

# MIFIDPRU Application Forms

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## Common questions for all MIFIDPRU application forms<sup>1</sup>

Name of Senior Manager responsible for this application:

### Group Applications

Where applicable, please list all the authorised firms in the group in respect of which this application is also being made.

Firm Reference Number (FRN)	Firm Name

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<sup>1</sup> *Editor's note:* These questions will supplement the common firm-specific information on our systems.

## MIFIDPRU 2 Annex 1R Applications under MIFIDPRU 2.3.3R

### Part A – Individual exemption from disclosure requirements in MIFIDPRU [8] for SNI firms in consolidated insurance groups

- Please confirm that the applicant firm is a small and non-interconnected investment firm (SNI) by providing the following information.

*Note: Please refer to MIFIDPRU 1.2.1R which sets out the basic conditions to be classified as an SNI firm, and explains how the numerical metrics should be calculated.*

AUM	number
CMH (segregated)	number
CMH (non-segregated)	number
ASA	number
COH (cash)	number
COH (derivatives)	number
On- and off-balance sheet total	number
Annual gross revenue from MiFID services and activities	number
Permission to deal on own account	Yes/No

- Please provide the FRN and name of the parent insurance/reinsurance undertaking.

FRN	Name

- Please attach a group structure chart clearly demonstrating the applicant firm is a subsidiary of a parent insurance/reinsurance undertaking within a PRA consolidation group.

Attached

- Please confirm that the PRA has been notified about the firm's application to be exempt from disclosure requirements in MIFIDPRU [8].

*Note: The FCA will consult the PRA before making a determination.*

Yes

Name of the PRA supervisor / PRA contact for this application:

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- With regards to the own funds held by the parent undertaking and the applicant firm:

- a. Please explain how you are satisfied that own funds are distributed adequately between the two firms:

- b. Please attach a breakdown of the own funds held by each firm.

Attached

6. Please confirm that the following statements are true with respect to the arrangements between the parent undertaking and the applicant firm. Separately, in the text boxes provided please explain how these arrangements satisfy each of the below points and provide supporting evidence wherever possible.

- a. There is no current or foreseen material practical or legal impediment to the prompt transfer of capital or repayment of liabilities by the parent undertaking.

Yes

- b. Either the parent undertaking will guarantee the commitments entered into by the firm, or the risks of the firm are of negligible interest.

Yes

- c. The risk evaluation, measurement and control procedures of the parent undertaking include the firm.

Yes

- d. The parent undertaking holds more than 50% of the voting rights attached to shares in the capital of the firm or has the right to appoint or remove a majority of the members of the firm's management body.

Yes

**Part B – Individual exemption from liquidity requirements in MIFIDPRU 6 for FCA investment firms in consolidated CRR or MIFIDPRU groups**

1. Please confirm which of the following applies to the applicant firm:
- a. The firm is part of a CRR prudential consolidation group and supervised on a consolidated basis; or  
 Yes
  - b. The firm is part of an IFPR prudential consolidation group, supervised on a consolidated basis, and the parent undertaking complies with MIFIDPRU 6 on a consolidated basis.  
 Yes

2. Please confirm that the UK parent undertaking has not applied for an exemption from consolidated liquidity requirements under MIFIDPRU 2.5.19R.  
 Yes

3. Please attach a group structure chart which clearly identifies the prudential consolidation group that the applicant firm is part of. Please include FRNs of the group entities.  
 Attached

4. Where 1.a. applies please confirm that the PRA has been notified about the firm’s application to be exempt from liquidity requirements on an individual basis.

*Note: The FCA will consult the PRA before making a determination.*

- Yes

Name of the PRA contact for this application:

5. Please explain how the parent undertaking:
- a. monitors and oversees the liquidity positions of the applicant firm as well as of all other institutions and FCA investment firms within the group that will be exempt from liquidity requirements on an individual basis; and
  - b. ensures a sufficient level of liquidity for all these entities.

6. The applicant firm is required to have entered into contracts that provide for the free movement of funds between the parent undertaking and the firm to enable them to meet their individual obligations and joint obligations as they become due.

- a. Please explain how the arrangements between the applicant firms and its parent undertaking satisfy this specific requirement:

- b. To the best of your knowledge, do you foresee any material, practical or legal impediments to these contracts being fulfilled?

If you have responded "Yes", please provide further explanations below:

- c. Please attach copies of the relevant contracts.

Attached

## MIFIDPRU 2 Annex 2R

### Application under MIFIDPRU 2.4.17R for permission to apply the group capital test to an investment firm group instead of prudential consolidation

1. Please confirm that the applicant firm has the necessary authority to make this application on behalf of all undertakings within the investment firm group which would be subject to the group capital test.

Yes

2. Please attach a group structure chart which:

- a. identifies each undertaking in the investment firm group; and
- b. indicates any that are a relevant financial undertaking, and which type of financial undertaking it is.

Attached

3. Please explain the nature of business or activities carried out by each undertaking in the group.

4. Please explain the nature and degree of ownership or control connecting each undertaking to the investment firm group. This should include any that are connected undertakings.

5. Please explain why the group structure is simple enough to apply the group capital test. Please substantiate your response by providing supporting information.

Supporting information attached

6. Please explain why you do not believe there to be any significant risks to clients or to the market stemming from the group that would mean that it should be supervised on a consolidated basis.

