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).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>General Prudential sourcebook (GENPRU)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Prudential sourcebook for Investment Firms (IFPRU)</td>
<td>Annex C</td>
</tr>
<tr>
<td>Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)</td>
<td>Annex D</td>
</tr>
<tr>
<td>Interim Prudential sourcebook for Investment Businesses (IPRU-INV)</td>
<td>Annex E</td>
</tr>
</tbody>
</table>
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.

**capital resources**

(1) in relation to a **BIPRU firm** dorm**ant account fund operator**, the firm’s capital resources as calculated in accordance with the **capital resources table relevant regulatory requirements**; or

(2) [deleted]

(3) (for the purposes of **GENPRU** and **BIPRU** (except **BIPRU 12**), in relation to an undertaking not falling within (1) and subject to (4)), capital resources calculated in accordance with (1) on the assumption that:

(a) it is a **BIPRU firm** with a **Part 4A permission**; and

(b) it carries on all its business in the **United Kingdom** and has obtained whatever **permissions** for doing so are required under the **Act**; or [deleted]

(4) (for the purposes of **GENPRU** and **BIPRU** (except in **BIPRU 12**) and in relation to any undertaking not falling in (1) for which the methodology in (3) does not give an answer whose **capital resources** a **BIPRU firm** (the “relevant firm”) is required to calculate under **a Handbook rule**) capital resources calculated under (1) on the assumption that it is a **BIPRU firm** of the same category as the relevant firm; or [deleted]

…

**capital resources requirements**

an amount of **capital resources** that:

(1) a **BIPRU firm** must hold as set out in the **main BIPRU firm Pillar 1 rules**; or a **dormant account fund operator** must hold in accordance with the **relevant regulatory requirements**; or

…
category B1 firm  
a category B firm personal investment firm whose permission includes dealing in investments as principal.

category B2 firm  
a category B firm personal investment firm whose permission does not include dealing as principal; and is not subject to a requirement preventing the holding or controlling of client money or custody assets.

category B3 firm  
a category B firm personal investment firm:

(a) whose permission includes only insurance distribution activity in relation to non-investment insurance contracts, home finance mediation activity, assisting in the administration and performance of contracts of insurances, arranging transactions in life policies and other insurance contracts, advising on investments (except P2P agreements) and receiving and transmitting, on behalf of investors, orders in relation to securities and units in collective investment schemes, advising on P2P agreements; and

(b) which is subject to a requirement not to hold or control client money or custody assets.

investment management firm  
a firm whose permitted activities include designated investment business, which is not an authorised professional firm, bank, IFPRU investment firm, BIPRU firm, MIFIDPRU investment firm, collective portfolio management firm, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant or service company, whose permission does not include a requirement that it comply with IPRU-INV 3 or IPRU-INV 13 (Personal investment firms) and which is within (a), (b) or (c):

...
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, energy market participant, ICVC, insurer, media firm 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):

...
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 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 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;

(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. A firm 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
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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>MIPRU 3.2</td>
<td>R</td>
<td>This <em>rule</em> applies to a <em>MIFIDPRU investment firm</em> that was classified as an <em>exempt CAD firm</em> subject to <em>IPRU-INFV 9</em> on</td>
<td>Until 31 December 2024</td>
<td>1 January 2022</td>
<td></td>
</tr>
</tbody>
</table>

**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-INFV*), the capital resources are the higher of:

(a) the amount calculated under (1); and

(b) the financial resources calculated under those sourcebooks and regulations.

...
Instead of complying with the requirements relating to professional indemnity insurance in MIPRU 3.2, a firm may comply with the professional indemnity insurance requirements set out in IPRU-INV 9.2.4R(1)(b) (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 IPRU-INV 9.2.7R and IPRU-INV 9.4.

<table>
<thead>
<tr>
<th>2.2</th>
<th>MIPRU 3.2</th>
<th>R</th>
<th>This rule applies to a MIFIDPRU investment firm that was classified as an exempt CAD firm and was subject to IPRU-INV 13 on 31 December 2021. Instead of complying with the requirements relating to professional indemnity insurance in MIPRU 3.2, a firm may comply</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Until 31 December 2024</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1 January 2022</td>
</tr>
</tbody>
</table>
with **IPRU-INV**
13.1.5R; **IPRU-INV** 13.1.7R to 13.1.10R; and **IPRU-INV** 13.1.15R to 13.1.29G.

