# 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. |