

**PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND
INVESTMENT FIRMS (CAPITAL FLOORS) INSTRUMENT 2009**

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 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) 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 January 2010.

Amendments to the Handbook

- D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (Capital Floors) Instrument 2009.

By order of the Board
5 November 2009

Annex

**Amendments to the Prudential sourcebook for Banks, Building Societies and
Investment Firms (BIPRU)**

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

TP 2 Capital floors for a firm using the IRB or AMA approaches

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Purpose

- 2.3 G This section in part implements Articles 152(1) - (7) of the *Banking Consolidation Directive* and Article 43 of the *Capital Adequacy Directive*.

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Capital floors: solo

- 2.8 R A *firm* calculating *risk weighted exposure amounts* in accordance with the *IRB approach* must during the ~~first, second and third~~ following twelve-month periods after 31 December 2006 provide capital resources that equal or exceed the following amounts:

- (1) for the first twelve-month period, 95%;
- (2) for the second twelve-month period, 90%; and
- (3) for the third and each subsequent twelve-month period, 80%;

of the solo capital resources requirement that applies to the *firm* under whichever part of *IPRU* applies under *BIPRU* TP 1.4R.

- 2.9 R A *firm* using the *advanced measurement approach* must, during each of the second, ~~and~~ third and subsequent twelve-month periods after 31 December 2006, provide capital resources which are at all times more than or equal to the amounts indicated in *BIPRU* TP 2.8R(2) and *BIPRU* TP 2.8R(3).