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**Application for Authorisation**

**MIFIDPRU Supplement Form - Notes**

**Important information you should read before using this document**

The notes below will help you complete the MIFIDPRU supplement form.

Where we refer in the supplement form and the below notes to “MiFID authorisation process/application” we mean the process/application whereby a firm becomes subject to MiFID for the first time. This includes new firm authorisations and variations of permission.

We use the term “MIFIDPRU investment firm” in these notes to refer to a firm that is subject to MIFIDPRU, because that is the term used in the MIFIDPRU sourcebook. In other contexts, we use other terms to refer to this population of firms – for example, the MiFID Annex form generally uses “UK MiFID investment firm” and some parts of the Handbook refer to “MiFID investment firms” instead.

These notes, while aiming to help you, do not replace the rules and guidance in MIFIDPRU. When completing the MIFIDPRU supplement form you should refer to the rules and guidance contained in the MIFIDPRU section of the FCA Handbook. You may also find it helpful to refer to our IFPR-related publications, including our IFPR consultation papers and policy statements, all of which can be accessed via our [website](https://www.fca.org.uk/firms/investment-firms-prudential-regime-ifpr).

**Terms in this Notes document**

In this application pack we use the following terms:

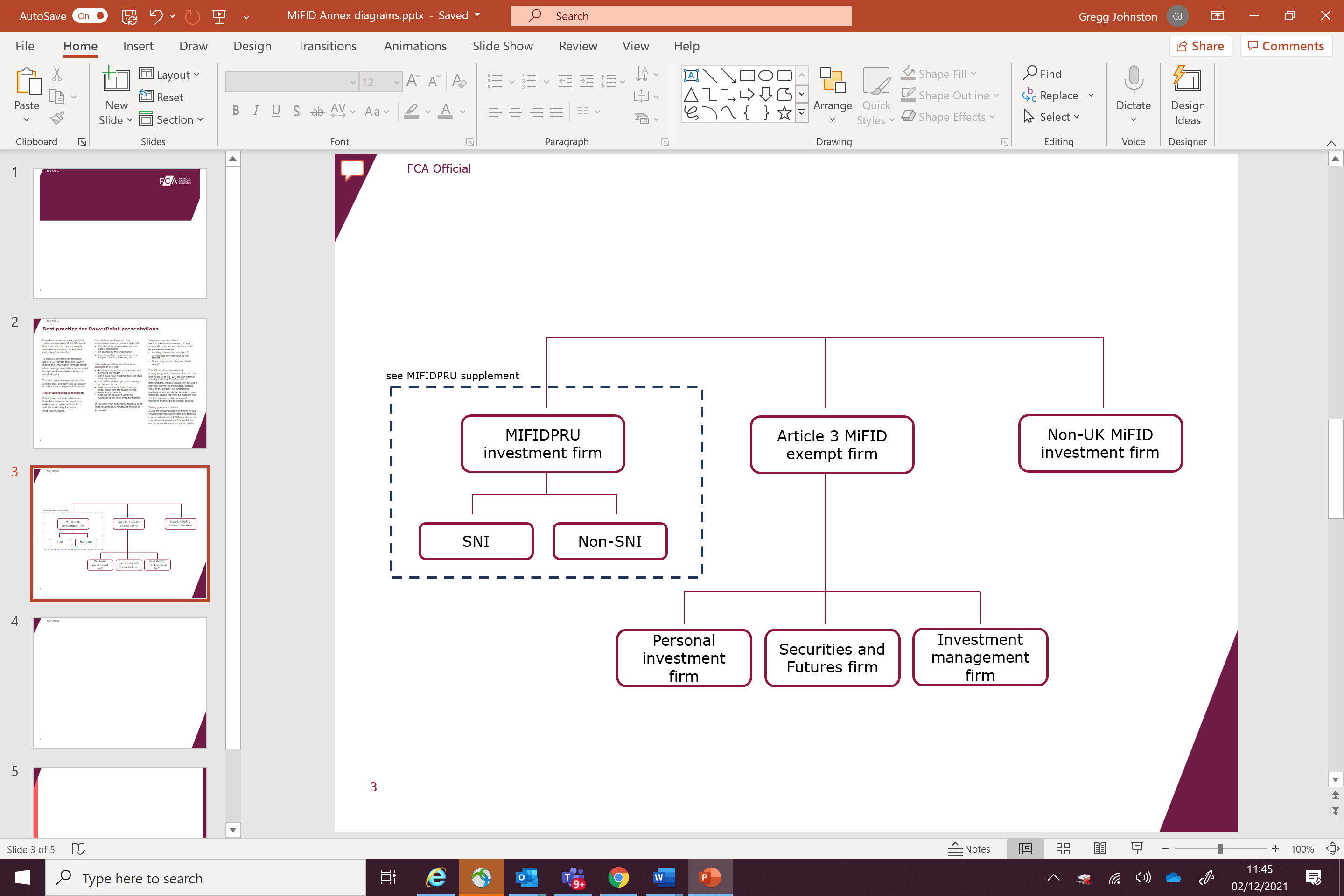
* 'you' refers to the person(s) signing the form on behalf of the applicant firm
* 'the applicant firm' refers to the firm applying for authorisation
* ‘we’, ‘us’, ‘our’ or ‘FCA’ refers to the Financial Conduct Authority
* ‘PRA’ refers to the Prudential Regulation Authority
* ‘MiFID’ refers to the UK law implementing the Markets in Financial Instruments Directive (Directive 2014/65/EU of the European Parliament and of the Council)
* ‘RTS’ refers to the UK version of the Regulatory Technical Standard (EU) 2017/1943 of 19 June 2017: <https://www.handbook.fca.org.uk/techstandards/MIFID-MIFIR/2017/reg_del_2017_1943_oj/?view=chapter>
* ‘MIFIDPRU’ refers to the prudential sourcebook for MIFID investment firms, which is part of the FCA Handbook
* ‘IFPR’ refers to the new Investment Firms Prudential Regime which is contained primarily in MIFIDPRU.
* ‘OTF’ refers to Organised Trading Facility
* ‘UK CRR’ means the UK version of the Capital Requirements Regulation (575/2013), which applied to certain investment firms prior to 1 January 2022.

|  |  |
| --- | --- |
| 1 | **MIFIDPRU categorisation** |

1.1 What category of MIFIDPRU investment firm does the applicant firm expect to be upon authorisation?

There are two categories of firms under the MIFIDPRU regime: small and non-interconnected investment firms (SNIs) and non-SNIs, as shown in Figure 1.

*Figure 1: Categorisation of MIFIDPRU investment firms*



SNIs benefit from additional proportionality and are subject to less onerous requirements. This includes their prudential, reporting, disclosure and remuneration requirements. In order to be considered an SNI, a MIFIDPRU investment firm needs to meet certain specified criteria.

**Conditions for classification as an SNI investment firm – MIFIDPRU 1.2**

Table 1 shows the **quantitative thresholds** that a MIFIDPRU investment firm must stay below to be considered an SNI. The rules for calculating these thresholds are set out in MIFIDPRU 1.2 and MIFIDPRU 4.

