 2, Point 1, paragraph 1b]

minimum capital requirement an amount of capital resources that a *firm* must hold as set out in *GENPRU 2.1.24R* and *GENPRU 2.1.25R*.

minimum IRB standards (in relation to the *IRB approach*) *BIPRU 4.3.9R*, *BIPRU 4.3.11R-BIPRU 4.3.29R*, *BIPRU 4.3.33R-BIPRU 4.3.40R*, *BIPRU 4.3.43R-BIPRU 4.3.44R*, *BIPRU 4.3.46R-BIPRU 4.3.48R*, *BIPRU 4.3.50R-BIPRU 4.3.51R*, *BIPRU 4.3.54R*, *BIPRU 4.3.56R-BIPRU 4.3.57R*, *BIPRU 4.3.63R*, *BIPRU 4.3.70R-BIPRU 4.3.71R*, *BIPRU 4.3.73R-BIPRU 4.3.74R*, *BIPRU 4.3.83R-BIPRU 4.3.85R*, *BIPRU 4.3.88R*, *BIPRU 4.3.90R-BIPRU 4.3.92R*, *BIPRU 4.3.94R*, *BIPRU 4.3.99R*, *BIPRU 4.3.103R*, *BIPRU 4.3.116R-BIPRU 4.3.123R*, *BIPRU 4.3.125R-BIPRU 4.3.131R* *BIPRU 4.4.6R-BIPRU 4.4.9R*, *BIPRU 4.4.11R-BIPRU 4.4.13R*, *BIPRU 4.4.15R-BIPRU 4.4.18R*, *BIPRU 4.4.21R-BIPRU 4.4.22R*, *BIPRU 4.4.24R-BIPRU 4.4.25R*, *BIPRU 4.4.27R-BIPRU 4.4.28R*, *BIPRU 4.4.30R-BIPRU 4.4.31R*, *BIPRU 4.4.48R-BIPRU 4.4.51R*, *BIPRU 4.4.53R*, *BIPRU 4.4.54R*, *BIPRU 4.5.5R*, *BIPRU 4.6.6R-BIPRU 4.6.9R*, *BIPRU 4.6.11R-BIPRU 4.6.12R*, *BIPRU 4.6.14R*, *BIPRU 4.6.18R*, *BIPRU 4.6.20R-BIPRU 4.6.21R*, *BIPRU 4.6.24R-BIPRU 4.6.34R*, *BIPRU 4.6.37R-BIPRU 4.6.39R*, *BIPRU 4.7.19R*, *BIPRU*

4.7.27R-BIPRU 4.7.35R, BIPRU 4.8.5R-BIPRU 4.8.9R, BIPRU 4.8.11R-BIPRU 4.8.15R, BIPRU 4.10.40R-BIPRU 4.10.48R.

<i>minimum multiplication factor</i>	(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.119R (Capital calculations: Multiplication factors), which is in summary the number three or any higher amount the <i>VaR model permission</i> defines it as.
<i>model PRR</i>	the part of the <i>market risk capital requirement</i> calculated under a <i>VaR model permission</i> as more fully defined in BIPRU 7.10 (Use of a Value at Risk Model).
<i>model risk</i>	the potential loss an <i>institution</i> may incur, as a consequence of decisions that could be principally based on the output of internal models used under any of the internal approaches, due to errors in the development, implementation or use of such models.
<i>modified CIU look through method</i>	the method for calculating <i>PRR</i> for a <i>CIU</i> set out in BIPRU 7.7.4R, BIPRU 7.7.7R to BIPRU 7.7.8R and BIPRU 7.7.11R to BIPRU 7.7.12R
<i>multilateral development bank</i>	<p>(a) any of the following:</p> <ul style="list-style-type: none"> (i) African Development Bank; (ii) Asian Development Bank; (iia) Asian Infrastructure Investment Bank; (iii) Caribbean Development Bank; (iv) Council of Europe Development Bank; (v) European Bank for Reconstruction & Development; (vi) European Investment Bank; (vii) European Investment Fund; (viii) Inter-American Development Bank; (ix) International Bank for Reconstruction and Development; (ixa) International Development Association; (x) International Finance Corporation; (xa) International Finance Facility for Immunisation; (xb) Islamic Development Bank; (xi) Multilateral Investment Guarantee Agency; and

	(xii) Nordic Investment Bank;
	(b) (in <i>BIPRU</i>) for the purposes of the <i>standardised approach</i> to credit risk the following are also considered to be a multilateral development bank:
	(i) the Inter-American Investment Corporation;
	(ii) the Black Sea Trade and Development Bank;
	(iii) the Central American Bank for Economic Integration; and
	(iv) the CAF-Development Bank of Latin America.
<i>multiplication factor</i>	(in <i>BIPRU</i> 7.10 (Use of a value at risk model)) a multiplication factor applied to a <i>VaR measure</i> for the purpose of calculating the <i>model PRR</i> made up of the <i>minimum multiplication factor</i> as increased by the <i>plus factor</i> , all as more fully defined in <i>BIPRU</i> 7.10.118R (Capital calculations: Multiplication factors).
<i>net leverage</i>	the ratio of total assets, less those bought under reverse <i>repo</i> arrangements, to total equity.
<i>net underwriting exposure</i>	has the meaning in <i>BIPRU</i> 7.8.34R (Large exposure risk from underwriting securities: Calculating the net underwriting exposure) which is in summary the amount calculated by applying the reduction factors in the table in <i>BIPRU</i> 7.8.35R to the <i>net underwriting position</i> .
<i>net underwriting position</i>	the net underwriting position calculated under <i>BIPRU</i> 7.8.17R (Calculating the net underwriting position).
<i>non-core concentration risk group counterparty</i>	has the meaning in <i>BIPRU</i> 10.9A.4R (Definition of non-core concentration risk group counterparty), which is in summary (in relation to a <i>firm</i>) each counterparty which is its <i>parent undertaking</i> , its <i>subsidiary undertaking</i> or a <i>subsidiary undertaking</i> of its <i>parent undertaking</i> , provided that (in each case) both the counterparty and the <i>firm</i> satisfy the conditions in <i>BIPRU</i> 10.9A.4R (Definition of non-core concentration risk group counterparty). [Note: article 113(4)(c) of the <i>Banking Consolidation Directive</i>]
<i>non-core large exposures group</i>	(in relation to a <i>firm</i>) all counterparties which: <ol style="list-style-type: none"> (1) are listed in the <i>firm's non-core large exposures group permission</i>; (2) satisfy the conditions in <i>IFPRU</i> 8.2.6R (Intra-group exposures: non-core large exposures group); and (3) for which <i>exposures</i> are exempted, under article 400(2)(c) of the <i>UK CRR</i> (Exemptions), from the application of article 395(1) of the <i>UK CRR</i> (Limits to large exposures).

<i>non credit-obligation asset</i>	(in relation to the <i>IRB approach</i>) an <i>exposure</i> in the form of a non credit-obligation asset or falling under BIPRU 4.9.5R (Non credit-obligation assets).
<i>non-core large exposures group exemption</i>	the exemption in <i>IFPRU</i> 8.2.6R (Intra-group exposures: non-core large exposures group).
<i>non-core large exposures group permission</i>	a permission referred to in <i>IFPRU</i> 8.2.6R given by the <i>FCA</i> for the purpose of article 400(2)(c) of the <i>UK CRR</i> (Large exposures: exemptions).
<i>non-ILAS BIPRU firm</i>	a <i>firm</i> falling into <i>BIPRU</i> 12.1.1R which is not an <i>ILAS BIPRU firm</i> .
<i>non-trading book</i>	positions, exposures, assets and liabilities that are not in the <i>trading book</i> .
<i>non-UK DLG by modification</i>	<p>either of the following:</p> <p>(a) a <i>non-UK DLG by modification (firm level)</i>; or</p> <p>(b) a <i>non-UK DLG by modification (DLG level)</i>.</p>
<i>non-UK DLG by modification (DLG level)</i>	<p>(in relation to any reporting period under <i>SUP</i> 16 (Reporting requirements) and in relation to a <i>firm</i> that meets the following conditions (a group liquidity reporting firm):</p> <p>(a) it is a <i>UK ILAS BIPRU firm</i> with an <i>intra-group liquidity modification</i>;</p> <p>(b) it is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i> created by that <i>intra-group liquidity modification</i>;</p> <p>(c) the <i>overall liquidity adequacy rule</i> applies under that <i>intra-group liquidity modification</i> to that <i>UK DLG by modification</i>; and</p> <p>(d) that <i>UK DLG by modification</i> can rely, under that <i>intra-group liquidity modification</i>, for any part of that period, on a group of other <i>persons</i> for the purpose of the <i>overall liquidity adequacy rule</i> as applied to that <i>UK DLG by modification</i>);</p> <p>means the group made up of the following:</p> <p>(e) that <i>ILAS BIPRU firm</i>;</p> <p>(f) the other members of that <i>UK DLG by modification</i>; and</p> <p>(g) the group of other <i>persons</i> mentioned in (d).</p>

A *firm* has a ‘non-UK DLG by modification (DLG level)’ for a period even if it only has one during part of that period.

(*Guidance* about this definition, and its inter-relation with other new definitions, is set out in *SUP 16 Annex 26* (Guidance on designated liquidity groups in *SUP 16.12*.)

<i>non-UK DLG by modification (firm level)</i>	<p>(in relation to a <i>group liquidity reporting firm</i>) a <i>DLG by modification (firm level)</i> that is not a <i>UK DLG by modification</i>. A <i>firm</i> with a <i>non-UK DLG by modification (firm level)</i> cannot also have a <i>UK DLG by modification</i>.</p> <p>(<i>Guidance</i> about this definition, and its inter-relation with other related definitions, is set out in <i>SUP 16 Annex 26</i> (Guidance on designated liquidity groups in <i>SUP 16.12</i>.)</p>
<i>non UK lead regulated firm</i>	a <i>firm</i> that is not a <i>UK lead regulated firm</i> . This definition is not related to the defined term <i>lead regulated firm</i> .
<i>non-UK sub-group</i>	<p>(1) (in <i>GENPRU</i> (except <i>GENPRU 3</i>) and <i>BIPRU</i> (except <i>BIPRU 12</i>)) a group of <i>undertakings</i> identified as a <i>non-UK sub-group</i> in <i>BIPRU 8.3.1R</i> (Main consolidation rule for non-UK sub-groups).</p> <p>(2) (except in (1)) a group of <i>undertakings</i> identified in article 22 of the <i>EU CRR</i> (Sub-consolidation in cases of entities in third countries).</p>
<i>obligor grade</i>	(in relation to the <i>IRB approach</i> and the <i>sovereign, institutional and corporate IRB exposure class</i> and in accordance with <i>BIPRU 4.4.8R</i>) a risk category within a <i>rating system</i> 's obligor rating scale, to which obligors are assigned on the basis of a specified and distinct set of rating criteria, from which estimates of <i>PD</i> are derived.
<i>one-day VaR measure</i>	(in <i>BIPRU 7.10</i> (Use of a value at risk model)) has the meaning in <i>BIPRU 7.10.98R</i> (Backtesting: One day VaR measure), which is in summary and in relation to a particular <i>business day</i> , the <i>VaR number</i> for that <i>business day</i> calibrated to a one <i>business day</i> holding period and a 99% one-tailed confidence level.
<i>one-sided credit valuation adjustment</i>	<p>(for the purposes of <i>BIPRU</i>) a <i>credit valuation adjustment</i> that reflects the market value of the credit risk of the counterparty to a <i>firm</i>, but does not reflect the market value of the credit risk of the <i>firm</i> to the counterparty.</p> <p>[Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>ongoing basis</i>	<p>in <i>BIPRU 9.15</i>, maintaining on an <i>ongoing basis</i> means that the retained positions, interest or exposures are not hedged or sold.</p> <p>[Note: <i>BCD</i>, Article 122a, paragraph 1]</p>
<i>open currency position</i>	the amount calculated under <i>BIPRU 7.5.19R</i> (Open currency position) as part of the calculation of the <i>foreign currency PRR</i> .

<i>option hedging method</i>	the method of calculating the <i>option PRR</i> in <i>BIPRU 7.6.24R</i> (The hedging method).
<i>option PRR</i>	the part of the market risk capital requirement calculated in accordance with <i>BIPRU 7.6</i> (Option PRR) or, in relation to a particular position, the portion of the overall option PRR attributable to that position.
<i>option standard method</i>	the method of calculating the option PRR in <i>BIPRU 7.6.20R</i> to <i>BIPRU 7.6.22R</i> (The standard method).
<i>original financing costing amount</i>	(in relation to a <i>share</i> , <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i> that is subject to a <i>step-up</i>) the <i>financing cost amount</i> for the instrument for a period beginning on or near the date of issue of the instrument and ending on or near the date of the first <i>step-up</i> .
<i>OTC derivative transaction</i>	a derivative financial instrument of a type listed on Annex II to the <i>UK CRR</i> that is traded over the counter.
<i>out of the money</i>	(for the purposes of <i>BIPRU 7</i> (Market risk) and in relation to an <i>option</i> or <i>warrant</i>) that <i>option</i> or <i>warrant</i> being neither <i>at the money</i> nor <i>in the money</i> .
<i>overall liquidity adequacy rule</i>	<i>BIPRU 12.2.1R</i> .
<i>overall Pillar 2 rule</i>	(1) (in <i>GENPRU</i> , <i>BIPRU</i> and <i>INSPRU</i>) <i>GENPRU 1.2.30R</i> (Systems, strategies, processes and reviews for certain <i>firms</i>). (2) (in <i>IFPRU</i>) <i>IFPRU 2.2.7R</i> (Strategy processes and systems).
<i>own estimates of volatility adjustments approach</i>	the approach to calculating volatility adjustments under the <i>financial collateral comprehensive method</i> under which the <i>firm</i> uses its own estimates of such adjustments, as more fully described in <i>BIPRU 5.4</i> (Financial collateral) and including that approach as applied to master netting agreements as described in <i>BIPRU 5.6</i> (Master netting agreements)
<i>parent financial holding company in the UK</i>	(1) (in <i>GENPRU</i> (except <i>GENPRU 3</i> and <i>BIPRU</i> (except <i>BIPRU 12</i>)) a <i>financial holding company</i> which is not itself a <i>subsidiary undertaking</i> of an <i>institution</i> authorised in the <i>UK</i> , or of a <i>financial holding company</i> or <i>mixed financial holding company</i> established in the <i>UK</i> . (2) [deleted] (1) (in <i>GENPRU</i> (except <i>GENPRU 3</i> and <i>BIPRU</i> (except <i>BIPRU 12</i>)) an <i>institution</i> which has an <i>institution</i> or a <i>financial institution</i> as a

<i>parent institution in the UK</i>	<i>subsidiary undertaking</i> or which holds a <i>participation</i> in such an institution, and which is not itself a <i>subsidiary undertaking</i> of another <i>institution</i> authorised in the <i>UK</i> , or of a <i>financial holding company</i> or <i>mixed financial holding company</i> established in the <i>UK</i> .
	(2) [deleted]
<i>parent mixed financial holding company in the UK</i>	(1) (in <i>GENPRU</i> (except <i>GENPRU</i> 3 and <i>BIPRU</i> (except <i>BIPRU</i> 12)) a <i>mixed financial holding company</i> which is not itself a <i>subsidiary undertaking</i> of an <i>institution</i> authorised in the <i>UK</i> , or of a <i>financial holding company</i> or <i>mixed financial holding company</i> established in the <i>UK</i> .
	(2) [deleted]
<i>payment leg</i>	(for the purposes of the <i>CCR standardised method</i> and as more fully defined in <i>BIPRU</i> 13.5.2R (Derivation of risk position: payment legs) the contractually agreed gross payments under a <i>financial derivative instrument</i> , including the notional amount of the transaction.
<i>PD/LGD approach</i>	the method for treating <i>equity exposures</i> under the <i>IRB approach</i> set out in <i>BIPRU</i> 4.7.14R- <i>BIPRU</i> 4.7.22R.
<i>peak exposure</i>	for the purpose of <i>BIPRU</i> 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a high percentile of the distribution of exposures at any particular future date before the maturity date of the longest transaction in the <i>netting set</i> . [Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>permanent interest bearing shares</i>	any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest-bearing shares and on terms which qualify them as own funds for the purposes of the <i>UK CRR</i> .
<i>permanent share capital</i>	an item of capital that is stated in <i>GENPRU</i> 2.2.83R (Core tier one capital: permanent share capital) to be permanent share capital.
<i>physical commodities</i>	a physical holding of a <i>commodity</i> , or documents evidencing title to a <i>commodity</i> .
<i>PIBS</i>	<i>permanent interest bearing shares</i> .
<i>plus factor</i>	(in <i>BIPRU</i> 7.10 (Use of a value at risk model)) an increase to the <i>minimum multiplication factor</i> based on <i>backtesting exceptions</i> as more fully defined in <i>BIPRU</i> 7.10.124R (Capital calculations: Multiplication factors).

<i>position</i>	<p>(1) (in accordance <i>BIPRU</i> 1.2.4R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.</p> <p>(2) (in <i>IFPRU</i>) has the meaning which it has, or is used, in the <i>UK CRR</i>.</p>
<i>position risk adjustment</i>	a percentage applied to a <i>position</i> as part of the process of calculating the <i>PRR</i> in relation to that <i>position</i> as set out in the tables in <i>BIPRU</i> 7.2.44R (Specific risk position risk adjustments), <i>BIPRU</i> 7.2.57R (General market risk position risk adjustments), <i>BIPRU</i> 7.3.30R (Simplified equity method position risk adjustments), <i>BIPRU</i> 7.3.34R (Position risk adjustments for specific risk under the standard equity method) and <i>BIPRU</i> 7.6.8R (The appropriate position risk adjustment) and also as set out in <i>BIPRU</i> 7.2.48AR to <i>BIPRU</i> 7.2.48LR.
<i>position risk requirement</i>	a capital requirement applied to a position treated under <i>BIPRU</i> 7 (Market risk) as part of the calculation of the <i>market risk capital requirement</i> or, if the relevant provision of the <i>Handbook</i> distinguishes between <i>general market risk</i> and <i>specific risk</i> , the portion of that capital requirement with respect to whichever of <i>general market risk</i> or <i>specific risk</i> is specified by that provision.
<i>potential tier one instrument</i>	an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General).
<i>probability of default</i>	<p>(for the purpose of <i>BIPRU</i>) the probability of default of a counterparty over a one year period; for the purposes of the <i>IRB approach</i>, default has the meaning in the definition of <i>default</i>.</p> <p>[Note: article 4(25) of the <i>Banking Consolidation Directive</i> (Definitions)]</p>
<i>profit and loss figure</i>	(in <i>BIPRU</i> 7.10 (Use of a value at risk model) and in relation to a <i>business day</i>) a <i>firm's</i> actual profit or loss for that day in respect of the trading activities within the scope of the <i>firm's VaR model permission</i> , adjusted by stripping out specified items, as more fully defined in <i>BIPRU</i> 7.10.100R (Backtesting: Calculating the profit and loss).
<i>protection buyer</i>	<p>(in <i>BIPRU</i>) (in relation to a credit derivative) the <i>person</i> who transfers credit risk.</p> <p>[Note: paragraph 8 of Annex I of the <i>Capital Adequacy Directive</i> (Calculating capital requirements for position risk)]</p>
<i>protection seller</i>	<p>(in <i>BIPRU</i>) (in relation to a credit derivative) the <i>person</i> who assumes the credit risk.</p> <p>[Note: paragraph 8 of Annex I of the <i>Capital Adequacy Directive</i> (Calculating capital requirements for position risk)]</p>

- proxy capital resources requirement* the *minimum capital requirement* to which an *undertaking* would have been subject if it had *permission* for each activity it carries on anywhere in the world, so far as that activity is a *regulated activity*.
- PRR charge* one of the following:
- (a) the *interest rate PRR*;
 - (b) the *equity PRR*;
 - (c) the *commodity PRR*;
 - (d) the *foreign currency PRR*;
 - (e) the *option PRR*;
 - (f) the *collective investment undertaking PRR*; and
 - (g) (if the context requires) the *model PRR*.
- PRR identical product netting rules* the following:
- (a) *BIPRU 7.2.37R* (Deriving the net position in each debt security: Netting positions in the same debt security);
 - (b) *BIPRU 7.2.40R* (Deriving the net position in each debt security: Netting zero-specific-risk securities with different maturities);
 - (c) *BIPRU 7.3.23R* (Deriving the net position in each equity);
 - (d) (d) *BIPRU 7.4.20R* and *BIPRU 7.4.22R* (Calculating the PRR for each commodity: General);
 - (e) *BIPRU 7.5.19R(1)* (Open currency position); and
 - (f) the obligation under *BIPRU 7.5.20R* (Net gold position) to calculate a separate *foreign exchange PRR* charge for gold).
- PSE* a *public sector entity*.
- public sector entity* (for the purposes of *BIPRU*) any of the following:
- (a) non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or
 - (b) authorities that exercise the same responsibilities as regional and local authorities; or
 - (c) non commercial *undertakings* owned by central governments that have explicit guarantee arrangements; or

- (d) self administered bodies governed by law that are under public supervision.

[Note: article 4(18) of the *Banking Consolidation Directive* (Definitions)]

qualifying debt security

- (1) [deleted]
- (2) (for the purposes of *BIPRU*) a *debt security* that satisfies the conditions in *BIPRU* 7.2.49R (Definition of a qualifying debt security).

qualifying equity index

(in *BIPRU*) an *equity index* falling within *BIPRU* 7.3.38R (Definition of a qualifying equity index).

qualifying parent undertaking

has the meaning in section 192B (meaning of “qualifying parent undertaking”) of the *Act* which, in summary, is a *parent undertaking* of:

- (a) an *authorised person* that is a *body corporate* incorporated in the *UK* that is:
- (i) a *PRA-authorised person*; or
 - (ii) an *investment firm*; or
- (b) a *recognised investment exchange* that is not an *overseas investment exchange*;

where the *parent undertaking* is:

- (c) a *body corporate* which:
- (i) is incorporated in the *UK*; or
 - (ii) has a place of business in the *UK*;
- (d) not an *authorised person*, a *recognised investment exchange* or a *recognised clearing house*; and
- (e) any of the following:
- (i) an *insurance holding company*;
 - (ii) a *financial holding company*;
 - (iii) a *mixed financial holding company*;
 - (iv) for certain purposes, a *mixed-activity holding company*.

qualifying revolving retail exposure

(in relation to the *IRB approach*) *retail exposures* falling into *BIPRU* 4.6.44R(2) (Qualifying revolving retail exposures).

