

**INVESTMENT FIRMS PRUDENTIAL REGIME AND INTERIM PRUDENTIAL
SOURCEBOOK FOR INVESTMENT BUSINESSES (IPRU-INV) (AMENDMENT)
INSTRUMENT 2023**

Powers exercised

- A. The Financial Conduct Authority (“the FCA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D (Actions for damages);
 - (4) section 139A (Power of the FCA to give guidance);
 - (5) section 143D (Duty to make rules applying to parent undertakings); and
 - (6) section 143E (Powers to make rules applying to parent undertakings).
- B. The rule-making provisions listed above are specified for the purposes of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. Annex E and Part 2 of Annex F of this instrument come into force on 30 April 2023.
- D. Part 1 of Annex F and all the other Annexes of this instrument come into force on 31 March 2023.

Amendments to the FCA Handbook

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

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls (SYSC)	Annex B
Threshold Conditions (COND)	Annex C
Prudential sourcebook for MiFID Investment Firms (MIFIDPRU)	Annex D
Interim Prudential sourcebook for Investment Businesses (IPRU-INV)	Annex E
Supervision manual (SUP)	Annex F

Notes

- F. 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

- G. This instrument may be cited as the Investment Firms Prudential Regime and Interim Prudential sourcebook for Investment Businesses (IPRU-INV) (Amendment) Instrument 2023.

By order of the Board
30 March 2023

Annex A

Amendments to the Glossary of definitions

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

consolidated situation ...

- (2) (other than in (1)) the situation that results from applying the requirements in *MIFIDPRU 3*, *MIFIDPRU 4*, *MIFIDPRU 5*, *MIFIDPRU 6* and *MIFIDPRU 9* in accordance with *MIFIDPRU 2.5* to a *UK parent entity* as if that *undertaking*, together with all the *investment firms*, *financial institutions*, *ancillary services undertakings* and *tied agents* in the *investment firm group* that are its *subsidiaries* or *connected undertakings* or *connected undertakings* of its *subsidiaries*, formed a single *MIFIDPRU investment firm*. For the purpose of this definition, the terms *investment firm*, *financial institution*, *ancillary services undertaking* and *tied agent* also apply to *undertakings* established in other countries that, if established in the *UK*, would satisfy the definitions of those terms.

...

non-core liquid asset has the meaning in *MIFIDPRU 7.7.8R*, which is any of the following, except to the extent excluded by *MIFIDPRU 7.7.8R(2)*:

- (1) short-term deposits at a *credit institution* that does not have a *Part 4A permission* in the *UK* to *accept deposits*;
- (1A) short-term non-sterling deposits at a *UK credit institution*;

...

own funds wind-down trigger (Except in the circumstances explained in *MIFIDPRU TP 2.25AR*) an amount of *own funds* that is equal to:

...

qualifying holding

- (1) ~~(in *MIFIDPRU*)~~ (in *MIFIDPRU*) a direct or indirect holding in an *undertaking* which:
- (a) represents 10% or more of the capital of that *undertaking*;
- (b) represents 10% or more of the voting rights of that *undertaking*; or

(c) makes it possible to exercise a significant influence over the management of that *undertaking*.

...

Annex B

Senior Management Arrangements, Systems and Controls (SYSC)

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

19G MIFIDPRU Remuneration Code

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19G.6 Variable remuneration

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Assessment of performance

19G.6.4 R A *non-SNI MIFIDPRU investment firm* must ensure that where variable *remuneration* is performance-related:

(1) the total amount of the variable *remuneration* is based on a combination of the assessment of the performance of:

(a) the ~~individual~~ material risk taker;

...

...

Performance adjustment

19G.6.30 R A *non-SNI MIFIDPRU investment firm* must ensure that any variable *remuneration*, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the *firm* as a whole, and justified on the basis of the performance of the *firm*, the *business unit* and the ~~individual~~ material risk taker concerned.

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24 Senior managers and certification regime: Allocation of prescribed responsibilities

...