7. Please attach calculations to demonstrate how each parent undertaking satisfies the group capital test.

Attached

8. Please demonstrate that the book value of each parent undertaking's investment in a subsidiary is a fair reflection of the consideration paid by the parent undertaking for that subsidiary. This includes subsidiaries that are not part of the investment firm group. Please substantiate your response by providing supporting evidence.

Supporting evidence attached

9. Please provide details, including calculations, of the own funds and liquid assets requirements, which would apply if the group was subject to prudential consolidation in accordance with MIFIDPRU 2.5. Please indicate if you are attaching this as a separate document.

Attached

10. Please explain how the UK parent entity of the investment firm group complies with the systems requirement in MIFIDPRU 2.6.9R.

11. In the event the firm is not granted permission to apply the group capital test, please explain:

- a. how the investment firm group will comply with the consolidated requirements; and
- b. how long the investment firm group would expect to take to achieve compliance with those consolidated requirements.

- c. how the UK parent entity would comply with the systems requirements in MIFIDPRU 2.5.8R.

12. Please provide names and, where applicable, FRNs of the parent undertakings which will be required to complete MIF006 for GCT reporting purposes in accordance with MIFIDPRU 2.6.10R.

## MIFIDPRU 2 Annex 4R

### Application under MIFIDPRU 2.5.19R for exemption from consolidated liquidity requirements

1. Please list all FCA investment firms within the investment firm group and confirm whether they are subject to the rules in MIFIDPRU 6 on an individual basis.

FRN	FCA investment firm name	Subject to liquidity requirements on individual basis?
		<i>Yes/No</i>
		<i>Yes/No</i>
		<i>Yes/No</i>

2. Please explain, in detail, why the exemption is appropriate – taking into account the nature, scale and complexity of the investment firm group. Please substantiate your response by providing supporting information.

Supporting information attached

## MIFIDPRU 2 Annex 5R

### Application under MIFIDPRU 2.5.34R(2) for permission to use offsetting positions when calculating K-NPR on a consolidated basis

1. Please explain how you meet the conditions set out in article 325b of the UK CRR and summarise here:
  - a. There is a satisfactory allocation of own funds within the group
  - b. The regulatory, legal, or contractual framework in which the institutions operate guarantees mutual financial support within the group
  
2. Where undertakings are located in third countries, please explain how you additionally meet the following conditions:
  - a. Such undertakings are authorised in a third country and are either a credit institution or a third country investment firm (as defined in article 4(1)(25) UK CRR)
  - b. On an individual basis, such undertakings comply with own funds requirements equivalent to those laid down in the UK CRR
  - c. No regulations exist in those third countries which might significantly affect the transfer of funds within the group

## MIFIDPRU 2 Annex 6R

### Application under MIFIDPRU 2.5.40R for permission to include a portfolio or portfolios of a designated investment firm in a consolidated K-CMG requirement

*Application to be made by UK parent entity or a MIFIDPRU investment firm within the same investment firm group that does not contain a credit institution.*

1. Please specify the name and FRN of the designated investment firm.

2. Please confirm that the applicant firm and the designated investment firm are not part of a group containing a credit institution.

Yes

**Note: Questions 3 to 16 must be completed separately for each portfolio this application relates to.**

3. Please identify the portfolio for which a K-CMG permission is sought.

4. Please list all types of positions within the portfolio.

5. Please list all models used to value the positions within the portfolio.

6. Does the portfolio cover all of the designated investment firm's trading book positions?

*Note: If the designated investment firm has positions outside of the trading book that give rise to foreign exchange or commodities risk, the FCA would generally expect K-NPR to be calculated in relation to these positions.*

If you have responded "No", please provide further explanations:

7. Please confirm if the clearing and settlement of transactions in the relevant portfolio take place under the responsibility of a clearing member of an authorised or recognised central counterparty.

Yes

8. Please confirm which of the following applies:

The designated investment firm itself is the clearing member	Yes/No
The designated investment firm is a direct client of the clearing member	Yes/No
The designated investment firm is an indirect client of the clearing member	Yes/No

9. Where the designated investment firm is not itself the clearing member, please provide the following information:

Name of clearing member	
Status of clearing member	<i>Select one of the following:</i> <ul style="list-style-type: none"><li>● a MIFIDPRU investment firm</li><li>● other designated investment firm</li><li>● a third country investment firm</li><li>● a UK credit institution</li><li>● a third country credit institution<sup>2</sup></li></ul>
FRN/LEI of clearing member	

Where the designated investment firm is an indirect client of the clearing member, please provide the following information:

Name of intermediary	
FRN/LEI of intermediary	

Where the clearing member and/or the intermediary do not have an FRN or LEI, please explain why and provide alternative details.

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10. One of the conditions of the K-CMG permission is that transactions in the relevant portfolio are either:

- a. centrally cleared in an authorised or recognised central counterparty; or
- b. settled on a delivery-versus-payment basis under the responsibility of the clearing member.

Please explain how this specific condition is satisfied:

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<sup>2</sup> *Editor's note:* The FCA will publish revised rules on eligible clearing members for these purposes in the policy statement responding to CP20/24.