<i>rating system</i>	(in relation to the <i>IRB approach</i> and in accordance with <i>BIPRU</i> 4.3.25R) comprises all of the methods, processes, controls, data collection and IT systems that support the assessment of credit risk, the assignment of <i>exposures</i> to grades or pools (rating), and the quantification of <i>default</i> and <i>loss</i> estimates for a certain type of <i>exposure</i> .
<i>ratings based method</i>	(for the purposes of <i>BIPRU</i> 9 (Securitisation)) the method of calculating <i>risk weighted exposure</i> amounts for <i>securitisation positions</i> set out in <i>BIPRU</i> 9.12.10R- <i>BIPRU</i> 9.12.19R and <i>BIPRU</i> 9.14.2R. [Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]
<i>reciprocal cross-holding</i>	has the meaning in <i>GENPRU</i> 2.2.219R (Deductions from tiers one and two: Reciprocal cross holdings) which is in summary a holding of a <i>firm</i> of <i>shares</i> , any other interest in the capital, and subordinated debt, whether in the <i>trading book</i> or <i>non-trading book</i> , in: (a) a <i>credit institution</i> ; or (b) a <i>financial institution</i> ; that satisfies the conditions in <i>GENPRU</i> 2.2.219R.
<i>recovery capacity</i>	the capability of an <i>RRD institution</i> to restore its financial position following a significant deterioration. [Note: article 2(1)(103) of <i>RRD</i>]
<i>recovery plan</i>	a document which provides for measures to be taken by an <i>RRD institution</i> which is not subject to supervision on a <i>consolidated basis</i> to restore its financial position following a significant deterioration of its financial situation. [Note: articles 2(1)(32) and 5 of <i>RRD</i>]
<i>reduced net underwriting position</i>	the <i>net underwriting position</i> as adjusted under <i>BIPRU</i> 7.8.27R (Calculating the reduced net underwriting position).
<i>regulatory high risk category</i>	(for the purposes of the <i>standardised approach</i> to credit risk) an item that falls into <i>BIPRU</i> 3.4.104R (Items belonging to regulatory high risk categories under the standardised approach to credit risk).
<i>regulatory surplus value</i>	has the meaning set out in <i>GENPRU</i> 1.3.48R.
<i>Regulatory technical standards 1152/2014</i>	the UK version of Regulation (EU) No 1152/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures

for calculating institution-specific countercyclical capital buffer rates which is part of *UK* law as a result of section 3 of the *EUWA*.

relevant credit exposures exposures, other than those referred to in article 112(a) to (f) of the *UK CRR* (Exposure classes), that are subject to:

- (a) the *own funds requirements* for credit risk under Part Three, Title II of the *UK CRR*;
- (b) where the *exposure* is held in the *trading book*, *own funds requirements* for specific risk under Part Three, Title IV, Chapter 2 of the *UK CRR* or incremental default and migration risk under Part Three, Title IV, Chapter 5 of the *UK CRR*; or
- (c) where the *exposure* is a *securitisation*, the *own funds requirements* under Part Three, Title II, Chapter 5 of the *UK CRR*.

[Note: article 140(4) of *CRD*]

Remuneration Code *SYSC* 19A (IFPRU Remuneration Code) for *IFPRU investment firms* and *overseas firms* in *SYSC* 19A.1.1R(1)(d) that would have been an *IFPRU investment firm* if it had been a *UK domestic firm*.

Remuneration Code staff (for an *IFPRU investment firm* and an overseas firm in *SYSC* 19A.1.1R(1)(d) that would have been an *IFPRU investment firm* if it had been a *UK domestic firm*) has the meaning given in *SYSC* 19A.3.4R which is, in summary, an *employee* whose professional activities have a material impact on the *firm's* risk profile, including any *employee* who is deemed to have a material impact on the *firm's* risk profile in accordance with the *Material Risk Takers Regulation*.

remuneration principles proportionality rule (in *SYSC* 19A) has the meaning given in *SYSC* 19A.3.3R.

reporting level (in *SUP* 16 (Reporting requirements) and in relation to a *data item*) refers to whether that *data item* is prepared on a solo basis or on the basis of a group such as a *UK DLG by modification* and, if it is prepared on the basis of a group, refers to the type of group (such as a *UK DLG by modification* or a *non-UK DLG by modification (firm level)*).

repurchase agreement see *repurchase transaction*.

resecritisatio n in *BIPRU* 7 and 9, a *securitisation* where the risk associated with an underlying pool of *exposures* is *tranching* and at least one of the underlying *exposures* is a *securitisation position*.

[Note: *BCD*, Article 4(40a)]

<i>resecuritisation position</i>	in <i>BIPRU</i> 7 and 9, an <i>exposure</i> to a <i>resecuritisation</i> . [Note: <i>BCD</i> , Article 4(40b)]
<i>retail exposure</i>	(1) (in relation to the <i>IRB approach</i> and with respect to an <i>exposure</i>) an <i>exposure</i> falling into the <i>IRB exposure class</i> listed in <i>BIPRU</i> 4.3.2R(4) (Retail exposures). (2) (in relation to the <i>standardised approach</i> to credit risk and with respect to an <i>exposure</i>) an <i>exposure</i> falling into the <i>standardised credit risk exposure class</i> listed in <i>BIPRU</i> 3.2.9R(8) (Retail exposures).
<i>retail SME</i>	(1) (in relation to the <i>IRB approach</i>) a small or medium sized entity, an <i>exposure</i> to which may be treated as a <i>retail exposure</i> under <i>BIPRU</i> 4.6.2R (Definition of retail exposures). (2) (in relation to the <i>standardised approach</i> to credit risk) a small or medium sized entity, an <i>exposure</i> to which may be treated as a retail exposure under <i>BIPRU</i> 3.2.10R (Definition of retail exposures).
<i>retail SME exposure</i>	(in relation to the <i>IRB approach</i> or the <i>standardised approach</i> to credit risk) an <i>exposure</i> to a <i>retail SME</i> .
<i>reverse repurchase agreement</i>	see <i>repurchase transaction</i> .
<i>revolving exposure</i>	(for the purpose of <i>BIPRU</i> 9.13 (Securitisations of revolving exposures with early amortisation provisions)) an <i>exposure</i> whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit. [Note: article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)]
<i>risk capital requirement</i>	(1) (in relation to the <i>FCA's rules</i>) one of the following: (a) the <i>credit risk capital requirement</i> ; (b) the <i>fixed overheads requirement</i> ; (c) the <i>market risk capital requirement</i> ; or (2) (in relation to the rules of another <i>regulatory body</i>) whatever corresponds to the items in (1) under the rules of that <i>regulatory body</i> .
<i>risk control rules</i>	<i>IFPRU</i> 2.2.58R to <i>IFPRU</i> 2.2.60R.

<i>risk of excessive leverage</i>	has the meaning in article 4(1)(94) of the <i>UK CRR</i> .
<i>risk position</i>	(for the purpose of <i>BIPRU</i> 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the <i>CCR standardised method</i> following a predetermined algorithm. [Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>rollover risk</i>	(for the purpose of <i>BIPRU</i> 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which <i>expected positive exposure</i> is understated when future transactions with a counterparty are expected to be conducted on an ongoing basis; the additional <i>exposure</i> generated by those future transactions is not included in calculation of <i>expected positive exposure</i> . [Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>RRD early intervention condition</i>	the requirements of: <ul style="list-style-type: none"> (a) the <i>UK CRR</i>; or (b) the laws, regulations and administrative provisions necessary to comply with the <i>UK</i> provisions which implemented the <i>CRD</i>; or (c) the laws, regulations and administrative provisions necessary to comply with the <i>UK</i> provisions which implemented title II of <i>MiFID</i>; or (d) articles 3 to 7, 14 to 17, 24, 25 and 26 of <i>MiFIR</i>.
<i>RRD group</i>	a <i>group</i> that: <ul style="list-style-type: none"> (a) includes an <i>RRD institution</i>; and (b) is headed by a <i>UK parent undertaking</i>.
<i>RRD group financial support agreement</i>	an agreement to give financial support to an <i>RRD institution</i> which, at any time after the agreement has been concluded, has infringed an <i>RRD early intervention condition</i> or is likely to infringe one of those conditions in the near future.
<i>RRD group member</i>	a member of an <i>RRD group</i> that is: <ul style="list-style-type: none"> (a) an <i>RRD institution</i>; or (b) a <i>financial institution</i>; or

- (c) a *financial holding company*; or
- (d) a *mixed financial holding company*.
- RRD institution*
- (a) a *credit institution*; or
- (b) an *IFPRU 730K firm*.
- [Note: article 2(1)(23) of *RRD*]
- RRD Regulation*
- the *UK* version of Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of recovery plans, resolution plans and group resolution plans, the minimum criteria that the competent authority is to assess as regards recovery plans and group recovery plans, the conditions for group financial support, the requirements for independent valuers, the contractual recognition of write-down and conversion powers, the procedures and contents of notification requirements and of notice of suspension and the operational functioning of the resolution colleges, which is part of *UK* law by virtue of the *EUWA*.
- same stage of capital*
- (with respect to a particular item of capital in the *capital resources table*) the stage in the *capital resources table* in which that item of capital appears.
- secured lending transaction*
- (for the purposes of *BIPRU*) any transaction giving rise to an *exposure* secured by collateral which does not include a provision conferring upon the *person* with the *exposure* the right to receive margin frequently.
- [Note: point 2 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Eligibility of credit risk mitigation)]
- securities or commodities borrowing*
- see *securities or commodities lending or borrowing transaction*.
- securities or commodities lending*
- see *securities or commodities lending or borrowing transaction*.
- securities PRR*
- the *interest rate PRR*, the *equity PRR*, the *option PRR* (but only in relation to *positions* which under *BIPRU* 7.6.5R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other *PRR* charges listed in this definition or which would be subject to such a *PRR* charge if *BIPRU* 7.6.5R did not require an *option PRR* to be calculated), the *CIU PRR* and the *PRR* calculated under *BIPRU* 7.11 (Credit derivatives in the trading book) and so that:
- (a) the *securities PRR* includes any *PRR charge* calculated under a *CAD 1 permission*; and

- (b) the *securities PRR* does not include any *PRR charge* calculated under a *VaR model permission* unless the provision in question provides otherwise.

significant IFPRU firm has the meaning in *IFPRU 1.2* (Significant IFPRU firm).

simple capital issuer a *BIPRU firm* that meets the following conditions:

- (a) it does not raise capital through a special purpose vehicle;
- (b) it only includes non-convertible and non-exchangeable *capital instruments* in its *capital resources*;
- (c) (if it includes *capital instruments* in its *capital resources* on which *coupons* are payable) such *coupons* are not subject to a *step-up*;
- (d) it only includes *capital instruments* in its *tier one capital resources* consisting of ordinary *shares*, perpetual non-cumulative preference *shares* or partnership or *limited liability partnership* capital accounts;
- (e) it only includes non-redeemable *capital instruments* in its *tier one capital resources*; and
- (f) (if it includes *capital instruments* in its *tier one capital resources* on which *coupons* are payable) such *coupons* are non-cumulative, non-mandatory and in cash.

simplified buffer requirement *BIPRU 12.6.9R*.

simplified equity method the method of calculating the *equity PRR* set out in *BIPRU 7.3.29R* (Simplified equity method).

simplified ILAS the approach to the calculation of the liquid assets buffer of a *simplified ILAS BIPRU firm* described in *BIPRU 12.6*.

simplified ILAS BIPRU firm an *ILAS BIPRU firm* that, in accordance with the procedures in *BIPRU 12* (Liquidity), is using the *simplified ILAS*.

simplified ILAS waiver a waiver permitting an *ILAS BIPRU firm* to operate *simplified ILAS*.

SLRP the *Supervisory Liquidity Review Process*.

<i>solo consolidation waiver</i>	a waiver of the type described in <i>BIPRU 2.1</i> (Solo consolidation).
<i>sovereign, institution and corporate IRB exposure class</i>	(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into the <i>IRB exposure classes</i> referred to in <i>BIPRU 4.3.2R(1)-(3)</i> (Sovereigns, institutions and corporates).
<i>specialised lending exposure</i>	(in relation to the <i>IRB approach</i>) an <i>exposure</i> falling into <i>BIPRU 4.5.3R</i> (Definition of specialised lending).
<i>specific risk backtesting exception</i>	(in <i>BIPRU 7.10</i> (Use of a value at risk model) and in relation to a <i>firm</i>) an exception arising out of backtesting a <i>VaR model</i> with respect to <i>specific risk</i> as more fully defined in that <i>firm's VaR model permission</i> .
<i>specific risk position risk adjustment</i>	(in <i>BIPRU</i>) a <i>position risk adjustment</i> for specific risk including any such <i>position risk adjustment</i> as applied under <i>BIPRU 7.6.8R</i> (Table: Appropriate position risk adjustment).
<i>specific wrong-way risk</i>	(for the purpose of <i>BIPRU 13</i> (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the exposure to a particular counterparty is positively correlated with the <i>probability of default</i> of the counterparty due to the nature of the transactions with the counterparty; a <i>firm</i> is exposed to <i>specific wrong-way risk</i> if the future exposure to a specific counterparty is expected to be high when the counterparty's <i>probability of default</i> is also high. [Note: Part 1 of Annex III of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>spread risk</i>	the risk that a spread (that is, the difference in price or yield) between two variables will change.
<i>SPV</i>	(1) (in <i>GENPRU 2.2</i> (Capital resources)) has the meaning in <i>GENPRU 2.2.126R</i> (Other tier one capital: innovative tier one capital: indirectly issued tier one capital). (2) (in <i>BIPRU 8</i> (Group risk - consolidation)) has the meaning in <i>BIPRU 8.6.15R</i> (Indirectly issued capital and group capital resources).
<i>standard CIU look through method</i>	the method for calculating the <i>PRR</i> for a <i>position</i> in a <i>CIU</i> set out in <i>BIPRU 7.7.4R</i> and <i>BIPRU 7.7.7R</i> to <i>BIPRU 7.7.10R</i> .

<i>standard equity method</i>	the method of calculating the <i>equity PRR</i> set out in BIPRU 7.3.32R (Standard equity method).
<i>standard frequency liquidity reporting firm</i>	a <i>standard ILAS BIPRU firm</i> that is not a <i>low frequency liquidity reporting firm</i> .
<i>standard ILAS BIPRU firm</i>	an <i>ILAS BIPRU firm</i> that is not a <i>simplified ILAS BIPRU firm</i> .
<i>standard market risk PRR rules</i>	(in <i>BIPRU</i>) the rules relating to the calculation of the <i>market risk capital requirement</i> excluding the <i>VaR model approach</i> and any rules modified so as to provide for the <i>CAD 1 model approach</i> .
<i>standardised approach</i>	(for the purposes of <i>BIPRU</i>) one of the following: <ul style="list-style-type: none"> (a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in <i>BIPRU 3</i> (Credit risk) and <i>BIPRU 9.2.1R(1)</i> and <i>BIPRU 9.11</i> (Standardised approach); (b) [deleted] (c) (where not expressed to relate to any risk and used in <i>BIPRU 3</i>, <i>BIPRU 4</i> (IRB approach), <i>BIPRU 5</i> (Credit risk mitigation), <i>BIPRU 9</i> (Securitisation)) it has the meaning in (a); (d) [deleted] (e) (where the one of the approaches in (a) to (c) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with <i>BIPRU 8</i> (Group risk - consolidation). (f) [deleted]
<i>standardised credit risk exposure class</i>	(in relation to the <i>standardised approach</i> to credit risk) one of the classes of exposure set out in <i>BIPRU 3.2.9R</i> (Exposure classes).
<i>step-up</i>	(in relation to any item of capital) any change in the <i>coupon</i> rate on that item that results in an increase in the amount payable at any time, including a change already provided in the original terms governing those payments. A step-up: <ul style="list-style-type: none"> (a) includes (in the case of a fixed rate) an increase in that <i>coupon</i> rate;

- (b) includes (in the case of a floating rate calculated by adding a fixed amount to a fluctuating amount) an increase in that fixed amount;
- (c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the *coupon* is calculated that results in an increase in the absolute amount of the *coupon*; and
- (d) does not include (in the case of a floating rate) an increase in the absolute amount of the *coupon* caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the *coupon* floats.

<i>stock financing</i>	a transaction where a <i>physical commodity</i> is sold forward and the cost of funding is locked in until the date of the forward sale.
<i>stressed VaR</i>	(in <i>BIPRU</i>) the stressed VaR measure in respect of <i>positions</i> coming within the scope of the <i>VaR model permission</i> , calculated in accordance with the <i>VaR model</i> , <i>BIPRU</i> 7.10 (Use of a Value at Risk Model) and any methodology set out in the <i>VaR model permission</i> based on a stressed historical period.
<i>sub-consolidated basis</i>	has the meaning in article 4(1)(49) of the <i>UK CRR</i> .
<i>supervisory formula method</i>	(for the purposes of <i>BIPRU</i> 9 (Securitisation), in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation ¹⁸⁰) the method of calculating <i>risk weighted exposure amounts</i> for <i>securitisation positions</i> set out in <i>BIPRU</i> 9.12.21R- <i>BIPRU</i> 9.12.23R and <i>BIPRU</i> 9.14.3R. [Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]
<i>Supervisory Liquidity Review Process</i>	the <i>appropriate regulator's</i> assessment of the adequacy of certain <i>firms'</i> liquidity resources as described in <i>BIPRU</i> 12.2 and <i>BIPRU</i> 12.5.
<i>supervisory volatility adjustments approach</i>	the approach to calculating volatility adjustments under the <i>financial collateral comprehensive method</i> under which the <i>firm</i> uses the adjustments specified in <i>BIPRU</i> 5.4 (Financial collateral) rather than in its own estimates, as more fully described in <i>BIPRU</i> 5.4 and including that approach as applied to master netting agreements as described in <i>BIPRU</i> 5.6 (Master netting agreements).
<i>synthetic future</i>	<ul style="list-style-type: none"> (a) a synthetic bought future, that is, a bought call <i>option</i> coupled with a written put <i>option</i>; or (b) a synthetic sold future, that is, a bought put <i>option</i> coupled with a written call <i>option</i>; provided that in either case the two <i>options</i>:

- (i) are bought and written, whether simultaneously or not, on a single *eligible derivatives* market;
- (ii) relate to the same underlying *security* or other asset;
- (iii) give the purchasers of the *options* the same rights of exercise) (whether at the same price or not); and
- (iv) will expire together, if not exercised.

<i>synthetic securitisation</i>	(for the purpose of <i>BIPRU</i>) a <i>securitisation</i> (within the meaning of paragraph (2) of the definition of securitisation) where the <i>tranching</i> is achieved by the use of credit derivatives or guarantees, and the pool of <i>exposures</i> is not removed from the balance sheet of the <i>originator</i> . [Note: article 4(38) of the <i>Banking Consolidation Directive</i> (Definitions)]
<i>systemically important institution</i>	(in <i>IFPRU</i>) has the meaning in article 4(1)(128D) of the <i>UK CRR</i> . [Note: article 3(30) of <i>CRD</i>]
<i>third country BIPRU firm</i>	(1) (in <i>BIPRU</i> (except in <i>BIPRU</i> 12) and <i>SYSC</i> 19C) an <i>overseas firm</i> that: <ul style="list-style-type: none"> (a) [deleted] (b) [deleted] (c) would be a <i>BIPRU firm</i> if it had been a <i>UK domestic firm</i>, it had carried on all its business in the <i>United Kingdom</i> and had obtained whatever authorisations for doing so are required under the <i>Act</i>. (2) [deleted]
<i>third country IFPRU 730k firm</i>	an <i>overseas firm</i> that would be an <i>IFPRU 730k firm</i> if it had been a <i>UK domestic firm</i> , had carried on all of its business in the <i>United Kingdom</i> and had obtained whatever authorisations for doing so as are required under the <i>Act</i> .
<i>third country investment services undertaking</i>	(in <i>BIPRU</i>) a <i>CAD investment firm</i> , a <i>financial institution</i> or an <i>asset management company</i> in a country other than the <i>UK</i> .
<i>third-country countercyclical buffer authority</i>	(1) the authority of a <i>third country</i> empowered by law or regulation with responsibility for setting the <i>countercyclical buffer rate</i> for that <i>third country</i> ; or (2) the European Central Bank when it carries out the task of setting a countercyclical buffer rate for an <i>EEA State</i> conferred on it by

article 5(2) of Council Regulation (EU) No 1024/2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions

<i>tier one capital</i>	<p>(1) [deleted]</p> <p>(2) (in <i>BIPRU</i> and <i>GENPRU</i>) an item of capital that is specified in stages A(Core tier one capital), B (Perpetual non-cumulative preference shares) or C (Innovative tier one capital) of the <i>capital resources table</i>.</p>
<i>tier one capital resources</i>	the sum calculated at stage F of the calculation in the <i>capital resources table</i> (Total tier one capital after deductions).
<i>tier one instrument</i>	an item of capital that falls into <i>GENPRU</i> 2.2.62R (Tier one capital: General) and is eligible to form part of a <i>firm's tier one capital resources</i> .
<i>tier three capital</i>	an item of capital that is <i>upper tier three capital</i> or <i>lower tier three capital</i> .
<i>tier three capital resources</i>	the sum calculated at stage Q of the <i>capital resources table</i> (Total tier three capital).
<i>tier three instrument</i>	an item of capital that falls into <i>GENPRU</i> 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a <i>firm's upper tier three capital resources</i> .
<i>tier two capital</i>	<p>(1) [deleted]</p> <p>(2) (in <i>BIPRU</i>, <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stages G (Upper tier two capital) or H (Lower tier two capital) of the <i>capital resources table</i>.</p>
<i>tier two capital resources</i>	the sum calculated at stage I (Total tier two capital) of the calculation in the <i>capital resources table</i> .
<i>tier two instrument</i>	a <i>capital instrument</i> that meets the conditions in <i>GENPRU</i> 2.2.159R (General conditions for eligibility as tier two capital instruments) or <i>GENPRU</i> 2.2.177R (Upper tier two capital: General) and is eligible to form part of a <i>firm's tier two capital resources</i> .
<i>total risk exposure amount</i>	the total risk exposure amount of a <i>firm</i> calculated in accordance with article 92(3) of the <i>UK CRR</i> (Own funds requirements).

<i>trading book policy statement</i>	<p>(1) (in <i>BIPRU</i>) has the meaning in <i>BIPRU</i> 1.2.29R (Trading book policy statements) which is in summary a single document of a <i>person</i> recording the policies and procedures referred to in <i>BIPRU</i> 1.2.26R and <i>BIPRU</i> 1.2.27R.</p> <p>(2) (in <i>IFPRU</i>) the statement of policies and procedures relating to the <i>trading book</i>.</p>
<i>trading book systems and controls rules</i>	<i>GENPRU</i> 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), <i>GENPRU</i> 1.3.14R to <i>GENPRU</i> 1.3.16R (Marking to market), <i>GENPRU</i> 1.3.17R to <i>GENPRU</i> 1.3.25R (Marking to model), <i>GENPRU</i> 1.3.26R to <i>GENPRU</i> 1.3.28R (Independent price verification), <i>GENPRU</i> 1.3.30R to <i>GENPRU</i> 1.3.33R (Valuation adjustments or reserves), <i>GENPRU</i> 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and <i>GENPRU</i> 2.2.248R to <i>GENPRU</i> 2.2.249R (Tier three capital: lower tier three capital resources).
<i>UK countercyclical buffer authority</i>	(for the purposes of <i>IFPRU</i> 10.3 (Countercyclical capital buffer) and in accordance with article 7 of The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014) the Bank of England.
<i>UK DLG by modification</i>	a <i>DLG by modification (firm level)</i> in which each member is a <i>UK ILAS BIPRU firm</i> . A <i>firm</i> with a <i>UK DLG by modification</i> cannot also have a <i>non-UK DLG by modification (firm level)</i> .
<i>UK financial sector company</i>	<p>a company that is a:</p> <p>(a) <i>UK bank</i>; or</p> <p>(b) <i>UK insurer</i>; or</p> <p>(c) <i>UK incorporated parent undertaking</i> of a company referred to in (a) or (b) where the main business of the <i>group</i> to which the <i>parent undertaking</i> and the company belong is financial services.</p>
<i>UK ILAS BIPRU firm</i>	an <i>ILAS BIPRU firm</i> which has its registered office (or, if it does not have a registered office, its head office) in the <i>United Kingdom</i> .
<i>UK lead regulated firm</i>	<p>a <i>UK firm</i> that:</p> <p>(a) is not part of a group that is subject to consolidated supervision by the <i>FCA</i> or the <i>PRA</i> or any other <i>regulatory body</i>; or</p> <p>(b) is part of a group that is subject to consolidated supervision by the <i>FCA</i> or the <i>PRA</i> and that group is not part of a wider group that is subject to consolidated supervision by a <i>regulatory body</i> other than the <i>FCA</i> or the <i>PRA</i>.</p>

For the purposes of this definition:

- (c) Consolidated supervision of a group of persons means supervision of the adequacy of financial and other resources of that group on a *consolidated basis*.
- (d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and *UK CRR* or the *Financial Groups Directive*.
- (e) If the group is a *consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

This definition is not related to the defined term *lead regulated firm*.

UK parent financial holding company in a Member State

a *parent financial holding company* in a *Member State* where the *EEA State* in question is the *United Kingdom*.