*Table 1: Quantitative criteria for being an SNI*

|  |  |  |
| --- | --- | --- |
|  | Measure\* | Threshold |
| (1) | Average assets under management (AUM) | < £1.2 billion |
| (2) | Average client orders handled (COH) – cash trades | < £100 million per day |
| (3) | Average client orders handled (COH) – derivative trades | < £1 billion per day |
| (4) | Average assets safeguarded and administered (ASA) | Zero |
| (5) | Average client money held (CMH) | Zero |
| (6) | Average daily trading flow (DTF) | Zero |
| (7) | On- and off-balance sheet total | < £100 million |
| (8) | Average total annual gross revenue from investment services and activities | < £30 million |

\* These thresholds, with the exception of the on- and off-balance sheet total, only relate to the MiFID activities the firm undertakes. For example, a firm may manage assets without providing MiFID portfolio management or ongoing MiFID investment advice, or it may hold client money or client assets in relation to non-MiFID activities. These should be excluded from the threshold measurement.

If a firm is part of a group, the thresholds in rows 1 – 3 and 7 - 8 need to be assessed on a combined basis, taking account of the MiFID activities of the following types of firms in the group:

* MIFIDPRU investment firms
* designated investment firms
* collective portfolio management investment firms
* third-country investment firms, but only for the investment services and activities they carry on in the UK

However, the CMH, ASA and DTF thresholds (rows 4 to 6 above) do not need to be assessed on a combined basis with other group members.

In addition to the quantitative thresholds listed in Table 1, the applicant firm must meet the following **qualitative criteria** to be considered an SNI:

* must not have permission to deal on own account
* must not act as a clearing member or an indirect clearing firm
* must not act as a depositary of a relevant AIF/UCITS

The qualitative criteria do not need to be assessed on a combined basis with other group members.

If the applicant firm is authorised as an SNI, and subsequently identifies that it no longer meets one or more of the criteria for being an SNI, it must promptly submit a notification via Connect using the relevant notification form.

Non-SNI firms

1.2 Please confirm which of the following criteria would result in the applicant firm being categorised as a non-SNI.

See notes to Question 1.1.

1.3 Please confirm if at the point of authorisation the applicant firm expects to meet the conditions in MIFIDPRU 7.1.4R(1) and SYSC 19G.1.1R(2) and hence will not need to apply the requirements to establish certain committees or the additional remuneration requirements.

If the applicant firm expects to be a non-SNI firm upon authorisation, it needs to determine whether it will be in scope of the extended remuneration requirements (SYSC 19.1.1R(4))) and the requirements to establish risk, remuneration and nomination committees (MIFIDPRU 7.3). The applicant firm will not be in scope of these requirements if:

* the value of its on-balance sheet assets and off-balance sheet items over the preceding 4-year period is a rolling average of £100 million or less, or
* the value of its on-balance sheet assets and off-balance sheet items over the preceding 4-year period is a rolling average of £300 million or less and the following conditions are (where relevant) satisfied:
* the exposure value of the firm’s on- and off-balance sheet trading book business is equal to or less than £150 million; and
* the exposure value of the firm’s on- and off-balance sheet derivatives business is equal to or less than £100 million.

If the firm does not have monthly data covering the 4-year period for the purpose of calculating the rolling averages, is must use the data points that it does have. For example, if the applicant is a newly established firm, it can use the size of its opening balance sheet as one single data point.

Please see MIFIDPRU 7.1.4R to 7.1.8G and SYSC 19G.1.1R to 19G.1.5G for further information on the calculation of the thresholds.

If the applicant firm meets these criteria at the point of authorisation but subsequently ceases to meet them, it must promptly submit a notification via Connect using the relevant notification form. Similarly, if the applicant firm does not meet the criteria at the point of authorisation but subsequently does meet them, it must also submit a Connect notification if it wishes to cease being subject to the relevant requirements.

1.4 Please confirm the applicability of the following thresholds to the applicant firm at the point of authorisation

See notes to Question 1.3.

SNI firms

1.5 Does the applicant firm expect to become a non-SNI firm within 12 months of being authorised?

We would expect the response to this question to be consistent with the firm’s business plan and the forecast information submitted in response to Question 2.8 of the supplement form.

SNI status of investment firm group

**1.6 Is the applicant firm a part of an investment firm group?**

See notes to Question 3.1.

**1.7 What is expected to be the SNI status of the investment firm group at the time the applicant firm is authorised (on the basis of consolidated situation of the UK parent entity)?**

If the applicant firm forms part of an investment firm group, it is required to confirm the SNI status of the group as part of the authorisation process. This needs to be determined on the basis of the consolidated situation of the UK parent entity.

A UK parent will be considered SNI on a consolidated basis if:

* none of the MIFIDPRU investment firms in the investment firm group are non-SNIs (including on a combined basis), and
* the UK parent satisfies all the criteria for being an SNI, when applied on the basis of the consolidated situation

We would expect the response to this question to be consistent with the forecast information submitted in response to question 3.14 of the supplement form.

Please see MIFIDPRU 2.5.21R and 2.5.22G which explain in detail how the provisions relating to classification of MIFDPRU investment firms (MIFIDPRU 1.2) apply to the consolidated situation of the UK parent entity. Clearing firms should also refer to MIFIDPRU 10.2.2R and 10.2.3G.

|  |  |
| --- | --- |
| 2 | **Information on the applicant firm’s capital and liquidity** |

This section of the form asks a number of questions relating to the applicant firm’s capital and liquidity resources. The notes therefore start by summarising some key MIFIDPRU concepts which are relevant to the questions in this section. Further information is then provided in the notes to Questions 2.8 to 2.10.

**Capital (own funds)**

We use the term “own funds” to refer to a MIFIDPRU investment firm’s regulatory capital. The rules and guidance relating to “own funds” can be found in MIFIDPRU 3.

A firm must ensure that it has sufficient “own funds” to meet its regulatory requirements. The key requirements that must be met using “own funds” are:

1. the “own funds requirement”, which is a capital requirement that is quantified by MIFIDPRU 4. The “own funds requirement” is calculated as the higher of the “permanent minimum requirement”, the “fixed overheads requirement” or (for non-SNI firms) the “K-factor requirement”.
2. the “own funds threshold requirement”, which is the amount of own funds that a firm needs to hold to comply with the Overall Financial Adequacy Rule (MIFIDPRU 7.4.7R(1)). Firms are required to develop and maintain an Internal Capital Adequacy and Risk Assessment Process (ICARA), through which they must assess their “own funds threshold requirement”. The “own funds threshold requirement” must not be lower than the “own funds requirement”.

**Liquidity (liquid assets)**

We use the term “liquid assets” to refer to a firm’s liquid resources that may be used to meet its regulatory liquidity requirements. We subdivide “liquid assets” into “core liquid assets” (MIFIDPRU 6.3) and “non-core liquid assets” (MIFIDPRU 7.7.8R).

A firm must ensure that it has sufficient “liquid assets” to meet its regulatory requirements. The key requirements that must be met using “liquid assets” are:

1. the “basic liquid assets requirement”, which is a liquidity requirement that is quantified by MIFIDPRU 6. Only “core liquid assets” can be used to meet the “basic liquid assets requirement”.
2. the “liquid assets threshold requirement”, which is the amount of liquid assets that a firm needs to hold to comply with the Overall Financial Adequacy Rule (MIFIDPRU 7.4.7R(1)). Firms must assess their “liquid assets threshold requirement” through their ICARA process. The “liquid assets threshold requirement” may be met using “core liquid assets” or “non-core liquid assets”.

Permanent minimum capital requirement

**2.1 Please confirm the permanent minimum capital requirement (PMR) that will apply to the applicant firm if it is granted permission to undertake its proposed activities.**

The PMR is one component of a firm’s own funds requirement. It is the minimum level of own funds a MIFIDPRU investment firm must hold, at all times. It is generally based on the MiFID investment services and activities a firm has permission to undertake. The applicant firm is required to hold this level of capital as its initial capital requirement (ICR), to become authorised.

