

Guidance consultation

Non-Handbook Guidance on COREPRU 7: Overall risk assessment

GC26/4

June 2026

1 Introduction

Why we are consulting

- 1.1 We are consulting on non-Handbook guidance (NHG) to accompany the relevant sections on the overall risk assessment (Chapter 7) in the new prudential sourcebook: COREPRU. The aim of the NHG is to set out FCA expectations around the purpose and scope of the overall risk assessment. The NHG forms part of our wider strategy to enhance the accessibility of our rules by distinguishing supporting material from core Handbook content. We expect this will make it easier for firms to navigate the requirements and support more consistent application of prudential standards.
- 1.2 In CP 25/15: A prudential regime for cryptoasset firms¹, we proposed an integrated prudential sourcebook (COREPRU) covering the core prudential requirements common across different types of firms we prudentially regulate. Where necessary, COREPRU is supplemented by sector-specific prudential sourcebooks, such as CRYPTOPRU for CRYPTOPRU firms.
- 1.3 In December 2025, we published CP 25/42: A prudential regime for cryptoasset firms², which includes our proposals on the overall risk assessment in COREPRU and CRYPTOPRU. This is a continuous assessment process undertaken by firms to ensure they hold adequate financial resources.

¹ CP 25/15: A prudential regime for cryptoasset firms

² CP 25/42: A prudential regime for cryptoasset firms

1.4 We have now published the final rules consulted in the above CPs as part of [PS26/12: A prudential regime for cryptoasset firms](#). This NHG sets out our expectations in relation to our existing rules. It is aimed at firms' management teams and focuses on the purpose of the overall risk assessment rather than detailed steps for compliance. We aim to provide clarity to support predictable and proportionate regulation. Our purpose is to help firms hold adequate resources at all times, supporting their ability to operate effectively and compete internationally.

Who this applies to

1.5 This guidance consultation covers firms seeking authorisation and regulation for the Regulated Activities outlined in the Cryptoassets Regulations.

1.6 Who else needs to read this document:

- Firms that participate in, or support the services of, regulated cryptoasset activities.
 - Industry groups, law firms and trade bodies representing firms in the cryptoasset sector.
 - Professional advisers in the cryptoasset sector and law firms.
 - Consumers and groups representing consumer interests.
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1.7 It may also interest:

- Policy makers and other regulatory bodies.
 - Academics and think tanks.
 - Industry experts and commentators
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Outcomes we are seeking

1.8 This consultation seeks feedback on our proposed guidance on the overall risk assessment under the COREPRU regime. Annex 1 contains the draft guidance on which we are consulting.

1.9 We received considerable feedback from industry asking for more guidance on implementing our rules. We have also observed from several multi-firm reviews, variation across firms in their approaches to assessing risk and adequate financial resources. -.

1.10 We anticipate the NHG will help firms in developing their approach to risk management, particularly in sectors less familiar with prudential frameworks. We consider it will be useful to firms which are working to develop compliance with the new regime before the implementation date. This guidance should be considered alongside our Policy Statement on the Prudential Regime for Cryptoassets (PS26/12).

How it links to our objectives

- 1.11 This guidance builds on PS26/12. The rationale for how our rules link to our objectives remains relevant. This guidance aligns with our primary objectives of consumer protection, market integrity, and effective competition and also advances our secondary objective to promote international competitiveness and growth, as far as reasonably possible. It does so by seeking to help firms become both more resilient to financial and operational stress and also able to wind down without causing undue harm to their customers and markets.

Environmental, social and governance considerations

- 1.12 In developing this NHG, we have considered the environmental, social and governance (ESG) implications of our proposals and our duty under ss. 1B(5) and 3B(1)(c) of the Financial Services and Markets Act 2000 (FSMA) to have regard to contributing towards the Secretary of State achieving compliance with the net-zero emissions target under s.1 of the Climate Change Act 2008 and environmental targets under s.5 of the Environment Act 2021. Overall, we do not consider that the proposals are relevant to contributing to those targets. We will keep this under review during the consultation period.

Equality and diversity considerations

- 1.13 We have considered the equality and diversity issues that may arise from the NHG.
- 1.14 Overall, we do not consider that the proposals materially impact any of the groups with protected characteristics under the Equality Act 2010 (in Northern Ireland, the Equality Act is not enacted but other antidiscrimination legislation applies).
- 1.15 We will continue to consider the equality and diversity implications of the proposals during the consultation period and will revisit them when issuing the final guidance. In the meantime, we welcome your input on the issues raised in this NHG.

