INVESTMENT FIRMS PRUDENTIAL REGIME (CONSEQUENTIAL AMENDMENTS) 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 73A (Part 6 Rules);  
   (b) section 89A (Transparency rules);  
   (c) section 89B (Provision of voteholder information)  
   (d) section 137A (The FCA’s general rules);  
   (e) section 137D (Product intervention rules);  
   (f) section 137H (General rules about remuneration);  
   (g) section 137R (Financial promotion rules);  
   (h) section 137T (General supplementary powers);  
   (i) section 138D (Actions for damages);  
   (j) section 139A (Power of the FCA to give guidance);  
   (k) section 247 (Trust scheme rules);  
   (l) section 261I (Contractual scheme rules);  
   (m) paragraph 23 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZA (the Financial Conduct Authority);

(2) regulation 6(1) of the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228); and

(3) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions of the FCA’s Handbook.

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 Investment Firms (IFPRU)

D. The Prudential sourcebook for Investment Firms (IFPRU) 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).
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.

Amendments to material outside the Handbook

G. The material outside the Handbook listed in column (1) below is 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>Energy Market Participants guide (EMPS)</td>
<td>Annex N</td>
</tr>
<tr>
<td>Oil Market Participants guide (OMPS)</td>
<td>Annex O</td>
</tr>
<tr>
<td>Perimeter Guidance manual (PERG)</td>
<td>Annex P</td>
</tr>
</tbody>
</table>

Notes

H. In the annexes to this instrument, the “notes” (indicated by “Note:” or “Editor’s note:”) are included for the convenience of readers, but do not form part of the legislative text.

Citation

I. This instrument may be cited as the Investment Firms Prudential Regime (Consequential Amendments) Instrument 2021.

By order of the Board
25 November 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.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

**CRR investment services sector**
a sector composed of one or more of the following entities:
(a) a designated investment firm; and
(b) a financial institution that is not an investment firm.

**MIFIDPRU investment services sector**
a sector composed of one or more of the following entities:
(a) an investment firm (other than a designated investment firm);
(b) a financial institution that is not an investment firm; and
(c) (in the circumstances described in GENPRU 3.1.39R (The financial sectors: asset management companies and alternative investment fund managers)) an asset management company or an alternative investment fund manager.

**significant SYSC firm**
has the meaning in SYSC 1.5 (Significant SYSC firm).

Amend the following definitions as shown.

**ancillary services undertaking**
(1) (for the purpose of GENPRU (except in GENPRU 3) and BIPRU (except in BIPRU 12) and subject to (2)) and in relation to an undertaking in a consolidation group, sub-group or another group of persons) an undertaking complying with the following conditions:

(a) its principal activity consists of:
   (i) owning or managing property; or
   (ii) managing data-processing services; or
   (iii) any other similar activity;

(b) the activity in (a) is ancillary to the principal activity of one or more credit institutions or investment firms; and
(c) those credit institutions or investment firms are also members of that consolidation group, sub-group or group.

[deleted]

[Note: article 4(21) of the Banking Consolidation Directive (Definitions)]

(2) for the purpose of GENPRU 1.3 (Valuation) and INSPRU 6.1 (Group Risk: Insurance Groups) an undertaking in (1) and an ... [deleted]

(3) (except in (1)) has the meaning in article 4(1)(18) of the UK CRR, means an undertaking the principal activity of which consists of owning or managing property, managing data-processing services, or a similar activity which is ancillary to the principal activity of one or more investment firms.

asset backed commercial paper programme

(for the purposes of BIPRU 9 (Securitisation) a programme of securitisations (within the meaning of paragraph (2) of the definition of securitisation) the securities issued by which predominantly take the form of commercial paper with an original maturity of one year or less.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

banking and investment group

…

(a) form a group in respect of which the consolidated capital adequacy requirements for the banking sector or the investment services sector under the appropriate regulator’s sectoral rules apply:

(i) the appropriate regulator’s sectoral rules; or [deleted]

…

…

Banking sector

…

(b) a financial institution that is not an investment firm; and

…

base currency

…

(2) (in GENPRU and BIPRU) (in relation to a firm) the currency in which that firm’s books of account are drawn up. [deleted]

base own funds requirement

(1) (for the purpose of IFPRU) an amount of own funds that an IFPRU investment firm must hold as set out in IFPRU 3.1.6R (Own funds: main requirement). [deleted]
capital instrument (in COBS, GENPRU and BIPRU and in relation to an undertaking) any security issued by or loan made to that undertaking or any other investment in, or external contribution to the capital of, that undertaking.

central bank (1) (for the purposes of GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) includes the European Central Bank unless otherwise indicated, the Bank of England and the central banks of other countries.

[Note: article 4(23) of the Banking Consolidation Directive (Definitions) [deleted]]

(2) (except in (1)) has the meaning in article 4(1)(46) of the UK CRR.

charity (in BCObS, BIPRU and in the definition of relevant credit union client) includes:

CIU (1) (except in IFPRU) collective investment undertaking.

(2) (in IFPRU) has the meaning in article 4(1)(7) of the UK CRR.

[deleted]

class (1) (in GENPRU, INSPRU and SUP) (in relation to a contract of insurance) any class of contract of insurance listed in Schedule 1 to the Regulated Activities Order (Contracts of insurance) and references to:

clean-up call option (1) (for the purposes of BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) a contractual option for the originator to repurchase or extinguish the securitisation positions before all of the underlying exposures have been repaid, when the amount of outstanding exposures falls below a specified level.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

[deleted]

client money …

(2A) (in MIFIDPRU, FEES, CASS 6, CASS 7, CASS 7A and CASS 10 and, in so far as it relates to matters covered by CASS 6, CASS 7, …
subject to the client money rules, money of any currency:

(5) (in SYSC 1.5) has the meaning in (1) to (4).

commodity

(2) (for the purpose of calculating position risk requirements and for the purposes of COBS 22.5) any of the following (but excluding gold):

competent authority

(3) (in relation to a group, and for the purposes of SYSC 12 (Group risk systems and controls requirement), and GENPRU and BIPRU, any national authority of the UK which is empowered by law or regulation to supervise regulated entities, whether on an individual or group-wide basis.

consolidation group

(1) the following

(a) a conventional group; or

(b) undertakings linked by a consolidation Article 12(1) relationship or either of (for the purposes of BIPRU) an Article 134 relationship or an article 18(6) relationship.

If a parent undertaking or subsidiary undertaking in a conventional group (the first person) has a consolidation Article 12(1) relationship or either of (for the purposes of BIPRU) an Article 134 relationship or an article 18(6) relationship with another person (the second person), the second person (and any subsidiary undertaking of the second person) is also a member of the same consolidation group.

(2) (for the purposes of SUP 16) the undertakings included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of
the UK CRR and IFPRU 8.1.3R to IFPRU 8.1.4R (Prudential consolidation) for which the FCA is the consolidating supervisor under article 4B of the UK CRR. [deleted]

**contingent convertible instrument**

a financial instrument which meets the requirements for either:

(a) Additional Tier 1 instruments under article 52; or

(b) Tier 2 instruments under article 63, provided:

(i) the provisions governing the instrument require that, upon the occurrence of a trigger event, the principal amount of the instrument be written down on a permanent or temporary basis or the instrument be converted to one or more common equity Tier 1 instruments; and

(ii) the trigger mechanism in (i) is different from, or additional to, any discretionary mechanism for converting or writing down the principal amount of the instrument which is activated following a determination by the relevant authority that the issuer of the financial instrument (or its group, or any member of its group) is no longer viable, or will no longer be viable unless the relevant instrument is converted or written down;

in each case of the UK CRR, or (where applicable) its provisions as applied and amended by MIFIDPRU 3.

**counterparty**

(3) (for the purposes of the rules relating to BIPRU firms in GENPRU and BIPRU and in relation to an exposure of a person (CA')) the counterparty with respect to that exposure or, if the context requires, another person in respect of whom, under that exposure, A is exposed to credit risk or the risk of loss if that person fails to meet its obligations, such as the issuer of the underlying security in relation to a derivative held by A. [deleted]

**covered bond**

(1) (except for the purposes of the IRB approach or the standardised approach to credit risk) a bond that is issued by a credit institution which has its registered office in the UK or an EEA State and is subject by law to special public supervision designed to protect bondholders and in particular protection under which sums deriving from the issue of the bond must be invested in conformity with the law in assets which, during the whole period of validity of the bond, are capable of covering claims attaching to the bond and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.
[Note: article 52(4) of the *UCITS Directive*]

(2) (for the purposes of the IRB approach or the *standardised approach* to credit risk in BIPRU) a covered bond as defined in (1) that meets the following conditions:

(a) it is issued by a credit institution which has its registered office in the United Kingdom, and

(b) it is collateralised in accordance with BIPRU 3.4.107R (Exposures in the form of covered bonds).

[Note: point 68 of Part I of Annex VI of the *Banking Consolidation Directive (Exposures in the form of covered bonds)*] [deleted]

…

credit enhancement (1) (for the purposes of BIPRU) a contractual arrangement whereby the credit quality of a position in a securitisation (within the meaning of paragraph (2) of the definition of securitisation) is improved in relation to what it would have been if the enhancement had not been provided, including the enhancement provided by more junior tranches in the securitisation and other types of credit protection.

[Note: article 4(43) of the *Banking Consolidation Directive (Definitions)*] [deleted]

…

credit quality step (1) (except in MIPRU) a credit quality step in a credit quality assessment scale as set out in BIPRU 3.4 (Risk weights under the standardised approach to credit risk) and BIPRU 9 (Securitisation). [deleted]

…

credit risk capital requirement (1) (for a BIPRU firm) the part of the capital resources requirement of a BIPRU firm in respect of credit risk, calculated in accordance with GENPRU 2.1.51R (Calculation of the credit risk capital requirement). [deleted]

…

CRM eligibility conditions (1) (in relation to the standardised approach to credit risk), BIPRU 5.3.1R-BIPRU 5.3.2R, BIPRU 5.4.1R-BIPRU 5.4.8R, BIPRU 5.5.1R, BIPRU 5.5.4R, BIPRU 5.5.8R, BIPRU 5.1.6R and BIPRU 5.7.1R-BIPRU 5.7.4R; or [deleted]

(2) (in relation to the IRB approach), the provisions in (1) and BIPRU 4.4.83R, BIPRU 4.10-BIPRU 4.10.7R, BIPRU…

... 

CRR firm  (for the purposes of SYSC) a UK bank, building society and an investment firm that is subject to the UK CRR a UK designated investment firm.

default  (1)  (in relation to the IRB approach and for the purposes of BIPRU) has the meaning in BIPRU 4.3 (The IRB approach: Provisions common to different exposure classes). [deleted]

... 

ECAI  (1)  (except in MIPRU) an external credit assessment institution, as defined in article 4(1)(98) of the UK CRR. [deleted]

(2)  (in MIPRU) an external credit assessment institution.

eligible ECAI an ECAI:

(a)  (for exposure risk weighting purposes other than those in (b) or (d)) recognised by the appropriate regulator under regulation 22 of the Capital Requirements Regulations 2006 (Recognition for exposure risk-weighting purposes); or [deleted]

(b)  (for securitisation risk weighting purposes except under MIPRU 4.2BA) recognised by the appropriate regulator under regulation 23 of the Capital Requirements Regulations 2006 (Recognition for securitisation risk-weighting purposes). [deleted]

(c)  (in BIPRU 12) that is listed in the first row in the table set out in BIPRU 12 Annex 1R; or [deleted]

(d)  (in MIPRU) an ECAI listed in the table in MIPRU 4.2E.14R.

eligible LLP members’ capital members’ capital of a limited liability partnership that meets the conditions in IPRU(INV) Annex A or, for a BIPRU firm, the requirements of GENPRU 2.2.94R (Core tier one capital: Eligible LLP members’ capital).

energy market participant a firm:

... 

(b)  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 commodities firm), building society, credit union, friendly society, ICVC, insurer, MiFID investment firm (unless it is
an exempt BIPRU commodities firm or exempt IFPRU commodities firm, media firm, oil market participant, service company, insurance intermediary, home finance administrator, home finance provider or regulated benchmark administrator.

exposure

(2) for the purposes of the calculation of the credit risk capital component and the counterparty risk capital component (including BIPRU 3 (Standardised credit risk), BIPRU 4 (The IRB approach), BIPRU 5 (Credit risk mitigation), BIPRU 9 (Securitisation) an asset or off-balance sheet item.

[Note: article 77 of the Banking Consolidation Directive]
[deleted]

(3) [delete] [deleted]

(4) (in IFPRU and to calculate own funds requirements under Part Three Title II (credit risk and counterparty credit risk)) has the meaning in article 5(1) of the UK CRR. [deleted]

(5) (in IFPRU 8.2 (Large exposures) for the purpose of Part Four (Large exposures) of the UK CRR) has the meaning in article 389 of the UK CRR (Large exposures: definitions). [deleted]

financial instrument

(3) (in IFPRU) has the meaning in article 4(50) of the UK CRR. [deleted]

financial sector

(1) (subject to (2)) one of the banking sector, the insurance sector or the investment services sector, the MIFIDPRU investment services sector or the CRR investment services sector.

(2) (for the purposes of the definition of financial conglomerate and for any other provision of GENPRU 3 that treats the banking sector and the investment services sector as one) one of the banking and investment services sector or the insurance sector.

financial year

(3) (in GENPRU and INSPRU) the period at the end of which the balance of the accounts of the insurer is struck, or, if no balance is struck, the calendar year.
foreign currency (in GENPRU and BIPRU) (in relation to a firm) any currency other than the base currency.

group ...

(3) (for the purposes of SYSC 12 (Group risk systems and controls requirement), SYSC 20 (Reverse stress testing) and GENPRU 1.2 (Adequacy of financial resources) as applicable to a BIPRU firm MIFIDPRU investment firm and in relation to a person “A”) A and any person:

(a) who falls into (1);

(b) who is a member of the same financial conglomerate as A;

(c) who has a consolidation Article 12(1) relationship with A;

(d) who has a consolidation Article 12(1) relationship with any person in (3)(a);

(e) who is a subsidiary undertaking of a person in (3)(c) or (3)(d); or

(f) whose omission from an assessment of the risks to A of A’s connection to any person coming within (3)(a)-(3)(e) or an assessment of the financial resources available to such persons would be misleading.

(3A) (for the purposes of SYSC 12 (Group risk systems and controls requirement) and SYSC 20 (Reverse stress testing), as applicable to an IFPRU investment firm and IFPRU) and in relation to a person “A”), A and any person:

(a) who falls into (1);

(b) who is a member of the same financial conglomerate as A;

(c) who has a consolidation Article 12(1) relationship with A;

(d) who has a consolidation Article 12(1) relationship with any person in (a);

(e) who is a subsidiary undertaking of a person in (c) or (d); or

(f) whose omission from an assessment of the risks to A of A’s connection to any person coming within (a)-(e) or an
assessment of the financial resources available to such 
persons would be misleading. [deleted]

... immediate group

(2) (in BIPRU and in relation to any person) has the same meaning as 
paragraph (1), with the omission of (1)(e). [deleted]

implicit items (in relation to long-term insurance business) economic reserves arising in 
respect of future profits, assets which relate to future surpluses, 
merging or hidden reserves as more fully described in GENPRU-2 
Annex 8.

in the money

(2) (for the purposes of BIPRU 7 (Market risk) and in relation to 
an option or warrant) the strike price of that option or warrant 
being less than the current market value of the underlying 
instrument (in the case of a call option or warrant) or vice versa 
(for a put option), [deleted]

individual liquidity guidance (other than in (2)) guidance given to a firm about the amount, 
quality and funding profile of liquidity resources that the 
appropriate regulator has asked the firm to maintain. [deleted]

investment firm

(3) (in the definition of IDD ancillary insurance intermediary, 
and in IFPRU and BIPRU 12) has the meaning in article 4(1)(2) of 
the UK CRR. 
[Note: article 2(4)(4) of the IDD] [deleted]

(4) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12) 
any of the following:

(a) a firm in (3); and

(b) a BIPRU firm. [deleted]

(5) (in SYSC 19A (IFPRU Remuneration Code)) a firm in (3). 
[deleted]

... investment services sector

(4) a sector composed of one or more of the following entities:

(a) an investment firm:
(b) a financial institution; and

(e) in the circumstances described in GENPRU 3.1.39R (The financial sectors: Asset management companies and alternative investment fund managers) an asset management company or an alternative investment fund manager. [deleted]

(2) (in BIPRU (except in BIPRU 12) a sector comprised of one or more of the following entities:

(a) the entities in (1); and

(b) a CAD investment firm. [deleted]

The MIFIDPRU investment services sector and the CRR investment services sector taken together.

lead regulated firm a firm which is the subject of the financial supervision requirements of an overseas regulator in accordance with an agreement between the appropriate regulator and that regulator relating to the financial supervision of firms whose head office is within the country of that regulator.

This definition is not related to the defined terms UK lead regulated firm or non UK lead regulated firm.

long-term insurance capital requirement (in relation to a firm carrying on long-term insurance business) an amount of capital resources that the firm must hold calculated in accordance with GENPRU 2.1.36R. means:

(a) (for a non-directive friendly society) the required margin of solvency with respect to long-term insurance business, as calculated under rule 3.1 of the Friendly Society – Overall Resources and Guarantee Fund part of the PRA Rulebook;

(b) (for a non-directive insurer other than a non-directive friendly society) the requirement in rule 14.1 of the Insurance Company – Capital Resources Requirement part of the PRA Rulebook; and

(c) (for a Solvency II firm) the equivalent PRA rules transposing the Solvency II directive.

management body (1) (other than in (2) or (3)) (in accordance with article 4(1)(9) of the UK CRR) the governing body and senior personnel who are empowered to set the person’s strategy, objectives and overall direction, and which oversee and monitor management decision-making in the following:
(a) a common platform firm (in relation to the requirements imposed by or under the UK provisions which implemented MiFID or MiFIR); or

(ai) a MIFIDPRU investment firm (in relation to the requirements in MIFIDPRU); or

matched principal exemption conditions

matched principal exemption conditions

(for the purposes of any limitation that is placed on a firm’s permission to deal as principal):

1. (for the purposes of BIPRU) for a firm that would have been subject to BIPRU on 31 December 2021) the conditions set out in BIPRU 1.1.23R(2) (Meaning of dealing on own account), as they applied on 31 December 2021.

2. (other than in BIPRU for a firm that would have been subject to IFPRU on 31 December 2021) the conditions set out in IFPRU 1.1.12R (Meaning of dealing on own account), as they applied on 31 December 2021.

most important financial sector

most important financial sector

(in relation to a financial sector in a consolidation group or a financial conglomerate and in accordance with GENPRU 3.1 (Cross sector groups)) the financial sector, being either the insurance sector or the banking and investment services sector, with which has the largest average referred to in the box titled Threshold Test 2 in the financial conglomerate definition decision tree (10% ratio of balance sheet size and solvency requirements); and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of financial conglomerate and for any other purpose that GENPRU 3.1 (Cross sector groups) says they are.

nominated ECAI

nominated ECAI

(a) (in the case of an eligible ECAI within paragraph (a) of the definition of that term (Recognition for exposure risk-weighting purposes)) an eligible ECAI nominated by a firm in accordance with BIPRU 3.6 (Use of rating agencies’ credit assessments for the determination of risk weights under the standardised approach to credit risk) for the purpose of calculating its risk weighted exposure amounts under the standardised approach to credit risk except under (b); [deleted]

(b) (in the case of an eligible ECAI within paragraph (b) of the definition of that term (Recognition securitisation risk-weighting purposes)) an eligible ECAI nominated by a firm in accordance with BIPRU 9.8 (Use of ECAI credit assessments for the determination of applicable risk weights) for the purpose of calculating its securitisation risk-weighted exposure amounts.
(c) (for paragraph (d) of the definition of an **eligible ECAI** (in **MIPRU**)) an **eligible ECAI** nominated by a firm in accordance with **MIPRU** 4.2E for calculating its **risk weighted exposure amounts**.

**oil market participant** a firm:

…

(b) 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 commodities firm**), building society, credit union, friendly society, **ICVC**, insurer, MiFID investment firm (unless it is an exempt **BIPRU commodities firm** or exempt **IFPRU commodities firm**), media firm, service company, insurance intermediary, home finance administrator, mortgage intermediary, home finance provider or regulated benchmark administrator.

**operational risk** (1) …

(2) (in **GENPRU** (except **GENPRU 3** (Cross sector groups)) and **BIPRU** (except **BIPRU 12** (Liquidity Standards)) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.

[Note: article 4(22) of the Banking Consolidation Directive]

[deleted]

(3) (except in (1) and (2)) has the meaning in article 4(1)(52) of the **UK CRR**. [deleted]

**originator** (1) (in **GENPRU** (except **GENPRU 3**), **MIPRU** and **BIPRU** (except **BIPRU 12**)) in relation to a **securitisation** within the meaning of paragraph (2) of the definition of securitisation) either of the following:

…

(2) (except in (1)) has the meaning in article 4(1)(13) of the **UK CRR**.

means an entity which:

(a) itself or through related entities, directly or indirectly, was involved in the original agreement which created the obligations or potential obligations of the debtor or potential debtor giving rise to the exposure being securitised; or
(b) purchases a third party’s exposures for its own account and then securitises them.

[Note: article 4(1)(13) of the UK CRR]

**overall financial sector**
a sector composed of one or more of the following types of entities:

(a) members of each of the financial sectors; and

(b) (except where GENPRU 3.1 (Cross sector groups) or GENPRU 3 Ann 1R (Capital adequacy calculations for financial conglomerates) provide otherwise) a mixed financial holding company.

**PD**

(1) (except in GENPRU and BIPRU) Prospectus Directive.

(2) (in GENPRU, BIPRU and BSOCS) probability of default. [deleted]

**PRR**

(1) (in BIPRU) position risk requirement. [deleted]

(2) (except in BIPRU) the Prospectus Regulation Rules sourcebook.

**qualifying holding**

(1) (in GENPRU and BIPRU) has the meaning in GENPRU 2.2.203R (Qualifying holdings), which is in summary a direct or indirect holding of a bank or building society in a non-financial undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking. [deleted]

(2) …

**rated position**

(for the purposes of MIPRU and BIPRU 9 (Securitisation), and in relation to a securitisation position) describes a securitisation position which has an eligible credit assessment by an eligible ECAI.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

**recognised third country investment firm**

(1) (in BIPRU and GENPRU 3.2 (Third-country groups)) as applies to a BIPRU firm in relation to a third country banking and investment group and a banking and investment group) a CAD investment firm that satisfies the following conditions:

(a) its head office is outside the UK;

(b) it is authorised by a third country competent authority in the state or territory in which the CAD investment firm’s head office is located;

(c) that third country competent authority is named in Part 2 of BIPRU 8 Annex 6 (Non UK investment firm regulators’
risk weight

(1) (in relation to an exposure for the purposes of BIPRU) a degree of risk expressed as a percentage assigned to that exposure in accordance with whichever is applicable of the standardized approach to credit risk and the IRB approach, including (in relation to a securitisation position) under BIPRU 9 (Securitisation). [deleted]

(2) ...

risk weighted exposure amount

(1) (in relation to an exposure for the purposes of BIPRU) the value of an exposure for the purposes of the calculation of the credit risk capital component after application of a risk weight. [deleted]

(2) ...

sectoral rules

(in relation to a financial sector) rules and requirements relating to the prudential supervision of regulated entities applicable to regulated entities in that financial sector as follows:

(a) (for the purposes of GENPRU 3.1.12R (Definition of financial conglomerate: Solvency requirement)) UK prudential sectoral regulation UK prudential sectoral legislation for that financial sector;
sector together with as appropriate the rules and requirements in (c); or

(b) (for the purpose of calculating solo capital resources and a solo capital resources requirement):

(i) (to the extent provided for in paragraphs 6.4 to 6.6 of GENPRU 3 Annex 1R) rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) (for all other purposes) rules and requirements of the appropriate regulator and so that:

(ε) (i) (in relation to consolidated supervision for any financial sector) those requirements include ones relating to the form and extent of consolidation;

(ε) (ii) (in relation to any financial sector) those requirements include ones relating to the eligibility of different types of capital;

(ε) (iii) (in relation to any financial sector) those requirements include both ones applying on a solo basis and ones applying on a consolidated basis; and

(h) references to the appropriate regulator’s sectoral rules are to sectoral rules in the form of rules and, as applicable, the UK CRR.

securitisation

(1) ...

(2) (in BIPRU and MIPRU 4) a transaction or scheme whereby the credit risk associated with an exposure or pool of exposures is tranched having the following characteristics:

...

(3) (in IFPRU) has the meaning in article 4(1)(61) of the UK CRR.

[deleted]

...

securitisation position

(1) (in GENPRU, MIPRU and BIPRU) an exposure to a securitisation within the meaning of paragraph (2) of the definition of securitisation; and so that:

...
(2) (in IFRPRU) has the meaning in article 4(1)(62) of the UK CRR. [deleted]

securitisation special purpose entity

(1) (for the purposes of BIPRU) a corporation, trust or other entity, other than a credit institution, organised for carrying on a securitisation or securitisations (within the meaning of paragraph (2) of the definition of securitisation), the activities of which are limited to those appropriate to accomplishing that objective, the structure of which is intended to isolate the obligations of the SSPE from those of the originator, and the holders of the beneficial interests in which have the right to pledge or exchange those interests without restriction.

[Note: article 4(44) of the Banking Consolidation Directive (Definitions)] [deleted]

securitised exposure

(for the purposes of BIPRU and MIPRU) an exposure in the pool of exposures that has been securitised, either via a traditional securitisation or a synthetic securitisation. The cash-flows generated by the securitised exposures are used to make payments to the securitisation positions.

senior management

(1) (in BIPRU 7.10 (Use of a value at risk model) and in relation to a firm) the firm’s governing body and those of the firm’s senior managers and other senior management who have responsibilities relating to the measurement and control of the risks which the firm’s VaR model is designed to measure or whose responsibilities require them to take into account those risks. [deleted]

(2) (in SYSC (except SYSC 4.3A) and IFPRU and in accordance with article 4(1)(10) of the UK CRR) those persons who are a natural person and who exercise executive functions in an institution and who are responsible and accountable to the management body for the day-to-day management of the institution.

solo capital resources requirement

(1) (for the purpose of GENPRU 3) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R.
(2) (for the purposes of GENPRU 1) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as it would apply if references to financial conglomerate in those paragraphs were replaced with references to insurance group. [deleted]

(3) (for the purposes of GENPRU 2.2.214R (Deductions from tiers one and two: Material holdings)) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as those paragraphs apply to the insurance sector. [deleted]

specific risk …

(2) (in GENPRU and BIPRU) the risk of a price change in an investment due to factors related to its issuer or, in the case of a derivative, the issuer of the underlying investment. [Note: paragraph 12 of Annex I of the Capital Adequacy Directive] [deleted]

sponsor …

(2) (in BIPRU), and in MIPRU 4 and in relation to a securitisation within the meaning of paragraph (2) of the definition of securitisation, an undertaking other than an originator that establishes and manages an asset backed commercial paper programme or other securitisation scheme that purchases exposures from third party entities. [Note: article 4(42) of the Banking Consolidation Directive (Definitions)]

(3) (in IFPRU) has the meaning in article 4(1)(14) of the UK CRR. [deleted]

third-country banking and investment group a banking and investment group that meets the following conditions:

(2) it is not part of a wider consolidation group that is required by UK prudential sectoral regulation UK prudential sectoral legislation for the banking sector, the CRR investment services sector or the MIFIDPRU investment services sector to be subject to consolidated supervision.

trading book …

(5) (in DTR) has the meaning in article 4.1(86) of UK CRR. all positions in financial instruments and commodities held by a credit institution or an investment firm that are:
(a) positions held with trading intent; or

(b) held in order to hedge positions held with trading intent.

... traditional securitisation (for the purpose of BIPRU and MIPRU) a securitisation (within the meaning of paragraph (2) of the definition of securitisation) involving the economic transfer of the exposures being securitised to a securitisation special purpose entity which issues securities; and so that:

... tranche in relation to a securitisation within the meaning of paragraph (2) of the definition of securitisation and for the purposes of BIPRU and MIPRU a contractually established segment of the credit risk associated with an exposure or number of exposures, where a position in the segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segment, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments.

[Note: article 4(39) of the Banking Consolidation Directive (Definitions)]

UK consolidation group (1) (for the purposes of SYSC as it applies to a CRR firm) the group of undertakings which are included in the consolidated situation of a UK parent institution, a UK parent financial holding company or a UK parent mixed financial holding company (including any undertaking which is included in that consolidation because of a consolidation article 12(1) relationship, article 18(5) relationship or article 18(6) relationship).

(2) (for the purposes of BIPRU and SYSC as it applies to a BIPRU firm) has the meaning in BIPRU 8.2.4AR (Definition of UK consolidation group), which is in summary the group that is identified as a UK consolidation group in accordance with the decision tree in BIPRU 8 Annex 1R (Decision tree identifying a UK consolidation group); in each case only persons included under BIPRU 8.5 (Basis of consolidation) are included in the UK consolidation group. [deleted]

UK designated investment firm (in BIPRU 12 and in SYSC 19D and the definitions of CRR firm and institution) a designated investment firm which is a body corporate or partnership formed under the law of any part of the UK.

UK prudential sectoral legislation (in relation to a financial sector) requirements applicable to persons in that financial sector in accordance with UK legislation and rules about prudential supervision of regulated entities in that financial sector and so that:

(a) (in relation to the banking sector and the CRR investment services sector) in particular this includes the requirements laid down in
the UK CRR and the PRA Rulebook (in relation to a CAD investment firm), GENPRU and BIPRU; and

(b) (in relation to the insurance sector) in particular this includes requirements laid down in the UK provisions which implemented the Solvency II Directive and Solvency II Regulations; and

(c) (in relation to the MIFIDPRU investment services sector) in particular this includes the requirements laid down in MIFIDPRU.

1 (in BIPRU) a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an undertaking derives from the undertaking of a third party to pay an amount in the event of the default of the borrower or on the occurrence of other specified events.

[Note: article 4(32) of the Banking Consolidation Directive (Definitions)] [deleted]

2 (in IFPRU) has the meaning in article 4(1)(59) of the UK CRR. [deleted]

... working day ...

2 (in relation to an underwriter and for the purpose of BIPRU but not for the purpose of the definition of working day 0) the number of business days after working day 0 specified by the provision in question so that, for example, working day one means the business day following working day 0. [deleted]

...}

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

**ABCP internal assessment approach** the method for calculating the risk weighted exposure amount for a securitisation position in relation to an asset backed commercial paper programme as set out in BIPRU 9.12.20R.

