

**INTERIM PRUDENTIAL SOURCEBOOK FOR INVESTMENT BUSINESSES
(AMENDMENT NO 6) INSTRUMENT 2003**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157 (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) of the Act (Rule-making instruments).

Commencement

- C. This instrument comes into force on 1 December 2003.

Amendments to the Interim Prudential Sourcebook for Investment Businesses

- D. IPRU(INV) is amended in accordance with Annex A to this Instrument.

Amendments to the Supervision Manual

- E. The Supervision manual is amended in accordance with Annex B to this instrument.

Citation

- F. This instrument may be cited as the Interim Prudential Sourcebook for Investment Businesses (Amendment No 6) Instrument 2003.

By order of the Board
15 October 2003

Annex A

Amendments to IPRU(INV)

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire new section of text is being inserted, the place where it goes is indicated and it is not underlined.

...

Table 5.1.1(1)(a) R

...

TABLE 5.1.1(1)(a) APPLICATION OF CHAPTER 5				
	ISD firms	OPS firms	Non-OPS Life Offices and Non-OPS Local Authorities	Individuals admitted to membership collectively
...				
Consolidated supervision rules				
5.7.1(1) to 5.7.1(4) <u>5.7.5(2)</u>	Yes, <u>but only for CAD firms.</u>	No	No	Yes <u>No</u>
...				
	Individuals whose sole <i>investment business</i> is giving investment advice to institutional or corporate investors		Firms subject to "lead regulator arrangements"	All other Firms
...				
Consolidated supervision rules				
5.7.1(1) to 5.7.1(4) <u>5.7.5(2)</u>	No	No	Yes, <u>but only for CAD firms.</u>	
...				

...

5.7.1 5.7 CONSOLIDATED SUPERVISION

5.7.1 APPLICATION OF CONSOLIDATION

5.7.1(1) R ~~A firm will be subject to consolidated supervision by the FSA unless rule 5.7.1(3) or (3) applies.~~ Subject to rule 5.7.1(2), consolidated supervision and the rules in section 5.7 apply to a firm which is a member of a group if it is a CAD firm.

CASES WHERE CONSOLIDATED SUPERVISION BY THE FSA WILL NOT APPLY

5.7.1(2) R A firm ~~will~~ is not be subject to *consolidated supervision* under this Chapter of IPRU(INV) by the *FSA* where any of the following conditions are fulfilled:

- (a) the *financial resources rules* in section 5.7 do not apply to the *firm* by virtue of Table 5.1.1(1)(a); ~~or~~
- (b) the *firm* is included in the supervision on a consolidated basis of the group of which it is a member by a *competent authority* other than the *FSA*; or
- (c) the *firm* is already included in the supervision on a consolidated basis of the group of which it is a member by the *FSA* under IPRU(BANK), IPRU(BSOC) or another chapter of IPRU(INV).

5.7.1(3) R ~~A firm will not be subject to consolidated supervision if:~~

- (a) ~~each member of the group which is an ISD firm or a European investment firm:~~
 - (i) ~~is subject either to a liquid capital requirement in accordance with rule 5.2.3(1), or to an equivalent capital regime;~~
 - (ii) ~~complies with its financial resources requirement and the large exposures requirements set out in rules 5.2.7(2) to (5), or with the equivalent rules of its regulator; and~~
 - (iii) ~~has systems to monitor and control the sources of capital and funding of all other financial institutions within the group;~~
- (b) ~~each member of the group which is regulated by the FSA notifies the FSA of any serious risks that could undermine the financial stability of the group, and follows any corrective action required by the FSA;~~
- (c) ~~the firm has applied for and obtained from the FSA a waiver from rule 5.7.1(1).~~

OBLIGATION TO PROVIDE INFORMATION

5.7.1(4) R ~~A firm which is subject to rule 5.7.1(1) must provide such information as is required to enable the FSA to assess the risks to which the firm may be subject as a member of the group of which it is a member.~~