Costs and benefits of our proposals

- 1.16 Section 138I of FSMA requires us to perform a cost benefit analysis for new rules but not for guidance (see s.139A of FSMA on power of the FCA to give guidance and s.139B of FSMA on the meaning of general guidance).
- 1.17 However, it is our policy to produce a Cost Benefit Analysis (CBA) for general guidance about rules if a high-level assessment of the impact of the proposal identifies an element of novelty, which may be in effect prescriptive or prohibitive, that may result in significant costs being incurred.
- 1.18 In this case, the proposed guidance seeks to clarify the incoming rules rather than establish new policy. Therefore, the proposed guidance is not expected to result in materially different costs or benefits.

Next steps

- 1.19 The consultation period will run from 30 June 2026 until 30 July 2026. During this time, the FCA will be seeking feedback on the draft guidance.
- 1.20 Following the end of the consultation period, we will consider the feedback received and update the draft guidance as appropriate. We plan to publish the final non-handbook guidance by 30 September 2026.

How to respond

- 1.21 Please review the proposals outlined in this guidance. We are seeking your views on the content of the proposed guidance in Annex [xxx], in particular the questions listed in Chapter 2.
- 1.22 We welcome responses by 30 July 2026. Where respondents do not agree with our proposed guidance, we would welcome further detail on their concerns and potential solutions.
- 1.23 You can submit responses through the form on our website or by email to gc26-4@fca.org.uk. If responding by email, please indicate whether you wish your response to be treated as confidential and, separately, if you are content to be named as a respondent.

2 Consultation Questions

- Q1: Does the proposed guidance clarify the prudential rules in COREPRU 7? If not, what more could we do to provide clarity?
- Q2: Do you have any comments on the proposed guidance including the examples given?

Annex 1 : Draft non-Handbook Guidance on COREPRU 7: Overall risk assessment

1. Introduction

- 1.1 As part of our strategy to become a smarter regulator and make the FCA prudential framework more accessible and consistent for solo regulated FCA firms, we introduced an integrated sourcebook, COREPRU. COREPRU brings together core prudential requirements common across the different types of firms we prudentially regulate. Among those prudential requirements is an obligation to perform an overall risk assessment.
- 1.2 This general guidance (Guidance) has been developed to help firms carry out their overall risk assessment. It illustrates the comprehensive, integrated practice that takes a firm from understanding its business model, to articulating its risk appetite, setting its financial resource threshold conditions and implementing a robust framework for managing financial resources to minimise risks that may cause material harm. It also covers planning for winding down operations, where necessary, without causing material harm to customers and the UK market.
- 1.3 Relevant handbook rules in COREPRU have been cited in footnotes to emphasise that these rules should not be applied in isolation, but rather as part of a cohesive approach where each element reinforces and supports the others. Firms should adhere both to the rules themselves and to their underlying role within that process, ensuring that each rule is applied thoughtfully as part of the firm's overall risk assessment process.
- 1.4 This Guidance is given under section 139A of the Financial Services and Markets Act 2000 (FSMA). It provides guidance to firms on how they should comply with their obligations under COREPRU 7 (Overall risk assessment).
- 1.5 This Guidance does not replace or substitute other applicable rules, guidance or law and does not require firms to act in a way that is incompatible with any legal or regulatory requirements.
- 1.6 This Guidance builds on the Finalised Guidance, FG20/1 (Our framework: assessing adequate financial resources).

2. Completing the overall risk assessment

- 2.1. The overall risk assessment is a comprehensive process by which a firm scrutinises its strategy, business activities, the attendant risks and resources it requires. It is integral to the sound management and effective operation of any business. Firms are required to carry out an overall risk assessment³, embedding it as a core element of their operations.

³ COREPRU 7.2.1R

- 2.2. The firm's overall risk assessment is the principal mechanism by which the firm sets the appropriate level of own funds and liquid asset resources required to comply with the overall financial adequacy rule. Through this process, the firm assesses the own funds threshold requirement (OFTR) and the liquid asset threshold requirement (LATR), which ensure that financial resilience aligns with its risk appetite.
- 2.3. The assessment should consider financial resources to support both ongoing operations and the winding-down of the firm's business without causing material harm. OFTR and LATR are set at the higher of the firm's own assessment or the baseline regulatory minimums set out within COREPRU and the sectoral prudential source-books⁴. COREPRU contains cross-cutting requirements that are intended to apply across multiple sectors. These cross-cutting requirements are supplemented by sector-specific requirements in sectoral prudential sourcebooks, where relevant.
- 2.4. The own funds requirement (OFR) and the basic liquid assets requirement (BLAR) are the baseline financial resource requirements for firms. Sector-specific requirements may impose additional generalised, often formula-based, minimums. The overall risk assessment helps firms set the adequate level of financial resources appropriate for its business model, ensuring more tailored thresholds beyond minimum requirements.
- 2.5. The regulatory minimums are set to accommodate a broad spectrum of firms including those with less complex risks and operations. If the firm's own assessments are lower than the regulatory minima, it should evidence particularly robust challenge.