**ABCP programme** (for the purposes of BIPRU 9 (Securitisation)) an asset backed commercial paper programme.

**advanced IRB approach** one of the following:

(a) (in relation to the sovereign, institutional and corporate IRB exposure class) the approach under the IRB approach under which a firm supplies its own estimates of LGD and conversion factors;
(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

**Advanced Measurement Approach**

One of the following:

(a) the IRB approach; or

(b) the advanced measurement approach; or

(c) the VaR model approach; or

(d) the CAD 1 model approach; or

(e) the master netting agreement internal models approach; or

(f) the CCR internal model method;

including, in each case, whatever corresponds to that approach under the rules of or administered by a regulatory body other than the appropriate regulator.

**Advanced Prudential Calculation Approach Permission**

One of the following:

(a) an IRB permission; or

(b) an AMA permission; or

(c) a VaR model permission; or

(d) a CAD 1 model waiver; or

(e) a master netting agreement internal models approach permission; or

(f) a CCR internal model method permission.

**All Price Risk Measure**

(in BIPRU 7.10 (Use of a Value at Risk Model)) has the meaning in BIPRU 7.10.116AR (Capital calculations for VaR models), which is, in relation to a business day, the all price risk measure required under the provisions in BIPRU 7.10 about specific risk for the correlation trading portfolio.
**allocation period**  
A single 24-hour period or, with the agreement of each professional client concerned, a period spanning five consecutive business days, during which an aggregated series of transactions may be executed.

**alternative standardised approach**  
one of the following:

(a) a version of the standardised approach to operational risk under which a firm uses different indicators for certain business lines as referred to in BIPRU 6.4.19R (The alternative standardised approach);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

**appropriate position risk adjustment**  
(1) (in relation to a position treated under BIPRU 7.6 (Option PRR)) the percentage figure applicable to that position under the table in BIPRU 7.6.8R (Appropriate Position Risk Adjustment);

(2) (for any other purpose and in relation to a position) the position risk adjustment applicable to that position under BIPRU 7 (Market risk).

**Article 134 relationship**  
in accordance with Article 134 of the Banking Consolidation Directive a relationship of one of the following kinds:

(a) where a person exercises a significant influence over one or more persons, but without holding a participation or other capital ties in these persons and without being a parent undertaking of these persons; or

(b) where two or more persons are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.

**at the money**  
(for the purposes of BIPRU 7 (Market risk) and in relation to an option or warrant) the strike price of that option or warrant being equal to the current market value of the underlying instrument.

**backtesting exception**  
in BIPRU 7.10 (Use of a value at risk model) an exception (excluding a specific risk backtesting exception) arising out of backtesting a VaR model as more fully defined in BIPRU 7.10.103R.
Bank Accounts

Directive


base capital resources requirement

(1) an amount of capital resources that an insurer must hold as set out in GENPRU 2.1.30R (Table: Base capital resources requirement for an insurer) or a BIPRU firm must hold under GENPRU 2.1.41R (Base capital resources requirement for a BIPRU firm) and GENPRU 2.1.48R (Table: Base capital resources requirement for a BIPRU firm).

(2) [deleted]

basic indicator approach

the approach to calculating the ORCR set out in BIPRU 6.3 (Operational risk: Basic indicator approach).

basis risk

the risk that the relationship between two financial variables will change, particularly between two sorts of interest rate or between a hedge and the position it ostensibly hedges.

BIPRU Remuneration Code

SYSC 19C (BIPRU Remuneration Code).

BIPRU Remuneration Code staff

for a BIPRU firm and a third country BIPRU firm, has the meaning given in SYSC 19C.3.4R.

BIPRU remuneration principles proportionality rule

(in SYSC 19C) has the meaning given in SYSC 19C.3.3R.

buffer securities restriction

BIPRU 12.6.16R.

CAD 1 model

a risk management model of the type described in BIPRU 7.9 (Use of a CAD 1 model).

CAD 1 model approach

one of the following:

(a) the approach to calculating part of the market risk capital requirement set out in BIPRU 7.9 (Use of a CAD 1 model);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or
(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

**CAD 1 model waiver**

A *waiver* that requires a *firm* to use the *CAD 1 model approach* on a solo basis or, if the context requires, a consolidated basis.

**CAD Article 22 group**

A *UK consolidation group* or *non-UK sub-group* that meets the conditions in *BIPRU 8.4.9R* (Definition of a CAD Article 22 group).

**CAD investment firm**

A *firm* that is subject to the requirements imposed by the *UK* implementation of *MiFID* (or a firm which would be subject to those requirements if its head office were in the *UK*) but excluding a *bank*, a *building society*, a *credit institution*, a *local firm* and an *exempt CAD firm* that meets the following conditions:

(a) it is a *firm* as defined in article 4(1)(2)(c) of the *UK CRR*;

(b) it is authorised to provide one or more the following *investment services*:

   (i) execution of orders on behalf of *clients*;

   (ii) portfolio management; and

(c) it may provide one or more of the following *investment services*:

   (i) reception and transmission of orders in relation to one or more *financial instruments*;

   (ii) investment advice.

**capital conservation buffer**

(in accordance with regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014) the amount of *common equity tier 1 capital* a *firm* must calculate in line with *IFPRU 10.2*.

**capital market-driven transaction**

(in accordance with point 2 of Part 1 of Annex VIII of the *Banking Consolidation Directive* (Eligible forms of credit risk mitigation)) any transaction giving rise to an *exposure* secured by collateral which includes a provision conferring upon the *person* with the *exposure* the right to receive margin frequently.

**capital planning buffer**

(in *BIPRU 2.2* or *IFPRU 2*) the amount and quality of capital resources that a *firm* should hold at a given time in accordance with the *general stress and scenario testing rule*, so that the *firm* is able to continue to meet the *overall financial adequacy rule* throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.

**Capital Requirements**

The Capital Requirements Regulations 2006 (SI 2006/3221).
Regulations 2006

capital resources gearing rules

(1) [deleted]
(2) [deleted]
(3) (in relation to a BIPRU firm) GENPRU 2.2.30R, GENPRU 2.2.46R and GENPRU 2.2.49R and GENPRU 2.2.50R.

capital resources table

(1) [deleted]
(2) [deleted]
(3) [deleted]
(4) (in relation to a BIPRU firm) whichever of the tables in GENPRU 2 Annex 4, GENPRU 2 Annex 5 or GENPRU 2 Annex 6 applies to the firm under GENPRU 2.2.19R.

cash assimilated instrument

a certificate of deposit or other similar instrument issued by a lending firm.

[Note: article 4(35) of the Banking Consolidation Directive (Definitions)]

CCR

counterparty credit risk

CCR internal model method

one of the following:

(a) the method of calculating the amount of an exposure set out in BIPRU 13.6 (CCR internal model method);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

CCR internal model method permission

a requirement or a waiver that requires a BIPRU firm or a CAD investment firm to use the CCR internal model method

CCR mark to market method

the method of calculating the amount of an exposure set out in BIPRU 13.4 (CCR mark to market method).

CCR standardised method

the method of calculating the amount of an exposure set out in BIPRU 13.5 (CCR standardised method).
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIU look through method</td>
<td>one of the standard CIU look through method or the modified CIU look through method.</td>
</tr>
<tr>
<td>CIU PRR</td>
<td>the collective investment undertaking PRR.</td>
</tr>
<tr>
<td>closely related (in GENPRU and BIPRU)</td>
<td>describes a relationship between two or more persons under which one or more of the following applies:</td>
</tr>
<tr>
<td>(a)</td>
<td>the insolvency or default of one of them is likely to be associated with the insolvency or default of the others;</td>
</tr>
<tr>
<td>(b)</td>
<td>it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or</td>
</tr>
<tr>
<td>(c)</td>
<td>there is, or there is likely to be, a close relationship between the financial performance of those persons.</td>
</tr>
<tr>
<td>collective investment undertaking PRR</td>
<td>the part of the market risk capital requirement calculated in accordance with BIPRU 7.7.5R (Calculation of the collective investment undertaking PRR).</td>
</tr>
<tr>
<td>combined buffer</td>
<td>has the meaning in regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014).</td>
</tr>
<tr>
<td>commodity extended maturity ladder approach</td>
<td>the method of calculating the commodity PRR in BIPRU 7.4.32R (Extended maturity ladder approach).</td>
</tr>
<tr>
<td>commodity maturity ladder approach</td>
<td>the method of calculating the commodity PRR in BIPRU 7.4.25R (Maturity ladder approach).</td>
</tr>
<tr>
<td>commodity PRR</td>
<td>the part of the market risk capital requirement calculated in accordance with BIPRU 7.4 (Commodity PRR) or, in relation to a particular position, the portion of the overall commodity PRR attributable to that position.</td>
</tr>
<tr>
<td>commodity simplified approach</td>
<td>the method of calculating the commodity PRR in BIPRU 7.4.24R (Simplified approach).</td>
</tr>
<tr>
<td>consolidated capital resources</td>
<td>(in relation to a UK consolidation group or a non-UK sub-group and in GENPRU and BIPRU) that group’s capital resources calculated in accordance with BIPRU 8.6 (Consolidated capital resources).</td>
</tr>
</tbody>
</table>
### Consolidated Capital Resources Requirement

(in relation to a UK consolidation group or a non-UK sub-group and in GENPRU and BIPRU) an amount of consolidated capital resources that that group must hold in accordance with BIPRU 8.7 (Consolidated capital resources requirement).

### Consolidated Credit Risk Requirement

(in relation to a UK consolidation group or a non-EEA sub-group and in GENPRU and BIPRU) has the meaning in BIPRU 8.7 (Consolidated capital resources requirements) which is in summary the part of that group’s consolidated capital resources requirement relating to credit risk calculated in accordance with BIPRU 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under BIPRU 8.7.

### Consolidated Fixed Overheads Requirement

(in relation to a UK consolidation group or a non-EEA sub-group and in GENPRU and BIPRU) has the meaning in BIPRU 8.7 (Consolidated capital resources requirements) which is in summary the part of that group’s consolidated capital resources requirement relating to the fixed overheads requirement (as referred to Article 21 of the Capital Adequacy Directive and the definition of fixed overheads requirement) calculated in accordance with BIPRU 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under BIPRU 8.7.

### Consolidated Indirectly Issued Capital

has the meaning in BIPRU 8.6.12R (Indirectly issued capital and group capital resources), which is in summary any capital instrument issued by a member of a UK consolidation group or non-UK sub-group where the conditions in BIPRU 8.6.12R are met.

### Consolidated Market Risk Requirement

(in relation to a UK consolidation group or a non-EEA sub-group and in GENPRU and BIPRU) has the meaning in BIPRU 8.7 (Consolidated capital resources requirement) which is in summary the part of that group’s consolidated capital resources requirement relating to market risk calculated in accordance with BIPRU 8.7.11R (Calculation of the consolidated requirement components) and as adjusted under BIPRU 8.7.

### Consolidated Requirement Component

has the meaning in BIPRU 8.7.11R (Calculation of the consolidated requirement components), which in summary is one of the following:

(a) the consolidated credit risk requirement; or

(b) the consolidated fixed overheads requirement; or

(c) the consolidated market risk requirement

(d) [deleted]

### Consolidating Supervisor

has the meaning in article 4(1)(41) of the UK CRR.

### Contingency Funding Plan

(1) [deleted]
(2) (in BIPRU 12 and BSOCs) a plan for dealing with liquidity crises as required by BIPRU 12.4.10R.

**contractual cross product netting agreement**

(for the purpose of BIPRU 13.7 (Contractual netting)) has the meaning set out in BIPRU 13.7.2R, which is in summary a written bilateral agreement between a firm and a counterparty which creates a single legal obligation covering all included bilateral master agreements and transactions belonging to different product categories.

**conversion factor**

(for the purposes of BIPRU) the ratio of the currently undrawn amount of a commitment that will be drawn and outstanding at default to the currently undrawn amount of the commitment; the extent of the commitment is determined by the advised limit, unless the unadvised limit is higher.

[Note: article 4(28) of the Banking Consolidation Directive (Definitions)]

**core business lines**

business lines and associated services which represent material sources of revenue, profit or franchise value for an RRD institution or an RRD group.

[Note: article 2(1)(36) of RRD]

**core concentration risk group counterparty**

(in relation to a firm) a counterparty which is its parent undertaking, its subsidiary undertaking or a subsidiary undertaking of its parent undertaking, provided that (in each case) both the counterparty and the firm are:

(a) included within the scope of consolidation on a full basis with respect to the same UK consolidation group; and

(b) (where relevant) held by one or more intermediate parent undertaking or financial holding company, all of which are incorporated in the United Kingdom.

**core market participant**

an entity of a type listed in BIPRU 5.4.64R (The financial collateral comprehensive method: Conditions for applying a 0% volatility adjustment).

**core tier one capital**

an item of capital that is stated in stage A of the capital resources table (Core tier one capital) to be core tier one capital.

**core UK group**

(1) (in relation to a BIPRU firm) all undertakings which, in relation to the firm, satisfy the conditions set out in BIPRU 3.2.25R (Zero risk-weighting for intra-group exposures: core UK group).

(2) (in relation to an IFPRU investment firm) all counterparties which:

(a) are listed in the firm’s core UK group permission;

(b) satisfy the conditions in article 113(6) of the UK CRR (Calculation of risk-weighted exposure amounts: intragroup); and
(c) (unless it is an IFPRU limited-activity firm or IFPRU limited-licence firm, or an exempt IFPRU commodities firm to which article 493(1) of the UK CRR (Transitional provision for large exposures) apply) for which exposures are exempted, under article 400(1)(f) of the UK CRR (Large exposures: exemptions), from the application of article 395(1) of the UK CRR (Limits to large exposures).

**core UK group eligible capital** means the eligible capital in the core UK group calculated in line with IFPRU 8.2.7R.

**core UK group permission** a permission given by the FCA under article 113(6) of the UK CRR (see IFPRU 8.1.14G to IFPRU 8.1.21G).

**core UK group waiver** (in BIPRU) a waiver that has the result of requiring a firm to apply:

(a) (in relation to the credit risk capital requirement) BIPRU 3.2.25R (Zero risk-weighting for intra-group exposures: core UK group), which in summary allows a firm to assign a risk weight of 0% to exposures to members of its core UK group instead of complying with BIPRU 3.2.20R (Calculation of risk-weighted exposure amounts under the standardised approach); or

(b) [deleted]

**corporate** (in relation to the IRB approach or the standardised approach to credit risk) a person an exposure to whom is a corporate exposure.

**corporate exposure**

(1) (in relation to the IRB approach) an exposure falling into BIPRU 4.3.2R(3) (IRB exposure classes).

(2) (in relation to the standardised approach to credit risk) an exposure falling into BIPRU 3.2.9R(7) (Standardised approach to credit risk exposure classes).

**correlation trading portfolio** (in BIPRU 7) a portfolio consisting of securitisation positions and nth-to-default credit derivatives that meet the criteria set out at BIPRU 7.2.42AR, or other positions which may be included in accordance with BIPRU 7.2.42BR.

**countercyclical buffer rate** the rate:

(a) expressed as a percentage of total risk exposure amount set by the UK countercyclical buffer authority; or

(b) expressed in terms equivalent to a percentage of total risk exposure amount set by a third-country countercyclical buffer authority,

that a firm must apply in order to calculate its countercyclical capital.
buffer.

[Note: article 128(7) of the CRD (Definitions)]

countercyclical capital buffer (in accordance with regulation 2(1) (Interpretation) of the Capital Requirements (Capital Buffers and Macro-prudential Measures Regulations 2014)) the amount of common equity tier 1 capital a firm must calculate in line with IFPRU 10.3.

counterparty credit risk (1) (for the purposes of BIPRU) the risk that the counterparty to a transaction could default before the final settlement of the transaction’s cash flows.

(2) (other than in (1)) has the meaning as used in the UK CRR.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

counterparty risk capital component the part of the credit risk capital requirement calculated in accordance with BIPRU 14.2.1R (Calculation of the counterparty risk capital component).

CRD bank a bank which uses the UK CRR to measure the capital requirement on its trading book.

CRD financial instrument has the meaning set out in BIPRU 1.2.7R to BIPRU 1.2.8R (CRD financial instruments), which is in summary any contract that gives rise to both a financial asset of one party and a financial liability or equity instrument of another party.

CRD full-scope firm an investment firm as defined in article 4(1)(2) of the UK CRR that is subject to the requirements imposed by the UK provisions that implemented MiFID (or which would be subject to those requirements if its head office were in the UK) and that is not a limited activity firm or a limited licence firm.

CRD implementation measure (in relation to an person and for the purposes of GENPRU and BIPRU (except in GENPRU 3 and BIPRU 12), a provision of the Banking Consolidation Directive or the Capital Adequacy Directive and an EEA State other than the United Kingdom) a measure implementing that provision of that Directive for that type of person in that EEA State.

CRD ITS on templates, definitions and IT-solutions the UK version of Regulation (EU) 2016/2070 of 14 September 2016 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting in accordance with Article 78(2) of the CRD which is part of UK law by virtue of the EUWA.

location of credit exposures for calculating institution-specific countercyclical capital buffer rates

for calculating institution-specific countercyclical capital buffer rates which is part of UK law by virtue of the EUWA.

credit quality assessment scale

the credit quality assessment scale:
(1) onto which the credit assessments of an export credit agency are mapped under the table in BIPRU 3.4.9R (Exposure for which a credit assessment by an export credit agency is recognised); or
(2) published by the appropriate regulator in accordance with the Capital Requirements Regulations 2006 which determine:

(a) (in relation to an eligible ECAI whose recognition is for risk weighting purposes other than those in (2)(b)) with which of the credit quality steps set out in BIPRU 3.4 (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an eligible ECAI are to be associated; or

(b) (in relation to an eligible ECAI whose recognition is for securitisation risk-weighting purposes) with which of the credit quality steps set out in BIPRU 9 (Securitisation) the relevant credit assessments of the eligible ECAI are to be associated.

credit risk capital component

the part of the credit risk capital requirement calculated in accordance with BIPRU 3.1.5R (Calculation of the credit risk capital component).

credit risk mitigation

(1) (in GENPRU (except in GENPRU 3) and BIPRU (except in BIPRU 12)) a technique used by an undertaking to reduce the credit risk associated with an exposure or exposures which the undertaking continues to hold.

[Note: article 4(30) of the Banking Consolidation Directive (Definitions)]

(2) (except in (1)) has the meaning in article 4(1)(58) of the UK CRR.

credit valuation adjustment

(in accordance with Part 1 of Annex III of the Banking Consolidation Directive (Definitions) and for the purposes of BIPRU) an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty; and so that this adjustment:

(a) reflects the market value of the credit risk due to any failure to
perform on contractual agreements with a counterparty; and

(b) may reflect the market value of the credit risk of the counterparty or the market value of the credit risk of both the firm and the counterparty.

critical functions activities, services or operations (wherever carried out) the discontinuance of which is likely to lead to the disruption of essential services to the real economy of the UK or to disrupt financial stability in the UK due to the:

(a) size;

(b) market share;

(c) external and internal interconnectedness;

(d) complexity; or

(e) cross-border activities,

of an RRD institution or RRD group, particularly bearing in mind the substitutability of those activities, service or operations.

[Note: article 2(1)(35) of RRD]

CRM minimum requirements (1) in relation to the standardised approach to credit risk); BIPRU 5.2.9R-BIPRU 5.2.10R, BIPRU 5.3.3R, BIPRU 5.4.9R-BIPRU 5.4.13R, BIPRU 5.5.2R, BIPRU 5.5.5R-BIPRU 5.5.6R, BIPRU 5.6.2R-BIPRU 5.6.3R, BIPRU 5.7.6R-BIPRU 5.7.14R; or

(2) (in relation to the IRB approach), the provisions in (1) and BIPRU 4.4.85R, BIPRU 4.10.13R, BIPRU 4.10.15R, and BIPRU 4.10.18R-BIPRU 4.10.19R.

cross product netting (for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the inclusion of transactions of different product categories within the same netting set pursuant to the rules about cross-product netting set out in BIPRU 13.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

CRR ITS on supervisory reporting the UK version of Regulation (EU) 2015/1278 of 9 July 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions as regards instructions, templates and definitions which is part of UK law by virtue of the EUWA.

current exposure (for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the larger of zero, or the market value
of a transaction or portfolio of transactions within a netting set with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

defined liquidity group: a DLG by default or DLG by modification.

designated committee: (in relation to a firm) a management body of the firm with delegated authority from the firm’s governing body for approving either:

(a) (in relation to a firm that uses the IRB approach) all material aspects of the firm’s rating systems and material changes to the firm’s rating systems; or

(b) (in relation to a firm that uses the advanced measurement approach) all material aspects of the advanced measurement approach as carried out by the firm and material changes to the firm’s advanced measurement approach; and

(c) a policy statement defining the firm’s overall approach to material aspects of rating and estimation processes for all rating systems including non-material rating systems in relation to the IRB approach, or its overall approach to the advanced measurement approach, as relevant;

at least one of whose members is a member of the firm’s governing body.

designated money market fund: (in BIPRU 12 and BSOCS) an authorised fund which satisfies the following conditions:

(a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors’ initial capital plus earnings;

(b) it must, with a view to achieving that primary investment objective, invest exclusively in either or both assets (i) of the kind mentioned in BIPRU 12.7.2R(1) and (2), or (ii) sight deposits with credit institutions that are at all times fully secured against assets of the kind mentioned in BIPRU 12.7R(1) and (2);

(c) it must, for the purpose of condition (b), only count assets with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days;

(d) it must, for the purpose of condition (b), ensure that if it invests in sight deposits with credit institutions of the kind mentioned in
(b)(ii), no more than 20% of those deposits are held with any one body; and

(e) it must provide liquidity through same day settlement in respect of any request for redemption made at or before 1200 hours GMT or, as the case may be, BST.

designated multilateral development bank

Any of the following:

(a) African Development Bank;

(b) Asian Development Bank;

(ba) Asian Infrastructure Investment Bank;

(bb) Caribbean Development Bank;

(d) European Bank for Reconstruction and Development;

(e) European Investment Bank;

(ea) European Investment Fund;

(f) Inter-American Development Bank;

(g) International Bank for Reconstruction and Development;

(ga) International Development Association;

(h) International Finance Corporation;

(ha) International Finance Facility for Immunisation;

(i) Islamic Development Bank;

(ia) Multilateral Investment Guarantee Agency; and

(j) Nordic Investment Bank.

dilution risk

the risk that an amount receivable is reduced through cash or non-cash credits to the obligor.

[Note: article 4(24) of the Banking Consolidation Directive (Definitions)]

distribution in connection with common equity tier 1 capital

includes:

(a) a payment of cash dividends;

(b) a distribution of fully or partly paid bonus shares or other capital instruments referred to in article 26(1)(a) of the UK CRR (Common equity tier 1 items);
(c) a redemption or purchase by a firm of its own shares or other capital instruments referred to in article 26(1)(a) of the UK CRR (Common equity tier 1 items);

(d) a repayment of amounts paid in connection with capital instruments referred to in article 26(1)(a) of the UK CRR (Common equity tier 1 items); and

(e) a distribution of items referred to in article 26(1)(b) to (e) of the UK CRR124 (Common equity tier 1 items).

[Note: article 141(10) of CRD]

distribution of exposures

for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of market values that is generated by setting forecast instances of negative net market values equal to zero.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

distribution of market values

for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the forecast of the probability distribution of net market values of transactions within a netting set for some future date (the forecasting horizon), given the realised market value of those transactions up to the present time.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

DLG by default

(in relation to a UK ILAS BIPRU firm (a group liquidity reporting firm) and any reporting period under SUP 16 (Reporting requirements)) the firm and each person identified in accordance with the following:

(a) (in a case in which the firm is the only UK ILAS BIPRU firm in its group) that person meets any of the following conditions for any part of that period:

(i) that person provides material support to the firm against liquidity risk; or

(ii) that person is committed to provide such support or would be committed to do so if that person were able to provide it; or

(iii) the firm has reasonable grounds to believe that that person would supply such support if asked or would do so if it were able to provide it; or
(iv) the firm provides material support to that person against liquidity risk; or

(v) the firm is committed to provide such support to that person or would be committed to do so if the firm were able to provide it; or

(vi) the firm has reasonable grounds to believe that that person would expect the firm to supply such support if asked or that the firm would do so if it were able to provide it; or

(b) (in a case in which the firm is not the only UK ILAS BIPRU firm in its group):

(i) each of those other UK ILAS BIPRU firms; and

(ii) each person identified by applying the tests in (a) separately to the firm and to each of those other UK ILAS BIPRU firms, so that applying (b) to the firm and to each of those UK ILAS BIPRU firms results in their having the same defined liquidity group;

(iii) no DLG by default exists where the group consists only of UK ILAS BIPRU firms.

The following provisions also apply for the purpose of this definition.

(c) A person is not a member of a firm’s DLG by default unless it also satisfies one of the following conditions:

(i) it is a member of the firm’s group; or

(ii) it is a securitisation special purpose entity or a special purpose vehicle; or

(iii) it is an undertaking whose main purpose is to raise funds for the firm or for a group to which that firm belongs.

(ca) In the case of a group liquidity reporting firm that is within paragraph (a) of the definition of UK lead regulated firm (it is not part of a group that is subject to consolidated supervision by the FCA or the PRA or any other regulatory body), paragraph (c)(i) of the definition of DLG by default is amended so that it only includes a member of the firm’s group that falls into one of the following categories:

(i) it is a credit institution; or

(ii) it is an investment firm or third country investment firm authorised to deal on own account.
For these purposes:

(iii) credit institution has the meaning used in SUP 16 (Reporting requirements), namely either of the following:

(A) a credit institution authorised under the CRD or

(B) an institution which would satisfy the requirements for authorisation as a credit institution under the UK provisions which implemented the CRD if it had its registered office (or if it does not have a registered office, its head office) in the UK; and

(iv) a person is authorised to deal on own account if:

(A) it is a firm and its permission includes that activity; or

(B) [deleted]

(C) (if the carrying on of that activity is prohibited in a state or territory without an authorisation in that state or territory) that person has such an authorisation.

(d) Group has the meaning in paragraph (1) of the definition in the Glossary (the definition in section 421 of the Act).

(e) The conditions in (a) are satisfied even if the firm or person in question provides or is committed or expected to provide support for only part of the period. (f) In deciding for the purpose

(f) In deciding for the purpose of (a) or (b) whether the firm is the only UK ILAS BIPRU firm in its group and identifying which are the other UK ILAS BIPRU firms in its group, any group member that is a member of the group through no more than a participation is ignored.

(g) A firm has a DLG by default for a period even if it only has one during part of that period.

(h) Liquidity support may be supplied by or to the firm directly or indirectly.

(i) Support is material if it is material either by reference to the person giving it or by reference to the person receiving it.
(Guidance about this definition, and its inter-relation with other related definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)

**DLG by modification**

either of the following:

(a) a *DLG by modification (firm level)*; or

(b) a *non-UK DLG by modification (DLG level)*.

(Guidance about this definition, and its inter-relation with other related definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)

**DLG by modification (firm level)**

(in relation to any reporting period under SUP 16 (Reporting requirements) and a *UK ILAS BIPRU firm* that has an *intra-group liquidity modification* during any part of that period (a *group liquidity reporting firm*) the firm and each person on whose liquidity support the firm can rely, under that *intra-group liquidity modification*, for any part of that period for the purpose of the *overall liquidity adequacy rule* (as the *overall liquidity adequacy rule* applies to the firm on a solo basis). A *firm* has a ‘DLG by modification (firm level)’ for a period even if it only has one during part of that period.

(Guidance about this definition, and its inter-relation with other related definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)

**early amortisation provision**

(1) (in *BIPRU*) (in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation) a contractual clause which requires, on the occurrence of defined events, investors’ positions to be redeemed prior to the originally stated maturity of the securities issued.

[Note: article 100 of the *Banking Consolidation Directive* (Securitisation of revolving exposures)]

(2) (except in (1)) has the meaning in article 242(16) of the *UK CRR*.

**EE**

*expected exposure*.

**effective EE**

*effective expected exposure*.

**effective EPE**

*effective expected positive exposure*.

**effective expected exposure**

for the purpose of *BIPRU* 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions) and as at a specific date) the maximum expected exposure that occurs at that date or any prior date; alternatively, it may be defined for a specific date as the greater of the expected exposure at that date, or the effective exposure at the previous date.
effective exposure

for the purpose of BIPRU 13) the weighted average over time of effective exposure over the first year, or, if all the contracts within the netting set mature before one year, over the time period of the longest maturity contract in the netting set, where the weights are the proportion that an individual expected exposure represents of the entire time interval.

expected exposure

for the purpose of the CCR internal model method and with respect to a netting set with maturity greater than one year) the ratio of the sum of expected exposure over the life of the transactions in the netting set discounted at the risk-free rate of return divided by the sum of expected exposure over one year in a netting set discounted at the risk-free rate; this effective maturity may be adjusted to reflect rollover risk by replacing expected exposure with effective expected exposure for forecasting horizons under one year.

EL expected loss.

eligible capital (in relation to a BIPRU firm) has the meaning in GENPRU 2.2.93R.

eligible partnership capital

EPE expected positive exposure.

equity (for the purposes of BIPRU 7 and IFPRU 6) a share

equity exposure (in relation to the IRB approach) an exposure falling into the IRB exposure class referred to in BIPRU 4.3.2R(5) (equity exposures).

equity PRR

describes the part of the market risk capital requirement calculated in accordance with BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

(a) the equity PRR excludes the part of the market risk capital requirement calculated under BIPRU 7.3.45R (Basic interest rate PRR for equity derivatives); and

(b) in relation to a particular position, it means the portion of the overall equity PRR attributable to that position.

excess spread (for the purposes of BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of
securitisation137) finance charge collections and other fee income received in respect of the securitised exposures net of costs and expenses.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

**excess trading book position** has the meaning in GENPRU 2.2.264R (Deductions from total capital: Excess trading book position).

**exempt full scope IFPRU investment firm** a full-scope IFPRU investment firm falling into BIPRU 12.1.4R.

**expected exposure** for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of exposures at any particular future date before the longest maturity transaction in the netting set matures.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

**expected loss** for the purposes of the IRB approach and the standardised approach to credit risk) the ratio of the amount expected to be lost on an exposure from a potential default of a counterparty or dilution over a one year period to the amount outstanding at default.

[Note: article 4(29) of the Banking Consolidation Directive (Definitions)]

**expected positive exposure** for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of expected exposures where the weights are the proportion that an individual expected exposures represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the netting set mature before one year, over the time period of the longest-maturity contract in the netting set.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

**extraordinary public financial support** has the meaning provided in section 3 of the Banking Act 2009.

**facility grade** (in relation to the advanced IRB approach and the sovereign, institutional and corporate IRB exposure class and in accordance with BIPRU 4.4.49R) a risk category within a rating system’s facility scale to which exposures are assigned on the basis of a specified and distinct set of rating criteria from which own estimates of LGDs are derived.
the undertakings included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the UK CRR and IFPRU 8.1.3R to IFPRU 8.1.4R (Prudential consolidation) for which the FCA is the consolidating supervisor under article 4B of the UK CRR.


the method for calculating the effects of credit risk mitigation described in those parts of BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.

the method for calculating the effects of credit risk mitigation described in those parts of BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.