- 5.7.1(3) G (a) The rules in section 5.7 apply even if the *firm* is subject to the *rules* in IPRU(INS) (the insurance group rules), if the firm is part of an investment sub-group. Insurance groups are subject to the Insurance Groups Directive (98/78/EC). The directive does not allow a *waiver* of consolidation of a Capital Adequacy Directive group. So if there is an investment sub-group within an insurance group, the rules in this Chapter apply, regardless of the application of a group capital assessment to the wider group.
- (b) Where *firms* authorised in two or more Member States have as their *parent* the same *financial holding company*, supervision on a consolidated basis will be exercised by the *competent authority* of the *firms* authorised in the member state in which the *financial holding company* was set up. If no *firm* has been authorised in the Member State in which the *financial holding company* was set up, the *competent authorities* of the Member States concerned will seek to reach agreement as to who amongst them will exercise supervision on a consolidated basis. In the absence of such an agreement, supervision on a consolidated basis will be exercised by the *competent authority* that granted authorisation to the *firms* with the greatest balance-sheet total (measured on the basis of total assets). If that figure is the same for more than two authorised *firms*, supervision on a consolidated basis will be exercised by the *competent authority* which first gave the authorisation.
- (c) Where there is more than one regulated *firm* in the group, one consolidated return may be submitted on behalf of all the *firms* in the group in accordance with SUP 16.3.25G.

5.7.1(4) R A *firm* need not meet the requirements in rules 5.7.3(1) and 5.7.3(2) if:

- (a) there is no *credit institution* in the group;
- (b) no *firm* in the group *deals in investments as principal*, except where it is an *operator* of a *collective investment scheme* dealing solely as a result of its activity of operating a *collective investment scheme*, or where the *firm's* positions fulfil the *CAD Article 3 exempting criteria*;
- (c) each member of the group which is a *CAD firm*:
- (i) is subject either to a *liquid capital requirement* in accordance with rule 5.2.3(1), or to an equivalent capital regime;
- (ii) complies with its *financial resources requirement* and the *large exposures* requirements set out in rules 5.2.7(2) to (5), or with the equivalent rules of its regulator; and
- (iii) has systems and controls to monitor and control the sources of capital and funding of all other *financial institutions* within the group;

- (d) the firm notifies the FSA of any serious risk that could undermine the financial stability of the group as soon as it becomes aware of that risk;
- (e) the firm reports to the FSA all group large exposures as at, and within four months of, the end of each quarter;
- (f) the firm meets the conditions in rule 5.7.1(5); and
- (g) the firm has first notified the FSA in writing that it intends to rely on this rule.

After 5.7.1(4) R, insert the following new text.

5.7.1(5) R If the *firm* notifies the *FSA* under *rule 5.7.1(4)* that it will not apply the rules in this section, it must:

- (a) submit to *FSA* a consolidated supervision return within the time period specified by *SUP 16.7.36*, together with a consolidated profit and loss account;
- (b) ensure that each *firm* in the group deducts from its solo financial resources any quantifiable *contingent liability* in respect of other group entities;
- (c) ensure that the solo financial resources requirement of each *firm* in the group incorporates the full value of the expenditures of the *firm* wherever they are incurred on behalf of the *firm*; and
- (d) make a note in its audited financial statements that it is not subject to regulatory consolidated capital requirements.

- 5.7.1(6) G
- (a) The Capital Adequacy Directive (articles 7(4) to 7(6)) provides that a *competent authority* such as the *FSA* may waive *consolidated supervision* provided certain conditions are met. The conditions in *rule 5.7.1(4)* are mainly derived from the Capital Adequacy Directive.
 - (b) The conditions in *rule 5.7.1(5)* aim to ensure that the *firm* is protected from weaknesses in other group entities.
 - (c) In *rule 5.7.1(5)(b)*, *contingent liabilities* includes direct and indirect guarantees.
 - (d) *Rule 5.7.1(5)(c)* aims to ensure that the expenditure-based requirement incorporates the *firm's* actual ongoing annual expenditures (including any share of depreciation on fixed assets) where these have been met by another group entity.

