

**INVESTMENT FIRMS PRUDENTIAL REGIME (CONSEQUENTIAL
AMENDMENTS TO OTHER PRUDENTIAL SOURCEBOOKS) INSTRUMENT 2021**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions:
- (1) the following sections of the Financial Services and Markets Act 2000 (“the Act”):
- (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers);
 - (c) section 138D (Actions for damages);
 - (d) section 139A (Power of the FCA to give guidance);
 - (e) section 247 (Trust scheme rules);
 - (f) section 261I (Contractual scheme rules); and
- (2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 January 2022.

Revocation of the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

- D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is revoked.

Amendments to the Handbook

- E. The modules of the FCA’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
General Prudential sourcebook (GENPRU)	Annex B
Prudential sourcebook for Investment Firms (IFPRU)	Annex C
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex D
Interim Prudential sourcebook for Investment Businesses (IPRU-INV)	Annex E

- F. The FCA confirms and remakes in the Glossary of definitions any defined expressions used in the modules of the FCA’s Handbook of rules and guidance referred to in paragraph E where such defined expressions relate to any UK legislation that has been amended since those defined expressions were last made.

Notes

- G. In the annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

- H. This instrument may be cited as the Investment Firms Prudential Regime (Consequential Amendments to Other Prudential Sourcebooks) Instrument 2021.

By order of the Board
21 October 2021

Annex A

Amendments to the Glossary of definitions

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

Amend the following definitions as shown.

- | | |
|---------------------------------------|--|
| <i>capital resources</i> | <p>(1) in relation to a <i>BIPRU firm</i> <u><i>dormant account fund operator</i></u>, the <i>firm's</i> capital resources as calculated in accordance with the <i>capital resources table</i> <u>relevant regulatory requirements</u>; or</p> <p>(2) [deleted]</p> <p>(3) (for the purposes of <i>GENPRU</i> and <i>BIPRU</i> (except <i>BIPRU 12</i>), in relation to an undertaking not falling within (1) and subject to (4)), capital resources calculated in accordance with (1) on the assumption that:</p> <p style="padding-left: 40px;">(a) it is a <i>BIPRU firm</i> with a <i>Part 4A permission</i>; and</p> <p style="padding-left: 40px;">(b) it carries on all its business in the <i>United Kingdom</i> and has obtained whatever <i>permissions</i> for doing so are required under the <i>Act</i>; or [deleted]</p> <p>(4) (for the purposes of <i>GENPRU</i> and <i>BIPRU</i> (except in <i>BIPRU 12</i>) and in relation to any <i>undertaking</i> not falling in (1) for which the methodology in (3) does not give an answer whose <i>capital resources</i> a <i>BIPRU firm</i> (the “relevant firm”) is required to calculate under a <i>Handbook rule</i>) capital resources calculated under (1) on the assumption that it is a <i>BIPRU firm</i> of the same category as the relevant firm; or [deleted]</p> <p>...</p> |
| <i>capital resources requirements</i> | <p>an amount of <i>capital resources</i> that:</p> <p>(1) a <i>BIPRU firm</i> must hold as set out in the <i>main BIPRU firm Pillar 1 rules</i>; or <u>a <i>dormant account fund operator</i> must hold in accordance with the relevant regulatory requirements; or</u></p> <p>...</p> |

<i>category B1 firm</i>	a category B firm <u>personal investment firm</u> whose permission includes <i>dealing in investments as principal</i> .
<i>category B2 firm</i>	a category B firm <u>personal investment firm</u> whose permission does not include <i>dealing as principal</i> ; and is not subject to a <i>requirement</i> preventing the holding or controlling of <i>client money</i> or <i>custody assets</i> .
<i>category B3 firm</i>	a category B firm <u>personal investment firm</u> : <ol style="list-style-type: none"> (a) whose <i>permission</i> includes only <i>insurance distribution activity</i> in relation to <i>non-investment insurance contracts</i>, <i>home finance mediation activity</i>, <i>assisting in the administration and performance of contracts of insurances</i>, <i>arranging transactions in life policies</i> and other <i>insurance contracts</i>, <i>advising on investments (except P2P agreements)</i> and receiving and transmitting, on behalf of investors, orders in relation to <i>securities</i> and <i>units in collective investment schemes</i>, <i>advising on P2P agreements</i>; and (b) which is subject to a <i>requirement</i> not to hold or control <i>client money</i> or <i>custody assets</i>.
<i>investment management firm</i>	a <i>firm</i> whose <i>permitted activities</i> include <i>designated investment business</i> , which is not an <i>authorised professional firm</i> , <i>bank</i> , <i>IFPRU investment firm</i> , <i>BIPRU firm</i> , <u><i>MIFIDPRU investment firm</i></u> , <i>collective portfolio management firm</i> , <i>credit union</i> , <i>energy market participant</i> , <i>friendly society</i> , <i>ICVC</i> , <i>insurer</i> , <i>media firm</i> , <i>oil market participant</i> or <i>service company</i> , whose <i>permission</i> does not include a <i>requirement</i> that it comply with <i>IPRU-INV 3</i> or <i>IPRU-INV 13</i> (<i>Personal investment firms</i>) and which is within (a), (b) or (c): <p>...</p>
<i>large exposure</i>	<ol style="list-style-type: none"> (1) (in BIPRU) the exposure of a firm to a counterparty, or a group of connected clients, whether in the firm's non-trading book or trading book or both, which in aggregate equals or exceeds 10% of the firm's capital resources. <u>[deleted]</u> (2) (except in (1)) has the meaning in article 392 of the <i>UK CRR</i> (<i>Definition of a large exposure</i>), <u>as it applied on 31 December 2021</u>.
<i>local firm</i>	has the meaning in article 4(1)(4) of the <i>UK CRR</i> <u>as it applied on 31 December 2021</u> .
<i>personal investment firm</i>	a <i>firm</i> whose <i>permitted activities</i> include <i>designated investment business</i> , which is not an <i>authorised professional firm</i> , <i>bank</i> ,

~~IFPRU investment firm, BIPRU firm, MIFIDPRU investment firm, building society, collective portfolio management firm, credit union, energy market participant, ICVC, insurer, media firm, oil market participant or service company, whose permission does not include a requirement that it comply with IPRU(INV) 3 (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c):~~

...

securities and futures firm

a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, ~~BIPRU firm (unless it is an exempt BIPRU commodities firm), IFPRU investment firm (unless it is an exempt IFPRU investment firm),~~ MIFIDPRU investment firm, building society, collective portfolio management firm, credit union, friendly society, ICVC, insurer, media firm or service company, whose permission does not include a requirement that it comply with IPRU(INV) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g) or (ga):

...

(g) ~~an exempt BIPRU commodities firm~~ [deleted]

(ga) ~~an exempt IFPRU investment firm~~ [deleted]

...

Delete the following definitions. The text is not shown struck through.

category B firm

a personal investment firm, other than an exempt CAD firm.

Annex B

General Prudential sourcebook (GENPRU)

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

1 Application

1.1 Application

1.1.1 G There is no overall application statement for *GENPRU*. Each chapter or section has its own application statement.

1.1.2 G ~~Broadly speaking however, *GENPRU* applies (except as provided in *GENPRU* 1.1.2 AAG) to:~~

...

(4) ~~a *BIPRU* firm; and~~ [deleted]

(5) ~~groups containing such firms.~~ [deleted]

...

