

Chapter 5

Financial resources

5.17 Other assets requirement

- 5.17.1** **R** The requirement to be met in respect of the assets set out in IPRU-INV 5.17.2R, other than those to which position risk requirements and counterparty risk requirements apply or which have been deducted in full as illiquid assets, and in respect of off-balance sheet items set out in IPRU-INV 5.17.2R, must be calculated as follows:

A	= AV x RF where
A	= the amount of the requirement;
AV	= the current asset value; and
RF	= the appropriate risk factor derived from IPRU-INV 5.17.2R.

5.17.2 R	Assets and Off-Balance Sheet Items	Risk Factor
	Assets	
	Cash at bank and in hand and equivalent items	NIL
	Assets secured by acceptable collateral including deposits and certificates of deposit with lending institutions	NIL
	Amount due from trustees of authorised unit trusts or depositaries of authorised contractual schemes	NIL
	Note 1	
	This only applies to <i>firms</i> who are <i>authorised unit trust managers</i> in relation to <i>authorised unit trusts</i> or <i>authorised contractual scheme</i> managers in relation to authorised contractual schemes they manage.	
	Amount due from depositaries of ICVCs	NIL
	Note 2	
	This only applies to <i>firms</i> who are <i>authorised corporate directors</i> in relation to ICVCs they operate	
	Other receivables due from or explicitly guaranteed by or deposits with category a bodies	NIL
	Other receivables due from or explicitly guaranteed by or deposits with category b bodies	1.6%
	Pre-payments and accrued income (see paragraph 10 of IPRU-INV 5.8.2R)	8%
	<i>Defined benefit asset</i>	NIL
	Deferred acquisition cost asset	NIL
	All other assets	8%
	OFF-BALANCE SHEET ITEMS	

Full Risk Items e.g.		
Charges granted against assets		8% x counterparty weight (see IPRU-INV 5.14.1R)
Guarantees given		
Medium Risk Items e.g.		
Undrawn credit facilities granted by the <i>firm</i> with an original maturity of more than one year		4% x counterparty weight (see IPRU-INV 5.14.1R)
Low Risk Items e.g.		
Undrawn credit facilities granted by the <i>firm</i> with an original maturity of one year or less		NIL
Note		
(1)	In determining the appropriate other assets requirement (OAR) for guarantees given in a group context, a <i>firm</i> should follow the calculation below:	
(a)	Categorise the guarantee agreements into:	
	(i)	those with the character of credit substitutes; or
	(ii)	those not having the character of credit substitutes; or
	(iii)	agreements to provide guarantees.
(b)	Calculate the weighted value.	
	(i)	For guarantees falling under (1)(a)(i), the weighted value will be 100% of the estimated current year liability under the guarantee.
	(ii)	For guarantees falling under (1)(a)(ii) the weighted value will be 50% of the estimated current year liability under the guarantee.
	(iii)	For guarantees falling under (1)(a)(iii), the weighted value will be nil.
(c)	The OAR is calculated as: Weighted value x 8% x counterparty weighting (IPRU-INV 5.14.1R)	
(2)	For the purpose of this requirement, in assessing whether the guarantee has the characteristics of a credit substitute the following factors should be considered:	
(a)	do the agreements allow for periodic or ad-hoc calling of funds;	
(b)	have the guarantees been drawn upon on a regular basis;	
(c)	do <i>firms</i> in the group rely on such guarantees to meet their working capital or regulatory capital requirements?	

- (3) Where a *firm* is part of a group including other *FCA* regulated entities which together have entered into cross-group guarantee arrangements which give rise to an OAR, the estimate of the potential liability under the guarantee may be apportioned between the regulated entities for the purpose of calculating each *firm's* OAR.