

# Glossary



(f) The ifs School of Finance; [Note: The ifs School of Finance acts through its Institute of Financial Services]

(g) The Institute of Chartered Accountants in England and Wales;

(h) The Pensions Management Institute.

*accumulating with-profits policy*

FCA PRA

a *with-profits insurance contract* which has a readily identifiable current benefit, whether or not this benefit is currently realisable, which is adjusted by an amount explicitly related to the amount of any *premium* payment and to which additional benefits are added in respect of participation in profits by additions directly related to the current benefit or a policy with similar characteristics.

*accumulation unit*

FCA PRA

a *unit* in respect of which income is credited periodically to *capital property* under ■ COLL 6.8.3 R (Income allocation and distribution).

ACD

FCA PRA

*authorised corporate director*.

ACS

FCA PRA

an *authorised contractual scheme*.

Act

FCA PRA

the Financial Services and Markets Act 2000.

*acting as the depositary of an authorised contractual scheme*

FCA

the *regulated activity*, specified in article 51(1)(bb) of the *Regulated Activities Order* (Establishing etc. a collective investment scheme), of acting as the *depositary* of an *authorised contractual scheme*.

*acting as the depositary or sole director of an open-ended investment company*

FCA PRA

the *regulated activity*, specified in article 51(1)(c) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as the *depositary* or *sole director* of an *open-ended investment company*.

*acting as trustee of an authorised unit trust scheme*

FCA PRA

the *regulated activity*, specified in article 51(1)(b) of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of acting as a *trustee* of an *authorised unit trust scheme*.

*acting as trustee or depositary of a UCITS*

the *regulated activity*, specified in article 51ZB of the *Regulated Activities Order* which is, in summary, acting as:

(a) a trustee of an *authorised unit trust scheme*; or

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*acting as trustee or depositary of an AIF*

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(b) a depositary of an *open-ended investment company*; or  
 (c) a depositary of an *authorised contractual scheme*;  
 where that company or *scheme* is a UCITS.

the *regulated activity*, specified in article 51ZD of the *Regulated Activities Order*, which is, in summary, acting as:

- (a) a depositary of an AIF falling within article 51ZD(2) of the *Regulated Activities Order*;
- (b) the *trustee* of an *authorised unit trust* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*;
- (c) the depositary of an *open-ended investment company* or of an *authorised contractual scheme* which is an AIF that does not fall within article 51ZD(2) of the *Regulated Activities Order*.

*actuarial body*

FCA PRA

the Institute of Actuaries or the Faculty of Actuaries.

*actuarial function*

FCA PRA

(in the *PRA Handbook*) *PRA controlled function* CF12 in the *table of PRA controlled functions*, described more fully in ■ SUP 4.3.13 R and ■ SUP 10B.8.1 R.

*actuarial health insurance*

FCA PRA

(in the context of the *rules* in ■ INSPRU 1.1 concerning the calculation of the *general insurance capital requirement*), health insurance which meets all the conditions set out in ■ INSPRU 1.1.72 R.

*actuarial investigation*

FCA PRA

an investigation to which ■ IPRU-INS rule 9.4 applies.

*actuarial valuation date*

FCA PRA

the date as at which the *mathematical reserves* are calculated.

*actuary*

FCA PRA

a fellow of an *actuarial body* or (in connection with *general insurance business*) a Fellow of the Casualty Actuarial Society who is a member of an *actuarial body*.

*actuating purpose*

FCA PRA

a purpose which motivates or incites a *person* to act.

*adequate public disclosure*

FCA PRA

(as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) disclosure made in accordance with the procedure laid down in Articles 102(1) and 103 of the *Consolidated Admissions and Reporting Directive*.

*administering a home finance transaction* any of the *regulated activities* of *administering a regulated mortgage contract*, *administering a home purchase plan*, *administering a home reversion plan* or *administering a regulated sale and rent back agreement*.

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*administering a home purchase plan* the *regulated activity*, specified in article 63F(2) of the *Regulated Activities Order*, which is in summary: administering a *home purchase plan* where the plan was entered into by way of business on or after 6 April 2007.

FCA PRA

*administering a home reversion plan* the *regulated activity*, specified in article 63B(2) of the *Regulated Activities Order*, which is in summary: administering a *home reversion plan* where the plan was entered into on or after 6 April 2007.

FCA PRA

*administering a regulated lifetime mortgage contract* the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* (which is a *lifetime mortgage*) where the contract was entered into on or after 31 October 2004.

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*administering a regulated mortgage contract* the *regulated activity*, specified in article 61(2) of the *Regulated Activities Order*, which is in summary: administering a *regulated mortgage contract* where the contract was entered into on or after 31 October 2004.

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*administering a regulated sale and rent back agreement* the *regulated activity*, specified in article 63J(2) of the *Regulated Activities Order*, which is in summary any of the following:

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(a) notifying the agreement seller of changes in payment due under a *regulated sale and rent back agreement* or of other matters of which that *agreement* requires him to be notified;

(b) taking any necessary steps for the purpose of making payments to the agreement seller under that *agreement*; and

(c) taking any necessary steps for the purposes of collecting or recovering payments due under that *agreement* from the agreement seller;

but a *person* is not to be treated as administering a *regulated sale and rent back agreement* because he has, or exercises, a right to take action for the purposes of enforcing that *agreement* (or to require that such action is or is not taken);

and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

*administering a specified benchmark* The *regulated activity*, specified in article 63O(1)(b) of the *Regulated Activities Order*, which means:

FCA

(1) administering the arrangements for determining a *specified benchmark*, or

*administrative expenses*

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*administrative functions*

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*admissible asset*

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*admission or admission to listing*

- (2) collecting, analysing or processing information or expressions of opinion for the purpose of determining a *specified benchmark*, or
- (3) determining a *specified benchmark* through the application of a formula or other method of calculation to the information or expressions of opinion provided for that purpose.

has the meaning set out in the *insurance accounts rules*.

- (a) (in relation to managing *investments*):
- (i) arranging settlement;
  - (ii) monitoring and processing corporate actions;
  - (iii) *client* account administration, liaison and reporting, including valuation and performance measurement;
  - (iv) *ISA* or *CTF* administration;
  - (v) *investment trust savings scheme* administration;
- (b) (in relation to *effecting* or carrying out *life policies*):
- (i) new business administration;
  - (ii) *policy* alterations including surrenders and *policy* loans;
  - (iii) preparing *projections*;
  - (iv) processing claims including pension payments;
  - (v) fund switching;
- (c) (in relation to the operation of a *stakeholder pension scheme*):
- (i) new business administration;
  - (ii) receipt of or alteration to contributions;
  - (iii) preparing *projections* and annual statements;
  - (iv) administration of transfers;
  - (v) handling claims, including pension payments;
  - (vi) fund allocation and switching.

(1) (for the purpose of the *rules* in *GENPRU* and *INSPRU* as they apply to *members* of the *Society* of Lloyd's, the *Society* and *managing agents* ) an asset that , subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* as modified by ■ *GENPRU 2.3.34 R*.

(2) otherwise:

- (a) (in relation to an *insurer* which is not a *pure reinsurer*) an asset that, subject to paragraphs (2) and (3) of ■ *GENPRU 2 Annex 7 R*, falls into one or more categories in paragraph (1) of ■ *GENPRU 2 Annex 7 R* ; or
- (b) (in relation to a *pure reinsurer*) an asset the holding of which is consistent with compliance by the *firm* with ■ *INSPRU 3.1.61A R*.

(in *LR*) *admission* of *securities* to the *official list*.

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admission to trading

(1) (in *LR*) admission of *securities* to trading on an *RIE's* market for *listed securities*.

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(2) (in *PR* and *DTR*) admission to trading on a *regulated market*.

(3) (elsewhere in the *Handbook*) (in relation to an *investment* and an exchange) the process by which the exchange permits members of the exchange to enter into transactions in that *investment* under and subject to the rules of the exchange.

advanced IRB approach

one of the following:

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(a) (in relation to the *sovereign, institutional and corporate IRB exposure class*) the approach under the *IRB approach* under which a *firm* supplies its own estimates of *LGD* and *conversion factors*;

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced measurement approach

one of the following:

FCA PRA

(a) the adjusted method of calculating the *operational risk capital requirement* set out in ■ BIPRU 6.5 (Operational risk: advanced measurement approaches);

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

advanced prudential calculation approach

one of the following:

FCA PRA

(a) the *IRB approach*; or

(b) the *advanced measurement approach*; or

(c) the *VaR model approach*; or

(d) the *CAD 1 model approach*; or

(e) the *master netting agreement internal models approach*; or

(f) the *CCR internal model method*;

including, in each case, whatever corresponds to that approach under the rules of or administered by a *regulatory body* other than the *appropriate regulator*.

advanced prudential calculation approach permission

one of the following:

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(a) an *IRB permission*; or

(b) an *AMA permission*; or

(c) a *VaR model permission*; or

(d) a *CAD 1 model waiver*; or

(e) a *master netting agreement internal models approach permission*; or

(f) a *CCR internal model method permission*.

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| <p><i>advertisement</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in <i>PR</i> and <span style="color: #000080;">■</span> <i>LR 4</i>) (as defined in the <i>PD Regulation</i>) announcements:</p> <p>(a) relating to a specific offer to the public of securities or to an admission to trading on a regulated market; and</p> <p>(b) aiming to specifically promote the potential subscription or acquisition of securities.</p>   |
| <p><i>adviser</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(1) (except in <i>IPRU(INV) 13</i>) an individual who is: a <i>representative</i>, an <i>appointed representative</i> or a <i>tied agent</i></p> <p>(2) (in <i>IPRU(INV) 13</i>) a <i>financial adviser</i>.</p>  |
| <p><i>adviser charge</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                                       | <p>any form of charge payable by or on behalf of a <i>retail client</i> to a <i>firm</i> in relation to the provision of a <i>personal recommendation</i> by the <i>firm</i> in respect of a <i>retail investment product</i> (or any related service provided by the <i>firm</i>) which:</p> <p>(a) is agreed between that <i>firm</i> and the <i>retail client</i> in accordance with the <i>rules</i> on adviser charging and remuneration (<span style="color: #000080;">■</span> <i>COBS 6.1A</i>); and</p> <p>(b) is not a <i>consultancy charge</i>.</p>  |
| <p><i>advising on a home finance transaction</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>               | <p>any of the <i>regulated activities</i> of <i>advising on regulated mortgage contracts</i>, <i>advising on a home purchase plan</i>, <i>advising on a home reversion plan</i> or <i>advising on a regulated sale and rent back agreement</i>.</p>  |
| <p><i>advising on a home purchase plan</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                     | <p>the <i>regulated activity</i>, specified in article 53C of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to him in his capacity as a <i>home purchaser</i> or potential <i>home purchaser</i>; and</p> <p>(b) is advice on the merits of his:</p> <p style="padding-left: 20px;">(i) entering into a particular <i>home purchase plan</i>; or</p> <p style="padding-left: 20px;">(ii) varying the terms of a <i>home purchase plan</i> entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.</p>   |
| <p><i>advising on a home reversion plan</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>the <i>regulated activity</i>, specified in article 53B of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to him in his capacity as <i>reversion occupier</i> or plan provider or potential <i>reversion occupier</i> or potential plan provider; and</p> <p>(b) is advice on the merits of his:</p> <p style="padding-left: 20px;">(i) entering into a particular <i>home reversion plan</i>; or</p> <p style="padding-left: 20px;">(ii) varying the terms of a <i>home reversion plan</i> entered into by him on or after 6 April 2007 in such a way as to vary his obligations under that plan.</p> |
| <p><i>advising on a regulated sale and rent back agreement</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>the <i>regulated activity</i>, specified in article 53D of the <i>Regulated Activities Order</i>, which is in summary: advising a <i>person</i> if the advice:</p> <p>(a) is given to a <i>person</i> in his capacity as:</p> <p style="padding-left: 20px;">(i) an agreement seller or potential agreement seller; or</p> <p style="padding-left: 20px;">(ii) an agreement provider or potential agreement provider; and</p> <p>(b) is advice on the merits of his doing either of the following:</p>  |



advising on  
investments

FCA PRA

(i) entering into a particular *regulated sale and rent back agreement*;  
or

(ii) varying the terms of a *regulated sale and rent back agreement* entered into on or after 1 July 2009 by him as agreement seller or agreement provider, in such a way as to vary his obligations under that *agreement* and in relation to a *person* who acquires obligations or rights under a *regulated sale and rent back agreement*, an activity is a specified kind of activity for the purposes of this part of the definition only if the *agreement* was entered into by the agreement provider (rather than the obligations or rights acquired) on or after 1 July 2009.

(1) (except in ■ SUP 10A (Approved Persons) and APER) the *regulated activity*, specified in article 53 of the *Regulated Activities Order* (Advising on investments), which is in summary: advising a *person* if the advice is:

(a) given to the *person* in his capacity as an investor or potential investor, or in his capacity as agent for an investor or a potential investor; and

(b) advice on the merits of his doing any of the following (whether as principal or agent):

(i) *buying, selling*, subscribing for or underwriting a particular *investment* which is a *security* or *relevant investment* (that is, any *designated investment, funeral plan contract, pure protection contract, general insurance contract* or right to or interests in a *funeral plan contract*);  
or

(ii) exercising any right conferred by such an *investment* to *buy, sell*, subscribe for or underwrite such an *investment*.

(2) (in ■ SUP 10A (Approved Persons) and APER) the *regulated activity* specified in article 53 (Advising on investments) of the *Regulated Activities Order*. For these purposes, *advising on investments* includes any activities that would be included but for the exclusion in article 72AA (Managers of UCITS and AIFs) of the *Regulated Activities Order*.

advising on  
investments  
(except pension  
transfers and  
pension  
opt-outs)

FCA PRA

*advising on investments* except in respect of *pension transfers* and *pension opt-outs*.

advising on  
pension  
transfers and  
pension  
opt-outs

FCA PRA

advising on *investments* in respect of *pension transfers* and *pension opt-outs*.

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advising on  
regulated  
mortgage  
contracts

FCA PRA

the *regulated activity*, specified in article 53A of the *Regulated Activities Order*, which is in summary: advising a *person* if the advice:

(a) is given to the *person* in his capacity as a borrower or potential borrower;  
and

*advising on  
syndicate  
participation at  
Lloyd's*

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*affected person*

**FCA**

*affiliated  
company*

**FCA** **PRA**

*AFM*

**FCA** **PRA**

(b) is advice on the merits of his:

- (i) entering into a particular *regulated mortgage contract*; or
- (ii) varying the terms of a *regulated mortgage contract* entered into by him on or after 31 October 2004 in such a way as to vary his obligations under that contract.

the *regulated activity*, specified in article 56 of the *Regulated Activities Order* (Advice on syndicate participation at Lloyd's), of advising a *person* to become, or continue or cease to be, a member of a particular Lloyd's *syndicate*.

(in *COLL* ):

(a) (in relation to an *ICVC*):

- (i) the *ICVC*;
- (ii) its *depository*;
- (iii) a *director* of the *ICVC*;
- (iv) any *investment adviser* of the *ICVC*;
- (v) any *associate* of any *person* in (a)(i), (ii), (iii) or (iv);
- (vi) the auditor of the *scheme*;

(b) (in relation to an *AUT*):

- (i) the *manager*;
- (ii) the *trustee*;
- (iii) any *investment adviser* of the *manager*;
- (iv) any *associate* of any *person* in (b)(i), (ii) or (iii);
- (v) the auditor of the *scheme*.

(c) (in relation to an *ACS*):

- (i) the *authorised fund manager*;
- (ii) the *depository*;
- (iii) any *investment adviser* of the *authorised fund manager*;
- (iv) any *associate* of any *person* in (c)(i), (ii) or (iii);
- (v) the auditor of the *scheme*;
- (vi) the *nominated partner*.

(in relation to a *person*) an *undertaking* in the same *group* as that *person*.

*authorised fund manager*.

agent

FCA PRA

(in relation to *payment services* or *electronic money*) a person who acts on behalf of a *payment institution* or an *electronic money institution* in providing *payment services*.

[Note: article 4(22) of the *Payment Services Directive*]

agreeing to carry on a regulated activity

FCA PRA

the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity), of agreeing to carry on an activity specified in Part II of that Order other than:

- (a) *accepting deposits*;
- (aa) *issuing electronic money*;
- (b) *effecting contracts of insurance*;
- (c) *carrying out contracts of insurance*;
- (d) *establishing, operating or winding up a collective investment scheme*;
- (e) *acting as trustee of an authorised unit trust scheme*;
- (f) *acting as the depositary or sole director of an open-ended investment company*;
- (ff) *acting as the depositary of an authorised contractual scheme*;
- (g) *establishing, operating or winding up a stakeholder pension scheme*;
- (h) *establishing, operating or winding up a personal pension scheme*.

AIF

FCA PRA

*alternative investment fund*.

AIF custodial assets

FCA

*financial instruments* of an AIF that can be:

- (a) registered in a *financial instruments* account opened in the *depositary's* books; or
- (b) physically delivered to the *depositary*.

[Note: recital 100 and articles 88 (Financial instruments to be held in custody) and 89(3) (Safekeeping duties with regard to assets held in custody) of the *AIFMD level 2 regulation*.]

AIFM

FCA PRA

*alternative investment fund manager*.

AIFM investment firm

FCA PRA

a *firm* which:

- (a) is:
  - (i) a *full-scope UK AIFM*; or
  - (ii) an *incoming EEA AIFM branch*; and
- (b) has a *Part 4A permission* (or an equivalent permission from its *Home State regulator*) for *managing investments* where:
  - (i) the *investments* managed include one or more *financial instruments*; and
  - (ii) the *permission* is limited to the activities permitted by article 6(4) of *AIFMD*.

AIFM investment

investment management functions of an *AIFM* as set out in 1(a) (portfolio management) or (b) (risk management) of Annex I to *AIFMD*.

*management functions*

**FCA**

*AIFM management functions*

**FCA PRA**

*AIFM qualifier*

**FCA PRA**

*AIFM Remuneration Code*

**FCA**

*AIFM Remuneration Code staff*

**FCA**

*AIFM remuneration principles*

**FCA**

*AIFMD*

**FCA PRA**

*AIFMD host state requirements*

**FCA PRA**

*AIFMD level 2 regulation*

**FCA PRA**

the management functions of an *AIFM* listed in Annex I to *AIFMD*.

an *EEA AIFM* which is *marketing*, or has *marketed*, an *AIF* in the *UK* by:

- (a) exercising its *EEA* right to *market* under Schedule 3 of the *Act* (*EEA Passport Rights*); and
- (b) is not exercising a right to manage a *UK AIF* under Schedule 3 of the *Act*.

as set out in ■ SYSC 19B (*AIFM Remuneration Code*).

(for an *AIFM*) has the meaning given in ■ SYSC 19B.1.3 R.

the principles set out in ■ SYSC 19B.1.5 R to ■ SYSC 19B.1.24 R.

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010  
(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2011:174:0001:0073:EN:PDF>)

*Handbook rules* transposing articles 12 and 14 of *AIFMD* and which fall under the responsibility of the *Host State* to supervise where an *AIFM* manages or *markets* an *AIF* through a *branch* in that *EEA State*, namely:

- (a) ■ FUND 3.8;
- (b) ■ SYSC 4.1.2C R;
- (c) ■ SYSC 10.1.22 R to ■ SYSC 10.1.26 R; and
- (d) ■ COBS 2.1.4 R.

Commission delegated regulation (EU) No 231/2013 supplementing Directive 2011/16/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision  
(<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:083:0001:0095:en:PDF>)

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| <p><i>AIFMD UK regulation</i><br/>FCA PRA</p>                 | the Alternative Investment Fund Managers Regulations 2013 (SI 2013/....)  |
| <p><i>aircraft</i><br/>FCA PRA</p>                            | (in relation to a <i>class of contract of insurance</i> ) the <i>class of contract of insurance</i> , specified in paragraph 5 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), upon aircraft or upon the machinery, tackle, furniture or equipment of aircraft.  |
| <p><i>aircraft liability</i><br/>FCA PRA</p>                  | (in relation to a <i>class of contract of insurance</i> ) the <i>class of contract of insurance</i> , specified in paragraph 11 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against damage arising out of or in connection with the use of aircraft, including third-party risks and carrier's liability.  |
| <p><i>all price risk measure</i><br/>FCA PRA</p>              | (in ■ BIPRU 7.10 (Use of a Value at Risk Model)) has the meaning in ■ BIPRU 7.10.116A R (Capital calculations for VaR models), which is, in relation to a <i>business day</i> , the <i>all price risk measure</i> required under the provisions in ■ BIPRU 7.10 about <i>specific risk</i> for the <i>correlation trading portfolio</i> .   |
| <p><i>allocation period</i><br/>FCA PRA</p>                   | a single 24-hour period or, with the agreement of each <i>professional client</i> concerned, a period spanning five consecutive <i>business days</i> , during which an aggregated <i>series of transactions</i> may be <i>executed</i> .  |
| <p><i>allotment</i><br/>FCA PRA</p>                           | (as defined in Article 2 of the <i>Buy-back and Stabilisation Regulation</i> ) the process or processes by which the number of <i>relevant securities</i> to be received by investors who have previously subscribed or applied for them is determined.   |
| <p><i>alternative debenture</i><br/>FCA PRA</p>               | the <i>investment</i> specified in article 77A of the <i>Regulated Activities Order</i> (Alternative finance investment bonds).   |
| <p><i>alternative investment fund</i><br/>FCA PRA</p>         | (in accordance with article 4(1)(a) of <i>AIFMD</i> ) a collective investment undertaking, including investment compartments thereof, which: <ul style="list-style-type: none"> <li>(a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and</li> <li>(b) does not require authorisation pursuant to article 5 of the <i>UCITS Directive</i>.</li> </ul>   |
| <p><i>alternative investment fund manager</i><br/>FCA PRA</p> | (1) (in ■ GENPRU 3.1) a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of Directive 2011/61/EU or an <i>undertaking</i> which is outside the <i>EEA</i> and which would require authorisation in accordance with Directive 2011/61/EU if it had its registered office within the <i>EEA</i> .<br><br>(2) (except in ■ GENPRU 3.1 and in accordance with article 4(1)(b) of <i>AIFMD</i> ) a legal person whose regular business is performing <i>AIFM investment management functions</i> for one or more <i>AIF</i> . |
| <p><i>alternative projection</i><br/>FCA PRA</p>              | (in <i>COBS</i> ) a <i>projection</i> calculated on the basis described in paragraph 1.5R of the <i>projection rules</i> (■ COBS 13 Annex 2), rather than in accordance with the remainder of those <i>rules</i> .  |

*alternative standardised approach*

**FCA** **PRA**

one of the following:

- (a) a version of the *standardised approach* to *operational risk* under which a *firm* uses different indicators for certain business lines as referred to in **■ BIPRU 6.4.19 R** (The alternative standardised approach);
- (b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with **■ BIPRU 8** (Group risk - consolidation); or
- (c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

AMA

**FCA** **PRA**

the *advanced measurement approach*.

AMA permission

**FCA** **PRA**

an *Article 129 implementing measure*, a *requirement* or a *waiver* that requires a *BIPRU firm* or an *institution* to use the *advanced measurement approach* to *operational risk* on a solo basis or, if the context requires, a consolidated basis.

*ancillary activity*

**FCA** **PRA**

an activity which is not a *regulated activity* but which is:

- (a) carried on in connection with a *regulated activity*; or
- (b) held out as being for the purposes of a *regulated activity*.

*ancillary insurance services undertaking*

**FCA** **PRA**

(in relation to any *undertaking* in a *consolidation group*, *sub-group* or other group of *persons*) an *undertaking* complying with the following conditions:

- (a) its principal activity consists of:
  - (i) owning or managing property; or
  - (ii) managing data-processing services; or
  - (iii) any other similar activity;
- (b) the activity in (a) is ancillary to the principal activity of one or more *insurance undertakings*; and
- (c) those *insurance undertakings* are also members of that *consolidation group*, *sub-group* or other group of *persons*.

*ancillary risk*

**FCA** **PRA**

(in relation to an *insurer* with *permission* under the *Act* to insure a principal risk belonging to one *class* (as defined for the purposes of *INSPRU* and *SUP*) of *general insurance business*) a risk included in another such class which is:

- (a) connected with the principal risk,
- (b) concerned with the object which is covered against the principal risk, and
- (c) the subject of the same contract insuring the principal risk.

However, the risks included in *classes* 14, 15 and 17 may not be treated as risks ancillary to other classes, except that the risk included in *class* 17 (legal expenses insurance) may be regarded as an ancillary risk of *class* 18 where:

- (d) the conditions laid down in (a) to (c) are fulfilled, and
- (e) the principal risk relates solely to assistance provided for *persons* who fall into difficulties while travelling, while away from home or while away from their permanent residence or where it concerns disputes or risks arising out of, or in connection with, the use of sea-going vessels.

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| <p><i>annual financial statements</i></p> <p><b>FCA</b> <b>PRA</b></p>     | <p>(a) only include such annual income if it is attributable to business conducted with or for the benefit of <i>eligible claimants</i> and is otherwise attributable to compensatable business; or</p> <p>(b) include all such annual income.</p>   |
| <p><i>annual income</i></p> <p><b>FCA</b> <b>PRA</b></p>                   | <p>(in MIPRU)</p> <p>the income referred to in ■ MIPRU 4.3</p>   |
| <p><i>annual income allocation date</i></p> <p><b>FCA</b> <b>PRA</b></p>   | <p>the date in any year stated in the most recently published <i>prospectus</i> as the date on or before which, in respect of each <i>annual accounting period</i>, an allocation of income is to be made.</p>   |
| <p><i>annual percentage rate</i></p> <p><b>FCA</b> <b>PRA</b></p>          | <p>the annual percentage rate of charge for a contract as calculated in accordance with ■ MCOB 10 (Annual percentage rate).</p>  |
| <p><i>annual report and accounts</i></p> <p><b>FCA</b> <b>PRA</b></p>      | <p>(a) (in relation to a <i>company</i> incorporated in the <i>United Kingdom</i>) an annual report and annual accounts as those terms are defined in:</p> <p style="padding-left: 20px;">(i) section 262(1) of the Companies Act 1985, together with an auditor's report prepared in relation to those accounts under section 235 of the same Act where these provisions are applicable; or</p> <p style="padding-left: 20px;">(ii) section 471 of the Companies Act 2006 together with an auditor's report prepared in relation to those accounts under sections 495 to 497 of the same Act;</p> <p>(b) (in relation to any other body) any similar or analogous <i>documents</i> which it is required to prepare whether by its constitution or by the law under which it is established.</p> |
| <p><i>annual statement provisions</i></p> <p><b>FCA</b> <b>PRA</b></p>     | <p>(in MCOB) in relation to a:</p> <p style="padding-left: 20px;">(a) <i>regulated mortgage contract</i>, ■ MCOB 7.5;</p> <p style="padding-left: 20px;">(b) <i>home purchase plan</i>, ■ MCOB 7.8.3 R to ■ MCOB 7.8.6 R; and</p> <p style="padding-left: 20px;">(c) <i>instalment reversion plan</i>, ■ MCOB 9.9.1 R to ■ MCOB 9.9.3 R (2)(c).</p>  |
| <p><i>annualised net written premiums</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(for the purposes of ■ INSPRU 1.4 ) in relation to a <i>financial year</i>, the <i>net written premiums</i> received during that <i>financial year</i>, except that in relation to a <i>financial year</i> that has been validly extended beyond, or shortened from, a period of 12 months, the amount of <i>net written premiums</i> is the amount determined in accordance with the formula: <math>NWP \times 365/D</math> where:</p> <p style="padding-left: 20px;">(1) NWP is the amount of <i>net written premiums</i> received in the financial year; and</p> <p style="padding-left: 20px;">(2) D is the number of days in that <i>financial year</i>.</p>   |
| <p>APER</p> <p><b>FCA</b> <b>PRA</b></p>                                   | <p>the part of the <i>Handbook</i> in High Level Standards which has the title Statements of Principle and Code of Practice for Approved Persons.</p>  |

*applicable asset*

**FCA**

(a) in relation to *MiFID business*, a *financial instrument*; or

(b) in relation to *safeguarding and administering investments* that is not *MiFID business*, acting as trustee or depositary of a UCITS, and/or acting as trustee or depositary of an AIF, a *designated investment*.

*applicable provisions*

**FCA PRA**

the *Host State* rules with which:

(a) an *incoming EEA firm* is required to comply when carrying on a *permitted activity* through a *branch* or by providing services (as applicable) in the *United Kingdom*, as defined in paragraphs 13(4) and 14(4) of Part II of Schedule 3 to the *Act* (Exercise of passport rights by EEA firms); or

(b) a *UK firm* is required to comply when conducting business through a *branch* (in accordance with paragraph 19(13) of Part III of Schedule 3 to the *Act* (Exercise of passport rights by UK firms)) or by providing services (as applicable) in another *EEA State*.

*applicable sectoral consolidation rules*

**FCA PRA**

(in respect of a *financial sector* and in accordance with paragraph 6.9 of ■ GENPRU 3 Annex 1 R (Applicable sectoral consolidation rules)) the *appropriate regulator's sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 6.10 of ■ GENPRU 3 Annex 1 R.

*applicable sectoral rules*

**FCA PRA**

(in respect of a *financial sector*) *applicable sectoral consolidation rules* for that *financial sector* and the *appropriate regulator's sectoral rules* about capital adequacy and solvency for:

(a) the *banking and investment services sector* as set out in paragraph 6.2 of ■ GENPRU 3 Annex 1 R; or

(b) *insurance undertakings*;

which of those sets of *rules* apply for the purpose of a particular calculation depends on the nature of that calculation.

*applicant*

**FCA PRA**

(1) (in *LR*) an *issuer* which is applying for *admission of securities*.

(2) (in *PR*) an applicant for approval of a *prospectus* or *supplementary prospectus* relating to *transferable securities*.

*appointed representative*

**FCA PRA**

(in accordance with section 39 of the *Act* (other than an *authorised person*) who:

(a) is a party to a contract with an *authorised person* (his *principal*) which:

(i) permits or requires him to carry on business of a description prescribed in the *Appointed Representatives Regulations*; and

(ii) complies with such requirements as are prescribed in those *Regulations*; and

(b) is someone for whose activities in carrying on the whole or part of that business his *principal* has accepted responsibility in writing;

and who is therefore an *exempt person* in relation to any *regulated activity* comprised in the carrying on of that business for which his *principal* has accepted responsibility.

*Appointed Representatives Regulations*

**FCA PRA**

the Financial Services and Markets Act 2000 (Appointed Representatives) Regulations 2001 (SI 2001/1217).



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| <p><i>asset backed security</i></p>  | <p>(as defined in the <i>PD Regulation</i>) securities which:</p> <ul style="list-style-type: none"> <li>(a) represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets of amounts payable thereunder; or</li> <li>(b) are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.</li> </ul>   |
| <p>FCA PRA</p>   |   |
| <p><i>asset identification rules</i></p>   | <p>rules made by the <i>appropriate regulator</i> which require an <i>authorised person</i> who has <i>permission</i> to <i>effecting</i> or <i>carry out contracts of insurance</i> to identify assets which belong to him and which are maintained in respect of a particular aspect of his business.</p>   |
| <p>FCA PRA</p>   |   |
| <p><i>asset management company</i></p>   | <p>a management company within the meaning of Article 2(1)(b) of the <i>UCITS Directive</i>, as well as an <i>undertaking</i> the registered office of which is outside the <i>EEA</i> and which would require authorisation in accordance with Article 6(1) of the <i>UCITS Directive</i> if it had its registered office within the <i>EEA</i>.</p>   |
| <p>FCA PRA</p>   |   |
| <p><i>asset pool</i></p>   | <p>(in <i>RCB</i>) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) an asset pool within the meaning of Regulation 3 of the <i>RCB Regulations</i>.</p>  |
| <p>FCA PRA</p>   |   |
| <p><i>asset pool monitor</i></p>   | <p>a <i>person</i> appointed under regulation 17A of the <i>RCB Regulations</i>.</p>  |
| <p>FCA PRA</p>   |   |
| <p><i>asset-related capital requirement</i></p>  | <p>a component of the calculation of the <i>ECR</i> for a <i>firm</i> carrying on <i>general insurance business</i> as set out in <i>INSPRU 2.2</i> .</p>   |
| <p>FCA PRA</p>   |   |
| <p><i>assistance</i></p>   | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 18 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), providing either or both of the following benefits:</p> <ul style="list-style-type: none"> <li>(a) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties while travelling, while away from home or while away from their permanent residence;</li> <li>(b) assistance (whether in cash or in kind) for <i>persons</i> who get into difficulties otherwise than as in (a).</li> </ul> |
| <p>FCA PRA</p>   |   |
| <p><i>assisting in the administration and performance of a contract of insurance</i></p> | <p>the <i>regulated activity</i>, specified in article 39A of the <i>Regulated Activities Order</i> (Assisting in the administration and performance of a contract of insurance) of assisting in the administration and performance of a contract of insurance.</p>   |
| <p>FCA PRA</p>   |   |

associate

FCA PRA

(1) (in LR) (in relation to a *director, substantial shareholder, or person exercising significant influence*, who is an individual):

(a) that individual's spouse, civil partner or child (together "the individual's family");

(b) the trustees (acting as such) of any trust of which the individual or any of the individual's family is a beneficiary or discretionary object (other than a trust which is either an *occupational pension scheme* or an *employees' share scheme* which does not, in either case, have the effect of conferring benefits on persons all or most of whom are related parties;

(c) any *company* in whose *equity securities* the individual or any member or members (taken together) of the individual's family or the individual and any such member or members (taken together) are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they are (or would on the fulfilment of the condition or the occurrence of the contingency be) able:

(i) to exercise or control the exercise of 30% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or

(ii) to appoint or remove *directors* holding a majority of voting rights at board meetings on all, or substantially all, matters;

(d) any partnership whether a limited partnership or *limited liability partnership* in which the individual or any member or members (taken together) of the individual's family are directly or indirectly interested (or have a conditional or contingent entitlement to become interested) so that they hold or control or would on the fulfilment of the condition or the occurrence of the contingency be able to hold or control:

(i) a voting interest greater than 30% in the partnership; or

(ii) at least 30% of the partnership.

For the purpose of paragraph (c), if more than one *director* of the *listed company*, its *parent undertaking* or any of its *subsidiary undertakings* is interested in the *equity securities* of another *company*, then the interests of those *directors* and their *associates* will be aggregated when determining whether that *company* is an associate of the *director*.

(2) (in LR) (in relation to a *substantial shareholder or person exercising significant influence*, which is a *company*):

(a) any other *company* which is its *subsidiary undertaking* or *parent undertaking* or fellow *subsidiary undertaking* of the *parent undertaking*;

(b) any *company* whose *directors* are accustomed to act in accordance with the *substantial shareholder's* or *person exercising significant influence's*, directions or instructions ;

(c) any *company* in the capital of which the *substantial shareholder* or *person exercising significant influence* and any other *company* under paragraph (1) or (2) taken together, is (or would on the fulfilment of a condition or the occurrence of a contingency be) able to exercise power of the type described in paragraph (1)(c)(i) or (ii) of this definition.

(3) (except in LR ) (in relation to a *person* ("A")):

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| <p>CAD<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                   | <p><i>Capital Adequacy Directive.</i></p>   |
| <p>CAD 1 model<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>           | <p>a risk management model of the type described in ■ BIPRU 7.9 (Use of a CAD 1 model).</p>   |
| <p>CAD 1 model approach<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>one of the following</p> <ul style="list-style-type: none"> <li>(a) the approach to calculating part of the <i>market risk capital requirement</i> set out in ■ BIPRU 7.9 (Use of a CAD 1 model);</li> <li>(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or</li> <li>(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.</li> </ul> |
| <p>CAD 1 model waiver<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>    | <p>a <i>waiver</i> that requires a <i>firm</i> to use the <i>CAD 1 model approach</i> on a solo basis or, if the context requires, a consolidated basis.</p>  |
| <p>CAD Article 22 group<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> that meets the conditions in ■ BIPRU 8.4.9 R (Definition of a CAD Article 22 group).</p>   |
| <p>CAD bank<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>a <i>bank</i> which uses the <i>Capital Adequacy Directive</i> to measure the capital requirement on its trading book.</p>   |
| <p>CAD full scope firm<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>has the meaning set out ■ BIPRU 1.1.13 R (Types of investment firm: CAD full scope firm), which in summary is a <i>CAD investment firm</i> that is not a <i>limited activity firm</i> or a <i>limited licence firm</i>.</p>  |
| <p>CAD investment firm<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>has the meaning set out ■ BIPRU 1.1.14 R (Types of investment firm: CAD investment firm), which in summary is an <i>investment firm</i> that is subject to the requirements imposed by <i>MiFID</i> (or which would be subject to that Directive if its head office were in an <i>EEA State</i>) but excluding a <i>bank</i>, a <i>building society</i>, a <i>credit institution</i>, a <i>local</i> and an <i>exempt CAD firm</i>.</p>  |
| <p>callable contribution<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>amounts that <i>members</i> are liable to pay to the <i>Society</i> (or may by resolution of the <i>Society</i> be liable to pay) as contributions to the <i>Central Fund</i>.</p>   |
| <p>cancellation<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>(in <i>COLL</i>) (in relation to <i>units</i>) a cancellation of a <i>unit</i> by:</p> <ul style="list-style-type: none"> <li>(a) an <i>ICVC</i>; or</li> <li>(b) the <i>trustee</i> of an <i>AUT</i>; or</li> <li>(c) the <i>depository</i> of an <i>ACS</i>.</li> </ul>  |

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| <p><i>cancellation price</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>(in COLL)</p> <p>(in relation to the <i>cancellation</i> of <i>units</i> in a <i>dual-priced authorised fund</i>) the <i>price</i> for each <i>unit</i> payable by the <i>depository</i> to the <i>authorised fund manager</i> on that <i>cancellation</i>.</p>   |
| <p><i>candidate</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                             | <p>a <i>person</i> in respect of whom an application is made for approval under section 59 of the <i>Act</i> (Approval for particular arrangements) of the performance of an <i>FCA controlled function</i> or a <i>PRA controlled function</i>.</p>   |
| <p><i>capacity transfer market</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>any method of transferring capacity in <i>syndicates</i>, including capacity auctions, bilateral arrangements, capacity offers, minority buy-outs and conversion schemes.</p>   |
| <p><i>capital account</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                       | <p>(in COLL ) an account relating to the <i>capital property</i> of an <i>authorised fund</i>.</p>   |
| <p><i>Capital Adequacy Directive</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>            | <p>the Directive of the European Parliament and the Council of 14 June 2006 on capital adequacy of investment firms and credit institutions (No 2006/49/EC).</p>   |
| <p><i>capital instrument</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>(in GENPRU, BIPRU and ■ INSPRU 6 and in relation to an <i>undertaking</i>) any <i>security</i> issued by or loan made to that <i>undertaking</i> or any other investment in, or external contribution to the capital of, that <i>undertaking</i>.</p>   |
| <p><i>capital market-driven transaction</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>     | <p>(in accordance with point 2 of Part 1 of Annex VIII of the <i>Banking Consolidation Directive</i> (Eligible forms of credit risk mitigation)) any transaction giving rise to an <i>exposure</i> secured by collateral which includes a provision conferring upon the <i>person</i> with the <i>exposure</i> the right to receive margin frequently.</p>   |
| <p><i>capital planning buffer</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>               | <p>(in ■ BIPRU 2.2) the amount and quality of capital resources that a <i>firm</i> should hold at a given time in accordance with the <i>general stress and scenario testing rule</i>, so that the <i>firm</i> is able to continue to meet the <i>overall financial adequacy rule</i> throughout the relevant capital planning period in the face of adverse circumstances, after allowing for realistic management actions.</p>                     |
| <p><i>capital property</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                      | <p>(in COLL ) the <i>scheme property</i>, other than <i>income property</i> and any amount for the time being standing to the credit of the <i>distribution account</i>.</p>   |
| <p><i>capital redemption</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>(in relation to a <i>class of contract of insurance</i>) capital redemption contracts where effected or carried out by a <i>person</i> who does not carry on a banking business, and otherwise carries on the <i>regulated activity</i> of <i>effecting</i> or <i>carrying out contracts of insurance</i>, as specified in paragraph VI of Part II of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of long-term insurance).</p> |
| <p><i>Capital Requirements Regulations 2006</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>the Capital Requirements Regulations 2006 (SI 2006/3221).</p>   |

(4) (in *LR*) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in *FEES*) one of the broad classes to which *FSCS* allocates levies as described in ■ *FEES* 6.4.7A R, ■ *FEES* 6.5.6A R and ■ *FEES* 6 Annex 3AR.

(B) In the PRA Handbook:

(1) (in *GENPRU*, *INSPRU* and *SUP*) (in relation to a *contract of insurance*) any class of *contract of insurance* listed in Schedule 1 to the *Regulated Activities Order* (Contracts of insurance) and references to:

(a) *general insurance business class* 1, 2, 3, etc. are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part I of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out* of *contracts of insurance* of that kind; and

(b) *long-term insurance business class* I, II, III, etc. are references to *contracts of insurance* of the kind mentioned in the corresponding numbered paragraph in Part II of Schedule 1 to that Order or, as the context may require, to the *effecting* or *carrying out* of *contracts of insurance* of that kind.

(2) (in *COLL*):

(a) a particular class of *units* of an *authorised fund*; or

(b) all of the *units* relating to a single *sub-fund*; or

(c) a particular class of *units* relating to a single *sub-fund*; or

(d) in relation to an *EEA UCITS scheme*, any arrangement equivalent to (a), (b) or (c).

(3) (in *COBS*) a particular category or type of *packaged product*.

(4) (in *LR*) *securities* the rights attaching to which are or will be identical and which form a single issue or issues.

(5) (in *FEES*) one of the classes to which *FSCS* allocates levies as described in ■ *FEES* 6.5.7 R.

*class 1 acquisition*

FCA PRA

(in *LR*) a *class 1 transaction* that involves an acquisition by the relevant *listed company* or its *subsidiary undertaking*.

*class 1 circular*

FCA PRA

(in *LR*) a *circular* relating to a *class 1 transaction*.

*class 1 disposal*

FCA PRA

(in *LR*) a *class 1 transaction* that consists of a disposal by the relevant *listed company* or its *subsidiary undertaking*.

*class 1 transaction*

FCA PRA

(in *LR* and *FEES*) a transaction classified as a class 1 transaction under ■ LR 10.

*class 2 transaction*

FCA PRA

(in *LR*) a transaction classified as a class 2 transaction under ■ LR 10.

|   |  |
|---|--|
| <p><i>class meeting</i><br/>FCA PRA</p>                 | (in <i>COLL</i> ) a separate meeting of <i>holders</i> of a <i>class</i> of <i>units</i> .   |
| <p><i>class tests</i><br/>FCA PRA</p>                   | (in <i>LR</i> ) the tests set out in ■ LR 10 Annex 1 G (and for certain specialist companies, those tests as modified by ■ LR 10.7), which are used to determine how a transaction is to be classified for the purposes of the <i>listing rules</i> .  |
| <p><i>clean-up call option</i><br/>FCA PRA</p>          | (for the purposes of ■ BIPRU 9 (Securitisation), in relation to a securitisation (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) a contractual option for the <i>originator</i> to repurchase or extinguish the <i>securitisation positions</i> before all of the underlying <i>exposures</i> have been repaid, when the amount of outstanding <i>exposures</i> falls below a specified level.   |
| <p><i>clearing facilitation service</i><br/>FCA PRA</p> | (in relation to a <i>RIE</i> ) any <i>regulated activity</i> carried on by an <i>RIE</i> for the purposes of, or in connection with, the provision by the <i>RIE</i> of services designed to facilitate the provision of clearing services by another person.  |
| <p><i>clearing firm</i><br/>FCA PRA</p>                 | a <i>firm</i> which assumes primary responsibility (including legal liability) for the execution and settlement of transactions for <i>clients</i> .   |
| <p><i>clearing house</i><br/>FCA PRA</p>                | a clearing house through which transactions may be cleared and for the purposes of ■ CASS 7 and ■ CASS 7A, includes an <i>authorised central counterparty</i> .  |
| <p><i>clearing member</i><br/>FCA</p>                   | in relation to an <i>authorised central counterparty</i> , as defined in article 2(14) of <i>EMIR</i> .  |
| <p><i>client</i><br/>FCA PRA</p>                        | <p>(1) (except in <i>PROF</i> and except in relation to a <i>home finance transaction</i>) has the meaning given in ■ COBS 3.2, that is (in summary and without prejudice to the detailed effect of ■ COBS 3.2) a <i>person</i> to whom a <i>firm</i> provides, intends to provide or has provided a service in the course of carrying on a <i>regulated activity</i>, or in the case of <i>MiFID</i> or <i>equivalent third country business</i>, an <i>ancillary service</i>;</p> <p>(a) every client is a <i>customer</i> or an <i>eligible counterparty</i> ;</p> <p>(b) "client" includes:</p> <p>(i) a potential client;</p> <p>(ii) a client of an <i>appointed representative</i> of a <i>firm</i> with or for whom the <i>appointed representative</i> acts or intends to act in the course of business for which the <i>firm</i> has accepted responsibility under section 39 of the <i>Act</i> (Exemption of appointed representatives) or, where applicable, a client of a <i>tied agent</i> of a <i>firm</i>;</p> <p>(iii) a <i>fund</i> even if it does not have separate legal personality;</p> <p>(iiiA) any <i>person</i> to whom <i>collective portfolio management</i> services are provided, irrespective of whether or not it is <i>authorised</i>;</p> |

(iv) if a *person* ("C1"), with or for whom the *firm* is conducting or intends to conduct *designated investment business*, is acting as agent for another *person* ("C2"), either C1 or C2 in accordance with the *rule* on agent as client ■ COBS 2.4.3 R;

(v) for a *firm* that is *establishing, operating or winding up a personal pension scheme*, a member or beneficiary of that scheme;

(c) "client" does not include:

(i) a trust beneficiary not in (b)(v) ;

(ii) a *corporate finance contact*;

(iii) a *venture capital contact*.

(2) [deleted]

(3) (in *PROF*) (as defined in section 328(8) of the *Act* (Directions in relation to the general prohibition)) (in relation to *members* of a profession providing financial services under Part XX of the *Act* (Provision of Financial Services by Members of the Professions)):

(a) a *person* who uses, has used or may be contemplating using, any of the services provided by the *member* of a profession in the course of carrying on *exempt regulated activities* (including, where the *member* of the profession is acting in his capacity as a trustee, a *person* who is, has been or may be a beneficiary of the trust); or

(b) a *person* who has rights or interests which are derived from, or otherwise attributable to, the use of any such services by other *persons*; or

(c) a *person* who has rights or interests which may be adversely affected by the use of any such services by *persons* acting on his behalf or in a fiduciary capacity in relation to him.

(4) (in relation to a *regulated mortgage contract*, except in *PROF*) the individual or trustee who is the borrower or potential borrower under that contract.

(5) (in relation to a *home purchase plan*, except in *PROF*) the *home purchaser* or potential *home purchaser*.

(6) (in relation to a *home reversion plan*, except in *PROF*):

(a) the *reversion occupier* or potential *reversion occupier*; or

(b) an individual who is an *unauthorised reversion provider* and who is not, or would not, be required to have *permission to enter into a home reversion plan*.

(7) (in relation to a *dormant account* transferred to a *dormant account fund operator*) a *person* entitled to the *balance* in the *dormant account* held with a *bank* or *building society* which was transferred to a *dormant account fund operator*.

(8) (in relation to a *regulated sale and rent back agreement*, except in *PROF*):

(a) the individual or trustee who is the *SRB agreement seller* or potential *SRB agreement seller*; or

(b) an individual who is an *unauthorised SRB agreement provider* or potential *unauthorised SRB agreement provider* and who does not have, or would not be required to have, *permission to enter into a regulated sale and rent back agreement*.

*client asset rules*

FCA PRA

*client bank account*

FCA PRA

*client equity balance*

FCA PRA

*client money*

FCA PRA

CASS.