(for the purposes of BIPRU) has the meaning in BIPRU 13.3.3R (Definition of a financial derivative instrument); the definition is adjusted for the purposes of the definition of counterparty risk capital component in accordance with BIPRU 14.2.3R (Credit derivatives).

(a) a credit institution or investment firm subject to the UK CRR that is also subject to section 403(1) of the Companies Act 2006; or

(b) a credit institution other than one referred to in section 403(1) of the Companies Act 2006 that prepares its consolidated accounts in conformity with UK-adopted international accounting standards.

[Note: article 99 of the UK CRR]

(in relation to a firm and any reporting obligations under SUP 16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis (including on the basis of the firm's UK branch) the firm failing to meet, not complying with or being in breach of:

(i) the liquidity resources requirement calculated by that firm as adequate in its current Individual Liquidity Adequacy Assessment or Individual Liquidity Systems Assessment; or
(ii) the level of its liquid assets buffer advised in any current individual liquidity guidance that the firm has accepted; or

(iii) its funding profile advised in any current individual liquidity guidance that the firm has accepted; or

(iv) the overall liquidity adequacy rule; or

(v) BIPRU 12.2.8R (ILAS BIPRU firm adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the simplified buffer requirement); or

(vi) the simplified buffer requirement (taking into account BIPRU TP 29 (Liquid assets buffer scalar: simplified ILAS BIPRU firms) unless this has been superseded by individual liquidity guidance that it has accepted; or

(vii) any requirement imposed by or under the regulatory system under which the firm must hold a specified level of liquidity resources;

or it being likely that the firm will do so;

(b) (in the case of reporting obligations with respect to the firm and a group of other persons) has the same meaning as in (a) except that references to any rule or other requirement, Individual Liquidity Adequacy Assessment, Individual Liquidity Systems Assessment or individual liquidity guidance are to any such thing so far as it applies to the firm and that group considered together.

**foreign currency PRR** the part of the market risk capital requirement calculated in accordance with BIPRU 7.5 (Foreign currency PRR) or, in relation to a particular position, the portion of the overall foreign currency PRR attributable to that position.

**forward rate agreement** an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.

**foundation IRB approach** one of the following:

(a) (in relation to the sovereign, institutional and corporate IRB exposure class) the approach under the IRB approach, described in BIPRU 4.4 (The IRB approach: Exposures to corporates, institutions and sovereigns) under which a firm uses the values
for LGD and conversion factors set out in BIPRU 4.4 rather than supplying its own estimates;

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

FRA forward rate agreement.

free delivery (for the purposes of BIPRU) a transaction of the type set out in BIPRU 14.4.2R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a person:

(a) has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them; and

(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

full-scope a CRD full-scope firm that is an IFPRU investment firm.

IFPRU investment firm

funded credit protection (for the purposes of BIPRU) a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an undertaking derives from the right of the undertaking, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the exposure to, or to replace it with, the amount of the difference between the amount of the exposure and the amount of a claim on the undertaking.

[Note: article 4(31) of the Banking Consolidation Directive (Definitions)]

GCR group capital resources.

GCRR group capital resources requirement.

general market risk the risk of a price change in an investment:

(a) (in relation to items that may or must be treated under BIPRU 7.2 (Interest Rate PRR)) owing to a change in the level of interest rates; or
(b) (in relation to items that may or must be treated under BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) except insofar as BIPRU 7.3 relates to the calculation of the interest rate PRR) owing to a broad equity-market movement unrelated to any specific attributes of individual securities.

[Note: paragraph 12 of Annex I of the Capital Adequacy Directive]

**general market risk position risk adjustment** a position risk adjustment with respect to general market risk

**general stress and scenario testing rule**

(1) (in GENPRU, BIPRU and INSPRU) GENPRU 1.2.42R (Stress and scenario tests).

(2) (for the purpose of IFPRU) IFPRU 2.2.37R (Stress and scenario tests).

**general wrong-way risk** for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the probability of default of counterparties is positively correlated with general market risk factors.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

**gross leverage** the ratio of total assets to total equity.

**group liquidity low frequency reporting conditions** (in relation to a group liquidity reporting firm and its defined liquidity group) the defined liquidity group meets the group liquidity low frequency reporting conditions if the defined liquidity group meets the following conditions:

(a) the firm or any other member is a low frequency liquidity reporting firm; and

(b) no member of that group is a standard frequency liquidity reporting firm.

For the purpose of deciding whether these conditions are met in relation to a DLG by default, any group member (other than the group liquidity reporting firm itself) that is a member of the group through no more than a participation is ignored.

**group liquidity reporting firm** see the definitions of DLG by default, DLG by modification (firm level), and non-UK DLG by modification (DLG level).

(Guidance about this definition, and its inter-relation with other related definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)
group liquidity standard (in relation to a group liquidity reporting firm and its defined liquidity group) the defined liquidity group meets the group liquidity standard frequency reporting conditions if the group does not meet the group liquidity low frequency reporting conditions.

group recovery plan a document which provides for measures to be taken in relation to an RRD group, or any RRD institution in the group, to achieve the stabilisation of the group as a whole, in cases of financial stress, to address or remove the causes of the stress and restore the financial position of the group or the RRD institution.

[Note: articles 2(1)(33) and 7(4) of RRD]

guarantee fund (1) (a) subject to (1)(b), in relation to a firm carrying on general insurance business, the higher of one third of the general insurance capital requirement and the base capital resources requirement applicable to that firm;

(b) where the firm is required to calculate a UK MCR or an EEA MCR under INSPRU 1.5, for the purposes of that section in (1)(a) the reference to the general insurance capital requirement is replaced by UK MCR or EEA MCR, as appropriate, and the reference to the base capital resources requirement is replaced by the amount which is one half of the base capital resources requirement applicable to the firm set out in GENPRU 2.1.30R.

(2) (a) subject to (2)(b), in relation to a firm carrying on long-term insurance business, the higher of one third of the long-term insurance capital requirement and the base capital resources requirement applicable to that firm;

(b) where the firm is required to calculate a UK MCR or an EEA MCR under INSPRU 1.5, for the purposes of that section in (2)(a) the reference to the long-term insurance capital requirement is replaced by UK MCR or EEA MCR, as appropriate, and the reference to the base capital resources requirement is replaced by the amount which is one half of the base capital resources requirement applicable to the firm set out in GENPRU 2.1.30R.

hedging set for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a group of risk positions from the transactions within a single netting set for which only their balance is relevant for determining the exposure value under the CCR standardised method.
[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

**higher stage of capital** (with respect to a particular item of capital in the capital resources table) a stage in the *capital resources table* above that in which that item of capital appears.

**hybrid capital** an item of capital that is stated in GENPRU 2.2 as eligible for inclusion at stage B1, B2 or C of the calculation in the *capital resources table*.

**ICAAP** the *internal capital adequacy assessment process*.

**ICAAP rules** (1) (in GENPRU) the *rules* in GENPRU 1.2.30R to GENPRU 1.2.39R (Systems, strategies, processes and reviews), GENPRU 1.2.42R (Main Requirements: Stress and scenario tests) and GENPRU 1.2.60R to GENPRU 1.2.61R (Documentation of risk assessments) as they apply on a solo level and on a consolidated level.

(2) (for the purpose of IFPRU) the *rules* in IFPRU 2.2.2R to IFPRU 2.2.7R (Strategies, processes and systems) to IFPRU 2.2.16R, IFPRU 2.2.37G (Stress and scenario tests) in relation to a *significant IFPRU firm* and IFPRU 2.2.43R to IFPRU 2.2.44R (Documentation of risk assessments) as they apply on an individual basis and on a consolidated basis.

**ICG** *individual capital guidance*.

**IFPRU limited-activity firm** a *limited activity firm* that meets the following conditions:

(a) it is a *firm*; and

(b) its head office is in the *UK* and it is not otherwise excluded under IFPRU 1.1.5R.

**IFPRU limited-licence firm** a *limited licence firm* that meets the following conditions:

(a) it is a *firm*; and

(b) its head office is in the *UK* and it is not otherwise excluded under IFPRU 1.1.5R.

**ILAA** *Individual Liquidity Adequacy Assessment*.

**ILAS** *Individual Liquidity Adequacy Standards*.

**ILAS BIPRU firm** a *firm* falling into BIPRU 12.1.1AR, but excluding a *firm* that is:

(a) an *exempt full scope IFPRU investment firm*; or
(b) an IFPRU limited-licence firm; or
(c) an IFPRU limited-activity firm; or
(d) an exempt BIPRU commodities firm; or
(e) an exempt IFPRU commodities firm; or
(f) a BIPRU firm.

illiquid asset has the meaning in GENPRU 2.2.260R (Deductions from total capital: Illiquid assets).

ILSA Individual Liquidity Systems Assessment.

in the money percentage (for the purposes of BIPRU 7 (Market risk) and in relation to an option or warrant) the percentage calculated under BIPRU 7.10.116R (The in the money percentage).

incremental risk charge (in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.116R (Capital calculations for VaR models), which is in summary, in relation to a business day, the incremental risk charge required under the provisions in BIPRU 7.10 about specific risk, in respect of the previous business day’s close-of-business positions with respect to which those provisions apply.

Individual Liquidity Adequacy Assessment a standard ILAS BIPRU firm’s assessment of the adequacy of its liquidity resources and systems and controls as required by the rules in BIPRU 12.5.

Individual Liquidity Adequacy Standards the regime of liquidity assessment set out in the rules and guidance in BIPRU 12.5.

Individual Liquidity Systems Assessment a simplified ILAS BIPRU firm’s assessment of the adequacy of its systems and controls as required by the rules in BIPRU 12.6.

initial commitment (for the purposes of BIPRU and in relation to underwriting) the date specified in BIPRU 7.8.13R (Time of initial commitment).

initial coupon rate (in relation to a tier one instrument) the coupon rate of the instrument at the time it is issued.

innovative tier one capital an item of capital that is stated in GENPRU 2.2 (Capital resources) to be innovative tier one capital.
innovative tier 
on one capital resources 
the amount of capital resources at stage C of the capital resources table (Innovation tier one capital).

innovative tier 
on one instrument 
a potential tier one instrument that is stated in GENPRU 2.2 (Capital resources) to be an innovative instrument.

interest rate 
duration 
method 
the method of calculating the part of the interest rate PRR that relates to general market risk set out in BIPRU 7.2.63R (General market risk calculation: Duration method).

interest rate 
maturity 
method 
the method of calculating the part of the interest rate PRR that relates to general market risk set out in BIPRU 7.2.59R (General market risk calculation: The maturity method).

interest rate 
PRR 
the part of the market risk capital requirement calculated in accordance with BIPRU 7.2 (Interest rate PRR) or BIPRU 7.3.45R (Basic interest rate PRR for equity derivatives) or, in relation to a particular position, the portion of the overall interest rate PRR attributable to that position.

interest rate 
simplified 
maturity 
method 
the method of calculating the part of the interest rate PRR that relates to general market risk set out in BIPRU 7.2.56R (General market risk calculation: Simplified maturity method).

interest-rate 
contract 
interest-rate contracts listed in paragraph 1 of Annex II to the UK CRR.

internal 
approaches 
one or more of the following, as referred to in the UK CRR:

(a) the Internal Ratings Based Approach in article 143(1);
(b) the Internal Models Approach in article 221;
(c) the own estimates approach in article 225;
(d) the Advanced Measurement Approaches in article 312(2);
(e) the Internal Model Method and internal models in articles 283 and 363; and
(f) the internal assessment approach in article 259(3).

internal capital 
adequacy 
assessment process 
a firm’s assessment of the adequacy of its capital and financial resources, as required by the ICAAP rules.

international 
organisation 
(for the purposes of GENPRU and BIPRU) an organisation referred to in BIPRU 3.4.30R (Exposures to international organisations).
**intra-group liquidity modification** a modification to the overall liquidity adequacy rule of the kind described in BIPRU 12.8.7G.

**investment firm consolidation waiver** (in relation to a BIPRU firm) a waiver (described in BIPRU 8.4 (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a CAD Article 22 group.

**IRB approach** one of the following:

(a) the adjusted method of calculating the credit risk capital component set out in BIPRU 4 (IRB approach) and BIPRU 9.12 (Calculation of risk weighted exposure amounts under the internal ratings based approach), including that approach as applied under BIPRU 14 (Capital requirements for settlement and counterparty risk);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

**IRB exposure class** (in relation to the IRB approach) one of the classes of exposure set out in BIPRU 4.3.2R (exposure classes).

**IRB permission** a requirement or a waiver that requires a BIPRU firm or a CAD investment firm to use the IRB approach.

**KIRB** (for the purposes of BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) 8% of the risk weighted exposure amounts that would be calculated under the IRB approach in respect of the securitised exposures, had they not been securitised, plus the amount of expected losses associated with those exposures calculated under the IRB approach.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

**lending firm** (for the purposes of rules in BIPRU about credit risk mitigation) a firm that has an exposure, whether or not deriving from a loan.

[Note: article 90 of the Banking Consolidation Directive (Credit risk mitigation)]
**LGD**

Loss given default.

**limited activity firm**

Has the meaning in article 96(1) of the UK CRR.

**limited licence firm**

Has the meaning in article 95(1) of the UK CRR.

**liquidity facility**

(for the purposes of BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) the securitisation position arising from a contractual agreement to provide funding to ensure timeliness of cash-flows to investors.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

**loss**

For the purposes of the IRB approach, the standardised approach to credit risk and BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

[Note: article 4(26) of the Banking Consolidation Directive (Definitions)]

1. (in BIPRU and for the purposes of the IRB approach, the standardised approach to credit risk and BIPRU 5 (Credit risk mitigation)) economic loss, including material discount effects, and material direct and indirect costs associated with collecting on the instrument.

[Note: article 4(26) of the Banking Consolidation Directive (Definitions)]

2. (except in (2)) has the meaning in article 5(1) of the UK CRR.

**loss given default**

in relation to the IRB approach) the ratio of the loss on an exposure due to the default of a counterparty to the amount outstanding at default.

[Note: article 4(27) of the Banking Consolidation Directive (Definitions)]

**low frequency liquidity reporting firm**

Any of the following:

(a) a simplified ILAS BIPRU firm; or

(b) a standard ILAS BIPRU firm whose most recent annual report and accounts show balance sheet assets of less than £541 billion (or its equivalent in foreign currency translated into sterling at the balance sheet date); or

(c) a standard ILAS BIPRU firm that meets the following conditions:

(i) it does not have any annual report and accounts and it has been too recently established to be required to have
produced any;

(ii) it has submitted a projected balance sheet to the FCA or PRA (as the case may be) as part of an application for a Part 4A permission or a variation of one; and

(iii) the most recent such balance sheet shows that the firm will meet the size condition set out in (b) in all periods covered by those projections.

In respect of a third country BIPRU firm that is also a standard ILAS BIPRU firm and which reports on the basis of its branch operation in the United Kingdom, if the balance sheet assets attributable to the UK branch can be determined from the firm’s most recent annual report and accounts (or, if applicable, the projected balance sheet) or any data item submitted by the firm, then paragraphs (b) and (c) apply at the level of the branch rather than of the firm.

**lower stage of capital**  (with respect to a particular item of capital in the capital resources table) a stage in the capital resources table below that in which that item of capital appears.

**lower tier three capital**  an item of capital that is specified in stage P of the capital resources table (Lower tier three).

**lower tier three capital resources**  the sum calculated at stage P of the capital resources table (Lower tier three).

**lower tier two capital**  (1) [deleted]

(2) (in BIPRU, GENPRU and INSINU) an item of capital that is specified in stage H of the capital resources table (Lower tier two capital)

**lower tier two capital resources**  the sum calculated at stage H of the calculation in the capital resources table (Lower tier two capital)

**lower tier two instrument**  an item of capital that meets the conditions in GENPRU 2.2.194R (Lower tier two capital) and is eligible to form part of a firm’s lower tier two capital resources.

**LTICR**  long-term insurance capital requirement

**main BIPRU firm Pillar 1 rules**  GENPRU 2.1.40R (Variable capital requirement for BIPRU firms), GENPRU 2.1.41R (Base capital resources requirement for BIPRU firms), GENPRU 2.1.48R (Table: Base capital resources requirement for a BIPRU firm).

**margin agreement**  for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions
and long settlement transactions)) a contractual agreement or provisions
to an agreement under which one counterparty must supply collateral to a
second counterparty when an exposure of that second counterparty to the
first counterparty exceeds a specified level.

[Note: Part 1 of Annex III of the Banking Consolidation Directive
(Definitions)]

margin period of risk

for the purpose of BIPRU 13 (The calculation of counterparty risk
exposure values for financial derivatives, securities financing transactions
and long settlement transactions)) the time period from the last exchange
of collateral covering a netting set of transactions with a defaulting
counterpart until that counterpart is closed out and the resulting market
risk is re-hedged.

[Note: Part 1 of Annex III of the Banking Consolidation Directive
(Definitions)]

margin threshold

for the purpose of BIPRU 13 (The calculation of counterparty risk
exposure values for financial derivatives, securities financing transactions
and long settlement transactions)) the largest amount of an exposure that
remains outstanding until one party has the right to call for collateral.

[Note: Part 1 of Annex III of the Banking Consolidation Directive
(Definitions)]

market liquidity stress

(in relation to a firm and any reporting obligations under SUP
16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis) any market
that is of material significance to the firm being materially
adversely affected by crystallised liquidity risk or a substantial
number of participants in any such market being materially
adversely affected by crystallised liquidity risk, whether or not
the firm itself is so affected;

(b) (in the case of reporting obligations with respect to the firm and a
group of other persons) has the same meaning as in (a) except that
references to the firm are to the firm and that group considered
together;

(c) (in the case of reporting obligations with respect to
a firm’s UK branch) has the same meaning as in (a) except that
references to the firm are to that branch.

market risk capital requirement

the part of the capital resources requirement of a BIPRU firm in respect
of market risk, calculated in accordance with GENPRU 2.1.52R
(Calculation of the market risk capital requirement).

master netting agreement internal

(a) the method of calculating the effect of credit risk mitigation
described in BIPRU 5.6.16R to BIPRU 5.6.28G;
models approach

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

master netting agreement internal models approach permission

Material currencies, in respect of a firm at any time, are currencies determined in accordance with the following.

(a) Material currencies, in respect of a firm at any time, are currencies determined in accordance with the following.

(b) First, the amount of its assets and the amount of its liabilities in each currency (ignoring the sign) are separately calculated. The figures are as shown in the most recent data item FSA054 submitted to the appropriate regulator.

(c) Then, each such amount is converted into the reporting currency for the data item referred to in (b).

(d) Each currency (which may include the reporting currency) that represents 20% or more of the total asset figure or 20% or more of the total liabilities figure is a material currency.

(e) A currency is also a material currency if it is identified by the firm’s current:

   (i) Individual Liquidity Adequacy Assessment; or

   (ii) Individual Liquidity Systems Assessment; or

   (iii) ILG that has been accepted by the firm;

as being significant in the context of cross-currency liquidity risk (as referred to in BIPRU 12.5 (Individual Liquidity Adequacy Standards)).

(f) The conversion rate for a currency into the reporting currency is the exchange rate on the date as of which the calculation is being made.
(g) The reporting currency means the currency in which the most recent data item FSA054 (as referred to in (b)) is reported.

(h) A currency is a material currency in relation to a firm’s branch or a defined liquidity group of which it is a group liquidity reporting firm if it is identified as such in accordance with the procedures in the previous paragraphs of this definition except that the identification is carried out by reference to that branch or defined liquidity group. For these purposes, data item FSA054 for the reporting level concerned is used.

(i) If the firm has not delivered data item FSA054 to the appropriate regulator at the reporting level concerned or is currently not required to do so at the reporting level concerned, the calculation is carried out using the methods for drawing up data item FSA054.

**material holding**

1. [deleted]

2. (for the purposes of GENPRU and BIPRU) has the meaning in GENPRU 2.2.209R (Deductions from tiers one and two: Material holdings (BIPRU firm only)).

**material insurance holding**

has the meaning in GENPRU 2.2.212R (Material holdings) or, for an exempt CAD firm which is an investment management firm, in IPRU(INV) Table 5.8.

**Material Risk Takers Regulation**

the UK version of Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile, which is part of UK law by virtue of the EUWA.

**MCR**

minimum capital requirement.

**MDA**

the maximum distributable amount calculated in line with IFPRU 10.4.3R.

**member contribution**

any paid up contribution by a member of a mutual where the members’ accounts meet the following criteria:

(a) the memorandum and articles of association or other constitutional documents must stipulate that payments may be made from these accounts to members only in so far as this does not cause the firm’s capital resources to fall below the required level, or, if after dissolution of the firm, all the firm’s other debts have been settled;
(b) the memorandum and articles of association or other constitutional documents must stipulate, with respect to the payments referred to in (a) made for reasons other than the individual termination of membership, that the appropriate regulator must be notified at least one month in advance of the intended date of such payments; and

c) the appropriate regulator must be notified of any amendment to the relevant provisions of the memorandum and articles of association or other constitutional documents.

For the purposes of BIPRU 9.3.7R, BIPRU 9.4.11R and BIPRU 9.5.1R(6), securitisation positions to which a risk weight lower than 1250% applies and which are more junior than the most senior position in the relevant securitisation and more junior than any securitisation position in the relevant securitisation to which:

(a) in the case of a securitisation position subject to the standardised approach to securitisation set out in BIPRU 9.11.1R and BIPRU 9.11.2R, a credit quality step 1 is assigned; or


[Note: BCD, Annex IX, Part 2, Point 1, paragraph 1b]

An amount of capital resources that a firm must hold as set out in GENPRU 2.1.24R and GENPRU 2.1.25R.

minimum
multiplication
factor
(model PRR)
(model risk)
multipler
look through
method
modified CIU
development
bank

4.7.27R-BIPRU 4.7.35R, BIPRU 4.8.5R-BIPRU 4.8.9R, BIPRU 4.8.11R-
BIPRU 4.8.15R, BIPRU 4.10.40R-BIPRU 4.10.48R.

(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in
BIPRU 7.10.119R (Capital calculations: Multiplication factors), which is
in summary the number three or any higher amount the VaR model
permission defines it as.

the part of the market risk capital requirement calculated under a VaR
model permission as more fully defined in BIPRU 7.10 (Use of a Value at
Risk Model).

the potential loss an institution may incur, as a consequence of decisions
that could be principally based on the output of internal models used
under any of the internal approaches, due to errors in the development,
implementation or use of such models.

the method for calculating PRR for a CIU set out in BIPRU 7.7.4R,
BIPRU 7.7.7R to BIPRU 7.7.8R and BIPRU 7.7.11R to BIPRU 7.7.12R

(a) any of the following:

(i) African Development Bank;
(ii) Asian Development Bank;
(iii) Asian Infrastructure Investment Bank;
(iii) Caribbean Development Bank;
(iv) Council of Europe Development Bank;
(v) European Bank for Reconstruction & Development;
(vi) European Investment Bank;
(vii) European Investment Fund;
(viii) Inter-American Development Bank;
(ix) International Bank for Reconstruction and Development;
(ix) International Development Association;
(x) International Finance Corporation;
(xa) International Finance Facility for Immunisation;
(xb) Islamic Development Bank;
(xi) Multilateral Investment Guarantee Agency; and
(xii) Nordic Investment Bank;

(b) (in BIPRU) for the purposes of the standardised approach to credit risk the following are also considered to be a multilateral development bank:

(i) the Inter-American Investment Corporation;
(ii) the Black Sea Trade and Development Bank;
(iii) the Central American Bank for Economic Integration; and
(iv) the CAF-Development Bank of Latin America.

**multiplication factor** (in BIPRU 7.10 (Use of a value at risk model)) a multiplication factor applied to a VaR measure for the purpose of calculating the model PRR made up of the minimum multiplication factor as increased by the plus factor, all as more fully defined in BIPRU 7.10.118R (Capital calculations: Multiplication factors).

**net leverage** the ratio of total assets, less those bought under reverse repo arrangements, to total equity.

**net underwriting exposure** has the meaning in BIPRU 7.8.34R (Large exposure risk from underwriting securities: Calculating the net underwriting exposure) which is in summary the amount calculated by applying the reduction factors in the table in BIPRU 7.8.35R to the net underwriting position.

**net underwriting position** the net underwriting position calculated under BIPRU 7.8.17R (Calculating the net underwriting position).

**non-core concentration risk group counterparty** has the meaning in BIPRU 10.9A.4R (Definition of non-core concentration risk group counterparty), which is in summary (in relation to a firm) each counterparty which is its parent undertaking, its subsidiary undertaking or a subsidiary undertaking of its parent undertaking, provided that (in each case) both the counterparty and the firm satisfy the conditions in BIPRU 10.9A.4R (Definition of non-core concentration risk group counterparty).

[Note: article 113(4)(c) of the Banking Consolidation Directive]

**non-core large exposures group** (in relation to a firm) all counterparties which:

1. are listed in the firm’s non-core large exposures group permission;
2. satisfy the conditions in IFPRU 8.2.6R (Intra-group exposures: non-core large exposures group); and
3. for which exposures are exempted, under article 400(2)(c) of the UK CRR (Exemptions), from the application of article 395(1) of the UK CRR (Limits to large exposures).
non credit-obligation asset  
(in relation to the IRB approach) an exposure in the form of a non credit-obligation asset or falling under BIPRU 4.9.5R (Non credit-obligation assets).

non-core large exposures group exemption  
the exemption in IFPRU 8.2.6R (Intra-group exposures: non-core large exposures group).

non-core large exposures group permission  
a permission referred to in IFPRU 8.2.6R given by the FCA for the purpose of article 400(2)(c) of the UK CRR (Large exposures: exemptions).

non-ILAS BIPRU firm  
a firm falling into BIPRU 12.1.1R which is not an ILAS BIPRU firm.

non-trading book  
positions, exposures, assets and liabilities that are not in the trading book.

non-UK DLG by modification (DLG level)  
(in relation to any reporting period under SUP 16 (Reporting requirements) and in relation to a firm that meets the following conditions (a group liquidity reporting firm):
(a) it is a UK ILAS BIPRU firm with an intra-group liquidity modification;
(b) it is a group liquidity reporting firm in a UK DLG by modification created by that intra-group liquidity modification;
(c) the overall liquidity adequacy rule applies under that intra-group liquidity modification to that UK DLG by modification; and
(d) that UK DLG by modification can rely, under that intra-group liquidity modification, for any part of that period, on a group of other persons for the purpose of the overall liquidity adequacy rule as applied to that UK DLG by modification); means the group made up of the following:
(e) that ILAS BIPRU firm;
(f) the other members of that UK DLG by modification; and
(g) the group of other persons mentioned in (d).
A firm has a ‘non-UK DLG by modification (DLG level)’ for a period even if it only has one during part of that period.

(Guidance about this definition, and its inter-relation with other new definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)

**non-UK DLG by modification (firm level)**

(in relation to a group liquidity reporting firm) a DLG by modification (firm level) that is not a UK DLG by modification. A firm with a non-UK DLG by modification (firm level) cannot also have a UK DLG by modification.

(Guidance about this definition, and its inter-relation with other related definitions, is set out in SUP 16 Annex 26 (Guidance on designated liquidity groups in SUP 16.12).)

**non UK lead regulated firm**

a firm that is not a UK lead regulated firm. This definition is not related to the defined term lead regulated firm.

**non-UK sub-group**

(1) (in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) a group of undertakings identified as a non-UK sub-group in BIPRU 8.3.1R (Main consolidation rule for non-UK sub-groups).

(2) (except in (1)) a group of undertakings identified in article 22 of the EU CRR (Sub-consolidation in cases of entities in third countries).

**obligor grade**

(in relation to the IRB approach and the sovereign, institutional and corporate IRB exposure class and in accordance with BIPRU 4.4.8R) a risk category within a rating system’s obligor rating scale, to which obligors are assigned on the basis of a specified and distinct set of rating criteria, from which estimates of PD are derived.

**one-day VaR measure**

(in BIPRU 7.10 (Use of a value at risk model)) has the meaning in BIPRU 7.10.98R (Backtesting: One day VaR measure), which is in summary and in relation to a particular business day, the VaR number for that business day calibrated to a one business day holding period and a 99% one-tailed confidence level.

**one-sided credit valuation adjustment**

(for the purposes of BIPRU) a credit valuation adjustment that reflects the market value of the credit risk of the counterparty to a firm, but does not reflect the market value of the credit risk of the firm to the counterparty.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

**ongoing basis**

in BIPRU 9.15, maintaining on an ongoing basis means that the retained positions, interest or exposures are not hedged or sold.

[Note: BCD, Article 122a, paragraph 1]

**open currency position**

the amount calculated under BIPRU 7.5.19R (Open currency position) as part of the calculation of the foreign currency PRR.
option hedging method

the method of calculating the option PRR in BIPRU 7.6.24R (The hedging method).

option PRR

the part of the market risk capital requirement calculated in accordance with BIPRU 7.6 (Option PRR) or, in relation to a particular position, the portion of the overall option PRR attributable to that position.

option standard method

the method of calculating the option PRR in BIPRU 7.6.20R to BIPRU 7.6.22R (The standard method).

original financing costing amount

(in relation to a share, debenture or other investment in, or external contribution to the capital of, a firm that is subject to a step-up) the financing cost amount for the instrument for a period beginning on or near the date of issue of the instrument and ending on or near the date of the first step-up.

OTC derivative transaction

a derivative financial instrument of a type listed on Annex II to the UK CRR that is traded over the counter.

out of the money

(for the purposes of BIPRU 7 (Market risk) and in relation to an option or warrant) that option or warrant being neither at the money nor in the money.

overall liquidity adequacy rule

BIPRU 12.2.1R.

overall Pillar 2 rule

(1) (in GENPRU, BIPRU and INSPRU) GENPRU 1.2.30R (Systems, strategies, processes and reviews for certain firms).

(2) (in IFPRU) IFPRU 2.2.7R (Strategy processes and systems).

own estimates of volatility adjustments approach

the approach to calculating volatility adjustments under the financial collateral comprehensive method under which the firm uses its own estimates of such adjustments, as more fully described in BIPRU 5.4 (Financial collateral) and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements)

parent financial holding company in the UK

(1) (in GENPRU (except GENPRU 3 and BIPRU (except BIPRU 12)) a financial holding company which is not itself a subsidiary undertaking of an institution authorised in the UK, or of a financial holding company or mixed financial holding company established in the UK.

