

# Chapter 2

## Capital



## Capital resources table for a BIPRU firm deducting illiquid assets

The capital resources calculation for an investment firm that deducts illiquid assets		
Type of capital	Related text	Stage
<b>Core tier one capital</b>		<b>(A)</b>
<i>Permanent share capital</i>	GENPRU 2.2.83 R	
Profit and loss account and other reserves (taking into account material interim net losses)	GENPRU 2.2.85 R to GENPRU 2.2.90 R	
<i>Eligible partnership capital</i>	GENPRU 2.2.93 R; GENPRU 2.2.95 R	
<i>Eligible LLP members' capital</i>	GENPRU 2.2.94 R; GENPRU 2.2.95 R	
<i>Sole trader capital</i>	None	
<i>Share premium account</i>	GENPRU 2.2.101 R	
Externally verified interim net profits	GENPRU 2.2.102 R	
<b>Hybrid capital</b>		
Stage B1	GENPRU 2.2.115A R to GENPRU 2.2.117B R	(B1)
Stage B2	GENPRU 2.2.115D R to GENPRU 2.2.117B R	(B2)
Stage C	GENPRU 2.2.115F R to GENPRU 2.2.117B R	(C)
Total tier one capital before deductions = A + B1 + B2 + C		<b>(D)</b>
<b>Deductions from tier one capital</b>		<b>(E)</b>
Investments in own <i>shares</i>	None	
Intangible assets	GENPRU 2.2.155 R	
Excess of drawings over profits for partnerships, <i>limited liability partnerships</i> and <i>sole traders</i>	GENPRU 2.2.100 R; there is no related text for <i>sole traders</i>	
Net losses on equities held in the available-for-sale financial asset category	GENPRU 2.2.185 R	
(For certain limited purposes only certain additional deductions are made here)	GENPRU 2.2.239R (2) to GENPRU 2.2.239R (4)	
<b>Total tier one capital after deductions = D-E</b>		<b>(F)</b>
<b>Upper tier two capital</b>		<b>(G)</b>
Perpetual cumulative <i>preference shares</i>	GENPRU 2.2.159 R to GENPRU 2.2.181 R	
Perpetual subordinated debt	See previous entry	

The capital resources calculation for an investment firm that deducts illiquid assets		
Type of capital	Related text	Stage
Perpetual subordinated securities	See previous entry	
Revaluation reserves	GENPRU 2.2.185 R	
General/collective provisions	GENPRU 2.2.187 R to GENPRU 2.2.189 R	
Surplus provisions	GENPRU 2.2.190 R to GENPRU 2.2.193 R	
<b>Lower tier two capital</b>		<b>(H)</b>
Fixed term <i>preference shares</i>	GENPRU 2.2.159 R to GENPRU 2.2.174 R; GENPRU 2.2.194 R to GENPRU 2.2.196 R	
Long term subordinated debt	See previous entry	
Fixed term subordinated securities	See previous entry	
<b>Total tier two capital = G+H</b>		<b>(I)</b>
<b>Deductions from tier two capital</b>		<b>(J)</b>
(For certain limited purposes only certain additional deductions are made here)	GENPRU 2.2.239R (2) to GENPRU 2.2.239R (4)	
<b>Total tier two capital after deductions = I - J</b>		<b>(K)</b>
<b>Total tier one capital plus tier two capital = F+K</b>		<b>(L)</b>
<b>Deductions from the totals of tier one and two</b>		<b>(M)</b>
<i>Expected loss</i> amounts and other negative amounts	GENPRU 2.2.236 R	(Part 1 of stage M)
<i>Securitisation positions</i>	GENPRU 2.2.237 R	
<i>Reciprocal cross-holdings</i>	GENPRU 2.2.217 R to GENPRU 2.2.220 R	(Part 2 of stage M)
<b>Total tier one capital plus tier two capital after deductions = L-M</b>		<b>(N)</b>
In calculating whether a <i>firm's capital resources</i> exceed its <i>capital resources requirement</i> :		
(1)the <i>credit risk capital component</i> and the <i>counterparty risk capital component</i> ; or		
(2)the <i>base capital resources requirement</i> ; as the case may be, must be deducted here.		
<b>Upper tier three</b>		<b>(O)</b>
Short term subordinated debt	GENPRU 2.2.241 R to GENPRU 2.2.245 R	
<b>Lower tier three</b>		<b>(P)</b>
Net interim <i>trading book</i> profit and loss	GENPRU 2.2.246 R to GENPRU 2.2.249 R	
<b>Total tier three capital=O+P</b>		<b>(Q)</b>
<b>Total capital before deductions = N+Q</b>		<b>(R)</b>
<b>Deductions from total capital</b>		<b>(S)</b>
<i>Illiquid assets</i>	GENPRU 2.2.259 R to GENPRU 2.2.260 R	

The capital resources calculation for an investment firm that deducts illiquid assets		
Type of capital	Related text	Stage
<i>Free deliveries</i>	BIPRU 14.4	
<b>Total capital after deductions = R-S</b>		<b>(T)</b>
In calculating whether a <i>firm's capital resources</i> exceed its <i>capital resources requirement</i> , the <i>market risk capital requirement</i> and the <i>fixed overheads requirement</i> must be deducted here.		

Note (1): Where the table refers to related text, it is necessary to refer to that text in order to understand fully what is included in the descriptions of capital items and deductions set out in the table.

Note (2): If the amount calculated at:

(a) stage N less the deductions in respect of the *capital resources requirement* made immediately following stage N; or

(b) stage T less the deductions in respect of the *capital resources requirement* made immediately following stages N and T;

is a negative number the *firm's capital resources* are less than its *capital resources requirement*.