24.2 Allocation of FCA-prescribed senior management responsibilities: Main allocation rules

...

What the FCA-prescribed senior management responsibilities are

...

24.2.6 R Table: FCA-prescribed senior management responsibilities

FCA-prescribed senior management responsibility	Explanation	Reference letter
...		
<p>(19) Responsibility for:</p> <p>(a) managing the <i>firm's</i> internal stress tests; and</p> <p>(b) ensuring the accuracy and timeliness of information provided to the <i>FCA</i> and other <i>regulatory bodies</i> for the purposes of stress testing.</p>	<p>Stress testing refers to stress testing under <i>SYSC 20</i> (Reverse stress testing) <u><i>MIFIDPRU 7.5</i></u> (<u><i>ICARA</i> process: capital and liquidity planning, stress testing, wind-down planning and recovery planning</u>).</p> <p>This responsibility only applies to a <i>firm</i> to which <i>SYSC 20</i> <u><i>MIFIDPRU 7.5</i></u> applies.</p>	(s)
...		

Annex C

Amendments to the Threshold Conditions (COND)

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

2 The threshold conditions

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2.7 Business model

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Paragraph 3E to Schedule 6 of the Act

...

- 2.7.10 G *Firms* should consider scenarios which may negatively impact on the *firm's* business model with a view to ensuring the sustainability of the *firm* and, further, to consider the vulnerability of the business model to specific events and the risks and consequences that might arise. Where appropriate, this might include reverse stress-testing (see SYSC 20 'Reverse stress-testing'). A *firm* should put in place a credible plan to minimise the risks that it identifies from, or in relation to, its business model and a contingency plan for dealing with risks that have crystallised.

...

Annex D

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

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1.2 SNI MIFIDPRU investment firms

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Additional provisions relating to the calculation of conditions to be classified as an SNI MIFIDPRU investment firm

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1.2.10 R (1) ...

(2) The relevant conditions are:

- (a) where a MIFIDPRU investment firm has metrics for AUM, average AUM under MIFIDPRU 1.2.1R(1);
- (b) where a MIFIDPRU investment firm has metrics for COH, average COH under MIFIDPRU 1.2.1R(2);

...

1.2.11 G (1) ...

(1A) (a) A MIFIDPRU investment firm that does not have metrics for AUM or COH, does not need to take into account the AUM or COH of other members of its group when calculating average AUM under MIFIDPRU 1.2.1R(1) or average COH under MIFIDPRU 1.2.1R(2). This is illustrated by the example in (b).

- (b) Firm A (a MIFIDPRU investment firm providing services for the execution of orders on behalf of clients, with no AUM itself) is part of the same group as Firm B and Firm C (both MIFIDPRU investment firms providing portfolio management services, each with AUM of £0.8 billion). As Firm A does not have any AUM, it does not need to take into account the average AUM of Firms B and C when considering the average AUM threshold in MIFIDPRU 1.2.1R(1), and Firm A is therefore not a non-SNI investment firm under this particular metric. Firms B and C would both be non-SNI MIFIDPRU

investment firms because they do have metrics for AUM and because their combined average AUM is more than the threshold in MIFIDPRU 1.2.1R(1).

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2 Level of application of requirements

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2.5 Prudential consolidation

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Prudential consolidation in practice: own funds requirement

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Consolidated fixed overheads requirement

2.5.25 R (1) ...

(2) A UK parent entity must:

...

(b) if the relevant figures under (a) are not available, calculate the consolidated fixed overheads as the sum of the following:

...

(iii) the relevant proportion of the individual fixed overheads of each *relevant financial undertaking* that is subject to proportional consolidation on a *consolidated basis*.

(c) Where the relevant figures under (2)(a) are available, but the consolidated annual financial statements include undertakings that are not members of the investment firm group, a UK parent entity may use the approach in (2)(b) to calculate its fixed overheads requirement on a consolidated basis.

...

...

