

Own funds

Chapter 3

Own funds

3.1 Application and purpose

Application

3.1.1

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This chapter applies to:

- (1) a *MIFIDPRU investment firm*; and
 - a *UK parent entity* that is required by ■ MIFIDPRU 2.5.7R to comply with ■ MIFIDPRU 3 on the basis of its *consolidated situation*.

3.1.2

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This chapter also applies to a *parent undertaking* that is subject to the *group capital test* in accordance with ■ MIFIDPRU 2.6.5R, but with the following modifications:

- (1) the definitions in ■ MIFIDPRU 2.6.2R apply when calculating the *own funds instruments* of the *parent undertaking* for the purposes of the *group capital test*; and
- (2) ■ MIFIDPRU 3.2.2R and ■ MIFIDPRU 3.2.3R do not apply, but ■ MIFIDPRU 3.7 applies instead.

3.1.3

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For the purposes of this chapter:

- (1) any reference to the "*UK CRR*" is to the *UK CRR* in the form in which it stood on 1 January 2022, read together with any CRR rules (as defined in section 144A of the Act) made by the *PRA* that applied on that date;
- (2) where a term is not italicised but is defined in the *UK CRR*, the definition in the *UK CRR* applies;
- (3) where this chapter applies to a parent undertaking that is not a *firm*, reference to a "*MIFIDPRU investment firm*" or a "*firm*" includes a reference to that *parent undertaking*; and
- (4) where this chapter applies on the basis of the *consolidated situation* of an entity under ■ MIFIDPRU 3.1.1R(2), a reference in this chapter to a "*firm*" is a reference to the hypothetical single *MIFIDPRU investment firm* created under the *consolidated situation*.

Purpose

3.1.4

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This chapter contains requirements for the calculation of a *MIFIDPRU investment firm's own funds*. These requirements are based on the provisions

in Title I of Part Two of the *UK CRR*, but with the modifications set out in this chapter.

Supplementary provisions

3.1.5

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■ MIFIDPRU 3 Annex 7R (Additional provisions relating to own funds) and
■ MIFIDPRU 3 Annex 8R (Prudent valuation and additional valuation adjustments) contain supplementary provisions that are relevant to certain *rules* in this chapter or certain requirements in the *UK CRR* that are cross-applied by *rules* in this chapter. A *firm*, *UK parent entity* or *GCT parent undertaking* that is applying a relevant *rule* in this chapter should therefore also refer to those annexes.

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