- (e) The *FSA* may require further information from the *firm* if it considers that the *firm's* consolidated financial position raises undue risks to consumers. It may also seek reassurance that the *firm* has sufficiently robust *client assets* and *client money* controls - for example require a *skilled person's report*. The *FSA* may also use its *own initiative power* to impose conditions on the *firm*. This could include raising additional capital or further limitations on the *firm's* intra-group exposures.

5.7.2 SCOPE OF CONSOLIDATION

5.7.2(1) R For the purposes of the rules in section 5.7, a *firm's* group means the *firm* and:

- (a) any *EEA parent* in the group which is a *financial holding company*, a *credit institution*, or an *investment firm*;
- (b) any *credit institution*, *investment firm* or *financial institution* which is a *subsidiary* of the *firm* or of the *firm's EEA parent*; and
- (c) any *credit institution*, *investment firm* or *financial institution* in which the *firm* or one of the entities in (a) or (b) holds a *participation*.

5.7.2(2) R If a group exists under rule 5.7.2(1), the *firm* must also include in the scope of consolidation any *ancillary investment services undertaking* in the group.

5.7.2(3)G Rule 5.7.1(1) states what type of firm may be subject to consolidated supervision (trigger firm). Rule 5.7.2(1) states what type of relationship triggers the existence of a group for consolidated supervision purposes. Rules 5.7.2(1) and 5.7.2(2) specify what entities should be included in the scope of consolidated supervision.

5.7.2(4)G A *firm's parent* is a *financial holding company* if it carries out mainly *listed activities* or if its main business is to acquire holdings in companies undertaking these activities. For this purpose, the *FSA* interprets the phrases 'mainly' or 'main business' to mean the balance of business, i.e. over 50% of the relevant group or sub-group's balance sheet (measured on the basis of total assets).

EXCLUSIONS

5.7.2(5) R A *firm* may, having first notified the *FSA* in writing, exclude from its group the following:

- (a) any entity the total assets of which are less than the smaller of the following two amounts:
 - (i) 10 million euros; or
 - (ii) 1% of the total assets of the group's *parent* or the undertaking that holds the *participation*;

provided that the total assets of such entities do not collectively breach these limits.

(b) any entity the inclusion of which within the group would be misleading or inappropriate for the purposes of *consolidated supervision*.

5.7.2(6) G (a) The *FSA* may require a *firm* to provide information about the position in the group of any undertaking excluded from the consolidation under rule 5.7.2(3).

(b) An exclusion under rule 5.7.2(5)(b) would normally be appropriate when an entity would be excluded from the scope of consolidation under the relevant UK generally accepted accounting principles.

5.7.3 CONSOLIDATED SUPERVISION REQUIREMENT

5.7.3(1) R A *firm* must at all times ensure that its group maintains *group financial resources* in excess of its *group financial resources requirement*.

5.7.3(2)R A *firm* must at all times comply with *large exposures* limits applied on a group basis.

5.7.3(3)G Where the *firm* is in breach of rules 5.7.3(1) or 5.7.3(2), the *FSA*, in deciding whether enforcement action is appropriate, will consider the full circumstances of the case, including any remedial steps taken by the *firm*. Remedial steps could include the production of an action plan that is acceptable to the *FSA* that will rectify the situation.

5.7.4 GROUP FINANCIAL RESOURCES

5.7.4(1) R A *firm* must calculate its *group financial resources* on the basis of the consolidated accounts of the relevant group, subject to the adjustments in rule 5.7.4(2).

5.7.4(2) R (a) Subject to rule 5.7.4(2)(b), a *firm* must calculate its *group financial resources* according to the rules in Table 5.2.2(1), excluding illiquid assets adjustments and qualifying property adjustments, but with minority interests being allowed as Group Tier 1 capital.

