

Chapter 5

Financial resources

5.11 Position risk requirement

5.11.1

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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

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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.