11. In order to meet the conditions of the K-CMG permission, the designated investment firm is required to provide total margin calculated on the basis of a margin model that meets the criteria set out in MIFIDPRU 4.13.14R.

a. Please confirm whether the margin model is operated:

By the authorised or recognised central counterparty <i>[applies to self-clearing firms]</i>	Yes/No
By the relevant clearing member <i>[applies to firms other than self-clearing firms]</i>	Yes/No

b. Please provide further details of the margin model, including how it satisfies the specific criteria in MIFIDPRU 4.13.14R:

c. Please confirm if the parameters of the margin model meet the EMIR standards.

Yes/No

If you have responded "No", please provide details of the mathematical adjustments that have been applied to produce an alternative margin requirement (see MIFIDPRU 4.13.14R(2)).

d. Please demonstrate that this alternative requirement is at least equivalent to the margin requirement that would be produced by a margin model that meets the EMIR standards.

e. Please attach a copy of the agreement with the clearing member concerning the margin model and collateral used.

Attached

12. Please explain the rationale for the decision to calculate a consolidated K-CMG requirement in relation to the portfolio to which this application relates. In your response, please demonstrate that you have taken adequate account of the nature of, and risk arising from, the designated investment firm's trading activities, including whether:

- a. the main activities of the designated investment firm are essentially trading activities that are subject to clearing and margining under the responsibility of a clearing member; and
- b. other activities performed by the designated investment firm are material in comparison to those main activities.

13. Please confirm that the rationale for the decision has been clearly documented and approved by the relevant management body or risk management function.

Yes

14. Please provide an indication of how the consolidated capital requirement calculated using K-CMG compares with that calculated using K-NPR.

15. Please provide details of the relevant individuals within the designated investment firm responsible for the risk management function, or the oversight of that function, who have a reasonable understanding of the operation of the margin model used. Please include details of their knowledge, qualifications and any relevant experience they have.

16. In order to meet the conditions for the K-CMG permission, the designated investment firm must have in place ongoing processes and systems for assessing the nature and level of risks to which it is, or might be, exposed, which take into account the understanding of relevant individuals within the firm of the margin model to determine whether:

- a. the resulting consolidated K-CMG requirement for the portfolio is sufficient to cover the relevant risks to which the designated investment firm is exposed; and
- b. the K-CMG permission remains appropriate in relation to the portfolio for which it was granted.

Please confirm that the designated investment firm's ongoing processes and systems satisfy these requirements.

Yes

17. Please confirm your understanding that you must notify the FCA immediately if any of the conditions in MIFIDPRU 4.13.9R (as modified by MIFIDPRU 2.5.40R(3)) are no longer met by any of the portfolios to which this application relates.

Yes

## MIFIDPRU 2 Annex 7R

### Application under MIFIDPRU 2.5.41R for permission to include a portfolio or portfolios of a third country entity in a consolidated K-CMG requirement

*Application to be made by UK parent entity or a MIFIDPRU investment firm within the same investment firm group that does not contain a credit institution.*

1. Please specify the name and (where applicable) FRN of the third country entity.

2. Please confirm that the applicant firm and the third country entity are not part of a group containing a credit institution.

Yes

***Note: Questions 3 to 18 must be completed separately for each portfolio this application relates to.***

3. Please identify the portfolio for which a K-CMG permission is sought.

4. Please list all types of positions within the portfolio.

5. Please list all models used to value the positions within the portfolio.

6. Please confirm if the portfolio covers all of the third country entity's trading book positions.

*Note: If the third country entity has positions outside of the trading book that give rise to foreign exchange or commodities risk, the FCA would generally expect K-NPR to be calculated in relation to these positions.*

7. If you have responded "No", please provide further explanations:

8. Please confirm if the clearing and settlement of transactions in the relevant portfolio take place under the responsibility of a clearing member of an authorised or recognised central counterparty?

Yes

9. Please confirm which of the following applies:

The third country entity itself is the clearing member	Yes/No
The third country entity is a direct client of the clearing member	Yes/No
The third country entity is an indirect client of the clearing member	Yes/No

10. Where the third country entity is not itself the clearing member, please provide the following information:

Name of clearing member	
FRN/LEI of clearing member	

Where the third country entity is an indirect client of the clearing member, please provide the following information:

Name of intermediary	
FRN/LEI of intermediary	

Where the clearing member and/or the intermediary do not have an FRN or LEI, please explain why and provide alternative details.

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11. In order to meet the conditions for the K-CMG permission, the clearing member/intermediary must be subject to appropriate prudential regulation and supervision in the jurisdiction in which they operate.

Please demonstrate how this specific condition is satisfied by explaining the relevant prudential regulation and supervision. Please substantiate your response by providing supporting information.

Supporting information attached

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12. One of the conditions of the K-CMG permission is that transactions in the relevant portfolio are either:

- a. centrally cleared in an authorised or recognised central counterparty; or
- b. settled on a delivery-versus-payment basis under the responsibility of the clearing member.

Please explain how this specific condition is satisfied:

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13. In order to meet the conditions of the K-CMG permission, the third country entity is required to provide total margin calculated on the basis of a margin model that meets the criteria set out in MIFIDPRU 4.13.14R.

a. Please confirm whether the margin model is operated:

By the authorised or recognised central counterparty <i>[applies to self-clearing firms]</i>	Yes/No
By the relevant clearing member <i>[applies to firms other than self-clearing firms]</i>	Yes/No

b. Please provide further details of the margin model, including how it satisfies the specific criteria in MIFIDPRU 4.13.14R:

c. Please confirm if the parameters of the margin model meet the EMIR standards.