1.1.2-B G ~~*GENPRU* applies to a collective portfolio management investment firm that is a *BIPRU* firm in parallel with *IPRU INV* 11 (see *IPRU INV* 11.6).~~ [deleted]

1.1.2A G ~~A firm should refer to *GEN* 2.2.13AR (cross references in the Handbook) and *GEN* 2.2.23R to *GEN* 2.2.25G (cutover: application of provisions made by both the *FCA* and the *PRA*) when applying the rules and guidance in *GENPRU*.~~ [deleted]

...

GENPRU 1.2 and 1.3 are deleted in their entirety. The deleted text is not shown but the sections are marked [deleted] as shown below.

1.2 Adequacy of financial resources [deleted]

1.3 Valuation [deleted]

GENPRU 2 is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

2 Capital [deleted]

GENPRU TP 8, TP8A, TP 8B, Sch 1, Sch 2 and Sch 3 are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

- TP 8 Miscellaneous capital resources definitions for BIPRU firms [deleted]**
- TP 8A Further miscellaneous capital resources definitions for BIPRU firms [deleted]**
- TP 8B Miscellaneous capital resources definitions for BIPRU firms: Core tier one capital [deleted]**
- Sch 1 Record keeping requirements [deleted]**
- Sch 2 Notification and reporting requirements [deleted]**
- Sch 3 Fees and other requirement payments [deleted]**

Annex C

Prudential sourcebook for Investment Firms (IFPRU)

IFPRU 1, 2, 3, 4, 5, 6, 7, 8, 9 and 10 are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

- 1** **Application [deleted]**
- 2** **Supervisory processes and governance [deleted]**
- 3** **Own funds [deleted]**
- 4** **Credit risk [deleted]**
- 5** **Operational risk [deleted]**
- 6** **Market risk [deleted]**
- 7** **Liquidity [deleted]**
- 8** **Prudential consolidation and large exposures [deleted]**
- 9** **Public disclosure [deleted]**
- 10** **Capital buffers [deleted]**

IFPRU TP 1, TP 4, TP 5, TP 8 and TP 9 are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

- TP 1** **GENPRU and BIPRU waivers: transitional [deleted]**
- TP 4** **Deductions from own funds [deleted]**
- TP 5** **Own funds: other transitionals [deleted]**
- TP 8** **Countercyclical capital buffer: transitional [deleted]**
- TP 9** **Large exposures limits [deleted]**

Annex D

Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

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

1 Application and general provisions

...

1.3 Remuneration and property valuation requirements for MCD creditors

...

1.3.3 G For the purposes of *MIPRU* 1.3.2R:

- (1) reliable standards for the valuation of residential immovable property include internationally recognised valuation standards, in particular those developed by the International Valuation Standards Council (IVSC), the European Group of Valuers' Associations (EGoVA) or the Royal Institution of Chartered Surveyors (RICS), as well as the standards in ~~*BIPRU* 3.4.77R to *BIPRU* 3.4.80R~~ *MIPRU* 1.3.3AG or, where applicable, *MIPRU* 4.2F.27R to *MIPRU* 4.2F.29R.

[**Note:** recital 26 of the *MCD*]

- (2) the *MCD creditor* is not limited to on-site inspections where it is possible to demonstrate that any risks posed have been adequately assessed through the overall collateral management process.

1.3.3A G For the purposes of *MIPRU* 1.3.3G(1), reliable standards for the valuation of residential immovable property also include the following standards:

- (1) the property must be valued by an independent valuer at or less than the market value. In the UK where rigorous criteria for the assessment of the mortgage lending value exist in statutory or regulatory provisions property may instead be valued by an independent valuer at or less than the mortgage lending value;
- (2) market value means the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without

compulsion. The market value must be documented in a transparent and clear manner;

(3) mortgage lending value means the value of the property as determined by a prudent assessment of the future marketability of the property taking into account long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property. Speculative elements must not be taken into account in the assessment of the mortgage lending value. The mortgage lending value must be documented in a transparent and clear manner; and

(4) the value of the collateral must be the market value or mortgage lending value reduced as appropriate to reflect the results of any required monitoring and to take account of any prior claims on the property.

...

3 Professional indemnity insurance

3.1 Application and purpose

3.1.1 R ...

(5) This chapter does not apply to

...

(c) a *firm* to which *IPRU(INV) 13.1.5R(1)* (Financial resource requirements for personal investment firms: requirement to hold professional indemnity insurance) applies; ~~or~~

(d) ~~an exempt CAD firm to which *IPRU(INV) 9.2.5R* (Initial capital and professional indemnity insurance requirements – exempt CAD firms that are also IDD insurance intermediaries) applies. [deleted]~~

...

...

4 Capital resources

4.1 Application and purpose

...

Application: banks, designated investment firms, building societies, insurers and friendly societies

4.1.4 R This chapter does not apply to:

...

(1A) a designated investment firm; or

...

...

Application: firms carrying on designated investment business only

...

4.1.7 G A firm which carries on *designated investment business*, and no other regulated activity, may disregard this chapter. For example, a firm with permission limited to *dealing in investments as agent* in relation to securities is only carrying on *designated investment business* and ~~the Interim Prudential sourcebook for investment businesses or the Prudential sourcebook for Banks, Building Societies and Investment Firms, as appropriate, will apply.~~ may be subject to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) or the Interim Prudential sourcebook for Investment Businesses (IPRU(INV)), as appropriate. However, if its *permission* is varied to enable it to arrange motor insurance as well, this activity is not *designated investment business* so the firm will be subject to the higher of the requirements in this chapter and those sourcebooks (see MIPRU 4.2.5R).

...

4.2 Capital resources requirements

...

Capital resources requirement: firms carrying on regulated activities including designated investment business

4.2.5 R The capital resources requirement for a firm (other than a *credit union*) carrying on *regulated activities*, including *designated investment business* and to which IPRU(INV) does not apply, is the higher of:

- (1) the requirement which is applied by this chapter according to the activity or activities of the firm (treating the relevant *rules* as applying to the firm by disregarding its *designated investment business*); and
- (2) the financial resources requirement which is applied by the ~~Prudential sourcebook for Investment Firms and the UK CRR or the General Prudential sourcebook and the Prudential sourcebook for Banks, Building Societies and Investment~~

~~Firms~~ Prudential sourcebook for MiFID Investment Firms
(*MIFIDPRU*).

...

4.4 Calculation of capital resources

The calculation of a firm's capital resources

- 4.4.1 R (1) ...
- (2) If the *firm* is subject to ~~the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the UK CRR, the General Prudential sourcebook, the Prudential sourcebook for Banks, Building Societies and Investment Firms or the Credit Unions sourcebook, the Prudential sourcebook for MiFID Investment Firms (*MIFIDPRU*) or the Interim Prudential sourcebook for investment businesses (*IPRU(INV)*),~~ the capital resources are the higher of:
- (a) the amount calculated under (1); and
- (b) the financial resources calculated under those sourcebooks ~~and regulations~~.

...

After TP1 'Transitional Provisions' insert the following new transitional provision. The text is not underlined.