UK parent undertaking

- (a) a *UK parent institution*;
- (b) a *UK parent financial holding company*; or
- (c) a *UK parent mixed financial holding company*.

underwrite

(for the purposes of *BIPRU 7* (Market risk)) to undertake a firm commitment to buy a specified quantity of new *securities* on a given date and at a given price if no other has purchased or acquired them; and so that:

- (a) new is defined in *BIPRU 7.8.12R* (New securities);
- (b) a *firm* still underwrites *securities* at a time before the exact quantity of *securities* being underwritten or their price has been determined if it is committed at that time to underwrite them when the quantity and price is fixed;
- (c) (in the case of provisions of the *Handbook* that distinguish between *underwriting* and *sub-underwriting*) *underwriting* does not include *sub-underwriting*; and
- (d) (in any other case) *underwriting* includes *sub-underwriting*.

unpaid initial fund

part of the *initial fund* of a *mutual* which the *mutual* is prevented from including in its *tier one capital resources* as *permanent share capital* by reason of *GENPRU 2.2.64R* because it is not fully paid.

<i>unrated position</i>	(for the purposes of <i>BIPRU</i> 9 (Securitisation) and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which does not have an eligible credit assessment by an <i>eligible ECAI</i> . [Note: Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)]
<i>upper tier three capital</i>	an item of capital that is specified in stage O of the <i>capital resources table</i> (Upper tier three).
<i>upper tier three capital resources</i>	the sum calculated at stage O of the <i>capital resources table</i> (Upper tier three).
<i>upper tier three instrument</i>	an item of capital that meets the conditions in <i>GENPRU</i> 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a <i>firm's upper tier three capital resources</i> .
<i>upper tier two capital</i>	(1) [deleted] (2) (in <i>BIPRU</i> , <i>GENPRU</i> and <i>INSPRU</i>) an item of capital that is specified in stage G of the <i>capital resources table</i> (Upper tier two capital).
<i>upper tier two capital resources</i>	the sum calculated at stage G of the calculation in the <i>capital resources table</i> (Upper tier two capital).
<i>upper tier two instrument</i>	a <i>capital instrument</i> that meets the conditions in <i>GENPRU</i> 2.2.177R (Upper tier two capital: General) and is eligible to form part of a <i>firm's upper tier two capital resources</i> .
<i>value at risk</i>	(in relation to risk modelling or estimation for the purposes of <i>BIPRU</i>) the measure of risk described in <i>BIPRU</i> 7.10.146R (Requirement to use value at risk methodology).
<i>VaR</i>	<i>value at risk</i>
<i>VaR measure</i>	(in <i>BIPRU</i>) an estimate by a <i>VaR model</i> of the worst expected loss on a portfolio resulting from market movements over a period of time with a given confidence level.
<i>VaR model</i>	a value at risk model as described in <i>BIPRU</i> 7.10 (Use of a Value at Risk Model).
<i>VaR model approach</i>	one of the following: (a) the approach to calculating part of the <i>market risk capital requirement</i> set out in <i>BIPRU</i> 7.10 (Use of a value at risk model);

	(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or
	(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i> , whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.
<i>VaR model permission</i>	a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or a <i>CAD investment firm</i> to use the <i>VaR model approach</i> on a solo basis or, if the context requires, a consolidated basis.
<i>VaR number</i>	has the meaning in <i>BIPRU 7.10.115R</i> (Capital calculations: General) which in summary is (in relation to a <i>business day</i> and a <i>VaR model</i>) the <i>VaR measure</i> , in respect of the previous <i>business day</i> 's close-of-business <i>positions</i> in products coming within the scope of the <i>VaR model permission</i> , calculated by the <i>VaR model</i> and in accordance with <i>BIPRU 7.10</i> (Use of a Value at Risk Model) and any methodology set out in the <i>VaR model permission</i> .
<i>VaR specific risk minimum requirements</i>	<i>BIPRU 7.10.46R</i> to <i>BIPRU 7.10.52R</i> (Model standards: Risk factors: Specific risk) and <i>BIPRU 7.10.107R</i> (Backtesting: Specific risk backtesting).
<i>Volatility risk</i>	the potential loss due to fluctuations in implied <i>option</i> volatilities.
<i>whole-firm liquidity modification</i>	a modification to the <i>overall liquidity adequacy rule</i> of the kind described in <i>BIPRU 12.8.22G</i> .
<i>write-down and conversion powers</i>	the powers referred to in article 59(2) and in points (e) to (i) of article 63(1) of <i>RRD</i> . [Note: articles 2(1)(66) of <i>RRD</i>]
<i>working day 0</i>	has the meaning in <i>BIPRU 7.8.23R</i> (Working day 0), which is in summary (in relation to an underwriter) the <i>business day</i> on which a <i>firm</i> that is <i>underwriting</i> or <i>sub-underwriting</i> becomes unconditionally committed to accepting a known quantity of <i>securities</i> at a specified price.
<i>zero-specific-risk security</i>	a notional debt <i>security</i> used, for the purpose of calculating <i>PRR</i> , to represent the interest rate <i>general market risk</i> arising from certain <i>derivative</i> and forward transactions as specified in <i>BIPRU 7.2</i> (Interest rate <i>PRR</i>).

Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

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

1 Application and purpose

1.1A Application

- 1.1A.1 G The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
...	
Any other <i>SMCR firm</i>	Chapters 4 to 12, 18, 19D, 19F.2 <u>19F</u> , <u>19G</u> , 21, 22, 23, 24, 25, 26, 27, 28
Every other <i>firm</i>	Chapters 4 to 12, 18, 19D, 19F.2 <u>19F</u> , <u>19G</u> , 21, 22, 28

...

- 1.1A.1A G The application of this sourcebook to specific *firms* that are not *PRA-
authorised persons* is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

Type of firm	Applicable chapters
...	
<i>BIPRU firm (including a third- country BIPRU firm)</i>	Chapters 4 to 10, 12, 18, 19C, 19F.2, 20, 21, 22, 23, 24, 25, 26, 27, 28
<i>IFPRU investment firm</i> <u><i>MIFIDPRU investment firm</i></u> (including an <i>overseas firm</i> that would have been an <i>IFPRU investment firm</i> a <u><i>MIFIDPRU investment firm</i></u> if it had been a <u><i>UK domestic firm</i></u> , <u>except that SYSC 19G does not apply to such a <i>firm</i></u>)	Chapters 4 to 10, 12, 18, 19A, 19F.2 <u>19F</u> , <u>19G</u> , 20 , 21, 22, 23, 24, 25, 26, 27, 28

...

1.4 Application of SYSC 11 to 28

What?

...

- 1.4.1A R ~~SYSC 12, SYSC 19A, SYSC 19D, SYSC 20~~ and SYSC 21 do not apply to a *firm* in relation to its carrying on of *auction regulation bidding*.
- 1.4.1B G Apart from SYSC 12, ~~SYSC 19A, SYSC 19D, SYSC 20~~ and SYSC 21 which are disapplied by SYSC 1.4.1AR, the other chapters of SYSC 11 to SYSC 14 do not apply in relation to a *firm's* carrying on of *auction regulation bidding* because they only apply to an *insurer*. SYSC 18 provides guidance on the Public Interest Disclosure Act. Other chapters of SYSC may not apply to *auction regulation bidding*, for example because an *exempt MiFID commodities firm* will not be a *MIFIDPRU investment firm*.

Insert the following new section, SYSC 1.5, after SYSC 1.4 (Application of SYSC 11 to 28). The text is not underlined.

1.5 Significant SYSC firm

Purpose

- 1.5.1 G (1) The purpose of SYSC 1.5 is to set out the definition of a *significant SYSC firm*.
- (2) The following governance requirements in SYSC apply by reference to the term *significant SYSC firm*:
- (a) SYSC 4.3A.6R on the limitations in the number of directorships;
 - (b) SYSC 4.3A.8R on the nomination committee; and
 - (c) SYSC 7.1.18R and SYSC 7.1.18AAR on the risk committee.
- (3) *MIFIDPRU investment firms* are not subject to SYSC 4.3A.8R or SYSC 7.1.18R, and should refer instead to *MIFIDPRU 7.3*.
- (4) The definition of *significant SYSC firm* is also relevant in determining whether a *firm* is an *enhanced scope SMCR firm* for the purposes of the senior managers and certification regime.

Definition of a significant SYSC firm

- 1.5.2 R A *firm* is a *significant SYSC firm* if it meets one or more of the following conditions:
- (1) its total assets exceed £530 million;
 - (2) its total liabilities exceed £380 million;
 - (3) the annual fees and commission income it receives in relation to the *regulated activities* carried on by the *firm* exceeds £160 million in the 12-month period immediately preceding the date the *firm* carries out the assessment under this *rule*;
 - (4) the client money that it receives or holds exceeds £425 million; and
 - (5) the assets belonging to its *clients* that it holds in the course of, or in connection with, its *regulated activities* exceeds £7.8 billion.
- 1.5.3 R (1) This *rule* defines some of the terms used in SYSC 1.5.2R.
- (2) “Total assets” means the *firm’s* total assets:
- (a) as set out in the most recent relevant report submitted to the *FCA* under SUP 16.12 (Integrated Regulatory Reporting); or
 - (b) (where the *firm* carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
- (3) “Total liabilities” means the *firm’s* total liabilities:
- (a) as set out in the most recent relevant report submitted to the *FCA* under SUP 16.12 (Integrated Regulatory Reporting); or
 - (b) (where the *firm* carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
- (4) “client money” means *client money* that a *firm* receives or holds in the course of, or in connection with, all of the *regulated activities* that it carries on:
- (a) as set out in the most recent client money and client asset report submitted to the *FCA* under SUP 16.12 (Integrated Regulatory Reporting); or

- (b) (where the *firm* carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.
 - (5) “Assets belonging to its *clients*” means the assets to which the *custody rules* apply:
 - (a) as set out in the most recent client money and client asset report submitted to the *FCA* under SUP 16.12 (Integrated Regulatory Reporting); or
 - (b) (if the *firm* carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the *firm* would report to the *FCA* in accordance with the relevant report, as if the reporting period for that report ends on the date the assessment is carried out.
- 1.5.4 R A *firm* must assess regularly whether it becomes a *significant SYSC firm*.
- 1.5.5 R (1) If a *firm*, at any time, becomes aware that it is likely to become a *significant SYSC firm*, it must forthwith make arrangements to establish and have in place sound, effective and comprehensive strategies, processes and systems to achieve compliance with the requirements that apply to a *significant SYSC firm*.
- (2) The *firm* in (1) must comply with the requirements that apply to a *significant SYSC firm* on the expiry of a period of 3 *months* from the date it meets any one of the conditions in SYSC 1.5.2R.
- 1.5.6 R If a *firm* that is a *significant SYSC firm* ceases to meet any of the conditions in SYSC 1.5.2R, it must continue to comply with the *rules* and requirements applicable to a *significant SYSC firm* until the first anniversary of the date on which the *firm* ceased to be a *significant SYSC firm*.
- 1.5.7 G The *FCA* may, on a case-by-case basis, require a *firm* which does not meet any of the conditions in SYSC 1.5.2R to comply with the *rules* and requirements that apply to a *significant SYSC firm* if the *FCA* considers it appropriate to do so to meet its strategic objective or to advance one or more of its operational objectives under the *Act*.
- 1.5.8 G (1) A *firm* may apply to the *FCA* under section 138A of the *Act* to waive any one or more of the conditions in SYSC 1.5.2R if it believes that one or more of the governance requirements in (2) that apply to a *significant SYSC firm* may be disproportionate. In its application for a *waiver*, the *FCA* expects the *firm* to demonstrate that it should not be considered as significant, taking into account the size, nature, scope and complexity of its

activities, any membership of a *group* and the internal organisation of that *group*.

- (2) The governance requirements referred to in (1) are:
 - (a) SYSC 4.3A.6R on the limitations in the number of directorships;
 - (b) SYSC 4.3A.8R on the nomination committee; or
 - (c) SYSC 7.1.18 R on the risk committee.

- (3) The effect of such *waiver* is that the *firm* would not be a *significant SYSC firm* only for the purpose of the particular governance requirement in (2) that the *waiver* is expressed to apply to. For the avoidance of doubt, such a *firm* would still be a *significant SYSC firm* for the purpose of the other *rules* in the *FCA Handbook* that apply to a *significant SYSC firm*, except where expressly otherwise provided for.

Amend the following as shown.

1 Annex Detailed Application of SYSC

1

...

Part 3	Tables summarising the application of the common platform requirements to different types of firm	
...		
	Common platform firm	
3.2	G	...
<u>3.2-ZA</u>	<u>G</u>	<u>A common platform firm that is a MIFIDPRU investment firm should read SYSC 4 to SYSC 10 together with MIFIDPRU 7. While MIFIDPRU investment firms are not in scope of the requirements in SYSC 4.3A.8R and SYSC 7.1.18R regarding nomination and risk committees, certain MIFIDPRU investment firms are required by MIFIDPRU 7.3.1R and MIFIDPRU 7.3.5R to establish nomination and risk committees.</u>
...		
	MiFID optional exemption firm and a third country firm	
...		

3.2D	R	...	
		(2)	In (1), ‘significant’ means a <i>MiFID optional exemption firm</i> that meets one of more of the conditions in paragraphs (1) to (5) of <i>IFPRU 1.2.3R</i> and related <i>rules and guidance</i> <u>is a significant SYSC firm</u> .
...			

Table A: Application of the common platform requirements in SYSC 4 to SYSC 10

Provision	COLUMN A	COLUMN A+	COLUMN A++	COLUMN B
SYSC 4	Application to a common platform firm other than to a UCITS investment firm	Application to a UCITS management company	Application to a full-scope UK AIFM of an authorised AIF	Application to all other firms apart from insurers, UK ISPVs, managing agents, the Society, full-scope UK AIFMs of unauthorised AIFs, MiFID optional exemption firms and third country firms
...				
SYSC 4.1.1CR	Rule for a <i>BIPRU firm</i> [deleted]	Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i> [deleted]	Not applicable [deleted]	<i>Third country BIPRU firms:</i> Rule <i>Other firms:</i> Not applicable [deleted]
...				
SYSC 4.1.2AAR	Rule for a <i>BIPRU firm</i> [deleted]	Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i> [deleted]	Not applicable [deleted]	Not applicable [deleted]
...				
SYSC 4.3A.-1R	Rule (except for an <i>AIFM investment firm</i> that is not a	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i> [deleted]	Not applicable [deleted]	Not applicable [deleted]

	<i>CRR firm</i> [deleted]			
SYSC 4.3A.1R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.1AR	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.2R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.2AG	Guidance (except for an AIFM investment firm that is not a CRR firm)	Guidance for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.3R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.3AG	Guidance	Guidance for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.4R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.5R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable

SYSC 4.3A.6R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.7R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
<u>SYSC 4.3A.7AR</u>	<u>Rule (except for a MIFIDPRU investment firm)</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 4.3A.7BG</u>	<u>Guidance for a MIFIDPRU investment firm</u>	<u>Guidance for a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
SYSC 4.3A.8R	Rule (except for an AIFM investment firm that is not a CRR firm) (except for a <u>MIFIDPRU investment firm</u>)	Rule for a CRR firm that is a UCITS investment firm <u>Not applicable</u>	Not applicable	Not applicable
SYSC 4.3A.9R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.10R	Rule (except for an AIFM investment firm that is not a CRR firm)	Rule for a CRR firm that is a UCITS investment firm	Not applicable	Not applicable
SYSC 4.3A.11R	Rule applicable to CRR firms	Rule for a CRR firm that is a UCITS investment firm <u>Not applicable</u>	Not applicable	Not applicable

...				
Provision SYSC 7	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, UK ISPVs, managing agents, the Society, full-scope UK AIFMs of unauthorised AIFs, MiFID optional exemption firms and third country firms
...				
SYSC 7.1.4AG	Guidance for a <u>MIFIDPRU investment firm</u>	Rule for a UCITS investment firm; otherwise guidance Guidance for a <u>UCITS investment firm</u>	Not applicable	Guidance
...				
SYSC 7.1.7BG	Guidance applies only to a BIPRU firm Guidance applicable to a <u>CRR firm</u>	Rule for a UCITS investment firm; otherwise guidance Not applicable	Guidance <u>Not applicable</u>	Guidance <u>Not applicable</u>
...				
SYSC 7.1.7BBG	Guidance applies only to a BIPRU firm [deleted]	Guidance applies only to a BIPRU firm that is a UCITS investment firm [deleted]	Not applicable [deleted]	Not applicable [deleted]

<u>SYSC 7.1.7BDG</u>	Guidance applies only to a <u>MIFIDPRU investment firm</u>	Guidance applies only to a <u>UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
...				
SYSC 7.1.9R	Rule applies to a <u>BIPRU firm</u> [deleted]	Rule for a <u>UCITS investment firm</u> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
SYSC 7.1.10R	Rule applies to a <u>BIPRU firm</u> [deleted]	Rule for a <u>UCITS investment firm</u> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
SYSC 7.1.11R	Rule applies to a <u>BIPRU firm</u> [deleted]	Rule for a <u>UCITS investment firm</u> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
SYSC 7.1.12G	Guidance applies to a <u>BIPRU firm</u> [deleted]	Rule for a <u>UCITS investment firm</u> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
SYSC 7.1.13R - 7.1.16R	Rule applies to a <u>BIPRU firm</u> [deleted]	Rule for a <u>UCITS investment firm</u> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
...				
SYSC 7.1.16CR	Rule applies to a <u>CRR firm</u> [deleted]	Not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]

SYSC 7.1.17R	Rule applies to a <i>CRR firm</i>	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.18R	Rule applies to a <i>CRR firm</i>	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.18AAG	Guidance applies to a <i>CRR firm</i>	Guidance for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.18BR	Rule applies to a <i>CRR firm</i>	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.19R	Rule applies to a <i>CRR firm</i>	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.20R	Rule applies to a <i>CRR firm</i>	Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable <u>Not applicable</u>	Not applicable	Not applicable
SYSC 7.1.21R	Rule applies to a <i>CRR firm</i>	Rule for a UCITS	Not applicable	Not applicable

		<i>investment firm that is a CRR firm, otherwise not applicable</i> <u>Not applicable</u>		
SYSC 7.1.22R	Rule applies to a <i>CRR firm</i>	<u>Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable</u> <u>Not applicable</u>	Not applicable	Not applicable
...				

Table B: Application of the common platform requirements in SYSC 4 to SYSC 10 to MiFID optional exemption firms and third country firms

Provision	COLUMN A MiFID optional exemption firms	COLUMN B Third country firms
SYSC 4		
...		
SYSC 4.1.1CR	Not applicable	Rule
...		
SYSC 4.1.2AAR	Not applicable	Not applicable
...		
SYSC 4.3A. 1R	Rule	Not applicable
...		

...

SYSC 7		
...		

SYSC 7.1.7BBG	Not applicable	Not applicable
...		
SYSC 7.1.9R	Not applicable	Not applicable
SYSC 7.1.10R	Not applicable	Not applicable
SYSC 7.1.11R	Not applicable	Not applicable
SYSC 7.1.12G	Not applicable	Not applicable
SYSC 7.1.13R— 7.1.16R	Not applicable	Not applicable
...		
SYSC 7.1.16CR	Not applicable	Not applicable
...		

...

4 General organisational requirements

4.1 General requirements

...

4.1.1C R ~~A BIPRU firm and a third country BIPRU firm must comply with the BIPRU Remuneration Code. [deleted]~~

...

4.1.2 R For a *common platform firm*, the arrangements, processes and mechanisms referred to in SYSC 4.1.1R must be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business model and of the *common platform firm's* activities and must take into account the specific technical criteria described in article 21(3) of the *MiFID Org Regulation*, SYSC 5.1.7R, SYSC 7 and whichever of the following ~~as is~~ applicable:

- (1) ~~(for a firm to which SYSC 19A applies) SYSC 19A (IFPRU Remuneration Code) [deleted];~~
- (2) (for a *full-scope UK AIFM*) SYSC 19B (AIFM Remuneration Code);
- (3) ~~(for a firm to which SYSC 19C applies) SYSC 19C (BIPRU Remuneration Code) [deleted];~~

- (4) (for a *firm* to which SYSC 19D applies) SYSC 19D (Dual-regulated firms Remuneration Code); ~~or~~
- (5) (for a *firm* to which the remuneration part of the *PRA Rulebook* applies) the remuneration part of the *PRA Rulebook*; ~~or~~
- (6) (for a *firm* to which SYSC 19G applies) SYSC 19G (MIFIDPRU Remuneration Code).

~~[Note: article 74 (2) of CRD]~~

...

4.1.2AA R ~~Where SYSC 4.1.2R applies to a *BIPRU firm*, it must take into account the specific technical criteria described in SYSC 19C. [deleted]~~

...

4.3A Management body and nomination committee

Management body

4.3A.-1 R ~~In SYSC 4.3A.6R and SYSC 4.3A.8R a *common platform firm* that is significant means a *significant IFPRU firm*. [deleted]~~

...

4.3A.6 R (1) ~~A *common platform firm* that is significant~~ a *significant SYSC firm* must ensure that the members of the *management body* of the *firm* do not hold more than one of the following combinations of directorship in any organisation at the same time:

(a) one executive directorship with two non-executive directorships; and

(b) four non-executive directorships.

(2) Paragraph (1) does not apply to members of the *management body* that represent the *United Kingdom*.

[Note: article 91(3) of CRD and article 9(1) of MiFID]

...

Nomination Committee

4.3A.7A R SYSC 4.3A.8R does not apply to a *common platform firm* that is a *MIFIDPRU investment firm*.

4.3A.7B G The regulatory requirement for certain *MIFIDPRU investment firms* to establish nomination committees is contained in *MIFIDPRU 7.3.5R*.

However, all MIFIDPRU investment firms are still subject to SYSC 4.3A.9R and SYSC 4.3A.10R.

- 4.3A.8 R A *common platform firm* that is ~~significant~~ a significant SYSC firm must:
- (1) establish a nomination committee composed of members of the *management body* who do not perform any executive function in the *firm*;
 - (2) ensure that the nomination committee is able to use any forms of resources the nomination committee deems appropriate, including external advice; and
 - (3) ensure that the nomination committee receives appropriate funding.

[Note: article 88(2) of *CRD* and article 9(1) of *MiFID*]

...

5 Employees, agents and other relevant persons

5.1 Skills, knowledge and expertise

...

Application to a common platform firm

- 5.1.-2 G For a *common platform firm*:

...

- (2) the *rules* and *guidance* apply as set out in the table below:

Subject	Applicable rule or guidance
...	
Certification regime [deleted]	SYSC 5.2 [deleted]

...

6 Compliance, internal audit and financial crime

6.1 Compliance

...

Compliance function

...

- 6.1.4-A R In setting the method of determining the *remuneration of relevant persons* involved in the compliance function:
- (1) ~~firms that SYSC 19A applies to will also need to comply with the *Remuneration Code*; [deleted]~~
 - (2) ~~firms that SYSC 19C applies to will also need to comply with the *BIPRU Remuneration Code*; [deleted]~~
 - (3) ~~firms that SYSC 19D applies to will also need to comply with the *dual-regulated firms Remuneration Code*; and~~
 - (4) ~~firms that the remuneration part of the *PRA Rulebook* applies to will also need to comply with it; and~~
 - (5) ~~firms that SYSC 19G applies to will also need to comply with the *MIFIDPRU Remuneration Code*.~~

...

7 Risk control

7.1 Risk control

...

Risk management

...

- 7.1.4A G ~~For a *common platform firm* included within the scope of SYSC 20 (Reverse stress testing), the strategies, policies and procedures for identifying, taking up, managing, monitoring and mitigating the risks to which the *firm* is or might be exposed include conducting reverse stress testing in accordance with SYSC 20. A *common platform firm* which falls outside the scope of SYSC 20 should consider conducting reverse stress tests on its business plan as well. This would further *senior personnel's* understanding of the *firm's* vulnerabilities and would help them design measures to prevent or mitigate the risk of business failure. *MIFIDPRU investment firms* should refer to *MIFIDPRU 7* for more specific details on risk management expectations.~~

...