(b) Material holdings must be recalculated on a group basis and deducted in arriving at *group financial resources*.

5.7.4(3) G In rule 5.7.4(2), material holdings, illiquid assets and qualifying property have the meaning in Table 5.2.2(1).

5.7.4(4) G The form in *SUP 16 Ann 5R*, together with the *guidance* in *SUP 16 Ann 17G*, show the mechanics of the calculation.

5.7.4(5) G A *firm* may apply for a *waiver* of *rule 5.7.4.(1)* to permit an aggregation approach to determine *group financial resources*. Any *waiver* application should guarantee future compliance with any relevant own funds limit.

5.7.5 GROUP FINANCIAL RESOURCES REQUIREMENT

5.7.5(1)R A *firm* must calculate its *group financial resources requirement* as the aggregate of:

- (a) the sum of the financial resources requirements of the entities within the scope of consolidation calculated in accordance with *rule 5.7.5(2)*, except that requirements in respect of intra-group balances with other entities within the scope of consolidation must be excluded; the financial resources requirement must be reduced by the amount of any qualifying property adjustment;
- (b) the sum of the illiquid assets held by each entity within the scope of consolidation, except that illiquid assets held by any such entity in another such entity must be left out of account.

The financial resource requirements of entities in which the group holds a *participation* must be included proportionately.

5.7.5(2)R Financial resources requirements for individual entities in the group are:

- (a) for *firms* regulated by the *FSA*, their regulatory capital requirement under *FSA* rules ;
- (b) for entities regulated by an *EEA* regulator or one of the regulators listed in *IPRU(INV)* 10-App 59 or *IPRU(BANK)* CS Appendix D, their local regulatory capital requirement; and
- (c) for other entities in the group, a notional financial resources requirement calculated as if the entity were regulated by the *FSA*.

- 5.7.5(3) G
- (a) For the purposes of *rule 5.7.5(2)(c)*, the notional financial resources requirement of group entities should be calculated as if the entities were subject to the rules in Chapter 5 of *IPRU(INV)*.
 - (b) For the purposes of calculating an *expenditure based requirement*, no account should be taken of expenses that have been recharged to another entity included in the scope of consolidation. For example, in calculating the notional requirement for a service company, the *expenditure based requirement* should be calculated net of recharged expenses. This is to avoid double counting of the expenses.

5.7.5(4)G A *firm* may apply for a *waiver* of rule 5.7.5 to permit a ‘line by line’ approach to determine its *group financial resources requirement*. Any *waiver* application should demonstrate (where relevant) that the constraints for intra-group offsets under the Capital Adequacy Directive (article 7) are met. A *firm* should also demonstrate that calculating its requirement in this way does not result in a distortion of the *group financial resources requirement*.

APPENDIX 1 (INTERPRETATION)

GLOSSARY OF TERMS FOR CHAPTER 5 (FORMER IMRO FIRMS)

Insert the following new definitions in the appropriate alphabetical position.

<i>ancillary investment services undertaking</i>	means an undertaking the principal activity of which consists in owning or managing property, managing data-processing services, or any other similar activity which is ancillary to the principal activity of one or more <i>investment management firms</i> .
<i>CAD firm</i>	means a <i>firm</i> subject to the requirements of the Capital Adequacy Directive (CAD)(93/06/EEC), excluding a person to whom the CAD does not apply under article 2(2) of that directive.
<i>CAD Article 3 exempting criteria</i>	means the following criteria in respect of the <i>firm's</i> dealing positions: <ul style="list-style-type: none">- such positions arise only as a result of the <i>firm's</i> failure to match investors orders precisely;- the total market value of all such positions is subject to a ceiling of 15% of the <i>firm's</i> initial capital; and- such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.
<i>contingent liability</i>	has the meaning in FRS 12 which states that it is: <ul style="list-style-type: none">(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control or(b) a present obligation that arises from past events but is not recognised because:<ul style="list-style-type: none">(i) it is not probable that a transfer of economic benefits will be required to settle the obligation; or(ii) the amount of the obligation cannot be measured with sufficient reliability.
<i>EEA parent</i>	means a <i>firm's</i> direct or indirect <i>parent</i> which has its head office in the <i>EEA</i> .
<i>financial holding company</i>	means a <i>financial institution</i> the <i>subsidiary undertakings</i> of which are either exclusively or mainly <i>credit institutions</i> , <i>investment firms</i> and <i>financial institutions</i> , one of which at least is a <i>credit institution</i> or an <i>investment firm</i> .
<i>financial institution</i>	means an undertaking other than a <i>credit institution</i> , the principal activity of which is to acquire holdings or to carry on a <i>listed activity</i> .
<i>group financial resources</i>	means the resources of a <i>firm's</i> group calculated in accordance with <i>rule 5.7.4</i> (Group financial resources).
<i>group financial resources</i>	means the requirement that a <i>firm's</i> group maintains financial resources calculated in accordance with <i>rule 5.7.5</i> (Group financial

