

CRD IV for Investment Firms 2 – Implementation

October 2013



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We are asking for comments on this Consultation Paper by 10 November 2013.

You can send them to us using the form on our website at: www.fca.org.uk/your-fca/documents/consultation-papers/cp13-12-response-form.

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We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Rights Tribunal.

You can download this Consultation Paper from our website: www.fca.org.uk. Or contact our order line for paper copies: 0845 608 2372.

Abbreviations used in this document

AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Directive 2011/61/EU or Alternative Investment Fund Managers Directive
Basel Committee	Basel Committee on Banking Supervision
BCD	Directive 2006/48/EC or Banking Consolidation Directive
BIPRU	Prudential Sourcebook for BIPRU firms
CA	Competent Authority
CAD	Directive 2006/49/EC or Capital Adequacy Directive
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CEBS	Committee of European Banking Supervisors
Commission	European Commission
COREP	Common Reporting
CP	Consultation Paper
CPM firm	Collective Portfolio Management firm
CPMI firm	Collective Portfolio Management Investment firm
CRD	Current Capital Requirements Directives consisting of BCD and CAD. References in this CP to current or existing CRD include the amendments introduced by the CRD II and CRD III legislative packages
CRD II	CRD as amended by Directives 2009/111/EC, 2009/27/EC and 2009/83/EC
CRD III	CRD as amended by Directive 2010/76/EU
CRD IV	CRR and the Directive
CRR	Regulation (EU) 575/2013 or Capital Requirements Regulation or the Regulation – which forms part of the CRD IV legislative package
Directive	Directive 2013/36/EU – which forms part of the CRD IV legislative package
EBA	European Banking Authority

ECJ	Court of Justice of the European Union
FCA	Financial Conduct Authority
FINREP	Financial Reporting
FOR	Fixed Overhead Requirement
FSA	Financial Services Authority
FSMA	Financial Services and Markets Act
GABRIEL	GATHERING Better Regulatory Information Electronically
GENPRU	General Prudential Sourcebook
IFPRU	Prudential Sourcebook for Investment Firms
IFRS	International Financial Reporting Standards
IPRU(INV)	Interim Prudential Sourcebook: Investment Business
ITS	Implementing Technical Standard
LCR	Liquidity Coverage Ratio
LE	Large Exposures
MIFID	Directive 2004/39/EC or Markets in Financial Instruments Directive
MS	Member State
NSFR	Net Stable Funding Ratio
PRA	Prudential Regulation Authority
SME	Small and Medium-Sized Enterprise – as defined in the Commission Recommendation 2003/361/EC
SUP	Supervision sourcebook
Treasury	Her Majesty's Treasury
UCITS	Undertaking for Collective Investment in Transferable Securities
XBRL	eXtensible Business Reporting Language

1. Overview

Introduction

- 1.1** The Financial Conduct Authority (FCA) is the competent authority (CA) under the Financial Services and Markets Act (FSMA) for the prudential regulation of a large number of investment firms subject to the Capital Requirements Directive (CRD).
- 1.2** This Consultation Paper (CP) sets out our proposed changes to the FCA Handbook as a result of the transposition of CRD IV – a major package of reforms to the CRD, the EU’s prudential requirements regime for credit institutions and investment firms – in relation to the following policy areas:
- CRD IV remuneration (i.e. limits on bonuses)
 - a change to the transitional provision on the Countercyclical Capital Buffer (CCyB)
 - reporting
 - interaction between the Alternative Investment Fund Managers Directive (AIFMD)/ Undertaking for Collective Investment in Transferable Securities (UCITS) and CRD IV
 - further CRD IV consequential changes to the FCA Handbook
 - process requirements for new permissions under Regulation (EU) 575/2013 (the Capital Requirements Regulation, CRR or the Regulation).
- 1.3** This CP uses prudential categories as set out in CP13/6. Therefore, we recommend reading this CP in conjunction with CP13/6.

FCA CRD IV previous consultations

- 1.4** We have published the following consultation papers on CRD IV transposition to date:
- CP13/6¹ in July 2013: this is the main FCA CRD IV consultation covering a large number of discretions in the Regulation as well as parts of the Directive 2013/36/EU (the Directive) that require transposition by the FCA
 - Chapter 16 in the Quarterly CP13/9² in September 2013: this covers consequential changes to the Handbook arising from CP13/6.

¹ CP13/6: *CRD IV for Investment Firms* available at www.fca.org.uk/your-fca/documents/consultation-papers/cp13-06.

² Chapter 16: Implementing CRD IV for investment firms – consequential changes to the Handbook in QCP13/9 available at www.fca.org.uk/your-fca/documents/consultation-papers/cp13-09.

PRA consultations

- 1.5** The Prudential Regulation Authority (PRA) has also published CP5/13 on CRD IV as it applies to its authorised firms followed by CP8/13 covering most of the items that we cover in this CP for FCA firms.

Who does this consultation affect?

- 1.6** The proposals in this CP apply principally to the following FCA authorised firms:
- investment firms that are currently subject to the CRD, including firms that benefit from the current exemptions on capital requirements and large exposures for specialist commodities derivatives firms, and
 - management companies – as defined under the UCITS Directive – and Alternative Investment Fund Managers (AIFMs).
- 1.7** The proposals in this CP do not apply to credit institutions (banks and building societies) or investment firms supervised by the PRA.

Is this of interest to consumers?

- 1.8** In CP13/6 we explained that the objectives underlying CRD IV and the proposals in our CP are primarily prudential in nature, so they concern the financial risks run by firms themselves.
- 1.9** While the proposals in this CP have no direct implications for consumers, the enhancements we expect the CRD IV to bring to the prudential framework should make it less likely that banks and investment firms will fail, thereby improving stability in the financial sector in general. This should have positive implications for consumer protection.

Context

CRD IV and the FCA objectives

- 1.10** CRD IV sets out quantitative and qualitative enhancement to the capital adequacy and for the first time quantitative liquidity proposals for credit institutions and investment firms. So, our proposals in this CP are prudential in nature and support our statutory objective of enhancing the integrity of the UK financial system.
- 1.11** More details on the impact of CRD IV in relation to other FCA's objectives can be found in Annex 1 (Cost benefit analysis).

CRD IV – Background and structure

1.12 In CP13/6 we described:

- the background of the current EU bank capital framework – represented by Directives 2006/48/EC (Banking Consolidating Directive or BCD) and 2006/49/EC (Capital Adequacy Directive or CAD) (both also known as Capital Requirement Directives or CRD), and
- its amendments by CRD II (Directives 2009/111/EC, 2009/27/EC and 2009/83/EC) and CRD III (Directive 2010/76/EU).

References in this CP to current CRD include the amendments introduced by the CRD II and CRD III legislative packages.

1.13 CRD IV was presented by the Commission in July 2011 and the final rules were published in the Official Journal of the European Union on 27 June 2013. CRD IV is divided into two legislative instruments:

- The Regulation – most of which will be directly applicable and will take effect in all Member States (MS) without any further action
- The Directive – which MS must transpose into national law.

1.14 We are required to consult in transposing into the FCA Handbook those aspects of CRD IV for which it is responsible in time for the CRD IV implementation date of 1 January 2014.

Implementation in the UK

1.15 The FCA is the competent authority for nearly all investment firms under CRD whereas the PRA is responsible for credit institutions as well as a number of investment firms ‘designated’ for prudential supervision by the PRA. Accordingly, both the FCA and the PRA are cooperating closely in the transposition of the CRD IV in the UK in relation to their respective firms.

1.16 This CP sets out our proposals for implementing further changes brought about by CRD IV which can be done through the our Handbook of rules and guidance under existing FSMA powers. The Treasury intends to publish further consultations for those aspects of the Directive and the CRR that require either new, or amendments to existing, legislation in a number of areas to enable the FCA to operate provisions in CRD IV effectively.³ Where relevant we will take account of the Treasury’s developing work on implementation of CRD IV in deciding how to finalise our own rules.

FCA’s overall approach to CRD IV transposition

1.17 The proposals for consultation in this CP are in line with our approach to CRD IV transposition – as outlined in Chapter 1 of CP13/6 – that is guided by the following principles:

- ‘legal minimum’: to ensure that our CP delivers the minimum Handbook rules and guidance that we must put in place for the UK to discharge its legal duty to transpose CRD IV
- ‘intelligent or even strict copy-out’: to avoid placing any additional burdens upon firms

³ The Treasury published a consultation document entitled ‘Capital Requirements Directive 4: consultation on country-by-country reporting’ in September 2013 available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/244163/PU1562_CBCR_1.pdf

- ‘pragmatic and proportionate’: in general and in respect to current standards, using the more favourable, or least unfavourable, treatment for firms available under national discretions and relief under transitional provisions – where allowed by CRD IV and in accordance with the FCA’s objectives
- ‘minimise the need for changes’ (including systems): and hence minimise the (non-capital) costs for firms, and
- ‘forward looking’: we are mindful that CRD IV requires the EU Commission to undertake, by the end of 2015, a review of what should be an appropriate prudential regime for investment sector firms. So, it provides a suitable opportunity to address any fundamental issues for such firms arising from CRD IV, which was designed more with banks in mind.

1.18 This CP covers material we are required to transpose from the CRD IV and it has a consultation period of one month, to be followed by a Policy Statement for all the CRD IV CPs and final rules later in 2013 to give firms sight of the final rules before 1 January 2014.

Summary of our proposals

1.19 Table 1 sets out the key issues you can find in each chapter of this CP:

Table 1

Chapter	Key content
Chapter 2 - Capital Requirements Directive: Remuneration and Capital Buffers	<ul style="list-style-type: none"> • CRD IV remuneration changes (limits on bonuses) • Amendments to the transitional provision on the CCyB
Chapter 3 - Capital Requirements Regulation: Reporting	<p>Our proposals and key messages on:</p> <ul style="list-style-type: none"> • introducing a FINREP notification rule • how we will make operational COREP/FINREP • which FSA0xx templates will IFPRU firms continue to submit • the Handbook changes to SUP 16.12 and SUP 16.16 on supervisory reporting • our approach in transitioning existing SUP 16.12 reporting waivers • supervisory reporting for BIPRU firms and exempt commodities firms
Chapter 4 -Consequential changes to the Handbook and process requirements for new CRR permissions	<p>Our proposals on consequential changes to the following Handbook modules:</p> <ul style="list-style-type: none"> • Glossary of definitions • General Prudential Sourcebook (GENPRU) • Senior Management Arrangements, Systems and Controls sourcebook (SYSC) • Fees Manual (Fees) • Prudential Sourcebook for Investment Firms (IFPRU) <p>Our key messages and consultation on process requirements for new CRR permissions</p>

Chapter	Key content
Chapter 5 -Interaction between AIFMD/UCITS and CRD IV	<ul style="list-style-type: none"> • Own funds, initial capital and fixed overheads requirements (FOR) • Prudential requirements for Collective Portfolio Management Investment firms • Changes to reporting forms
Annex 1	<ul style="list-style-type: none"> • Cost benefit analysis

Equality and diversity considerations

- 1.20** We have assessed the likely equality and diversity impacts of the proposals and our assessment concluded that they do not give rise to any concerns. But we would welcome your comments.

Next steps

What do you need to do next?

- 1.21** Please send us your comments and/or responses to the questions on our proposals by 10 November 2013.

What will we do?

- 1.22** We will consider your feedback to this CP and publish a policy statement later in 2013 so firms have the final rules available before 1 January 2014.
- 1.23** We may, however, need to consult further on issues linked to the Treasury or following subsequent guidelines and/or technical standards from the EBA (to the extent permitted by EU law).
- 1.24** Our proposals in this CP trigger consequential changes to other parts of our Handbook. Most of these are relatively minor, for example, amending cross references between sourcebooks. Although we have tried to identify all the consequential changes in this CP, there may be a need to consult on some of them at a later stage either through a quarterly CP or by other means. We will also give further information on timing.

2. Capital Requirements Directive: remuneration and capital buffers

Introduction

- 2.1** This chapter sets out our proposals on:
- CRD IV remuneration changes
 - amendments to the transitional provision on the Countercyclical Capital Buffer.

Remuneration

- 2.2** We set out below our proposals on the new CRD IV requirements in relation to the variable elements of remuneration. These are the:
- limits between the fixed and variable component of the total remuneration ('limits on bonuses')
 - areas of national discretion to set up stricter measures, and
 - use of the principle of proportionality in relation to the limits on bonuses.
- 2.3** The CRD IV regime will be supplemented by guidelines and technical standards to be issued by the EBA. These would cover:
- guidelines on sound remuneration policies
 - draft regulatory technical standards (by 31 March 2014) setting out criteria to identify categories of staff whose professional activities have a material impact on the institutions risk profile and therefore are subject to the remuneration provisions⁴, and
 - further guidelines and draft technical standards referred to under each subject below.

Therefore, we may need to consult further on some of these items at a later stage (to the extent permitted by EU law).

⁴ The EBA issued a 'Consultation on draft Technical Standards for the definition of material risk takers for remuneration purposes' on 21 May 2013 (available at the EBA website: www.eba.europa.eu/-/consultation-on-draft-technical-standards-for-the-definition-of-material-risk-takers-for-remuneration-purposes).

Background

- 2.4** CRD IV reproduces to a large extent the remuneration provisions introduced by CRD III. In CP13/6 we consulted on how to transpose the Directive articles that carry across provisions on remuneration from CRD III into SYSC 19A: The Remuneration Code and the General Guidance on Proportionality – where appropriate.
- 2.5** However, as we said in CP13/6, we were not consulting on the new policy changes on the variable elements of remuneration incorporated by CRD IV in the Directive at that time because we were considering with the Treasury how to take these issues forward.
- 2.6** The UK government has now lodged a legal challenge with the Court of Justice of the European Union (ECJ) on the new CRD IV remuneration provisions in relation to the limits on bonuses. Notwithstanding this - and as the Government acknowledged in its News Release⁵ – given our obligations under European law, we will still proceed to transpose the Directive provisions on the limits on bonuses. However, dependent upon any subsequent ruling from the ECJ, the FCA may need to consider any necessary amendments to our rules in due course.

New CRD IV requirements on remuneration

- 2.7** We set out below the key features of these CRD IV policy changes and our policy proposals for consultation:

Limits on bonuses

- 2.8** The most significant policy changes on remuneration in CRD IV are the limits to the variable component of remuneration (in article 94(1)(g) of the Directive). These are:

- The basic ratio between the variable and fixed components of total remuneration that can be paid to a staff member subject to the remuneration provisions that is capped at 1:1 (article 94(1)(g)(i) of the Directive).

We propose to copy out this Directive requirement into SYSC 19A: The Remuneration Code.

- The basic ratio can be increased to 2:1 subject to the approval of shareholders, owners or members of the institution. This approval requires the support of at least 66% of the shares or equivalent ownership rights represented, provided that at least 50% of the total shares or equivalent ownership rights are represented. If the latter condition is not met, at least 75% of the shares or ownership rights represented must support the proposition (article 94(1)(g)(ii) of the Directive).

We propose to apply this discretion by allowing the higher percentage with shareholder approval, subject to meeting the required conditions, which we propose to simply copy-out from the Directive into our rules.

⁵ The news release published by the Treasury is available at www.gov.uk/government/news/legal-challenge-launched-into-new-rules-on-bankers-pay.

Q1: Do you agree with our proposed approach to apply this discretion by allowing the higher percentage with shareholder approval subject to the required conditions in the proposed rules being met? If not, please explain why not and propose alternative approaches and the rationale for those approaches.

2.9 For the purposes of the above limits, a discount rate can be applied to a maximum of 25% of total variable remuneration if it is paid in instruments deferred for a period of not less than five years. The EBA is expected to issue draft guidelines by 31 March 2014 on the applicable notional discount rate taking into account all relevant factors such as inflation rate and risk, which includes length of deferral. The EBA guidelines will also need to consider how to incentivise the use of instruments which are deferred for a period of not less than five years.

We propose to exercise this discretion by allowing firms to apply a discount rate to a maximum of 25% of total variable remuneration provided the required conditions in the proposed rules are met (and subject to the future EBA guidelines – as appropriate).

Q2: Do you agree with our proposed approach to exercise this discretion by allowing firms to apply a discount rate to a maximum of 25% of total variable remuneration provided the required conditions in the proposed rules are met (and subject to the future EBA guidelines – as appropriate)? If not, please explain why not and propose alternative approaches and the rationale for those approaches.

2.10 Our proposed text for consultation on the above proposals can be found in the draft instrument included in Appendix 1.

Areas of national discretion to set up stricter requirements

2.11 The Directive also includes the following areas of national discretion where Member States (and the CA in the case of the last discretion) may set up stricter requirements:

- lower the upper limit set for bonuses (article 94(1)(g)(i) and (ii) of the Directive)
- lower the maximum percentage of total variable remuneration to be discounted (article 94(1)(g)(iii) of the Directive)⁶, and
- place restrictions or prohibit certain types of deferred instruments (article 94(1)(l) of the Directive). The EBA is expected to issue draft regulatory technical standards by 31 March 2014 regarding specifying the types of instruments appropriate to be used for paying variable remuneration.⁷

2.12 We propose **not** to apply these discretions to set up stricter limits/requirements in line with our overall approach to CRD IV transposition.

⁶ It is only relevant to consider this discretion if the initial discretion mentioned in Paragraph 2.9 above (to allow discounting) is exercised.

⁷ The EBA issued a 'Consultation Paper on classes of instruments that are appropriate to be used for the purposes of variable remuneration' on 29 July 2013 (available at the EBA website: www.eba.europa.eu/documents/10180/361860/EBA-CP-2013-32-instruments-for-variable-remuneration.pdf).

Q3: Do you agree with our proposed approach not to exercise the national discretions to apply stricter measures on bonuses? If not, please explain why not and propose alternative approaches and the rationale for those approaches.

Use of proportionality

- 2.13** The remuneration rules under CRD III already includes the principle of proportionality that is currently applied through our framework for investment firms and in particular in relation to rules regarding retained shares, deferral and performance adjustment (reflecting current BCD and previous CEBS Guidelines).
- 2.14** Under CRD IV the principle of proportionality has been maintained in the Directive (see articles 92(2) and 94(1)) while the intent is clearly explained in recital 66 that states: *‘The provisions of this Directive on remuneration should reflect differences between different types of institutions in a proportionate manner, taking into account their size, internal organisation and the nature, scope and complexity of their activities. In particular it would not be proportionate to require certain types of investment firms to comply with all of those principles’.*
- 2.15** Therefore, we have taken the view that the principle of proportionality would also apply to the limits on bonuses. This means that investment firms could potentially be excluded from its application based on their size, internal organisation and the nature, the scope and the complexity of their activities.
- 2.16** We propose to apply the principle of proportionality by using the existing levels in our General Guidance on Proportionality under our current implementation of the CRD III remuneration provisions through the Remuneration Code. Our proposed text for consultation can be found in paragraph 29 of the General Guidance on Proportionality in Appendix 1. We set out below the effects of this proposed approach depending on the proportionality levels.
- 2.17** **Level 1** (assets exceeding 50bn) and **Level 2** (assets between 15bn and 50bn) ‘full scope investment firms’. These firms are expected to normally apply the limits on bonuses. However, at present there are no firms prudentially supervised by the FCA in these levels.
- 2.18** **Level 3** investment firms (that could be ‘full scope’, ‘limited licence’ or ‘limited activity’ depending on their permissions⁸). At present, all investment firms subject to CRD IV prudentially regulated by the FCA are in level 3. Within the current CRD investment firm population, for each ‘activity’ type of investment firm in level 3 there is a concentration of a small number of large investment firms and a significant number of small and medium sized investment firms.

Given the above, our policy proposals in this area should provide for flexibility depending on the different level of risk posed by individual firms. Therefore, we propose that the FCA should have the ability:

- a.** To cover the situation of the greater number of smaller investment firms that broadly pose a lesser degree of risk, by providing guidance that would allow them to normally disapply the limits on bonuses on the grounds of proportionality. We are consulting on general guidance in paragraph 29 of the General Guidance on Proportionality. However, even for firms relying on this guidance, if requested by the FCA, we would expect a firm’s senior management to be able to demonstrate why it believes it is reasonable to disapply the limits on bonuses based on proportionality.

⁸ For the definitions of ‘full scope’, ‘limited licence’ or ‘limited activity’ investment firms, please see Glossary in Appendix 1 to CP13/6.

- b. To be able to require the application of the limits on bonuses to those firms that could potentially pose a greater degree of risk, in cases where the FCA does not agree with any senior management's view that proportionality is appropriate for the firm in particular to disapply the limits on bonuses. This could be done through individual guidance under existing powers.

2.19 We believe this meets the legal minimum for the purposes of CRD IV transposition and we will keep our remuneration policy under review in light of other regulatory developments that may impact in future.

2.20 Table 2 illustrates in simple form the effects of our proposals:

Table 2

Proportionality level	Type of firm	Total assets – where applicable	Would it be normally appropriate for a firm to apply the specific ratios between fixed and variable components of total remuneration?
Level 1	IFPRU 730k full scope investment firm	Exceeding £ 50bn	Yes
Level 2	IFPRU 730k full scope investment firm	£ 15bn to £ 50bn	Yes
Level 3	Full scope IFPRU investment firm (that does not fall in levels 1 or 2)	Not applicable	No (see note 1)
	IFPRU limited licence	Not applicable	
	IFPRU limited activity	Not applicable	

Note 1: For these types of firms:

- the **general guidance** would allow them to disapply the limits on bonuses based on proportionality. However, if requested by the FCA, the FCA will expect the firm's senior management to be able to demonstrate why it believes it is reasonable to disapply the cap to the firm in the light of the remuneration principles proportionality rule.
- the FCA also has the power to decide that a particular firm should be applying the limits on (e.g. because we thought it was more complex etc.) – and where necessary we would do this through **individual guidance**.

Firms that are part of a group

2.21 We do not propose to change the existing guidance where a firm is part of a group. Therefore, where a group has individual firms that would otherwise fall into different proportionality levels, then each firm is put into the highest proportionality level. For example, where a group has an investment firm in level 3 and another in level 1, then all are treated as if they were in level 1 by application of the current Guidance on Proportionality. In this example, the effect is that all of them are expected to normally apply the limits on bonuses. However, in such situation, the level 3 firm could still apply for a change in the proportionality level and the FCA could issue individual guidance to ‘re-tier’ the level 3 firm after considering the particular circumstances.

Q4: Do you agree with our proposed approach to use proportionality in relation to the application of the provisions on limits on bonuses by using the existing levels in our General Guidance on Proportionality under our current implementation of the CRD III remuneration provisions through the Remuneration Code? If not, please explain why not and propose alternative approaches and the rationale for those approaches.

Application of remuneration provisions at group level

2.22 It is important to note that under article 92(1) of the Directive, the FCA has to apply the provisions on:

- remuneration policies, including the principle of proportionality (article 92(2))
- institutions that benefit from government intervention (article 93)
- variable elements of remuneration, including the limits on bonuses (article 94), and
- remuneration committee (article 95)

at group, parent company and subsidiary levels.

2.23 These CRD IV articles:

- reproduce existing CRD III remuneration provisions that we have carried across into SYSC 19A and that we have already consulted in CP13/6, and
- include new CRD IV provisions i.e. limits on bonuses that we are consulting on in this Chapter.

New CRD IV remuneration requirements and BIPRU firms

2.24 In CP13/6 we consulted on our proposals to (i) exercise the discretion in the CRR article 95(2) to retain current CRD rules on own funds requirements (Pillar 1); and (ii) retain current CRD rules on Pillar 2, disclosure and systems and control requirements in SYSC in relation to the newly defined ‘BIPRU firms’. More details can be found in chapter 6 of CP13/6.

2.25 As indicated in paragraph 6.10 of CP13/6, with regards to remuneration this means that we intend to retain the current CRD III rules in force in SYSC including the Remuneration Code, but without the new CRD IV material such as the limits on bonuses.

Change to the transitional provision on the Countercyclical Capital Buffer

- 2.26** CP13/6 consulted on the implementation of the CCyB. Under IFPRU Transitional Provision 7 (as consulted on in CP13/6), the proposed text in the draft legal instrument states that the CCyB does not come in to effect until 2016. This was based on the assumption that the CCyB rate would be 0% during 2014 and 2015.
- 2.27** However, to allow the UK designated authority (to be determined by the Treasury) flexibility should it want to accelerate the introduction of the CCyB, we propose to amend this rule to come in to effect on 1 January 2014. The new proposed rules require firms to apply the CCyB rate specified by the UK designated authority, rather than a rate pre-determined in the FCA Handbook.
- 2.28** We are not aware of any intention to accelerate the implementation of the CCyB. However, this change is intended to allow the FCA to effectively implement any rate subsequently to be determined by the UK designated authority. Accordingly, we view this as a technical amendment rather than a policy change.

3.

Capital Requirements Regulation: reporting

Introduction

- 3.1** This chapter sets out our reporting proposals for IFPRU firms as a result of the introduction of the frameworks for Common Reporting (COREP) and Financial Reporting (FINREP) in CRD IV. In particular:
- introducing a FINREP notification rule
 - how the FCA will make operational COREP/FINREP
 - which FSA0xx templates IFPRU firms will continue to submit
 - the SUP 16.12 and SUP 16.16 supervisory reporting Handbook changes including related guidance
 - our approach in transitioning existing SUP 16.12 reporting waivers, and
 - reminding BIPRU firms (i.e. those firms subject to the discretion in article 95(2) of the Regulation) and exempt commodities firms that they will remain on FSA0xx templates.

Background

- 3.2** Article 99 of the CRR introduces a new EU-wide supervisory reporting framework for FINREP and COREP that applies to IFPRU investment firms. COREP covers, among other things, capital requirements, own funds and liquidity reporting whereas FINREP covers consolidated financial reporting. The introduction of COREP and FINREP will change how IFPRU investment firms report prudential supervisory information to the FCA. COREP will apply from 1 January 2014, whereas FINREP will apply from 1 July 2014.
- 3.3** Article 99(5) of the CRR requires the EBA to devise Implementing Technical Standards (ITS) on supervisory reporting. The EBA published the final draft ITS on reporting in July 2013. The draft ITS details the scope of COREP/FINREP reporting templates, the format of templates, template completion instruction, the frequency of reporting for each template, and reporting submission dates. The draft ITS was published a few days before CP13/6, so we said in our CP that we would provide more detail on CRD IV regulatory reporting requirements in our subsequent CRD IV CP.

- 3.4** The introduction of COREP and FINREP will present considerable change for IFPRU investment firms reporting prudential information to the FCA. To help FCA firms manage the introduction of COREP/FINREP, we see this CP as an outlet to communicate some key information on how we will implement and make operational CRD IV regulatory reporting. We recognise that we cannot provide firms with guidance on what is a regulation that is directly binding on firms (i.e. there is nothing for the FCA to ‘consult’ on its content).
- 3.5** However, to incorporate CRD IV regulatory reporting into the FCA we are consulting in this CP on:
- a FINREP notification rule – this will be used to identify and schedule FINREP reporting firms
 - retaining some FSA0xx templates that will not be replaced by the introduction of COREP templates, and
 - our changes to the supervisory reporting rules in SUP 16.12 and SUP 16.16.

FINREP - notification rule and accounting reference date

- 3.6** All IFPRU investment firms will have to complete COREP templates but not all IFPRU investment firms will have to complete FINREP templates for consolidated financial reporting. IFPRU investment firms will need to refer to article 99 of the CRR and the ITS on reporting to establish whether they are a FINREP reporting firm, and which COREP and FINREP reporting templates apply to them. Firms that do not have to complete FINREP templates will have to submit the FSA001 and FSA002 templates. Furthermore, firms that complete FINREP templates for consolidated reporting will also have to complete FSA001 and FSA002 for solo reporting.
- 3.7** We propose a notification rule (see IFPRU 1.1A in the Appendix) so that firms that satisfy the FINREP criteria in article 99 of the CRR must notify us that they are a firm that will have to submit FINREP templates. The notification rule will help with automated scheduling of FINREP templates to affected firms. Equally (IFPRU 1.1A in the Appendix) requires firms to notify us if the firm is no longer a FINREP reporting firm. By proposing this notification rule we will be able to undertake the necessary operational procedures to place the FINREP reporting requirement onto a firm’s GABRIEL schedule and to remove the FINREP reports from GABRIEL when a firm ceases to report under FINREP.
- 3.8** We do not envisage that the FCA FINREP firm population will be very high and so the cost of this notification rule should be extremely low. We believe that whether a firm has legal requirement under the Regulation to submit FINREP templates is very dependent upon its individual circumstances which firms are best placed to determine themselves. Accordingly, an alternative approach would be to schedule FINREP to all IFPRU firms, but this approach is very likely to lead to considerable numbers of firms having to submit nil returns.

- 3.9** Article 2(3) of the draft ITS on reporting allows institutions to report their financial information based on an accounting year-end that deviates from the calendar year where this is permitted by national laws. The FCA permits firms to report their financial information based on an accounting reference date that differs from the calendar year end. As a result, IFPRU firms will be able to submit FINREP templates using an alternative accounting reference date to the calendar year-end. Affected firms will have to notify us of their intention to do this as part of the FINREP notification rule. To avoid doubt, the use of an alternative reporting date only applies to FINREP templates. The draft ITS on reporting specifies the reporting reference dates for COREP templates.

Q5: Do you agree to the introduction of a FINREP notification rule? If not, please could you suggest alternatives?

How the FCA will make operational COREP/FINREP?⁹

- 3.10** COREP/FINREP scheduling will continue to take place via GABRIEL. Firms will receive COREP/FINREP scheduling notices at a module level. These modules are technically known as “entry points” and there are different entry points for solo and consolidated reporting. The modules are:
- COREP
 - Own Funds and Leverage (includes immovable property losses)
 - Large Exposures (LE)
 - Liquidity Coverage Ratio (LCR)
 - Net Stable Funding Ratio (NSFR)
 - FINREP
 - A single entry point
- 3.11** A firm’s schedule will show the module with the appropriate reporting basis. For example, if a firm is subject to the Large Exposure regime as part of a consolidation group, then they will see “COREP LE Consolidated” on their schedule. Because the CRR is directly binding on firms, it is for each firm to establish any reporting obligations that may arise under the CRR.

⁹ This section is based on the EBA’s current consultation on the Data Point Model and Taxonomy and how entry points/modules are categorised. As a result, it is possible that the entry points and module breakdown could be subject to change, which we would then reflect in our own approach.

3.12 Our implementation of COREP/FINREP scheduling means that for:

- Firms subject to reporting Own Funds under CRR article 99, the reporting schedules will specify COREP Own Funds and Leverage.
- Firms subject to reporting Large Exposures under CRR article 394, the reporting schedules will specify COREP LE.
- Firms subject to Financial Reporting under CRR article 99 the reporting schedule will specify FINREP.
- Firms subject to Liquidity reporting under CRR article 415 the reporting schedule will specify COREP LCR and COREP NSFR.
- Firms reporting Losses stemming from lending collateralised by immovable property according to article 101 on the frequency described within article 12 of the draft Reporting ITS, the reporting will be included within the COREP Own Funds and Leverage submission.
- Firms where Leverage Ratios under CRR article 430 apply, the reporting will be included within the COREP Own Funds and Leverage submission.

3.13 It is important to note that:

- COREP and FINREP templates have different reporting frequencies (quarterly, semi-annual or annual). As a result, firms may submit a single return for a reporting period which contains more or less data than the previous reporting period.
- Certain COREP and FINREP templates are only completed if specified entry and exit criteria thresholds are breached (article 4 of the draft ITS on reporting). Consequently, depending on whether the thresholds have been breached or not, firms may submit a single return for a reporting period with more or less data compared to a previous reporting period.

3.14 We have stated for some time that we intend to collect COREP and FINREP data from firms using a reporting language called eXtensible Business Reporting Language (XBRL). The compliance costs to firms of introducing COREP/FINREP were covered in Annex 1 to CP13/6. We consider that XBRL is the most appropriate format to satisfy the requirements in the ITS on reporting in particular taking into account that the EBA has indicated they would maintain a formal data model as well as XBRL taxonomies that incorporate the requirements of the draft ITS.

Which FSA0xx reporting templates will IFPRU firms continue to submit?

3.15 Table 3 illustrates how the introduction of COREP/FINREP will impact on existing FSA0xx reporting templates. The outcome is that IFPRU firms will be submitting COREP/FINREP templates and some FSA0xx reporting templates.

Table 3

FSA0xx data items replaced by COREP/FINREP for IFPRU Firms	FSA0xx data items that remain for IFPRU Firms but application differs	FSA0xx data items unaffected by COREP/FINREP
COREP Own Funds FSA003 - Capital Adequacy replaced by COREP CA FSA004 - Credit Risk replaced by COREP CR FSA005 - Market Risk replaced by COREP MKR FSA007 - Operational Risk replaced by COREP OR FSA028 - Non EEA Sub groups replaced by COREP GS FSA045 - IRB Portfolio Data replaced by COREP CR IRB FSA046 – Securitisation replaced by COREP CR SEC FSA058 – Securitisation replaced by COREP MKR SEC COREP LE FSA008 - Large Exposures replaced by COREP LE FINREP FSA001 Balance Sheet FSA002 Income Statement	FSA045 - IRB Portfolio Data: Guidance will change. FSA018 – UKIGs Large exposures: Guidance will change as this will be applied to entities with Core UK Group and Non-Core LE Group Waiver.	FSA001 - Balance Sheet (see note 1) FSA002 - Income Statement (see note 1) FSA006 - Market Risk (supplementary): FSA014 - Forecast data FSA015 - Sectoral analysis FSA016 - Solo consolidation FSA017 - Interest rate gap FSA019 - Pillar 2 Questions LIQUIDITY FSA011, 047 – 055 (inclusive) (see note 2) OTHER SUP 16.16 – Prudent Valuation All other data items not explicitly mentioned are unaffected, for example, FSA029 to 042, FSA056 and 057, MLAR and RMAR.