Table 2 summarises the amount of the PMR (and hence ICR) that a MIFIDPRU investment firm must hold, based on the investment services and activities it carries out. The applicant will be subject to the highest PMR/ICR that applies.

*Table 2: PMR/ICR by the investment services and activities undertaken (MIFIDPRU 4.4)*

|  |  |
| --- | --- |
| * + - 1. **PMR/ICR** | * + - 1. **MIFIDPRU investment firm service/activity** |
| £4,000,000 | * + - 1. The firm has permission to undertake one or both of the following services or activities:          * Acting as trustee or depositary of a UK UCITS          * Acting as trustee or depositary of an AIF where the AIF is an authorised AIF |
| * + - 1. £750,000 | * + - 1. MiFID activities undertaken include one or more of the following services or activities:          * Dealing on own account          * Underwriting and/or placing on a firm commitment basis          * Operating an OTF without a limitation that prevents matched principal trading and dealing on own account   And/or, the firm:   * + - * + Acts as trustee or depositary of an AIF in accordance with FUND 3.11.10R(2) where the AIF is an unauthorised AIF |
| * + - 1. £75,000 | * + - 1. MiFID activities undertaken only from among the following services or activities:          * Reception and transmission of orders          * Execution of orders on behalf of clients          * Portfolio management          * Investment advice          * Placing without a firm commitment basis          * **And**, the firm does not have permission to hold client money or client assets in the course of MiFID activities |
| * + - 1. £150,000 | * + - 1. All other MIFIDPRU investment firms, including, but not limited to, firms with permission to:          * Operate an MTF          * Operate an OTF, with a limitation that prevents it from carrying out either of the following:   matched principal trading  dealing on own account |

The PMR selected should be consistent with the information that the firm provides in the MiFID Annex form. More guidance is available in PERG 13 of the FCA Handbook.

Please note that, prior to 1 January 2022, certain matched principal trading was not treated as “dealing on own account” for the purposes of historic prudential requirements. This concession has now ceased. If a firm executes client orders by standing between clients on a matched principal basis, it is both dealing on own account and executing orders on behalf of clients (PERG 13.3 Q16). Applicant firms should complete this question accordingly.

Own funds composition – MIFIDPRU 3.2

**2.2 Please state the gross amount of each tier of capital that the applicant firm will hold at the authorisation date.**

Own funds are made up of the following 3 tiers of capital:

* Common Equity Tier 1 (CET1) – MIFIDPRU 3.3
* Additional Tier 1 (AT1) – MIFIDPRU 3.4
* Tier 2 (T2) – MIFIDPRU 3.5

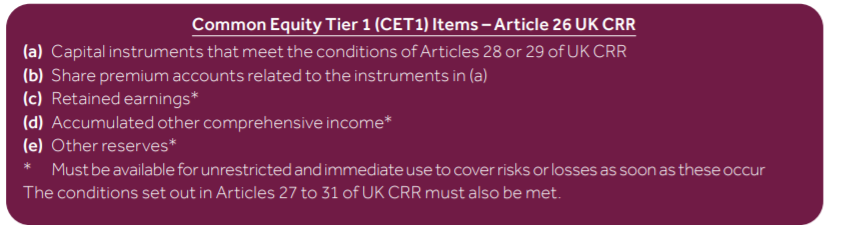
Own funds must be held in the following proportions to meet the own funds requirement/own funds threshold requirement:

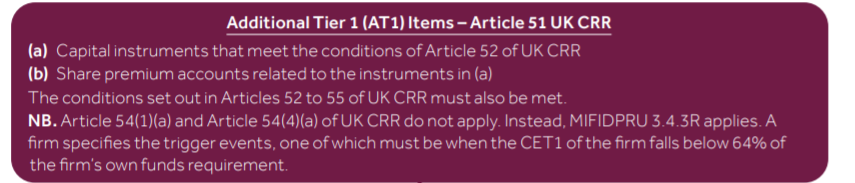
* + CET1 ≥ 56%
  + CET1 + AT1 ≥ 75%, and
  + CET1 + AT1 + T2 ≥ 100%

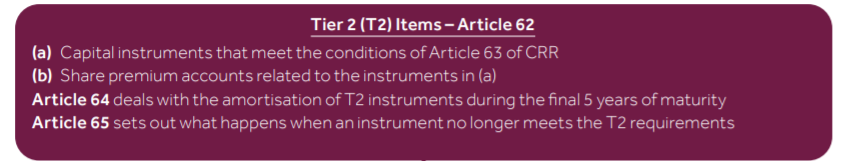
This section of the supplement form requires that you state the gross amount of each capital tier that the applicant firm expects to hold at the point of authorisation. The gross amount is the total amount of capital in issuance i.e., before prudential filters, deductions and limits on amounts that can be recognised.

Figure 2 provides a visual summary of CET1, AT1 and T2 capital items. References to the “UK CRR” are to that legislation as applied and supplemented by the rules in MIFIDPRU 3.

*Figure 2: CET1, AT1 and T2 capital items*







*Partnership and limited liability partnership capital*

If the applicant firm is a partnership or a limited liability partnership (LLP), its partners’ or members’ account can be treated as meeting the conditions in art 28(1)(e) and (f) of the UK CRR for the purposes of being classified as CET1 capital under MIFIDPRU 3, provided that the account is one:

* + into which capital contributed by the partners or members is paid, and
  + from which, under the terms of the partnership agreement or limited liability agreement, an amount representing capital may be withdrawn by a partner or member (P) only if:
* P ceases to be a partner or member and an equal amount is transferred to another such account by P’s former partners or members or any person replacing P as a partner or member
* the partnership or LLP is wound up or otherwise dissolved, or
* the firm has ceased to be authorised or no longer has a Part 4A permission

If the applicant firm is an LLP or a partnership, we would expect its LLP/partnership agreement to include the provisions in MIFIDPRU 3.3.16R/3.3.17R, or other provisions achieving the same legal effect.

**CET1 capital regulatory approval requirement**

**2.3 In order for the applicant firm to be able to classify its capital instruments as CET1 instruments under MIFIDPRU 3.3, it must seek our permission by submitting the relevant form as part of this application.**

MIFIDPRU investment firms require prior permission from us to classify an issuance of capital instruments as CET1 capital (MIFIDPRU 3.3.3R). Becoming authorised as a MIFIDPRU investment firm is contingent upon this permission being granted as part of the authorisation process.

**2.4 Please confirm if the applicant firm wishes to include interim or year-end profits as CET1 capital where a formal decision confirming the final profit and loss for the year has not yet been taken.**

If the applicant firm is already trading, and would like to include interim or year-end profits as CET1 capital at the time it becomes authorised, it must obtain the requisite permission under MIFIDPRU 3.3.2R.

**2.5 If the applicant firm proposes to have AT1 and/or T2 capital instruments in issuance upon authorisation, it is required to provide additional information as part of the authorisation process to demonstrate that these instruments meet the conditions in MIFIDPRU 3.4 or MIFIDPRU 3.5 (as applicable, and including any conditions in the UK CRR applied by those sections) to be classified as AT1 or T2 instruments.**

No additional notes

**2.6 What type of firm is the applicant firm?**

**Limited company**

Companies House Form SH01 specifies how the applicant firm's shares are allotted.

**Partnership**

You need to send us a statement of personal assets and liabilities for each partner. You also need to send us a statement of business assets and liabilities for each partner. The statement of assets and liabilities should detail all assets (i.e. anything with a positive value including money, property and investments) and all liabilities (anything with a negative value).

