

Chapter 5

Concentration risk

5.9 The 'hard' limits on concentration risk

- 5.9.1** **R** (1) Whilst an exposure exceeding the *concentration risk soft limit* has persisted for 10 *business days* or less, a *firm's EV* for the individual *client* or *group of connected clients* must not exceed 500% of the *firm's own funds*.
- (2) Whilst a *firm* has one or more exposures exceeding the *concentration risk soft limit* that have persisted for more than 10 *business days*, the aggregate *EVEs* for all such exposures must not exceed 600% of the *firm's own funds*.
- 5.9.2** **G** (1) An exposure exceeding the *concentration risk soft limit* persists for as long as the overall exposure exceeds the *concentration risk soft limit*, irrespective of whether the constituent parts that make up that total exposure change over the duration of that total exposure.
- (2) For the purpose of **■ MIFIDPRU 5.9.1R(2)**, the 600% limit applies to the aggregate of all individual *EVEs* for excesses that have persisted for more than 10 *business days*, irrespective of whether the individual concentrated exposures are connected to one another.
- (3) The 10 *business day* period referred to in **■ MIFIDPRU 5.9.1R** runs from the start of the *business day* on which the excess occurred.
- 5.9.3** **R** If a *firm* breaches the requirement in **■ MIFIDPRU 5.9.1R**, it must notify the *FCA* without delay of:
- (1) the amounts of the exposure or exposures which give rise to the breach;
- (2) the name or names of the *clients* concerned; and
- (3) any steps which the *firm* or any other *person* has taken or intends to take to rectify the breach and prevent any future potential occurrence.
- 5.9.4** **R** A *firm* must make the notification referred to in **■ MIFIDPRU 5.9.3R** using Part B of the form in **■ MIFIDPRU 5 Annex 1R**, and must submit it using the *online notification and application system*.