(2) [deleted]

(1) (in GENPRU (except GENPRU 3 and BIPRU (except BIPRU 12)) an institution which has an institution or a financial institution as a
parent institution in the UK

subsidiary undertaking or which holds a participation in such an institution, and which is not itself a subsidiary undertaking of another institution authorised in the UK, or of a financial holding company or mixed financial holding company established in the UK.

(2) [deleted]

parent mixed financial holding company in the UK

(1) (in GENPRU (except GENPRU 3 and BIPRU (except BIPRU 12)) a mixed financial holding company which is not itself a subsidiary undertaking of an institution authorised in the UK, or of a financial holding company or mixed financial holding company established in the UK.

(2) [deleted]

payment leg

(for the purposes of the CCR standardised method and as more fully defined in BIPRU 13.5.2R (Derivation of risk position: payment legs) the contractually agreed gross payments under a financial derivative instrument, including the notional amount of the transaction.

PD/LGD approach

the method for treating equity exposures under the IRB approach set out in BIPRU 4.7.14R-BIPRU 4.7.22R.

peak exposure

for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a high percentile of the distribution of exposures at any particular future date before the maturity date of the longest transaction in the netting set.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

permanent interest bearing shares

any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest-bearing shares and on terms which qualify them as own funds for the purposes of the UK CRR.

permanent share capital

an item of capital that is stated in GENPRU 2.2.83R (Core tier one capital: permanent share capital) to be permanent share capital.

physical commodities

a physical holding of a commodity, or documents evidencing title to a commodity.

PIBS

permanent interest bearing shares.

plus factor

(in BIPRU 7.10 (Use of a value at risk model)) an increase to the minimum multiplication factor based on backtesting exceptions as more fully defined in BIPRU 7.10.124R (Capital calculations: Multiplication factors).
position (1) (in accordance BIPRU 1.2.4R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.

(2) (in IFPRU) has the meaning which it has, or is used, in the UK CRR.

position risk adjustment a percentage applied to a position as part of the process of calculating the PRR in relation to that position as set out in the tables in BIPRU 7.2.44R (Specific risk position risk adjustments), BIPRU 7.2.57R (General market risk position risk adjustments), BIPRU 7.3.30R (Simplified equity method position risk adjustments), BIPRU 7.3.34R (Position risk adjustments for specific risk under the standard equity method) and BIPRU 7.6.8R (The appropriate position risk adjustment) and also as set out in BIPRU 7.2.48AR to BIPRU 7.2.48LR.

position risk requirement a capital requirement applied to a position treated under BIPRU 7 (Market risk) as part of the calculation of the market risk capital requirement or, if the relevant provision of the Handbook distinguishes between general market risk and specific risk, the portion of that capital requirement with respect to whichever of general market risk or specific risk is specified by that provision.

potential tier one instrument an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General).

probability of default (for the purpose of BIPRU) the probability of default of a counterparty over a one year period; for the purposes of the IRB approach, default has the meaning in the definition of default.

[Note: article 4(25) of the Banking Consolidation Directive (Definitions)]

profit and loss figure (in BIPRU 7.10 (Use of a value at risk model) and in relation to a business day) a firm’s actual profit or loss for that day in respect of the trading activities within the scope of the firm’s VaR model permission, adjusted by stripping out specified items, as more fully defined in BIPRU 7.10.100R (Backtesting: Calculating the profit and loss).

protection buyer (in BIPRU) (in relation to a credit derivative) the person who transfers credit risk.

[Note: paragraph 8 of Annex I of the Capital Adequacy Directive (Calculating capital requirements for position risk)]

protection seller (in BIPRU) (in relation to a credit derivative) the person who assumes the credit risk.

[Note: paragraph 8 of Annex I of the Capital Adequacy Directive (Calculating capital requirements for position risk)]
proxy capital resources requirement

the minimum capital requirement to which an undertaking would have been subject if it had permission for each activity it carries on anywhere in the world, so far as that activity is a regulated activity.

PRR charge

one of the following:

(a) the interest rate PRR;
(b) the equity PRR;
(c) the commodity PRR;
(d) the foreign currency PRR;
(e) the option PRR;
(f) the collective investment undertaking PRR; and
(g) (if the context requires) the model PRR.

PRR identical product netting rules

the following:

(a) BIPRU 7.2.37R (Deriving the net position in each debt security: Netting positions in the same debt security);
(b) BIPRU 7.2.40R (Deriving the net position in each debt security: Netting zero-specific-risk securities with different maturities);
(c) BIPRU 7.3.23R (Deriving the net position in each equity);
(d) (d) BIPRU 7.4.20R and BIPRU 7.4.22R (Calculating the PRR for each commodity: General);
(e) BIPRU 7.5.19R(1) (Open currency position); and
(f) the obligation under BIPRU 7.5.20R (Net gold position) to calculate a separate foreign exchange PRR charge for gold.

PSE

a public sector entity.

public sector entity

(for the purposes of BIPRU) any of the following:

(a) non-commercial administrative bodies responsible to central governments, regional governments or local authorities; or
(b) authorities that exercise the same responsibilities as regional and local authorities; or
(c) non commercial undertakings owned by central governments that have explicit guarantee arrangements; or
(d) self administered bodies governed by law that are under public supervision.

[Note: article 4(18) of the Banking Consolidation Directive (Definitions)]

**qualifying debt security**

(1) [deleted]

(2) (for the purposes of BIPRU) a debt security that satisfies the conditions in BIPRU 7.2.49R (Definition of a qualifying debt security).

**qualifying equity index**

(in BIPRU) an equity index falling within BIPRU 7.3.38R (Definition of a qualifying equity index).

**qualifying parent undertaking**

has the meaning in section 192B (meaning of “qualifying parent undertaking”) of the Act which, in summary, is a parent undertaking of:

(a) an **authorised person** that is a body corporate incorporated in the UK that is:

   (i) a **PRA-authorised person**; or

   (ii) an **investment firm**; or

(b) a **recognised investment exchange** that is not an overseas investment exchange;

where the **parent undertaking** is:

(c) a body corporate which:

   (i) is incorporated in the UK; or

   (ii) has a place of business in the UK;

(d) not an **authorised person**, a **recognised investment exchange** or a **recognised clearing house**; and

(e) any of the following:

   (i) an **insurance holding company**;

   (ii) a **financial holding company**;

   (iii) a **mixed financial holding company**;

   (iv) for certain purposes, a **mixed-activity holding company**.

**qualifying revolving retail exposure**

(in relation to the IRB approach) retail exposures falling into BIPRU 4.6.44R(2) (Qualifying revolving retail exposures).
rating system (in relation to the IRB approach and in accordance with BIPRU 4.3.25R) comprises all of the methods, processes, controls, data collection and IT systems that support the assessment of credit risk, the assignment of exposures to grades or pools (rating), and the quantification of default and loss estimates for a certain type of exposure.


[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

reciprocal cross-holding has the meaning in GENPRU 2.2.219R (Deductions from tiers one and two: Reciprocal cross holdings) which is in summary a holding of a firm of shares, any other interest in the capital, and subordinated debt, whether in the trading book or non-trading book, in:

(a) a credit institution; or

(b) a financial institution;

that satisfies the conditions in GENPRU 2.2.219R.

recovery capacity the capability of an RRD institution to restore its financial position following a significant deterioration.

[Note: article 2(1)(103) of RRD]

recovery plan a document which provides for measures to be taken by an RRD institution which is not subject to supervision on a consolidated basis to restore its financial position following a significant deterioration of its financial situation.

[Note: articles 2(1)(32) and 5 of RRD]

reduced net underwriting position the net underwriting position as adjusted under BIPRU 7.8.27R (Calculating the reduced net underwriting position).

regulatory high risk category (for the purposes of the standardised approach to credit risk) an item that falls into BIPRU 3.4.104R (Items belonging to regulatory high risk categories under the standardised approach to credit risk).

regulatory surplus value has the meaning set out in GENPRU 1.3.48R.

for calculating institution-specific countercyclical capital buffer rates which is part of UK law as a result of section 3 of the EUWA.

**relevant credit exposures** exposures, other than those referred to in article 112(a) to (f) of the UK CRR (Exposure classes), that are subject to:

(a) the own funds requirements for credit risk under Part Three, Title II of the UK CRR;

(b) where the exposure is held in the trading book, own funds requirements for specific risk under Part Three, Title IV, Chapter 2 of the UK CRR or incremental default and migration risk under Part Three, Title IV, Chapter 5 of the UK CRR; or

(c) where the exposure is a securitisation, the own funds requirements under Part Three, Title II, Chapter 5 of the UK CRR.

[Note: article 140(4) of CRD]

**Remuneration Code** SYSC 19A (IFPRU Remuneration Code) for IFPRU investment firms and overseas firms in SYSC 19A.1.1R(1)(d) that would have been an IFPRU investment firm if it had been a UK domestic firm.

**Remuneration Code staff** (for an IFPRU investment firm and an overseas firm in SYSC 19A1.1.1R(1)(d) that would have been an IFPRU investment firm if it had been a UK domestic firm) has the meaning given in SYSC 19A.3.4R which is, in summary, an employee whose professional activities have a material impact on the firm’s risk profile, including any employee who is deemed to have a material impact on the firm’s risk profile in accordance with the Material Risk Takers Regulation.

**remuneration principles proportionality rule** (in SYSC 19A) has the meaning given in SYSC 19A.3.3R.

**reporting level** (in SUP 16 (Reporting requirements) and in relation to a data item) refers to whether that data item is prepared on a solo basis or on the basis of a group such as a UK DLG by modification and, if it is prepared on the basis of a group, refers to the type of group (such as a UK DLG by modification or a non-UK DLG by modification (firm level)).

**repurchase agreement** see repurchase transaction.

**resecuritisation** in BIPRU 7 and 9, a securitisation where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation position.

[Note: BCD, Article 4(40a)]
resecuritisation

in BIPRU 7 and 9, an exposure to a resecuritisation.

[Note: BCD, Article 4(40b)]

retail exposure

(1) (in relation to the IRB approach and with respect to an exposure) an exposure falling into the IRB exposure class listed in BIPRU 4.3.2R(4) (Retail exposures).

(2) (in relation to the standardised approach to credit risk and with respect to an exposure) an exposure falling into the standardised credit risk exposure class listed in BIPRU 3.2.9R(8) (Retail exposures).

retail SME

(1) (in relation to the IRB approach) a small or medium sized entity, an exposure to which may be treated as a retail exposure under BIPRU 4.6.2R (Definition of retail exposures).

(2) (in relation to the standardised approach to credit risk) a small or medium sized entity, an exposure to which may be treated as a retail exposure under BIPRU 3.2.10R (Definition of retail exposures).

retail SME exposure

(in relation to the IRB approach or the standardised approach to credit risk) an exposure to a retail SME.

reverse repurchase agreement

see repurchase transaction.

revolving exposure

(for the purpose of BIPRU 9.13 (Securitisations of revolving exposures with early amortisation provisions)) an exposure whereby customers’ outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

[Note: article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)]

risk capital requirement

(1) (in relation to the FCA’s rules) one of the following:

(a) the credit risk capital requirement;

(b) the fixed overheads requirement;

(c) the market risk capital requirement; or

(2) (in relation to the rules of another regulatory body) whatever corresponds to the items in (1) under the rules of that regulatory body.

risk control rules

IFPRU 2.2.58R to IFPRU 2.2.60R.
risk of excessive leverage has the meaning in article 4(1)(94) of the UK CRR.

risk position (for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the CCR standardised method following a predetermined algorithm.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

rollover risk (for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which expected positive exposure is understated when future transactions with a counterpart are expected to be conducted on an ongoing basis; the additional exposure generated by those future transactions is not included in calculation of expected positive exposure.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

RRD early intervention condition the requirements of:
(a) the UK CRR; or
(b) the laws, regulations and administrative provisions necessary to comply with the UK provisions which implemented the CRD; or
(c) the laws, regulations and administrative provisions necessary to comply with the UK provisions which implemented title II of MiFID; or
(d) articles 3 to 7, 14 to 17, 24, 25 and 26 of MiFIR.

RRD group a group that:
(a) includes an RRD institution; and
(b) is headed by a UK parent undertaking.

RRD group financial support agreement an agreement to give financial support to an RRD institution which, at any time after the agreement has been concluded, has infringed an RRD early intervention condition or is likely to infringe one of those conditions in the near future.

RRD group member a member of an RRD group that is:
(a) an RRD institution; or
(b) a financial institution; or
(c) a financial holding company; or

(d) a mixed financial holding company.

RRD institution

(a) a credit institution; or

(b) an IFPRU 730K firm.

[Note: article 2(1)(23) of RRD]

RRD Regulation

the UK version of Commission Delegated Regulation (EU) 2016/1075 of 23 March 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the content of recovery plans, resolution plans and group resolution plans, the minimum criteria that the competent authority is to assess as regards recovery plans and group recovery plans, the conditions for group financial support, the requirements for independent valuers, the contractual recognition of write-down and conversion powers, the procedures and contents of notification requirements and of notice of suspension and the operational functioning of the resolution colleges, which is part of UK law by virtue of the EUWA.

same stage of capital

(with respect to a particular item of capital in the capital resources table) the stage in the capital resources table in which that item of capital appears.

secured lending transaction

(for the purposes of BIPRU) any transaction giving rise to an exposure secured by collateral which does not include a provision conferring upon the person with the exposure the right to receive margin frequently.

[Note: point 2 of Part 1 of Annex VIII of the Banking Consolidation Directive (Eligibility of credit risk mitigation)]

securities or commodities borrowing

see securities or commodities lending or borrowing transaction.

securities or commodities lending

see securities or commodities lending or borrowing transaction.

securities PRR

the interest rate PRR, the equity PRR, the option PRR (but only in relation to positions which under BIPRU 7.6.5R (Table: Appropriate calculation for an option or warrant) may be subject to one of the other PRR charges listed in this definition or which would be subject to such a PRR charge if BIPRU 7.6.5R did not require an option PRR to be calculated), the CIU PRR and the PRR calculated under BIPRU 7.11 (Credit derivatives in the trading book) and so that:

(a) the securities PRR includes any PRR charge calculated under a CAD 1 permission; and
(b) the securities PRR does not include any PRR charge calculated under a VaR model permission unless the provision in question provides otherwise.

**significant IFPRU firm** has the meaning in IFPRU 1.2 (Significant IFPRU firm).

**simple capital issuer** a BIPRU firm that meets the following conditions:

(a) it does not raise capital through a special purpose vehicle;

(b) it only includes non-convertible and non-exchangeable *capital instruments* in its *capital resources*;

(c) (if it includes *capital instruments* in its *capital resources* on which *coupons* are payable) such *coupons* are not subject to a *step-up*;

(d) it only includes *capital instruments* in its *tier one capital resources* consisting of ordinary *shares*, perpetual non-cumulative preference *shares* or partnership or *limited liability partnership* capital accounts;

(e) it only includes non-redeemable *capital instruments* in its *tier one capital resources*; and

(f) (if it includes *capital instruments* in its *tier one capital resources* on which *coupons* are payable) such coupons are non-cumulative, non-mandatory and in cash.

**simplified buffer requirement** BIPRU 12.6.9R.

**simplified equity method** the method of calculating the *equity PRR* set out in BIPRU 7.3.29R (Simplified equity method).

**simplified ILAS** the approach to the calculation of the liquid assets buffer of a simplified *ILAS BIPRU firm* described in BIPRU 12.6.

**simplified ILAS BIPRU firm** an *ILAS BIPRU firm* that, in accordance with the procedures in BIPRU 12 (Liquidity), is using the simplified *ILAS*.

**simplified ILAS waiver** a waiver permitting an *ILAS BIPRU firm* to operate simplified *ILAS*.

**SLRP** the *Supervisory Liquidity Review Process*. 
solo consolidation waiver

a waiver of the type described in BIPRU 2.1 (Solo consolidation).

sovereign, institution and corporate IRB exposure class

(in relation to the IRB approach) an exposure falling into the IRB exposure classes referred to in BIPRU 4.3.2R(1)-(3) (Sovereigns, institutions and corporates).

specialised lending exposure

(in relation to the IRB approach) an exposure falling into BIPRU 4.5.3R (Definition of specialised lending).

specific risk backtesting exception

(in BIPRU 7.10 (Use of a value at risk model) and in relation to a firm) an exception arising out of backtesting a VaR model with respect to specific risk as more fully defined in that firm’s VaR model permission.

specific risk position risk adjustment

(in BIPRU) a position risk adjustment for specific risk including any such position risk adjustment as applied under BIPRU 7.6.8R (Table: Appropriate position risk adjustment).

specific wrong-way risk

(for the purpose of BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the exposure to a particular counterparty is positively correlated with the probability of default of the counterparty due to the nature of the transactions with the counterparty; a firm is exposed to specific wrong-way risk if the future exposure to a specific counterparty is expected to be high when the counterparty’s probability of default is also high.

[Note: Part 1 of Annex III of the Banking Consolidation Directive (Definitions)]

spread risk

the risk that a spread (that is, the difference in price or yield) between two variables will change.

SPV

(1) (in GENPRU 2.2 (Capital resources)) has the meaning in GENPRU 2.2.126R (Other tier one capital: innovative tier one capital: indirectly issued tier one capital).

(2) (in BIPRU 8 (Group risk - consolidation)) has the meaning in BIPRU 8.6.15R (Indirectly issued capital and group capital resources).

standard CIU look through method

the method for calculating the PRR for a position in a CIU set out in BIPRU 7.7.4R and BIPRU 7.7.7R to BIPRU 7.7.10R.
standard equity method

the method of calculating the equity PRR set out in BIPRU 7.3.32R (Standard equity method).

standard frequency liquidity reporting firm

a standard ILAS BIPRU firm that is not a low frequency liquidity reporting firm.

standard ILAS BIPRU firm

an ILAS BIPRU firm that is not a simplified ILAS BIPRU firm.

standard market risk PRR rules

(in BIPRU) the rules relating to the calculation of the market risk capital requirement excluding the VaR model approach and any rules modified so as to provide for the CAD 1 model approach.

standardised approach

(for the purposes of BIPRU) one of the following:

(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in BIPRU 3 (Credit risk) and BIPRU 9.2.1R(1) and BIPRU 9.11 (Standardised approach);

(b) [deleted]

(c) (where not expressed to relate to any risk and used in BIPRU 3, BIPRU 4 (IRB approach), BIPRU 5 (Credit risk mitigation), BIPRU 9 (Securitisation)) it has the meaning in (a);

(d) [deleted]

(e) (where the one of the approaches in (a) to (c) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation).

(f) [deleted]

standardised credit risk exposure class

(in relation to the standardised approach to credit risk) one of the classes of exposure set out in BIPRU 3.2.9R (Exposure classes).

step-up

(in relation to any item of capital) any change in the coupon rate on that item that results in an increase in the amount payable at any time, including a change already provided in the original terms governing those payments. A step-up:

(a) includes (in the case of a fixed rate) an increase in that coupon rate;
(b) includes (in the case of a floating rate calculated by adding a fixed amount to a fluctuating amount) an increase in that fixed amount;

(c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the coupon is calculated that results in an increase in the absolute amount of the coupon; and

(d) does not include (in the case of a floating rate) an increase in the absolute amount of the coupon caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the coupon floats.

stock financing a transaction where a physical commodity is sold forward and the cost of funding is locked in until the date of the forward sale.

stressed VaR (in BIPRU) the stressed VaR measure in respect of positions coming within the scope of the VaR model permission, calculated in accordance with the VaR model, BIPRU 7.10 (Use of a Value at Risk Model) and any methodology set out in the VaR model permission based on a stressed historical period.

sub-consolidated basis has the meaning in article 4(1)(49) of the UK CRR.

supervisory formula method (for the purposes of BIPRU 9 (Securitisation), in relation to a securitisation within the meaning of paragraph (2) of the definition of securitisation180) the method of calculating risk weighted exposure amounts for securitisation positions set out in BIPRU 9.12.21R-BIPRU 9.12.23R and BIPRU 9.14.3R.

[Note: Part 1 of Annex IX of the Banking Consolidation Directive (Securitisation definitions)]

Supervisory Liquidity Review Process the appropriate regulator's assessment of the adequacy of certain firms' liquidity resources as described in BIPRU 12.2 and BIPRU 12.5.

supervisory volatility adjustments approach the approach to calculating volatility adjustments under the financial collateral comprehensive method under which the firm uses the adjustments specified in BIPRU 5.4 (Financial collateral) rather than in its own estimates, as more fully described in BIPRU 5.4 and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

synthetic future (a) a synthetic bought future, that is, a bought call option coupled with a written put option; or

(b) a synthetic sold future, that is, a bought put option coupled with a written call option; provided that in either case the two options:
(i) are bought and written, whether simultaneously or not, on a single eligible derivatives market;

(ii) relate to the same underlying security or other asset;

(iii) give the purchasers of the options the same rights of exercise (whether at the same price or not); and

(iv) will expire together, if not exercised.

**synthetic securitisation**

(for the purpose of BIPRU) a securitisation (within the meaning of paragraph (2) of the definition of securitisation) where the tranching is achieved by the use of credit derivatives or guarantees, and the pool of exposures is not removed from the balance sheet of the originator.

[Note: article 4(38) of the Banking Consolidation Directive (Definitions)]

**systemically important institution**

(in IFPRU) has the meaning in article 4(1)(128D) of the UK CRR.

[Note: article 3(30) of CRD]

**third country BIPRU firm**

(1) (in BIPRU (except in BIPRU 12) and SYSC 19C) an overseas firm that:

(a) [deleted]

(b) [deleted]

(c) would be a BIPRU firm if it had been a UK domestic firm, it had carried on all its business in the United Kingdom and had obtained whatever authorisations for doing so are required under the Act.

(2) [deleted]

**third country IFPRU 730k firm**

an overseas firm that would be an IFPRU 730k firm if it had been a UK domestic firm, had carried on all of its business in the United Kingdom and had obtained whatever authorisations for doing so as are required under the Act.

**third country investment services undertaking**

(in BIPRU) a CAD investment firm, a financial institution or an asset management company in a country other than the UK.

**third-country countercyclical buffer authority**

(1) the authority of a third country empowered by law or regulation with responsibility for setting the countercyclical buffer rate for that third country; or

(2) the European Central Bank when it carries out the task of setting a countercyclical buffer rate for an EEA State conferred on it by
article 5(2) of Council Regulation (EU) No 1024/2013, conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

tier one capital

(1) [deleted]

(2) (in BIPRU and GENPRU) an item of capital that is specified in stages A (Core tier one capital), B (Perpetual non-cumulative preference shares) or C (Innovative tier one capital) of the capital resources table.

tier one capital resources

the sum calculated at stage F of the calculation in the capital resources table (Total tier one capital after deductions).

tier one instrument

an item of capital that falls into GENPRU 2.2.62R (Tier one capital: General) and is eligible to form part of a firm's tier one capital resources.

tier three capital

an item of capital that is upper tier three capital or lower tier three capital.

tier three capital resources

the sum calculated at stage Q of the capital resources table (Total tier three capital).

tier three instrument

an item of capital that falls into GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a firm’s upper tier three capital resources.

tier two capital

(1) [deleted]

(2) (in BIPRU, GENPRU and INSPRU) an item of capital that is specified in stages G (Upper tier two capital) or H (Lower tier two capital) of the capital resources table.

tier two capital resources

the sum calculated at stage I (Total tier two capital) of the calculation in the capital resources table.

tier two instrument

a capital instrument that meets the conditions in GENPRU 2.2.159R (General conditions for eligibility as tier two capital instruments) or GENPRU 2.2.177R (Upper tier two capital: General) and is eligible to form part of a firm’s tier two capital resources.

total risk exposure amount

the total risk exposure amount of a firm calculated in accordance with article 92(3) of the UK CRR (Own funds requirements).
trading book policy statement

(1) (in BIPRU) has the meaning in BIPRU 1.2.29R (Trading book policy statements) which is in summary a single document of a person recording the policies and procedures referred to in BIPRU 1.2.26R and BIPRU 1.2.27R.

(2) (in IFPRU) the statement of policies and procedures relating to the trading book.

trading book systems and controls rules

GENPRU 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), GENPRU 1.3.14R to GENPRU 1.3.16R (Marking to market), GENPRU 1.3.17R to GENPRU 1.3.25R (Independent price verification), GENPRU 1.3.30R to GENPRU 1.3.33R (Valuation adjustments or reserves), GENPRU 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and GENPRU 2.2.248R to GENPRU 2.2.249R (Tier three capital: lower tier three capital resources).

UK countercyclical buffer authority

(for the purposes of IFPRU 10.3 (Countercyclical capital buffer) and in accordance with article 7 of The Capital Requirements (Capital Buffers and Macro-prudential Measures) Regulations 2014) the Bank of England.

UK DLG by modification

a DLG by modification (firm level) in which each member is a UK ILAS BIPRU firm. A firm with a UK DLG by modification cannot also have a non-UK DLG by modification (firm level).

UK financial sector company

a company that is a:

(a) UK bank; or

(b) UK insurer; or

(c) UK incorporated parent undertaking of a company referred to in (a) or (b) where the main business of the group to which the parent undertaking and the company belong is financial services.

UK ILAS BIPRU firm

an ILAS BIPRU firm which has its registered office (or, if it does not have a registered office, its head office) in the United Kingdom.

UK lead regulated firm

a UK firm that:

(a) is not part of a group that is subject to consolidated supervision by the FCA or the PRA or any other regulatory body; or

(b) is part of a group that is subject to consolidated supervision by the FCA or the PRA and that group is not part of a wider group that is subject to consolidated supervision by a regulatory body other than the FCA or the PRA.

For the purposes of this definition:
(c) Consolidated supervision of a group of persons means supervision of the adequacy of financial and other resources of that group on a consolidated basis.

(d) It is not relevant whether or not any supervision by another regulatory body has been assessed as equivalent under the CRD and UK CRR or the Financial Groups Directive.

(e) If the group is a consolidation group or financial conglomerate of which the FCA or the PRA is lead regulator that is headed by an undertaking that is not itself the subsidiary undertaking of another undertaking the firm is a ‘UK lead regulated firm’.

This definition is not related to the defined term lead regulated firm.

*a parent financial holding company in a Member State where the EEA State in question is the United Kingdom.*

_a UK parent institution;_

_a UK parent financial holding company; or_

_a UK parent mixed financial holding company._

*underwrite* (for the purposes of BIPRU 7 (Market risk)) to undertake a firm commitment to buy a specified quantity of new securities on a given date and at a given price if no other has purchased or acquired them; and so that:

(a) new is defined in BIPRU 7.8.12R (New securities);

(b) a firm still underwrites securities at a time before the exact quantity of securities being underwritten or their price has been determined if it is committed at that time to underwrite them when the quantity and price is fixed;

(c) (in the case of provisions of the Handbook that distinguish between underwriting and sub-underwriting) underwriting does not include sub-underwriting; and

(d) (in any other case) underwriting includes sub-underwriting.

*unpaid initial fund* part of the initial fund of a mutual which the mutual is prevented from including in its tier one capital resources as permanent share capital by reason of GENPRU 2.2.64R because it is not fully paid.
unrated position (for the purposes of *BIPRU* 9 (Securitisation) and in relation to a securitisation position) describes a securitisation position which does not have an eligible credit assessment by an eligible ECAI.

[Note: Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)]

**upper tier three capital** an item of capital that is specified in stage O of the capital resources table (Upper tier three).

**upper tier three capital resources** the sum calculated at stage O of the capital resources table (Upper tier three).

**upper tier three instrument** an item of capital that meets the conditions in *GENPRU* 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a firm’s upper tier three capital resources.

**upper tier two capital**

(1) [deleted]

(2) (in *BIPRU*, *GENPRU* and *INSPRU*) an item of capital that is specified in stage G of the capital resources table (Upper tier two capital).

**upper tier two capital resources** the sum calculated at stage G of the calculation in the capital resources table (Upper tier two capital).

**upper tier two instrument** a capital instrument that meets the conditions in *GENPRU* 2.2.177R (Upper tier two capital: General) and is eligible to form part of a firm’s upper tier two capital resources.

**value at risk** (in relation to risk modelling or estimation for the purposes of *BIPRU*) the measure of risk described in *BIPRU* 7.10.146R (Requirement to use value at risk methodology).

**VaR** value at risk

**VaR measure** (in *BIPRU*) an estimate by a VaR model of the worst expected loss on a portfolio resulting from market movements over a period of time with a given confidence level.

**VaR model** a value at risk model as described in *BIPRU* 7.10 (Use of a Value at Risk Model).

**VaR model approach** one of the following:

(a) the approach to calculating part of the market risk capital requirement set out in *BIPRU* 7.10 (Use of a value at risk model);
(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a regulatory body other than the appropriate regulator, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

**VaR model permission**

a requirement or a waiver that requires a BIPRU firm or a CAD investment firm to use the VaR model approach on a solo basis or, if the context requires, a consolidated basis.

**VaR number**

has the meaning in BIPRU 7.10.115R (Capital calculations: General) which in summary is (in relation to a business day and a VaR model) the VaR measure, in respect of the previous business day’s close-of-business positions in products coming within the scope of the VaR model permission, calculated by the VaR model and in accordance with BIPRU 7.10 (Use of a Value at Risk Model) and any methodology set out in the VaR model permission.

**VaR specific risk minimum requirements**

BIPRU 7.10.46R to BIPRU 7.10.52R (Model standards: Risk factors: Specific risk) and BIPRU 7.10.107R (Backtesting: Specific risk backtesting).

**Volatility risk**

the potential loss due to fluctuations in implied option volatilities.

**whole-firm liquidity modification**

a modification to the overall liquidity adequacy rule of the kind described in BIPRU 12.8.22G.

**write-down and conversion powers**

the powers referred to in article 59(2) and in points (e) to (i) of article 63(1) of RRD.

[Note: articles 2(1)(66) of RRD]

**working day 0**

has the meaning in BIPRU 7.8.23R (Working day 0), which is in summary (in relation to an underwriter) the business day on which a firm that is underwriting or sub-underwriting becomes unconditionally committed to accepting a known quantity of securities at a specified price.

**zero-specific-risk security**

a notional debt security used, for the purpose of calculating PRR, to represent the interest rate general market risk arising from certain derivative and forward transactions as specified in BIPRU 7.2 (Interest rate PRR).
Annex B

Amendments to the Senior Management Arrangements, Systems and Controls sourcebook (SYSC)

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

1 Application and purpose

1.1A Application

1.1A.1 The application of this sourcebook is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Applicable chapters</th>
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<tbody>
<tr>
<td>...</td>
<td></td>
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<tr>
<td>Any other SMCR firm</td>
<td>Chapters 4 to 12, 18, 19D, 19F, 19G, 21, 22, 23, 24, 25, 26, 27, 28</td>
</tr>
<tr>
<td>Every other firm</td>
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1.1A.1A The application of this sourcebook to specific firms that are not PRA-authorised persons is summarised at a high level in the following table. The detailed application is cut back in SYSC 1 Annex 1 and in the text of each chapter.