(1) (other than in ■ CASS 7 and ■ CASS 7A and principally in ■ CASS 5):

(a) an account at a bank which:

(i) holds the *money* of one or more *clients*;

(ii) is in the name of the *firm*;

(iii) includes in its title an appropriate description to distinguish the *money* in the account from the *firm's money*; and

(iv) is a current or a deposit account; or

(b) a money market deposit of *client money* which is identified as being *client money*.

(2) (in ■ CASS 7 and ■ CASS 7A)

(a) an account at a bank which:

(i) holds the money of one or more *clients*;

(ii) is in the name of the *firm*; and

(iii) is a current or a deposit account; or

(b) a money market deposit account of *client money* which is identified as being *client money*.

the amount which a *firm* would be liable (ignoring any non-cash *collateral* held) to pay to a *client* (or the *client* to the *firm*) in respect of his *margined transactions* if each of his open positions was liquidated at the closing or settlement prices published by the relevant exchange or other appropriate pricing source and his account closed. This refers to cash values and does not include non-cash *collateral* or other *designated investments* held in respect of a *margined transaction*.

(1)[deleted]

(2) (in ■ CASS 5) subject to the *client money rules*, *money* of any currency which, in the course of carrying on *insurance mediation activity*, a *firm* holds on behalf of a *client* or which a *firm* treats as *client money* in accordance with the *client money rules*.

(2A) (in ■ ■ CASS 6, ■ CASS 7, ■ CASS 7A and ■ CASS 10 and, in so far as it relates to matters covered by ■ CASS 6, ■ CASS 7, COBS, GENPRU or ■ IPRU(INV) 11) subject to the *client money rules*, *money* of any currency:

(a) that a *firm* receives or holds for, or on behalf of, a *client* in the course of, or in connection with, its *MiFID business*; and/or

(b) which, in the course of carrying on *designated investment business* that is not *MiFID business*, a *firm* holds in respect of any *investment agreement* entered into, or to be entered into, with or for a *client*, or which a *firm* treats as *client money* in accordance with the *client money rules*.

(3) (in MIPRU):

(a) in relation to an *insurance intermediary* when acting as such, *money* which is *client money* in (2);



*client money (insurance) distribution rules*

**FCA** **PRA**

*client money chapter*

**FCA** **PRA**

*client money distribution rules*

**FCA** **PRA**

*client money rules*

**FCA** **PRA**

*client money segregation requirements*

**FCA** **PRA**

*client transaction account*

**FCA** **PRA**

*client's best interests rule*

**FCA** **PRA**

*close links*

**FCA** **PRA**

(b) in relation to a *home finance intermediary* when acting as such, *money* of any currency which in the course of carrying on *home finance mediation activity*, the *firm* holds on behalf of a *client*, either in a bank account or in the form of cash.

(4) (in *UPRU* and *COMP*) client money for the purposes of the relevant *client money rules*.

the rules in ■ **CASS 5.6** (Client money distribution).

■ **CASS 7**.

■ **CASS 7A**.

(1) [deleted]

(2) (in ■ **CASS 5**) ■ **CASS 5.1** to ■ **CASS 5.5** .

(3) (in ■ **CASS 3**, ■ **CASS 6**, ■ **CASS 7**, ■ **CASS 7A**, *UPRU* and *COBS*) ■ **CASS 7.1** to ■ **7.8** .

■ **CASS 7.4.1 R** and ■ **CASS 7.4.11 R**.

(in relation to a *firm* and an exchange, *clearing house* or *intermediate broker*) an account maintained by the exchange, *clearing house* or *intermediate broker*, as the case may be, in respect of transactions in contingent liability investments undertaken by the *firm* with or for its *clients*.

■ **COBS 2.1.1 R**.

(1) (in relation to *MiFID business* or in *FUND*) a situation in which two or more persons are linked by:

(a) participation which means the ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking;

(b) control which means the relationship between a parent undertaking and a subsidiary, in all the cases referred to in Article 1(1) and (2) of Directive 83/349/EEC, or a similar relationship between any person and an undertaking, any subsidiary undertaking

of a subsidiary undertaking also being considered a subsidiary of the parent undertaking which is at the head of those undertakings.

A situation in which two or more persons are permanently linked to one and the same person by a control relationship is also to be regarded as constituting a close link between such persons.

[Note: article 4(1)(31) of *MIFID* and article 4(1)(e) of *AIFMD*]

(2) (except where (1) applies and except in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with paragraph 3(2) in Schedule 6 to the *Act* (Close links)) the relationship between a *person* ("A") and another *person* ("CL") which exists if:

- (a) CL is a *parent undertaking* of A; or
- (b) CL is a *subsidiary undertaking* of A; or
- (c) CL is a *parent undertaking* of a *subsidiary undertaking* of A; or
- (d) CL is a *subsidiary undertaking* of a *parent undertaking* of A; or
- (e) CL owns or controls 20% or more of the voting rights or capital of A; or
- (f) A owns or controls 20% or more of the voting rights or capital of CL.

(3) ( in ■ SUP 3 (Auditors) and ■ SUP 4 (Actuaries)) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator : persons with close links)) the relationship in (2), disregarding (e) and (f).

*close matching rules*

FCA PRA

for the purposes of *permitted links*, the *rules* in ■ INSPRU 1.1.34 R, ■ INSPRU 3.1.57 R, ■ INSPRU 3.1.58 R, and ■ INSPRU 3.1.59 G.

*close out*

FCA PRA

(in *COLL* ) enter into a further transaction under which the obligation to deliver or receive which arises or may, at the option of the other party to the transaction, arise under the original transaction is offset by an equivalent and opposite obligation or right to receive or deliver.

*close period*

FCA PRA

(in *LR*) as defined in paragraph 1(a) of the *Model Code*.

*close relative*

FCA PRA

(as defined in article 3(1) of the *Regulated Activities Order* and article 2(1) of the *Financial Promotion Order*) (in relation to any *person*):

- (a) his spouse or civil partner
- (b) his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; and
- (c) the spouse or civil partner of any *person* within (b).

*closed*

FCA PRA

(in relation to a *syndicate year*) closed by *reinsurance to close* in accordance with *byelaws*, either into another *syndicate year* or into an *insurer* approved by the *Council* for the purpose.

*closed-ended*

FCA PRA

(in *LR*) (in relation to investment entities) an *investment company* which is not an *open-ended investment company*.

|  |   |
|--|---|
| <p><i>closed-ended corporate AIF</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>an AIF which is a <i>body corporate</i> and not a <i>collective investment scheme</i>.</p>   |
| <p><i>closed-ended investment fund</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>          | <p>(in LR) an entity:</p> <ul style="list-style-type: none"> <li>(a) which is an undertaking with limited liability, including a company, limited partnership, or <i>limited liability partnership</i>; and</li> <li>(b) whose primary object is investing and managing its assets (including pooled funds contributed by holders of its <i>listed securities</i>):             <ul style="list-style-type: none"> <li>(i) in property of any description; and</li> <li>(ii) with a view to spreading investment risk.</li> </ul> </li> </ul>   |
| <p><i>closely related</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                       | <p>(in GENPRU and BIPRU) describes a relationship between two or more <i>persons</i> under which one or more of the following applies:</p> <ul style="list-style-type: none"> <li>(a) the insolvency or default of one of them is likely to be associated with the insolvency or default of the others;</li> <li>(b) it would be prudent when assessing the financial condition or creditworthiness of one to consider that of the others; or</li> <li>(c) there is, or there is likely to be, a close relationship between the financial performance of those <i>persons</i>.</li> </ul> |
| <p><i>closing date</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                          | <p>the date specified in the earliest relevant <i>public announcement</i> of the <i>offer</i> as the last date for acceptance of the <i>offer</i>, or, if no such date is specified, then the date on which the <i>issuer</i> (or seller) of the <i>securities</i> offered receives any of the proceeds of the <i>offer</i>.</p>  |
| <p>CMAR<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>a Client Money and Asset Return, containing the information specified in <span style="color: #000080;">■</span> SUP 16 Annex 29 R.</p>   |
| <p>CNCOM<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>the <i>concentration risk capital component</i>.</p>   |
| <p>COB<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>the Conduct of Business sourcebook up to 1 November 2007.</p>  |
| <p>COBS<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>the Conduct of Business sourcebook from 1 November 2007.</p>   |
| <p><i>Code of Market Conduct</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                | <p>the provisions in <span style="color: #000080;">■</span> MAR 1 indicated by an "E" or "C" in the margin or heading, issued by the <i>FCA</i> as required by section 119 of the <i>Act</i> (The Code).</p>  |
| <p><i>Code of Practice for Approved Persons</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>(1) (in the <i>FCA Handbook</i>) the provisions in <span style="color: #000080;">■</span> APER 3 and <span style="color: #000080;">■</span> APER 4 indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an <i>approved person's</i> conduct complies with the <i>Statements of Principle</i> and which are issued by the <i>FCA</i> under section 64(2) of the <i>Act</i> (Conduct: statements and codes).</p>   |

(2) (in the *PRA Handbook*) the provisions in ■ APER 3 and ■ APER 4 indicated by an "E" in the margin or heading, the purpose of which is to help determine whether or not an *approved person's* conduct complies with the and which are issued by the *PRA* under section 64(2) of the *Act* (Conduct: statements and codes).

The provisions of ■ APER 1 marked with an "E" in the margin also form part of the *Code of Practice for Approved Persons*.

*cold call*

FCA PRA

a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue:

(a) which:

(i) was not initiated by the recipient of the *financial promotion*; and

(ii) does not take place in response to an express request from the recipient of the *financial promotion*; or

(b) in relation to which it was not clear from all the circumstances when the call, visit or dialogue was initiated or requested, that during the course of the call, visit or dialogue, communications would be made concerning the kind of *controlled activities* and *controlled investments* to which the communications in fact made relate.

In this definition:

(c) a *person* is not to be treated as expressly requesting a call, visit or dialogue:

(i) because he omits to indicate that he does not wish to receive any or any further visits or calls or to engage in any or any further dialogue; or

(ii) because he agrees to standard terms that state that such visits, calls or dialogue will take place, unless he has signified clearly that, in addition to agreeing to the terms, he is willing for them to take place;

(d) if a call, visit or dialogue is initiated or requested by a recipient (R), it is treated as also having been initiated or requested by any other *person* to whom it is made at the same time as it is made to R if that other recipient is a *close relative* of R or expected to *engage in any investment activity* jointly with R.

[Note: article 8 of the *Financial Promotion Order*]

the Collective Investment Schemes sourcebook.

COLL

FCA PRA

*collateral*

FCA PRA

(1) (in *COLL* and *FUND*) any form of security, guarantee or indemnity provided by way of security for the discharge of any liability arising from a transaction.

(2) (in *COBS* and *CASS*) any of the following:

(a) an *investment* specified in articles 76 to 81 of the *Regulated Activities Order*; that is:

(i) *shares* (article 76);

(ii) *debentures* (article 77);

(iia) an *alternative debenture* (article 77A);

(iii) *government and public securities* (article 78);

(iv) *warrants* (article 79);

(v) *certificates representing certain securities* (article 80);

(vi) *units* (article 81); or

(b) *money*; or

(c) a *commodity* warrant (however title is recorded or evidenced);

which belongs to a *client* and which is held or controlled by the *firm* under the terms of a deposit, pledge, charge or other security arrangement.

(3) (in *INSPRU* and *SYSC*):

(a) (in relation to any transaction) a mortgage, charge, pledge or other security interest or, as the context may require, an asset that is subject to a mortgage, charge, pledge or other security interest; and

(b) (in relation to a *stock lending*, *repo* or *derivative* transaction only):

(i) a transfer of assets (other than by way of sale) subject to a right of the transferor to have transferred back to it the same, or equivalent, assets or, as the context may require, the assets so transferred by the original transferor; or

(ii) a letter of credit;

where the assets are transferred, or the letter of credit is issued, to secure the performance of the obligations of one of the parties to that transaction.

*collateral rules*

FCA PRA

■ CASS 3.

*collective insurance*

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph VIII of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), of a kind referred to in article 2(2)(e) of the *Consolidated Life Directive* ("the operations carried out by insurance companies such as those referred to in Chapter 1, Title 4 of Book IV of the French "Code des assurances"").

*collective investment scheme*

FCA PRA

a collective investment scheme, as defined in section 235 of the *Act* (Collective Investment Schemes), which is in summary:

(a) any arrangements with respect to property of any description, including money, the purpose or effect of which is to enable *persons* taking part in the arrangements (whether by becoming owners of the property or any part of it or otherwise) to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income; and

(c) which are not excluded by the Financial Services and Markets Act (Collective Investment Schemes) Order 2001 (SI 2001/1062).

(in *PR*) (as defined in Article 2.1(o) of the *prospectus directive*) unit trusts and investment companies:

(a) the object of which is the collective investment of capital provided by the public, and which operate on the principle of risk-spreading;

(b) the units of which are, at the holder's request, repurchased or redeemed, directly or indirectly, out of the assets of these undertakings.

*collective investment undertaking other than the closed-end type*

FCA PRA

*collective investment undertaking PRR*

**FCA** **PRA**

the part of the *market risk capital requirement* calculated in accordance with **■** BIPRU 7.7.5 R (Calculation of the collective investment undertaking PRR).

*collective portfolio management*

**FCA** **PRA**

in relation to a *management company*, the activity of management of *UCITS schemes*, *EEA UCITS schemes* or other collective investment undertakings not covered by the *UCITS Directive* that the *firm* is permitted to carry on in accordance with article 6(2) of the *UCITS Directive*. This includes the functions mentioned in Annex II to that directive.

*collective portfolio management firm*

**FCA** **PRA**

a *firm* which:

(a)

(i) is a *full-scope UK AIFM*; and

(ii) does not have a *Part 4A permission* to carry on any *regulated activities* other than those in connection with, or for the purpose of, managing collective investment undertakings; or

(b) is a *UCITS firm* that has a *Part 4A permission* for *managing a UCITS*.

*collective portfolio management investment firm*

**FCA** **PRA**

a *firm* which has a *Part 4A permission* for *managing investments* and which is:

(a) an *AIFM investment firm*; or

(b) a *UCITS investment firm*.

COLLG

**FCA** **PRA**

the Collective Investment Scheme Information Guide.

*Combined Code*

**FCA** **PRA**

(in *LR* and *DTR*) in relation to an *issuer* the Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council.

*combined initial disclosure document*

**FCA** **PRA**

information about the breadth of advice, *scope of advice* or *scope of basic advice* and the nature and costs of the services offered by a *firm* in relation to two or more of the following:

(a) *packaged products* or, for *basic advice*, *stakeholder products* that are not a *group personal pension scheme* or a *group stakeholder pension scheme* (but only if a *consultancy charge* will be made);

(b) *non-investment insurance contracts*;

(c) *regulated mortgage contracts* other than *lifetime mortgages*;

(d) *home purchase plans*;

(e) *equity release transactions*;

which contains the keyfacts logo, headings and text in the order shown in, and in accordance with the notes in, **■** COBS 6 Annex 2.

*commencement*

**FCA** **PRA**

the beginning of the *commencement day*.

|  |  |
|--|--|
| <p><i>commencement day</i></p> <p><b>FCA</b> <b>PRA</b></p>                            | <p>the <i>day</i> on which section 19 of the <i>Act</i> (The general prohibition) comes into force , being 1 December 2001.</p>  |
| <p><i>commercial customer</i></p> <p><b>FCA</b> <b>PRA</b></p>                         | <p>(in <i>ICOBS</i> and <b>■</b> <i>CASS 5</i>) a <i>customer</i> who is not a <i>consumer</i>.</p>  |
| <p><i>commission</i></p> <p><b>FCA</b> <b>PRA</b></p>                                  | <p>any form of commission or remuneration, including a benefit of any kind, offered or given in connection with:</p> <ul style="list-style-type: none"> <li>(a) <i>designated investment business</i> (other than commission equivalent);</li> <li>(b) <i>insurance mediation activity</i> in connection with a <i>non-investment insurance contract</i>; or</li> <li>(c) the sale of a <i>packaged product</i>, that is offered or given by the <i>product provider</i>.</li> </ul>   |
| <p><i>commission equivalent</i></p> <p><b>FCA</b> <b>PRA</b></p>                       | <p>the cash payments, benefits and services listed in <b>■</b> <i>COBS 6 Annex 6 E</i> which satisfy the criteria in <b>■</b> <i>COBS 6.4.3 R</i>.</p>   |
| <p><i>commitment</i></p> <p><b>FCA</b> <b>PRA</b></p>                                  | <p>a commitment represented by <i>insurance business</i> of any of the <i>classes</i> (as defined for the purposes of <i>INSPRU</i> and <i>SUP</i>) of <i>long-term insurance business</i>.</p>  |
| <p><i>commodity</i></p> <p><b>FCA</b> <b>PRA</b></p>                                   | <p>(1) (except for (2) and (3)) a physical asset (other than a financial instrument or cash) which is capable of delivery.</p> <p>(2) (for the purpose of calculating <i>position risk requirements</i>) any of the following (but excluding gold):</p> <ul style="list-style-type: none"> <li>(a) a commodity within the meaning of paragraph (1); and</li> <li>(b) any: <ul style="list-style-type: none"> <li>(i) physical or energy product; or</li> <li>(ii) of the items referred to in paragraph 10 of Section C of Annex I of the <i>MIFID</i> as an underlying with respect to the <i>derivatives</i> mentioned in that paragraph;</li> </ul> </li> </ul> <p style="padding-left: 40px;">which is, or can be, traded on a secondary market.</p> <p>(3) (in relation to the <i>MiFID Regulation</i>, including the definitions of a <i>financial instrument</i> and an <i>ancillary service</i>) any goods of a fungible nature that are capable of being delivered, including metals and their ores and alloys, agricultural products, and energy such as electricity, not including services or other items that are not goods, such as currencies or rights in real estate, or that are entirely intangible.</p> <p>[Note: article 2(1) of the <i>MiFID Regulation</i>]</p> |
| <p><i>commodity extended maturity ladder approach</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>the method of calculating the <i>commodity PRR</i> in <b>■</b> <i>BIPRU 7.4.32 R</i> (Extended maturity ladder approach).</p>   |

*commodity  
future*

FCA PRA

a *future* relating to a *commodity*.

*commodity  
maturity ladder  
approach*

FCA PRA

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.25 R (Maturity ladder approach).

*commodity  
option*

FCA PRA

an *option* relating to a *commodity*.

*commodity  
PRR*

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.4 (Commodity PRR) or, in relation to a particular *position*, the portion of the overall *commodity PRR* attributable to that *position*.

*commodity  
simplified  
approach*

FCA PRA

the method of calculating the *commodity PRR* in ■ BIPRU 7.4.24 R (Simplified approach).

*common  
platform firm*

FCA PRA

a *firm* that is:

- (a) a *BIPRU firm*; or
- (b) an *exempt CAD firm*; or
- (c) a UK *MiFID investment firm* which falls within the definition of 'local firm' in Article 3.1P of the *Capital Adequacy Directive* ; or
- (d) a *dormant account fund operator*.

*common  
platform  
organisational  
requirements*

FCA PRA

■ SYSC 4 to ■ SYSC 9.

*common  
platform  
outsourcing  
rules*

FCA PRA

■ SYSC 8.1.1 R to ■ SYSC 8.1.12 G.

*common  
platform  
record-keeping  
requirements*

FCA PRA

the record-keeping requirements applicable to *common platform firms* set out in ■ SYSC 9.



common  
platform  
requirements

FCA PRA

■ SYSC 4 to ■ SYSC 10.

common  
platform  
requirements  
on financial  
crime

FCA PRA

the requirements on *financial crime* applicable to *common platform firms* set out in ■ SYSC 6.3.

communicate

FCA PRA

(in relation to a *financial promotion*) to communicate in any way, including causing a communication to be made or directed.

[Note: section 21(13) of the *Act* (Restrictions on financial promotion) and article 6(d) of the *Financial Promotion Order* (Interpretation: communications)]

communicated  
to a person  
inside the  
United  
Kingdom

FCA PRA

*communicated* other than *communicated to a person outside the United Kingdom*.

communicated  
to a person  
outside the  
United  
Kingdom

FCA PRA

(a) *made to a person* who receives it outside the *United Kingdom*; or

(b) *directed only at persons* outside the *United Kingdom*.

In this definition:

(c) If the conditions set out in (f)(i), (ii), (iii) and (iv) are met, a *financial promotion* directed from a place inside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(d) If the conditions set out in (f)(iii) and (iv) are met, a *financial promotion* directed from a place outside the *United Kingdom* will be regarded as *directed only at persons* outside the *United Kingdom*.

(e) In any other case in which one or more of the conditions in (f)(i) to (v) is met, that fact will be taken into account in determining whether a *financial promotion* is *directed only at persons* outside the *United Kingdom* (but a *financial promotion* may still be regarded as *directed only at persons* outside the *United Kingdom* even if none of these conditions is met).

(f) The conditions are that:

(i) the *financial promotion* is accompanied by an indication that it is *directed only at persons* outside the *United Kingdom*;

(ii) the *financial promotion* is accompanied by an indication that it must not be acted upon by *persons* in the *United Kingdom*;

(iii) the *financial promotion* is not referred to in, or directly accessible from, any other *financial promotion* which is *made to a person* or *directed at persons* in the *United Kingdom* by the same communicator;

(iv) there are in place proper systems and procedures to prevent recipients in the *United Kingdom* (other than those to whom the *financial promotion* might otherwise lawfully have been made) engaging in the investment activity to which the *financial promotion*

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|---|---|
| <p>Community Co-Insurance Directive<br/>FCA PRA</p> | <p>relates with the <i>person</i> directing the <i>financial promotion</i>, a <i>close relative</i> of his or a member of the same <i>group</i>;</p> <p>(v) the <i>financial promotion</i> is included in:</p> <p style="padding-left: 40px;">(A) a website, newspaper, journal, magazine or periodical publication which is principally accessed in or intended for a market outside the <i>United Kingdom</i>;</p> <p style="padding-left: 40px;">(B) a radio or television broadcast or teletext service transmitted principally for reception outside the <i>United Kingdom</i>.</p> <p>the Council Directive of 30 May 1978 on the coordination of laws, regulations and administrative provisions relating to Community co-insurance (No 78/473/EEC).</p> |
| <p>community co-insurance operation<br/>FCA PRA</p> | <p>an operation to which the <i>Community Co-Insurance Directive</i> applies, as modified by article 26 of the <i>Second Non-Life Directive</i>.</p>  |
| <p>COMP<br/>FCA PRA</p>                             | <p>the Compensation sourcebook.</p>   |
| <p>company<br/>FCA PRA</p>                          | <p>any <i>body corporate</i>.</p>   |
| <p>Company Announcements Office<br/>FCA PRA</p>     | <p>the Company Announcements Office of the London Stock Exchange, the information dissemination provider approved by the <i>UKLA</i>.</p>   |
| <p>compensation costs<br/>FCA PRA</p>               | <p>the costs incurred:</p> <p style="padding-left: 40px;">(a) in paying compensation; or</p> <p style="padding-left: 40px;">(b) as a result of making the arrangements contemplated in ■ COMP 3.3.1 R or taking the measures contemplated in ■ COMP 3.3.3 R; or</p> <p style="padding-left: 40px;">(c) in making payments or giving indemnities under ■ COMP 11.2.3 R; or</p> <p style="padding-left: 40px;">(d) under section 214B or section 214D of the <i>Act</i>; or</p> <p style="padding-left: 40px;">(e) by virtue of section 61 (Sources of compensation) of the Banking Act 2009;</p> <p>(including the costs of paying interest, principal and other costs of borrowing to pay such costs).</p>  |
| <p>compensation costs levy<br/>FCA PRA</p>          | <p>a levy imposed by the <i>FSCS</i> on <i>participant firms</i> to meet <i>compensation costs</i>, each <i>participant firm's</i> share being calculated in accordance with ■ FEES 6.5</p>   |

*compensation fund*

**FCA** **PRA**

any *policyholder* compensation scheme in any *EEA State*.

*compensation scheme*

**FCA** **PRA**

the Financial Services Compensation Scheme established under section 213 of the *Act* (The compensation scheme) for compensating *persons* in cases where *authorised persons* and *appointed representatives*, or, where applicable, a *tied agent* of a firm, are unable, or are likely to be unable, to satisfy *claims* against them.

*compensation transitionals order*

**FCA** **PRA**

the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (SI 2001/2967).

*competent authority*

**FCA** **PRA**

(1) (in relation to the functions referred to in Part VI of the *Act*) ):

(a) the *FCA*, or

(b) an authority exercising functions corresponding to the functions referred to in Part VI of the *Act* under the laws of another *EEA State*.

(2) (in relation to the exercise of an *EEA right* and the exercise of the *overseas financial stability information power*) a competent authority for the purposes of the relevant *Single Market Directive* or the *auction regulation*.

(3) (in relation to a group, and for the purposes of **■ SYSC 12** (Group risk systems and controls requirement), *GENPRU*, *BIPRU* and *INSPRU*, any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

(4) the authority, designated by each *EEA State* in accordance with Article 48 of *MiFID*, unless otherwise specified in *MiFID*.

[Note: article 4(1)(22) of *MiFID*]

(5) (in *REC*) in relation to an *investment firm* or *credit institution*, means the competent authority in relation to that firm or institution for the purposes of *MiFID*.

(6) (in **■ COBS 13.4**) the authority designated by each *EEA State* in accordance with Article 11 of the *Market Abuse Directive*.

[Note: article 1(7) of the *Market Abuse Directive*]

(7) the authority designated by each *EEA State* in accordance with article 32 of the *short selling regulation*.

(8) (for an *AIF*) the national authorities of an *EEA State* which are empowered by law or regulation to supervise *AIFs*.

(9) (for an *AIFM*) a national authority in an *EEA State* which is empowered by law or regulation to supervise *AIFMs*.

[Note: This definition is based on the definition contained in the CRD (Consequential Amendments) Instrument 2006 which was consulted on in the consultation paper Strengthening Capital Standards 2 (CP 06/3)]

(a) for a *firm* which is not a *common platform firm*, **■ SYSC 3.1.6 R**.

(b) for a *common platform firm*, **■ SYSC 5.1.1 R**.

*competent employees rule*

**FCA** **PRA**

*complaint*

FCA PRA

- (1) [deleted]
- (2) (in ■ SUP 10 and *DISP*, except ■ DISP 1.1 and the *complaints handling rules* and the *complaints record rule* in relation to *MiFID business*, and in ■ CREDS 9 ) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which:
- (a) alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience; and
  - (b) relates to an activity of that *respondent*, or of any other *respondent* with whom that *respondent* has some connection in marketing or providing financial services or products, which comes under the jurisdiction of the *Financial Ombudsman Service*.
- (3) (in ■ DISP 1.1 , the complaints awareness rules only in relation to *collective portfolio management* and the *complaints handling rules* and the *complaints record rule* only in relation to *MiFID business* and *collective portfolio management*) any oral or written expression of dissatisfaction, whether justified or not, from, or on behalf of, a *person* about the provision of, or failure to provide, a financial service or a *redress determination*, which alleges that the complainant has suffered (or may suffer) financial loss, material distress or material inconvenience.
- (4) (in *DISP*) reference to a *complaint* includes:
- (a) under all jurisdictions, part of a *complaint*; and
  - (b) under the *Compulsory Jurisdiction*, all or part of a *relevant complaint*.

*complaints data publication rules*

FCA PRA

- DISP 1.10A.

*complaints handling rules*

FCA PRA

- DISP 1.3.

*complaints investigator*

FCA PRA

- (1) (in relation to a *UK RIE*) the independent *person* appointed under arrangements referred to in paragraph 9(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RIE* and to the complainant.
- (2) (in relation to a *UK RCH*) the independent *person* appointed under arrangements referred to in paragraph 23(3) of the Schedule to the *Recognition Requirements Regulations* to investigate a complaint and to report on the result of his investigation to that *RCH* and to the complainant.
- (3) (in relation to an *RAP*) the independent *person* appointed under arrangements referred to in regulations 22 and 23 of the *RAP regulations* to investigate a complaint and to report on the result of his investigation to that *RAP* and to the complainant.

*complaints record rule*

FCA PRA

- DISP 1.9.

*complaints reporting rules*

**FCA** **PRA**

■ DISP 1.10.

*complaints resolution rules*

**FCA** **PRA**

■ DISP 1.4.

*complaints time barring rule*

**FCA** **PRA**

■ DISP 1.8.

*complaints time limits rules*

**FCA** **PRA**

■ DISP 1.6.

*compliance oversight function*

**FCA** **PRA**

(in the *FCA Handbook*) *FCA controlled function* CF10 in Parts 1 and 2 of the *table of FCA controlled functions*, described more fully in ■ SUP 10A.7.8 R.

*composite firm*

**FCA** **PRA**

a *firm* that carries on both *long-term insurance business* and *general insurance business*.

*composite insurer*

**FCA** **PRA**

(in relation to *firm type* in ■ SUP 16.10 (Confirmation of standing data)) an *insurer* with permission to effect or carry out both *long-term insurance contracts* and *general insurance*.

*Compulsory Jurisdiction*

**FCA** **PRA**

the jurisdiction of the *Financial Ombudsman Service* to which *firms*, *payment service providers* and *electronic money issuers* (and certain other *persons* as a result of the *Ombudsman Transitional Order* or section 226(2)(b) and (c) of the *Act*) are compulsorily subject.

*concentration risk capital component*

**FCA** **PRA**

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component).

COND

**FCA** **PRA**

the part of the *Handbook* in High Level Standards which has the title Threshold Conditions.

*conflicts of interest policy*

**FCA** **PRA**

(1) the policy established and maintained in accordance with ■ SYSC 10.1.10 R; and  
 (2) (in ■ MAR 8) the policy established and maintained in accordance with ■ MAR 8.2.8 G which identifies circumstances that constitute, or may give rise to, a conflict of interest arising from *benchmark submissions* and the process of

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|---|--|
| <p><i>conglomerate capital resources</i></p> <p><b>FCA</b> <b>PRA</b></p>             | <p>gathering information in order to make <i>benchmark submissions</i>, and sets out the process to manage such conflicts.</p> <p>(in relation to a <i>financial conglomerate</i> with respect to which <b>■ GENPRU 3.1.29 R</b> (Application of method 1 or 2 from Annex I of the <i>Financial Groups Directive</i>) applies) capital resources as defined in whichever of paragraphs 1.1 or 2.1 of <b>■ GENPRU 3 Annex 1 R</b> (Capital adequacy calculations for financial conglomerates) applies with respect to that <i>financial conglomerate</i>.</p>   |
| <p><i>conglomerate capital resources requirement</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in relation to a <i>financial conglomerate</i> with respect to which <b>■ GENPRU 3.1.29 RR</b> (Application of method 1 or 2 from Annex I of the <i>Financial Groups Directive</i>) applies) the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of <b>■ GENPRU 3 Annex 1 R</b> (Capital adequacy calculations for financial conglomerates) applies with respect to that <i>financial conglomerate</i>.</p>  |
| <p><i>connected client</i></p> <p><b>FCA</b> <b>PRA</b></p>                           | <p>(in <i>LR</i>) in relation to a <i>sponsor</i> or securities house, any client of the <i>sponsor</i> or securities house who is:</p> <ul style="list-style-type: none"> <li>(a) a partner, <i>director</i>, employee or controller (as defined in section 422 of the <i>Act</i>) of the <i>sponsor</i> or securities house or of an undertaking described in paragraph (d); or</li> <li>(b) the spouse, civil partner or child of any individual described in paragraph (a); or</li> <li>(c) a <i>person</i> in his capacity as a trustee of a private trust (other than a pension scheme or an <i>employees' share scheme</i>) the beneficiaries of which include any <i>person</i> described in paragraph (a) or (b); or</li> <li>(d) an undertaking which in relation to the <i>sponsor</i> or securities house is a group undertaking.</li> </ul>   |
| <p><i>connected contract</i></p> <p><b>FCA</b> <b>PRA</b></p>                         | <p>a <i>non-investment insurance contract</i> which:</p> <ul style="list-style-type: none"> <li>(a) is not a contract of long-term insurance (as defined by article 3 of the <i>Regulated Activities Order</i>);</li> <li>(b) has a total duration (including <i>renewals</i>) of five years or less;</li> <li>(c) has an annual <i>premium</i> (or the equivalent of annual <i>premium</i>) of €500 or less;</li> <li>(d) covers the risk of: <ul style="list-style-type: none"> <li>(i) breakdown, loss of, or damage to, non-motor goods supplied by the provider; or</li> <li>(ii) damage to, or loss of, baggage and other risks linked to the travel booked with the provider ("travel risks"); in circumstances where: <ul style="list-style-type: none"> <li>(A) the travel booked with the provider relates to attendance at an event organised or managed by that provider and the party seeking insurance is not an individual (acting in his private capacity) or a small business; or</li> <li>(B) the travel booked with the provider is only the hire of an aircraft, vehicle or vessel which does not provide sleeping accommodation;</li> </ul> </li> </ul> </li> <li>(e) does not cover any liability risks (except, in the case of a contract which covers travel risks, where the cover is ancillary to the main cover provided by the contract);</li> </ul> |

(f) is complementary to the non-motor goods being supplied or service being provided by the provider; and

(g) is of such a nature that the only information that a person requires in order to carry on one of the *insurance mediation activities* is the cover provided by the contract.

In this definition:

(h) the transfer of possession of an aircraft, vehicle or vessel under an agreement for hire which is not:

(i) a hire-purchase agreement within the meaning of section 189(1) of the Consumer Credit Act 1974; or

(ii) any other agreement which contemplates that the property in those goods will also pass at some time in the future;

is the provision of a service related to travel, not a supply of goods;

(i) "small business" means a sole trader, *body corporate*, *partnership* or an unincorporated association which had a turnover in the last financial year of less than £1,000,000 (but where the small business is a member of a group within the meaning of section 262(1) of the Companies Act 1985 (and after the repeal of that section, within the meaning of section 474(1) of the Companies Act 2006), reference to its turnover means the combined turnover of the group);

(j) "turnover" means the amounts derived from the provision of goods and services falling within the business's ordinary activities, after deduction of trade discounts, value added tax and any other taxes based on the amounts so derived.

(in accordance with ■ GENPRU 2.2.222 R (Deductions from tiers one and two: Connected lending of a capital nature)) all lending within ■ GENPRU 2.2.227 R or ■ GENPRU 2.2.229 R and guarantees within ■ GENPRU 2.2.231 R or ■ GENPRU 2.2.233 R.

*connected  
lending of a  
capital nature*

FCA PRA

*connected  
person*

FCA PRA

(1) (in relation to the *FCA* or *PRA*'s consideration of an application for, or of whether to vary or cancel, a *Part 4A permission*) (in accordance with section 55R of the *Act* (Persons connected with an applicant)) any *person* appearing to the regulator concerned to be, or likely to be, in a relationship with the applicant or *person* given *permission*, which is relevant.

(2) (in relation to the *FCA* or *PRA*'s power to gather information under section 165 of the *Act* (Regulators' power to require information)) (in accordance with section 165(11) of the *Act*) a *person* who has, or has at any relevant time had, the following relationship with another person ("A"):

(a) he is a member of A's *group*;

(b) he is a *controller* of A;

(c) he is a member of a *partnership* of which A is a member;

(d) he is or has been an employee of A;

(e) if A is a *body corporate*, he is or has been an *officer*, or *manager* or agent of A or of a *parent undertaking* of A;

(f) if A is a *partnership*, he is or has been a member, *manager* or agent of A;

(g) if A is an unincorporated association of *persons* which is neither a *partnership* nor an unincorporated *friendly society*, he is or has been an *officer*, *manager*, or agent of A;

(h) if A is a *friendly society*, he is or has been an officer or manager of A ("officer" and "manager" having the same meaning as in section 119(1) of the Friendly Societies Act 1992);

(i) if A is a *building society*, he is or has been an officer of A ("officer" having the same meaning as in section 119(1) of the Building Societies Act 1986);

(j) if A is an individual, he is or has been an agent of A.

(3) (in relation to the FCA or PRA's powers of investigation under sections 171 and 172 of the Act (Powers of persons appointed under section 167; Additional power of persons appointed as a result of section 168(1) or (4))) (in accordance with section 171(4) of the Act) a *person* who has, or has at any relevant time had, the following relationship with a *person* under investigation ("P"):

(a) he has the relationship specified in any of paragraphs (2) (a), (b) or (d) to (j) to P (where references in those paragraphs to A are taken to be references to P);

(b) it is a *partnership* of which P is a member;

(c) he is the partner, *manager*, employee, agent, *appointed representative*, or, where applicable, *tied agent*, banker, auditor, actuary or solicitor of:

(i) P; or

(ii) a *parent undertaking* of P; or

(iii) a *subsidiary undertaking* of P; or

(iv) a *subsidiary undertaking* of a *parent undertaking* of P; or

(v) a *parent undertaking* of a *subsidiary undertaking* of P.

(4) to follow

(5) (in DTR and LR in relation to a *person discharging managerial responsibilities* within an *issuer*) has the same meaning as in section 96B(2) of the Act.

(a) [deleted]

(b) [deleted]

(c) [deleted]

*connected  
travel  
insurance  
contract*

FCA PRA

a *non-investment insurance contract* which covers the risk of damage to, or loss of, baggage and other risks linked to the travel booked with the provider but does not otherwise meet the conditions in paragraph (d)(ii) of the definition of *connected contract*.

*connected  
travel  
insurance  
intermediary*

FCA PRA

an *insurance intermediary* whose *permission* includes a *requirement* that it must not conduct any *regulated activity* other than *insurance mediation activity* in relation to a *connected travel insurance contract*.



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| <p><i>consent notice</i><br/> <b>FCA</b> <b>PRA</b></p>                                  | <p>a notice given by the <i>FCA</i> or <i>PRA</i> as the case may be to a <i>Host State regulator</i> under :</p>   |
|  | <p>(a) paragraph 19(4) (Establishment) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms); or</p>  |
|  | <p>(b) paragraph 20(3A) (Services) of Part III of Schedule 3 to the <i>Act</i> (Exercise of Passport Rights by UK firms).</p>   |
| <p><i>Consolidated Admissions and Reporting Directive</i><br/> <b>FCA</b> <b>PRA</b></p> | <p>Directive of the European Parliament and of the Council on the admission of securities to official stock exchange listing and on information to be published on those securities (No 2001/34/EC).</p>  |
| <p><i>consolidated capital resources</i><br/> <b>FCA</b> <b>PRA</b></p>                  | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) that group's capital resources calculated in accordance with ■ <a href="#">BIPRU 8.6</a> (Consolidated capital resources).</p>  |
| <p><i>consolidated capital resources requirement</i><br/> <b>FCA</b> <b>PRA</b></p>      | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) an amount of <i>consolidated capital resources</i> that that group must hold in accordance with ■ <a href="#">BIPRU 8.7</a> (Consolidated capital resources requirement).</p>   |
| <p><i>consolidated credit risk requirement</i><br/> <b>FCA</b> <b>PRA</b></p>            | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <a href="#">BIPRU 8.7</a> (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to credit risk calculated in accordance with ■ <a href="#">BIPRU 8.7.11 R</a> (Calculation of the consolidated requirement components) and as adjusted under ■ <a href="#">BIPRU 8.7</a>.</p>  |
| <p><i>consolidated fixed overheads requirement</i><br/> <b>FCA</b> <b>PRA</b></p>        | <p>(in relation to a <i>UK consolidation group</i> or a <i>non-EEA sub-group</i> and in <i>GENPRU</i> and <i>BIPRU</i>) has the meaning in ■ <a href="#">BIPRU 8.7</a> (Consolidated capital resources requirements) which is in summary the part of that group's <i>consolidated capital resources requirement</i> relating to the <i>fixed overheads requirement</i> (as referred to Article 21 of the <i>Capital Adequacy Directive</i> and the definition of <i>fixed overheads requirement</i>) calculated in accordance with ■ <a href="#">BIPRU 8.7.11 R</a> (Calculation of the consolidated requirement components) and as adjusted under ■ <a href="#">BIPRU 8.7</a>.</p> |
| <p><i>consolidated indirectly issued capital</i><br/> <b>FCA</b> <b>PRA</b></p>          | <p>has the meaning in ■ <a href="#">BIPRU 8.6.12 R</a> (Indirectly issued capital and group capital resources), which is in summary any <i>capital instrument</i> issued by a member of a <i>UK consolidation group</i> or <i>non-EEA sub-group</i> where the conditions in ■ <a href="#">BIPRU 8.6.12 R</a> are met.</p>   |
| <p><i>Consolidated Life Directive</i><br/> <b>FCA</b> <b>PRA</b></p>                     | <p>the Council Directive of 5 November 2002 on the taking-up and pursuit of the business of life assurance (No 2002/83/EC), which consolidates the provisions of the <i>First</i>, <i>Second</i> and <i>Third Life Directives</i>.</p>  |
| <p><i>Consolidated Life Directive information</i></p>                                    | <p>(in <i>COBS</i>) the Consolidated Life Directive information (■ <a href="#">COBS 13 Annex 1 R</a>).</p>  |

FCA PRA

*consolidated market risk requirement*

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in *GENPRU* and *BIPRU*) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirement) which is in summary the part of that group's *consolidated capital resources requirement* relating to *market risk* calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

*Consolidated Motor Insurance Directive*

FCA PRA

the European Parliament and Council Directive of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability (No 2009/103/EC). This Directive codifies Council Directives 72/166/EEC, 84/5/EEC, 90/232/EEC, 2000/26/EC and 2005/14/EC.

*consolidated operational risk requirement*

FCA PRA

(in relation to a *UK consolidation group* or a *non-EEA sub-group* and in *GENPRU* and *BIPRU*) has the meaning in ■ BIPRU 8.7 (Consolidated capital resources requirements) which is in summary the part of that group's *consolidated capital resources requirement* relating to *operational risk* calculated in accordance with ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components) and as adjusted under ■ BIPRU 8.7.

*consolidated requirement component*

FCA PRA

has the meaning in ■ BIPRU 8.7.11 R (Calculation of the consolidated requirement components), which in summary is one of the following:

- (a) the *consolidated credit risk requirement*; or
- (b) the *consolidated fixed overheads requirement*; or
- (c) the *consolidated market risk requirement*; or
- (d) the *consolidated operational risk requirement*.

*consolidation Article 12(1) relationship*

FCA PRA

a relationship between one *undertaking* (the first undertaking) and one or more other *undertakings* satisfying the conditions set out in Article 12(1) of the *Seventh Company Law Directive*, which in summary are as follows:

- (a) those *undertakings* are not connected, as described in article 1(1) or (2) of that Directive; and
- (b) one of the following conditions is satisfied:
  - (i) they are managed on a unified basis pursuant to a contract concluded with the first undertaking or provisions in the memorandum or articles of association of those *undertakings*; or
  - (ii) the administrative, management or supervisory bodies of those *undertakings* consist, for the major part, of the same *persons* in office during the financial year in respect of which it is being decided whether such a relationship exists.

*consolidation group*

FCA PRA

the following:

- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or (for the purposes of *BIPRU*) an *Article 134 relationship*.

If a *parent undertaking* or *subsidiary undertaking* in a *conventional group* (the first person) has a *consolidation Article 12(1) relationship* or (for the purposes of *BIPRU*) an *Article 134 relationship* with another *person* (the second person), the second person (and any *subsidiary undertaking* of the second person) is also a member of the same *consolidation group*.

(c) *designated investment business* carried on by a *firm* as *principal* for its own account if such business:

(i) is in the course of, or arises out of:

(A) the *offer*, issue, underwriting, repurchase, exchange or redemption of, or the variation of the terms of, *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*, or any related matter; or

(B) a proposed or actual *takeover or related operation* by or on behalf of the *firm*, or involving *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; or

(C) a merger, de-merger, reorganisation or reconstruction involving any *shares*, share warrants, *debentures* or debenture warrants issued by the *firm*; and

(ii) does not involve *advice on investments* to any *person* who is a *retail client* ;

in this definition, "share warrants" and "debenture warrants" mean any *warrants* which relate to *shares* in the *firm* concerned or, as the case may be, *debentures* issued by the *firm*.

corporate  
finance contact

FCA PRA

(when a *firm* carries on *regulated activities* with or for a *person* in the course of or as a result of either carrying on *corporate finance business* with or for a *client*, or carrying on *corporate finance business* for the *firm's* own account) that *person* in connection with that *regulated activity* if:

(a) the *firm* does not behave in a way towards that *person* which might reasonably be expected to lead that *person* to believe that he is being treated as a *client*; and

(b) the *firm* clearly indicates to that *person* that it:

(i) is not acting for him; and

(ii) will not be responsible to him for providing protections afforded to *clients* of the *firm* or be advising him on the relevant transaction.

corporate  
governance  
rules

FCA PRA

(in accordance with sections 73A(1) and 89O(1) of the *Act*) *rules* for the purpose of implementing, enabling the implementation of or dealing with matters arising out of or related to, any *EU* law obligation relating to the corporate governance of *issuers* who have requested or approved *admission to trading* of their securities and about corporate governance in relation to such *issuers* for the purpose of implementing, or dealing with matters arising out of or related to, any *EU* law obligation. The *corporate governance rules* are located in chapters 1B, 4 and 7 of *DTR*.

corporate  
member

FCA PRA

a *member* that is a *body corporate* or a Scottish Limited partnership.

correlation  
trading  
portfolio

FCA PRA

(in ■ BIPRU 7) a portfolio consisting of *securitisation positions* and nth-to-default credit derivatives that meet the criteria set out at ■ BIPRU 7.2.42A R, or other *positions* which may be included in accordance with ■ BIPRU 7.2.42B R.

Council

FCA PRA

the *governing body* of the *Society* constituted by section 3 of Lloyd's Act 1982.

*counterparty*

FCA PRA

(1) (in UPRU) any *person* with or for whom a firm carries on *designated investment business* or an *ancillary activity*.

(2) (for the purposes of the rules relating to insurers in GENPRU and INSPRU) (in relation to an *insurer*, the *Society*, a *syndicate* or *member* ('A')):

- (a) any one individual; or
- (b) any one unincorporated body of *persons*; or
- (c) any *company* which is not a member of a *group*; or
- (d) any *group* of *companies* excluding:
  - (i) (for the purposes of ■ INSPRU 2.1 ) any *companies* within the *group* which are *subsidiary undertakings* of A and which fall within ■ GENPRU 1.3.43 R ; and
  - (ii) (for all other purposes) any *companies* within the *group* which are *subsidiary undertakings* of A ; or
- (e) any government of a State together with all the public bodies, local authorities or nationalised industries of that State,

in which A , or any of its *subsidiary undertakings*, has made *investments* or against whom, or in respect of whom, it, or any of its *subsidiary undertakings*, has rights or obligations under a contract entered into by A or any of its *subsidiary undertakings*.

(3) (for the purposes of the *rules* relating to BIPRU firms in GENPRU and BIPRU and in relation to an *exposure* of a *person* ('A')) the counterparty with respect to that *exposure* or, if the context requires, another *person* in respect of whom, under that *exposure*, A is exposed to credit risk or the risk of loss if that *person* fails to meet its obligations, such as the issuer of the underlying *security* in relation to a *derivative* held by A.

*counterparty credit risk*

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

*counterparty risk*

FCA

(in COLL and FUND) the risk of loss for a UCITS or an AIF resulting from the fact that the counterparty to a transaction may default on its obligations prior to the final settlement of the transaction's cash flow.

*counterparty risk capital component*

FCA PRA

the part of the *credit risk capital requirement* calculated in accordance with ■ BIPRU 14.2.1 R (Calculation of the counterparty risk capital component).

*country of origin*

FCA PRA

in relation to an *electronic commerce activity*, the EEA State in which the *establishment* from which the service in question is provided is situated.

*coupon*

FCA PRA

a dividend, interest payment or any similar payment.

