

# 5 App 1

## Appendix 5(1): Glossary of terms for IPRU-INV 5

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**5App 1.1** G The following words or terms throughout ■ IPRU-INV 5 appearing in bold (other than headings and titles) are to have the meanings given to them below if not inconsistent with the subject or context. If a defined term is italicised the definition appearing in the main Handbook Glossary applies.

Term	Meaning
accounting reference date	<p>means:</p> <p>(a) the date to which a <i>firm's</i> accounts are prepared in order to comply with the relevant Companies Act legislation. In the case of a <i>firm</i> not subject to Companies Act legislation, the equivalent date selected by the <i>firm</i>; and</p> <p>(b) in the case of an <b>OPS firm</b> which is not subject to the relevant Companies Act legislation, the date to which the accounts of the <b>OPS</b> in respect of which the firm acts are prepared.</p>
annual expenditure category a body	<p>has the meaning given in IPRU-INV 5.5.1 (Determination).</p> <p>means:</p> <p>(a) the government or central bank of a zone a country; or</p> <p>(b) EU or Euratom (the European Atomic Energy Community); or</p> <p>(c) the government or central bank of any other country, provided the receivable in question is denominated in that country's national currency.</p>
category b body	<p>means:</p> <p>(a) the European Investment Bank (EIB) or a multi-lateral development bank; or</p> <p>(b) the regional government or local authority of a zone a country; or</p>

Term	Meaning
	(c) an <b>investment firm</b> or credit institution authorised in a zone a country; or
	(d) a recognised clearing house or exchange; or
	(e) an <b>investment firm</b> or credit institution authorised in any other country, which applies a financial supervision regime at least equivalent to the Capital Adequacy Directive.
counterparty	means any person with or for whom a <i>firm</i> carries on regulated business or an ancillary activity.
counterparty risk requirement	has the meaning given in IPRU-INV 5.11.1R (Counterparty risk requirement).
expenditure based requirement	means the requirement calculated in accordance with IPRU-INV 5.9.1R (Expenditure based requirement).
financial resources	has the meaning given in IPRU-INV 5.2.3R (Financial resources).
financial resources requirement	has the meaning given in IPRU-INV 5.4.1R (Determination of requirement).
financial resources rules	has the meaning given in IPRU-INV 5.2.
financial return	means quarterly financial return or monthly financial return as the case may be.
foreign exchange position	has the meaning given in IPRU-INV 5.14.1R (Foreign exchange requirement).
investment	means a designated investment in the main <i>Glossary</i> .
investment business	means designated investment business in the main <i>Glossary</i> .
investment firm	has the meaning given to <i>investment firm</i> in the main <i>Glossary</i> except that it excludes persons to which <i>MiFID</i> does not apply as a result of articles 2 or 3 of <i>MiFID</i> .  Note: An investment <i>firm</i> is not necessarily a firm for the purposes of the rules.
investment manager	means a person who, acting only on behalf of a customer, either:  (a) manages an account or portfolio in the exercise of discretion; or  (b) has accepted responsibility on a continuing basis for advising on the composition of the account or portfolio.
liquid capital	has the meaning given in IPRU-INV 5.3.1R (Calculation of own funds and liquid capital).
liquid capital requirement	has the meaning given in IPRU-INV 5.4.4R (Liquid capital requirement).
non-retail client	means a professional client or an eligible <b>counterparty</b> .
OPS or occupational pension scheme	means any scheme or arrangement which is comprised in one or more instruments or agreements and which has, or is capable of having, effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions or otherwise, payable on termination of service, or on death or retirement, to or respect of earners with qualifying service in an employment of any such description or category.

Term	Meaning
OPS firm	<p>means:</p> <p>(a) a <i>firm</i> which:</p> <p>(i) carries on <b>OPS</b> activity but not with a view to profit; and</p> <p>(ii) is one or more of the following:</p> <p>(A) a trustee of the <b>occupational pension scheme</b> in question;</p> <p>(B) a company owned by the trustees of the <b>occupational pension scheme</b> in question;</p> <p>(C) a company which is:</p> <p>(I) an employer in relation to the <b>occupational pension scheme</b> in question in respect of its employees or former employees or their dependants; or</p> <p>(II) a company within the group which includes an employer within (I); or</p> <p>(III) an administering authority subject to the Local Government Superannuation Regulations 1986; or</p> <p>(b) a <i>firm</i> which:</p> <p>(i) has satisfied the requirements set out in (a) at any time during the past 12 months; but</p> <p>(ii) is no longer able to comply with those requirements because of a change in the control or ownership of the employer referred to in (a)(ii) during that period.</p>
otc derivative	means interest rate and foreign exchange contracts covered by Annex III to the previous version of the Banking Consolidation Directive (i.e. Directive (2000/12/EC) and off balance sheet contracts based on equities which are not traded on a recognised or designated investment exchange or other exchange where they are subject to daily margin requirements, excluding any foreign exchange contract with an original maturity of 14 calendar days or less.
other assets requirement	has the meaning given in IPRU-INV 5.17.1R (Other assets requirement).
own funds	has the meaning given in IPRU-INV 5.3.1R and IPRU-INV 5.3.2R, as applicable.
own funds requirement	has the meaning given in IPRU-INV 5.4.3R and IPRU-INV 5.4.4R (Own funds requirement), as applicable.
permitted business	means regulated activity which a <i>firm</i> has permission to carry on.
position risk requirement	has the meaning given in IPRU-INV 5.11.1R (Position risk requirement).