<table>
<thead>
<tr>
<th>Type of firm</th>
<th>Applicable chapters</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>BIPRU firm (including a third-country BIPRU firm)</td>
<td>Chapters 4 to 10, 12, 18, 19C, 19F, 20, 21, 22, 23, 24, 25, 26, 27, 28</td>
</tr>
<tr>
<td>IFPRU investment firm</td>
<td></td>
</tr>
<tr>
<td>MIFIDPRU investment firm (including an overseas firm that would have been an IFPRU investment firm if it had been a UK domestic firm, except that SYSC 19G does not apply to such a firm)</td>
<td>Chapters 4 to 10, 12, 18, 19A, 19F, 19G, 20, 21, 22, 23, 24, 25, 26, 27, 28</td>
</tr>
</tbody>
</table>
1.5 Significant SYSC firm

Purpose

1.5.1 G (1) The purpose of SYSC 1.5 is to set out the definition of a significant SYSC firm.

(2) The following governance requirements in SYSC apply by reference to the term significant SYSC firm:

(a) SYSC 4.3A.6R on the limitations in the number of directorships;

(b) SYSC 4.3A.8R on the nomination committee; and

(c) SYSC 7.1.18R and SYSC 7.1.18AAR on the risk committee.

(3) MIFIDPRU investment firms are not subject to SYSC 4.3A.8R or SYSC 7.1.18R, and should refer instead to MIFIDPRU 7.3.

(4) The definition of significant SYSC firm is also relevant in determining whether a firm is an enhanced scope SMCR firm for the purposes of the senior managers and certification regime.

Definition of a significant SYSC firm
1.5.2 R A firm is a significant SYSC firm if it meets one or more of the following conditions:

(1) its total assets exceed £530 million;

(2) its total liabilities exceed £380 million;

(3) the annual fees and commission income it receives in relation to the regulated activities carried on by the firm exceeds £160 million in the 12-month period immediately preceding the date the firm carries out the assessment under this rule;

(4) the client money that it receives or holds exceeds £425 million; and

(5) the assets belonging to its clients that it holds in the course of, or in connection with, its regulated activities exceeds £7.8 billion.

1.5.3 R (1) This rule defines some of the terms used in SYSC 1.5.2R.

(2) “Total assets” means the firm’s total assets:

(a) as set out in the most recent relevant report submitted to the FCA under SUP 16.12 (Integrated Regulatory Reporting); or

(b) (where the firm carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the firm would report to the FCA in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.

(3) “Total liabilities” means the firm’s total liabilities:

(a) as set out in the most recent relevant report submitted to the FCA under SUP 16.12 (Integrated Regulatory Reporting); or

(b) (where the firm carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the firm would report to the FCA in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.

(4) “client money” means client money that the firm receives or holds in the course of, or in connection with, all of the regulated activities that it carries on:

(a) as set out in the most recent client money and client asset report submitted to the FCA under SUP 16.12 (Integrated Regulatory Reporting); or
(b) (where the firm carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the firm would report to the FCA in accordance with the relevant report, as if the reporting period for that report ended on the date of the assessment.

(5) “Assets belonging to its clients” means the assets to which the custody rules apply:

(a) as set out in the most recent client money and client asset report submitted to the FCA under SUP 16.12 (Integrated Regulatory Reporting); or

(b) (if the firm carries out the assessment under SYSC 1.5.4R at any time after the date of its most recent report in (a)) as the firm would report to the FCA in accordance with the relevant report, as if the reporting period for that report ends on the date the assessment is carried out.

1.5.4 R A firm must assess regularly whether it becomes a significant SYSC firm.

1.5.5 R (1) If a firm, at any time, becomes aware that it is likely to become a significant SYSC firm, it must forthwith make arrangements to establish and have in place sound, effective and comprehensive strategies, processes and systems to achieve compliance with the requirements that apply to a significant SYSC firm.

(2) The firm in (1) must comply with the requirements that apply to a significant SYSC firm on the expiry of a period of 3 months from the date it meets any one of the conditions in SYSC 1.5.2R.

1.5.6 R If a firm that is a significant SYSC firm ceases to meet any of the conditions in SYSC 1.5.2R, it must continue to comply with the rules and requirements applicable to a significant SYSC firm until the first anniversary of the date on which the firm ceased to be a significant SYSC firm.

1.5.7 G The FCA may, on a case-by-case basis, require a firm which does not meet any of the conditions in SYSC 1.5.2R to comply with the rules and requirements that apply to a significant SYSC firm if the FCA considers it appropriate to do so to meet its strategic objective or to advance one or more of its operational objectives under the Act.

1.5.8 G (1) A firm may apply to the FCA under section 138A of the Act to waive any one or more of the conditions in SYSC 1.5.2R if it believes that one or more of the governance requirements in (2) that apply to a significant SYSC firm may be disproportionate. In its application for a waiver, the FCA expects the firm to demonstrate that it should not be considered as significant, taking into account the size, nature, scope and complexity of its
activities, any membership of a group and the internal organisation of that group.

(2) The governance requirements referred to in (1) are:

(a) SYSC 4.3A.6R on the limitations in the number of directorships;

(b) SYSC 4.3A.8R on the nomination committee; or

(c) SYSC 7.1.18 R on the risk committee.

(3) The effect of such waiver is that the firm would not be a significant SYSC firm only for the purpose of the particular governance requirement in (2) that the waiver is expressed to apply to. For the avoidance of doubt, such a firm would still be a significant SYSC firm for the purpose of the other rules in the FCA Handbook that apply to a significant SYSC firm, except where expressly otherwise provided for.

Amend the following as shown.

1 Annex 1 Detailed Application of SYSC

<table>
<thead>
<tr>
<th>Part 3</th>
<th>Tables summarising the application of the common platform requirements to different types of firm</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
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<tr>
<td>3.2</td>
<td>G</td>
</tr>
<tr>
<td>3.2-ZA</td>
<td>G</td>
</tr>
<tr>
<td></td>
<td>A common platform firm that is a MIFIDPRU investment firm should read SYSC 4 to SYSC 10 together with MIFIDPRU 7. While MIFIDPRU investment firms are not in scope of the requirements in SYSC 4.3A.8R and SYSC 7.1.18R regarding nomination and risk committees, certain MIFIDPRU investment firms are required by MIFIDPRU 7.3.1R and MIFIDPRU 7.3.5R to establish nomination and risk committees.</td>
</tr>
<tr>
<td></td>
<td>MiFID optional exemption firm and a third country firm</td>
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</tr>
</tbody>
</table>
3.2D R …

(2) In (1), ‘significant’ means a MiFID optional exemption firm that meets one of more of the conditions in paragraphs (1) to (5) of IFPRU 1.2.3R and related rules and guidance is a significant SYSC firm.

Table A: Application of the common platform requirements in SYSC 4 to SYSC 10

<table>
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<tr>
<th>Provision</th>
<th>COLUMN A</th>
<th>COLUMN A+</th>
<th>COLUMN A++</th>
<th>COLUMN B</th>
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<td>SYSC 4.1.1CR</td>
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<td>Not applicable [deleted]</td>
<td>Third country BIPRU firms: Rule Other firms: Not applicable [deleted]</td>
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<td>SYSC 4.1.2AAR</td>
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<td>Rule for a BIPRU firm that is a UCITS investment firm [deleted]</td>
<td>Not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
</tr>
<tr>
<td>SYSC 4.3A.-1R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm) that is a UCITS investment firm [deleted]</td>
<td>Rule for a CRR firm that is a UCITS investment firm [deleted]</td>
<td>Not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
</tr>
<tr>
<td>SYSC 4.3A.1R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a CRR firm that is a UCITS investment firm</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.1AR</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a CRR firm that is a UCITS investment firm</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.2R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a CRR firm that is a UCITS investment firm</td>
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<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.2AG</td>
<td>Guidance (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Guidance for a CRR firm that is a UCITS investment firm</td>
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<td>Not applicable</td>
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<tr>
<td>SYSC 4.3A.3R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a CRR firm that is a UCITS investment firm</td>
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</tr>
<tr>
<td>SYSC 4.3A.3AG</td>
<td>Guidance</td>
<td>Guidance for a CRR firm that is a UCITS investment firm</td>
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<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.4R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a CRR firm that is a UCITS investment firm</td>
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<td>Not applicable</td>
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<tr>
<td>SYSC 4.3A.5R</td>
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<td>Rule for a CRR firm that is a UCITS investment firm</td>
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<td>SYSC 4.3A.6R</td>
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<td>Rule for a <strong>CRR firm</strong> that is a <strong>UCITS investment firm</strong></td>
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<td>Not applicable</td>
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<tr>
<td>SYSC 4.3A.7R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a <strong>CRR firm</strong> that is a <strong>UCITS investment firm</strong></td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.7AR</td>
<td>Rule (except for a MIFIDPRU investment firm)</td>
<td>Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.7BG</td>
<td>Guidance for a MIFIDPRU investment firm</td>
<td>Guidance for a <strong>UCITS investment firm</strong></td>
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<td>Not applicable</td>
</tr>
<tr>
<td>SYSC 4.3A.8R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm) (except for a MIFIDPRU investment firm)</td>
<td>Rule for a <strong>CRR firm</strong> that is a <strong>UCITS investment firm</strong> Not applicable</td>
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<td>SYSC 4.3A.9R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
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<tr>
<td>SYSC 4.3A.10R</td>
<td>Rule (except for an AIFM investment firm that is not a CRR firm)</td>
<td>Rule for a <strong>CRR firm</strong> that is a <strong>UCITS investment firm</strong></td>
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<td>Not applicable</td>
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<tr>
<td>SYSC 4.3A.11R</td>
<td>Rule applicable to <strong>CRR firms</strong></td>
<td>Rule for a <strong>CRR firm</strong> that is a <strong>UCITS investment firm</strong> Not applicable</td>
<td>Not applicable</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Provision</td>
<td>COLUMN A</td>
<td>COLUMN A+</td>
<td>COLUMN A++</td>
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</tr>
<tr>
<td>SYSC 7</td>
<td>Application to a common platform firm other than to a UCITS investment firm</td>
<td>Application to a UCITS management company</td>
<td>Application to a full-scope UK AIFM of an authorised AIF</td>
<td>Application to all other firms apart from insurers, UK ISPVs, managing agents, the Society, full-scope UK AIFMs of unauthorised AIFs, MiFID optional exemption firms and third country firms</td>
</tr>
</tbody>
</table>

| SYSC 7.1.4AG | Guidance for a MIFIDPRU investment firm | Rule for a UCITS investment firm; otherwise guidance | Guidance for a UCITS investment firm | Guidance |

| SYSC 7.1.7BG | Guidance applies only to a BIPRU firm; Guidance applicable to a CRR firm | Rule for a UCITS investment firm; otherwise guidance Not applicable | Guidance Not applicable | Guidance Not applicable |

<p>| SYSC 7.1.7BBG | Guidance applies only to a BIPRU firm [deleted] | Guidance applies only to a BIPRU firm that is a UCITS investment firm [deleted] | Not applicable [deleted] | Not applicable [deleted] |</p>
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<th>SYSC 7.1.7BDG</th>
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<th>Guidance applies only to a UCITS investment firm</th>
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<th>Not applicable</th>
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</thead>
<tbody>
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<tr>
<td>SYSC 7.1.9R</td>
<td>Rule applies to a BIPRU firm [deleted]</td>
<td>Rule for a UCITS investment firm; otherwise not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
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<tr>
<td>SYSC 7.1.10R</td>
<td>Rule applies to a BIPRU firm [deleted]</td>
<td>Rule for a UCITS investment firm; otherwise not applicable [deleted]</td>
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<td>Not applicable [deleted]</td>
</tr>
<tr>
<td>SYSC 7.1.11R</td>
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<td>Rule for a UCITS investment firm; otherwise not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
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<tr>
<td>SYSC 7.1.12G</td>
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<td>Rule for a UCITS investment firm; otherwise not applicable [deleted]</td>
<td>Not applicable [deleted]</td>
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<tr>
<td>SYSC 7.1.16CR</td>
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<td>SYSC 7.1.17R</td>
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<td>SYSC 7.1.18R</td>
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<td>SYSC 7.1.18BR</td>
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<td>Rule for a UCITS investment firm that is a CRR firm, otherwise not applicable</td>
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</tbody>
</table>
Table B: Application of the common platform requirements in SYSC 4 to SYSC 10 to MiFID optional exemption firms and third country firms

<table>
<thead>
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<th>COLUMN A</th>
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<tbody>
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<td>MiFID optional exemption firms</td>
<td>Third country firms</td>
</tr>
<tr>
<td>SYSC 4</td>
<td></td>
<td></td>
</tr>
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<td>...</td>
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<td>SYSC 4.1.1CR</td>
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<td>Rule</td>
</tr>
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<td></td>
</tr>
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<td>SYSC 4.1.2AAR</td>
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<td></td>
<td></td>
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<td>SYSC 4.3A.1R</td>
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SYSC 7

...
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<td>SYSC 7.1.9R</td>
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</table>

### 4 General organisational requirements

#### 4.1 General requirements

...  

#### 4.1.1C R A BIPRU firm and a third country BIPRU firm must comply with the BIPRU Remuneration Code. [deleted]  

...  

#### 4.1.2 R For a common platform firm, the arrangements, processes and mechanisms referred to in SYSC 4.1.1R must be comprehensive and proportionate to the nature, scale and complexity of the risks inherent in the business model and of the common platform firm’s activities and must take into account the specific technical criteria described in article 21(3) of the MiFID Org Regulation, SYSC 5.1.7R, SYSC 7 and whichever of the following as is applicable:

1. (for a firm to which SYSC 19A applies) SYSC 19A (IFPRU Remuneration Code) [deleted];

2. (for a full-scope UK AIFM) SYSC 19B (AIFM Remuneration Code);

3. (for a firm to which SYSC 19C applies) SYSC 19C (BIPRU Remuneration Code) [deleted];
(4) (for a firm to which SYSC 19D applies) SYSC 19D (Dual-regulated firms Remuneration Code); or

(5) (for a firm to which the remuneration part of the PRA Rulebook applies) the remuneration part of the PRA Rulebook; or

(6) (for a firm to which SYSC 19G applies) SYSC 19G (MIFIDPRU Remuneration Code).

[Note: article 74(2) of CRD]

...

4.1.2AA R Where SYSC 4.1.2R applies to a BIPRU firm, it must take into account the specific technical criteria described in SYSC 19C. [deleted]

...

4.3A Management body and nomination committee

Management body

4.3A.1 R In SYSC 4.3A.6R and SYSC 4.3A.8R a common platform firm that is significant means a significant IFPRU firm. [deleted]

...

4.3A.6 R (1) A common platform firm that is significant SYSC firm must ensure that the members of the management body of the firm do not hold more than one of the following combinations of directorship in any organisation at the same time:

(a) one executive directorship with two non-executive directorships; and

(b) four non-executive directorships.

(2) Paragraph (1) does not apply to members of the management body that represent the United Kingdom.

[Note: article 91(3) of CRD and article 9(1) of MiFID]

...

Nomination Committee

4.3A.7A R SYSC 4.3A.8R does not apply to a common platform firm that is a MIFIDPRU investment firm.

4.3A.7B G The regulatory requirement for certain MIFIDPRU investment firms to establish nomination committees is contained in MIFIDPRU 7.3.5R.
However, all MiFIDPRU investment firms are still subject to SYSC 4.3A.9R and SYSC 4.3A.10R.

4.3A.8 R A common platform firm that is a significant SYSC firm must:

(1) establish a nomination committee composed of members of the management body who do not perform any executive function in the firm;

(2) ensure that the nomination committee is able to use any forms of resources the nomination committee deems appropriate, including external advice; and

(3) ensure that the nomination committee receives appropriate funding.

[Note: article 88(2) of CRD and article 9(1) of MiFID]

5 Employees, agents and other relevant persons

5.1 Skills, knowledge and expertise

... Application to a common platform firm

5.1.-2 G For a common platform firm:

...(2) the rules and guidance apply as set out in the table below:

<table>
<thead>
<tr>
<th>Subject</th>
<th>Applicable rule or guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Certification regime [deleted]</td>
<td>SYSC 5.2 [deleted]</td>
</tr>
</tbody>
</table>

...

6 Compliance, internal audit and financial crime

6.1 Compliance

... Compliance function
6.1.4-A R  

In setting the method of determining the *remuneration* of *relevant persons* involved in the compliance function:

1. **firms** that SYSC 19A applies to will also need to comply with the *Remuneration Code*; [deleted]

2. **firms** that SYSC 19C applies to will also need to comply with the *BIPRU Remuneration Code*; [deleted]

3. **firms** that SYSC 19D applies to will also need to comply with the *dual-regulated firms Remuneration Code*; and

4. **firms** that the remuneration part of the *PRA Rulebook* applies to will also need to comply with it; and

5. **firms** that SYSC 19G applies to will also need to comply with the *MIFIDPRU Remuneration Code*.

---

7  

Risk control

7.1 Risk control

---

Risk management

---

7.1.4A G  

For a common platform firm included within the scope of SYSC 20 (Reverse stress testing), the strategies, policies and procedures for identifying, taking up, managing, monitoring and mitigating the risks to which the firm is or might be exposed include conducting reverse stress testing in accordance with SYSC 20. A common platform firm which falls outside the scope of SYSC 20 should consider conducting reverse stress tests on its business plan as well. This would further senior personnel’s understanding of the firm’s vulnerabilities and would help them design measures to prevent or mitigate the risk of business failure. *MIFIDPRU investment firms* should refer to *MIFIDPRU 7* for more specific details on risk management expectations.

---

7.1.7BB G  

In setting the method of determining the *remuneration* of employees involved in the risk management function, *BIPRU firms* will also need to comply with the *BIPRU Remuneration Code*. [deleted]
7.1.7BC G In setting the method of determining the remuneration of employees involved in the risk management function, firms that SYSC 19A applies to will also need to comply with the Remuneration Code. [deleted]

7.1.7BD G In setting the method of determining the remuneration of employees involved in the risk management function, firms that SYSC 19G applies to will also need to comply with the MIFIDPRU Remuneration Code.

Risk control additional provisions

7.1.9 R A firm must base credit-granting on sound and well-defined criteria and clearly establish the process for approving, amending, renewing, and refinancing credits. [deleted]

7.1.10 R A BIPRU firm must operate through effective systems the ongoing administration and monitoring of its various credit risk-bearing portfolios and exposures, including for identifying and managing problem credits and for making adequate value adjustments and provisions. [deleted]

7.1.11 R A BIPRU firm must adequately diversify credit portfolios given its target market and overall credit strategy. [deleted]

7.1.12 G The documentation maintained by a BIPRU firm under SYSC 4.1.3R should include its policy for credit risk, including its risk appetite and provisioning policy and should describe how it measures, monitors and controls that risk. This should include descriptions of the systems used to ensure that the policy is correctly implemented. [deleted]

Residual risk

7.1.13 R A BIPRU firm must address and control by means of written policies and procedures the risk that recognised credit risk mitigation techniques used by it prove less effective than expected. [deleted]

Market risk

7.1.14 R A BIPRU firm must implement policies and processes for the measurement and management of all material sources and effects of market risks. [deleted]

Interest rate risk

7.1.15 R A BIPRU firm must implement systems to evaluate and manage the risk arising from potential changes in interest rates as they affect a BIPRU firm’s non-trading activities. [deleted]

Operational risk
7.1.16 R A BIPRU firm must implement policies and processes to evaluate and manage the exposure to operational risk, including to low-frequency high severity events. Without prejudice to the definition of operational risk, BIPRU firms must articulate what constitutes operational risk for the purposes of those policies and procedures. [deleted]

Additional rules for CRR firms

7.1.16C R In SYSC 7.1.18R a ‘CRR firm’ that is significant means a significant IFPRU firm. [deleted]

A CRR firm which is not a significant IFPRU firm significant SYSC firm may combine the risk committee with the audit committee.

[Note: article 76(3) of CRD]

12 Group risk systems and controls requirements

12.1 Application

12.1.1 R Subject to SYSC 12.1.2R to SYSC 12.1.4R, this section applies to each of the following which is a member of a group:

(1) a firm that falls into any one or more of the following categories:

(a) a regulated entity that is: an investment firm that is not a designated investment firm;

(i) an investment firm, except a designated investment firm unless (ii) applies; or

(ii) a credit institution or designated investment firm that is a subsidiary undertaking of a UK parent institution that is an IFPRU investment firm;

(b) [deleted]

(c) an insurer;

(ca) a UK ISPV;

(d) a BIPRU firm [deleted];

(e) a parent financial holding company in the UK or a UK parent financial holding company that is a member of one of the following: a UK parent entity of an investment
firm group that is subject to prudential consolidation under MIFIDPRU 2.5 or to the group capital test under MIFIDPRU 2.6; and

(i) a UK consolidation group; or

(ii) an FCA consolidation group; and

(f) a firm subject to the rules in IPRU(INV) Chapter 14.

...

General rules

...

12.1.9 G For the purposes of SYSC 12.1.8R, the question of whether the risk management processes and internal control mechanisms are adequate, sound and appropriate should be judged in the light of the nature, scale and complexity of the group’s business and of the risks that the group bears. Risk management processes must include the stress testing and scenario analysis required by the PRA Rulebook.

...

CRR firms and non-CRR firms that are parent financial holding companies in the United Kingdom or UK parent financial holding companies

12.1.13 R If this rule applies under SYSC 12.1.14R to a firm, the firm must:

(1) comply with SYSC 12.1.8R(2) in relation to any UK consolidation group or, if applicable, non-UK sub-group of which it is a member, as well as in relation to its group; and

(2) ensure that the risk management processes and internal control mechanisms at the level of any consolidation group or, if applicable, non-UK sub-group of which it is a member comply with the obligations set out in the following provisions on a consolidated (or sub-consolidated) basis:

(a) SYSC 4.1.1R and SYSC 4.1.2R;
(b) SYSC 4.1.7R;
(bA) SYSC 4.3A;
(c) SYSC 5.1.7R;
(d) SYSC 7;
(dA) the Remuneration Code; or the dual-regulated firms Remuneration Code, whichever is if applicable;

(e) BIPRU 12.3.4R, BIPRU 12.3.5R, BIPRU 12.3.7AR, BIPRU 12.3.8R, BIPRU 12.3.22AR, BIPRU 12.3.22BR, BIPRU 12.3.27R, BIPRU 12.4.2R, BIPRU 12.4.1R, BIPRU 12.4.5AR, BIPRU 12.4.10R, BIPRU 12.4.11R and BIPRU 12.4.11AR; [deleted]

[Note: article 109(2) of CRD]

(3) ensure that compliance with the obligations in (2) enables the consolidation group or, if applicable, the non-UK sub-group to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: article 109(2) of CRD]

12.1.15AR SYSC 12.1.13R applies to a BIPRU firm as if it were a CRR firm but the reference to Remuneration Code is to the BIPRU Remuneration Code. [deleted]

18 Whistleblowing

... 18.6 Whistleblowing obligations under the MiFID regime and other sectoral legislation

... Whistleblowing obligations under other sectoral legislation

18.6.4 G In addition to obligations under the MiFID regime, similar whistleblowing obligations apply to miscellaneous persons subject to regulation by the FCA under the following non-exhaustive list of legislation:

... (2) the UK provisions which implemented article 71(3) of the CRD (see IFPRU 2.4.1R in respect of IFPRU investment firms); [deleted]

...
19D Dual-regulated firms Remuneration Code

19D.2 General requirement

Remuneration policies must promote effective risk management

19D.2.2 G ...

(3) The FCA may also ask remuneration committees to provide it with evidence of how well the firm’s remuneration policies meet the dual-regulated firms Remuneration Code’s principles, together with plans for improvement where there is a shortfall. The FCA also expects relevant firms to use the principles in assessing their exposure to risks arising from their remuneration policies as part of the internal capital adequacy assessment process (ICAAP).

19D.3 Remuneration principles

Remuneration Principle 11: Non-compliance with the dual-regulated firms Remuneration Code

19D.3.1 R (1) A firm must apply the requirements of this section at group, parent undertaking and subsidiary undertaking levels, including those subsidiaries established in a country or territory which is outside the United Kingdom.

(2) Paragraph (1) does not limit SYSC 12.1.13R(2)(dA) (which relates to the application of the dual-regulated firms Remuneration Code within UK consolidation groups and non-UK sub-groups).

19D.3.34 R A firm must ensure that variable remuneration is not paid through vehicles or methods that facilitate non-compliance with obligations arising from the Remuneration Code Dual-regulated Remuneration Code, the UK CRR or the UK legislation that implemented the CRD.


Note: article 94(1)(q) of the CRD

... Remuneration Principle 12(d): Remuneration structures - ratios between fixed and variable components of total remuneration

... 19D.3.50 R A firm must ensure that any approval by its shareholders or owners or members, for the purposes of SYSC 19D.3.49R, is carried out in accordance with the following procedure:

...

(3) the firm must:

(a) without delay, inform the FCA of the recommendation to its shareholders or owners or members, including the proposed higher ratio and the reasons therefor; and

(b) demonstrate to the FCA that the proposed higher ratio does not conflict with its obligations under the UK legislation that implemented the CRD and the UK CRR, having particular regard to the firm’s own funds obligations;

...

...

SYSC 20 (Reverse stress testing) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

20 Reverse stress testing [deleted]

Amend the following as shown.

21 Risk control: additional guidance

21.1 Risk control: guidance on governance arrangements

... Chief Risk Officer

21.1.2 G (1) A Chief Risk Officer should:

...
(j) provide risk-focused advice and information into the setting and individual application of the firm’s remuneration policy. Where the Remuneration Code applies, see in particular SYSC 19A.3.15E. Where the BIPRU Remuneration Code applies, see in particular SYSC 19C.3.15E. Where the MIFIDPRU Remuneration Code applies, see in particular SYSC 19G.3.2G (2). Where the dual-regulated firms Remuneration Code applies, see in particular SYSC 19D.3.16E. Where the remuneration part of the PRA Rulebook applies, see the PRA’s Supervisory Statement on Remuneration).

...

...

23 Senior managers and certification regime: Introduction and classification

...

23 Annex 1 Definition of SMCR firm and different types of SMCR firms

...

Part Nine: Other qualification conditions for being an enhanced scope SMCR firm

9.1 R A firm meets a qualification condition for the purposes of identifying an enhanced scope SMCR firm under the flow diagram in Part One of this Annex if it meets one of the following criteria:

(1) the firm is a significant IFPRU firm significant SYSC firm;

...

Part Ten: When a firm becomes an enhanced scope SMCR firm

...

10.4 G SYSC 23 Annex 1 10.1R and SYSC 23 Annex 1 10.3R mean that a firm becomes an enhanced scope SMCR firm under Part 9 of this Annex on the date in column (2) of the table in SYSC 23 Annex 1 10.5G.

10.5 G Table: Date firm becomes an enhanced scope firm
Qualification condition | Date firm becomes an enhanced scope SMCR firm
---|---
The firm is a significant IFPRU firm significant SYSC firm | It becomes an enhanced scope SMCR firm one year and three months after the date in IFPRU 1.2.3R SYSC 1.5.2R (the three-month period in IFPRU 1.2.6R(2) SYSC 1.5.5R(2) plus the one year in this Part).

---

27 Senior managers and certification regime: Certification regime

27.8 Definitions of the FCA certification functions

Material risk takers

27.8.15 R Table: Definition of material risk taker

<table>
<thead>
<tr>
<th>Type of SMCR firm</th>
<th>Employees included</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) An SMCR banking firm, including an EEA SMCR banking firm</td>
<td>Each member of the dual-regulated firms Remuneration Code staff of the firm in column (1) of this row (1). This includes any person who meets any of the criteria set out in articles 3 to 5 of the Material Risk Takers Regulation 2020 (criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile).</td>
</tr>
<tr>
<td>(4) A firm falling within SYSC 19A.1 (application provisions for</td>
<td>Each member of the Remuneration Code staff of the</td>
</tr>
</tbody>
</table>
the remuneration code for IFPRU investment firms), including an 
EEA SMCR firm subject to SYSC 19G.5 (application of 
remuneration requirements to material risk takers) including an 
overseas SMCR firm

firm in column (1). Each staff 
member identified as a material 
risk taker of the firm in column 
(1).

(8) A firm falling within SYSC 
19C.1 (application provisions for 
remuneration code for BIPRU 
firms)) including an EEA SMCR 
firm [deleted]

Each member of the BIPRU 
Remuneration Code staff of the 
firm in column (1).

Note: The definition of the persons included in column (2) applies in 
relation to an EEA SMCR firm in one of the rows of column (1) in the 
same way as it does to other overseas SMCR firms in that row. The 
definitions of dual-regulated firms Remuneration Code staff, 
Remuneration Code staff, and AIFM Remuneration Code staff and 
BIPRU Remuneration Code staff apply accordingly.

Where an overseas SMCR firm would be subject to SYSC 19G.5 if it 
were a UK SMCR firm, row (4) applies in the same way as it applies to 
UK SMCR firms, and the definition of material risk taker in column (2) 
applies accordingly.

TP 3 Remuneration codes

<table>
<thead>
<tr>
<th>Part A</th>
<th>IFPRU Remuneration Code [deleted]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>R [deleted]</td>
</tr>
<tr>
<td>2</td>
<td>R [deleted]</td>
</tr>
<tr>
<td>3</td>
<td>R [deleted]</td>
</tr>
<tr>
<td>4</td>
<td>G [deleted]</td>
</tr>
<tr>
<td>5</td>
<td>G [deleted]</td>
</tr>
<tr>
<td>6[FCA][PRA]</td>
<td>R [expired]</td>
</tr>
</tbody>
</table>
Paragraph (2) applies in relation to a firm that was not subject to the version of the Remuneration Code that applied before 1 January 2011 but satisfies at least one of the conditions set out in SYSC 19A.3.54R(1B) to SYSC 19A.3.54R(1D).

Where this paragraph applies, a contravening provision that is contained in an agreement made before 3 November 2011 is not rendered void by SYSC 19A Annex 1.1R unless it is subsequently amended so as to contravene a rule to which SYSC 19A Annex 1.1R applies.

The effect of 6R is to limit the provisions on voiding and recovery to firms which were subject to the version of the Remuneration Code which applied before 1 January 2011. That transitional provision comes to an end on 1 January 2012. A new limit providing for voiding to apply only in relation to certain types of firm is provided in SYSC 19A.3.54R(1B) to SYSC 19A.3.54R(1D). Paragraph 6AR applies to firms which become subject to the provisions on voiding after the transitional provision in 6R comes to an end. It prevents certain contravening provisions which predate the making of the new rules limiting the application of voiding from becoming void.