*covered bond*

(1) (in accordance with Article 52(4) of the *UCITS Directive* and except for the purposes of the *IRB approach* or the *standardised approach* to

|   |  |
|---|--|
| <p><i>early amortisation provision</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in accordance with Article 100 of the <i>Banking Consolidation Directive</i> (Securitisation of revolving exposures) and in relation to a <i>securitisation</i> within the meaning of paragraph (2) of the definition of securitisation) a contractual clause which requires, on the occurrence of defined events, investors' positions to be redeemed prior to the originally stated maturity of the securities issued.</p> |
| <p><i>early repayment charge</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>(in <i>MCOB</i> and <i>BSOCS</i>) a charge levied by the <i>mortgage lender</i> on the <i>customer</i> in the event that the amount of the loan is repaid in full or in part before a date specified in the contract.</p>   |
| <p><i>ECA recipient</i></p> <p><b>FCA</b> <b>PRA</b></p>                | <p>a <i>person</i> who is a user of an <i>electronic commerce activity</i>.</p>  |
| <p><i>ECAI</i></p> <p><b>FCA</b> <b>PRA</b></p>                         | <p>an external credit assessment institution.</p>  |
| <p><i>ECD Regulations</i></p> <p><b>FCA</b> <b>PRA</b></p>              | <p>the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775).</p>   |
| <p><i>E-Commerce Directive</i></p> <p><b>FCA</b> <b>PRA</b></p>         | <p>the Council Directive of 8 June 2002 on legal aspects of <i>information society services</i>, in particular electronic commerce, in the Internal Market (No 2000/31/EC).</p>  |
| <p><i>ECR</i></p> <p><b>FCA</b> <b>PRA</b></p>                          | <p><i>enhanced capital requirement</i>.</p>  |
| <p><i>EE</i></p> <p><b>FCA</b> <b>PRA</b></p>                           | <p><i>expected exposure</i>.</p>   |
| <p><i>EEA</i></p> <p><b>FCA</b> <b>PRA</b></p>                          | <p>the <i>European Economic Area</i> (see also <i>EEA State</i>.)</p>  |
| <p><i>EEA AIF</i></p> <p><b>FCA</b> <b>PRA</b></p>                      | <p>an <i>AIF</i>, other than a <i>UK AIF</i>, which:</p> <ul style="list-style-type: none"> <li>(a) is authorised or registered in an <i>EEA State</i> under the applicable national law; or</li> <li>(b) is not authorised or registered in an <i>EEA State</i> but has its registered office or head office in an <i>EEA State</i>.</li> </ul>   |
| <p><i>EEA AIFM</i></p> <p><b>FCA</b> <b>PRA</b></p>                     | <p>an <i>AIFM</i> which has its registered office in an <i>EEA State</i> other than the <i>UK</i>.</p>   |
| <p><i>EEA authorisation</i></p> <p><b>FCA</b> <b>PRA</b></p>            | <p>(in accordance with paragraph 6 of Schedule 3 to the <i>Act</i> (EEA Passport Rights)):</p> <ul style="list-style-type: none"> <li>(a) in relation to an <i>IMD insurance intermediary</i> or an <i>IMD reinsurance intermediary</i>, registration with its <i>Home State regulator</i> under article 3 of the <i>Insurance Mediation Directive</i>;</li> </ul>   |

EEA  
authorised  
electronic  
money  
institution

FCA PRA

(b) in relation to any other *EEA firm*, authorisation granted to an *EEA firm* by its *Home State regulator* for the purpose of the relevant *Single Market Directive* or the *auction regulation*.

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to issue *electronic money* and provide *payment services* in accordance with the *Electronic Money Directive*.

EEA  
authorised  
payment  
institution

FCA PRA

(a) (in accordance with regulation 2(1) of the *Payment Services Regulations*) a *person* authorised in an *EEA State* other than the *United Kingdom* to provide *payment services* in accordance with the *Payment Services Directive*; and

(b) (in accordance with paragraph 1 of Schedule 7 to the *Payment Services Regulations*) a firm which has its head office in Gibraltar, is authorised in Gibraltar to provide *payment services*, and has an entitlement corresponding to its passport right deriving from the *Payment Services Directive*, to establish a *branch* or provide services in the *United Kingdom*.

EEA bank

FCA PRA

an *incoming EEA firm* which is a *BCD credit institution*.

EEA banking  
and investment  
group

FCA PRA

a *banking and investment group* that satisfies one or more of the following conditions:

(a) it is headed by:

(i) an *investment firm* or *credit institution* that is authorised and incorporated in an *EEA State*; or

(ii) a *financial holding company* that has its head office in an *EEA State*; or

(b) it has as a member an *investment firm* or *credit institution* that:

(i) is authorised and incorporated in an *EEA State*; and

(ii) is linked with another member that is in the *banking sector* or the *investment services sector* by a *consolidation Article 12(1) relationship*; or

(c) it is otherwise required by *EEA prudential sectoral legislation* for the *banking sector* or the *investment services sector* (except Article 143 of the *Banking Consolidation Directive* (Third-country parent undertakings)) to be subject to consolidated supervision by a *competent authority*.

EEA branch of  
an authorised  
electronic  
money  
institution

FCA PRA

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a branch established by an *authorised electronic money institution*, in the exercise of its *passport rights*, to issue *electronic money*, provide *payment services*, distribute or redeem *electronic money* or carry out other activities in accordance with the *Electronic Money Regulations* in an *EEA State* other than the *United Kingdom*.

EEA  
commodities  
market

FCA PRA

a market that facilitates trading in *derivatives* relating to *commodities* (other than a market operated by an *RIE*) and which is operated by an entity that has its head office situated in the *EEA* and that is regulated as an exchange.

*eligible counterparty*

**FCA** **PRA**

(1) (for the purposes other than those set out in (2)) (in accordance with **■** COBS 3.6.1 R) a *client* that is either a *per se eligible counterparty* or an *elective eligible counterparty*.

(2) (for the purposes of *PRIN*, in relation to activities other than *designated investment business*) a *client* categorised as an *eligible counterparty* in accordance with **■** PRIN 1 Annex 1 R.

*eligible counterparty business*

**FCA** **PRA**

the following services and activities carried on by a *firm*:

(a) *dealing on own account, execution of orders on behalf of clients* or reception and transmission of orders; or

(b) any *ancillary service* directly related to a service or activity referred to in (a); or

(c) *arranging* in relation to business which is not *MiFID* or *equivalent third country firm business*;

but only to the extent that the service or activity is carried on with or for an *eligible counterparty*.

*eligible ECAI*

**FCA** **PRA**

an *ECAI*:

(a) (for *exposure risk weighting* purposes other than those in (b)) recognised by the *appropriate regulator* under regulation 22 of the *Capital Requirements Regulations 2006* (Recognition for exposure risk-weighting purposes); or

(b) (for *securitisation risk weighting* purposes) recognised by the *appropriate regulator* under regulation 23 of the *Capital Requirements Regulations 2006* (Recognition for securitisation risk-weighting purposes).

*eligible institution*

**FCA** **PRA**

(in *COLL* )

(a) a *BCD credit institution* authorised by its *Home State regulator*;

(b) an *MiFID investment firm* authorised by its *Home State regulator*.

*eligible LLP members' capital*

**FCA** **PRA**

members' capital of a *limited liability partnership* that meets the conditions in *IPRU(INV)* Annex A or, for a *BIPRU firm*, the requirements of **■** GENPRU 2.2.94 R (Core tier one capital: Eligible LLP members' capital).

*eligible partnership capital*

**FCA** **PRA**

(in relation to a *BIPRU firm*) has the meaning in **■** GENPRU 2.2.93 R.

*EMIR*

**FCA** **PRA**

Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories, sometimes referred to as the "European Markets Infrastructure Regulation".

*EMIR L2 Regulation*

**FCA**

Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP.

*EMIR requirements*

requirements imposed under *EMIR* and any regulation made under it.

FCA

*emissions allowance*

FCA PRA

an 'allowance', within the meaning of article 3(a) of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

*emissions auction product*

FCA PRA

the *investment* specified in article 82A of the *Regulated Activities Order* (Greenhouse gas *emissions allowances*), which is in summary an *emissions allowance* offered for sale on an *auction platform* as a *financial instrument* or a *two-day emissions spot*.

*employee*

FCA PRA

(1) (for all purposes except those in (2)) an individual:

(a) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise; or

(b) whose services, under an arrangement between that *person* and a third party, are placed at the disposal and under the control of that *person*;

but excluding an *appointed representative* or a *tied agent* of that *person*.

(2) (for the purposes of:

(a) ■ COBS 11.7 (Personal account dealing);

(aa) ■ GEN 4 (Statutory status disclosure);

(ab) ■ GEN 6.1 (Payment of financial penalties);

(b) ■ SUP 12 (Appointed representatives); and

(c) TC)

an individual:

(i) within (1); or

(ii) who is:

(A) an *appointed representative* or, where applicable, a *tied agent* of the *person* referred to in (1); or

(B) employed or appointed by an *appointed representative* or, where applicable, a *tied agent* of that *person*, whether under a contract of service or for services or otherwise, in connection with the business of the *appointed representative* or *tied agent* for which that *person* has accepted responsibility.

*employee benefit consultant*

FCA PRA

a *person* that gives advice, or provides services to, an employer in connection with a *group personal pension scheme* or *group stakeholder pension scheme* provided, or to be provided, by the employer for the benefit of its employees.

*employees' share scheme*

has the same meaning as in section 1166 of the Companies Act 2006.



FCA PRA

employers'  
liability  
insurance

a *contract of insurance* against risks of the *persons* insured incurring liabilities to their employees.

FCA PRA

EMPS

the Handbook Guide for energy market participants.

FCA PRA

endowment  
assurance

a *life policy* which pays a sum of *money* on the survival of the life assured to a specific date or on his earlier death.

FCA PRA

energy

coal, *electricity*, *natural gas* (or any by-product or form of any of them) , *oil* or *biofuel*.

FCA PRA

energy  
collective  
investment  
scheme

a *collective investment scheme*, the property of which consists only of *energy*, energy investments, *emissions allowances* , *tradable renewable energy credits* or cash awaiting investment.

FCA PRA

energy  
investment

any of the following:

- (a) a *unit* in an *energy collective investment scheme*;
- (b) an *option* to acquire or dispose of an *energy investment*;
- (c) a *future* or a *contract for differences* where the commodity or property of any other description in question is:
  - (i) *energy*; or
  - (ii) an *energy investment*; or
  - (iii) an *emissions allowance* ; or
  - (iv) a *tradable renewable energy credit*;
- (d) a *contract for differences* where the index or other factor in question is linked to or otherwise dependent upon fluctuations in the value or price of any of (c)(i) to (iv) (including any prices or charges in respect of imbalances under the *Network Code* or the *Balancing and Settlement Code*);
- (e) a *weather derivative*;
- (f) an *emissions allowance*, if it is a *specified investment*;
- (g) a *tradable renewable energy credit*, if it is a *specified investment*;
- (h) *rights to or interests in investments* in (a)-(g).

FCA PRA

energy market  
activity

(a) any *regulated activity* other than *bidding in emissions auctions* in relation to an *energy investment* or to *energy* , or in relation to a *biomass investment* or *biomass* that is ancillary to activities related to *energy investments* or *energy*, which:

FCA PRA

energy market participant

**FCA** **PRA**

(i) is the *executing of own account transactions* on any *recognised investment exchange* or *designated investment exchange*; or

(ii) if it is not the *executing of transactions* on such exchanges, is performed in connection with or for persons who are not *retail clients* ;

(b) *establishing, operating or winding up a collective investment scheme* which is an *energy collective investment scheme* in which *retail clients* do not participate.

a firm:

(a) whose permission:

(i) includes a *requirement* that the firm must not carry on any *designated investment business* other than *energy market activity*;

(ii) does not include a *requirement* that it comply with **■** IPRUINV link 5 (Investment management firms) or 13 (Personal investment firms); and

(b) which is not an *authorised professional firm, bank, BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*), *building society, credit union, friendly society, ICVC, insurer, MiFID investment firm* (unless it is an *exempt BIPRU commodities firm*), *media firm, oil market participant, service company, insurance intermediary, home finance administrator, home finance provider, incoming EEA firm* (without a *top-up permission*), or *incoming Treaty firm* (without a *top-up permission*).

(as defined in section 21(8) of the Act) (Restrictions on financial promotion)):

(a) enter or offer to enter into an agreement the making or performance of which by either party constitutes a *controlled activity*; or

(b) exercise any rights conferred by a *controlled investment* to acquire, dispose of, underwrite or convert a *controlled investment*.

engage in investment activity

**FCA** **PRA**

enhanced capital requirement

**FCA** **PRA**

(1) (in relation to a *firm* carrying on *general insurance business*) the amount calculated in accordance with INSPRU 1.1.72CR.

(2) (in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that a *firm* must hold as set out in GENPRU 2.1.38R.

entering as provider into a funeral plan contract

**FCA** **PRA**

the *regulated activity*, specified in article 59 of the *Regulated Activities Order* (Funeral plan contracts) which comes into force on 1 January 2002, of entering as provider into a *funeral plan contract*.

entering into a home finance transaction

**FCA** **PRA**

any of the *regulated activities* of *entering into a regulated mortgage contract, entering into a home purchase plan, entering into a home reversion plan* or *entering into a regulated sale and rent back agreement*.

entering into a home purchase plan

**FCA** **PRA**

the *regulated activity*, specified in article 63F(1) of the *Regulated Activities Order*, which is in summary: entering into a *home purchase plan* as provider.

entering into a home reversion plan

FCA PRA

the *regulated activity*, specified in article 63B(1) of the *Regulated Activities Order*, which is in summary: entering into a *home reversion plan* as provider, or acquiring any obligations or rights (including his interest in land) of the plan provider under a *home reversion plan* entered into by him on or after 6 April 2007.

entering into a regulated mortgage contract

FCA PRA

the *regulated activity*, specified in article 61(1) of the *Regulated Activities Order*, which is in summary: entering into a *regulated mortgage contract* as lender.

entering into a regulated sale and rent back agreement

FCA PRA

the *regulated activity*, specified in article 63J(1) of the *Regulated Activities Order*, which is in summary entering into a *regulated sale and rent back agreement* as an agreement provider, including acquiring any obligations or rights of the agreement provider, including the agreement provider's interest in land or interests under one or more such *agreements*.

Enterprise Investment Scheme

FCA PRA

an arrangement which is an *EIS managed portfolio* or an *EIS fund*.

Enterprise Zone Property Unit Trust

FCA PRA

an *unregulated collective investment scheme* of which the underlying assets are industrial and commercial buildings in an Enterprise Zone in accordance with section 749(2) of the Finance Act 1980.

EPE

FCA PRA

*expected positive exposure*.

equalisation provision

FCA PRA

a provision required to be established under the *rules* in INSPRU 1.4 .

equity

FCA PRA

(for the purposes of ■ BIPRU 7) a *share*.

equity exposure

FCA PRA

(in relation to the *IRB approach*) an exposure falling into the *IRB exposure class* referred to in ■ BIPRU 4.3.2 R (5) (equity exposures).

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equity market adjustment ratio

FCA PRA

(1) (in relation to the *resilience capital requirement*) has the meaning set out in INSPRU 3.1.19R.

(2) (in relation to the *market risk* scenario for the *risk capital margin* of a *with-profits fund*) has the meaning set out in INSPRU 1.3.71R.

*equity PRR*

FCA PRA

the part of the *market risk capital requirement* calculated in accordance with ■ BIPRU 7.3 (Equity PRR and basic interest rate PRR for equity derivatives) but so that:

(a) the *equity PRR* excludes the part of the *market risk capital requirement* calculated under ■ BIPRU 7.3.45 R (Basic interest rate PRR for equity derivatives); and

(b) in relation to a particular *position*, it means the portion of the overall *equity PRR* attributable to that *position*.

*equity release activity*

FCA PRA

any *regulated mortgage activity* carried on in relation to a *lifetime mortgage*, or a *reversion activity*.

*equity release adviser*

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for:

(a) *advising on regulated mortgage contracts* (when carried on in relation to a *lifetime mortgage*); or

(b) *advising on a home reversion plan*.

*equity release arranger*

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for *arranging* a:

(a) *regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or

(b) *home reversion plan*.

*equity release intermediary*

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) to carry on *equity release mediation activity*.

*equity release mediation activity*

FCA PRA

any of the *regulated activities* of:

(a) *arranging a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*;

(b) *advising on a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*) or a *home reversion plan*; or

(c) *agreeing to carry on a regulated activity* in (a) or (b).

*equity release provider*

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for:

(a) *entering into a regulated mortgage contract* (when carried on in relation to a *lifetime mortgage*); or

(b) *entering into a home reversion plan*.

*equity release transaction*

FCA PRA

a *lifetime mortgage* or a *home reversion plan*.

*equity security*

FCA PRA

(1) (in *LR*) *equity shares* and *securities* convertible into *equity shares*; and

(2) (in *PR*) (as defined in Article 2.1(b) of the *prospectus directive*) shares and other transferable securities equivalent to shares in companies, as well as any other type of transferable securities giving the right to acquire any of the aforementioned securities as a consequence of their being converted or the rights conferred by them being exercised, provided that securities of the latter type are issued by the issuer of the underlying shares or by an entity belonging to the group of the said issuer.

|   |   |
|---|---|
| <p><i>equity share</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p><i>shares</i> comprised in a <i>company's equity share capital</i>.</p>  |
| <p><i>equity share capital</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                                   | <p>(for a <i>company</i>), its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.</p>  |
| <p><i>equity stake</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(in relation to a <i>company</i>) any kind of equity stake in that <i>company</i>, including <i>shares</i> in it (including non-voting and non-equity <i>shares</i>, <i>debt securities</i> that are convertible or exchangeable into such <i>shares</i>, a call <i>option</i> on such <i>shares</i> or an in-the-money put <i>option</i> on such <i>shares</i>, but excluding a <i>contract for differences</i> or other <i>investment</i> that provides merely an economic exposure to movement in the price of the company's shares).</p> |
| <p><i>equivalent</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>see <i>commission equivalent</i>.</p>  |
| <p><i>equivalent business of a third country investment firm</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>the business of a <i>third country investment firm</i> carried on from an establishment in the <i>United Kingdom</i> that would be <i>MiFID business</i> if that firm were a <i>MiFID investment firm</i>.</p>   |
| <p><i>equivalent document</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                                    | <p>(in <i>LR</i> and <i>FEES</i>) a document containing information equivalent to a <i>prospectus</i> for the purposes of <span style="color: blue;">■</span> PR 1.2.2 R (2) or <span style="color: blue;">■</span> (3) or <span style="color: blue;">■</span> PR 1.2.3 R (3) or <span style="color: blue;">■</span> (4).</p>   |
| <p><i>ESMA</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>European Securities and Markets Authority.</p>   |
| <p><i>ESMA AIFMD key concepts guidelines</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>   | <p><i>ESMA's</i> guidelines on key concepts of the <i>AIFMD</i>.</p>  |
| <p><i>ESMA recommendations</i></p>  | <p>the recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No 809/2004 published by the European Securities and Markets Authority (ESMA/2011/81).</p>   |
| <p><i>established</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in accordance with article 4(1)(j) <i>AIFMD</i>):</p> <ul style="list-style-type: none"> <li>(a) for <i>AIFMs</i>, 'having its registered office in';</li> <li>(b) for <i>AIFs</i>, 'being authorised or registered in' or, if the <i>AIF</i> is not authorised or registered, 'having its registered office in'; or</li> <li>(c) for <i>depositaries</i>, 'having its registered office or branch in'.</li> </ul>  |
| <p><i>established surplus</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                                    | <p>has the meaning in <span style="color: blue;">■</span> IPRU-INS 3.3(4).</p>  |

*establishing, operating or winding up a collective investment scheme*

**FCA** **PRA**

the *regulated activity*, specified in article 51(1)(a) or 51ZE of the *Regulated Activities Order* (Establishing etc a collective investment scheme), of establishing, operating or winding up a *collective investment scheme*.

*establishing, operating or winding up a personal pension scheme*

**FCA** **PRA**

the *regulated activity*, specified in article 52(b) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *personal pension scheme*.

*establishing, operating or winding up a regulated collective investment scheme*

**FCA** **PRA**

*establishing, operating or winding up a collective investment scheme* if the scheme is a *regulated collective investment scheme*.

*establishing, operating or winding up a stakeholder pension scheme*

**FCA** **PRA**

the *regulated activity*, specified in article 52 (a) of the *Regulated Activities Order* (Establishing etc. a pension scheme), of establishing, operating or winding up a *stakeholder pension scheme*.

*establishing, operating or winding up an unregulated collective investment scheme*

**FCA** **PRA**

*establishing, operating or winding up a collective investment scheme* if the scheme is an *unregulated collective investment scheme*.

*establishment*

**FCA** **PRA**

(in relation to an *information society service*) the place at which the provider of the service effectively pursues an economic activity for an indefinite period; in this definition:

(a) the presence or use in a particular place of equipment or other technical means of providing an *information society service* does not, of itself, constitute that place as an establishment; and

(b) where it is unclear from which of a number of establishments a particular *information society service* is provided, that service is to be regarded as provided from the establishment where the provider has the centre of his activities relating to the service.

*establishment conditions*

**FCA** **PRA**

(in relation to the establishment of a *branch* in the *United Kingdom*) the conditions specified in paragraph 13 of Schedule 3 to the *Act* (EEA Passport Rights), which are that:

- (a) if the *firm* falls within paragraph (a), (b), (c), (d) or (f) in the definition of "*EEA firm*":
  - (i)...
- (b) if the *firm* falls within paragraph (e) in the definition of "*EEA firm*":
  - (i) the *EEA firm* has given its *Home State regulator* notice of its intention to establish a *branch* in the *United Kingdom*;
  - (ii) the *FCA* or *PRA* (as the case may be) has received notice ("a regulator's notice") from the firm's Home State regulator that the firm intends to establish a *branch* in the *United Kingdom*;
  - (iii) the *EEA firm's* Home State regulator has informed it that the regulator's notice has been sent to the *FCA* or *PRA* (as the case may be) ; and
  - (iv) one *month* has elapsed beginning with the date on which the *EEA firm's* Home State regulator informed the *firm* that it had sent the regulator's notice to the *FCA* or *PRA* (as the case may be) .
- (c) the *EEA firm* has been informed of the *applicable provisions* or two *months* have elapsed beginning with the date when the *FCA* or *PRA* (as the case may be) received the consent notice.

*establishment costs*

**FCA** **PRA**

- (1) (in **FEES 6**) the costs of establishing the *compensation scheme*.
- (2) (in **FEES 5**) the costs of establishing the *Financial Ombudsman Service*.

*EU*

**FCA** **PRA**

the European Union, being the Union established by the Treaty on European Union signed at Maastricht on 7 February 1992 (as amended).

*EU Cross-Border Regulation*

**FCA** **PRA**

Regulation (EC) No. 924/2009 of the European Parliament and of the Council on cross-border payments in the European Community.

*European Economic Area*

**FCA** **PRA**

the area established by the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the *EEA States*.

*EuSEF manager*

**FCA**

the manager of a qualifying social entrepreneurship fund (as defined in the *EuSEF Regulation*) that is registered in accordance with article 15 of the *EuSEF Regulation*.

*EuSEF regulation*

**FCA**

Regulation (EU) No 346/2013 of the European Parliament and the Council of 17 April 2013 on European social entrepreneurship funds.

*EuVECA manager*

the manager of a qualifying venture capital fund (as defined in the *EuVECA Regulation*) that is registered in accordance with article 14 of the *EuVECA Regulation*.

FCA

*EuVECA regulation*

Regulation (EU) No 345/2013 of the European Parliament and the Council of 17 April 2013 on European venture capital funds.

FCA

*evidential provision*

a *rule*, contravention of which does not give rise to any of the consequences provided for by other provisions of the *Act*; and which provides, in accordance with section 138C of the *Act*, that:

FCA PRA

(a) contravention may be relied on as tending to establish contravention of such other *rule* as may be specified; or

(b) compliance may be relied on as tending to establish compliance with such other *rule* as may be specified; or

(c) both (a) and (b).

*excepted contract*

(in *BCOBS*) has the same meaning as in the Consumer Protection (Distance Selling) Regulations 2000 (SI 2000/2334).

FCA PRA

*excess LLP members' drawings*

the amount by which the aggregate of the amounts withdrawn by a *limited liability partnership's* members exceeds the profits of that *firm*, as calculated in accordance with *IPRU(INV)* Annex A 2.5R (Limited liability partnership excess drawings).

FCA PRA

*excess spread*

(for the purposes of ■ *BIPRU 9* (Securitisation), in relation to a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) finance charge collections and other fee income received in respect of the *securitised exposures* net of costs and expenses.

FCA PRA

*excess surplus*

a *firm* will have an excess surplus in a *with-profits fund* if, and to the extent that:

FCA PRA

(a) the *regulatory surplus* (or, in the case of a *realistic basis life firm*, the excess of *realistic value of assets* over *realistic value of liabilities*) in that *with-profits fund*; and

(b) any other financial resources applied to, or expected to be applied to, that *with-profits fund*;

exceed:

(c) the amount required to meet the higher of any regulatory capital requirement or the *firm's individual capital assessment* (at the *firm's* own risk appetite) for existing business; and

(d) any further amount necessary to support the new business plans of that *with-profits fund*.

*excess trading book position*

has the meaning in ■ *GENPRU 2.2.264 R* (Deductions from total capital: Excess trading book position).

FCA PRA

*exchange traded*

(in *IPRU(INV)* 13) listed or traded on a *recognised* or *designated investment exchange*.



FCA PRA

exchange  
traded fund

FCA PRA

a fund:

- (a) which is an *open-ended investment company*; and
- (b) the *units* of which are traded on a *regulated market* or *designated investment exchange*.

excluded  
communication

FCA PRA

the following types of *financial promotion* (a *firm* may rely on more than one of the paragraphs in relation to the same *financial promotion*):

- (a) a *financial promotion* that would benefit from an exemption in the *Financial Promotion Order* if it were *communicated* by an *unauthorised person*, or which originates outside the *United Kingdom* and is not capable of having an effect in the *United Kingdom* (within the meaning of s.21(3) of the *Act*);
- (b) a *financial promotion* from outside the *United Kingdom* that would be exempt under articles 30, 31, 32 or 33 of the *Financial Promotion Order* (Overseas communicators) if the office from which the *financial promotion* is *communicated* were a separate *unauthorised person*;
- (c) a *financial promotion* that is subject to, or exempted from, the *Takeover Code* or to the requirements relating to takeovers or related operations in another *EEA State*;
- (d) a personal quotation or illustration form;
- (e) a "one-off" *financial promotion* that is not a *cold call*. If the conditions set out in (i) to (iii), below, are satisfied, a *financial promotion* is "one-off". If not, the fact that any one or more of these conditions is met is to be taken into account in determining if a *financial promotion* is "one-off". However, a *financial promotion* may be regarded as "one-off" even if none of the conditions are met. The conditions are that:
  - (i) the *financial promotion* is *communicated* only to one recipient or only to one group of recipients in the expectation that they would engage in any investment activity jointly;
  - (ii) the identity of the product or service to which the *financial promotion* relates has been determined having regard to the particular circumstances of the recipient;
  - (iii) the *financial promotion* is not part of an organised marketing campaign; or
- (f) a communication that is exempted by the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.

excluded  
material

FCA PRA

(in relation to access to *appropriate regulator* material) (as defined in section 394(7) of the *Act* (Access to FCA or PRA material)) material which:

- (a) has been intercepted in obedience to a warrant issued under any enactment relating to the interception of communications; or
- (b) indicates that such a warrant has been issued or that material has been intercepted in obedience to such a warrant; or
- (c) is a *protected item*.

execute

FCA PRA

(in relation to a transaction) carry into effect or perform the transaction, whether as *principal* or as agent, including instructing another *person* to execute the transaction.

*execution criteria*

FCA PRA

the criteria set out in ■ COBS 11.2.6 R, that is:

- (a) the characteristics of the *client* including the categorisation of the *client* as retail or professional;
- (b) the characteristics of the *client* order;
- (c) the characteristics of *financial instruments* that are the subject of that order;
- (d) the characteristics of the *execution venues* to which that order can be directed; and
- (e) for a *management company*, the objectives, investment policy and risks specific to the *UCITS scheme* or *EEA UCITS scheme*, as indicated in its *prospectus* or *instrument constituting the scheme*.

*execution factors*

FCA PRA

price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of an order.

*execution of orders on behalf of clients*

FCA PRA

acting to conclude agreements to buy or sell one or more *financial instruments* on behalf of *clients*.

[Note: article 4 (1)(5) of MiFID]

*execution venue*

FCA PRA

for the purposes of the provisions relating to best execution in ■ COBS 11.2 and in COLL, execution venue means a *regulated market*, an *MTF*, a *systematic internaliser*, or a *market maker* or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing.

[Note: article 44(1) of the MiFID implementing Directive]

*execution-only transaction*

FCA PRA

a transaction *executed* by a *firm* upon the specific instructions of a *client* where the *firm* does not give *advice on investments* relating to the merits of the transaction and in relation to which the *rules* on assessment of appropriateness (■ COBS 10) do not apply .

*executive procedures*

FCA PRA

the procedures relating to the giving of warning notices, decision notices and *supervisory notices* that are described in ■ DEPP 4 (Decisions by FCA staff under executive procedures) .

*exempt activity*

FCA PRA

(in relation to a *recognised body*) any *regulated activity* in respect of which the body is exempt from the *general prohibition* as a result of section 285(2) or (3) of the *Act* (Exemption for recognised investment exchanges and clearing houses).

*exempt BIPRU commodities firm*

FCA PRA

a *BIPRU firm* to which the exemption in ■ BIPRU TP 15.6R (Exemption for a BIPRU firm whose main business relates to commodities) applies.

*exempt CAD firm*

FCA PRA

(1) (except in SYSC and IPRU(INV)) has the meaning set out ■ BIPRU 1.1.16 R (Types of investment firm: exempt CAD firm) which is in summary an *investment firm* that satisfies certain specified conditions.

exempt full  
scope BIPRU  
investment  
firm

FCA PRA

(2) (in SYSC and IPRU(INV)) a *firm* in (1) whose head office (or, if it has a registered office, that office) is in the United Kingdom.

a *full scope BIPRU investment firm* falling into BIPRU 12.1.4R.

exempt  
insurance  
intermediary

FCA PRA

an *insurance intermediary*:

(a) whose *Part 4A permission* is limited to or includes *insurance mediation activity*;

(b) which, in relation to *insurance mediation activity* (but disregarding *money* or other assets held in relation to other activities) either:

(i) does not hold any *client money* or other *client* assets in any form; or

(ii) holds *client money* as trustee under a statutory trust imposed by ■ CASS 5.3 (statutory trust) but does not otherwise hold *client money*; and

(c) which (when aggregating the amount calculated in accordance with ■ CASS 5.5.65 R) does not in relation to *insurance mediation activity* hold *client money* in excess of £30,000 at any time during a *financial year*.

exempt person

FCA PRA

(1) (as defined in section 417(1) of the *Act* (Definitions)) (in relation to a *regulated activity*) a *person* who is exempt from the *general prohibition* in respect of that activity as a result of:

(a) the *Exemption Order*; or

(b) being an *appointed representative*; or

(c) section 285(2) or (3) of the *Act* (Exemption for recognised investment exchanges and clearing houses) ;

and

(2) a *person* who is exempt from the general prohibition as a result of section 312A(2) of the *Act*.

a *person* to whom, under section 327 of the *Act*, the *general prohibition* does not apply; guidance is given in ■ PROF 2.1 (Exempt *regulated activities*).

exempt  
professional  
firm

FCA PRA

exempt  
regulated  
activity

FCA PRA

(as defined in section 325(2) of the *Act* ( FCA's general duty)) a *regulated activity* which may, as a result of Part XX of the *Act* (Provision of Financial Services by Members of the Professions), be carried on by *members* of a profession which is supervised and regulated by a *designated professional body* without breaching the *general prohibition*.

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Exemption  
Order

FCA PRA

the Financial Services and Markets Act 2000 (Exemption) Order 2001 (SI 2001/1201).

exercise notice

(in LR) (in relation to *securitised derivatives*), a document that notifies the *issuer* of a holder's intention to exercise its rights under the *securitised derivative*.

FCA PRA

*exercise price*

FCA PRA

(in LR) (in relation to *securitised derivatives*), the price stipulated by the *issuer* at which the holder can buy or sell the *underlying instrument* from or to the *issuer*.

*exercise time*

FCA PRA

(in LR) (in relation to *securitised derivatives*), the time stipulated by the *issuer* by which the holder must exercise their rights.

*expected exposure*

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the average of the distribution of *exposures* at any particular future date before the longest maturity transaction in the *netting set* matures.

*expected loss*

FCA PRA

(in accordance with Article 4(29) of the *Banking Consolidation Directive* (Definitions) and for the purposes of the *IRB approach* and the *standardised approach* to credit risk) the ratio of the amount expected to be lost on an *exposure* from a potential *default* of a counterparty or dilution over a one year period to the amount outstanding at default.

*expected positive exposure*

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the weighted average over time of *expected exposures* where the weights are the proportion that an individual *expected exposures* represents of the entire time interval; when calculating the minimum capital requirement, the average is taken over the first year or, if all the contracts within the *netting set* mature before one year, over the time period of the longest-maturity contract in the *netting set*.

*expiration date*

FCA PRA

(in LR) (in relation to *securitised derivatives*), the date stipulated by the *issuer* on which the holder's rights in respect of the *securitised derivative* ends.

*exposure*

FCA PRA

(1) (in relation to a *firm* but subject to (2) and (3)) the maximum loss which the firm might suffer if:

(a) a counterparty or a group of connected counterparties fail to meet their obligations; or

(b) it realises assets or off-balance sheet positions

(2) (in accordance with Article 77 of the *Banking Consolidation Directive* and for the purposes of the calculation of the *credit risk capital component* and the *counterparty risk capital component* (including ■ BIPRU 3 (Standardised credit risk), ■ BIPRU 4 (The IRB approach), ■ BIPRU 5 (Credit risk mitigation) and ■ BIPRU 9 (Securitisation) an asset or off-balance sheet item.

(3) (for the purposes of ■ BIPRU 10 (Large exposures requirements)) has the meaning in ■ BIPRU 10.2 (Identification of exposures and recognition of credit risk mitigation).

*ex-section 43 firm*

FCA PRA

a *firm* that was a listed institution, as defined in section 43 of the Financial Services Act 1986, immediately before *commencement*.

|  |   |
|--|---|
| <p><i>ex-section 43 lead regulated firm</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>an <i>ex-section 43 firm</i> for which the <i>FSA</i> (in its capacity as the regulatory body under section 43 of the Financial Services Act 1986) was lead regulator for financial supervision purposes, and that was subject to the <i>section 43 capital requirements</i>, immediately before <i>commencement</i>.</p>  |
| <p><i>external AIFM</i></p> <p><b>FCA</b></p>                                | <p>(in accordance with regulation 4(3)(a) of the <i>AIFMD UK regulation</i>) an <i>AIFM</i> appointed by, or on behalf of, an <i>AIF</i> and which, through that appointment, is responsible for managing the <i>AIF</i>.</p>   |
| <p><i>external management company</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>(in <i>LR</i> and <i>PR</i>) has the meaning in ■ <b>PR 5.5.3A R</b>.</p>  |
| <p><i>external valuer</i></p> <p><b>FCA</b></p>                              | <p>a person who performs the valuation function described in article 19 of the <i>AIFMD</i> in respect of an <i>AIF</i> managed by a <i>full-scope UK AIFM</i>, and is not the <i>AIFM</i> of that <i>AIF</i>.</p>  |
| <p><i>extraction</i></p> <p><b>FCA</b> <b>PRA</b></p>                        | <p>(in relation to <i>mineral companies</i>), includes mining, production, quarrying or similar activities and the reworking of mine tailings or waste dumps.</p>   |
| <p><i>extraordinary resolution</i></p> <p><b>FCA</b> <b>PRA</b></p>          | <p>(in <i>COLL</i>) a resolution passed by a majority of not less than three-quarters of the votes validly cast (whether on a show of hands or on a poll) for and against the resolution at a general meeting or (as the case may be) <i>class meeting</i> of holders, of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given.</p> |
| <p><i>EZPUT</i></p> <p><b>FCA</b> <b>PRA</b></p>                             | <p><i>Enterprise Zone Property Unit Trust</i>.</p>  |



*facilities*

FCA PRA

(in relation to a *recognised body*) the facilities and services which it provides in the course of carrying on *exempt activities*. References to the use of the facilities of an *RIE* or *RAP* are to be construed as follows:

(a) dealings or transactions on an *RIE* or *RAP* are references to dealings or transactions which are effected by means of the *RIE*'s or *RAP*'s facilities or which are governed by the rules of the *RIE* or *RAP*;

(b) references to the use of the facilities of an *RIE* or *RAP* include use which consists of any such dealings or entering into any such transactions.

*facility grade*

FCA PRA

(in relation to the *advanced IRB approach* and the *sovereign, institutional and corporate IRB exposure class* and in accordance with ■ BIPRU 4.4.49 R) a risk category within a *rating system*'s facility scale to which *exposures* are assigned on the basis of a specified and distinct set of rating criteria from which own estimates of *LGDs* are derived.

*FAIF*

FCA PRA

*fund of alternative investment funds*.

*failure*

FCA PRA

the appointment of a liquidator, receiver or administrator, or trustee in bankruptcy, or any equivalent procedure in any relevant jurisdiction.

*fair, clear and not misleading rule*

FCA PRA

■ COBS 4.2.1 R.

*FC*

FCA PRA

Financial crime: a guide for firms

*FCA*

FCA PRA

Financial Conduct Authority

*FCA candidate*

FCA PRA

a *person* in respect of whom an application is made for approval under section 59 of the *Act* (Approval for particular arrangements) of the performance of an *FCA controlled function*.

*FCA controlled function*

FCA PRA

a *controlled function* which is specified by the *FCA* under section 59 of the *Act* (Approval for particular arrangements) in the *table of FCA controlled functions*.

*FCA governing functions*

FCA PRA

any of the *FCA controlled functions* 1 to 6 in Part 1 of the *table of FCA controlled functions*.

*FCA Handbook*

FCA PRA

the *FCA*'s Handbook of rules and guidance

|   |   |
|---|---|
| <p><i>FCA provider contribution class</i></p> <p><b>FCA</b></p>         | <p>a <i>class</i> to which the <i>FSCS</i> may only allocate a <i>compensation costs levy</i> or <i>specific costs levy</i> allocated to the <i>retail pool</i>, as described in ■ FEES 6.5A, namely: the deposit acceptor's contribution class; the insurers - life contribution <i>class</i>; the insurers - general contribution <i>class</i>; or the home finance providers and administrators' contribution <i>class</i>.</p>  |
| <p><i>FCA registered tied agent</i></p> <p><b>FCA PRA</b></p>           | <p>a <i>tied agent</i> who is an <i>agent</i> for the purposes of section 39A of the <i>Act</i>.</p>  |
| <p><i>FCA required functions</i></p> <p><b>FCA PRA</b></p>              | <p>any of the <i>FCA controlled functions</i> 8 to 11 in Part 1 or Part 2 of the <i>table of FCA controlled functions</i>.</p>  |
| <p><i>FCA significant-influence functions</i></p> <p><b>FCA PRA</b></p> | <p>any of the <i>FCA controlled functions</i> 1 to 29 in Part 1 or Part 2 of the <i>table of FCA controlled functions</i>.</p>  |
| <p><i>FCA-approved person</i></p> <p><b>FCA PRA</b></p>                 | <p>an <i>approved person</i> in relation to whom the <i>FCA</i> has given its approval under section 59 of the <i>Act</i> (Approval for particular arrangements) for the performance of an <i>FCA controlled function</i>.</p>  |
| <p><i>FCA-authorised person</i></p> <p><b>FCA PRA</b></p>               | <p>an <i>authorised person</i> who is not a <i>PRA-authorised person</i>.</p>   |
| <p><i>fee</i></p> <p><b>FCA PRA</b></p>                                 | <p>any payment or remuneration offered or made by a <i>client</i> to a <i>firm</i> in connection with <i>designated investment business</i> or with any other business of the <i>firm</i>, including (where applicable) any <i>mark-up</i> or <i>mark-down</i>.</p>   |
| <p><i>fee year</i></p> <p><b>FCA PRA</b></p>                            | <p>(1) in relation to the <i>PRA</i>:</p> <p style="padding-left: 40px;">(a) before 1 March 2014: from and including 1 April 2013 to 28 February 2014 inclusive;</p> <p style="padding-left: 40px;">(b) from and including 1 March 2014: 1 March to 28 February inclusive;</p> <p>(2) in relation to the <i>FCA</i>, 1 April to 31 March inclusive.</p>   |
| <p><i>feeder AIF</i></p> <p><b>FCA</b></p>                              | <p>(in accordance with article 4(1)(m) of <i>AIFMD</i>) an <i>AIF</i> which:</p> <p style="padding-left: 40px;">(a) invests at least 85% of its assets in <i>units</i> or <i>shares</i> of another <i>AIF</i> (the '<i>master AIF</i>'); or</p> <p style="padding-left: 40px;">(b) invests at least 85 % of its assets in two or more <i>AIFs</i> where those <i>AIFs</i> (the '<i>master AIFs</i>') have identical investment strategies; or</p> <p style="padding-left: 40px;">(c) otherwise has an exposure of at least 85% of its assets to such a <i>master AIF</i>.</p> |
| <p><i>feeder fund</i></p> <p><b>FCA</b></p>                             | <p>an <i>AUT</i> or <i>ACS</i> that is a <i>relevant pension scheme</i> and <i>dedicated to units</i> in a single <i>regulated collective investment scheme</i> .</p>   |



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|---|--|
| <p><i>final terms</i><br/>FCA PRA</p>                                     | <p>(in LR) the document containing the final terms of each issue which is intended to be <i>listed</i>.</p>  |
| <p><i>Financial Action Task Force</i><br/>FCA PRA</p>                     | <p>the inter-governmental body responsible for developing and promoting policies, both nationally and internationally, to combat money laundering.</p>   |
| <p><i>financial analyst</i><br/>FCA PRA</p>                               | <p>a <i>relevant person</i> who produces the substance of <i>investment research</i>.<br/>[Note: article 2(4) of the <i>MiFID implementing Directive</i>]</p>  |
| <p><i>financial collateral comprehensive method</i><br/>FCA PRA</p>       | <p>the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.</p>   |
| <p><i>Financial Collateral Directive</i><br/>FCA PRA</p>                  | <p>the Council Directive of 6 June 2002 relating to financial collateral arrangements (No. 2002/47/EC).</p>  |
| <p><i>financial collateral simple method</i><br/>FCA PRA</p>              | <p>the method for calculating the effects of credit risk mitigation described in those parts of ■ BIPRU 5.4 (Financial collateral) that are expressed to apply to that method.</p>   |
| <p><i>financial conglomerate</i><br/>FCA PRA</p>                          | <p>(in accordance with Article 2(14) of the <i>Financial Groups Directive</i> (Definitions)) a <i>consolidation group</i> that is identified as a <i>financial conglomerate</i> by the <i>financial conglomerate definition decision tree</i>.</p>   |
| <p><i>financial conglomerate definition decision tree</i><br/>FCA PRA</p> | <p>the decision tree in GENPRU 3 Ann 4R.</p>   |
| <p><i>financial crime</i><br/>FCA PRA</p>                                 | <p>(in accordance with section 1H of the <i>Act</i>) any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:</p> <ul style="list-style-type: none"> <li>(a) fraud or dishonesty; or</li> <li>(b) misconduct in, or misuse of information relating to, a financial market; or</li> <li>(c) handling the proceeds of crime; or</li> <li>(d) the financing of terrorism;</li> </ul> <p>in this definition, "offence" includes an act or omission which would be an offence if it had taken place in the <i>United Kingdom</i>.</p> |

*financial derivative instrument*

FCA PRA

has the meaning in ■ BIPRU 13.3.3 R (Definition of a financial derivative instrument); the definition is adjusted for the purposes of the definition of *counterparty risk capital component* in accordance with ■ BIPRU 14.2.3 R (Credit derivatives).

*Financial Groups Directive*

FCA PRA

Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.

*Financial Groups Directive Regulations*

FCA PRA

the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

*financial holding company*

FCA PRA

a *financial institution* that fulfils the following conditions:

- (a) its *subsidiary undertakings* are either exclusively or mainly *credit institutions*, *investment firms* or *financial institutions*;
- (b) at least one of those *subsidiary undertakings* is a *credit institution* or an *investment firm*; and
- (c) it is not a *mixed financial holding company*.

*financial information table*

FCA PRA

(in LR) financial information presented in tabular form that covers the reporting period set out in ■ LR 13.5.13 R in relation to the entities set out in ■ LR 13.5.14 R, and to the extent relevant ■ LR 13.5.17A R.

*financial institution*

FCA PRA

(1) (in accordance with paragraph 5(c) of Schedule 3 to the *Act* (EEA Passport Rights: EEA firm) and article 4 (5) of the *Banking Consolidation Directive* (Definitions)), but not for the purposes of *GENPRU*, *BIPRU* and *INSPRU*), an undertaking, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the listed activities listed in points 2 to 12 and 15 of Annex I to the *BCD*, which is a subsidiary of the kind mentioned in article 24 of the *BCD* and which fulfils the conditions in that article.

(2) for the purposes of *GENPRU*, *BIPRU* and *INSPRU* and in accordance with Articles 1(3) (Scope) and 4(5) (Definitions) of the *Banking Consolidation Directive*) the following :

- (a) an *undertaking*, other than a *credit institution*, the principal activity of which is to acquire holdings or to carry on one or more of the *listed activities* listed in points 2 to 12 and 15 of Annex I to the *Banking Consolidation Directive* including the services and activities provided for in Sections A and B of Annex I of the *MIFID* when referring to the financial instruments provided for in Section C of Annex I of that Directive ;
- (b) (for the purposes of consolidated requirements) those institutions permanently excluded by Article 2 of the *Banking Consolidation Directive* (Scope), with the exception of the *central banks* of *EEA States*

*financial instrument*

**FCA** **PRA**

(1) (other than in (2) ) instruments specified in Section C of Annex I of *MiFID*, that is:

- (a) *transferable securities*;
- (b) *money-market instruments*;
- (c) units in collective investment undertakings;
- (d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
- (e) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
- (f) options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a *regulated market* and/or an *MTF*;
- (g) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in (f) and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (see articles 38(1), (2) and (4) of the *MiFID Regulation*);
- (h) derivative instruments for the transfer of credit risk;
- (i) financial contracts for differences; and
- (j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to
  - (i) climatic variables;
  - (ii) freight rates;
  - (iii) emission allowances;
  - (iv) inflation rates or other official economic statistics;
  - (v) telecommunications bandwidth;
  - (vi) commodity storage capacity;
  - (vii) transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;
  - (viii) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;
  - (ix) a geological, environmental or other physical variable;
  - (x) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;
  - (xi) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where the conditions in Articles 38(3) and (4) of the *MiFID Regulation* are met.

[Note: article 4(1)(17) and section C of Annex I to *MiFID* and articles 38 and 39 of the *MiFID Regulation*]

( 2 ) (in ■ MAR 1 and ■ MAR 2, ■ DTR 1, ■ 2 and ■ 3 and otherwise where used in relation to the *Market Abuse Directive*) (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

- (a) transferable securities as defined in the *ISD*;
- (b) units in collective investment undertakings;
- (c) money-market instruments;
- (d) financial-futures contracts, including equivalent cash-settled instruments;
- (e) forward interest-rate agreements;
- (f) interest-rate, currency and equity swaps;
- (g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;
- (h) derivatives on commodities; and
- (i) any other instrument admitted to trading on a *regulated market* in an *EEA State* or for which a request for admission to trading on such a market has been made.

*Financial Ombudsman Service*

FCA PRA

the scheme provided under Part XVI of the *Act* (The Ombudsman Scheme) under which certain disputes may be resolved quickly and with minimum formality by an independent *person*.

*Financial Ombudsman Service Limited*

FCA PRA

the *body corporate* established by the *FSA* under paragraph 2(1) of Schedule 17 to the *Act* (The Scheme Operator) (as originally enacted) to administer the *Financial Ombudsman Service*.

*financial promotion*

FCA PRA

(1) an invitation or inducement to *engage in investment activity* that is communicated in the course of business;

[Note: section 21 of the *Act* (Restrictions on financial promotion)]

(2) (in relation to ■ COBS 3.2.1 R (3), ■ COBS 4.3.1 R, ■ COBS 4.5.8 R and ■ COBS 4.7.1 R) (in addition to (1)) a marketing communication within the meaning of *MiFID* made by a *firm* in connection with its *MiFID* or *equivalent third country business*.