- 7.1.7BB G ~~In setting the method of determining the *remuneration of employees* involved in the risk management function, *BIPRU firms* will also need to comply with the *BIPRU Remuneration Code*. [deleted]~~

7.1.7BC G ~~In setting the method of determining the remuneration of employees involved in the risk management function, firms that SYSC 19A applies to will also need to comply with the Remuneration Code. [deleted]~~

7.1.7BD G In setting the method of determining the remuneration of employees involved in the risk management function, firms that SYSC 19G applies to will also need to comply with the MIFIDPRU Remuneration Code.

...

Risk control additional provisions

...

7.1.9 R ~~A firm must base credit granting on sound and well defined criteria and clearly establish the process for approving, amending, renewing, and re-financing credits. [deleted]~~

7.1.10 R ~~A BIPRU firm must operate through effective systems the ongoing administration and monitoring of its various credit risk bearing portfolios and exposures, including for identifying and managing problem credits and for making adequate value adjustments and provisions. [deleted]~~

7.1.11 R ~~A BIPRU firm must adequately diversify credit portfolios given its target market and overall credit strategy. [deleted]~~

7.1.12 G ~~The documentation maintained by a BIPRU firm under SYSC 4.1.3R should include its policy for credit risk, including its risk appetite and provisioning policy and should describe how it measures, monitors and controls that risk. This should include descriptions of the systems used to ensure that the policy is correctly implemented. [deleted]~~

Residual risk

7.1.13 R ~~A BIPRU firm must address and control by means of written policies and procedures the risk that recognised credit risk mitigation techniques used by it prove less effective than expected. [deleted]~~

Market risk

7.1.14 R ~~A BIPRU firm must implement policies and processes for the measurement and management of all material sources and effects of market risks. [deleted]~~

Interest rate risk

7.1.15 R ~~A BIPRU firm must implement systems to evaluate and manage the risk arising from potential changes in interest rates as they affect a BIPRU firm's non-trading activities. [deleted]~~

Operational risk

7.1.16 R ~~A *BIPRU firm* must implement policies and processes to evaluate and manage the exposure to operational risk, including to low frequency high severity events. Without prejudice to the definition of *operational risk*, *BIPRU firms* must articulate what constitutes operational risk for the purposes of those policies and procedures. [deleted]~~

...

Additional rules for CRR firms

7.1.16C R ~~In SYSC 7.1.18R a ‘*CRR firm*’ that is significant’ means a *significant IFPRU firm*. [deleted]~~

...

7.1.18AA G A *CRR firm* which is not a ~~*significant IFPRU firm*~~ *significant SYSC firm* may combine the risk committee with the audit committee.

[Note: article 76(3) of *CRD*]

...

12 Group risk systems and controls requirements

12.1 Application

12.1.1 R Subject to SYSC 12.1.2R to SYSC 12.1.4R, this section applies to each of the following which is a member of a *group*:

(1) a *firm* that falls into any one or more of the following categories:

(a) ~~a regulated entity that is:~~ an investment firm that is not a designated investment firm;

(i) ~~an investment firm, except a designated investment firm unless (ii) applies; or~~

(ii) ~~a credit institution or designated investment firm that is a subsidiary undertaking of a UK parent institution that is an IFPRU investment firm;~~

(b) [deleted]

(c) an insurer;

(ca) a UK ISPV;

(d) ~~a *BIPRU firm* [deleted];~~

(e) ~~a parent financial holding company in the UK or a UK parent financial holding company that is a member of one of the following:~~ a UK parent entity of an investment

firm group that is subject to prudential consolidation under MIFIDPRU 2.5 or to the group capital test under MIFIDPRU 2.6; and

- (i) ~~a UK consolidation group; or~~
- (ii) ~~an FCA consolidation group; and~~
- (f) a firm subject to the rules in IPRU(INV) Chapter 14.

...

...

General rules

...

- 12.1.9 G For the purposes of SYSC 12.1.8R, the question of whether the risk management processes and internal control mechanisms are adequate, sound and appropriate should be judged in the light of the nature, scale and complexity of the *group's* business and of the risks that the *group* bears. ~~Risk management processes must include the stress testing and scenario analysis required by the PRA Rulebook.~~

...

CRR firms and non-CRR firms that are parent financial holding companies in the United Kingdom or UK parent financial holding companies

- 12.1.13 R If this *rule* applies under SYSC 12.1.14R to a *firm*, the *firm* must:
- (1) comply with SYSC 12.1.8R(2) in relation to any *UK consolidation group* ~~or, if applicable, non-UK sub-group~~ of which it is a member, as well as in relation to its *group*; and
 - (2) ensure that the risk management processes and internal control mechanisms at the level of any *consolidation group* ~~or, if applicable, non-UK sub-group~~ of which it is a member comply with the obligations set out in the following provisions on a consolidated (or sub-consolidated) basis:
 - (a) SYSC 4.1.1R and SYSC 4.1.2R;
 - (b) SYSC 4.1.7R;
 - (bA) SYSC 4.3A;
 - (c) SYSC 5.1.7R;
 - (d) SYSC 7;

- (dA) ~~the *Remuneration Code*; or the *dual-regulated firms Remuneration Code*, whichever is if applicable;~~
- (e) ~~*BIPRU 12.3.4R*, *BIPRU 12.3.5R*, *BIPRU 12.3.7AR*, *BIPRU 12.3.8R*, *BIPRU 12.3.22AR*, *BIPRU 12.3.22BR*, *BIPRU 12.3.27R*, *BIPRU 12.4. 2R*, *BIPRU 12.4. 1R*, *BIPRU 12.4.5AR*, *BIPRU 12.4.10R*, *BIPRU 12.4.11R* and *BIPRU 12.4.11AR*; [deleted]~~

[Note: article 109(2) of *CRD*]

- (3) ensure that compliance with the obligations in (2) enables the consolidation group ~~or, if applicable, the *non-UK sub-group*~~ to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: article 109(2) of *CRD*]

...

- 12.1.15A R ~~*SYSC 12.1.13R* applies to a *BIPRU firm* as if it were a *CRR firm* but the reference to *Remuneration Code* is to the *BIPRU Remuneration Code*. [deleted]~~

...

18 Whistleblowing

...

18.6 Whistleblowing obligations under the MiFID regime and other sectoral legislation

...

Whistleblowing obligations under other sectoral legislation

- 18.6.4 G In addition to obligations under the *MiFID* regime, similar whistleblowing obligations apply to miscellaneous *persons* subject to regulation by the *FCA* under the following non-exhaustive list of legislation:

...

- (2) ~~the *UK* provisions which implemented article 71(3) of the *CRD* (see *IFPRU 2.4.1R* in respect of *IFPRU investment firms*); [deleted]~~

...

...

19D Dual-regulated firms Remuneration Code

...

19D.2 General requirement

Remuneration policies must promote effective risk management

...

19D.2.2 G ...

- (3) The *FCA* may also ask *remuneration committees* to provide it with evidence of how well the *firm's* remuneration policies meet the *dual-regulated firms Remuneration Code's* principles, together with plans for improvement where there is a shortfall. ~~The *FCA* also expects relevant *firms* to use the principles in assessing their exposure to risks arising from their remuneration policies as part of the *internal capital adequacy assessment process (ICAAP)*.~~

...

...

19D.3 Remuneration principles

Application: groups

- 19D.3.1 R (1) A *firm* must apply the requirements of this section at *group, parent undertaking and subsidiary undertaking* levels, including those *subsidiaries* established in a country or territory which is outside the *United Kingdom*.
- (2) Paragraph (1) does not limit SYSC 12.1.13R(2)(dA) (which relates to the application of the *dual-regulated firms Remuneration Code* within *UK consolidation groups and non-UK sub-groups*).

...

Remuneration Principle 11: Non-compliance with the dual-regulated firms Remuneration Code

- 19D.3.34 R A *firm* must ensure that variable *remuneration* is not paid through vehicles or methods that facilitate non-compliance with obligations arising from the ~~*Remuneration Code*~~ *Dual-regulated Remuneration Code*, the *UK CRR* or the *UK* legislation that implemented the *CRD*.

[Note: article 94(1)(q) of the *CRD*]

...

Remuneration Principle 12(d): Remuneration structures - ratios between fixed and variable components of total remuneration

...

19D.3.50 R A *firm* must ensure that any approval by its shareholders or owners or members, for the purposes of SYSC 19D.3.49R, is carried out in accordance with the following procedure:

...

(3) the *firm* must:

- (a) without delay, inform the *FCA* of the recommendation to its shareholders or owners or members, including the proposed higher ratio and the reasons therefor; and
- (b) demonstrate to the *FCA* that the proposed higher ratio does not conflict with its obligations under the UK legislation that implemented the *CRD* and the *UK CRR*, having particular regard to the *firm's own funds own funds* obligations;

...

...

SYSC 20 (Reverse stress testing) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

20 Reverse stress testing [deleted]

Amend the following as shown.

21 Risk control: additional guidance

21.1 Risk control: guidance on governance arrangements

...

Chief Risk Officer

21.1.2 G (1) A Chief Risk Officer should:

...

- (j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration* policy (~~Where the *Remuneration Code* applies, see in particular SYSC 19A.3.15E. Where the *BIPRU Remuneration Code* applies, see in particular SYSC 19C.3.15E. Where the *MIFIDPRU Remuneration Code* applies, see in particular SYSC 19G.3.2G (2).~~ Where the *dual-regulated firms Remuneration Code* applies, see in particular SYSC 19D.3.16E. Where the remuneration part of the *PRA* Rulebook applies, see the *PRA's* Supervisory Statement on Remuneration).

...

...

...

23 Senior managers and certification regime: Introduction and classification

...

23 Annex 1 Definition of SMCR firm and different types of SMCR firms

1

...

Part Nine: Other qualification conditions for being an enhanced scope SMCR firm

9.1 R A *firm* meets a qualification condition for the purposes of identifying an *enhanced scope SMCR firm* under the flow diagram in Part One of this Annex if it meets one of the following criteria:

- (1) the *firm* is a ~~significant *IFPRU firm*~~ significant *SYSC firm*;

...

...

Part Ten: When a firm becomes an enhanced scope SMCR firm

...

10.4 G SYSC 23 Annex 1 10.1R and SYSC 23 Annex 1 10.3R mean that a *firm* becomes an *enhanced scope SMCR firm* under Part 9 of this Annex on the date in column (2) of the table in SYSC 23 Annex 1 10.5G.

10.5 G Table: Date firm becomes an enhanced scope firm

Qualification condition	Date firm becomes an enhanced scope SMCR firm
The firm is a <i>significant IFPRU firm</i> <u>significant SYSC firm</u>	It becomes an <i>enhanced scope SMCR firm</i> one year and three <i>months</i> after the date in IFPRU 1.2.3R <u>SYSC 1.5.2R</u> (the three-month period in IFPRU 1.2.6R(2) <u>SYSC 1.5.5R(2)</u> plus the one year in this Part).
...	

...

27 Senior managers and certification regime: Certification regime

...

27.8 Definitions of the FCA certification functions

...

Material risk takers

...

27.8.15 R Table: Definition of material risk taker

Type of SMCR firm	Employees included
(1) An <i>SMCR banking firm</i> , including an <i>EEA SMCR banking firm</i>	Each member of the <i>dual-regulated firms Remuneration Code staff</i> of the firm in column (1) of this row (1). This includes any <i>person</i> who meets any of the criteria set out in articles 3 to 5 of the <i>Material Risk Takers Regulation</i> <u>articles 6 to 8 of the <i>Material Risk Takers Regulation 2020</i></u> (criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile).
...	
(4) A <i>firm falling within SYSC 19A.1</i> (application provisions for	Each member of the <i>Remuneration Code staff</i> of the

the remuneration code for IFPRU investment firms), including an <u>EEA SMCR firm</u> subject to SYSC 19G.5 (application of remuneration requirements to material risk takers) including an <u>overseas SMCR firm</u>	<u>firm</u> in column (1). Each staff member identified as a <u>material risk taker</u> of the <u>firm</u> in column (1).
...	
(8) A <u>firm</u> falling within SYSC 19C.1 (application provisions for remuneration code for BIPRU firms)) including an <u>EEA SMCR firm</u> [deleted]	Each member of the <u>BIPRU Remuneration Code staff</u> of the <u>firm</u> in column (1).
...	
<p>Note: The definition of the <i>persons</i> included in column (2) applies in relation to an <i>EEA SMCR firm</i> in one of the rows of column (1) in the same way as it does to other <i>overseas SMCR firms</i> in that row. The definitions of <i>dual-regulated firms Remuneration Code staff</i>, <i>Remuneration Code staff</i>, and <i>AIFM Remuneration Code staff</i> and <i>BIPRU Remuneration Code staff</i> apply accordingly.</p> <p><u>Where an <i>overseas SMCR firm</i> would be subject to SYSC 19G.5 if it were a <i>UK SMCR firm</i>, row (4) applies in the same way as it applies to <i>UK SMCR firms</i>, and the definition of <i>material risk taker</i> in column (2) applies accordingly.</u></p>	

...

TP 3 Remuneration codes

Part A	IFPRU Remuneration Code [deleted]	
<u>1</u>	R	[deleted]
<u>2</u>	R	[deleted]
<u>3</u>	R	[deleted]
<u>4</u>	G	[deleted]
<u>5</u>	G	[deleted]
<u>6[FCA][PRA]</u>	R	[expired]

6A[FCA] [PRA]	R	(1)	Paragraph (2) applies in relation to a <i>firm</i> that was not subject to the version of the <i>Remuneration Code</i> that applied before 1 January 2011 but satisfies at least one of the conditions set out in SYSC 19A.3.54R(1B) to SYSC 19A.3.54R(1D).
		(2)	Where this paragraph applies, a contravening provision that is contained in an agreement made before 3 November 2011 is not rendered void by SYSC 19A Annex 1.1R unless it is subsequently amended so as to contravene a rule to which SYSC 19A Annex 1.1R applies.
6B[FCA] [PRA]	G		The effect of 6R is to limit the provisions on voiding and recovery to firms which were subject to the version of the <i>Remuneration Code</i> which applied before 1 January 2011. That transitional provision comes to an end on 1 January 2012. A new limit providing for voiding to apply only in relation to certain types of firm is provided in SYSC 19A.3.54R(1B) to SYSC 19A.3.54R(1D). Paragraph 6AR applies to <i>firms</i> which become subject to the provisions on voiding after the transitional provision in 6R comes to an end. It prevents certain contravening provisions which predate the making of the new <i>rules</i> limiting the application of voiding from becoming void.
7	G		[expired]

...

Sch 2 Notification requirements

2.1 G ...

(3) Table

Handbook reference	Matter to be notified	Content of the notification	Trigger event
SYSC 19A.3.4R(3) [deleted]	Where an <i>overseas firm</i> deems an <i>employee</i> not to be <i>Remuneration Code staff</i>	Matter described in SYSC 19A.3.4R(3)	Matter described in SYSC 19A.3.4R(3)
SYSC 19A.3.44CR [deleted]	The decision by the shareholders, members or owners of the <i>firm</i> to approve a higher maximum ratio between the fixed and variable components of total <i>remuneration</i>	Matter as described in SYSC 19A.3.44CR	Matter as described in SYSC 19A.3.44CR
...			

...

Sch 5 Rights of action for damages

...

5.4 G

Chapter/ Appendix	Section/ Annex	Paragraph	Right of action under section 138D		
			For private person?	Removed?	For other person?
...					
<i>SYSC 11 to SYSC 19A, and SYSC 19D <u>SYSC 21</u></i>			No	Yes <i>SYSC 1.4.2R</i>	No
...					

Annex C

Amendments to the Code of Conduct sourcebook (COCON)

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

4 Specific guidance on individual conduct rules

...

4.2 Specific guidance on senior manager conduct rules

...

SC2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the *regulatory system*.

...

4.2.16 G The following is a non-exhaustive list of examples of conduct that would be in breach of *rule SC2*.

...

(8) ...

...

- (e) the method of determining the remuneration complies, where applicable, with the ~~*Remuneration Code*~~ remuneration codes set out in *SYSC 19B*, *SYSC 19D*, *SYSC 19E* and *SYSC 19G* or, for a *Solvency II firm* or a *small non-directive insurer*, other relevant requirements in relation to remuneration, ~~as well as those remuneration codes applicable to *firms* as set out in *SYSC 19B*—*19E*.~~

...

Annex D

Amendments to the General Provisions (GEN)

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

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

Rules and guidance applying while a firm has temporary permission – capital adequacy requirements

- 2.2.30 R (1) Nothing in *GENPRU*, *BIPRU*, ~~*IFPRU*~~, *MIFIDPRU*, *INSPRU*, *MIPRU*, *IPRU(FSOC)*, *IPRU(INS)* or *IPRU(INV)* applies to a *TP firm*, except for the provisions in (2).
- (2) To the extent a *TP firm* carries on the relevant *regulated activity*, the following apply by virtue of *GEN 2.2.26R*:
- (a) *INSPRU 1.5.33R*;
- (b) *MIPRU*;
- (c) *IPRU(FSOC)*;
- (d) *IPRU(INV) 5, 6, 9, 12 and 13*, except that *rules* relating to capital adequacy in these chapters, which would apply to a *TP firm* through the operation of *GEN 2.2.26R(2)*, do not apply to that *TP firm*. Specifically, the financial resources requirements for *depositories of UCITS schemes* and *depositories of certain AIFs* in *IPRU(INV) 5*, and requirements involving the holding of professional indemnity insurance which relate to capital adequacy in *IPRU(INV) 9 and 13*.
- 2.2.31 G ...
- (6) For the purpose of this *guidance*, *rules* relating to capital adequacy comprise *rules* relating to the adequacy of a *firm's* financial resources, including both capital resources and liquidity resources. However, *rules* relating to capital adequacy do not include *rules* involving the holding of professional indemnity insurance, except where such *rules* are tied to capital adequacy requirements by a form of optionality (for examples of such *rules*, see ~~*IPRU(INV) 9.2.4R*~~ and *IPRU(INV)*)

~~13.1A.3R~~). Therefore, *rules* involving the holding of professional indemnity insurance may apply to a *TP firm* by virtue of *GEN 2.2.26R*, but if such *rules* are tied to capital adequacy requirements, they cannot apply by virtue of *GEN 2.2.26R(2)*.

...

Annex E

Amendments to the Fees manual (FEES)

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

1 Fees Manual

1.1 Application and purpose

1.1.1 G (1) *FEES* applies to all *persons* required to pay a fee or levy under a provision of the *Handbook*. The purpose of this chapter is to set out to whom the *rules* and *guidance* in *FEES* apply.

...

(3) *FEES* 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event for example:

(a) various application fees (including those in relation to authorisation, variation of *Part 4A permission*, registration as a *CBTL firm*, authorisation of a *data reporting services provider*, and listing ~~and the Basel Capital Accord~~); and

...

...

...

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

Part 1: Application, notification and vetting fees		
(1) Fee payer	(2) Fee payable (£)	Due date
...

<p>...</p>		
<p>(o) In relation to a <i>BIPRU firm</i>, a <i>firm</i> applying to the <i>FCA</i> for permission to use one of the <i>advanced prudential calculation approaches</i> listed in <i>FEES 3 Annex 6R</i> (or <i>guidance</i> on its availability), including any future proposed amendments to those approaches. <u>[deleted]</u></p>	<p>(1) Unless (2) applies, <i>FEES 3 Annex 6</i>.</p> <p>(2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under <i>FEES 3 Annex 6</i>, but only in respect of that second application</p> <p>(b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements. <u>[deleted]</u></p>	<p>Where the <i>firm</i> has made an application directly to the <i>FCA</i>, on or before the date the application is made, otherwise within 30 days after the <i>FCA</i> notifies the <i>firm</i> that its <i>EEA parent's Home State regulator</i> has requested assistance. <u>[deleted]</u></p>
<p>(oa) Either:</p> <p>(i) a <i>firm</i> applying to the <i>FCA</i> for permission to use one of the internal approaches listed in <i>FEES 3 Annex 6A</i> (or <i>guidance</i> on its availability), including any future proposed amendments to those approaches or (in the case of any application</p>	<p>(1) Unless (2) applies, <i>FEES 3 Annex 6A</i>.</p> <p>(2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under <i>FEES 3 Annex 6A</i>, but</p>	<p>Where the <i>firm</i> has made an application directly to the <i>FCA</i>, on or before the date the application is made, otherwise within 30 days after the <i>FCA</i> notifies the <i>firm</i> that its <i>EEA parent's consolidating supervisor</i> has requested assistance. <u>[deleted]</u></p>

<p>being made for such permission to the <i>FCA</i> as consolidating supervisor under the <i>UK CRR</i>) any <i>firm</i> making such an application; or (ii) in the case of an application to the consolidating supervisor other than the <i>FCA</i> for the use of the IRB approach and the consolidating supervisor requesting the <i>FCA's</i> assistance in accordance with the <i>UK CRR</i>, any <i>firm</i> to which the <i>FCA</i> would have to apply any decision to permit the use of that approach. [deleted]</p>	<p>only in respect of that second application. (b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements. (c) No fee is payable where the consolidating supervisor has requested the assistance described in paragraph (oa)(ii) of column 1. [deleted]</p>	
<p>...</p>		

FEES 3 Annex 6 (Fees payable by a BIPRU firm for a permission or guidance on its availability in connection with the BCD and/or CAD) and FEES 3 Annex 6A (Fees payable for a permission or guidance on its availability in connection with the UK CRR) are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

3 Annex 6 Fees payable by a BIPRU firm for a permission or guidance on its availability in connection with the BCD and/or CAD [deleted]

3 Annex 6A Fees payable for a permission or guidance on its availability in connection with the UK CRR [deleted]

Amend the following as shown.

4 Annex 1AR FCA activity groups, tariff bases and valuation dates

Part 1

This table shows how the FCA links the *regulated activities* for which a *firm* has *permission* to activity groups (fee-blocks). A *firm* can use the table to identify which fee-blocks it falls into based on its *permission*.

...	
<p>A.10 Firms dealing as principal</p>	<p>its <i>permission</i> includes</p> <p>(a) <i>dealing in investments as principal</i>; and/or</p> <p>(b) <i>bidding in emissions auctions</i>;</p> <p>BUT NOT if one or more of the following apply:</p> <p>...</p> <p>the <i>firm</i> is an <i>oil market participant</i>, <i>energy market participant</i> or a local (except where the <i>firm</i> is <i>bidding in emissions auctions</i>);</p> <p><u>the <i>firm</i> would be an <i>oil market participant</i> or <i>energy market participant</i> if it were not a <i>MiFID investment firm</i> (except where the <i>firm</i> is <i>bidding in emissions auctions</i>);</u></p> <p>...</p>
<p>A.13 Advisors, arrangers, dealers or brokers</p>	<p>(1) ...</p> <p>OR</p> <p>(2) its <i>permission</i>;</p> <p>(a) includes one or more of the following:</p> <p>(i) in relation to one or more <i>designated investments</i>;</p> <p>...</p> <p><i>dealing as principal in investments</i> where the activity is carried on as a matched principal broker, <i>oil market participant</i>, <i>energy market participant</i> or local;</p> <p><u><i>dealing as principal in investments</i> where the activity is carried on by a <i>firm</i> that would be an <i>oil market participant</i> or <i>energy market participant</i> if it were not a <i>MiFID investment firm</i>;</u></p> <p>...</p>

Annex F

Amendments to the General Prudential sourcebook (GENPRU)

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

GENPRU 1 (Application) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

1 **Application [deleted]**

Amend the following as shown.

3 **Cross sector groups**

3.1 **Application**

...

Purpose

3.1.2 G ~~GENPRU 3.1 implements~~ implemented requirements ~~that correspond to~~ in the *Financial Groups Directive*. However, material on the following topics is to be found elsewhere in the *Handbook* as follows:

- (1) further material on *third-country financial conglomerates* can be found in *GENPRU 3.2*;
- (2) *SUP 15.9* contains notification *rules* for members of *financial conglomerates*;
- (3) material on reporting obligations can be found in *SUP 16.12.32R* and *SUP 16.12.33R*; and
- (4) material on systems and controls in *financial conglomerates* can be found in *SYSC 12*.