Proportionality, usability and embeddedness

- 2.6. The overall risk assessment must be proportionate to the nature, scale and complexity of the business carried on by the firm⁵. Firms can achieve this by:
 - Focusing the assessment on the risks that would cause material harm to clients and or markets.
 - Tailoring their governance, oversight and operational practices according to the requirements of their material risks.
 - Adjusting the depth, documentation and sophistication of their assessments in the overall risk assessment to suit their risk profile.
- 2.7. The firm should treat its overall risk assessment as a dynamic framework that adapts to changes in its business model, risk profile, or operating environment. The firm must identify and assess risks on an ongoing basis⁶. These assessments should guide strategic decisions, ensuring these are properly evaluated and aligned with the firm's risk appetite.
- 2.8. The firm must embed the overall risk assessment within the firm's business model and strategic decision-making⁷. Where risk assessments are not

⁴ COREPRU 7.2.5R

⁵ COREPRU 7.2.2R

⁶ COREPRU 7.2.8R(1)

⁷ COREPRU 7.2.10R

meaningfully embedded, the firm may lack the necessary insight into emerging issues and be less prepared to anticipate or mitigate potential risks that may cause material harm.

Business model and risk assessment

2.9. The overall risk assessment begins with a detailed review of the firm's business model, its strategic direction and potential risks. The process should focus on material risks, that is, risks which may cause material harm to its customers or the broader market. It should be a holistic assessment. The assessment must include all firm activities whether regulated or unregulated⁸. It should also consider circumstances, such as the firm's position within a larger group and any outsourced operations.

Risk appetite and assessment of adequate financial resources

2.10. Based on the firm's understanding of its risks that may cause material harm, it should articulate a clear risk appetite. Risk appetite is essentially, the level of risk it is prepared to accept in pursuit of its strategic objectives, whilst safeguarding the interests of its clients and the wider UK market. The risk appetite should be consistent with the level of stress that the firm expects to withstand while continuing to operate. In deciding its risk appetite, the firm should also consider other requirements imposed by the FCA's Handbook and relevant legislation.

2.11. The best practice approach to setting the risk appetite is to situate this within a wider risk appetite framework, which outlines the preferred operating range and enforces this with early warning indicators (EWI) and trigger points for management action. Such actions may include interventions, for example, to prepare for a stress (contingency plan), to restore risk levels to within the operating range (recovery plan) or, if necessary, wind down the business line or the entire firm (wind-down plan).

2.12. Following the identification of risks and risk appetite, the firm must evaluate whether its systems and controls effectively mitigate risks so that they are within its risk appetite⁹. This includes procedures for identifying, controlling, and monitoring risks, as well as governance arrangements for oversight and regular updates. These elements form part of a robust risk management framework.

2.13. If risks remain outside the firm's risk appetite despite existing controls, the firm must assess whether additional financial resources— either own funds or liquid assets or both—are needed to bring those risks within its risk appetite¹⁰. If after mitigation, the residual risks persist outside the firm's risk appetite, the firm should consider discontinuing the business activity responsible for those risks.

⁸ COREPRU 7.2.1R(3)

⁹ COREPRU 7.2.1R

¹⁰ COREPRU 7.2.1R(2)

Adequate resources to support ongoing operations

2.14. When assessing adequate financial resources for ongoing operations, the firm should take a forward-looking approach. This includes evaluating current risks and anticipating how resource needs may change with strategic goals and evolving business conditions, especially under stress.

Own funds

2.15. The firm should assess the amount of own funds required to keep the firm viable to the extent at least consistent with their risk appetite. The assessment starts with an independent evaluation of each material risk which leads to losses or capital impairment.

2.16. This involves identifying potential stresses (risk events) that could result in losses, estimating the magnitude of those losses, and assessing the likelihood of their occurrence. For example, if a client owes the firm money, a client default constitutes a risk event that results in a loss equal to the amount owed, with the probability of default often informed by the client's credit rating.