*Financial Promotion Order*

FCA PRA

the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529).

*financial promotion rules*

FCA PRA

(1) (in relation to *COBS*) any or all of the *rules* in ■ COBS 4 that impose requirements in relation to a *financial promotion* but only to the extent that they apply to a *financial promotion*.

(2) (in relation to *ICOBS*) ■ **ICOBS 2.2** .

(3) (in relation to *MCOB*) ■ **MCOB 3** .

(4) (in relation to *BCOBS*) all or any of the *rules* in ■ **BCOBS 2** that impose requirements in relation to a *financial promotion* but only to the extent that they apply to a *financial promotion*.

*financial resources*

**FCA PRA**

(in *UPRU*) the financial resources calculated in accordance with ■ **UPRU 2.2.1 R** (*Financial resources*) that a *UCITS firm* needs to meet its *financial resources requirement*.

*financial resources requirement*

**FCA PRA**

(in *UPRU*) has the meaning given in ■ **UPRU 2.1.2 R**.

*financial return*

**FCA PRA**

(in *UPRU*) means *annual financial return*, *quarterly financial return* or *monthly financial return* as the case may be.

*financial sector*

**FCA PRA**

(1) (subject to (2)) one of the *banking sector*, the *insurance sector* or the *investment services sector*.

(2) (for the purposes of the definition of *financial conglomerate* and for any other provision of *GENPRU 3* that treats the *banking sector* and the *investment services sector* as one) one of the *banking and investment services sector* or the *insurance sector*.

*Financial Services Compensation Scheme Limited*

**FCA PRA**

the *body corporate* established by the *FSA* under section 212 of the *Act* (The scheme manager) (as originally enacted) to administer the *compensation scheme*.

*Financial Services Register*

**FCA PRA**

the public record, as required by section 347 of the *Act* (The public record), regulation 4 of the *Payment Services Regulations* (The register of certain payment service providers) and regulation 4 of the *Electronic Money Regulations*, of every:

(a) *authorised person*

(aa) *authorised payment institution* and its *EEA branches*;

(ab) *small payment institution*;

(ac) *agent* of an *authorised payment institution* or *small payment institution*;

(aca) *authorised electronic money institution* and an *EEA branch of an authorised electronic money institution*;

(acb) *small electronic money institution*;

(acc) *agent* of an *authorised electronic money institution* or *small electronic money institution*;

(ad) *credit union*, municipal bank and the National Savings Bank where such persons provide a *payment service*; or issue *electronic money*;

(b) *AUT*;

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| <p>(c) ICVC;</p> <p>(ca) ACS;</p> <p>(d) <i>recognised scheme</i>;</p> <p>(e) <i>recognised investment exchange</i>;</p> <p>(f) [deleted]</p> <p>(g) individual to whom a <i>prohibition order</i> relates;</p> <p>(h) <i>approved person</i>; and</p> <p>(i) <i>person</i> within such other class (if any) as the FCA may determine; except as provided by any transitional provisions.</p> | <p>the PRA's power under section 165A of the Act (PRA's power to require information: financial stability) which, in summary, is a power to require a <i>person</i> to provide information or documents relevant to the stability of one or more aspects of the UK financial system.</p>   |
| <p><i>financial stability information power</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>a requirement imposed on a <i>person</i> by the PRA using the <i>financial stability information power</i> or the <i>overseas financial stability information power</i>.</p>  |
| <p><i>financial stability information requirement</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(1) (in DISP and ■ FEES 5) the 12 months ending with 31 March.</p> <p>(3) (in GENPRU and INSPRU) the period at the end of which the balance of the accounts of the <i>insurer</i> is struck, or, if no balance is struck, the calendar year.</p>  |
| <p><i>financial year</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(for the purposes of INSPRU 1.1 and of the definition of <i>non-directive insurer</i>) the last <i>financial year</i> to end before the date on which the latest accounts of the <i>insurer</i> are required to be deposited with the <i>appropriate regulator</i>; the preceding <i>financial year</i> and previous <i>financial years</i> are construed accordingly.</p>  |
| <p><i>financial year in question</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(in relation to a <i>share</i>, <i>debenture</i> or other investment in, or external contribution to the capital of, a <i>firm</i>) an amount that represents a reasonable estimate of the part of the <i>coupon</i> on that instrument that reflects the cost of financing generally but excludes costs reflecting factors relating to the issuer, guarantor or other person to whom the instrument creates an exposure.</p>   |
| <p><i>financing cost amount</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>the Financial Stability and Market Confidence sourcebook.</p>   |
| <p>FINMAR</p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 8 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to property (other than property to which paragraphs 3 to 7 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Land vehicles; railway rolling stock; aircraft; ships; goods in transit) relate) due to fire, explosion, storm, natural forces other than storm, nuclear energy or land subsidence.</p> |
| <p><i>fire and natural forces</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(1) in the FCA Handbook, an <i>authorised person</i>, but not a <i>professional firm</i> unless it is an <i>authorised professional firm</i> (see also ■ GEN 2.2.18 R</p>   |
| <p><i>firm</i></p> <p><span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   |  |

for the position of an authorised partnership or unincorporated association which is dissolved).

(1A) in the *PRA Handbook*, a *PRA-authorised person*.

(2) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Ombudsman Transitional Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(3) (in ■ DISP 2 and ■ 3) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, former *firms* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(4) (in ■ DISP 2 and ■ 3) includes, as a result of the *insurance market direction* given in ■ DISP 2.1.7 D under section 316 of the *Act* (Direction by a regulator), *members* of the *Society of Lloyd's*.

(5) (in ■ FEES 3, ■ FEES 4, ■ FEES 5 and ■ FEES 7) includes a *fee-paying payment service provider* and a *fee-paying electronic money issuer* in accordance with ■ FEES 3.1.1A R, ■ FEES 4.1.1A R, ■ FEES 5.1.1A R and ■ FEES 7.1.1 R.

(6) (in CONRED):

(a) an *authorised person*; or

(b) a *person* who was an *authorised person* when the relevant activity took place but has since ceased to be one.

*firm in run-off*

FCA PRA

a *firm* whose *Part 4A permission* has been varied so as to remove the *regulated activity* of *effecting contracts of insurance*.

*firm type*

FCA PRA

one of a list of firm types set out in ■ SUP 16 Annex 17 G used for the purposes of checking and correcting *standing data* under ■ SUP 16.10.4 R.

*firm-specific liquidity stress*

FCA PRA

(in relation to a *firm* and any reporting obligations under ■ SUP 16 (Reporting requirements)):

(a) (in the case of reporting obligations on a solo basis (including on the basis of the *firm's UK branch*) the *firm* failing to meet, not complying with or being in breach of:

(i) the liquidity resources requirement calculated by that *firm* as adequate in its current *Individual Liquidity Adequacy Assessment* or *Individual Liquidity Systems Assessment*; or

(ii) the level of its liquid assets buffer advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iii) its funding profile advised in any current *individual liquidity guidance* that the *firm* has accepted; or

(iv) the *overall liquidity adequacy rule*; or

(v) BIPRU 12.2.8R (*ILAS BIPRU firm* adequate buffer of high quality, unencumbered assets) or BIPRU 12.2.11R (liquid assets buffer is at least equal to the *simplified buffer requirement*); or

(vi) the *simplified buffer requirement* (taking into account ■ BIPRU TP 29 (Liquid assets buffer scalar: simplified ILAS BIPRU firms) unless this has been superseded by *individual liquidity guidance* that it has accepted; or

(vii) any requirement imposed by or under the *regulatory system* under which the *firm* must hold a specified level of liquidity resources;

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| <p><i>First Life Directive</i><br/>FCA PRA</p>                         | <p>or it being likely that the <i>firm</i> will do so;</p> <p>(b) (in the case of reporting obligations with respect to the <i>firm</i> and a group of other <i>persons</i>) has the same meaning as in (a) except that references to any <i>rule</i> or other requirement, <i>Individual Liquidity Adequacy Assessment</i>, <i>Individual Liquidity Systems Assessment</i> or <i>individual liquidity guidance</i> are to any such thing so far as it applies to the <i>firm</i> and that group considered together.</p> |
| <p><i>First Non-Life Directive</i><br/>FCA PRA</p>                     | <p>the Council Directive of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (No 79/267/EEC).</p>   |
| <p><i>FIT</i><br/>FCA PRA</p>  | <p>the Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance (No 73/239/EEC).</p>  |
| <p><i>fixed overheads requirement</i><br/>FCA PRA</p>                  | <p>the part of the <i>Handbook</i> in High Level Standards which has the title the Fit and Proper test for Approved Persons.</p>  |
| <p><i>fixed-sum credit</i><br/>FCA PRA</p>                             | <p>(1) (except in ■ IPRU(INV)) the part of the <i>capital resources requirement</i> calculated in accordance with ■ GENPRU 2.1.53 R (Calculation of the fixed overheads requirement).</p> <p>(2) (in ■ IPRU(INV)) the part of the <i>own funds</i> requirement calculated in accordance with ■ IPRU(INV) 11.3.3R (Fixed overheads requirement).</p>   |
| <p><i>flat rate benefits business friendly society</i><br/>FCA PRA</p> | <p>(in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than <i>running-account credit</i>, by which the <i>customer</i> is enabled to receive credit (whether in one amount or by instalments).</p>  |
| <p><i>foreign currency</i><br/>FCA PRA</p>                             | <p>a <i>friendly society</i> whose <i>insurance business</i> is restricted to the provision of benefits which vary according to the resources available and in which the contributions of members are determined on a flat rate basis.</p>  |
| <p><i>foreign currency PRR</i><br/>FCA PRA</p>                         | <p>(in <i>GENPRU</i> and <i>BIPRU</i>) (in relation to a <i>firm</i>) any currency other than the <i>base currency</i>.</p>   |
| <p><i>foreign law contract</i><br/>FCA PRA</p>                         | <p>the part of the <i>market risk capital requirement</i> calculated in accordance with ■ BIPRU 7.5 (Foreign currency PRR) or, in relation to a particular position, the portion of the overall <i>foreign currency PRR</i> attributable to that <i>position</i>.</p>   |
|  | <p>any contract other than a contract:</p> <p>(a) governed by the laws of any part of the <i>United Kingdom</i>; and</p> <p>(b) whose parties agree to the exclusive jurisdiction of the courts of any part of the <i>United Kingdom</i>.</p>   |



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| <p><i>former member</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>a <i>person</i> who has ceased to be a <i>member</i>, whether by resignation or otherwise, in accordance with Lloyd's Act 1982 and any <i>byelaw</i> made under it.</p>   |
| <p><i>former Ombudsman</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>           | <p>an ombudsman, arbitrator or independent investigator appointed under a <i>former scheme</i>.</p>  |
| <p><i>former scheme</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>(1) (except in relation to a <i>relevant transitional complaint</i>) any of the following:</p> <ul style="list-style-type: none"> <li>(a) the <i>Banking Ombudsman scheme</i>;</li> <li>(b) the <i>Building Societies Ombudsman scheme</i>;</li> <li>(c) the <i>FSA scheme</i>;</li> <li>(d) the <i>IMRO scheme</i>;</li> <li>(e) the <i>Insurance Ombudsman scheme</i>;</li> <li>(f) the <i>Personal Insurance Arbitration Service</i>;</li> <li>(g) the PIA Ombudsman scheme;</li> <li>(h) the <i>SFA scheme</i>;</li> </ul> <p>(2) (in relation to a <i>relevant transitional complaint</i>)</p> <ul style="list-style-type: none"> <li>(a) the <i>GISC facility</i>; or</li> <li>(b) the <i>MCAS scheme</i>.</li> </ul> |
| <p><i>former underwriting member</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>(as defined in section 324(1) of the <i>Act</i> (Interpretation of Part XIX: Lloyd's)) a <i>person</i> ceasing to be an <i>underwriting member</i> on, or at any time after, 24 December 1996.</p>  |
| <p><i>forward</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>a contract to buy or sell where the date for settlement has been agreed as a particular date in the future but excluding a <i>future</i>.</p>   |
| <p><i>forward price</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>(in relation to <i>units</i>) a <i>price</i> calculated by reference to the <i>valuation point</i> next following the <i>authorised fund manager's</i> agreement to <i>sell</i> or, as the case may be, to redeem the <i>units</i> in question.</p>   |
| <p><i>forward rate agreement</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>     | <p>an agreement under which one party agrees to pay another an amount of interest based on an agreed interest rate for a specified period from a specified settlement date applied to an agreed principal amount but under which no commitment is made by either party to lend or borrow the principal amount.</p>   |
| <p>FOS Ltd<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                           | <p><i>Financial Ombudsman Service Limited</i>.</p>   |
| <p><i>foundation IRB approach</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>    | <p>one of the following:</p> <ul style="list-style-type: none"> <li>(a) (in relation to the <i>sovereign, institutional and corporate IRB exposure class</i>) the approach under the <i>IRB approach</i>, described in ■ BIPRU 4.4 (The IRB approach: Exposures to corporates, institutions and sovereigns) under which a <i>firm</i> uses the values for <i>LGD</i> and <i>conversion factors</i> set out in ■ BIPRU 4.4 rather than supplying its own estimates;</li> </ul>  |

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| <p><i>Fourth Company Law Directive</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or</p> <p>(c) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.</p> <p>Council Directive 78/660/EEC on the annual accounts of certain types of companies as amended by, amongst other instruments, Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.</p> |
| <p>FRA</p> <p><b>FCA</b> <b>PRA</b></p>                                 | <p><i>forward rate agreement.</i></p>  |
| <p><i>framework contract</i></p> <p><b>FCA</b> <b>PRA</b></p>           | <p>(in accordance with regulation 2(1) of the <i>Payment Services Regulations</i>) a contract for <i>payment services</i> which governs the future execution of individual and successive payment transactions and which may contain the obligation and conditions for setting up a payment account.</p> <p>[Note: article 4(12) of the <i>Payment Services Directive</i>]</p>   |
| <p><i>free delivery</i></p> <p><b>FCA</b> <b>PRA</b></p>                | <p>a transaction of the type set out in ■ BIPRU 14.4.2 R (Requirement to hold capital resources with respect to free deliveries) which, in summary, is a transaction under which a <i>person</i>:</p> <p>(a) has paid for <i>securities, foreign currencies</i> or <i>commodities</i> before receiving them or it has delivered <i>securities, foreign currencies</i> or <i>commodities</i> before receiving payment for them; and</p> <p>(b) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.</p>  |
| <p><i>friendly society</i></p> <p><b>FCA</b> <b>PRA</b></p>             | <p>an <i>incorporated friendly society</i> or a <i>registered friendly society</i>.</p>  |
| <p><i>front end loaded</i></p> <p><b>FCA</b> <b>PRA</b></p>             | <p>(in relation to an <i>investment</i>) one where deductions for <i>charges</i> and expenses are loaded disproportionately on the early years.</p>  |
| <p>FSA</p> <p><b>FCA</b> <b>PRA</b></p>                                 | <p>the Financial Services Authority.</p>   |
| <p><i>FSA scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>                   | <p>the <i>former scheme</i> operated by the FSA under paragraph 4 of Schedule 7 to the Financial Services Act 1986 for the investigation of complaints arising out of the conduct of investment business.</p>  |
| <p>FSAVC</p> <p><b>FCA</b> <b>PRA</b></p>                               | <p>an arrangement which allows a member of an <i>occupational pension scheme</i> to make <i>AVCs</i> to a private <i>pension policy</i> or <i>pension contract</i>, where the policy or contract is separate from, but associated with, an <i>occupational pension scheme</i> which is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.</p>  |

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| <p>FSB<br/><i>Compensation Standards</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>the Implementation Standards for Principles for Sound Compensation Practices issued by the Financial Stability Board on 25 September 2009.</p>  |
| <p>FSCS</p> <p><b>FCA</b> <b>PRA</b></p>  | <p><i>Financial Services Compensation Scheme Limited.</i></p>  |
| <p><i>full BCD credit institution</i></p> <p><b>FCA</b> <b>PRA</b></p>          | <p>a <i>BCD credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i>.</p>   |
| <p><i>full credit institution</i></p> <p><b>FCA</b> <b>PRA</b></p>              | <p>a <i>credit institution</i> that falls within paragraph (1) (a) of the definition of <i>credit institution</i>.</p>   |
| <p><i>full scope BIPRU investment firm</i></p> <p><b>FCA</b> <b>PRA</b></p>     | <p>has the meaning in BIPRU ■ BIPRU 1.1.17 R (Types of BIPRU investment firm) which is in summary a <i>CAD full scope firm</i> that satisfies the following conditions:</p> <ul style="list-style-type: none"> <li>(a) it is a <i>firm</i>; and</li> <li>(b) its head office is in the <i>United Kingdom</i> and it is not otherwise excluded from the definition of <i>BIPRU firm</i> under ■ BIPRU 1.1.17 R (Exclusion of certain types of firm from the definition of BIPRU firm).</li> </ul>   |
| <p><i>full-scope EEA AIFM</i></p> <p><b>FCA</b></p>                             | <p>an <i>EEA AIFM</i> which is authorised by its <i>Home State</i> in accordance with article 6(1) of <i>AIFMD</i>.</p>  |
| <p><i>full-scope UK AIFM</i></p> <p><b>FCA</b> <b>PRA</b></p>                   | <p>a <i>UK AIFM</i> which:</p> <ul style="list-style-type: none"> <li>(a) is not a <i>small AIFM</i>; or</li> <li>(b) is a <i>small AIFM</i> but has opted in to <i>AIFMD</i> in accordance with article 3(4) of <i>AIFMD</i>.</li> </ul>  |
| <p><i>fund</i></p> <p><b>FCA</b> <b>PRA</b></p>                                 | <p>an <i>AIF</i> or a <i>collective investment scheme</i>.</p>   |
| <p><i>fund application rules</i></p> <p><b>FCA</b> <b>PRA</b></p>               | <p>(in <i>COLL</i> and <i>SUP</i>) the rules set out in ■ <i>COLL 12.3.5 R</i> (<i>COLL fund rules under the management company passport: the fund application rules</i>) that relate to the constitution and functioning of a <i>UCITS scheme</i> and that an <i>EEA UCITS management company</i> must comply with when acting as the <i>operator</i> of the <i>UCITS scheme</i>, whether from a <i>branch</i> in the <i>United Kingdom</i> or under the freedom to provide <i>cross border services</i>, as required by article 19(3) of the <i>UCITS Directive</i>.</p> |
| <p><i>fund of alternative investment funds</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>a <i>non-UCITS retail scheme</i>, or a <i>sub-fund</i> of a <i>non-UCITS retail scheme</i> which is an <i>umbrella</i> whose <i>authorised fund manager</i> operates, or proposes to operate, it in accordance with the investment and borrowing powers in ■ <i>COLL 5.7</i> (Investment powers and borrowing limits for <i>NURS</i> operating as <i>FAIFs</i>).</p>  |

*funded credit protection*

FCA PRA

(in accordance with Article 4(31) of the *Banking Consolidation Directive* (Definitions)) a technique of *credit risk mitigation* where the reduction of the credit risk on the *exposure* of an undertaking derives from the right of the *undertaking*, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the *exposure* to, or to replace it with, the amount of the difference between the amount of the *exposure* and the amount of a claim on the *undertaking*.

*funds at Lloyd's*

FCA PRA

assets (not being *syndicate assets*) provided by or on behalf of a *member* to meet the liabilities arising from the *member's insurance business* at Lloyd's which are held in a *Lloyd's trust fund* and managed by the *Society* as trustee.

*funds under management*

FCA PRA

(1) (in *UPRU*)

(a) *collective investment schemes* other than *OEICs* managed by the *firm* including *schemes* where it has delegated the management function but excluding *schemes* that it is *managing* as delegate; and

(b) *OEICs* for which the *firm* is the designated management company.

(2) (in ■ *IPRU(INV)* and *GENPRU*) *funds* managed by the *firm*, calculated as the sum of the absolute value of all assets of all *funds* managed by the *firm*, including assets acquired through the use of leverage and, for such purpose, derivative instruments shall be converted into their equivalent positions in the underlying assets using the conversion methodologies in article 10 of the *AIFMD level 2 regulation* and valued on the basis of that equivalent position. This includes *funds* where the *firm* has delegated the management function but excludes *funds* that it is managing as a delegate.

*funds under management requirement*

FCA

(1) (in ■ *IPRU(INV)* 11) an amount of *own funds* that a *collective portfolio management firm* must hold under ■ *IPRU(INV)* 11.3.2R (Funds under management requirement).

(2) (in *GENPRU*) an amount of *own funds* that a *collective portfolio management investment firm* must hold under *GENPRU* 2.1.66R (Requirements for collective portfolio management investment firms).

*funeral plan contract*

FCA PRA

the *investment*, specified in articles 59(2), 60 and 87 of the *Regulated Activities Order* which come into force on 1 January 2002, which is in summary: rights under a contract under which:

(a) a *person* ("the customer") makes one or more payments to another *person* ("the provider"); and

(b) the provider undertakes to provide, or secure that another *person* provides, a funeral in the *United Kingdom* for the customer (or some other *person* who is living at the date when the contract is entered into) on his death;

unless, at the time of entering into the contract, the customer and the provider intend or expect the funeral to occur within one month; but excluding certain contracts under which sums paid will be applied towards a *contract of insurance* or will be held on trust.

*future*

FCA PRA

the *investment*, specified in article 84 of the *Regulated Activities Order* (Futures), which is in summary: rights under a contract for the sale of a commodity or property of any other description under which delivery is to be made at a future date and at a price agreed on when the contract is made.

*future  
policy-related  
liabilities*

FCA PRA

(in relation to a *with-profits fund*) the future policy-related liabilities of the *with-profits fund* calculated in accordance with the *rules* in ■ PRU 7.4.137 R to ■ PRU 7.4.189 G.



*group capital resources requirement*

FCA PRA

in relation to an *undertaking* in INSPRU 6.1.17R, that *undertaking's* group capital resources requirement as calculated in accordance with INSPRU 6.1.33R

*group ISA*

FCA

an *individual savings account* of which the *plan manager* is the *authorised fund manager*, or in the same *group* as the *authorised fund manager*, of the *authorised fund* by reference to *units* in which the *plan register* is being, or is proposed to be, maintained.

*group liquidity low frequency reporting conditions*

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity low frequency reporting conditions if the *defined liquidity group* meets the following conditions:

(a) the *firm* or any other member is a *low frequency liquidity reporting firm*; and

(b) no member of that group is a *standard frequency liquidity reporting firm*.

For the purpose of deciding whether these conditions are met in relation to a *DLG by default*, any group member (other than the *group liquidity reporting firm* itself) that is a member of the group through no more than a *participation* is ignored.

*group liquidity reporting firm*

FCA PRA

see the definitions of *DLG by default*, *DLG by modification (firm level)*, and *non-UK DLG by modification (DLG level)*.

(*Guidance* about this definition, and its inter-relation with other related definitions, is set out in ■ SUP 16 Annex 26 G (*Guidance on designated liquidity groups* in ■ SUP 16.12).)

*group liquidity standard frequency reporting conditions*

FCA PRA

(in relation to a *group liquidity reporting firm* and its *defined liquidity group*) the *defined liquidity group* meets the group liquidity standard frequency reporting conditions if the group does not meet the *group liquidity low frequency reporting conditions*.

*group of connected clients*

FCA PRA

has the meaning given to it in ■ BIPRU 10.3.5 G.

*group personal pension scheme*

FCA PRA

a *personal pension scheme* (including a group *SIPP*) which is available to employees of the same employer or of employers within a *group*.

*group plan*

FCA

a *group ISA* or a *group savings plan*.

*group policy*

FCA PRA

a *non-investment insurance contract* which a *person* enters into as legal holder of the *policy* on his own behalf and for other persons who are or will become *policyholders* and:

(a) those other *persons* are or become *policyholders* by virtue of a common employment, occupation or activity which has arisen independently of the *contract of insurance*;

|  |   |
|--|---|
| <p><i>group respondents</i></p> <p><b>FCA</b></p>                    | <p>(b) the common employment, occupation or activity is not brought about, in relation to the <i>contract of insurance</i>, by</p> <p style="padding-left: 40px;">(i) the <i>insurance undertaking</i> which <i>effects</i> it or carries it out; or</p> <p style="padding-left: 40px;">(ii) any activity which if carried on by a firm would be an <i>insurance mediation activity</i>; and</p> <p>(c) the risks insured under the <i>policy</i> are related to the common employment, occupation or activity of the <i>policyholders</i>.</p> <p>all <i>respondents</i> identified as part of the relevant <i>charging group</i> as defined in ■ FEES 5 Annex 3R Part 3.</p>  |
| <p><i>group savings plan</i></p> <p><b>FCA</b></p>                   | <p>a savings plan:</p> <p>(a) of which the <i>plan manager</i> is the <i>authorised fund manager</i>, or in the same <i>group</i> as the <i>authorised fund manager</i>, of the <i>authorised fund</i> by reference to <i>units</i> in which the <i>plan register</i> is being, or is proposed to be, maintained;</p> <p>(b) under which <i>investments</i> are periodically acquired and held by a nominee for the absolute benefit of the respective subscribers to the savings plan; and</p> <p>(c) under which all the <i>investments</i> are <i>units</i> in one or more <i>authorised funds</i> managed by (or, in the case of an <i>ICVC</i>, whose <i>ACD</i> is) the <i>plan manager</i>, or a <i>body corporate</i> in the same <i>group</i> as the <i>plan manager</i>.</p>  |
| <p><i>group stakeholder pension scheme</i></p> <p><b>FCA PRA</b></p> | <p>a <i>stakeholder pension scheme</i> which is available to employees of the same employer or of employers within a <i>group</i>.</p>  |
| <p><i>guarantee</i></p> <p><b>FCA PRA</b></p>                        | <p>(1) (in <i>LR</i>) (in relation to <i>securitised derivatives</i>), either:</p> <p style="padding-left: 40px;">(a) a guarantee given in accordance with ■ LR 19.2.2 R (3) (if any); or</p> <p style="padding-left: 40px;">(b) any other guarantee of the issue of <i>securitised derivatives</i>.</p> <p>(2) (in <i>PR</i>) (as defined in the <i>PD Regulation</i>) any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, keep well agreement, mono-line insurance policy or other equivalent commitment.</p>   |
| <p><i>guarantee fund</i></p> <p><b>FCA PRA</b></p>                   | <p>(1)</p> <p style="padding-left: 40px;">(a) subject to (1)(b), in relation to a <i>firm</i> carrying on <i>general insurance business</i>, the higher of one third of the <i>general insurance capital requirement</i> and the <i>base capital resources requirement</i> applicable to that <i>firm</i>;</p> <p style="padding-left: 40px;">(b) where the <i>firm</i> is required to calculate a <i>UK MCR</i> or an <i>EEA MCR</i> under ■ INSPRU 1.5, for the purposes of that section in (1)(a) the reference to the <i>general insurance capital requirement</i> is replaced by <i>UK MCR</i> or <i>EEA MCR</i>, as appropriate, and the reference to the <i>base capital resources requirement</i> is replaced by the amount which is one half of the <i>base capital resources requirement</i> applicable to the <i>firm</i> set out in ■ GENPRU 2.1.30 R.</p> <p>(2)</p> |



*image advertising*

**FCA** **PRA**

a communication that consists only of one or more of the following:

- (a) the name of the *firm*;
- (b) a logo or other image associated with the *firm*;
- (c) a contact point; and
- (d) a reference to the types of *regulated activities* provided by the *firm*, or to its fees or commissions.

*IMD insurance intermediary*

**FCA** **PRA**

(as defined in article 2(5) of the *IMD*) any natural or legal person who, for remuneration, takes up or pursues *insurance mediation*.

*IMD insurance undertaking*

**FCA** **PRA**

(as defined in article 2(1) of the *Insurance Mediation Directive* ) an undertaking which has received official authorisation in accordance with article 6 of the *Consolidated Life Directive* or article 6 of the *First Non-Life Directive*.

*IMD reinsurance intermediary*

**FCA** **PRA**

(as defined in article 2(6) of the *Insurance Mediation Directive* ) any natural or legal person who, for remuneration, takes up or pursues *reinsurance mediation*.

*IMD reinsurance undertaking*

**FCA** **PRA**

(as defined in article 2(2) of the *Insurance Mediation Directive* ) an undertaking, other than an *IMD insurance undertaking* or a non-member-country *insurance undertaking*, the main business of which consists in accepting risks ceded by an *IMD insurance undertaking*, a non-member country *insurance undertaking* or other *IMD reinsurance undertaking*.

*immediate group*

**FCA** **PRA**

(1) (in relation to a person ("A" ) (as defined in section 421ZA of the *Act* (Immediate group ))):

- (a) A ;
- (b) a *parent undertaking* of A ;
- (c) a *subsidiary undertaking* of A ;
- (d) a *subsidiary undertaking* of a *parent undertaking* of A ;
- (e) a *parent undertaking* of a *subsidiary undertaking* of A .

(2) (in *BIPRU* and in relation to any *person*) has the same meaning as in paragraph (1), with the omission of (1)(e).

*implicit items*

**FCA** **PRA**

(in relation to *long-term insurance business*) economic reserves arising in respect of future profits, *zillmerising* or hidden reserves as more fully described in **■** GENPRU 2 Annex 8 G .

*IMRO*

**FCA** **PRA**

the Investment Management Regulatory Organisation Limited.

*IMRO scheme*

**FCA** **PRA**

the *former scheme* set up by *IMRO* under the Financial Services Act 1986 and the *Investment Ombudsman* Memorandum to handle complaints against members of *IMRO*.

*in default*

the status of being in default following a determination made under **■** COMP 6.3.1 R.

FCA PRA

*in the money*

FCA PRA

(1) (in *LR*) (in relation to *securitised derivatives*):(a) where the holder has the right to buy the *underlying instrument* or instruments from the *issuer*, when the *settlement price* is greater than the *exercise price*; or(b) where the holder has the right to sell the *underlying instrument* or instruments to the *issuer*, when the *exercise price* is greater than the *settlement price*;(2) (for the purposes of BIPRU 7 (Market risk) and in relation to an *option* or *warrant*) the strike price of that *option* or *warrant* being less than the current market value of the underlying instrument (in the case of a call *option* or *warrant*) or vice versa (for a put *option*).*in the money percentage*

FCA PRA

(for the purposes of ■ BIPRU 7 (Market risk) and in relation to an *option* or *warrant*) the percentage calculated under ■ BIPRU 7.6.6 R (The in the money percentage).*inception*

FCA PRA

in relation to *permitted links*, refers to the time when the liability of the *insurer* under a *linked long-term* contract of insurance commenced.*income account*

FCA PRA

(in *COLL*) an account relating to the *income property* of an *authorised fund*.*income equalisation*

FCA PRA

(in relation to a *scheme*) a capital sum which, in accordance with a power contained in the *instrument constituting the scheme*, is included in an allocation of income for a *unit* issued, sold or converted during the accounting period in respect of which that income allocation is made.*income property*

FCA PRA

the amount available for income allocations calculated in accordance with ■ COLL 6.8.3 R (3A) and not including any amount for the time being standing to the credit of the *distribution account*.*income unit*

FCA PRA

a *unit* in an *AUT* which is not an *accumulation unit*.*income withdrawals*

FCA PRA

(a) (as defined in paragraph 7 of Schedule 28 to the Finance Act 2004) in relation to a member of a pension scheme, amounts (other than an annuity) which the member is entitled to be paid from the member's drawdown pension fund (as defined in paragraph 8 of that Schedule) in respect of an arrangement; or

(b) payments made under interim arrangements in accordance with section 28A of the Pension Schemes Act 1993;

in respect of an election to make income withdrawals, a reference to a *retail client*, an investor or a *policyholder* includes, after that *person's* death, his surviving spouse, his surviving civil partner or anyone who is, at that time, his dependant, or both.

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| <p><i>incoming ECA provider</i><br/>FCA PRA</p>                 | <p>a <i>person</i>, other than an <i>exempt person</i> , who:</p> <p>(a) provides an <i>electronic commerce activity</i>, from an <i>establishment</i> in an <i>EEA State</i> other than the <i>United Kingdom</i>, with or for an <i>ECA recipient</i> present in the <i>United Kingdom</i> ; and</p> <p>(b) is a national of an <i>EEA State</i> or a company or firm mentioned in article 54 of the <i>Treaty</i>.</p>   |
| <p><i>incoming EEA AIFM</i><br/>FCA PRA</p>                     | <p>an <i>incoming EEA firm</i> which is an <i>AIFM</i> and exercising its rights under <i>AIFMD</i>.</p>  |
| <p><i>incoming EEA AIFM branch</i><br/>FCA PRA</p>              | <p>an <i>incoming EEA firm</i> which is an <i>AIFM</i> and exercising its right to establish a <i>branch</i> under <i>AIFMD</i>.</p>  |
| <p><i>incoming EEA firm</i><br/>FCA PRA</p>                     | <p>(in accordance with section 193(1)(a) of the <i>Act</i> (Interpretation of this Part)) an <i>EEA firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>United Kingdom</i> in accordance with Schedule 3 to the <i>Act</i> (<i>EEA Passport Rights</i>).</p>  |
| <p><i>incoming electronic commerce activity</i><br/>FCA PRA</p> | <p>(in accordance with regulation 2(1) of the <i>ECD Regulations</i>) an activity:</p> <p>(a) which consists of the provision of an <i>information society service</i> from an <i>establishment</i> in an <i>EEA State</i> other than the <i>United Kingdom</i> to a <i>person</i> or <i>persons</i> in the <i>United Kingdom</i>; and</p> <p>(b) which would, but for article 72A of the <i>Regulated Activities Order</i> (<i>Information society services</i>) (and irrespective of the effect of article 72 of that Order (<i>Overseas Persons</i>)), be a <i>regulated activity</i>.</p> |
| <p><i>incoming firm</i><br/>FCA PRA</p>                         | <p>(in accordance with section 193(1) of the <i>Act</i> (Interpretation of this Part)) an <i>incoming EEA firm</i> or an <i>incoming Treaty firm</i>.</p>   |
| <p><i>incoming Treaty firm</i><br/>FCA PRA</p>                  | <p>(in accordance with section 193(1)(b) of the <i>Act</i> (Interpretation of this Part)) a <i>Treaty firm</i> which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>United Kingdom</i> in accordance with Schedule 4 to the <i>Act</i> (<i>Treaty rights</i>).</p>  |
| <p><i>incorporated friendly society</i><br/>FCA PRA</p>         | <p>a society incorporated under the <i>Friendly Societies Act 1992</i>.</p>   |
| <p><i>incremental risk charge</i><br/>FCA PRA</p>               | <p>(in ■ BIPRU 7.10 (Use of a value at risk model)) has the meaning in ■ BIPRU 7.10.116 R (<i>Capital calculations for VaR models</i>), which is in summary, in relation to a <i>business day</i>, the incremental risk charge required under the provisions in ■ BIPRU 7.10 about <i>specific risk</i>, in respect of the previous <i>business day</i>'s close-of-business <i>positions</i> with respect to which those provisions apply.</p>  |
| <p><i>independent advice</i><br/>FCA PRA</p>                    | <p>a <i>personal recommendation</i> to a <i>retail client</i> in relation to a <i>retail investment product</i> where the <i>personal recommendation</i> provided meets the requirements of the <i>rule</i> on independent advice (■ COBS 6.2A.3 R).</p>  |

*independent expert*

FCA PRA

(in ■ SUP 18) the person approved or nominated by the *appropriate regulator* to make the *scheme report* for an *insurance business transfer scheme*.

*Independent Investigator*

FCA PRA

the *former Ombudsman* under the *FSA scheme*.

*index-linked assets*

FCA PRA

in relation to *permitted links*, the assets held by an *insurer* for the purposes of matching *index-linked liabilities*.

*index-linked benefits*

FCA PRA

benefits:

- (a) provided for under a *linked long-term contract of insurance*; and
- (b) determined by reference to an index of the value of property of any description (whether specified in the contract or not).

*index-linked contract*

FCA PRA

a *linked long-term contract* conferring *index-linked benefits*.

*index-linked liabilities*

FCA PRA

insurance liabilities in respect of *index-linked benefits*.

*index-linked security*

FCA PRA

(in COLL) a *debt security* for which the cash flows are determined by reference to an index of consumer prices.

*indicative adviser charge*

FCA PRA

a cash figure which is indicative of the cost to the *pure protection contract insurer* of the services associated with making a *personal recommendation* in relation to a *pure protection contract*.

*indirect client*

FCA

as defined in article (1)(a) of the *EMIR L2 Regulation*.

*individual capital assessment*

FCA PRA

(in INSPRU and ■ COBS 20.2 ) an assessment by a *firm* of the adequacy of its capital resources undertaken as part of an assessment of the adequacy of the *firm's* overall financial resources carried out in accordance with ■ GENPRU 1.2.

*individual capital guidance*

FCA PRA

*guidance* given to a *firm* about the amount and quality of capital resources that the *appropriate regulator* thinks the *firm* should hold at all times under the *overall financial adequacy rule* as it applies on a solo level or a consolidated level.

*individual capital resources requirement*

**FCA** **PRA**

has the meaning in ■ INSPRU 6.1.34 R.

*individual client account*

**FCA** **PRA**

an account maintained by a *firm* at an *authorised central counterparty* for a *client* of the *firm* in respect of which the *authorised central counterparty* has agreed with the *firm* to provide *individual client segregation*.

*individual client segregation*

**FCA** **PRA**

as defined in article 39(3) of *EMIR*.

*individual CNCOM*

**FCA** **PRA**

the amount calculated with respect to an individual *exposure* under ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component).

*individual counterparty CNCOM*

**FCA** **PRA**

has the meaning in ■ BIPRU 10.10A.8 R (How to calculate the concentration risk capital component), which is in summary the sum of a *firm's individual CNCOMs* with respect to its *counterparties* falling within ■ BIPRU 10.10A.1 R.

*Individual Liquidity Adequacy Assessment*

**FCA** **PRA**

a *standard ILAS BIPRU firm's* assessment of the adequacy of its liquidity resources and systems and controls as required by the *rules* in BIPRU 12.5.

*Individual Liquidity Adequacy Standards*

**FCA** **PRA**

the regime of liquidity assessment set out in the *rules* and *guidance* in BIPRU 12.5.

*individual liquidity guidance*

**FCA** **PRA**

*guidance* given to a *firm* about the amount, quality and funding profile of liquidity resources that the *appropriate regulator* has asked the *firm* to maintain.

*Individual Liquidity Systems Assessment*

**FCA** **PRA**

a *simplified ILAS BIPRU firm's* assessment of the adequacy of its systems and controls as required by the *rules* in BIPRU 12.6.

*individual member*

FCA PRA

a *member*, or *former member*, who is a natural *person*.

*individual pension account*

FCA PRA

an account for the holding of *IPA eligible investments*, which satisfies the conditions described in regulation 2(2) of the Stamp Duty and Stamp Duty Reserve Tax (Definition of Unit Trust Scheme and Open-ended Investment Company) Regulations 2001 (SI 2001/964).

*individual pension contract*

FCA PRA

a *pension policy* or *pension contract* under which contributions are paid to:

(a) a *personal pension scheme*; or

(b) a retirement benefits scheme for the provision of relevant benefits by means of an annuity contract made with an insurance company of the employee's choice where that contract:

(i) was approved under section 591(2)(g) of the Income and Corporation Taxes Act 1988 (when that section was in force); or

(ii) is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

*individual savings account*

FCA PRA

an account which is a scheme of investment satisfying the conditions prescribed in the *ISA Regulations*.

*industrial and provident society*

FCA PRA

a society registered or deemed to be registered under the Industrial and Provident Societies Act 1965 or the Industrial and Provident Societies Act (Northern Ireland) 1969.

*industrial assurance policy*

FCA PRA

a *contract of insurance* on human life, premiums in respect of which are received by means of collectors, but excluding:

(a) a *contract of insurance*, the premiums in respect of which are payable at intervals of two *months* or more;

(b) a *contract of insurance*, effected whether before or after the passing of the Industrial Assurance Act 1923 by a society or company established before the date of the passing of that Act which at that date had no *contracts of insurance* outstanding the premiums on which were payable at intervals of less than one *month* so long as the society or company continues not to effect any such contracts;

(c) a *contract of insurance* effected before the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which have up to the passing of that Act been treated as part of the business transacted by a branch other than the industrial branch of the society or company; and

(d) a *contract of insurance* for £25 or more effected after the passing of the Industrial Assurance Act 1923, premiums in respect of which are payable at intervals of one *month* or more, and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company, in cases where the relevant authority certified prior to 1 December 2001 under section 1(2)(d) of that Act that the terms and conditions of the contract is on the whole not less favourable to the assured than those imposed by that Act;

|   |   |
|---|---|
| <p><i>industry block</i><br/>FCA PRA</p>              | <p>in this definition:</p> <p>(i) "collector" includes every <i>person</i>, however remunerated, who, by himself or by any deputy or substitute, makes house to house visits for the purpose of receiving premiums payable on policies of insurance on human life, or holds any interest in a collecting book, and includes such a deputy or substitute;</p> <p>(ii) "collecting book" includes any book or document held by a collector in which payments of premiums are recorded.</p>  |
| <p><i>information centre</i><br/>FCA PRA</p>          | <p>(in <i>FEES</i>) a grouping of <i>firms</i> by common business activity for the purposes of calculating the <i>general levy</i>.</p>   |
| <p><i>information society service</i><br/>FCA PRA</p> | <p>a centre established by an <i>EEA State</i> to meet its obligations under article 23 of the <i>Consolidated Motor Insurance Directive</i> (Information Centres).</p>   |
| <p><i>inherited estate</i><br/>FCA PRA</p>            | <p>an information society service, as defined by article 2(a) of the <i>E-Commerce Directive</i> and article 1(2) of the Technical Standards and Regulations Directive (98/34/EC), which is in summary any service normally provided for remuneration, at a distance, by means of electronic equipment for the processing (including the digital compression) and storage of data at the individual request of a service recipient.</p>   |
| <p><i>initial capital</i><br/>FCA PRA</p>             | <p>an amount representing the fair market value of the <i>with-profits assets</i> less the <i>realistic value of liabilities</i> of a with-profits fund .</p>   |
| <p><i>initial commitment</i></p>                      | <p>(1) [deleted]</p> <p>(2)</p> <p>(3) (in <i>UPRU</i>) capital calculated in accordance with ■ <i>UPRU Table 2.2.1 R</i> (Method of calculation of financial resources) composed of the specified items set out in that Table.</p> <p>(3A) (in ■ <i>IPRU(INV) 11</i>) capital calculated in line with ■ <i>IPRU(INV) Table 11.4</i> (Method of calculating initial capital and own funds) composed of the specified items in that Table.</p> <p>(4) (in the case of a <i>BIPRU firm</i>) <i>capital resources</i> included in stage A (Core tier one capital) of the <i>capital resources table</i> plus <i>capital resources</i> included in stage B of the <i>capital resources table</i> (Perpetual non-cumulative preference shares);</p> <p>(5) (in the case of an <i>institution</i> that is an <i>EEA firm</i>) capital resources calculated in accordance with the <i>CRD implementation measures</i> of its <i>Home State</i> for Article 4 of the <i>Capital Adequacy Directive</i> (Definition of initial capital) or Article 9 of the <i>Banking Consolidation Directive</i> (Initial capital requirements);</p> <p>(6) (for the purposes of the definition of <i>dealing on own account</i> and in the case of an <i>undertaking</i> not falling within (3) or (4)) <i>capital resources</i> calculated in accordance with (3) and paragraphs (3) and (4) of the definition of <i>capital resources</i>; and</p> <p>(7) (in <i>IPRU(INV) 13</i>) the initial capital of a <i>firm</i> calculated in accordance with <i>IPRU(INV) 13.1A.6R</i>.</p> <p>(for the purposes of <i>BIPRU</i> and in relation to <i>underwriting</i>) the date specified in ■ <i>BIPRU 7.8.13 R</i> (Time of initial commitment).</p> |

FCA PRA

*initial coupon rate*

(in relation to a *tier one instrument*) the *coupon rate* of the instrument at the time it is issued.

FCA PRA

*initial disclosure document*

information about the *scope of advice* and the nature of the services offered by a *firm* in relation to:

FCA PRA

(a) a *regulated mortgage contract* other than a *lifetime mortgage* as required by ■ MCOB 4.4.1 R (1) and set out in ■ MCOB 4 Annex 1 R;

(b) an *equity release transaction* as required by ■ MCOB 4.4.1 R (1) and set out in ■ MCOB 8 Annex 1 R;

(c) a *home purchase plan* as required by ■ MCOB 4.10.2 R and set out in ■ MCOB 4 Annex 1 R; or

(d) a *non-investment insurance contract* in accordance with ■ ICOBS 4.5.1 G and set out in ■ ICOBS 4 Annex 1 G .

*initial fund*

the items of capital which are available to a *mutual* at *authorisation*.

FCA PRA

*initial offer*

(in *COLL* ) an offer for sale of *units* in an *authorised fund* or in a *sub-fund* (otherwise than in accordance with *arrangements* of the type described in ■ COLL 5.5.9 R (3) (b) (iii) (Guarantees and indemnities) , where all or part of the consideration paid for the account of the *authorised fund* for the *units* is to be used to acquire the initial *scheme property* of the *authorised fund* or the initial *scheme property* attributable to the *sub-fund*.

FCA PRA

*initial outlay*

(in relation to an *authorised fund*) the amount which the *authorised fund* is required to provide in order to obtain rights under a transaction in *derivatives*, excluding any payment or transfer on exercise of rights.

FCA PRA

*initial price*

(in *COLL* ) in relation to a *unit* of any *class*:

FCA PRA

(a) in a *single-priced authorised fund*, the *price* to be paid; or

(b) in a *dual-priced authorised fund*, the amount agreed by the *depository* and *authorised fund manager* as being the maximum *price* , inclusive of any *preliminary charge*, that may be paid to the *authorised fund manager*;

during the period of the *initial offer* under COLL 6.2.3 R (Initial offer).

*injunction*

a court order made by the High Court that prohibits a *person* from doing or continuing to do a certain act or requires a *person* to carry out a certain act.

FCA PRA

*injured party*

(in *ICOBS*) a resident of the *EEA* entitled to compensation in respect of any loss or injury caused by *vehicles*.

FCA PRA

[Note: article 1(2) of Directive 72/166/EC (First Motor Insurance Directive)]

*innovative tier one capital*

an item of capital that is stated in ■ GENPRU 2.2(Capital resources) to be innovative tier one capital.

FCA PRA



*innovative tier one capital resources*

FCA PRA

the amount of *capital resources* at stage C of the *capital resources table* (Innovation tier one capital) .

*innovative tier one instrument*

FCA PRA

a *potential tier one instrument* that is stated in ■ GENPRU 2.2(Capital resources) to be an innovative instrument.

*inside information*

FCA PRA

(as defined in section 118C of the *Act*):

(a) in relation to *qualifying investments*, or *related investments*, which are not commodity derivatives, *inside information* is information of a precise nature which:

(i) is not generally available,

(ii) relates, directly or indirectly, to one or more issuers of the *qualifying investments* or to one or more of the *qualifying investments*, and

(iii) would, if generally available, be likely to have a significant effect on the price of the *qualifying investments* or on the price of *related investments*.

(b) in relation to *qualifying investments*, or *related investments*, which are commodity derivatives, *inside information* is information of a precise nature which:

(i) is not generally available,

(ii) relates, directly or indirectly, to one or more such derivatives, and

(iii) users of markets in which the derivatives are traded would expect to receive in accordance with *accepted market practices* on those markets.

(c) in relation to a person charged with the execution of orders concerning any *qualifying investments* or *related investments*, *inside information* includes information conveyed by a client and related to the client's pending orders which:

(i) is of a precise nature;

(ii) is not generally available;

(iii) relates, directly or indirectly, to one or more issuers of *qualifying investments* or to one or more *qualifying investments*; and

(iv) would, if generally available, be likely to have a significant effect on the price of those *qualifying investments* or the price of *related investments*;

(d) information is precise if it:

(i) indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur; and

(ii) is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or that event on the price of *qualifying investments* or *related investments*;

(e) information would be likely to have a significant effect on price if and only if it is information of that kind which a reasonable investor would be likely to use as part of the basis of his investment decisions;

(f) for the purposes of (b)(iii), users of markets on which investments in commodity derivatives are traded are to be treated as expecting to receive information relating directly or indirectly to one or more such derivatives in accordance with any *accepted market practices*, which is:

- (i) routinely made available to the users of those markets; or
- (ii) required to be disclosed in accordance with any statutory provision, market rules, or contracts or customs on the relevant underlying commodity market or commodity derivatives market;

(g) information which can be obtained by research or analysis conducted by, or on behalf of, users of a market is to be regarded, for the purposes of *market abuse*, as being generally available to them.