Where assets are included in the applicant firm's own funds and they are subject to depreciation, you should take this into account when calculating the value of those assets.

You must also send us a copy of the partnership agreement deeds.

**Limited Liability Partnership (LLP)**

An LLP is a vehicle incorporated under the Limited Liability Partnership Act 2000, which limits the liability of each of the partners to their respective capital contributions.

You must send a copy of the LLP agreement, including the members' capital agreement with your application.

**Sole trader**

You need to send us a statement of your personal assets and liabilities, together with a statement of your business assets and liabilities. The statement of assets and liabilities should detail all assets (i.e. anything with a positive value including money, property and investments) and all liabilities (anything with a negative value).

Where assets are included in the applicant firm's own funds and they are subject to depreciation, you should take this into account when calculating the value of those assets.

**Statements of assets and liabilities – for completion by partnerships and sole traders**

Before completing the statement of personal assets and liabilities or the statement of business assets and liabilities please note the points below.

* Only include your share of any assets and liabilities that are jointly owned by another party, such as your wife/husband.
* Current market value (not the price paid or nominal value) of quoted investments – only include readily realisable securities, unit trusts and other packaged products.
* Where applicable current market value (e.g. property) should be estimated.
* Guarantees – include the maximum liability of a personal guarantee given to a third party.

STATEMENT OF PERSONAL ASSETS AND LIABILITIES

|  |  |  |  |
| --- | --- | --- | --- |
| For | | (full personal name) | |
|  | | | |
| as at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | | (date) | |
|  |  |  |  |
| **Assets** |  | **Liabilities** |  |
|  |  |  |  |
| House | \_\_\_\_\_\_\_ | Mortgage(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Other real property | \_\_\_\_\_\_\_ | Loan(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Contents | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Motor vehicles | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Investments (specify) | \_\_\_\_\_\_\_ |  | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Bank balance(s) | \_\_\_\_\_\_\_ | Overdraft(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Cash deposits | \_\_\_\_\_\_\_ | Credit card balance(s) | \_\_\_\_\_\_\_ |
|  |  |  |  |
| Other assets (specify) | \_\_\_\_\_\_\_ | Other liabilities (specify) | \_\_\_\_\_\_\_ |
|  |  |  |  |
|  |  |  |  |
| **TOTAL** | **=======** | **TOTAL** | ======= |
|  |  |  |  |
|  |  | Guarantees (specify) | \_\_\_\_\_\_\_ |
|  |  |  |  |
|  |  | **TOTAL** | **=======** |
| Signed |  |  |  |
|  |  |  |  |
| Date |  |  |  |

STATEMENT OF BUSINESS ASSETS AND LIABILITIES

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| For | | | (full trading name) | |
|  | | | | |
| as at | | (date) | | |
|  |  |  | |  |
| **Assets** |  | **Liabilities** | |  |
|  |  |  | |  |
| Bank/cash deposits | \_\_\_\_\_\_\_\_\_\_ | Taxation | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Commission due within 90 days | \_\_\_\_\_\_\_\_\_\_ | Credit cards | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Other investments | \_\_\_\_\_\_\_\_\_\_ | Bank overdraft balance | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Property | \_\_\_\_\_\_\_\_\_\_ | Indemnity commission | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Motor vehicles | \_\_\_\_\_\_\_\_\_\_ | Unsecured loans | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Office equipment | \_\_\_\_\_\_\_\_\_\_ | Hire purchase/secured loans | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
|  | \_\_\_\_\_\_\_\_\_\_ | Other liabilities (please specify) | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| Other assets (specify) | \_\_\_\_\_\_\_\_\_\_ | Mortgage | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  | Contingent liabilities | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  | Guarantees | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
| **TOTAL** | **=========** | **TOTAL** | | ========== |
|  |  |  | |  |
| Goodwill | \_\_\_\_\_\_\_\_\_\_ | Bank overdraft limit | | \_\_\_\_\_\_\_\_\_\_\_ |
|  |  |  | |  |
|  |  | **TOTAL** | | **==========** |
| Signed |  |  | |  |
| Date |  |  | |  |

**2.7 Is the applicant firm currently trading?**

If the applicant firm is currently trading, you must provide all the information detailed in question 2.7 of the MIFIDPRU supplement form. If the applicant firm did not have a requirement to produce audited annual reports please provide the firm’s unaudited annual reports. Please also include management accounts covering the most recent period not covered by the firm’s latest annual accounts. See Article 5(b) of the RTS.

Forecast financial performance

**2.8 You are required to provide the following for the applicant firm in Excel format:**

* A forecast balance sheet for the first 3 business years
* A forecast monthly profit and loss accounts for the first year and then a year end account for business years 2 and 3
* A monthly cash flow forecast for the first business year which is in line with the actual fees due and expected receipt dates, and then a year end cash flow forecast for years 2 and 3 business years

No additional notes

Forecast own funds vs. regulatory requirements

**2.9 You are required to provide the following forecast information for the application firm in Excel format.**

Please provide monthly calculations of the applicant firm’s own funds against its own funds requirement and own funds threshold requirement, demonstrating how the former meets the latter, projected over a one-year period after authorisation.

You are required to submit this in Excel format, showing underlying calculations. You must also include working papers showing the assumptions on which the calculations are based.

**Own funds requirement**

If the applicant firm meets the criteria to be an SNI, its own funds requirement will be the higher of:

* its PMR, and
* its fixed overheads requirement (FOR)

If the applicant firm does not meet the criteria to be an SNI, and hence is a ‘non-SNI’ – its own funds requirement will be the highest of its PMR, its FOR and its K-factor requirement (KFR).

**Permanent minimum requirement (PMR) – MIFIDPRU 4.4**

The PMR applies to all MIFIDPRU investment firms, but differs depending on the firm’s activities. How to calculate the PMR is explained in the notes to Question 2.1.

**Fixed overhead requirement (FOR) – MIFIDPRU 4.5**

The FOR applies to all MIFIDPRU investment firms. It is intended to reflect a minimum amount of capital that a MIFIDPRU investment firm would need available to absorb losses if it has cause to wind-down or exit the market. The FOR is an amount equal to one quarter of relevant expenditure in the previous year or projected expenditure if the applicant firm has been in business for less than a year.

In order to calculate its relevant expenditure, the applicant firm should first determine its total expenditure. This must include any fixed expenses incurred on the firm’s behalf by third parties, including tied agents. The firm can then deduct various items of expenditure from that total amount in accordance with MIFIDPRU 4.5.3R(2) to arrive at its relevant expenditure.

See MIFIDPRU 4.5.3R(2) for a full list of items that the applicant firm can deduct from its total expenditure in order to arrive at its relevant expenditure.

If the applicant firm has been in business for less than a year, its FOR calculation must use the relevant expenditure included in its projections for the first 12 months of trading as a MIFIDPRU investment firm.

**K-factor capital requirements (KFR) – MIFIDPRU 4 & 5**

The K-factor own funds requirement only applies to non-SNI firms. It is calculated by adding together a mixture of activity- and exposure-based requirements (K-factors, summarised in Table 3). The K-factor requirements that apply to an individual MIFIDPRU investment firm will depend on the activities it undertakes. The rules and guidance in MIFIDPRU 4.7 to 4.16 and 5 explain how to calculate each component of its overall K-factor requirement.