Consolidated K-AUM, K-COH and K-DTF requirements

2.5.29 R ...

(4) Where the consolidated AUM, COH or DTF under (2) includes amounts attributable to transactions or arrangements solely between two or more entities included within the *consolidated situation*, those

amounts are excluded when calculating the consolidated *AUM*, *COH* or *DTF*.

- 2.5.29A **G** (1) As the exclusion in *MIFIDPRU 2.5.29R(4)* applies only to transactions or arrangements solely between two or more entities included within the *consolidated situation* of an *investment firm group*, it does not apply to transactions or arrangements involving counterparties or *clients* outside that *consolidated situation*. This is illustrated by the example in (2).
- (2) Firm A and Firm B are part of the *consolidated situation* of an *investment firm group*. Firm A delegates management of assets to Firm B. If the assets delegated by Firm A are beneficially owned by a *client* outside the *consolidated situation*, such assets would not benefit from the exclusion under *MIFIDPRU 2.5.29R(4)* for the purposes of the *UK parent entity's* calculation of consolidated *AUM*.

...

2.6 The group capital test

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Group capital test: reporting requirements

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2.6.11 **R** ~~An *investment firm group* may designate one *parent undertaking* in the *UK*:~~

- (1) a *parent undertaking* in the *UK* that is part of the *investment firm group*; or
- (2) a *MIFIDPRU investment firm* that is part of the *investment firm group* and that is not a *parent undertaking*;

to submit reports to the *FCA* under *MIFIDPRU 2.6.10R* on behalf of the *GCT parent undertakings* in the *investment firm group*.

...

2 Annex 8R Notification under *MIFIDPRU 2.4.20R* relating to membership of an investment firm group and/or a financial conglomerate

[*Editor's note*: the form can be found at this address:

[https://www.fca.org.uk/publication/forms/\[xxx\]](https://www.fca.org.uk/publication/forms/[xxx])]

Notification under MIFIDPRU 2.4.20R of membership of an investment firm group and/or a financial conglomerate

Under MIFIDPRU 2.4.20R(3), a firm (X) is not required to submit this form if another member of the investment firm group or financial conglomerate (Y) has notified the FCA of any relevant changes and the information provided by Y includes information about X and all other information required under MIFIDPRU 2.4.20R.

...

2. Please confirm which of the following apply or applies:

...

If you selected:

...

- option (c), please complete questions 4A, ~~7B~~A and 8

...

- option (f), please complete questions 14 to ~~16~~ 15

...

3 Own funds

...

3.3 Common equity tier 1 capital

...

Common equity tier 1 instruments of partnerships

- 3.3.16 R *A partner's account in relation to a firm that is a partnership satisfies the conditions in article 28(1)(e) (perpetual) and article 28(1)(f) (reduction or repayment) of the UK CRR if:*

...

- (2) under the terms of the partnership agreement an amount representing capital may be withdrawn from the account by a partner ("A"), otherwise than with prior FCA consent pursuant to MIFIDPRU 3.6.2R or deemed consent under MIFIDPRU 3.6.3R, only if:

...

...

Common equity tier 1 instruments of limited liability partnerships

3.3.17 R A member’s account in relation to a *firm* that is a *limited liability partnership* will meet the conditions in article 28(1)(e) (perpetual) and article 28(1)(f) (reduction or repayment) of the *UK CRR* if:

...

(2) under the terms of the *limited liability partnership* agreement, an amount representing capital may be withdrawn from the account by a *partner* (“B”), otherwise than with prior FCA consent pursuant to MIFIDPRU 3.6.2R or deemed consent under MIFIDPRU 3.6.3R, only if:

...

...

3.6 General requirements for own funds instruments

...

Reduction of own funds instruments

3.6.2 R To apply for permission for the purposes of articles 77 and 78 of the *UK CRR* to do any of the following, a *firm* must save in the circumstances set out in MIFIDPRU 3.6.3R, complete the form in *MIFIDPRU 3 Annex 4R* and submit it to the *FCA* using the *online notification and application system*:

...

...

