

## Chapter 5

# Concentration risk

## 5.3 Overview of concentration risk requirements for dealing on own account

### 5.3.1



■ MIFIDPRU 5.4 to ■ MIFIDPRU 5.10 contain the *concentration risk* requirements that apply to the *trading book* exposures of a *MIFIDPRU investment firm* that is *dealing on own account*:

- (1) ■ MIFIDPRU 5.4 explains how a *firm* should calculate the value of its exposure to each *client* or *group of connected clients* (the *exposure value* or *EV*).
- (2) ■ MIFIDPRU 5.5.1R explains how a *firm* should calculate the *concentration risk soft limit* for its exposure to a *client* or *group of connected clients*.
- (3) ■ MIFIDPRU 5.5.3R explains how a *firm* should calculate the value by which its exposure to each *client* or *group of connected clients* exceeds the *concentration risk soft limit* (the *exposure value excess* or *EVE*). The *EVE* is relevant to the calculation of the *K-CON requirement*.
- (4) ■ MIFIDPRU 5.6 contains the obligation to calculate the *K-CON requirement* and to notify the *FCA* if the value of a *firm's* exposure to a *client* or *group of connected clients* exceeds the *concentration risk soft limit*.
- (5) ■ MIFIDPRU 5.7 explains how to calculate the *K-CON requirement*.
- (6) ■ MIFIDPRU 5.8 contains *rules* designed to prevent *firms* from avoiding the *K-CON requirement*.
- (7) ■ MIFIDPRU 5.9 contains the 'hard' concentration risk limits, and associated provisions.
- (8) ■ MIFIDPRU 5.10 excludes certain exposures from the concentration risk requirements in ■ MIFIDPRU 5.4 to ■ 5.9.