

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]

5.11.2

R

| 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 | | | |

| | |
|--|---|
| firm's investment business | |
| 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 investment or underlying instrument. |