3.1.2A G GENPRU 3.1 has been amended to reflect the introduction of a new prudential regime for *MiFID* investment firms (*MIFIDPRU*). This new regime streamlines and simplifies the prudential requirements for *MIFIDPRU investment firms*. It refocuses prudential requirements and expectations away from the risks a *firm* faces to also consider, and look to mitigate, the potential for harm these *firms* can pose to consumers and markets. If a *financial conglomerate* for which the *FCA* is the *coordinator* considers the amendments to *GENPRU 3.1* do not appropriately reflect the risks and potential harms to which its activities give rise, it should contact the *FCA* to discuss how the *rules* could be modified to do so.

...

Definition of financial conglomerate: the financial sectors: general

...

3.1.8 R ...

- (1A) ~~In determining the investment services sector for the purpose of identifying a financial conglomerate in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in the financial conglomerate definition decision tree, any investment firm that does not fall within the definition of article 4(1)(2) of the UK CRR is excluded. [Deleted]~~

...

...

Capital adequacy requirements: introduction

3.1.14 G The capital adequacy provisions of *GENPRU* 3.1 are designed to be applied to ~~EEA-based~~ *financial conglomerates*.

...

3.1.17 G Annex I of the *Financial Groups Directive* laid down three methods for calculating capital adequacy at the level of a *financial conglomerate*. Those three methods are ~~implemented~~ as follows:

- (1) Method 1 calculates capital adequacy using accounting consolidation. It is ~~implemented by~~ set out in *GENPRU* 3.1.29R to *GENPRU* 3.1.31R and Part 1 of *GENPRU* 3 Annex 1.
- (2) Method 2 calculates capital adequacy using a deduction and aggregation approach. It is ~~implemented by~~ set out in *GENPRU* 3.1.29R to *GENPRU* 3.1.31R and Part 2 of *GENPRU* 3 Annex 1.
- (3) [deleted]
- (4) Method 3 consists of a combination of Methods 1 and 2 and would be implemented by means of a *requirement*.

...

Risk concentration and intra group transactions: the main rule

3.1.35 R ~~A~~ Subject to *GENPRU* 3.1.35AR, a firm must ensure that the *sectoral rules* regarding *risk concentration* and *intra-group transactions* of the most important financial sector in the *financial conglomerate* referred to in *GENPRU* 3.1.34R are complied with with respect to that *financial sector* as

a whole, including the *mixed financial holding company*. The *sectoral rules* for these purposes are those identified in the table in *GENPRU 3.1.36R*.

3.1.35A R *A mixed financial holding company must comply with the sectoral rules in the table in GENPRU 3.1.36R for the investment services sector where:*

- (1) *the FCA is the coordinator of the financial conglomerate; and*
- (2) *the banking and investment services sector is the most important financial sector.*

Risk concentration and intra-group transactions: Table of applicable sectoral rules

3.1.36 R Table: application of sectoral rules

This table belongs to *GENPRU 3.1.35R*

The most important financial sector		Applicable sectoral rules	
		Risk concentration	Intra-group transactions
<i>Banking and investment services sector</i>	<u><i>For the Banking sector</i></u>	the <i>UK CRR</i> <u><i>Part Four of the UK CRR</i></u>	Part Four of the <i>UK CRR</i> <u><i>The UK CRR and the PRA Rulebook</i></u>
	<u><i>For the investment services sector</i></u>	<u><i>MIFIDPRU 5</i></u>	<u><i>SYSC 12.1.12R</i></u>
<i>Insurance sector</i>		<i>PRA Rulebook: Solvency II Firms Group Supervision 16.1</i>	<i>PRA Rulebook: Solvency II Firms: Groups: 16.2</i>
Note		Any <i>waiver</i> , approval or permission granted to a member of the <i>financial conglomerate</i> , on a sole (or individual for the purposes of the <i>UK CRR</i>) <u>individual</u> or consolidated basis, shall not apply in respect of the <i>financial conglomerate</i> for the purposes of <i>GENPRU 3.1.36R</i> . For this purpose, “permission” refers to a consent, approval or agreement conferred on the <i>appropriate regulator as competent authority</i> under the <i>UK CRR</i> .	

The financial sectors: asset management companies and alternative investment fund managers

- 3.1.39 R (1) This *rule* deals with the inclusion of an *asset management company* or an *alternative investment fund manager* that is a member of a *financial conglomerate* in the scope of regulation of *financial conglomerates*.
- [**Note:** Articles 30 and 30a of the *Financial Groups Directive*]
- (2) An *asset management company* or an *alternative investment fund manager* is in the *overall financial sector* and is a *regulated entity* for the purpose of:
- (a) *GENPRU 3.1.29R* to *GENPRU 3.1.36R*;
- (b) *GENPRU 3 Annex 1* (Capital adequacy calculations for financial conglomerates) and *GENPRU 3 Annex 2* (Prudential rules for third country groups); and
- (c) any other provision of the *Handbook* relating to the supervision of *financial conglomerates*.
- (3) ~~In Save in the circumstances in (5), in~~ the case of a *financial conglomerate* for which the *FCA* is the *coordinator*, all *asset management companies* and all *alternative investment fund managers* must, for the purposes in (2), be allocated to ~~one financial sector to which they belong for the purposes in (2), being~~ either the *MIFIDPRU investment services sector* or the *insurance sector*. But if that choice has not been made in accordance with (4) and notified to the *FCA* in accordance with (4)(d), an *asset management company* or an *alternative investment fund manager* must be allocated to the ~~smallest financial sector~~ *MIFIDPRU investment services sector*.
- (4) The choice in (3):
- (a) must be made by the *undertaking* in the *financial conglomerate* that is:
- (i) the *parent undertaking* at the head of the group or,
- (ii) in the absence of a *parent undertaking*, the ~~regulated entity with the largest balance sheet total in the most important financial sector~~ *undertaking that is deemed to be the parent undertaking in accordance with the rules in MIFIDPRU 2.4*;
- (b) applies to all *asset management companies* and all *alternative investment fund managers* that are members of the *financial conglomerate* from time to time;
- (c) cannot be changed; and

- (d) must be notified to the *FCA* as soon as reasonably practicable ~~after the notification in (4)(a).~~

[**Note:** Article 4(2) of the *Financial Groups Directive*]

- (5) ~~This rule applies even if:~~ Where a *UCITS* management company or an asset management company is an investment firm it must be allocated to the *MIFIDPRU* investment services sector.
- (a) ~~a *UCITS* management company is an *IFPRU* investment firm;~~
~~or [deleted]~~
- (b) ~~an asset management company or alternative investment fund manager is an investment firm. [deleted]~~

3.2 Third-country groups

Application

...

- 3.2.1A R *GENPRU* 3.2.9R (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to ~~the following:~~ an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the *UK CRR*.

- (1) ~~*CAD* investment firm; and [deleted]~~
- (2) ~~an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the *UK CRR*. [deleted]~~

Purpose

- 3.2.2 G *GENPRU* 3.2 ~~implements~~ implemented requirements that ~~correspond~~ corresponded in part to article 18 of the *Financial Groups Directive*, article 127 of the *CRD* and (in relation to *BIPRU* firms) article 143 of the *BCD*.

Equivalence

- 3.2.3 G The first question that must be asked about a *third-country group* is whether the *UK regulated entities* in that *third-country group* are subject to supervision by a *third-country competent authority*, which is equivalent to that provided for in *GENPRU* 3 (in the case of a *financial conglomerate*) or the *UK prudential sectoral legislation* for the *banking sector*, the *CRR* investment services sector or the *MIFIDPRU* investment services sector (in the case of a *banking and investment group*).

Other methods: General

- 3.2.4 G If the supervision of a *third-country group* by a *third-country competent authority* does not meet the equivalence test referred to in *GENPRU* 3.2.3G, the methods set out in *MIFIDPRU* or the *UK* provisions which implemented

the *CRD* and *UK CRR* will apply. Alternatively, ~~or~~ the *FCA* may apply other methods that ensure appropriate supervision of the *UK regulated entities* in that *third-country group* in accordance with the aims of supplementary supervision in *GENPRU 3* or consolidated supervision under the applicable *UK prudential sectoral legislation*.

Supervision by analogy: introduction

3.2.5 G If the supervision of a *third-country group* by a *third-country competent authority* does not meet the equivalence test referred to in *GENPRU 3.2.3G*, the *FCA* may, rather than take the measures described in *GENPRU 3.2.4G*, apply, by analogy, the provisions concerning supplementary supervision in *GENPRU 3* or, as applicable, consolidated supervision under the applicable *UK prudential sectoral legislation*, to the *UK regulated entities* in the *banking sector*, *CRR investment services sector*, *MIFIDPRU investment services sector* and (in the case of a *financial conglomerate*) *insurance sector*.

...

3.2.7 G *GENPRU 3.2.8R* and *GENPRU 3.2.9R* and *GENPRU 3 Annex 2* set out *rules* to deal with the situation covered in *GENPRU 3.2.5G*. Those *rules* do not apply automatically. Instead, they can only be applied with respect to a particular *third-country group* through the *Part 4A permission* of a *firm* in that *third-country group*.

...

Insert the following new section after *GENPRU 3.2 (Third country groups)*. The text is not underlined.

3.3 Actions for damages

3.3.1 R A contravention of the *rules* in *GENPRU* does not give rise to a right of action by a *private person* under section 138D of the *Act* (and each of those *rules* is specified under section 138D(3) of the *Act* as a provision giving rise to no such right of action).

Amend the following as shown.

3 Annex 1 Capital adequacy calculations for financial conglomerates (GENPRU 3.1.29R)

...

7 Table

A mixed financial	4.4	A <i>mixed financial holding company</i> must be treated in the same way as:
-------------------	-----	--

holding company		<p>(1) a <i>financial holding company</i> (if Part One, Title II, Chapter 2 of the <i>UK CRR</i> and the <i>PRA Rulebook: Groups Part</i>) are applied; or</p> <p>(2) an <i>insurance holding company</i> (if the <i>rules</i> in <i>PRA Rulebook: Solvency II Firms: Group Supervision</i> are applied); <u>or</u></p> <p><u>(3) an <i>investment holding company</i> (if the <i>rules</i> in <i>MIFIDPRU</i> are applied).</u></p>
-----------------	--	---

8 Table: PART 5: Principles applicable to all methods

...		
Cross sectoral capital	5.3	<p>(1) The solvency requirements for each different <i>financial sector</i> represented in a <i>financial conglomerate</i> required by <i>GENPRU</i> 3.1.29R must be covered by own funds elements in accordance with the corresponding <i>applicable sectoral rules</i>.</p> <p>(2) If there is a deficit of own funds at the <i>financial conglomerate</i> level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by <i>GENPRU</i> 3.1.29R.</p> <p>[Note: second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i>]</p>
...		
Application of sectoral rules: Banking sector and investment services sector	5.6	<p>In relation to a <i>BIPRU firm</i> that is a member of a <i>financial conglomerate</i> where there are no <i>credit institutions</i> or <i>investment firms</i>, the following adjustments apply to the <i>applicable sectoral rules</i> for the <i>banking sector</i> and the <i>investment services sector</i> as they are applied by the <i>rules</i> in this annex.</p> <p>(1) References in those <i>rules</i> to <i>non-UK sub-groups</i> — if applicable — do not apply.</p> <p>[deleted]</p> <p>(3) Any <i>investment firm consolidation waivers</i> granted to members of the <i>financial conglomerate</i> do not apply.</p> <p>(4) (For the purposes of Parts 1 and 2), without prejudice to the application of requirements in <i>BIPRU</i> 8 preventing the use of an <i>advanced prudential calculation approach</i> on a consolidated basis, any <i>advanced prudential calculation approach permission</i> that applies for the purpose of <i>BIPRU</i> 8 does not apply.</p>

		<p>(5) (For the purposes of Parts 1 and 2), <i>BIPRU 8.5.9R</i> and <i>BIPRU 8.5.10R</i> do not apply.</p> <p>(6) (For the purposes of Part 3), where the <i>financial conglomerate</i> does not include a <i>credit institution</i>, the method in <i>GENPRU 2 Annex 4</i> must be used for calculating the capital resources and <i>BIPRU 8.6.8R</i> does not apply.</p> <p>(Other than as above) the <i>UK CRR</i> and the provisions which implemented the <i>CRD</i> apply for the <i>banking sector</i> and the <i>investment services sector</i>. [deleted]</p>
...		

9 Table: PART 6: Definitions used in this Annex

...
Solo capital resources requirement: Banking sector and investment service sector	6.2	<p>(1) Save in the circumstances in paragraphs 6.6 to 6.7A, The <u>the solo capital resources requirement</u> of an <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> must be calculated in accordance with this rule, subject to paragraph 6.6 <u>the UK prudential requirements that apply to that undertaking on a solo basis.</u></p> <p>(2) The <i>solo capital resources requirement</i> of a <i>building society</i> is its <i>own funds requirements</i>. [deleted]</p> <p>(3) The <i>solo capital resources requirement</i> of an <i>electronic money institution</i> is the capital resources requirement that applies to it under the <i>Electronic Money Regulations</i>. [deleted]</p> <p>(4) If there is a <i>credit institution</i> in the <i>financial conglomerate</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is, subject to (2) and (3), calculated in accordance with the <i>UK CRR</i> for calculating the <i>own funds requirements</i> of a <i>bank</i>. [deleted]</p> <p>(5) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>;</p> <p>(b) there is at least one <i>investment firm</i> in the <i>financial conglomerate</i>; and</p> <p>(c) all the <i>investment firms</i> in the <i>financial conglomerate</i> are <i>limited licence firms</i> or <i>limited activity firms</i>;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>UK CRR</i> for calculating the <i>own funds requirements</i> of:</p>

		<p>(i) (if there is a limited activity firm in the financial conglomerate), an <i>IFPRU limited activity firm</i>; or</p> <p>(ii) (in any other case), an <i>IFPRU limited licence firm</i>. [deleted]</p> <p>(6) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>; and</p> <p>(b) (5) does not apply;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>UK CRR</i> for calculating the <i>own funds requirements</i> of a <i>full-scope IFPRU investment firm</i>. [deleted]</p> <p>(7) In relation to a <i>BIPRU firm</i> that is a member of a <i>financial conglomerate</i> where there are no <i>credit institutions</i> or <i>investment firms</i>, any <i>capital resources requirements</i> calculated under a <i>BIPRU TP</i> may be used for the purposes of the <i>solo capital resources requirement</i> in this rule in the same way that the <i>capital resources requirements</i> can be used under <i>BIPRU 8</i>. [deleted]</p>
...		
Solo capital resources requirement: non-UK firms subject to equivalent regimes in the banking sector or investment services sector <u>sectors</u>	6.6	<p>The <i>solo capital resources requirement</i> for a <i>recognised third country credit institution</i> or a <i>recognised third country investment firm</i> is the amount of capital resources that it is obliged to hold under the <i>sectoral rules</i> for its <i>financial sector</i> that apply to it in the state or territory in which it has its head office provided that:</p> <p>(1) there is no reason for the <i>firm</i> applying the <i>rules</i> in this annex to believe that the use of those <i>sectoral rules</i> would produce a lower figure than would be produced under paragraph 6.2; and</p> <p>(2) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.</p>
Solo capital resources requirement: mixed financial	6.7	<p><u>(1)</u> The <i>solo capital resources requirement</i> of a <i>mixed financial holding company</i> is a notional capital requirement. It Subject to <u>(2)</u>, it is the capital adequacy requirement that applies to <i>regulated entities</i> in the <i>most important financial sector</i> under the table in paragraph 6.10.</p>

holding company		<p>(2) Where the <i>banking and investment services sector</i> is the <i>most important financial sector</i>, the capital adequacy requirement will be:</p> <p>(a) where there is a <i>UK credit institution in the financial conglomerate</i>, the requirements in the table in paragraph 6.10 for the <i>banking sector</i>; or</p> <p>(b) in all other cases, the requirements in the table in paragraph 6.10 for the <i>investment services sector</i>.</p>
Solo capital resources requirement: other non-regulated financial sector entities	6.7 A	The <i>solo capital resources requirement</i> of a non-regulated <i>financial sector entity</i> other than a <i>mixed financial holding company</i> is a notional capital requirement calculated in accordance with Article 12 of Part 1 (FCA) of Regulation (EU) 342/2014.
Reference to “rules”	6.7 A 6.7 B	A reference to “rules” in this annex includes any <i>onshored regulations</i> that are relevant to the purpose of for which “rules” as used refers to.

...

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

Financial sector	Sectoral rules
<i>Banking sector</i>	Part One, Title II, Chapter 2 of the <i>UK CRR</i> and IFPRU 8.1 the <i>PRA Rulebook</i> .
<i>Insurance sector</i>	PRA Rulebook: Solvency II Firms: Group Supervision.

<i>Investment services sector</i>	<p>(in relation to an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the <i>PRA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>UK CRR</i> and the <i>PRA Rulebook</i>; <i>MIFIDPRU 2.4</i> and <i>2.5</i>.</p> <p>(in relation to a <i>designated investment firm</i> or an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the <i>FCA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>UK CRR</i> and <i>IFPRU 8.1</i>;</p> <p>(in relation to a <i>BIPRU firm</i> that is a member of a <i>financial conglomerate</i> where there are no <i>credit institutions</i> or <i>investment firms</i> for which the <i>FCA</i> is the <i>coordinator</i>) <i>BIPRU 8</i> and <i>BIPRU TP</i>.</p>
-----------------------------------	--

...

3 Annex 2 Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 3.2.9R)

...

2 Table: PART 2: Third-country banking and investment groups

...	
2.5	The <i>sectoral rules</i> applied by Part 2 of this annex cover all prudential <i>rules</i> applying on a consolidated basis including those relating to large exposures <u>and concentration risk</u> (as applicable).
...	

...

4 Table: PART 4: Definition used in this Annex

4.1	This Part sets out the definition which a <i>firm</i> must apply for the purposes of this annex as it applies in relation to <i>GENPRU 3.2</i> .
4.2	A reference to “ <i>rules</i> ” in this annex includes any <i>onshored regulations</i> that are relevant to the purpose of <u>for</u> which “ <i>rules</i> ” as used refers to.

3 Annex 3G Guidance Notes for Classification of Groups

Classification of Groups (GENPRU 3.1.3G) - This annex consists only of one or more forms. Forms are to be found through the following address.

[genpru_ch3_annex3G.pdf](#) [Editor’s note: The form can be found at this address: [https://fca.org.uk/publication/forms/\[xxx\]](https://fca.org.uk/publication/forms/[xxx])]

Purpose and scope

The form is designed to identify groups and sub-groups that are likely to be financial conglomerates under ~~the Financial Groups Directive~~ GENPRU 3. A group may be a financial conglomerate if it contains both insurance and banking/investment businesses and meets certain threshold tests. The *FCA* needs to identify conglomerates with their head offices in the ~~EEA~~ UK and those with their head offices outside the ~~EEA~~ UK, although this does not necessarily mean that the latter will be subject to ~~EEA~~ UK conglomerate supervision.

This form's purpose is to enable the *FCA* to obtain sufficient information so as to be able to determine how likely a group/sub-group is to be a financial conglomerate. In certain cases this can only be determined after consultation with the ~~other EU relevant competent authorities~~ PRA. A second purpose of the form is therefore to identify any groups and sub-groups that may need such consultation so that this can be made as soon as possible. This should allow firms time to prepare to comply.

The third purpose of the form is to gain information from firms on the most efficient way to implement the threshold calculations in detail (~~consistently with the directive~~). We have, therefore, asked for some additional information in part 4 of the form.

A copy of this form can be found on the *FCA*'s Financial Groups Website with current contact details.

Please include workings showing the method employed to determine the percentages in part 2 (for the threshold conditions) and giving details of all important assumptions / approximations made in doing the calculations.

The definition of financial conglomerate includes not only conventional groups made up of parent-subsidiary relationships but groups linked by control and "consolidation Article 12(1) relationships". If this is the case for your group, please submit along with this form a statement that this is the case. Please include in that statement an explanation of how you have included group members not linked by capital ties in the questionnaire calculations.

A consolidation Article 12(1) relationship arises between undertakings in the circumstances set out in Article 12(1) of the Seventh Company Law Directive. These are set out in the Handbook Glossary (in the definition of consolidation Article 12(1) relationship). Broadly speaking, undertakings come within this definition if they do not form a conventional group but:

- are managed on a unified basis; or
- have common management.

General guidance

We would like this to be completed based on the most senior parent in the group, and, if applicable, for the company heading the most senior conglomerate group in the ~~EEA~~ UK. If appropriate, please also attach a list of all other likely conglomerate sub-groups.

Please use the most recent accounts for the top level company in the group together with the corresponding accounts for all subsidiaries and participations

that are included in the consolidated accounts. Please indicate the names of any significant subsidiaries with a different year-end from the group's year-end.

Please note the following:

- (a) Branches should be included as part of the parent entity.
- (b) Include in the calculations overseas entities owned by the relevant group or sub-group.
- (c) There are only two sectors for this purpose: banking/investment and insurance.
- (d) You will need to assign non-regulated financial entities to one of these sectors:
 - **banking/investment** activities are listed in – Annex 1 to the Capital Requirements Directive 2013/36/EU
 - **insurance** activities are listed in - schedule 1 to, and *contracts of insurance* defined in article 3(1) of, the *Regulated Activities Order*.
 - Any **operator of a UCITS scheme, insurance intermediary, mortgage broker and mixed financial holding company** does not fall into the directive definitions of either financial sector or insurance sector and should be treated for these purposes as being outside the financial sector. They should therefore be ignored for the purposes of these calculations.

Threshold tests

For the purpose of completing section 2 of the form relating to the threshold tests, the following guidance should be used. However, if you consider that for your group there is a more appropriate calculation then you may use this calculation so long as the method of computation is submitted with the form.

Calculating balance sheet totals

Generally, use total (gross) assets for the balance sheet total of a group/entity. However, investments in other entities that are part of the group will need to be deducted from the sector that has made the investment and the balance sheet total of the entity is added to the sector in which it operates.

Our expectation of how this may be achieved efficiently is as follows:

- Off-balance-sheet items should be excluded.
- Where off-balance sheet treatment of **funds under management** and on-balance sheet treatment of **policy holders' funds** may distort the threshold calculation, groups should consult the *FCA* on the appropriateness of using other measures under ~~article 3.5 of the Financial Groups Directive~~ regulation 19 of the Financial Conglomerates and Other Financial Groups Regulations 2004.
- If consolidated accounts exist for a sub-group consisting of financial entities from only one of the two sectors, these consolidated accounts should be used to measure the balance-sheet total of the sub-group (i.e. total assets less investments in entities in the other sector). If consolidated accounts do not exist, intra-group balances should be netted out when calculating the balance

sheet total of a single sector (but cross-sector intra-group balances should not be netted out).

- Where consolidated accounts are used, minority interests should be excluded and goodwill should be included.
- Where accounting standards differ between entities, groups should consult the *FCA* if they believe this is likely materially to affect the threshold calculation.
- Where there is a subsidiary or participation in the opposite sector from its parent (i.e. insurance sector for a banking/investment firm parent and vice versa), the balance sheet amount of the subsidiary or participation should be allocated to its sector using its individual accounts.
- The balance-sheet total of the parent entity/sub-group is measured as total assets of the parent/sub-group less the book value of its subsidiaries or participations in the other sector (i.e. the value of the subsidiary or participation in the parent's consolidated accounts is deducted from the parent's consolidated assets).
- The cross-sector subsidiaries or participations referred to above, valued according to their own accounts, are allocated pro-rata, according to the aggregated share owned by the parent/sub-group, to their own sector.
- If the cross-sector entities above themselves own group entities in the first sector (i.e. that of the top parent/sub-group) these should (in accordance with the methods above) be excluded from the second sector and added to the first sector using individual accounts.