<table>
<thead>
<tr>
<th>Sch 2 Notification requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 G …</td>
</tr>
</tbody>
</table>

(3) Table

<table>
<thead>
<tr>
<th>Handbook reference</th>
<th>Matter to be notified</th>
<th>Content of the notification</th>
<th>Trigger event</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYSC 19A.3.4R(3) [deleted]</td>
<td>Where an overseas firm deems an employee not to be Remuneration Code staff</td>
<td>Matter described in SYSC 19A.3.4R(3)</td>
<td>Matter described in SYSC 19A.3.4R(3)</td>
</tr>
<tr>
<td>SYSC 19A.3.44CR [deleted]</td>
<td>The decision by the shareholders, members or owners of the firm to approve a higher maximum ratio between the fixed and variable components of total remuneration</td>
<td>Matter as described in SYSC 19A.3.44CR</td>
<td>Matter as described in SYSC 19A.3.44CR</td>
</tr>
</tbody>
</table>

…
### Sch 5  Rights of action for damages

<table>
<thead>
<tr>
<th>Chapter/Appendix</th>
<th>Section/Annex</th>
<th>Paragraph</th>
<th>Right of action under section 138D</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>For private person?</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>SYSC 11 to SYSC 19A, and SYSC 19D SYSC 21</td>
<td></td>
<td>No</td>
<td>Yes SYSC 1.4.2R</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>
Annex C

Amendments to the Code of Conduct sourcebook (COCON)

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

4 Specific guidance on individual conduct rules

...

4.2 Specific guidance on senior manager conduct rules

...

SC2: You must take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system.

...

4.2.16 G The following is a non-exhaustive list of examples of conduct that would be in breach of rule SC2.

...

(8) ...

...

(e) the method of determining the remuneration complies, where applicable, with the Remuneration Code remuneration codes set out in SYSC 19B, SYSC 19D, SYSC 19E and SYSC 19G or, for a Solvency II firm or a small non-directive insurer, other relevant requirements in relation to remuneration, as well as those remuneration codes applicable to firms as set out in SYSC 19B – 19E.

...
Annex D

Amendments to the General Provisions (GEN)

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

2 Interpreting the Handbook

... 

2.2 Interpreting the Handbook

... 

Rules and guidance applying while a firm has temporary permission – capital adequacy requirements

2.2.30  R (1) Nothing in GENPRU, BIPRU, IFRPRU, MIFIDPRU, INSPRU, MIPRU, IPRU(FSOC), IPRU(INS) or IPRU(INV) applies to a TP firm, except for the provisions in (2).

(2) To the extent a TP firm carries on the relevant regulated activity, the following apply by virtue of GEN 2.2.26R:

(a) INSPRU 1.5.33R;

(b) MIPRU;

(c) IPRU(FSOC);

(d) IPRU(INV) 5, 6, 9, 12 and 13, except that rules relating to capital adequacy in these chapters, which would apply to a TP firm through the operation of GEN 2.2.26R(2), do not apply to that TP firm. Specifically, the financial resources requirements for depositaries of UCITS schemes and depositaries of certain AIFs in IPRU(INV) 5, and requirements involving the holding of professional indemnity insurance which relate to capital adequacy in IPRU(INV) 9 and 13.

2.2.31  G ... 

(6) For the purpose of this guidance, rules relating to capital adequacy comprise rules relating to the adequacy of a firm’s financial resources, including both capital resources and liquidity resources. However, rules relating to capital adequacy do not include rules involving the holding of professional indemnity insurance, except where such rules are tied to capital adequacy requirements by a form of optionality (for examples of such rules, see IPRU(INV) 9.2.4R and IPRU(INV) ...
13.1A.3R). Therefore, rules involving the holding of professional indemnity insurance may apply to a TP firm by virtue of GEN 2.2.26R, but if such rules are tied to capital adequacy requirements, they cannot apply by virtue of GEN 2.2.26R(2).
Annex E

Amendments to the Fees manual (FEES)

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

1 Fees Manual

1.1 Application and purpose

1.1.1 G (1) FEES applies to all persons required to pay a fee or levy under a provision of the Handbook. The purpose of this chapter is to set out to whom the rules and guidance in FEES apply.

... ...

(3) FEES 3 (Application, Notification and Vetting Fees) covers one-off fees payable on a particular event for example:

(a) various application fees (including those in relation to authorisation, variation of Part 4A permission, registration as a CBTL firm, authorisation of a data reporting services provider, and listing and the Basel Capital Accord); and

...

3 Application, Notification and Vetting Fees

...

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification, vetting and other fees payable to the FCA

<table>
<thead>
<tr>
<th>Part 1: Application, notification and vetting fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Fee payer</td>
</tr>
<tr>
<td>...</td>
</tr>
</tbody>
</table>
(o) In relation to a BIPRU firm, a firm applying to the FCA for permission to use one of the advanced prudential calculation approaches listed in FEES 3 Annex 6R (or guidance on its availability), including any future proposed amendments to those approaches. [deleted]

| (1) Unless (2) applies, FEES 3 Annex 6. | Where the firm has made an application directly to the FCA, on or before the date the application is made, otherwise within 30 days after the FCA notifies the firm that its EEA parent’s Home State regulator has requested assistance. [deleted] |
| (2) (a) Unless (b) applies a firm submitting a second application for the permission or guidance described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6, but only in respect of that second application. |
| (b) No fee is payable by a firm in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for guidance in accordance with prescribed submission requirements. [deleted] |

(oa) Either:

(1) a firm applying to the FCA for permission to use one of the internal approaches listed in FEES 3 Annex 6A (or guidance on its availability), including any future proposed amendments to those approaches or (in the case of any application

| (1) Unless (2) applies, FEES 3 Annex 6A. | Where the firm has made an application directly to the FCA, on or before the date the application is made, otherwise within 30 days after the FCA notifies the firm that its EEA parent’s consolidating supervisor has requested assistance. [deleted] |
| (2) (a) Unless (b) applies a firm submitting a second application for the permission or guidance described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under FEES 3 Annex 6A, but

| [deleted] |

| [deleted] |
being made for such permission to the FCA as consolidating supervisor under the UK CRR any firm making such an application; or
(ii) in the case of an application to the consolidating supervisor other than the FCA for the use of the IRB approach and the consolidating supervisor requesting the FCA’s assistance in accordance with the UK CRR, any firm to which the FCA would have to apply any decision to permit the use of that approach.

(b) No fee is payable by a firm in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for guidance in accordance with prescribed submission requirements.

(c) No fee is payable where the consolidating supervisor has requested the assistance described in paragraph (oa)(ii) of column 1. [deleted]

Fees payable by a BIPRU firm for a permission or guidance on its availability in connection with the BCD and/or CAD [deleted]

Fees payable for a permission or guidance on its availability in connection with the UK CRR [deleted]

Amend the following as shown.

FCA activity groups, tariff bases and valuation dates

Part 1
This table shows how the FCA links the regulated activities for which a firm has permission to activity groups (fee-blocks). A firm can use the table to identify which fee-blocks it falls into based on its permission.
A.10 Firms dealing as principal

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>its permission includes</td>
<td>(a) dealing in investments as principal; and/or</td>
</tr>
<tr>
<td>(b) bidding in emissions auctions;</td>
<td>BUT NOT if one or more of the following apply:</td>
</tr>
<tr>
<td>the firm is an oil market participant, energy market participant or a local (except where the firm is bidding in emissions auctions);</td>
<td>the firm would be an oil market participant or energy market participant if it were not a MiFID investment firm (except where the firm is bidding in emissions auctions);</td>
</tr>
</tbody>
</table>

A.13 Advisors, arrangers, dealers or brokers

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) …</td>
<td>OR</td>
</tr>
<tr>
<td>(2) its permission;</td>
<td>(a) includes one or more of the following:</td>
</tr>
<tr>
<td>(i) in relation to one or more designated investments:</td>
<td>…</td>
</tr>
</tbody>
</table>

*dealing as principal in investments* where the activity is carried on by a firm that would be an oil market participant or energy market participant if it were not a MiFID investment firm;
Annex F

Amendments to the General Prudential sourcebook (GENPRU)

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

GENPRU 1 (Application) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

1 Application [deleted]

Amend the following as shown.

3 Cross sector groups

3.1 Application

... Purpose

3.1.2 GENPRU 3.1 implements requirements that correspond to in the Financial Groups Directive. However, material on the following topics is to be found elsewhere in the Handbook as follows:

(1) further material on third-country financial conglomerates can be found in GENPRU 3.2;

(2) SUP 15.9 contains notification rules for members of financial conglomerates;

(3) material on reporting obligations can be found in SUP 16.12.32R and SUP 16.12.33R; and

(4) material on systems and controls in financial conglomerates can be found in SYSC 12.

3.1.2A GENPRU 3.1 has been amended to reflect the introduction of a new prudential regime for MiFID investment firms (MIFIDPRU). This new regime streamlines and simplifies the prudential requirements for MIFIDPRU investment firms. It refocuses prudential requirements and expectations away from the risks a firm faces to also consider, and look to mitigate, the potential for harm these firms can pose to consumers and markets. If a financial conglomerate for which the FCA is the coordinator considers the amendments to GENPRU 3.1 do not appropriately reflect the risks and potential harms to which its activities give rise, it should contact the FCA to discuss how the rules could be modified to do so.
... Definition of financial conglomerate: the financial sectors: general ...

3.1.8 R  ...

(1A) In determining the investment services sector for the purpose of identifying a financial conglomerate in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in the financial conglomerate definition decision tree, any investment firm that does not fall within the definition of article 4(1)(2) of the UK CRR is excluded. [Deleted]

...

Capital adequacy requirements: introduction

3.1.14 G The capital adequacy provisions of GENPRU 3.1 are designed to be applied to EEA-based financial conglomerates.

...

3.1.17 G Annex I of the Financial Groups Directive laid down three methods for calculating capital adequacy at the level of a financial conglomerate. Those three methods are implemented as follows:

(1) Method 1 calculates capital adequacy using accounting consolidation. It is implemented by set out in GENPRU 3.1.29R to GENPRU 3.1.31R and Part 1 of GENPRU 3 Annex 1.

(2) Method 2 calculates capital adequacy using a deduction and aggregation approach. It is implemented by set out in GENPRU 3.1.29R to GENPRU 3.1.31R and Part 2 of GENPRU 3 Annex 1.

(3) [deleted]

(4) Method 3 consists of a combination of Methods 1 and 2 and would be implemented by means of a requirement.

...

Risk concentration and intra group transactions: the main rule

3.1.35 R A Subject to GENPRU 3.1.35AR, a firm must ensure that the sectoral rules regarding risk concentration and intra-group transactions of the most important financial sector in the financial conglomerate referred to in GENPRU 3.1.34R are complied with with respect to that financial sector as
a whole, including the *mixed financial holding company*. The *sectoral rules* for these purposes are those identified in the table in *GENPRU 3.1.36R*.

**3.1.35A** A *mixed financial holding company* must comply with the *sectoral rules* in the table in *GENPRU 3.1.36R* for the *investment services sector* where:

1. the FCA is the *coordinator* of the financial conglomerate; and
2. the banking and investment services sector is the most important financial sector.

Risk concentration and intra-group transactions: Table of applicable sectoral rules

**3.1.36** Table: application of sectoral rules

This table belongs to *GENPRU 3.1.35R*

<table>
<thead>
<tr>
<th>The most important financial sector</th>
<th>Applicable sectoral rules</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Risk concentration</td>
</tr>
<tr>
<td><strong>Banking and investment services sector</strong></td>
<td>the UK CRR</td>
</tr>
<tr>
<td>For the Banking sector</td>
<td>Part Four of the UK CRR</td>
</tr>
<tr>
<td>For the investment services sector</td>
<td>MIFIDPRU 5</td>
</tr>
<tr>
<td>Insurance sector</td>
<td>PRA Rulebook: Solvency II Firms: Groups: 16.2</td>
</tr>
</tbody>
</table>

**Note** Any waiver, approval or permission granted to a member of the financial conglomerate, on a solo (or individual for the purposes of the UK CRR an individual or consolidated basis, shall not apply in respect of the financial conglomerate for the purposes of GENPRU 3.1.36R. For this purpose, “permission” refers to a consent, approval or agreement conferred on the appropriate regulator as competent authority under the UK CRR.

The financial sectors: asset management companies and alternative investment fund managers
3.1.39 R (1) This rule deals with the inclusion of an asset management company or an alternative investment fund manager that is a member of a financial conglomerate in the scope of regulation of financial conglomerates.

[Note: Articles 30 and 30a of the Financial Groups Directive]

(2) An asset management company or an alternative investment fund manager is in the overall financial sector and is a regulated entity for the purpose of:

(a) GENPRU 3.1.29R to GENPRU 3.1.36R;

(b) GENPRU 3 Annex 1 (Capital adequacy calculations for financial conglomerates) and GENPRU 3 Annex 2 (Prudential rules for third country groups); and

(c) any other provision of the Handbook relating to the supervision of financial conglomerates.

(3) In Save in the circumstances in (5), in the case of a financial conglomerate for which the FCA is the coordinator, all asset management companies and all alternative investment fund managers must, for the purposes in (2), be allocated to one financial sector to which they belong for the purposes in (2), being either the MIFIDPRU investment services sector or the insurance sector. But if that choice has not been made in accordance with (4) and notified to the FCA in accordance with (4)(d), an asset management company or an alternative investment fund manager must be allocated to the smallest financial sector MIFIDPRU investment services sector.

(4) The choice in (3):

(a) must be made by the undertaking in the financial conglomerate that is:

(i) the parent undertaking at the head of the group or,

(ii) in the absence of a parent undertaking, the regulated entity with the largest balance sheet total in the most important financial sector undertaking that is deemed to be the parent undertaking in accordance with the rules in MIFIDPRU 2.4;

(b) applies to all asset management companies and all alternative investment fund managers that are members of the financial conglomerate from time to time;

(c) cannot be changed; and
must be notified to the FCA as soon as reasonably practicable after the notification in (4)(a).

[Note: Article 4(2) of the Financial Groups Directive]

(5) This rule applies even if: Where a UCITS management company or an asset management company is an investment firm it must be allocated to the MIFIDPRU investment services sector.

(a) a UCITS management company is an IFPRU investment firm;

or [deleted]

(b) an asset management company or alternative investment fund manager is an investment firm. [deleted]

3.2 Third-country groups

Application

... 

3.2.1A R GENPRU 3.2.9R (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to the following: an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the UK CRR.

(1) CAD investment firm; and [deleted]

(2) an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the UK CRR. [deleted]

Purpose

3.2.2 G GENPRU 3.2 implements implemented requirements that correspond corresponded in part to article 18 of the Financial Groups Directive, article 127 of the CRD and (in relation to BIPRU firms) article 143 of the BCD.

Equivalence

3.2.3 G The first question that must be asked about a third-country group is whether the UK regulated entities in that third-country group are subject to supervision by a third-country competent authority, which is equivalent to that provided for in GENPRU 3 (in the case of a financial conglomerate) or the UK prudential sectoral legislation for the banking sector, the CRR investment services sector or the MIFIDPRU investment services sector (in the case of a banking and investment group).

Other methods: General

3.2.4 G If the supervision of a third-country group by a third-country competent authority does not meet the equivalence test referred to in GENPRU 3.2.3G, the methods set out in MIFIDPRU or the UK provisions which implemented
the CRD and UK CRR will apply. Alternatively, or the FCA may apply other methods that ensure appropriate supervision of the UK regulated entities in that third-country group in accordance with the aims of supplementary supervision in GENPRU 3 or consolidated supervision under the applicable UK prudential sectoral legislation.

Supervision by analogy: introduction

3.2.5 G If the supervision of a third-country group by a third-country competent authority does not meet the equivalence test referred to in GENPRU 3.2.3G, the FCA may, rather than take the measures described in GENPRU 3.2.4G, apply, by analogy, the provisions concerning supplementary supervision in GENPRU 3 or, as applicable, consolidated supervision under the applicable UK prudential sectoral legislation, to the UK regulated entities in the banking sector, CRR investment services sector, MIFIDPRU investment services sector and (in the case of a financial conglomerate) insurance sector.

3.2.7 G GENPRU 3.2.8R and GENPRU 3.2.9R and GENPRU 3 Annex 2 set out rules to deal with the situation covered in GENPRU 3.2.5G. Those rules do not apply automatically. Instead, they can only be applied with respect to a particular third-country group through the Part 4A permission of a firm in that third-country group.

Insert the following new section after GENPRU 3.2 (Third country groups). The text is not underlined.

3.3 Actions for damages

3.3.1 R A contravention of the rules in GENPRU does not give rise to a right of action by a private person under section 138D of the Act (and each of those rules is specified under section 138D(3) of the Act as a provision giving rise to no such right of action).

Amend the following as shown.

3 Annex Capital adequacy calculations for financial conglomerates (GENPRU 3.1.29R)

Table

| A mixed financial | 4.4 | A mixed financial holding company must be treated in the same way as: |

Page 121 of 184
| holding company | (1) **a financial holding company** (if Part One, Title II, Chapter 2 of the *UK CRR* and the PRA Rulebook: Groups Part) are applied; or  
(2) **an insurance holding company** (if the rules in PRA Rulebook: Solvency II Firms: Group Supervision are applied); or  
(3) **an investment holding company** (if the rules in MIFIDPRU are applied). |

8 Table: PART 5: Principles applicable to all methods

| Cross sectoral capital | 5.3 | (1) The solvency requirements for each different **financial sector** represented in a **financial conglomerate** required by GENPRU 3.1.29R must be covered by own funds elements in accordance with the corresponding **applicable sectoral rules**.  
(2) If there is a deficit of own funds at the **financial conglomerate** level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by GENPRU 3.1.29R.  
[**Note:** second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the Financial Groups Directive] |

| Application of sectoral rules: Banking sector and investment services sector | 5.6 | In relation to a **BIPRU firm** that is a member of a **financial conglomerate** where there are no credit institutions or investment firms, the following adjustments apply to the applicable sectoral rules for the banking sector and the investment services sector as they are applied by the rules in this annex.  
(1) References in those rules to non-UK sub-groups – if applicable – do not apply.  
[deleted]  
(3) Any **investment firm consolidation waivers** granted to members of the **financial conglomerate** do not apply.  
(4) (For the purposes of Parts 1 and 2), without prejudice to the application of requirements in BIPRU 8 preventing the use of an **advanced prudential calculation approach** on a consolidated basis, any advanced prudential calculation approach permission that applies for the purpose of BIPRU 8 does not apply. |
(5) (For the purposes of Parts 1 and 2), BIPRU 8.5.9R and BIPRU 8.5.10R do not apply.

(6) (For the purposes of Part 3), where the financial conglomerate does not include a credit institution, the method in GENPRU 2 Annex 4 must be used for calculating the capital resources and BIPRU 8.6.8R does not apply.

(Other than as above) the UK CRR and the provisions which implemented the CRD apply for the banking sector and the investment services sector. [deleted]

9 Table: PART 6: Definitions used in this Annex

| Solo capital resources requirement: Banking sector and investment service sector | 6.2 | (1) Save in the circumstances in paragraphs 6.6 to 6.7A, The solo capital resources requirement of an undertaking in the banking sector or the investment services sector must be calculated in accordance with this rule, subject to paragraph 6.6 the UK prudential requirements that apply to that undertaking on a solo basis.

(2) The solo capital resources requirement of a building society is its own funds requirements. [deleted]

(3) The solo capital resources requirement of an electronic money institution is the capital resources requirement that applies to it under the Electronic Money Regulations. [deleted]

(4) If there is a credit institution in the financial conglomerate, the solo capital resources requirement for any undertaking in the banking sector or the investment services sector is, subject to (2) and (3), calculated in accordance with the UK CRR for calculating the own funds requirements of a bank. [deleted]

(5) If:
(a) the financial conglomerate does not include a credit institution;
(b) there is at least one investment firm in the financial conglomerate; and
(c) all the investment firms in the financial conglomerate are limited licence firms or limited activity firms;
the solo capital resources requirement for any undertaking in the banking sector or the investment services sector is calculated in accordance with the UK CRR for calculating the own funds requirements of.
(i) (if there is a limited activity firm in the financial conglomerate), an IFPRU limited activity firm; or
(ii) (in any other case), an IFPRU limited licence firm.
[deleted]

(6) If:
(a) the financial conglomerate does not include a credit institution; and
(b) (5) does not apply;
the solo capital resources requirement for any undertaking in the banking sector or the investment services sector is calculated in accordance with the UK CRR for calculating the own funds requirements of a full-scope IFPRU investment firm. [deleted]

(7) In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms, any capital resources requirements calculated under a BIPRU TP may be used for the purposes of the solo capital resources requirement in this rule in the same way that the capital resources requirements can be used under BIPRU 8. [deleted]

---

Solo capital resources requirement: non-UK firms subject to equivalent regimes in the banking sector or investment services sector

6.6 The solo capital resources requirement for a recognised third country credit institution or a recognised third country investment firm is the amount of capital resources that it is obliged to hold under the sectoral rules for its financial sector that apply to it in the state or territory in which it has its head office provided that:
(1) there is no reason for the firm applying the rules in this annex to believe that the use of those sectoral rules would produce a lower figure than would be produced under paragraph 6.2; and
(2) paragraph 6.3 applies to the entity and those sectoral rules.

Solo capital resources requirement: mixed financial

6.7 (1) The solo capital resources requirement of a mixed financial holding company is a notional capital requirement. It subject to (2), it is the capital adequacy requirement that applies to regulated entities in the most important financial sector under the table in paragraph 6.10.
(2) Where the banking and investment services sector is the most important financial sector, the capital adequacy requirement will be:

(a) where there is a UK credit institution in the financial conglomerate, the requirements in the table in paragraph 6.10 for the banking sector; or

(b) in all other cases, the requirements in the table in paragraph 6.10 for the investment services sector.

<table>
<thead>
<tr>
<th>Solo capital resources requirement: other non-regulated financial sector entities</th>
<th>6.7 A</th>
<th>The solo capital resources requirement of a non-regulated financial sector entity other than a mixed financial holding company is a notional capital requirement calculated in accordance with Article 12 of Part 1 (FCA) of Regulation (EU) 342/2014.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference to “rules”</td>
<td>6.7 A 6.7 B</td>
<td>A reference to “rules” in this annex includes any onshored regulations that are relevant to the purpose for which “rules” as used refers to.</td>
</tr>
</tbody>
</table>

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

<table>
<thead>
<tr>
<th>Financial sector</th>
<th>Sectoral rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banking sector</strong></td>
<td>Part One, Title II, Chapter 2 of the UK CRR and <strong>IFPRU 8.4</strong> the PRA Rulebook.</td>
</tr>
<tr>
<td><strong>Insurance sector</strong></td>
<td>PRA Rulebook: Solvency II Firms: Group Supervision.</td>
</tr>
</tbody>
</table>
3 Annex 3G Guidance Notes for Classification of Groups

Classification of Groups (GENPRU 3.1.3G) - This annex consists only of one or more forms. Forms are to be found through the following address:

genpru_ch3_annex3G.pdf [Editor’s note: The form can be found at this address: https://fca.org.uk/publication/forms/[xxx]]
Purpose and scope

The form is designed to identify groups and sub-groups that are likely to be financial conglomerates under the Financial Groups Directive GENPRU 3. A group may be a financial conglomerate if it contains both insurance and banking/investment businesses and meets certain threshold tests. The FCA needs to identify conglomerates with their head offices in the EEA UK and those with their head offices outside the EEA UK, although this does not necessarily mean that the latter will be subject to EEA UK conglomerate supervision.

This form’s purpose is to enable the FCA to obtain sufficient information so as to be able to determine how likely a group/sub-group is to be a financial conglomerate. In certain cases this can only be determined after consultation with the other EU relevant competent authorities PRA. A second purpose of the form is therefore to identify any groups and sub-groups that may need such consultation so that this can be made as soon as possible. This should allow firms time to prepare to comply.

The third purpose of the form is to gain information from firms on the most efficient way to implement the threshold calculations in detail (consistent with the directive). We have, therefore, asked for some additional information in part 4 of the form.

A copy of this form can be found on the FCA’s Financial Groups Website with current contact details.

Please include workings showing the method employed to determine the percentages in part 2 (for the threshold conditions) and giving details of all important assumptions / approximations made in doing the calculations.

The definition of financial conglomerate includes not only conventional groups made up of parent-subsidiary relationships but groups linked by control and “consolidation Article 12(1) relationships”. If this is the case for your group, please submit along with this form a statement that this is the case. Please include in that statement an explanation of how you have included group members not linked by capital ties in the questionnaire calculations.

A consolidation Article 12(1) relationship arises between undertakings in the circumstances set out in Article 12(1) of the Seventh Company Law Directive. These are set out in the Handbook Glossary (in the definition of consolidation Article 12(1) relationship). Broadly speaking, undertakings come within this definition if they do not form a conventional group but:

- are managed on a unified basis; or
- have common management.

General guidance

We would like this to be completed based on the most senior parent in the group, and, if applicable, for the company heading the most senior conglomerate group in the EEA UK. If appropriate, please also attach a list of all other likely conglomerate sub-groups.

Please use the most recent accounts for the top level company in the group together with the corresponding accounts for all subsidiaries and participations.
that are included in the consolidated accounts. Please indicate the names of any significant subsidiaries with a different year-end from the group’s year-end.

Please note the following:

(a) Branches should be included as part of the parent entity.

(b) Include in the calculations overseas entities owned by the relevant group or sub-group.

(c) There are only two sectors for this purpose: banking/investment and insurance.

(d) You will need to assign non-regulated financial entities to one of these sectors:

- **banking/investment** activities are listed in – Annex 1 to the Capital Requirements Directive 2013/36/EU
- **insurance** activities are listed in - schedule 1 to, and contracts of insurance defined in article 3(1) of, the Regulated Activities Order.
- Any operator of a UCITS scheme, insurance intermediary, mortgage broker and mixed financial holding company does not fall into the directive definitions of either financial sector or insurance sector and should be treated for these purposes as being outside the financial sector. They should therefore be ignored for the purposes of these calculations.

Threshold tests

For the purpose of completing section 2 of the form relating to the threshold tests, the following guidance should be used. However, if you consider that for your group there is a more appropriate calculation then you may use this calculation so long as the method of computation is submitted with the form.

Calculating balance sheet totals

Generally, use total (gross) assets for the balance sheet total of a group/entity. However, investments in other entities that are part of the group will need to be deducted from the sector that has made the investment and the balance sheet total of the entity is added to the sector in which it operates.

Our expectation of how this may be achieved efficiently is as follows:

- Off-balance-sheet items should be excluded.

- Where off-balance sheet treatment of **funds under management** and on-balance sheet treatment of **policy holders’ funds** may distort the threshold calculation, groups should consult the FCA on the appropriateness of using other measures under article 3.5 of the Financial Groups Directive regulation 19 of the Financial Conglomerates and Other Financial Groups Regulations 2004.

- If consolidated accounts exist for a sub-group consisting of financial entities from only one of the two sectors, these consolidated accounts should be used to measure the balance-sheet total of the sub-group (i.e. total assets less investments in entities in the other sector). If consolidated accounts do not exist, intra-group balances should be netted out when calculating the balance.
sheet total of a single sector (but cross-sector intra-group balances should not be netted out).

- Where consolidated accounts are used, minority interests should be excluded and goodwill should be included.

- Where accounting standards differ between entities, groups should consult the FCA if they believe this is likely materially to affect the threshold calculation.

- Where there is a subsidiary or participation in the opposite sector from its parent (i.e. insurance sector for a banking/investment firm parent and vice versa), the balance sheet amount of the subsidiary or participation should be allocated to its sector using its individual accounts.

- The balance-sheet total of the parent entity/sub-group is measured as total assets of the parent/sub-group less the book value of its subsidiaries or participations in the other sector (i.e. the value of the subsidiary or participation in the parent’s consolidated accounts is deducted from the parent’s consolidated assets).

- The cross-sector subsidiaries or participations referred to above, valued according to their own accounts, are allocated pro-rata, according to the aggregated share owned by the parent/sub-group, to their own sector.

- If the cross-sector entities above themselves own group entities in the first sector (i.e. that of the top parent/sub-group) these should (in accordance with the methods above) be excluded from the second sector and added to the first sector using individual accounts.

Solvency (capital adequacy) requirements

Generally, the solvency requirements should be according to sectoral rules of the FCA that would apply to the type of entity. However, you can use EEA rules or local rules in the circumstances set out in Part 6 of GENPRU 3 Annex 1. But if this choice makes a significant difference, either with respect to whether the group is a financial conglomerate or with respect to which sector is the biggest, you should consult with the FCA. Non-regulated financial entities should have proxy requirements calculated on the basis of the most appropriate sector. If sub-groups submit single sector consolidated returns then the solvency requirement may be taken from those returns.

Our expectation of how this may be achieved efficiently is as follows:

- If you complete a solvency return for a sub-group consisting of financial entities from only one of the two financial sectors, the total solvency requirement for the sub-group should be used.

- Solvency requirements taken must include any deductions from available capital so as to allow the appropriate aggregation of requirements.

- Where there is a regulated subsidiary or participation in the opposite sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be from its individual regulatory return. If there is an identifiable contribution to the parent’s solvency requirement in respect of the cross-sector subsidiary or participation, the parent’s solvency requirement may be adjusted to exclude this.
• Where there is an unregulated financial undertaking in the opposite another sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be one of the following:

• as if the entity were regulated by the FCA under the appropriate sectoral rules; or

• using EU minimum requirements for the appropriate sector; or

• using non-EU local requirements* for the appropriate sector (where permissible).

• Please note on the form which of these options you have used, according to the country and sector, and whether this is the same treatment as in your latest overall group solvency calculation.

• For banking/investment requirements, use the total amount of capital required.

• For insurance requirements, use the total amount of capital required.

Market share measures
These are not defined by the directive. The aim is to identify any standard industry approaches to measuring market share in individual EU countries by sector, or any data sources which are commonly used as a proxy.

Article I.

Article II. Threshold tests

Test F2
B/S of banking/investment + insurance sector = result %
B/S total

Test F3/F4/F5
B/S of insurance sector
B/S of banking/investment sector + insurance sector = A %
B/S of banking/investment sector
B/S of banking/investment sector + insurance sector = B %

Solvency requirement of insurance sector
Solvency requirement of banking/investment sector + insurance sector = C %

Solvency requirement of banking/investment sector
Solvency requirement of banking/investment sector + insurance sector = D %

The relevant percentage for the insurance sector is:

(A% + C%)/2 = I %

The relevant percentage for the banking/investment sector is:

(B% + D%)/2 = BI %

The smallest sector is the sector with the smallest relevant percentage.
Article III. If I\% < BI\% then F3 is insurance, F4 = A\%, and F5 = C\%

Article IV. If BI\% < I\% then F3 is banking/investment, F4 = B\% and F5 = D\%

The existing diagram in GENPRU 3 Annex 4 is deleted in its entirety. The deleted text is not shown. The following diagram is inserted to replace the deleted text.