<table>
<thead>
<tr>
<th>2.3</th>
<th><strong>MIPRU 3.2</strong></th>
<th>R</th>
<th>References in this transitional provision to <strong>IPRU-INV</strong> are to the version of <strong>IPRU-INV</strong> that applied on 31 December 2021. References to an <em>exempt CAD firm</em> in <strong>IPRU-INV</strong> are to the <em>firm</em> to which this transitional provision applies.</th>
<th>Until 31 December 2024</th>
<th>1 January 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4</td>
<td><strong>MIPRU 3.2</strong></td>
<td>G</td>
<td><em>Exempt CAD firms</em> that carried on activities in scope of <strong>MIPRU 3.2</strong> were exempt from the requirements in <strong>MIPRU 3.2</strong>, on the basis that they were subject to similar professional indemnity insurance requirements in <strong>IPRU-INV</strong> 9 or 13. The category of <em>exempt CAD firm</em> ceases to exist on 1 January 2022. These <em>firms</em> will no longer be subject to <strong>IPRU-INV</strong>, and instead</td>
<td>Until 31 December 2024</td>
<td>1 January 2022</td>
</tr>
</tbody>
</table>
will become subject to prudential requirements in *MIFIDPRU*. *MIFIDPRU* does not require the holding of professional indemnity insurance.

Former *exempt CAD firms* that carry on activities in scope of *MIPRU 3.2* will therefore have to comply with the requirements to hold professional indemnity insurance in *MIPRU 3.2* for the first time, consistent with other *investment firms* that have always had to comply with *MIPRU 3.2*.

The purpose of this transitional provision is to give former *exempt CAD firms* time to comply with any new requirements in *MIPRU 3.2*. In particular, former *exempt CAD firms* should note that the minimum *limit of indemnity* for claims in aggregate can be higher under *MIPRU 3.2.7R(2)(b) than*
under the relevant provisions in *IPRU-INV*. *MIPRU* 3.2 also contains material relating to excess levels that differs from the material in *IPRU-INV*. *IPRU-INV* 9.4.4R requires that professional indemnity insurance policies must not be subject to unreasonable limits. *IPRU-INV* 13.1.9R requires that policies must incorporate terms which are appropriate. The *FCA* therefore expects former *exempt CAD firms* to have regard to the requirements in *MIPRU 3.2* when renewing their professional indemnity insurance whilst this transitional applies.
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:

   (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]

...
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 depositary;

(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

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

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.
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]

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of securities and futures firm</td>
<td>Whether conditions in article 493(1) of the EU-CRR are satisfied</td>
<td>Part of Handbook and EU-CRR applicable for large exposure or concentrated-risk requirements</td>
</tr>
<tr>
<td>Energy market participant (which is an exempt IFPRU commodities firm) with a waiver from IPRU(INV) 3</td>
<td>Yes</td>
<td>Not applicable</td>
</tr>
<tr>
<td>No</td>
<td>Part Four (articles 387 to 403) of the EU-CRR applies</td>
<td></td>
</tr>
<tr>
<td>Energy market participant (which is exempt IFPRU commodities firm) to which IPRU(INV) 3 applies</td>
<td>Yes</td>
<td>IPRU(INV) 3 applies</td>
</tr>
<tr>
<td>No</td>
<td>Part Four (articles 387 to 403) of the EU-CRR applies</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>IPRU(INV) 3 applies</td>
<td></td>
</tr>
<tr>
<td><strong>Oil market participant</strong> (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</td>
<td>No</td>
<td>Part Four (articles 387 to 403) of the EU-CRR applies</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>Other oil market participant</strong> (which is an exempt IFPRU commodities firm) to which IPRU(INV) 3 does not apply</td>
<td>Yes</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Yes</strong></td>
<td>Part Four (articles 387 to 403) of the EU-CRR applies</td>
<td></td>
</tr>
<tr>
<td><strong>No</strong></td>
<td>Part Four (articles 387 to 403) of the EU-CRR applies</td>
<td></td>
</tr>
<tr>
<td><strong>Exempt IFPRU commodities firm which is not an energy market participant or oil market participant</strong></td>
<td>Yes</td>
<td>IPRU(INV) 3 applies</td>
</tr>
<tr>
<td><strong>Exempt IFPRU commodities firm</strong> which is not an energy market participant or oil market participant</td>
<td>Yes</td>
<td>IPRU(INV) 3 applies</td>
</tr>
<tr>
<td><strong>Securities and futures firm</strong> (which is not a MiFID investment firm)</td>
<td>Not applicable</td>
<td>IPRU(INV) 3 applies</td>
</tr>
</tbody>
</table>

...  

**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 PRR**
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 means a debt security which:
  debt security

... (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 WITH A COUNTERPARTY WHICH IS A MEMBER OF AN 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 INSINU.

…

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).
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.