Note 1: Solo reporting remains for all IFPRU firms, but FSA001 and FSA002 are only reported on a consolidated basis where the firm is not subject to reporting FINREP.

Note 2: These will remain until the CRR harmonised liquidity policy is introduced.

3.16 The following impacts are worth noting:

- FSA006 – The Market Risk supplementary template is completed by all FCA firms with market risk internal models. The template records specific information to enable the supervisory authority to monitor the quality of firms' models. There is no equivalent COREP template and so this template will remain.
- Prudent Valuation Return - Very large FCA 'full scope' investment firms have to submit the prudent valuation return. There is currently no equivalent COREP reporting template and so this template will remain.
- FSA018 – This captures information on large exposures from a core UK group to a non-core large exposures group. There is no equivalent COREP template. We propose retaining FSA018, but in future this reporting template would only apply to firms that have both a core UK group and a non-core large exposures group. FSA018 guidance will be amended to reflect this change of scope of application.

- FSA045 - This is completed by firms that have an IRB internal model for credit risk. In contrast to the COREP CR template which combines counterparty and credit risk data when reported at grade level, FSA045 splits data between credit risk and counterparty credit risk. We propose retaining this reporting template and we are making some minor amendments to the guidance.

3.17 The number of IFPRU firms affected by the retention of any or all of the reporting templates FSA006, FSA018, FSA045 and the prudential valuation return are extremely low, so we envisage that cost to firms of retaining these templates is minimal.

Q6: Do you agree with our proposals for relevant IFPRU firms to continue submitting some or all of the reporting templates FSA006, FSA018, FSA045 and the prudent valuation return? If not, please explain which reporting templates and why?

3.18 It should be noted that, although FSA005 is being replaced by COREP MKR, FSA005 requires firms to report data on the Risks-Not-In-VaR (RNIV) capital add-ons. RNIV is not covered by COREP and so we would wish to continue this policy. We believe that it is more appropriate to include RNIV reporting in another FSA0xx reporting template than FSA005, and so we will consult on where we propose to relocate RNIV data at a later date. Currently, there are no FCA firms completing the RNIV cells, so there is no impact in deleting the RNIV cells from FSA005.

3.19 We envisage that firms will submit COREP/FINREP using one of the 7 currencies outlined in SUP 16 Annex 25G. If that is not the case please let us know in your consultation response.

Transitioning existing SUP 16.12 reporting waivers

3.20 We have identified a number of firms, that will be subject to IFPRU, with waivers granted in relation to SUP 16.12 rules that would continue post-2013. Since COREP and FINREP will be introduced from 1 January 2014, these waivers will cease to have effect on 31 December 2013. Given the small number of firms involved, we will be contacting them directly to manage this process.

SUP 16.12 and SUP 16.16 supervisory reporting Handbook changes including related guidance

3.21 The introduction of COREP/FINREP creates numerous changes to Chapter 16 (Reporting Requirements) of the Supervision module of the FCA Handbook (SUP 16.12). The proposed amendments to SUP 16.12 are included in Appendix 1. The key amendment is that COREP and/or FINREP now appears in columns for IFPRU firms where COREP/FINREP templates replace existing FSA0xx templates. However, we remind IFPRU firms that they must refer to the CRR and the ITS on reporting to establish all of their reporting obligations.

3.22 SUP16.16 has also been updated with minor amendments being proposed to incorporate new CRR article cross-referencing.

- 3.23** In this CP, we consult on the guidance on FSA018 and FSA045 (see paragraph 3.16) but firms should note that there are other similar consequential changes to SUP 16 Annex 25G and SUP 16 Annex 31BG to reflect the reporting proposals in this Chapter which will be addressed consequently.

Q7: Do you agree with the changes proposed to SUP 16.12, SUP 16.16 and guidance in SUP 16 Annex 25? If not, please explain why?

BIPRU firms and exempt commodities firms

- 3.24** We remind BIPRU firms that under our proposals in CP13/6, from 1 January 2014 they will continue using GABRIEL to submit FSA0xx reporting templates because COREP and FINREP are designed to report CRD IV elements.
- 3.25** Additionally, exempt IFPRU and exempt BIPRU commodities firms will continue to report FSA0xx reporting templates.

4.

Consequential changes to the Handbook and process requirements for CRR permissions

Introduction

- 4.1** This chapter sets out our proposals on:
- consequential amendments to the Handbook arising as a result of the transposition of CRD IV, and
 - process requirements for new CRR permissions.

Consequential changes to the Handbook

- 4.2** We propose to amend the Handbook modules listed below as a result of consequential changes arising from the transposition of CRD IV:
- Glossary of definitions
 - General Prudential Sourcebook (GENPRU): changes to GENPRU 3 (Cross sector groups)
 - Systems and Controls (SYSC): changes to the application provisions
 - Fees Manual (Fees): minor changes, and
 - Prudential Sourcebook for Investment Firms (IFPRU): clarifications to guidance.
- 4.3** The text of the proposed amendments, and the statutory powers they will be made under, can be found in Appendix 1.
- 4.4** The changes we are proposing to the relevant modules of the FCA Handbook are as a direct result of the changes imposed by implementing CRD IV. In CP13/6, we set out the costs and benefits of implementing CRD IV, assuming the need to make these proposed consequential changes to the FCA Handbook. We do not believe these consequential changes will add any significant costs or benefits to those expected from CRD IV as assessed in CP13/6.

Q8: Do you agree with the proposed consequential changes to the Glossary and Handbook modules as set out in this section? If not, please indicate what other consequential changes you deem necessary why.

Process requirements for CRR permissions

4.5 In CP13/6, we consulted on proposals for exercising the national discretions afforded to competent authorities under the CRR. These would allow firms to apply for, and the FCA to grant, 'CRR permissions' under the applicable criteria in the Regulation.

4.6 This section:

- communicates the key features of the process requirements for new CRR permissions, and
- consults on a notification rule – as part of such procedure.

Key features of the process requirements for new CRR permissions

4.7 In CP13/6, we indicated that we are working to ensure that suitable processes were in place for the new CRR permissions, liaising with the Treasury as appropriate.

4.8 We intend to implement a process whose key features would be:

- Firms will submit an application to the FCA using the relevant form(s).
- The FCA will assess applications against the applicable criteria in the CRR and the provisions in IFPRU (to the extent permitted under European law).
- The FCA will issue a CRR permission notice if the application were approved, or notify the applicant the reasons for refusal.
- The FCA intends to publish details of all the CRR Permissions it approves, unless it is satisfied that it would be inappropriate or unnecessary to do so.

4.9 This process is intended to apply from 1 January 2014. Details of the process requirements for new CRR permissions and the application forms will be published on our website in due course.

4.10 It is important to note that the key features of the above process are similar to those currently applicable to waivers set out in our Handbook. However, since the new CRR permissions derive from the Regulation, we have been liaising with the Treasury so that the FCA as competent authority has the necessary powers to implement such a process. It is expected that the Treasury will include these powers for the competent authorities in Regulations that it will make later this year.

Notifications

4.11 We proposed to consult on a notification rule to ensure that a firm that has applied for, or has been granted, a CRR permission notifies the FCA immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application, the CRR permission or any condition to which the CRR permission is subject.

4.12 The content of the proposed notification rule that would apply to CRR permissions is consistent with, and substantially similar to, the current rule in SUP 8.5.1R (Notification of altered circumstances relating to waivers) that applies to waivers in our Handbook.

5. Interaction between AIFMD/UCITS and CRD IV

Background

- 5.1** In PS13/5¹⁰ implementing the AIFMD, we set out the capital, professional indemnity insurance, liquid assets and financial reporting requirements that apply to CPM firms and CPMI firms.
- 5.2** CPM firms i.e. those that undertake collective portfolio management of AIFs, UCITS or both, but do not provide any MIFID services were made subject to IPRU(INV) chapter 11. For this purpose, a CPM firm includes a full scope UK AIFM that is an internally managed AIF.
- 5.3** CPMI firms i.e. those that undertake external collective portfolio management of AIFs, UCITS or both and provide MIFID services (as permitted by AIFMD and the UCITS directive) were made subject to GENPRU and BIPRU for their MIFID investment business.
- 5.4** The capital requirements in AIFMD and the UCITS directive incorporate references to CRD III. As a result of the replacement of CRD III by CRD IV, we must amend these requirements to reflect the new definitions of initial capital, own funds and the FOR. Additionally, the capital reporting forms for both CPM and CPMI firms will have to be revised to take into account the implementation of CRD IV.

Own funds, initial capital and fixed overheads requirements

- 5.5** CPM and CPMI firms must meet capital requirements as specified in article 9 of the AIFMD and/or article 7 of the UCITS directive. These requirements include references to initial capital, own funds and the FOR by reference to CRD III.
- 5.6** Article 163 of the Directive repeals CRD III and updates references in CRD III to the Directive and the CRR. We therefore must replace the CRD III references in IPRU(INV) chapter 11 with the equivalent ones under CRD IV and the EU CRR.
- 5.7** In accordance with article 28(1) of the Directive, initial capital is the amount of own funds referred to in article 26(1)(a) to (e) of the CRR. Own funds has the meaning in article 4(1)(118) of the CRR. These references replace the detailed computation of initial capital and own funds in Table 11.4 in IPRU (INV) Chapter 11.
- 5.8** The FOR is the amount specified in article 97 of the CRR, which we have replicated as IPRU (INV) 11.3.3AEU (own funds based on fixed overheads). This replaces the text currently included as 11.3.4R to 11.3.10G, which we are proposing to delete.

¹⁰ PS13/5 'Implementation of the AIFMD' available at: www.fca.org.uk/your-fca/documents/ps13-5-implementation-of-the-aifmd.

CPMI firms

5.9 With regard to the prudential requirements that apply to CPMI firms – those that are subject to AIFMD or UCITS, and CRD, in PS13/5 we said that we would apply the requirements of the CRD III to the MIFID investment business of these firms. As a result of the replacement of CRD III by CRD IV, we propose to apply the requirements of CRD IV to the MIFID investment business of CPMI firms, except where we have discretion to continue applying the requirements of CRD III.

5.10 If the MIFID investment business of the CPMI firm meets the criteria under the discretion in article 95(2) of the CRR, then it will be subject to CRD III as transposed in GENPRU/BIPRU (as of 31 December 2013) – if our proposals for exercising this discretion in relation to the newly defined ‘BIPRU firms’, as set out in Chapter 6 of CP13/6, were accepted.

The investment business of a BIPRU firm is broadly limited to portfolio management and/or the execution of orders on behalf of clients, without holding client assets or safeguarding assets in respect of that investment business. Since the AIFMD and UCITS directive do not permit AIFMs or UCITS management companies to engage in the execution of orders on behalf of clients, this activity is not relevant to CPMI firms. Therefore, these firms may only benefit from this discretion in article 95(2) of the CRR if they were carrying out portfolio management without holding client assets.

5.11 However:

- if a CPMI firm is carrying out safe-keeping and administration in relation to shares or units of collective investment undertakings in respect of its MIFID investment business, it will also be an IFPRU firm, and
- the other permitted MIFID activities for CPMIs such as investment advice or the reception and transmission of orders in relation to financial instruments (for AIFMs only) would be permissible for this type of firm without triggering CRD IV requirements.

5.12 If a CPMI firm is not able to benefit from article 95(2) of the CRR, then it will be subject to the CRR and to the Directive as transposed in IFPRU.

5.13 We propose to set out the AIFMD/UCITS requirements for CPMI firms in IPRU (INV), (rather than in GENPRU where they are at present). This means that each type of CPMI firm must comply with IPRU(INV) for their AIFMD/UCITS business, and either the CRR/IFPRU or GENPRU/BIPRU for their MIFID investment business (although the latter sourcebooks will generally only apply to the credit risk or market risk requirements arising from its investment business). We have proposed to add guidance in IPRU(INV) 11.6, which explains this.

5.14 This ‘parallel’ approach has the benefit of allowing those CPMI firms within the scope of the discretion in article 95(2) of the CRR to apply the potentially less onerous requirements under CRD III.

Q9: Do you agree with our proposed implementation of the consequential amendments to the prudential requirements for CPM firms and CPMI firms?

5.15 In PS13/5 we noted that a majority of firms argued that it was not appropriate to treat CPMI firms as BIPRU limited licence firms primarily because other EU jurisdictions adopt a different approach. We said in PS13/5 that we were not able to carry out a detailed analysis of the position of such firms in other Member States, also given a lack of information. However, we continue to engage with stakeholders about the practical application of the proposed requirements and keep the issue under review also in light of our competition objective. As under CRD IV the Commission is required to review the prudential regime for investment sector firms by 2015, we consider that this could be one option to address any different European views with the aim of securing a level playing field across Europe.

Changes to financial reporting forms

5.16 The above proposed changes to the prudential rules will require the following consequential changes in SUP 16 to the financial reporting forms:

- CPM firms will be subject to an amended version of FIN066
- CPMI firms that are also subject to IFPRU will need to fill in an amended version of FIN067. This will be in addition to the reports required under COREP, and
- CPMI firms that are subject to GENPRU/BIPRU will be subject to a new form FIN068. This will be in addition to the existing form FSA003.

5.17 We have not proposed to change other reporting forms for CPM or CPMI firms subject to GENPRU/BIPRU in relation to their AIFMD/UCITS business, such as the balance sheet and income statement, on the basis that it would not be proportionate to change these requirements at this stage. As a result, CPM firms will continue to report using FSA029 and FSA030 and CPMI firms subject to GENPRU/BIPRU will continue to report using FSA001 and FSA002 for these items.

5.18 Due to the implementation of CRD IV, the capital reporting forms published in PS13/5 will be replaced by the abovementioned forms. In PS13/5 we proposed a transitional provision for AIFMs and UCITS managers, which required firms to report using existing capital reporting forms until 31 January 2013. We propose extending this transitional provision so that firms will use the existing capital reporting forms until 22 July 2014 and to implement the new capital reporting forms thereafter, which coincides with the end of the AIFMD transitional year and the updating of the permissions for UCITS managers. To avoid doubt, this has no impact on the reporting obligations of AIFMs under article 24 of AIFMD.

Q10: Do you agree with our proposed amendments to the financial reporting forms for CPM firms and CPMI firms?

Annex 1:

Cost benefit analysis

Introduction

1. This Annex sets out our Cost Benefit Analysis in relation to the policy proposals in the following areas:
 - CRD IV remuneration changes (limits on bonuses)
 - Interaction between AIFMD/UCITS and CRD IV, and
 - Capital buffers.

New CRD IV remuneration changes (limits on bonuses)

2. The financial crisis exposed high levels of risk taking in the financial services industry. This can in part be linked to high levels of variable remuneration rewarded to material risk takers within firms. In some instances, this led to a misalignment of incentives, encouraging short-term risk taking, with limited downside risk in the case of misconduct or poor decision making.
3. In response to this issue the FSA, and subsequently the FCA and PRA, adopted and expanded on a package of remuneration rules originally developed by the Financial Stability Board (FSB). These are implemented through The Remuneration Code. Crucially, these rules ensure that discretionary elements of remuneration are at least partially deferred and linked to the future performance of the company, for example by employees being rewarded in share futures as opposed to cash.
4. CRD IV introduces further remuneration policies, outlined above, having maintained the principle of proportionality from current CRD (see recital 66, articles 92(2) and 94(1) of the Directive). As mentioned in the 'Use of proportionality' section in Chapter 2, we propose to allow most level 3 firms to disapply the limits on bonuses on the grounds of proportionality. The main exception to this is where firms form part of level 1 or level 2 groups.
5. All FCA prudentially regulated firms subject to CRD IV currently fall in to level 3 of the remuneration code. As such this CBA focuses on those firms affected due to being part of level 1 or 2 groups. While all such firms should consider the applicability of these policies to their business, and some may end up applying the limits on bonuses through self-assessment or supervisory conversations, we expect the bulk of those affected will be those that form part of larger, PRA-regulated groups. Table 4 estimates the number of level 3 FCA prudentially regulated firms that are part of a level 1 or 2 group.

Table 4: Estimated numbers of FCA prudentially regulated level 3 firms that are part of level 1 or 2 groups

Firm type	Estimated number of firms that are part of a Level One or Two group
Full Scope Investment Firm	15-20
Limited Activity Investment Firm	0-5
Limited Licence Investment Firm	55-60
Total	70-85

Incentive changes and market-wide costs and benefits

6. We do not expect that applying these changes to firms prudentially regulated by the FCA to have significant market-wide impacts. This is because the only firms the FCA regulates prudentially are level 3 firms, and we expect these changes to only significantly affect these firms that form part of larger PRA-regulated groups.
7. Any wider impacts on market outcomes are likely to be dominated by the actions of the larger banking and investment banking groups that are regulated by the PRA. The market changes and competition impact resulting from the application of the policies to these larger firms are likely to overshadow any impact resulting from firms in the scope of the proposed FCA rules. So the incremental impact of applying this to their smaller subsidiaries and other firms prudentially regulated by the FCA is unlikely to be material. We do however note that a key benefit of the application of the rules on a group level is that this prevents regulatory arbitrage within groups. The application to smaller firms within level 1 or 2 groups restricts the ability of firms to move material risk takers in to these smaller entities within their groups and avoid the proposed rules. It is not possible to produce a meaningful estimate of the benefit from reducing this risk of regulatory arbitrage, however the PRA discussed the benefits of applying these rules to large groups in their publication(s) on these policies. Preventing regulatory arbitrage within the group is necessary to realise these benefits.

Incremental costs to firms

8. It is likely that some affected firms will want to change their remuneration structures as a result of these policies, in particular due to the limit on variable remuneration that an affected employee can receive. So, we attempt to quantify the cost of these changes.
9. In the CBA to CP10/19, the FSA conducted a survey asking firms what they expected the cost to their business to be as a result of the changes to the remuneration code bought in through PS 10/20. The estimated costs of changing remuneration structures for investment managers are set out in Table 5.

Table 5: Estimated compliance costs

Cost	One off costs	Ongoing (annual)
Adjusting remuneration structures	£0-47,000	£0-50,000

10. Whilst the proposals of CP10/19 reflected a broader range of policies than the remuneration policies bought in through CRD IV, we take these costs as a reasonable proxy for the cost of such a restructuring.
11. Applying these numbers to the estimated maximum of 85 FCA prudentially regulated level 3 firms which are part of level 1 or 2 groups, we estimate the upper range of costs in Table 6. As the lower range compliance cost estimate is £0, we treat this as the lower range estimate.

Table 6: Estimated upper range of compliance costs

Table 6	One off costs	Ongoing (annual)
Calculation	[85 firms x £47,000]	[85 firms x £50,000]
Estimated cost	£39,950,000	£43,500,000

Cost to the FCA

12. The cost of implementing these policies to the FCA broadly falls under the categories of policy development, training, and supervision. The overall cost to the FCA of CRD IV implementation, excluding the operationalisation of COREP and FINREP, was estimated in CP13/6 at a £5.4m one off cost. This includes the policy development and training associated with these remuneration policies. We expect the on-going supervision to be incorporated in existing business practice.

Competition

13. As mentioned in the 'Incentive changes and market-wide costs and benefits' section above, we do not expect that applying these rules to firms prudentially regulated by the FCA will have a significant impact on competition. By not applying this to level 3 firms we may incentivise highly-skilled individuals to take employment at smaller firms that are not subject to the policies. This may promote competition by making challenger firms more attractive to highly skilled individuals, increasing those firms' competitiveness, and ultimately consumer choice should those firms successfully gain market share as a result. However we do not expect these changes to be large, as larger firms are likely to increase non-variable remuneration to retain highly-skilled staff.

Q11: Do you agree with have any comments on this CBA?

Interaction between AIFMD/UCITS and CRD IV

14. CP13/6 included a comprehensive CBA of the CRD IV package, including EU reporting requirements and benefits associated with the new requirements. The population analysed was current BIPRU firms, which includes CPMI firms. As this CP clarifies the legal requirements on these firms rather than proposing new policy, we believe that the CBA in CP13/6 sufficiently assesses the impact on these firms except as noted in paragraphs 15-18 below. Accordingly, the costs of complying with CRD IV for IFPRU firms who are also subject to AIFMD and/or the UCITS directive are discussed in the CBA accompanying CP13/6.

Q12: Do you have any comments relating to the costs that CPMI firms may incur arising from the application of either CRD III or IV to their MIFID investment business (depending on whether they are subject to the treatment for BIPRU firms or to IFPRU)? Are there additional costs or burdens for UK CPMI firms that cause a competitive imbalance with CPMI firms based in other Member States?

- 15.** CPMs will now need to refer to the CRD IV own funds computation instead of the CRD III own funds computation. CRD IV increases the minimum level of equity as opposed to debt capital that firms are required to hold to meet the given requirement. Including estimates for a small number of internally managed AIFs which we expect to become authorised before July 2014, we estimate that this affects approximately 100 firms, whose overall estimated fixed overheads requirements amount to approximately £237,074,000. Applying the same methodology used in CP13/6, including the assumption that all firms hold no more equity capital than their capital requirement and at the minimum quality possible, we calculate that firms would need to meet 56.25% of their fixed overheads requirement in the form of equity capital, as opposed to the existing 25%, an increase of 31.25%. However, this can be offset by the equivalent amount of debt capital currently held. This amounts to approximately £74,086,000. Using a range for the incremental cost of equity over debt of 3% to 10%, this puts compliance costs on firms between £2,223,000-£7,409,000. We note that this estimation is dependent on our assumptions stated here and in CP13/6, and in practice some firms are likely to already hold sufficient own funds in the form of equity capital, and so would incur no significant compliance costs.
- 16.** BIPRU CPMI firms will also be required to refer to CRD IV rules for their own funds computation by virtue of their UCITS and/or AIFM authorisation. These firms will stay on BIPRU requirements for their MiFID business. We do not currently have a list identifying which firms are CPMIs. Accordingly, we assess the costs to these firms by assuming that all firms managing assets above the threshold in Article 3(2) of AIFMD are CPMI firms, which should provide an upper bound of these costs. We note that this is unlikely to be realistic for all firms in practice. Further, many of these firms will be subject to IFPRU, and so their potential cost of capital increase has already been assessed in CP13/6. Again, we have assumed that all firms maintain the minimum possible capital requirements, including holding the maximum levels of debt capital, which in reality is not likely to be the case, as most firms hold significantly higher proportions of equity capital than debt capital, in excess of their minimum requirements.
- 17.** There are approximately 700 firms within the current BIPRU population that could be CPMI firms based on their reported assets under management. In addition, there are approximately 40 UCITS investment firms that could be CPMI firms, which we include in these calculations in order to assess the potential cost to all potentially affected firms who are also directly subject to the CRD III. Using the same methodology as in paragraph 15, we calculate the total capital requirement for these circa 740 firms amounts to £1,855,830,000. 31.25% of this total requirement is £579,947,000. Using a range for the incremental cost of equity over debt of 3% to 10%, this puts compliance costs on firms between £17,398,000-£57,995,000. These compliance costs are likely to be overstated for the reasons mentioned above. Further, these changes require firms to submit new IRR reporting forms. The information requested through these reporting forms is information that firms will have as part of their regulatory capital calculations. Further, given the nature and size of the affected firms, we do not expect that they would build systems to process the data required to complete these forms. Accordingly, we expect the costs on firms associated with these reporting forms to be minimal.
- 18.** Further, these changes require firms to submit new IRR reporting forms. The information requested through these reporting forms is information that firms will have as part of their regulatory capital calculations. Further, given the nature and size of the affected firms, we do not expect that they would build systems to process the data required to complete these forms. Accordingly, we expect the costs on firms associated with these reporting forms to be minimal.

Capital buffers

19. The CBA accompanying CP13/6 assessed the cost of capital increases resulting from CRD IV, and the non-capital benefits and costs of increasing the quality of capital that firms are required to hold. It did not explicitly estimate the cost of capital resulting from capital buffers. Accordingly, we assess those costs here, using the same assumptions used to calculate the cost of changes to Pillar 1 capital in CP13/6. Therefore, this assessment should be read alongside the CBA of CP13/6 – especially the ‘capital compliance costs’ section.
20. The CCyB and the Capital Conservation Buffer (CCB) must be held in CET 1 capital. We have exempted SME full scope and limited activity firms from holding capital buffers. We do not actively record which firms meet the EU definition of an SME, and so we have estimated the affected population. The proxy used is that all firms with balance sheets less than £35m (roughly collated to €43m) are SMEs. This leaves approximately 100 FCA prudentially regulated firms.
21. The CCB has a transitional provision before reaching a fixed amount of 2.5%. The CCyB rate is variable, the minimum rate being 0%, and is dependent on the economic cycle. However, we have calculated the costs of capital assuming that both buffers are set at 2.5% (but to the extent that the prevailing CCyB was lower/0%, we note that the cost of capital will be correspondingly lower). Table 7 shows our cost of capital calculations for the combined buffer, which would amount to 5% of RWAs.

Table 7: Total cost of combined capital buffer on FCA prudentially regulated industry.

	£ Millions
Total RWAs	40,386
Incremental equity to be raised: 5% of RWA	2,019
Overall capital compliance cost: [5-15%] x incremental equity to be raised	[101-303]

Q13: Do you have any comments on this CBA, including the CBA published in CP13/6, regarding firms affected by this issue?

Benefits

22. As stated in CP13/6, the major economic benefits arising from CRD IV come from increased financial stability and reduced macro-prudential risk. However we do not believe that the investment firms prudentially regulated by the FCA can be considered globally systemic. As such we believe the economic benefits relate primarily to firms prudentially regulated by the PRA and are described and estimated in their CP and accompanying CBA.
23. As in CP13/06, just as we expect the wider economic costs for these investment firms will not be materially significant compared to those of systemically important firms, we also expect the benefits to be comparably smaller. However it is not possible to quantify these incremental benefits above the economic benefits of applying these proposals to the systemically-important firms regulated by the PRA, and identified in the PRA’s CP and accompanying CBA.

Annex 2: Compatibility statement

Introduction and statement of purpose

1. This Annex sets out our views on how these policies resulting from CRD IV are compatible with our objectives and the principles of good regulation. This should be read alongside the compatibility statement which accompanied CP13/6, which assessed the impact of the CRD IV package as a whole, of which these policies are a part.

Compatibility with the FCA's objectives and general duties

2. Our planned transposition of these aspects of CRD IV, as set out in this CP and the draft Handbook text that accompanies it, aims primarily to meet our integrity objective. However, our consumer protection and competition objectives are also relevant.

Integrity objective

3. This objective requires us to protect and enhance the integrity of the UK financial system.
4. Our proposals in this CP and the draft Handbook rules and guidance seek to reduce the risk of market disruption arising from financial failure of an authorised firm or group of firms.
5. The introduction of capital buffers for large firms which take balance sheet risk reduces the risk of disorderly firm failure and helps to ensure that counterparties and market participants are more protected from the negative effects of firms taking significant losses.

Consumer protection objective

6. This objective requires us to secure an appropriate degree of protection for consumers.
7. While these policies do not directly affect consumers, by ensuring that firms hold capital buffers the likelihood of consumers, both wholesale and retail, losing money as a result of firm failure is reduced.

Competition objective

8. Our competition objective requires us to, in so far as it is compatible with our other objectives, promote competition in the interest of consumers.
9. As discussed in the CBA, the competition impact if these policies is likely to be minimal.

Compatibility with the need to have due regard to the principles of good regulation

10. Under section 1B (5) of FSMA, we must consider the specific matters set out below, when carrying out our general functions.

Need to use resources in the most efficient and economic way

11. These policies do not result in additional burdens on the FCA compared to the limited other options available.
12. We outline our overall approach to CRD IV transposition in CP13/6.

Principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected

13. We have undertaken a cost-benefit analysis of the material areas of the changes in order to help with this CP. We believe that the benefits to market integrity as a result of the implementation of CRD IV as a whole are substantial, especially in relation to our market integrity objective. The policies in this CP are necessary to realise these benefits, and the costs remain proportionate to these.

Principle that consumers should take responsibility for their own decisions

14. This CP is prudential in nature, and so consumer decisions are not addressed.

Desirability of sustainable growth in the economy of the UK in the medium or long term

15. The implementation of capital buffers is likely to encourage stability within the financial system, as firms ensure that they hold appropriate levels of loss absorbing capital to avoid becoming insolvent when losses arise. While we do not expect this to have any large impacts on UK economic growth, the stability this adds may improve the sustainability of that growth.

Responsibilities of those who manage the affairs of authorised persons

16. These rules and guidance require authorised persons to be diligent in the management of their remuneration practices and capital positions.
17. This increases obligations on those persons.

Desirability of exercising our functions in a way that recognises differences in the nature of, and objectives of, businesses carried on by different persons

18. We have opted not to apply capital buffers to Small and Medium Sized Enterprises (SMEs), as we do not believe that this is proportionate to the risks that they pose.
19. The remuneration policies have been applied in a way appropriate to the scale of different business types.

Desirability of publishing information relating to persons

20. This principle is not relevant to the proposals in this CP.

Principle that we should exercise our functions as transparently as possible

21. We have engaged with trade associations and firms throughout this process in relation to our overall approach to CRD IV transposition including our timeline for this consultation process.

Expected effect on mutual societies

22. Our proposals in this CP refer to firms in the investment sector affected by CRD IV, but they do not refer to mutual societies.

Equality and diversity

23. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.
24. Our equality impact assessment suggests that our proposals do not result in direct discrimination for any of the groups with protected characteristics i.e. age, disability, gender, pregnancy and maternity, race, religion and belief, sexual orientation and transgender, nor do we believe that our proposals should give rise to indirect discrimination against any of these groups. We would nevertheless welcome any comments respondents may have on any equality issues they believe may arise.

Annex 3: List of questions

- Q1:** Do you agree with our proposed approach to apply this discretion by allowing the higher percentage with shareholder approval subject to the required conditions in the proposed rules being met? If not, please explain why not and propose alternative approaches and the rationale for those approaches.
- Q2:** Do you agree with our proposed approach to exercise this discretion by allowing firms to apply a discount rate to a maximum of 25% of total variable remuneration provided the required conditions in the proposed rules being met (and subject to the future EBA guidelines – as appropriate)? If not, please explain why not and propose alternative approaches and the rationale for those approaches.
- Q3:** Do you agree with our proposed approach not to exercise the national discretions to apply stricter measures on bonuses? If not, please explain why not and propose alternative approaches and the rationale for those approaches.
- Q4:** Do you agree with our proposed approach to use proportionality in relation to the application of the provisions on limits on bonuses by using the existing levels in our General Guidance on Proportionality under our current implementation of the CRD III remuneration provisions through the Remuneration Code? If not, please explain why not and propose alternative approaches and the rationale for those approaches.
- Q5:** Do you agree to the introduction of a FINREP notification rule? If not, please could you suggest alternatives?
- Q6:** Do you agree with our proposals for relevant IFPRU firms to continue submitting some or all of the reporting templates FSA006, FSA018, FSA045 and the prudent valuation return? If not, please explain which reporting templates and why?
- Q7:** Do you agree with the changes proposed to SUP 16.12, SUP 16.16 and guidance in SUP 16 Annex 25? If not, please explain why?

- Q8:** Do you agree with the proposed consequential changes to the Glossary and Handbook modules as set out in this section? If not, please indicate what other consequential changes you deem necessary why.
- Q9:** Do you agree with our proposed implementation of the consequential amendments to the prudential requirements for CPM firms and CPMI firms?
- Q10:** Do you agree with our proposed amendments to the financial reporting forms for CPM firms and CPMI firms?
- Q11:** Do you have any comments on this CBA?
- Q12:** Do you have any comments relating to the costs that CPMI firms may incur arising from the application of either CRD III or IV to their MIFID investment business (depending on whether they are subject to the treatment for BIPRU firms or to IFPRU)? Are there additional costs or burdens for UK CPMI firms that cause a competitive imbalance with CPMI firms based in other Member States?
- Q13:** Do you have any comments on this CBA, including the CBA published in CP13/6, regarding firms affected by this issue?

Appendix 1

Draft Handbook text

This Appendix includes the following draft legal instruments and general guidance on:

- General guidance on proportionality: The Remuneration Code (SYSC 19A) - paragraph 29
- CRD IV Remuneration (Limits on bonuses) Instrument 2013 amending the Glossary and SYSC
- CRD IV Reporting Instrument 2013 amending the Glossary, IFPRU and SUP
- CRD IV additional Handbook amendments – GENPRU, IFPRU, FEES, Glossary
- CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013

General guidance on proportionality: The Remuneration Code (SYSC 19A) - Proposed amendment to paragraph 29

The proposed amendments are being introduced on the basis of the text of the General Guidance on Proportionality consulted on in Appendix 1 in CP13/6.

