Chapter 5

Financial resources

5

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.