

The Prudential Sourcebook For Banks, Building Societies And Investment Firms

BIPRU TP 21 Close substitutes for commodities

21.1	R	Application This section applies to a <i>BIPRU firm</i> that on 31 December 2006 was applying the approach referred to in the first column of the table in <i>BIPRU TP 21.3R</i> with respect to particular grades or brands of the same <i>commodity-class</i> .
21.2	R	Commodities: close substitutes A notice given under the <i>IPRU</i> provision in the second column of the table in <i>BIPRU TP 21.3R</i> is treated as having been given under <i>BIPRU 7.4.23 R</i> (Notice to the <i>appropriate regulator</i> about treatment of different grades or brands of the same <i>commodity</i>) for the purposes of <i>BIPRU 7.4.22 R</i> (Treatment of different grades or brands of the same <i>commodity</i>) with respect to the <i>commodity</i> grades or brands referred to in <i>BIPRU TP 21.1R</i> .
21.3	R	Table: Commodity treatments under <i>IPRU</i> This table belongs to <i>BIPRU TP 21.2R</i>
<i>IPRU</i> provisions setting out <i>commodity</i> approach Paragraph 22(2) of appendix 6 of chapter 10 of <i>IPRU(INV)</i> [deleted]		<i>IPRU</i> provisions under which notice given Paragraph 23 of appendix 6 of chapter 10 of <i>IPRU(INV)</i>
21.4	G	Explanation <i>BIPRU 7.4.22 R (1)(b)</i> says that a <i>firm</i> should treat <i>positions</i> in different grades or brands of the same <i>commodity-class</i> as different <i>commodities</i> unless they are close substitutes and have price movements which have exhibited a stable correlation coefficient of at least 0.9 over the last

12 months. BIPRU 7.4.23 R says that a *firm* should notify the FCA in writing at least 20 *business days* prior to the date the *firm* starts relying on this treatment. The purpose of this section is to allow a notice given under the corresponding provisions of chapter 10 of *IPRU(INV)* to continue to have effect without the *firm* having to serve a new notice under BIPRU 7.4.23 R.