

Chapter 13

Financial Resources Requirements for Personal Investment Firms

13.13 CAPITAL RESOURCES REQUIREMENT FOR AN EXEMPT CAD FIRM AND A CATEGORY B FIRM

Application

13.13.1 **R** This section applies to a *personal investment firm* which is either:

- (1) an *exempt CAD firm*; or
- (2) a *category B firm*.

Requirement

13.13.2 **R** (1) A *firm* to which *MIPRU* does not apply must calculate its capital resources requirement as in (2).

(2) The *firm* must calculate its capital resources requirement as the higher of:

- (a) £20,000; and
- (b) the amount equivalent to the applicable percentage of its *annual income* specified in table 13.13.2(2)(b), depending on the type of *firm*.

Table 13.13.2(2)(b)

This table forms part of ■ IPRU-INV 13.13.2R.

(A)	(B) Type of <i>firm</i>	(C) Applicable percentage of <i>annual income</i>
(1)	<i>Exempt CAD firm</i>	5%
(2)	<i>Category B1 firm</i>	10%
(3)	<i>Category B2 firm</i>	10%
(4)	<i>Category B3 firm</i> which is permitted to carry on the activity of <i>managing investments</i> in respect of portfolios containing only <i>life policies</i> or to delegate such activity to an <i>investment firm</i>	10%
(5)	<i>Category B3 firm</i> not in (4)	5%

13.13.3 **R**

- (1) A *firm* to which *MIPRU* also applies must calculate its capital resources requirement as in (2).
- (2) The *firm* must calculate its capital resources requirement as the higher of:
 - (a) £20,000; and
 - (b) the sum of:
 - (i) the amount that would have applied to it under **IPRU-INV 13.13.2R(2)(b)** if it were a *firm* of the type in column (B) of table 13.13.2(2)(b); and
 - (ii) the capital resources requirement in **MIPRU 4.2.** (Capital resources requirements), after excluding the fixed amounts specified in table 13.13.3(2)(b)(ii).

Table 13.13.3(2)(b)(ii)

This table forms part of **IPRU-INV 13.13.3R.**

Activity	Provision	Fixed amount
<i>Insurance distribution activity or home finance mediation activity</i>	MIPRU 4.2.11R(1)(a) (<i>firm</i> not holding <i>client money</i> or assets)	£5,000
	MIPRU 4.2.11R(2)(a) (<i>firm</i> holding <i>client money</i> or assets)	£10,000
<i>Home financing and home finance administration</i> (not connected to regulated mortgage contracts)	MIPRU 4.2.12R(1)(a)	£100,000
<i>Home finance administration</i> (with all assets off balance sheet)	MIPRU 4.2.19R(1)	£100,000
<i>Home financing and home finance administration</i> (connected to regulated mortgage contracts)	MIPRU 4.2.23R(1)	£100,000

13.13.4 **G**

- (1) **IPRU-INV 13.13.4G(2)** illustrates how a *firm* that is subject to this section and *MIPRU* calculates its capital resources requirement under **IPRU-INV 13.13.3R.**
- (2) Example: A *category B3 firm* with annual income of £300,000 under this section and £100,000 from its *home finance mediation activity* (without holding *client money*) should calculate capital resources requirement as specified in table 13.13.4G(2).

Table 13.13.4G(2)

This table forms part of **IPRU-INV 13.13.4G.**

Requirement	Calculation	Amount
The capital resources requirement is the higher of:		

Requirement	Calculation	Amount
(1) £20,000; and	£20,000	£20,000
(2) The sum of:		
(a) the amount that would have applied to it under IPRU-INV 13.13.2R(2)(b) if it were a firm of the type in column (B) of table 13.13.2(2)(b); and	As this is a <i>category B3 firm</i> , the applicable calculation is 5% of £300,000.	£15,000
(b) the capital resources requirement in MIPRU 4.2. (Capital resources requirements), after excluding the fixed amounts specified in table 13.13.3(2)(b)(ii).	For a <i>firm</i> carrying on <i>home finance mediation activity</i> without holding <i>client money</i> , MIPRU 4.2.11R(1) specifies a requirement of 2.5% of £100,000 (excluding the amount of £5,000 in MIPRU 4.2.11R(1)(a)).	£2,500
	Total of part (2) of the capital resources requirement, which is £15,000 plus £2,500.	£17,500
	The capital resources requirement is the higher of part (1), which is £20,000, and part (2), which is £17,500.	£20,000

13.13.5

R

A *firm* whose permission includes *establishing, operating or winding up a personal pension scheme* must calculate its capital resources requirement as the sum of:

- (1) the capital resources requirement that is applied under
 - IPRU-INV 13.13.2R(2) or ■ IPRU-INV 13.13.3R(2); and
- (2) the financial resources requirement calculated in accordance with
 - IPRU-INV 5 (Investment Management Firms).