Solvency (capital adequacy) requirements

Generally, the solvency requirements should be according to sectoral rules of the *FCA* that would apply to the type of entity. However, you can use ~~EEA rules or~~ local rules in the circumstances set out in Part 6 of *GENPRU* 3 Annex 1. But if this choice makes a significant difference, either with respect to whether the group is a financial conglomerate or with respect to which sector is the biggest, you should consult with the *FCA*. Non-regulated financial entities should have proxy requirements calculated on the basis of the most appropriate sector. If sub-groups submit single sector consolidated returns then the solvency requirement may be taken from those returns.

Our expectation of how this may be achieved efficiently is as follows:

- If you complete a solvency return for a sub-group consisting of financial entities from only one of the ~~two~~ financial sectors, the total solvency requirement for the sub-group should be used.
- Solvency requirements taken must include any deductions from available capital so as to allow the appropriate aggregation of requirements.
- Where there is a regulated subsidiary or participation in ~~the opposite~~ another sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be from its individual regulatory return. If there is an identifiable contribution to the parent's solvency requirement in respect of the cross-sector subsidiary or participation, the parent's solvency requirement may be adjusted to exclude this.

- Where there is an unregulated financial undertaking in ~~the opposite~~ another sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be one of the following:
 - as if the entity were regulated ~~by the FCA~~ under the appropriate sectoral rules; or
 - ~~• using EU minimum requirements for the appropriate sector; or~~
 - using ~~non~~ EU local requirements* for the appropriate sector (where permissible).
- Please note on the form which of these options you have used, according to the country and sector, and whether this is the same treatment as in your latest overall group solvency calculation.
- For banking/investment requirements, use the total amount of capital required.
- For insurance requirements, use the total amount of capital required.

Market share measures

~~These are not defined by the directive.~~ The aim is to identify any standard industry approaches to measuring market share ~~in individual EU countries~~ by sector, or any data sources which are commonly used as a proxy.

Article I.

Article II. Threshold tests

Test F2

B/S of banking/investment + insurance sector = result %

B/S total

Test F3/F4/F5

B/S of insurance sector

B/S of banking/investment sector + insurance sector = A %

B/S of banking/investment sector

B/S of banking/investment sector + insurance sector = B %

Solvency requirement of insurance sector

Solvency requirement of banking/investment sector + insurance sector = C%

Solvency requirement of banking/investment sector

Solvency requirement of banking/investment sector + insurance sector = D%

The relevant percentage for the insurance sector is:

$$(A\% + C\%)/2 = I\%$$

The relevant percentage for the banking/investment sector is:

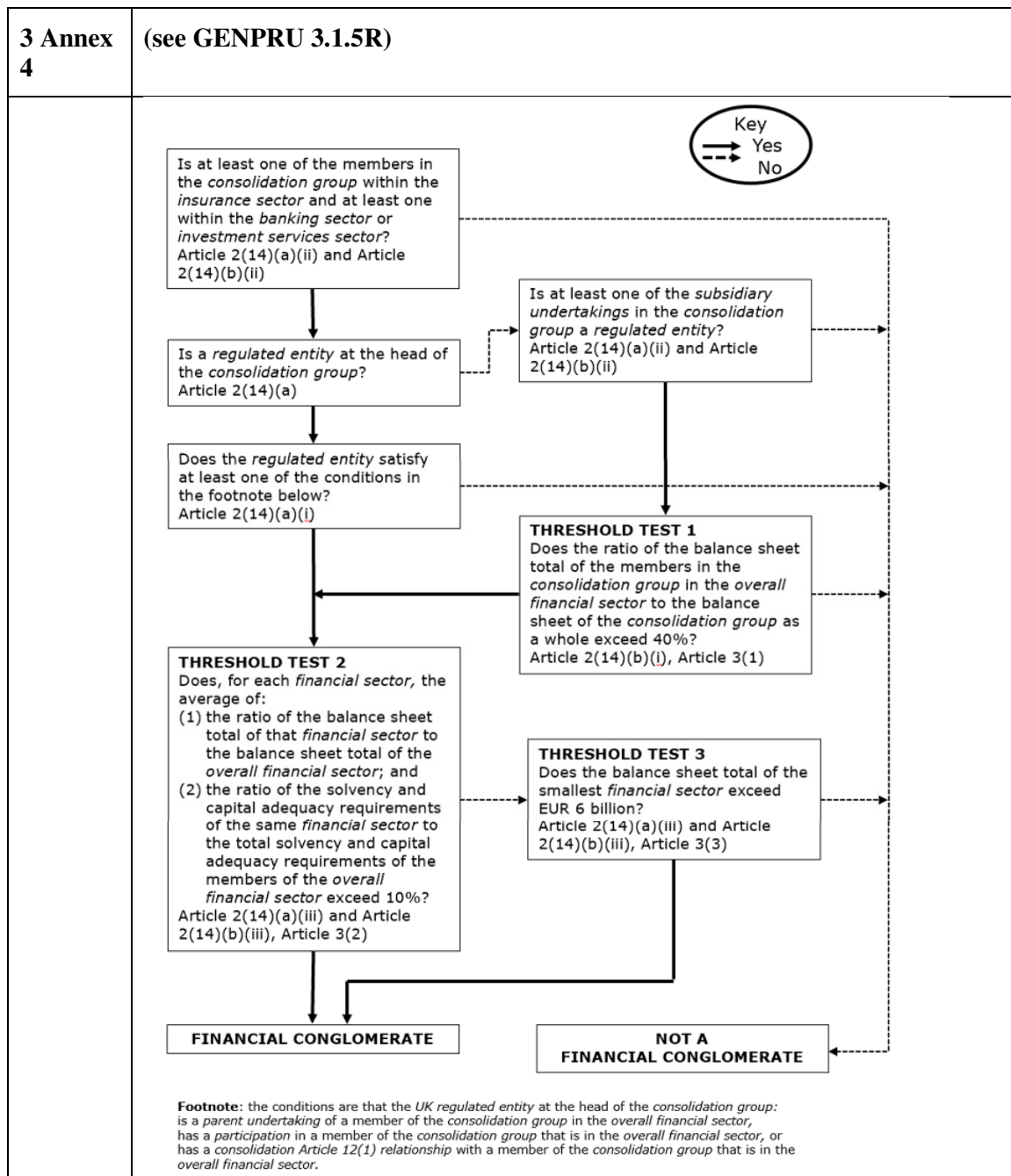
$$(B\% + D\%)/2 = BI\%$$

The smallest sector is the sector with the smallest relevant percentage.

Article III. If $I\% < BI\%$ then F3 is insurance, F4 = A%, and F5 = C%

Article IV. If $BI\% < I\%$ then F3 is banking/investment, F4 = B% and F5 = D%

The existing diagram in GENPRU 3 Annex 4 is deleted in its entirety. The deleted text is not shown. The following diagram is inserted to replace the deleted text.



Annex G

Amendments to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)

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

1 Application

...

1.2 SNI MIFIDPRU investment firms

Basic conditions for classification as an SNI MIFIDPRU investment firm

1.2.1 R A *MIFIDPRU investment firm* is an *SNI MIFIDPRU investment firm* if it satisfies the following conditions:

...

(8) it has not been classified as a *non-SNI MIFIDPRU investment firm* due to the effect of *MIFIDPRU 10.2* (Categorisation of clearing firms as non-SNI MIFIDPRU investment firms); ~~and~~

(9) its *average DTF*, as calculated in accordance with *MIFIDPRU 4.15.4R*, is zero; ~~and~~

(10) it is not appointed to act as a *depository* in accordance with *FUND 3.11.10R(2)* or *COLL 6.6A.8R(3)(b)(i)*.

...

Additional provisions relating to the calculation of conditions to be classified as an SNI MIFIDPRU investment firm

...

1.2.9 R A *MIFIDPRU investment firm* must assess the following conditions on the basis of the *firm's* individual situation:

(1) *average ASA* under *MIFIDPRU 1.2.1R(3)*;

(2) *average CMH* under *MIFIDPRU 1.2.1R(4)*;

(3) *average DTF* under *MIFIDPRU 1.2.1R(9)*;

(4) whether the *firm* has *permission to deal on own account*; ~~and~~

(5) whether the *firm* is a *clearing member* or an *indirect clearing firm*; ~~and~~

- (6) whether the *firm* is appointed to act as a *depository* in accordance with *FUND* 3.11.10R(2) or *COLL* 6.6A.8R(3)(b)(i).

...

Summary of conditions for classification as an SNI MIFIDPRU investment firm and associated calculation requirements

- 1.2.12 G The following table summarises the effect of *MIFIDPRU* 1.2.1R to 1.2.10R.

Measure	Measurement of relevant values	Threshold to be classified as an SNI MIFIDPRU investment firm	Application of threshold on an individual basis or combined basis of investment firms within a group (see MIFIDPRU 1.2.9R and 1.2.10R)	
...				
Whether <i>firm</i> is a <i>clearing member</i> or <i>indirect clearing firm</i> under <i>MIFIDPRU</i> 10.2	<i>Firm</i> must not be a <i>clearing member</i> or <i>indirect clearing firm</i>		Individual	
<u>Whether the <i>firm</i> has been appointed to act as a <i>depository</i> in accordance with <i>FUND</i> 3.11.10R(2) or <i>COLL</i> 6.6A.8R(3)(b)(i)</u>	<u><i>Firm</i> must not be appointed as a <i>depository</i> under the relevant <i>FUND</i> and <i>COLL</i> provisions</u>		<u>Individual</u>	
...				

MIFIDPRU 1 Annex 4R (Notification under MIFIDPRU 1.2.16R that a firm no longer qualifies to be classified as an SNI investment firm) is replaced with the form below. The new text is not underlined.

MIFIDPRU 1 Annex 4R

Notification under MIFIDPRU 1.2.16R that a firm/group no longer qualifies to be classified as an SNI investment firm/group

You must use this form to notify the FCA that the firm/group has ceased to meet one or more of the conditions set out in MIFIDPRU 1.2.1R for being a small and non-interconnected investment firm/group (SNI).

If the reclassification results from a change in regulated activities that the MIFIDPRU investment firm undertakes, and the firm notifies us of that fact as part of a variation of permission application, a separate notification using this form is not required.

1. Please confirm to which of the following this notification is being made (select one):
 - a. the SNI status of a MIFIDPRU investment firm
 - b. the consolidated SNI status of an investment firm group

The questions in this section relate to notifications under 1.a. only.

2. Please provide the following information:

a. Condition(s) no longer met (please select all that apply)

Average AUM <input type="checkbox"/> Average COH (cash trades) <input type="checkbox"/> Average COH (derivatives trades) <input type="checkbox"/> On- and off-balance sheet total <input type="checkbox"/> Total annual gross revenue <input type="checkbox"/> Average CMH <input type="checkbox"/> Average ASA <input type="checkbox"/> Average DTF <input type="checkbox"/> Clearing member/indirect clearing firm status <input type="checkbox"/>
--

b. Date from which conditions ceased to be met

DD/MM/YYYY

3. Where a firm has ceased to meet one or more of the average AUM, average COH, balance sheet or revenue thresholds specified in MIFIDPRU 1.2.15R(2), but continues to meet all other conditions in MIFIDPRU 1.2.1R, it will cease to be classified as an SNI investment firm 3 months after the date on which the relevant threshold was first exceeded.

Please confirm whether the firm continues to meet all conditions in MIFIDPRU 1.2.1R other than those listed in MIFIDPRU 1.2.15R(2).

Yes/No

4. Please confirm your understanding that the firm:
- a. will be subject to additional obligations and reporting requirements as a non-SNI investment firm, and
 - b. will need to comply with the obligations in MIFIDPRU 1.2.18R(1) within 12 months of the date it first ceased to meet the SNI conditions in MIFIDPRU 1.2.R.

Yes

The questions in this section relate to notifications under 1.b. only.

5. Please provide the following information:

a. Condition(s) no longer met on a consolidated basis (please select all that apply)

Average AUM <input type="checkbox"/>
Average COH (cash trades) <input type="checkbox"/>
Average COH (derivatives trades) <input type="checkbox"/>
On- and off-balance sheet total <input type="checkbox"/>
Total annual gross revenue <input type="checkbox"/>
Average CMH <input type="checkbox"/>
Average ASA <input type="checkbox"/>
Average DTF <input type="checkbox"/>
Entity within group deals on own account <input type="checkbox"/>
Non-SNI investment firms within the group <input type="checkbox"/>

b. Date from which conditions ceased to be met on a consolidated basis

<i>DD/MM/YYYY</i>

6. Where a group has ceased to meet one or more of the average AUM, average COH, balance sheet or revenue thresholds specified in MIFIDPRU 1.2.15R(2), but continues to meet all other conditions in MIFIDPRU 1.2.1R on a consolidated basis, it will cease to be treated as an SNI investment firm on a consolidated basis 3 months after the date on which the relevant threshold was first exceeded.

Please confirm whether the group continues to meet all conditions in MIFIDPRU 1.2.1R on a consolidated basis other than those listed in MIFIDPRU 1.2.15R(2).

Yes/No

7. Please confirm your understanding that the group:

- a. will be subject to additional obligations and reporting requirements by being treated as a non-SNI investment firm on a consolidated basis, and
- b. will need to comply with the obligations in SYSC 19G (the MIFIDPRU Remuneration Code), to the extent that they apply on a consolidated basis, within 12 months of the date it first ceased to meet the SNI conditions in MIFIDPRU 1.2.R.

Yes

MIFIDPRU 2 Annex 1R (Application under MIFIDPRU 2.3.3R for an exemption from application of specific requirements on an individual basis) is replaced with the form below. The new text is not underlined.

Part A – Permission under MIFIDPRU 2.3.1R to be exempt from disclosure requirements in MIFIDPRU 8 (Disclosure by investment firms) for SNI firms in consolidated insurance groups

Details of Senior Manager responsible for this application:

If the application is being made in respect of a MIFIDPRU investment firm or another SMCR firm, we would expect the individual responsible for it to hold a senior management function (SMF).

Title	
First names	
Surname	
Job title / position	
Individual reference number (if applicable)	

1. Please confirm that the applicant firm is a small and non-interconnected investment firm (SNI) by providing the following information.

Please refer to MIFIDPRU 1.2.1R, which sets out the basic conditions to be classified as an SNI firm and explains how the numerical metrics should be calculated.

Average AUM	<i>number</i>
Average COH (cash)	<i>number</i>
Average COH (derivatives)	<i>number</i>
On- and off-balance sheet total	<i>number</i>
Annual gross revenue from MiFID services and activities	<i>number</i>

Please tick to confirm that the following statements are true about the applicant firm:

- It does not have permission to deal on own account
- It does not act as a clearing member or an indirect clearing firm
- It does not hold client money and/or safeguard client assets in the course of its MIFID business
- Its average DTF is zero
- It is not appointed to act as a depositary in accordance with FUND 3.11.10R(2) or COLL 6.6A.8R(3)(b)(i)

2. Please provide the FRN and name of the parent insurance/reinsurance undertaking.

FRN	
Name	

3. Please confirm that the PRA has been notified about the firm’s application to be exempt from disclosure requirements in MIFIDPRU 8.

Please note that the FCA will consult the PRA before making a determination.

Yes

Name of PRA contact for this application:

PRA supervisor / contact name	
Phone number	
Email address	

4. Please attach a group structure chart clearly demonstrating that the applicant firm is a subsidiary of a parent insurance/reinsurance undertaking within a PRA consolidation group.

Attached

5. With regards to the own funds held by the parent undertaking and the applicant firm:

- a. Please explain how you are satisfied that own funds are distributed adequately between the two firms:

- b. Please attach a breakdown of the own funds held by each firm.

Attached

6. Please confirm that the following statements are true with respect to the arrangements between the parent undertaking and the applicant firm. Separately, in the text boxes provided please explain how these arrangements satisfy each of the below points and provide supporting evidence wherever possible.

- a. There is no current or foreseen material practical or legal impediment to the prompt transfer of capital or repayment of liabilities by the parent undertaking.

Yes

Supporting evidence/information attached

--

- b. Either the parent undertaking will guarantee the commitments entered into by the firm, or the risks of the firm are of negligible interest.

- Yes
- Supporting evidence/information attached

--

- c. The risk evaluation, measurement and control procedures of the parent undertaking include the firm.

- Yes
- Supporting evidence/information attached

--

- d. The parent undertaking holds more than 50% of the voting rights attached to shares in the capital of the firm or has the right to appoint or remove a majority of the members of the firm’s management body.

- Yes
- Supporting evidence/information attached

--

Part B – Individual exemption from liquidity requirements under MIFIDPRU 2.3.2R for MIFIDPRU investment firms in consolidated CRR or MIFIDPRU groups

Details of Senior Manager responsible for this application:

If the application is being made in respect of a MIFIDPRU investment firm or another SMCR firm, we would expect the individual responsible for it to hold a senior management function (SMF).

Title	
First names	
Surname	
Job title / position	
Individual reference number (if applicable)	

1. Please confirm that the UK parent entity of the investment firm group the applicant firm is part of has not applied for an exemption from consolidated liquidity requirements under MIFIDPRU 2.5.19R.

Yes

2. Please confirm which of the following applies to the applicant firm:

a. The firm is part of a CRR prudential consolidation group and supervised on a consolidated basis; or

Yes

b. The firm is part of an IFPR prudential consolidation group, supervised on a consolidated basis, and the parent undertaking complies with MIFIDPRU 6 on a consolidated basis.

Yes

3. Where 2.a. applies, please confirm that the PRA has been notified about the firm's application to be exempt from liquidity requirements on an individual basis.

The FCA will consult the PRA before making a determination.

Yes

Name of PRA contact for this application:

PRA supervisor / contact name	
Phone number	
Email address	

4. Please attach a group structure chart which clearly identifies the prudential consolidation group that the applicant firm is part of. Please include FRNs of the group entities.

Attached

5. Please explain how the parent undertaking:

a. monitors and oversees the liquidity positions of the applicant firm as well as of all other institutions and MIFIDPRU investment firms within the group that will be exempt from liquidity requirements on an individual basis; and

b. ensures a sufficient level of liquidity for all these entities.

6. The applicant firm is required to have entered into contracts that provide for the free movement of funds between the parent undertaking and the firm to enable each of them to meet their individual obligations and joint obligations as they become due.

a. Please explain how the arrangements between the applicant firm and its parent undertaking satisfy this requirement.

b. To the best of your knowledge, do you foresee any material, practical or legal impediments to these contracts being fulfilled?

- Yes ▶ Give details below
- No

c. Please attach copies of the relevant contracts.

- Attached

...

4 Own funds requirements

...

4.4 Permanent minimum capital requirement

- 4.4.1 R (1) Where a *MIFIDPRU investment firm* has *permission* to carry on any of the *investment services and/or activities* in (2), its *permanent minimum capital requirement* is £750,000, unless *MIFIDPRU 4.4.6R* applies.
- (2) The relevant *investment services and/or activities* are:
- (a) *dealing on own account*;
 - (b) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis; or
 - (c) *operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR 5A.3.5R*.
- (3) Where a *MIFIDPRU investment firm* is appointed to act as a *depository of an unauthorised AIF* in accordance with *FUND 3.11.10R(2)*, its *permanent minimum capital requirement* is £750,000, unless *MIFIDPRU 4.4.6R* applies.

...

- 4.4.3 R (1) Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £150,000.
- (2) The relevant conditions are:
- (a) the *firm* has *permission* for any of the following:
 - ...
 - (iii) holding *client money* or *client* assets in the course of *MiFID business*; ~~and~~
 - (b) the *firm* does not have *permission* for any of the following:
 - ...
 - (iii) *operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by *MAR 5A.3.5R*; and

(c) the firm is not appointed to act as a *depository* in accordance with *FUND 3.11.10R(2)* or *COLL 6.6A.8R(3)(b)(i)*.

4.4.4 R (1) Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £75,000.

(2) The relevant conditions are:

...

(b) the *firm* is not permitted to hold *client money* or client assets in the course of *MiFID business*; and

(c) the firm is not appointed to act as a *depository* in accordance with *FUND 3.11.10R(2)* or *COLL 6.6A.8R(3)(b)(i)*.

...

4.4.6 R Where a *MIFIDPRU investment firm* is appointed to act as the *depository* of a *UK UCITS* or an *authorised AIF*, its *permanent minimum capital requirement* is £4 million.

...

7 Governance and risk management

...

7.6 ICARA process: assessing and monitoring the adequacy of own funds

...

7.6.8 G (1) Some harms may not fit within the *own funds requirement* framework in *MIFIDPRU 4* or *5* because they cannot reasonably be attributed to the activities or risks that the *rules* in those chapters are designed to address. Where those harms are potentially material in nature, a *non-SNI MIFIDPRU investment firm* will need to assess their potential financial impact separately and cannot treat those harms as covered (either wholly or partly) by a requirement under *MIFIDPRU 4* or *5*. This includes the potential material harms resulting from any *regulated activities* that do not constitute *MiFID business* and from any *unregulated activities*.

...

(6) Example 4: A *non-SNI MIFIDPRU investment firm* is appointed as a *depository*. The *K-CMH requirement* and the *K-ASA requirement* apply only in relation to *MiFID business*, and therefore do not apply to its activities as a *depository*. If the *firm*

identifies a potential material harm that results from its activities as a *depository*, it will need to assess the potential financial impact of that harm and hold additional *own funds* to cover that impact. A *firm* may have regard to the general methodology for calculating the *K-CMH requirement* and the *K-ASA requirement* when carrying out the assessment in *MIFIDPRU 7.6.3R* for its activities as a *depository*.

...

9 Reporting

...

9 Annex 2G Guidance notes on data items in MIFIDPRU 9 Annex 1R

This annex consists of guidance which can be found through the following link:

...

Guidance notes for MIFIDPRU 9 Annex 2G

MIF001 – Adequate financial resources (Own funds)

...

8A – Permanent minimum requirement (PMR)

If completed on an individual basis, FCA investment firms should enter one of the following numbers:

- 75 if the firm has a PMR of £75,000
- 150 if the firm has a PMR of £150,000
- 750 if the firm has a PMR of £750,000
- 4000 if the firm has a PMR of £4,000,000

Where a transitional provision allows an FCA investment firm to substitute an alternative PMR, this figure should reflect its standard requirement (and not the alternative lower figure under the transitional provision).

If completed on a consolidated basis, FCA investment firms should enter the consolidated PMR, calculated in accordance with MIFIDPRU 2.5.27R.

...

TP 6 Application of criteria to be classified as an SNI MIFIDPRU investment firm: transitional

...

Missing historical data for application of SNI classification criteria:
transitional for individual MIFIDPRU investment firms

...

6.9 G (1) It is unnecessary to provide transitional arrangements for the following conditions:

...

- (d) the condition relating to the balance sheet total of the *firm* in *MIFIDPRU* 1.2.1R(6); ~~and~~
- (e) the *average DTF* condition in *MIFIDPRU* 1.2.1R(9);
and
- (f) the condition relating to acting as a depositary in *MIFIDPRU* 1.2.1R(10).

...

(3) The conditions in (1)(c), ~~and~~ (1)(d) and (1)(f) do not rely on historical information and therefore can be assessed by the *firm* at the point at which *MIFIDPRU* first begins to apply without any need for transitional arrangements.

...

...

Annex H

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, striking through indicates deleted text.

5A Organised trading facilities (OTFs)

...

5A.3 Specific requirements for OTFs

...

Proprietary trading

...

- 5A.3.8 G *Matched principal trading* does not exclude the possibility of settlement risk, and, accordingly, *firms* should take appropriate steps to minimise this risk. ~~For guidance relating to the treatment of *matched principal trading* for the purposes of *IFPRU* prudential categorisation, see *PERG* 13 Q61 and Q64.~~

...

Annex I

Amendments to the Supervision manual (SUP)

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

3 Auditors

3.1 Application

...

3.1.2 R Applicable sections (see SUP 3.1.1R)

This table and the provisions in SUP 3 should be read in conjunction with GEN 2.2.23R to GEN 2.2.25G. In particular, the PRA does not apply any of the provisions in SUP 3 in respect of FCA-*authorised persons*. SUP 3.10 and SUP 3.11 are applied by the FCA only.