4 Own funds requirements

...

4.7 K-AUM requirement

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Investment advice of an ongoing nature

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4.7.21 R (1) Subject to (2), for the purposes of the calculation of *average AUM* under *MIFIDPRU 4.7.5R*, the value of *AUM* for recurring *investment advice* given in relation to a *client* in any given *month* is the sum of:

...

- (b) the *AUM* arising from the ~~recurring~~ recurring investment advice given by the *firm* to that *client* during the immediately preceding 11 *months*.

...

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4.10 K-COH requirement

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Measuring the value of orders for COH

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4.10.21 G ...

- (6) The effect of *MIFIDPRU* 4.10.19R(2) is that when measuring the value of *COH* at the end of each *business day*, a *firm* must apply the relevant conversion rate on that date to any amounts in foreign currencies forming part of the *COH* attributable to that *business day*. The *COH* for each preceding *business day* should continue to be measured by reference to the ~~conversion~~ conversion rate that was applicable on that preceding day.

...

...

4.14 K-TCD requirement

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Potential future exposure: derivative netting ratio approach

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- 4.14.18 R A *firm* must calculate a net potential future exposure for each *netting set* using the following formula:

$$PFEnet = \frac{RCnet}{RCgross} \cdot PFEgross$$

where:

...

- (3) RCnet = the sum of the replacement cost (as determined in accordance with *MIFIDPRU* 4.14.9R) of all transactions included in the *netting set*, unless that sum is a negative amount, in which case RCnet is zero; ~~and~~
- (4) RCgross = the sum of the replacement cost (as determined in accordance with *MIFIDPRU* 4.14.9R) of all transactions included in the *netting set* that have a positive *CMV*; ~~and~~
- (5) where the value of RCgross is zero, then the result of RCnet divided by RCgross is deemed to be:
- (a) a value of '1' when a *netting set* consists of a single derivative contract; or
- (b) a value of zero when a *netting set* consists of more than one derivative contract.

4.14.18A G For the purposes of *MIFIDPRU* 4.14.18R(5), a *firm* should:

- (1) still consider any residual risk of potential harm that may arise in connection with using the derivative netting ratio approach as part of the *ICARA process* under *MIFIDPRU* 7; and
- (2) be consistent in its approach to allocating transactions to *netting sets*.

...

6 Basic liquid assets requirement

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6.3 Core liquid assets

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6.3.4 R (1) If a *firm's relevant expenditure* or guarantees are incurred in a currency other than pound sterling, the *firm* may also treat the following assets as *core liquid assets*, when denominated in that currency:

...

- (2) ~~The assets in (1) must not account for more than the proportion of fixed overheads or guarantees that the *firm* incurs in that currency.~~
The proportion of *core liquid assets* denominated in any currency other than pound sterling that a *firm* can rely upon to meet its *basic liquid asset requirement*, must be no greater than:

- (a) for the requirement in *MIFIDPRU* 6.2.1R(1), the proportion of *relevant expenditure* incurred in that currency; and
- (b) for the requirement in *MIFIDPRU* 6.2.1R(2), the proportion of *guarantees* provided in that currency.

...

6.3.4A G The effect of *MIFIDPRU* 6.3.4R(2) is illustrated by the following example:

- (1) A *firm* has total fixed overheads with a value of £1,200,000, as follows:
 - (a) 20%, equivalent to £240,000, are incurred in USD; and
 - (b) 5%, equivalent to £60,000, are incurred in Swiss francs (CHF).
- (2) In addition, the *firm* has provided total guarantees to *clients* with a value of £10,000,000, of which 50%, equivalent to £5,000,000, are incurred in USD.
- (3) The *firm's fixed overheads requirement* (one quarter of its total fixed overheads calculated in accordance with *MIFIDPRU* 4.5) is £300,000.
- (4) Under *MIFIDPRU* 6.2.1R, the *firm's basic liquid assets requirement* amounts to £260,000, as follows:
 - (a) £100,000 are in respect of the requirement in *MIFIDPRU* 6.2.1R(1) (one third of the amount of its *fixed overheads requirement*); and
 - (b) £160,000 are in respect of the requirement in *MIFIDPRU* 6.2.1R(2) (1.6% of the total amount of any guarantees provided to *clients*).
- (5) To meet its requirement in *MIFIDPRU* 6.2.1R, a *firm* may choose to use *liquid assets* listed in *MIFIDPRU* 6.3.4R denominated in a currency other than pound sterling, up to a maximum equivalent to £105,000, as follows:
 - (a) Up to the equivalent of £100,000 may be held in USD denominated *liquid assets* (i.e. 20% of 100,000 = 20,000, to meet the requirement in *MIFIDPRU* 6.2.1R(1); and 50% of 160,000 = 80,000 to meet the requirement in *MIFIDPRU* 6.2.1R(2)); and

- (b) Up to the equivalent of £5,000 may be held in CHF denominated liquid assets (i.e. 5% of 100,000 = 5,000, to meet the requirement in MIFIDPRU 6.2.1R(1)).

...

7 Governance and risk management

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7.6 ICARA process: assessing and monitoring the adequacy of own funds

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7.6.4 G ...

- (6) MIFIDPRU TP 2.25AR and MIFIDPRU TP 2.25BG contain rules and guidance on the interaction between a firm’s own funds threshold requirement and the alternative requirement for its fixed overheads requirement, K-factor requirement or permanent minimum capital requirement.

...

7.7 ICARA process: assessing and monitoring the adequacy of liquid assets

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7.7.8 R (1) Except as specified in (2), the following assets are eligible as non-core liquid assets:

- (a) short-term deposits at a *credit institution* that does not have a *Part 4A permission* in the *UK* to *accept deposits*;
- (aa) short-term non-sterling deposits at a UK credit institution;

...

...

7.7.12 G This table belongs to MIFIDPRU 7.7.11G.

Non-core liquid asset	Haircut
Short-term deposits at a <i>credit institution</i> that does not have <i>permission</i> in the <i>UK</i> to <i>accept deposits</i>	0%
<u>Short-term non-sterling deposits at a UK credit institution</u>	0%

Assets representing claims on, or guaranteed by, multilateral development banks or international organisations	0%
...	

...

9 Reporting

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9.4 Group capital test reporting

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9.4.5 G Under *MIFIDPRU* 2.6.11R, a *GCT parent undertaking* may designate a single parent undertaking in the UK:

...

(1) a parent undertaking in the UK that is part of the investment firm group; or

(2) a MIFIDPRU investment firm that is part of the investment firm group and that is not a parent undertaking;

to submit *data items* to the *FCA* on behalf of all *GCT parent undertakings* within the same *investment firm group*. However, each *GCT parent undertaking* remains responsible for ensuring the timely submission and accuracy of any *data items* submitted on its behalf.

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:

[*Editor's note*: insert link to document containing guidance on completing data items in MIFIDPRU 9 Annex 1R]

Guidance notes for MIFIDPRU 9 Annex 2G

MIF001 – Adequate financial resources (Own funds)

...

Own funds held

...

3A – Common Equity Tier 1 capital

FCA investment firms should enter the amount of CET1 capital they hold for their own funds. CET1 capital should be calculated in accordance with Article 50 of the UK CRR as applied and modified by Section 3.3 of MIFIDPRU – Common equity tier 1 capital. ~~This cell must always be completed with a positive number.~~

...

Daily Trading Flow

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17A – Adjusted K-DTF (cash trades) coefficient, where used

Under MIFIDPRU 4.15.11R, an FCA investment firm may adjust the coefficient used to calculate the K-DTF requirement if stressed market conditions occurred during the calculation period. Where an FCA investment firm has adjusted the cash trades coefficient in accordance with that rule, it should enter the value of the adjusted cash trades coefficient in this cell. The value entered should be the adjusted coefficient expressed as a decimal value. For example, if the adjusted coefficient for cash trades is ~~0.09%~~ 0.0961%, the firm should enter ~~0.0009~~ 0.000961 in this cell.

