MIFIDPRU 2 Annex 7R

Application under MIFIDPRU 2.5.41R for permission to include a portfolio of a third country entity in a consolidated K-CMG requirement

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).

Name of individual	
Job title / position	
Individual reference number (if applicable)	

1. Please specify the FRN (where applicable) and name of the third country entity.

FRN	
Name	

2. Please specify the FRN and name of the consolidating UK parent entity.

FRN	
Name	

3. Please confirm that the consolidating UK parent entity and the third country entity are not part of a group containing a credit institution.

   ☐ Yes

4. Please list the portfolios to which this application relates. Please allocate a different name to each portfolio, and then complete the remaining questions below separately in relation to each portfolio.

#	Portfolio name
Portfolio 1	
Portfolio 2	
Portfolio 3	
Portfolio …	

The questions that follow must be completed separately for each portfolio this application relates to.

5. Please state the name of the portfolio for which a K-CMG permission is requested.

6. Please list all types of positions within the portfolio.

7. Please list all models used to value the positions within the portfolio.

8. Please confirm if the portfolio covers all of the third country entity's trading book positions.

If the third country entity has positions outside of the trading book that give rise to foreign exchange or commodities risk, the FCA would generally expect K-NPR to be calculated in relation to these positions.

☐ Yes
☐ No ▸ Give details below

9. Please confirm that the clearing and settlement of transactions in the relevant portfolio take place under the responsibility of a clearing member of an authorised or recognised central counterparty?

☐ Yes

10. Please confirm which of the following applies:

The third country entity itself is the clearing member	*Yes/No*
The third country entity is a direct client of the clearing member	*Yes/No*
The third country entity is an indirect client of the clearing member	*Yes/No*

11. Where the third country entity is not itself the clearing member, please provide the following information:

Name of clearing member	
Status of clearing member	*Select one of the following:* • *a MIFIDPRU investment firm* • *a designated investment firm*

	• *a third country investment firm* • *a UK credit institution* • *a third country credit institution* • *another entity that is subject to appropriate prudential regulation and supervision in the jurisdiction in which it operates*
FRN/LEI of clearing member	

Where the third country entity is an indirect client of the clearing member, please provide the following information:

Name of intermediary	
Status of intermediary	*Select one of the following:* • *a MIFIDPRU investment firm* • *a designated investment firm* • *a third country investment firm* • *a UK credit institution* • *a third country credit institution* • *another entity that is subject to appropriate prudential regulation and supervision in the jurisdiction in which it operates*
FRN/LEI of intermediary	

Where the clearing member and/or the intermediary do not have an FRN or LEI, please explain why and provide alternative details.

12. This question applies if, in response to question 9 above, the clearing member and/or the intermediary is not a third country investment firm or a third country credit institution, but is "another entity that is subject to appropriate prudential regulation and supervision in the jurisdiction in which it operates".

Please explain how the clearing member and/or the intermediary is/are subject to appropriate prudential regulation and supervision in the relevant jurisdiction(s) by describing the relevant prudential regulation and supervision. Please substantiate your response by providing supporting information.

☐ Supporting information attached

13. One of the conditions of the K-CMG permission is that transactions in the relevant portfolio are either:

a. centrally cleared in an authorised or recognised central counterparty; or

b. settled on a delivery-versus-payment basis under the responsibility of the clearing member.

Please explain how this specific condition is satisfied.

14. In order to meet the conditions of the K-CMG permission, the third country entity is required to provide total margin calculated on the basis of a margin model that meets the criteria set out in MIFIDPRU 4.13.14R.

a. Please confirm whether the margin model is operated:

By the authorised or recognised central counterparty *applies to self-clearing firms*	*Yes/No*
By the relevant clearing member *applies to firms other than self-clearing firms*	*Yes/No*

b. Please provide further details of the margin model, including how it satisfies the specific criteria in MIFIDPRU 4.13.14R.

c. Please confirm whether the parameters of the margin model meet the EMIR standards.

☐ Yes
☐ No ▸ Give details below of the mathematical adjustments that have been applied to produce an alternative margin requirement (see MIFIDPRU 4.13.14R(2))

d. Please demonstrate that this alternative requirement is at least equivalent to the margin requirement that would be produced by a margin model that meets the EMIR standards.

e. Please attach a copy of the agreement with the clearing member concerning the margin model and collateral used.

☐ Attached

15. Please explain the rationale for the decision to calculate a consolidated K-CMG requirement in relation to the portfolio to which this application relates. In your response, please demonstrate that you have taken adequate account of the

nature of, and risk arising from, the third country entity's trading activities, including whether:

a. the main activities of the third country entity are essentially trading activities that are subject to clearing and margining under the responsibility of a clearing member; and

b. other activities performed by the third country entity are material in comparison to those main activities.

16. Please confirm that the rationale for the decision has been clearly documented and approved by the relevant management body or risk management function.

☐ Yes

17. Please provide an indication of how the consolidated capital requirement calculated using K-CMG compares with that calculated using K-NPR.

18. Please confirm who within the third country entity is accountable for the operation of the margin model used. Please provide details of the specific role or function where the knowledge about the margin model sits within the entity (e.g. Head of Risk Management, Head of Models, etc.), rather than an individual's name.

19. Please confirm that the third country entity's ongoing processes and systems for assessing the nature and level of risks to which it is, or might be, exposed take into account the understanding of relevant individuals identified in Question 17 of the margin model for the purposes of considering whether:

a. the resulting consolidated K-CMG requirement for the portfolio is sufficient to cover the relevant risks to which the third country entity is exposed; and

☐ Yes

b. the K-CMG permission remains appropriate in relation to the portfolio for which it was granted.

☐ Yes

20. Please confirm your understanding that you must notify the FCA immediately if the conditions in MIFIDPRU 4.13.9R, as modified by MIFIDPRU 2.5.41R(3), are no longer met by that portfolio.

☐ Yes