(1) Category of firm		(2) Sections applicable to the firm	(3) Sections applicable to its auditor
...
(7)	<i>Investment management firm, (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM which, in each case, has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3 and 6)</i>	<i>SUP 3.1 - SUP 3.7, SUP 3.11</i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>
(7A)	<i>Investment management firm (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other</i>	<i>SUP 3.1 - SUP 3.7, SUP 3.11</i>	<i>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</i>

	than an <i>exempt CAD firm</i> or an <i>exempt BIPRU commodities firm</i>) or <i>collective portfolio management firm</i> that is an <i>external AIFM</i> not within (7) to which the <i>custody chapter</i> or <i>client money chapter</i> applies		
...
(7C)	<i>MiFID investment firm</i> , which has an auditor appointed under or as a result of a statutory provision other than in the <i>Act</i> (Notes 3B and 6)	<i>SUP</i> 3.1 - 3.7, <i>SUP</i> 3.11	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
(7D)	<i>Sole trader</i> or <i>partnership</i> that is a <i>MiFID investment firm</i> (other than an <i>exempt CAD firm</i>) (Notes 3C and 6)	<i>SUP</i> 3.1 - <i>SUP</i> 3.7, <i>SUP</i> 3.11	<i>SUP</i> 3.1, <i>SUP</i> 3.2, <i>SUP</i> 3.8, <i>SUP</i> 3.10
...
Note 3A [deleted]			
Note 3B = <i>MiFID investment firms</i> include <i>exempt CAD firms</i> . An <i>exempt CAD firm</i> that has opted into <i>MiFID</i> can benefit from the audit exemption for small companies in the Companies Act legislation if it is an <i>exempt investment firm</i> as defined by article 8 of the <i>MiFI Regulations</i> . If a <i>firm</i> does so benefit then <i>SUP</i> 3 will not apply to it. For further details about <i>exempt CAD firms</i> , see <i>PERG</i> 13, Q58. <i>firms</i> that are eligible to be <i>MiFID optional exemption firms</i> but have chosen not to exercise the article 3 exemption. However, such <i>firms</i> may still benefit from the audit exemption for small companies in the Companies Act legislation.			
...			

...

3.1.10 G Other relevant sections of the Handbook (see *SUP* 3.1.9G)

<i>Friendly society</i>	<i>IPRU(FSOC)</i>
<i>Insurer (other than a Solvency II firm or a friendly society)</i>	<i>IPRU(INS)</i>
<i>Investment management firm, personal investment firm, securities and futures firm and collective portfolio management firm (other than IPRU investment firms and BIPRU firms <u>MIFIDPRU investment firms</u>)</i>	<i>IPRU(INV)</i>

<i>Society of Lloyd's and Lloyd's managing agents</i>	<i>IPRU(INS)</i>
---	------------------

...

3.10 Duties of auditors: notification and report on client assets

...

3.10.5 R Client assets report

Whether in the auditor's opinion	
...	...
(3)	in the case of an <i>investment management firm, personal investment firm, a UCITS firm, securities and futures firm, firm acting as trustee or depositary of an AIF, firm acting as trustee or depositary of a UK UCITS or IFPRU investment firm or BIPRU firm a MIFIDPRU investment firm</i> , when a <i>subsidiary of the firm</i> is during the period a <i>nominee company</i> in whose name <i>custody assets</i> of the <i>firm</i> are registered during the period, that <i>nominee company</i> has maintained throughout the period systems for the custody, identification and control of <i>custody assets</i> which:
	(a) were adequate; and
	(b) included reconciliations at appropriate intervals between the records maintained (whether by the <i>firm</i> or the <i>nominee company</i>) and statements or confirmations from <i>custodians</i> or from the <i>person</i> who maintained the record of legal entitlement; and
...	

...

9 Individual guidance

...

9.3 Giving individual guidance to a firm on the FCA's own initiative

...

9.3.2 G The *FCA* may give *individual guidance* to a *firm* on its own initiative if it considers it appropriate to do so. For example:

...

(5) in relation to the maintenance of adequate financial resources, the *FCA* may give a *firm* individual *guidance* on the amount or type of financial resources the *FCA* considers appropriate, ~~for example individual capital guidance for IFPRU investment firms or BIPRU firms; further~~ Further *guidance* on how and when the *FCA* may give ~~individual capital guidance~~ individual guidance on financial resources is contained in the Prudential Standards part of the *Handbook*:

(a) for a *BIPRU firm*: ~~GENPRU 1.2 and BIPRU 2.2;~~ MIFIDPRU investment firm, MIFIDPRU 7.10; and

...

(c) for a *securities and futures firm* (or other *firm* required to comply with *IPRU(INV) 3*): *IPRU(INV) 3-79R*; ~~and~~

(e) ~~for an IFPRU investment firm: IFPRU 2.2. and 2.3.~~ [deleted]

...

10C FCA senior managers regime for approved persons in SMCR firms

...

10C.5A FCA governing functions: Oversight

...

Chair of the remuneration committee function (SMF12)

10C.5A.10 R The *chair of the remuneration committee function* is the function of having responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the *remuneration* policies of a *firm*, including, where applicable to the *firm*, a committee established in accordance with:

(1) ~~SYSC 19A.3.12R (Remuneration Principle 4: Governance);~~ [deleted]

(2) SYSC 19B.1.9R (AIFM Remuneration Principle 3: Governance);

(3) ~~SYSC 19C.3.12R (Remuneration Principle 4: Governance);~~ [deleted]

- (4) SYSC 19D.3.12R (Remuneration Principle 4: Governance);
and
- (5) SYSC 19E.2.9R (UCITS Remuneration Principle 3: Governance); and
- (6) MIFIDPRU 7.3.3R (Remuneration committee).

...

15 Notifications to the FCA

...

15.3 General notification requirements

...

Breaches of rules and other requirements in or under the Act or the CCA

15.3.11 R (1) A *firm* must notify the *FCA* of:

...

- (f) ~~it exceeding (or becoming aware that it will exceed) the limit in BIPRU 10.5.6R; or [deleted]~~

...

...

...

15.8 Notification in respect of particular products and services

...

CTF providers

...

15.8.9 R ~~A BIPRU firm must report to the FCA immediately any case in which its counterparty in a repurchase agreement or reverse repurchase agreement or securities or commodities lending or borrowing transaction defaults on its obligations. [deleted]~~

...

16 Reporting requirements

16.1 Application

- 16.1.1 R This chapter applies to every *firm* and ~~*qualifying parent undertaking*~~ within a category listed in column (2) of the table in SUP 16.1.3R and in accordance with column (3) of that table.

...

- 16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, ~~SUP 16.16~~, ~~SUP 16.17~~, SUP 16.22 and SUP 16.26)

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
...		
SUP 16.18	<i>A full-scope UK AIFM and a small authorised UK AIFM</i>	SUP 16.8.3R
SUP 16.20 [deleted]	<i>A firm to which MIFIDPRU 4.4.1R applies and a <i>qualifying parent undertaking</i> that is required to send a <i>recovery plan</i>, a <i>group recovery plan</i> or information for a resolution plan to the FCA</i>	Entire section
...		

...

16.7A Annual report and accounts

...

Requirement to submit annual report and accounts

- 16.7A.3 R A *firm* in the RAG in column (1) and which is a type of *firm* in column (2) must submit its *annual report and accounts* to the FCA annually on a single entity basis.

(1)	(2)
RAG	Firm type
1	<i>UK bank</i>
	<i>Dormant account operator</i>

	<i>A non-UK bank</i>	
2.2	<i>The Society</i>	
3	<i>MIFIDPRU investment firms</i>	
	All other <i>firms</i> subject to the following chapters in <i>IPRU(INV)</i> :	
	(1)	Chapter 3
	(2)	Chapter 5
	(3)	Chapter 9 [deleted]
4	<i>MIFIDPRU investment firms</i>	
	<i>Collective portfolio management firm</i>	
	All other <i>firms</i> subject to the following chapters in <i>IPRU(INV)</i> :	
	(1)	Chapter 3
	(2)	Chapter 5
	(3)	Chapter 9 [deleted]
	(4)	Chapter 12
	...	

...

16.12 Integrated Regulatory Reporting

...

Regulated Activity Group 3

...

16.12.11 R The applicable *data items* referred to in SUP 16.12.4R are set out according to *firm* type in the table below:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>	
	<i>MIFIDPRU investment firms</i>	Firms other than <i>MIFIDPRU investment firms</i>

		<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 9	<i>IPRU(INV)</i> Chapter 13
Solvency statement	No standard format (note 4)	No standard format (note 6)	No standard format (note 4)		
Balance sheet	FSA029 (note 2)	FSA029 (note 5)	FSA029	FSA029	Section A RMAR
Income statement	FSA030 (note 2)	FSA030 (note 5)	FSA030	FSA030	Section B RMAR
Capital adequacy	MIF001 (notes 2 and 3)	FSA033 (note 5)	FSA034 or FSA035 or FIN071 (note 7)	FSA031	Section D1 RMAR
...					
Threshold conditions					Section F RMAR
Client money and client assets	FSA039	FSA039	FSA039	FSA039	Section C RMAR
CFTC	FSA040 (note 8)	FSA040 (note 8)	FSA040 (note 8)	FSA040 (note 8)	FSA040 (note 8)
Liquidity	MIF002 (notes 2, 3 and 10)				
Metrics reporting	MIF003 (notes 2 and 3)				

Concentration risk (non- <i>K-CON</i>)	MIF004 (notes 2, 3 and 11)				
Concentration risk (<i>K-CON</i>)	MIF005 (notes 2, 3 and 11)				
Group capital test	MIF006 (notes 3 and 12)				
Liquidity Questionnaire	MLA-M (note 9)	MLA-M (note 9)	MLA-M (note 9)	MLA-M (note 9)	MLA-M (note 9)
...				

...

Regulated Activity Group 4

...

- 16.12.15 R The applicable *data items* referred to in SUP 16.12.4R are set out according to *firm* type in the table below:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>						
	<i>MIFID PRU investment firms</i>	<i>Firms other than MIFIDPRU investment firms</i>					
		<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 9	<i>IPRU(INV)</i> Chapter 11	<i>IPRU(INV)</i> Chapter 12	<i>IPRU(INV)</i> Chapter 13

					<i>(collective portfolio management firms only)</i>		
Solvency statement (note 2)	No standard format		No standard format		No standard format		
Balance sheet	FSA029 (note 3)	FSA029	FSA029	FSA029	FSA029	FSA029	Section A RMAR
Income statement	FSA030 (note 3)	FSA030	FSA030	FSA030	FSA030	FSA030	Section B RMAR
Capital adequacy	MIF001 (note 3 and 4)	FSA033	FSA034 or FSA035 or FIN071 (note 5)	FSA031	FIN066	FIN069	Section D1 RMAR
...							
Threshold conditions							Section F RMAR
Volumes and types of business		FSA038	FSA038	FSA038	FSA038		FSA038

Client money and client assets	FSA039	FSA039	FSA039	FSA039	FSA039	FSA039	Section C RMAR
Liquidity	MIF002 (notes 3, 4 and 6)						
Metrics monitoring	MIF003 (notes 3 and 4)						
Concentration risk (non- <i>K-COM</i>)	MIF004 (notes 3, 4 and 7)						
Concentration risk (<i>K-COM</i>)	MIF005 (notes 3, 4 and 7)						
Group capital test	MIF006 (notes 4 and 8)						
Information on <i>P2P agreements</i>						FIN070	
...	...						

...

Regulated Activity Group 6

...

16.12.19A R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>			
	<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 9	<i>IPRU(INV)</i> Chapter 13
Solvency statement (note 6)		No standard format		
Balance sheet	FSA029	FSA029	FSA029	Section A RMAR
Income statement	FSA030	FSA030	FSA030	Section B RMAR
Capital adequacy	FSA033	FSA034 or FSA035 or FIN071 or FIN072 (note 4)	FSA031	Section D1 RMAR
Threshold conditions				Section F RMAR
Client money and assets	FSA039	FSA039	FSA039	Section C RMAR
Pillar 2 questionnaire		FSA019 (note 8)		
...	...			

...

Regulated Activity Group 8

...

16.12.25A R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>				
	<i>MIFIDPRU investment firms</i>	<i>Firms other than MIFIDPRU investment firms</i>			
		<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 9	<i>IPRU(INV)</i> Chapter 13
Solvency statement (note 2)	No standard format				
Balance sheet	FSA029 (note 3)	FSA029	FSA029	FSA029	Section A RMAR
Income statement	FSA030 (note 3)	FSA030	FSA030	FSA030	Section B RMAR
Capital adequacy	MIF001 (notes 3 and 5)	FSA033	FSA034 or FSA035 or FIN071 (note 4)	FSA034	Section D1 RMAR
Liquidity	MIF002 (notes 3 and 5)				
Metrics monitoring	MIF003 (notes 3 and 5)				
Concentration risk (non- <i>K-CON</i>)	MIF004 (notes 3, 5 and 7)				

Concentration risk (<i>K-CON</i>)	MIF005 (notes 3, 5 and 7)				
Group capital test	MIF006 (notes 5 and 6)				
Threshold conditions					Section F RMAR (note 17)
Client money and client assets	FSA039	FSA039	FSA039	FSA039	Section C RMAR (note 13) or FSA039
...	...				

SUP 16.16 (Prudent valuation reporting) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

16.16 Prudent valuation reporting [deleted]

Amend the following as shown.

16 Annex G Notes for completion of the Retail Mediation Activities Return 18B ('RMAR')

Introduction: General notes on the RMAR

...

5. The following table summarises the key abbreviations that are used in these notes:

APF	<i>Authorised professional firm</i>
AR	<i>Appointed representative</i>
CAD	<i>The Capital Adequacy Directive</i>
...	...

...

Section D Regulatory Capital

...

‘Higher of’ requirements

In this section there are separate calculations of regulatory capital and capital resources requirements for the different types of business covered by the data requirements. The calculations are the same, however, for both *home finance mediation activity* and *insurance distribution activity* relating to *non-investment insurance contracts*.

...

- (ii) For such a *firm* that is also subject to ~~*IFPRU*~~ or ~~*GENPRU*~~ and ~~*BIPRU*~~ *MIFIDPRU*, the requirement is the higher of the two capital resources requirements that apply (see *MIPRU* 4.2.5R) and is compared with the higher of the two capital resources calculations (see *MIPRU* 4.4.1R).

...

Guidance for completion of individual fields

<p>Is the <i>firm</i> exempt from these capital resources requirements in relation to any of its retail or distribution mediation activities?</p>	<p>The <i>firm</i> should indicate here if any <i>Handbook</i> exemptions apply in relation to the capital resources requirements in <i>MIPRU</i> or <i>IPRU-INV</i> 13. Examples of <i>firms</i> that may be subject to exemptions include:</p> <ul style="list-style-type: none"> • Lloyd’s <i>managing agents</i> (<i>MIPRU</i> 4.1.11R); • solo consolidated subsidiaries of banks or <i>building societies</i>; • small <i>credit unions</i> (as defined in <i>MIPRU</i> 4.1.8R); and • <i>investment firms</i> not subject to <i>IPRU-INV</i> 13 (unless they additionally carry on <i>home finance mediation activity</i> or <i>insurance distribution activity</i> relating to <i>non-investment insurance contracts</i>).
<p>Home finance mediation and non-investment insurance distribution</p>	
<p>...</p>	<p>...</p>

Other <i>FCA</i> capital resources requirements (if applicable)	<p>The <i>FCA</i> may from time to time impose additional requirements on individual <i>firms</i>. If this is the case for your <i>firm</i>, you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded below.</p> <p>If the <i>firm</i> carries on <i>designated investment business</i> as well as <i>home finance mediation activity</i>, <i>insurance distribution activity</i> or both, requirements under <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>BIPRU</i> <u><i>MIFIDPRU</i></u> and <i>MIPRU</i> must be considered to determine the appropriate requirement (see general notes (i) to (iii) above). If the resulting requirement for a firm is higher than the base <i>MIPRU</i> requirement then you should include the difference here.</p>
...	...
Capital resources	<p>This should be the capital resources calculated in accordance with <i>MIPRU</i> 4 for incorporated or unincorporated <i>firms</i> as applicable.</p> <p>For <i>firms</i> that are additionally subject to <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>CREDS</i> <u><i>MIFIDPRU</i></u>, this should be the higher of the capital resources per <i>MIPRU</i> 4 and the financial resources determined by <i>IPRU(INV)</i>, <i>IFPRU</i>, <i>GENPRU</i> or <i>CREDS</i> <u><i>MIFIDPRU</i></u>. See <i>MIPRU</i> 4.4.1R.</p>
...	...

SUP 16.20 (Submission of recovery plans and information for resolution plans) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

16.20 Submission of recovery plans and information for resolution plans [deleted]

SUP 16 Annex 33A (Remuneration Benchmarking Information Report), SUP 16 Annex 33B (Guidance notes for data items in SUP 16 Annex 33AR), SUP 16 Annex 34A (High Earners Report) and SUP 16 Annex 34B (Guidance notes for data items in SUP 16 Annex 34AR) are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

**16 Annex Remuneration Benchmarking Information Report [deleted]
33A**

16 Annex 33B Guidance notes for data items in SUP 16 Annex 33AR [deleted]

16 Annex 34A High Earners Report [deleted]

16 Annex 34B Guidance notes for data items in SUP 16 Annex 34AR [deleted]

SUP 16 Annex 40 (Data items related to recovery and information for resolution plans) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

16 Annex 40 Data items related to recovery and information for resolution plans [deleted]

Amend the following as shown.

App 2 Insurers: Regulatory intervention points and run-off plans

App 2.2 Interpretation

App 2.2.1 R For the purpose of SUP App 2.1 to 2.14:

(1) “capital resources”:

(a) in relation to a *non-directive friendly society*, has the meaning given to “margin of solvency” in ~~rule 4.1(4) of IPRU(FSOC)~~ rule 2.1 of the Friendly Society – Overall Resources and Guarantee Fund part of the PRA Rulebook;

...

(c) in relation to any other *firm*, which is not a *Solvency II firm*, means the *firm’s capital resources* capital resources as calculated in accordance with ~~GENPRU 2.2.17R~~; and:

(i) in the case of a dormant account fund operator, the version of GENPRU 2.2.17R that applied as at 31 December 2015 (the effect of which has been preserved for the purposes of INSPRU 7);
and

(ii) in the case of a non-directive insurer (other than a non-directive friendly society), the PRA Rulebook: Non-Solvency II Firms: Insurance Company – Capital Resources; and

(d) in relation to a *Solvency II firm* means the *firm’s* “eligible own funds” as defined in the PRA Rulebook: Glossary;

(2) “guarantee fund”: [deleted]

(a) in relation to a *non-directive friendly society*, has the meaning given to that term in *IPRU(FSOC)*;

(c) in relation to a *firm* other than a *Solvency II firm* which is not covered by (a), carrying on *general insurance business*, means the amount of capital resources which that firm must hold to comply with *GENPRU 2.2.34R*; and

(d) in relation to a *firm* other than a *Solvency II firm* which is not covered by (a), carrying on *long term insurance business*, means the amount of capital resources which that *firm* must hold to comply with *GENPRU 2.2.33R*;

...

...

TP1 Transitional provisions

...

TP 1.2

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
...
12W [PRA]	SUP 16.12.5R to SUP 16.12.7R [deleted]	R	If BIPRU TP 30.4R (Liquidity floor for certain banks) applies to a <i>firm</i> the regulatory intervention point mentioned in that <i>rule</i> is added to the list in paragraph (a) of the definition of <i>firm specific liquidity stress</i> in the case of that <i>firm</i> for as long as BIPRU TP 30.4R applies to it.	For as long as BIPRU TP 30.4R applies to the <i>firm</i>	At the end of period set out in column (5)

...
-----	-----	-----	-----	-----	-----

Annex J

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

6 Operating duties and responsibilities

...

6.6A Duties of AFMs in relation to UCITS schemes and EEA UCITS schemes

...

Eligible depositaries for UCITS schemes

6.6A.8 R An *authorised fund manager* must ensure that the *depository* it appoints under *COLL 6.6A.7R* is a *firm established in the United Kingdom* that has the *Part 4A permission of acting as trustee or depository of a UK UCITS* and is one of the following:

- (1) a national central bank; or
- (2) a *credit institution*; or
- (3) a *firm* which:
 - (a) ~~has own funds of not less than the higher of: [deleted]~~
 - (i) ~~the requirement calculated in accordance with articles 315 or 317 of the UK CRR; or~~
 - (ii) £4million; and
 - (b) either:
 - (i) is a full-scope IFPRU investment firm MiFID investment firm; or
 - (ii) is an *investment management firm* to which *IPRU(INV) 5* applies; and
 - (c) satisfies the non-bank depository organisational requirements in *COLL 6.6B.11R*.

[**Note:** article 23(2)(a), (b) and (c) (first sentence) of the *UCITS Directive*]

...

6.6B UCITS depositaries

...

Depositories appointed under COLL 6.6A.8R(3) (non-bank depositories):
Capital requirements

- 6.6B.7 G A *depository* appointed in accordance with COLL 6.6A.8R(3) needs to satisfy the capital requirements in either:
- (1) *IPRU(INV) 5*; or
 - (2) ~~*IFPRU* and the *UK CRR MIFIDPRU*.~~
- 6.6B.8 R ~~A *full scope IFPRU investment firm* which is appointed as a *depository* of a *UCITS scheme* must maintain *own funds* of at least £4million.~~
[deleted]
[Editor's note: this requirement has been moved to MIFIDPRU 4.4.6R.]
- 6.6B.9 G (1) ~~If the *depository* is a *full scope IFPRU investment firm*, it is subject to the capital requirements of *IFPRU* and the *UK CRR*.~~
[deleted]
- (2) ~~However, these requirements are not in addition to COLL 6.6B.8R and therefore that *firm* may use the *own funds* required under *IFPRU* and the *UK CRR* to meet the £4 million requirement.~~
[deleted]

Annex K**Amendments to the Consumer Credit sourcebook (CONC)**

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

2 Conduct of business standards: general

...

2.11 Remuneration and performance management policies, procedures and practices

...

2.11.2 R This section does not apply to a *firm* subject to:

- (1) any of the remuneration provisions in ~~SYSC 19A (IFPRU Remuneration Code)~~ to ~~SYSC 19F (Remuneration and performance management of sales staff)~~ SYSC 19B (AIFM Remuneration Code) to SYSC 19G (MIFIDPRU Remuneration Code); or
- (2) ...

Annex L

Amendments to the Investment Funds sourcebook (FUND)

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

3 Requirements for alternative investment fund managers

...

3.11 Depositaries

...

Eligible depositaries for UK AIFs

3.11.10 R Subject to *FUND* 3.11.12R, an *AIFM* must, for each *UK AIF* it manages, ensure the appointment of a *depositary* which is a *firm established* in the *UK that has the Part 4A permission of acting as trustee or depositary of an AIF* and which is one of the following:

- (1) a *credit institution*; or
- (2) a *MiFID investment firm* or an *EEA MiFID investment firm* which:
 - (a) ~~has own funds of not less than €730,000; and~~
 - (b) provides the *ancillary service* of safe-keeping and administration of *financial instruments* for the account of clients; or
- (3) another category of institution that is subject to prudential regulation and ongoing supervision and which, on 21 July 2011, fell within the categories of institution eligible to be a *trustee* of an *AUT* or a *depositary* of an *ICVC*.

[**Note:** article 21(3)(a) to (c) and (5)(a) of *AIFMD*]

3.11.10A G (1) The capital requirements for a *MiFID investment firm* appointed as a *depositary* in accordance with *FUND* 3.11.10R(2) are contained in *MIFIDPRU*.

- (2) An *EEA MiFID investment firm* appointed as a *depositary* in accordance with *FUND* 3.11.10R(2) should refer to *MIFIDPRU* 1.1.3G and 1.1.4G, which explain the *FCA*'s general approach to its prudential regulation.