‘Disapplication of certain remuneration principles for firms in particular proportionality levels

28. [...]

29. In our view, it will normally be appropriate for a firm in proportionality level three to disapply under the remuneration principles proportionality rule one or more of the following rules:

- (1) retained shares or other instruments (SYSC 19A.3.47R)
- (2) deferral (SYSC 19A.3.49R)
- (3) performance adjustment (SYSC 19A.3.51R)

It may also be appropriate for:

- (a) proportionality level three *full scope IFPRU investment firms* to disapply the specific ratio between fixed and variable components of total remuneration (SYSC 19A.3.44R (3)); and
- (b) *IFPRU limited licence firms and IFPRU limited activity firms* to disapply, under the remuneration principles proportionality rule, the ratios between fixed and variable components of total remuneration (SYSC 19A.3.44R);

In both cases (a) and (b) above, if requested by the FCA, the FCA will expect the firm’s senior management to be able to demonstrate why the firm believes it is reasonable to disapply it in the light of the *remuneration principles proportionality rule*.

We are also of the opinion that such firms may ‘take into account the specific features of their types of activities in applying the ‘requirement on multi-year framework in particular the accrual and ex-ante risk adjustment aspects of it.’¹¹

¹¹ As per the FSA’s Policy Statement 10/20. See link www.fsa.gov.uk/pubs/policy/ps10_20.pdf.

**CRD IV REMUNERATION (LIMITS ON BONUSES)
INSTRUMENT 2013**

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority 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 137H (General rules about remuneration);
 - (3) section 139A (Power of the FCA to give guidance); and
 - (4) section 137T (General supplementary powers).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on [*date*].

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Senior Management Arrangements, Systems and Controls sourcebook (SYSC) is amended in in accordance with Annex B to this instrument.

Notes

- F. In Annex B to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- G. This instrument may be cited as the CRD IV Remuneration (Limits on Bonuses) Instrument 2013.

By order of the Board of the Financial Conduct Authority
[*date*]

Annex A

Amendments to the Glossary of definitions

[**Note to reader:** The Glossary italicised term marked with “*” is that which CP13/6 has proposed to amend. The amendment below further amends the proposed amendment.]

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

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

third country IFPRU 730K firm an overseas firm that:

- (a) is not an *EEA firm*;
- (b) has its head office outside the *EEA*; and
- (c) would be an *IFPRU 730k firm* if it had been a *UK domestic firm*, had carried on all its business in the *United Kingdom* and had obtained whatever authorisations for doing so as are required under the *Act*.

Amend the following definition as shown.

*investment firm** ...

- (5) (in SYSC 19A) a firm in (3) except for a BIPRU firm.

Annex B

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

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

1 Annex 1 Detailed application of SYSC

...

Part 3 Tables summarising the application of the common platform requirements to different types of firm

...

Provision SYSC 4	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.1R [FCA] [PRA]	Rule but SYSC 4.1.1R(2) applies only to a <i>BIPRU firm</i>	Rule but SYSC 4.1.1R(2) applies only to a <i>BIPRU firm</i>	Rule but SYSC 4.1.1R(2) applies only to a <i>BIPRU firm</i>	Rule but SYSC 4.1.1R(2) applies only to a <i>third eountry BIPRU firm</i>
...				
<u>SYSC 4.1.1CR</u> [FCA]	<u>Rule for a <i>BIPRU firm</i></u>	<u>Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i></u>	<u>Not applicable</u>	<u>Not applicable</u>
...				
<u>SYSC 4.1.2AB G</u> [FCA]	<u>Rule for a <i>BIPRU firm</i></u>	<u>Rule for a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i></u>	<u>Not applicable</u>	<u>Not applicable</u>
...				
SYSC 4.1.3R	<u>Rule applies only to a <i>BIPRU</i></u>	<u>Rule for a <i>UCITS investment firm</i>;</u>	<u>Not applicable [deleted]</u>	<u>Not applicable [deleted]</u>

[FCA] [PRA]	<i>firm</i> [deleted]	otherwise not applicable [deleted]		
...				
<u>SYSC</u> <u>4.3A.-1R</u> [FCA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.1R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.2R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.3R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.4R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.5R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.6R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
...				
<u>SYSC</u> <u>4.3A.8R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.9R</u> [FCA] [PRA]	<u>Rule applicable</u> <u>to CRR firms</u>	<u>Rule for a CRR</u> <u>firm that is a</u> <u>UCITS</u> <u>investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>4.3A.10R</u>	<u>Rule applicable</u>	<u>Rule for a CRR</u> <u>firm that is a</u>	<u>Not applicable</u>	<u>Not applicable</u>

[FCA] [PRA]	to <i>CRR firms</i>	<i>UCITS investment firm</i>		
<i>SYSC 4.3A.11R</i> [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<i>SYSC 4.3A.12R</i> [FCA] [PRA]	Rule applicable to <i>CRR firms</i>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
...				

...

Provision SYSC 7	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
...				
<i>SYSC 7.1.7BB G</i> ¹ [FCA]	Guidance applies only to a <i>BIPRU firm</i>	Guidance applies only to a <i>BIPRU firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
...				
<i>SYSC 7.1.8G</i> (1)(2) [FCA] [PRA]	(1) Guidance applies to a <i>BIPRU firm</i> (2) Guidance	(1) Guidance for a <i>UCITS investment firm</i> ; otherwise not applicable (2) Guidance	Not applicable	(1) Not applicable (2) Guidance
...				
<i>SYSC 7.1.16CR</i> [FCA]	Rule applies to a <i>CRR firm</i>	Not applicable	Not applicable	Not applicable

¹ **Note to reader:** In CP13/6 the guidance is numbered as 7.1.7BA G which has since been superseded by guidance implemented by the Alternative Investment Fund Managers Directive Instrument 2013.

<u>SYSC</u> <u>7.1.17R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>7.1.18R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>7.1.19R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>7.1.20R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>7.1.21R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u> <u>7.1.22R</u> <u>[FCA]</u> <u>[PRA]</u>	<u>Rule applies to a</u> <u>CRR firm</u>	<u>Rule for a UCITS</u> <u>investment firm</u> <u>that is a CRR</u> <u>firm, otherwise</u> <u>not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

...

...

19A Remuneration Code

...

- 19A.1.1A G ~~The AIFM Remuneration Code (SYSC 19B) also applies to a BIPRU firm which is a full-scope UK AIFM (i.e. a full-scope UK AIFM that is an AIFM investment firm). Such a full-scope UK AIFM that complies with all of SYSC 19B will also comply with all of the provisions of SYSC 19A. In such cases, the FCA will not require the full-scope UK AIFM to demonstrate compliance with SYSC 19A [deleted].~~

...

19A.1.3 R (1) A firm must apply the remuneration requirements in SYSC 19A.3 other than SYSC 19A.3.44R and SYSC 19.3.44AR in relation to:

(a) ...
(1)

(b) ...
(2)

(c) ...
(3)

[Note: article 3(2) of the Third Capital Requirements Directive (Directive 2010/76/EU)]

(2) A firm must apply the remuneration requirements in SYSC 19A.3.44R and SYSC 19.3.44AR in relation to remuneration awarded for services provided or performance from the year 2014 onwards, whether due on the basis of contracts concluded before, on or after 31 December 2013.

[Note: article 162(3) of the CRD]

...

19A.3 Remuneration principles for banks, building societies and investment firms

...

19A.3.40A R A firm must ensure that remuneration packages relating to compensation for, or buy out from, an employee's contracts in previous employment align with the long term interests of the firm and are subject to appropriate retention, deferral and performance adjustment arrangements.

[Note: article 94(1)(i) of the CRD]

...

19A.3.44 R A firm must set appropriate ratios between the fixed and variable components of total remuneration and ensure that:

- (1) fixed and variable components of total remuneration are appropriately balanced; ~~and~~
- (2) the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component; ~~and~~
- (3) subject to SYSC 19A.3.44AR, the ratio of the variable component of total remuneration to the fixed component does not exceed 1:1.

- 19A.3.44A R A firm may set a ratio between the fixed and the variable components of total remuneration that exceeds 1:1 provided the ratio:
- (1) does not exceed 1:2; and
 - (2) is approved by the shareholders or owners or members of the firm in accordance with SYSC 19A.3.44BR.

[**Note:** article 94(1)(g)(ii) of the *CRD*]

- 19A.3.44B R A firm must ensure that any approval by the shareholders or owners or members of the firm of a ratio that exceeds 1:1 is carried out in accordance with the following procedure:
- (1) the firm must give reasonable notice to all shareholders or owners or members of the firm that the firm intends to seek approval of a ratio that exceeds 1:1;
 - (2) the firm must make a detailed recommendation to all shareholders or owners or members of the firm giving the reasons for, and the scope of, the approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;
 - (3) the firm must, without delay, inform the appropriate regulator of the recommendation to its shareholders or owners or members, including the proposed ratio and the reasons therefor and must demonstrate to the appropriate regulator that the proposed higher ratio does not conflict with the firm's obligations under the CRD and the CRR, having regard in particular to the firm's own funds obligations;
 - (4) the firm must ensure that employees who have an interest in the proposed higher ratio are not allowed to exercise, directly or indirectly, any voting rights they may have as shareholders or owners or members of the firm in respect of the approval sought;
 - (5) the higher ratio is approved by a majority of:
 - (a) at least 66% of shareholders or owners or members of the firm, provided that at least 50% of the shareholders or owners or members are represented; or
 - (b) at least 75% of shareholders or owners or members if less than 50% of the shareholders, members or owners are represented.

[**Note:** article 94(1)(g)(ii) of the *CRD*]

- 19A.3.44C R A firm must notify without delay the appropriate regulator of the decisions taken by its shareholders or members or owners including any

approved higher maximum ratio.

[**Note:** article 94(1)(g)(ii) of the *CRD*]

19A.3.44D R A firm may apply a discount rate to a maximum of 25% of an employee's total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years.

[**Note:** article 94(1)(g)(iii) of the *CRD*]

...

19A.3.54 R ...

(1B) Condition 1 is that the *firm* is a *UK bank*, a *building society* ~~or a relevant *BIPRU 730k firm*, a *designated investment firm*, or a relevant *IFPRU 730k firm*~~ that has relevant total assets exceeding £50 billion.

...

(1D) Condition 2 is that the *firm*:

(a) is a *full credit institution*, a *designated investment firm*, a relevant ~~*BIPRU 730k firm*~~ *IFPRU 730k firm* or a relevant ~~*third country BIPRU 730k firm*~~ *IFPRU 730k firm*; and

(b) is part of a *group* containing a *firm* that has relevant total assets exceeding £50 billion and that is a *UK bank*, a *building society*, a *designated investment firm* or a relevant ~~*BIPRU 730k firm*~~ *IFPRU 730k firm*.

(1E) In this rule:

(a) a "relevant ~~*BIPRU 730k firm*~~ *IFPRU 730k firm*" is any ~~*BIPRU 730k firm*~~ *IFPRU 730k firm* that is not a *limited activity firm* or a *limited licence firm*;

(b) a "relevant ~~*third country BIPRU 730k firm*~~ *IFPRU 730k firm*" is any ~~*third country BIPRU 730k firm*~~ *IFPRU 730k firm* that is not a *limited activity firm* or a *limited licence firm*; and

(c) ...

...

CRD IV (REPORTING) INSTRUMENT 2013

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority 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 139A (Power of the FCA to give guidance); and
 - (3) section 137T (General supplementary powers).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. Annex A, Annex B and Part 1 of Annex C comes into force on [*date*].
- D. Part 2 of Annex C comes into force on [*date*].

Amendments to the Handbook

- E. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- F. The Prudential sourcebook for Investment Firms (IFPRU) is amended in accordance with Annex B to this instrument.
- G. The Supervision manual (SUP) is amended in accordance with Annex C to this instrument.

Notes

- H. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

Citation

- I. This instrument may be cited as the CRD IV (Reporting) Instrument 2013.

By order of the Board of the Financial Conduct Authority
[*date*]

Annex A

Amendments to the Glossary of definitions

Insert the following new definition in the appropriate alphabetical position.

- FINREP firm*
- (a) a *credit institution* or *investment firm* subject to *CRR* that is also subject to article 4 of Regulation (EC) No 1606/2002; or
 - (b) a *credit institution* other than one referred to in Article 4 of Regulation (EC) No 1606/2002 that prepares its consolidated accounts in conformity with the international accounting standards adopted in accordance with the procedure laid down in article 6(2) of that Regulation.

[**Note:** article 99 of the *EU CRR*]

Annex B

Prudential sourcebook for Investment Firms (IFPRU)

[**Note to reader:** The amendments proposed in this Annex are based on the version of IFPRU and Glossary proposed in CP13/6 (CRD IV for Investment Firms).]

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

After IFPRU 1.1 insert the following new section. The text is not underlined.

1.1A Notification of FINREP reporting

1.1A.1 R A *FINREP firm* that is an *IFPRU investment firm* must notify the *FCA*:

- (1) if it is required to report financial information on a consolidated basis;
and
- (2) when it ceases to report financial information on a consolidated basis.

1.1A.2 R A *firm* must notify the *FCA* if it adjusts its *firm's accounting reference date* under article 2(3) Commission Regulation (EU) .../...[full citation and link to EU Regulation made under Article 99 CRR.]

...

Amend the following as shown.

Sch 2G Notification and reporting requirements

...

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
<u>IFPRU 1.1A.1R</u>	<u>Notification of FINREP reporting</u>	<u>Matters as described in IFPRU 1.1A.1R</u>	<u>Matters as described in IFPRU 1.1A.1R</u>	<u>No later than five <i>business days</i> from when an <i>IFPRU investment firm</i> identifies that it is a <i>FINREP firm</i> that is required to report FINREP or that is no longer required to submit FINREP.</u>
...				

Annex C

Amendments to the Supervision manual (SUP)

Part 1: Comes into force on 1 January 2014

In this Annex, underlining indicates new text and striking through indicates deleted text except where indicated otherwise.

16.12 Integrated Regulatory Reporting

...

Purpose

- 16.12.2 G (1) *Principle 4* requires firms to maintain adequate financial resources. ~~The Interim Prudential sourcebooks, BIPRU and GENPRU set out the appropriate regulator's detailed capital adequacy requirements.~~ By submitting regular data, firms enable the appropriate regulator to monitor their compliance with *Principle 4* and their prudential requirements in the ~~Handbook~~.

...

...

- 16.12.3-A G (1) Investment firms subject to the *EU CRR* should refer to any relevant technical standards to determine their specific reporting obligations as their specific reporting obligations may extend beyond those specified in this chapter.
- (2) Where a firm submits a data item pursuant any applicable provision of the EU CRR any data item with the same name and purpose does not have to be submitted again regardless of RAG.
- 16.12.3 G The following is designed to assist firms to understand how the reporting requirements set out in this chapter operate when the circumstances set out in *SUP 16.12.3R(1)(a)(ii)* apply. [deleted]
- A (1) Example 1
A *BIPRU 730K* firm that undertakes activities in both *RAG 3* and *RAG 7* Overlaying the requirements of *RAG 3* (*data items*) with the requirements of *RAG 7* shows the following:

RAG 3 (<i>SUP 16.12.11R</i>) data items	RAG 7 (<i>SUP 16.12.22AR</i>) data items
<i>Annual reports and accounts</i>	<i>Annual reports and accounts</i>
<i>Annual report and accounts of the mixed activity</i>	<i>Annual report and accounts of the mixed activity</i>

<i>holding company</i>	<i>holding company (note 10)</i>
Solvency statement	Solvency statement
Balance sheet	Balance Sheet
Income statement	Income statement
Capital adequacy	Capital adequacy
Credit risk	Credit risk
Market risk	Market risk
Market risk – supplementary	Market risk – supplementary
Operational risk	Operational risk
Large exposures	Large exposures
UK integrated group large exposures	UK integrated group large exposures
Solo consolidation data	Solo consolidation data
Pillar 2 questionnaire	Pillar 2 questionnaire
Non-EEA sub-group	Non-EEA sub-group
	Professional indemnity insurance
	Threshold Conditions
	Training and Competence
	COBS data
Client money and client assets	Client money and client assets
	Fees and levies
CFTC	
IRB portfolio risk	IRB portfolio risk
Securitisation : non trading book	Securitisation : non trading book
Daily Flows (if it is an <i>ILAS BIPRU firm</i>)	
Enhanced Mismatch Report (if it is an <i>ILAS BIPRU firm</i>)	
Liquidity Buffer Qualifying Securities (if it is an <i>ILAS BIPRU firm</i>)	
Funding Concentration (if it is an <i>ILAS BIPRU firm</i>)	
Pricing data (if it is an <i>ILAS BIPRU firm</i>)	
Retail and corporate funding (if it is an <i>ILAS BIPRU firm</i>)	
Currency Analysis (if it is a <i>ILAS BIPRU firm</i>)	
Systems and Controls Questionnaire (if it is a <i>non-ILAS BIPRU firm</i>)	
Securitisation: trading book	Securitisation: trading book

From this, the additional reports that are required are:

- (a) [deleted]
- (b) Professional indemnity insurance, where *RAG 7 firms* complete Section E of the *RMAR*, and therefore a *RAG 3 firm* should complete that;
- (c) [deleted]
- (d) Training and competence data, where *RAG 3 firms* should also complete Section G of *RMAR*;

- (e) ~~Conduct of business data, where RAG 3 firms should complete Section H of RMAR.~~
- (f) ~~[deleted]~~
- (g) ~~[deleted]~~

The reporting frequency and submission times for items (b), (d) and (e) above are then derived from the rules applicable to *BIPRU firms* in *SUP 16.12.23R* and *SUP 16.12.24R*. Threshold conditions and fees and levies reports do not need to be submitted as they are not required under the lowest numbered of the two *RAGs* in this example, see *SUP 16.12.3R (1)(a)(iii)*.

- (2) Example 2
A *UK bank* in *RAG 1* that also carries on activities in *RAG 5*. Again, overlaying the *RAG 1* reporting requirements with the requirements for a *RAG 5 firm* gives the following :

<i>RAG 1 requirements (SUP 16.12.5R)</i>	<i>RAG 5 requirements (SUP 16.12.18AR)</i>
<i>Annual report and accounts</i>	<i>Annual report and accounts</i>
<i>Annual report and accounts of the mixed-activity holding company (note 9)</i>	
<i>Solvency statement (note 10)</i>	
<i>Balance sheet</i>	<i>Balance Sheet</i>
<i>Income statement</i>	<i>Income statement</i>
<i>Capital adequacy</i>	<i>Capital Adequacy</i>
<i>Credit risk</i>	
<i>Market risk</i>	
<i>Market risk –supplementary</i>	
<i>Operational risk</i>	
<i>Large exposures</i>	
<i>UK integrated group large exposures</i>	
<i>Liquidity (other than stock)</i>	
<i>Liquidity – stock</i>	
<i>Forecast data</i>	
<i>Solo consolidation data</i>	
<i>Interest rate gap report</i>	
[deleted]	
<i>Non EEA sub-group</i>	
<i>Sectoral information, including arrears and impairment</i>	
<i>IRB portfolio risk</i>	
<i>Securitisation: non trading book</i>	
<i>Daily Flows (if it is an ILAS BIPRU firm)</i>	
<i>Enhanced Mismatch Report (if it is an ILAS BIPRU firm)</i>	
<i>Liquidity Buffer Qualifying Securities (if it is an ILAS BIPRU firm)</i>	
<i>Funding Concentration (if it is an ILAS BIPRU firm)</i>	
<i>Pricing data (if it is an ILAS BIPRU firm)</i>	
<i>Retail and corporate funding (if it is an ILAS BIPRU</i>	

<i>firm</i>)	
Currency Analysis (if it is an <i>ILAS BIPRU firm</i>)	
Securitisation: trading book	
	Lending—Business flow and rates
	Residential Lending to individuals—New business profile
	Lending—Arrears analysis
	Mortgage administration—Business profile
	Mortgage Administration—Arrears analysis
	Analysis of loans to customers
	Provisions analysis
	Fees and levies

In this case, it is more obvious that the firm's reporting requirement in *RAG 1* is not all the data items listed above. However, for the purposes of this exercise, it is the list of potential data items that is important. Thus comparing *RAG 1* with *RAG 5*, the additional reporting requirements are:

- (a) ~~Lending—Business flow and rates, where Section D MLAR is required;~~
- (b) ~~Residential Lending to individuals—New business profile, where Section E MLAR is required;~~
- (c) ~~Lending—Arrears analysis, where Section F MLAR is required;~~
- (d) ~~Mortgage administration—Business profile, where Section G MLAR is required;~~
- (e) ~~Mortgage Administration—Arrears analysis, where Section H MLAR is required~~
- (f) ~~Analysis of loans to customers, where section A3 of MLAR is required~~
- (g) ~~Provisions analysis, where Section B2 of MLAR is required; 16.12.18R; and~~

~~Fees and levies are not applicable as they are not required to be submitted under the lowest numbered *RAG* in this example. The reporting frequency and submission times for items (a) to (g) above are then derived from the rules applicable to *RAG 5 firms* in *SUP 16.12.18R*.~~

...

16.12.4 R Table of applicable rules containing *data items*, frequency and submission periods

(1)	(2)	(3)	(4)
-----	-----	-----	-----

RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 1	<ul style="list-style-type: none"> • accepting deposits • <i>meeting of repayment claims</i> • <i>managing dormant account funds (including the investment of such funds)</i> 	SUP 16.12.5R	SUP 16.12.6R	SUP 16.12.7R
...				
RAG 3	<ul style="list-style-type: none"> • dealing in investment as principal • dealing in investments as agent • advising on investments (excluding retail investment activities) • arranging (bringing about) deals in investments (excluding retail investment activities) 	<p>SUP 16.12.10R</p> <p>SUP 16.12.11R <u>or</u> SUP 16.12.11BR</p> <p>for UK <i>designated investment firms</i></p>	<p>SUP 16.12.10R</p> <p>SUP 16.12.12R <u>or</u> SUP 16.12.12AR</p> <p>for UK <i>designated investment firms</i></p>	<p>SUP 16.12.10R</p> <p>SUP 16.12.13R</p>
RAG 4	<ul style="list-style-type: none"> • managing investments • establishing, operating or winding up a collective investment scheme • establishing, operating or winding up a stakeholder pension scheme • establishing, operating or winding up a personal pension scheme • managing an AIF 	<p>SUP 16.12.14R</p> <p>SUP 16.12.15R <u>or</u> SUP 16.12.15BR</p> <p>for UK <i>designated investment firms</i></p>	<p>SUP 16.12.14R</p> <p>SUP 16.12.16R <u>or</u> SUP 16.12.16AR</p> <p>for UK <i>designated investment firms</i></p>	<p>SUP 16.12.14R</p> <p>SUP 16.12.17R</p>

	• managing a <i>UCITS</i>			
...				
<i>RAG 7</i>	<ul style="list-style-type: none"> • retail investment activities • advising on pensions transfers & opt-outs • arranging (bringing about deals) in retail investments 	<i>SUP</i> 16.12.22AR or <i>SUP</i> 16.12.22CR for <i>UK designated investment firms</i>	<i>SUP</i> 16.12.23AR and <i>SUP</i> 16.12.23R for <i>UK designated investment firms</i>	<i>SUP</i> 16.12.24R
<i>RAG 8</i>	<ul style="list-style-type: none"> • making arrangements with a view to transactions in investments • operating a multilateral trading facility 	<i>SUP</i> 16.12.25AR or 16.12.25CR for <i>UK designated investment firms</i>	<i>SUP</i> 16.12.26R	<i>SUP</i> 16.12.27R
...				

...

Regulated Activity Group 1

16.12.5 R The applicable *data items* and forms or reports referred to in *SUP* 16.2.4R are set out according to *firm* type in the table below.

Description of <i>data item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Building society</i>	<i>Non-EEA bank</i>	<i>EEA bank</i> that has <i>permission</i> to accept deposits, other than one with permission for cross border services only	<i>EEA bank</i> that does not have permission to accept deposits, other than one with permission for cross border services only	[deleted]	<i>Credit union</i>	<i>Dormant account fund operator</i> (note 15)
...								
Capital adequacy	FSA003 (note 2)	FSA003 (note 2)					CQ; CY	

	[deleted]	[deleted]						
Credit risk	FSA004 (note 2) [deleted]	FSA004 (note 2) [deleted]						
...								
Operational risk	FSA007 (notes 2, 6) [deleted]	FSA007 (notes 2, 6) [deleted]						
Large exposures	FSA008 (note 2) [deleted]	FSA008 (note 2) [deleted]					CQ; CY	
UK integrated group large exposures <u>Exposures between core UK group and non-core large exposures group</u>	FSA018 (note 12)	FSA018 (note 12)						
...								
Non-EEA sub- group	FSA028 (note 8) [deleted]							
...								
Securitisation: non-trading book	FSA046 (Notes 2 and 14) [deleted]	FSA046 (Notes 2 and 14) [deleted]						
...								
Securitisation: trading book	FSA058 (Notes 2 and 23) [deleted]							
...								
Note 4	This applies to a firm that is required to submit <i>data item</i> FSA003 and, at any time within the 12 months up to its latest <i>accounting reference date</i> ("the relevant period"), was reporting <i>data item</i> FSA005 ("Firm A") or not reporting this item ("Firm B"). In the case of Firm A it must report this <i>data item</i> if one or both of its last two submissions in the relevant period show that the threshold was exceeded. In the case of Firm B it must report this item if both the last two submissions in the relevant period show that the threshold has been exceeded.							

	The threshold is exceeded where <i>data element 93A</i> in <i>data item FSA003</i> is greater than £50 million, or its currency equivalent, at the relevant reporting date for the <i>firm</i>. This applies to a <i>firm</i> that applies add-ons to their market risk capital calculation under the RNIV framework.
...	
Note 6	This is only applicable to a <i>firm</i> that has adopted, in whole or in part, either the <i>standardised approach</i>, <i>alternative standardised approach</i>, or <i>advanced measurement approach</i> under <i>BIPRU 6</i>. [deleted]
...	
Note 12	Members of a <i>UK integrated group</i> should only submit this <i>data item</i> at the <i>UK integrated group</i> level. Only applicable to a <i>firm</i> that has both a core UK group and a non-core large exposures group.
...	
Note 14	Only applicable to <i>firms</i> that hold <i>securitisation positions</i>, or are the <i>originator</i> or <i>sponsor</i> of <i>securitisations</i> of <i>non trading book exposures</i>. [deleted]
...	

16.12.6 R The applicable reporting frequencies for submission of *data items* and periods referred to in *SUP 16.12.5R* 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.

<i>Data item</i>	Unconsolidated <i>UK banks</i> and <i>building societies</i>	Solo consolidated <i>UK</i> <i>banks</i> and <i>building</i> <i>societies</i>	Report on a <i>UK</i> <i>consolidation group</i> or, as applicable, <i>defined</i> <i>liquidity group</i> basis by <i>UK banks</i> and <i>building</i> <i>societies</i>	Other members of <i>RAG 1</i>
...				
FSA003	Quarterly or monthly (note 1) [deleted]		Half yearly [deleted]	
FSA004	Quarterly [deleted]		Half yearly [deleted]	
...				
FSA007	Annually [deleted]			
FSA008	Quarterly [deleted]			
...				
FSA028	Half yearly [deleted]			
...				

FSA046	Quarterly [deleted]	Quarterly [deleted]	
...			
FSA058	Quarterly [deleted]	Quarterly [deleted]	
Note 1	Monthly submission only applicable if the <i>firm</i> has been notified in writing that it is required to report (when, on an annual review, it has two consecutive quarterly submissions of FSA003 showing <i>data element 93A</i> being greater than £50 million, or its currency equivalent, and also greater than 50% of <i>data element 70A</i> – [deleted])		
...			

16.12.7 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* 16.12.6R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
...						
FSA003 [deleted]			15 <i>business days</i> [deleted]	20 <i>business days</i> [deleted]	45 <i>business days</i> [deleted]	
FSA004 [deleted]				20 <i>business days</i> [deleted]	45 <i>business days</i> [deleted]	
...						
FSA007 [deleted]						6 <i>months</i> [deleted]
FSA008 [deleted]				20 <i>business days</i> (note 3) 45 <i>business days</i> (note 4) [deleted]		
...						
FSA028 [deleted]					30 <i>business days</i> [deleted]	
...						
FSA046 [deleted]				20 <i>business days</i> (Note 3), 45 <i>business days</i> (Note 4) [deleted]		
...						
FSA058 [deleted]				20 <i>business days</i> (Note 3), 45 <i>business days</i> (Note 4) [deleted]		
...						

...

Regulated Activity Group 2.2

16.12.9 R ...

Description of data item and data item	Member's adviser		the Society (note 1)		
	Frequency	Submission deadline	Description of data item	Frequency	Submission deadline
...					
Note 14	BIPRU 50K firms report half yearly on 30 business days submission all other BIPRU firms on an unconsolidated basis report quarterly on 20 business days submission. All UK consolidation group reports report half yearly on 45 business days submission. All other firms report monthly on 20 business days submission.				
...					
Note 21	This will not be applicable to BIPRU limited activity firms <u>BIPRU firms</u> or BIPRU limited licence firms unless they have a waiver under <u>BIPRU 6.1.2G</u> .				

16.12.9A G A Member's adviser that is also a ~~BIPRU~~ an IFPRU investment firm will also fall under one of the higher number RAGs that apply to ~~BIPRU~~ IFPRU investment firms. That means that it will have to report a number of data items in addition to the ones that it has to supply under RAG 2.2.

Regulated Activity Group 3

...

16.12.11 R The applicable data items referred to in SUP 16.12.4R are set out according to firm type in the table below:

[The columns in the table at SUP 16.12.11R entitled '125K and collective portfolio management investment firms' and '50k' below are deleted in their entirety. The deleted text is not shown.]

Description of data item	Firms' prudential category and applicable data items (note 1)								
	BIPRU firms (note 17)-IFPRU investment firms and BIPRU firms				Firms other than BIPRU firms or IFPRU investment firms				
	730K IFPRU	125K and collective portfolio management investment firms	50K	BIPRU	IPRU (INV) Chapter 3	IPRU (INV) Chapter 5	IPRU (INV) Chapter 9	IPRU (INV) Chapter 13	UPRU
Annual report	...			No	...	...	...	...	...

<i>and accounts</i>				<u>standard format</u>					
<i>Annual report and accounts of the mixed-activity holding company (note 10)</i>	...			<u>No standard format</u>					
Solvency statement	...			<u>No standard format (note 11)</u>	...	...			...
Balance sheet	<u>FSA001/FIN REP (note 36) (note 2)</u>	...	...	<u>FSA001 (note 2)</u>	...	...	...	...	...
Income statement	<u>FSA001/FIN REP (note 36) (note 2)</u>	...	...	<u>FSA002 (note 2)</u>	...	...	...	...	...
Capital adequacy	<u>FSA003 (note 2) COREP (note 36)</u>	...	...	<u>FSA003 (note 2)</u>	...	...	...	...	...
Supplementary capital data for collective portfolio management investment firms	<u>FIN067 (Note 35)</u>	...		<u>FIN068 (note 35)</u>					
Credit risk	<u>FSA004 (notes 2, 3) COREP (note 36)</u>	...	...	<u>FSA004 (notes 2, 3)</u>					
Market risk	<u>FSA005 (notes 2, 4) COREP (note 36)</u>	...	...	<u>FSA005 (notes 2, 4)</u>					
Market risk - supplementary	...	...	...	<u>FSA006 (note 5)</u>					
Operational risk	<u>FSA007 (notes 2, 6, 7) COREP (note 36)</u>	...	...				
Large exposures	<u>FSA008 (Notes 2, 6) COREP (note 36)</u>	...	...				
<u>UK integrated group large exposures Exposures between core UK group and</u>	...	...	...			

<i>non-core large exposures group</i>									
Solo consolidation data	...	...	...	<u>FSA016</u> (note 25)					
Pillar 2 questionnaire	...	...	...	<u>FSA019</u> (note 8)					
Non-EEA sub-group	<u>FSA028</u> (note 9) <u>COREP</u> (note 36)	...	...	<u>FSA028</u> (note 9)					
...								...	
Client money and client assets	...	...	...	<u>FSA039</u>	...	...	...	...	...
CFTC	...	...	...	<u>FSA040</u> (note 24)	...	...	...	...	...
IRB portfolio risk	...	...	...	<u>FSA045</u> (note 22)					
Securitisation : non-trading book	<u>FSA046</u> (note 23) <u>COREP</u> (note 36)	...	...	<u>FSA046</u> (note 23)					
Daily Flows	<u>FSA047/COREP</u> (notes 26, 29, 31, and 33, and 36)								
Enhanced Mismatch Report	<u>FSA048/COREP</u> (notes 26, 29, 31, and 33, and 36)								
Liquidity Buffer Qualifying Securities	<u>FSA050/COREP</u> (notes 27, 30, 31, and 33, and 36)								
Funding Concentration	<u>FSA51/COREP</u> (notes 27, 30, 31, and 33, and 36)								
Pricing data	<u>FSA052/COREP</u> (notes 27, 31, 33, and 34, and 36)								
Retail and corporate funding	<u>FSA053/COREP</u> (notes 27, 30, 31, and 33, and 36)								
Currency Analysis	<u>FSA054/COREP</u> (notes 27, 30, 31, and 33, and 36)								
Systems and Controls Questionnaire	<u>FSA055/COREP</u> (notes 28, and 33, and 36)			<u>FSA055</u> (notes 28 and 33)					
Securitisation: trading book	<u>FSA058</u> (Note 32) <u>COREP</u> (note 36)	...	...				