*Table 3: Summary of the K-factors (MIFIDPRU 4 and 5)*

|  |  |  |
| --- | --- | --- |
| K-factor | MIFIDPRU | The value the requirement is based on and the risk it is intended to capture |
| K-AUM | 4.7 | **Assets under management** - captures the potential for harm when a MIFIDPRU investment firm *manages assets* for its clients in connection with MiFID business (discretionary and non-discretionary) |
| K-CMH | 4.8 | **Client money held** - captures the potential for harm caused by a MIFIDPRU investment firm *holding client money* in connection with MiFID business |
| K-ASA | 4.9 | **Client assets safeguarded and administered -** captures the potential for harm caused by a MIFIDPRU investment firm *holding client assets* in connection with MiFID business |
| K-COH | 4.10 | **Client orders handled** - captures the potential for harm from a MIFIDPRU investment firm *handling client orders* |
| K-NPR | 4.12 | **Net position risk** - captures *market risk*; also applies to positions not in the trading book which give rise to foreign exchange or commodities risk |
| K-CMG\* | 4.13 | **Clearing margin given** - an alternative to K‑NPR to provide for *market risk* based on the margins given by the MIFIDPRU investment firm to a clearing member |
| K-TCD | 4.14 | **Trading counterparty default** - captures the risk of a MIFIDPRU investment firm’s exposure to the default of its trading counterparties |
| K-DTF | 4.15 | **Daily trading flow** - captures the operational risks relating to the value of trading activity a MIFIDPRU investment firm conducts throughout each business day. This could be from systems, processes, people and external events |
| K-CON | 5 | **Concentration risk** - captures the risk from exposures to individual or highly connected counterparties; assesses concentration risk that could lead to an increased own funds requirement |

\**In order to be able to apply K-CMG to a given portfolio, instead of K-NPR, the firm will need to apply for a permission under MIFIDPRU 4.13.9R separately. If the applicant firm would like to apply for a K-CMG permission as part of its authorisation process, please advise your case officer accordingly.*

The K-NPR, K-CMG, K-TCD and K-CON requirements will only apply to the applicant firm if it intends to undertake the MiFID activity of dealing on own account.

The K-DTF requirement will only apply if the applicant firm intends to undertake one or both of the following activities:

(1) dealing on own account

(2) executing orders on behalf of clients in the firm’s own name

The applicant firm should make it clear in the projections submitted with the application the assumptions and workings used to calculate its FOR and KFR (if applicable). KFR calculations should be broken down into the separate K-factors, with a clear link from each K-factor to the projected, relevant activity the applicant expects to undertake.

Please see MIFIDPRU 4.7 to 4.16 and 5 for details of how the applicant firm should calculate each component of its overall K-factor requirement.

If the applicant firm is unsure as to whether an arrangement is within scope of one or more components of the K-factor requirement, we expect it to interpret the requirement in the light of its purpose, as required by GEN 2.2.1R. The applicant firm is required to explain as part of its response to question 2.9 of the MIFIDPRU supplement form how it applies the K-factor requirement to a given activity or activities and details of any assumptions made.

**Overall Financial Adequacy Rule and own funds threshold requirement (MIFIDPRU 7)**

In order to become FCA-authorised every firm must meet threshold conditions, requiring firms to have appropriate resources (see [COND 2.4 Appropriate resources](https://www.handbook.fca.org.uk/handbook/COND/2/4.html) ). This means that a firm must have financial and non-financial resources that are appropriate to the regulated activities it carries on or seeks to carry on.

The Overall Financial Adequacy Rule requires that a MIFIDPRU investment firm, at all times, holds adequate own funds and liquid assets to:

1. ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and
2. allow its business to wind-down in an orderly way.

The applicant firm needs to determine as part of its ICARA process whether it needs to hold additional funds on top of the MIFIDPRU 4 own funds requirement to comply with the Overall Financial Adequacy Rule. We ask about the ICARA process in section 4.

The ICARA process involves estimating the financial impact of any harm that is not covered by a firm’s PMR, FOR or KFR. If a firm needs to hold additional own funds on top of its MIFIDPRU 4 own funds requirement to comply with the Overall Financial Adequacy Rule, the total amount is called the firm’s own funds threshold requirement. The applicant firm will need to demonstrate in its application, and throughout the authorisation process, that it is able to meet this requirement at all times.

Forecast liquid assets vs. regulatory requirements

**2.10 You are required to provide the following forecast information for the applicant firm in Excel format**

You must provide monthly calculations of the applicant firm’s core and non-core liquid assets against its basic liquid assets requirement and its liquid assets threshold requirement, demonstrating how the former meets the latter, projected over a one-year period after authorisation.

You must submit this in Excel format, showing underlying calculations. You must also include working papers showing the assumptions on which the calculations are based.

**Basic liquid assets requirement (MIFIDPRU 6.2)**

The basic liquid assets requirement is based on a proportion of a MIFIDPRU investment firm’s FOR and any guarantees provided to clients. Its purpose is to ensure that a MIFIDPRU investment firm always has a minimum stock of liquid assets to fund the initial stages of its wind-down process if needed.

The basic liquid assets requirement is the sum of:

* + one third of the amount of its fixed overheads requirement, and
  + 1.6% of the total amount of any guarantees provided to clients

A firm must meet its basic liquid assets requirement using core liquid assets.

**Core liquid assets (MIFIDPRU 6.3)**

Core liquid assets are the straightforward liquid assets that a firm is likely to hold and that (with the exception of eligible trade receivables) do not require any reduction (or ‘haircut’) given their certainty of value. They include any of the following:

* coins and banknotes,
* short-term deposits at a UK bank
* assets representing claims on or guaranteed by the UK government or the Bank of England (for example UK gilts and Treasury bonds)
* units or shares in a short-term regulated money market fund, or in a comparable third country fund
* trade receivables, but only if the conditions in MIFIDPRU 6.3.3R are met

MIFIDPRU 6.3 contains further material, for example on when non-Sterling assets may be counted as core liquid assets.

**Liquid assets threshold requirement and non-core liquid assets (MIFIDPRU 7)**

The applicant firm needs to determine as part of its ICARA process whether it should hold additional liquid assets to fund its ongoing business and ensure it can be wound down in an orderly way. This total amount is referred to as its ‘liquid assets threshold requirement’ and the applicant firm will need to demonstrate in its application, and throughout the authorisation process, that it is able to meet this requirement at all times.

The firm cannot use the value of the core liquid assets it holds to meet the basic liquid assets requirement as liquid assets for the liquidity needs of its ongoing business.In order to comply with its liquid assets’ threshold requirement, the firm can use any core liquid assets it holds on top of what’s required to meet its liquid assets requirement as well as any non-core liquid assets as defined in MIFIDPRU 7.7.8R (provided that appropriate haircuts are applied).

The applicant firm may only use a non-core liquid asset for the purpose of complying with its liquid assets threshold requirement if it is satisfied that the asset can easily and promptly be converted into cash, even in stressed market conditions. The applicant is required to include in the working paper submitted with the application an analysis of its liquid assets, broken down into core and non-core, including any assumptions made.

**2.11 Does the applicant firm have other sources of external funding?**

This could include any additional sources of borrowed funds including other loans, line of credit, etc. Please refer to Article 2(d) of the RTS.

Standard requirements for OTF operators

**2.12 Is the applicant firm seeking permission to carry on the regulated activity of operating an OTF?**

The term ‘organised trading facility’ (OTF) is defined in the Handbook Glossary.

**2.13 The following limitations apply to the regulated activity of operating an OTF. Which limitations are relevant to the applicant firm?**

A firm that has permission to operate an OTF may deal on own account in the following ways without requiring separate permission for Dealing as Principal:

1. matched principal trading in the course of operating the OTF; or
2. dealing on own account in relation to sovereign debt instruments for which there is no liquid market.