TP 2 Transitional Provisions for former exempt CAD firms

2.1 R

	(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
	2.1	<i>MIPRU</i> 3.2	R	This <i>rule</i> applies to a <i>MIFIDPRU investment firm</i> that was classified as an <i>exempt CAD firm</i> subject to <i>IPRU-INV</i> 9 on	Until 31 December 2024	1 January 2022

				<p>31 December 2021.</p> <p>Instead of complying with the requirements relating to professional indemnity insurance in <i>MIPRU 3.2</i>, a <i>firm</i> may comply with the professional indemnity insurance requirements set out in <i>IPRU-INV 9.2.4R(1)(b)</i> (except that the minimum limits of indemnity are at least EUR 1,250,000 for a single claim and EUR 1,850,000 in aggregate), together with <i>IPRU-INV 9.2.7R</i> and <i>IPRU-INV 9.4</i>.</p>		
	2.2	<i>MIPRU 3.2</i>	R	<p>This <i>rule</i> applies to a <i>MIFIDPRU investment firm</i> that was classified as an <i>exempt CAD firm</i> and was subject to <i>IPRU-INV 13</i> on 31 December 2021.</p> <p>Instead of complying with the requirements relating to professional indemnity insurance in <i>MIPRU 3.2</i>, a <i>firm</i> may comply</p>	Until 31 December 2024	1 January 2022

				with <i>IPRU-INV</i> 13.1.5R; <i>IPRU-INV</i> 13.1.7R to 13.1.10R; and <i>IPRU-INV</i> 13.1.15R to 13.1.29G.		
	2.3	<i>MIPRU</i> 3.2	R	<p>References in this transitional provision to <i>IPRU-INV</i> are to the version of <i>IPRU-INV</i> that applied on 31 December 2021.</p> <p>References to an <i>exempt CAD firm</i> in <i>IPRU-INV</i> are to the <i>firm</i> to which this transitional provision applies.</p>	Until 31 December 2024	1 January 2022
	2.4	<i>MIPRU</i> 3.2	G	<p><i>Exempt CAD firms</i> that carried on activities in scope of <i>MIPRU</i> 3.2 were exempt from the requirements in <i>MIPRU</i> 3.2, on the basis that they were subject to similar professional indemnity insurance requirements in <i>IPRU-INV</i> 9 or 13.</p> <p>The category of <i>exempt CAD firm</i> ceases to exist on 1 January 2022. These <i>firms</i> will no longer be subject to <i>IPRU-INV</i>, and instead</p>	Until 31 December 2024	1 January 2022

			<p>will become subject to prudential requirements in <i>MIFIDPRU</i>. <i>MIFIDPRU</i> does not require the holding of professional indemnity insurance.</p> <p>Former <i>exempt CAD firms</i> that carry on activities in scope of <i>MIPRU</i> 3.2 will therefore have to comply with the requirements to hold professional indemnity insurance in <i>MIPRU</i> 3.2 for the first time, consistent with other <i>investment firms</i> that have always had to comply with <i>MIPRU</i> 3.2.</p> <p>The purpose of this transitional provision is to give former <i>exempt CAD firms</i> time to comply with any new requirements in <i>MIPRU</i> 3.2. In particular, former <i>exempt CAD firms</i> should note that the minimum <i>limit of indemnity</i> for claims in aggregate can be higher under <i>MIPRU</i> 3.2.7R(2)(b) than</p>		
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			<p>under the relevant provisions in <i>IPRU-INV</i>. <i>MIPRU 3.2</i> also contains material relating to excess levels that differs from the material in <i>IPRU-INV</i>.</p> <p><i>IPRU-INV 9.4.4R</i> requires that professional indemnity insurance policies must not be subject to unreasonable limits. <i>IPRU-INV 13.1.9R</i> requires that policies must incorporate terms which are appropriate. The <i>FCA</i> therefore expects former <i>exempt CAD firms</i> to have regard to the requirements in <i>MIPRU 3.2</i> when renewing their professional indemnity insurance whilst this transitional applies.</p>	
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Annex E

Interim Prudential sourcebook for Investment Businesses (IPRU-INV)

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

1 Application and General Provisions

1.1 PURPOSE

...

1.1.3A **R** ~~This sourcebook does not apply to *BIPRU firms* except:~~
G

(1) ~~it does apply to certain *exempt BIPRU commodities firms*; and~~

(2) ~~[deleted]~~ This sourcebook does not apply to a *MIFIDPRU investment firm* (unless it is a *collective portfolio management investment firm*).

1.1.3B **R** ~~This sourcebook does not apply to *IFPRU investment firms* except it does apply to *exempt IFPRU commodities firms*. [deleted]~~

...

1.2 APPLICATION

...

1.2.2 **R** (1) *IPRU-INV* applies to:

(a) a *members' adviser*;

(b) an *investment management firm*;

(c) a *personal investment firm*;

(d) an *authorised professional firm*;

(e) a *securities and futures firm*;

(f) a *service company*;

(g) the *Society of Lloyd's* (in relation to *underwriting agents*);

(h) [deleted]

(i) a *credit union* which is a *CTF provider*; ~~and~~

- (j) ~~an exempt CAD firm; and [deleted]~~
 - (k) a collective portfolio management firm; and
 - (l) a collective portfolio management investment firm.
- (2) IPRU-INV does not apply to:
- (a) a lead regulated firm; or
 - (b) a media firm; or
 - (c) ~~a BIPRU firm (unless it is an exempt BIPRU commodities firm); or: a MIFIDPRU investment firm (unless it is a collective portfolio management investment firm).~~
 - (d) ~~an IFPRU investment firm (unless it is an exempt IFPRU commodities firm). [deleted]~~

...

...

Obligation to Comply

...

1.2.5 R Table

This table belongs to ~~IPRU (INV) 1.2.4R~~ IPRU (INV) 1.2.4R

<i>Authorised professional firm</i>	Chapters 1 and 2
<i>Securities and futures firm (which is not a MiFID investment firm)</i>	Chapters 1 and 3
<i>Securities and futures firm (which is an exempt BIPRU commodities firm or an exempt IFPRU commodities firm)</i>	Chapters 1 and 3
<i>The Society of Lloyd's (in relation to underwriting agents) and members' advisers</i>	Chapters 1 and 4
<i>Investment management firm</i>	Chapters 1 and 5
<i>An exempt CAD firm or a local firm</i>	Chapters 1 and 9
<i>Service company</i>	Chapters 1 and 6

<i>Collective portfolio management firm</i>	Chapters 1 and 11
<i>Collective portfolio management investment firm</i>	Chapters 1 and 11
<i>Personal investment firm</i>	Chapters 1 and 13
<i>Credit union which is a CTF provider</i>	Chapters 1 and 8

...

2 Authorised professional firms

2.1 APPLICATION

...

- 2.1.2 R (1) An *authorised professional firm* of a kind falling within (2) must comply with such of *IPRU-INV* 3, 5, 9 or 13 which in accordance with *IPRU-INV* 2.1.4R, most appropriately correlates to the type and scale of the business which it conducts.
- (2) The type of *authorised professional firm* to which (1) applies is one:
- (a) ~~which is also an exempt CAD firm;~~ [deleted]
 - (b) which acts as a *market maker*;
 - (c) which acts as a *stabilising manager*;
 - (da) which acts as a *small authorised UK AIFM* or a *residual CIS operator*;
 - (db) which acts as a *depository*;
 - (e) which acts as a *broker fund adviser* or otherwise participates in a *broker fund* arrangement;
 - (f) whose main business, having regard to (3), is not the practice of its profession or professions;
 - (g) whose *permission* includes a requirement that it acts in conformity with the financial resources *rules* applicable to another type of *firm*; or
 - (h) whose *permission* includes *establishing, operating or winding up a personal pension scheme*.

...

- (4) An *authorised professional firm* which, in accordance with (1), is required to comply with *IPRU-INV* 3, 5, ~~9~~ or 13 must immediately give notification of that fact to the *FCA* in accordance with *SUP* 15.7 (Forms and method of notification).

...