*insider*

**FCA** **PRA**

(as defined in section 118B of the *Act*) a *person* who has *inside information*:

- (a) as a result of his membership of the administrative, management or supervisory bodies of an *issuer of qualifying investments*;
- (b) as a result of his holding in the capital of an *issuer of qualifying investments*;
- (c) as a result of having access to the information through the exercise of his employment, profession or duties;
- (d) as a result of his criminal activities; or
- (e) which he has obtained by other means and which he knows, or could reasonably be expected to know, is *inside information*.

*insider dealing*

**FCA** **PRA**

the activity described in section 52 of the Criminal Justice Act 1993, which is in summary:

- (a) the offence of which an individual is guilty if he has information as an insider and:
  - (i) in the circumstances described in (b), he deals in securities that are price-affected securities in relation to the information;
  - (ii)
    - (A) he encourages another *person* to deal in securities that are (whether or not that other knows it) price-affected securities in relation to the information, knowing or having reasonable cause to believe that the dealing would take place in the circumstances mentioned in (b); or
    - (B) he discloses the information, otherwise than in the proper performance of the functions of his employment, office or profession, to another *person*;
- (b) the circumstances referred to in (a) are that the acquisition or disposal in question occurs on a regulated market (identified in an Order made by the Treasury), or that the *person* dealing relies on a professional intermediary or is himself acting as a professional intermediary.

*insider list*

**FCA** **PRA**

a list, as required by **■ DTR 2.8.1 R**, of *persons* with access to *inside information*.

*insolvency order*

**FCA** **PRA**

an administration order, compulsory winding up order, bankruptcy order, or sequestration order.

INSPRU

FCA PRA

the Prudential sourcebook for Insurers.

instalment reversion plan

FCA PRA

a *home reversion plan* under which more than one payment is made to the *customer* during the life of the plan.

institution

FCA PRA

(in accordance with Article 3(1)(c) of the *Capital Adequacy Directive* and Article 4(6) of the *Banking Consolidation Directive* (Definitions) and for the purposes of GENPRU and BIPRU) a *credit institution* or a *CAD investment firm*, whether or not it is incorporated in, or has its head office in, an *EEA State*.

institutional linked policyholders

FCA PRA

in relation to *permitted links*, *linked policyholders* who are trustees of a *defined benefit occupational pension scheme*.

instrument constituting the fund

FCA PRA

- (a) (in relation to an *ICVC*) the *instrument of incorporation*;
- (b) (for an *AIF* other than an *ICVC*, an *AUT* or an *ACS*) the fund rules, instrument of incorporation or other constituting documents of such an *AIF*;
- (ba) (in relation to an *EEA UCITS scheme*) the fund rules or instrument of incorporation of such a *scheme*;
- (bb) (in relation to an *ACS*) the *contractual scheme deed*;
- (c) (in relation to a *collective investment scheme* other than an *AIF* or a *UCITS*) any instrument to which the *operator* is a party setting out any arrangements with any other *person* relating to any aspect of the operation or management of the *scheme*.

instrument of incorporation

FCA PRA

the instrument of incorporation of an *ICVC* (as from time to time amended) initially provided to the *FCA* in accordance with regulation 14(1)(c) of the *OEIC regulations*.

insurance accounts rules

FCA PRA

Schedule 9A to the Companies Act 1985 (Form and content of accounts of insurance companies) and Schedule 9A to the Companies Act (Northern Ireland) Order 1986 where these provisions are applicable, otherwise Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

insurance business

FCA PRA

the business of *effecting* or *carrying out contracts of insurance*.

insurance business grouping

FCA PRA

a grouping comprising descriptions of *general insurance business* determined in accordance with ■ INSPRU 1.4.12 R.

insurance business transfer

FCA PRA

a transfer in accordance with an *insurance business transfer scheme*.

*insurance business transfer scheme*

**FCA** **PRA**

(a) a scheme, defined in section 105 of the *Act*, which is in summary: a scheme to transfer the whole or part of the business of an *insurer* (other than a *friendly society*) to another body;

(b) a similar scheme to transfer the whole or part of the business carried on by one or more *members* of the *Society* or *former underwriting members* that meets the conditions of article 4 of the Financial Services and Markets Act 2000 (Control of Transfers of Business Done at Lloyd's) Order 2001 (SI 2001/3626).

*insurance client money chapter*

**FCA** **PRA**

■ CASS 5.

*insurance component*

**FCA** **PRA**

a *qualifying investment* prescribed in regulation 9 of the *ISA Regulations*.

*insurance conglomerate*

**FCA** **PRA**

a *financial conglomerate* that is identified in paragraph 4.3 of ■ GENPRU 3 Annex 1 R (Types of financial conglomerate) as an insurance conglomerate.

*insurance death risk capital component*

**FCA** **PRA**

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.81 R to ■ INSPRU 1.1.83 R.

*Insurance Directives*

**FCA** **PRA**

the *Consolidated Life Directive* and the *First Non-Life Directive*, *Second Non-Life Directive* and *Third Non-Life Directive*.

*insurance expense risk capital component*

**FCA** **PRA**

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.88 R.

*insurance group*

**FCA** **PRA**

(1) an *insurance parent undertaking* and its *related undertakings*; or  
(2) a *participating insurance undertaking* (not within (1)) and its *related undertakings*.

*Insurance Groups Directive*

**FCA** **PRA**

Directive of the European Parliament and of the Council of 27 October 1998 on the supplementary supervision of insurance undertakings in an insurance group (1998/78/EC).

*insurance health risk and life protection*

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.85 R to ■ INSPRU 1.1.86 R .

*reinsurance  
capital  
component*

**FCA** **PRA**

*insurance  
holding  
company*

**FCA** **PRA**

(1) a *parent undertaking*, other than an *insurance undertaking*, the main business of which is to acquire and hold participations in *subsidiary undertakings* and which fulfils the following conditions:

(a) its *subsidiary undertakings* are either exclusively or mainly *insurance undertakings*; and

(b) at least one of those *subsidiary undertakings* is an *insurer* or an *EEA firm* that is a *regulated insurance entity* or a *reinsurance undertaking*;

a *parent undertaking*, other than an *insurance undertaking*, that fulfils the conditions in paragraphs (1) (a) and (b) of this definition is not an *insurance holding company* if:

(c) it is a *mixed financial holding company*; and

(d) notice has been given in accordance with Article 4(2) of the *Financial Groups Directive* that the *financial conglomerate* of which it is a *mixed financial holding company* is a *financial conglomerate*.

(2) For the purposes of:

(a) the definition of the *insurance sector*;

(b) [deleted]

(c) the definition of *material insurance holding*; paragraph (1)(b) of this definition does not apply.

*Insurance  
Intermediaries  
Order*

**FCA** **PRA**

the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) (Insurance Intermediaries) Order 2003 (SI 2003/1476).

*insurance  
intermediary*

**FCA** **PRA**

a *firm* carrying on *insurance mediation activity* other than an *insurer*.

*Insurance  
market activity*

**FCA** **PRA**

means a *regulated activity* relating to *contracts of insurance* written at Lloyd's.

*Insurance  
market  
direction*

**FCA** **PRA**

a direction made by the *appropriate regulator* under section 316(1) of the *Act* (Direction by a regulator).

*insurance  
market risk  
capital  
component*

**FCA** **PRA**

one of the components of the *long-term insurance capital requirement* as set out in ■ INSPRU 1.1.89 R.

*insurance mediation*

FCA PRA

(as defined in article 2(3) of the *IMD*) the activities of introducing, proposing or carrying out other work preparatory to the conclusion of contracts of insurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by an *IMD insurance undertaking* or an employee of an *IMD insurance undertaking* who is acting under the responsibility of the *IMD insurance undertaking* shall not be considered as *insurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing an insurance contract, the management of claims of an *IMD insurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *insurance mediation*.

*insurance mediation activity*

FCA PRA

any of the following *regulated activities* carried on in relation to a *contract of insurance* or rights to or interests in a life policy:

- (a) *dealing in investments as agent* (article 21);
- (b) *arranging (bringing about) deals in investments* (article 25(1));
- (c) *making arrangements with a view to transactions in investments* (article 25(2));
- (d) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (e) *advising on investments* (article 53);
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

*Insurance Mediation Directive*

FCA PRA

the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No 2002/92/EC).

*Insurance Ombudsman scheme*

FCA PRA

the former scheme set up, on a voluntary basis, to handle complaints against those insurance companies which subscribed to it.

*insurance parent undertaking*

FCA PRA

a *parent undertaking* which is:

- (a) a *participating insurance undertaking* which has a *subsidiary undertaking* that is an *insurance undertaking*; or
- (b) an *insurance holding company* which has a *subsidiary undertaking* which is an *insurer*; or
- (c) an *insurance undertaking* (not within (a)) which has a *subsidiary undertaking* which is an *insurer*.

*insurance sector*

FCA PRA

a sector composed of one or more of the following entities:

- (a) an *insurance undertaking*;
- (b) an *insurance holding company*; and
- (c) (in the circumstances described in ■ GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers )) an *asset management company* or an *alternative investment fund manager*.

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| <p><i>introducer</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                              | <p>an individual appointed by a <i>firm</i>, an <i>appointed representative</i> or, where applicable, a <i>tied agent</i>, to carry out in the course of <i>designated investment business</i> either or both of the following activities:</p> <ul style="list-style-type: none"> <li>(a) effecting introductions;</li> <li>(b) distributing <i>non-real time financial promotions</i>.</li> </ul>   |
| <p><i>introducer appointed representative</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>     | <p>an <i>appointed representative</i> appointed by a <i>firm</i> whose scope of appointment is limited to:</p> <ul style="list-style-type: none"> <li>(a) effecting introductions; and</li> <li>(b) distributing <i>non-real time financial promotions</i>.</li> </ul>   |
| <p><i>introducing broker</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                      | <p>a <i>firm</i> which introduces transactions relating to <i>designated investments arranged</i> (brought about) for its <i>clients</i> to a <i>clearing firm</i>.</p>  |
| <p><i>investment</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                              | <p>(in accordance with sections 22(4) of the <i>Act</i> (Regulated activities) and section 93(2) of the Financial Services Act 2012 ) any investment, including any asset, right or interest.</p>  |
| <p><i>investment adviser</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>(in relation to an <i>authorised fund</i>) a <i>person</i> who is retained by an <i>ICVC</i>, its <i>directors</i> or its <i>ACD</i> or by a <i>manager</i> of an <i>AUT</i> or by an <i>authorised contractual scheme manager</i> of an <i>ACS</i> under a commercial arrangement which is not a contract of service:</p> <ul style="list-style-type: none"> <li>(a) to supply any of them with advice in relation to the <i>authorised fund</i> as to the merits of investment opportunities or information relevant to the making of judgements about the merits of investment opportunities; or</li> <li>(b) to exercise for any of them any function concerning the management of the <i>scheme property</i>.</li> </ul>   |
| <p><i>investment agreement</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>any agreement the making or performance of which by either party constitutes a <i>regulated activity</i>, but disregarding the exclusions in Part II of the <i>Regulated Activities Order</i>.</p>  |
| <p><i>investment business compensation scheme</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>(as defined in article 2(2) of the <i>compensation transitionals order</i>) any of the following:</p> <ul style="list-style-type: none"> <li>(a) the scheme established under section 54 of the Financial Services Act 1986 and known as the Investors Compensation Scheme;</li> <li>(b) the scheme established under section 22j of the Grey Paper published by the <i>FSA</i> on 26 September 1998 and known as the Section 43 Compensation Scheme;</li> <li>(c) the scheme established by chapter II of part L:VIII of the <i>PIA</i> rule book and known as the <i>PIA Indemnity Scheme</i>;</li> <li>(d) the scheme resulting from an agreement dated 1 February 1999 between the Association of British Insurers and the Investors Compensation Scheme Limited for the making of payments by way of compensation to widows, widowers and dependants of persons (since deceased), in connection with advice given to such persons in relation to pensions, or the arranging of pensions for such persons, and known as the <i>ABI/ICS scheme</i>.</li> </ul> |
| <p><i>investment company with variable capital</i></p>   | <p>a body incorporated under the <i>OEIC Regulations</i>.</p>  |

FCA PRA

*investment entity*

(in *LR*) an entity whose primary object is investing and managing its assets with a view to spreading or otherwise managing investment risk.

FCA PRA

*investment firm*

(1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities on a professional basis.

FCA PRA

[Note: article 4(1)(1) of *MiFID*]

(2) (in *REC*) a *MiFID investment firm*, or a person who would be a *MiFID investment firm* if it had its head office in the *EEA*.

*investment firm consolidation waiver*

a *waiver* (described in ■ *BIPRU 8.4* (CAD Article 22 groups and investment firm consolidation waiver)) that disapplies certain requirements so far as they apply on a consolidated basis with respect to a *CAD Article 22 group*.

FCA PRA

*investment management firm*

( subject to *BIPRU TP 1.3R* (Revised definition of investment management firm for certain transitional purposes)), a *firm* whose *permitted activities* include *designated investment business*, which is not an *authorised professional firm, bank, BIPRU investment firm, building society, collective portfolio management firm, credit union, energy market participant, friendly society, ICVC, insurer, media firm, oil market participant, service company, incoming EEA firm* (without a *top-up permission*), *incoming Treaty firm* (without a *top-up permission*), or *UCITS qualifier* (without a *top-up permission*), whose *permission* does not include a *requirement* that it comply with ■ *IPRU-INV 3* or ■ *IPRU-INV 13* (Personal investment firms) and which is within (a), (b) or (c):

FCA PRA

(a) a *firm*:

(i) which was a member of *IMRO* immediately before *commencement*; and

(ii) which was not, immediately before *commencement*, subject to the financial supervision requirements of the *FSA* (under section 43 of the Financial Services Act 1986), or *PIA* or *SFA* (under lead regulation arrangements);

(b) a *firm* whose *permission* includes a *requirement* that it comply with ■ *IPRU-INV 5* (Investment management firms);

(c) a *firm*:

(i) which was given a *Part 4A permission* on or after *commencement*, or which was authorised under section 25 of the Financial Services Act 1986 immediately before *commencement* and was not a member of *IMRO, PIA* or the *SFA*; and

(ii) for which the most substantial part of its gross income ( including *commissions* ) from the *designated investment business* included in its *Part 4A permission* is derived from one or more of the following activities (based, for a *firm* given a *Part 4A permission* after *commencement*, on the business plan submitted as part of the *firm's* application for *permission* or, for a *firm* authorised under section 25 of the Financial Services Act 1986, on the *firm's* financial year preceding its *authorisation* under the *Act*):



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| <p><i>land vehicles</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>             | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 3 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to vehicles used on land, including motor vehicles but excluding railway rolling stock.</p>   |
| <p><i>large ACS investor</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>in relation to an ACS, a <i>person</i> who in exchange for <i>units</i> in the <i>scheme</i>:</p> <ul style="list-style-type: none"> <li>(a) makes a payment of not less than £1,000,000; or</li> <li>(b) contributes property with a value of not less than £1,000,000.</li> </ul>   |
| <p><i>large business customer</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(in relation to a <i>regulated mortgage contract</i> or <i>qualifying credit</i>, and in relation to an activity to be carried on by a <i>firm</i>) a <i>client</i>, if the credit is for the purposes of a business which has a group annual turnover of £1 million or more.</p>   |
| <p><i>large company</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>             | <p>a <i>body corporate</i> which does not qualify as a small company under section 247 of the Companies Act 1985 , or section 382 of the Companies Act 2006 as applicable.</p>   |
| <p><i>large deal</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                | <p>(in COLL) a transaction (or <i>series of transactions</i> ) in one <i>dealing period</i>) by any <i>person</i> to <i>buy, sell</i> or exchange <i>units</i> in an <i>authorised fund</i>, of any value as set out in the <i>prospectus</i>, for the purposes of:</p> <ul style="list-style-type: none"> <li>(a) an <i>SDRT provision</i>;</li> <li>(b) a <i>dilution levy</i>;</li> <li>(c) a <i>dilution adjustment</i> ; or</li> <li>(d) calculating the <i>prices</i>, for a <i>dual-priced authorised fund</i>, at which <i>units</i> may be <i>sold</i> or <i>redeemed</i>.</li> </ul> |
| <p><i>large exposure</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>            | <p>has the meaning set out in ■ BIPRU 10.5.1 R, which in summary is the <i>total exposure</i> of a <i>firm</i> to a <i>counterparty</i>, or a <i>group of connected clients</i>, whether in the <i>firm's non-trading book</i> or <i>trading book</i> or both, and <i>counterparties</i> falling within ■ BIPRU 10.10A.1 R within the trading book, which in aggregate equals or exceeds 10% of the <i>firm's capital resources</i>.</p>   |
| <p><i>large mutual association</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>a mutual association or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>  |
| <p><i>large partnership</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>         | <p>a <i>partnership</i> or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</p>  |
| <p><i>larger denomination share</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>any <i>share</i> that is not a <i>smaller denomination share</i>.</p>   |
| <p><i>lead regulated firm</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>       | <p>a <i>firm</i> which is the subject of the financial supervision requirements of an <i>overseas regulator</i> in accordance with an agreement between the <i>appropriate regulator</i> and that regulator relating to the financial supervision of <i>firms</i> whose head office is within the country of that regulator.</p>   |

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|   | This definition is not related to the defined terms <i>UK lead regulated firm</i> or <i>non UK lead regulated firm</i> .   |
| <i>leading insurer</i><br>FCA PRA                           | (in relation to a <i>community co-insurance operation</i> ) has the same meaning as in the <i>Community Co-Insurance Directive</i> .   |
| <i>legal expenses</i><br>FCA PRA                            | (in relation to a <i>class of contract of insurance</i> ) the <i>class of contract of insurance</i> , specified in paragraph 17 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against risks of loss to the <i>persons</i> insured attributable to their incurring legal expenses (including costs of litigation).   |
| <i>lending firm</i><br>FCA PRA                              | (in accordance with Article 90 of the <i>Banking Consolidation Directive</i> (Credit risk mitigation) and for the purposes of <i>rules about credit risk mitigation</i> ) a <i>firm</i> that has an <i>exposure</i> , whether or not deriving from a loan.   |
| <i>leverage</i><br>FCA PRA                                  | (in accordance with article 4(1)(v) of <i>AIFMD</i> ) any method by which an <i>AIFM</i> increases the exposure of an <i>AIF</i> it manages whether through borrowing of cash or <i>securities</i> , or leverage embedded in <i>derivative</i> positions or by any other means.  |
| <i>levy limit</i><br>FCA PRA                                | (A) In the FCA Handbook:<br>(in <i>FEES</i> ) the maximum aggregate amount of <i>compensation costs</i> and <i>specific costs</i> that may be allocated to a particular <i>class</i> in one financial year as set out in ■ <i>FEES 6 Annex 2 R</i> , whether directly or (where relevant to that <i>class</i> ) through the <i>retail pool</i> . <i>FCA provider contribution classes</i> do not have a <i>levy limit</i> : they have a <i>retail pool</i> levy limit: see ■ <i>FEES 6 Annex 5R</i> .<br><br>(B) In the PRA Handbook:<br>(in <i>FEES</i> ) the maximum aggregate amount of <i>compensation costs</i> and <i>specific costs</i> that may be allocated to a particular <i>class</i> in one financial year as set out in ■ <i>FEES 6 Annex 2 R</i> .                |
| <i>LGD</i><br>FCA PRA                                       | <i>loss given default</i> .  |
| <i>liability of ships</i><br>FCA PRA                        | (in relation to a <i>class of contract of insurance</i> ) the <i>class of contract of insurance</i> , specified in paragraph 12 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against damage arising out of or in connection with the use of vessels on the sea or on inland water, including third party risks and carrier's liability.  |
| <i>liability subject to compulsory insurance</i><br>FCA PRA | any liability required under any of the following enactments to be covered by insurance or (as the case may be) by insurance or by some other provisions for securing its discharge:<br><br>(a) section 1(4A)(d) of the <i>Riding Establishments Act 1964</i> (or any corresponding enactment for the time being in force in Northern Ireland);<br><br>(b) section 1 of the <i>Employers' Liability (Compulsory Insurance) Act 1969</i> or Article 5 of the <i>Employers' Liability Order (Defective Equipment and Compulsory Insurance) (Northern Ireland) Order 1972</i> ;<br><br>(c) Part VI of the <i>Road Traffic Act 1988</i> or Part VIII of the <i>Road Traffic (Northern Ireland) Order 1981</i> ;<br><br>(d) section 19 of the <i>Nuclear Installations Act 1965</i> . |

dealing for its own account on markets in financial-futures or options or other derivatives and on cash markets for the sole purpose of hedging *positions* on derivatives markets or which deals for the accounts of other members of those markets and which are guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such an *undertaking* is assumed by clearing members of the same markets; for these purposes a clearing member means a member of the exchange or the clearing house which has a direct contractual relationship with the central counterparty (market guarantor).

*local authority*

FCA

(a) in England and Wales, a local authority within the meaning of the Local Government Act 1972, the Greater London Authority, the Common Council of the City of London or the Council of the Isles of Scilly;

(b) in Scotland, a local authority within the meaning of the Local Government (Scotland) Act 1973;

(c) in Northern Ireland, a district council within the meaning of the Local Government Act (Northern Ireland) 1972.

*local firm*

FCA PRA

a *firm* which falls within the definition of "local firm" in Article 3.1P of CAD, that is a firm dealing for its own account on markets in financial futures or options or other derivatives and on cash markets for the sole purpose of hedging positions on derivatives markets, or dealing for the accounts of other members of those markets and being guaranteed by clearing members of the same markets, where responsibility for ensuring the performance of contracts entered into by such a firm is assumed by clearing members of the same markets.

*London Stock Exchange*

FCA PRA

(in LR) London Stock Exchange Plc.

*long settlement transaction*

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions)) a transaction where a counterparty undertakes to deliver a security, a *commodity*, or a *foreign currency* amount against cash, other CRD *financial instruments*, or *commodities*, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular transaction and five *business days* after the date on which the *person* enters into the transaction.

*long-term admissible asset*

FCA PRA

a *long-term insurance asset* which is an *admissible asset*.

*long-term care insurance contract*

FCA PRA

a *long-term insurance contract*:

(a) which provides, would provide at the *policyholder's* option, or is sold or held out as providing, benefits that are payable or provided if the *policyholder's* health deteriorates to the extent that he cannot live independently without assistance and that is not expected to change; and

(b) under which the benefits are capable of being paid for periodically for all or part of the period that the *policyholder* cannot live without assistance;

where 'benefits' are services, accommodation or goods necessary or desirable for the continuing care of the *policyholder* because he cannot live independently without assistance.

*long-term incentive scheme*

FCA

(in *LR*) any arrangement (other than a retirement benefit plan, a deferred bonus or any other arrangement that is an element of an executive *director's* remuneration package) which may involve the receipt of any asset (including cash or any security) by a *director* or *employee* of the *group*:

- (a) which includes one or more conditions in respect of service and/or performance to be satisfied over more than one financial year; and
- (b) pursuant to which the *group* may incur (other than in relation to the establishment and administration of the arrangement) either cost or a liability, whether actual or contingent.

*long-term insurance asset*

FCA PRA

has the meaning set out in INSPRU 1.5.21R.

*long-term insurance business*

FCA PRA

the business of *effecting* or *carrying out long-term insurance contracts*.

*long-term insurance business syndicate*

FCA PRA

a *syndicate* in which *members* carry on *long-term insurance business*.

*long-term insurance capital requirement*

FCA PRA

(in relation to a *firm* carrying on *long-term insurance business*) an amount of *capital resources* that the *firm* must hold calculated in accordance with GENPRU 2.1.36R.

*long-term insurance contract*

FCA PRA

(in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation: general)) any *contract of insurance* within Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), namely:

- (a) *life and annuity* (paragraph I);
- (b) *marriage or the formation of a civil partnership and birth* (paragraph II);
- (c) *linked long-term* (paragraph III);
- (d) *permanent health* (paragraph IV);
- (e) *tontines* (paragraph V);
- (f) *capital redemption* (paragraph VI);
- (g) *pension fund management* (paragraph VII);
- (g) *collective insurance* etc (paragraph VIII);
- (h) *social insurance* (paragraph IX).

*long-term insurance fund*

FCA PRA

has the meaning set out in INSPRU 1.5.22R .

*manager*

FCA PRA

(1) (in relation to an *AUT*) the *firm*, including, if relevant, an *EEA UCITS management company* or *incoming EEA AIFM*, which is the manager of the *AUT* in accordance with the *trust deed*.

(1A) (in relation to an *OEIC* which is an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* or which is an *AIF*, and which has appointed a *person* to manage the scheme) the *person* appointed to manage the scheme.

(2) (as defined in section 423(1) and (2) of the *Act* (Manager)) (except in relation to a *unit trust scheme* or an undertaking for collective investment in transferable securities within the meaning of the *UCITS Directive* (other than a unit trust scheme) or a *registered friendly society*):

(a) an employee who:

(i) under the immediate authority of his employer, is responsible, either alone or jointly with one or more other individuals, for the conduct of his employer's business; or

(ii) under the immediate authority of his employer or of a *person* who is a manager in accordance with (i) exercises managerial functions or is responsible for maintaining accounts or other records of his employer;

(b) if the employer is not an individual, references in (a) to the authority of the employer are references to the authority:

(i) in the case of a *body corporate*, of the directors;

(ii) in the case of a *partnership*, of the partners; and

(iii) in the case of an unincorporated association, of its officers or the members of its governing body.

(3) (as defined in section 423(3) of the *Act* (Manager)) (in relation to a *body corporate* other than one covered at (1A) above):

(a) a *person* (other than an employee of the body) who is appointed by the body to manage any part of its business, including an employee of the *body corporate* (other than the *chief executive*) who under the immediate authority of a director or *chief executive* of the *body corporate* exercises managerial functions or is responsible for maintaining accounts or other records of the *body corporate*;

(b) for the purposes of (a) and in relation to a *body corporate* whose principal place of business is within the *United Kingdom*, the *chief executive* includes only a *person* who is an employee of the *body corporate* in accordance with section 417(1) of the *Act* (Definitions).

*manager of the relevant scheme*

FCA PRA

the *person* (including a *person* outside the *United Kingdom*) who administers the *relevant scheme* or (if there is no such *person*) the *person* responsible for making payments under it.

*managing a UCITS*

FCA PRA

the *regulated activity*, specified in article 51ZA of the *Regulated Activities Order* of carrying on collective portfolio management within the meaning of the *UCITS Directive*, in relation to a *UCITS*.

*managing agent*

FCA PRA

(as defined in article 3(1) of the *Regulated Activities Order*) a *person* who is permitted by the *Council* in the conduct of his business as an *underwriting agent* to perform for a *member* one or more of the following functions:

(a) underwriting *contracts of insurance* at Lloyd's;

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| <p><i>managing agent's agreement</i><br/>FCA PRA</p>   | <p>(b) reinsuring such contracts in whole or in part;<br/>(c) paying claims on such contracts.</p> <p>an agreement in the form prescribed by the <i>Society</i>, between a <i>managing agent</i> and a <i>member</i>, under which the <i>managing agent</i> manages the <i>insurance business</i> of that <i>member</i>.</p>   |
| <p><i>managing an AIF</i><br/>FCA PRA</p>  | <p>the <i>regulated activity</i>, specified in article 51ZC of the <i>Regulated Activities Order</i>, which is, in summary, performing at least risk management or portfolio management for an <i>AIF</i>.</p>   |
| <p><i>managing dormant account funds (including the investment of such funds)</i><br/>FCA PRA</p>                  | <p>the <i>regulated activity</i>, specified in article 63N(1)(b) of the <i>Regulated Activities Order</i>, which is the acceptance of a transfer by a <i>bank</i> or <i>building society</i> of the <i>balance</i> of a <i>dormant account</i>, or a proportion of such a balance, and the management of those funds (including the investment of such funds) in such a way as to enable the <i>dormant account fund operator</i> to meet whatever <i>repayment claims</i> it is prudent to anticipate.</p>  |
| <p><i>managing investments</i><br/>FCA PRA</p>   | <p>the <i>regulated activity</i>, specified in article 37 of the <i>Regulated Activities Order</i> (Managing investments), which is in summary: managing assets belonging to another <i>person</i> in circumstances which involve the exercise of discretion, if:</p> <p>(a) the assets consist of or include any <i>security</i> or <i>contractually based investment</i> (that is, any <i>designated investment</i>, <i>funeral plan contract</i> or right to or interest in a <i>funeral plan contract</i>); or</p> <p>(b) the arrangements for their management are such that the assets may consist of or include such <i>investments</i>, and either the assets have at any time since 29 April 1988 done so, or the arrangements have at any time (whether before or after that date) been held out as arrangements under which the assets would do so.</p> |
| <p><i>managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's</i><br/>FCA PRA</p> | <p>the <i>regulated activity</i>, specified in article 57 of the <i>Regulated Activities Order</i> (Managing the underwriting capacity of a Lloyd's syndicate), of managing the <i>underwriting capacity of a Lloyd's syndicate</i> as a <i>managing agent</i> at Lloyd's.</p>   |
| <p><i>mandate</i><br/>FCA PRA</p>  | <p>any means that give a <i>firm</i> the ability to control a <i>client's</i> assets or liabilities, which meet the conditions in ■ CASS 8.2.1 R.</p>  |
| <p><i>mandate rules</i><br/>FCA PRA</p>  | <p>■ CASS 8.</p>   |
| <p>MAR<br/>FCA PRA</p>   | <p>the Market Conduct sourcebook.</p>  |

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| <p>marketing<br/>FCA</p>                     | <p>(ii) any currency; or</p> <p>(iii) the rate of interest in any currency or any index of such rates; or</p> <p>(iv) the level of any index which is derived from the prices of an <i>investment</i> or <i>commodity</i> in (a) to (c); or</p> <p>(v) any combination of (i) to (iv);</p> <p>(f) <i>warrants, options, futures</i> or other instruments entitling the holder to obtain the rights of those contracts in (d) or (e);</p> <p>(g) a <i>unit</i> in a <i>regulated collective investment scheme</i>.</p> <p>(1) (in <i>COLL</i>) (in relation to marketing <i>units</i> in a <i>regulated collective investment scheme</i> in a particular country or territory):</p> <p>(a) <i>communicating</i> to a <i>person</i> in that country or territory an invitation or inducement to become, or offer to become, a <i>holder</i> in that <i>regulated collective investment scheme</i>;</p> <p>(b) giving <i>advice on investments</i> to, or arranging (bringing about) a deal in an investment for a <i>person</i> in that country or territory to become a <i>holder</i> in that <i>regulated collective investment scheme</i></p> <p>(2) (except in <i>COLL</i>) a direct or indirect offering or placement, at the initiative of the <i>AIFM</i> or on behalf of the <i>AIFM</i> of <i>units</i> or <i>shares</i> of an <i>AIF</i> it manages, to or with investors domiciled or with a registered office in the <i>EEA</i>.</p> <p>[Note: article 4(1)(x) of <i>AIFMD</i>]</p> |
| <p>marketing group<br/>FCA PRA</p>           | <p>a group of <i>persons</i> who:</p> <p>(a) are allied together (either formally or informally) for the purposes of marketing <i>packaged products</i> of the <i>marketing group</i>; and</p> <p>(b) each of whom, if it holds itself out in the <i>United Kingdom</i> as marketing <i>packaged products</i> to <i>private customers</i>, does so only as an <i>investment manager</i> or in relation to <i>packaged products</i> of the <i>marketing group</i>.</p>   |
| <p>marketing group associate<br/>FCA PRA</p> | <p>a <i>firm</i> other than a <i>product provider</i> which is a member of a <i>marketing group</i>.</p>  |
| <p>mark-up or mark-down<br/>FCA PRA</p>      | <p>(a) (when a <i>firm</i> receives a <i>customer order</i> and takes a <i>principal</i> position in the relevant <i>investment</i> in order to fulfil that <i>customer order</i> (that is, when the <i>firm</i> takes a <i>principal</i> position in the relevant <i>investment</i> which it would not otherwise take, except to fulfil that <i>customer order</i>)) the difference, if any, between:</p> <p>(i) the price at which the <i>firm</i> takes a <i>principal</i> position in the relevant <i>investment</i> in order to fulfil that <i>customer order</i>; and</p> <p>(ii) the <i>price</i> at which the firm executes the transaction with its <i>customer</i>;</p> <p>(b) (when a firm executes a <i>customer order</i> against its own book and owes a duty of best execution) the difference between:</p> <p>(i) the <i>price</i> at which best execution would be achieved; and</p> <p>(ii) the <i>price</i> at which the firm executes the transaction with its <i>customer</i>.</p>   |
| <p>marriage or the formation of a</p>        | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph II of Part II of Schedule 1 to the <i>Regulated Activities Order</i></p>  |

*civil partnership and birth*

**FCA** **PRA**

(Contracts of long-term insurance), to provide a sum on marriage or the formation of a civil partnership or on the birth of a child, being contracts expressed to be in effect for a period of more than one year.

*master AIF*

**FCA**

(in accordance with article 4(1)(y) of *AIFMD*) an *AIF* in which another *AIF* (a *feeder AIF*) invests or has an exposure in accordance with the definition of '*feeder AIF*'.

*master netting agreement internal models approach*

**FCA** **PRA**

one of the following:

(a) the method of calculating the effect of *credit risk mitigation* described in ■ BIPRU 5.6.16 R to ■ BIPRU 5.6.28 G;

(b) (where the approach in (a) is being applied on a consolidated basis) the method in (a) as applied on a consolidated basis in accordance with ■ BIPRU 8 (Group risk - consolidation); or

(c) when the reference is to the rules of or administered by a *regulatory body* other than the *appropriate regulator*, whatever corresponds to the approach in (a) or (b), as the case may be, under those rules.

*master netting agreement internal models approach permission*

**FCA** **PRA**

a *requirement* or a *waiver* that requires a *firm* to use the *master netting agreement internal models approach* on a solo basis or, if the context requires, a consolidated basis.

*master UCITS*

**FCA** **PRA**

(in accordance with article 58(3) of the *UCITS Directive*) a *UCITS scheme*, an *EEA UCITS scheme* or a *sub-fund* of such a *scheme* where:

(a) at least one of its *unitholders* is a *feeder UCITS*;

(b) it is not itself a *feeder UCITS*; and

(c) it does not hold *units* of a *feeder UCITS*.

*master-feeder agreement*

**FCA** **PRA**

(in *COLL*) a written agreement between the *management company* of a *master UCITS* and the *management company* of a *feeder UCITS* in accordance with ■ COLL 11.3.2 R (1) (Master-feeder agreement and internal conduct of business rules).

*matched principal exemption conditions*

**FCA** **PRA**

the conditions set out in ■ BIPRU 1.1.23 R (2) (Meaning of dealing on own account).

*material currency*

**FCA** **PRA**

(a) *Material currencies*, in respect of a *firm* at any time, are currencies determined in accordance with the following.

(b) First, the amount of its assets and the amount of its liabilities in each currency (ignoring the sign) are separately calculated. The figures are as shown in the most recent *data item* FSA054 submitted to the *appropriate regulator*.

(c) Then, each such amount is converted into the reporting currency for the *data item* referred to in (b).



FCA PRA

*personal pension policy*

a *pension policy* under which contributions (single or regular) are paid to a *personal pension scheme*.

FCA PRA

*personal pension product*

a contract under which rights to benefits are obtained by making contributions to a *personal pension scheme* other than a *personal pension policy*, a *personal pension contract*, a *personal pension deposit* or a *SIPP*.

FCA PRA

*personal pension scheme*

a scheme or arrangement which is not an *occupational pension scheme* or *stakeholder pension scheme* and which is comprised in one or more instruments or agreements having or capable of having effect so as to provide benefits to or in respect of people:

- (a) on retirement; or
- (b) on having reached a particular age; or
- (c) on termination of service in an employment.

*personal projection*

a *projection* that reflects the terms of a particular contract with, or to be offered to, a particular *client*.

FCA PRA

*personal recommendation*

(except in *CONRED*) a recommendation that is *advice on investments*, or *advice on a home finance transaction* and is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person.

FCA PRA

A recommendation is not a personal recommendation if it is issued exclusively through distribution channels or to the public.

[Note: article 52 of the *MiFID implementing Directive*]

(in *CONRED*) a recommendation which is *advice on investments* and:

- (a) where given on or before 31 October 2007, was given to a specific *person*; or
- (b) where given on or after 1 November 2007, was presented as suitable for the *person* to whom the recommendation was made, or was based on a consideration of the circumstances of that *person*, other than a recommendation issued exclusively through distribution channels or to the public.

*personal transaction*

a trade in a *designated investment* effected by or on behalf of a *relevant person*, where at least one of the following criteria are met:

FCA PRA

- (1) that *relevant person* is acting outside the scope of the activities he carried out in that capacity;
- (2) the trade is carried out for the account of any of the following *persons*:
  - (a) the *relevant person*;
  - (b) the spouse or civil partner of the *relevant person* or any partner of that *person* considered by national law as equivalent to a spouse;
  - (c) a dependent child or stepchild of the *relevant person*;

|                                |  |
|--------------------------------|--|
|                                | (d) any other relative of the <i>relevant person</i> who has shared the same household as that <i>person</i> for at least one year on the date of the <i>personal transaction</i> concerned;   |
|                                | (e) any <i>person</i> with whom he has <i>close links</i> ;  |
|                                | (f) a <i>person</i> whose relationship with the <i>relevant person</i> is such that the <i>relevant person</i> has a direct or indirect material interest in the outcome of the trade, other than a fee or commission for the execution of the trade.  |
|                                | [Note: article 2(7) and article 11 of the <i>MiFID implementing Directive</i> ]  |
| <i>physical commodities</i>    | a physical holding of a <i>commodity</i> , or documents evidencing title to a <i>commodity</i> .   |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>PIA</i>                     | the Personal Investment Authority Limited.   |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>PIA Ombudsman scheme</i>    | the <i>former scheme</i> set up by <i>PIA</i> under the Financial Services Act 1986 and operated by the <i>PIA Ombudsman Bureau Ltd</i> to handle complaints against members of <i>PIA</i> .   |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>PIBS</i>                    | <i>permanent interest bearing shares</i> .   |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>PII capital requirement</i> | (1) (in <b>■</b> IPRU(INV) 11) an amount of <i>own funds</i> that a <i>collective portfolio management 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 <b>■</b> IPRU(INV) 11.3.15EU)) and exclusions to that policy (see <b>■</b> IPRU(INV) 11.3.16R (Professional negligence)).   |
| <b>FCA</b>                     | (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)). |
| <i>placing</i>                 | (in <i>LR</i> ) a marketing of <i>securities</i> already in issue but not <i>listed</i> or not yet in issue, to specified <i>persons</i> or clients of the <i>sponsor</i> or any securities house assisting in the placing, which does not involve an offer to the public or to existing holders of the <i>issuer's securities</i> generally.  |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>plan investor</i>           | a <i>person</i> entered in the <i>plan register</i> under <b>■</b> COLL 6.4.9 R (Plan registers) .   |
| <b>FCA</b> <b>PRA</b>          |  |
| <i>plan manager</i>            | in relation to:  |
| <b>FCA</b>                     | (a) [deleted]  |
|                                | (b) a <i>group ISA</i> , the <i>ISA manager</i> ;  |

|  |   |
|--|---|
| <p><i>plan register</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>   | <p>(c) a <i>group savings plan</i>, the <i>person</i> primarily responsible for that <i>group savings plan</i>.</p> <p>(1) (in relation to an <i>ICVC</i> ) a record of <i>persons</i> who subscribe to a <i>group plan</i> and for whom <i>shares</i> in the <i>ICVC</i> are held for the purposes of the <i>group plan</i> by the <i>plan manager</i> or a nominee (other than a record for the establishment or maintenance of which no payments are to be made out of the <i>scheme property</i> ).</p> <p>(2) (in relation to an <i>AUT</i> or <i>ACS</i>) a sub-<i>register</i> to the <i>register</i>, which sub-<i>register</i> records <i>persons</i> who subscribe to a <i>group plan</i> and for whom <i>units</i> in the <i>AUT</i> or <i>ACS</i> are held for the purposes of the plan by the <i>plan manager</i> or a nominee (other than any sub-<i>register</i> that has not been established and maintained in accordance with <span style="color: #000080;">■</span> COLL 6.4.4 R ( Register: general requirements and contents) or for the establishment of which no payments are to be made out of the <i>scheme property</i>).</p> |
| <p><i>plastic card</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>              | <p>a card, or a token with an equivalent function, which a <i>customer</i> can use to pay for goods and services, or to obtain cash or both, such as a credit card, charge card, debit card, cash card or electronic purse.</p>   |
| <p><i>platform service</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>          | <p>a service which:</p> <p>(a) involves <i>arranging</i> and <i>safeguarding and administering investments</i>; and</p> <p>(b) distributes <i>retail investment products</i> which are offered to <i>retail clients</i> by more than one product provider;</p> <p>but is neither:</p> <p>(c) solely paid for by <i>adviser charges</i>; nor</p> <p>(d) ancillary to the activity of <i>managing investments</i> for the <i>retail client</i>.</p> <p>[<i>Note</i>: This definition applies only within the <i>FCA Handbook</i>.]</p>  |
| <p><i>platform service provider</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>a <i>firm</i> providing a <i>platform service</i>.</p>   |
| <p><i>PLC Safeguards Directive</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>the Second Council Directive of 13 December 1976 on coordination of safeguards for the protection of the interests of members and others in respect of the formation of public limited liability companies and the maintenance and alteration of their capital, with a view to making such safeguards equivalent (No 77/91/EEC).</p>   |
| <p><i>plus factor</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>               | <p>(in <span style="color: #000080;">■</span> BIPRU 7.10 (Use of a value at risk model)) an increase to the <i>minimum multiplication factor</i> based on <i>backtesting exceptions</i> as more fully defined in <span style="color: #000080;">■</span> BIPRU 7.10.124 R (Capital calculations: Multiplication factors).</p>  |
| <p><i>policy</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                    | <p>(as defined in article 2 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361)) as the context requires:</p> <p>(a) a <i>contract of insurance</i>, including one under which an existing liability has already accrued; or</p> <p>(b) any instrument evidencing such a contract.</p>  |
| <p><i>policy summary</i></p>   | <p>a summary of a <i>non-investment insurance contract</i> in the format and containing the information specified in <span style="color: #000080;">■</span> ICOBS 6 Annex 2.</p>  |

FCA PRA

*policyholder*

FCA PRA

(as defined in article 3 of the Financial Services and Markets Act 2000 (Meaning of "Policy and "Policyholder") Order 2001 (SI 2001/2361)) the *person* who for the time being is the legal holder of the *policy*, including any *person* to whom, under the *policy*, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

*policyholder advocate*

FCA PRA

the *person* appointed under ■ COBS 20.2.42 R to negotiate with a *firm* on its proposals for making a *retribution* of its *inherited estate*.

*port*

FCA PRA

means, in respect of the assets and positions recorded in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*, action taken by that *authorised central counterparty* to transfer those assets and positions in accordance with article 48 of EMIR to another clearing member designated by the *individual client* (in the case of an *individual client account*) or designated by all of the *clients* for whom the account is held (in the case of an *omnibus client account*).

*portfolio management*

FCA PRA

managing portfolios in accordance with mandates given by *clients* on a discretionary *client-by-client* basis where such portfolios include one or more *financial instruments*.

[Note: article 4(1)(9) of MiFID]

*portfolio trade*

FCA PRA

a transaction in more than one security where those securities are grouped and traded as a single lot against a specific reference price.

[Note: article 2(6) of the MiFID Regulation]

POS  
Regulations

FCA PRA

the Public Offers of Securities Regulations 1995 (SI 1995/1537).

*position*

FCA PRA

(in accordance ■ BIPRU 1.2.4 R (Definition of the trading book: Positions)) includes proprietary positions and positions arising from client servicing and market making.

*position risk adjustment*

FCA PRA

a percentage applied to a *position* as part of the process of calculating the PRR in relation to that *position* as set out in the tables in ■ BIPRU 7.2.44 R (Specific risk position risk adjustments), ■ BIPRU 7.2.57 R (General market risk position risk adjustments), ■ BIPRU 7.3.30 R (Simplified equity method position risk adjustments), ■ BIPRU 7.3.34 R (Position risk adjustments for specific risk under the standard equity method) and ■ BIPRU 7.6.8 R (The appropriate position risk adjustment) and also as set out in ■ BIPRU 7.2.48A R to ■ BIPRU 7.2.48L R.

*position risk requirement*

FCA PRA

a capital requirement applied to a position treated under ■ BIPRU 7 (Market risk) as part of the calculation of the *market risk capital requirement* or, if the relevant provision of the *Handbook* distinguishes between *general market risk* and *specific risk*, the portion of that capital requirement with respect to whichever of *general market risk* or *specific risk* is specified by that provision.

*post*

FCA PRA

(in relation to sending a *document* by post) sending pre-paid by a postal service which seeks to deliver *documents* by post within the *United Kingdom* no later than the next working day in all or the majority of cases, and to

(3) (in relation to a *firm* which was a *friendly society* immediately before *commencement*) the *Friendly Societies Commission*.

(4) (in relation to a *firm* authorised under the Insurance Companies Act 1982 immediately before *commencement*) the Treasury.

(5) (in relation to an *underwriting agent* which obtained the *permission* relevant to that category under the Financial Services and Markets Act 2000 (Repeals, Transitional Provisions and Savings) Order 2001 (SI 2001/2636)) the *Society of Lloyd's*.

(6) (in relation to a *firm* which was authorised, or which was an *appointed representative*, under the Financial Services Act 1986 immediately before *commencement* or which was a European investment firm (as defined in the Investment Services Regulations 1995 (SI 1995/3275)) immediately before *commencement*) any of:

- (a) *IMRO*;
- (b) *PIA*;
- (c) *SFA*;
- (d) a *recognised professional body*; and
- (e) the *FSA*;

if the *firm* (or, if relevant, its principal for the purposes of section 44 of the Financial Services Act 1986) was subject in carrying on business to the rules, requirements, regulations or guidance of that body.

(7) (in relation to an *ex-section 43 firm*) the *FSA*.

(8) (in relation to a *firm* which was authorised under the *Act* immediately before 1 April 2013) the *FSA*.

*price*

**FCA** **PRA**

(in *COLL*)

(in relation to a *unit* in an *authorised fund*) the price of the *unit* calculated in accordance with **■ COLL 6.3** (Valuation and pricing).

*price information*

**FCA** **PRA**

(in *MCOB*) information, in a *financial promotion*, that relates to:

- (a) any rate of charge; or
- (b) the presence or absence of any payments, fees or charges (other than the fees for advising on or *arranging a regulated mortgage contract* as required by **■ MCOB 3.6.27 R**); or
- (c) the amount, frequency or number of any payments, repayments, fees or charges; or
- (d) any monetary amounts.

*price stabilising rules*

**FCA** **PRA**

the *rules* made under section 137Q of the *Act*, and appearing in **■ MAR 2.1** to **■ MAR 2.4**, together with any other provisions available for their interpretation.

*primary information provider*

**FCA**

a *person* approved by the *FCA* under section 89P of the *Act*.

*primary pooling event*

(1) [deleted]

FCA PRA

(2) (in ■ CASS 5) an event that occurs in the circumstances described in ■ CASS 5.6.5 R (Failure of the authorised firm: primary pooling event).

(3) (in ■ CASS 7 and ■ CASS 7A) an event that occurs in the circumstances described in ■ CASS 7A.2.2 R (Failure of the authorised firm: primary pooling event).

*prime brokerage agreement*

an agreement between a *prime brokerage firm* and a *client* for *prime brokerage services*.