3.11.11 G (1) For a *depositary* of a *fund* to be *established* in the *UK*, it must have:

- (a) its registered office in the *UK*, where the *fund* is an *authorised fund*; or
 - (b) its registered office or *branch* in the *UK*, where the fund is an *unauthorised fund*.
- (2) ~~A *MiFID investment firm* that has its registered office in the *UK* must be a *full scope IFPRU investment firm* to meet the requirements of *FUND 3.11.10R(2)*. An *EEA MiFID investment firm* that has a *branch* in the *UK* must meet the capital requirements under the *EU CRR* for a *CRD full scope firm* as implemented in its *Home State* to meet the requirements of *FUND 3.11.10R(2)*. [deleted]~~

...

- 3.11.15 G For certain types of closed-ended *AIFs* (such as private equity, venture capital and real estate funds) a wider range of entities than those specified in *FUND 3.11.10R* may perform the relevant *depository* functions. The *FCA* requires such entities to obtain authorisation as a *depository* to demonstrate that they can meet the commitments inherent in those functions, but imposes a lower level of capital requirements in recognition of the different degree of risk implied by the characteristics of the *AIF*. The capital requirements of such *firms* are contained in *IPRU-INV 5* (particularly *IPRU-INV 5.4.3R* (Own funds requirement)) but if the *firm* also undertakes *MiFID business*, its capital requirements will be contained in *IFPRU*, the *UK CRR*, and the *EU CRR*, or in *GENPRU* and *BIPRU* depending on the scope of that *MiFID business* *MIFIDPRU*.

[Note: recital 34 of *AIFMD*]

Additional requirements for depositaries of authorised *AIFs*

- 3.11.16 R ~~A *MiFID investment firm* (other than a *PRA authorised person*) which is appointed as a *depository* for an *authorised AIF* in accordance with *FUND 3.11.10R(2)* must maintain *own funds* of at least £4 million. [deleted]~~
- [Editor's note: this requirement has been moved to *MIFIDPRU 4.4.6R*.]
- 3.11.17 G ~~Where the *firm* referred to in *FUND 3.11.16R* is a *full scope IFPRU investment firm* which is a *depository* for an *authorised AIF* appointed in line with *FUND 3.11.10R(2)*, it is subject to the capital requirements of *IFPRU* and the *UK CRR* or *EU CRR*. However, these requirements are not in addition to *FUND 3.11.16R* and, therefore, a *firm* subject to this rule may use the *own funds* required under *IFPRU* and the *UK CRR* or *EU CRR* to meet the £4 million requirement. [deleted]~~

Annex M

Amendments to the Regulated Covered Bonds sourcebook (RCB)

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

1 Introduction

1.1 Introduction to sourcebook

...

Other relevant provisions

...

- 1.1.6 G ~~*IFPRU investment firms* which have *exposures to covered bonds* which meet the requirements set out in the provisions of article 129 of the *UK CRR* may benefit from reduced *risk weights* as set out in article 129 of the *UK CRR*. [deleted]~~

...

2 Applications for registration

...

2.3 Determination of registration

...

Liquid assets

- 2.3.20 G *Assets* which would be eligible for inclusion in a liquidity buffer under *BIPRU 12.7* as it applied on 31 December 2021 can be liquid assets for the purposes of limb (a) of the definition of liquid assets in Regulation 1(2) of the *RCB Regulations*. The *FCA* will also expect that liquid assets which consist of deposits should be held in the same currency or currencies as the *regulated covered bonds* issued by the *issuer*.

Annex N

Amendments to the Energy Market Participants guide (EMPS)

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

1 Special guide for energy market participants

1.1 Application and purpose

...

1.1.3 G The reader should note that an *energy market participant* is defined to exclude a number of different categories of *firm*, including any *MiFID investment firm*.

1.2 Parts of the Handbook applicable to oil market participants

1.2.1 R The parts of the *Handbook* and their applicability to *energy market participants* are listed in *EMPS* 1.2.3G. *Energy market participants* should read applicable parts of the *Handbook* to find out what the detailed regulatory requirements for *energy market participants* are.

...

Applicability of parts of Handbook to energy market participants

1.2.3 G This table belong to *EMPS* 1.2.1G

	Part of Handbook	Applicability to energy market participants
...		
Prudential standards	Interim Prudential sourcebooks (<i>IPRU</i>)	Chapter 1 (Application and General) of (Interim Prudential sourcebook: Investment Businesses) applies. Chapter 3 (Financial resources for Securities and Futures Firms which are not MiFID investment firms or which are exempt BIPRU commodities firms or exempt IPRU commodities firms) of <i>IPRU(INV)</i> applies, with the following qualifications: (a) <i>energy market participants</i> whose main business consists of

		<p>the generation, production, storage, distribution and/or transmission of <i>energy</i> may be granted a <i>waiver</i> of Chapter 3 in the <i>FCA</i>'s discretion: see <i>SUP</i> 21. and</p> <p>(b) the concentrated risk requirements do not apply to an <i>energy market participant</i> if it is an <i>exempt IFPRU commodities firm</i> that applies the large exposure requirements in Part Four (articles 387 to 403) of the <i>UK CRR</i> see <i>IPRU(INV)</i> 3 1BR, <i>IPRU(INV)</i> 3 1CG and <i>IPRU(INV)</i> 3 1DG; and [deleted]</p> <p>(c) the concentrated risk requirements apply to an <i>energy market participant</i> if it is an <i>exempt BIPRU commodities firm</i> that satisfies the conditions in <i>BIPRU</i> TP 16 in the version as at 31 December 2013. [deleted]</p> <p>The other parts of <i>IPRU(INV)</i> do not apply.</p> <p>The other sourcebooks do not apply.</p>
	<p>General Prudential sourcebook (<i>GENPRU</i>) [deleted]</p>	<p>Except for provisions on capital requirements and the <i>ICAAP</i> rules, this applies to an <i>energy market participant</i> if it is an <i>exempt BIPRU commodities firm</i>: see <i>BIPRU</i> TP 15.9G <i>BIPRU</i> TP 15.10G. [deleted]</p>
	<p>Prudential sourcebook for Banks, Building Societies and Investment Firms (<i>BIPRU</i>) [deleted]</p>	<p>Except for provisions on capital requirements and the <i>ICAAP</i> rules, this applies to an <i>energy market participant</i> if it is an <i>exempt BIPRU commodities firm</i>: see <i>BIPRU</i> TP 15.9G <i>BIPRU</i> TP 15.10G. [deleted]</p>
	<p>Prudential sourcebook for Investment</p>	<p>Except for provisions on combined buffer, <i>own funds</i>, <i>own funds requirements</i> and the <i>ICAAP</i> rules, this applies to an</p>

	Firms (IFPRU) [deleted]	<i>energy market participant</i> if it is an <i>exempt IFPRU commodities firm</i> : see IFPRU 1.1.1G . [deleted]
Regulatory processes	...	
	Supervision manual (<i>SUP</i>)	<p>This applies, with the following qualifications:</p> <p>(a) in <i>SUP</i> 3 (Auditors), only some provisions apply if <i>IPRU(INV)</i> 3 (Financial Resources for Securities and Futures Firms which are not MiFID investment firms or which are exempt BIPRU commodities firms or exempt IFPRU commodities firms) does not apply to an <i>energy market participant</i> (because it has been granted a <i>waiver</i> of that chapter): see <i>SUP</i> 3.1.2R;</p> <p>(c) <i>SUP</i> 16.12 (Integrated Regulatory Reporting): <i>energy market participants</i> whose main business consists of the generation, production, storage, distribution and/or transmission of <i>energy</i> may be granted a <i>waiver</i> of this section in the <i>FCA</i>'s discretion: see <i>SUP</i> 21;</p> <p>(d) <i>SUP</i> 17A (Transaction reporting): does not apply to <i>energy market participants</i> which are not MiFID investment firms or <i>third country investment firms</i>; and</p> <p>(e) <i>SUP</i> App 2 (Insurers: Scheme of operations) does not apply.</p>
...		

Annex O

Amendments to the Oil Market Participants guide (OMPS)

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

1 Special guide for oil market participants

1.1 Application and purpose

...

1.1.3 **G** The reader should note that an *oil market participant* is defined to exclude a number of different categories of *firm*, including any *MiFID investment firm*.

1.2 Parts of the Handbook applicable to oil market participants

1.2.1 **R** The parts of the *Handbook* and their applicability to *oil market participants* are listed in *OMPS 1.2.2G*. *Oil market participants* should read applicable parts of the *Handbook* to find out what the detailed regulatory requirements for *oil market participants* are.

1.2.2 G Parts of the Handbook applicable to oil market participants

This table belong to *OMPS 1.2.1G*

	Part of Handbook	Applicability to oil market participants
...		
Prudential standards	Interim Prudential sourcebooks (<i>IPRU</i>)	Chapter 1 (Application and General) of <i>IPRU(INV)</i> (Interim Prudential sourcebook: Investment Businesses) applies. Chapter 3 (Financial resources for Securities and Futures Firms which are not MiFID investment firms or which are exempt BIPRU commodities firms or exempt IPRU commodities firms) of <i>IPRU(INV)</i> applies, with the following qualifications: (a) to an <i>oil market participant</i> only if it is a member of a <i>recognised</i>

		<p><i>investment exchange</i> or a <i>designated investment exchange</i> which is, under the rules of that exchange, entitled to trade with other members: see <i>IPRU(INV) 3-1A</i>;</p> <p>(b) the concentrated risk requirements do not apply to an <i>oil market participant</i> if it is an <i>exempt IFPRU commodities firm</i> that applies the <i>large exposure</i> requirements in Part Four (articles 387 to 403) of the <i>UK CRR</i> see <i>IPRU(INV) 3-1BR</i>, <i>IPRU(INV) 3-1CG</i> and <i>IPRU(INV) 3-1DG</i>; and <u>[deleted]</u></p> <p>(c) the concentrated risk requirements apply to an <i>oil market participant</i> if it is an <i>exempt BIPRU commodities firm</i> that satisfies the conditions in <i>BIPRU TP 16</i> in the version as at 31 December 2013. <u>[deleted]</u></p> <p>The other parts of <i>IPRU(INV)</i> do not apply. <u>[deleted]</u></p> <p>The other <i>IPRU</i> sourcebooks do not apply.</p>
	<p>General Prudential sourcebook (<i>GENPRU</i>) <u>[deleted]</u></p>	<p>Except for provisions on capital requirements and the <i>ICAAP rules</i>, this applies to an <i>oil market participant</i> if it is an <i>exempt BIPRU commodities firm</i>: see <i>BIPRU TP 15.9G</i> <i>BIPRU TP 15.10G</i>. <u>[deleted]</u></p>
	<p>Prudential sourcebook for Banks, Building Societies and Investment Firms (<i>BIPRU</i>) <u>[deleted]</u></p>	<p>Except for provisions on capital requirements and the <i>ICAAP rules</i>, this applies to an <i>oil market participant</i> if it is an <i>exempt BIPRU commodities firm</i>: see <i>BIPRU TP 15.9G</i> <i>BIPRU TP 15.10G</i>. <u>[deleted]</u></p>
	<p>Prudential sourcebook for Investment Firms (<i>IFPRU</i>) <u>[deleted]</u></p>	<p>Except for provisions on combined buffer, <i>own funds</i>, <i>own funds requirements</i> and the <i>ICAAP rules</i>, this applies to an <i>oil market participant</i> if it is an <i>exempt</i></p>

		IFPRU commodities firm: see IFPRU 1.1.1G. [deleted]
...		
Regulatory processes	...	
	Supervision manual (<i>SUP</i>) ...	<p>This applies, with the following qualifications:</p> <p>(a) in <i>SUP</i> 3 (Auditors), only some provisions apply if <i>IPRU(INV)</i> 3 (Financial Resources for Securities and Futures Firms which are not MiFID investment firms or which are exempt BIPRU commodities firms or exempt IFPRU commodities firms) does not apply to an <i>oil market participant</i>: see <i>SUP</i> 3.1.2R;</p> <p>(c) <i>SUP</i> 16.7 (Financial reports) does not apply to the <i>firm</i> if <i>IPRU(INV)</i> 3 does not apply: see <i>SUP</i> 16.1.3R and <i>SUP</i> 16.7.5G;</p> <p>(d) <i>SUP</i> 17A (Transaction reporting) does not apply to an <i>oil market participant</i> which is not a MiFID investment firm or a third country investment firm:</p> <p>(e) <i>SUP</i> App 2 (Insurers: Scheme of operations) does not apply.</p>
...		

Annex P

Amendments to the Perimeter Guidance manual (PERG)

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

1 Introduction to the Perimeter Guidance manual

...

1.4 General guidance to be found in PERG

...

1.4.2 G Table: list of general guidance to be found in *PERG*.

Chapter:	Applicable to:	About:
----------	----------------	--------

...

PERG 13:

Guidance on the scope of the <i>UK</i> provisions which implemented MiFID and CRD-IV	Any <i>UK person</i> who needs to know whether <i>MiFID</i> or the CRD and UK CRR (which allow provisions which correspond to the recast CAD to continue to apply to certain firms) apply to him <u>applies to them</u>	the scope of the UK provisions which implemented <i>MiFID</i> and the CRD and UK CRR .
--	--	---

...

10 Guidance on activities related to pension schemes

...

10.4A The application of requirements which implemented EU directives

Q.41A Are pension scheme trustees and administration service providers likely to be subject to authorisation under the UK provisions which implemented the Markets in Financial Instruments Directive or subject to the UK provisions which implemented the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms?

This is possible, but in many instances it is likely that pension scheme trustees and service providers will either not be providing an investment service for the purposes, or otherwise be exempt under the exemptions which were set out in article 2.1 of the *Markets in Financial Instruments Directive* but have been onshored in Part 1 of Schedule 3 to the *Regulated Activities Order*. The following table expands on this in broad terms.

~~As for the UK provisions which implemented the CRD, these will only apply to persons who are MiFID investment firms or CRD credit institutions.~~

Detailed guidance on the scope of the UK provisions which implemented the *MiFID* and ~~the CRD and UK CRR~~ is in *PERG 13*.

In the table below, references to relevant paragraphs of Article 2.1 of *MIFID* should be read as the equivalent exemptions which have been onshored in Part 1 of Schedule 3 to the *Regulated Activities Order*, or, in respect of Article 3 of *MIFID*, which can now be found in regulation 8 of the *MiFI Regulations*.

...

...

13 Guidance on the scope of the UK provisions which implemented MiFID and CRD IV

13.1 Introduction

13.1 The purpose of this chapter is to help *UK* firms consider:

- whether they fall within the scope of the *UK* provisions which implemented Markets in Financial Instruments Directive 2014/65/EU ('MiFID') and therefore are subject to the requirements derived from it; ~~and~~
- how their existing *permissions* correspond to related MiFID derived concepts; ~~;~~
- ~~whether the UK provisions which implemented CRD and the UK CRR apply to them, and for certain firms, whether the provisions which correspond to the recast CAD continue to apply to them; and~~
- ~~if so, which category of investment firm they are for the purposes of the the provisions which correspond to the recast CAD or the UK provisions which implemented CRD and the UK CRR.~~

...

CRD IV [deleted]

~~Investment firms subject to the UK provisions which implemented MiFID, including those who fall within the article 3 MiFID exemption, onshored in regulation 8 of the MiFI Regulations, but opt not to take advantage of it, are subject to the requirements of the UK provisions which implemented CRD and the UK CRR. There are special provisions for certain commodities firms as well as firms whose MiFID investment services and activities are limited to only one or more of the following investment services and activities:~~

- ~~execution of orders on behalf of clients;~~

- ~~portfolio management;~~
- ~~giving investment advice; or~~
- ~~receiving and transmitting client orders, and~~

~~who are not permitted to hold client money or securities nor are authorised to provide ancillary service (1) referred to in Section B of Annex 1 to MiFID, onshored in Part 3A of Schedule 2 to the *Regulated Activities Order* (which is safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management).~~

~~*Collective portfolio management investment firms* (a term that is used to refer to both *AIFM investment firms* and *UCITS investment firms*) are subject to the requirements of the *UK* provisions which implemented *CRD* and the *UK CRR*, unless they are firms whose MiFID investment services and activities are limited to those in the preceding paragraph.~~

~~Under the *UK* implementation of the *CRD* and the *UK CRR*, the level of capital an investment firm subject to MiFID requires is determined by the type of investment services and activities it provides or performs, its scope of permission and any limitations or requirements attaching to that permission (see PERG 13.6). A firm relying on an article 2 or 3 MiFID exemption, onshored in Part 1 of Schedule 3 to the *Regulated Activities Order* and Regulation 8 of the *MiFI Regulations*, is not subject to *CRD* and the *UK CRR*.~~

How does this document work?

This document is made up of Q and As divided into the following sections:

- ...
- Exemptions from MiFID derived provisions (*PERG* 13.5); and
- ~~The *CRD IV* (*PERG* 13.6); and~~
- Flow charts, tables and lists (*PERG* 13 Annex 1; and *PERG* 13 Annex 2; ~~*PERG* 13 Annex 3, *PERG* 13 Annex 4.~~)

We have also included guidance in the form of flow charts to help firms decide whether the *UK* provisions which implemented MiFID ~~and the *CRD* and the *UK CRR*~~ (which allow provisions which correspond to the recast *CAD* to apply to ~~certain firms~~) apply to them as well as permission maps indicating which regulated activities and *specified investments* correspond to MiFID investment services, activities and MiFID financial instruments (see *PERG* 13 Annex 1 and *PERG* 13 Annex 2 ~~and *PERG* 13 Annex 3.~~)

...

13.2 General

Q.1 Why does it matter whether or not we fall within the scope of MiFID?

Depending on whether or not you fall within the scope of MiFID, you may be subject to:

- domestic legislation implementing MiFID (for example, FCA rules);
- “direct EU legislation”, which became part of *UK* law as at IP completion day in accordance with section 3 of the European Union (Withdrawal) Act 2018, and is known as “retained EU law” in accordance with section 6 of

the same legislation. (such as *MiFIR*, ~~*UK CRR*~~ and all directly applicable regulations made under ~~them~~ it or under MiFID); and

- ~~domestic legislation implementing the CRD (see PERG 13.6).~~ other FCA rules or legislation whose scope is drawn by reference to MiFID (for example, the Prudential sourcebook for MiFID investment firms (MIFIDPRU)).

Q.2 Is there anything else we should be reading?

The Q and As complement, and should be read in conjunction with, the relevant legislation and the general guidance on regulated activities, which is in chapter 2 of our Perimeter Guidance manual ('PERG'). ~~The Q and As relating to the CRD and the UK CRR (which allow the recast CAD to apply to certain firms) should be read in conjunction with the relevant parts of our Prudential sourcebook for Investment Firms (IFPRU), the Interim Prudential sourcebook for Investment Businesses (IPRU(INV)), the General Prudential sourcebook ('GENPRU') and the Prudential sourcebook for banks, building societies and investment firms ('BIPRU').~~

Q.3 How much can we rely on these Q and As?

The answers given in these Q and As represent the FCA's views but the interpretation of financial services legislation is ultimately a matter for the courts. How the scope of MiFID ~~and the CRD and the UK CRR~~ affect the regulatory position of any particular person will depend on their individual circumstances. If you have doubts about your position after reading these Q and As, you may wish to seek legal advice. The Q and As are not a substitute for reading the relevant UK provisions which implemented MiFID, ~~the CRD and the UK CRR (and the provisions which correspond to the recast CAD for certain firms).~~

Moreover, MiFID, ~~the CRD and the UK CRR~~ were has been subject to guidance and communications by the European Commission, the European Securities and Markets Authority ('ESMA') and the European Banking Authority ('EBA'), we have now issued guidance on how this will be treated after IP completion day.

...

13.3 Investment Services and Activities

...

Dealing on own account

Q.16 What is dealing on own account (A3, article 4.1(6)) and recital 24)?

...

If a firm executes client orders by standing between clients on a matched principal basis (back-to-back trading), it is both dealing on own account and executing orders on behalf of clients. ~~A firm is still dealing on own account under MiFID if it meets all of the conditions of article 29(2) of CRD (see Q61) or article 5.2 of the recast CAD, as applicable under the CRD and the UK CRR to certain firms (see Q58A).~~ However, a firm which meets all the conditions of these articles of ~~CRD or the~~

~~recast CAD will not be considered as dealing on own account when determining which category of firm it is for the purposes of the FCA's base own funds requirements (see PERG 13.6).~~

...

...

13.5 Exemptions from MiFID

...

The article 3 exemption

...

Q.53 What is the practical effect of exercising the optional exemption for those firms falling within its scope?

You are not a firm to which MiFID applies and so are not a *MiFID investment firm* for the purposes of the Handbook. ~~As such you are not subject to the requirements of the CRD as transposed in the Handbook and the UK CRR. Nor are you a~~ *MIFIDPRU investment firm* subject to the prudential requirements in *MIFIDPRU*.

Article 3.2 of MiFID applies certain MiFID requirements to firms making use of the article 3 exemption. These are implemented in the *Handbook* and the *Act*.

PERG 13.6 (CRD IV) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

13.6 CRD IV [deleted]

Amend the following as shown.

13 Do the UK provisions which implemented MiFID apply to us?

Annex

1

[*Editor's note:* Delete the words “See Annex 3 flow charts 1 and 2 to see how the UK provisions which implemented CRD IV apply to you” from the diagram.]

PERG 13 Annex 3 (Are you subject to the CRD and UK CRR (or allowed to be subject to the recast CAD?)) is deleted in its entirety. The deleted text is not shown but the Annex is marked [deleted] as shown below.

13 Are you subject to the CRD and UK CRR (or allowed to be subject to the recast Annex CAD)? [deleted]

3

Annex Q

Amendments to the Wind-down Planning Guide (WDPG)

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

3 The concept and process of wind-down planning

3.1 What is wind-down planning

...

- 3.1.6 G We know that some *firms* may have carried out similar planning exercises under different but related regulatory processes (e.g. *ICAAP*, ~~*RRD*~~ the *ICARA process*). This guide does not replace or re-interpret those processes. However, *firms* may want to take this guide into account to further strengthen their wind-down planning as well as to consider how consistent these processes are with one another.

[~~Note: Internal Capital Adequacy Assessment Process (*ICAAP*) is for *firms* which are subject to the *UK* provisions which implemented *CRD IV/BIPRU*. Some of these *firms* are also subject to the *UK* provisions which implemented the Recovery and Resolution Directive (*RRD*)~~ the *ICARA process* is the process that *MIFIDPRU investment firms* are required to comply with under *MIFIDPRU 7*.]

...

3.3 Wind-down scenarios: what would make a firm no longer viable?

...

- 3.3.3 G To do this, *firms* may want to consider what events would be likely to make it no longer viable, which is often referred to as reverse stress-testing. A *firm* is not viable if it no longer has adequate financial or non-financial resources to carry on its *regulated activities*. This could happen for a variety of reasons, including:

(1) Significant financial ~~losses~~ losses with no sign of recovery;

...

...

3.4 Effective risk management

...

- 3.4.6 G *Firms* may consider potential options for recovery in the face of adverse business conditions, such as selling part of the business or seeking a capital injection. ~~This is known as *recovery planning*.~~ Even if a *firm*

has ~~carried out recovery planning~~ taken these or similar steps aiming for recovery, wind-down planning can still be relevant as there is no guarantee that recovery options would save the *firm's* business.

~~[Note: Some firms are required to prepare recovery plans, i.e. those subject to the UK provisions which implemented the Recovery and Resolution Directive (RRD).]~~

...

App 5 QRG: wind down scenarios and relevant management information

App 5.1 Generating wind-down scenarios and identifying relevant management information to monitor

App 5.1.1 G To generate wind-down scenarios, a *firm* may consider the following:

...

- (2) which are the business areas subject to the greatest risks, e.g. if a sudden large volatility in the currency market will lead to great ~~losses~~ losses;

...

...

App 5.1.4 G After outlining the wind-down scenario(s), a *firm* identifies the key management information that is most directly related to those scenario(s) and the relevant indicators it will want to monitor for danger signs.

Effective	Less effective
<p>Sample wind-down scenarios (covering those that are fast and slow-moving, <i>firm</i> specific and macro-economic) might include:</p> <ul style="list-style-type: none"> • Severe economic downturn leading to continual losses <u>losses</u> with no sign of recovery; and <p>...</p>	<p>...</p>