Term	Meaning
prescribed subordinated loan agreement	means the subordinated loan agreement prescribed by the appropriate regulator for the purposes of IPRU-INV 5.6.4R.
qualifying capital instrument	means that part of a <i>firm's</i> capital which is a security of indeterminate duration, or other instrument, that fulfils the following conditions: <ul style="list-style-type: none"> <li>(a) it may not be reimbursed on the bearer's initiative or without the prior agreement of the appropriate regulator;</li> <li>(b) the debt agreement must provide for the <i>firm</i> to have the option of deferring the payment of interest on the debt;</li> <li>(c) the lender's claims on the <i>firm</i> must be wholly subordinated to those of all non-subordinated creditors;</li> <li>(d) the documents governing the issue of the securities must provide for debt and unpaid interest to be such as to absorb losses, whilst leaving the firm in a position to continue trading; and</li> <li>(e) only fully paid-up amounts shall be taken into account.</li> </ul>
qualifying capital item	means that part of a <i>firm's</i> capital which has the following characteristics: <ul style="list-style-type: none"> <li>(a) it is freely available to the <i>firm</i> to cover normal banking or other risks where revenue or capital losses have not yet been identified;</li> <li>(b) its existence is disclosed in internal accounting records; and</li> <li>(c) its amount is determined by the management of the <i>firm</i> and verified by independent auditors, and is made known to, and is monitored by, the FCA.</li> </ul>
qualifying property	has the meaning given in IPRU-INV 5.7.1R (Qualifying property and qualifying amount defined).
qualifying subordinated loan	has the meaning given in IPRU-INV 5.6 (Qualifying subordinated loans).
qualifying undertaking	has the meaning given in IPRU-INV 5.7.3R (Qualifying undertakings).
readily realisable investment	means a unit in a regulated collective <b>investment</b> scheme, a life policy or any marketable investment other than one which is traded on or under the rules of a recognised or designated investment exchange so irregularly or infrequently: <ul style="list-style-type: none"> <li>(a) that it cannot be certain that a price for that <b>investment</b> will be quoted at all times; or</li> <li>(b) that it may be difficult to effect transactions at any price which may be quoted.</li> </ul>
regulated business	means designated investment business in the main <i>Glossary</i> .

Term	Meaning
relevant foreign exchange items	<p>means:</p> <ul style="list-style-type: none"> <li>(a) all assets less liabilities, including accrued interest, denominated in the currency (all investments at market or realisable value);</li> <li>(b) any currency future, at the nominal value of the contract;</li> <li>(c) any forward contract for the purchase or sale of the currency, at the contract value, including any future exchange of principal associated with currency swaps;</li> <li>(d) any foreign currency options at the net delta (or delta-based) equivalent of the total book of such options;</li> <li>(e) any non-currency option, at market value;</li> <li>(f) any irrevocable guarantee;</li> <li>(g) any other off-balance sheet commitment to purchase or sell an asset denominated in that currency.</li> </ul>
reporting currency	means the currency in which the <i>firm's</i> books of account are maintained.
specified trustee business	<p>1. means any <b>investment business</b> carried on in the UK by a trustee <i>firm</i>, but excluding each of the following activities:</p> <ul style="list-style-type: none"> <li>(a) Dealing or arranging deals in investments <ul style="list-style-type: none"> <li>(i) where the deal is transacted or arranged by a trustee firm with or through a PTP; or</li> <li>(ii) where the dealing or arranging is done in the course of, or is incidental to, an activity of management falling within paragraph (b) below; or</li> <li>(iii) where the trust is a unit trust scheme and the deal is or the arrangements are made with a view to either an issue or sale of units in such a scheme to, or a redemption or repurchase or conversion of such units or a dealing in <b>investments</b> for such a scheme carried out by with or through, the operator or on the instructions of the operator; or</li> <li>(iv) where the trustee <i>firm</i>, being a bare trustee (or, in Scotland, a nominee) holding <b>investments</b> for another person, is acting on that person's instructions; or</li> <li>(v) where any arrangements do not or would not bring about the transaction in question.</li> </ul> </li> </ul>