FCA PRA

*prime brokerage firm*

a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

FCA

(1) (except in *FUND*) a *firm* that provides *prime brokerage services* to a *client* and which may do so acting as *principal*.

(2) (in *FUND*) a *credit institution*, regulated *investment firm* or another entity subject to prudential regulation and ongoing supervision, offering services to *professional clients* primarily to finance or execute transactions in *financial instruments* as counterparty and which may also provide other services, such as clearing and settlement of trades, custodial services, *stock lending*, customised technology and operational support facilities.

[Note: article 4(1)(af) of AIFMD]

*prime brokerage services*

a package of services provided under a *prime brokerage agreement* which gives a *prime brokerage firm* a right to use *safe custody assets* for its own account and which comprises each of the following:

FCA

- (a) *custody* or *arranging safeguarding and administration of assets*;
- (b) clearing services; and
- (c) financing, the provision of which includes one or more of the following:
  - (i) capital introduction;
  - (ii) margin financing;
  - (iii) *stock lending*;
  - (iv) stock borrowing;
  - (v) entering into repurchase or reverse repurchase transactions;

and which, in addition, may comprise consolidated reporting and other operational support.

PRIN

the part of the *Handbook* in High Level Standards that has the title Principles for Businesses.

FCA PRA

*principal*

(1) in relation to a *person* :

FCA PRA

- (a) a *person* acting on his own account;
- (b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent* ) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt under section 39 of the *Act* (Exemption of appointed representatives).

(2) in relation to an *option* , *future* or forward contract:

qualified investor

FCA PRA

(in PR) (as defined in section 86(7) of the Act) in relation to an offer of transferable securities :

- (a) a person or entity described in points (1) to (4) of Section I of Annex II to MiFID, other than a person who, before the making of the offer, has agreed in writing with the relevant firm (or each of the relevant firms) to be treated as a non-professional client in accordance with MiFID; or
- (b) a person who has made a request to one or more relevant firms to be treated as a professional client in accordance with Section II of Annex II to MiFID and has not subsequently, but before the making of the offer, agreed in writing with that relevant firm (or each of those relevant firms) to be treated as a non-professional client in accordance with the final paragraph of Section I of Annex II to MiFID ; or
- (c) a person who is an eligible counterparty in accordance with article 24 of MiFID and has not, before the making of the offer, agreed in writing with the relevant firm (or each of the relevant firms) to be treated as a non-professional client in accordance with the final paragraph of Section I of Annex II of MiFID; or
- (d) a person whom any relevant firm is authorised to continue to treat as a professional client in accordance with article 71(6) of MiFID.

qualified investor scheme

FCA PRA

an authorised fund whose instrument constituting the scheme contains the statement in ■ COLL 8.2.6 R 1(2) (Table: contents of the instrument constituting the scheme) that it is a qualified investor scheme.

qualified valuer

FCA PRA

(in relation to any particular type of land in any particular area) a fellow or professional associate of the Royal Institution of Chartered Surveyors, a fellow or associate of the Incorporated Society of Valuers and Auctioneers, or a fellow or associate of the Rating and Valuation Association, who:

- (a) has knowledge of and experience in the valuation of that particular type of land in that particular area; or
- (b) has knowledge of and experience in the valuation of land and has taken advice from a valuer who he is satisfied has knowledge of and experience in the valuation of that particular type of land in that particular area; or
- (c) immediately before 15 June 1981 was recognised as a qualified valuer by approval by the Secretary of State under the Insurance Companies (Valuation of Assets) Regulations 1976.

qualifying capital instrument

FCA

(in UPRU and ■ IPRU(INV) ) means that part of a firm's capital which is a security of indeterminate duration, or other instrument, that fulfils the following conditions:

- (a) it may not be reimbursed on the bearer's initiative or without the prior agreement of FCA;
- (b) the debt agreement must provide for the firm to have the option of deferring the payment of interest on the debt;
- (c) the lender's claims on the firm must be wholly subordinated to those of all non-subordinated creditors;
- (d) the documents governing the issue of the securities must provide for debt and unpaid interest to be such as to absorb losses, whilst leaving the firm in a position to continue trading; and
- (e) only fully paid-up amounts shall be taken into account.

*qualifying capital item*

FCA

(in *UPRU* and ■ *IPRU(INV)* ) means that part of a *firm's* capital which has the following characteristics:

- (a) it is freely available to the *firm* to cover normal banking or other risks where revenue or capital losses have not yet been identified;
- (b) its existence is disclosed in internal accounting records; and
- (c) its amount is determined by the management of the *firm* and verified by independent auditors, and is made known to, and is monitored by, *FCA*.

Note: verification by internal auditors will suffice until such time as EU provisions making external auditing mandatory have been implemented.

*qualifying credit*

FCA PRA

(as defined in Schedule 1 paragraph 10 (Providing qualifying credit) of the *Financial Promotion Order*) credit (including a cash loan and any other form of financial accommodation) provided in accordance with an agreement under which:

- (a) the lender is a person who enters into or administers *regulated mortgage contracts*; and
- (b) the obligation of the borrower to repay is secured (in whole or in part) on land.

*qualifying debt security*

FCA PRA

- (1) [deleted]
- (2) (for the purposes of *BIPRU*) a debt security that satisfies the conditions in ■ *BIPRU 7.2.49 R* (Definition of a qualifying debt security).

*qualifying equity index*

FCA PRA

an *equity* index falling into in ■ *BIPRU 7.3.38 R* (Definition of a qualifying equity index).

*qualifying holding*

FCA PRA

(1) (in *GENPRU* and *BIPRU*) has the meaning in *GENPRU 2.2.203R* (Qualifying holdings), which is in summary a direct or indirect holding of a *bank* or *building society* in a non-financial *undertaking* which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that *undertaking*.

(2) (otherwise) any direct or indirect holding in an *investment firm* which represents 10% or more of the capital or of the voting rights, as set out in Article 92 of the European Parliament and Council Directive on the admission of securities to official stock exchange listing and on information to be published on those securities (No. 2001/34/EC) or which makes it possible to exercise a significant influence over the management of the *investment firm* in which that holding subsists.

[Note: article 4(1)(27) of *MiFID*]

*qualifying interest in land*

FCA PRA

(in accordance with article 63B(4)(a) of the *Regulated Activities Order*) land (other than timeshare accommodation) in the UK which is:

- (a) in relation to land in England and Wales, an estate in fee simple absolute or a term of years absolute whether subsisting at law or in equity; or
- (b) in relation to land in Scotland, the interest of an owner in land or the tenant's right over or interest in a property subject to a lease; or
- (c) in relation to land in Northern Ireland, any freehold estate or any leasehold estate whether subsisting at law or in equity.



qualifying investment

FCA PRA

an investment which has been prescribed by the Treasury in the *Prescribed Markets and Qualifying Investments Order*

qualifying management company holding

FCA PRA

(in *COLL*) a direct or indirect holding in a *management company* which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the company in which that holding subsists; and for this purpose the voting rights referred to in articles 9 and 10 of the *Transparency Directive* must be taken into account.

qualifying master scheme

FCA PRA

where a *feeder NURS* is dedicated to *units* in a single *collective investment scheme*, which meets the requirements in ■ *COLL 5.6.26 R (1)*, that *collective investment scheme*.

qualifying money market fund

FCA PRA

(1) (in *COLL*, ■ *CASS 7* and *BSOCS*) a *collective investment scheme* authorised under the *UCITS Directive* or which is subject to supervision and, if applicable, authorised by an authority under the national law of an *EEA State*, and which satisfies the following conditions:

(a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;

(b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of no more than 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions;

(c) it must provide liquidity through same day or next day settlement.

(2) For the purposes of (1)(b), a money market instrument is to be considered to be of high quality if it has been awarded the highest available credit rating by each competent rating agency which has rated that instrument. An instrument that is not rated by any competent rating agency is not to be considered to be of high quality.

(3) For the purposes of (2), a rating agency is to be considered to be competent if it issues credit ratings in respect of money market funds regularly and on a professional basis and is an eligible ECAI within the meaning of Article 81(1) of the *BCD*.

[Note: article 18(2) of the *MiFID implementing Directive*]

qualifying revolving retail exposure

FCA PRA

(in relation to the *IRB approach*) *retail exposures* falling into ■ *BIPRU 4.6.44 R (2)* (Qualifying revolving retail exposures).

qualifying social entrepreneurship fund

FCA

has the meaning given in article 3(b) of the *EuSEF regulation*.

*qualifying subordinated loan*

FCA

(1) (in *UPRU*) has the meaning given in ■ IPRU(INV) 5.2.5(1) to (7) (Qualifying subordinated loans).

(2) (in ■ IPRU(INV) 11) has the meaning given in ■ IPRU(INV) 11.5 (Qualifying subordinated loans).

*qualifying undertaking*

FCA PRA

(in *UPRU*) has the meaning given in IPRU(INV) 5.2.6(3) (Qualifying undertakings).

*qualifying venture capital fund*

FCA

has the meaning given in article 3(b) of the *EuVECA regulation*.

*quantification date*

FCA PRA

the date as at which the liability of the relevant person in default is to be determined under ■ COMP 12.3.

*quarterly financial return*

FCA PRA

(in *UPRU*) means the return referred to in *SUP*.

*quasi-derivative contract or quasi-derivative*

FCA PRA

a contract or asset having the effect of a *derivative* contract.

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| <p>RAG<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p><i>regulated activity group.</i></p>   |
| <p>railway rolling stock<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in relation to a <i>class of contract of insurance</i>) the <i>class of contract of insurance</i>, specified in paragraph 5 of Part I of Schedule 1 to the <i>Regulated Activities Order</i> (Contracts of general insurance), against loss of or damage to railway rolling stock.</p>  |
| <p>range<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>see <i>range of packaged products</i> and range of stakeholder products.</p>   |
| <p>range of packaged products, range<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in relation to a <i>firm</i>) the range of packaged products on which the <i>firm</i> gives <i>advice on investments</i> to <i>retail clients</i> (see <span style="color: #000080;">■</span> COBS 6.3 ) or if appropriate the list of packaged products in which the <i>firm</i> deals.</p>  |
| <p>range of stakeholder products, range<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(in relation to a <i>firm</i>) the range of <i>stakeholder products</i> on which the <i>firm</i> gives <i>advice</i> (see <span style="color: #000080;">■</span> COBS 9.6 );</p> <p>References to a <i>firm's</i> range (or ranges) of <i>stakeholder products</i> include, where the context requires, a reference to the range (or ranges) of the <i>firm's appointed representatives</i>.</p>   |
| <p>RAP<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>a <i>recognised auction platform</i>.</p>  |
| <p>RAP recognition requirements<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>   | <p>(1) (in relation to an <i>RAP</i>) any of the requirements applicable to an <i>RAP</i> under the <i>RAP regulations</i>, the <i>auction regulation</i> or the <i>MiFID Regulation</i>.</p> <p>(2) (in relation to a <i>UK RIE</i> applying for recognition as an <i>RAP</i>) any of the requirements under the <i>RAP regulations</i>, the <i>auction regulation</i> or the <i>MiFID Regulation</i> which, if its application were successful, would apply to it.</p>                                  |
| <p>RAP regulations<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>the Recognised Auction Platforms Regulations 2011 (SI 2011/2699).</p>  |
| <p>rated position<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(for the purposes of <span style="color: #000080;">■</span> BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions) and in relation to a <i>securitisation position</i>) describes a <i>securitisation position</i> which has an eligible credit assessment by an <i>eligible ECAI</i>.</p>   |
| <p>rating system<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>(in relation to the <i>IRB approach</i> and in accordance with <span style="color: #000080;">■</span> BIPRU 4.3.25 R) comprises all of the methods, processes, controls, data collection and IT systems that support the assessment of credit risk, the assignment of <i>exposures</i> to grades or pools (rating), and the quantification of <i>default</i> and <i>loss</i> estimates for a certain type of <i>exposure</i>.</p>  |
| <p><span style="background-color: #000080; color: white; padding: 2px;">PAGE R1</span> ratings based method<br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>(for the purposes of <span style="color: #000080;">■</span> BIPRU 9 (Securitisation) and in accordance with Part 1 of Annex IX of the <i>Banking Consolidation Directive</i> (Securitisation definitions)) the method of calculating <i>risk weighted exposure amounts</i> for <i>securitisation positions</i> set out in <span style="color: #000080;">■</span> BIPRU 9.12.10 R-<span style="color: #000080;">■</span> BIPRU 9.12.19 R and <span style="color: #000080;">■</span> BIPRU 9.14.2 R.</p> |
| <p>RCB</p>   | <p>the Regulated Covered Bond sourcebook.</p>   |

FCA PRA

RCB  
Regulations

FCA PRA

the Regulated Covered Bonds Regulations 2008 (SI 2008/346).

RCH

FCA PRA

a *recognised clearing house*.

RDC

FCA PRA

*Regulatory Decisions Committee*.readily  
realisable  
investment

FCA

(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:(a) that it cannot be certain that a price for that *investment* will be quoted at all times; or

(b) that it may be difficult to effect transactions at any price which may be quoted.

readily  
realisable  
security

FCA PRA

(a) a *government* or *public security* denominated in the currency of the country of its *issuer*;(b) any other *security* which is:(i) admitted to official listing on an exchange in an *EEA State*; or

(ii) regularly traded on or under the rules of such an exchange; or

(iii) regularly traded on or under the rules of a *recognised investment exchange* or (except in relation to *unsolicited real time financial promotions*) *designated investment exchange*;(c) a newly issued *security* which can reasonably be expected to fall within

(b) when it begins to be traded.

real estate  
market  
adjustment  
ratio

FCA PRA

has the meaning set out, in relation to the *resilience capital requirement*, in INSPRU 3.1.21R.real time  
financial  
promotion

FCA PRA

(in accordance with article 7(1) of the Financial Promotion Order) a *financial promotion* made in the course of a personal visit, telephone conversation or other interactive dialogue.

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| <p><i>realistic basis life firm</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>a <i>firm</i> to which ■ GENPRU 2.1.18 R applies (and which is therefore required to calculate a <i>with-profits insurance capital component</i> in accordance with INSPRU 1.3 ).</p>   |
| <p><i>realistic current liabilities</i></p> <p><b>FCA</b> <b>PRA</b></p>   | <p>(in relation to a <i>with-profits fund</i>) the realistic current liabilities of the <i>with-profits fund</i> calculated in accordance with INSPRU 1.3.190R.</p>  |
| <p><i>realistic excess capital</i></p> <p><b>FCA</b> <b>PRA</b></p>        | <p>(in relation to a <i>with-profits fund</i>) has the meaning set out in INSPRU 1.3.32R .</p>   |
| <p><i>realistic value of assets</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>(in relation to a <i>with-profits fund</i>) has the meaning set out in INSPRU 1.3.33R .</p>   |
| <p><i>realistic value of liabilities</i></p> <p><b>FCA</b> <b>PRA</b></p>  | <p>(in relation to a <i>with-profits fund</i>) the sum of the <i>with-profits benefit reserve</i>, the <i>future policy related liabilities</i> and the <i>realistic current liabilities</i> for the <i>with-profits fund</i>.</p>   |
| <p><i>reasonable assurance engagement</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>a 'reasonable assurance engagement' as described in the Glossary of terms in the Auditing Practices Board Standards and Guidance for Auditors issued in 2010.</p>   |
| <p><i>retribution</i></p> <p><b>FCA</b> <b>PRA</b></p>                     | <p>the process under which a <i>firm</i> which carries on <i>with-profits business</i> seeks to redefine the rights and interests that the <i>with-profits policyholders</i> have over the <i>inherited estate</i>.</p>  |
| <p><i>retribution expert</i></p> <p><b>FCA</b> <b>PRA</b></p>              | <p>the expert appointed by a <i>firm</i> to satisfy its obligations under ■ COBS 20.2.47 R (Retribution expert).</p>   |
| <p><i>rebalancing of the portfolio</i></p> <p><b>FCA</b> <b>PRA</b></p>    | <p>(in COLL and in accordance with article 2(1) of the <i>UCITS implementing Directive No 2</i>) means a significant modification of the composition of the <i>scheme property</i> of a <i>UCITS scheme</i> or the portfolio of an <i>EEA UCITS scheme</i>.</p>                                  |
| <p>REC</p> <p><b>FCA</b> <b>PRA</b></p>                                    | <p>the Recognised Investment Exchange and Recognised Clearing House sourcebook.</p>  |
| <p><i>receivable</i></p> <p><b>FCA</b> <b>PRA</b></p>                      | <p>(in relation to a <i>member</i>, a period and a <i>premium</i>) a <i>premium</i> due to the <i>member</i> in respect of <i>contracts of insurance</i> effected during the period, whether or not the <i>premium</i> is received during that period.</p>                                       |
| <p><i>receiving UCITS</i></p> <p><b>FCA</b> <b>PRA</b></p>                 | <p>(in COLL) in relation to a <i>UCITS merger</i>, the <i>UCITS scheme</i> or <i>EEA UCITS scheme</i> or <i>sub-fund</i> of that <i>scheme</i>, whether it is an existing <i>scheme</i> (or a <i>sub-fund</i> of it) or one that is being formed for the purpose of that merger, which under</p> |

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| <p><i>recipient</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                               | <p>the proposed arrangements will be receiving the assets and liabilities of one or more <i>merging UCITS</i>.</p>  |
| <p><i>reciprocal cross-holding</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                | <p>the <i>person</i> to whom a communication is made or, in the case of a <i>non-real time financial promotion</i> which is <i>directed at persons</i> generally, any <i>person</i> who reads or hears the communication.</p>   |
| <p><i>recognised auction platform</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>   | <p>has the meaning in GENPRU 2.2.219R (Deductions from tiers one and two: Reciprocal cross holdings) which is in summary a holding of a <i>firm of shares</i>, any other interest in the capital, and subordinated debt, whether in the <i>trading book</i> or <i>non-trading book</i>, in:</p> <p style="margin-left: 40px;">(a) a <i>credit institution</i>; or</p> <p style="margin-left: 40px;">(b) a <i>financial institution</i>;</p> <p>that satisfies the conditions in GENPRU 2.2.219R.</p>  |
| <p><i>recognised body</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                         | <p>a <i>recognised investment exchange</i> which is declared by a <i>recognition order</i> for the time being in force to be a <i>recognised auction platform</i>.</p>  |
| <p><i>recognised body requirements</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span></p>  | <p>an <i>RIE</i> or <i>RAP</i></p> <p style="margin-left: 40px;">(1) (in relation to an <i>RIE</i> ) the <i>recognition requirements</i>;</p> <p style="margin-left: 40px;">(2) (in relation to a <i>UK RIE</i>) the <i>MiFID implementing requirements</i>;</p> <p style="margin-left: 40px;">(3) (in relation to an <i>RAP</i>) the <i>RAP recognition requirements</i>; and</p> <p style="margin-left: 40px;">(4) (in relation to any of the bodies specified in (1) to (3)) any other obligations imposed by or under the <i>Act</i>.</p> |
| <p><i>recognised clearing house</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>               | <p>a <i>clearing house</i> which is declared by an order made by the Bank of England under section 290 or 292 of the <i>Act</i> and for the time being in force to be a recognised clearing house.</p>  |
| <p><i>recognised investment exchange</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>          | <p>an investment exchange which is declared by a <i>recognition order</i> for the time being in force to be a recognised investment exchange.</p>   |
| <p><i>recognised overseas investment exchange</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>an <i>overseas investment exchange</i> which is declared by a <i>recognition order</i> for the time being in force to be a <i>recognised investment exchange</i>.</p>  |
| <p><i>recognised professional body</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>            | <p>any of the following professional bodies (which were the recognised professional bodies for the purposes of the Financial Services Act 1986):</p> <p style="margin-left: 40px;">(a) The Law Society (England and Wales);</p> <p style="margin-left: 40px;">(b) The Law Society of Scotland;</p>  |

- (c) The Law Society of Northern Ireland;
- (d) The Institute of Chartered Accountants in England and Wales;
- (e) The Institute of Chartered Accountants of Scotland;
- (f) The Institute of Chartered Accountants in Ireland;
- (g) The Association of Chartered Certified Accountants;
- (h) The Institute of Actuaries.

(see also *designated professional body*.)

*recognised scheme*

**FCA** **PRA**

a *scheme* recognised under:

- (a) section 264 of the *Act* (Schemes constituted in other EEA States); or
- (b) section 270 of the *Act* (Schemes authorised in designated countries or territories); or
- (c) section 272 of the *Act* (Individually recognised overseas schemes).

*recognised third country credit institution*

**FCA** **PRA**

a *full BCD credit institution* that satisfies the following conditions:

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority* in the state or territory in which the credit institution's head office is located;
- (c) that *third country competent authority* is named in Part 1 of **■ BIPRU 8 Annex 6 R** (Non-EEA banking regulators' requirements deemed CRD-equivalent for individual risks); and
- (d) there is a tick against that *third country competent authority* in each of the columns headed "Market risk", "Credit risk" and "Operational Risk" in the table referred to in (c).

*recognised third country investment firm*

**FCA** **PRA**

a *CAD investment firm* that satisfies the following conditions :

- (a) its head office is outside the *EEA*;
- (b) it is authorised by a *third country competent authority* in the state or territory in which the *CAD investment firm's* head office is located;
- (c) that *third country competent authority* is named in Part 2 of **■ BIPRU 8 Annex 6 R** (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks); and
- (d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *EEA prudential sectoral legislation* for the *investment services sector*.

*recognition order*

**FCA** **PRA**

(in accordance with section 313 of the *Act* (Interpretation of Part XVIII)) an order made under section 290 or 292 of the *Act* which declares an investment exchange to be an *RIE* or (for *RAPs*) an order made under regulation 2 of the *RAP regulations* which declares a *UK RIE* to be an *RAP* .

*recognition requirement*

**FCA** **PRA**

- (1) (in relation to a *UK RIE* ) any of the requirements applicable to that body under the Recognition Requirements Regulations.
- (2) (in relation to a body applying for recognition as a *UK RIE* ) any of the requirements under the Recognition Requirements Regulations which, if its application were successful, would apply to it.
- (3) (in relation to an *ROIE* , or to an applicant for recognition as an *ROIE* ) any of the requirements in section 292(3) of the *Act* (Overseas investment exchanges and overseas clearing houses).

*Recognition Requirements Regulations*

FCA PRA

the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (SI 2001/995).

*redemption*

FCA PRA

(1) (except in ■ EG 14 (Collective investment schemes)) (in relation to *units* in an *authorised fund*) the purchase of them from their *holder* by the *authorised fund* manager acting as a *principal*.

(in ■ EG 14 (Collective investment schemes)) redemption as in (1) but including their cancellation by:

- the trustee of an *AUT*;
- the *depository* of an *ACS*; or
- an *ICVC*.

*redemption charge*

FCA PRA

an amount levied by the *operator* of a *scheme* upon the *redemption* of *units*, in the case of an *authorised fund* under COLL 6.7.7R (Charges on buying and selling units).

*redemption price*

FCA PRA

(in *COLL*)

the *price* payable by the *authorised fund manager* for each *unit* it *redeems* from a unitholder, calculated in accordance with ■ COLL 6.3 (Valuation and pricing).

*redress determination*

FCA PRA

a written communication from a *respondent* under a *consumer redress scheme* which:

- (a) sets out the results of the *respondent's* determination under the scheme;
- (b) encloses a copy of the *Financial Ombudsman Service's* standard explanatory leaflet; and
- (c) informs the complainant that if he is dissatisfied, he may now make a *complaint* to the *Financial Ombudsman Service* and must do so within six *months*.

*reduced net underwriting position*

FCA PRA

the *net underwriting position* as adjusted under ■ BIPRU 7.8.27 R (Calculating the reduced net underwriting position).

*register*

FCA

(1) [deleted]

(2) [deleted]

(3) (in *COLL*) the register of *unitholders* kept under Schedule 3 to the *OEIC Regulations* or ■ COLL 6.4.4 R (Register: general requirements and contents), or ■ COLL 8.5.8 R (The register of unitholders: AUTs or ACSs ) as appropriate or, in relation to a *collective investment scheme* that is not an *authorised fund*, a record of the holders (other than of *bearer certificates*) of *units* in it.

*registered branch*

FCA PRA

a branch of a *friendly society* which is separately registered under the Friendly Societies Act 1974.



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|---|--|
| <p><i>registered contact</i><br/>FCA PRA</p>          | <p>(as defined in regulation 8(1)(d) of the <i>CTF Regulations</i>) the <i>person</i> who is capable of giving instructions to the <i>CTF provider</i> with respect to the management of the <i>CTF</i>.</p>   |
| <p><i>registered friendly society</i><br/>FCA PRA</p> | <p>a <i>friendly society</i> registered under section 7(1)(a) of the <i>Friendly Societies Act 1974</i> or any enactment which it replaced, including any registered branches.</p>   |
| <p><i>registrar</i><br/>FCA PRA</p>                   | <p>the <i>person</i> who maintains a <i>register</i>.</p>  |
| <p><i>registration date</i><br/>FCA PRA</p>           | <p>(in <i>RCB</i>) the date of the <i>FCA</i> decision to register a <i>regulated covered bond</i>.</p>  |
| <p><i>registration document</i><br/>FCA PRA</p>       | <p>(in <i>Part 6 rules</i>) a registration document referred to in ■ PR 2.2.2 R.</p>   |
| <p><i>regular user</i><br/>FCA PRA</p>                | <p>(1) (as defined in section 130A(3) of the <i>Act</i> (Market abuse)) a <i>person</i> who is, in relation to a particular market, a reasonable <i>person</i> who regularly deals on that market in <i>investments</i> of the kind in question.</p> <p>(2) (in accordance with section 130A(3) of the <i>Act</i> (Market abuse) as modified by the <i>RAP Regulations</i>) a <i>person</i> who is, in relation to a particular auction platform, a reasonable <i>person</i> who regularly makes bids on that market for <i>investments</i> of the kind in question.</p>   |
| <p><i>Regulated Activities Order</i><br/>FCA PRA</p>  | <p>the <u>Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)</u>.</p>   |
| <p><i>regulated activity</i><br/>FCA PRA</p>          | <p>(A) in the <i>PRA Handbook</i>:<br/>(in accordance with section 22 of the <i>Act</i> (Regulated activities)) any of the following activities specified in Part II of the <i>Regulated Activities Order</i> (Specified Activities):</p> <ul style="list-style-type: none"> <li>(a) <i>accepting deposits</i> (article 5);</li> <li>(aa) <i>issuing electronic money</i> (article 9B);</li> <li>(b) <i>effecting contracts of insurance</i> (article 10(1));</li> <li>(c) <i>carrying out contracts of insurance</i> (article 10(2));</li> <li>(d) <i>dealing in investments as principal</i> (article 14);</li> <li>(e) <i>dealing in investments as agent</i> (article 21);</li> <li>(ea) <i>bidding in emissions auctions</i> (article 24A);</li> <li>(f) <i>arranging (bringing about) deals in investments</i> (article 25(1));</li> <li>(g) <i>making arrangements with a view to transactions in investments</i> (article 25(2));</li> </ul> |

- (ga) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (gb) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (gc) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (gd) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (ge) *arranging (bringing about) a home purchase plan* (article 25C(1));
- (gf) *making arrangements with a view to a home purchase plan* (article 25C(2));
- (gg) *operating a multilateral trading facility* (article 25D);
- (gh) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (gi) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (h) *managing investments* (article 37);
- (ha) *assisting in the administration and performance of a contract of insurance* (article 39A);
- (i) *safeguarding and administering investments* (article 40); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *safeguarding and administration of assets (without arranging)*;
  - (ii) *arranging safeguarding and administration of assets*;
- (j) *sending dematerialised instructions* (article 45(1));
- (k) *causing dematerialised instructions to be sent* (article 45(2));
- (l) *establishing, operating or winding up a collective investment scheme* (article 51(1)(a)); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *establishing, operating or winding up a regulated collective investment scheme*;
  - (ii) *establishing, operating or winding up an unregulated collective investment scheme*;
- (m) *acting as trustee of an authorised unit trust scheme* (article 51(1)(b));
- (ma) *acting as the depositary of an authorised contractual scheme* (article 51(1)(bb));
- (n) *acting as the depositary or sole director of an open-ended investment company* (article 51(1)(c));
- (na) *managing a UCITS* (article 51ZA);
- (nb) *acting as trustee or depositary of a UCITS* (article 51ZB);
- (nc) *managing an AIF* (article 51ZC);
- (nd) *acting as trustee or depositary of an AIF* (article 51ZD);
- (ne) *establishing, operating or winding up a collective investment scheme* (51ZE).
- (o) *establishing, operating or winding up a stakeholder pension scheme* (article 52 (a) );
- (oa) *providing basic advice on stakeholder products* (article 52B);

(ob) *establishing, operating or winding up a personal pension scheme* (article 52(b));

(p) *advising on investments* (article 53); for the purposes of the *permission* regime, this is sub-divided into:

(i) *advising on investments* (except pension transfers and pension opt-outs);

(ii) *advising on pension transfers and pension opt-outs*;

(pa) *advising on regulated mortgage contracts* (article 53A);

(pb) *advising on a home reversion plan* (article 53B);

(pc) *advising on a home purchase plan* (article 53C);

(pd) *advising on a regulated sale and rent back agreement* (article 53D);

(q) *advising on syndicate participation at Lloyd's* (article 56);

(r) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's* (article 57);

(s) *arranging deals in contracts of insurance written at Lloyd's* (article 58);

(sa) *entering into a regulated mortgage contract* (article 61(1));

(sb) *administering a regulated mortgage contract* (article 61(2));

(sc) *entering into a home reversion plan* (article 63B(1));

(sd) *administering a home reversion plan* (article 63B(2));

(se) *entering into a home purchase plan* (article 63F(1));

(sf) *administering a home purchase plan* (article 63F(2));

(sg) *entering into a regulated sale and rent back agreement* (article 63J(1));

(sh) *administering a regulated sale and rent back agreement* (article 63J(2));

(si) *meeting of repayment claims* (article 63N(1)(a));

(sj) *managing dormant account funds (including the investment of such funds)* (article 63N(1)(b));

(t) *entering as provider into a funeral plan contract* (article 59);

(B) in the FCA Handbook:

as in (A) with the addition of:

(ob) *establishing, operating or winding up a personal pension scheme* (article 52(b));

(ta) *providing information in relation to a specified benchmark*;

(tb) *administering a specified benchmark*;

which is carried on by way of business and, except for (ta) and (tb), relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind.

(u) *agreeing to carry on a regulated activity* (article 64);

which is carried on by way of business and relates to a *specified investment* applicable to that activity or, in the case of (l), (m), (n) and (o), is carried on in relation to property of any kind.

*regulated activity debt*

**FCA** **PRA**

an obligation to pay a sum due and payable under an agreement, the making or performance of which constitutes or is part of a *regulated activity* carried on by an individual who:

- (a) is, or has been, an *authorised person*; or
- (b) is carrying on, or has carried on, a *regulated activity* in contravention of the *general prohibition*.

*regulated activity group*

**FCA** **PRA**

A set of one or more *regulated activities* (with associated *investment types* and *customer types*) referred to in ■ SUP 16 to determine a *firm's* or other regulated person's *data item submission* requirements.

*regulated clearing arrangement*

**FCA**

as the context requires, either:

- (a) an arrangement under which a *firm* directly places *client money* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at an *authorised central counterparty*; or
- (b) an arrangement under which a *firm*, acting for a *client* who is also an *indirect client*, directly places *client money* of that *indirect client* in a *client transaction account* that is an *individual client account* or an *omnibus client account* at a *clearing member* for the purposes of having that *clearing member* clear the positions of that *indirect client* through an *authorised central counterparty*.

*regulated collective investment scheme*

**FCA** **PRA**

- (a) an *ICVC*; or
- (b) an *AUT*; or
- (ba) an *ACS*; or
- (c) a *recognised scheme*;

whether or not the *units* are held within an *ISA* or *personal pension scheme*.

*regulated consumer credit agreement*

**FCA** **PRA**

in accordance with section 8 of the Consumer Credit Act 1974 (as amended) an agreement between an individual "the debtor" and any other person "the creditor" by which the creditor provides the debtor with credit of any amount and which is not an exempt agreement for the purposes of that Act;

and expressions used in that Act have the same meaning in this definition.

*regulated consumer hire agreement*

**FCA** **PRA**

in accordance with section 15 of the Consumer Credit Act 1974 (as amended) an agreement made by a person with an individual "the hirer" for the bailment or (in Scotland) the hiring of goods to the hirer, being an agreement which

- (a) is not a hire-purchase agreement, and
- (b) is capable of subsisting for more than three months, and
- (c) is not an exempt agreement;

and expressions used in that Act have the same meaning in this definition.

*regulated covered bond*

**FCA** **PRA**

(in *RCB*) (as defined in Regulation 1(2) of the *RCB Regulations*) a *covered bond* or *programme of covered bonds*, as the case may be, which is admitted to the register of *regulated covered bonds* maintained under Regulation 7(1)(b) of the *RCB Regulations*.

*regulated entity*

**FCA** **PRA**

one of the following:

- (a) a *credit institution*; or
- (b) a regulated insurance entity; or

(c) an *investment firm*;

whether or not it is incorporated in, or has its head office in, an *EEA State*.

An *asset management company* is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: *asset management companies*).

An *alternative investment fund manager* is treated as a regulated entity for the purposes described in ■ GENPRU 3.1.39 R (The financial sectors: alternative investment fund managers).

*regulated information*

FCA PRA

all information which an *issuer*, or any other *person* who has applied for the admission of *financial instruments* to trading on a *regulated market* without the *issuer's* consent, is required to disclose under:

- (a) the *Transparency Directive*;
- (b) article 6 of the *Market Abuse Directive*; or
- (c) *LR*, and *DTR*.

*Regulated Information Service*

FCA PRA

a Regulated Information Service that is approved by the *FCA* as meeting the Criteria for Regulated Information Services and that is on the list of Regulated Information Services maintained by the *FCA*.

*regulated institution*

FCA PRA

any of the following:

- (a) an *EEA insurer* or *UK insurer*; or
- (b) an *approved credit institution*; or
- (c) a *friendly society* (not within (a)) which is authorised to carry on *insurance business*; or
- (d) a *firm* whose *permission* includes dealing in investments as *principal* with respect to *derivatives* which are not *listed*; or
- (e) a *MiFID investment firm* whose authorisation (as referred to in article 5 of *MiFID*) authorises it to carry on activities of the kind referred to in (d).

*regulated insurance entity*

FCA PRA

an insurance undertaking within the meaning of Article 4 of the *Consolidated Life Directive*, Article 6 of the *First Non-Life Directive* or Article 1(b) of the *Insurance Groups Directive*.

*regulated lifetime mortgage contract*

FCA PRA

a *regulated mortgage contract* which is a *lifetime mortgage*.

*regulated market*

FCA PRA

(1) a multilateral system operated and/or managed by a *market operator*, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in *financial instruments* - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, in respect of the *financial instruments* admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of *MiFID*.

[Note: article 4(1)(14) of *MiFID*]

*regulated market transaction*

**FCA** **PRA**

*regulated mortgage activity*

**FCA** **PRA**

*regulated mortgage contract*

**FCA** **PRA**

(2) (in addition, in *INSPRU* and *IPRU(INS)* only) a market situated outside the *EEA States* which is characterised by the fact that:

- (a) it meets comparable requirements to those set out in (1); and
- (b) the *financial instruments* dealt in are of a quality comparable to those in a regulated market in the United Kingdom.

a transaction concluded by a *firm* on a *regulated market* with another member or participant of that *regulated market*.

any of the following activities specified in Part II of the *Regulated Activities Order* (Specified Activities):

- (a) *arranging (bringing about) regulated mortgage contracts* (article 25A(1));
- (b) *making arrangements with a view to regulated mortgage contracts* (article 25A(2));
- (c) *advising on regulated mortgage contracts* (article 53A);
- (d) *entering into a regulated mortgage contract* (article 61(1));
- (e) administering a regulated mortgage contract (article 61(2));
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

(a) (in relation to a contract) a contract which:

(i) (in accordance with article 61(3) of the *Regulated Activities Order*) at the time it is entered into, meets the following conditions:

( A ) a lender provides credit to an individual or to trustees (the 'borrower'); and

( B ) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the *United Kingdom*, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a *person* who is in relation to the borrower or (in the case of credit provided to trustees) a beneficiary of the trust:

( I ) that *person's* spouse or civil partner; or

( II ) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristics of the relationship between husband and wife; or

( III ) that *person's* parent, brother, sister, child, grandparent or grandchild ; and

(ii) is not a *home purchase plan*.

(b) (in relation to a *specified investment*) the *investment*, specified in article 88 of the *Regulated Activities Order*, which is rights under a *regulated mortgage contract* within (a).

*regulated related undertaking*

**FCA** **PRA**

a *related undertaking* that is any of the following:

- (a) a *regulated entity*; or
- (b) an *insurance undertaking* which is not a *regulated insurance entity*; or
- (c) an *asset management company*; or
- (d) a *financial institution* which is neither a *credit institution* nor an *investment firm*; or
- (e) a *financial holding company*; or
- (f) an *insurance holding company*; or
- (g) a *mixed financial holding company*.

*regulated sale and rent back activity*

**FCA** **PRA**

any of the following *regulated activities*:

- (a) *arranging (bringing about) a regulated sale and rent back agreement* (article 25E(1));
- (b) *making arrangements with a view to a regulated sale and rent back agreement* (article 25E(2));
- (c) *advising on a regulated sale and rent back agreement* (article 53D);
- (d) *entering into a regulated sale and rent back agreement* (article 63J(1));
- (e) *administering a regulated sale and rent back agreement* (article 63J(2)); or
- (f) *agreeing to carry on a regulated activity* in (a) to (e) (article 64).

*regulated sale and rent back agreement*

**FCA** **PRA**

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an arrangement comprised in one or more instruments or agreements, in relation to which the following conditions are met at the time it is entered into:

- (a) the arrangement is one under which a *person* (an agreement provider), buys all or part of the *qualifying interest in land* in the *United Kingdom* from an individual or trustees (the "agreement seller"); and
- (b) the agreement seller (if he is an individual) or an individual who is the beneficiary of the trust (if the agreement seller is a trustee), or a related person, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling, and intends to do so;

but excluding any arrangement that is a regulated *home reversion plan*.

*regulated sale and rent back firm*

**FCA** **PRA**

a *firm* that carries on any *regulated sale and rent back activity*.

*regulated sale and rent back mediation activity*

**FCA** **PRA**

any of the following *regulated activities*:

- (a) *arranging (bringing about) regulated sale and rent back agreements* (article 25E(1));
- (b) *making arrangements with a view to regulated sale and rent back agreements* (article 25E(2));
- (c) *advising on regulated sale and rent back agreements* (article 53D);
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

*regulated sale and rent back transaction*

**FCA** **PRA**

a transaction involving a *regulated sale and rent back agreement* under which a *SRB agreement seller*, in return for the sale of a *qualifying interest in land* in whole or in part to a *SRB agreement provider*, is granted, or any member of his family is granted, a right to occupy the land in question as, or in connection with, a dwelling, and intends so to occupy it.

*regulatory basis only life firm*

**FCA** **PRA**

a *firm* carrying on *long-term insurance business* which is not a *realistic basis life firm*.

*regulatory body*

**FCA** **PRA**

any authority, body or *person* having, or who has had, responsibility for the supervision or regulation of any *regulated activities* or other financial services, whether in the *United Kingdom* or overseas.

*regulatory costs*

**FCA** **PRA**

the periodic fees payable to the *appropriate regulator* by a *participant firm* in accordance with **■ FEES 4** (Periodic fees) .

*regulatory current liabilities*

**FCA** **PRA**

(in relation to a *with-profits fund*) the regulatory current liabilities of the *with-profits fund* calculated in accordance with INSPRU 1.1.30R.

*Regulatory Decisions Committee*

**FCA** **PRA**

a committee of the Board of the *FCA*, described in **■ DEPP 3.1** (The nature and procedure of the RDC).

*regulatory excess capital*

**FCA** **PRA**

(in relation to a *with-profits fund*) has the meaning set out in INSPRU 1.3.32R .

*regulatory function*

**FCA** **PRA**

(as defined in section 291 of the *Act* (Liability in relation to *recognised body's* regulatory functions)) any function of a *recognised body* so far as relating to, or to matters arising out of, the obligations to which the body is subject under or by virtue of the *Act* and (for an *RAP*) under the *RAP recognition requirements* .

*regulatory high risk category*

**FCA** **PRA**

(for the purposes of the *standardised approach* to credit risk) an item that falls into **■ BIPRU 3.4.104 R** (Items belonging to regulatory high risk categories under the standardised approach to credit risk).

*regulatory information service or RIS*

**FCA** **PRA**

either:

(a) a *Regulated Information Service*; or

(b) an incoming *information society service* that has its *establishment* in an *EEA State* other than the *United Kingdom* and that disseminates *regulated information* in accordance with the minimum standards set out in [article 12 of the *TD implementing Directive*].



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| <i>regulatory objectives</i>   | [deleted]   |
| <i>regulatory provisions</i><br>FCA PRA  | any rules, guidance, arrangements or policy issued by the investment exchange in connection with its business as an investment exchange or in connection with the provision by it of <i>clearing facilitation services</i> .  |
| <i>regulatory surplus</i><br>FCA PRA   | (in relation to a long-term business fund, or sub-fund) the excess, if any, of the <i>regulatory value of assets</i> for the <i>with-profits fund</i> over the <i>regulatory value of liabilities</i> for that fund.  |
| <i>regulatory surplus value</i><br>FCA PRA   | has the meaning set out in GENPRU 1.3.48R.  |
| <i>regulatory system</i><br>FCA PRA  | the arrangements for regulating a <i>firm</i> or other <i>person</i> in or under the <i>Act</i> , including the <i>threshold conditions</i> , the <i>Principles</i> and other <i>rules</i> , the <i>Statements of Principle</i> , codes and <i>guidance</i> and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the <i>MiFID implementing Directive</i> and the <i>MiFID Regulation</i> . |
| <i>regulatory value of assets</i><br>FCA PRA   | (in relation to a <i>with-profits fund</i> ) has the meaning set out in INSPRU 1.3.24R.   |
| <i>regulatory value of liabilities</i><br>FCA PRA  | (in relation to a <i>with-profits fund</i> ) has the meaning set out in INSPRU 1.3.29R.   |
| <i>rehabilitation exceptions orders</i><br>FCA PRA   | the Rehabilitation of Offenders Act 1974 (Exceptions) Order 1975, the Rehabilitation of Offenders Act 1974 (Exclusions and Exceptions) (Scotland) Order 2003 and the Rehabilitation of Offenders (Exceptions) Order (Northern Ireland) 1979.  |
| <i>reinsurance</i><br>FCA PRA  | includes retrocession.  |
| <i>reinsurance contract</i><br>FCA PRA   | (in ■ COBS 21, ICOBS, ■ CASS 5 and COMP) a <i>contract of insurance</i> covering all or part of a risk to which a <i>person</i> is exposed under a <i>contract of insurance</i> .   |
| <div style="display: flex; align-items: center;"> <div style="background-color: #4a5568; color: white; padding: 2px 5px; font-size: 8px; margin-right: 5px;">PAGE R15</div> <div> <i>Reinsurance Directive</i><br/>FCA PRA         </div> </div> | the Directive of 16 November 2005 of the European Parliament and of the Council (No 2005/68/EC) on reinsurance and amending the <i>First Non-Life Directive</i> and the <i>Third Non-Life Directive</i> as well as the <i>Insurance Groups Directive</i> and the <i>Consolidated Life Directive</i> .   |
| <i>reinsurance mediation</i>   | (as defined in article 2.4 of the <i>Insurance Mediation Directive</i> ) the activities of introducing, proposing or carrying out other work preparatory to the conclusion  |

FCA PRA

of contracts of reinsurance, or of concluding such contracts, or of assisting in the administration and performance of such contracts, in particular in the event of a claim. These activities when undertaken by a *IMD reinsurance undertaking* or an employee of a *IMD reinsurance undertaking* who is acting under the responsibility of the *IMD reinsurance undertaking* shall not be considered as *reinsurance mediation*. The provision of information on an incidental basis in the context of another professional activity provided that the purpose of that activity is not to assist the customer in concluding or performing a reinsurance contract, the management of claims of a *IMD reinsurance undertaking* on a professional basis, and loss adjusting and expert appraisal of claims shall also not be considered as *reinsurance mediation*.

*reinsurance to close*

FCA PRA

(a) an agreement under which members of a *syndicate* in one *syndicate year* ("the reinsured members") agree with the members of that *syndicate* in a later *syndicate year* or the members of another *syndicate* ("the reinsuring members") that the reinsuring members will discharge, or procure the discharge of, or indemnify the reinsured members against, all known and unknown *insurance business* liabilities of the reinsured members arising out of the *insurance business* carried on by the reinsured members in that *syndicate year*; or

(b) a similar reinsurance agreement or arrangement that has been approved by the *Council* as a reinsurance to close.

*reinsurance undertaking*

FCA PRA

an *insurance undertaking* whose *insurance business* is restricted to *reinsurance*.

*reinsurer*

FCA PRA

an *insurance undertaking* whose business includes *effecting* or *carrying out* contracts of *reinsurance*; includes a retrocessionaire.

*related designated investment*

FCA PRA

(in relation to a *designated investment* (the "first investment")) a *designated investment* whose value might reasonably be expected to be directly affected by:

- (a) any fluctuation in the value of the first investment; or
- (b) any *published recommendation* that concerns the first investment.

*related financial instrument*

FCA PRA

means a *financial instrument*, the price of which is closely affected by price movements in another *financial instrument* which is the subject of *investment research*, and includes a derivative on that other *financial instrument*.

[Note: article 25(2) of the *MiFID implementing Directive*]

*related investment*

FCA PRA

(as defined in section 130A(3) of the *Act*) in relation to a *qualifying investment*, means an investment whose price or value depends on the price or value of the *qualifying investment*.