<i>requirement</i>	resources requirement).
<i>listed activity</i>	means a listed activity within the meaning of the <i>BCD</i> , that is one or more of the following activities: <ul style="list-style-type: none"> (a) lending; (b) financial leasing; (c) money transmission services; (d) issuing and administering means of payment; (e) guarantees and commitments; (f) trading for own account or for the account of customers in: <ul style="list-style-type: none"> • money market instruments (cheques, bills, certificates of deposit, etc); • foreign exchange; • financial futures and options; • exchange and interest rate instruments; • transferable securities; (g) participation in share issues and the provision of services related to such issues; (h) corporate finance advice; (i) money broking; (j) portfolio management and advice; or (k) safekeeping and administration of securities.
<i>parent</i>	means any parent undertaking as defined in section 258 of the Companies Act 1985 or paragraph 14 of Financial Reporting Standard No 2 and any undertaking which effectively exercises a dominant influence over another undertaking.
<i>participation</i>	means a holding either direct or indirect of 20% or more of the voting rights or capital of another undertaking.

Delete the definition of *consolidated supervision* and replace by the following text.

<i>consolidated supervision</i>	means the application of Chapter 5 of the Interim Prudential Sourcebook for Investment Businesses in accordance with <i>rules</i> 5.7.1(1) to 5.7.5(2).
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Annex B

Amendments to the Supervision Manual

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire new annex is inserted, the place where it goes is indicated but it is not underlined.

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Transitional provisions

...

2 Table Transitional provisions applying to the Supervision manual only

...

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
12				
<u>12A</u>	<u>SUP 16.7.38</u>	<u>R</u>	<u>An investment management firm which, before 1 December 2003, was already submitting consolidated financial returns using the form in:</u> <u>(a) SUP 16 Ann 10R; or</u> <u>(b) SUP 16 Ann 7R (with associated guidance in SUP 16 Ann 8G);</u> <u>may continue to use these forms instead of the consolidated financial resources return in SUP 16 Ann 5R.</u>	<u>From 1 December 2003 until, but not including, the date on which the provisions of the Financial Groups Directive take effect in the United Kingdom.</u>	<u>1 December 2003</u>
...					

...

16.7.36R Table: Financial reports from an investment management firm (see SUP 16.7.35R)

Report	Frequency	Due date
...		
Monthly Financial Return (only for ...)	Monthly	1 month after month end
<u>Consolidated financial resources return (only for firms subject to IPRU(INV) 5.7.1(1)R)</u>	<u>Half yearly</u>	<u>4 months after end of six-month period</u>
<u>If the firm's ultimate parent is a mixed-activity holding company, the annual accounts of the mixed-activity holding company (Note 5)</u>	<u>Yearly</u>	<u>As soon as available after year-end</u>
<p>...</p> <p><u>Note 5: Mixed-activity holding company means a parent, other than a financial holding company (as defined in IPRU(INV) Chapter 5 Glossary), an investment firm or a credit institution, the subsidiaries of which include at least one investment firm or credit institution.</u></p>		

...