Footnote: the conditions are that the UK regulated entity at the head of the consolidation group: is a parent undertaking of a member of the consolidation group in the overall financial sector; has a participation in a member of the consolidation group that is in the overall financial sector, or has a consolidation Article 12(1) relationship with a member of the consolidation group that is in the overall financial sector.
Annex G

Amendments to the Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)

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

1 Application

…

1.2 SNI MIFIDPRU investment firms

Basic conditions for classification as an SNI MIFIDPRU investment firm

1.2.1 R A MIFIDPRU investment firm is an SNI MIFIDPRU investment firm if it satisfies the following conditions:

…

(8) it has not been classified as a non-SNI MIFIDPRU investment firm due to the effect of MIFIDPRU 10.2 (Categorisation of clearing firms as non-SNI MIFIDPRU investment firms); and

(9) its average DTF, as calculated in accordance with MIFIDPRU 4.15.4R, is zero; and

(10) it is not appointed to act as a depositary in accordance with FUND 3.11.10R(2) or COLL 6.6A.8R(3)(b)(i).

…

Additional provisions relating to the calculation of conditions to be classified as an SNI MIFIDPRU investment firm

…

1.2.9 R A MIFIDPRU investment firm must assess the following conditions on the basis of the firm’s individual situation:

(1) average ASA under MIFIDPRU 1.2.1R(3);

(2) average CMH under MIFIDPRU 1.2.1R(4);

(3) average DTF under MIFIDPRU 1.2.1R(9);

(4) whether the firm has permission to deal on own account; and

(5) whether the firm is a clearing member or an indirect clearing firm; and
(6) whether the *firm* is appointed to act as a *depositary* in accordance with *FUND* 3.11.10R(2) or *COLL* 6.6A.8R(3)(b)(i).

Summary of conditions for classification as an SNI MIFIDPRU investment firm and associated calculation requirements

1.2.12 G The following table summarises the effect of *MIFIDPRU* 1.2.1R to 1.2.10R.

<table>
<thead>
<tr>
<th>Measure</th>
<th>Measurement of relevant values</th>
<th>Threshold to be classified as an SNI MIFIDPRU investment firm</th>
<th>Application of threshold on an individual basis or combined basis of investment firms within a group (see MIFIDPRU 1.2.9R and 1.2.10R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whether <em>firm</em> is a <strong>clearing member</strong> or <strong>indirect clearing firm</strong> under <strong>MIFIDPRU 10.2</strong></td>
<td><em>Firm</em> must not be a <em>clearing member</em> or <em>indirect clearing firm</em></td>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whether the <em>firm</em> has been appointed to act as a <strong>depositary</strong> in accordance with <strong>FUND 3.11.10R(2)</strong> or <strong>COLL 6.6A.8R(3)(b)(i)</strong></td>
<td><em>Firm</em> must not be appointed as a <em>depositary</em> under the relevant <strong>FUND</strong> and <strong>COLL</strong> provisions</td>
<td>Individual</td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MIFIDPRU 1 Annex 4R (Notification under MIFIDPRU 1.2.16R that a firm no longer qualifies to be classified as an SNI investment firm) is replaced with the form below. The new text is not underlined.

MIFIDPRU 1 Annex 4R

Notification under MIFIDPRU 1.2.16R that a firm/group no longer qualifies to be classified as an SNI investment firm/group

You must use this form to notify the FCA that the firm/group has ceased to meet one or more of the conditions set out in MIFIDPRU 1.2.1R for being a small and non-interconnected investment firm/group (SNI).

If the reclassification results from a change in regulated activities that the MIFIDPRU investment firm undertakes, and the firm notifies us of that fact as part of a variation of permission application, a separate notification using this form is not required.

1. Please confirm to which of the following this notification is being made (select one):

a. the SNI status of a MIFIDPRU investment firm

b. the consolidated SNI status of an investment firm group

The questions in this section relate to notifications under 1.a. only.

2. Please provide the following information:

a. Condition(s) no longer met (please select all that apply)

   Average AUM
   Average COH (cash trades)
   Average COH (derivatives trades)
   On- and off-balance sheet total
   Total annual gross revenue
   Average CMH
   Average ASA
   Average DTF
   Clearing member/indirect clearing firm status

b. Date from which conditions ceased to be met

DD/MM/YYYY

3. Where a firm has ceased to meet one or more of the average AUM, average COH, balance sheet or revenue thresholds specified in MIFIDPRU 1.2.15R(2), but continues to meet all other conditions in MIFIDPRU 1.2.1R, it will cease to be classified as an SNI investment firm 3 months after the date on which the relevant threshold was first exceeded.
Please confirm whether the firm continues to meet all conditions in MIFIDPRU 1.2.1R other than those listed in MIFIDPRU 1.2.15R(2).

Yes/No

4. Please confirm your understanding that the firm:

a. will be subject to additional obligations and reporting requirements as a non-SNI investment firm, and

b. will need to comply with the obligations in MIFIDPRU 1.2.18R(1) within 12 months of the date it first ceased to meet the SNI conditions in MIFIDPRU 1.2.R.

Yes

*The questions in this section relate to notifications under 1.b. only.*

5. Please provide the following information:

a. Condition(s) no longer met on a consolidated basis (please select all that apply)

   - Average AUM ☐
   - Average COH (cash trades) ☐
   - Average COH (derivatives trades) ☐
   - On- and off-balance sheet total ☐
   - Total annual gross revenue ☐
   - Average CMH ☐
   - Average ASA ☐
   - Average DTF ☐
   - Entity within group deals on own account ☐
   - Non-SNI investment firms within the group ☐

b. Date from which conditions ceased to be met on a consolidated basis

   DD/MM/YYYY

6. Where a group has ceased to meet one or more of the average AUM, average COH, balance sheet or revenue thresholds specified in MIFIDPRU 1.2.15R(2), but continues to meet all other conditions in MIFIDPRU 1.2.1R on a consolidated basis, it will cease to be treated as an SNI investment firm on a consolidated basis 3 months after the date on which the relevant threshold was first exceeded.

Please confirm whether the group continues to meet all conditions in MIFIDPRU 1.2.1R on a consolidated basis other than those listed in MIFIDPRU 1.2.15R(2).

Yes/No

7. Please confirm your understanding that the group:
a. will be subject to additional obligations and reporting requirements by being treated as a non-SNI investment firm on a consolidated basis, and

b. will need to comply with the obligations in SYSC 19G (the MIFIDPRU Remuneration Code), to the extent that they apply on a consolidated basis, within 12 months of the date it first ceased to meet the SNI conditions in MIFIDPRU 1.2.R.
MIFIDPRU 2 Annex 1R (Application under MIFIDPRU 2.3.3R for an exemption from application of specific requirements on an individual basis) is replaced with the form below. The new text is not underlined.

**Part A – Permission under MIFIDPRU 2.3.1R to be exempt from disclosure requirements in MIFIDPRU 8 (Disclosure by investment firms) for SNI firms in consolidated insurance groups**

Details of Senior Manager responsible for this application:

*If the application is being made in respect of a MIFIDPRU investment firm or another SMCR firm, we would expect the individual responsible for it to hold a senior management function (SMF).*

<table>
<thead>
<tr>
<th>Title</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First names</td>
<td></td>
</tr>
<tr>
<td>Surname</td>
<td></td>
</tr>
<tr>
<td>Job title / position</td>
<td></td>
</tr>
<tr>
<td>Individual reference number (if applicable)</td>
<td></td>
</tr>
</tbody>
</table>

1. Please confirm that the applicant firm is a small and non-interconnected investment firm (SNI) by providing the following information.

*Please refer to MIFIDPRU 1.2.1R, which sets out the basic conditions to be classified as an SNI firm and explains how the numerical metrics should be calculated.*

<table>
<thead>
<tr>
<th>Average AUM</th>
<th>number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average COH (cash)</td>
<td>number</td>
</tr>
<tr>
<td>Average COH (derivatives)</td>
<td>number</td>
</tr>
<tr>
<td>On- and off-balance sheet total</td>
<td>number</td>
</tr>
<tr>
<td>Annual gross revenue from MiFID services and activities</td>
<td>number</td>
</tr>
</tbody>
</table>

Please tick to confirm that the following statements are true about the applicant firm:

- [ ] It does not have permission to deal on own account
- [ ] It does not act as a clearing member or an indirect clearing firm
- [ ] It does not hold client money and/or safeguard client assets in the course of its MiFID business
- [ ] Its average DTF is zero
- [ ] It is not appointed to act as a depositary in accordance with FUND 3.11.10R(2) or COLL 6.6A.8R(3)(b)(i)

2. Please provide the FRN and name of the parent insurance/reinsurance undertaking.
3. Please confirm that the PRA has been notified about the firm’s application to be exempt from disclosure requirements in MIFIDPRU 8.

*Please note that the FCA will consult the PRA before making a determination.*

☐ Yes

Name of PRA contact for this application:

<table>
<thead>
<tr>
<th>PRA supervisor / contact name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone number</td>
<td></td>
</tr>
<tr>
<td>Email address</td>
<td></td>
</tr>
</tbody>
</table>

4. Please attach a group structure chart clearly demonstrating that the applicant firm is a subsidiary of a parent insurance/reinsurance undertaking within a PRA consolidation group.

☐ Attached

5. With regards to the own funds held by the parent undertaking and the applicant firm:
   
a. Please explain how you are satisfied that own funds are distributed adequately between the two firms:
   
   [Space for explanation]
   
b. Please attach a breakdown of the own funds held by each firm.

☐ Attached

6. Please confirm that the following statements are true with respect to the arrangements between the parent undertaking and the applicant firm. Separately, in the text boxes provided please explain how these arrangements satisfy each of the below points and provide supporting evidence wherever possible.

   a. There is no current or foreseen material practical or legal impediment to the prompt transfer of capital or repayment of liabilities by the parent undertaking.

      ☐ Yes

      ☐ Supporting evidence/information attached
b. Either the parent undertaking will guarantee the commitments entered into by the firm, or the risks of the firm are of negligible interest.

☐ Yes
☐ Supporting evidence/information attached

c. The risk evaluation, measurement and control procedures of the parent undertaking include the firm.

☐ Yes
☐ Supporting evidence/information attached

d. The parent undertaking holds more than 50% of the voting rights attached to shares in the capital of the firm or has the right to appoint or remove a majority of the members of the firm’s management body.

☐ Yes
☐ Supporting evidence/information attached

Part B – Individual exemption from liquidity requirements under MIFIDPRU 2.3.2R for MIFIDPRU investment firms in consolidated CRR or MIFIDPRU groups

Details of Senior Manager responsible for this application:

*If the application is being made in respect of a MIFIDPRU investment firm or another SMCR firm, we would expect the individual responsible for it to hold a senior management function (SMF).*

<table>
<thead>
<tr>
<th>Title</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>First names</td>
<td></td>
</tr>
<tr>
<td>Surname</td>
<td></td>
</tr>
<tr>
<td>Job title / position</td>
<td></td>
</tr>
<tr>
<td>Individual reference number (if applicable)</td>
<td></td>
</tr>
</tbody>
</table>
1. Please confirm that the UK parent entity of the investment firm group the applicant firm is part of has not applied for an exemption from consolidated liquidity requirements under MIFIDPRU 2.5.19R.

☐ Yes

2. Please confirm which of the following applies to the applicant firm:

a. The firm is part of a CRR prudential consolidation group and supervised on a consolidated basis; or

☐ Yes

b. The firm is part of an IFPR prudential consolidation group, supervised on a consolidated basis, and the parent undertaking complies with MIFIDPRU 6 on a consolidated basis.

☐ Yes

3. Where 2.a. applies, please confirm that the PRA has been notified about the firm’s application to be exempt from liquidity requirements on an individual basis.

The FCA will consult the PRA before making a determination.

☐ Yes

Name of PRA contact for this application:

<table>
<thead>
<tr>
<th>PRA supervisor / contact name</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone number</td>
<td></td>
</tr>
<tr>
<td>Email address</td>
<td></td>
</tr>
</tbody>
</table>

4. Please attach a group structure chart which clearly identifies the prudential consolidation group that the applicant firm is part of. Please include FRNs of the group entities.

☐ Attached

5. Please explain how the parent undertaking:

a. monitors and oversees the liquidity positions of the applicant firm as well as of all other institutions and MIFIDPRU investment firms within the group that will be exempt from liquidity requirements on an individual basis; and

b. ensures a sufficient level of liquidity for all these entities.
6. The applicant firm is required to have entered into contracts that provide for the free movement of funds between the parent undertaking and the firm to enable each of them to meet their individual obligations and joint obligations as they become due.

a. Please explain how the arrangements between the applicant firm and its parent undertaking satisfy this requirement.


b. To the best of your knowledge, do you foresee any material, practical or legal impediments to these contracts being fulfilled?

☐ Yes  Give details below
☐ No


c. Please attach copies of the relevant contracts.

☐ Attached
4 Own funds requirements

4.4 Permanent minimum capital requirement

4.4.1 R (1) Where a MIFIDPRU investment firm has permission to carry on any of the investment services and/or activities in (2), its permanent minimum capital requirement is £750,000, unless MIFIDPRU 4.4.6R applies.

(2) The relevant investment services and/or activities are:

(a) dealing on own account;

(b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; or

(c) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R.

(3) Where a MIFIDPRU investment firm is appointed to act as a depositary of an unauthorised AIF in accordance with FUND 3.11.10R(2), its permanent minimum capital requirement is £750,000, unless MIFIDPRU 4.4.6R applies.

4.4.3 R (1) Where a MIFIDPRU investment firm satisfies the conditions in (2), its permanent minimum capital requirement is £150,000.

(2) The relevant conditions are:

(a) the firm has permission for any of the following:

(i) ... 

(iii) holding client money or client assets in the course of MiFID business; and

(b) the firm does not have permission for any of the following:

(i) ... 

(iii) operating an organised trading facility, if the firm is not subject to a limitation that prevents it from carrying on the activities otherwise permitted by MAR 5A.3.5R; and
4.4.4 R  (1) Where a MIFIDPRU investment firm satisfies the conditions in (2), its permanent minimum capital requirement is £75,000.

(2) The relevant conditions are:

... 

(b) the firm is not permitted to hold client money or client assets in the course of MiFID business; and

(c) the firm is not appointed to act as a depositary in accordance with FUND 3.11.10R(2) or COLL 6.6A.8R(3)(b)(i).

... 

4.4.6 R  Where a MIFIDPRU investment firm is appointed to act as the depositary of a UK UCITS or an authorised AIF, its permanent minimum capital requirement is £4 million.

... 

7 Governance and risk management

... 

7.6 ICARA process: assessing and monitoring the adequacy of own funds

... 

7.6.8 G  (1) Some harms may not fit within the own funds requirement framework in MIFIDPRU 4 or 5 because they cannot reasonably be attributed to the activities or risks that the rules in those chapters are designed to address. Where those harms are potentially material in nature, a non-SNI MIFIDPRU investment firm will need to assess their potential financial impact separately and cannot treat those harms as covered (either wholly or partly) by a requirement under MIFIDPRU 4 or 5. This includes the potential material harms resulting from any regulated activities that do not constitute MiFID business and from any unregulated activities.

... 

(6) Example 4: A non-SNI MIFIDPRU investment firm is appointed as a depositary. The K-CMH requirement and the K-ASA requirement apply only in relation to MiFID business, and therefore do not apply to its activities as a depositary. If the firm
identifies a potential material harm that results from its activities as a depositary, it will need to assess the potential financial impact of that harm and hold additional own funds to cover that impact. A firm may have regard to the general methodology for calculating the K-CMH requirement and the K-ASA requirement when carrying out the assessment in MIFIDPRU 7.6.3R for its activities as a depositary.

... 9 Reporting

... 9 Annex 2G Guidance notes on data items in MIFIDPRU 9 Annex 1R

This annex consists of guidance which can be found through the following link:

... Guidance notes for MIFIDPRU 9 Annex 2G

MIF001 – Adequate financial resources (Own funds)

... 8A – Permanent minimum requirement (PMR)

If completed on an individual basis, FCA investment firms should enter one of the following numbers:

- 75 if the firm has a PMR of £75,000
- 150 if the firm has a PMR of £150,000
- 750 if the firm has a PMR of £750,000
- 4000 if the firm has a PMR of £4,000,000

Where a transitional provision allows an FCA investment firm to substitute an alternative PMR, this figure should reflect its standard requirement (and not the alternative lower figure under the transitional provision).

If completed on a consolidated basis, FCA investment firms should enter the consolidated PMR, calculated in accordance with MIFIDPRU 2.5.27R.
TP 6  Application of criteria to be classified as an SNI MIFIDPRU investment firm: transitional

... 

Missing historical data for application of SNI classification criteria:
transitional for individual MIFIDPRU investment firms

... 

6.9  G (1)  It is unnecessary to provide transitional arrangements for the following conditions:

... 

(d) the condition relating to the balance sheet total of the 

firm in MIFIDPRU 1.2.1R(6); and

(e) the average DTF condition in MIFIDPRU 1.2.1R(9) and

(f) the condition relating to acting as a depositary in

MIFIDPRU 1.2.1R(10).

...

(3) The conditions in (1)(c), (1)(d) and (1)(f) do not rely on historical information and therefore can be assessed by the 

firm at the point at which MIFIDPRU first begins to apply

without any need for transitional arrangements.

... 

...
Annex H

Amendments to the Market Conduct sourcebook (MAR)

In this Annex, striking through indicates deleted text.

5A Organised trading facilities (OTFs)

...

5A.3 Specific requirements for OTFs

...

Proprietary trading

...

5A.3.8 G Matched principal trading does not exclude the possibility of settlement risk, and, accordingly, firms should take appropriate steps to minimise this risk. For guidance relating to the treatment of matched principal trading for the purposes of IFPRU prudential categorisation, see PERG 13 Q61 and Q64.
Annex I

Amendments to the Supervision manual (SUP)

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

3 Auditors

3.1 Application

... 

3.1.2 R Applicable sections (see SUP 3.1.1R)

This table and the provisions in SUP 3 should be read in conjunction with GEN 2.2.23R to GEN 2.2.25G. In particular, the PRA does not apply any of the provisions in SUP 3 in respect of FCA-authorised persons. SUP 3.10 and SUP 3.11 are applied by the FCA only.

<table>
<thead>
<tr>
<th>(1) Category of firm</th>
<th>(2) Sections applicable to the firm</th>
<th>(3) Sections applicable to its auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7) Investment management firm, (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other than an exempt CAD firm or an exempt BIPRU commodities firm) or collective portfolio management firm that is an external AIFM which, in each case, has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3 and 6)</td>
<td>SUP 3.1 - SUP 3.7, SUP 3.11</td>
<td>SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10</td>
</tr>
</tbody>
</table>

(7A) Investment management firm (other than an exempt CAD firm), personal investment firm (other than a small personal investment firm or exempt CAD firm), securities and futures firm (other...
than an exempt CAD firm or an exempt BIPRU commodities firm or collective portfolio management firm that is an external AIFM not within (7) to which the custody chapter or client money chapter applies

| (7C) | MiFID investment firm, which has an auditor appointed under or as a result of a statutory provision other than in the Act (Notes 3B and 6) | SUP 3.1 - 3.7, SUP 3.11 | SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10 |
| (7D) | Sole trader or partnership that is a MiFID investment firm (other than an exempt CAD firm) (Notes 3C and 6) | SUP 3.1 - SUP 3.7, SUP 3.11 | SUP 3.1, SUP 3.2, SUP 3.8, SUP 3.10 |

Note 3A [deleted]

Note 3B = MiFID investment firms include exempt CAD firms. An exempt CAD firm that has opted into MiFID can benefit from the audit exemption for small companies in the Companies Act legislation if it is an exempt investment firm as defined by article 8 of the MiFID Regulations. If a firm does so benefit then SUP 3 will not apply to it. For further details about exempt CAD firms, see PERG 13, Q58. Firms that are eligible to be MiFID optional exemption firms but have chosen not to exercise the article 3 exemption. However, such firms may still benefit from the audit exemption for small companies in the Companies Act legislation.

3.1.10 G Other relevant sections of the Handbook (see SUP 3.1.9G)

<table>
<thead>
<tr>
<th>Friendly society</th>
<th>IPRU(FSOC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer (other than a Solvency II firm or a friendly society)</td>
<td>IPRU(INS)</td>
</tr>
<tr>
<td>Investment management firm, personal investment firm, securities and futures firm and collective portfolio management firm (other than IFPRU investment firms and BIPRU firms MIFIDPRU investment firms)</td>
<td>IPRU(INV)</td>
</tr>
</tbody>
</table>
3.10 Duties of auditors: notification and report on client assets

3.10.5 R Client assets report

<table>
<thead>
<tr>
<th>Whether in the auditor’s opinion</th>
</tr>
</thead>
</table>
| (3) in the case of an investment management firm, personal investment firm, a UCITS firm, securities and futures firm, firm acting as trustee or depositary of an AIF, firm acting as trustee or depositary of a UK UCITS or IFPRU investment firm or BIPRU firm a MIFIDPRU investment firm, when a subsidiary of the firm is during the period a nominee company in whose name custody assets of the firm are registered during the period, that nominee company has maintained throughout the period systems for the custody, identification and control of custody assets which:
| (a) were adequate; and |
| (b) included reconciliations at appropriate intervals between the records maintained (whether by the firm or the nominee company) and statements or confirmations from custodians or from the person who maintained the record of legal entitlement; and |

9 Individual guidance

9.3 Giving individual guidance to a firm on the FCA’s own initiative

9.3.2 G The FCA may give individual guidance to a firm on its own initiative if it considers it appropriate to do so. For example:
in relation to the maintenance of adequate financial resources, the FCA may give a firm individual guidance on the amount or type of financial resources the FCA considers appropriate, for example individual capital guidance for IFPRU investment firms or BIPRU firms; further guidance on how and when the FCA may give individual capital guidance on financial resources is contained in the Prudential Standards part of the Handbook:

(a) for a BIPRU firm: GENPRU 1.2 and BIPRU 2.2; MIFIDPRU investment firm, MIFIDPRU 7.10; and

(c) for a securities and futures firm (or other firm required to comply with IPRU(INV) 3): IPRU(INV) 3-79R; and

e for an IFPRU investment firm: IFPRU 2.2, and 2.3.

[deleted]

10C FCA senior managers regime for approved persons in SMCR firms

10C.5A FCA governing functions: Oversight

Chair of the remuneration committee function (SMF12)

10C.5A.10 R The chair of the remuneration committee function is the function of having responsibility for chairing, and overseeing the performance of, any committee responsible for the oversight of the design and the implementation of the remuneration policies of a firm, including, where applicable to the firm, a committee established in accordance with:

(1) SYSC 19A.3.12R (Remuneration Principle 4: Governance); [deleted]

(2) SYSC 19B.1.9R (AIFM Remuneration Principle 3: Governance);

(3) SYSC 19C.3.12R (Remuneration Principle 4: Governance); [deleted]
(4) SYSC 19D.3.12R (Remuneration Principle 4: Governance); and

(5) SYSC 19E.2.9R (UCITS Remuneration Principle 3: Governance); and

(6) MIFIDPRU 7.3.3R (Remuneration committee).

15 Notifications to the FCA

15.3 General notification requirements

... Breaches of rules and other requirements in or under the Act or the CCA

15.3.11 R (1) A firm must notify the FCA of:

... (f) it exceeding (or becoming aware that it will exceed) the limit in BIPRU 10.5.6R; or [deleted]

... ...

15.8 Notification in respect of particular products and services

... CTF providers

... 15.8.9 R A BIPRU firm must report to the FCA immediately any case in which its counterparty in a repurchase agreement or reverse repurchase agreement or securities or commodities lending or borrowing transaction defaults on its obligations; [deleted]

... 16 Reporting requirements

16.1 Application
16.1.1 R This chapter applies to every firm and qualifying parent undertaking within a category listed in column (2) of the table in SUP 16.1.3R and in accordance with column (3) of that table.

... 


<table>
<thead>
<tr>
<th>(1) Section(s)</th>
<th>(2) Categories of firm to which section applies</th>
<th>(3) Applicable rules and guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUP 16.18</td>
<td>A full-scope UK AIFM and a small authorised UK AIFM</td>
<td>SUP 16.8.3R</td>
</tr>
<tr>
<td>SUP 16.20 [deleted]</td>
<td>A firm to which MIFIDPRU 4.4.1R applies and a qualifying parent undertaking that is required to send a recovery plan, a group recovery plan or information for a resolution plan to the FCA</td>
<td>Entire section</td>
</tr>
<tr>
<td>...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

16.7A Annual report and accounts

... 

Requirement to submit annual report and accounts

16.7A.3 R A firm in the RAG in column (1) and which is a type of firm in column (2) must submit its annual report and accounts to the FCA annually on a single entity basis.

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAG</td>
<td>Firm type</td>
</tr>
<tr>
<td>1</td>
<td>UK bank</td>
</tr>
<tr>
<td></td>
<td>Dormant account operator</td>
</tr>
</tbody>
</table>
2.2 The Society

3 MIFIDPRU investment firms

All other firms subject to the following chapters in IPRU(INV):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>2</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>3</td>
<td>Chapter 9 [deleted]</td>
</tr>
</tbody>
</table>

4 MIFIDPRU investment firms

Collective portfolio management firm

All other firms subject to the following chapters in IPRU(INV):

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Chapter 3</td>
</tr>
<tr>
<td>2</td>
<td>Chapter 5</td>
</tr>
<tr>
<td>3</td>
<td>Chapter 9 [deleted]</td>
</tr>
<tr>
<td>4</td>
<td>Chapter 12</td>
</tr>
</tbody>
</table>

...  

16.12 Integrated Regulatory Reporting

...  

Regulated Activity Group 3

...  

16.12.11 R The applicable data items referred to in SUP 16.12.4R are set out according to firm type in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Firms’ prudential category and applicable data items (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MIFIDPRU investment firms</td>
<td>Firms other than MIFIDPRU investment firms</td>
</tr>
<tr>
<td>Solvency statement</td>
<td>No standard format (note 4)</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Balance sheet</td>
<td>FSA029 (note 2)</td>
</tr>
<tr>
<td>Income statement</td>
<td>FSA030 (note 2)</td>
</tr>
<tr>
<td>Capital adequacy</td>
<td>MIF001 (notes 2 and 3)</td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Threshold conditions</td>
<td></td>
</tr>
<tr>
<td>Client money and client assets</td>
<td>FSA039</td>
</tr>
<tr>
<td>CFTC</td>
<td>FSA040 (note 8)</td>
</tr>
<tr>
<td>Liquidity</td>
<td>MIF002 (notes 2, 3 and 10)</td>
</tr>
<tr>
<td>Metrics reporting</td>
<td>MIF003 (notes 2 and 3)</td>
</tr>
</tbody>
</table>
### Concentration risk (non-K-CON)

- **MIF004** (notes 2, 3 and 11)

### Concentration risk (K-CON)

- **MIF005** (notes 2, 3 and 11)

### Group capital test

- **MIF006** (notes 3 and 12)

### Liquidity Questionnaire

- **MLA-M (note 9)**
- **MLA-M (note 9)**
- **MLA-M (note 9)**
- **MLA-M (note 9)**

---

**Regulated Activity Group 4**

---

**16.12.15 R** The applicable *data items* referred to in SUP 16.12.4R are set out according to *firm* type in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Firms’ prudential category and applicable data items (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MIFID PRU investment firms</strong></td>
<td><strong>Firms other than MIFIDPRU investment firms</strong></td>
</tr>
<tr>
<td><strong>IPRU(INV)</strong> Chapter 3</td>
<td><strong>IPRU(INV)</strong> Chapter 5</td>
</tr>
<tr>
<td>Section</td>
<td>Solvency statement (note 2)</td>
</tr>
<tr>
<td>--------------------------</td>
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<tr>
<td></td>
<td>No standard format</td>
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</tr>
</tbody>
</table>

*(collective portfolio management firms only)*
<table>
<thead>
<tr>
<th>Client money and client assets</th>
<th>FSA039</th>
<th>FSA039</th>
<th>FSA039</th>
<th>FSA039</th>
<th>FSA039</th>
<th>Section CRMAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity</td>
<td>MIF002</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(notes 3, 4 and 6)</td>
</tr>
<tr>
<td>Metrics monitoring</td>
<td>MIF003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(notes 3 and 4)</td>
</tr>
<tr>
<td>Concentration risk (non-K-CON)</td>
<td>MIF004</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(notes 3, 4 and 7)</td>
</tr>
<tr>
<td>Concentration risk (K-CON)</td>
<td>MIF005</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(notes 3, 4 and 7)</td>
</tr>
<tr>
<td>Group capital test</td>
<td>MIF006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(notes 4 and 8)</td>
</tr>
<tr>
<td>Information on P2P agreements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>FIN070</td>
<td></td>
</tr>
</tbody>
</table>

Regulated Activity Group 6

...
16.12.19A  R  The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Firms’ prudential category and applicable data items (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IPRU(INV) Chapter 3</td>
</tr>
<tr>
<td>Solvency statement (note 6)</td>
<td>No standard format</td>
</tr>
<tr>
<td>Balance sheet</td>
<td>FSA029</td>
</tr>
<tr>
<td>Income statement</td>
<td>FSA030</td>
</tr>
<tr>
<td>Capital adequacy</td>
<td>FSA033</td>
</tr>
<tr>
<td>Threshold conditions</td>
<td></td>
</tr>
<tr>
<td>Client money and assets</td>
<td>FSA039</td>
</tr>
<tr>
<td>Pillar 2 questionnaire</td>
<td></td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

... Regulated Activity Group 8 ...
16.12.25A R The applicable *data items* referred to in *SUP 16.12.4R* are set out according to type of *firm* in the table below:

<table>
<thead>
<tr>
<th>Description of data item</th>
<th>Firms’ prudential category and applicable <em>data items</em> (note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><em>MIFIDPRU investment firms</em></td>
</tr>
<tr>
<td></td>
<td><em>IPRU(INV)</em> Chapter 3</td>
</tr>
<tr>
<td>Solvency statement</td>
<td>No standard format</td>
</tr>
<tr>
<td>(note 2)</td>
<td></td>
</tr>
<tr>
<td>Balance sheet</td>
<td>FSA029 (note 3)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Income statement</td>
<td>FSA030 (note 3)</td>
</tr>
<tr>
<td>Capital adequacy</td>
<td>MIF001 (notes 3 and 5)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>MIF002 (notes 3 and 5)</td>
</tr>
<tr>
<td>Metrics monitoring</td>
<td>MIF003 (notes 3 and 5)</td>
</tr>
<tr>
<td>Concentration risk</td>
<td>MIF004 (notes 3, 5 and 7)</td>
</tr>
<tr>
<td>(non-<em>K</em>-CON)</td>
<td></td>
</tr>
</tbody>
</table>
SUP 16.16 (Prudent valuation reporting) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

**16.16 Prudent valuation reporting [deleted]**

Amend the following as shown.

