

**LIQUIDITY STANDARDS (MISCELLANEOUS AMENDMENTS NO 4)  
INSTRUMENT 2012**

**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 20 January 2012.

**Amendments to the Handbook**

- D. The modules of the FSA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex B
Supervision manual (SUP)	Annex C

**Citation**

- E. This instrument may be cited as the Liquidity Standards (Miscellaneous Amendments No 4) Instrument 2012.

By order of the Board  
19 January 2012

## Annex A

### Amendments to the Glossary of definitions

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

*charity* (in *BCOBS* and *BIPRU*) includes:

- (a) in England and Wales, a charity as defined by section 1(1) of the Charities Act 2006;
- (b) in Scotland, a charity as defined by section 106 of the Charities and Trustee Investment (Scotland) Act 2005; or
- (c) in Northern Ireland, a charity as defined by section 1(1) of the Charities Act (Northern Ireland) 2008 or, until that section comes into force, a body which is recognised as a charity for tax purposes by Her Majesty's Revenue and Customs.

## Annex B

### 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.

#### 12.6 Simplified ILAS

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Simplified ILAS conditions

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12.6.7 R In this section:

- (1) a “retail *deposit*” is a *deposit* accepted from a *consumer*; and
- (2) “SME *deposits*” are *deposits* accepted from, and account balances where the account holders are, *small and medium-sized enterprises* (or *partnerships* or *sole traders* or *charities* which would be *small and medium-sized enterprises* if they were companies)

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#### 12.7 Liquid assets buffer

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12.7.9 R For the purposes of *BIPRU* 12.7.2R(1) and (2), a *firm* must only count securities:

- (1) which are unencumbered;
- (2) (a) to which it has legal title; and or
  - (b) to which a *central bank* has legal title but which meet the requirements of *BIPRU* 12.7.9AR(1), subject to *BIPRU* 12.7.9AR(2); and
- (3) which that *firm* realises on a regular basis.

12.7.9A R (1) For the purposes of *BIPRU* 12.7.9R(2)(b) the requirements are that:

- (a) the securities are in excess of the amount of collateral required to be held by that *central bank*; and
- (b) the *firm* is entitled to regain legal title to such securities without any encumbrance.

- (2) The firm may only count securities that meet the requirements of BIPRU 12.7.9R and BIPRU 12.7.9AR(1) from the point in time when the firm would regain legal title to the securities from the central bank, subsequent to any required notice period.
- (3) For the purposes of BIPRU 12.7.9AR(2) any required notice period is deemed to commence on the first business day that the central bank could receive notice from the firm.

12.7.10 G The FSA regards as encumbered any asset which the *firm* in question has provided as collateral. Therefore, where assets have been used as collateral in this way (for example, in a *repo*), they should not be included in the *firm's* liquid assets buffer. However, any assets provided by the firm to a central bank as collateral which meet the requirements in BIPRU 12.7.9AR will be recognised as unencumbered by the FSA for the purposes of BIPRU 12.7.9R(1). For the avoidance of doubt, there is no need for notice to have actually been served to meet the requirements in BIPRU 12.7.9AR(2).

## Annex C

## Amendments to the Supervision manual (SUP)

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

**16 Annex 25G**    **Guidance notes for data items in SUP 16 Annex 24R**

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**FSA 048**    **Enhanced Mismatch Report**

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**12**            **Securities issued by group entities**

A *firm* should report in this row the unencumbered balances and security flows attributable to securities where the obligor of those securities forms part of the *firm's group* and where the issuing vehicle is excluded from the scope of the report. If the issuing vehicle is included in the scope of the report, the securities should be reported as own-name securities and reported on line 9, if:

- (1) the securities are own-name covered bonds or asset-backed securities; or
- (2) the credit rating of such *exposures* is associated with *credit quality step 2* or above in the *credit quality assessment scale* published by the ~~FSA~~ FSA for the purpose of BIPRU 3 (the Standardised Approach to Credit Risk: mapping of the ECAIs credit assessment to credit quality steps (Long term mapping)) or *credit quality step 1* in the case of short-term mapping, ~~or omitted from this report if they do not.~~

If (1) or (2) are not met the securities should be omitted from this report.

For avoidance of doubt, if a *firm* holds bonds issued by its *group*, the security flows attributable to them should be included only in this row, even if such security would otherwise qualify for inclusion in another row in Part 2.