2.1.4 R This table belongs to *IPRU-INV* 2.1.1R

TYPE OF BUSINESS ACTIVITY	CHAPTER OF SOURCEBOOK
(i) <i>managing investments</i> other than for <i>retail clients</i> ; or	<i>Investment management firm - IPRU-INV</i> 5
(ii) <i>OPS activity</i> ; or	<i>Investment management firm</i> (which is an exempt <i>CAD firm</i>) <i>IPRU-INV</i> 5 and 9
...	
(i) a <i>regulated activity</i> carried on as a member of an exchange; or	<i>Securities and futures firm</i> (which is an exempt <i>CAD firm</i>) <i>IPRU-INV</i> 9
...	

...

3 Financial resources for Securities and Futures Firms which are not MiFID Investment Firms or which are Exempt BIPRU Commodities Firms or Exempt IFPRU Commodities Firms

...

3.-1 R This chapter applies to a *securities and futures firm* which:

- (a) is not a *MiFID investment firm*;
- (b) is an *exempt CAD firm* that carries on any *regulated activity* other than *MiFID business*; or
- (c) an *exempt BIPRU commodities firm*; or
- (d) is an *exempt IFPRU commodities firm*.

3.-1 G An *exempt BIPRU commodities firm* is subject to the non-capital requirements of *GENPRU* and *BIPRU* as indicated in *BIPRU* TP 15. An

exempt IFPRU commodities firm is subject to the non-capital requirements of *IFPRU* and the *EU-CRR*. [deleted]

...

- 3.-1B R The provisions on concentrated risk in this chapter:
- (a) apply to an *exempt BIPRU commodities firm* if it satisfies the conditions in *BIPRU-TP 16* (Commodities firm transitionals: large exposures) in the version as at 31 December 2013; and
 - (b) do not apply to an *exempt IFPRU commodities firm* which applies the large exposure requirements Part Four (articles 387 to 403) of the *EU-CRR*. [deleted]

3.-1B G Part Four (articles 387 to 403) of the *EU-CRR* applies to an *exempt IFPRU commodities firm*, unless it qualifies for exemption under article 493(1) of the *EU-CRR*. [deleted]

3.-1C G The table in *IPRU(INV) 3-1DG* sets out the parts of the *Handbook* and the *EU-CRR* containing provisions on *large exposure* or concentrated risk which apply to a *securities and futures firm*. [deleted]

3.-1D G Table
 Applicability of the provisions to securities and futures firms
 This table belongs to *IPRU(INV) 3-1CG* [deleted]

(1) [deleted]	(2)	(3)
Type of <i>securities and futures firm</i>	Whether conditions in article 493(1) of the <i>EU-CRR</i> are satisfied	Part of <i>Handbook</i> and <i>EU-CRR</i> applicable for <i>large exposure</i> or concentrated risk requirements
<i>Energy market participant</i> (which is an <i>exempt IFPRU commodities firm</i>) with a waiver from <i>IPRU(INV) 3</i>	Yes	Not applicable
	No	Part Four (articles 387 to 403) of the <i>EU-CRR</i> applies
<i>Energy market participant</i> (which is <i>exempt IFPRU commodities firm</i>) to which <i>IPRU(INV) 3</i> applies	Yes	<i>IPRU(INV) 3</i> applies
	No	Part Four (articles 387 to 403) of the <i>EU-CRR</i> applies
	Yes	<i>IPRU(INV) 3</i> applies

<i>Oil market participant (which is an exempt IFPRU commodities firm) if it is a member of a recognised investment exchange or a designated investment exchange which is, under the rules of that exchange, entitled to trade with other members to which IPRU(INV) 3 applies</i>	No	Part Four (articles 387 to 403) of the <i>EU-CRR</i> applies
<i>Other oil market participant (which is an exempt IFPRU commodities firm) to which IPRU(INV) 3 does not apply</i>	Yes	Not applicable
	No	Part Four (articles 387 to 403) of the <i>EU-CRR</i> applies
<i>Exempt IFPRU commodities firm which is not an energy market participant or oil market participant</i>	Yes	<i>IPRU(INV) 3</i> applies
	No	Part Four (articles 387 to 403) of the <i>EU-CRR</i> applies
<i>Securities and futures firm (which is not a MiFID investment firm)</i>	Not applicable	<i>IPRU(INV) 3</i> applies

...

Exempt CAD firms

- 3.-60(8) R *Rules 3-61 to 3-182 do not apply to an exempt CAD firm, unless it carries on any regulated activity other than MiFID business. [deleted]*

Exempt BIPRU commodities firms

- 3.-60(9) G *An exempt BIPRU commodities firm should determine whether it is a broad scope firm or one of the other categories in this rule. [deleted]*

Exempt IFPRU commodities firm

- 3.-60(10) G *An exempt IFPRU commodities firm should determine whether it is a broad scope firm or one of the other categories in this rule. [deleted]*

...

Obligation to calculate PRR²

...

- 3.-80(2) G Notwithstanding the methods available for calculating the *PRR*, a *firm* may, in respect of any individual position, calculate a *PRR* which is more conservative than that calculated under the appropriate *rule*. However, in that case, the *firm* will need to be able to demonstrate that, in all circumstances, the calculation being employed does give rise to a higher *PRR* for the position.

* ~~For guidance notes as to which methods to apply, see **Appendix 20**~~

...

Models approach

- 3.-169A G A *firm* may seek a modification or *waiver* from the *FCA* to use a *VaR model* as the basis for calculating the *PRR* on its commodity positions.
The *FCA* will grant a modification or *waiver* permitting the use of a *VaR model* only where a number of qualitative and quantitative standards are met. In assessing the *VaR model* the *FCA* will have regard to the matters set out in *BIPRU 7.10* as it applied on 31 December 2021.

...

Appendix 1 GLOSSARY OF TERMS FOR IPRU(INV) 3

...

qualifying debt security means a *debt security* which:

...

- (3) (for the purposes of *rule 3-173B*) meets the following conditions:

...

- (d) ~~it is a mortgage backed security relating to residential real estate of the type referred to in *BIPRU 3.4.94R(1)(d)(i)* which meets the requirements about legal certainty referred to in *BIPRU 3.4.62R*; or [deleted]~~

...

...

...

IPRU-INV 3 Appendix 20 is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

3 **GUIDANCE NOTES ON RECONCILIATION OF FIRM'S BALANCES**
Appendix **WITH A COUNTERPARTY WHICH IS A MEMBER OF AN**
20 **EXCHANGE (RULE 3-11(1)(D)) AND IPRU(INV) 9.6.1R (FOR AN**
 EXEMPT CAD FIRM)) [deleted]

Amend the following as shown.

4 **Lloyd's Firms**

...

4.2 **PURPOSE**

...

- 4.2.4 R *A members' adviser* is not regulated by the *Society* and accordingly this chapter specifies the financial resource and accounting requirements to be met. *Firms* which fall within the scope of this chapter will be *firms* with *permission* only to advise persons on *syndicate* participation at Lloyd's. The nature of that advisory business is akin to corporate finance advice and so the applicable requirements are those in *IPRU-INV 3* relevant to *firms* giving corporate finance advice. *Firms* with other *permissions* will fall within the scope of other chapters of *IPRU(INV)*, ~~*GENPRU*~~, ~~*BIPRU*~~, ~~*IFPRU*~~ (and the ~~*UK CRR*~~) *MIFIDPRU* or *INSPRU*.

...