Firms should refer to MIFIDPRU 4.15.13G for a worked example of how to calculate the adjusted coefficient.

...

19A – Adjusted K-DTF (derivatives trades) coefficient, where used

Under MIFIDPRU 4.15.11R, an FCA investment firm may adjust the coefficient used to calculate the K-DTF requirement if stressed market conditions occurred during the calculation period. Where an FCA investment firm has adjusted the derivatives trades coefficient in accordance with that rule, it should enter the value of the adjusted derivative trades coefficient in this cell. The value entered should be the adjusted coefficient expressed as a decimal value. For example, if the adjusted coefficient for derivatives trades is ~~0.009%~~ 0.00961%, the firm should enter ~~0.00009~~ 0.0000961 in this cell.

Firms should refer to MIFIDPRU 4.15.13G for a worked example of how to calculate the adjusted coefficient.

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Own funds threshold requirement/wind-down trigger

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26A – Own funds threshold requirement

An FCA investment firm should enter the higher of:

- its latest own assessment of its own funds threshold requirement as determined through the ongoing ICARA process (MIFIDPRU 7.6) or

...

MIF002 – Adequate financial resources (Liquid assets)

...

Liquid assets threshold requirement/wind-down trigger

...

7A – Liquid assets threshold requirement

An FCA investment firm should enter the higher of:

- its latest own assessment of its liquid assets threshold requirement as determined through the ongoing ICARA process as set out in MIFIDPRU 7.7 or

...

MIF007 – ICARA Questionnaire

...

Part B: Assessing and monitoring the adequacy of own funds

...

Own funds held as at the ICARA accounting reference date

7A – Common Equity Tier 1 capital

FCA investment firms should enter the amount of CET1 capital they hold for their own funds. CET1 capital should be calculated in accordance with Article 50 of the UK CRR as applied and modified by Section 3.3 of MIFIDPRU – Common equity tier 1 capital. ~~This cell must always be completed with a positive number.~~

...

TP 2 Own funds requirements: transitional provisions

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Disapplication of permanent minimum capital requirement transitional provisions because of changes to a firm’s permissions

- 2.19 R The transitional arrangements in *MIFIDPRU* TP 2.12R to 2.16R and *MIFIDPRU* TP 2.18R cease to apply if there is a change to the *permissions* of the relevant *MIFIDPRU investment firm*, or any *limitation* or *requirement* that applies to the *firm*, on or after 1 January 2022 that increases the *permanent minimum capital requirement* that would apply to the *firm* under *MIFIDPRU* 4.4.

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Interaction between alternative fixed overheads requirement and basic liquid assets requirement

...

- 2.25 G ...
 - (3) ...
 - (a) ...
 - ...
 - (e) The *firm* would therefore need to hold *core liquid assets* of 31.6 to satisfy its *basic liquid assets requirement*.

Interaction between alternative requirements under MIFIDPRU TP 2, own funds wind-down trigger and own funds threshold requirement

- 2.25A R (1) Where a firm is applying an alternative requirement for its:
- (a) fixed overheads requirement under any of the following: MIFIDPRU TP 2.7R(2)(a), MIFIDPRU TP 2.10R(2)(a), or MIFIDPRU TP 2.21R(2)(a);
 - (b) K-factor requirement under any of the following: MIFIDPRU TP 2.7R(2)(b); MIFIDPRU TP 2.10R(2)(b); MIFIDPRU TP 2.11R(2); or MIFIDPRU TP 2.21R(2)(b);
 - (c) permanent minimum capital requirement under any of the following: MIFIDPRU TP 2.12R(2), MIFIDPRU TP 2.13R(3), MIFIDPRU TP 2.14R(3), MIFIDPRU TP 2.15R(2), MIFIDPRU TP 2.16R(3), or MIFIDPRU TP 2.18R(2); or
 - (d) own funds requirement under MIFIDPRU TP 2.20R(2);
- that firm may substitute the alternative requirement for the corresponding requirement when calculating its own funds threshold requirement in accordance with MIFIDPRU 7.6.4G.
- (2) Where a firm is applying an alternative requirement for its fixed overheads requirement under any of the provisions listed in (1)(a), the firm's own funds wind-down trigger is:
- (a) the alternative requirement for its fixed overheads requirement; or
 - (b) another amount specified by the FCA in a requirement applied to the firm.
- (3) Where a firm is applying an alternative requirement for its own funds requirement under MIFIPPRU TP 2.20R(2), the firm's own funds wind-down trigger is:
- (a) the lower of its fixed overheads requirement and the alternative requirement for its own funds requirement; or
 - (b) another amount specified by the FCA in a requirement applied to the firm.