Yes/No

If you have responded "No", please provide details of the mathematical adjustments that have been applied to produce an alternative margin requirement (see MIFIDPRU 4.13.14R(2)).

d. Please demonstrate that this alternative requirement is at least equivalent to the margin requirement that would be produced by a margin model that meets the EMIR standards.

e. Please attach a copy of the agreement with the clearing member concerning the margin model and collateral used.

Attached

14. Please explain the rationale for the decision to calculate a consolidated K-CMG requirement in relation to the portfolio to which this application relates. In your response, please demonstrate that you have taken adequate account of the nature of, and risk arising from, the third country entity's trading activities, including whether:

a. the main activities of the third country entity are essentially trading activities that are subject to clearing and margining under the responsibility of a clearing member; and

- b. other activities performed by the third country entity are material in comparison to those main activities.

15. Please confirm that the rationale for the decision has been clearly documented and approved by the relevant management body or risk management function.

Yes

16. Please provide an indication of how the consolidated capital requirement calculated using K-CMG compares with that calculated using K-NPR.

17. Please provide details of the relevant individuals within the third country entity responsible for the risk management function, or the oversight of that function, who have a reasonable understanding of the operation of the margin model used. Please include details of their knowledge, qualifications and any relevant experience they have.

18. Please confirm that the third country entity's ongoing processes and systems for assessing the nature and level of risks to which it is, or might be, exposed take into account the understanding of relevant individuals identified in Question 17 of the margin model for the purposes of considering whether:

- a. the resulting consolidated K-CMG requirement for the portfolio is sufficient to cover the relevant risks to which the third country entity is exposed; and

Yes

- b. the K-CMG permission remains appropriate in relation to the portfolio for which it was granted.

Yes

19. Please confirm your understanding that you must notify the FCA immediately if the conditions in MIFIDPRU 4.13.9R, as modified by MIFIDPRU 2.5.41R(3), are no longer met by that portfolio.

Yes

## MIFIDPRU 3 Annex 1R

### Application under MIFIDPRU 3.3.2R for permission to include interim or year-end profits as common equity tier 1 (CET1) capital before the firm has taken a formal decision confirming the final profit and loss for the year

1. Please select on which basis the firm is requesting this permission:

- a. Individual basis only
- b. Consolidated basis only
- c. Both on an individual and consolidated basis

*Note: If applying on both an individual and consolidated basis, when completing this form please provide separate figures, as appropriate. If the application concerns more than one firm in the consolidated group, please submit separate applications for each firm.*

2. Please confirm and provide supporting evidence that:

- a. The profits have been verified by persons independent of your institution, who are responsible for auditing the accounts of that institution:

Yes/No

- b. Any foreseeable charge or dividend has been deducted from the amount of those profits and the basis of this calculation:

Yes/No

Supporting evidence attached (e.g. an independent auditor's letter confirming the above)

3. Please confirm the following:

- a. The start of your financial year:

DD/MM/YYYY

- b. The period in which the interim/year-end profits were earned:

- c. Profits as verified by auditors:

£

- d. Foreseeable charges/deductions (e.g. dividends):

£

e. Amount to be included as profit:

£

f. Firm's total CET1 after the inclusion:

£

g. If you have calculated expected dividend pay-out by using a pay-out range instead of a fixed value, please confirm that you have used the upper end of that range:

h. If you have calculated expected dividend payout as a range, please advise whether you wish to exclude any exceptional dividends paid during the period covered by that range:

Yes/No

If you have responded "Yes", please attach further information, and note that this will require a separate conversation with the FCA.

Further information attached

i. Auditor's details (name, address, contact details):

4. Please confirm that the inclusion of the interim or year-end profits to which this application relates complies with the applicable material in the UK CRR and the relevant regulatory technical standard (RTS) material on own funds.

Yes

## MIFIDPRU 3 Annex 2R

### Application under MIFIDPRU 3.3.3R(1) for permission to classify an issuance of capital instruments as common equity tier 1 (CET1) capital

1. Please select on which basis the firm is requesting this permission:

- a. Individual basis only
- b. Consolidated basis only
- c. Both on an individual and consolidated basis

*Note: If applying on both an individual and consolidated basis, when completing this form please provide separate responses, as appropriate. If the application concerns more than one firm in the consolidated group, please submit separate applications for each firm.*

2. For the instrument you would like to classify as CET 1 capital, please provide the following information:

a. Type of instrument (e.g. ordinary shares, partnership capital):

b. If there is more than one class of the instrument, please list the different instrument classes:

c. Total number of shares/units of instrument that have been issued or will be issued:

d. Nominal value per share/unit of instrument:

e. Share premium per share, if applicable:

f. Total amount of capital being raised:

g. Proposed date to be issued:

h. Firm's total expected CET 1 after the inclusion:

3. For capital instruments to qualify as CET 1 instruments, the following conditions must be met. Please confirm that the following criteria are met, if relevant (see article 28 of the UK CRR).