5 **Financial resources**

5.1 **Application**

- 5.1.1 R (1) (a) This chapter applies to an *investment management firm*, other than:
- (i) [deleted]
- (ii) a *MiFID investment firm* ~~(unless it is an exempt CAD firm for the purpose of calculating its own funds and if it carries on any regulated activity other than *MiFID business*).~~

- (aa) This chapter applies, as set out in *IPRU-INV* 5.1.2R, to:
 - (i) ~~*exempt CAD firms*~~; [deleted]
 - (ii) **OPS firms**;
 - (iii) non-OPS Life Offices and non-OPS Local Authorities; and
 - (iv) individuals admitted to membership collectively.

5.1.2 R

	Exempt CAD firms	OPS firms (see Note 1 below)	Non-OPS Life Offices and Non- OPS Local Authorities	Individuals admitted to membership collectively
Financial resources rules				
<i>IPRU- INV</i> 5.2.1R to 5.7.3R	No (see Note 3 below)	No	No	Yes
	Individuals whose sole investment business is giving investment advice to institutional or corporate investors		<i>Firms</i> subject to “lead regulator arrangements”	All other <i>firms</i>
Financial resources rules				
<i>IPRU- INV</i> 5.2.1R to 5.7.3R	No		No	Yes
			(see Note 2 below)	
Accounting records rules				
<i>IPRU- INV</i> 5.3.1R(1) to	No		Yes	Yes

5.3.1R(6))				
<p>Note 1. <i>Firms</i> are referred to the specific compliance reports for OPS firms required by Chapter 16 of the Supervision Manual <u>manual</u>.</p>				
<p>Note 2. A <i>firm</i> subject to “lead regulator arrangements” whereby a body other than the <i>FCA</i> is responsible for its financial regulation shall comply with the corresponding financial resources rules and financial returns rules of that body, and a breach of such rules shall be treated as a breach of the rules of the <i>FCA</i>.</p>				
<p>Note 3. The financial and non-financial resources rules for an exempt CAD firm are set out in IPRU-INV chapter 9. However, IPRU-INV 5.2.1R to 5.7.3R apply to an exempt CAD firm for the purpose of calculating its own funds (see IPRU-INV 9.2.9R(2)(a)) (although the Category A items of Tier 1 capital as set out in IPRU-INV 5.8.1R are replaced by all the items in IPRU-INV 9.3.1R) and if it carries on any regulated activity other than MiFID business (see IPRU-INV 9.2.3R).</p>				

...

5.1.5 R Any reference in IPRU-INV 5 to the UK CRR is to the UK CRR in the form in which it stood at 31 December 2021.

...

5.3 Financial resources

...

5.3.2 R For a *firm* that has a *Part 4A permission for acting as trustee or depositary of a UK UCITS*, own funds has the meaning in article 4(1)(118) of the ~~EU-CRR~~ UK CRR.

...

5.4 Financial resources requirement

...

Exceptions from the liquid capital requirement

5.4.2 R The **financial resources requirement** is an **own funds requirement** determined in accordance with IPRU-INV 5.4.3R for a *firm* if its **permitted business** does not include *establishing, operating or winding up a personal pension scheme* and ~~which~~ where:

- (i) ~~is an exempt CAD firm which is also a residual CIS operator or a small authorised UK AIFM and that scheme or AIF only invests in venture capital investments for non-retail clients; or [deleted]~~
- (ii) ~~is not an exempt CAD firm if:~~
- (a) ~~the firm's permitted business does not include the holding of customers' monies or assets and it neither executes transactions (or otherwise arranges deals) in investments nor has such transactions executed for itself or its customers; or~~
 - (b) ~~the firm's permitted business includes the activities as in (a) above, but only in respect of venture capital investments for non-retail clients; or~~
 - (c) ~~the firm is a trustee of an authorised unit trust scheme whose permitted business consists only of trustee activities and does not include any other activity constituting specified trustee business or the firm is a depositary of an ICVC or ACS or a depositary appointed in line with FUND 3.11.12R (Eligible depositaries for UK AIFs) or a UK depositary of a non-UK AIF whose permitted business consists only of depositary activities.~~
 - (d) ~~the firm's permitted business limits it to acting a residual CIS operator or a small authorised UK AIFM where the main purpose of the collective investment scheme or AIF (as applicable) is to invest in permitted immovables whether in the UK or abroad.~~

...

- 5.4.6 G If a firm that is the depositary of a UCITS scheme is seeking to determine its **own funds requirement** on the basis of the standardised approach in article 317 ~~EU CRR~~ UK CRR, it should notify the FCA in advance.

...

- 5.4.8 R A firm which is the depositary of a UCITS scheme must comply with the rules in IFPRU 2 as it applied on 31 December 2021, as if it were an IFPRU investment firm that is not a significant IFPRU investment firm.

- 5.4.9 G ~~A firm to which IPRU INV 5.4.8R applies is, in particular, reminded of the rules in IFPRU 2 that determine whether a firm must apply the ICAAP rules on an individual basis or comply with them on a consolidated basis or sub-consolidated basis (see IFPRU 2.2.45R to IFPRU 2.2.49R).~~
[deleted]

...

5.8 Calculation of own funds and liquid capital

- 5.8.1 R A firm must calculate its **own funds** and **liquid capital** as shown below, subject to the detailed requirements set out in *IPRU-INV 5.8.2R*.

Financial resources		Category	IPRU-INV 5.8.2R paragraph
Tier 1			
(1)	Paid-up share capital (excluding preference shares)	A	
(1A)	Eligible LLP members' capital		
(2)	Share premium account		
(3)	Reserves		2A
(4)	Non-cumulative preference shares		
Less: (5)	Investments in own shares	B	
(6)	Intangible assets		
(7)	Material current year losses		4
(8)	Material holdings in credit and financial institutions and, for exempt CAD firms only, material insurance holdings.		5 and 5A
(8A)	Excess LLP members' drawings		
Tier 1 capital = (A-B)		C	
Plus: TIER 2			1
(9)	Revaluation reserves	D	
(10)	Fixed term cumulative preference share capital		4(a)
(11)	Long-term Qualifying Subordinated Loans		4(a); 6

	(12)	Other cumulative preference share capital and debt capital but, for exempt CAD firms, only perpetual cumulative preference share capital and qualifying capital instruments		6A
	(13)	Qualifying arrangements		7
"Own Funds" = (C+D)			E	
Plus: TIER 3				
	(14)	Net trading book profits	F	1(b)(i); 8
	(15)	Short-term Qualifying Subordinated Loans and excess Tier 2 capital		1(b)(ii); 1(e); 9
Less:	(16)	Illiquid assets	G	10
Add:	(17)	Qualifying Property		11
"Liquid Capital" = (E+F+G)				

5.8.2 R

1 Deductions and Ratios (Items 10, 11 and 15)	(a)	Notwithstanding <i>IPRU-INV 5.8.1R</i> and <i>5.8.2R</i> for an <i>exempt CAD firm</i> , in calculating own funds , all of Item 8 must be deducted after the total of Tier 1 and Tier 2 capital and the following restrictions apply: [deleted]	
		(i)	the total of fixed term cumulative preference shares (item 10) and long term qualifying subordinated loans (item 11) that may be included in Tier 2 capital is limited to 50 per cent of Tier 1 capital;
		(ii)	Tier 2 capital must not exceed 100 per cent of Tier 1 capital.
	(b)	A firm which is not an <i>exempt CAD firm</i> and which is subject to a liquid capital requirement under <i>IPRU-INV 5.4.1R</i> may take into account qualifying subordinated loans in the calculation of liquid capital up to a maximum of 400% of its Tier 1 capital.	

