Chapter 5

Concentration risk

5.2 Monitoring obligation

5

5.2.1 R A *firm* must monitor and control its *concentration risk* using sound administrative and accounting procedures and robust internal control mechanisms.

5.2.2 G MIFIDPRU 5.2.1R requires a *firm* to monitor and control all sources of *concentration risk*. This is not limited to *trading book* exposures, but also includes any concentration in assets not recorded in a *trading book* (for example, trade debts) and off-balance sheet items. It also includes any *concentration risk* that may arise from the following:

(1) the location of *client money*;

(2) the location of *custody assets*;

(3) a *firm's* own cash deposits; and

(4) earnings.