

Chapter 4

Own funds requirements

4.4 Permanent minimum capital requirement

4.4.1

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- (1) Where a *MIFIDPRU investment firm* has *permission* to carry on any of the *investment services and/or activities* in (2), its *permanent minimum capital requirement* is £750,000, unless ■ MIFIDPRU 4.4.6R applies.
- (2) The relevant *investment services and/or activities* are:
 - (a) *dealing on own account*;
 - (b) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis; or
 - (c) *operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by ■ MAR 5A.3.5R.
- (3) Where a *MIFIDPRU investment firm* is appointed to act as a *depository* of an *unauthorised AIF* in accordance with ■ FUND 3.11.10R(2), its *permanent minimum capital requirement* is £750,000, unless ■ MIFIDPRU 4.4.6R applies.

4.4.2

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- (1) Under ■ MAR 5A.3.5R (Proprietary trading), a *firm* that has *permission* to *operate an organised trading facility* may *deal on own account* in the following ways without requiring separate *permissions* for *dealing on own account*:
 - (a) *matched principal trading* in the course of operating the *OTF*; or
 - (b) *dealing on own account* in relation to *sovereign debt* instruments for which there is no liquid market.
- (2) A *firm* that is *operating an organised trading facility* and does not wish to carry on the activities in (1) may apply to the *FCA* under section 55H of the *Act* for a *limitation* that prohibits the *firm* from carrying on the activities on the basis of that *permission*.
- (3) The effect of ■ MIFIDPRU 4.4.1R(2)(c) is that if a *firm* is *operating an organised trading facility* and is not subject to the *limitation* described in (2), the *firm's permanent minimum capital requirement* is £750,000.

4.4.3

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- (1) Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £150,000.

- (2) The relevant conditions are:
- (a) the *firm* has *permission* for any of the following:
 - (i) *operating a multilateral trading facility*;
 - (ii) *operating an organised trading facility*, if the *firm* is subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by ■ MAR 5A.3.5R;
 - (iii) holding *client money* or *client assets* in the course of *MiFID business*;
 - (b) the *firm* does not have *permission* for any of the following:
 - (i) *dealing on own account*;
 - (ii) underwriting of *financial instruments* and/or placing of *financial instruments* on a firm commitment basis;
 - (iii) *operating an organised trading facility*, if the *firm* is not subject to a *limitation* that prevents it from carrying on the activities otherwise permitted by ■ MAR 5A.3.5R; and
 - (c) the *firm* is not appointed to act as a *depository* in accordance with ■ FUND 3.11.10R(2) or ■ COLL 6.6A.8R(3)(b)(i).

4.4.4

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- (1) Where a *MIFIDPRU investment firm* satisfies the conditions in (2), its *permanent minimum capital requirement* is £75,000.

- (2) The relevant conditions are:
- (a) the only *investment services and/or activities* that the *firm* has *permission* to carry on are one or more of the following:
 - (i) reception and transmission of orders in relation to one or more *financial instruments*;
 - (ii) *execution of orders on behalf of clients*;
 - (iii) *portfolio management*;
 - (iv) *investment advice*; or
 - (v) placing of *financial instruments* without a firm commitment basis; and
 - (b) the *firm* is not permitted to hold *client money* or *client assets* in the course of *MiFID business*; and
 - (c) the *firm* is not appointed to act as a *depository* in accordance with ■ FUND 3.11.10R(2) or ■ COLL 6.6A.8R(3)(b)(i).

4.4.5

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The relevant *permanent minimum capital requirement* under this section applies to a *collective portfolio management investment firm* in parallel with its *base own funds requirement* under ■ IPRU-INV 11. This means that a *collective portfolio management investment firm* must comply with both requirements, but they are not cumulative.

4.4.6

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Where a *MIFIDPRU investment firm* is appointed to act as the *depository* of a *UK UCITS* or an *authorised AIF*, its *permanent minimum capital requirement* is £4 million.