

MIFIDPRU 4 Annex 7R

Application under MIFIDPRU 4.13.9R for permission to apply K-CMG to a portfolio, instead of K-NPR

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 confirm that the applicant firm is not part of a group containing a credit institution.

Yes

2. 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.

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

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If the K-CMG permission in respect of this portfolio is granted, please confirm if it will also be applied for the purpose of calculating the group's consolidated market risk requirement (where applicable).

Yes/No

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

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

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6. Please confirm whether the portfolio covers all of the firm's trading book positions.

If the firm has positions outside of the trading book that give rise to foreign exchange or commodities risk, the FCA would generally expect it to calculate K-NPR in relation to these positions.

- Yes
 No ▶ Give details below

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7. 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

8. Please confirm which of the following applies:

The firm itself is the clearing member	Yes/No
The firm is a direct client of the clearing member	Yes/No
The firm is an indirect client of the clearing member	Yes/No

9. Where the firm is not the clearing member itself, please provide the following information:

Name of clearing member	
Status of clearing member	<i>Select one of the following:</i> <ul style="list-style-type: none">● other MIFIDPRU investment firm● a designated investment firm● a third country investment firm● a UK credit institution● a third country credit institution
FRN/LEI of clearing member	

Where the firm is an indirect client of the clearing member, please provide the following information:

Name of intermediary	
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Status of intermediary	Select one of the following: <ul style="list-style-type: none"> • <i>other MIFIDPRU investment firm</i> • <i>a designated investment firm</i> • <i>a third country investment firm</i> • <i>a UK credit institution</i> • <i>a third country credit institution</i>
FRN/LEI of intermediary	

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

10. 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:

11. In order to meet the conditions of the K-CMG permission, the firm 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 <i>[applies to self-clearing firms]</i>	Yes/No
By the relevant clearing member <i>[applies to firms other than self-clearing firms]</i>	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 if 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. If you answered “no” under (c), please demonstrate that the 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

- 12. Please explain the rationale for the decision to calculate a 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 firm’s trading activities, including whether:

- a. the main activities of the firm 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 firm are material in comparison to those main activities.

- 13. Please confirm that the rationale for the decision has been clearly documented and approved by the firm’s management body or risk management function.

Yes

- 14. Please show how the firm’s capital requirement calculated using K-CMG compares with that calculated using K-NPR.

- 15. Please confirm who within the firm 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 firm (e.g. Head of Risk Management, Head of Models, etc.), rather than an individual’s name.

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16. Please confirm that the firm's understanding of the margin model is integrated into its ICARA process to determine whether:
- a. the resulting K-CMG requirement is sufficient to cover the relevant risks to which the firm is exposed; and
 Yes
 - b. the K-CMG permission remains appropriate in relation to the portfolio for which it was granted.
 Yes
17. Please confirm your understanding that you must notify the FCA immediately if any of the conditions in MIFIDPRU 4.13.9R are no longer met by any of the portfolios to which this application relates.
 Yes