Under MIFIDPRU, permission to operate an OTF carries a £750,000 permanent minimum requirement (PMR), unless the firm is subject to a limitation that prevents it from both matched principal trading and dealing on own account, which results in a £150,000 PMR.

If the applicant firm is seeking permission to carry on the regulated activity of operating an OTF, it will need to confirm if it wishes to have this new limitation, or any other limitation listed in the MIFIDPRU supplement form applied to its permission.

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| 3 | **Information on the group the applicant firm is a part of** |

The applicant firm must complete this section of the MIFIDPRU supplement form if it is part of an investment firm group.

There are two prudential treatments that can apply to investment firm groups – prudential consolidation, and the group capital test. Prudential consolidation is the default, and will apply unless the FCA has granted permission to the group to use the group capital test.

Prudential requirements for investment firm groups are contained in MIFIDPRU 2.

The responsibility for complying with prudential consolidation will rest with the UK parent entity, whether or not it is an authorised firm. Responsibility for complying with the group capital test will rest with each GCT parent undertaking in the investment firm group.

**3.1 Does the applicant firm form part of a group that meets the MIFIDPRU definition of an investment firm group (as applied for the purpose of MIFIDPRU 2.4)?**

The applicant firm may be a member of an existing investment firm group comprising other MIFIDPRU investment firms already, or it may form a new investment firm group upon its authorisation. An investment firm group can be a sub-group of a larger group if the sub-group satisfies the relevant definition.

For the purpose of MIFIDPRU 2.5 (Prudential consolidation) an investment firm group is a group of undertakings that:

1. consists of:

- a UK parent entity;

- the relevant subsidiaries and connected undertakings of that parent entity; and

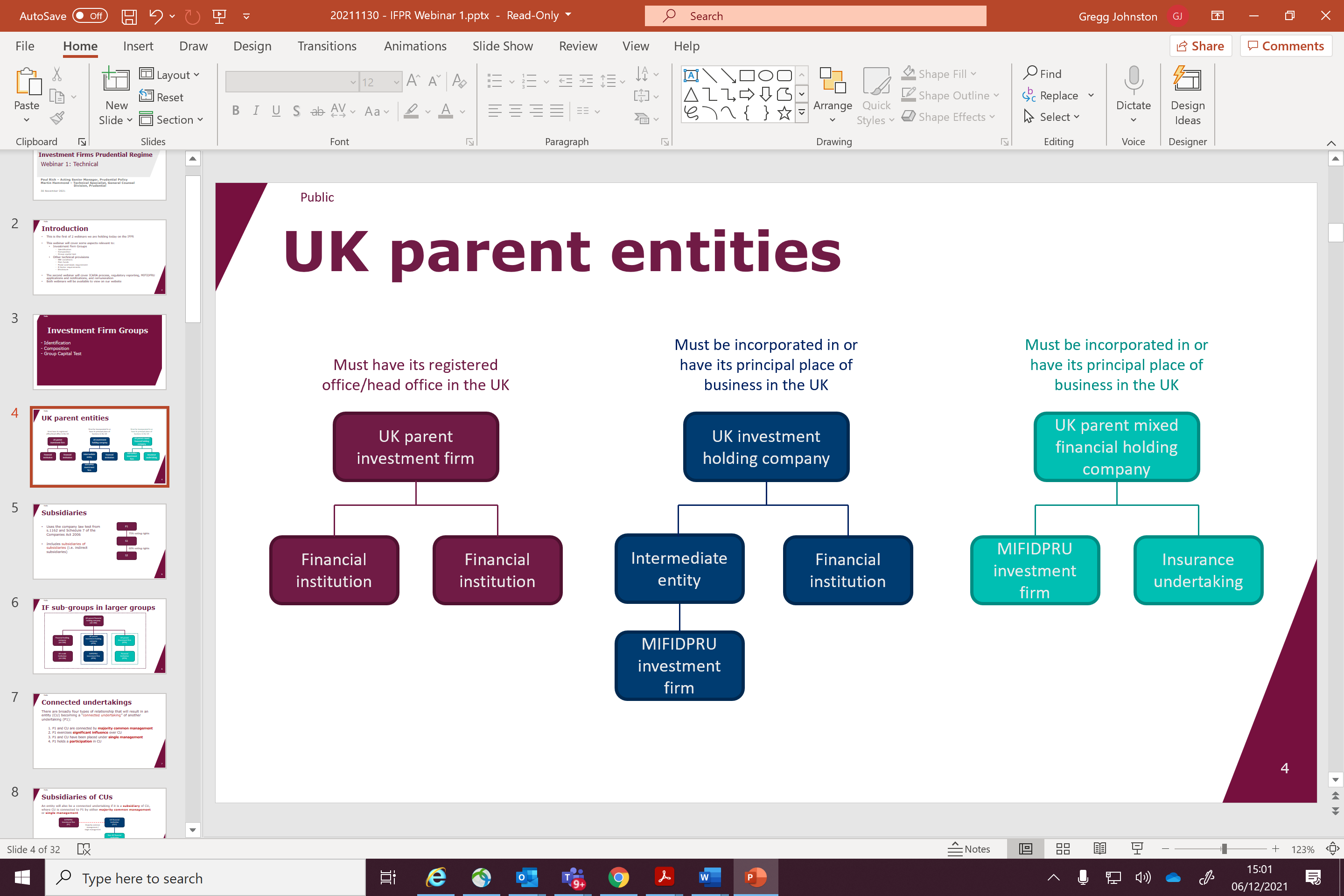
- the connected undertakings of the subsidiaries of that parent entity.

(b) includes at least one MIFIDPRU investment firm; and

(c) does not include a subsidiary which is a UK credit institution.

The UK parent entity may be the MIFIDPRU investment firm itself (where we refer to it as the “UK parent investment firm”). Alternatively, an investment firm group may have either a “UK investment holding company” or a “UK parent mixed financial holding company” as its parent. Some basic, illustrative examples of investment firm groups are shown in figure 3:

*Figure 3*



Investment firm groups extend to “subsidiaries” (a concept defined in s1162 Companies Act 2006) and “connected undertakings” (defined by one of the relationships in MIFIDPRU 2.4.6R).

However, not all “subsidiaries” and “connected undertakings” will be captured in the “investment firm group”. Only the following types of entity are captured:

* an investment firm
* a credit institution (but if the group contains a UK credit institution as a subsidiary, it will not be an investment firm group)
* a financial institution
* an ancillary services undertaking
* a tied agent

Note that the list above includes non-UK equivalents of the relevant entities.

Prudential consolidation for a group that includes a UK credit institution as a subsidiary is covered by the UK CRR and the PRA Rulebook. However, a group may still be an investment firm group if it contains a UK credit institution that is only a connected undertaking. And an investment firm group may still exist as a sub-group of a larger group that contains a UK credit institution as a subsidiary, if the UK credit institution is not a subsidiary within the relevant sub-group.

MIFIDPRU 2.4 contains additional guidance on identifying an investment firm group.

Investment firm group composition

**3.2 Please confirm the group name and list all relevant group undertakings forming part of the investment firm group. Please provide further information regarding each undertaking in the table.**

The applicant firm must complete question 3.2 on the basis that prudential consolidation (MIFIDPRU 2.5) applies. This means that it must include the information on all relevant connected undertakings even where the group has (or expects to have) permission to apply the group capital test instead.

Post authorisation, the firm will be required to notify us as soon as it becomes aware of a change to the composition of its investment firm group. There is a dedicated notification form on Connect the firm must use for this purpose.