a. The instruments are issued directly by your institution, with prior approval of the owners or management body of the institution (if permitted under national law):

b. The instruments are paid up and their purchase is not funded directly or indirectly by your institution (indirect funding is defined under article 8 of the onshored Regulatory Technical Standard (RTS) 241/2014 on own funds):

c. The instruments meet ALL following conditions as regards their classification:

i. they qualify as capital within the meaning of Art 28(1)(c)(i) of the UK CRR:

ii. they are classified as equity within the meaning of the applicable accounting framework:

iii. they are classified as equity capital for the purposes of determining balance sheet insolvency, where applicable under national insolvency law:

d. The instruments are clearly and separately disclosed on the balance sheet in the financial statements of your institution:

e. The instruments are perpetual:

f. The principal amount of the instruments may not be reduced or repaid (except in either of the following cases):

- i. the liquidation of your institution;
- ii. discretionary repurchases of the instruments or other discretionary means of reducing capital (e.g. call, redemption or repayment), where your institution has been granted prior permission of the competent authority under article 77 of the UK CRR:

Yes/No

- g. The provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would or might be reduced or repaid other than in the liquidation of your institution, and your institution does not otherwise provide such an indication prior to or at issuance of the instruments:

Yes/No

- h. The instruments meet the following conditions regarding distributions:

- i. there is no preferential distribution treatment regarding the order of distribution payments, including in relation to other CET 1 instruments, and the terms governing the instruments do not provide preferential rights to payment of distributions:

Yes/No

- ii. distributions to holders of the instruments may be paid only out of distributable items:

Yes/No

- iii. the conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions:

Yes/No

- iv. the level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance:

Yes/No

- v. the conditions governing the instruments do not include any obligation for your institution to make distributions to their holders and your institution is not otherwise subject to such an obligation:

Yes/No

- vi. non-payment of distributions does not constitute an event of default of your institution:

Yes/No

vii. the cancellation of distributions imposes no restrictions on your institution:

Yes/No

i. Compared to all the capital instruments issued by your institution, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other Common Equity Tier 1 instruments:

Yes/No

j. The instruments rank below all other claims in the event of insolvency or liquidation of your institution:

Yes/No

k. The instruments entitle their owners to a claim on the residual assets of your institution, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of the instruments issued and is not fixed or subject to a cap:

Yes/No

l. The instruments are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following: (Confirm if instruments are not secured in this way)

i. your institution or its subsidiaries:

ii. the parent undertaking of your institution or its subsidiaries:

iii. the parent financial holding company or its subsidiaries:

iv. the mixed activity holding company or its subsidiaries:

v. the mixed financial holding company and its subsidiaries:

vi. any undertaking that has close links with the entities referred to in points i. to v.:

Yes/No

m. The instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation: (Confirm if instruments are not subject to any arrangement in this way)

Yes/No

4. Partnership capital (this section should only be completed by partnerships).

Is the capital contributed in accordance with MIFIDPRU 3.3.15R or MIFIDPRU 3.2.16R?

Yes/No

*Material on how UK CRR article 28(1)(e) and (f) may be complied with can be found in MIFIDPRU 3.3.15R and 3.3.16R.*

5. Please confirm that the capital issuance to which this application relates meets the criteria required by the UK CRR and the onshored Regulatory Technical Standard (RTS) 241/2014 on own funds.

Yes/No

*Please note that the FCA may request sight of the terms of the instrument, or further information.*

## MIFIDPRU 3 Annex 4R

### Application under MIFIDPRU 3.6.2R for permission to reduce own funds instruments where neither condition in MIFIDPRU 3.6.4R applies

1. Please select on which basis the firm is requesting this permission:

- a. Individual basis only
- b. Consolidated basis only
- c. Both on an individual and consolidated basis

*Note: If applying on both an individual and consolidated basis, when completing this form please provide separate figures, as appropriate. If the application concerns more than one firm in the consolidated group, please submit separate applications for each firm.*

2. Please confirm to which of the following the application relates:

- a. Permission to reduce, redeem or repurchase any of its CET1 instruments
- b. Permission to reduce, distribute or reclassify as another own funds item the share premium accounts related to any of its own funds instruments
- c. Permission to effect the call, redemption, repayment or repurchase of its additional tier 1 instruments or tier 2 instruments prior to the date of their contractual maturity

3. Please provide the date of the intended capital reduction

4. Please explain, in detail, the rationale for the reduction of own funds.

5. Please explain, and provide supporting calculations to demonstrate, how the firm meets the conditions in Article 78 of the UK CRR, and in particular:

- a. will have sufficient capital resources to meet its capital resources requirement immediately after the capital reduction;
- b. will have sufficient financial resources to meet its own funds threshold requirement immediately after the capital reduction; and
- c. will be able to meet the requirements in (a) and (b) above at all times (including in stress scenarios), for a minimum of three years.

Supporting calculations attached

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.5.9R for permission to rebase fixed overhead requirement to a lower amount where firm's projected relevant expenditure decreases by a material amount

1. Please confirm the basis on which this application is made by selecting one or both of the following options:

a. There has been a decrease of 30% or more in the firm's projected relevant expenditure for the current year

b. There has been a decrease of £2 million or more in the firm's fixed overheads requirement based on projected relevant expenditure for the current year

2. Please attach relevant forecast information which demonstrates the projected decrease in the firm's relevant expenditure in (1) and the revised fixed overhead requirement calculation on the basis of that projected decrease.

Attached

3. Please explain the key drivers for this material change in the firm's projected relevant expenditure for the current year.

