

## Chapter 11

# Collective Portfolio Management Firms and Collective Portfolio Management Investment Firms



## 11.6 ADDITIONAL REQUIREMENTS FOR COLLECTIVE PORTFOLIO MANAGEMENT INVESTMENT FIRMS

- 11.6.1** **G** A *collective portfolio management investment firm* is required to comply with the applicable requirements of either of the following sourcebooks in addition to complying with ■ IPRU-INV 11:
- (1) *GENPRU* and *BIPRU* if it is a *BIPRU firm*; or
  - (2) *IFPRU* if it is *IFPRU investment firm*.
- 11.6.2** **G**
- (1) A *collective portfolio management investment firm* may undertake the following *MiFID business: portfolio management; investment advice; safekeeping and administration in relation to shares or units of collective investment undertakings; and (if it is an AIFM investment firm) reception and transmission of orders in relation to financial instruments*.
  - (2) Subject to the conditions that the *firm* is not authorised to provide safekeeping and administration in relation to *shares* or *units* of collective investment undertakings and is not permitted to hold client money or client assets in relation to its *MiFID business* (and for that reason may not place itself in debt with those clients) competent authorities may allow the *firm* to stay on the capital requirements that would be binding on that *firm* as at 31 December 2013 under the *Banking Consolidation Directive* and the *Capital Adequacy Directive* (in line with article 95(2) of the *EU CRR*). The *FCA* has exercised this derogation and, as such, a *firm* meeting those conditions is a *BIPRU firm*. If the above conditions are not met, a *collective portfolio management investment firm* is an *IFPRU investment firm*.
- 11.6.3** **G** A *collective portfolio management investment firm* is required to comply with the applicable requirements of the sourcebooks set out in ■ IPRU-INV 11.6.1G, in parallel with its requirements under ■ IPRU-INV 11. This means that a capital instrument may be used to meet either or both sets of requirements provided it meets the conditions set out in the relevant sourcebook.
- 11.6.4** **G**
- (1) When a *collective portfolio management investment firm* that is a *BIPRU firm* calculates the *credit risk capital requirement* and the

*market risk capital requirement* for the purpose of calculating the variable capital requirement under ■ GENPRU 2.1.40R it must do so only in respect of *designated investment business*. For this purpose, *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.

- (2) Generally, *BIPRU* only applies to a *collective portfolio management investment firm* that is a *BIPRU firm* in respect of its *designated investment business* (excluding *managing an AIF* and *managing a UCITS*). However, ■ BIPRU 2.2 (Internal capital adequacy standards), ■ BIPRU 2.3 (Interest rate risk in the non-trading book), ■ BIPRU 8 (Group risk - consolidation) and ■ BIPRU 11 (Disclosure) apply to the whole of its business.

**11.6.5**

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- (1) When a *collective portfolio management investment firm* that is an *IFPRU investment firm* calculates the total risk exposure amount in article 92(3) of the *EU CRR*, the *own funds requirements* referred to in article 92(3)(a) (Risk weighted exposure amount for credit risk and dilution risk) and article 92(3)(b) (Risk weighted exposure amount for position risk) should include only those arising from its *designated investment business*. For this purpose, *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.
- (2) Generally, *IFPRU* only applies to the *designated investment business* (excluding *managing an AIF* and *managing a UCITS*) of a *collective portfolio management investment firm* that is an *IFPRU investment firm*. However, ■ IFPRU 2.2 (Internal capital adequacy standards) and ■ IFPRU 2.3 (Supervisory review and evaluation process: Internal capital adequacy standards) apply to the whole of its business.