16.7.38R An investment management firm must submit the required reports in accordance with, and in the same format as, the forms contained in SUP 16 Ann 5R, and according to the requirements contained in section 4 of that annex and SUP 16 Ann 17G.

- 16.7.39G (1) The FSA expects the annual accounts to be submitted together with the auditor's report required by SUP 3.9.4R.
- (2) Notes giving guidance on the completion of the consolidated financial resources return are contained in SUP 16 Ann 17G. The guidance in SUP 16.3.25G (Reports from groups) is also relevant.

...

Insert the following form at the end of SUP16 Annex 5R

CONSOLIDATED FINANCIAL RESOURCES RETURN FOR INVESTMENT MANAGEMENT FIRMS

PART 1: GROUP FINANCIAL RESOURCES:

Name of regulated firm:

Name of ultimate EEA financial holding company for group ("parent"):

Group Tier 1:

ordinary share capital	<input type="text"/>
share premium	<input type="text"/>
audited consolidated reserves	<input type="text"/>
non-cumulative preference shares	<input type="text"/>
other reserves	<input type="text"/>
minority interests	<input type="text"/>
externally verified interim profits	<input type="text"/>

Less:

intangible assets	<input type="text"/>
material unaudited consolidated losses since balance sheet date	<input type="text"/>
investments in own shares	<input type="text"/>

Total Group Net Tier 1:

Group Tier 2:

non-fixed-term cumulative preference shares	<input type="text"/>
non-fixed-term long term subordinated loans	<input type="text"/>
consolidated revaluation reserves	<input type="text"/>

1.1

fixed-term cumulative preference shares	<input type="text"/>
fixed-term long term subordinated loan	<input type="text"/>

B2

**Total Group Tier 2:
B=B1+B2**

B

Group Tier 3:

short term subordinated loan	<input type="text"/>
unaudited consolidated trading book profits	<input type="text"/>

Total Group Tier 3:

C

Group Material Holdings in credit and financial institutions:

D

Group Financial Resources:

E

$E = A + B1 + B2 + C - D$
 B, B1, B2, and C are subject to eligibility limits as set out in IPRU(INV) Table 5.2.2(1) Part II (Item 1: Ratios)

PART 2: GROUP FINANCIAL RESOURCES REQUIREMENT:

Name of regulated firm:

Name of ultimate EEA financial holding company for group (“parent”):

F	F1	F2
Name of <i>subsidiary</i> or <i>participation</i>	% ownership	Local regulator (or state if unregulated)

G	H
Financial Resources Requirement of F	State how Financial Resources Requirement has been calculated.

(G1)

Parent’s Financial Resources Requirement

(I)

Total Group Financial Resources Requirement (=G1+I)

(J)

Total Group Financial Resources (=E)

Total Group Surplus / (Deficit) (=E-J)

(K)