- 2.25B G (1) The effect of MIFIDPRU TP 2.25AR(1) is that a firm may substitute an alternative requirement under a transitional provision in this annex for its corresponding requirement when calculating its own funds threshold requirement. This is illustrated by the example in (2).
- (2) MIFIDPRU TP 2.12R(2) permits a MIFIDPRU investment firm (that was classified under the rules in force on 31 December 2021 as an exempt CAD firm) to substitute the alternative requirement in TP2.12R(3) for its permanent minimum capital requirement under MIFIDPRU 4.4. MIFIDPRU TP 2.25AR(1) further allows such firm to substitute the alternative requirement for its permanent minimum capital requirement when determining its own funds wind-down threshold requirement in accordance MIFIDPRU 7.6.4G.

Continuing validity of UK CRR market risk permissions

2.26 R (1) ...

...

Annex E

Amendments to the Interim Prudential sourcebook for Investment Businesses (IPRU-INV)

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

Comes into force on 30 April 2023

3 Financial resources for Securities and Futures Firms which are not MiFID Investment Firms

[Editor's note: insert link]

...

3-61 The Basic Computation

...

3-61(2) R A firm must calculate its financial resources and its financial resources requirement in accordance with the table below and rules 3- 62 to 3-182.

Table 3-61. The basic financial resources calculation

Financial resources	Financial resources requirement
Capital ("A") the sum of – - ordinary share capital - preference share capital - share premium account - profit and loss account - other approved reserves, and - partners' current and capital accounts, and - eligible LLP members' capital	Primary requirement ("E") the sum of – - base requirement - total liquidity adjustment, which is the sum of: <ul style="list-style-type: none"> • <u>tangible fixed assets (in accordance with IPRU(INV) 3-75(3)R)</u> • <u>land and buildings used as security for non-recourse loans (in accordance with IPRU(INV) 3-75(4)R)</u> • <u>land and buildings used as security for other loans (in accordance with IPRU(INV) 3-75(5)R)</u> • <u>physical stocks (in accordance with IPRU(INV) 3-75(6)R)</u> • <u>investments in connected companies (in accordance with IPRU(INV) 3-75(7)R)</u> • <u>pre-payments (in accordance with IPRU(INV) 3-75(9)R)</u>
<u>Deductions ("B")</u> <u>the sum of –</u> - Intangible <u>intangible</u> assets, and	

<p>- excess LLP members' drawings ("B") A – B = tangible net worth ("C")</p>	<ul style="list-style-type: none"> • <u>other debtors (in accordance with IPRU(INV) 3-75(11)R)</u> • <u>cash deposits (in accordance with IPRU(INV) 3-75(12)R)</u> • <u>other assets (in accordance with IPRU(INV) 3-75(13) R)</u> <p>- charged assets - contingent liabilities, <u>and</u> - deficiencies in subsidiaries</p>
<p>Eligible capital substitutes ("D") the sum of – - subordinated loans - approved bank bonds - approved undertakings</p>	<p>Total PRR ("F") Total CRR ("G")</p>
<p>C + D = financial resources</p>	<p>E + F + G = financial resources requirement</p>

3-62 Tangible net worth

Calculation

3-62(1) R A firm must calculate its tangible net worth in accordance with table 3-61, subject to (2), ~~(3)~~ and ~~(4)~~ to (9) below.