*related party*

FCA PRA

- (1) (in *LR*) as defined in ■ LR 11.1.4 R;
- (2) (in relation to an agreement seller under a *regulated sale and rent back agreement* or, where the agreement seller is a trustee, a beneficiary of the trust):
  - (a) that *person's* spouse or civil partner; or
  - (b) a *person* (whether or not of the opposite sex) whose relationship with that *person* has the characteristic of the relationship between husband and wife; or

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| <p><i>related party circular</i></p> <p><b>FCA</b> <b>PRA</b></p>    | <p>(c) that <i>person's</i> parent, brother, sister, child, grandparent or grandchild.</p> <p>(in LR) a <i>circular</i> relating to a <i>related party transaction</i>.</p>   |
| <p><i>related party transaction</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in LR) as defined in ■ LR 11.1.5 R.</p>   |
| <p><i>related undertaking</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>in relation to an <i>undertaking</i> ("U"):</p> <p>(a) any <i>subsidiary undertaking</i> of U; or</p> <p>(b) any <i>undertaking</i> in which U or any of U's <i>subsidiary undertakings</i> holds a participation; or</p> <p>(c) any <i>undertaking</i> linked to U by a <i>consolidation Article 12(1) relationship</i>; or</p> <p>(d) any <i>undertaking</i> linked by a <i>consolidation Article 12(1) relationship</i> to an <i>undertaking</i> in (a), (b) or (c).</p>  |
| <p><i>relevant articles</i></p> <p><b>FCA</b> <b>PRA</b></p>         | <p>(in REC):</p> <p>(1) Article 6.1 to 6.4 of the <i>Market Abuse Directive</i>;</p> <p>(2) Articles 3, 5, 7, 8, 10, 14 and 16 of the <i>Prospectus Directive</i>;</p> <p>(3) Articles 4 to 6, 14, 16 to 19 and 30 of the <i>Transparency Directive</i>; and</p> <p>(4) <i>EU</i> legislation made under the provisions mentioned in (1) to (3).</p>  |
| <p><i>relevant asset pool</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>(in RCB) (as defined in Regulation 1(2) of the <i>RCB Regulations</i>) in relation to a <i>regulated covered bond</i> the <i>asset pool</i> from which the claims attaching to that bond are guaranteed to be paid by the <i>owner</i> of that pool in the event of the failure of the <i>issuer</i>.</p>  |
| <p><i>relevant business</i></p> <p><b>FCA</b> <b>PRA</b></p>         | <p>(1) (in <i>DISP</i> and <i>FEES</i>) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in ■ DISP 2.3 (To which activities does the Compulsory Jurisdiction apply?), ■ DISP 2.4 (To which activities does the Consumer Credit Jurisdiction apply?) and ■ DISP 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i>.</p> <p>(2) (in relation to information communicated to a <i>client</i> other than a <i>financial promotion</i>) <i>designated investment business</i>.</p> <p>(3) (in relation to a <i>financial promotion</i>) a <i>controlled activity</i>.</p> |
| <p><i>relevant capital sum</i></p> <p><b>FCA</b> <b>PRA</b></p>      | <p>for the purposes of INSPRU 1.3.34R, the sum under a <i>contract of insurance</i> which is:</p> <p>(a) unless (b) applies:</p> <p>(i) for whole life assurances, the sum assured;</p> <p>(ii) for <i>contracts of insurance</i> where a sum is payable on maturity (including contracts where a sum is also payable on earlier death), the sum payable on maturity;</p> <p>(iii) for deferred annuities, the capitalised value of the annuity at the vesting date (or the cash option if it is greater);</p>  |

(iv) for *capital redemption* contracts, the sum payable at the end of the contract period; and

(v) for linked long-term contracts of insurance, notwithstanding (i) to (iv), the lesser of:

(A) the amount for the time being payable on death; and

(B) the aggregate of the value for the time being of the units allocated to the contract (or, where entitlement is not denoted by means of units, the value for the time being of any other measure of entitlement under the contract equivalent to units) and the total amount of the *premiums* remaining to be paid during such of the term of the contract as is appropriate for *zillmerising* or, if such *premiums* are payable beyond the age of seventy-five, until that age;

but excluding in all cases any vested reversionary bonus; and

(b) for temporary assurances, the sum assured on the *actuarial valuation date*.

relevant  
charitable  
scheme

FCA PRA

an *authorised fund* which is:

(a) a registered charity; or

(b) a charitable unit trust scheme under regulation 7(2)(d) of the Income Tax (Definition of Unit Trust Scheme) Regulations 1988.

relevant  
collateral

FCA PRA

in relation to a transaction:

(a) cash;

(b) letters of credit and guarantees to the extent of their face value, issued by an *approved bank* which is neither a counterparty nor an *associate* of a counterparty;

(c) gold and silver bullion and coinage;

(d) marketable investments;

(e) the performance guarantees issued in support of the securities lending and borrowing programmes of Euroclear and Cedel, in respect only of *exposure* arising from participation in such programmes;

subject in each case to:

(i) the *firm* having an unconditional right to apply or realise the relevant collateral for the purpose of repaying a counterparty's obligations;

(ii) marketable investments:

(A) being marked to market daily using the valuation principles in ■ IPRU(INV) 3.41(9)R;

(B) not being issued by a counterparty nor by an *associate* of a counterparty.

relevant  
commencement  
date

FCA PRA

(as defined in article 1 of the *Mortgage and General Insurance Complaints Transitional Order*):

(a) in relation to a complaint which relates to an activity to which, immediately before 14 January 2005, the *GISC facility* applied, the beginning of 14 January 2005;

|   |   |
|---|---|
| <p><i>relevant competent authorities</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(b) in relation to a complaint which relates to an activity to which, immediately before 31 October 2004, the <i>MCAS scheme</i> applied, the beginning of 31 October 2004.</p> <p>(in relation to a <i>financial conglomerate</i>) those <i>competent</i> authorities which are, or which have been appointed as, relevant <i>competent</i> authorities in relation to that <i>financial conglomerate</i> under Article 2(17) of the <i>Financial Groups Directive</i> (Definitions).</p>   |
| <p><i>relevant competent authority</i></p> <p><b>FCA</b> <b>PRA</b></p>   | <p>(in relation to a <i>financial instrument</i>) means the <i>competent authority</i> of the most relevant market in terms of liquidity for that <i>financial instrument</i>.</p> <p>[Note: article 2(7) of <i>MiFID Regulation</i>]</p>   |
| <p><i>relevant complaint</i></p> <p><b>FCA</b> <b>PRA</b></p>             | <p>(1) (in <i>DISP</i>) a <i>relevant existing complaint</i>, a <i>relevant new complaint</i> or a <i>relevant transitional complaint</i>.</p> <p>(2) (in <i>REC</i>) (as defined in section 299(2) of the <i>Act</i> (Complaints about <i>recognised bodies</i>)) a complaint which the <i>FCA</i> considers is relevant to the question of whether a <i>recognised body</i> should remain a <i>recognised body</i>.</p>   |
| <p><i>relevant date</i></p> <p><b>FCA</b> <b>PRA</b></p>                  | <p>(in <b>■ MCOB 10</b> (Annual percentage rate)):</p> <p>(a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to require provision of anything which is the subject of the agreement) the earliest such date;</p> <p>(b) (in any other case) the date of making the agreement.</p>   |
| <p><i>relevant EEA details</i></p> <p><b>FCA</b> <b>PRA</b></p>           | <p>the details listed in regulation 14 of the <i>EEA Passport Rights Regulations</i> and set out in <b>■ SUP 13 Annex 1 R</b> (Requisite details or relevant details: branches).</p>  |
| <p><i>relevant existing complaint</i></p> <p><b>FCA</b> <b>PRA</b></p>    | <p>(in accordance with the Ombudsman Transitional Order) a complaint which:</p> <p>(a) was referred to a <i>former scheme</i> at any time before <i>commencement</i>, by a person who was at that time entitled, under the terms of the <i>former scheme</i>, to refer such a complaint (whether described in that scheme as the making of a complaint, the referral of a dispute, the submission of a claim, or otherwise); and</p> <p>(b) has not, before <i>commencement</i>, been rejected, withdrawn, settled or determined by the former Ombudsman (whether by a substantive decision, or by closure of the case without a substantive decision).</p> |
| <p><i>relevant financial system</i></p> <p><b>FCA</b> <b>PRA</b></p>      | <p>(in accordance with section 169A(5) of the <i>Act</i> (Support of overseas regulator with respect to financial stability)) a financial system including:</p> <p>(a) financial markets and exchanges;</p> <p>(b) activities that would be <i>regulated activities</i> if carried on in the <i>United Kingdom</i>; and</p> <p>(c) other activities connected with financial markets and exchanges.</p>   |
| <p><i>relevant former scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>         | <p>(as defined in article 2(2) of the <i>compensation transitionals order</i>):</p> <p>(a) in relation to a <i>pending application</i>, the <i>investment business compensation scheme</i> under which the application was made;</p>  |

*relevant  
function*

**FCA** **PRA**

*relevant  
general  
insurance  
contract*

**FCA** **PRA**

*relevant  
information*

**FCA** **PRA**

*relevant insurer*

**FCA** **PRA**

*relevant  
investment*

**FCA** **PRA**

(b) in relation to an *article 9 default*, one of the following that applied to the default before *commencement*:

- (i) the Policyholders Protection Scheme established by the Policyholders Protection Act 1975;
- (ii) the Deposit Protection Scheme established by Part II of the Banking Act 1987;
- (iii) the Building Societies Investor Protection Scheme established by Part IV of the Building Societies Act 1986;
- (iv) the Friendly Societies Protection Scheme established in accordance with section 141 of the Financial Services Act 1986.

(in relation to a *UK recognised body*) an *exempt activity* or a *regulatory function*.

(in *COMP*) any *general insurance contract* other than:

- (a) [deleted]
- (b) [deleted]
- (c) a contract falling within any of the following classes:
  - (i) *aircraft*;
  - (ii) *ships*;
  - (iii) *goods in transit*;
  - (iv) *aircraft liability*;
  - (v) *liability of ships*;
  - (vi) *credit*.

(1) (except in *REC*) (in relation to an *investment*) information which would be likely to be regarded by a *regular user* of the market or auction platform in question as relevant when deciding the terms on which transactions in that *investment* should be effected.

(2) (in *REC*) (in relation to an *investment*) information which is relevant to determining the current value of that *investment* or (in relation to *RAPs*) information on the terms of *emissions auction products* and the terms on which they will be auctioned on an *RAP*.

in relation to a *community co-insurance operation*, an *insurer* which is concerned in the operation but is not the *leading insurer*.

(1) (in **■** COBS 12.4, in relation to a *research recommendation* or a public appearance), a *designated investment* that is the subject of that *research recommendation* or public appearance,

(2) (other than in **■** COBS 4 or **■** COBS 12.4) (in accordance with article 3(1) of the *Regulated Activities Order* (Interpretation)):

- (a) a *contractually based investment*;
- (b) a *pure protection contract*;
- (c) a *general insurance contract*;
- (d) rights to or interests in an *investment* falling within (a).

relevant issuer

FCA PRA

(3) (in ■ COBS 4) a *specified investment* or a *controlled investment*.

(1) (in relation to a *designated investment* that is the subject of a *research recommendation* or a public appearance) the *issuer* of that *designated investment*; or

(2) (in relation to a *related designated investment* that is the subject of a public appearance) either the *issuer* of the *related designated investment* or the *issuer* of a *designated investment* that might reasonably be expected directly to affect the value of the *related designated investment*.

relevant liquid market

FCA PRA

a market for a share determined in accordance with paragraph 2 and 8 of Article 9 of the *MiFID Regulation*, in many cases this will be the Member State where the share or the unit was first admitted to trading on a regulated market.

[Note: article 9 of the *MiFID Regulation*]

relevant net premium income

FCA PRA

(1) (in relation to business which is not *occupational pension fund management business*) the premium income in respect of *protected contracts of insurance* of a *firm*; or

(2) (in relation to *occupational pension fund management business*) the *remuneration* retained by a *firm* in relation to its carrying on *occupational pension fund management business*

in the year preceding that in which the date for submission of the information under ■ FEES 6.5.13 R falls, net of any relevant rebates or refunds.

relevant new complaint

FCA PRA

(in accordance with the *Ombudsman Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after *commencement* which relates to an act or omission occurring before *commencement* if:

(a) the act or omission is that of a person who was, immediately before *commencement*, subject to a *former scheme*;

(b) the act or omission occurred in the carrying on by that person of an activity to which that *former scheme* applied; and

(c) the complainant is eligible and wishes to have the complaint dealt with under the new scheme;

for the purposes of (c), where the complainant is not eligible in accordance with ■ DISP 2 (Jurisdiction of the Financial Ombudsman Service), an *Ombudsman* may, nonetheless, if he considers it appropriate, treat the complainant as eligible if he would have been entitled to refer an equivalent complaint to the *former scheme* in question immediately before *commencement*.

relevant office-holder

FCA PRA

a relevant office-holder as defined in section 189 of the Companies Act 1989, which is in summary:

(a) the official receiver;

(b) (in relation to a company) any *person* acting as its liquidator, provisional liquidator, administrator or administrative receiver;

(c) (in relation to an individual or a debtor within the Bankruptcy (Scotland) Act 1985) a trustee in bankruptcy, interim receiver of property, or permanent or interim trustee in the sequestration of an estate;

(d) any *person* acting as administrator of an insolvent estate of a deceased *person*.

relevant pension scheme

FCA PRA

a *pension scheme* or an *additional voluntary contribution*.

*relevant person*

FCA PRA

(1) (in COMP) a *person* for *claims* against whom the *compensation scheme* provides cover, as defined in ■ COMP 6.2.1 R.

(2) any of the following:

(a) a *director, partner* or equivalent, manager or *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(b) a *director, partner* or equivalent, or manager of any *appointed representative* (or where applicable, *tied agent*) of the *firm*;

(c) an *employee* of the *firm* or of an *appointed representative* (or where applicable, *tied agent*) of the *firm*; as well as any other natural person whose services are placed at the disposal and under the control of the *firm* or an *appointed representative* or a *tied agent* of the *firm* and who is involved in the provision by the *firm* of *regulated activities*;

(d) a natural person who is directly involved in the provision of services to the *firm* or its *appointed representative* (or where applicable, *tied agent*) under an *outsourcing* arrangement or (in the case of a *management company*) a delegation arrangement to third parties, for the purpose of the provision by the *firm* of *regulated activities* or (in the case of a *management company*) *collective portfolio management*.

[Note: article 2(3) of the *MiFID implementing Directive* and article 3(3) of the *UCITS implementing Directive*]

*relevant scheme*

FCA PRA

(1) (except in ■ FEES 6) a *collective investment scheme* managed by an EEA *UCITS management company*.

(2) (in ■ FEES 6) a scheme or arrangement (other than the *compensation scheme*) for the payment of compensation (in certain cases) to customers (including customers outside the *United Kingdom*) of *persons* (including *persons* outside the *United Kingdom*) who provide financial services (including financial services provided outside the *United Kingdom*) or carry on a business connected with the provision of such services.

*relevant security*

FCA PRA

(1) (in ■ MAR 2, when used with reference to the *Buy-back and Stabilisation Regulation*) (in accordance with Article 2(6) of the *Buy-back and Stabilisation Regulation*) *transferable securities* which are admitted to trading on a *regulated market* or for which a request for admission to trading on a *regulated market* has been made, and which are the subject of a *significant distribution*.

(2) (otherwise in ■ MAR 2) *transferable securities*

(3) [deleted]

*relevant transitional complaint*

FCA PRA

(in accordance with the *Mortgage and General Insurance Complaints Transitional Order*) a complaint referred to the *Financial Ombudsman Service* after the *relevant commencement date* which relates to an act or omission occurring before that date if:

(a) the act or omission is that of a *person* ("R") who, at the time of that act or omission, was subject to a *former scheme*;

(b) R was an *authorised person* on or after the *relevant commencement date*;

(c) the act or omission occurred in the carrying on by R of an activity to which that *former scheme* applied; and

(d) the complainant is eligible and wishes to have the complaint dealt with under the new *scheme*.



|   |   |
|---|---|
| <p><i>relevant UK details</i></p> <p><b>FCA</b> <b>PRA</b></p>                          | <p>the details required in regulation 15 of the <i>EEA Passport Rights Regulations</i> and set out in ■ SUP 13 Annex 2 R (Relevant UK details: branches of insurance undertakings).</p>   |
| <p><i>remedial direction</i></p>  | <p>[deleted]</p>  |
| <p><i>remuneration</i></p> <p><b>FCA</b> <b>PRA</b></p>                                 | <p>any form of remuneration, including salaries, <i>discretionary pension benefits</i> and benefits of any kind.</p> <p>[Note: paragraph 23 of Annex V to the <i>Banking Consolidation Directive</i>]</p>   |
| <p><i>Remuneration Code</i></p> <p><b>FCA</b> <b>PRA</b></p>                            | <p>■ SYSC 19A (Remuneration Code).</p>  |
| <p><i>Remuneration Code general requirement</i></p> <p><b>FCA</b> <b>PRA</b></p>        | <p>■ SYSC 19A.2.1 R.</p>  |
| <p><i>Remuneration Code staff</i></p> <p><b>FCA</b> <b>PRA</b></p>                      | <p>(for a <i>BIPRU firm</i> and a <i>third country BIPRU firm</i>) has the meaning given in ■ SYSC 19A.3.4 R.</p>   |
| <p><i>remuneration principles proportionality rule</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in ■ SYSC 19A) has the meaning given in ■ SYSC 19A.3.3 R.</p>   |
| <p><i>renewal</i></p> <p><b>FCA</b> <b>PRA</b></p>                                      | <p>carrying forward a contract, at the point of expiry and as a successive or separate operation of the same nature as the preceding contract, between the same contractual parties.</p>  |
| <p><i>repayment claim</i></p> <p><b>FCA</b> <b>PRA</b></p>                              | <p>(in relation to a <i>dormant account</i>) a claim for repayment made by virtue of sections 1(2)(b) or 2(2)(b) of the Dormant Bank and Building Society Accounts Act 2008, that is, in summary, that the customer has against the <i>dormant account fund operator</i> whatever right to payment of the <i>balance</i> the customer would have against the <i>bank</i> or <i>building society</i> if the transfer (or in the case of section 2(2)(b), transfers) had not happened. In this definition, 'customer' is the <i>person</i> who held with a <i>bank</i> or <i>building society</i> the <i>balance</i> of a <i>dormant account</i> transferred to a <i>dormant account fund operator</i>.</p> |
| <p><i>repayment mortgage</i></p> <p><b>FCA</b> <b>PRA</b></p>                           | <p>a <i>regulated mortgage contract</i> under which the <i>customer</i> is obliged to make payments of interest and capital which are designed to repay the mortgage over the stated term.</p>  |
| <p><i>repayment vehicle</i></p>   | <p>the means by which the <i>customer</i> will repay the capital due under the <i>regulated mortgage contract</i>, where all or part of that contract is an <i>interest-only</i> mortgage.</p>  |

*repo*

FCA PRA

(a) an agreement between a seller and buyer for the sale of *securities*, under which the seller agrees to repurchase the *securities*, or equivalent *securities*, at an agreed date and, usually, at a stated price;

(b) an agreement between a buyer and seller for the purchase of *securities*, under which the buyer agrees to resell the *securities*, or equivalent *securities*, at an agreed date and, usually, at a stated price.

*reporting accountant*

FCA PRA

an accountant appointed:

(a) by the *appropriate regulator* ; or

(b) by a *firm* , having been nominated or approved by the *appropriate regulator* under section 166 of the *Act* (Reports by skilled persons); or

(c) by an applicant for *Part 4A permission* ;

to report on one or more aspects of the business of a *firm* or applicant, such as its financial position, including *internal controls* and reporting returns.

*reporting level*

FCA PRA

(in ■ SUP 16 (Reporting requirements) and in relation to a *data item*) refers to whether that *data item* is prepared on a solo basis or on the basis of a group such as a *UK DLG by modification* and, if it is prepared on the basis of a group, refers to the type of group (such as a *UK DLG by modification* or a *non-UK DLG by modification (firm level)*).

*repossess*

FCA PRA

(in MCOB) take possession of the property that is the subject of a *regulated mortgage contract* or *home purchase plan* .

*representative*

FCA PRA

(1) an individual who:

(a) is appointed by a *firm*, or by an *appointed representative* of a *firm*, to carry on any of the following activities:

(i) *advising on investments*;

(ii) providing *basic advice* on *stakeholder products*;

(iii) *arranging (bringing about) deals in investments*;

(iv) dealing in investments; or

(b) although not appointed to do so, carries on any of the activities in (i) to (iii) on behalf of a *firm* or its *appointed representative* .

(2) (in IPRU(INV) 13 in relation to *designated investment business*) an individual appointed by a provider firm or by an *appointed representative* or *tied agent* of that *firm* to carry out either or both of the following activities:

(a) giving *advice on investments* to *customers* on the merits of *packaged products* offered by that *firm* (or any other provider firm within the same *marketing group*); or

(b) *arranging (bringing about) deals in investments* in relation to those products.

(3) In (2), a provider firm is a *firm* that is:

(a) a *product provider*; or

(b) a *marketing group associate*.

*repurchase agreement*

FCA PRA

see *repurchase transaction*.

repurchase transaction

FCA PRA

(in accordance with Article 3(1)(m) of the *Capital Adequacy Directive* and Article 4(33) of the *Banking Consolidation Directive* (Definitions)) any agreement in which an *undertaking* or its counterparty transfers securities or *commodities* or guaranteed rights relating to title to securities or *commodities* where that guarantee is issued by a *designated investment exchange* or *recognised investment exchange* which holds the rights to the securities or *commodities* and the agreement does not allow an *undertaking* to transfer or pledge a particular security or *commodity* to more than one counterparty at one time, subject to a commitment to repurchase them or substituted securities or *commodities* of the same description at a specified price on a future date specified, or to be specified, by the transferor, being a *repurchase agreement* for the *undertaking* selling the securities or *commodities* and a *reverse repurchase agreement* for the *undertaking* buying them.

required percentage

FCA PRA

the *required percentage* referred to in ■ COBS 20.2.17 R is, for each *with-profits fund*:

- (a) the percentage (if any) required in respect of that fund by:
  - (i) the *firm's* articles of association, registered rules or other equivalent instrument; or
  - (ii) a relevant order made by a court of competent jurisdiction;
- (b) if (a) does not apply, the percentage that reflects the *firm's* established practice, if it has one;
- (c) if (a) and (b) do not apply, not less than 90 per cent.

requirement

FCA PRA

a requirement included in a firm's *Part 4A permission* under section 55L(3) of the *Act* (Imposition of requirements by the FCA), section 55M(3) of the *Act* (Imposition of Requirements by the PRA) or section 55O of the *Act* (Imposition of requirements on acquisition of control) .

requiring or encouraging

FCA PRA

taking or refraining from taking any action which requires or encourages another *person* to engage in *behaviour* which, if engaged in by the *person* requiring or encouraging, would amount to *market abuse*.

requisite details

FCA PRA

the details required in regulation 1 of the *EEA Passport Rights Regulations* and set out in ■ SUP 13 Annex 1 R (Requisite details: branches).

research recommendation

FCA PRA

research or other information:

- (a) concerning one or several *financial instruments* admitted to trading on *regulated markets* , or in relation to which an application for admission to trading has been made, or *issuers* of such *financial instruments*;
- (b) intended for distribution so that it is, or is likely to become, accessible by a large number of *persons*, or for the public, but not including:
  - (i) an informal short-term investment personal recommendation expressed to *clients*, which originates from inside the sales or trading department, and which is not likely to become publicly available or available to a large number of persons; or
  - (ii) advice given by a *firm* to a *body corporate* in the context of a *takeover bid* and disclosed only as a result of compliance with a legal or regulatory obligation, including rule 3 of the *Takeover Code* or its equivalents outside the *UK*; and
- (c) which:
  - (i) explicitly or implicitly, recommends or suggests an investment strategy; or

(ii) directly or indirectly, expresses a particular investment recommendation; or

(iii) expresses an opinion as to the present or future value or price of such instruments.

In this definition, "financial instruments" means the following (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):

(a) *transferable securities*;

(b) units in collective investment undertakings;

(c) *money-market instruments*;

(d) financial futures contracts, including equivalent cash-settled instruments;

(e) forward interest-rate agreements;

(f) interest-rate, currency and equity swaps;

(g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;

(h) derivatives on commodities; and

(i) any other instrument admitted to trading on a regulated market in an *EEA State* or for which a request for admission to trading on such a market has been made.

*resecuritisation*

**FCA** **PRA**

in ■ BIPRU 7 and ■ 9, a *securitisation* where the risk associated with an underlying pool of *exposures* is *tranché* and at least one of the underlying *exposures* is a *securitisation position*.

[Note: BCD, Article 4(40a)]

*resecuritisation position*

**FCA** **PRA**

in ■ BIPRU 7 and ■ 9, an *exposure* to a *resecuritisation*.

[Note: BCD, Article 4(40b)]

*residual CIS operator*

**FCA**

a *firm* with a *Part 4A permission* to carry on the activity specified in article 51ZE (Establishing etc. a collective investment scheme) of the *Regulated Activities Order*.

*resilience capital requirement*

**FCA** **PRA**

the capital component for *long-term insurance business* calculated in accordance with the *rules* in INSPRU 3.1.9G to INSPRU 3.1.26R.

*respondent*

**FCA** **PRA**

(1) (in *DISP*, ■ FEES 5 and ■ CREDS 9) a *firm* (except a *UCITS qualifier*), *payment service provider*, *electronic money issuer*, *licensee* or *VJ participant* covered by the *Compulsory Jurisdiction*, *Consumer Credit Jurisdiction* or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

(2) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, as a result of sections 226 and 226A of the *Act*:

(a) an *unauthorised person* who was formerly a *firm* in respect of a *complaint* about an act or omission which occurred at the time when the *firm* was *authorised*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question;

(b) a *person* who was formerly a *licensee* in respect of a *complaint* about an act or omission which occurred at the time when it was a *licensee*, provided the *complaint* falls within a description specified in the consumer credit rules in force at the time of the act or omission;

(c) a *person* who was formerly a *payment service provider* in respect of a *complaint* about an act or omission which occurred at the time when it was a *payment service provider*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question; and

(d) a *person* who was formerly an *electronic money issuer* in respect of a *complaint* about an act or omission which occurred at the time when it was an *electronic money issuer*, provided that the compulsory jurisdiction rules were in force in relation to the activity in question.

(3) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Ombudsman Transitional Order*, an *unauthorised person* subject to the *Compulsory Jurisdiction* in relation to *relevant existing complaints* and *relevant new complaints*.

(4) (in ■ DISP 2 and ■ 3 and ■ FEES 5) includes, in accordance with the *Mortgage and General Insurance Complaints Transitional Order*, a former *firm* subject to the *Compulsory Jurisdiction* in relation to *relevant transitional complaints*.

(1) (except in COMP) (as defined in section 3(8) of the Child Trust Funds Act 2004) a *person* with *parental responsibility* in relation to a child under 16 who is not:

(a) a local authority or, in Northern Ireland, an authority within the meaning of the Children (Northern Ireland) Order 1995 (SI 1995/755 (NI 2)); or

(b) a *person* under 16.

(2) (in COMP) (in accordance with section 3 (1) of the Compensation Act 2006) a *person* who has negligently or in breach of statutory duty caused or permitted another *person* to be exposed to asbestos (including an *insurer* of such a *person*).

(a) a *personal recommendation* to a *retail client* in relation to a *retail investment product* which is not *independent advice*; or

(b) *basic advice*.

a loan for which, as a result of an existing arrangement between a supplier and a *firm*, the *customer's* application to the *firm* is submitted through the supplier and the terms of the loan require that it be paid to the supplier for goods or services supplied to the *customer*, not including loans secured by a charge over land or loans or payments by *plastic card* (other than a *store card*).

(in accordance with section 11 of the Consumer Credit Act 1974) an agreement:

(a) to finance a transaction between the *customer* and the *firm*, whether forming part of that agreement or not;

(b) to finance a transaction between the *customer* and a person (the 'supplier') other than the *firm*;

(c) to refinance any existing indebtedness of the *customer's*, whether to the *firm* or another *person*.

responsible  
person

FCA PRA

restricted  
advice

FCA PRA

restricted credit

FCA PRA

restricted-use  
credit  
agreement

FCA PRA

|   |   |
|---|---|
| <p><i>restriction notice</i></p> <p><b>FCA</b> <b>PRA</b></p>                         | <p>a notice served under sections 191B or 301J of the <i>Act</i>.</p>   |
| <p><i>retail (investment) customer</i></p> <p><b>FCA</b> <b>PRA</b></p>               | <p>(in relation to a <i>firm's permission</i> and the <i>Financial Services Register</i>) a <i>retail client</i>.</p>   |
| <p><i>retail (non-investment insurance) customer</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in relation to a <i>firm's permission</i> and the <i>Financial Services Register</i>) a <i>consumer</i> or a <i>customer</i> acting in the capacity of both a <i>consumer</i> and a <i>commercial customer</i> (see ■ ICOBS 2.1.3 G).</p>   |
| <p><i>retail banking service</i></p> <p><b>FCA</b> <b>PRA</b></p>                     | <p>an arrangement with a <i>banking customer</i>, under which a <i>firm</i> agrees to accept a <i>deposit</i> from a <i>banking customer</i> on terms to be held in an account for that customer, and to provide services in relation to that <i>deposit</i> including but not limited to repayment to the customer.</p>  |
| <p><i>retail client</i></p> <p><b>FCA</b> <b>PRA</b></p>                              | <p>(1) (other than in relation to the <i>provision of basic advice on stakeholder products</i>) in accordance with ■ COBS 3.4.1 R, a <i>client</i> who is neither a <i>professional client</i> or an <i>eligible counterparty</i>; or</p> <p>[Note: article 4(1)(12) of MiFID]</p> <p>(2) (in relation to the provision of <i>basic advice</i> on a <i>stakeholder product</i> and in accordance with article 52B of the <i>RAO</i>) any <i>person</i> who is advised by a <i>firm</i> on the merits of opening or buying a <i>stakeholder product</i> where the advice is given in the course of a business carried on by that <i>firm</i> and it is received by a <i>person</i> not acting in the course of a business carried on by him.</p> |
| <p><i>retail customer</i></p> <p><b>FCA</b> <b>PRA</b></p>                            | <p>(in accordance with the meaning of 'consumer' in article 2(d) of the <i>Distance Marketing Directive</i> an individual who is acting for purposes which are outside his trade, business or profession.</p>   |
| <p><i>retail exposure</i></p> <p><b>FCA</b> <b>PRA</b></p>                            | <p>(1) (in relation to the <i>IRB approach</i> and with respect to an <i>exposure</i>) an <i>exposure</i> falling into the <i>IRB exposure class</i> listed in ■ BIPRU 4.3.2 R (4) (Retail exposures).</p> <p>(2) (in relation to the <i>standardised approach</i> to credit risk and with respect to an <i>exposure</i>) an <i>exposure</i> falling into the <i>standardised credit risk exposure class</i> listed in ■ BIPRU 3.2.9 R (8) (Retail exposures).</p>  |
| <p><i>retail investment</i></p> <p><b>FCA</b> <b>PRA</b></p>                          | <p>(a) a <i>life policy</i>; or</p> <p>(b) a <i>unit</i>; or</p> <p>(c) a <i>stakeholder pension scheme</i>; or</p> <p>(ca) a <i>personal pension scheme</i>; or</p> <p>(d) an interest in an <i>investment trust savings scheme</i>; or</p> <p>(e) a <i>structured capital-at-risk product</i>.</p>  |
| <p><i>retail investment activity</i></p>  | <p>(a) <i>advising on investments</i>;</p>  |

FCA PRA

(b) *arranging (bringing about) deals in investments*; or(c) *making arrangements with a view to transactions in investments*,in relation to *retail investments*, except when carried on by a *firm* exclusively with or for *professional client* or *eligible counterparties*.*retail investment adviser*an *employee* who carries on activities 2, 3, 4, 6, 12 and 13 in ■ TC Appendix 1.1.1 R (other than in relation to a *Holloway sickness policy* where the *Holloway policy special application conditions* are met).

FCA PRA

*retail investment firm*a *firm* that has *permission* to carry on an activity which is a *retail investment activity*.

FCA PRA

*retail investment product*(a) a *life policy*; or(b) a *unit*; or(c) a *stakeholder pension scheme* (including a *group stakeholder pension scheme*); or(d) a *personal pension scheme* (including a *group personal pension scheme*); or(e) an interest in an *investment trust savings scheme*; or(f) a *security* in an *investment trust*; or(g) any other *designated investment* which offers exposure to underlying financial assets, in a packaged form which modifies that exposure when compared with a direct holding in the financial asset; or(h) a *structured capital-at-risk product*;whether or not any of (a) to (h) are held within an *ISA* or a *CTF*.*retail pool*the pool of *classes* to which the *FSCS* allocates levies as described in ■ FEES 6.5A [to follow].*retail securitised derivative*a *securitised derivative* which is not a specialist securitised derivative; in this definition, a "specialist securitised derivative" is a *securitised derivative* which, in accordance with the *listing rules*, is required to be admitted to listing with a clear statement on any disclosure document that the issue is intended for a purchase by only investors who are particularly knowledgeable in investment matters.

FCA PRA

*retail SME*(1) (in relation to the *IRB approach*) a small or medium sized entity, an *exposure* to which may be treated as a *retail exposure* under ■ BIPRU 4.6.2 R (Definition of retail exposures).(2) (in relation to the *standardised approach* to credit risk) a small or medium sized entity, an *exposure* to which may be treated as a retail exposure under ■ BIPRU 3.2.10 R (Definition of retail exposures).

FCA PRA

*retail SME exposure*(in relation to the *IRB approach* or the *standardised approach* to credit risk) an *exposure* to a *retail SME*.

FCA PRA

|  |  |
|--|--|
| <i>retirement annuity</i><br><b>FCA</b> <b>PRA</b>           | <p>an individual <i>pension policy</i> effected before 1 July 1988 by a self-employed <i>person</i> or a <i>person</i> in non-pensionable employment which was approved under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988 (when sections 618 to 628 of that Chapter were in force).</p>   |
| <i>retirement fund</i><br><b>FCA</b> <b>PRA</b>              | <p>the amount which will be available, at the date on which the investor retires, for the provision of benefits.</p>   |
| <i>return</i><br><b>FCA</b> <b>PRA</b>                       | <p>the documents required (taken together) to be deposited under <i>IPRU(INS) rule 9.6(1)</i>.</p>   |
| <i>reverse repurchase agreement</i><br><b>FCA</b> <b>PRA</b> | <p>see <i>repurchase transaction</i>.</p>  |
| <i>reverse takeover</i><br><b>FCA</b> <b>PRA</b>             | <p>(in <i>LR</i>) a transaction classified as a <i>reverse takeover</i> under ■ LR 5.6.</p>  |
| <i>reversion activity</i><br><b>FCA</b> <b>PRA</b>           | <p>any of the <i>regulated activities</i> of:</p> <ul style="list-style-type: none"> <li>(a) <i>arranging (bringing about) a home reversion plan</i> (article 25B(1));</li> <li>(b) <i>making arrangements with a view to a home reversion plan</i> (article 25B(2));</li> <li>(c) <i>advising on a home reversion plan</i> (article 53B);</li> <li>(d) <i>entering into a home reversion plan</i> (article 63B(1));</li> <li>(e) <i>administering a home reversion plan</i> (article 63B(2)); or</li> <li>(f) <i>agreeing to carry on a regulated activity</i> in (a) to (e) (article 64).</li> </ul> |
| <i>reversion administrator</i><br><b>FCA</b> <b>PRA</b>      | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>administering a home reversion plan</i>.</p>   |
| <i>reversion adviser</i><br><b>FCA</b> <b>PRA</b>            | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>advising on a home reversion plan</i>.</p>   |
| <i>reversion arranger</i><br><b>FCA</b> <b>PRA</b>           | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) for <i>arranging a home reversion plan</i>.</p>   |
| <i>reversion intermediary</i><br><b>FCA</b> <b>PRA</b>       | <p>a <i>firm</i> with <i>permission</i> (or which ought to have <i>permission</i>) to carry on a <i>reversion mediation activity</i>.</p>  |



reversion  
mediation  
activity

FCA PRA

any of the following *regulated activities*:

- (a) *arranging (bringing about) a home reversion plan* (article 25B(1));
- (b) *making arrangements with a view to a home reversion plan* (article 25B(2));
- (c) *advising on a home reversion plan* (article 53B); or
- (d) *agreeing to carry on a regulated activity* in (a) to (c) (article 64).

reversion  
occupier

FCA PRA

the individual (or trustees), specified in article 63B(3) of the *Regulated Activities Order*, who in summary:

- (a) is (or are) the *person* (or *persons*) from whom all or part of an interest in land is bought as part of an arrangement comprising a *home reversion plan*; and
- (b)
  - (i) in the case of an individual, is entitled under the arrangement to occupy at least 40% of the land in question as or in connection with a dwelling and intends to do so; or
  - (ii) in the case of trustees, are trustees of a trust a beneficiary of which is an individual described in (i).

reversion  
provider

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) for *entering into a home reversion plan*.

revolving  
exposure

FCA PRA

(for the purpose of ■ BIPRU 9.13 (Securitisations of revolving exposures with early amortisation provisions) and in accordance with Article 100 of the Banking Consolidation Directive (Securitisations of revolving exposures)) an *exposure* whereby customers' outstanding balances are permitted to fluctuate based on their decisions to borrow and repay, up to an agreed limit.

RIE

FCA PRA

*recognised investment exchange*.

right of set-off

FCA PRA

(in *BCOBS*) any right of a *firm*, whether under a contract for a *retail banking service* or the general law, to set off or combine:

- (a) any debt due from a *consumer*; or
- (b) any debit balance on an account held by a *consumer*;

against or with:

- (c) any sum payable by the *firm* to the *consumer*; or
- (d) any credit balance on an account held by the *consumer*;

that has the effect of reducing, discharging or extinguishing the *firm's* liability to the *consumer* or the credit balance on the account held by the *consumer*.

rights issue

FCA PRA

(in *LR* and ■ DTR 5) an offer to existing *security* holders to subscribe or purchase further *securities* in proportion to their holdings made by means of the issue of a renounceable letter (or other negotiable document) which may be traded (as "nil paid" rights) for a period before payment for the *securities* is due.

*rights to or interests in investments*

FCA PRA

the *investment*, specified in article 89 of the *Regulated Activities Order* (Rights to or interests in investments), which is in summary: any right to or interest in any other *specified investment*, but excluding:

- (a) interests under the trusts of an *occupational pension scheme*;
- (b) rights to or interests in a *contract of insurance* of the kind referred to in paragraph (1)(a) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements), or interests under a trust of the kind referred to in paragraph 1(b) of article 60 of the *Regulated Activities Order* (Plans covered by insurance or trust arrangements);
- (c) any other *specified investment*.

*risk capital margin*

FCA PRA

the risk capital margin for a *with-profits fund* calculated in accordance with the *rules* in INSPRU 1.3.43R to INSPRU 1.3.103G.

*risk capital requirement*

FCA PRA

- (1) (in relation to the *appropriate regulator's rules*) one of the following:
  - (a) the *credit risk capital requirement*;
  - (b) the *fixed overheads requirement*;
  - (c) the *market risk capital requirement*; or
  - (d) the *operational risk capital requirement*; or
- (2) (in relation to the rules of another *regulatory body*) whatever corresponds to the items in (1) under the rules of that *regulatory body*.

*risk concentration*

FCA PRA

(in accordance with Article 2(19) of the *Financial Groups Directive* (Definitions)) all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the *regulated entities* in the *financial conglomerate*, whether such exposures are caused by counterparty risk /credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these risks.

*risk factors*

FCA PRA

(in *PR*) (as defined in the *PD Regulation*) a list of risks which are specific to the situation of the issuer and/or the securities and which are material for taking investment decisions.

*risk limit system*

FCA PRA

(in *COLL* and in accordance with article 40(2)(d) of the *UCITS implementing Directive*) a documented system of internal limits concerning the measures used by a *management company* to manage and control the relevant risks for each *UCITS* it manages, taking into account all the risks which may be material to the *UCITS*, as referred to in the second paragraph of article 38(1) of the *UCITS implementing Directive* and ensuring consistency with the *UCITS'* risk profile.

*risk position*

FCA PRA

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) a risk number that is assigned to a transaction under the *CCR standardised method* following a predetermined algorithm.

*risk weight*

FCA PRA

(in relation to an *exposure*) a degree of risk expressed as a percentage assigned to that *exposure* in accordance with whichever is applicable of the *standardised approach* to credit risk and the *IRB approach*, including (in relation to a *securitisation position*) under ■ ■ BIPRU 9 (Securitisation).

*risk weighted exposure amount*

**FCA** **PRA**

(in relation to an *exposure*) the value of an *exposure* for the purposes of the calculation of the *credit risk capital component* after application of a *risk weight*.

RMAR

**FCA** **PRA**

(in *SUP*) a Retail Mediation Activities Return, containing data specified in ■ SUP 16 Annex 18A R and relevant to the *firm's* type and *regulated activities*.

ROIE

**FCA** **PRA**

*recognised overseas investment exchange*.

*rolling spot forex contract*

**FCA** **PRA**

either of the following:

(a) a *future*, other than a *future* traded or expressed to be as traded on a *recognised investment exchange*, where the property which is to be sold under the contract is foreign exchange or sterling; or

(b) a *contract for differences* where the profit is to be secured or loss avoided by reference to fluctuations in foreign exchange; and

in either case where the contract is entered into for the purpose of speculation.

*rollover risk*

**FCA** **PRA**

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of ■ BIPRU 13 (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the amount by which *expected positive exposure* is understated when future transactions with a counterpart are expected to be conducted on an ongoing basis; the additional *exposure* generated by those future transactions is not included in calculation of *expected positive exposure*.

*roll-up of interest mortgage*

**FCA** **PRA**

a *regulated mortgage contract* where no payment of interest on the amount borrowed (other than interest charged when all or part of the amount borrowed is repaid voluntarily by the *customer*), is due or capable of becoming due while the *customer* continues to occupy the mortgaged property as his main residence and fulfil his obligations under the *regulated mortgage contract*.

RPI

**FCA**

the Retail Prices Index.

RPPD

**FCA** **PRA**

the Regulatory Guide which contains a statement of the responsibilities of providers and distributors for the fair treatment of *customers*.

RSRB permission

**FCA** **PRA**

(in *FEES*) an *authorisation* to carry on one or more *regulated sale and rent back activities*.

rule

**FCA** **PRA**

(in accordance with section 417(1) of the *Act* (Definitions)) a rule made by the *FCA* or the *PRA* under the *Act*, including:

(a) a *Principle*; and

(b) an *evidential provision*.

*rule on use of  
dealing  
commission*

FCA PRA

■ COBS 11.6.3 R.

*running-account  
credit*

FCA PRA

(in accordance with section 10(1)(a) of the Consumer Credit Act 1974) a facility under a contract by which the *customer* is enabled to receive from time to time (whether in his own person, or by another person) from the *firm* or a third party cash, goods and services (or any of them) to an amount or value such that, taking into account payments made by or to the credit of the customer, the credit limit (if any) is not at any time exceeded.

|  |   |
|--|---|
| <p><i>simplified buffer requirement</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(f) (if it includes <i>capital instruments</i> in its <i>tier one capital resources</i> on which <i>coupons</i> are payable) such coupons are non-cumulative, non-mandatory and in cash.</p> <p>BIPRU 12.6.9R.</p>   |
| <p><i>simplified equity method</i></p> <p><b>FCA</b> <b>PRA</b></p>      | <p>the method of calculating the <i>equity PRR</i> set out in <b>■</b> BIPRU 7.3.29 R (Simplified equity method).</p>   |
| <p><i>simplified ILAS</i></p> <p><b>FCA</b> <b>PRA</b></p>               | <p>the approach to the calculation of the liquid assets buffer of a <i>simplified ILAS BIPRU firm</i> described in BIPRU 12.6.</p>  |
| <p><i>simplified ILAS BIPRU firm</i></p> <p><b>FCA</b> <b>PRA</b></p>    | <p>an <i>ILAS BIPRU firm</i> that, in accordance with the procedures in <b>■</b> BIPRU 12 (Liquidity), is using the <i>simplified ILAS</i>.</p>   |
| <p><i>simplified ILAS waiver</i></p> <p><b>FCA</b> <b>PRA</b></p>        | <p>a waiver permitting an <i>ILAS BIPRU firm</i> to operate <i>simplified ILAS</i>.</p>   |
| <p><i>simplified prospectus</i></p> <p><b>FCA</b> <b>PRA</b></p>         | <p>a marketing <i>document</i> containing information about a <i>simplified prospectus scheme</i>, which complies with COLL 4.6.2R (Production and publication of simplified prospectus) and COLL 4.6.8R (Table: Contents of the simplified prospectus).</p>  |
| <p><i>simplified prospectus scheme</i></p> <p><b>FCA</b> <b>PRA</b></p>  | <p>a <i>key features scheme</i> in respect of which a <i>simplified prospectus</i> has been, or will be, produced instead of a <i>key features document</i> (see <b>■</b> COBS 13.1.3 R (2)).</p>   |
| <p><i>single customer view</i></p> <p><b>FCA</b> <b>PRA</b></p>          | <p>(in COMP) a single, consistent view of an <i>eligible claimant's</i> aggregate <i>protected deposits</i> with the relevant <i>firm</i> which contains the information required by <b>■</b> COMP 17.2.4 R, but excluding from that view those accounts where the <i>eligible claimant</i> is a beneficiary rather than the account holder or if the account is not active as defined in <b>■</b> COMP 17.2.3 R (2).</p> |
| <p>Single Market Directives</p> <p><b>FCA</b> <b>PRA</b></p>             | <p>(a) the <i>Banking Consolidation Directive</i>;</p> <p>(b) the Insurance Directives (within the meaning of paragraph 1 of Schedule 3 to the Act) ;</p> <p>(ba) the <i>Reinsurance Directive</i>;</p> <p>(c) <i>MiFID</i>;</p> <p>(d) the <i>Insurance Mediation Directive</i>;</p> <p>(e) the <i>UCITS Directive</i> ; and</p>   |

*single-priced  
AUT*

**FCA** **PRA**

(f) AIFMD.

*single-priced  
authorised  
fund*

**FCA** **PRA**

an *authorised fund* or, in the case of an *umbrella*, a *sub-fund* (if it were a separate *fund*), for the *units* of which there is only one *price* applicable by reference to a *valuation point*.

*SIPP*

**FCA** **PRA**

a *self-invested personal pension scheme*.

*skilled person*

**FCA** **PRA**

a *person* appointed to make a report required by section 166 (Reports by skilled persons) or section 166A (Appointment of skilled person to collect and update information) of the Act for provision to the *appropriate regulator* and who must be a person:

- (a) nominated, approved or appointed by the *appropriate regulator*; and
- (b) appearing to the *appropriate regulator* to have the skills necessary to make a report on the matter concerned.

*SLRP*

**FCA** **PRA**

the *Supervisory Liquidity Review Process*.

*small AIFM*

**FCA** **PRA**

an *AIFM* which meets the conditions in regulation 9 (meaning of "small AIFM") of the *AIFMD UK regulation*.

*small and  
medium-sized  
enterprise*

**FCA** **PRA**

(in *PR*) (as defined in Article 2.1(f) of the *prospectus directive*) companies, which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees during the financial year of less than 250, a total balance sheet not exceeding €43,000,000 and an annual net turnover not exceeding €50,000,000.

*small  
authorised UK  
AIFM*

**FCA** **PRA**

a *UK AIFM* which:

- (a) is a *small AIFM*; and
- (b) has not opted in to *AIFMD* in accordance with article 3(4) of *AIFMD* to become a *full-scope UK AIFM*.

*small business*

**FCA** **PRA**

(in *COMP*) a *partnership*, *body corporate*, unincorporated association or mutual association with an annual turnover of less than £1 million (or its equivalent in any other currency at the relevant time).

*small electronic  
money  
institution*

**FCA** **PRA**

(in accordance with regulation 2(1) of the *Electronic Money Regulations*) a person included by the *FCA* in the *Financial Services Register* pursuant to regulation 4(1)(b) of the *Electronic Money Regulations*.

|  |  |
|--|--|
| <i>small friendly society function</i>               | (1) (in the <i>FCA Handbook</i> ) <i>FCA controlled function</i> CF6 in Part 1 of the <i>table of FCA controlled functions</i> , described more fully in ■ SUP 10A.6.31 R to ■ SUP 10A.6.32 R.   |
| FCA PRA  | (2) (in the <i>PRA Handbook</i> ) <i>PRA controlled function</i> CF6 in the <i>table of PRA controlled functions</i> , described more fully in ■ SUP 10B.6.16 R to ■ SUP 10B.6.17 R.   |
| <i>small non-EEA AIFM</i>                            | a <i>non-EEA AIFM</i> that is a <i>small AIFM</i> .  |
| FCA  |  |
| <i>small payment institution</i>                     | (in accordance with regulation 2(1) of the <i>Payment Services Regulations</i> ) a <i>person</i> included by the <i>FCA</i> in the <i>Financial Services Register</i> pursuant to regulation 4(1)(b) of the <i>Payment Services Regulations</i> .  |
| FCA PRA  |  |
| <i>small personal investment firm</i>                | a <i>personal investment firm</i> :<br>(a) which is not a <i>MiFID investment firm</i> ;<br>(b) whose <i>permission</i> does not include <i>establishing, operating or winding up a personal pension scheme</i> ;<br>(c) which is not a <i>network</i> ; and<br>(d) which has fewer than 26 <i>representatives</i> .   |
| FCA PRA  |  |
| <i>small registered UK AIFM</i>                      | a <i>small AIFM</i> that is registered by the <i>FCA</i> in accordance with regulation 10 of the <i>AIFMD UK regulation</i> .  |
| FCA  |  |
| <i>small self-administered scheme</i>                | an <i>occupational pension scheme</i> of a kind described in article 4(4) and 4(5) of the <i>Financial Services and Markets Act 2000 (Carrying on Regulated Activities by Way of Business) Order 2001 (SI 2001/1177)</i> .   |
| FCA PRA  |  |
| <i>smaller denomination share</i>                    | a <i>share</i> to which are attached rights in a smaller denomination as provided by regulation 45 of the <i>OEIC regulations</i> .  |
| FCA PRA  |  |
| <i>smallest financial sector</i>                     | (in relation to a <i>financial sector</i> in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with ■ GENPRU 3.1 (Cross sector groups)) the <i>financial sector</i> with the smallest average referred to in the box titled <i>Threshold Test 2</i> in the <i>financial conglomerate definition decision tree</i> (10% ratio of balance sheet size and solvency requirements), the <i>banking sector</i> and <i>investment services sector</i> being treated as one <i>financial sector</i> in the circumstances set out in ■ GENPRU 3.1 . |
| FCA PRA  |  |
| <i>smoothed linked long term stakeholder product</i> | the <i>stakeholder product</i> specified by regulations 6, 7 and 8 (smoothed linked long term contracts) of the <i>Stakeholder Regulations</i> ;   |
| FCA PRA  |  |

*social housing firm*

FCA PRA

(in ■ MIPRU 4 (Capital resources)) a wholly-owned *subsidiary* of:

- (a) a local authority; or
- (b) a registered social landlord;

which carries on non-profit *regulated activities* in connection with housing.

