

# 9 App 1

## Appendix 9(1): Interpretation

### App 1 Interpretation

#### 9App 1.1 G Glossary of defined terms for Chapter 9

Note: If a defined term does not appear in the glossary below, the definition appearing in the *Handbook Glossary* applies.

<i>approved exchange</i>	means an investment exchange listed as such in Appendix 33 to IPRU-INV 3.
<i>exchange</i>	means a <i>recognised investment exchange</i> or <i>designated investment exchange</i> .
<i>initial capital</i>	means the initial capital of a <i>firm</i> calculated in accordance with section 9.3.
<i>intangible assets</i>	the full balance sheet value of a <i>firm's</i> intangible assets including goodwill, capitalised development costs, licences, trademark and similar rights etc.
<i>intermediate broker</i>	in relation to a <i>marginised transaction</i> , means any person through whom the <i>firm</i> undertakes that transaction.
<i>material current year losses</i>	means losses of an amount equal to 10% or more of <i>initial capital</i> minus B (with B calculated in accordance with Table 9.5.2R).
<i>material holding</i>	means a <i>firm's</i> holdings of shares and any other interest in the capital of a <i>credit institution</i> or <i>financial institution</i> : (a) which exceeds 10% of the capital of the issuer, and, where this is the case, any holdings of subordinated debt of the same issuer, the full amount is a <i>material holding</i> ; or (b) holdings not deducted under (a) if the total amount of such holdings exceeds 10% of that <i>firm's own funds</i> , in which case only the excess amount is a <i>material holding</i> .
<i>material insurance holdings</i>	(a) means the holdings of an <i>exempt CAD firm</i> of items of the type set out in (b) in any: (i) <i>insurance undertaking</i> ; or (ii) <i>insurance holding company</i> that fulfils one of the following conditions:

	<p>(iii) it is a <i>subsidiary undertaking</i> of that <i>firm</i>; or</p> <p>(iv) that <i>firm</i> holds a participation in it.</p> <p>(b) An item falls into this provision for the purpose of (a) if it is:</p> <p>(i) an <i>ownership share</i>; or</p> <p>(ii) subordinated debt or another item of capital that forms part of the tier two capital resources that falls into GENPRU 2 or, as the case may be, INSPRU 7, or is an item of “basic own funds” defined in the PRA Rulebook: Glossary.</p>
<i>own funds</i>	means the own funds of a <i>firm</i> calculated in accordance with 9.2.9R(2) and The Interim Prudential Sourcebook for Investment Businesses Chapter 9: Financial resources requirements for an exempt CAD firm Page 2 of 2 Version: November 2007 9.2.8R(b).
<i>own funds requirement</i>	means the requirement set out in 9.2.9R(1) and 9.2.8R(b).
<i>verified</i>	<p>means checked by an external auditor who has undertaken at least to:</p> <p>(a) satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;</p> <p>(b) review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the <i>firm</i> in drawing up its annual financial statements and are in accordance with the relevant accounting principles;</p> <p>(c) perform analytical procedures on the result to date, including comparisons of actual performance to date with budget and with the results of prior period(s);</p> <p>(d) discuss with management the overall performance and financial position of the <i>firm</i>;</p> <p>(e) obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisioning for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and</p> <p>(f) follow up problem areas of which he is already aware in the course of auditing the <i>firm's</i> financial statements.</p>