Insert the following new text as SUP16 Annex 17G

CONSOLIDATED FINANCIAL RESOURCES RETURN FOR INVESTMENT MANAGEMENT FIRMS

GUIDANCE PART 1: Group Financial Resources

<i>Ref</i>	<i>Guidance</i>
A	<p>The group should calculate its financial resources based on the consolidated financial statements prepared at the level of the ultimate <i>EEA</i> financial holding company in the group. The financial statements should be prepared in accordance with the <i>UK</i> generally accepted accounting principles.</p> <p>The group Tier 1 capital should be calculated by taking the relevant capital items from the consolidated balance sheet. Deductions must be made in arriving at Tier 1 for intangible assets (including goodwill arising from consolidation), investments in own shares and for material unaudited losses since the balance sheet date. Unaudited losses should be regarded as material if they exceed 10% of Group Tier 1 before taking into account this deduction.</p>
B1	This is the sum of non-fixed-term (undated) cumulative preference shares, non-fixed-term (undated) long-term subordinated loans and revaluation reserves and other consolidated reserves.
B2	This is the sum of fixed-term cumulative preference shares and fixed-term long-term subordinated loans.
C	The total of short-term subordinated loans external to the group and unaudited consolidated profits arising from trading book activities should be shown here.
D	The definition of material holdings in non-group <i>credit institutions</i> and <i>investment firms</i> should be derived on the basis of the definition of material holdings in <i>IPRU(INV)</i> Table 5.2.2(1) Part II (Item 5) except that references to “own funds” should be replaced by “consolidated own funds”. For this purpose consolidated own funds is equal to A+B after the application of the eligibility limits as set out in <i>IPRU(INV)</i> Table 5.2.2(1) Part II (Item 1).
E	<p>The Group Financial Resources should be shown here. This represents the sum of eligible capital in A, B1, B2 and C, minus the deduction in D. No other deductions should be made. Illiquid assets adjustments that are made at the solo level should be included in the Group Financial Resources Requirement.</p> <p>The limits applied at the group level to the inclusion of items in the group financial resources should be the same as the limits set out in</p>

<i>Ref</i>	<i>Guidance</i>
	<i>IPRU(INV)</i> Table 5.2.2(1) Part II (Item 1: Ratios).

GUIDANCE PART 2: Group Financial Resources Requirement

<i>Ref</i>	<i>Guidance</i>
F	<p>List the name of each <i>subsidiary</i> and <i>participation</i>.</p> <p>A <i>firm</i> may combine several entities together where these are not material in relation to the group (for example, entities where total assets are in aggregate less than 5% of the group's total assets). The <i>firm</i> should list the relevant entities in a note to the return and should be able to demonstrate the contribution of the individual entities to the group calculation.</p>
F1	<p>List the percentage interest in the <i>subsidiary</i> or <i>participation</i> held by the parent. If the shares are not held directly by the parent, but by another group company, enter the effective percentage interest of the parent in the company. Where the entity is a <i>subsidiary</i> of a <i>subsidiary</i> of the parent, indicate (S) after the effective percentage interest. Such an entity will be treated as a <i>subsidiary</i> of the parent and will be included in full in the calculations.</p>
F2	<p>Specify if the group entity is regulated by the <i>FSA</i> or another regulator. If the entity is unregulated, state "unregulated".</p>
G	<p>The financial resources requirement of entity F should be shown here. The financial resources requirement for a participation must be pro-rated (i.e. it should be multiplied by F1).</p> <p>This should be equal to the solo financial resources requirement calculated in accordance with <i>IPRU (INV)</i> 5.2.3 plus the illiquid assets adjustment calculated in accordance with <i>IPRU (INV)</i> Table 5.2.2(1) part II paragraph 10, but less any qualifying property adjustment.</p> <p>For unregulated firms this should be equal to the proxy financial resources requirement, which should also include illiquid assets adjustments (where appropriate).</p>
G1	<p>This is the sum of figures in column G.</p>
H	<p>Details of the method used to calculate G (the financial resources requirement) for each <i>firm</i> should be given here. For example for an <i>FSA</i>-regulated firm column H should contain the <i>IPRU</i> reference (eg <i>IPRU(INV)</i> Chapter 10). For an overseas regulated firm where the prudential calculation is recognised by <i>FSA</i> as being equivalent the applicable overseas regulator should be given.</p> <p>For proxy requirements for unregulated firms column H should state the regulatory rules that have been applied to calculate the proxy requirement.</p>

<i>Ref</i>	<i>Guidance</i>
I	<p>The financial resources requirement of the parent should be shown here.</p> <p>This should be equal to the solo financial resources requirement (excluding any requirement in respect of intra-group balances) and any adjustments made to financial resources in accordance with rule 5.7.5(1).</p>
J	The Group Financial Resources Requirement should be shown here. It is equal to the sum of G1 and I.
K	The overall group surplus or deficit is equal to the difference between the Total Group Financial Resources (E) and the Group Financial Resources Requirement (J).