16 Annex G Notes for completion of the Retail Mediation Activities Return ('RMAR')

Introduction: General notes on the RMAR

…

5. The following table summarises the key abbreviations that are used in these notes:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>APF</td>
<td>Authorised professional firm</td>
</tr>
<tr>
<td>AR</td>
<td>Appointed representative</td>
</tr>
<tr>
<td>CAD</td>
<td>The Capital Adequacy Directive</td>
</tr>
</tbody>
</table>

…
Section D Regulatory Capital

‘Higher of’ requirements

In this section there are separate calculations of regulatory capital and capital resources requirements for the different types of business covered by the data requirements. The calculations are the same, however, for both home finance mediation activity and insurance distribution activity relating to non-investment insurance contracts.

(ii) For such a firm that is also subject to IFPRU or GENPRU and BIPRU MIFIDPRU, the requirement is the higher of the two capital resources requirements that apply (see MIPRU 4.2.5R) and is compared with the higher of the two capital resources calculations (see MIPRU 4.4.1R).

Guidance for completion of individual fields

| Is the firm exempt from these capital resources requirements in relation to any of its retail or distribution mediation activities? | The firm should indicate here if any Handbook exemptions apply in relation to the capital resources requirements in MIPRU or IPRU-INV 13. Examples of firms that may be subject to exemptions include:

- Lloyd’s managing agents (MIPRU 4.1.11R);
- solo consolidated subsidiaries of banks or building societies;
- small credit unions (as defined in MIPRU 4.1.8R); and
- investment firms not subject to IPRU-INV 13 (unless they additionally carry on home finance mediation activity or insurance distribution activity relating to non-investment insurance contracts). |

Home finance mediation and non-investment insurance distribution

… …
Other FCA capital resources requirements (if applicable)  | The FCA may from time to time impose additional requirements on individual firms. If this is the case for your firm, you should enter the relevant amount here. This excludes capital resources requirements in relation to PII, which are recorded below.

If the firm carries on designated investment business as well as home finance mediation activity, insurance distribution activity or both, requirements under IPRU(INV), IFPRU, GENPRU or BIPRU MIFIDPRU and MIPRU must be considered to determine the appropriate requirement (see general notes (i) to (iii) above). If the resulting requirement for a firm is higher than the base MIPRU requirement then you should include the difference here.

| … | … |

Capital resources  | This should be the capital resources calculated in accordance with MIPRU 4 for incorporated or unincorporated firms as applicable.

For firms that are additionally subject to IPRU(INV), IFPRU, GENPRU or CREDS MIFIDPRU, this should be the higher of the capital resources per MIPRU 4 and the financial resources determined by IPRU(INV), IFPRU, GENPRU or CREDS MIFIDPRU. See MIPRU 4.4.1R.

| … | … |

SUP 16.20 (Submission of recovery plans and information for resolution plans) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

### 16.20 Submission of recovery plans and information for resolution plans [deleted]

SUP 16 Annex 33A (Remuneration Benchmarking Information Report), SUP 16 Annex 33B (Guidance notes for data items in SUP 16 Annex 33AR), SUP 16 Annex 34A (High Earners Report) and SUP 16 Annex 34B (Guidance notes for data items in SUP 16 Annex 34AR) are deleted in their entirety. The deleted text is not shown but the chapters are marked [deleted] as shown below.

### 16 Annex Remuneration Benchmarking Information Report [deleted] 33A
16 Annex Guidance notes for data items in SUP 16 Annex 33AR [deleted]
33B

16 Annex High Earners Report [deleted]
34A

16 Annex Guidance notes for data items in SUP 16 Annex 34AR [deleted]
34B

SUP 16 Annex 40 (Data items related to recovery and information for resolution plans) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

16 Annex Data items related to recovery and information for resolution plans 40 [deleted]

Amend the following as shown.

App 2 Insurers: Regulatory intervention points and run-off plans

App 2.2 Interpretation

App 2.2.1 R For the purpose of SUP App 2.1 to 2.14:

(1) “capital resources”:

   (a) in relation to a non-directive friendly society, has the meaning given to “margin of solvency” in rule 4.1(4) of IPRU(FSOC) rule 2.1 of the Friendly Society – Overall Resources and Guarantee Fund part of the PRA Rulebook;

   …

   (c) in relation to any other firm, which is not a Solvency II firm, means the firm’s capital resources as calculated in accordance with GENPRU 2.2.17R, and:

      (i) in the case of a dormant account fund operator, the version of GENPRU 2.2.17R that applied as at 31 December 2015 (the effect of which has been preserved for the purposes of INSPRU 7); and

      (ii) in the case of a non-directive insurer (other than a non-directive friendly society), the PRA Rulebook: Non-Solvency II Firms: Insurance Company – Capital Resources; and

Page 163 of 184
(d) in relation to a Solvency II firm means the firm’s “eligible own funds” as defined in the PRA Rulebook: Glossary;

(2) “guarantee fund”; [deleted]

(a) in relation to a non-directive friendly society, has the meaning given to that term in IPRU(FSOC);

(e) in relation to a firm other than a Solvency II firm which is not covered by (a), carrying on general insurance business, means the amount of capital resources which that firm must hold to comply with GENPRU 2.2.34R; and

(d) in relation to a firm other than a Solvency II firm which is not covered by (a), carrying on long-term insurance business, means the amount of capital resources which that firm must hold to comply with GENPRU 2.2.33R;

…

TP1  Transitional provisions

…

TP 1.2

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>12W</td>
<td>SUP 16.12.5R to SUP 16.12.7R [deleted]</td>
<td>R</td>
<td>If BIPRU TP 30.4R (Liquidity floor for certain banks) applies to a firm the regulatory intervention point mentioned in that rule is added to the list in paragraph (a) of the definition of firm-specific liquidity stress in the case of that firm for as long as BIPRU TP 30.4R applies to it.</td>
<td>For as long as BIPRU TP 30.4R applies to the firm</td>
<td>At the end of period set out in column (5)</td>
</tr>
</tbody>
</table>
Annex J

Amendments to the Collective Investment Schemes sourcebook (COLL)

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

6 Operating duties and responsibilities

...

6.6A Duties of AFMs in relation to UCITS schemes and EEA UCITS schemes

...

Eligible depositaries for UCITS schemes

6.6A.8 R An authorised fund manager must ensure that the depositary it appoints under COLL 6.6A.7R is a firm established in the United Kingdom that has the Part 4A permission of acting as trustee or depositary of a UK UCITS and is one of the following:

(1) a national central bank; or

(2) a credit institution; or

(3) a firm which:

(a) has own funds of not less than the higher of: [deleted]

   (i) the requirement calculated in accordance with articles 315 or 317 of the UK CRR; or

   (ii) £4 million; and

(b) either:

   (i) is a full-scope IFPRU investment firm MiFID investment firm; or

   (ii) is an investment management firm to which IPRU(INV) 5 applies; and

(c) satisfies the non-bank depositary organisational requirements in COLL 6.6B.11R.

[Note: article 23(2)(a), (b) and (c) (first sentence) of the UCITS Directive]

...

6.6B UCITS depositaries
Depositaries appointed under COLL 6.6A.8R(3) (non-bank depositaries):
Capital requirements

6.6B.7 G A depositary appointed in accordance with COLL 6.6A.8R(3) needs to satisfy the capital requirements in either:

(1) *IPRU(INV)* 5; or

(2) *IFPRU* and the UK CRR *MIFIDPRU*.

6.6B.8 R A full-scope IFPRU investment firm which is appointed as a depositary of a UCITS scheme must maintain own funds of at least £4 million.

[deleted]

[Editor’s note: this requirement has been moved to MIFIDPRU 4.4.6R.]

6.6B.9 G (1) If the depositary is a full-scope IFPRU investment firm, it is subject to the capital requirements of IFPRU and the UK CRR.

[deleted]

(2) However, these requirements are not in addition to COLL 6.6B.8R and therefore that firm may use the own funds required under IFPRU and the UK CRR to meet the £4 million requirement.

[deleted]
Annex K

Amendments to the Consumer Credit sourcebook (CONC)

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

2 Conduct of business standards: general

...

2.11 Remuneration and performance management policies, procedures and practices

...

2.11.2 R This section does not apply to a firm subject to:

(1) any of the remuneration provisions in SYSC 19A (IFPRU Remuneration Code) to SYSC 19F (Remuneration and performance management of sales staff) SYSC 19B (AIFM Remuneration Code) to SYSC 19G (MIFIDPRU Remuneration Code); or

(2) …
Annex L

Amendments to the Investment Funds sourcebook (FUND)

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

3 Requirements for alternative investment fund managers

3.11 Depositaries

Eligible depositaries for UK AIFs

3.11.10 Subject to FUND 3.11.12R, an AIFM must, for each UK AIF it manages, ensure the appointment of a depositary which is a firm established in the UK that has the Part 4A permission of acting as trustee or depositary of an AIF and which is one of the following:

1. a credit institution; or
2. a MiFID investment firm or an EEA MiFID investment firm which:
   a) has own funds of not less than €730,000; and
   b) provides the ancillary service of safe-keeping and administration of financial instruments for the account of clients; or
3. another category of institution that is subject to prudential regulation and ongoing supervision and which, on 21 July 2011, fell within the categories of institution eligible to be a trustee of an AUT or a depositary of an ICVC.

[Note: article 21(3)(a) to (c) and (5)(a) of AIFMD]

3.11.10A (1) The capital requirements for a MiFID investment firm appointed as a depositary in accordance with FUND 3.11.10R(2) are contained in MIFIDPRU.

(2) An EEA MiFID investment firm appointed as a depositary in accordance with FUND 3.11.10R(2) should refer to MIFIDPRU 1.1.3G and 1.1.4G, which explain the FCA’s general approach to its prudential regulation.

3.11.11 (1) For a depositary of a fund to be established in the UK, it must have:

Page 169 of 184
(a) its registered office in the UK, where the fund is an authorised fund; or

(b) its registered office or branch in the UK, where the fund is an unauthorised fund.

(2) A MiFID investment firm that has its registered office in the UK must be a full-scope IFPRU investment firm to meet the requirements of FUND 3.11.10R(2). An EEA MiFID investment firm that has a branch in the UK must meet the capital requirements under the EU CRR for a CRD full-scope firm as implemented in its Home State to meet the requirements of FUND 3.11.10R(2). [deleted]

3.11.15 G For certain types of closed-ended AIFs (such as private equity, venture capital and real estate funds) a wider range of entities than those specified in FUND 3.11.10R may perform the relevant depositary functions. The FCA requires such entities to obtain authorisation as a depositary to demonstrate that they can meet the commitments inherent in those functions, but imposes a lower level of capital requirements in recognition of the different degree of risk implied by the characteristics of the AIF. The capital requirements of such firms are contained in IPRU-INV 5 (particularly IPRU-INV 5.4.3R (Own funds requirement)) but if the firm also undertakes MiFID business, its capital requirements will be contained in IFPRU, the UK CRR, and the EU CRR, or in GENPRU and BIPRU depending on the scope of that MiFID business MIFIDPRU.

[Note: recital 34 of AIFMD]

Additional requirements for depositaries of authorised AIFs

3.11.16 R A MiFID investment firm (other than a PRA-authorised person) which is appointed as a depositary for an authorised AIF in accordance with FUND 3.11.10R(2) must maintain own funds of at least £4 million. [deleted]

[Editor’s note: this requirement has been moved to MIFIDPRU 4.4.6R.]

3.11.17 G Where the firm referred to in FUND 3.11.16R is a full-scope IFPRU investment firm which is a depositary for an authorised AIF appointed in line with FUND 3.11.10R(2), it is subject to the capital requirements of IFPRU and the UK CRR or EU CRR. However, these requirements are not in addition to FUND 3.11.16R and, therefore, a firm subject to this rule may use the own funds required under IFPRU and the UK CRR or EU CRR to meet the £4 million requirement. [deleted]
Annex M

Amendments to the Regulated Covered Bonds sourcebook (RCB)

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

1 Introduction

1.1 Introduction to sourcebook

... Other relevant provisions

... 1.1.6 IFPRU investment firms which have exposures to covered bonds which meet the requirements set out in the provisions of article 129 of the UK CRR may benefit from reduced risk weights as set out in article 129 of the UK CRR. [deleted]

... 2 Applications for registration

... 2.3 Determination of registration

... Liquid assets

2.3.20 Assets which would be eligible for inclusion in a liquidity buffer under BIPRU 12.7 as it applied on 31 December 2021 can be liquid assets for the purposes of limb (a) of the definition of liquid assets in Regulation 1(2) of the RCB Regulations. The FCA will also expect that liquid assets which consist of deposits should be held in the same currency or currencies as the regulated covered bonds issued by the issuer.
Annex N

Amendments to the Energy Market Participants guide (EMPS)

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

1 Special guide for energy market participants

1.1 Application and purpose

... 

1.1.3 The reader should note that an energy market participant is defined to exclude a number of different categories of firm, including any MiFID investment firm.

1.2 Parts of the Handbook applicable to oil market participants

1.2.1 The parts of the Handbook and their applicability to energy market participants are listed in EMPS 1.2.3G. Energy market participants should read applicable parts of the Handbook to find out what the detailed regulatory requirements for energy market participants are.

... 

Applicability of parts of Handbook to energy market participants

1.2.3 This table belong to EMPS 1.2.1G

<table>
<thead>
<tr>
<th>Part of Handbook</th>
<th>Applicability to energy market participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td><strong>Prudential standards</strong></td>
<td>Chapter 1 (Application and General) of (Interim Prudential sourcebook: Investment Businesses) applies.</td>
</tr>
<tr>
<td>Interim Prudential sourcebooks (IPRU)</td>
<td>Chapter 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) of IPRU(INV) applies, with the following qualifications:</td>
</tr>
<tr>
<td>(a) energy market participants whose main business consists of</td>
<td></td>
</tr>
</tbody>
</table>

...
the generation, production, storage, distribution and/or transmission of energy may be granted a waiver of Chapter 3 in the FCA’s discretion: see SUP 21.; and

(b) the concentrated risk requirements do not apply to an energy market participant if it is an exempt IFPRU commodities firm that applies the large exposure requirements in Part Four (articles 387 to 403) of the UK CRR see IPRU(INV) 3-1BR, IPRU(INV) 3-1CG and IPRU(INV) 3-1DG; and [deleted]

(c) the concentrated risk requirements apply to an energy market participant if it is an exempt BIPRU commodities firm that satisfies the conditions in BIPRU TP 16 in the version as at 31 December 2013. [deleted]

The other parts of IPRU(INV) do not apply.

The other sourcebooks do not apply.

General Prudential sourcebook (GENPRU) [deleted]

Except for provisions on capital requirements and the ICAAP rules, this applies to an energy market participant if it is an exempt BIPRU commodities firm: see BIPRU TP 15.9G-BIPRU TP 15.10G. [deleted]

Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) [deleted]

Except for provisions on capital requirements and the ICAAP rules, this applies to an energy market participant if it is an exempt BIPRU commodities firm: see BIPRU TP 15.9G-BIPRU TP 15.10G. [deleted]

Prudential sourcebook for Investment

Except for provisions on combined buffer, own funds, own funds requirements and the ICAAP rules, this applies to an
<table>
<thead>
<tr>
<th>Regulatory processes</th>
<th>Firms (IFPRU) [deleted]</th>
<th>energy market participant if it is an exempt IFPRU commodities firm: see IFPRU 1.1.1G. [deleted]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision manual (SUP)</td>
<td>This applies, with the following qualifications:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(a) in SUP 3 (Auditors), only some provisions apply if IPRU(INV) 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) does not apply to an energy market participant (because it has been granted a waiver of that chapter): see SUP 3.1.2R;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) SUP 16.12 (Integrated Regulatory Reporting): energy market participants whose main business consists of the generation, production, storage, distribution and/or transmission of energy may be granted a waiver of this section in the FCA’s discretion: see SUP 21;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(d) SUP 17A (Transaction reporting): does not apply to energy market participants which are not MiFID investment firms or third country investment firms; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(e) SUP App 2 (Insurers: Scheme of operations) does not apply.</td>
<td></td>
</tr>
</tbody>
</table>
Annex O

Amendments to the Oil Market Participants guide (OMPS)

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

1 Special guide for oil market participants

1.1 Application and purpose

... 

1.1.3 The reader should note that an oil market participant is defined to exclude a number of different categories of firm, including any MiFID investment firm.

1.2 Parts of the Handbook applicable to oil market participants

1.2.1 The parts of the Handbook and their applicability to oil market participants are listed in OMPS 1.2.2G. Oil market participants should read applicable parts of the Handbook to find out what the detailed regulatory requirements for oil market participants are.

1.2.2 Parts of the Handbook applicable to oil market participants

This table belong to OMPS 1.2.1G

<table>
<thead>
<tr>
<th>Part of Handbook</th>
<th>Applicability to oil market participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Prudential standards</td>
<td></td>
</tr>
<tr>
<td>Interim Prudential sourcebooks (IPRU)</td>
<td>Chapter 1 (Application and General) of IPRU(INV) (Interim Prudential sourcebook: Investment Businesses) applies.</td>
</tr>
<tr>
<td></td>
<td>Chapter 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) of IPRU(INV) applies, with the following qualifications: (a) to an oil market participant only if it is a member of a recognised...</td>
</tr>
</tbody>
</table>
investment exchange or a designated investment exchange which is, under the rules of that exchange, entitled to trade with other members: see IPRU(INV) 3-1A;.

(b) the concentrated risk requirements do not apply to an oil market participant if it is an exempt IFPRU commodities firm that applies the large exposure requirements in Part Four (articles 387 to 403) of the UK CRR see IPRU(INV) 3-1BR; IPRU(INV) 3-1C and IPRU(INV) 3-1DG; and [deleted]

(c) the concentrated risk requirements apply to an oil market participant if it is an exempt BIPRU commodities firm that satisfies the conditions in BIPRU TP 16 in the version as at 31 December 2013. [deleted]

The other parts of IPRU(INV) do not apply. [deleted]

The other IPRU sourcebooks do not apply.

<p>| General Prudential sourcebook (GENPRU) [deleted] | Except for provisions on capital requirements and the ICAAP rules, this applies to an oil market participant if it is an exempt BIPRU commodities firm: see BIPRU TP 15.9G-BIPRU TP 15.10G, [deleted] |
| Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) [deleted] | Except for provisions on capital requirements and the ICAAP rules, this applies to an oil market participant if it is an exempt BIPRU commodities firm: see BIPRU TP 15.9G-BIPRU TP 15.10G, [deleted] |
| Prudential sourcebook for Investment Firms (IFPRU) [deleted] | Except for provisions on combined buffer, own funds, own funds requirements and the ICAAP rules, this applies to an oil market participant if it is an exempt |</p>
<table>
<thead>
<tr>
<th>IFPRU commodities firm: see IFPRU 1.1.4G, [deleted]</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
</tr>
</tbody>
</table>

### Regulatory processes

<table>
<thead>
<tr>
<th>Supervision manual (SUP) ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>This applies, with the following qualifications:</td>
</tr>
<tr>
<td>(a) in SUP 3 (Auditors), only some provisions apply if IPRU(INV) 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) does not apply to an oil market participant: see SUP 3.1.2R;</td>
</tr>
<tr>
<td>(c) SUP 16.7 (Financial reports) does not apply to the firm if IPRU(INV) 3 does not apply; see SUP 16.1.3R and SUP 16.7.5G;</td>
</tr>
<tr>
<td>(d) SUP 17A (Transaction reporting) does not apply to an oil market participant which is not a MiFID investment firm or a third country investment firm:</td>
</tr>
<tr>
<td>(e) SUP App 2 (Insurers: Scheme of operations) does not apply.</td>
</tr>
</tbody>
</table>
Annex P

Amendments to the Perimeter Guidance manual (PERG)

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

1 Introduction to the Perimeter Guidance manual

…

1.4 General guidance to be found in PERG

…

1.4.2 G Table: list of general guidance to be found in PERG.

<table>
<thead>
<tr>
<th>Chapter:</th>
<th>Applicable to:</th>
<th>About:</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td></td>
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</tbody>
</table>

PERG 13:

Guidance on the scope of the UK provisions which implemented MiFID and CRD-IV. Any UK person who needs to know whether MiFID or the CRD and UK CRR (which allow provisions which correspond to the recast CAD to continue to apply to certain firms) apply to him applies to them the scope of the UK provisions which implemented MiFID and the CRD and UK CRR.

…

10 Guidance on activities related to pension schemes

…

10.4A The application of requirements which implemented EU directives

Q.41A Are pension scheme trustees and administration service providers likely to be subject to authorisation under the UK provisions which implemented the Markets in Financial Instruments Directive or subject to the UK provisions which implemented the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms?
This is possible, but in many instances it is likely that pension scheme trustees and service providers will either not be providing an investment service for the purposes, or otherwise be exempt under the exemptions which were set out in article 2.1 of the Markets in Financial Instruments Directive but have been onshored in Part 1 of Schedule 3 to the Regulated Activities Order. The following table expands on this in broad terms. As for the UK provisions which implemented the CRD, these will only apply to persons who are MiFID investment firms or CRD credit institutions.

Detailed guidance on the scope of the UK provisions which implemented the MiFID and the CRD and UK CRR is in PERG 13.

In the table below, references to relevant paragraphs of Article 2.1 of MiFID should be read as the equivalent exemptions which have been onshored in Part 1 of Schedule 3 to the Regulated Activities Order, or, in respect of Article 3 of MiFID, which can now be found in regulation 8 of the MiF Regulations.

13 **Guidance on the scope of the UK provisions which implemented MiFID and CRD-IV**

13.1 **Introduction**

The purpose of this chapter is to help UK firms consider:

- whether they fall within the scope of the UK provisions which implemented Markets in Financial Instruments Directive 2014/65/EU (‘MiFID’) and therefore are subject to the requirements derived from it; and
- how their existing permissions correspond to related MiFID derived concepts;
- whether the UK provisions which implemented CRD and the UK CRR apply to them, and for certain firms, whether the provisions which correspond to the recast CAD continue to apply to them; and
- if so, which category of investment firm they are for the purposes of the the provisions which correspond to the recast CAD or the UK provisions which implemented CRD and the UK CRR.

CRD IV [deleted]

Investment firms subject to the UK provisions which implemented MiFID, including those who fall within the article 3 MiFID exemption, onshored in regulation 8 of the MiF Regulations, but opt not to take advantage of it, are subject to the requirements of the UK provisions which implemented CRD and the UK CRR. There are special provisions for certain commodities firms as well as firms whose MiFID investment services and activities are limited to only one or more of the following investment services and activities:

- execution of orders on behalf of clients;
portfolio management;
• giving investment advice; or
• receiving and transmitting client orders, and

who are not permitted to hold client money or securities nor are authorised to provide ancillary service (1) referred to in Section B of Annex 1 to MiFID, onshored in Part 3A of Schedule 2 to the Regulated Activities Order (which is safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management).

Collective portfolio management investment firms (a term that is used to refer to both AIFM investment firms and UCITS investment firms) are subject to the requirements of the UK provisions which implemented CRD and the UK CRR, unless they are firms whose MiFID investment services and activities are limited to those in the preceding paragraph.

Under the UK implementation of the CRD and the UK CRR, the level of capital an investment firm subject to MiFID requires is determined by the type of investment services and activities it provides or performs, its scope of permission and any limitations or requirements attaching to that permission (see PERG 13.6). A firm relying on an article 2 or 3 MiFID exemption, onshored in Part 1 of Schedule 3 to the Regulated Activities Order and Regulation 8 of the MiFID Regulations, is not subject to CRD and the UK CRR.

How does this document work?

This document is made up of Q and As divided into the following sections:

• …
• Exemptions from MiFID derived provisions (PERG 13.5); and
• The CRD IV (PERG 13.6); and
• Flow charts, tables and lists (PERG 13 Annex 1, and PERG 13 Annex 2, PERG 13 Annex 3, PERG 13 Annex 4.)

We have also included guidance in the form of flow charts to help firms decide whether the UK provisions which implemented MiFID and the CRD and the UK CRR (which allow provisions which correspond to the recast CAD to apply to certain firms) apply to them as well as permission maps indicating which regulated activities and specified investments correspond to MiFID investment services, activities and MiFID financial instruments (see PERG 13 Annex 1 and PERG 13 Annex 2 and PERG 13 Annex 3.)

…

13.2 General

Q.1 Why does it matter whether or not we fall within the scope of MiFID?

Depending on whether or not you fall within the scope of MiFID, you may be subject to:

• domestic legislation implementing MiFID (for example, FCA rules);
• “direct EU legislation”, which became part of UK law as at IP completion day in accordance with section 3 of the European Union (Withdrawal) Act 2018, and is known as “retained EU law” in accordance with section 6 of
the same legislation. (such as MiFIR, UK CRR and all directly applicable regulations made under them or under MiFID); and

- domestic legislation implementing the CRD (see PERG 13.6). other FCA rules or legislation whose scope is drawn by reference to MiFID (for example, the Prudential sourcebook for MiFID investment firms (MIFIDPRU)).

Q.2 Is there anything else we should be reading?

The Q and As complement, and should be read in conjunction with, the relevant legislation and the general guidance on regulated activities, which is in chapter 2 of our Perimeter Guidance manual (‘PERG’). The Q and As relating to the CRD and the UK CRR (which allow the recast CAD to apply to certain firms) should be read in conjunction with the relevant parts of our Prudential sourcebook for Investment Firms (IFPRU), the Interim Prudential sourcebook for Investment Businesses (IPRU(INV)), the General Prudential sourcebook (‘GENPRU’) and the Prudential sourcebook for banks, building societies and investment firms (‘BIPRU’).

Q.3 How much can we rely on these Q and As?

The answers given in these Q and As represent the FCA’s views but the interpretation of financial services legislation is ultimately a matter for the courts. How the scope of MiFID and the CRD and the UK CRR affect the regulatory position of any particular person will depend on their individual circumstances. If you have doubts about your position after reading these Q and As, you may wish to seek legal advice. The Q and As are not a substitute for reading the relevant UK provisions which implemented MiFID, the CRD and the UK CRR (and the provisions which correspond to the recast CAD for certain firms).

Moreover, MiFID, the CRD and the UK CRR were has been subject to guidance and communications by the European Commission, the European Securities and Markets Authority (‘ESMA’) and the European Banking Authority (‘EBA’), we have now issued guidance on how this will be treated after IP completion day.

…

13.3 Investment Services and Activities

…

Dealing on own account

Q.16 What is dealing on own account (A3, article 4.1(6)) and recital 24)?

…

If a firm executes client orders by standing between clients on a matched principal basis (back-to-back trading), it is both dealing on own account and executing orders on behalf of clients. A firm is still dealing on own account under MiFID if it meets all of the conditions of article 29(2) of CRD (see Q61) or article 5.2 of the recast CAD, as applicable under the CRD and the UK CRR to certain firms (see Q58A). However, a firm which meets all the conditions of these articles of CRD or the
recast CAD will not be considered as dealing on own account when determining which category of firm it is for the purposes of the FCA’s base own funds requirements (see PERG 13.6).

...  

13.5 Exemptions from MiFID

...

The article 3 exemption

...

Q.53 What is the practical effect of exercising the optional exemption for those firms falling within its scope?

You are not a firm to which MiFID applies and so are not a MiFID investment firm for the purposes of the Handbook. As such you are not subject to the requirements of the CRD as transposed in the Handbook and the UK CRR. Nor are you a MIFIDPRU investment firm subject to the prudential requirements in MIFIDPRU.

Article 3.2 of MiFID applies certain MiFID requirements to firms making use of the article 3 exemption. These are implemented in the Handbook and the Act.

PERG 13.6 (CRD IV) is deleted in its entirety. The deleted text is not shown but the chapter is marked [deleted] as shown below.

13.6 CRD IV [deleted]

Amend the following as shown.

13 Annex 1  

Do the UK provisions which implemented MiFID apply to us?

[Editor’s note: Delete the words “See Annex 3 flow charts 1 and 2 to see how the UK provisions which implemented CRD IV apply to you” from the diagram.]

PERG 13 Annex 3 (Are you subject to the CRD and UK CRR (or allowed to be subject to the recast CAD?)) is deleted in its entirety. The deleted text is not shown but the Annex is marked [deleted] as shown below.

13 Annex 3  

Are you subject to the CRD and UK CRR (or allowed to be subject to the recast CAD)? [deleted]
Annex Q

Amendments to the Wind-down Planning Guide (WDPG)

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

3 The concept and process of wind-down planning

3.1 What is wind-down planning

... 

3.1.6 We know that some firms may have carried out similar planning exercises under different but related regulatory processes (e.g. ICAAP, RRD the ICARA process). This guide does not replace or re-interpret those processes. However, firms may want to take this guide into account to further strengthen their wind-down planning as well as to consider how consistent these processes are with one another.

[Note: Internal Capital Adequacy Assessment Process (ICAAP) is for firms which are subject to the UK provisions which implemented CRD IV/BIPRU. Some of these firms are also subject to the UK provisions which implemented the Recovery and Resolution Directive (RRD) the ICARA process is the process that MIFIDPRU investment firms are required to comply with under MIFIDPRU 7.]

... 

3.3 Wind-down scenarios: what would make a firm no longer viable?

... 

3.3.3 To do this, firms may way to consider what events would be likely to make it no longer viable, which is often referred to as reverse stress-testing. A firm is not viable if it no longer has adequate financial or non-financial resources to carry on its regulated activities. This could happen for a variety of reasons, including:

(1) Significant financial losses with no sign of recovery;

... 

... 

3.4 Effective risk management

... 

3.4.6 Firms may consider potential options for recovery in the face of adverse business conditions, such as selling part of the business or seeking a capital injection. This is known as recovery planning. Even if a firm
has carried out recovery planning taken these or similar steps aiming for recovery. Wind-down planning can still be relevant as there is no guarantee that recovery options would save the firm’s business.

[Note: Some firms are required to prepare recovery plans, i.e. those subject to the UK provisions which implemented the Recovery and Resolution Directive (RRD).]

App 5

QRG: wind down scenarios and relevant management information

App 5.1 Generating wind-down scenarios and identifying relevant management information to monitor

App 5.1.1 G To generate wind-down scenarios, a firm may consider the following:

\[ \ldots \]

(2) which are the business areas subject to the greatest risks, e.g. if a sudden large volatility in the currency market will lead to great losses;

\[ \ldots \]

App 5.1.4 G After outlining the wind-down scenario(s), a firm identifies the key management information that is most directly related to those scenario(s) and the relevant indicators it will want to monitor for danger signs.

<table>
<thead>
<tr>
<th>Effective</th>
<th>Less effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample wind-down scenarios (covering those that are fast and slow-moving, firm specific and macro-economic) might include:</td>
<td>…</td>
</tr>
<tr>
<td>• Severe economic downturn leading to continual losses with no sign of recovery; and</td>
<td>…</td>
</tr>
<tr>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>