<table>
<thead>
<tr>
<th>5.1.2 R</th>
<th>Exempt CAD firms</th>
<th>OPS firms (see Note 1 below)</th>
<th>Non-OPS Life Offices and Non-OPS Local Authorities</th>
<th>Individuals admitted to membership collectively</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial resources rules</td>
<td>No (see Note 3 below)</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><em>IPRU-INV</em> 5.2.1R to 5.7.3R</td>
<td>Individuals whose sole investment business is giving investment advice to institutional or corporate investors</td>
<td><em>Firms</em> subject to “lead regulator arrangements”</td>
<td>All other <em>firms</em></td>
<td></td>
</tr>
<tr>
<td>Financial resources rules</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td><em>IPRU-INV</em> 5.2.1R to 5.7.3R</td>
<td>(see Note 2 below)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Accounting records rules

| *IPRU-INV* 5.3.1R(1) to | No | Yes | Yes |
5.3.1 R(6)  

Note 1. *Firms* are referred to the specific compliance reports for *OPS firms* required by Chapter 16 of the Supervision Manual.

Note 2. A *firm* subject to “lead regulator arrangements” whereby a body other than the *FCA* 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 *FCA*.

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).

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 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.

<table>
<thead>
<tr>
<th>Financial resources</th>
<th>Category</th>
<th>IPRU-INV 5.8.2R paragraph</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Paid-up share capital (excluding preference shares)</td>
<td>A</td>
<td></td>
</tr>
<tr>
<td>(1A) Eligible LLP members’ capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Share premium account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Non-cumulative preference shares</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Less: (5) **Investments** in own shares B

| (6) Intangible assets                      |          |                           |
| (7) Material current year losses           |          |                           |
| (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

<p>| (9) Revaluation reserves                   | D        |                           |
| (10) Fixed term cumulative preference share capital | 4(a)    |                           |
| (11) Long-term <strong>Qualifying Subordinated Loans</strong> | 4(a); 6 |                           |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(12)</td>
<td>Other cumulative preference share capital and debt capital but, for exempt CAD firms, only perpetual cumulative preference share capital and qualifying capital instruments</td>
<td>6A</td>
<td></td>
</tr>
<tr>
<td>(13)</td>
<td>Qualifying arrangements</td>
<td>7</td>
<td></td>
</tr>
</tbody>
</table>

"Own Funds" = (C+D)  

Plus: TIER 3  

| (14) | Net trading book profits | F | 4(b)(i); 8 |
| (15) | Short-term Qualifying Subordinated Loans and excess Tier 2 capital | | 1(b)(ii); 1(c); 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) Net notwithstanding IPRU-INV 5.8.1R and 5.8.2R for an exempt CAD firm, 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 exempt CAD firm and which is subject to a liquid capital requirement under IPRU-INV 5.4.1R 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 exempt CAD firm of items of the type set out in (b) in any:

(i) *insurance undertaking*; or

(ii) *insurance holding company*;

that fulfils one of the following conditions:

(iii) it is a subsidiary undertaking of that firm; or

(iv) that firm 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 *tier two capital resources* that fall into GENPRU 2 or, as the case may be, INSPRU 7, or is an item of “basic own funds” defined in the PRA Rulebook: Glossary.

### 6A Perpetual cumulative preference share capital

Perpetual cumulative preference share capital may not be included in the calculation of own funds by an exempt CAD firm unless it meets the following requirements:

(a) it may not be reimbursed on the holder’s initiative or without the prior agreement of the FCA;

(b) the instrument must provide for the firm to have the option of deferring the dividend payment on the share capital;

(c) the shareholder’s claims on the firm 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...
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 if it is a 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 11.3.3AR); 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
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.

<table>
<thead>
<tr>
<th>Type of personal investment firm</th>
<th>Application of this Chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td>A personal investment firm which is an exempt CAD firm</td>
<td>13.1, 13.1A, 13.13 and 13.14</td>
</tr>
<tr>
<td>A personal investment firm which is a category B firm</td>
<td>13.1 and 13.13 to 13.15</td>
</tr>
</tbody>
</table>

Capital resources: general accounting principles

13.1.4A R (1) …

(2) The accounting principles are referred to in:

+ 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.

<table>
<thead>
<tr>
<th>(A)</th>
<th>(B) Type of firm</th>
<th>(C) Applicable percentage of annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>Exempt CAD firm</td>
<td>5%</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>

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

...
13.15 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 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 must calculate:

...}

13.15.10 R A Category B firm must treat as a liability in the calculation or 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 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.

14.5 GROUP FINANCIAL RESOURCES REQUIREMENT

14.5.2 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 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 Glossary of defined terms for Chapter 14

<table>
<thead>
<tr>
<th>CAD Article 5 exempting criteria</th>
<th>the following criteria in respect of the firm’s dealing positions:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>such positions arise only as a result of the firm’s failure to match investors orders precisely;</td>
</tr>
<tr>
<td></td>
<td>the total market value of all such positions is subject to a ceiling of 15% of the firm’s initial capital; and</td>
</tr>
<tr>
<td></td>
<td>such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.</td>
</tr>
</tbody>
</table>

Annex A Limited liability partnerships: Eligible members’ capital
## Annex A  INTRODUCTION

... 

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

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

...