2.17. By understanding the expected frequency and impact of these risks, the firm can estimate the level of own funds necessary to remain resilient should losses materialise. The aggregate own funds required across all material risks provides a basic estimate of the own funds resources necessary to support ongoing operations.

2.18. Among the risks to be considered include counterparties failing to pay what is owed, movements in the value of assets, or losses arising from failures relating to the processes by which business activity is undertaken. Some risks may change frequently depending, for instance, on business volume or client behaviour and may require dynamic approaches to adequate own funds assessments.

2.19. Operational risk assessment should consider the effectiveness of the control environment and, where relevant, should consider the impact of control failure.

2.20. Firms may use statistical models to support their assessment of the requirements. However, there is no obligation to do so. The firm should nonetheless understand the merits and shortcomings of its chosen approach. Where firms use modelled approaches, they should consider whether they have sufficient data and whether the available data is directly relevant to the activities of the firm rather than the wider group.

Liquid assets

2.21. The firm should likewise assess the amount of liquid assets required to keep the firm viable to the extent consistent with its risk appetite. In assessing adequate liquid assets to support ongoing operations, the firm should consider risks giving rise to cash outflows or affecting cash inflows, and particularly, the timing of cashflows.

- 2.22. The firm should understand its cash demands with time granularity appropriate to its business. If cash obligations arise intraday, the best practice approach is for the firm to estimate daily stressed cash requirements over, at least, the next 2 weeks, weekly for the remainder of the month, and monthly for the subsequent periods.
- 2.23. The firm should analyse peak cash needs, considering stressed levels encountered historically as well as new stresses which can be reasonably expected in the coming year. The peak stressed cash demand should be considered as the level of adequate liquid assets needed to mitigate risks from ongoing operations.
- 2.24. Liquidity needs can change much faster than capital requirements and hence, should be assessed more frequently. Depending on business model and variability of cashflows this could mean a dynamic approach that is updated daily.
- 2.25. In addition to identifying and holding liquid assets, a firm should consider how it funds its assets and cashflows and stress the availability of funding sources. This assessment should address the potential loss of such funding sources leading to sudden liquidity needs or the possibility of asset sales under adverse conditions.

Business plans and stress testing

- 2.26. The assessment of adequate financial resources should anticipate future requirements. To successfully execute its strategy, the firm should develop a comprehensive business plan covering a reasonable period of time. This typically covers 3-years but in all cases should be appropriate to changes anticipated in the business model and business environment. The plan should incorporate expected changes in risks due to growth, client shifts, or environmental changes, to keep resource planning aligned with strategy.
- 2.27. The business plan should be stress tested to evaluate how adverse conditions affect risks, controls, and financial resources. This includes reviewing stakeholder reactions to confirm the firm's resilience. Stakeholders include clients, funding sources, competitors, third-party providers, banking partners, shareholders, and regulators.
- 2.28. Firms use stress testing in various ways to support different components of the overall risk assessment.
- Firms may stress risk events or use severe scenarios that affect the core business activities to identify financial resources that enable it to recover and stay within their risk appetite. This supports the identifying of OFTR and LATR.
 - Applying a stress to the firm's economic environment helps assess whether the surplus resources held above the threshold requirements is enough to cope with relevant downturns through the economic cycle without causing the firm to breach a threshold requirement.
 - Reverse stress testing tests the business to the point of failure. It helps firms to understand their recovery actions and the limitations of those

actions. It forms a useful backdrop to assessing whether the wind down plan is workable. It also helps identify whether new controls and monitoring should be introduced to minimise the risk of failure.

- 2.29. For stress testing to be useful, it should be forward looking, based on the forecasts and projections used in the business. The firm should consider stress scenarios severe enough to challenge its resilience, whilst remaining plausible and realistic in the context of historical experience and reasonable expectations for future business developments. This should consider firm-specific and market-wide stresses, occurring separately and concurrently.
- 2.30. The resulting tests help determine the level of financial resources and set early warning indicators and triggers for action. Management actions in stress may include not executing business plans as currently forecast.

