

# 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.