**3.3 You must attach a group structure chart which clearly shows the investment firm group and the position of each entity in that group.**

No additional notes

**3.4 Is any firm in the group subject to regulation by another competent authority?**

No additional notes

**3.5 Please identify whether another competent authority is or will be a consolidated supervisor of a group or sub-group that includes the applicant firm after authorisation (please tick all that apply)**

No additional notes

Group prudential requirements

**Prudential consolidation**

The default regime for investment firm groups is that the UK parent carries out full prudential consolidation of all the relevant entities that form part of the investment firm group (MIFIDPRU 2.5). Prudential consolidation treats the whole investment firm group as if it was a single MIFIDPRU investment firm.

If the applicant firm is a part of an existing investment firm group applying the GCT already, it is not required to complete the remaining questions in section 3 relating to prudential consolidation. It must only complete the relevant sections, as indicated on the form.

All other applicant firms completing section 3, even where they are applying for the GCT permission as part of their authorisation, must complete all the questions relating to prudential consolidation. Once the GCT permission application is determined, and the permission granted, we will update our records accordingly.

**The group capital test (GCT) – MIFIDPRU 2.6**

The GCT is an alternative to prudential consolidation which can be used if the requisite permission under MIFIDPRU 2.4.17R has been obtained. The GCT’s purpose is to ensure that a parent entity holds sufficient regulatory capital to support its capital investment in its subsidiaries that are relevant financial undertakings, and therefore to create a stable group capital structure.

If the applicant firm’s group wants to be able to use the GCT from the date the applicant firm is authorised, you should submit a GCT permission application via Connect at the same time or shortly after this application is made.

**3.6 Please confirm whether the investment firm group has, or has applied for, permission to use group capital test (GCT), or intends to apply for this permission within 12 months.**

No additional notes

**3.7 This question applies only if the investment firm group the applicant firm is a part of already holds permission to use the GCT.**

**Given the nature of the applicant firm’s business activities and relationships, please confirm if it is appropriate for the investment firm group to continue to apply the GCT.**

In order to justify the continued application of the GCT, the investment firm group must satisfy the below conditions (MIFIDPRU 2.4.17R(2)):

* the group structure remains sufficiently simple, and
* there is no significant risk of harm to others that means that the investment firm group should be supervised on a consolidated basis.

**3.8 Please confirm the consolidated permanent minimum capital requirement (PMR) that will apply to the applicant’s investment firm group if the applicant firm is authorised.**

This question does not apply if the investment firm group already has permission to use the GCT.

The consolidated PMR should be calculated as the sum of:

* + the individual PMRs of each MIFIDPRU investment firm within the group, and
  + where relevant, the base own funds requirement or initial capital requirement of any other relevant financial undertaking that forms part of the investment firm group. This includes any third-country entity that would be a MIFIDPRU investment firm if it were established in the UK (the amount to be included should be what would apply if it were established in the UK).

Consolidated own funds composition – MIFIDPRU 3.2 and 3.7

Investment firm groups subject to prudential consolidation must calculate their consolidated own funds under MIFIDPRU 2.5.7R and MIFIDPRU 3.

Investment firm groups that already have permission to apply the GCT should refer to MIFIDPRU 3.7 for rules and guidance on the composition of capital for GCT parent undertakings specifically.

**3.9 Please state the gross amount of each class of capital in accordance with MIFIDPRU 3 on a consolidated basis. If the investment firm group already holds permission to use the GCT, then please instead provide the gross amount of capital of each type for the UK parent entity and separately for any other GCT parent undertaking.**

No additional notes

**CET1 capital regulatory approval requirement**

**3.10 You must complete the following form and attach it to your application**

The UK parent (and GCT parent undertakings, if the group has GCT permission already) of the applicant firm requires prior permission from us before it can classify a new issuance of capital instruments as CET1 capital (MIFIDPRU 3.3.3R) in the same way as the applicant firm does (see section 2.3 of these notes).

**3.11 Please confirm if, as part of this application, the consolidating UK parent requires our permission to include interim or year-end profits as CET1 capital where a formal decision confirming the final profit and loss for the year has not yet been taken**

If the investment firm group is already trading, and the consolidating UK parent would like to include interim or year-end profits as CET1 capital at the time the applicant firm becomes authorised, it must also obtain the requisite permission under MIFIDPRU 3.3.2R.

**3.12 For each AT1 and/or T2 capital instrument included in response to Question 3.9 (if any) you must confirm the details in the form.**

If the UK parent (or GCT parent undertakings, if the group has GCT permission already) proposes to have AT1 and/or T2 capital instruments in issuance upon authorisation of the applicant firm, it is required to provide additional information as part of the authorisation process to demonstrate if these instruments meet the conditions in MIFIDPRU 3.4 or MIFIDPRU 3.5 (as applicable, and including any conditions in the UK CRR applied by those sections) to be classified as AT1 or T2 instruments.

**3.13 Please confirm which of the following applies to the applicant firm’s group**

You only need to complete this question if you answered “yes – the applicant firm forms part of a new investment firm group” to Question 3.1.

If the applicant firm or any other entity within its group is currently trading, and the group prepares consolidated financial statements (whether there is a statutory requirement to do so or not), you are required to provide the information detailed in question 3.13 of the MIFIDPRU supplement form.

Under the Companies Act 2006 and the Financial Reporting Standard FRS 102, a group of companies must produce consolidated financial statements unless it is exempt. If the applicant firm’s group is not subject to this requirement, but still prepares consolidated accounts for internal or other purpose, you are required to submit these as part of your application.

Group financial forecast

**3.14 You are required to provide the following information on the group financial performance in an Excel format:**

* A forecast balance sheet for the first 3 business years
* A forecast monthly profit and loss accounts for the first year and then a year end account for years 2 and 3 business years
* A monthly cash flow forecast for the first business year and then a year end cash flow forecast for years 2 and 3 business years

**No additional notes**

Consolidated own funds vs. consolidated own funds’ requirement

**3.15 The applicant firm is required to provide the following information based on the consolidated situation of the UK parent entity in Excel format (unless permission to use the GCT is already in place)**

You are required to submit this in Excel format, showing underlying calculations. You must also include working papers showing the assumptions on which the calculations are based.

Under MIFIDPRU, the total consolidated own funds requirement of an investment firm group subject to prudential consolidation must be met with consolidated own funds. Consolidated own funds must satisfy the requirements for own funds of a MIFIDPRU investment firm as set out in MIFIDPRU 3, with the deductions applying (see notes to Question 2.9).

**Consolidated own funds requirement**

The consolidated own funds requirement of an investment firm group is the highest of:

* + the consolidated fixed overhead requirement (consolidated FOR)
  + the consolidated permanent minimum capital requirement (consolidated PMR), or
  + if the UK parent entity is treated as a non-SNI MIFIDPRU investment firm, the consolidated K-factor requirement (consolidated KFR)

**Consolidated permanent minimum requirement (PMR)**

See notes to Question 3.8.

**Consolidated fixed overhead requirement (consolidated FOR) – MIFIDPRU 2.5.25R**

The UK parent is required to calculate its consolidated FOR following the same approach that the applicant firm uses to calculate the FOR on an individual basis (see notes to question 2.9).

The UK parent is expected to use audited consolidated annual financial statements after the distribution of profits, as the basis for arriving at the total of its fixed overheads. It may use unaudited consolidated annual financial statements if audited financial statements are not available.

If neither of those are available, the consolidated fixed overheads should be calculated as the sum of:

* + the fixed overheads of the UK parent
  + the total fixed overheads of each entity that is fully consolidated,
  + the relevant proportion of the fixed overheads of each entity that is consolidated on a proportional basis, and
  + any fixed expenditure incurred by a third party, such as a tied agent, on behalf of the parent or of any other entity included in the consolidated situation (unless these amounts are already included in a to c).