Adequate resources to support the winding-down process

- 2.31. When a firm experiences stresses which are more severe than it can survive, or makes a strategic decision to wind-down, it needs to consider how it winds down causing the least harm to its clients and market.
- 2.32. A wind-down plan should consider all the things that need to happen between the decision to wind down being taken and the end of the process, calculate the time required and the costs involved. It should also pay attention to the order in which cashflows occur.
- 2.33. In order for the wind-down plan to be executable the trigger for wind-down needs to occur while sufficient capital and liquid resources remain.
- 2.34. When formulating such a plan, firms should assume that the wind-down will take place under stressed conditions, and anticipate changes in the behaviour of clients, counterparties, and third-party providers. It is also likely that the level of financial resources is depleted following a period of stress. The outcomes of the firm's reverse stress testing should guide the selection of stress scenarios for assessing the wind-down plan's effectiveness.
- 2.35. The level of detail within the plan should match the risks and complexity of the firm's operations, including any group-wide effects. If there are significant interdependencies, a group wind-down plan may be needed. The plan must be specific enough to guide orderly execution under stress, reducing the risk of poor oversight and supporting effective execution.
- 2.36. The right level of detail will help the firm assess both own funds and liquid assets needed to mitigate risks that may cause material harm. Similar to the assessment of financial resources to support ongoing operations, the assessment of adequate own funds is separate from the assessment of adequate liquid assets.
- 2.37. The assessment of required own funds covers expected costs and revenues, including potential losses from risks which may persist during wind-down. The assessment of required liquid assets focuses on cash needs. Some costs occur early, while cash from, for example, asset sales may be received later. In some

cases, the peak liquid asset requirement can be higher than the overall net cost, making the liquid assets requirement greater than the own funds required for winding-down the firm's business without causing material harm.

Threshold requirements and resources held

- 2.38. The firm should assess and calculate its OFTR and LATR to comply with the overall financial adequacy rule¹¹. The OFTR is informed by the own funds needed for ongoing operations and the amount to enable a wind-down without causing material harm. Similarly, the LATR is informed by the liquid assets required to fund ongoing operations and the amount needed when the firm commences the wind down process. In both cases, assessments are considered against baseline requirements.
- 2.39. If the wind-down resource needs exceed those required to support ongoing operations, the firm should consider that its threshold requirement is sufficient to meet the higher amount. It should also introduce enhanced early warning indicators or triggers for action because breaching a threshold driven by wind-down resource requirements heightens the risk that insufficient resources harm customers and the UK market.
- 2.40. Prudent firms often hold more financial resources than their threshold requirements, using early warning indicators and triggers to stay resilient during unexpected losses or liquidity strain. The additional amount depends on risk appetite, stress test results, and how quickly recovery actions can be taken.

3. Documentation

- 3.1. The firm must review and document its overall risk assessment¹². The document should briefly summarise key analysis, judgments, conclusions, and any updates, showing how the business model and risks have been evaluated, along with the adequacy of systems and resources. This ensures timely, informed action during stress or changes in business and risk profile. It also helps the firm build on and improve its existing approach.
- 3.2. Key details to record in the documentation include:
- An overview of risks that may cause material harm identified, the systems and controls and the resources in place to mitigate them.
 - Information on governance arrangements and oversight of the assessment.
 - Summaries of scenarios, assumptions, and stress testing carried out.
- 3.3. The firm should ensure clarity and consistency between the overall risk assessment document and other reporting to make the assessments reliable and provide practical value.
- 3.4. The overall risk assessment document must be reviewed at least once every 12 months and following any material change in the firm's business model or

¹¹ COREPRU 7.2.1R and COREPRU 7.2.5R

¹² COREPRU 7.2.8R and 7.2.9R

operating model¹³. The overall risk assessment document must be kept on record for at least 3 years from the date was approved¹⁴.