Term	Meaning
(b)	<p>Managing investments</p> <p>(i) where the trustee <i>firm</i> has no general authority to effect transactions in <b>investments</b> at discretion; or</p> <p>(ii) if and to the extent that all day-to-day decisions in relation to the management of the <b>investments</b> or any discrete part of the <b>investments</b> are or are to be taken by a PTP; or</p> <p>(iii) if and to the extent that <b>investment</b> decisions in relation to the <b>investments</b> or any discrete part of the <b>investments</b> are or are to be taken substantially in accordance with the advice given by a PTP; or</p> <p>(iv) where the trustee <i>firm</i> is a personal representative or executor and is acting in that capacity; or</p> <p>(v) where the trust is a unit trust scheme and all day-to-day <b>investment</b> decisions in the carrying on of that activity are or are to be taken by the operator of the scheme.</p>
(c)	<p>Investment advice</p> <p>(i) where the relevant advice:</p> <p>(A) does not recommend the entry into any <b>investment</b> transaction or the exercise of any right conferred by any <b>investment</b> to acquire, dispose of, underwrite or convert such an <b>investment</b>; and</p> <p>(ii) if and to the extent that the relevant advice is in substance the advice of a PTP; or</p> <p>(iii) where the relevant advice is given by the trustee <i>firm</i> acting in the capacity of personal representative or executor.</p>
(d)	<p>Establishing, operating or winding up a collective investment scheme including acting as trustee of an authorised unit trust scheme but only to the extent that such activities do not otherwise constitute specified trustee business.</p>
(e)	<p>Any <b>trustee activity</b> undertaken as trustee of an issue of debentures or government or public securities:</p>

Term	Meaning
	<ul style="list-style-type: none"> <li>(i) where the issue is made by a company listed on a recognised investment exchange or on a designated investment exchange (or by a wholly-owned subsidiary of such a company); or</li> <li>(ii) where the issue is listed or traded either on a recognised investment exchange or on a designated investment exchange or on the Société de la Bourse de Luxembourg; or</li> <li>(iii) where the issue is made by a government, local authority or international organisation; or</li> <li>(iv) where the aggregate amounts issued (pursuant to the trust deed or any deed supplemental thereto and ignoring any amounts redeemed, repurchased or converted) exceed the sum of £10,000,000.</li> </ul>
2.	<p>For the purpose of this definition of "specified trustee business":</p> <ul style="list-style-type: none"> <li>(a) a transaction is entered into through a person if that person: <ul style="list-style-type: none"> <li>(i) enters into it as agent; or</li> <li>(ii) arranges for it to be entered into as principal or agent by another person and the arrangements are such that they bring about the transaction in question;</li> </ul> </li> <li>(b) investment transaction means a transaction to purchase, sell, subscribe for or underwrite a particular <b>investment</b> and "investment decision" means a decision relating to an investment transaction;</li> <li>(c) debentures means any securities falling within article 77 of the RAO;</li> <li>(d) government or public securities means any securities falling within article 78) of the RAO;</li> <li>(e) government, local authority or international organisation means: <ul style="list-style-type: none"> <li>(i) the government of the United Kingdom, of Northern Ireland, or of any country or territory outside the United Kingdom;</li> <li>(ii) a local authority in the United Kingdom or Anywhere; or</li> <li>(iii) an international organisation the members of which include the United Kingdom.</li> </ul> </li> </ul>

Term	Meaning
	(f) in determining the size of an issue of debentures or government or public securities made in a currency other than sterling, the amount of the issue shall be converted into sterling at the exchange rate prevailing in London on the date of issue.
total capital requirement	has the meaning given in IPRU-INV 5.4.5R (Total capital requirement).
trading book	in relation to a <i>firm's</i> business or exposures, means: <ul style="list-style-type: none"> <li>(a) its proprietary positions in financial instruments: <ul style="list-style-type: none"> <li>(i) which are held for resale and/or are taken on by the <i>firm</i> with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;</li> <li>(ii) arising from matched principal broking;</li> <li>(iii) taken in order to hedge other elements of the trading book;</li> </ul> </li> <li>(b) exposures due to unsettled securities transactions, free deliveries, <b>OTC derivative</b> instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and</li> <li>(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.</li> </ul>
trustee activity	means, in relation to a <i>firm</i> , any activity undertaken in the course of or incidental to the exercise of any of its powers, or the performance of any of its duties, when
unit trust manager	means the manager of a unit trust scheme.
zone b country	means a country which is not a Zone A country in the <i>Glossary</i> .