Note 1	<u>All firms, except IFPRU investment firms in relation to data items reported under the EU CRR, when submitting the completed data item required, must use the format of the data item set out in SUP 16 Annex 24 R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25 G.</u>
...	
Note 6	This will not be applicable to BIPRU limited activity firms or BIPRU limited licence firms unless they have a waiver under BIPRU 6.1.2 G. [deleted]
Note 7	This is only applicable to a firm that has adopted, in whole or in part, either the standardised approach, alternative standardised approach, or advanced measurement approach under BIPRU 6 [deleted]
Note 8	Only applicable to <u>BIPRU IFPRU investment firms and BIPRU firms</u> that: (a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a UK credit institution, or that have been granted an investment firm consolidation waiver; or (b) have been granted an investment firm consolidation waiver; or (c) are not subject to consolidated supervision under BIPRU 8. <u>A BIPRU An IFPRU investment firm and a BIPRU firm</u> under (a) must complete the report on the basis of its UK consolidation group. A BIPRU An IFPRU investment firm and a BIPRU firm under (b) or (c) must complete the report on the basis of its solo position.
...	
Note 12	Members of a UK integrated group should only submit this data item at the UK integrated group level. This is only applicable to a firm that has both a core UK group and a non-core large exposures group.
...	
Note 36	<u>Requirements under COREP and FINREP should be determined with reference to the EU CRR.</u>

16.12.11A G The ~~columns column~~ in the table in SUP 16.12.11R that ~~deal deals~~ with BIPRU 50K firms and BIPRU 125K firms IFPRU firms cover some liquidity items that only have to be reported by an ILAS BIPRU firm (please see notes 28 and 33). ~~In fact a BIPRU 50K firm and a BIPRU 125K firm cannot be an ILAS BIPRU firm. One reason for drafting the table in this way is that the classification of firms into ILAS BIPRU firms and non-ILAS BIPRU firms is not based on the classification into BIPRU 50K firms, BIPRU 125K firms and BIPRU 730K firms and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual firm is classified.~~

16.12.12 R The applicable reporting frequencies for *data items* referred to in SUP 16.12.4R 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.

<i>Data Item</i>	<i>BIPRU</i>	<i>BIPRU</i>	<i>BIPRU</i>	<i>BIPRU firm</i>	<i>UK</i>	<i>Firm other</i>
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	<i>IFPRU 730K firm</i>	<i>IFPRU 125K firm and collective portfolio management investment firm</i>	<i>IFPRU 50K firm</i>		<i>consolidation group or defined liquidity group</i>	<i>than BIPRU firms or IFPRU investment firms</i>
<u>COREP/FINREP</u>	Refer to <i>EU CRR</i>				Refer to <i>EU CRR</i>	
<i>Annual report and accounts</i>	Annually	Annually	Annually	<u>Annually</u>		Annually
<i>Annual report and accounts of the mixed- activity holding company</i>	Annually	Annually	Annually	<u>Annually</u>		
Solvency statement	Annually	Annually	Annually	<u>Annually</u>		Annually
FSA001	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA003	Monthly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA004	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA005	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	<u>Quarterly</u>	Quarterly	
FSA007	Annual (note 4) [deleted]	Annual (note 4) [deleted]	Annual (note 4) [deleted]	<u>Annual (note 4)</u>	Annual (note 4)	
FSA008	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]		Quarterly	
FSA016	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		
FSA018	Quarterly	Quarterly	Quarterly			
FSA019	Annually	Annually	Annually	<u>Annually</u>	Annually	
FSA028	Half yearly [deleted]	Half yearly [deleted]	Half yearly [deleted]	<u>Half yearly</u>		
...						
FSA039	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		Half yearly
FSA040	Quarterly	Quarterly	Quarterly	<u>Quarterly</u>		Quarterly
FSA045	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA046	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]	<u>Quarterly</u>	Quarterly	
...						
FSA058	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]	<u>Quarterly</u>	Quarterly	

		[deleted]				
FIN067		...				
FIN068				Quarterly		
...						

16.12.13 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 16.12.12R, unless indicated otherwise.

Data item	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREP/FINREP	<u>Refer to EU CRR</u>					
Annual report and accounts	...					
...						
FIN067				...		
FIN068				<u>20 business days</u>		
...						

Regulated Activity Group 4

...

16.12.15 R The applicable *data items* referred to in SUP 16.12.4R according to type of *firm* are set out in the table below:

[The columns in the table at SUP 16.12.15R entitled ‘125K and collective portfolio management investment firms’ and ‘50k’ below are deleted in their entirety. The deleted text is not shown.]

Description of data item	Firms’ prudential category and applicable <i>data items</i> (note 1)									
	BIPRU IFPRU investment firms and BIPRU firms				<i>Firms other than BIPRU firms or IFPRU investment firms</i>					
	730 K IFPRU	125K and collective portfolio management investment firms	50 K	BIPRU	IPRU (INV) Chapter 3	IPRU (INV) Chapter 5	IPRU (INV) Chapter 9	IPRU (INV) Chapter 11 (<i>collective portfolio management firms only</i>)	IPRU (INV) Chapter 13	UPRU
Annual report and accounts	...			<u>No standard</u>						

				<u>format</u> (note 13)						
<i>Annual report and accounts of the mixed-activity holding company</i> (note 10)	...			<u>No standard format</u> (note 13)						
Solvency statement	...			<u>No standard format</u> (note 11)		...				...
Balance sheet	<u>FSA001 /FINREP</u> (notes 2 and 34)	...	...	<u>FSA001</u> (note 2)	...	...	...	...	...	...
Income statement	<u>FSA002 /FINREP</u> (notes 2 and 34)	...	...	<u>FSA002</u> (note 2)	...	...	...	<u>FIN066</u> <u>FSA030</u>	...	...
Capital adequacy	<u>FSA003</u> (note 2) <u>COREP</u> (note 34)	...	...	<u>FSA003</u> (note 2)	...	...	...	...	...	...
Supplementary capital data for <i>collective portfolio management investment firms</i>	<u>FIN067</u> (Note 32)			<u>FIN068</u> (Note 32)						
Credit risk	<u>FSA004</u> (notes 2, 3) <u>COREP</u> (note 34)			<u>FSA004</u> (notes 2, 3)						
Market risk	...			<u>FSA005</u> (notes 2,4)						
Market risk - supplementary	...			<u>FSA006</u> (note 5)						
Operational risk	<u>FSA007</u> (notes 2, 6, 7) <u>COREP</u> (note 34)									
Large exposures	<u>FSA008</u> (Notes 2, 6) <u>COREP</u> (note 34)									
<u>UK integrated group large exposures</u> <u>Exposures between core UK group and</u>	...									

<i>non-core large exposures group</i>										
Solo consolidation data	...			<u>FSA016</u> (note 20)						
Pillar 2 questionnaire	...			<u>FSA019</u> (note 8)						
Non-EEA sub-group	<u>FSA028</u> (note 9) <u>COREP</u> (note 34)			<u>FSA028</u> (note 9)						
...										
Volumes and types of business (note 21)	...	...	...	<u>FSA038</u>	...	...	...	...	...	...
Client money and client assets	...			<u>FSA039</u>	...	...	...	...	...	...
...										
IRB portfolio risk	...			<u>FSA045</u> (note 18)						
Securitisation : non-trading book	<u>FSA046</u> (note 19) <u>COREP</u> (note 34)			<u>FSA046</u> (note 19)						
Daily Flows	<u>FSA047/CO</u> <u>REP</u> (Notes 23, 26, 28, and 30 <u>and</u> 34)									
Enhanced Mismatch Report	<u>FSA048/CO</u> <u>REP</u> (Notes 23, 26, 28, and 30 <u>and</u> 34)									
Liquidity Buffer Qualifying Securities	<u>FSA050/CO</u> <u>REP</u> (Notes 24, 27, 28, and 30 <u>and</u> 34)									
Funding Concentration	<u>FSA051/CO</u> <u>REP</u> (Notes 24, 27, 28, and 30 <u>and</u> 34)									
Pricing data	<u>FSA052/CO</u> <u>REP</u> (Notes 24, 28, 30, and 31 <u>and</u> 34)									
Retail and corporate funding	<u>FSA053/CO</u> <u>REP</u> (Notes 24, 27, 28, and 30 <u>and</u> 34)									

Currency Analysis	<u>FSA054/CO REP</u> (Notes 24, 27, 28, and 30 and 34)									
Systems and Controls Questionnaire	<u>FSA055/CO REP</u> (Notes 25, 30 and 34)...			<u>FSA055</u> (Notes 25 and 30)						
Securitisation: trading book	<u>FSA058</u> (Note 29) <u>COREP</u> (note 34)			<u>FSA058</u> (Note 29)						
Note 1	<u>All firms, except IFPRU investment firms in relation to data items reported under the EU CRR, when</u> submitting the completed <i>data item</i> required, must use the format of the <i>data item</i> set out in SUP 16 Annex 24R. Guidance notes for completion of the data items are contained in SUP 16 Annex 25G.									
...										
Note 6	This will not be applicable to <i>BIPRU limited activity firms</i> or <i>BIPRU limited licence firms</i> unless they have a waiver under <i>BIPRU 6.1.2 G</i>. [deleted]									
Note 7	This is only applicable to a firm that has adopted, in whole or in part, either the standardised approach, alternative standardised approach, or advanced measurement approach under <i>BIPRU 6</i> [deleted]									
Note 8	Only applicable to <u><i>BIPRU IFPRU investment firms</i></u> and <u><i>BIPRU firms</i></u> that: (a) are subject to consolidated supervision under <i>BIPRU 8</i> , except those that are either included within the consolidated supervision of a group that includes a UK <i>credit institution</i> , or that have been granted an <i>investment firm consolidation waiver</i> ; or (b) have been granted an <i>investment firm consolidation waiver</i> ; or (c) are not subject to consolidated supervision under <i>BIPRU 8</i> . <u>A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (a) must complete the report on the basis of its UK <i>consolidation group</i>. A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (b) or (c) must complete the report on the basis of its solo position.</u>									
...										
Note 12	Members of a UK integrated group should only submit this data item at the UK integrated group level. Only applicable to a firm that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.									
...										
Note 33	<u>Only applicable to firms that have a <i>managing investments permission</i>.</u>									
Note 34	<u>Requirements under COREP and FINREP should be determined with reference to the <i>EU CRR</i>.</u>									

16.12.15A G The ~~columns~~ column in the table in SUP 16.12.15R that ~~deal~~ deals with *BIPRU 50K firms* and *BIPRU 125K firms* *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm* (please see notes 25 and 30). In fact a *BIPRU 50K firm* and a *BIPRU 125K firm* cannot be an *ILAS BIPRU firm*. One reason for drafting the table in this way is that the

classification of firms into *ILAS BIPRU firms* and *non-ILAS BIPRU firms* is not based on the classification into *BIPRU 50K firms*, *BIPRU 125K firms* and *BIPRU 730K firms* and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual *firm* is classified.

- 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.

<i>Data item</i>	<i>Firms' prudential category</i>					
	<i>BIPRU IFPRU 730K firm</i>	<i>BIPRU IFPRU 125K firm and collective portfolio management investment firm</i>	<i>BIPRU IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
<u>COREP/FINREP</u>	Refer to <u>EU CRR</u>				Refer to <u>EU CRR</u>	
<i>Annual report and accounts</i>	Annually	Annually	Annually	<u>Annually</u>		Annually
<i>Annual report and accounts of the mixed-activity holding company</i>	Annually	Annually	Annually	<u>Annually</u>		
Solvency statement	Annually	Annually	Annually	<u>Annually</u>		Annually
FSA001	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA003	Monthly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA004	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA005	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	<u>Quarterly</u>	Quarterly	
FSA007	Annual (note 4) [deleted]	Annual (note 4) [deleted]	Annual (note 4) [deleted]	<u>Annual (note 4)</u>	Annual (note 4)	
FSA008	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]		Quarterly	
FSA016	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		
FSA018	Quarterly	Quarterly	Quarterly			

FSA019	Annually	Annually	Annually	<u>Annually</u>	Annually	
FSA028	Half yearly [deleted]	Half yearly [deleted]	Half yearly [deleted]	<u>Half yearly</u>		
...						
FSA038	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		Half yearly
FSA039	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		Half yearly
...						
FSA045	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA046	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]	<u>Quarterly</u>	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)				Monthly (Note 5)	
FSA051	Monthly (Note 5)				Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)				Weekly or monthly (Notes 5 and 10)	
FSA053	Quarterly (Note 5)				Quarterly (Note 5)	
FSA054	Quarterly (Note 5)				Quarterly (Note 5)	
FSA055	Annually (Note 5)			<u>Annually (Note 5)</u>	Annually (Note 5)	
FSA058	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]	<u>Quarterly</u>	Quarterly	
...						
FIN067		...				
<u>FIN068</u>				<u>Quarterly</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>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
COREP/FINREP	<u>Refer to EU CRR</u>					
<i>Annual report and</i>	...					

<i>accounts</i>						
...						
FIN067				...		
<u>FIN068</u>				<u>20 business days</u>		
...						

...

Regulated Activity Group 5

...

16.12.18A R The applicable *data items*, reporting frequencies and submission deadlines referred to in SUP 16.12.4R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of <i>data item</i>	<i>Data item</i> (note 1)	Frequency	Submission deadline
...			
Capital Adequacy	Section C MLAR (<u>Note 2</u>)	...	...
...			
Note 1	...		
<u>Note 2</u>	<p>If a <i>firm</i> is subject to <i>IFPRU</i> then that <i>firm</i> should submit COREP instead of MLA-C.</p> <p>If a <i>firm</i> is subject to <i>BIPRU</i> then that <i>firm</i> should submit FSA003.</p>		

Regulated Activity Group 7

...

16.12.22A R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

[The columns in the table at SUP 16.12.22AR entitled ‘*BIPRU 125k firm* and *collective portfolio management investment firms*’ and ‘*BIPRU 50k firm*’ below are deleted in their entirety. The deleted text is not shown.]

Description of <i>Data item</i>	<i>Firms' prudential category and applicable data items</i> (note 1)						
	<i>BIPRU</i>	<i>BIPRU</i> <i>+25K and</i>	<i>BI</i> <i>PR</i>	<i>BIPRU</i> <i>firm</i>	<i>Exempt CAD firms</i> subject to	<i>Firms</i> (other than <i>exempt CAD firms</i>)	<i>Firms</i> that are also in one or

Appendix X

	<i>730 K firm IFP RU</i>	<i>collective portfolio managemen + investment firms</i>	<i>U 50 K</i>		<i>IPRU(INV) Chapter 13</i>	subject to <i>IPRU(INV) Chapter 13</i>	more of <i>RAGs 1 to 6</i> and not subject to <i>IPRU(INV) Chapter 13</i>
<i>Annual report and accounts</i>	No standard format			<u>No standard format</u>	...		
<i>Annual report and accounts of the mixed- activity holding company (note 10)</i>	No standard format			<u>No standard format</u>			
Solvency statement	No standard format (note 11)			<u>No standard format (note 11)</u>			
Balance sheet	<u>FSA001/FIN REP (notes 2 and 29)</u>	...	...	<u>FSA001 (note 2)</u>	...	...
Income statement	<u>FSA002/FIN REP (notes 2 and 29)</u>	...	...	<u>FSA002 (note 2)</u>	...	...
Capital adequacy	<u>FSA003 (note 2) COREP (note 29)</u>	...	...	<u>FSA003 (note 2)</u>	...	...
Credit risk	<u>FSA004 (notes 2, 3) COREP (note 29)</u>	...	...	<u>FSA004 (notes 2, 3)</u>			
Market risk	<u>FSA005 (notes 2, 4) COREP (note 29)</u>	...	...	<u>FSA005 (notes 2,4)</u>			
Market risk - supplementary	...	...	...	<u>FSA006 (note 5)</u>			
Operational risk	<u>FSA007 (notes 2, 6, 7) COREP (note 29)</u>	...	...		
Large exposures	<u>FSA008 (Notes 2, 6) COREP (note 29)</u>	...	...		
<u>UK integrated group large exposures Exposures between core UK group and non-core large exposures</u>	...	...	...	

<i>group</i>							
Solo consolidation data	...	...	...	<u>FSA016</u>			
Pillar 2 questionnaire	...	...	...	<u>FSA019 (note 8)</u>			
Non-EEA sub-group	<u>FSA028 (note 9)</u> <u>COREP (note 29)</u>	...	...	<u>FSA028 (note 9)</u>			
Professional indemnity insurance (note 15)	...	...	...	<u>Section E RMAR</u>		...	...
...							
Training and Competence	...	...	...	<u>Section G RMAR</u>	...	...	...
COBS data	...	...	...	<u>Section H RMAR</u>	...	...	...
Client money and client assets	...	...	...	<u>Section C RMAR</u>	...		
Fees and levies	...	...	...	<u>Section J RMAR</u>	...	...
<i>Adviser charges</i>	...	...	...	<u>Section K RMAR (Note 26)</u>	...	...	...
<i>Consultancy charges</i>	...	...	...	<u>Section L RMAR</u>	...	...	...
IRB portfolio risk	...			<u>FSA045 (note 13)</u>			
Securitisation : non-trading book	<u>FSA046 (note 14)</u> <u>COREP (note 29)</u>			<u>FSA046 (note 14)</u>			
Daily Flows	<u>FSA047/CO REP (Notes 16, 19, 21₂ and 24 and 29)</u>						
Enhanced Mismatch Report	<u>FSA048/CO REP (Notes 16, 19, 21₂ and 24 and 29)</u>						
Liquidity Buffer Qualifying Securities	<u>FSA050/CO REP (Notes 17, 20, 21₂ and 24 and 29)</u>						
Funding Concentration	<u>FSA051/CO REP (Notes 17, 20, 21₂ and 24 and 29)</u>						

Pricing data	<u>FSA052/CO REP</u> (Notes 17, 20, 21, and 24 and 29)						
Retail and corporate funding	<u>FSA053/CO REP</u> (Notes 17, 20, 21, and 24 and 29)						
Currency Analysis	<u>FSA054/CO REP</u> (Notes 17, 20, 21, and 24 and 29)						
Systems and Controls Questionnaire	<u>FSA055/CO REP</u> (notes 18, 24 and 29)			<u>FSA055</u> (notes 18 and 24)			
Securitisation: trading book	<u>FSA058</u> (Note 29) <u>COREP</u> (note 29)			<u>FSA058</u> (Note 22)			
Supplementary capital data for <i>collective portfolio management investment firms</i>	<u>FIN067</u> (Note 28)			<u>FIN068</u> (Note 28)			
...	...						
Note 6	This will not be applicable to <i>BIPRU limited activity firms</i> or <i>BIPRU limited licence firms</i> unless they have a waiver under BIPRU 6.1.2 G. [deleted]						
Note 7	This is only applicable to a <i>firm</i> that has adopted, in whole or in part, either the <i>standardised approach</i>, <i>alternative standardised approach</i>, or <i>advanced measurement approach</i> under BIPRU 6. [deleted]						
Note 8	<p>Only applicable to <i>BIPRU IFPRU investment firms</i> and <i>BIPRU firms</i> that:</p> <p>(a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a UK <i>credit institution</i>, or that have been granted an <i>investment firm consolidation waiver</i>; or</p> <p>(b) have been granted an <i>investment firm consolidation waiver</i>; or</p> <p>(c) are not subject to consolidated supervision under BIPRU 8.</p> <p>A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (a) must complete the report on the basis of its <i>UK consolidation group</i>. A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (b) or (c) must complete the report on the basis of its solo position.</p>						
...							
Note 12	Members of a <i>UK integrated group</i> should only submit this <i>data item</i> at the <i>UK integrated group level</i>. Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.						
...							

Note 15	This item only applies to <i>firms</i> that are subject to an <i>FSA FCA</i> requirement to hold professional indemnity insurance and are not <i>exempt CAD firms</i> .
...	
Note 18	If it is a non- <i>ILAS BIPRU firm</i> , it must complete it on a solo basis. Therefore even if it has a <i>solo consolidation waiver</i> it must complete the item on an unconsolidated basis by reference to the <i>firm</i> alone.
...	
Note 29	Requirements under COREP and FINREP should be determined with reference to the <i>EU CRR</i> .

16.12.22B G The ~~columns~~ column in the table in SUP 16.12.22AR that ~~deal~~ deals with ~~*BIPRU 50K firms* and *BIPRU 125K firms*~~ *IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm* (see notes 18 and 24). ~~In fact a *BIPRU 50K firm* and a *BIPRU 125K firm* cannot be an *ILAS BIPRU firm*. One reason for drafting the table in this way is that the classification of *firms* into *ILAS BIPRU firms* and *non-ILAS BIPRU firms* is not based on the classification into *BIPRU 50K firms*, *BIPRU 125K firms* and *BIPRU 730K firms* and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual *firm* is classified.~~

16.12.23 R The applicable reporting frequencies for *data items* referred to in SUP 16.12.22A R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. ~~[deleted]~~

[The table in SUP 16.12.23R is deleted in its entirety]

16.12.23A R The applicable reporting frequencies for *data items* referred to in SUP 16.12.22AR are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<u>Data item</u>	<u>Frequency</u>				
	<u>Unconsolidated BIPRU investment firm and IFPRU investment firm</u>	<u>Solo consolidated BIPRU investment firm and IFPRU investment firm</u>	<u>UK Consolidation Group or defined liquidity group</u>	<u>Annual regulated business revenue up to and including £5 million</u>	<u>Annual regulated business revenue over £5 million</u>
<u>COREP/FINREP</u>	Refer to <i>EU CRR</i>				
<u>Annual reports and accounts</u>	Annually			Annually	Annually
<u>Annual accounts of the mixed- activity holding</u>	Annually			Annually	Annually

<u>company</u>					
<u>Solvency statement</u>	<u>Annually</u>				
<u>FSA001</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Half yearly</u>		
<u>FSA002</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Half yearly</u>		
<u>FSA003</u>	<u>Monthly, quarterly or half yearly (Notes 2 and 11)</u>	<u>Monthly, quarterly or half yearly (Notes 2 and 11)</u>	<u>Half yearly</u>		
<u>FSA004</u>	<u>Quarterly or half yearly (Notes 1 and 11)</u>	<u>Quarterly or half yearly (Notes 1 and 11)</u>	<u>Half yearly</u>		
<u>FSA005</u>	<u>Quarterly or half yearly (Notes 1 and 11)</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Half yearly</u>		
<u>FSA006</u>	<u>Quarterly</u>	<u>Quarterly</u>	<u>Quarterly</u>		
<u>FSA007</u>	<u>Annually</u>				
<u>FSA008</u>	<u>Quarterly (Note 11)</u>	<u>Quarterly (Note 11)</u>	<u>Quarterly</u>		
<u>FSA016</u>		<u>Half yearly</u>			
<u>FSA018</u>	<u>Quarterly</u>	<u>Quarterly</u>	<u>Quarterly</u>		
<u>FSA019</u>	<u>Annually</u>	<u>Annually</u>	<u>Annually</u>		
<u>FSA028</u>	<u>Half yearly (Note 11)</u>	<u>Half yearly (Note 11)</u>			
<u>FSA032</u>				<u>Quarterly</u>	<u>Quarterly</u>
<u>FSA045</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Quarterly or half yearly (Note 1)</u>	<u>Half yearly</u>		
<u>FSA046</u>	<u>Quarterly</u>	<u>Quarterly</u>	<u>Quarterly</u>		
<u>FSA047</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)</u>		
<u>FSA048</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 5 and 7)</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 5, 7 and 10)</u>	<u>Daily, weekly, monthly or quarterly (Notes 4, 6 and 7)</u>		

<u>FSA050</u>	<u>Monthly (Note 4)</u>	<u>Monthly (Notes 4 and 10)</u>	<u>Monthly (Note 4)</u>		
<u>FSA051</u>	<u>Monthly (Note 4)</u>	<u>Monthly (Notes 4 and 10)</u>	<u>Monthly (Note 4)</u>		
<u>FSA052</u>	<u>Weekly or monthly (Notes 4 and 8)</u>	<u>Weekly or monthly (Notes 4, 8 and 10)</u>	<u>Weekly or monthly (Notes 4 and 9)</u>		
<u>FSA053</u>	<u>Quarterly (Note 4)</u>	<u>Quarterly (Notes 4 and 10)</u>	<u>Quarterly (Note 4)</u>		
<u>FSA054</u>	<u>Quarterly (Note 4)</u>	<u>Quarterly (Notes 4 and 10)</u>	<u>Quarterly (Note 4)</u>		
<u>FSA055</u>	<u>Annually (Note 4)</u>	<u>Annually (Notes 4 and 10)</u>	<u>Annually (Note 4)</u>		
<u>FSA058</u>	<u>Quarterly (Note 11)</u>	<u>Quarterly (Note 11)</u>	<u>Quarterly</u>		
<u>FIN067</u>	<u>Quarterly</u>				
<u>FIN068</u>	<u>Quarterly</u>				
<u>Section A RMAR</u>				<u>Half yearly</u>	<u>Quarterly</u>
<u>Section B RMAR</u>				<u>Half yearly</u>	<u>Quarterly</u>
<u>Section C RMAR</u>				<u>Half yearly</u>	<u>Quarterly</u>
<u>Section D6 RMAR</u>				<u>Half yearly</u>	<u>Quarterly</u>
<u>Section E RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Quarterly</u>
<u>Section F RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>
<u>Section G RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>
<u>Section H RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>
<u>Section J RMAR</u>	<u>Annually</u>	<u>Annually</u>	<u>Annually</u>	<u>Annually</u>	<u>Annually</u>
<u>Section K RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>

<u>Section L</u> <u>RMAR</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>	<u>Half yearly</u>
<u>Note 1</u>	<u>IFPRU 730K firms and IFPRU 125K firms - quarterly;</u> <u>IFPRU 50K firms and BIPRU firms - half yearly.</u>				
<u>Note 2</u>	<u>IFPRU 730K firms - monthly;</u> <u>IFPRU 125K firms - quarterly;</u> <u>IFPRU 50K firms and BIPRU firms - half yearly.</u>				
<u>Note 3</u>	The reporting date for this <i>data item</i> is six months after a <i>firm's</i> most recent <i>accounting reference date</i> .				
<u>Note 4</u>	<p>Reporting frequencies and reporting periods for this <i>data item</i> are calculated on a calendar year basis and not from a <i>firm's accounting reference date</i>. In particular:</p> <p>(1) a week means the period beginning on Saturday and ending on Friday;</p> <p>(2) a month begins on the first day of the calendar month and ends on the last day of that month;</p> <p>(3) quarters end on 31 March, 30 June, 30 September and 31 December;</p> <p>(4) daily means each <i>business day</i>.</p> <p>All periods are calculated by reference to London time.</p> <p><u>Any changes to reporting requirements caused by a <i>firm</i> receiving an <i>intra-group liquidity modification</i> (or a variation to one) do not take effect until the first day of the next reporting period applicable under the changed reporting requirements if the <i>firm</i> receives that <i>intra-group liquidity modification</i> or variation part of the way through such a period, unless the <i>intra-group liquidity modification</i> says otherwise.</u></p>				
<u>Note 5</u>	<p>If the report is on a solo basis the reporting frequency is as follows:</p> <p>(1) if the <i>firm</i> does not have an <i>intra-group liquidity modification</i> the frequency is:</p> <p>(a) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(b) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>;</p> <p>(2) if the <i>firm</i> is a <i>group liquidity reporting firm</i> in a <i>non-UK DLG by modification (firm level)</i> the frequency is:</p> <p>(a) weekly if the <i>firm</i> is a <i>standard frequency liquidity reporting firm</i>; and</p> <p>(b) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>;</p> <p>(3) the frequency is quarterly if the <i>firm</i> is a <i>group liquidity reporting firm</i> in a <i>UK DLG by modification</i>.</p>				
<u>Note 6</u>	<p>(1) If the report is by reference to the <i>firm's DLG by default</i> the reporting frequency is:</p> <p>(a) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</p> <p>(b) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</p> <p>(2) If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p>				

	<p><u>(a) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</u></p> <p><u>(b) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</u></p> <p><u>(3) If the report is by reference to the <i>firm's non-UK DLG by modification</i> the reporting frequency is quarterly.</u></p>
Note 7	<p><u>(1) If the reporting frequency is otherwise weekly, the item is to be reported on every <i>business day</i> if (and for as long as) there is a <i>firm-specific liquidity stress</i> or <i>market liquidity stress</i> in relation to the <i>firm</i> or group in question.</u></p> <p><u>(2) If the reporting frequency is otherwise monthly, the item is to be reported weekly if (and for as long as) there is a <i>firm-specific liquidity stress</i> or <i>market liquidity stress</i> in relation to the <i>firm</i> or group in question.</u></p> <p><u>(3) A <i>firm</i> must ensure that it would be able at all times to meet the requirements for daily or weekly reporting under paragraph (1) or (2) even if there is no <i>firm-specific liquidity stress</i> or <i>market liquidity stress</i> and none is expected.</u></p>
Note 8	<p>If the report is on a solo basis the reporting frequency is as follows:</p> <p><u>(1) weekly if the firm is a <i>standard frequency liquidity reporting firm</i>; and</u></p> <p><u>(2) monthly if the <i>firm</i> is a <i>low frequency liquidity reporting firm</i>.</u></p>
Note 9	<p>If the report is by reference to the <i>firm's UK DLG by modification</i> the reporting frequency is:</p> <p><u>(1) weekly if the <i>group liquidity standard frequency reporting conditions</i> are met;</u></p> <p><u>(2) monthly if the <i>group liquidity low frequency reporting conditions</i> are met.</u></p>
Note 10	<p><u>As specified in SUP 16.12.22AR, solo consolidation has no application to liquidity reporting. Therefore it does not make any difference to the reporting of this item whether or not the <i>firm</i> is solo consolidated.</u></p>
Note 11	<p><u>Only applicable to <i>firms</i> that are not required to report a <i>data item</i> with a similar name and purpose under the <i>EU CRR</i>.</u></p>

...

Regulated Activity Group 8

...

16.12.25A R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

[The columns in the table at SUP 16.12.25AR entitled '125K' and '50k' below are deleted in their entirety. The deleted text is not shown.]

Description of	<i>Firms'</i> prudential category and applicable <i>data items</i> (note 1)
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data item	<u>BIPRU IFPRU investment firms and BIPRU firms</u>				<u>Firms other than BIPRU firms or IFPRU investment firms</u>				
	<u>730K IFPRU</u>	<u>125K</u>	<u>50 K</u>	<u>BIPRU</u>	<u>IPRU (INV) Chapter 3</u>	<u>IPRU (INV) Chapter 5</u>	<u>IPRU (INV) Chapter 9</u>	<u>IPRU (INV) Chapter 13</u>	<u>UPR U</u>
Annual report and accounts	...								
Annual report and accounts of the mixed-activity holding company (note 10)	...								
Solvency statement	...								
Balance sheet	FSA001/FIN REP (notes 2 and 30)	...	...	FSA001 (note 2)	...	...	...	...	...
Income statement	FSA002/FIN REP (notes 2 and 30)	...	...	FSA002 (note 2)	...	...	...	...	...
Capital adequacy	FSA003 (note 2) COREP (note 30)	...	...	FSA003 (note 2)	...	...	...	...	...
Credit risk	FSA004 (notes 2, 3) COREP (note 30)	...	...	FSA004 (notes 2, 3)					
Market risk	FSA005 (notes 2, 4) COREP (note 30)	...	...	FSA005 (notes 2, 4)					
Market risk - supplementary	FSA006 (note 5)	...	...	FSA006 (note 5)					
Operational risk	FSA007 (notes 2, 6, 7) COREP (note 30)	...	...				
Large exposures	FSA008 (Notes 2, 6) COREP (note 30)	...	...				
UK integrated group large exposures Exposures between core UK group and non-core large exposures	...	...	...			

<i>group</i>									
Solo consolidation data	...	...	...	<u>FSA016</u> (note 20)					
Pillar 2 questionnaire	...	...	...	<u>FSA019</u> (note 8)					
Non-EEA sub-group	<u>FSA028</u> (note 9) <u>COREP</u> (note 30)	...	...	<u>FSA028</u> (note 9)					
...									
Client money and client assets	...	...	...	<u>FSA039</u>					
IRB portfolio risk	...	...	...	<u>FSA045</u> (note 18)					
Securitisation : non-trading book	<u>FSA046</u> (note 19) <u>COREP</u> (note 30)	...	...	<u>FSA046</u> (note 19)					
Daily Flows	<u>FSA047/COREP</u> (Notes 21, 24, 26, and 28 and 30)								
Enhanced Mismatch Report	<u>FSA048/COREP</u> (Notes 21, 24, 26, and 28 and 30)								
Liquidity Buffer Qualifying Securities	<u>FSA050/COREP</u> (Notes 22, 25, 26, and 28 and 30)								
Funding Concentration	<u>FSA051/COREP</u> (Notes 22, 25, 26, and 28 and 30)								
Pricing data	<u>FSA052/COREP</u> (Notes 22, 26, 28, and 29 and 30)								
Retail and corporate funding	<u>FSA053/COREP</u> (Notes 22, 25, 26, and 28 and 30)								
Currency Analysis	<u>FSA054/COREP</u> (Notes 22, 25, 26, and 28 and 30)								
Systems and Controls Questionnaire	<u>FSA055/COREP</u> (notes 23, 28 and 30)			<u>FSA055</u> (notes 23 and 28)					
Securitisation: trading book	<u>FSA058</u> (Note 27) <u>COREP</u> (note 30)			<u>FSA058</u> (Note 27)					

...									
Note 6	This will not be applicable to <i>BIPRU limited activity firms</i> or <i>BIPRU limited licence firms</i> unless they have a waiver under BIPRU 6.1.2.G. [deleted]								
Note 7	This is only applicable to a firm that has adopted, in whole or in part, either the standardised approach, alternative standardised approach, or advanced measurement approach under BIPRU 6 [deleted]								
Note 8	<p>Only applicable to <i>BIPRU IFPRU investment firms</i> and <i>BIPRU firms</i> that:</p> <p>(a) are subject to consolidated supervision under BIPRU 8, except those that are either included within the consolidated supervision of a group that includes a UK <i>credit institution</i>, or that have been granted an <i>investment firm consolidation waiver</i>; or</p> <p>(b) have been granted an <i>investment firm consolidation waiver</i>; or</p> <p>(c) are not subject to consolidated supervision under BIPRU 8.</p> <p>A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (a) must complete the report on the basis of its <i>UK consolidation group</i>. A <i>BIPRU</i> An <i>IFPRU investment firm</i> and a <i>BIPRU firm</i> under (b) or (c) must complete the report on the basis of its solo position.</p>								
...									
Note 12	Members of a <i>UK integrated group</i> should only submit this <i>data item</i> at the <i>UK integrated group level</i>. Only applicable to a <i>firm</i> that has both a <i>core UK group</i> and a <i>non-core large exposures group</i>.								
...									
Note 30	<u>Requirements under COREP and FINREP should be determined with reference to the <i>EU CRR</i>.</u>								

16.12.25B G ~~The columns column in the table in SUP 16.12.25AR that deal deals with *BIPRU 50K firms* and *BIPRU 125K firms IFPRU firms* cover some liquidity items that only have to be reported by an *ILAS BIPRU firm* (see notes 23 and 28). In fact a *BIPRU 50K firm* and a *BIPRU 125K firm* cannot be an *ILAS BIPRU firm*. One reason for drafting the table in this way is that the classification of *firms* into *ILAS BIPRU firms* and *non-ILAS BIPRU firms* is not based on the classification into *BIPRU 50K firms*, *BIPRU 125K firms* and *BIPRU 730K firms* and the drafting of the table emphasises that. Also, the table covers consolidated reports and the conditions about what sort of group has to supply what type of liquidity report do not always depend on how the individual *firm* is classified.~~

16.12.26 R The applicable reporting frequencies for *data items* referred to in SUP 16.12.25AR are set out according to the type of *firm* in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>Data Item</i>	<i>Firms' prudential category</i>
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	<i>BIPRU IFPRU 730K firm</i>	<i>BIPRU IFPRU 125K firm</i>	<i>BIPRU IFPRU 50K firm</i>	<i>BIPRU firm</i>	<i>UK consolidation group or defined liquidity group</i>	<i>Firm other than BIPRU firms or IFPRU investment firms</i>
<u>COREP/FINREP</u>	Refer to <i>EU CRR</i>				Refer to <i>EU CRR</i>	
<i>Annual report and accounts</i>	Annually	Annually	Annually	<u>Annually</u>		Annually
<i>Annual report and accounts of the mixed- activity holding company</i>	Annually	Annually	Annually	<u>Annually</u>		
<i>Solvency statement</i>	Annually	Annually	Annually	<u>Annually</u>		Annually
FSA001	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA002	Quarterly	Quarterly	Half yearly	<u>Half yearly</u>	Half yearly	
FSA003	Monthly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA004	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA005	Quarterly [deleted]	Quarterly [deleted]	Half yearly [deleted]	<u>Half yearly</u>	Half yearly	
FSA006	Quarterly	Quarterly	Quarterly	<u>Quarterly</u>		
FSA007	Annual (note 4) [deleted]	Annual (note 4) [deleted]	Annual (note 4) [deleted]	<u>Annual (note 4)</u>	Annual (note 4)	
FSA008	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]		Quarterly	
FSA016	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		
FSA018	Quarterly	Quarterly	Quarterly			
FSA019	Annually	Annually	Annually	<u>Annually</u>	Annually	
FSA028	Half yearly [deleted]	Half yearly [deleted]	Half yearly [deleted]	<u>Half yearly</u>		
...						
FSA039	Half yearly	Half yearly	Half yearly	<u>Half yearly</u>		Half yearly
...						
FSA045	Quarterly	Quarterly	Quarterly	<u>Half yearly</u>	Half yearly	
FSA046	Quarterly [deleted]	Quarterly [deleted]	Quarterly [deleted]	<u>Quarterly</u>	Quarterly	
FSA047	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA048	Daily, weekly, monthly or quarterly (Notes 5, 6 and 8)				Daily, weekly, monthly or quarterly (Notes 5, 7 and 8)	
FSA050	Monthly (Note 5)				Monthly (Note 5)	
FSA051	Monthly (Note 5)				Monthly (Note 5)	
FSA052	Weekly or monthly (Notes 5 and 9)				Weekly or monthly	

				(Notes 5 and 10)	
FSA053	Quarterly (Note 5)			Quarterly (Note 5)	
FSA054	Quarterly (Note 5)			Quarterly (Note 5)	
FSA055	Annually (Note 5)			<u>Annually (Note 5)</u>	Annually (Note 5)
FSA058	<u>Quarterly [deleted]</u>	<u>Quarterly [deleted]</u>	<u>Quarterly [deleted]</u>	<u>Quarterly</u>	Quarterly
...					

16.12.27 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 16.12.26R, unless indicated otherwise.

<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annual
<u>COREP/FINREP</u>	<u>Refer to EU CRR</u>					
<i>Annual accounts</i>						...
...						
...						

...

16.16 Prudent valuation reporting

Application

16.16.1 R This section applies to a *UK bank, UK designated investment firm* or a ~~*BIPRU 730K firm*~~ *full-scope IFPRU investment firm*, which meets the condition in SUP 16.16.2R.

...

Purpose

16.16.3 R (1) The purpose of this section is to set out the requirements for a *firm* specified in SUP 16.16.1R to report the outcomes of its prudent valuation assessments ~~under the prudent valuation rules, in GENPRU 1.3.4R and GENPRU 1.3.14R to GENPRU 1.3.34R,~~ to the *appropriate regulator* and to do so in a standard format.

- (2) The purpose of collecting this data on the prudent valuation assessments made by a *firm* under ~~GENPRU 1.3.4R and GENPRU 1.3.14R to GENPRU 1.3.34R~~ is to assist the *appropriate regulator* in assessing the capital resources of *firms*, to enable the *appropriate regulator* to gain a wider understanding of the nature and sources of measurement uncertainty in fair-valued financial instruments, and to enable comparison of the nature and level of that measurement uncertainty across *firms* and over time.

[Note: articles 24 and 105 of the EU CRR]

Reporting requirement

- 16.16.4 R (1) A *firm* to which this section applies must submit to the *appropriate regulator* quarterly (on a calendar year basis and not from a *firm's* *accounting reference date*), within six weeks of each quarter end, a Prudent Valuation Return in respect of its fair-value assessments under ~~GENPRU 1.3.4R and GENPRU 1.3.14R to GENPRU 1.3.34R~~ in the format set out in SUP 16 Annex 31AR.
- ...
- 16.16.5 R Where a *firm* to which SUP 16.16.4R applies is a member of a ~~UK~~ FCA consolidation group, the *firm* must comply with SUP 16.16.4R:
- (1) on ~~a sole~~ an individual-consolidation basis if the *firm* has ~~a sole consolidation waiver~~ an individual consolidation permission, or on an unconsolidated basis if the *firm* does not have ~~a sole consolidation waiver~~ an individual consolidation permission; and
- (2) separately, on the basis of the consolidated financial position of the ~~UK~~ FCA consolidation group. (*Firms'* attention is drawn to SUP 16.3.25G regarding a single submission for all *firms* in the *group*.)
- ...

16.17 Remuneration reporting

...

High Earners Reporting Requirements

- 16.17.4 R ...
- (8) ~~A *firm* to which this section applies on the date it comes into effect must submit two reports by 31 December 2012: one for each of the previous two complete financial years that ended before this section came into force. [deleted]~~
- (9) ...

- (10) This rule applies to a ~~BIPRU firm and a third country BIPRU firm bank, building society and an investment firm~~ that:
- (a) is not a ~~BIPRU limited licence firm~~ or a ~~BIPRU limited activity firm~~; and
 - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*.
- (11) This rule also applies to a ~~BIPRU firm and a third country BIPRU firm bank, building society and an investment firm~~ that:
- (a) is not a ~~BIPRU limited licence firm~~ or a ~~BIPRU limited activity firm~~; and
 - (b) is part of a UK lead regulated group.
- (12) This rule also applies to a ~~BIPRU limited licence firm~~ or a ~~BIPRU limited activity firm~~:
- (a) that is part of a UK lead regulated group; and
 - (b) where that UK lead regulated group contains either: a ~~BIPRU firm~~ or a ~~third country BIPRU firm~~ that is not a ~~BIPRU limited licence firm~~ or a ~~BIPRU limited activity firm~~.
 - (i) a ~~bank, building society~~ or an ~~investment firm~~ that is not a ~~limited licence firm~~ or a ~~limited activity firm~~; or
 - (ii) an ~~overseas firm~~ that:
 - (A) is not an ~~EEA firm~~;
 - (B) has its head office outside the ~~EEA~~; and
 - (C) would be a ~~bank, building society~~ or an ~~investment firm~~ that is not a ~~limited licence firm~~ or ~~limited activity firm~~, if it had been a ~~UK domestic firm~~, had carried on all of its business in the ~~United Kingdom~~ and had obtained whatever authorisations for doing so as are required under the ~~Act~~.
- (13) This rule also applies to an ~~overseas firm~~ that:
- (a) is not an ~~EEA firm~~;
 - (b) has its head office outside the ~~EEA~~;
 - (c) would be a ~~bank, building society~~ or an ~~investment firm~~ that is not a ~~limited licence firm~~ or ~~limited activity firm~~, if it had been a ~~UK domestic firm~~, had carried on all of its business in the ~~United Kingdom~~ and had obtained whatever authorisations for doing so as are required under the ~~Act~~;

and either:

(d) is not, and does not have, an EEA parent institution or an EEA parent financial holding company; or

(e) is part of a UK lead regulated group.

16.17.5 G *Firms'* attention is drawn to SUP 16.3.25G regarding a single submission for all *firms* in a *group*.

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

Delete the guidance note entitled ‘FSA018 – UK integrated group large exposures’ and substitute with the following. The new text is not underlined:

FSA018 – Exposures from the core UK group to the noncore large exposures group

This data item is only applicable to *firms* that have both a *core UK group* and a *non-core large exposures group* and captures information on *exposures* from the *core UK group* (including the *firm*) to the *non-core large exposures group*. A single report is required in respect of exposures from all members of the *core UK group* (including the *firm*), reflecting the exposures at the reporting date.

FSA018 was originally constructed to capture information on the level of exposures from the UK integrated group to the diverse blocks and residual blocks. However, *firms* should interpret this form on the basis of the *core UK group* and *non-core large exposures group* respectively, and follow the specific instructions provided for the individual data cells. Unless indicated otherwise, the valuation of items should follow the *EU CRR* Article 390.

Valuation

Unless indicated otherwise, the valuation of data elements should follow the *EU CRR* Article 390.

Currency

You should report in the currency of your annual audited accounts (i.e. in either Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen). Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B. Individual rows within an element are identified as 2B.1, 2B.2 etc.

General

1 [not used]

2 Firm Reference Numbers

List the Firm Reference Numbers for all the authorised firms in the *core UK group* only. As this report is a joint requirement across all firms that are members of that group, this notifies us which firms’ requirements are being met by this data item. Firms should be listed sequentially in 2A, with the Firm Reference Numbers being entered in 2B. Complete cell for CNCOM charge.

3A Core UK group eligible capital

This is *core UK group eligible capital*

4A Exposure number

Please number each exposure consecutively.

4B Non-core large exposures group

Complete one line only in respect of aggregate exposure of the *core UK group* (including the *firm*) to all members of the *noncore large exposures group*. Ignore line marked 'Total'.

4C Gross exposure

Report here the gross exposure of the *core UK group* (including the *firm*) to all members of the *non-core large exposures group*.

4D % of core UK group eligible capital

This is column C as a percentage of data element 3A (*core UK group eligible capital*). It should be entered to two decimal places, omitting the % sign.

4E Exposure after credit risk mitigation

This is the figure reported in column D after credit risk mitigation. This figure is subsequently broken down in columns F to M.

4F Amount of the exposure that is exempt

That part of the amount reported in column E that is an exempt under the *EU CRR* Article 400.

4G % of core UK group eligible capital

This is column F as a percentage of data element 3A (*core UK group eligible capital*). It should be entered to two decimal places, omitting the % sign.

4H Amount of the exposure that is not exempt and is in the non-trading book

That part of the exposure reported in column E that is not exempt and is in the *non-trading book*.

4J % of core UK group eligible capital

This is column H as a percentage of *core UK group eligible capital*. It should be entered to two decimal places, omitting the % sign.

4K Amount of the exposure that is not exempt and is in the trading book

That part of the exposure reported in column E that is not exempt and is in the *trading book*.

4L % of core UK group eligible capital

This is column K as a percentage of *core UK group eligible capital*. It should be entered to two decimal places, omitting the % sign.

4M Aggregate % of core UK group eligible capital

This is the sum of columns J and L. The total of the column should be monitored against the limit set out in [2.2 of the large exposures chapter of PRA rulebook]. It should be entered to two decimal places, omitting the % sign.

4N CNCOM

This is the amount of CNCOM calculated as set out in CRR Article 397 before being allocated to individual members of the core UK group in accordance with the *EU CRR* Article 395(c)&(d). *Firms* will be expected to have sufficient capital resources at the reporting dates to meet this requirement.

...

Amend the following as shown.

FSA045 – IRB portfolio risk

~~This data enables the appropriate regulator to understand the relationship between cyclicity and capital requirements under the CRD, help mitigate the risk of financial instability or economic recession, and be in a position to influence/contribute to international discussions on this. The information provided should be used to calculate that firm's capital requirements. Firms should submit the data in their own PD bands.~~

...

Definition of default – number of days

...

For *IFPRU firms* the number of days past due must be reported as 90 days except for retail exposures secured by residential or SME commercial real estate; and exposures to public sector entities. The definition of default for those two asset classes is 180 days past due, except where a waiver has been given to report defaults that are 90 days past due.

Credit risk

...

Exposure at default estimate

Calculate in accordance with ~~*BIPRU 4*~~ article 166 of the *EU CRR*. This should be the downturn EAD.

Maturity

This is the exposure weighted average maturity in days. It should take into account the maturity floor and ceiling.

...

Risk weighted exposure amount

Calculate in accordance with *BIPRU* 4 articles 153 and 154 CRR. The SME-supporting factor according to Article 501 CRR should be excluded.

...

Part 2: Comes into force on 1 July 2014.

[Note to reader: The text marked with “*” includes text which Part 1 of Annex C proposes to amend.]

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

16.12 Integrated Regulatory Reporting

Application

16.12.1 G The effect of *SUP* 16.1.1R is that this section applies to every *firm* carrying on business set out in column (1) of *SUP* 16.12.4R except:

...

(1B) an EEA bank;

...

...

Reporting requirement

16.12.3 R (1) Any *firm* permitted to carry on any of the activities within each of the *RAGs* set out in column (1) of the table in *SUP* 16.12.4R must:

(a) ...

...

(iv) in the case of a *non-EEA bank*, ~~or an EEA bank (whether or not it has permission for accepting deposits) other than one with permission for cross border services only~~, any *data items* submitted should, unless indicated otherwise, only cover the activities of the branch operation in the *United Kingdom*;

in the format specified as applicable to the *firm* in the provision referred to in column (2);

...

...

16.12.4 R Table of applicable rules containing *data items*, frequency and submission periods.

(1)	(2)	(3)	(4)
-----	-----	-----	-----

RAG number	Regulated Activities	Provisions containing:		
		applicable data items	reporting frequency/ period	due date
RAG 1	<ul style="list-style-type: none"> • accepting deposits • meeting of repayment claims • managing dormant account funds (including the investment of such funds) 	<u>SUP 16.12.5R, except FSA001 and FSA002 for FINREP firms</u>	SUP 16.12.6R	SUP 16.12.7R
...				
RAG 3	<ul style="list-style-type: none"> • dealing in investment as principal • dealing in investments as agent • advising on investments (excluding retail investment activities) • arranging (bringing about) deals in investments (excluding retail investment activities) 	<u>SUP 16.12.10R</u> <u>SUP 16.12.11R</u> or <u>SUP 16.12.11BR</u> for <u>UK designated investment firms*</u> , <u>except FSA001 and FSA002 for FINREP firms</u>	<u>SUP 16.12.10R</u> <u>SUP 16.12.12R</u> or <u>SUP 16.12.12AR</u> for <u>UK designated investment firms*</u>	<u>SUP 16.12.10R</u> <u>SUP 16.12.13R</u>
RAG 4	<ul style="list-style-type: none"> • managing investments • establishing, operating or winding up a collective investment scheme • establishing, operating or winding up a stakeholder pension scheme • establishing, operating or winding up a personal pension scheme • managing an AIF • managing a UCITS 	<u>SUP 16.12.14R</u> <u>SUP 16.12.15R</u> or <u>SUP 16.12.15BR</u> for <u>UK designated investment firms*</u> , <u>except FSA001 and FSA002 for FINREP firms</u>	<u>SUP 16.12.14R</u> <u>SUP 16.12.16R</u> or <u>SUP 16.12.16AR</u> for <u>UK designated investment firms*</u>	<u>SUP 16.12.14R</u> <u>SUP 16.12.17R</u>
...				
RAG 7	<ul style="list-style-type: none"> • retail investment activities • advising on pensions transfers & opt-outs • arranging (bringing about deals) in retail 	<u>SUP 16.12.22AR</u> or <u>SUP 16.12.22CR</u> for <u>UK designated investment firms*</u> , <u>except</u>	<u>SUP 16.12.23AR</u> and <u>SUP 16.12.23R</u> for <u>UK designated investment</u>	<u>SUP 16.12.24R</u>

	investments	<u>FSA001 and FSA002 for FINREP firms</u>	<i>firms*</i>	
RAG 8	<ul style="list-style-type: none"> making arrangements with a view to transactions in investments operating a multilateral trading facility 	<i>SUP</i> 16.12.25AR or 16.12.25CR for <i>UK designated investment firms*</i> , <u>except FSA001 and FSA002 for FINREP firms</u>	<i>SUP</i> 16.12.26R	<i>SUP</i> 16.12.27R
...				

...

Regulated Activity Group 1

16.12.5 R The applicable *data items* and forms or reports referred to in *SUP* 16.12.4R are set out according to *firm* type in the table below:

Description of <i>data item</i>	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (Note 1)							
	<i>UK bank</i>	<i>Building society</i>	<i>Non-EEA bank</i>	<i>EEA bank that has permission to accept deposits, other than one with permission for cross border services only</i> [deleted]	<i>EEA bank that does not have permission to accept deposits, other than one with permission for cross border services only</i> [deleted]	[deleted]	<i>Credit union</i>	<i>Dormant account fund operator</i> (note 15)
...								
Daily Flows	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22)	FSA047 (Notes 16, 18, 20 and 22) [deleted]	FSA047 (Notes 16, 18, 20 and 22) [deleted]			
Enhanced Mismatch	FSA048	FSA048 (Notes	FSA048 (Notes	FSA048 (Notes	FSA048 (Notes			

Report	(Notes 16, 20 and 22)	16, 20 and 22)	16, 18, 20 and 22)	16, 18, 20 and 22) [deleted]	16, 18, 20 and 22) [deleted]			
Liquidity Buffer Qualifying Securities	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22)	FSA050 (Notes 17, 19, 21 and 22) [deleted]	FSA050 (Notes 17, 19, 21 and 22) [deleted]			
Funding Concentration	FSA051 (Notes 17, 21 and 22)	FSA051 (Notes 17, 21 and 22)	FSA051 (Notes 17, 19, 21 and 22)	FSA051 (Notes 17, 19, 21 and 22) [deleted]	FSA051 (Notes 17, 19, 21 and 22) [deleted]			
Pricing data	FSA052 (Notes 17, 22 and 24)	FSA052 (Notes 17, 22 and 24)	FSA052 (Notes 17, 19, 22 and 24)	FSA052 (Notes 17, 19, 22 and 24) [deleted]	FSA052 (Notes 17, 19, 22 and 24) [deleted]			
Retail and corporate funding	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22)	FSA053 (Notes 17, 19, 21 and 22) [deleted]	FSA053 (Notes 17, 19, 21 and 22) [deleted]			
Currency Analysis	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22)	FSA054 (Notes 17, 19, 21 and 22) [deleted]	FSA054 (Notes 17, 19, 21 and 22) [deleted]			
...								

...

**CRD IV ADDITIONAL HANDBOOK AMENDMENTS TO IFPRU, GLOSSARY,
GENPRU AND FEES**

Annex A

Amendments to the Prudential sourcebook for Investment Firms (IFPRU)

Note to reader: The amendments proposed in this Annex are based on the version of IFPRU proposed in the Capital Requirements Directive IV Instrument 2013 consulted on in CP13/6 (CRD IV for Investment Firms), except that IFPRU 4.3 (Internal ratings based approach) is proposed to be restructured into shorter sections as follows:

- IFPRU 4.3 (Internal ratings based approach) contains 4.3.1R to 4.3.6R of the version of IFPRU in CP 13/6
- IFPRU 4.4 (Guidance on internal ratings based approach: high level material) contains 4.3.7G to 4.3.19G of the version of IFPRU in CP 13/6;
- IFPRU 4.5 (Internal ratings based approach: overall requirements for estimation) contains 4.3.20G to 4.3.36G of the version of IFPRU in CP 13/6;
- IFPRU 4.6 (Internal ratings based approach: definition of default) contains 4.3.37G to 4.3.42G of the version of IFPRU in CP 13/6;
- IFPRU 4.7 (Internal ratings based approach: probability of default) contains 4.3.43G to 4.3.76G of the version of IFPRU in CP 13/6;
- IFPRU 4.8 (Internal ratings based approach: loss given default) contains 4.3.77G to 4.3.95G of the version of IFPRU in CP 13/6;
- IFPRU 4.9 (Internal ratings based approach: own estimates of exposure at default (EAD)) contains 4.3.96G to 4.3.123G of the version of IFPRU in CP 13/6;
- IFPRU 4.10 (Stress tests) contains 4.3.124G of the version of IFPRU in CP 13/6;
- IFPRU 4.11 (Validation) contains 4.3.125G to 4.3.129G;
- IFPRU 4.12 (Income-producing real estate portfolios) contains 4.3.130G to 4.3.148G of the version of IFPRU in CP 13/6; and
- IFPRU 4.13 (Securitisation), IFPRU 4.14 (Settlement risk), IFPRU 4.15 (Counterparty credit risk) and IFPRU 4.16 (Credit risk mitigation) being renumbered from IFPRU 4.4 to 4.7 respectively.

These restructuring changes are not shown, except where necessary to indicated insertions of new provisions.

In this Annex, underlining indicates new text and striking through indicate deleted text.

1.2 **Applications for directions Directions and permissions**

- 1.2.1 **R** A firm which has applied for, or has been granted, a direction or permission under the EU CRR must notify the FCA immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application, direction or permission.
- 1.2.2 **G** The reference to ‘permission’ in IFPRU 1.2.1R includes any approval, consent or agreement referred to under the EU CRR for which the FCA has been conferred powers as competent authority by the EU CRR.

...

3.2 Capital

...

Variable capital calculation for collective portfolio management investment firms

- 3.2.18 G When a *collective portfolio management investment firm* calculates the total risk exposure amount in article 92(3) of the *EU CRR*, the *own funds requirements* referred to in article 92(3)(a) (Risk weighted exposure amount for credit risk and dilution risk) and article 92(3)(b) (Risk weighted exposure amount for position risk) should include only those arising from its *designated investment business*. For this purpose, *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.

...

4.4 Guidance on internal ratings based approach: high level material

...

Corporate governance

- 4.3.13 G (1) Where the *firm's* rating systems are used on a unified basis under article 20(6) of the *EU CRR*, the *FCA* considers that the governance requirements in article 189 of the *EU CRR* can only be met if the *subsidiaries* have delegated to the *governing body* or designated committee of the *EEA parent institution*, *EEA parent financial holding company* or *EEA parent mixed financial holding company* responsibility for approval of the *firm's* rating systems.
- 4.4.8 (2) ~~The *FCA* expects that it would not be satisfied that a committee could be treated as a 'designated committee' for the purposes of article 189 of *EU CRR* (Corporate governance) if it did not contain at least one member of the *firm's management body*. The *FCA* expects an appropriate individual in a *significant-influence function* role to provide to the *FCA* on an annual basis written attestation that the rating system permissions required by the *EU CRR* have been carried out appropriately.~~

[Note: see articles 189 and 20(6) of the *EU CRR* and article 3(1)(7) of *CRD*]

...

- 4.3.19 G ...
4.4.16

Documentation

- 4.4.17 G The *FCA* expects a *firm* to ensure that all documentation relating to its rating systems (including any documentation referenced in this Chapter or required by the *EU CRR* that relate to the IRB approach) is stored, arranged and indexed in such a way that it could make them all, or any subset thereof, available to

the FCA immediately on demand or within a short time thereafter.

...

4.4 Securitisation

4.13

Recognition of significant risk transfer

4.4.1 R ...

4.13.1

...

~~Use of supervisory formula method~~ Regulatory capital calculation methodology and significant risk transfer

4.4.24 G An *originator* must transfer a significant amount of credit risk associated with
4.13.24 *securitised* exposures to third parties to be able to apply the *securitisation* risk weights set out in Part Three, Title II, Chapter 5 of the *EU CRR* (Securitisation), and any associated reduction in *own funds requirements* must be matched by a commensurate transfer of risk to third parties. ~~The FCA has significant concerns that significant risk transfer is undermined where the reduction in risk-weighted exposure amounts (RWEA) which results from the use of the supervisory formula method (SFM) is disproportionate to the credit risk transferred.~~

4.4.25 G The SFM currently gives, in many circumstances, much more favourable
4.13.25 RWEA than the requirement that would apply if the same tranches were externally rated. To satisfy articles 243 and 244 of the *EU CRR* that commensurate risk transfer has been achieved the *FCA* will generally expect a *firm* to obtain a public rating on retained tranches and apply the ratings-based method (RBM) instead of the SFM. For synthetic *securitisations* this might require a *firm* to create an instrument relating to the retained tranche in order to obtain a rating on the tranche. However, a *firm* should be aware that the use of RBM might not be sufficient to meet the significant risk transfer test if, notwithstanding the higher RWEA that would apply to the retained position, there is not a significant transfer of risk for the overall transaction. A *firm* should ensure it has regard to articles 268 and 269 of the *EU CRR* (Use of credit assessment by ECAs) when obtaining public ratings on retained positions. As part of the notification and permissions process, the FCA expects the firm to inform it of the methodology it intends to use to calculate securitisation capital requirements.

4.4.26 G A *firm* may still be able to demonstrate significant risk transfer without a rating but the *FCA* believes that this is likely to be exceptional and a *firm* is expected to submit any proposal to do so to the *FCA* before claiming any capital relief. Two examples of 'exceptional' cases are where it is not possible to obtain a rating from an eligible *ECAI* or where the small size of a transaction makes the

cost of obtaining a rating disproportionate. In each case the *firm* must provide the *FCA* with sufficient evidence of such ‘exceptionality’. In the first example, the *FCA* expects this to include written confirmation that no eligible *ECAs* were prepared to rate the transaction. In the second example, the *FCA* expects a *firm* to provide an analysis of the costs of obtaining a rating relative to the potential capital reduction available from the transaction. The *FCA* does not expect a *firm* to seek to exploit the boundary of what might constitute ‘exceptional’ cases (eg, by deliberately structuring many small transactions rather than a single larger transaction).

- 4.4.27 G A *firm* with IRB permission that invest in unrated *securitisation positions* in the *trading book* or non *trading book* are not required to obtain external ratings on such *positions*. However, use of SFM by investors in the *trading book* or non *trading book* requires prior permission from the *FCA*, and it will consider the nature of positions for which use of SFM is being sought as part of its approval decision making process.

Implicit support and significant risk transfer

- 4.13.26 G As part of a *firm*’s on-going consideration of risk transfer, the *FCA* expects it to consider the support it has provided to *securitisation* transactions.
- 4.13.27 G (1) If a *firm* is found to have provided support to a *securitisation*, the expectation that the *firm* will provide future support to its *securitisations* is increased. The *FCA* will take account of this increased expectation in future assessments of commensurate risk transfer to that *firm*.
- (2) The *FCA* expects *securitisation* documentation to make clear, where applicable, that repurchase of *securitisation positions* by the *originator* beyond its contractual obligations is not mandatory and may only be made at fair market value.
- (3) Where a *firm* provides support which it is entitled, but not obliged, to provide under the contractual documentation of the *securitisation*, the *FCA* will consider the following factors in assessing if that support has been appropriately reflected in the assessment of significant risk transfer:
- (a) whether the fact that the *firm* may provide such support was expressly set out in the contractual and marketing documents for the *securitisation*;
- (b) whether the nature of the support that the *firm* may give is precisely described in the documentation;
- (c) whether the maximum degree of support that could be provided could be ascertained at the time of the *securitisation* by the *firm* and by a person whose only information came from the marketing documents for the *securitisation*;
- (d) whether the assessment of whether significant risk transfer was achieved and the amount of that risk transferred was made on the

basis that the *firm* would provide support to the maximum degree possible; and

(e) whether the *firm's own funds* and *own funds requirements* were appropriately adjusted at the time of the *securitisation* on the basis that the *firm* provided support to the maximum degree possible.

(4) If a *firm* fails to comply with article 248(1) of the *EU CRR*, the *FCA* may require it to disclose publicly that it has provided non-contractual support to the transaction.

High cost credit protection and other significant risk transfer considerations

4.4.28 G ~~Any reduction in *own funds requirements* achieved through *securitisation* should be matched with a commensurate transfer of risk to third parties. Articles 243 (Traditional securitisation) and 244 (Synthetic securitisation) of the *EU CRR* set out that if the *FCA* decides that the possible reduction in risk-weighted exposure amounts which would be achieved through *securitisation* is not matched by such commensurate transfer of risk, it will determine that significant risk transfer has not been achieved by this transaction.~~

4.4.29 G ~~This substance over form principle also applies to the assessment of the minimum requirements contained in articles 243(5) and 244(5) of the *EU CRR*. In particular, the instruments used to transfer credit risk must not contain any terms or conditions which materially limit the amount of risk transferred. For example, where losses or defaults occur in the pool (ie, deterioration in the credit quality of the underlying pool) the originator's net cost of protection or the yield payable to investors should not increase. Legal counsel's opinion (as required under articles 243(5)(b) and 244(5)(d) of the *EU CRR*) should be reviewed as necessary. For example, if a relevant statutory provision is amended or a new decision or judgment of a court might have a bearing on the conclusions reached.~~

...

4.4.35 G ...

4.13.33

High level significant risk transfer considerations

4.13.34 G Significant risk transfer is an on-going requirement. Accordingly, the *FCA* expects *firms* to ensure that any reduction in *own funds requirements* achieved through *securitisation* continues to be matched by a commensurate transfer of risk throughout the life of the transaction. The *FCA* expects *firms* to take a substance over form approach to assessing significant risk transfer. *Firms* should be able to demonstrate that the capital relief post-transaction adequately captures the economic substance of the entire transaction, and is commensurate to retained risk.

4.13.35 G When risk transfer transactions are structured as a group of linked transactions

rather than a single transaction, the FCA expects the aggregate effect of linked transactions to comply with the EU CRR. The FCA expects firms to ensure that analysis of risk transfer incorporates all linked transactions, particularly if certain transactions within a group of linked transactions are undertaken at off-market rates.

4.13.36 G The FCA expects the instruments used to transfer credit risk not to contain provisions which limit the amount of risk transferred. For example, should losses or default occur in the pool (ie deterioration in the credit quality of the underlying pool) the FCA expects the originator's net cost of protection or the yield payable to investors should not increase as a result.

4.13.37 G In order to ensure continuing appropriateness, the FCA expects firms to update the opinions of qualified legal counsel, required by the EU CRR, as necessary to ensure their continuing validity. For example, an opinion may need to be updated if relevant statutory provisions are amended, or where a new decision or judgement of a court has a bearing on the continuing validity of counsel's opinion.

4.4.36 G ...

4.13.38

...

Clarification of determining tranche seniority

~~4.4.40 G For the purposes of determining the most senior tranche under article 261 of the EU CRR (Ratings based method) and the mapping of ECAI assessments by the FCA, a senior liquidity facility need not be taken into account.~~

...

6 Market risk

...

6.1.5 G ...

Standardised approach for options

6.1.6 G A firm that wishes to use own estimates for delta for the purposes of the standardised approach for options, should provide the FCA with confirmation that it meets the minimum standards set out in IFPRU 6.1.8G to 6.1.15G (Minimum standards for own estimates of delta) for each type of option for which it calculates delta. A firm should only provide this confirmation if it meets the minimum standards. A firm that is able to provide confirmation can expect to be permitted to use own estimates of delta for the relevant option.

6.1.7 G If a firm is unable to provide assurance with regard to a particular option type which is currently within its permissions, a capital add-on may be applied and a rectification plan agreed. If a firm is unable to comply with the rectification plan within the agreed time-frame, further supervisory measures may be taken.

This may include variation of a *firm's Part 4A permission* so that it is no longer allowed to trade those particular types of options for which it does not meet the minimum standards.

Minimum standards for own estimates of delta

6.1.6 G ...
6.1.8

8 Prudential consolidation and large exposures

8.1 Prudential consolidation

8.1.19 G In relation to article 113(6)(e), the *FCA* will consider the following non-exhaustive criteria when assessing whether this condition has been met:

(1) the speed with which funds can be transferred or liabilities repaid to the *firm* and the simplicity of the method for the transfer or repayment. As part of the *FCA's* overall assessment, it would consider ownership of 100% of the *subsidiary* as one of the indicators that prompt transfer of *own funds* is likely to be achieved;

8.1.20 G For the purpose of article 113(6)(e) of the *EU CRR*, in the case of an *undertaking* that is a *firm*, the requirement for the prompt transfer of funds refers to *own funds* in excess of the capital and financial resources requirements to which it is subject under the *regulatory system*.

8.1.21 G When demonstrating how article 113(6)(e) of the *EU CRR* is met, the *FCA* considers that in the case of a counterparty which is not a *firm*, the application should include a legally binding agreement between the *firm* and the counterparty. This agreement will be to promptly, on demand, by the *firm* increase the *firm's own funds* by an amount required to ensure that the *firm* complies with the provisions contained in Part Two of the *EU CRR* (*Own funds*) and any other requirements relating to capital resources concentration risk imposed on the *firm* by, or under, the *regulatory system*.

TP 7 Countercyclical capital buffer: transitional

	Application	
7.1	R	<i>IFPRU</i> TP 7 applies to an <i>IFPRU investment firm</i> , unless it is an <i>IFPRU limited licence firm</i> or <i>exempt IFPRU commodities firm</i> .

	Purpose	
7.2	G	This section implements article 160(6) of <i>CRD</i> in relation to the <i>countercyclical capital buffer</i> . The amounts of the <i>countercyclical capital buffer</i> in <i>IFPRU TP 7</i> apply instead of the amount of the <i>countercyclical capital buffer</i> in <i>IFPRU 9.3.1R</i> (Main requirement) for the duration of the transitional.
	Duration of transitional	
7.3	R	<i>IFPRU TP 7</i> applies with effect from 1 January 2016 (which is the date that <i>IFPRU 9.3</i> (Countercyclical capital buffer) comes into effect) until 31 December 2018 2015.
	Modified main requirement	
7.4	R	This <i>rule</i> modifies <i>IFPRU 9.3.1R</i> (Main requirement) in the following manner:
	(1)	from 1 January 2016 until 31 December 2016, the <i>countercyclical capital buffer</i> is the amount of <i>common equity tier 1 capital</i> equal to 0.625% of a firm's total risk exposure amount;
	(2)	from 1 January 2017 until 31 December 2017, the <i>countercyclical capital buffer</i> is the amount of <i>common equity tier 1 capital</i> equal to 1.25% of a firm's total risk exposure amount; and
	(3)	from 1 January 2018 until 31 December 2018, the <i>countercyclical capital buffer</i> is the amount of <i>common equity tier 1 capital</i> equal to 1.875% of a firm's total risk exposure amount.]
		<u>A firm must calculate a <i>countercyclical capital buffer</i> of <i>common equity tier one capital</i> equal to its <i>total risk exposure amount</i> multiplied by the weighted average of the <i>countercyclical buffer rates</i> that apply in the jurisdictions where the firm's relevant credit exposures are located.</u>
7.5	R	<u>To calculate the weighted average referred to in TP 7.4R, a firm must apply to each applicable <i>countercyclical buffer rate</i> its total own funds requirements for credit risk, specific risk, incremental default and migration risk that relates to the relevant credit exposures in the jurisdiction in question, divided by its total own funds requirements for credit risk that relates to all its relevant credit risk exposures.</u>
7.6	R	<u>For the purpose of TP 7.5R, a firm must calculate its total own funds requirements for credit risk, specific risk, the incremental default and migration risk in line with Part Three, Titles II and IV of the <i>EU CRR</i>.</u>
7.7	R	<u>The <i>countercyclical buffer rate</i> for an exposure is the rate set by the <i>UK countercyclical buffer authority</i> for the jurisdiction in which that exposure is located.</u>

<u>7.8</u>	<u>R</u>	<u>If the <i>UK countercyclical buffer authority</i> does not set a rate for the jurisdiction in which an exposure is located, the <i>countercyclical buffer rate</i> for that exposure is zero.</u>
<u>7.9</u>	<u>R</u>	<u>If the rate for a jurisdiction is increased by the <i>UK countercyclical buffer authority</i>, that increase takes effect from the date specified by the <i>UK countercyclical buffer authority</i>.</u>
<u>7.10</u>	<u>R</u>	<u>If a rate is reduced, that reduction takes place immediately.</u>

...

Annex B

Amendments to the Glossary of definitions

Note to reader: The amendments proposed in this Annex are based on the version of Glossary amendments proposed in the Capital Requirements Directive IV Instrument 2013 consulted on in CP13/6 (CRD IV for Investment Firms).

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

- | | |
|------------------------|---|
| <i>IFPRU 125K firm</i> | <p>has the meaning in <i>IFPRU</i> 1.1.9R (Types of investment firm: IFPRU 125K firm), which in summary is an <i>IFPRU investment firm</i> that satisfies the following conditions:</p> <ul style="list-style-type: none"> (a) it does not <i>deal on own account</i> or underwrite issues of <i>financial instruments</i> on a firm commitment basis; (b) it holds clients' money or securities in relation to <i>investment services</i> it provides or is authorised to do so; (c) it offers one or more of certain specified services; (d) it is not a <i>collective portfolio management investment firm</i>; and (e) it does not operate a <i>multilateral trading facility</i>. |
| <i>IFPRU 50K firm</i> | <p>has the meaning in <i>IFPRU</i> 1.1.10R (Types of investment firm: IFPRU 50K firm) which in summary is an <i>IFPRU investment firm</i> that satisfies the following conditions:</p> <ul style="list-style-type: none"> (a) it satisfies the conditions in <i>IFPRU</i> 1.1.9R(1) (does not <i>deal on own account</i> or underwrite issues of <i>financial instruments</i> on a firm commitment basis) and <i>IFPRU</i> 1.1.9R(3) (offers one or more of certain specified services); (b) it does not hold clients' money or securities in relation to <i>investment services</i> it provides and it is not authorised to do so; (c) it is not a <i>collective portfolio management investment firm</i>; and (d) it does not operate a <i>multilateral trading facility</i>. |
| <i>IFPRU 730K firm</i> | <p>has the meaning in <i>IFPRU</i> 1.1.11R (Types of investment firm: IFPRU 730K firm) which in summary is an <i>IFPRU investment firm</i> that is not a <i>collective portfolio management</i></p> |

investment firm, a BIPRU 50K firm or a BIPRU 125K firm.

Delete the following definitions altogether. The deleted text is not shown.

third country BIPRU 730K firm

Annex A

Amendments to the General Prudential sourcebook (GENPRU)

Note to reader: The amendments proposed in this Annex are to be included in the Capital Requirements Directive IV (GENPRU and BIPRU Amendments) Instrument 2013 proposed in CP13/6 (CRD IV for Investment Firms). The amendments in this Annex are to be inserted into the appropriate place in the amendments to GENPRU as set out in the above instrument.

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

1.1.2AA G GENPRU 3 (Cross sector groups) applies to:

- (1) an IFPRU investment firm;
- (2) an insurer; and
- (3) a group containing such firms.

...

3 Cross sector groups

...

3.1.3A G If a mixed financial holding company is subject to equivalent provisions under this Chapter and under EEA prudential sectoral legislation in relation to the insurance sector as implemented in the UK and the FCA is the coordinator, the FCA may, on application by the firm and after consulting other relevant competent authorities, disapply such provisions of the EEA prudential sectoral legislation as implemented in the UK with regard to that undertaking which are considered by the FCA as equivalent to those applying to the firm under GENPRU 3.1.

[Note: article 120(2) of CRD]

...

3.1.16 G ~~GENPRU 3.1.26R~~ 3.1.29R to GENPRU 3.1.31R and GENPRU 3 Annex 1R implement the detailed capital adequacy requirements of the *Financial Groups Directive*. They only deal with a *financial conglomerate* for which the *appropriate regulator* is the *coordinator*. If another *competent authority* is *coordinator* of a *financial conglomerate*, those *rules* do not apply with respect to that *financial conglomerate* and instead that *coordinator* will be responsible for implementing those detailed requirements.

...

Risk concentration and intra-group transactions: the main rule

3.1.35 R A firm must ensure that the *sectoral rules* regarding *risk concentration* and

intra-group transactions of the most important financial sector in the financial conglomerate referred to in GENPRU 3.1.34R are complied with with respect to that financial sector as a whole, including the mixed financial holding company. The ~~appropriate regulator's sectoral rules~~ for these purposes are those identified in the table in GENPRU 3.1.36R.

Risk concentration and intra-group transactions: Table of applicable sectoral rules

3.1.36 R Table: application of sectoral rules

This table belongs to GENPRU 3.1.35R.

The most important financial sector	Application sectoral rules	
	Risk concentration	Intra-group transactions
<i>Banking and investment services sector</i>	<i>BIPRU 8.9A (Consolidated large exposure requirements) including BIPRU TP as it applies to a UK consolidation group <u>EU CRR</u></i>	<i>BIPRU 10 (Large exposure requirements) including BIPRU TP as it applies on a solo basis and relates to BIPRU 10. Part Four of the EU CRR (Large exposures)</i>
...		

3.1.37 R (1) Where the *sectoral rules* for the *banking and investment services sector* are being applied, a *mixed financial holding company* must be treated as being a *financial holding company*.

...

3.1.38 R (1) ~~This rule applies for the purposes of the definitions of:~~

(a) ~~a core concentration risk group counterparty;~~ and

(b) ~~a non-core concentration risk group counterparty;~~

~~as they apply for the purposes of the rules for the banking and investment services sector as applied by GENPRU 3.1.36 R.~~
~~[deleted]~~

(2) ~~For the purposes of BIPRU 10.9A.4 R(1) and BIPRU 10.9A.4 R(2) (as they apply to the definitions in GENPRU 3.1.38R(1)), the conditions are also satisfied if the counterparty and the firm are included within the scope of consolidated supervision on a full basis with respect to the same financial conglomerate under GENPRU 3.1 or the relevant implementation measures in another EEA State for the~~

~~*Financial Groups Directive*~~. [deleted]

...

The financial sectors: asset management companies and alternative investment fund managers

3.1.39 R ...

(5) This *rule* applies even if:

- (a) a *UCITS management company* is a ~~*BIPRU*~~ *an IFPRU investment firm*; or
- (b) an *asset management company* or *alternative investment fund manager* is an *investment firm*.

3.2 Third-country groups

...

Purpose

3.2.2 G *GENPRU* 3.2 implements in part Article 18 of the *Financial Groups Directive* and Article 143 ~~of the *Banking Consolidation Directive*~~ 127 of the *CRD*.

Equivalence

3.2.3 G The first question that must be asked about a *third-country financial group* is whether the *EEA regulated entities* in that *third-country group* are subject to supervision by a *third-country competent authority*, which is equivalent to that provided for by the *Financial Groups Directive* (in the case of a *financial conglomerate*) or the *EEA prudential sectoral legislation* for the *banking sector* or the *investment services sector* (in the case of a *banking and investment group*). Article 18(1) of the *Financial Groups Directive* sets out the process for establishing equivalence with respect to *third-country financial conglomerates* and Article 143 ~~(1) and (2) of the *Banking Consolidation Directive*~~ 127(1) and (2) of the *CRD* does so with respect to *third-country banking and investment groups*.

Other methods: General

3.2.4 G If the supervision of a *third-country group* by a *third-country competent authority* does not meet the equivalence test referred to in *GENPRU* 3.2.3G, the methods set out in the *CRD* and *EU CRR* will apply or *competent authorities* may apply other methods that ensure appropriate supervision of the *EEA regulated entities* in that *third-country group* in accordance with the aims of supplementary supervision under the *Financial Groups Directive* or consolidated supervision under the applicable *EEA prudential sectoral*

legislation.

Supervision by analogy: introduction

...

- 3.2.7 G *GENPRU 3.2.8R and GENPRU 3.2.9R and GENPRU 3 Annex 2R set out rules to deal with the situation covered in GENPRU 3.2.5G. Those rules do not apply automatically. Instead, they can only be applied with respect to a particular third-country group through the Part 4A permission of a firm in that third-country group. Broadly speaking the procedure described in GENPRU 3.1.22G also applies to this process.*

...

3 Annex 1R Capital adequacy calculations for financial conglomerates (GENPRU 3.1.29R)

...

7 Table

A mixed financial holding company	4.4	A <i>mixed financial holding company</i> must be treated in the same way as: (1) a <i>financial holding company</i> (if the rules in BIPRU 8 Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Handbook</i> are applied); or (2) an <i>insurance holding company</i> (if the rules in <i>INSPRU 6.1</i> are applied).
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8 Table: PART 5: Principles applicable to all methods

...		
Transfer-ability of capital	5.1	Capital may not be included in: (1) a <i>firm's conglomerate capital resources</i> under <i>GENPRU 3.1.29R</i> ; or (2) in the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R; if the effectiveness of the transferability and availability of the capital across the different members of the <i>financial conglomerate</i> is insufficient, given the objectives (as referred to in the third unnumbered sub-paragraph of paragraph 2(ii) of Annex I of the <i>Financial Groups Directive</i> (Technical principles)) of the capital adequacy rules for <i>financial conglomerates</i> .

Double counting	5.2	<p>Capital must not be included in:</p> <p>(1) a firm's conglomerate capital resources under GENPRU 3.1.29R; or</p> <p>(2) the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R;</p> <p>if:</p> <p>(3) (1) it would involve double counting or multiple use of the same capital; or</p> <p>(4) (2) it results from any inappropriate intra-group creation of capital.</p>
Cross sectoral capital	5.3	<p>In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i> (Other technical principles and insofar as not already required in Parts 1-3):</p> <p>(1) the solvency requirements for each different <i>financial sector</i> represented in a <i>financial conglomerate</i> required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R must be covered by own funds elements in accordance with the corresponding <i>applicable sectoral rules</i>; and</p> <p>(2) if there is a deficit of own funds at the <i>financial conglomerate</i> level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R.</p>
...		
Application of sectoral rules: Banking sector and investment service sector	5.6	<p>The <u>In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms,</u> the following adjustments apply to the <i>applicable sectoral rules</i> for the <i>banking sector</i> and the <i>investment services sector</i> as they are applied by the <i>rules</i> in this annex.</p> <p>(1) References in those <i>rules</i> to <i>non-EEA sub-groups</i> do not apply.</p> <p>(2) (For the purposes of Parts 1 and 2), where those rules require a group to be treated as if it were a single undertaking, those rules apply to the banking sector and investment services sector taken together. [deleted]</p> <p>(3) Any <i>investment firm consolidation waivers</i> granted to members of the <i>financial conglomerate</i> do not apply.</p> <p>(4) (For the purposes of Part 3), without prejudice to the application of requirements in BIPRU 8 preventing the use of an <i>advanced prudential calculation approach</i> on a consolidated basis, any <i>advanced prudential calculation approach permission</i> that applies for the purpose of BIPRU 8 does not apply.</p>

		<p>(5) (For the purposes of Part 3), <i>BIPRU 8.5.9R</i> and <i>BIPRU 8.5.10R</i> do not apply.</p> <p>(6) (For the purposes of Part 3), where the <i>financial conglomerate</i> does not include a <i>credit institution</i>, the method in <i>GENPRU 2 Annex 4R</i> must be used for calculating the capital resources and <i>BIPRU 8.6.8R</i> does not apply.</p> <p><u>(Other than as above) the <i>CRD</i> and <i>EU CRR</i> apply for the <i>banking sector</i> and the <i>investment services sector</i>.</u></p>
No capital ties	5.7	<p>(1) This rule deals with a <i>financial conglomerate</i> in which some of the members are not linked by capital ties at the time of the notification referred to in <i>GENPRU 3.1.28R(1) 3.1.29AR</i> (Capital adequacy requirements: Application of <u>Method 1 or 2 from Annex I of the Financial Groups Directive</u>).</p> <p>(2) If:</p> <p>(a) <i>GENPRU 3.1.26R</i> (Capital adequacy requirements: Application of Annex I of the Financial Groups Directive) would otherwise apply with respect to a <i>financial conglomerate</i> under <i>GENPRU 3.1.28R</i>; and</p> <p>(b) all members of that <i>financial conglomerate</i> are linked directly or indirectly with each other by capital ties except for members that collectively are of negligible interest with respect to the objectives of supplementary supervision of <i>regulated entities</i> in a <i>financial conglomerate</i> (the "peripheral members");</p> <p><i>GENPRU 3.1.28R</i> continues to apply. Otherwise <i>GENPRU 3.1.28R</i> does not apply with respect to a <i>financial conglomerate</i> falling into (1). [deleted]</p> <p>(3) If <i>GENPRU 3.1.28R</i> applies with respect to a <i>financial conglomerate</i> in accordance with (2) the peripheral members must be excluded from the calculations under <i>GENPRU 3.1.26R</i>. [deleted]</p> <p>(4) If:</p> <p>(a) <i>GENPRU 3.1.26R</i> applies with respect to <i>financial conglomerate</i> falling into (1) under <i>GENPRU 3.1.27 R (2)</i> (Use of <i>Part 4A permission</i> to apply Annex I of the <i>Financial Groups Directive</i>); or [deleted]</p> <p>(b) <i>GENPRU 3.1.29R</i> (Capital adequacy requirements: Application of Methods 1, 2 or 3 <u>Method 1 or 2</u> from Annex I of the Financial Groups Directive) applies with respect to a <i>financial conglomerate</i> falling into (1);</p> <p>then:</p> <p>(c) the treatment of the links in (1) (including the</p>

		<p>treatment of any <i>solvency deficit</i>) is as provided for <u>in whichever of Part 1 or Part 2 of GENPRU 3 Annex 1R the firm has, under GENPRU 3.1.30R, indicated to the appropriate regulator it will apply or, if applicable, in the requirement referred to in GENPRU 3.1.30R 3.1.31R</u>; and</p> <p>(d) GENPRU 3.1.26 R or GENPRU 3.1.29R, as the case may be, apply <u>applies</u> even if the <i>applicable sectoral rules</i> do not deal with how <i>undertakings</i> not linked by capital ties are to be dealt with for the purposes of consolidated supervision (or, in the case of the <i>insurance sector</i>, supplementary supervision).</p> <p>(5) Once GENPRU 3.1.26R applies to a firm with respect to a financial conglomerate of which it is a member under GENPRU 3.1.27R(1) (automatic application of Method 4 from Annex I of the Financial Groups Directive on satisfaction of the condition in GENPRU 3.1.28R), the disapplication of GENPRU 3.1.28R under (2) ceases to apply with respect to that financial conglomerate. [deleted]</p>
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9 Table: PART 6: Definitions used in this Annex

...		
Solo capital resources requirement: Banking sector and investment services sector	6.2	<p>...</p> <p>(2) The <i>solo capital resources requirement</i> of a <i>building society</i> is its <u>€RR own funds requirements</u>.</p> <p>...</p> <p>(4) If there is a <i>credit institution</i> in the <i>financial conglomerate</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is, subject to (2) and (3), calculated in accordance with the <i>rules</i> for calculating the <u>€RR own funds requirements</u> of a <i>bank</i> that is a BIPRU firm.</p>

		<p>(5) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>:</p> <p>(b) there is at least one €AD <i>investment firm</i> in the <i>financial conglomerate</i>; and</p> <p>(c) all the €AD <i>investment firms</i> in the <i>financial conglomerate</i> are <i>limited licence firms</i> or <i>limited activity firms</i>;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the rules <u>EU CRR</u> for calculating the <u>CRR own funds requirements</u> of:</p> <p>(d) (if there is a <i>limited activity firm</i> in the <i>financial conglomerate</i>), a BIPRU <u>an IFPRU limited activity firm</u>;</p> <p>or</p> <p>(e) (in any other case), a BIPRU <u>an IFPRU limited licence firm</u>.</p> <p>(6) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>:</p> <p>(b) (5) does not apply;</p> <p>the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the rules <u>EU CRR</u> for calculating the <u>CRR own funds requirements</u> of a <i>full scope BIPRU IFPRU investment firm</i>.</p> <p>(7) <u>In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms, Any any CRR capital resources requirements</u> calculated under a <i>BIPRU TP</i> may be used for the purposes of the <i>solo capital resources requirement</i> in this <i>rule</i> in the same way that the <u>CRR capital resources requirements</u> can be used under <i>BIPRU</i> 8.</p>
...		
Solo capital resources requirement: EEA firms in the banking or investment services sector	6.5	The <i>solo capital resources requirement</i> for an <i>EEA regulated entity</i> (other than a <i>bank</i> , <i>building society</i> , <i>designated investment firm</i> , <i>IFPRU investment firm</i> , <i>BIPRU firm</i> , an <i>insurer</i> or an <i>EEA insurer</i>) that is subject to the <i>solo capital adequacy sectoral rules</i> for its <i>financial sector</i> of the <i>competent authority</i> that authorised it is equal

		to the amount of capital it is obliged to hold under those <i>sectoral rules</i> provided that the following conditions are satisfied:
		...
...		

...

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

Financial sector	Appropriate regulator's <u>Sectoral</u> rules
<i>Banking sector</i>	<i><u>BIPRU 8 and BIPRU TP, as adjusted under paragraph 4.5 Part One, Title II, Chapter 2 of the EU CRR and the PRA Handbook</u></i>
<i>Insurance sector</i>	<i>INSPRU 6.1</i>
<i>Investment services sector</i>	<p><i><u>BIPRU 8 and BIPRU TP- (in relation to a designated investment firm or IFPRU investment firm which is a member of a financial conglomerate for which the PRA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and the PRA Handbook;</u></i></p> <p><i><u>(in relation to an IFPRU investment firm which is a member of a financial conglomerate for which the FCA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and IFPRU 8.1;</u></i></p> <p><i><u>(in relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms for which the FCA is the coordinator) BIPRU 8 and BIPRU TP.</u></i></p>

...

3 Annex Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 2R 3.2.9R)

1 Table: PART 1: Third-country financial conglomerates

...	
1.2	A firm must comply, with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1, with whichever of GENPRU 3.1.26R and GENPRU 3.1.29R is

	as applied under paragraph 1.3.
1.3	<p>For the purposes of paragraph 1.2:</p> <p>(1) the rule in GENPRU 3.1 that applies as referred to in paragraph 1.2 is the one that is specified by the requirement referred to in GENPRU 3.2.8R; [deleted]</p> <p>(2) (where GENPRU 3.1.29R is applied) the definitions of <i>conglomerate capital resources</i> and <i>conglomerate capital resources requirement</i> that apply for the purposes of that <i>rule</i> are the ones from whichever of Part 1, <u>or Part 2</u> or Part 3 of GENPRU 3 Annex 1R is specified in that requirement <u>the requirement referred to in GENPRU 3.2.8R</u>; and</p> <p>...</p>
...	

2 Table: PART 2: Third-country banking and investment groups

...	
2.3	<p>The <i>rules</i> referred to in paragraph 2.2 are as follows:</p> <p>(1) the <i>applicable sectoral consolidation rules</i> in BIPRU 8; <u>or paragraph 6.10 of GENPRU 3 Annex 1R.</u></p> <p>(2) the rules in ELM 7.</p>
...	

3 Annex Guidance Notes for Classification of Groups 3G

...

General guidance

...

Please note the following:

...

(d) You will need to assign non-regulated financial entities to one of these sectors:

- **banking / investment** activities are listed in – Annex 1 to the ~~Banking Consolidation Directive~~ Capital Requirements Directive 2013/36/EU

- **insurance** activities are listed in – IPRU Insurers Annex 11.1 and 11.2 p~~163~~-168

Annex E

Amendments to the Fees manual (FEES)

[**Note to reader:** The amendments proposed in this Annex are to be included in the Capital Requirements Directive IV (Consequential Amendments) Instrument 2013 proposed in QCP13/9. The amendments in this Annex are to be inserted into the appropriate place in the amendments to FEES as set out in the above instrument.]

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

3.2 Obligation to pay fees

...

3.2.7 R Table of application, notification and vetting fees payable to the FCA

(1) Fee payer	(2) Fee payable	(3) Due date
...		
<p>(o) Either <u>In relation to a BIPRU firm, either:</u></p> <p>(i) a <i>firm</i> applying to the appropriate regulator <u>FCA</u> for permission to use one of the <i>advanced prudential calculation approaches</i> listed in <i>FEES 3 Annex 6R</i> (or <i>guidance</i> on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the appropriate regulator <u>FCA</u> as <i>EEA consolidated supervisor</i> under the Capital Requirements Regulations 2006 BCD <u>and/or CAD</u>) any <i>firm</i> making such an application; or</p> <p>(ii) in the case of an</p>	<p>(1) Unless (2) applies, <i>FEES 3 Annex 6R</i>.</p> <p>(2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under <i>FEES 3 Annex 6R</i>, but only in respect of that second application.</p> <p>(b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements.</p> <p>(c) No fee is payable where</p>	<p>Where the <i>firm</i> has made an application directly to the appropriate regulator <u>FCA</u>, on or before the date the application is made, otherwise within 30 days after the appropriate regulator <u>FCA</u> notifies the <i>firm</i> that its <i>EEA parent's Home State regulator</i> has requested assistance.</p>

<p>application to a <i>Home State regulator</i> other than the <i>appropriate regulator</i> <i>FCA</i> for the use of the Internal Ratings Based approach and the <i>Home State regulator</i> requesting the <i>appropriate regulator's</i> <i>FCA's</i> assistance in accordance with the <i>Capital Requirements Regulations 2006 BCD</i> and/or <i>CAD</i>), any <i>firm</i> to which the <i>appropriate regulator</i> <i>FCA</i> would have to apply any decision to permit the use of that approach.</p>	<p>the <i>Home State regulator</i> has requested the assistance described in paragraph (o)(ii) of column 1 except in the cases specified in <i>FEES 3 Annex 6R</i>.</p>	
<p>(oa) Either:</p> <p>(i) <u>a <i>firm</i> applying to the <i>appropriate regulator</i> for permission to use one of the internal approaches listed in <i>FEES 3 Annex 6AR</i> (or <i>guidance</i> on its availability), including any future proposed amendments to those approaches or (in the case of any application being made for such permission to the <i>appropriate regulator</i> as consolidating supervisor under the <i>EU CRR</i>) any <i>firm</i> making such an application; or</u></p> <p>(ii) <u>in the case of an application to the consolidating supervisor other than the <i>appropriate regulator</i> for the use of the IRB approach and the consolidating supervisor requesting the <i>appropriate regulator's</i></u></p>	<p>(1) Unless (2) applies, <i>FEES 3 Annex 6AR</i>.</p> <p>(2) (a) Unless (b) applies a <i>firm</i> submitting a second application for the permission or <i>guidance</i> described in column (1) within 12 months of the first application (where the fee was paid in accordance with (1)) must pay 50% of the fee applicable to it under <i>FEES 3 Annex 6AR</i>, but only in respect of that second application.</p> <p>(b) No fee is payable by a <i>firm</i> in relation to a successful application for a permission based on a minded to grant decision in respect of the same matter following a complete application for <i>guidance</i> in accordance with prescribed submission requirements.</p> <p>(c) No fee is payable where the consolidating supervisor has requested the assistance</p>	<p>Where the <i>firm</i> has made an application directly to the <i>appropriate regulator</i>, on or before the date the application is made, otherwise within 30 days after the <i>appropriate regulator</i> notifies the <i>firm</i> that its <i>EEA</i> parent's consolidating supervisor has requested assistance.</p>

<u>assistance in accordance with the <i>EU CRR</i>, any <i>firm</i> to which the <i>appropriate regulator</i> would have to apply any decision to permit the use of that approach.</u>	<u>described in paragraph (oa)(ii) of column 1 except in the cases specified in <i>FEES 3 Annex 6AR</i>.</u>	
...		

...

3 Annex 6R Fees payable by a BIPRU firm for a permission or guidance on its availability in connection with the ~~Basel Capital Accord~~ BCD and/or CAD

Part 1

In relation to a *BIPRU firm*, Fees fees payable other than in relation to the counterparty credit risk internal model method

(1) Paragraphs (2) and (3) deal with an application made to the ~~*appropriate regulator FCA*~~ rather than a request for assistance under the ~~*Capital Requirements Regulations 2006*~~ *BCD and/or CAD*.

...

(4) Where a request for assistance regarding an Advanced or Foundation IRB application under the ~~*Capital Requirements Regulations 2006*~~ *BCD and/or CAD* has been made to the ~~*appropriate regulator FCA*~~ as detailed in ~~*FEES 3.2.7R(o)*~~ ~~*or FEES 3.2.7AR(f)*~~, the fees in Table 1 and Table 2 are applicable if any *firm* referred to in ~~*FEES 3.2.7R(o)(ii)*~~ ~~*and FEES 3.2.7AR(f)(ii)*~~ meets the following conditions:

...

(5) If however the application or request is in relation to the use of the *advanced IRB approach* and the ~~*appropriate regulator FCA*~~ (in the case of (2) or (3)) or the relevant ~~*Home State regulator*~~ *regulator* (in the case of (4)) has already granted permission for the use of the *foundation IRB approach* at the time of the application then Table 3 applies.

(6) All fees are shown in £.

...

Table 2

Application group	Description of group	Application fee
-------------------	----------------------	-----------------

	Modified eligible liabilities (m)	Number of traders as at 31 December prior to the <i>appropriate regulator's FCA's fee year</i> in which the fee is payable	Advanced IRB ('000)	Foundation IRB ('000)	AMA ('000)
...

...

Table 3 (Advanced IRB approach where the ~~appropriate regulator~~ FCA or Home State regulator has already given permission to use foundation IRB approach)

...	...
-----	-----

...

Insert the following new annex after FEES 3 Annex 6R. The text is all new and not underlined.

3 Annex 6AR Fees payable for a permission or guidance on its availability in connection with the EU CRR

Part 1

Fees payable in relation to *internal approaches* that require permission under Part Three of the *EU CRR* other than the internal model method for counterparty credit risk.

- (1) Subject to (3), for applications made to the *appropriate regulator* to authorise a new *internal approach*:
- (i) here the application relates to *CRR firms* and to five or more significant overseas entities within the same group (Group 1) and the application is for a permission to use one of the internal approaches in Tables 1 or 2 or guidance on the availability of such a permission, the fees in Table 1 are applicable; and
 - (ii) for all other *CRR firms* the fees in Table 2 are applicable.
- (2) Subject to (3), for applications made to the consolidating supervisor other than the *appropriate regulator* for a joint decision under article 20 of the *EU CRR* on the use of one of the *internal approaches* in Tables 1 or 2 and where the *appropriate regulator* is requested to assist the consolidating supervisor, the fees in Table 1 and Table 2 are applicable if the *CRR firm* concerned meets the following conditions :

- (i) it is a *CRD credit institution*; and
- (ii) the *firm* does not fall within Group 4 as defined in Table 2.
- (3) If however the application or request for assistance is in relation to the use of the Advanced IRB approach and the *appropriate regulator* (in the case of (1)) or the relevant consolidating supervisor (in the case of (2)) has already granted permission for the use of the Foundation IRB approach then table 3 applies.
- (4) References to the *internal approaches* in Tables 1, 2 and 3 are to be construed as follows:
- (i) Foundation IRB means the internal approach for credit risk referred to in article 143(1) of the *EU CRR*;
- (ii) Advanced IRB means the internal approach for credit risk referred to in article 151(4) and (9) of the *EU CRR*; and
- (iii) AMA means the internal approach for operational risk referred to in article 312(2) of the *EU CRR*.
- (5) All fees are shown in £.