4. Please explain the impact of the reduction on the firm's ICARA process and the conclusions documented in the firm's last ICARA document.

5. Please demonstrate that you continue to hold own funds and liquid assets to comply with your threshold requirements under MIFIDPRU 7.

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.11.8R<sup>3</sup> for permission to exclude positions taken to hedge against the adverse effect of the exchange rate on the own funds or an item deducted from capital from net open currency positions for the purpose of article 352 of the UK CRR

1. Please confirm to which of the following this application relates:

- a. Positions which are deliberately taken in order to hedge against the adverse effect of the exchange rate on the firm's own funds requirement
- b. Positions which are deliberately taken in order to hedge against the adverse effect of the exchange rate on an item which the firm has deducted from its own capital

2. Please describe the positions requested to be excluded:

3. For each of the statements in the below table, please confirm if it is met and provide further information to demonstrate how it is met:

Statement	Meets Statement? (Yes/No)	Rationale <i>Please demonstrate how the statement is met by providing supporting commentary and evidence.</i>
a. Structural FX positions are deliberately taken in order to protect capital adequacy ratios against adverse movements in FX rates.		
b. Positions are of a non-trading or structural nature.		
c. Mismatches resulting in an open position are avoided as much as possible.		
d. Positions are monitored proactively and on a regular basis to detect and remediate mismatches, where applicable.		
e. Positions are accounted for so that capital ratios are protected.		

<sup>3</sup> *Editor's note:* The FCA will publish near-final rules that relate to this permission in the policy statement responding to CP20/24.

f. Any residual risks arising from structural FX positions are considered and capitalised in the ICARA assessment of the firm.		
g. Any residual risks arising from structural FX positions are avoided as far as possible.		
h. Policies and procedures are clearly articulated and are made available to the Board and to regulators on an annual basis.		
i. The structural FX hedging strategy is clearly articulated to investors and is included in MIFIDPRU [8]4 disclosures.		
j. Books containing structural FX positions are segregated from other trading activities.		
k. Traders' remuneration structures do not in any way incentivise structural FX positions becoming a profit centre.		
l. Oversight of structural FX positions is carried out by the appropriate committees of the Boards of both the foreign entity and the group on at least a quarterly basis.		

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<sup>4</sup> *Editor's note:* The FCA will consult on MIFIDPRU [8] disclosure requirements in the forthcoming CP.

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.12.4R for permission to use an advanced internal market risk model

*Note: MIFIDPRU 4.12.8R to 4.12.65G set out requirements for internal models and explain the factors that the FCA will consider when deciding whether to grant permission to use an advanced internal model. Please refer to these rules and guidance when completing your application.*

1. For group applications, please list the group entities covered by the model on behalf of which this application is made:

FRN	Firm name

2. Please confirm which of the following the firm wishes to calculate using an internal model:

- a. General risk of equity instruments
- b. Specific risk of equity instruments
- c. General risk of debt instruments
- d. Specific risk of debt instruments
- e. Foreign exchange risk
- f. Commodities risk

3. For the risk categories selected, please explain which classes of position within each risk category the firm would like to apply the model to (e.g. government debt instruments, corporate debt instruments, etc.).

4. Please explain how the firm meets the relevant conditions for the use of internal model specified in Part Three, Title IV, Chapter 5 of the UK CRR as it applied on [Editor's note: insert date before MIFIDPRU enters into force].

5. Please explain how the internal model this application relates to covers a significant share of the positions of each relevant risk category.

6. Proposed implementation date (date from which the firm propose to start using the model, subject to receiving the necessary approval).

DD/MM/YYYY

7. Please attach the following information to support your application:
- a. Organisational Charts for all functions that either execute trading activities or execute a control function over trading activities including internal audit.
  - b. A list of all policies that govern activities by all of the above functions.
  - c. List of all meetings where trading activities and the activities of control functions are discussed (we may request minutes and supporting documentation for some of these meetings).
  - d. 6 months of front-office profit/loss (P/L) flashes and all subsequent P/L reporting for the same period.
  - e. All management reporting by finance and product control functions for 6 months that:
    - i. Provide P/L explanations
    - ii. Validate trade booking and any necessary adjustments
    - iii. Monthly confirmation of position reconciliations
    - iv. Monthly price testing reports
  - f. All management reporting by Risk Management staff, including:
    - i. A list of all market risk limits currently in place
    - ii. All market risk reporting concerning limits
    - iii. All changes to market risk limits in the past 6 months along with supporting documentation
  - g. All documentation related to the advanced market risk model (VAR), including:
    - i. Model description
    - ii. Model validation
    - iii. List of all pricing models used within the advanced market risk model
    - iv. List of model validation documents for (iii) and the date of last review
    - v. List of all risks not captured by the advanced market risk model
    - vi. List of all documentation describing how items in (v) are estimated

- vii. List of all validation of items in (vi)
- h. Model output and pro-forma reporting for at least 3 months, which provides:
  - i. A comparison of clean P/L, raw P/L and model output
  - ii. An explanation of significant deviations between clean P/L and raw P/L
  - iii. An explanation of any exceptions
  - iv. An explanation for any significant deviations in the number of exceptions observed
- i. All management reporting by Compliance functions for the past 6 months that:
  - i. Attests to the adherence to policies and procedures by trading staff
  - ii. Reports any violation of policies and procedures by trading staff
- j. The following documentation from internal audit:
  - i. A list of all audit activities for the current year
  - ii. All audit reports from the previous year
- k. A status report on all outstanding actions identified by internal audit in trading and control functions.

