

## Chapter 13

# Financial Resources Requirements for Personal Investment Firms

## 13.14 CALCULATION OF ANNUAL INCOME FOR AN EXEMPT CAD FIRM AND A CATEGORY B FIRM

### Application

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

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

### Annual income

13.14.2 **R** This section applies to a *firm* when it calculates *annual income* for its capital resources requirement.

13.14.3 **R** (1) "*Annual income*" is the *annual income* from the *firm's designated investment business* as given in its reporting form in (3) drawn up at its most recent *accounting reference date*.

(2) In (1), the most recent *accounting reference date* is the last one for which the *firm* reported *annual income*.

(3) The relevant reporting form under ■ SUP 16.12 is:

- (a) the Retail Mediation Activities Return (*RMAR*) (Section B: Profit and Loss Account) for a *category B firm*; and
- (b) FSA030 (Income Statement) for an *exempt CAD firm*.

(4) If the *firm's* most recent reporting form does not cover a 12-month period, the *annual income* is derived by converting the amount reported, proportionally, to a 12-month period.

(5) If the *firm* does not yet have a reporting form under (1), the *annual income* is taken from the forecast or other appropriate accounts which the *firm* has submitted to the *FCA*.

13.14.4 **R** *Annual income* must include the following amounts due to the *firm* in respect of its *designated investment business*:

- (1) brokerage;
- (2) *fees*;

(3) *commissions*; and

(4) other related income (for example, administration charges or profit shares).

**13.14.5** **G** A *firm* should include in its *annual income* those amounts it may have agreed to pay to other *persons* involved in a *transaction*, such as other intermediaries or self-employed *advisers*.

**13.14.6** **G** A *firm* should not include in its *annual income* those amounts due to it that are used in the calculation of its capital resources requirement under ■ MIPRU 4.2.11R (Capital resources requirement: insurance distribution activity or home finance mediation activity only) or ■ MIPRU 4.2.20R (Capital resources requirement: insurance distribution activity and home financing, or home finance administration).

**13.14.7** **G** For the purpose of ■ IPRU-INV 13.14.3R, a *firm* should ensure that the amount of *annual income* adequately reflects the level of its *designated investment business* when deciding whether to add any income not included under any of the reporting forms in IPRU-INV 13.4.3R(3). In doing so, the *firm* should have regard to its circumstances, for example, where such income is being accounted for by a third party.

**13.14.8** **R** If a *firm* is a *principal*, its *annual income* includes amounts due to its *appointed representative* for activities related to *designated investment business* for which the *firm* has accepted responsibility.

**13.14.9** **G** If a *firm* is a *network*, its *annual income* should include the relevant income due to all of its *appointed representatives* for *designated investment business*.