...		
5A Material insurance holdings (Item 8)	(a)	A material insurance holding means the holdings of an <i>exempt CAD firm</i> of items of the type set out in (b) in any:
	(i)	<i>insurance undertaking</i> ; or
	(ii)	<i>insurance holding company</i> ;
		that fulfils one of the following conditions:
	(iii)	it is a subsidiary undertaking of that <i>firm</i> ; or
	(iv)	that <i>firm</i> holds a participation in it.
	(b)	An item falls into this provision for the purpose of (a) if it is:
	(i)	an ownership share; or
	(ii)	subordinated debt or another item of capital that forms part of the <i>tier two capital resources</i> that falls into <i>GENPRU 2</i> or, as the case may be, <i>INSPRU 7</i> , or is an item of “basic own funds” defined in the <i>PRA Rulebook: Glossary</i> .
...		
6A Perpetual cumulative preference share capital		Perpetual cumulative preference share capital may not be included in the calculation of own funds by an <i>exempt CAD firm</i> unless it meets the following requirements:
	(a)	it may not be reimbursed on the holder’s initiative or without the prior agreement of the <i>FCA</i> ;
	(b)	the instrument must provide for the <i>firm</i> to have the option of deferring the dividend payment on the share capital;
	(c)	the shareholder’s claims on the <i>firm</i> must be wholly subordinated to those of all non-subordinated creditors;
	(d)	the terms of the instrument must provide for the loss-absorption capacity of the share capital and unpaid

		dividends, whilst enabling the <i>firm</i> to continue its business; and
	(e)	it must be fully paid-up.
7 Qualifying arrangements (Item 13)	(a)	An exempt CAD firm may only include a qualifying undertaking or other arrangement in item 13 if it is a qualifying capital instrument or a qualifying capital item.
	(b)	A <i>firm</i> which is not an <i>exempt CAD firm</i> may only include qualifying undertakings in its calculation of liquid capital if:
	(i)	it maintains liquid capital equivalent to 6/52 of its annual expenditure in a form other than qualifying undertakings ; and
	(ii)	the total amount of all qualifying undertakings plus qualifying subordinated loans does not exceed the limits set out in paragraph (1)(b) above.
8 Net trading book profits (Item 14)		For <i>firms</i> which are not <i>exempt CAD firms</i> unaudited <u>Unaudited</u> profits can be included at item 14.
		...
...		

...

IPRU-INV 9 is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

9 Financial resources requirements for an exempt CAD firm [deleted]

Amend the following as shown.

11 Collective Portfolio Management Firms and Collective Portfolio Management Investment Firms

11.1 INTRODUCTION

Application

...

- 11.1.2 G A *collective portfolio management firm* that manages an *AIF* is an *internally managed AIF* or an *external AIFM*. If the firm is a *full-scope UK AIFM* this affects the firm's ~~base capital resources requirement~~ base own funds requirement (see *IPRU-INV 11.3.1R*). An *internally managed AIF* that is a *full-scope UK AIFM* is not permitted to engage in activities other than the management of that *AIF*, whereas an *external AIFM* that is a *full-scope UK AIFM* may manage *AIFs* and/or *UCITS*, provided it has *permission* to do so. A *full-scope UK AIFM* that is an *external AIFM* and/or a *UCITS management company* may undertake any of the additional investment activities permitted by article 6(4) of *AIFMD* or article 6(3) of the *UCITS Directive* (as applicable), provided it has *permission* to do so, but if so it is classified as a *collective portfolio management investment firm*, as opposed to a *collective portfolio management firm*.

A *collective portfolio management investment firm* is also a MIFIDPRU investment firm, and so is subject to the requirements of either (i) ~~GENPRU and BIPRU~~ or (ii) ~~IFPRU~~ of MIFIDPRU in addition to the requirements of *IPRU-INV 11*, as explained in ~~IPRU-INV 11.6.2G~~ IPRU-INV 11.6.3G.

- 11.1.2A G A *small authorised UK AIFM* that is not also a *UCITS management company* is not a *collective portfolio management firm* or a *collective portfolio management investment firm* and is therefore not subject to *IPRU-INV 11*. This type of firm is subject to *IPRU-INV 5* if it is an *investment management firm*, ~~GENPRU and BIPRU~~ if it is a *BIPRU firm* or ~~IFPRU~~ if it is an *IFPRU investment firm* or MIFIDPRU investment firm.

...

Purpose

- 11.1.4 G (1) ...
- (2) This original purpose of this chapter was to implement relevant requirements of *AIFMD* and the *UCITS Directive*, which included imposing capital and professional indemnity insurance requirements on a *full-scope UK AIFM* and a *UCITS management company*. *AIFMD* and the *UCITS Directive* incorporate references to provisions of the *Banking Consolidation Directive* and the *Capital Adequacy Directive* in relation to initial capital, own funds and fixed overheads. However, in line with article 163 of the *CRD*, the *Banking Consolidation Directive* and the *Capital Adequacy Directive* were repealed from 1 January 2014 and references to these directives were replaced with references to the *CRD* and the *UK CRR* in line with the correlation table set out in Annex II to the *CRD* and in Annex IV to the *UK CRR*. [deleted]

11.2 MAIN REQUIREMENTS

Collective portfolio management firm

11.2.1 R A *firm* must:

- (1) ...
- (2) at all times, maintain *own funds* which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU-INV 11.3.2R*); and
 - (ii) the amount specified in ~~article 97 of the UK CRR (Own funds based on fixed overheads) (as replicated in IPRU-INV 11.3.3AUK)~~ IPRU-INV 11.3.3AR; plus
- ...
- (3) at all times, hold liquid assets (in line with *IPRU-INV 11.3.17R*) which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU-INV 11.3.2R*) less the *base own funds requirement* (in line with *IPRU-INV 11.3.1R*); and
 - (ii) the amount specified in ~~article 97 of the UK CRR (Own funds based on fixed overheads)~~ IPRU-INV 11.3.3AR; plus
 - ...

...

11.3 DETAIL OF MAIN REQUIREMENTS

...

Own Funds based on Fixed Overheads

11.3.3A UK R (1) ~~In accordance with Articles 95 and 96, an investment firm and firms referred to in point (2)(c) of Article 4(1) that provide the investment services and activities listed in points the UK legislation that implemented (2) and (4) of Section A of Annex I to Directive 2004/39/EC shall hold eligible capital~~ A firm must hold *own funds* of at least one quarter of the fixed overheads of the preceding year.

- (2) ~~Where there is a change in the business of an investment firm since the preceding year that the competent authority considers to be material, the competent authority may adjust the requirement laid down in paragraph 1. A firm must calculate its fixed overheads using the methodology for calculating *relevant expenditure* in *MIFIDPRU* 4.5 (Fixed overheads requirement).~~
- (3) ~~Where an investment firm has not completed business for one year, starting from the day it starts up, an investment firm shall hold eligible capital of at least one quarter of the fixed overheads projected in its business plan, except where the competent authority requires the business plan to be adjusted. A firm that has not been in business for one year may use its projected fixed overheads in accordance with the approach in *MIFIDPRU* 4.5.11R.~~

[~~Note: article 97(1) to (3) of the *UK CRR*~~ *EU CRR*]

...

11.6 ADDITIONAL REQUIREMENTS FOR COLLECTIVE PORTFOLIO MANAGEMENT INVESTMENT FIRMS

- 11.6.1 G ~~A collective portfolio management investment firm is required to comply with the applicable requirements of either of the following sourcebooks in addition to complying with *IPRU-INV* 11: *MIFIDPRU* in addition to *IPRU-INV* 11.~~
- (1) ~~*GENPRU* and *BIPRU* if it is a *BIPRU* firm; or~~
- (2) ~~*IFPRU* if it is *IFPRU* investment firm.~~
- 11.6.2 G (1) A collective portfolio management investment firm may undertake the following *MiFID* business: portfolio management; investment advice; safekeeping and administration in relation to *shares* or *units* of collective investment undertakings; and (if it is an *AIFM* investment firm) reception and transmission of orders in relation to *financial instruments*.
- (2) ~~Subject to the conditions that the firm is not authorised to provide safekeeping and administration in relation to *shares* or *units* of collective investment undertakings and is not permitted to hold client money or client assets in relation to its *MiFID* business (and for that reason may not place itself in debt with those clients) competent authorities may allow the firm to stay on the capital requirements that would be binding on that firm as at 31 December 2013 the *UK* legislation that implemented under the *Banking Consolidation Directive* and the *Capital Adequacy Directive* (in line with article 95(2) of the *UK CRR*). The *FCA* exercised this derogation and, as such, a firm meeting those conditions is a *BIPRU* firm. If the above conditions are not met, a collective~~

portfolio management investment firm is an IFPRU investment firm. [deleted]

- 11.6.3 G A *collective portfolio management investment firm* is required to comply with the applicable requirements of ~~the sourcebooks set out in IPRU-INV 11.6.1G~~ *MIFIDPRU*, in parallel with its requirements under *IPRU-INV 11*. This means that a capital instrument or liquid asset may be used to meet either or both sets of requirements provided it meets the conditions set out in the relevant sourcebook.
- 11.6.4 G (1) When a *collective portfolio management investment firm* that is a *BIPRU firm* calculates the *credit risk capital requirement* and the *market risk capital requirement* for the purpose of calculating the ~~variable capital requirement under GENPRU 2.1.40R~~ it must do so only in respect of *designated investment business*. For this purpose, *managing an AIF* or *managing a UK UCITS* is excluded from *designated investment business*. [deleted]
- (2) Generally, *BIPRU* only applies to a *collective portfolio management investment firm* that is a *BIPRU firm* in respect of its *designated investment business* (excluding *managing an AIF* and *managing a UK UCITS*). However, *BIPRU 2.2* (Internal capital adequacy standards), *BIPRU 2.3* (Interest rate risk in the non-trading book), *BIPRU 8* (Group risk – consolidation) and *BIPRU 11* (Disclosure) apply to the whole of its business. [deleted]
- 11.6.5 G (1) When a *collective portfolio management investment firm* that is an *IFPRU investment firm* calculates the total risk exposure amount in article 92(3) of the *UK CRR*, the *own funds requirements* referred to in article 92(3)(a) (Risk weighted exposure amount for credit risk and dilution risk) and article 92(3)(b) (Risk weighted exposure amount for position risk) should include only those arising from its *designated investment business*. For this purpose, *managing an AIF* or *managing a UK UCITS* is excluded from *designated investment business*. [deleted]
- (2) Generally, *IFPRU* only applies to the *designated investment business* (excluding *managing an AIF* and *managing a UK UCITS*) of a *collective portfolio management investment firm* that is an *IFPRU investment firm*. However, *IFPRU 2.2* (Internal capital adequacy standards) and *IFPRU 2.3* (Supervisory review and evaluation process: Internal capital adequacy standards) apply to the whole of its business. [deleted]
- 11.6.6 G A *collective portfolio management investment firm* is not required to include its collective portfolio management activities when calculating its K-factor metrics under *MIFIDPRU*.

...

11.7 CAPITAL REPORTING

- 11.7.1 G The reporting requirements of capital adequacy for a *collective portfolio management firm* and a *collective portfolio management investment firm* are set out in SUP 16.12 (Integrated regulatory reporting). In summary, the relevant capital adequacy forms for its business of *managing an AIF* or *managing a UK UCITS* are as follows:
- (1) a *collective portfolio management firm* is required to submit FIN066 (and FSA042 if it is a *UCITS firm*); and
 - (2) a *collective portfolio management investment firm* ~~that is an IFPRU investment firm~~ is required to submit FIN067 (and FSA042 if it is a *UCITS investment firm*) and also report using COREP in accordance with MIFIDPRU 9. ~~;~~ and
 - (3) ~~a collective portfolio management investment firm that is a BIPRU firm is required to submit FIN068 (and FSA042 if it is a UCITS investment firm) and FSA003.~~ [deleted]

...

13 Financial Resources Requirements for Personal Investment Firms

13.1 APPLICATION, GENERAL REQUIREMENTS AND PROFESSIONAL INDEMNITY INSURANCE REQUIREMENTS

Application

- 13.1.1 R This chapter applies to a *firm* which is a *personal investment firm* as set out in the table below.

Type of personal investment firm	Application of this Chapter
A personal investment firm which is an exempt CAD firm	13.1, 13.1A, 13.13 and 13.14
A personal investment firm which is a category B firm	13.1 and 13.13 to 13.15

...

...

Capital resources: general accounting principles

- 13.1.4A R (1) ...
- (2) The accounting principles are referred to in:
- (a) the Notes for completion of the Retail Mediation Activities Return (RMAR) (under the heading “Accounting Principles”) in SUP 16 Annex 18BG ~~for a category B firm;~~ and

- (b) ~~the Guidance notes for data items in FSA032 (under the heading “Defined terms”) in SUP 16 Annex 25AG for an exempt CAD firm.~~

...

Requirement to hold professional indemnity insurance

...

- 13.1.6 R ~~An exempt CAD firm is not required to effect and maintain professional indemnity insurance unless it chooses this option (see 13.1A). [deleted]~~

...

Limits of indemnity

- 13.1.10 R ~~If the firm is an IDD insurance intermediary, whether or not it is also an exempt CAD firm, the appropriate minimum limits of indemnity per year are no lower than:~~

- (1) EUR 1,250,000 for a single claim against the firm; and
- (2) EUR 1,850,000 in the aggregate.

[Note: articles 10(4) and 10(5) of the IDD]

- 13.1.11 R ~~If the firm is an exempt CAD firm that maintains professional indemnity insurance under 13.1A.3(1)(b), the appropriate minimum limits of indemnity per year are no lower than:~~

- (1) EUR 1,000,000 for a single claim against the firm; and
- (2) EUR 1,500,000 in the aggregate. [deleted]

[Note: article 31(1) of the CRD (see also IPRU INV 13.1A.3R)]

- 13.1.12 R ~~If the firm is both an IDD insurance intermediary and an exempt CAD firm that maintains professional indemnity insurance under IPRU(INV) 13.1A.4(1)(b), the appropriate additional limits of indemnity to IPRU(INV) 13.1.10R per year are no lower than:~~

- (1) EUR 500,000 for a single claim against the firm; and
- (2) EUR 750,000 in the aggregate. [deleted]

[Note: article 31(2) of the CRD (see also IPRU INV 13.1A.4R)]

- 13.1.13 R ~~If the firm is not an IDD insurance intermediary or an exempt CAD firm, then the following limits of indemnity apply:~~

- (1) if the *firm* has relevant income of up to £3,000,000, no lower than £500,000 for a single *claim* against the *firm* and £500,000 in the aggregate; or
- (2) if the *firm* has relevant income of more than £3,000,000, no lower than £650,000 for a single claim against the *firm* and £1,000,000 in the aggregate.

...

Additional capital resources - exclusions

13.1.23 R ...

Note 2 - The calculation of a *firm's* capital resources is set out in sections 13.1A to 13.15 (see ~~IPRU-INV 13.1.1R~~ for application of these sections to an exempt CAD firm or a category B firm) IPRU-INV 13.13 to 13.15.

...

Additional capital resources - excess

13.1.27 R ...

Note 2 - The calculation of a *firm's* capital resources is set out in sections 13.1A to 13.15 (see ~~IPRU-INV 13.1.1R~~ for application of these sections to an exempt CAD firm or a category B firm) IPRU-INV 13.13 to 13.15.

...

IPRU-INV 13.1A is deleted in its entirety. The deleted text is not shown but the section is marked [deleted] as shown below.

13.1A Capital resources and professional indemnity insurance requirements for an exempt CAD firm [deleted]

Amend the following as shown.

13.13 CAPITAL RESOURCES REQUIREMENT FOR AN EXEMPT CAD FIRM AND A CATEGORY B FIRM A PERSONAL INVESTMENT FIRM

Application

- 13.13.1 R This section applies to a *personal investment firm* ~~which is either:~~
- (1) ~~an exempt CAD firm; or~~
 - (2) ~~a category B firm.~~

Requirement

- 13.13.2 R (1) A *firm* to which *MIPRU* does not apply must calculate its capital resources requirement as in (2).
- (2) The *firm* must calculate its capital resources requirement as the higher of:
- (a) £20,000; and
 - (b) the amount equivalent to the applicable percentage of its *annual income* specified in table 13.13.2(2)(b), depending on the type of *firm*.

Table 13.13.2(2)(b)

This table forms part of *IPRU-INV* 13.13.2R.

(A)	(B) Type of <i>firm</i>	(C) Applicable percentage of <i>annual income</i>
(1)	<i>Exempt CAD firm</i>	5%
...

...

13.14 ~~CALCULATION OF ANNUAL INCOME FOR AN EXEMPT CAD FIRM AND A CATEGORY B FIRM~~ A PERSONAL INVESTMENT FIRM

Application

- 13.14.1 R This section applies to a *personal investment firm* ~~which is either:~~
- (1) ~~an exempt CAD firm; or~~
 - (2) ~~a category B firm.~~

Annual income

...

- 13.14.3 R ...
- (3) The relevant reporting form under *SUP* 16.12 is:
 - (a) the Retail Mediation Activities Return (*RMAR*) (Section B: Profit and Loss Account) ~~for a category B firm; and~~

(b) ~~FSA030 (Income Statement) for an exempt CAD firm.~~

...

...

13.15 CALCULATION OF OWN FUNDS TO MEET THE CAPITAL RESOURCES REQUIREMENT FOR A ~~CATEGORY B FIRM~~ PERSONAL INVESTMENT FIRM

Application

- 13.15.1 R This section applies to a *personal investment firm* ~~which is a category B firm.~~
- 13.15.2 G ~~The calculation of own funds by an exempt CAD firm is in IPRU-INV 13.1A.14R. [deleted]~~

...

~~Subordinated loans — Category B firm~~

- 13.15.7 R A ~~category B firm~~ firm may include a short-term subordinated loan as capital resources (see table in *IPRU-INV* 13.15.3R), if all the conditions in *IPRU-INV* 13.15.8R are satisfied.

...

Restrictions

- 13.15.9 R A ~~Category B firm~~ firm must calculate:
- ...
- 13.15.10 R A ~~Category B firm~~ firm must treat as a liability in the calculation of its capital resources any amount by which the sum of *IPRU-INV* 13.15.9R(1) exceeds the product of *IPRU-INV* 13.15.9R(2).

14 Consolidated Supervision for Investment Businesses

14.1 APPLICATION

- 14.1.1 R Subject to rule 14.1.2, *consolidated supervision* and this chapter apply to a *firm* which is a member of a group if:
- (1) It is:
- (a) a *securities and futures firm*, subject to the financial rules in Chapter 3, which is a *broad scope firm* but not a *venture capital firm*; ~~and~~
- (2) ~~It is neither a BIPRU firm nor an IFPRU investment firm. [deleted]~~

...

Cases where consolidated supervision under this chapter will not apply

- 14.1.2 R A *firm* is not subject to ~~consolidated supervision~~ consolidated supervision under the rules in this Chapter where any of the following conditions are fulfilled:
- (1) 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 *FCA*; or
 - (2) the *firm* is ~~a member of a UK consolidation group already~~ included in the supervision on a consolidated basis of the group of which it is a member by the *FCA* under ~~BIPRU 8~~ MIFIDPRU 2.5 (prudential consolidation); or
 - (3) ~~the *firm* is a member of a group already included in the supervision on a consolidated basis of the group of which it is a member by the appropriate regulator under Part One, Title II, Chapter 2 of the UK CRR. the *firm* is subject, along with a~~ MIFIDPRU investment firm, to the group capital test in MIFIDPRU 2.6 (the group capital test).

...

Exemption from consolidated supervision

- 14.1.4 R A *firm* need not meet the requirements in rules 14.3.1 and 14.3.2 if:
- ...
- (2) no *firm* in the group ~~deals in investments as principal, except where it is dealing solely as a result of its activity of operating a collective investment scheme, or where the *firm's* positions fulfil the CAD Article 5 exempting criteria;~~
- ...

...

14.2 SCOPE OF CONSOLIDATION

...

Exclusions

- 14.2.5 R A *firm* may, having first notified the *FCA* in writing, exclude from its group the following:

...

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

...

14.5 GROUP FINANCIAL RESOURCES REQUIREMENT

...

14.5.2 R Financial resources requirements for individual entities in the group are:

...

(2A) for entities that are *recognised third country credit institutions* or *recognised third country investment firms* and which ~~is~~ are subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement;

(2B) for entities not in (2A) that are regulated by a third country competent authority named in the table in ~~BIPRU 8 Annex 3R~~ Annex 6R as it applied on 31 December 2021 and which is subject to the local regulatory capital requirement of that regulator, that local regulatory capital requirement; and

...

...

14 App 1 Interpretation

App 1.1 G Glossary of defined terms for Chapter 14

...

<p><i>CAD Article 5 exempting criteria</i></p>	<p>the following criteria in respect of the <i>firm's</i> dealing positions:</p> <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.
--	---

...

Annex A Limited liability partnerships: Eligible members' capital

Annex A INTRODUCTION

1

...

- 1.5 G The following *rules* allow inclusion of members’ capital within a *firm’s* capital if it meets the conditions in this annex:

Chapter	IPRU(INV) rule	How eligible LLP members’ capital should be treated for the purposes of the IPRU(INV) rule
3	Table 3-61	<i>Eligible LLP members’ capital</i> may be counted as Tier 1 capital under item “A” within Table 3-61.
5	Table 5.2.2 (1): Item (1A)	<i>Eligible LLP members’ capital</i> may be counted as Tier 1 capital within Category A of Table 5.2.2(1).
9	9.3.1	<i>Eligible LLP members’ capital</i> may be counted as initial capital with IPRU INV 9.3.1
11	Table 11.4	<i>Eligible LLP members’ capital</i> may be counted as Item (5) in Table 11.4.
13	Table 13.15.3(1) 13.1A.6	<i>Eligible LLP members’ capital</i> may be counted as capital resources relating to companies in IPRU-INV 13.15.3(1). <i>Eligible LLP members’ capital</i> may be counted as initial capital within IPRU INV 13.1A.6.

...