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.12.6R for permission to make a material change or a material extension to the use of an advanced internal market risk model

1. Please confirm to which of the following the application relates:

- a. A material change to the use on an internal model
- b. A material extension to the use of an internal model

2. In order to determine if a change or extension to an internal market risk model is material, a firm must apply the criteria and methodology set out in articles 3, 7a and 7b of the *onshored Market Risk Model Extensions and Changes RTS 529/2014*.

Please identify which of the RTS conditions the change or extension fulfils to be considered a material change or extension.

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3. For group applications, please list the group entities covered by the model on behalf of which this application is made:

FRN	Firm name

4. Please confirm for which of the following this material change/extension applies to:

- a. General risk of equity instruments
- b. Specific risk of equity instruments
- c. General risk of debt instruments
- d. Specific risk of debt instruments
- e. Foreign exchange risk
- f. Commodities risk

5. Please explain the rationale for the proposed change/extension.

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6. Please describe the proposed change/extension in detail.

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7. Proposed implementation date.

*Note: This is the date from which changes are intended to affect capital calculations, subject to receiving the necessary approval.*

DD/MM/YYYY

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.12.66R<sup>5</sup> for permission to use sensitivity models to calculate interest rate risk on derivative instruments in accordance with article 331(1) of the UK CRR

*Note: For group applications, the below section must be completed separately for each firm requiring the permission. Questions 2 and onwards must be completed separately for each set of instruments for which a net sensitivity position, weighted by maturity, is computed.*

1. Please give a brief description of the nature of your business and a full and clear explanation of why you are applying for this permission.

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2. Please provide summary information for each of the items listed in the below table noting that for some items you are required to attach additional documentation.

<b>Item</b>	<b>Summary Information</b>
a. Description of the current methodology used for interest rate risk on derivative instruments covered in articles 328 to 330 UK CRR.	
b. Description of the sensitivity models used to calculate interest rate risk under article 331 UK CRR.	
c. Product scope of the requested permission – please indicate the instruments for which net sensitivity positions are used and the currencies in which those positions are denominated.	
d. For the product scope requested, confirm that the interest rate risk is managed on a discounted cashflow basis.	
e. For the product scope requested, briefly indicate any growth plans for the exposures.	
f. Capital impact of changing the calculation methodology from the existing approach (i.e. the capital impact of applying article 331 UK CRR) and total capital and market risk capital held at the same date.	
g. Provide worked examples of capital calculation under the current methodology and the new (article 331 UK CRR)	

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<sup>5</sup> *Editor's note:* The FCA will publish near-final rules that relate to this permission in the policy statement responding to CP20/24.

<p>methodology for a test portfolio composed of:</p> <ul style="list-style-type: none"> <li>• Long 100,000 1Y ATM equity index call option</li> <li>• Short 100,000 1Y ATM equity index put option</li> <li>• Long 100,000 2Y ATM equity index call option</li> <li>• Short 100,000 5Y ATM equity index call option</li> <li>• Short 3M equity index futures in sufficient quantity to hedge the equity delta of the options</li> </ul> <p>Assume that the base index level is 100 and that the equity index volatility is 20%. Please use the interest rate curve included for the purposes of calculating the interest rate exposure. All options are European style exercise.</p>	
<p>h. Please provide documentation describing how you construct interest rate curves from market data. Please list all models that rely on these curves to calculate sensitivity to interest rate movements. For each model, please provide the list of products to which it applies and the date of the last validation.</p>	
<p>i. Explanation of how you calculate the interest rate sensitivity of your portfolio in each bucket.</p>	
<p>j. Explanation of how you handle interest rate basis risk.</p>	

3. Please complete the following [interest rate inputs template](#) and submit with your application.

4. For each of the standards in the below table, please confirm if it is met and provide further information to demonstrate how it is met:

<b>Standard</b>	<b>Meets Standard?</b> (Yes/No)	<b>Firm Analysis</b> <i>Please demonstrate using examples where appropriate how the minimum standards are met</i>
<p>a. Sensitivity models generate positions which have the same sensitivity to interest rate changes as the underlying cash flows.</p>		
<p>b. Sensitivities are assessed with reference to</p>		

<p>independent movements in sample rates across the yield curve, with at least one sensitivity point in each of the maturity bands set out in Table 2 in article 339 UK CRR.</p>		
<p>c. Sensitivities are appropriate to produce accurate valuation changes based on the assumed interest rate changes set out in Table 2 of article 339 UK CRR.</p>		

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.13.9R for permission to apply K-CMG to a portfolio or portfolios, instead of K-NPR

1. Please confirm that the applicant firm is not part of a group containing a credit institution.

Yes

**Note: Questions 2-15 must be completed separately for each portfolio this application relates to.**

2. Please identify the portfolio for which a K-CMG permission is sought.

3. Please list all types of positions within the portfolio.

4. Please list all models used to value the positions within the portfolio.

5. Please confirm if the portfolio covers all of the firm's trading book positions.

*If the firm has positions outside of the trading book that give rise to foreign exchange or commodities risk, the FCA would generally expect it to calculate K-NPR in relation to these positions.*

If you have responded "No", please provide further explanations:

6. Please confirm that the clearing and settlement of transactions in the relevant portfolio take place under the responsibility of a clearing member of an authorised or recognised central counterparty.