To arrive at the total, the above sum can be adjusted to avoid double counting expenses between entities included.

If the UK parent and/or any of the group entities that will be fully consolidated upon the authorisation of the applicant firm are not yet trading, the consolidated FOR calculation must be based on their projected relevant expenditure.

**Consolidated K-factor requirement (consolidated KFR) – MIFIDPRU 2.5.28R**

The general principle is that the consolidated KFR should be calculated on the basis of the ‘consolidated situation’ of a UK parent, i.e. as if all the entities in the investment firm group formed a single MIFIDPRU investment firm.

As is the case when calculating the K-factor requirement on an individual investment firm basis, the K-factor metrics that are relevant to the consolidated situation will depend on the investment services and/or activities (or equivalent activities in the case of a third-country entity) that relevant entities in the investment firm group undertake (see notes to question 2.9). The consolidated K-factor requirement should be calculated in accordance with MIFIDPRU 4, but on the basis of the consolidated situation.

The total consolidated KFR amount will be the sum of the amounts for each relevant K-factor that is relevant to the consolidated situation of the investment firm group.

Please refer to MIFIDPRU 2.5.29R – 2.5.46R for details of how to calculate the component KFRs of the consolidated KFR.

Group capital test calculations (only applicable if permission to use the GCT is already in place)

**3.16 The applicant firm is required to provide the following information for each GCT parent undertaking in Excel format:**

Please provide monthly group capital test calculations for the UK parent and any other GCT parent undertaking, demonstrating how they meet the test over a one-year period after authorisation of the applicant firm.

You are required to submit this in Excel format, showing underlying calculations. You must also include working papers showing the assumptions on which the calculations are based.

Each GCT parent undertaking in the investment firm group the applicant firm is a part of must demonstrate that it continues to satisfy the group capital test.

In order to satisfy the group capital test, each GCT parent undertaking must hold own funds instruments sufficient to cover the sum of the following:

* the sum of the full book value of their holdings, subordinated claims and instruments in subsidiaries, and
* the total amount of their contingent liabilities in the investment firm group.

See MIFIDPRU 2.6 for detailed requirements relating to the GCT.

Group liquid assets vs. liquid assets requirement

**3.17 Please confirm if the investment firm group is subject to prudential consolidation**

**Please provide monthly calculations of the core and non-core consolidated liquid assets of the investment firm group against its consolidated basic liquid assets requirement, demonstrating how the former meets the latter, projected over a one-year period after authorisation.**

You are required to submit this in Excel format, showing underlying calculations. You must also include working papers showing the assumptions on which the calculations are based.

MIFIDPRU 2.5.11R requires a UK parent entity to comply with the liquidity requirements in MIFIDPRU 6 on the basis of its consolidated situation. The Notes to question 2.10, which explain how the basic liquid assets requirement applies to the applicant firm on an individual basis, are therefore relevant to how MIFIDPRU 6 applies on a consolidated basis.

When applying MIFIDPRU 6 on a consolidated basis, the parent entity must ensure that the total liquid assets held by the UK entities included within the consolidated situation are equal to or greater than the consolidated liquid assets requirement. See MIFIDPRU 2.5.48G for further guidance on how the requirement applies in practice.

If the applicant firm is part of an investment firm group that is exempt from MIFIDPRU 6 on a consolidated basis (see MIFIDPRU 2.5.19R), and demonstrates as part of this application that it meets, and is capable of meeting on an ongoing basis, the liquidity requirement on an individual basis, it does not need to complete this section.

This section also does not need to be completed if the investment firm group the applicant firm is a part of already has permission to apply the GCT. This is because under MIFIDPRU there is no consolidated liquidity requirement for investment firm groups that use the GCT. Individual liquidity requirements apply instead.

Third-country groups

The information required under question 3.18 will enable us to fulfil our obligations made under Article 10 of the RTS to effectively exercise our supervisory function. This information is also relevant for prudential purposes so we can assess the liabilities of the whole group that the applicant firm may be affected by.

**3.18 Is the applicant firm a member of a third-country group?**

A third-country banking and investment group is a group headed by a bank, asset management company, investment firm or financial holding company outside the UK and not part of a wider UK banking/investment group.

A third-country financial conglomerate is a financial conglomerate headed by a regulated entity or a mixed financial holding company that has its head office outside the UK. If the applicant firm is a member of a third-country financial conglomerate, it must complete and submit with its application the ‘Classification of groups’ form which can be found at: <https://www.handbook.fca.org.uk/handbook/GENPRU/3/Annex3.html>.

You should refer to GENPRU 3 for more information about these concepts:

<https://www.handbook.fca.org.uk/handbook/GENPRU/3>

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| 4 | **Internal Capital and Risk Assessment (ICARA) process** |

The applicant firm is required to develop and maintain an Internal Capital Adequacy and Risk Assessment Process (ICARA).

The ICARA process covers investment firms’ risk management, incorporating business model assessment, forecasting and stress-testing, recovery planning and wind-down planning. As part of the ICARA process MIFIDPRU investment firms need to ensure that they hold sufficient own funds and liquid assets to remain viable throughout the economic cycle, and to allow their business to wind down in an orderly way.

MIFIDPRU 7 contains the rules and guidance relating to the ICARA process.

**4.1 Please confirm that the applicant firm operates an ICARA process in accordance with MIFIDPRU 7 and that this has been documented in an ICARA document.**

MIFIDPRU 7 applies to all applicant firms regardless of whether they are SNI or non-SNI.

**4.2 Please confirm the date (dd/mm/yyyy) the ICARA process/document was signed off by the applicant firm’s governing body.**

No additional notes

**4.3 If the applicant firm is a part of an investment firm group, please confirm whether the investment firm group operates a group ICARA process under MIFIDPRU 7.9.5R**

If the applicant firm forms part of an investment firm group, it may operate a group ICARA process if the criteria in MIFIDPRU 7.9 are met.

One of those criteria is that any assessment under the group ICARA process of own funds or liquid assets required to cover the identified risks is allocated between individual firms within the investment firm group on a reasonable basis and that basis is properly documented.

Even under a group ICARA process, the applicant firm is required to meet the OFAR on an individual basis and have its own wind-down plan.

**4.4 If the applicant firm’s PMR is equal to or greater than £150,000, please attach your ICARA document with your application.**

If the applicant firm’s permanent minimum requirement (PMR) is equal to or greater than £150,000, it is required to submit its ICARA document as part of the authorisation application. Otherwise, it is only required to self-certify that an ICARA process has been undertaken in accordance with MIFIDPRU 7. We may request the ICARA document to be submitted as part of authorisation process at a later time.

**4.5 Please confirm the date (dd/mm) on which the applicant firm expects to submit its ICARA assessment questionnaire (MIF007) in accordance with MIFIDPRU 9.2.2R/9.2.4R.**

The ICARA assessment questionnaire (MIF007) enables MIFIDPRU investment firms to report the key information they will have prepared as part of their ICARA process. For example, it asks for a breakdown of the additional own funds required based on the firm’s analysis of harms.

The applicant firm has the flexibility to adopt an ICARA review and reporting timetable that fits best with its internal processes. However, the timetable must be reasonable, taking into account the importance of the FCA receiving timely information.

We require firms to notify us of the date on which they will submit the MIF007 questionnaire. Initial notification of that date will take place as part of the authorisation process. Any subsequent changes to this date will need to be notified via Connect using the relevant notification form.