Table 1

Application group	Description of group	Application fee		
		Advanced IRB ('000)	Foundation IRB ('000)	AMA ('000)
Group 1	Five or more significant overseas entities as described in more detail in the definition of Group 1 in the introduction to Part 1 of this Annex	268	232	181

Table 2

Application group	Description of Group		Application fee		
	Modified eligible liabilities (m)	Number of traders as at 31 December prior to the <i>appropriate</i>	Advanced IRB ('000)	Foundation IRB ('000)	AMA ('000)

		<i>regulator's</i> fee year in which the fee is payable			
Group 2	>40,000	>200	232	198	146
Group 3	>5,000 – 40,000	26 - 200	94	72	51
Group 4	0-5,000	0 - 25	42	30	24

- (1) For the purposes of Table 2, a *firm's* A.1 or A10 tariff data for the relevant period will be used to provide the value of modified eligible liabilities or number of traders.

Table 3 (Advanced IRB approach where the appropriate regulator or consolidating supervisor has already given permission to use Foundation IRB)	
Application group	Advanced IRB Application fee
Group 1	67,000
Group 2	58,000
Group 3	23,500
Group 4	10,500
The four application groups have the same meaning as they do in Tables 1 and 2.	

Part 2

Fees payable in relation to the application for a permission to use the internal model method for counterparty credit risk under article 283 of the *EU CRR*: 54,000

CRD (AIFMD AND UCITS CONSEQUENTIAL AMENDMENTS) INSTRUMENT 2013

Powers exercised by the Financial Conduct Authority

- A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) the following sections of the Act:
 - (a) section 137A (The FCA’s general rules);
 - (b) section 137T (General supplementary powers); and
 - (c) section 139A (Power of the FCA to give guidance); and
 - (2) the other rule and guidance making powers listed in Schedule 4 (Powers exercised) to the General Provisions module of the FCA’s Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2013.

Amendments to the Handbook

- D. 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) below.

(1)	(2)
Glossary of definitions	Annex A
General Prudential sourcebook (GENPRU)	Annex B
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex C
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex D
Supervision manual (SUP)	Annex E

Notes

- E. In the Annexes to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.

European Union Legislation

- F. Although European Union legislation is reproduced in this instrument, only European Union legislation printed in the paper edition of the Official Journal of the European Union is deemed authentic.

Citation

- G. This instrument may be cited as the CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013.

By order of the Board of the Financial Conduct Authority
[*date*] 2013

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and strike through indicates deleted text.

<i>base own funds requirement</i> ¹	(1)	(for the purposes of <i>IFPRU</i>)...
	(2)	<u>(for the purposes of <i>IPRU(INV)</i> 11) an amount of <i>own funds</i> that a <i>collective portfolio management firm</i> or a <i>collective portfolio management investment firm</i> must hold as set out in <i>IPRU(INV)</i> 11.3.1R (Base own funds requirement).</u>
<i>base capital resources requirement</i>	(1)	(except in <i>IPRU(INV)</i>) an amount of <i>capital resources</i> that...
	(2)	(in <i>IPRU(INV)</i>) an amount of <i>own funds</i> that a <i>collective portfolio management firm</i> must hold in line with <i>IPRU(INV)</i> 11.3.1R (Base capital resources requirement). [deleted]
<i>client money</i>	...	
	(2A)	(in <i>CASS</i> 6, <i>CASS</i> 7, <i>CASS</i> 7A and <i>CASS</i> 10 and, in so far as it relates to matters covered by <i>CASS</i> 6, <i>CASS</i> 7, <i>COBS</i> or <i>GENPRU</i> or <i>IPRU(INV)</i> 11) subject to the <i>client money rules</i> , <i>money</i> of any currency: ...
<i>funds under management</i>	(1)	...
	(2)	(in <i>IPRU(INV)</i> and <i>GENPRU</i>) ...
<i>funds under management requirement</i>	(1)	...
	(2)	(in <i>GENPRU</i>) an amount of <i>own funds</i> that a <i>collective portfolio management investment firm</i> must hold under <i>GENPRU</i> 2.1.66R (Requirements for collective portfolio management investment firms). [deleted]
<i>initial capital</i>	...	

¹ This term was proposed to be included in the Glossary in CP13/6. The text shown assumes that the amendment proposed in that consultation will be made and is therefore shown as an amendment to that text.

	(3A)	(in <i>IPRU(INV)</i> 11 <u>and in accordance with article 28(1) of the <i>CRD</i>) capital <u>the amount of <i>own funds</i> referred to in article 26(1)(a) to (e) of the <i>EU CRR</i> and calculated in line with <i>IPRU(INV)</i> Table 11.4 (Method of calculating initial capital and own funds) composed of the specified items in that Table Part Two of those Regulations (Own funds).</u></u>
<i>own funds</i>	...	
	(2A)	(in <i>IPRU(INV)</i> 11) the own funds of a <i>firm</i> calculated with <i>IPRU(INV)</i> Table 11.4 (Method of calculating initial capital and own funds) <u>has the meaning in article 4(1)(118) of the <i>EU CRR</i>.</u>
<i>PII capital requirement</i>	(1)	...
	(2)	(in <i>GENPRU</i>) an amount of <i>own funds</i> that a <i>collective portfolio management investment firm</i> must hold in relation to its professional indemnity insurance policy to cover any defined excess (as set out in article 15 of the <i>AIFMD level 2 regulation</i> (professional indemnity insurance) (as replicated in <i>GENPRU</i> 2.1.71EU)) and exclusions to that policy (as set out in <i>GENPRU</i> 2.1.72R (Requirements for collective portfolio management investment firms)). <u>[deleted]</u>
<i>professional negligence capital requirement</i>	(1)	...
	(2)	(in <i>GENPRU</i>) an amount of <i>own funds</i> that a <i>collective portfolio management investment firm</i> must hold for professional liability risks as set out in article 14 of the <i>AIFMD level 2 regulation</i> (additional own funds) (as replicated in <i>GENPRU</i> 2.1.70EU (Requirements for collective portfolio management investment firms)). <u>[deleted]</u>
<i>qualifying capital instrument</i>		(in <i>UPRU</i> and <i>IPRU(INV)</i>) means that part of a <i>firm's</i> capital which is a security of indeterminate duration, or other instrument, that fulfils the following conditions: ...
<i>qualifying capital item</i>		(in <i>UPRU</i> and <i>IPRU(INV)</i>) means that part of a <i>firm's</i> capital which has the following characteristics: ...
<i>qualifying subordinated loan</i>	(1)	(in <i>UPRU</i>) has the meaning given in <i>IPRU(INV)</i> 5.2.5(1) to (7) (Qualifying subordinated loans).

- readily realisable investment*
- (2) ~~(in *IPRU(INV)* 11) has the meaning given in *IPRU(INV)* 11.5 (Qualifying subordinated loans). [deleted]~~
- (1) (except in *UPRU* and ~~*IPRU(INV)*~~):
- (a) a packaged product;
- (b) a readily realisable security.
- (2) (in *UPRU* and ~~*IPRU(INV)*~~) means a unit in a regulated collective investment scheme, a life policy or any marketable investment other than one which is traded on or under the rules of a recognised or designated investment exchange so irregularly or infrequently:
- ...
- trading book*
- ...
- (2) (in *BIPRU*, *GENPRU*, *BSOCS* and ~~*IPRU(INV)*~~ 11 and in relation to a *BIPRU firm*) has the meaning in *BIPRU* 1.2 (Definition of the trading book) which is in summary, all that firm's positions in *CRD financial instruments* and *commodities* held either with trading intent or in order to hedge other elements of the *trading book*, and which are either free of any restrictive covenants on their tradability or able to be hedged.
- ...

Annex B

Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and strike through indicates deleted text.

1.2 Adequacy of financial resources

...

- 1.2.11 G The adequacy of a *firm's* financial resources needs to be assessed in relation to all the activities of the *firm* and the risks to which they give rise and so this section applies to a *firm* in relation to the whole of its business. In the case of a *collective portfolio management investment firm* this means that this section also applies to its activities in relation to the management of *AIFs* and/or *UCITS*.²

...

2.1 Calculation of capital resources requirement

...

Adjustment of the variable capital requirement calculation for collective portfolio management investment firms

- 2.1.46 R When a *collective portfolio management investment firm* calculates the *credit risk capital requirement* and the *market risk capital requirement* for the purpose of calculating the variable capital requirement under *GENPRU* 2.1.40R it must do so only in respect of *designated investment business*. For this purpose *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.¹

...

- 2.1.48A G A *collective portfolio management investment firm* is required to maintain base own funds of €125,000 (in line with *IPRU(INV)* 11.3.1R(1))

...

TP 16 AIFMD

...	
	Transitional provision

- 16.4 R (1) Where a *firm* meets the conditions in (2), the changes effected by

² CP13/6 consulted on the deletion of these provisions, but they are proposed to be retained on the basis that where a *collective portfolio management investment firm* benefits from the provisions in article 95(2) of the *EU CRR* it remains subject to the provisions of *GENPRU/BIPRU*.

Annex G of the Alternative Investment Fund Managers Directive Instrument 2013 and Annex B of the CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013 do not apply and, therefore, the provisions in *GENPRU* amended by ~~that Annex~~ those Annexes will continue to apply as they were in force as at 21 July 2013.

		(2)	...
...			

Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text and strike through indicates deleted text.

1.1 Application

...

- 1.1.3 G In the main *BIPRU* only applies to a *collective portfolio management investment firm* in respect of *designated investment business* (excluding *managing an AIF* and *managing a UCITS*). However *BIPRU* 2.2 (Internal capital adequacy standards), *BIPRU* 2.3 (Interest rate risk in the non-trading book), *BIPRU* 8 (Group risk - consolidation) and *BIPRU* 11 (Disclosure) apply to the whole of its business.³

...

8.5 Basis of consolidation

...

Basis of inclusion of collective portfolio management investment firms in consolidation

- 8.5.7 R *GENPRU* 2.1.46R (Adjustment of the variable capital requirement calculation for collective portfolio management investment firms) does not apply for the purpose of this chapter.²
- 8.5.8 G In general a *collective portfolio management investment firm* only calculates its capital and concentration risk requirements in relation to its *designated investment business* and does not calculate them with respect to *managing an AIF* or *managing a UCITS*. The effect of *BIPRU* 8.5.7R is that this does not apply on a consolidated basis. For the purpose of this chapter the calculations are carried out with respect to the whole of the activities of a *collective portfolio management investment firm*.²

...

TP 35 AIFMD

...	
	Transitional provision

³ CP13/6 consulted on the deletion of these provisions, but they are proposed to be retained on the basis that where a *collective portfolio management investment firm* benefits from the provisions in article 95(2) of the *EU CRR* and it remains subject to the provisions of *GENPRU/BIPRU*.

35.3	R	(1)	Where a <i>firm</i> meets the conditions in (2), the changes effected by Annex H of the Alternative Investment Fund Managers Directive Instrument 2013 <u>and Annex C of the CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013</u> do not apply and, therefore, the provisions in <i>BIPRU</i> amended by that Annex <u>those Annexes</u> will continue to apply as they were in force as at 21 July 2013.
		(2)	...
...			

Annex D

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

In this Annex, underlining indicates new text and strike through indicates deleted text.

Contents

Chapter

...

10 [deleted]

11 Collective Portfolio Management Firms and Collective Portfolio Management Investment Firms

...

Transitional provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force
...					
6	The changes to <i>IPRU(INV)</i> in Annex J of the Alternative Investment Fund Managers Directive Instrument 2013 <u>and Annex D of the CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013</u>	R	<p>(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex Annexes listed in column (2) do not apply and the provisions in <i>IPRU(INV)</i> amended by that Annex <u>those Annexes</u> will continue to apply as they were in force as at 21 July 2013.</p> <p>(2) The conditions are: (a) the <i>firm</i> falls within regulation 72(1) of the <i>AIFMD UK regulation</i>; and (b) the <i>firm</i> does not have a <i>Part 4A permission to manage an AIF</i>.</p>	From 22 July 2013 until 21 July 2014	22 July 2013

...					
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Chapter 1: Application and General Provisions

...

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

...

(j) an exempt CAD firm; ~~and~~(k) a collective portfolio management firm; and(l) a collective portfolio management investment firm.

...

...

1.2.5 R Table

This table belongs to IPRU(INV) 1.2.4R

...

Collective portfolio management firm Chapters 1 and 11*Collective portfolio management investment firm* Chapters 1 and 11*Personal investment firm* Chapters 1 and 13

...

...

11 Chapter 11: Collective Portfolio Management Firms and Collective Portfolio Management Investment Firms**11.1 Introduction**

Application

11.1.1 R This chapter applies to:

(1) a collective portfolio management firm; and(2) a collective portfolio management investment firm.

11.1.2 G *A collective portfolio management firm that manages an AIF is an internally managed AIF or an external AIFM. ~~This~~ If the firm is a full-scope UK AIFM this affects the firm's base capital resources requirement (see IPRU(INV) 11.3.1R). An internally managed AIF that is a full-scope UK AIFM is not permitted to engage in activities other than the management of that AIF, whereas an external AIFM that is a full-scope UK AIFM may manage AIFs and/or UCITS, provided it has permission to do so. A ~~firm~~ full-scope UK AIFM that is an external AIFM and/or a UCITS management company may undertake any of the additional investment activities permitted by article 6(4) of AIFMD or article 6(3) of the UCITS Directive (as applicable), provided it has permission to do so, but if so it is subject to GENPRU and BIPRU rather than IPRU(INV) and is classified as a collective portfolio management investment firm, as opposed to a collective portfolio management firm. A collective portfolio management investment firm is also subject to the requirements of either (i) GENPRU and BIPRU or (ii) IFPRU in addition to the requirements of IPRU(INV) 11, as explained in IPRU(INV) 11.6.2G.*

11.1.2A G *A small authorised UK AIFM that is not also a UCITS management company is not a collective portfolio management firm or a collective portfolio management investment firm and is therefore not subject to IPRU(INV) 11. This type of firm is subject to IPRU(INV) 5 if it is an investment management firm, GENPRU and BIPRU if it is a BIPRU firm or IFPRU if it is an IFPRU investment firm.*

...

Purpose

11.1.4 G (1) ...

(2) This chapter also implements relevant requirements of AIFMD and the UCITS Directive, which includes imposing capital and professional indemnity insurance requirements on ~~an AIFM~~ a full-scope UK AIFM and a UCITS management company. AIFMD and the UCITS Directive incorporate references to provisions of the Banking Consolidation Directive and the Capital Adequacy Directive in relation to initial capital, own funds and fixed overheads. However, in line with article 163 of the CRD as of 1 January 2014, the Banking Consolidation Directive and the Capital Adequacy Directive are repealed and references to these directives are replaced with references to the CRD and the EU CRR in line with the correlation table set out in Annex II to the CRD and in Annex IV to the EU CRR.

11.2 Main requirements

Collective portfolio management firm

11.2.1 R *A collective portfolio management firm firm must:*

- (1) when it first becomes a *collective portfolio management firm* or a collective portfolio management investment firm, hold initial capital of not less than the applicable ~~base capital resources requirement~~ base own funds requirement (in line with *IPRU(INV)* 11.3.1R);
- (2) at all times, maintain *own funds* which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU(INV)* 11.3.2R); and
 - (ii) the ~~fixed overheads requirement~~ (in line with ~~*IPRU(INV)* 11.3.3R~~) amount specified in article 97 of the EU CRR (Own funds based on fixed overheads) (as replicated in *IPRU(INV)* 11.3.3AEU); plus
 - (b) whichever is applicable of:
 - (i) the *professional negligence capital requirement* (in line with *IPRU(INV)* 11.3.11G(1)(a)); or
 - (ii) the *PII capital requirement* (in line with *IPRU(INV)* 11.3.11G(1)(b)); and
- (3) at all times, hold liquid assets (in line with *IPRU(INV)* 11.3.17R) which equal or exceed:
 - (a) the higher of:
 - (i) the *funds under management requirement* (in line with *IPRU(INV)* 11.3.2R) less the ~~base capital resources requirement~~ base own funds requirement (in line with *IPRU(INV)* 11.3.1R); and
 - (ii) the ~~fixed overheads requirement~~ (in line with ~~*IPRU(INV)* 11.3.3R~~) amount specified in article 97 of the EU CRR (Own funds based on fixed overheads); plus
 - (b) whichever is applicable of:
 - (i) the *professional negligence capital requirement* (in line with *IPRU(INV)* 11.3.11G(1)(a)); or
 - (ii) the *PII capital requirement* (in line with *IPRU(INV)* 11.3.11G(1)(b)).

[**Note:** article 9(5) and 9(7) of *AIFMD* and article 7(1)(a)(iii) of the *UCITS Directive*]

Professional negligence

- 11.2.2 G (1) The *professional negligence capital requirement* applies to a ~~firm~~ that manages an *AIF* (ie, an *external AIFM* or an *internally managed AIF*) and *full-scope UK AIFM* which, in line with *IPRU(INV)* 11.3.11G(1)(a), covers professional liability risks by way of *own funds*.
- (2) The *PII capital requirement* applies to a ~~firm that manages an AIF~~ and *full-scope UK AIFM* which, in line with *IPRU(INV)* 11.3.11G(1)(b), decides to cover professional liability risks by professional indemnity insurance.

11.3 Detail of main requirements

Base capital resources own funds requirement

- 11.3.1 R The ~~base capital resources requirement~~ base own funds requirement for a *collective portfolio management firm* is:
- (1) €125,000 for a *firm* that is a *UCITS firm* UCITS management company or a *full-scope UK AIFM* that is an *external AIFM*; and
- (2) €300,000 for a *full-scope UK AIFM* that is an *internally managed AIF*.

[**Note:** article 9(1), (2) and (10) of *AIFMD* and article 7(1)(a) of the *UCITS Directive*]

Funds under management requirement

- 11.3.2 R The *funds under management requirement* is (subject to a maximum of €10,000,000) the sum of:
- (1) the ~~base capital resources requirement~~ base own funds requirement; plus
- (2) 0.02% of the amount by which the *funds under management* exceed €250,000,000_{,-}

[**Note:** article 9(3) of *AIFMD* and article 7(1)(a)(i) of the *UCITS Directive*]

Fixed overheads requirement

- 11.3.3 R The *fixed overheads requirement* is one quarter (13/52) of the *firm's* relevant ~~fixed expenditure calculated in line with *IPRU(INV)* 11.3.4R:~~ [deleted]

[**Note:** article 9(5) of *AIFMD* and article 7(1)(a)(iii) of the *UCITS Directive*]

11.3.3A EU

Own Funds based on Fixed Overheads

1.	<u>In accordance with Articles 95 and 96, an investment firm and firms referred to in point (2)(c) of Article 4(1) that provide the investment services and activities listed in points (2) and (4) of Section A of Annex I to Directive 2004/39/EC shall hold eligible capital of at least one quarter of the fixed overheads of the preceding year.</u>
2.	<u>Where there is a change in the business of an investment firm since the preceding year that the competent authority considers to be material, the competent authority may adjust the requirement laid down in paragraph 1.</u>
3.	<u>Where an investment firm has not completed business for one year, starting from the day it starts up, an investment firm shall hold eligible capital of at least one quarter of the fixed overheads projected in its business plan, except where the competent authority requires the business plan to be adjusted.</u>
[Note: article 97(1) to (3) of the EU CRR]	

- 11.3.4 R ~~In IPRU(INV) 11.3.3R, and subject to IPRU(INV) 11.3.6R to IPRU(INV) 11.3.9R, a firm's relevant fixed expenditure is the amount described as total expenditure in its final income statement (FSA030) for the previous financial year, less the following items (if they are included within such expenditure):~~
- ~~(1) staff bonuses, except to the extent that they are guaranteed;~~
 - ~~(2) employees' and directors' shares in profits, except to the extent that they are guaranteed;~~
 - ~~(3) other appropriations of profits;~~
 - ~~(4) shared commission and fees payable which are directly related to commission and fees receivable which are included within total revenue;~~
 - ~~(5) interest charges in respect of borrowings made to finance the acquisition of the firm's readily realisable investments;~~
 - ~~(6) interest paid to customers on client money;~~
 - ~~(7) interest paid to counterparties;~~
 - ~~(8) fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;~~
 - ~~(9) foreign exchange losses; and~~
 - ~~(10) other variable expenditure. [deleted]~~

- 11.3.5 G ~~The income statement (FSA030) should be completed on a cumulative basis, so that the final income statement in a *firm's* financial year (ie the period that ends on the *firm's accounting reference date*) relates to the entire year. [deleted]~~
- 11.3.6 R ~~The relevant fixed expenditure of a *firm* is:~~
- (1) ~~where its final income statement (FSA030) for the previous financial year does not relate to a twelve month period, an amount calculated in accordance with *IPRU(INV)* 11.3.4R, pro-rated so as to produce an equivalent twelve month amount; or~~
- (2) ~~where it has not completed twelve months' trading, an amount based on forecast expenditure included in the budget for the first twelve months' trading, as submitted with its application for *authorisation*. [deleted]~~
- 11.3.7 R ~~A *firm* must adjust its relevant fixed expenditure calculation so far as necessary to the extent that since the submission of its final income statement (FSA030) for the previous financial year or since the budget was prepared (if *IPRU(INV)* 11.3.6R(2) applies):~~
- (1) ~~its level of fixed expenditure changes materially; or~~
- (2) ~~the *regulated activities* comprised within its *permission* change. [deleted]~~
- 11.3.8 G ~~In *IPRU(INV)* 11.3.4R to *IPRU(INV)* 11.3.7R, fixed expenditure is expenditure which is inelastic relative to fluctuations in a *firm's* levels of business. Fixed expenditure is likely to include most salaries and staff costs, office rent, payment for the rent or lease of office equipment, and insurance *premiums*. It may be viewed as the amount of funds which a *firm* would require to enable it to cease business in an orderly manner, should the need arise. This is not an exhaustive list of such expenditure and a *firm* will itself need to identify which costs amount to fixed expenditure. [deleted]~~
- 11.3.9 R ~~If a *firm* has a material proportion of its expenditure incurred on its behalf by another *person* and such expenditure is not fully recharged by that *person*, then the *firm* must adjust its relevant fixed expenditure calculation by adding back in the whole of the difference between the amount of the expenditure and the amount recharged. [deleted]~~
- 11.3.10 G ~~Under *IPRU(INV)* 11.3.9R, the *FCA* would consider 10% of a *firm's* expenditure incurred on its behalf by other *persons* as material. [deleted]~~

Professional negligence

- 11.3.11 G A *firm* that manages an *AIF* *full-scope UK AIFM* should:

...

11.4 **Method of calculating initial capital and own funds [deleted]**

TABLE 11.4			
PART I			
<i>A firm must calculate its initial capital and own funds as shown below, subject to the detailed requirements set out in Part II.</i>			
Paragraph		Category	Part II
TIER 1			
(1)	Paid-up share capital (excluding preference shares)	A	2
(2)	Share premium account		
(3)	Audited reserves and interim profits		3 and 4
(4)	Non-cumulative preference shares		
(5)	<i>Eligible LLP members' capital</i>		5
Initial capital = A			
(6)	Investments in own shares	B	
(7)	Intangible assets		6
(8)	Material current year losses		7
(9)	<i>Excess LLP members' drawings</i>		
(10)	Material holdings in credit and financial institutions		8
Tier 1 capital = (A-B) =		C	
TIER 2			1(b)
(11)	Revaluation reserves	D	

(12)	Fixed term cumulative preference share capital		1(a)
(13)	Long term <i>qualifying subordinated loans</i>		1(a); 9
(14)	Other cumulative preference share capital and debt capital		
(15)	Qualifying arrangements		10
OWN FUNDS = (C+D) =		£	
PART II DETAILED REQUIREMENTS			
1	Ratios		
(a)	The total of fixed term cumulative preference share capital (item 12) and long term <i>qualifying subordinated loans</i> (item 13) that may be included in Tier 2 capital (D) is limited to 50 per cent of Tier 1 capital (C); and		
(b)	Tier 2 capital (D) must not exceed 100 per cent of Tier 1 capital (C).		
2	Non-corporate entities		
(a)	In the case of partnerships, the following terms should be substituted, as appropriate, for items 1 to 4 in <i>initial capital</i> :		
(i)	partners' capital accounts (excluding loan capital);		
(ii)	partners' current accounts (excluding unaudited profits and loan capital); and		
(iii)	proprietor's account (or other term used to signify the sole trader's capital but excluding unaudited profits).		
(b)	Loans other than <i>qualifying subordinated loans</i> shown within partners' or proprietors' accounts must be classified as Tier 2 capital under item 14.		
(c)	For the calculation of <i>initial capital</i> and <i>own funds</i> , partners' current accounts figures are subject to the following adjustments for of a <i>defined benefit occupational pension scheme</i> :		

	(i)	a <i>firm</i> must derecognise any <i>defined benefit</i> asset; and
	(ii)	a <i>firm</i> may substitute for <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in any one financial year.
Note		
A <i>firm</i> should keep a record of and be ready to explain to its supervisory contacts in the <i>FCA</i> the reasons for any difference between the <i>deficit reduction amount</i> and any commitment the <i>firm</i> has made in a public document to provide funding for a <i>defined benefit occupational pension scheme</i> .		
3	Audited Reserves (Item 3)	
For the calculation of <i>initial capital</i> and <i>own funds</i> , the following adjustments apply to the audited reserves figure:		
	(a)	a <i>firm</i> must deduct any unrealised gains or, where applicable, add back in any unrealised losses on cash flow hedges of <i>financial instruments</i> measured at cost or amortised cost;
	(b)	for a <i>defined benefit occupational pension scheme</i> , a <i>firm</i> must derecognise any <i>defined benefit asset</i> ; and
	(c)	a <i>firm</i> may substitute for a <i>defined benefit liability</i> the <i>firm's deficit reduction amount</i> . The election must be applied consistently in respect of any one financial year.
Note		
A <i>firm</i> should keep a record of, and be ready to explain to its supervisory contacts in the <i>FCA</i> , the reasons for any difference between the <i>deficit reduction amount</i> and any commitment the <i>firm</i> has made in a public document to provide funding for a <i>defined benefit occupational pension scheme</i> .		
	(d)	a <i>firm</i> must not include any unrealised gains from investment property.
Note		
Unrealised gains from investment property should be reported as part of revaluation reserves.		
	(e)	where applicable, a <i>firm</i> 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.
Note		
If the <i>firm</i> uses the exemption in Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) relating to the audit of accounts then it will not be able to include its reserves under this Item (3), unless it appoints an auditor.		
4	Interim profits (Item 3)	
Non <i>trading book</i> interim profits may only be included in Tier 1 of the calculation if they have been independently verified by the <i>firm's</i> auditor.		
For this purpose, the auditor should normally undertake at least the following:-		
	(a)	satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
	(b)	review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the <i>firm</i> in drawing up its annual financial statements;
	(c)	perform analytical review procedures on the results to date, including comparisons of actual performance to date with budget and with the results of prior periods;
	(d)	discuss with management the overall performance and financial position of the <i>firm</i> ;
	(e)	obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisions for bad and doubtful debts have been properly taken into account in arriving at the interim profits; and
	(f)	follow up problem areas of which the auditor is already aware in the course of auditing the <i>firm's</i> financial statements.
A <i>firm</i> wishing to include interim profits in Tier 1 capital must obtain a verification report signed by its auditor which states whether the interim results are fairly stated.		

<p>Profits on the sale of capital items or arising from other activities which are not directly related to the <i>designated investment business</i> of the <i>firm</i> may also be included within the calculation of <i>own funds</i> if they can be separately verified by the <i>firm's</i> auditor. Such profits can form part of the <i>firm's</i> Tier 1 capital as audited profits.</p>	
Note	
<p>If the <i>firm</i> uses the exemption in Part 16 of the Companies Act 2006 (section 477 (Small companies: Conditions for exemption from audit)) for the audit of accounts then it will not be able to include its interim profits under Item (3), unless it appoints an auditor.</p>	
5	Eligible LLP members' capital (Item 5)
<p>Members' capital of a <i>limited liability partnership</i> may only be included in <i>initial capital</i> (see item 5) if the conditions in <i>IPRU(INV)</i> Annex A 2.2R (Specific conditions for eligibility) and <i>IPRU(INV)</i> Annex A 2.3R (General conditions for eligibility) are satisfied.</p>	
6	Intangible assets (Item 7)
Intangible assets comprise:	
	(a) formation expenses to the extent that these are treated as an asset in the <i>firm's</i> accounts;
	(b) goodwill, to the extent that it is treated as an asset in the <i>firm's</i> accounts; and
	(c) other assets treated as intangibles in the <i>firm's</i> accounts.
7	Material current year losses (Item 8)
<p>Losses in current year operating figures must be deducted when calculating Tier 1 capital if such losses are material. For this purpose, profits and losses must be calculated quarterly, as appropriate. If this calculation reveals a net loss it shall only be deemed to be material for the purposes of this Table if it exceeds 10 per cent of the <i>firm's</i> Tier 1 capital.</p>	
8	Material holdings in credit and financial institutions (Item 10)

Material holdings comprise:	
(a)	where the <i>firm</i> holds more than 10 per cent of the equity share capital of a <i>credit institution</i> or <i>financial institution</i> , the value of that holding and the amount of any subordinated loans to that institution and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by that institution;
(b)	for holdings other than those mentioned in (a) above, the value of holdings of equity share capital in, and the amount of subordinated loans made to, such institutions and the value of holdings in <i>qualifying capital items</i> or <i>qualifying capital instruments</i> issued by such institutions to the extent that the total of such holdings and subordinated loans exceeds 10 per cent of the <i>firm's own funds</i> calculated before the deduction of item 10.
9	Long term <i>qualifying subordinated loans</i> (Item 13)
Loans having the characteristics prescribed by <i>IPRU(INV)</i> 11.5.1R may be included in item 13, subject to the limits in paragraph (1).	
10	Qualifying arrangements (Item 15)
A <i>firm</i> may only include an arrangement in item 15 if it is a <i>qualifying capital instrument</i> or a <i>qualifying capital item</i> .	
[deleted]	

11.5 **Qualifying subordinated loans [deleted]**

Characteristics of long term qualifying subordinated loans

- 11.5.1 R A long term *qualifying subordinated loan* (item (13) of Table 11.4) must have the following characteristics:
- (1) the loan is repayable only on maturity or on the expiration of a period of notice under (3) below, or on the winding up of the *firm*;
 - (2) in the event of the winding up of the *firm*, the loan ranks after the claims of all other creditors and is not to be repaid until all other debts outstanding at the time have been settled;

- (3) either:
 - (a) the minimum original maturity of the loan is five years; or
 - (b) the loan does not have a minimum or fixed maturity but requires five years notice of repayment; and
- (4) the loan is fully paid up. [deleted]

[Note: article 4(1)(ad) of AIFMD, article 2(1)(l) of the UCITS Directive and article 64(3) of the Banking Consolidation Directive]

Amount allowable in the calculation of own funds

- 11.5.2 R ~~A firm may only take into account the paid up amount of a long term qualifying subordinated loan in the calculation of its own funds. This amount must be amortised on a straight line basis over the five years prior to the date of repayment. [deleted]~~

[Note: article 4(1)(ad) of AIFMD, article 2(1)(l) of the UCITS Directive and article 64(3)(e) of the Banking Consolidation Directive]

Form of qualifying subordinated loan agreement

- 11.5.3 R ~~A qualifying subordinated loan must be in the form prescribed for Chapter 5 of IPRU(INV) by Annex D to IPRU(INV) with the following changes:~~
- (1) the reference to “Chapter 5” in Recital B on page 2 deleted and replaced with “Chapter 11”; and
 - (2) the references to “rule 5.2.1(1) of Chapter 5” in clause 3(b) (Interest) deleted and replaced with “rule 11.2.1 (collective portfolio management firm) of Chapter 11”. [deleted]

Requirements on a firm in relation to qualifying subordinated loans

- 11.5.4 R ~~A firm including a qualifying subordinated loan in its calculation of own funds must not:~~
- (1) secure all or any part of the loan; or
 - (2) redeem, purchase or otherwise acquire any of the liabilities of the borrower in respect of the loan; or
 - (3) amend or concur in amending the terms of the loan agreement; or
 - (4) repay all or any part of the loan otherwise than in line with the terms of the loan agreement; or
 - (5) take or omit to take any action which may terminate, impair or adversely affect the subordination of the loan or any part thereof. [deleted]

11.6 Additional requirements for collective portfolio management investment firms

- 11.6.1 G A collective portfolio management investment firm is required to comply with the applicable requirements of either of the following sourcebooks in addition to complying with IPRU(INV) 11:
- (1) GENPRU and BIRPU if it is a BIPRU firm; or
 - (2) IFPRU if it is IFPRU investment firm.
- 11.6.2 G A collective portfolio management investment firm may undertake the following MiFID business: portfolio management; investment advice; safekeeping and administration in relation to shares or units of collective investment undertakings; and (if it is an AIFM investment firm) reception and transmission of orders in relation to financial instruments. Subject to the conditions that the firm is not authorised to provide safekeeping and administration in relation to shares or units of collective investment undertakings and is not permitted to hold client money or client assets in relation to its MiFID business (and for that reason may not at any time place themselves in debt with those clients) competent authorities may allow the firm to stay on the capital requirements that would be binding on that firm as at 31 December 2013 under the Banking Consolidation Directive and the Capital Adequacy Directive (in line with article 95(2) of the EU CRR). The FCA has exercised this derogation and as such, a firm meeting those conditions is a BIPRU firm. If the conditions set out above are not met, a collective portfolio management investment firm is an IFPRU investment firm.
- 11.6.3 G A collective portfolio management investment firm is required to comply with the applicable requirements of the sourcebooks set out in IPRU(INV) 11.6.1R in parallel with its requirements under IPRU(INV) 11. This means that a capital instrument may be used to meet either or both sets of requirements provided it meets the conditions set out in the relevant sourcebook.
- 11.6.4 G (1) When a collective portfolio management investment firm that is a BIPRU firm calculates the credit risk capital requirement and the market risk capital requirement for the purpose of calculating the variable capital requirement under GENPRU 2.1.40R it must do so only in respect of designated investment business. For this purpose managing an AIF or managing a UCITS is excluded from designated business.
- (2) In the main, BIPRU only applies to a collective portfolio management investment firm that is a BIPRU firm in respect of its designated investment business (excluding managing an AIF and managing a UCITS). However BIPRU 2.2 (Internal capital adequacy standards), BIPRU 2.3 (Interest rate risk in the non-trading book), BIPRU 8 (Group risk - consolidation) and BIPRU 11 (Disclosure)

apply to the whole of its business.

- 11.6.5 G (1) When a *collective portfolio management investment firm* that is an *IFPRU investment firm* calculates the total risk exposure amount in article 92(3) of the *EU CRR*, the *own funds requirements* referred to in article 92(3)(a) (Risk weighted exposure amount for credit risk and dilution risk) and article 92(3)(b) (Risk weighted exposure amount for position risk) should include only those arising from its *designated investment business*. For this purpose, *managing an AIF* or *managing a UCITS* is excluded from *designated investment business*.
- (2) Generally, *IFPRU* only applies to the *designated investment business* (excluding *managing an AIF* and *managing a UCITS*) of a *collective portfolio management investment firm* that is an *IFPRU investment firm*. However: *IFPRU 2.2* (Internal capital adequacy standards) and *IFPRU 2.3* (Supervisory review and evaluation process: Internal capital adequacy standards) apply to the whole of its business.

11.7 Capital reporting

- 11.7.1 G The reporting requirements in respect of capital adequacy for a *collective portfolio management firm* and a *collective portfolio management investment firm* are set out in *SUP 16.12* (Integrated regulatory reporting). In summary, the relevant capital adequacy forms for its business of *managing an AIF* or *managing a UCITS* are as follows:
- (1) a *collective portfolio management firm* is required to submit FIN066 (and FSA042 if it is a *UCITS firm*);
- (2) a *collective portfolio management investment firm* that is an *IFPRU investment firm* is required to submit FIN067 (and FSA042 if it is a *UCITS investment firm*) and report using COREP; and
- (3) a *collective portfolio management investment firm* that is an *BIPRU firm* is required to submit FIN068 (and FSA042 if it is a *UCITS investment firm*) and FSA003.

Annex E

Amendments to the Supervision manual (SUP)

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

16 Annex 24R Data items for SUP 16.12

FIN066 and FIN067 are deleted and replaced with the following forms (the text of these forms is new and is not underlined).

FIN066 - Capital adequacy (for collective portfolio management firms)

	Currency Reporting Currency		Currency Units Thousands																																																																										
	Regulatory Capital			A	B																																																																								
	<i>Core Equity Tier 1</i>																																																																												
1	Paid up capital instruments																																																																												
2	Share premium																																																																												
3	Retained earnings																																																																												
4	Other reserves																																																																												
5	All other CET1 capital elements																																																																												
6	Deductions / Adjustments from CET1																																																																												
7	TOTAL																																																																												
	<i>Additional Tier 1</i>																																																																												
8	AT1 Capital elements																																																																												
9	Deductions / Adjustment from AT1																																																																												
10	TOTAL																																																																												
	<i>Tier 2</i>																																																																												
11	Subordinated loans																																																																												
12	Other T2 capital elements																																																																												
13	Deductions / Adjustments from T2																																																																												
14	TOTAL																																																																												
15	OWN FUNDS																																																																												
	Regulatory capital tests																																																																												
	<i>Own funds test for collective portfolio management firms</i>																																																																												
16	Own funds																																																																												
	Higher of:																																																																												
17	Funds under management requirement																																																																												
	and																																																																												
18	Fixed overheads requirement																																																																												
19	+ (either) Professional negligence capital requirement																																																																												
20	+ (or) PII capital requirement																																																																												
21	Total capital requirement																																																																												
22	Surplus / deficit of own funds																																																																												
	<i>Liquid assets test</i>																																																																												
23	Liquid assets requirement																																																																												
24	Liquid assets held																																																																												
25	Surplus / deficit of liquid assets																																																																												
	Professional indemnity insurance																																																																												
26	Specify whether your firm holds additional own funds or PII in accordance with regulatory requirements																																																																												
27	If PII is held, provide the following policy details																																																																												
	<table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 10%;">A</th> <th style="width: 10%;">B</th> <th style="width: 10%;">C</th> <th style="width: 10%;">D</th> <th style="width: 10%;">E</th> <th style="width: 10%;">F</th> <th style="width: 10%;">G</th> <th style="width: 10%;">H</th> <th style="width: 10%;">J</th> <th style="width: 10%;">K</th> <th style="width: 10%;">L</th> <th style="width: 10%;">M</th> </tr> <tr> <th colspan="10">PII Basic information</th> <th colspan="3">PII detailed information</th> </tr> <tr> <th>PII policy</th> <th>Annualised premium</th> <th>Insurer (from list)</th> <th>Start date</th> <th>Renewal date</th> <th>Currency of indemnity limits</th> <th colspan="2">Limit of indemnity required</th> <th colspan="2">Limit of indemnity received</th> <th>Business line (from list)</th> <th>Policy excess</th> <th>Policy exclusions</th> </tr> <tr> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th>Single</th> <th>Aggregate</th> <th>Single</th> <th>Aggregate</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1</td> <td></td> </tr> </tbody> </table>		A	B	C	D	E	F	G	H	J	K	L	M	PII Basic information										PII detailed information			PII policy	Annualised premium	Insurer (from list)	Start date	Renewal date	Currency of indemnity limits	Limit of indemnity required		Limit of indemnity received		Business line (from list)	Policy excess	Policy exclusions							Single	Aggregate	Single	Aggregate				1																							
	A	B	C	D	E	F	G	H	J	K	L	M																																																																	
PII Basic information										PII detailed information																																																																			
PII policy	Annualised premium	Insurer (from list)	Start date	Renewal date	Currency of indemnity limits	Limit of indemnity required		Limit of indemnity received		Business line (from list)	Policy excess	Policy exclusions																																																																	
						Single	Aggregate	Single	Aggregate																																																																				
1																																																																													

FIN067 - Capital adequacy - supplemental (for collective portfolio management investment firms subject to IFPRU)

Currency Reporting Currency Currency Units Thousands

Special Instructions

To be inserted here as applicable

Regulatory capital tests		A
1	Own funds	<input type="text"/>
	Higher of:	
	Higher of:	
2	Funds under management requirement	<input type="text"/>
	and	
3	Fixed overheads requirement	<input type="text"/>
4	+ (either) Professional negligence capital requirement	<input type="text"/>
5	+ (or) PII capital requirement	<input type="text"/>
6	Subtotal	<input type="text"/>
	and	
7	Own funds requirements	<input type="text"/>
8	Total requirement	<input type="text" value="0"/>
9	Surplus / (deficit) of financial resources	<input type="text" value="0"/>
Liquid assets test		
10	Liquid assets requirement	<input type="text"/>
11	Liquid assets held	<input type="text"/>
12	Surplus / deficit of liquid assets	<input type="text"/>
Professional indemnity insurance		
13	Specify whether your firm holds additional own funds or PII in accordance with regulatory requirements	<input type="text"/>
14	<i>If PII is held, provide the following policy details</i>	

PII policy	PII Basic information						PII detailed information					
	A	B	C	D	E	F	G	H	J	K	L	M
	Annualised premium	Insurer (from list)	Start date	Renewal date	Currency of indemnity limits	Limit of indemnity required Single	Limit of indemnity required Aggregate	Limit of indemnity received Single	Limit of indemnity received Aggregate	Business line (from list)	Policy excess	Policy exclusions

FIN068 is added as follows (the text is new and is not underlined).

FIN068 - Capital adequacy - supplemental (for collective portfolio management investment firms subject to BIPRU)

	Currency Reporting Currency	Currency Units Thousands												
Regulatory Capital														
<i>Core Equity Tier 1</i>														
1	Paid up capital instruments		A	B										
2	Share premium													
3	Retained earnings													
4	Other reserves													
5	All other CET1 capital elements													
6	Deductions / Adjustments from CET1													
7	TOTAL													
<i>Additional Tier 1</i>														
8	AT1 Capital elements													
9	Deductions / Adjustment from AT1													
10	TOTAL													
<i>Tier 2</i>														
11	Subordinated loans													
12	Other T2 capital elements													
13	Deductions / Adjustments from T2													
14	TOTAL													
15	OWN FUNDS													
Regulatory capital tests														
<i>Own funds test - AIFMD business</i>														
16	Own funds													
Higher of:														
17	Funds under management requirement and													
18	Fixed overheads requirement													
19	+ (either) Professional negligence capital requirement													
20	+ (or) PII capital requirement													
21	Total capital requirement													
22	Surplus / deficit of own funds													
<i>Liquid assets test - AIFMD business</i>														
23	Liquid assets requirement													
24	Liquid assets held													
25	Surplus / deficit of liquid assets													
<i>MFID business</i>														
26	Own funds													
27	Variable capital requirement													
28	Surplus (deficit)													
Professional indemnity insurance														
29	Specify whether your firm holds additional own funds or PII in accordance with regulatory requirements													
30	If PII is held, provide the following policy details													
	A	B	C	D	E	F	G	H	J	K	L	M		
	PII Basic information									PII detailed information				
PII policy	Annualised premium	Insurer (from list)	Start date	Renewal date	Currency of indemnity limits	Limit of indemnity required Single	Limit of indemnity required Aggregate	Limit of indemnity received Single	Limit of indemnity received Aggregate	Business line (from list)	Policy excess	Policy exclusions		
1														

Amend the following as shown.

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

...

FIN066 – Capital Adequacy (for *collective portfolio management firms*)

...

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Regulatory capital		
	1 to 19 <u>15</u>	The figures in this section should be consistent with those submitted in FSA029 for the same reporting period.
Regulatory capital test		
<i>Own funds test for collective portfolio management firms</i>		
Own funds	20B <u>16B</u>	The amount of <i>own funds</i> calculated in line with <i>IPRU(INV)</i> 11.4 article 4(1)(118) of the <i>EU CRR</i> . This is the figure entered at 19B <u>15B</u> .
Funds under management requirement	21B <u>17B</u>	...
Fixed overheads requirement	22B <u>18B</u>	This is one quarter of the annualised fixed expenditure calculated in line with <i>IPRU(INV)</i> 11.3.3R <u>11.3.3AEU</u> . The amount to be entered in this element is calculated using elements 30 to 42 in the fourth quarter of the preceding financial year. Each of the four quarters in any financial year should use the figure calculated in the fourth quarter of the preceding year. Where there was no preceding year, the figure entered is that determined in line with <i>IPRU(INV)</i> 11.3.6R.
Professional negligence capital requirement	23B <u>19B</u>	The amount of additional <i>own funds</i> used to cover potential liability risks arising from professional negligence for <i>AIFM</i> activities in lieu of professional indemnity insurance, as per <i>IPRU(INV)</i> 11.3.11G(1)(a). When calculating this amount, <i>firms</i> should include the amount of any assets under management that are delegated to the firm by mandate, see <i>IPRU(INV)</i> 11.3.14EU. Note that this treatment is different from that prescribed for the <i>funds under management requirement</i> (see the guidance in line 21B <u>17B</u>).

		If a firm makes an entry in <u>23B 19B</u> it should not make an entry in <u>24B 20B</u> .
PII capital requirement	<u>24B 20B</u>	The amount of any additional <i>own funds</i> required to cover any defined excess and exclusions in the insurance policy, as required by <i>IPRU(INV)</i> 11.3.11G(1)(b). If a firm makes an entry in <u>24B 20B</u> it should not make an entry in <u>23B 19B</u> .
Total capital requirement	<u>25B 21B</u>	This is the higher of <u>21B 17B</u> and <u>22B 18B</u> , plus either <u>23B 19B</u> or <u>24B 20B</u> .
Surplus / deficit of own funds	<u>26B 22B</u>	This is <u>20B 16B</u> less <u>25B 21B</u> .
<i>Liquid assets test</i>		
Liquid assets requirement	<u>27B 23B</u>	...
Liquid assets held	<u>28B 24B</u>	...
Surplus / deficit of liquid assets	<u>29B 25B</u>	This is <u>28B 24B</u> less <u>27B 23B</u> .
Calculation of relevant annual expenditure for forthcoming year		
	30 to 42	This section of the data item must be completed when the reporting period end date is equal to the <i>firm's</i> accounting reference date, ie the fourth quarter. This does not need to be completed during the other three quarters. Where appropriate, figures entered should match those on FSA030 for the same reporting period. When, as per <i>IPRU(INV)</i> 11.3.6R(2), the <i>firm</i> is using projected figures, these should be entered in this section.
Total expenditure (per income statement)	30B	This should be the amount entered in element 22A of FSA030 for the same reporting period. FSA030 should be completed on a cumulative basis, so the amounts entered in the fourth quarter represent the entire financial year up to the accounting reference date.
Deductions from expenditure	31A to 40A	Deductions from expenditure should be made in line with <i>IPRU(INV)</i> 11.3.4R
Relevant fixed expenditure	41B	This is 30B less the sum of 31A to 40A
Relevant annualised fixed expenditure	42B	If the figures submitted in FSA030 for the period ending on the <i>firm's</i> accounting reference date do not include twelve month's trading, then the amount calculated in 41B must be pro-rated to an equivalent annual amount. This situation may occur if the <i>firm</i> has changed its accounting reference date. Where a <i>firm</i> has not completed a full year since the commencement of its permitted business, an amount based on forecast expenditure included in its budget

		for the first twelve months' trading, as submitted with its application for membership, should be entered.
Professional Indemnity Insurance		
Specify whether your firm holds additional own funds or PII in accordance with IPRU(INV) 7.3.12R regulatory requirements	43B <u>26B</u>	...
<i>PII Basic information</i>		
	44 <u>27</u>	...
Annualised premium	44A <u>27A</u>	...
Insurer (from list)	44B <u>27B</u>	...
Start date	44C <u>27C</u>	...
Renewal date	44D <u>27D</u>	...
Currency of indemnity limits	44E <u>27E</u>	Using the appropriate International Organization for Standardization ISO 4217 three digit code (eg, GBP), enter the currency in which the indemnity limits in fields 44F <u>27F</u> to 44J <u>27J</u> are reported.
Limit of indemnity required: single	44F <u>27F</u>	...
Limit of indemnity required: aggregate	44G <u>27G</u>	...
Limit of indemnity received: single	44H <u>27H</u>	...
Limit of indemnity received: aggregate	44J <u>27J</u>	...
<i>PII detailed information</i>		
Business line (from list)	44K <u>27K</u>	... Where the policy contains different excesses for different business lines, <i>firms</i> should identify these business lines from the list (or the closest equivalent) and report the (highest) excess for that business line in data element 44L <u>27L</u> . Once these 'non-standard' excesses have been identified, the remaining business lines should be reported under 'All other'.
Policy excess	44L <u>27L</u>	... In line with <i>IPRU(INV)</i> 11.3.11G(1)(b), a <i>firm</i> should include additional own funds sufficient to cover the highest excess in the amount reported in 24B <u>20B</u> .
Policy exclusions	44M <u>27M</u>	... In line with <i>IPRU(INV)</i> 11.3.11G(1)(b), a <i>firm</i> should

		include additional own funds sufficient to cover any liabilities arising in the amount reported in 24B <u>20B</u> .
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FIN066 – Capital Adequacy (for *collective portfolio management firms*) validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data element		
1	6B <u>7B</u>	=	$\Sigma(1B:\del{5B}6B)$
2	12B <u>10B</u>	=	$\Sigma(\del{7A:11A})\del{8B} - 9B$
3	13B <u>14B</u>	=	$\del{6B}\Sigma(11B:12B) - \del{12B}13B$
4	19B <u>15B</u>	=	$\Sigma(\del{13B:18B})\del{7B} + 10B + 14B$
5	20B <u>16B</u>	=	19B <u>15B</u>
6	25B <u>21B</u>	=	(higher of 24B <u>17B</u> and 22B <u>18B</u>) + 23B <u>19B</u> + 24B <u>20B</u>
7	26B <u>22B</u>	=	20B <u>16B</u> - 25B <u>21B</u>
8	25B	=	24B - 23B
10	41B	=	30B - $\Sigma(\del{31A:40A})$

External validations

~~Validation number~~ ~~Data element~~

~~1~~ ~~30B~~ = ~~FSA030.22A~~

FIN067 – Capital adequacy – supplemental (for *collective portfolio management investment firms subject to IFPRU*)

Introduction

FIN067 provides a framework for the collection of prudential information required by the *FCA* for its supervision activities. The data item is intended to reflect the underlying prudential requirements in *GENPRU* ~~2.1.63R~~ to ~~2.1.74R~~ *IPRU(INV)* 11 and *IFPRU* and allows monitoring against those requirements.

...

Data Elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Own funds	1A	This amount should be equal to the figure entered in element 57A of FSA003 <u>the appropriate fields under COREP</u> for the same reporting period.
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...		
Fixed overheads requirement	3A	The amount calculated in line with GENPRU 2.1.53R <u>IPRU(INV) 11.3.3AEU</u> . The amount should equal element 104A on FSA003 <u>the appropriate fields under COREP</u> for the same reporting period.
Professional negligence capital requirement	4A	The amount of additional <i>own funds</i> used to cover potential liability risks arising from professional negligence in relation to <i>AIFM</i> activities in lieu of professional indemnity insurance, as per GENPRU 2.1.67G(1)(a) <u>IPRU(INV) 11.3.11G(1)(a)</u> . When calculating this amount, <i>firms</i> should include the amount of any assets under management that are delegated to the firm by mandate, as set out in GENPRU 2.1.70EU <u>IPRU(INV) 11.3.14EU</u> . Note that this treatment is different from that prescribed for the <i>funds under management requirement</i> (see the guidance in line 2A).
PII capital requirement	5A	The amount of any additional <i>own funds</i> required to cover any defined excess and exclusions in the insurance policy, as required by GENPRU 2.1.67G(1)(b) <u>IPRU(INV) 11.3.11G(1)(b)</u> .
Subtotal	6A	This is higher of 2A and 3A plus 4A or 5A.
Variable capital requirement <u>Own funds requirements</u>	6A 7A	The amount of <u>own funds requirements</u> calculated in line with GENPRU 2.1.45R <u>article 92 of the EU CRR</u> . The amount should equal element 70A on FSA003 <u>the appropriate fields under COREP</u> for the same reporting period.
Total requirement	7A 8A	This is the higher of 2A and 3A plus 4A or 5A, <u>6A and 7A</u> .
Surplus / deficit of own funds	8A 9A	This is 1A less 7A <u>8A</u> .
Liquid assets test		
Liquid assets requirement	9A 10A	The amount of <i>own funds</i> required by GENPRU 2.1.64R <u>IPRU(INV) 11.2.1R(3)</u> .
Liquid assets held	10A 11A	...
Surplus / deficit of liquid assets	11A 12A	This is 10A <u>11A</u> less 9A <u>10A</u> .
Professional Indemnity Insurance		
Does your firm hold additional own funds or PII in accordance with GENPRU 2.1.67G <u>regulatory requirements</u>	12A 13A	...

<i>PII Basic information</i>		
	13 <u>14</u>	...
Annualised premium	13A <u>14A</u>	...
Insurer (from list)	13B <u>14B</u>	...
Start date	13C <u>14C</u>	...
Renewal date	13D <u>14D</u>	...
Currency of indemnity limits	13E <u>14E</u>	Using the appropriate International Organization for Standardization ISO 4217 three digit code (eg, GBP), enter the currency in which the indemnity limits, in fields 13F <u>14F</u> to 13J <u>14J</u> are reported.
Limit of indemnity required: single	13F <u>14F</u>	You should record here the required indemnity limits on the <i>firm's</i> PII policy or policies for single claims. A <i>firm</i> should calculate this amount with reference to GENPRU 2.1.71EU <u>IPRU(INV) 11.3.15EU</u> and include the amount of any assets under management that are delegated to the firm by mandate. ...
Limit of indemnity required: aggregate	13G <u>14G</u>	You should record here the required indemnity limits on the <i>firm's</i> PII policy or policies, in aggregate. A <i>firm</i> should calculate this amount with reference to GENPRU 2.1.71EU <u>IPRU(INV) 11.3.15EU</u> and include the amount of any assets under management that are delegated to the firm by mandate. ...
Limit of indemnity received: single	13H <u>14H</u>	...
Limit of indemnity received: aggregate	13J <u>14J</u>	...
<i>PII detailed information</i>		
Business line (from list)	13K <u>14K</u>	For policies that cover all business lines, <i>firms</i> should select 'All' from the list provided. Where the policy contains different excess for different business lines, <i>firms</i> should identify these business lines from the list (or the closest equivalent) and report the (highest) excess for that business line in data element 13L <u>14L</u> . Once these 'non-standard' excesses have been identified, the remaining business lines should be reported under 'All other'.
Policy excess	13L <u>14L</u>	... In line with GENPRU 2.1.67G(1)(b) <u>IPRU(INV) 11.3.11G(1)(b)</u> , a <i>firm</i> should include additional own funds sufficient to cover the highest excess in the

		amount reported in 5A.
Policy exclusions	13M <u>14M</u>	... In line with GENPRU 2.1.67G(1)(b) <u>IPRU(INV) 11.3.11G(1)(b)</u> , a firm should include additional own funds sufficient to cover any liabilities arising in the amount reported in 5A.

FIN067 – Capital adequacy – supplemental (for *collective portfolio management investment firms* subject to IFPRU) validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data element		
1	7A <u>6A</u>	=	Higher of ((Higher of 2A and 3A) + 4A + 5A) and 6A
<u>2</u>	<u>8A</u>	=	<u>Higher of 6A and 7A</u>
<u>23</u>	8A <u>9A</u>	=	1A – 7A <u>8A</u>
<u>34</u>	11A <u>12A</u>	=	10A <u>11A – 9A</u> <u>10A</u>

External validations

Validation number	Data element		
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1	1A	=	FSA003.57A
2	3A	=	FSA003.104A
3	6A	=	FSA003.70A

The following text is new and is not underlined.

FIN068 – Capital Adequacy - supplemental (for *collective portfolio management investment firms* subject to GENRPU/BIPRU)

Introduction

FIN068 provides a framework for the collection of prudential information required by the FCA for its supervision activities. The data item is intended to reflect the underlying prudential requirements in *IPRU(INV)* 11 and GENRPU/BIPRU and allows monitoring against those requirements.

Defined terms

Where terms used in these notes are defined by the Companies Act 2006, as appropriate, or the provisions of the firm's accounting framework (usually UK GAAP or IFRS) they should have that meaning. The descriptions in these notes are designed to repeat, summarise or

amplify the relevant statutory or other definitions and terminology without departing from their full meaning or effect.

- The data item should comply with the principles and requirements of the *firm's* accounting framework, which will generally be UK GAAP (including relevant provisions of the Companies Act 2006 as appropriate) or *IFRS*.
- The data item should be completed on an unconsolidated basis.
- The data item should be in agreement with the underlying accounting records.
- Accounting policies should be consistent with those adopted in the *firm's annual report and accounts* and consistently applied.
- Information required should be prepared in line with generally accepted accounting standards.
- The data item should not give a misleading impression of the *firm*. A data item is likely to give a misleading impression if a *firm* wrongly omits or includes a material item or presents a material item in the wrong way.

Currency

You should report in the currency of your annual audited accounts, ie in Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Figures should be reported in 000s.

Data elements

These are referred to by row first, then by column, so data element 2B will be the element numbered 2 in column B.

Regulatory capital		
	1 to 15	The figures in this section should be consistent with those submitted in FSA003 for the same reporting period.
Regulatory capital tests		
<i>Own funds test – AIFMD business</i>		
Own funds	16B	The amount of <i>own funds</i> calculated in line with article 4(1)(118) of the <i>EU CRR</i> . This is the figure entered at 15B.
Funds under management requirement	17B	Up to a maximum of €10,000,000, this is the <i>base capital resources requirement</i> plus 0.02% of the amount by which the <i>firm's funds under management</i> exceeds €250,000,000. If the data item is not submitted with figures in Euros, then the figure should be converted to the currency of the submission using the closing mid-market rate of exchange on the reporting period end date. The appropriate definition of <i>funds under management</i> to be used in this calculation is that set out in the <i>FCA Handbook Glossary of definitions</i> .
Fixed overheads requirement	18B	This is one quarter of the annualised fixed expenditure calculated in line with <i>IPRU(INV) 11.3.3AEU</i> .

Professional negligence capital requirement	19B	<p>The amount of additional <i>own funds</i> used to cover potential liability risks arising from professional negligence for <i>AIFM</i> activities in lieu of professional indemnity insurance, as per <i>IPRU(INV)</i> 11.3.11G(1)(a).</p> <p>When calculating this amount, <i>firms</i> should include the amount of any assets under management that are delegated to the firm by mandate, see <i>IPRU(INV)</i> 11.3.14EU. Note that this treatment is different from that prescribed for the <i>funds under management requirement</i> (see the guidance in line 17B).</p> <p>If a firm makes an entry in 19B it should not make an entry in 20B.</p> <p>This entry is only relevant for <i>full-scope UK AIFMs</i> and should be left blank if the <i>firm</i> is not a <i>full-scope UK AIFM</i>.</p>
PII capital requirement	20B	<p>The amount of any additional <i>own funds</i> required to cover any defined excess and exclusions in the insurance policy, as required by <i>IPRU(INV)</i> 11.3.11G(1)(b).</p> <p>If a firm makes an entry in 20B it should not make an entry in 19B.</p> <p>This entry is only relevant for <i>full-scope UK AIFMs</i> and should be left blank if the <i>firm</i> is not a <i>full-scope UK AIFM</i>.</p>
Total capital requirement	21B	This is the higher of 17B and 18B, plus either 19B or 20B.
Surplus / deficit of own funds	22B	This is 16B less 21B.
<i>Liquid assets test – AIFMD business</i>		
Liquid assets requirement	23B	For a <i>collective portfolio management firm</i> , this is the amount required by <i>IPRU(INV)</i> 11.2.1R(3).
Liquid assets held	24B	This is the amount of liquid assets held by the <i>firm</i> at the reporting date. Assets are regarded as liquid if they are readily convertible to cash within one month. This figure must not include speculative positions.
Surplus / deficit of liquid assets	25B	This is 24B less 23B.
<i>Own funds tests – MiFID business</i>		
Own funds	26B	This amount should be equal to the figure entered in element 57A of FSA003 for the same reporting period.
Variable capital requirement	27B	The amount calculated in line with <i>GENPRU</i> 2.1.45R. The amount should equal element 70A on FSA003 for the same reporting period.

Surplus (deficit)	28B	This is 26B less 27B.
Professional Indemnity Insurance		
Specify whether your firm holds additional own funds or PII in accordance with regulatory requirements	29B	The <i>firm</i> should report either “Own funds” or “PII”. Where a <i>firm</i> has PII but also holds <i>own funds</i> to cover any excesses and/or exclusions on the policy, the <i>firm</i> should report “PII”.
<i>PII Basic information</i>		
	30	<i>Firms</i> should enter details on all relevant PII policies, using a separate line for each policy. A <i>firm</i> may satisfy its requirements for professional indemnity insurance with a policy that also provides cover to one or more entities other than the <i>firm</i> , provided the policy satisfies the conditions of the <i>AIFMD level 2 regulation</i> in respect of the <i>firm</i> , exclusive of the cover provided to other entities by the policy. If such a policy is held, each <i>firm</i> covered by the policy should include the policy information on their return.
Annualised premium	30A	This should state the premium payable (in descending order of size, where relevant), net of tax and any other add-ons. If the premium covers a period other than 12 months, it should be annualised before ranking.
Insurer (from list)	30B	Select the PII insurer from the list provided. If you have more than one policy with the same insurer, they should be combined. If the insurer is not listed, select ‘Other’. If a policy is underwritten by more than one insurance undertaking or Lloyd's syndicate, you should select ‘multiple’.
Start date	30C	Enter the start date of the policy.
Renewal date	30D	Enter the renewal date of the policy.
Currency of indemnity limits	30E	Using the appropriate International Organization for Standardization ISO 4217 three digit code (eg, GBP), enter the currency in which the indemnity limits in fields 30F to 30J are reported.
Limit of indemnity required: single	30F	You should record the required indemnity limits on the <i>firm's</i> PII policy or policies, in relation to single claims. A <i>firm</i> should calculate this amount with reference to <i>IPRU(INV) 11.3.15EU</i> and include the amount of any assets under management that are delegated to the firm by mandate. Where these are denominated in a currency other than the currency of the report, the figure should be converted to the currency of the submission using the closing mid-market rate of exchange on the reporting period end date.
Limit of indemnity required: aggregate	30G	You should record here the required indemnity limits on the <i>firm's</i> PII policy or policies, in aggregate. A

		<p><i>firm</i> should calculate this amount with reference to <i>IPRU(INV)</i> 11.3.15EU and include the amount of any assets under management that are delegated to the firm by mandate.</p> <p>Where these are denominated in a currency other than the currency of the report, the figure should be converted to the currency of the submission using the closing mid-market rate of exchange on the reporting period end date.</p>
Limit of indemnity received: single	30H	<p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, received in relation to single claims.</p> <p>Where these are denominated in a currency other than the currency of the report, the figure should be converted to the currency of the submission using the closing mid-market rate of exchange on the reporting period end date.</p>
Limit of indemnity received: aggregate	30J	<p>You should record here the indemnity limits on the <i>firm's</i> PII policy or policies, received in aggregate.</p> <p>Where these are denominated in a currency other than the currency of the report, the figure should be converted to the currency of the submission using the closing mid-market rate of exchange on the reporting period end date.</p>
<i>PII detailed information</i>		
Business line (from list)	30K	<p>For policies that cover all business lines, <i>firms</i> should select 'All' from the list provided.</p> <p>Where the policy contains different excesses for different business lines, <i>firms</i> should identify these business lines from the list (or the closest equivalent) and report the (highest) excess for that business line in data element 30L. Once these 'non-standard' excesses have been identified, the remaining business lines should be reported under 'All other'.</p>
Policy excess	30L	<p>For policies that cover all business lines with no difference in excesses, this should be the excess applicable. Otherwise, it should contain the highest excess for each business line that differs.</p> <p>In line with <i>IPRU(INV)</i> 11.3.11G(1)(b), a <i>firm</i> should include additional own funds sufficient to cover the highest excess in the amount reported in 20B.</p>
Policy exclusions	30M	<p>If there are exclusions in the <i>firm's</i> PII policy, the business type(s) to which they relate should be selected here from the list provided.</p>

		In line with <i>IPRU(INV)</i> 11.3.11G(1)(b), a <i>firm</i> should include additional own funds sufficient to cover any liabilities arising in the amount reported in 20B.
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FIN068 – Capital Adequacy (for *collective portfolio management investment firms*) validations

Internal validations

Data elements are referenced by row, then column.

Validation number	Data element		
1	7B	=	$\Sigma(1B:6B)$
2	10B	=	9B-8B
3	14B	=	$\Sigma(11B:12B) - 13B$
4	15B	=	7B + 10B + 14B
5	16B	=	15B
6	21B	=	(higher of 17B and 18B) + 19B + 20B
7	22B	=	16B – 21B
8	25B	=	24B – 23B
9	28B	=	26B – 27B

External validations

Validation number	Data element		
1	26B	=	FSA003.57A
2	27B	=	FSA003.60A

Amend the following as shown.

TP 1.8 AIFMD

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: date in force	Handbook provisions: coming into force
1	The changes to SUP 16.12 set out in Annex M of the Alternative	R	(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex Annexes listed in	...	...

	Investment Fund Managers Directive Instrument 2013, other than those relating to FSA041 and Annex E of the <u>CRD (AIFMD and UCITS Consequential Amendments) Instruments 2013</u> .		column (2) do not apply...		
2	The changes to SUP 16.12 set out in Annex M of the Alternative Investment Fund Managers Directive Instrument 2013, other than those relating to FSA041 and Annex E of the <u>CRD (AIFMD and UCITS Consequential Amendments) Instrument 2013</u> .	R	(1) Where a <i>firm</i> meets the conditions in (2) the changes effected by the Annex <u>Annexes</u> listed in column (2) do not apply...	From 22 July 2013 until 30 January 2014 <u>22 July 2014</u>	...



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