Yes

7. Please confirm which of the following applies:

The firm itself is the clearing member	Yes/No
The firm is a direct client of the clearing member	Yes/No
The firm is an indirect client of the clearing member	Yes/No

8. Where the firm is not the clearing member itself, please provide the following information:

Name of clearing member	
Status of clearing member	<i>Select one of the following:</i> <ul style="list-style-type: none"> <li>● <i>other MIFIDPRU investment firm</i></li> <li>● <i>a designated investment firm</i></li> <li>● <i>a third country investment firm</i></li> <li>● <i>a UK credit institution</i></li> <li>● <i>a third country credit institution</i></li> </ul>
FRN/LEI of clearing member	

Where the firm is an indirect client of the clearing member, please provide the following information:

Name of intermediary	
FRN/LEI of intermediary	

Where the clearing member and/or the intermediary do not have an FRN or LEI, please explain why and, if applicable, provide alternative details.

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9. One of the conditions of the K-CMG permission is that transactions in the relevant portfolio or portfolios are either:
- a. centrally cleared in an authorised or recognised central counterparty; or
  - b. settled on a delivery-versus-payment basis under the responsibility of the clearing member.

Please explain how this specific condition is satisfied:

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10. In order to meet the conditions of the K-CMG permission, the firm is required to provide total margin calculated on the basis of a margin model that meets the criteria set out in MIFIDPRU 4.13.14R.

- a. Please confirm whether the margin model is operated:

By the authorised or recognised central counterparty <i>[applies to self-clearing firms]</i>	Yes/No
By the relevant clearing member <i>[applies to firms other than self-clearing firms]</i>	Yes/No

- b. Please provide further details of the margin model, including how it satisfies the specific criteria in MIFIDPRU 4.13.14R:

- c. Please confirm if the parameters of the margin model meet the EMIR standards.

Yes/No

If you have responded "No", please provide details of the mathematical adjustments that have been applied to produce an alternative margin requirement (see MIFIDPRU 4.13.14R(2)).

- d. Please demonstrate that this alternative requirement is at least equivalent to the margin requirement that would be produced by a margin model that meets the EMIR standards.

- e. Please attach a copy of the agreement with the clearing member concerning the margin model and collateral used.

Attached

11. Please explain the rationale for the decision to calculate a K-CMG requirement in relation to the portfolio to which this application relates. In your response, please demonstrate that you have taken adequate account of the nature of, and risk arising from, the firm's trading activities, including whether:

- a. the main activities of the firm are essentially trading activities that are subject to clearing and margining under the responsibility of a clearing member; and
- b. other activities performed by the firm are material in comparison to those main activities.

12. Please confirm that the rationale for the decision has been clearly documented and approved by the firm's management body or risk management function.

Yes

13. Please provide an indication of how the firm's capital requirement calculated using K-CMG compares with that calculated using K-NPR.

14. Please provide details of the relevant individuals within the firm responsible for the firm's risk management function, or the oversight of that function, who have a

reasonable understanding of the operation of the margin model used. Please include details of their knowledge, qualifications and any relevant experience they have.

15. Please confirm that the firm's understanding of the margin model is integrated into its ICARA process to determine whether:
- a. the resulting K-CMG requirement is sufficient to cover the relevant risks to which the firm is exposed; and  
 Yes
  - b. the K-CMG permission remains appropriate in relation to the portfolio for which it was granted.  
 Yes
16. Please confirm your understanding that you must notify the FCA immediately if any of the conditions in MIFIDPRU 4.13.9R are no longer met by any of the portfolios to which this application relates.  
 Yes

## MIFIDPRU 4 Annex [X]R

### Application under MIFIDPRU 4.14.6R for permission to exclude transactions with some counterparties from K-TCD requirement

1. Please provide the following information about the counterparty or counterparties that the applicant firm wishes to exclude from the calculation of its K-TCD requirement.

FRN/LEI	Name	Relationship	Type of firm	Location
		<i>Select one of the following:</i> <ul style="list-style-type: none"> <li>• Parent</li> <li>• Subsidiary</li> <li>• Subsidiary of parent</li> <li>• Linked by majority common management</li> </ul>	<i>Select one of the following:</i> <ul style="list-style-type: none"> <li>• Credit institution</li> <li>• Investment firm</li> <li>• Financial institution</li> </ul>	

2. The applicant firm and the counterparty or counterparties are:

Part of the same prudential consolidation group under the UK CRR	Yes/No
Part of the same prudential consolidation group under MIFIDPRU 2.5	Yes/No
Supervised together for compliance with the group capital test under MIFIDPRU 2.6	Yes/No

3. Please attach a group structure chart which clearly identifies the applicant firm and the above counterparty or counterparties.

Attached

4. In order for a firm to be granted permission to exclude transactions with a counterparty or counterparties from its K-TCD requirement, the counterparty or counterparties concerned must be subject to the same risk evaluation measurement and control procedures as the firm.

Please explain how the firm's counterparty or counterparties satisfy this requirement and provide supporting information to substantiate your response.

Supporting information attached

5. To the best of your knowledge, are there any current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities from the counterparty, or counterparties, to the firm?

Yes/No

If you have responded "Yes", please provide additional explanations: