

## Chapter 5

# Financial resources

5.11 Position risk requirement

5.11.1 R A *firm's position risk requirement* is determined by calculating on a daily mark to market basis, the sum of the weighted value of each position held by the *firm*. The weighted value for each position must be calculated by multiplying its current market value by the appropriate factor set out in IPRU-INV 5.11.2R.

[Note: this requirement does not attach to items deducted in full as illiquid assets]

| Instrument  |                         | Requirement |           |          |
|---|-------------------------|-------------|-----------|----------|
| A Debt  | Maturity                | 0-2 years   | 2-5 years | >5 years |
| Central Government  |                         | 2%          | 5%        | 13%      |
| Qualifying debt securities                                  |                         |             |           |          |
| · fixed rate  |                         | 8%          | 8%        | 15%      |
| · floating rate   |                         | 10%         | 10%       | 15%      |
| Non-qualifying debt securities                              |                         |             |           |          |
| · fixed rate  |                         | 10%         | 20%       | 30%      |
| · floating rate   |                         | 30%         | 30%       | 30%      |
| B Equities  |                         |             |           |          |
| · Traded on a recognised or designated investment exchange. | 25%                     |             |           |          |
| · other   | 100%                    |             |           |          |
| C Stock position in physical commodities                    |                         |             |           |          |
| · Physical positions associated with                        | 30% of realisable value |             |           |          |

|  |   |
|--|---|
| <i>firm's investment business</i>                  |   |
| D Derivatives                                      |   |
| · Exchange traded futures and written options      | 4 x initial margin requirement.   |
| · otc futures and written options                  | Apply the appropriate percentage shown in Sections A, B, & C above to the market value of the underlying position.  |
| · Purchased options                                | Apply the appropriate percentage shown in Sections A, B & C above to the market value of the underlying position but the result may be limited to the market value of the option. |
| · Contracts for differences                        | 20% of the market value of the contract.  |
| E Other investments                                |   |
| · units in regulated collective investment schemes | 25% of realisable value.  |
| · with profit life policies                        | 20% of surrender value.   |
| · other  | 100% of the value of <b>investment</b> or underlying instrument.  |