

Chapter 14

Chapter 14 Consolidated Supervision for Investment Businesses

14.5 GROUP FINANCIAL RESOURCES REQUIREMENT

14.5.1

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A *firm* must calculate its *group financial resources requirement* as the aggregate of:

- (1) the sum of the financial resources requirements of all group entities within the scope of consolidation calculated in accordance with rule 14.5.2, except that:
 - (a) requirements in respect of intra-group balances with other entities within the scope of consolidation should be excluded; and
 - (b) [deleted]
- (2) the sum of any adjustments that are made to each *firm's* financial resources, calculated on a solo basis in accordance with rule 14.4.3, in order to arrive at the amount of financial resources used to meet its solo financial resources requirement. These adjustments must exclude deductions in respect of the investment in and other relationships with other entities that are included within the scope of consolidation.
- (3) [deleted]

The financial resources requirements of entities in which the group holds a *participation* must be included proportionately.

14.5.2

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Financial resources requirements for individual entities in the group are:

- (1) for *firms* regulated by the FCA, their regulatory capital requirement under FCA rules;
- (2) [deleted]
- (2A) for entities that are *recognised third country credit institutions* or *recognised third country investment firms* and which are subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement;
- (2B) for entities not in (2A) that are regulated by a third country competent authority named in the table in ■ BIPRU 8 Annex 6R as it applied on 31 December 2021 and which is subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement; and

- 14.5.3 G
- (3) for other entities in the group, a notional financial resources requirement calculated as if the entity were regulated by the *FCA*.
- (1) For the purposes of rule 14.5.2(3) the notional financial resources requirements of group entities should normally be calculated as if the entities were subject to the financial rules in IPRU-INV relevant to the main *firm* in the group. The interpretation of 'main' given in 14.4.4 G applies here.
- (2) For the purposes of calculating an expenditure-based requirement, no account should be taken of expenses that have been recharged to another entity included in the scope of consolidation. For example, in calculating the notional requirement for a service company, the expenditure-based requirement should be calculated net of recharged expenses. This is to avoid double counting of the expenses.
- (3) [deleted]
- 14.5.4 G
- A *firm* may apply for a *waiver* of rule 14.5.1R, to permit a line-by-line approach to determine its *group financial resources requirement*. A *firm* should also demonstrate that calculating its *requirement* in this way does not result in a distortion of the *group financial resources requirement*.