...

Profit and loss account/partners' current and capital accounts

...

3-62(8) R Where applicable, a firm must deduct any asset in respect of deferred acquisition costs and add back in any liability in respect of deferred income (but excluding from the deduction or addition any asset or liability which will give rise to future cash flows), together with any associated deferred tax

Intangible assets and excess LLP members' drawings

3-62(9) R For the calculation of tangible net worth, a firm must deduct any intangible assets and excess LLP members' drawings from capital to arrive at tangible net worth under 3-62.

Annex F

Amendments to the Supervision manual (SUP)

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

Part 1: Comes into force on 31 March 2023

16 Reporting requirements

...

16.12 Integrated Regulatory Reporting

...

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:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data items (note 1)</i>					
	<i>MIFIDPRU investment firms</i>	<i>Firms other than MIFIDPRU investment firms</i>				
		<i>IPRU(INV)</i> Chapter 3	<i>IPRU(INV)</i> Chapter 5	<i>IPRU(INV)</i> Chapter 11 (<i>collective portfolio management firms only</i>)	<i>IPRU(INV)</i> Chapter 12	<i>IPRU(INV)</i> Chapter 13
...						
Volumes and types of business	<u>FSA038</u>	FSA038	FSA038	FSA038		FSA038
...						

- 16.12.16 R The applicable reporting frequencies for *data items* referred to in SUP 16.12.15R are set out in the table below according to *firm* type. Reporting

frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

Data item	<i>Non-SNI MIFIDPRU investment firm</i>	<i>SNI MIFIDPRU investment firm</i>	<i>Investment firm group</i>	<i>Firm other than a MIFIDPRU investment firm</i>
...				
FSA035				Quarterly
<u>FSA038</u>	<u>Half yearly</u>	<u>Half yearly</u>		<u>Half yearly</u>
...				

16.12.17 R The applicable due dates for submission referred to in *SUP* 16.12.4R are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in *SUP* 16.12.16R, unless indicated otherwise.

<i>Data item</i>	Quarterly	Half yearly	Annual
...			
FSA035	<i>20 business days</i>		
<u>FSA038</u>		<u><i>30 business days</i></u>	
...			

Part 2: Comes into force on 30 April 2023

**16 Annex Data items for SUP 16.12
24R**

This annex consists only of one or more forms. Forms are to be found through the following address:

[Editor's note: insert link]

...

FSA033 Capital Adequacy (for firms subject to IPRU(INV) Chapter 3)

Regulatory Capital A B

...

Primary requirement

8	Liquidity adjustment:	Non-trade debtors	[Deleted]	
9		Prepayment	[Deleted]	

...

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

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 24R -

[Editor's note: insert link]

...

FSA033 Capital Adequacy (for firms subject to IPRU(INV) Chapter 3)

...

Description	Data element	Guidance
Regulatory Capital		
<i>Tangible net worth</i>	1B and 2B	For an incorporated firm, tangible net worth includes ordinary share capital plus redeemable preference shares, meeting the criteria set

out in IPRU(INV) 3-62R, approved reserves as explained in IPRU(INV) 3-62R, share premium account and retained earnings, less any intangible assets.

For a partnership or sole trader, tangible net worth includes the capital account plus current account, less any intangible assets and excess LLP members' drawings.

...

Total liquidity adjustment

10B

~~The liquidity adjustment should be calculated in accordance with IPRU(INV) 3-75R and should be deducted in order to arrive at the financial resources.~~

The total liquidity adjustment is calculated in accordance with IPRU(INV) 3-75R. It is one component of the financial resources requirement (see IPRU(INV) Table 3-61).

(Firms should note that intangible assets are not relevant to the calculation of the liquidity adjustment, as they are instead deducted in the firm's calculation of its financial resources (see item 'B' in IPRU(INV) Table 3-61)).

...