

Prudential sourcebook for MiFID Investment Firms

MIFIDPRU TP 3 Group capital test: transitional arrangements

		Application
3.1	R	<p>MIFIDPRU TP 3 applies to:</p> <ol style="list-style-type: none"> (1) a <i>MIFIDPRU investment firm</i>; (2) a <i>UK parent entity</i>; and (3) a <i>GCT parent undertaking</i> in an <i>investment firm group</i>.
		Purpose
3.2	G	<p>MIFIDPRU TP 3 contains transitional provisions which allow an <i>investment firm group</i> to apply the <i>group capital test</i> on a temporary basis before the <i>FCA</i> has determined an application under MIFIDPRU 2.4.17R, provided that certain conditions are met.</p>
		Temporary application of the group capital test
3.3	R	<ol style="list-style-type: none"> (1) This <i>rule</i> applies to an <i>investment firm group</i> where: <ol style="list-style-type: none"> (a) the <i>UK parent entity</i> or a <i>MIFIDPRU investment</i> within that <i>investment firm group</i> has submitted an application to the <i>FCA</i> under MIFIDPRU 2.4.17R by no later than 1 February 2022; and (b) the <i>management body</i> of the <i>UK parent entity</i> or <i>MIFIDPRU investment firm</i> has determined that there is a reasonable basis to conclude that the <i>investment firm group</i> satisfies the requirements in MIFIDPRU 2.4.17R(2)(a) and (b). (2) This <i>rule</i> applies from 1 January 2022 until the earlier of the following: <ol style="list-style-type: none"> (a) 1 January 2024; or (b) the date specified in the notification to the <i>UK parent entity</i> or <i>MIFIDPRU investment firm</i> of the <i>FCA</i>'s decision in relation to the application in (1)(a). (3) Where this <i>rule</i> applies, the <i>undertakings</i> in MIFIDPRU TP 3.1 may apply the <i>group capital test</i> in accordance with MIFIDPRU 2.6, even though the <i>FCA</i> has not granted permission to use the <i>group capital test</i> under MIFIDPRU 2.4.17R.
3.4	G	<p>Under MIFIDPRU 2.4.18R(2)(g), an application submitted under MIFIDPRU 2.4.17R must demonstrate how the <i>investment firm group</i> would comply with the consolidated requirements under MIFIDPRU 2.5 if the <i>FCA</i> did not grant permission to apply the <i>group capital test</i>. The application must also explain the timeframe in which the <i>investment firm group</i> would expect to comply with the consolidated requirements. If the <i>FCA</i> does not grant the application, it will use this information to determine an appropriate date under MIFIDPRU TP 3.3R(2)(b) on which the transitional arrangements will end.</p>

