

**CAPITAL RESOURCES FOR INSURANCE AND MORTGAGE MEDIATION  
ACTIVITIES INSTRUMENT 2006**

**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 powers);
  - (2) section 156 (General supplementary powers); and
  - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 March 2006.

**Amendments to the Handbook**

- D. The Integrated Prudential sourcebook is amended in accordance with Annex A to this instrument.
- E. The Supervision manual is amended in accordance with Annex B to this instrument.

**Citation**

- F. This instrument may be cited as the Capital Resources for Insurance and Mortgage Mediation Activity Instrument 2006.

By order of the Board  
26 January 2006

## Annex A

### Amendments to the Integrated Prudential sourcebook

In this Annex, underlining indicates new text and striking through indicates deleted text.

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9.3.52 R Table: Items which are eligible to contribute to the capital resources of a firm

	Item	Additional explanation
1.	...	...
...		
3.	<del>Audited</del> <u>Reserves (Notes 1 and 2)</u>	<p>These are, <u>subject to Note 1</u>, the audited accumulated profits retained by the <i>firm</i> (after deduction of tax, dividends and proprietors' or <i>partners'</i> drawings) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i>.</p> <p>For the purposes of calculating capital resources, a <i>firm</i> must make the following adjustments to its <del>audited</del> reserves, where appropriate.</p> <p>(1) ...</p> <p>...</p>
4.	<u>Interim net profits (Notes 1 and 2)</u>	If a <i>firm</i> seeks to include interim net profits in the calculation of its capital resources, the profits have, <u>subject to Note 1</u> , to be verified by the <i>firm's</i> external auditor, net of tax, anticipated dividends or proprietors' drawings and other appropriations.
...		

#### **Notes:**

1 In general, small *insurance intermediaries* which only carry on *insurance mediation activities* in relation to *non-investment insurance contracts* and small *mortgage intermediaries* may be exempt from the requirement to appoint an auditor under the Companies Act 1985 (section 249A (Exemptions from audit)). If so, the *firm* may include unaudited reserves and unverified interim net profits in the calculation of its capital resources.

2 Mortgage lenders and mortgage administrators to which the Companies Act 1985 applies are required to appoint an auditor under that Act (section 249B (Cases where exemptions not available)). These firms will only be able to include audited reserves and verified interim net profits in the calculation of its capital resources.

9.3.52A G ...

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## Annex B

### Amendments to the Supervision manual

In this Annex, underlining indicates new text and striking through indicates deleted text.

SUP 16 Annex 18AR

Section D1: Regulatory Capital

Eligible capital (mortgage and non-investment insurance)

Incorporated firms

~~Audited~~ Reserves

RR0229
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Interim net profits (~~audited~~)

RR3234
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~~Interim net profits (not audited)~~

<del>RR3232</del>
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Section D1: guide for completion of individual fields

...	
<del>Audited</del> <u>Reserves</u>	<p>These are the audited accumulated profits retained by the <i>firm</i> (after deduction of tax and dividends) and other reserves created by appropriations of share premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a <i>parent undertaking</i>.</p> <p>Any reserves that have not been audited <del>this field</del> should not be included <u>in this field unless the <i>firm</i> is eligible to do so under <i>PRU 9.3.52R(3)</i>.</u></p>
Interim net profits ( <del>audited</del> )	<p>Interim net profits should be <del>audited</del> <u>verified</u> by the <i>firm's</i> external auditor, net of tax or anticipated dividends and other appropriations to be included as capital.</p> <p><u>Any interim net profits that have not been verified should not be included in this field unless the <i>firm</i> is eligible to do so under <i>PRU 9.3.52R(4)</i>.</u></p>
<del>Interim net profits (not audited)</del>	<del>Other unverified profits (not included in total capital resources)</del>
...	