4. Review by the FCA - Supervisory review and evaluation process (SREP)

- 4.1. While the firm determines its own threshold requirements as part of its overall risk assessment, this determination remains subject to review by the FCA.
- 4.2. The Supervisory Review and Evaluation Process (SREP) is an assessment carried out by the FCA to evaluate the firm's business model, risks, governance, financial resilience, and underlying frameworks, all of which are elements of the firm's overall risk assessment.
- 4.3. The FCA may carry out this review as part of its supervisory function under the Financial Services and Markets Act 2000 (the Act), but there is no set frequency for these reviews. The SREPs are prioritised based on factors such as the firm's business, risks, and market concerns, and their scope can vary. The FCA may also review groups of firms with common characteristics, issuing sectoral guidance or imposing requirements as needed.
- 4.4. The FCA considers various information such as firms' overall risk assessments documents, interviews with members of the governing body, employees, advisers, service providers, and auditors, as well as relevant external data. In certain cases, the FCA may choose to limit the scope of its evaluation. The FCA evaluates several factors which include risk identification, systems and controls, risk appetite, governance, integration of risk assessment in decision-making, financial adequacy, planning analyses, and wind-down plans.
- 4.5. As a result of its review, the FCA may consider whether any corrective action is necessary for example to require additional own funds or liquid assets, governance changes, improvement plans to ensure compliance with the Handbook or other legislation, activity restrictions, risk reductions, remuneration limits, reporting requirements, disclosures, structural modifications, withdrawal of permissions, or giving individual guidance to the firm on any of these matters or any other that the FCA considers is relevant.
- 4.6. The FCA would normally expect to take the actions described above through the following non-exhaustive measures: exercising the powers under section 55J of the Act permitting the FCA to vary or cancel a firm's permission on the FCA's own initiative; inviting a firm to make a voluntary application for the imposition of a requirement under section 55L(5) of the Act; imposing a requirement on a firm on the FCA's own initiative under section 55L(3) of the Act; requiring a report by a skilled person in accordance with section 166 of the Act; requiring a firm or parent undertaking to provide additional information to the FCA under section 165 of the Act, withdrawing a permission in accordance with the rules in the applicable prudential requirements or giving individual guidance to a firm under section 139A of the Act, as further described in SUP 9.3.

¹³ COREPRU 7.2.8R (2)

¹⁴ COREPRU 7.2.9R

- 4.7. Following a SREP, the FCA may conclude that a firm should hold additional own funds or liquid assets to comply with the overall financial adequacy rule. In this case, the FCA will normally specify an amount by: (1) issuing individual guidance; or (2) imposing a requirement on the firm. The amount normally represents the FCA's assessment of the threshold requirement. However, in some cases, it may be specified on a different basis (such as by reference to a specific component of the threshold requirement or to a particular risk that may cause material harm).
- 4.8. Where the FCA has undertaken a sectoral review, it may issue guidance to, or impose a requirement on, some or all firms that are active in that sector, without conducting an individual SREP in relation to each firm.
- 4.9. The FCA will determine whether a requirement or guidance is more appropriate. Where the FCA issues guidance, the FCA expects that the firm would normally confirm to the FCA that the firm will treat the amounts specified in that guidance as its threshold requirements going forward (and will therefore hold the relevant own funds and liquid assets to comply with the overall financial adequacy rule), unless the firm subsequently determines under its overall risk assessment that higher amounts are required.
- 4.10. Where the FCA applies a requirement in connection with the overall financial adequacy rule, it may invite a firm to make a voluntary application under section 55L(5) of the Act. If a firm declines to make a voluntary application to impose the relevant requirement, the FCA may use its powers under section 55L(3) of the Act to impose the requirement on the firm on the FCA's own initiative.
- 4.11. Individual guidance on threshold requirements (or a requirement to hold minimum levels of own funds or liquid assets imposed by the FCA) will remain in place until updated or removed by the FCA. If, after completing its own overall risk assessment, a firm concludes it needs to hold more own funds or liquid assets to meet the overall financial adequacy rule, it must hold that higher level. This is because the FCA's assessment reflects an assessment carried out at that point in time and does not relieve the firm of its obligation to comply with the overall financial adequacy rule at all times.
- 4.12. The FCA may provide guidance on a firm's own funds threshold requirement (or where applicable, impose a requirement) which may refer to: (1) a percentage of the own funds requirement; (2) a fixed amount; or (3) a suitable metric. Similarly, the FCA may provide guidance on a firm's liquid asset threshold requirement (or, where applicable, impose a requirement) which may refer to: (1) a percentage of the firm basic liquid asset requirement, (2) a fixed amount or (3) a suitable metric.
- 4.13. A firm must meet any own funds threshold requirement with own funds that satisfy the conditions in COREPRU and the relevant sectoral prudential sourcebooks unless the FCA applies an alternative requirement to the firm.
- 4.14. A firm can normally meet its liquid assets threshold requirement with any type of liquid assets. This is subject to the overriding requirement in COREPRU 6 that in all cases, a firm must meet its basic liquid assets requirement with core liquid assets. In appropriate cases, the FCA may require use of a narrower subset of

liquid assets. For instance, the FCA may require a firm to hold core liquid assets to cover particular risks or may disallow the use of certain non-core liquid assets. The FCA may also: (1) require the firm to apply modified haircuts to non-core liquid assets; or (2) impose certain requirements relating to a firm's funding profile and the matching of expected liquidity outflows and inflows.