

Chapter 6

Basic liquid assets requirement

6.1 Application and purpose

6.1.1 **R** This chapter applies to:

- (1) a *MIFIDPRU investment firm*; and
- (2) a *UK parent entity* that is required by **■ MIFIDPRU 2.5.11R** to comply with **■ MIFIDPRU 6** on the basis of its *consolidated situation*.

6.1.2 **R** Where this chapter applies on the basis of the *consolidated situation* of the *UK parent entity*, any reference to a "*firm*" or "*MIFIDPRU investment firm*" in this chapter is a reference to the hypothetical single *MIFIDPRU investment firm* created under the *consolidated situation*.

6.1.3 **G** **■ MIFIDPRU 2.5.47R** and **■ MIFIDPRU 2.5.48G** contain additional *rules and guidance* on how a *UK parent entity* should apply the requirements in this chapter on a *consolidated basis*. A *UK parent entity* may apply for an exemption from the application of this chapter on a consolidated basis under **■ MIFIDPRU 2.5.19R**.

Purpose and interpretation

6.1.4 **G** This chapter contains:

- (1) a *basic liquid assets requirement* for *MIFIDPRU investment firms* (**■ MIFIDPRU 6.2**); and
- (2) *rules and guidance* on which assets count as *core liquid assets* for the purposes of the *basic liquid assets requirement* (**■ MIFIDPRU 6.3**).

6.1.5 **G**

- (1) Where this chapter applies to a *MIFIDPRU investment firm* on a solo basis, the *firm* must comply with this chapter relying only on the *core liquid assets* it holds itself.
- (2) However, the *FCA* recognises that there are circumstances in which it may be appropriate for a *firm* to rely on liquidity support provided by other entities within its group. Therefore, a *firm* that is subject to prudential consolidation may apply for an exemption from the application of this chapter on an individual basis under **■ MIFIDPRU 2.3.2R(1)**.

6.1.6 **G** ■ MIFIDPRU 7 contains requirements relating to a *MIFIDPRU investment firm's* systems and controls for the identification, monitoring and management of material potential harms that arise out of liquidity risk.

6.1.7 **G** The *basic liquid assets requirement* in this chapter is based on a proportion of a *firm's fixed overheads requirement* and any guarantees provided to *clients*. A *firm* may need to hold more *liquid assets* to comply with its *liquid assets threshold requirement* under ■ MIFIDPRU 7.