

**INVESTMENT FIRMS PRUDENTIAL REGIME (AMENDMENT) INSTRUMENT
2024**

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 139A (Power of the FCA to give guidance);
 - (4) section 143D (Duty to make rules applying to parent undertakings); and
 - (5) 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. This instrument comes into force on 2 April 2024.

Amendments to the Handbook

- D. The Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) is amended in accordance with Annex A to this instrument.
- E. The Interim Prudential sourcebook for Investment Businesses (IPRU-INV) is amended in accordance with Annex B to this instrument.

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 (Amendment) Instrument 2024.

By order of the Board
28 March 2024

Annex A

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:

...

(5) it does not have ~~permission to deal on own account~~; for any of the following:

(a) dealing on own account; or

(b) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;

...

...

4 **Own funds requirements**

...

4.14 **K-TCD requirement**

...

Effective notional amount

4.14.20 R ...

(2) The notional amount, unless clearly stated and fixed until maturity, is determined as follows:

...

(b) for equity and commodity derivatives contracts and emissions allowances and derivatives thereof, the notional amount is the

product of the market price of one unit of the underlying instrument and the number of units referenced by the trade;

...

...

...

7 Governance and risk management

...

7.9 ICARA process: firms forming part of a group

...

Group ICARA process

...

7.9.9 G This guidance provision covers the following practical aspects in relation to the group ICARA process:

(1) ...

...

(3) Under a *group ICARA process*, the risk management and analysis of the financial impact of the risks is carried out at the level of the *investment firm group* (either by the *UK parent entity* or by a *MIFIDPRU investment firm* (*MIFIDPRU 7.9.5R(6)*). Each *firm* in the *investment firm group* is then allocated on a reasonable basis the assessment of *own funds* or *liquid assets* that are required to cover identified risks. ~~In addition, each *MIFIDPRU investment firm* in the *investment firm group* must comply with the *overall financial adequacy rule* on an individual basis. An *investment firm group* that wishes to operate a *group ICARA process* must therefore ensure that its risk management processes are sufficiently robust to satisfy the requirements in *MIFIDPRU 7.9.5R* and that there is appropriate accountability of the responsible *governing body* in accordance with the requirements of that *rule*.~~

(3A) Where the assessment of *own funds* or *liquid assets* uses a methodology that includes intra-group netting or offsets, the amount allocated from such assessment of *own funds* and *liquid assets* to each *firm* should be adjusted to remove any benefit which may otherwise have been applied at the level of the *investment firm group*.

(3B) In addition, each MIFIDPRU investment firm in the investment firm group must comply with the overall financial adequacy rule on an individual basis.

(3C) An investment firm group that wishes to operate a group ICARA process must therefore ensure that its risk management processes are sufficiently robust to satisfy the requirements in MIFIDPRU 7.9.5R and that there is appropriate accountability of the responsible governing body in accordance with the requirements of that rule.

...

...

8 Disclosure

...

8 Annex 1R Disclosure template for information required under MIFIDPRU 8.4.1R in respect of own funds

~~[Editor’s note: The form can be found at this address: insert link]~~ This annex consists of a template which can be found at the following link:

[Editor’s note: insert link]

Composition of regulatory own funds
...
Own funds: main features of own instruments issued by the firm
...
Examples
...
Link to the terms and conditions of the instrument
<u>Note: Where a MIFIDPRU investment firm is a partnership or a limited liability partnership, it should adjust the template for its disclosures so that it best reflects the legal personality of the firm and the manner in which it presents its accounts. These adjustments may include, for example, inserting a new row under the heading ‘Composition of regulatory own funds’ to include a new item such as ‘Partner’s account’ (where the MIFIDPRU investment firm is a partnership) or ‘Member’s account’ (where the MIFIDPRU investment firm is a limited liability partnership).</u>

Annex B

**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.

1 Application and General Provisions

...

1.2 APPLICATION

...

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

...

(i) ~~a credit union which is a CTF provider~~; [deleted]

...

...

Obligation to Comply

...

1.2.5 R Table

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

...	
Credit union which is a CTF provider <u>[deleted]</u>	Chapters 1 and 8 <u>[deleted]</u>

...