

Chapter 3

Own funds

3.1 Base own funds requirement

Application

- 3.1.1 **R** This section applies to an *IFPRU investment firm*, unless it is an *exempt IFPRU commodities firm*.
- 3.1.2 **R** This section applies to a *firm* in relation to the whole of its business, except where a particular provision provides for a narrower scope.
- 3.1.3 **G** The adequacy of a *firm's own funds* needs to be assessed in relation to all the activities of the *firm* and risks to which they give rise.

Purpose

- 3.1.4 **G** This section implements EC standards for the *base own funds requirement* to be held by an *IFPRU investment firm*. In particular, it implements articles 28 and 29 of *CRD*.
- 3.1.5 **G** Principle 4 requires a *firm* to maintain adequate financial resources. ■ **IFPRU 3** sets out provisions that deal specifically with the adequacy of that part of a *firm's financial resources* that consists of *own funds* in addition to Parts Two (Own Funds) and Three (Capital requirements) of the *UK CRR*.

Main requirement

- 3.1.6 **R**
- (1) Subject to (2), an *IFPRU investment firm* must maintain, at all times, *common equity tier 1 capital* equal to, or in excess of, the *base own funds requirement*.
 - (2) For the purpose of (1), the *common equity tier 1 capital* of an *IFPRU investment firm* must comprise only of one or more of the items referred to in article 26(1)(a) to (e) of the *UK CRR* (Common equity tier 1 items).

[Note: article 28(1) of *CRD*]

- 3.1.7 **R** At the time that it first becomes an *IFPRU investment firm*, a *firm* must hold *initial capital* of not less than the *base own funds requirement* applicable to that *firm*.

Calculation of the base own funds requirement

3.1.8 **R** The amount of an *IFPRU investment firm's base own funds requirement* is set out in the table in **IFPRU 3.1.9 R**.

Table: Base own funds requirement

3.1.9 **R** This table belongs to **IFPRU 3.1.8 R**.

Firm Category	Amount: Currency equivalent of
<i>IFPRU 730K firm</i>	€730,000
<i>IFPRU 125K firm</i>	€125,000
<i>IFPRU 50K firm</i>	€50,000

[Note: articles 28(2), 29(1) and 29(3) of CRD]

3.1.10 **G** A *collective portfolio management investment firm* is required to maintain *base own funds requirement* of €125,000 (in line with **IPRU(INV) 11.3.1R(1)**).