*social insurance*

FCA PRA

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph IX of Part II of Schedule 1 to the *Regulated Activities Order* (Contracts of long-term insurance), of a kind referred to in article 2(3) of the *Consolidated Life Directive* ("operations relating to the length of human life which are prescribed by or provided for in *social insurance* legislation, when they are effected or managed at their own risk by assurance undertakings in accordance with the laws of an *EEA State*").

*Society*

FCA PRA

(1) (except in *BSOCS*) the society incorporated by Lloyd's Act 1871 by the name of Lloyd's.

(2) (in *BSOCS*) a *building society*.

*society*

FCA PRA

(in *BSOCS*) a *building society*.

*Society GICR*

FCA PRA

the *general insurance capital requirement* calculated by the *Society* as if it were an *insurer* under GENPRU 2.3.13R .

*Society's regulatory functions*

FCA PRA

the *Society's* powers, duties or functions in relation to *members* or *underwriting agents* which are or may be exercised for the purposes of supervising or regulating the market at Lloyd's.

*sole trader*

FCA PRA

an individual who is a *firm*.

*solicited real time financial promotion*

FCA PRA

(in accordance with article 8 of the *Financial Promotion Order*) a *real time financial promotion* which is solicited, that is, it is made in the course of a personal visit, telephone call or other interactive dialogue if that call, visit or dialogue:

- (a) was initiated by the recipient of the *financial promotion*; or
- (b) takes place in response to an express request from the recipient of the *financial promotion*.

*solo capital resources*

FCA PRA

(1) (for the purposes of GENPRU 3 and INSPRU 6) capital resources that are or would be eligible as capital under the *sectoral rules* that apply for the purpose of calculating its *solo capital resources requirement*. Paragraph 6.8 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) applies for the purpose of this definition in the same way as it does for the definition of *solo capital resources requirement*.

(2) for the purpose of ■ BIPRU 10 (Large exposures requirements) the definition in (1) is adjusted in accordance with ■ BIPRU 10.8A.10 R (Calculation of capital resources for a core UK group) so that it means *capital resources* calculated in accordance with the *rules* applicable to the category of *BIPRU firm* identified by applying the procedure in ■ BIPRU 8.6.6 R to ■ BIPRU 8.6.9 R (Consolidated capital resources).



*solo capital resources requirement*

FCA PRA

(1) (for the purpose of GENPRU 3) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R.

(2) (for the purposes of INSPRU 6) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as it would apply if references to *financial conglomerate* in those paragraphs were replaced with references to *insurance group*.

(3) (for the purposes of GENPRU 2.2.214R (Deductions from tiers one and two: Material holdings)) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R as those paragraphs apply to the *insurance sector*.

*solo consolidation waiver*

FCA PRA

a waiver of the type described in ■ BIPRU 2.1 (Solo consolidation).

*Solvency 1 Directive*

FCA PRA

the Directive of the European Parliament and of the Council of 5 March 2002 amending Council Directive 79/267/EEC as regards the solvency margin requirements for life assurance undertakings (No. 2002/12/EC).

*Solvency 2 Directive*

FCA PRA

the Directive of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (No. 2009/138/EC).

*solvency deficit*

FCA PRA

(in GENPRU 3 Ann 1R (Capital adequacy calculations with respect to financial conglomerates) and in respect of a member of the *overall financial sector*) the amount (if any) by which its *solo capital resources* fall short of its *solo capital resources requirement*.

*sovereign issuer*

(as defined in article 2(1)(d) of the *short selling regulation*) any of the following that issues debt instruments:

- (a) the EU; or
- (b) a Member State including a government department, an agency, or a special purpose vehicle of the Member State; or
- (c) in the case of a federal Member State, a member of the federation; or
- (d) a special purpose vehicle for several Member States; or
- (e) an international financial institution established by two or more Member States which has the purpose of mobilising funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems; or
- (f) the European Investment Bank.

*sovereign large exposure waiver*

FCA PRA

a *waiver* that has the result of requiring the *firm* to apply ■ BIPRU 10.6.35 R, which in summary exempts partially or fully any of the *exposures* listed in ■ BIPRU 10.6.36 R constituting claims on *central banks* or central governments from the limits in ■ BIPRU 10.5 (Limits on exposures).

*sovereign, institution and corporate IRB exposure class*

(in relation to the *IRB approach*) an *exposure* falling into the *IRB exposure classes* referred to in ■ BIPRU 4.3.2 R (1)-■ (3) (Sovereigns, institutions and corporates).

FCA PRA

*special adjustment*

(in *IPRU(INV)* 13) a *position* risk adjustment, counterparty risk adjustment and foreign exchange adjustment.

FCA PRA

*special purpose vehicle*

(1) (in *PR*) (as defined in the *PD Regulation*) an *issuer* whose objects and purposes are primarily the issue of *securities*.

FCA PRA

(2) (except in *PR*) a *body corporate*, explicitly established for the purpose of securitising assets, whose sole purpose (either generally or when acting in a particular capacity) is to carry out one or more of the following functions:

- (a) issuing *designated investments*, other than *life policies*;
- (b) redeeming or terminating or repurchasing (whether with a view to re-issue or to cancellation) an issue (in whole or part) of *designated investments*, other than *life policies*;
- (c) entering into transactions or terminating transactions involving *designated investments* in connection with the *issue*, redemption, termination or re-purchase of *designated investments*, other than *life policies*;

*specialised lending exposure*

(in relation to the *IRB approach*) an *exposure* falling into ■ *BIPRU 4.5.3 R* (Definition of specialised lending).

FCA PRA

*specialist investor*

(in *LR*) an investor who is particularly knowledgeable in investment matters.

FCA PRA

*specialist securities*

(in *LR* and *FEES*) *securities* which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

*specialist securitised derivative*

(in *LR*) a *securitised derivative* which because of its nature is normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

FCA PRA

*specific costs*

*management expenses* other than *base costs* and *establishment costs*.

FCA PRA

*specific costs levy*

a levy, forming part of the *management expenses levy*, to meet the *specific costs* in the financial year of the *compensation scheme* to which the levy relates, each *participant firm's* share being calculated in accordance with ■ *FEES 6.4.7 R* .

FCA PRA

*specific non-real time*

a *non-real time financial promotion* which identifies and promotes a particular *investment* or service.

*financial promotion*

**FCA** **PRA**

*specific risk*

**FCA** **PRA**

*specific risk backtesting exception*

**FCA** **PRA**

*specific risk position risk adjustment*

**FCA** **PRA**

*specific wrong-way risk*

**FCA** **PRA**

*specified benchmark*

**FCA**

*specified investment*

**FCA** **PRA**

(1) (in *SYSC*) unique risk that is due to the individual nature of an asset and can potentially be diversified.

(2) (in *GENPRU* and *BIPRU* and in accordance with paragraph 12 of Annex I of the *Capital Adequacy Directive*) the risk of a price change in an *investment* due to factors related to its issuer or, in the case of a *derivative*, the issuer of the underlying *investment*.

(in **■ BIPRU 7.10** (Use of a value at risk model) and in relation to a *firm*) an exception arising out of backtesting a *VaR model* with respect to *specific risk* as more fully defined in that *firm's VaR model permission*.

a *position risk adjustment* for specific risk including any such *position risk adjustment* as applied under **■ BIPRU 7.6.8 R** (Table: Appropriate position risk adjustment).

(in accordance with Part 1 of Annex III of the *Banking Consolidation Directive* (Definitions) and for the purpose of **■ BIPRU 13** (The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions)) the risk that arises when the exposure to a particular counterparty is positively correlated with the *probability of default* of the counterparty due to the nature of the transactions with the counterparty; a *firm* is exposed to *specific wrong-way risk* if the future exposure to a specific counterparty is expected to be high when the counterparty's *probability of default* is also high.

a benchmark as defined in section 22(1A)(b) of the *Act* and specified in Schedule 5 to the *Regulated Activities Order* pursuant to article 63R of the *Regulated Activities Order*

any of the following *investments* specified in Part III of the *Regulated Activities Order* (Specified Investments):

- (a) *deposit* (article 74);
- (aa) *electronic money* (article 74A);
- (b) *contract of insurance* (article 75); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *general insurance contract*;
  - (ii) *long-term insurance contract*;
 and then further sub-divided into *classes* of *contract of insurance*;
- (c) *share* (article 76);
- (d) *debenture* (article 77);
- (da) *alternative debenture* (article 77A);
- (e) *government and public security* (article 78);
- (f) *warrant* (article 79);

- (g) *certificate representing certain securities* (article 80);
- (h) *unit* (article 81);
- (i) *stakeholder pension scheme* (article 82(1));
- (ia) *personal pension scheme* (article 82(2));
- (j) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
  - (ii) *commodity option* and an *option* on a *commodity future*;
- (k) *future* (article 84); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *future* (excluding a *commodity future* and a *rolling spot forex contract*);
  - (ii) *commodity future*;
  - (iii) *rolling spot forex contract*;
- (l) *contract for differences* (article 85); for the purposes of the *permission* regime, this is sub-divided into:
  - (i) *contract for differences* (excluding a *spread bet* and a *rolling spot forex contract*);
  - (ii) *spread bet*;
  - (iii) *rolling spot forex contract*;
- (m) *underwriting capacity of a Lloyd's syndicate* (article 86(1));
- (n) *membership of a Lloyd's syndicate* (article 86(2));
- (o) *funeral plan contract* (article 87);
- (oa) *regulated mortgage contract* (article 61(3));
- (ob) *home reversion plan* (article 63B(3));
- (oc) *home purchase plan* (article 63F(3));
- (od) *regulated sale and rent back agreement* (article 63J(3));
- (oe) *emissions auction products* (article 82A);
- (p) *rights to or interests in investments* (article 89).

*sponsor*



(A) In the PRA Handbook:

(in BIPRU), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.

(B) In the FCA Handbook:

(1) (in LR) approved, under section 88 of the *Act* by the FCA, as a sponsor.

(2) (in BIPRU and FUND), in accordance with Article 4(42) of the *Banking Consolidation Directive* (Definitions) and in relation to a *securitisation* within the meaning of paragraph (2) of the definition of *securitisation*) an *undertaking* other than an *originator* that establishes

and manages an *asset backed commercial paper programme* or other *securitisation* scheme that purchases *exposures* from third party entities.

*sponsor service*

FCA PRA

a service relating to a matter referred to in ■ LR 8.2 that a *sponsor* provides or is requested or appointed to provide, including preparatory work that a *sponsor* may undertake before a decision is taken as to whether or not it will act as *sponsor* for a *listed company* or *applicant* or in relation to a particular transaction, and including all the *sponsor's* communications with the *FSA* in connection with the service. But nothing in this definition is to be taken as requiring a *sponsor* when requested to agree to act as a *sponsor* for a *company* or in relation to a transaction.

*spread bet*

FCA PRA

a *contract for differences* that is a gaming contract, whether or not section 412 of the *Act* (Gaming contracts) applies to the contract; in this definition, "gaming" has the meaning given in the Gaming Act 1968, which is in summary: the playing of a game of chance for winnings in money or money's worth, whether any *person* playing the game is at risk of losing any money or money's worth or not.

*spread risk*

FCA PRA

the risk that a spread (that is, the difference in price or yield) between two variables will change.

SPV

FCA PRA

(1) (in GENPRU 2.2 (Capital resources)) has the meaning in GENPRU 2.2.126R (Other tier one capital: innovative tier one capital: indirectly issued tier one capital).

(2) (in ■ BIPRU 8 (Group risk - consolidation)) has the meaning in ■ BIPRU 8.6.15 R (Indirectly issued capital and group capital resources).

SRB administrator

FCA PRA

a *firm* which carries on the *regulated activity* of *administering a regulated sale and rent back agreement*.

SRB adviser

FCA PRA

a *firm* which carries on the *regulated activity* of *advising on a regulated sale and rent back agreement*.

SRB agreement provider

FCA PRA

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) a *firm* which buys all or part of the *qualifying interest in land* in the *United Kingdom* from a *SRB agreement seller* under a *regulated sale and rent back agreement*, including a *firm* which acquires obligations or rights under a *regulated sale and rent back agreement*.

SRB agreement seller

FCA PRA

(in accordance with article 63J(3)(a) of the *Regulated Activities Order*) an individual or trustees, who sells all or part of the *qualifying interest in land* in the *United Kingdom* to an agreement provider under a *regulated sale and rent back agreement*.

SRB arranger

FCA PRA

a *firm* which carries on the *regulated activity* of *arranging (bringing about) a regulated sale and rent back agreement* or *making arrangements with a view to a regulated sale and rent back agreement*.

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SRB intermediary

FCA PRA

a *firm* with *permission* (or which ought to have *permission*) to carry on a *regulated sale and rent back mediation activity*.

SREP

FCA PRA

the *supervisory review and evaluation process*.

SSAS

FCA PRA

*small self-administered scheme.*

SSPE

FCA PRA

*a securitisation special purpose entity.**stabilisation*

FCA PRA

(in ■ MAR 2) (as defined in Article 2 of the *Buy-back and Stabilisation Regulation*) any purchase or offer to purchase *relevant securities*, or any transaction in *associated instruments* equivalent thereto, by *investment firms* or *credit institutions*, which is undertaken in the context of a *significant distribution* of such *relevant securities* exclusively for supporting the market price of these *relevant securities* for a predetermined period of time, due to a selling pressure in such securities.

*staff mortgage*

FCA PRA

a *regulated mortgage contract* between an employer, or an *undertaking* in the same *group* as the employer, as lender and the employee (alone or with another *person*) as borrower to defray money applied for any of the following purposes:

- (a) acquiring any residential land which was intended, at the time of the acquisition, for occupation by the employee as their home;
- (b) carrying out repairs or improvements to any residential land which was intended, at the time of taking out the loan, for occupation by the employee as their home; or
- (c) payments in respect of a loan (whether of interest or capital).

*stakeholder CTF*

FCA PRA

a *CTF* that has the characteristics, and complies with the conditions, set out in paragraph 2 of the Schedule to the *CTF Regulations*.

*stakeholder pension scheme*

FCA PRA

a scheme that meets the conditions in section 1 of the Welfare Reform and Pensions Act 1999 or article 3 of the Welfare Reform and Pensions (Northern Ireland) Order 1999.

*stakeholder product*

FCA PRA

(as defined in article 52B(3) of the *Regulated Activities Order*):

- (a) a *stakeholder CTF*; or
- (b) a *stakeholder pension scheme*; or
- (c) an investment of a kind specified in the *Stakeholder Regulations*.

*Stakeholder Regulations*

FCA PRA

the Financial Services and Markets Act 2000 (Stakeholder Products) Regulations 2004 (SI 2004/2738).

*standard CIU look through method*

FCA PRA

the method for calculating the *PRR* for a *position* in a *CIU* set out in ■ BIPRU 7.7.4 R and ■ BIPRU 7.7.7 R to ■ BIPRU 7.7.10 R.

*standard equity method*

the method of calculating the *equity PRR* set out in BIPRU 7.3.32R (Standard equity method).

FCA PRA

*standard frequency liquidity reporting firm*

a *standard ILAS BIPRU firm* that is not a *low frequency liquidity reporting firm*.

FCA PRA

*standard ILAS BIPRU firm*

an *ILAS BIPRU firm* that is not a *simplified ILAS BIPRU firm*.

FCA PRA

*standard listing*

in relation to *securities*, means a *listing* that is not a *premium listing*.

FCA PRA

*standard listing (shares)*

a *standard listing of shares* other than *preference shares* that are *specialist securities*.

FCA PRA

*standard market risk PRR rules*

the rules relating to the calculation of the *market risk capital requirement* excluding the *VaR model approach* and any *rules* modified so as to provide for the *CAD 1 model approach*.

FCA PRA

*standard method of internal client money reconciliation*

■ CASS 7 Annex 1 G.

FCA PRA

*standard terms*

(in *DISP*) the contractual terms made under paragraph 18 of Schedule 17 to the *Act* (The Ombudsman Scheme), under which *VJ participants* participate in the *Voluntary Jurisdiction*.

FCA PRA

*standardised approach*

one of the following:

(a) (where expressed to relate to credit risk) the method for calculating capital requirements for credit risk in ■ BIPRU 3 (Credit risk) and BIPRU 9.2.1R(1) and BIPRU 9.11 (Standardised approach);

(b) (where expressed to relate to *operational risk*) the method for calculating capital requirements for *operational risk* in BIPRU 6.3 (Standardised approach);

(c) (where not expressed to relate to any risk and used in ■ BIPRU 3, ■ BIPRU 4 (IRB approach), ■ BIPRU 5 (Credit risk mitigation), ■ BIPRU 9 (Securitisation) or ■ BIPRU 10 (Large exposures requirements)) it has the meaning in (a);

(d) (where not expressed to relate to any risk and used in BIPRU 6 (Operational risk)) it has the meaning in (b);

FCA PRA

|  |  |
|--|--|
| <p><i>standardised credit risk exposure class</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(e) (where the one of the approaches in (a) to (d) is being applied on a consolidated basis) that approach as applied on a consolidated basis in accordance with BIPRU 8 (Group risk - consolidation); or</p> <p>(f) when the reference is to the rules of or administered by a <i>regulatory body</i> other than the <i>appropriate regulator</i>, whatever corresponds to the approach in (a) to (e), as the case may be, under those rules.</p> <p>(in relation to the <i>standardised approach</i> to credit risk) one of the classes of exposure set out in BIPRU 3.2.9R (Exposure classes).</p>   |
| <p><i>standardised deterministic projection</i></p> <p><b>FCA</b> <b>PRA</b></p>   | <p>a <i>projection</i> which is either a <i>generic projection</i> or a <i>personal projection</i> produced in accordance with the assumptions contained in ■ COBS 13 Annex 2.</p>   |
| <p><i>standing data</i></p> <p><b>FCA</b> <b>PRA</b></p>                           | <p>the information relating to a <i>firm</i> held by the <i>appropriate regulator</i> on the matters set out in ■ SUP 16 Annex 16A R.</p>  |
| <p><i>standing independent valuer</i></p> <p><b>FCA</b> <b>PRA</b></p>             | <p>the person appointed as such under ■ COLL 5.6.20 R (Standing independent valuer and valuation) and ■ COLL 8.4.13 R (1) (Standing independent valuer and valuation) .</p>  |
| <p><i>state finance organisation</i></p> <p><b>FCA</b> <b>PRA</b></p>              | <p>a legal person other than a <i>company</i>:</p> <ul style="list-style-type: none"> <li>(a) which is a national of an <i>EEA state</i>;</li> <li>(b) which is set up by or pursuant to a special law;</li> <li>(c) whose activities are governed by that law and consist solely of raising funds under state control through the issue of <i>debt securities</i>;</li> <li>(d) which is financed by means of the resources they have raised and resources provided by the <i>EEA state</i>; and</li> <li>(e) the <i>debt securities</i> issued by it are considered by the law of the relevant <i>EEA state</i> as securities issued or guaranteed by that state.</li> </ul> |
| <p><i>state monopoly</i></p> <p><b>FCA</b> <b>PRA</b></p>                          | <p>a <i>company</i> or other legal person which is a national of an <i>EEA state</i> and which:</p> <ul style="list-style-type: none"> <li>(a) in carrying on its business benefits from a monopoly right granted by an <i>EEA state</i>; and</li> <li>(b) is set up by or pursuant to a special law or whose borrowings are unconditionally and irrevocably guaranteed by an <i>EEA state</i> or one of the federated states of an <i>EEA state</i>.</li> </ul>   |
| <p><i>State of the commitment</i></p> <p><b>FCA</b> <b>PRA</b></p>                 | <p>(in accordance with paragraph 6(1) of Schedule 12 to the <i>Act</i> (Transfer schemes: certificates)) (in relation to a commitment entered into at any date):</p> <ul style="list-style-type: none"> <li>(a) if the <i>policyholder</i> is an individual, the State in which he had his habitual residence at that date;</li> <li>(b) if the <i>policyholder</i> is not an individual, the State in which the establishment of the <i>policyholder</i> to which the commitment relates was established at that date;</li> </ul>   |



*State of the risk*

FCA PRA

in this definition, "commitment" means (in accordance with article 2 of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 (SI 2001/3625)) any contract of insurance of a kind referred to in article 2 of the *Consolidated Life Directive*.

(in accordance with paragraph 6(3) of Schedule 12 to the *Act* (Transfer schemes: certificates)) (in relation to the *EEA State* in which a risk is situated):

(a) if the insurance relates to a building or to a building and its contents (so far as the contents are covered by the same policy), the *EEA State* in which the building is situated;

(b) if the insurance relates to a vehicle of any type, the *EEA State* of registration;

(ba) if the insurance relates to a *vehicle* dispatched from one *EEA State* to another, in respect of the period of 30 days beginning with the day on which the purchaser accepts delivery, the *EEA State* of destination (and not, as provided by sub-paragraph (b), the *EEA State* of registration);

[Note: article 15(1) of the *Consolidated Motor Insurance Directive*]

(c) in the case of *policies* of a duration of four months or less covering travel or holiday risks (whatever the class concerned), the *EEA State* in which the *policyholder* took out the *policy*;

(d) in a case not covered by (a) to (c):

(i) if the *policyholder* is an individual, the *EEA State* in which he has his habitual residence at the date when the contract is entered into; and

(ii) otherwise, the *EEA State* in which the establishment of the *policyholder* to which the *policy* relates is situated at that date.

*Statement of Principle*

FCA PRA

(1) (in the *FCA Handbook*) one of the Statements of Principle issued by the FCA under section 64(1) of the *Act* (Conduct: Statements and codes) with respect to the conduct of *approved persons* and set out in ■ APER 2.1A.

The provisions of ■ APER 1.1A marked with a "P" in the margin also form part of the *Statements of Principle*.

(2) (in the *PRA Handbook*) one of the Statements of Principle issued by the PRA under section 64(1A) of the *Act* (Conduct: Statements and codes) with respect to the conduct of *approved persons* and set out in ■ APER 2.1B.

The provisions of ■ APER 1.1B marked with a "P" in the margin also form part of the *Statements of Principle*.

*statutory auditor*

FCA PRA

a statutory auditor as that term is defined in section 1210 of the Companies Act 2006.

*statutory money purchase illustration*

FCA PRA

an annual illustration of the contributions made for the benefit of, and the potential benefits due to, a member of a *personal pension scheme*, which is prepared in accordance with the Personal Pension Schemes (Disclosure of Information) Regulations 1987 (SI 1987/1110).

*statutory notice*

FCA PRA

a *warning notice*, *decision notice* or *supervisory notice*.

*statutory notice associated decision*

**FCA** **PRA**

a decision which is made by the *appropriate regulator* and which is associated with a decision to give a *statutory notice*, including a decision:

- (a) to determine or extend the period for making representations;
- (b) to determine whether a copy of the *statutory notice* needs to be given to any third party and the period for him to make representations;
- (c) to refuse access to *appropriate regulator* material .
- (d) [deleted]

*statutory notice decision*

**FCA** **PRA**

a decision by the *appropriate regulator* on whether or not to give a *statutory notice*.

*statutory objectives*

**FCA** **PRA**

(1) for the *FCA* (as described in sections 1B, 1C, 1D and 1E of the *Act*):

- (a) its strategic objective of ensuring that the relevant markets function well; and
- (b) its operational objectives:
  - (i) the *consumer* protection objective (as defined in section 1C of the *Act*);
  - (ii) the integrity objective (as defined in section 1D of the *Act*); and
  - (iii) the competition objective (as defined in section 1E of the *Act*);

(2) for the *PRA* (as described in sections 2B, 2C and 314A of the *Act*):

- (a) its general objective of promoting the safety and soundness of *PRA-authorised persons*; and
- (b) its insurance objective of contributing to the securing of an appropriate degree of protection for those who are or may become *policyholders*.

*step-up*

**FCA** **PRA**

(in relation to any item of capital) any change in the *coupon* rate on that item that results in an increase in the amount payable at any time, including a change already provided in the original terms governing those payments. A step-up:

- (a) includes (in the case of a fixed rate) an increase in that *coupon* rate;
- (b) includes (in the case of a floating rate calculated by adding a fixed amount to a fluctuating amount) an increase in that fixed amount;
- (c) includes (in the case of a floating rate) a change in the benchmark by reference to which the fluctuating element of the *coupon* is calculated that results in an increase in the absolute amount of the *coupon*; and
- (d) does not include (in the case of a floating rate) an increase in the absolute amount of the *coupon* caused by fluctuations in the fluctuating figure by reference to which the absolute amount of the *coupon* floats.

*stochastic projection*

**FCA** **PRA**

a *projection* showing a summary of results from repeated simulations using an investment model, where the model uses key financial parameters which are subject to random variations and are projected into the future.

*stock financing*

**FCA** **PRA**

a transaction where a *physical commodity* is sold forward and the cost of funding is locked in until the date of the forward sale.

|   |   |
|---|---|
| <p><i>stock lending</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                      | <p>the disposal of a <i>designated investment</i> subject to an obligation or right to reacquire the same or a similar <i>designated investment</i> from the same counterparty.</p>   |
| <p><i>stock lending activity</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>             | <p>the activity of undertaking a <i>stock lending</i> transaction.</p>  |
| <p><i>stocks and shares component</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>        | <p>a <i>qualifying investment</i> as prescribed in paragraph 7 of the <i>ISA Regulations</i>.</p>   |
| <p><i>store card</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                         | <p>a card restricted to paying for goods or services from a particular supplier or group of suppliers and where the price of the goods or services is paid directly to the supplier or group of suppliers by the customer or the <i>firm</i>, but excluding a <i>plastic card</i> used to pay for goods or services through a network such as Visa or MasterCard.</p>   |
| <p><i>strategic investment</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>               | <p>an investment which:</p> <ul style="list-style-type: none"> <li>(a) is made for a strategic purpose;</li> <li>(b) is made for an expected duration consistent with that purpose and is, or has the potential to be, illiquid or hard to value; and</li> <li>(c) is significant in value in proportion to the size of the <i>with-profits fund</i>.</li> </ul>  |
| <p><i>stressed VaR</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                       | <p>The stressed VaR measure in respect of <i>positions</i> coming within the scope of the <i>VaR model permission</i>, calculated in accordance with the <i>VaR model</i>, <span style="color: #000080;">■</span> BIPRU 7.10 (Use of a Value at Risk Model) and any methodology set out in the <i>VaR model permission</i> based on a stressed historical period.</p>   |
| <p><i>structured capital-at-risk product</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p> | <p>a product, other than a <i>derivative</i>, which provides an agreed level of income or growth over a specified investment period and displays the following characteristics:</p> <ul style="list-style-type: none"> <li>(a) the <i>customer</i> is exposed to a range of outcomes in respect of the return of initial capital invested;</li> <li>(b) the return of initial capital invested at the end of the investment period is linked by a pre-set formula to the performance of an index, a combination of indices, a 'basket' of selected stocks (typically from an index or indices), or other factor or combination of factors; and</li> <li>(c) if the performance in (b) is within specified limits, repayment of initial capital invested occurs but if not, the <i>customer</i> could lose some or all of the initial capital invested.</li> </ul> |
| <p><i>structured deposit</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                 | <p>a <i>deposit</i> paid on terms under which any interest or premium will be paid, or is at risk, according to a formula which involves the performance of:</p> <ul style="list-style-type: none"> <li>(a) an index (or combination of indices) (other than money market indices);</li> <li>(b) a stock (or combination of stocks); or</li> <li>(c) a commodity (or combination of commodities).</li> </ul>  |
| <p><i>sub-fund</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>                           | <p>(a) (in relation to an <i>authorised fund</i> that is an <i>umbrella</i> ) a separate part of the <i>scheme property</i> of that <i>scheme</i> that is pooled separately;</p>  |

*sub-group*

FCA PRA

(aa) (in relation to an *EEA UCITS scheme*) any part of that *scheme* that constitutes an investment compartment for the purposes of the *UCITS Directive*;

(b) (in relation to a *fund* that is not an *authorised fund* or an *EEA UCITS scheme*) any part of that *scheme* that is equivalent to (a) .

(in relation to a *person*):

(a) that *person*; and

(b) any *person* that is either:

(i) a *subsidiary undertaking* of that *person*; or

(ii) an *undertaking* in which that *person* or a *subsidiary undertaking* of that *person* holds a *participation*.

*subsidiary*

FCA PRA

(1) (except in relation to *MiFID business*) (as defined in section 1159(1) of the Companies Act 2006 (Meaning of "subsidiary", etc)) (in relation to another *body corporate* ("H")) a *body corporate* of which H is a *holding company*.

(2) (in relation to *MiFID business*) a subsidiary undertaking as defined in Articles 1 and 2 of Seventh Council Directive on consolidated accounts (No. 83/349/EEC), including any subsidiary of a subsidiary undertaking of an ultimate *parent undertaking*.

[Note: article 4 (1)(29) of *MiFID*]

*subsidiary undertaking*

FCA PRA

(1) (except for the purposes of determining whether a *person* has *close links* with another *person*) an *undertaking* of which another *undertaking* is its *parent undertaking*.

(2) (for the purposes of determining whether a *person* has *close links* with another *person*) (in accordance with section 343(8) of the *Act* (Information given by auditor or actuary to a regulator ) and paragraph 3(3) of Schedule 6 to the *Act* (Threshold conditions)):

(a) an *undertaking* in (1);

(b) an *undertaking* ("S") if:

(i) another *undertaking* (its parent) is a member of S;

(ii) a majority of S's board of directors who have held office during the financial year and during the preceding financial year have been appointed solely as a result of the exercise of the parent's voting rights; and

(iii) no one else is the parent undertaking of S under any of (a) (i) to (iii) or b(i) or (ii) in the definition of *parent undertaking*.

(3) (in *LR* and *BSOCS*) as defined in section 1162 of the Companies Act 2006.

*subsistence balance*

FCA PRA

(in *BCOBS*) any sum of money payable by a *firm* to a *consumer* or standing to the credit of the *consumer* in an account with the *firm* where that sum is needed by the *consumer* to meet essential living expenses or *priority debts* (whether owed to the *firm* or a third party).

*substantial shareholder*

FCA PRA

as defined in ■ LR 11.1.4A R.

*suitability report*

**FCA** **PRA**

a report which a *firm* must provide to its *client* under **■ COBS 9.4** (Suitability reports) which, among other things, explains why the *firm* has concluded that a recommended transaction is suitable for the *client*.

*summary*

**FCA** **PRA**

(in relation to a *prospectus*) the summary included in the *prospectus*.

*SUP*

**FCA** **PRA**

the Supervision manual.

*supervisory authority*

**FCA**

(1) (in accordance with article 4(1)(al) of AIFMD) (for a *non-EEA AIF*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise AIFs in that *non-EEA State*.

(2) (in accordance with article 4(1)(am) of AIFMD) (for a *non-EEA AIFM*) the national authority or authorities of the *non-EEA State* empowered by law or regulation to supervise AIFMs in that *non-EEA State*.

*supervisory formula method*

**FCA** **PRA**

(for the purposes of BIPRU 9 (Securitisation), in relation to a *securitisation* within the meaning of paragraph (2) of the definition of securitisation and in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions)) the method of calculating *risk weighted exposure amounts* for *securitisation positions* set out in BIPRU 9.12.21R-BIPRU 9.12.23R and BIPRU 9.14.3R.

*supervisory function*

**FCA** **PRA**

(1) any function within a *common platform firm* that is responsible for the supervision of its *senior personnel*.

(2) (in relation to a *management company* and in accordance with article 3(6) of the *UCITS implementing Directive*) the *relevant persons* or body or bodies responsible for the supervision of its *senior personnel* and for the assessment and periodic review of the adequacy and effectiveness of the risk management process and of the policies, arrangements and procedures put in place to comply with its obligations under the *UCITS Directive*.

*Supervisory Liquidity Review Process*

**FCA** **PRA**

the *appropriate regulator's* assessment of the adequacy of certain *firms'* liquidity resources as described in BIPRU 12.2 and BIPRU 12.5.

*supervisory notice*

**FCA** **PRA**

(as defined in section 395(13) of the *Act* (The FCA's and PRA's procedures)) a notice given by the *appropriate regulator* in accordance with section 55Y(4), (7) or (8)(b); 78(2) or (5); 197(3), (6) or (7)(b); 259(3), (8) or (9)(b); 268(3), (7)(a) or (9)(a) (as a result of subsection (8)(b)); 282(3), (6) or (7)(b); or 321(2) or (5).

*supervisory review and evaluation process*

**FCA** **PRA**

the *appropriate regulator's* assessment of the adequacy of certain *firms'* capital, as more fully described in **■ BIPRU 2.2.9 G** and **■ INSPRU 7.1.91 G** to **■ INSPRU 7.1.99 G**.

*supervisory volatility adjustments approach*

the approach to calculating volatility adjustments under the *financial collateral comprehensive method* under which the *firm* uses the adjustments specified in **■ BIPRU 5.4** (Financial collateral) rather than in its own estimates, as more fully

FCA PRA

described in ■ BIPRU 5.4 and including that approach as applied to master netting agreements as described in BIPRU 5.6 (Master netting agreements).

*supplementary listing particulars*

(in LR) (in accordance with section 81(1) of the Act), supplementary listing particulars containing details of the change or new matter.

FCA PRA

*supplementary prospectus*

(in Part 6 rules) a supplementary prospectus containing details of a new factor, mistake or inaccuracy.

FCA PRA

*suretyship*

(in relation to a *class of contract of insurance*) the *class of contract of insurance*, specified in paragraph 15 of Part I of Schedule 1 to the *Regulated Activities Order* (Contracts of general insurance), namely:

FCA PRA

(a) a *contract of insurance* against the risks of loss to the *person* insured arising from their having to perform contracts of guarantee entered into by them;

(b) fidelity bonds, performance bonds, administration bonds, bail bonds or customs bonds or similar contracts of guarantee where these are:

(i) effected or carried out by a *person* not carrying on a banking business;

(ii) not effected merely incidentally to some other business carried on by the *person* effecting them; and

(iii) effected in return for the payment of one or more premiums.

*surrender value*

FCA PRA

(a) where the contract is a contract of life assurance or a contract for an annuity, the amount (including a nil amount) payable by the *firm* or other body issuing the contract on surrender of the *policy*;

(b) where the contract is a *personal pension scheme* or *stakeholder pension scheme*, the amount payable on the transfer of the investor's accrued rights under that contract to another *personal pension scheme* or *stakeholder pension scheme*;

(c) where the contract is a *Holloway sickness policy*, the amount payable by the *firm* on surrender on or before the *projection date* for the *policy*;

(d) where the contract is for any other matter, the amount payable by the *firm* on the surrender of the *policy*.

*swap*

FCA PRA

a transaction in which two counterparties agree to exchange streams of payments over time according to a predetermined basis or a *contract for differences*.

*Swiss general insurance company*

FCA PRA

(in accordance with article 1(2) of the Financial Services and Markets Act 2000 (Variation of Threshold Conditions) Order 2001 (SI 201/2507)) a *person*:

(a) whose head office is in Switzerland;

(b) who is authorised by the supervisory authority in Switzerland as mentioned in article 7.1 of the *Swiss Treaty Agreement*; and

(c) who is seeking to carry on, or is carrying on, from a branch in the *United Kingdom*, a *regulated activity* consisting of the *effecting* or *carrying out* of *contracts of insurance* of a kind which is subject to that agreement.

|  |  |
|--|--|
| <p><i>Swiss general insurer</i></p> <p><b>FCA</b> <b>PRA</b></p>               | <p>a <i>Swiss general insurance company</i> which has <i>permission</i> to effect or <i>carry out contracts of insurance</i> of a kind which is subject to the <i>Swiss Treaty Agreement</i>.</p>  |
| <p><i>Swiss Treaty Agreement</i></p> <p><b>FCA</b> <b>PRA</b></p>              | <p>the agreement of 10 October 1989 between the European Economic Community and the Swiss Confederation on direct insurance other than life insurance, approved on behalf of the European Economic Community by the Council Decision of 20 June 1999 (No 91/370/EEC).</p>  |
| <p><i>syndicate</i></p> <p><b>FCA</b> <b>PRA</b></p>                           | <p>one or more <i>persons</i>, to whom a particular syndicate number has been assigned by or under the authority of the <i>Council</i>, <i>carrying out</i> or <i>effecting contracts of insurance</i> written at Lloyd's.</p>   |
| <p><i>syndicate actuary</i></p> <p><b>FCA</b> <b>PRA</b></p>                   | <p>an <i>actuary</i> appointed to a <i>syndicate</i> as required by ■ SUP 4.6.9 R (1).</p>   |
| <p><i>syndicate assets</i></p> <p><b>FCA</b> <b>PRA</b></p>                    | <p>assets managed by or at the direction of a <i>managing agent</i> in respect of <i>insurance business</i> carried on through a <i>syndicate</i> and overseas business regulatory deposits funded from those assets.</p>  |
| <p><i>syndicate ICA</i></p> <p><b>FCA</b> <b>PRA</b></p>                       | <p>the capital assessment performed by a <i>managing agent</i> under the <i>overall Pillar 2 rule</i>, GENPRU 1.5.1R(1), INSPRU 7.1 and INSPRU 1.1.57R(1) in respect of each <i>syndicate</i> managed by it.</p>   |
| <p><i>syndicate year</i></p> <p><b>FCA</b> <b>PRA</b></p>                      | <p>a year of account of a <i>syndicate</i>.</p>  |
| <p><i>synthetic cash</i></p> <p><b>FCA</b> <b>PRA</b></p>                      | <p>a position in a <i>derivative</i> that offsets an exposure in property to the point where that exposure has effectively been neutralised, and the effect of the combined holding of both property and the position in the <i>derivative</i> is the same as if the <i>authorised fund</i> had received or stood to receive the value of the property in cash.</p>  |
| <p><i>synthetic future</i></p> <p><b>FCA</b> <b>PRA</b></p>                    | <p>(a) a synthetic bought future, that is, a bought call <i>option</i> coupled with a written put <i>option</i>; or</p> <p>(b) a synthetic sold future, that is, a bought put <i>option</i> coupled with a written call <i>option</i>;</p> <p>provided that in either case the two <i>options</i>:</p> <ul style="list-style-type: none"> <li>(i) are bought and written, whether simultaneously or not, on a single <i>eligible derivatives</i> market;</li> <li>(ii) relate to the same underlying <i>security</i> or other asset;</li> <li>(iii) give the purchasers of the <i>options</i> the same rights of exercise (whether at the same price or not); and</li> <li>(iv) will expire together, if not exercised.</li> </ul> |
| <p><i>synthetic risk and reward indicator</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>(in <i>COLL</i> and in accordance with article 2(2) of the <i>UCITS implementing Directive No 2</i>) a synthetic indicator within the meaning of article 8 of the <i>KII Regulation</i>.</p>  |

*synthetic  
securitisation*

**FCA** **PRA**

(in accordance with Article 4(38) of the *Banking Consolidation Directive* (Definitions)) a *securitisation* (within the meaning of paragraph (2) of the definition of securitisation) where the *tranching* is achieved by the use of credit derivatives or guarantees, and the pool of *exposures* is not removed from the balance sheet of the *originator*.

*SYSC*

**FCA** **PRA**

the part of the *Handbook* in High Level Standards which has the title Senior Management Arrangements, Systems and Controls.

*systematic  
internaliser*

**FCA** **PRA**

*investment firm* which, on an organised, frequent and systematic basis, *deals on own account* by executing *client* orders outside a *regulated market* or an *MTF*.

[Note: article 4(1)(7) of *MiFID*]

*systems and  
controls  
function*

**FCA** **PRA**

(1) (in the *FCA Handbook*) *FCA controlled function* CF28 in Part 1 of the *table of FCA controlled functions*, described more fully in

■ SUP 10A.8.1 R.

(2) (in the *PRA Handbook*) *PRA controlled function* CF28 in the *table of PRA controlled functions*, described more fully in ■ SUP 10B.9.1 R.



|   |   |
|---|---|
| <p><i>total group tier two capital</i></p> <p><b>FCA</b> <b>PRA</b></p>     | <p>the sum calculated at stage B of the calculation in INSPRU 6.1.43R.</p>  |
| <p><i>total non-deferred shares</i></p> <p><b>FCA</b> <b>PRA</b></p>        | <p>(in <i>CREDS</i>) means the total of members' share balances in a <i>credit union</i> shown in the most recent annual return to have been sent to the <i>appropriate regulator</i> under <b>■</b> SUP 16.7.62 R or <b>■</b> SUP 16.12.5 R (see <b>■</b> CREDS 8.2.3 G), excluding any <i>deferred shares</i> in the <i>credit union</i>.</p>   |
| <p><i>total relevant liabilities</i></p> <p><b>FCA</b> <b>PRA</b></p>       | <p>(in <i>CREDS</i>) means the sum of:</p> <p>(a) <i>unattached shares</i> in the <i>credit union</i>, and <i>deposits</i> by persons too young to be members of the <i>credit union</i>; and</p> <p>(b) liabilities (other than liabilities for shares) with an original or remaining maturity of less than three <i>months</i> (including overdrafts and instalments of loans).</p>   |
| <p><i>TPF rules</i></p> <p><b>FCA</b> <b>PRA</b></p>                        | <p>the rules and guidance in <b>■</b> COBS 20.2.1 G to <b>■</b> COBS 20.2.39 R and <b>■</b> COBS 20.2.51 R to <b>■</b> COBS 20.2.57 G.</p>  |
| <p><i>tradable renewable energy credit</i></p> <p><b>FCA</b> <b>PRA</b></p> | <p>an allowance, licence, permit, right, note, unit, credit, asset, certificate or instrument (the "credit") where:</p> <p>(a) the credit confers or may result in a benefit or advantage to its holder or someone else; and</p> <p>(b) the credit, or the benefit or advantage in (a), is linked to the supply, distribution or consumption of energy derived from renewable sources by the holder of the credit or someone else.</p>  |
| <p><i>trade confirmation information</i></p> <p><b>FCA</b> <b>PRA</b></p>   | <p>the information identified in column 1 of the table in <b>■</b> COBS 16 Annex 1R R.</p>  |
| <p><i>traded life policy</i></p> <p><b>FCA</b> <b>PRA</b></p>               | <p>a <i>life policy</i> which is to be or has been assigned for value by the <i>policyholder</i> to another <i>person</i>.</p>  |
| <p><i>trading book</i></p> <p><b>FCA</b> <b>PRA</b></p>                     | <p>(1) (in <i>UPRU</i>) in relation to a <i>firm's</i> business or <i>exposures</i>, means:</p> <p>(a) its proprietary positions in financial instruments:</p> <p>(i) which are held for resale and/or are taken on by the <i>firm</i> with the intention of benefiting in the short term from actual and/or expected differences between their buying and selling prices or from other price or interest-rate variations;</p> <p>(ii) arising from matched principal broking;</p> <p>(iii) taken in order to hedge other elements of the trading book;</p> <p>(b) <i>exposures</i> due to unsettled securities transactions, free deliveries, <i>OTC derivative</i> instruments, repurchase agreements and securities lending transactions based on securities included in (a)(i) to (iii) above, reverse repurchase agreements and securities borrowing transactions based on securities included in (a)(i) to (iii) above; and</p> |

|  |   |
|--|---|
| <p>(c) fees, commission, interest and dividends, and margin on exchange-traded derivatives which are directly related to the items included in (a) and (b) above.</p>  |   |
| <p>(2) (in <i>BIPRU</i> , <i>GENPRU</i> , <i>BSOCS</i> and ■ <i>IPRU(INV)</i> 11 and in relation to a <i>BIPRU firm</i>) has the meaning in ■ <i>BIPRU</i> 1.2 (Definition of the trading book) which is in summary, all that <i>firm's positions</i> in <i>CRD financial instruments</i> and <i>commodities</i> held either with trading intent or in order to hedge other elements of the <i>trading book</i>, and which are either free of any restrictive covenants on their tradability or able to be hedged.</p> |   |
| <p>(3) (in <i>BIPRU</i> and <i>GENPRU</i> and in relation to a <i>person</i> other than a <i>BIPRU firm</i>) has the meaning in (2) with references to a <i>firm</i> replaced by ones to a <i>person</i>.</p>  |   |
| <p><i>trading book concentration risk excess</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>  | <p>has the meaning in ■ <i>BIPRU</i> 10.10A.8 R (How to calculate the concentration risk cap</p>  |
| <p><i>trading book policy statement</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>has the meaning in <i>BIPRU</i> 1.2.29R (Trading book policy statements) which is in summary a single document of <i>aperson</i> recording the policies and procedures referred to in <i>BIPRU</i> 1.2.26R and <i>BIPRU</i> 1.2.27R.</p>   |
| <p><i>trading book systems and controls rules</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p><i>GENPRU</i> 1.3.13R(2) to (3) (General requirements: Methods of valuation and systems and controls), <i>GENPRU</i> 1.3.14R to <i>GENPRU</i> 1.3.16R (Marking to market), <i>GENPRU</i> 1.3.17R to <i>GENPRU</i> 1.3.25R (Marking to model), <i>GENPRU</i> 1.3.26R to <i>GENPRU</i> 1.3.28R (Independent price verification), <i>GENPRU</i> 1.3.30R to <i>GENPRU</i> 1.3.33R (Valuation adjustments or reserves), <i>GENPRU</i> 2.2.86R (Core tier one capital: profit and loss account and other reserves: Losses arising from valuation adjustments) and <i>GENPRU</i> 2.2.248R to <i>GENPRU</i> 2.2.249R (Tier three capital: lower tier three capital resources).</p>   |
| <p><i>trading day</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>(1) (in ■ <i>MAR</i> 7 (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and ■ <i>SUP</i> 17 (Transaction reporting)) in relation to post-trade information to be made public about a share under ■ <i>MAR</i> 7.2.10 EU, any day of normal trading in a share on a <i>trading venue</i> in the <i>relevant liquid market</i> for this share.</p> <p>[Note: article 4(2) of the <i>MiFID Regulation</i>]</p> <p>(2) other than in (1) or (3) , a day included in the calendar of trading days published by the <i>appropriate regulator</i> at [web address tbc]</p> <p>(3) (in <i>FINMAR</i>) as defined in article 2(1)(p) of the <i>short selling regulation</i>, a trading day as referred to in article 4 of Regulation (EC) No 1287/2006.</p> |
| <p><i>trading information</i><br/> <span style="border: 1px solid black; padding: 2px;">FCA</span> <span style="border: 1px solid black; padding: 2px;">PRA</span></p>   | <p>information of the following kinds:</p> <p>(1) that <i>investments</i> of a particular kind have been or are to be acquired or disposed of, or that their acquisition or disposal is under consideration or the subject of negotiation; or</p> <p>(2) that <i>investments</i> of a particular kind have not been or are not to be acquired or disposed of; or</p> <p>(3) the quantity of <i>investments</i> acquired or disposed of or to be acquired or disposed of or whose acquisition or disposal is under consideration or the subject of negotiation; or</p> <p>(4) the price (or range of prices) at which <i>investments</i> have been or are to be acquired or disposed of or the price (or range of prices) at which</p>   |

*unit*

FCA PRA

(1) (in relation to a *collective investment scheme*) the investment, specified in article 81 of the *Regulated Activities Order* (Units in a collective investment scheme) and defined in section 237(2) of the *Act* (Other definitions)), which is the right or interest (however described) of the *participants* in a *collective investment scheme*; this includes:

(a) (in relation to an *AUT*) a unit representing the rights or interests of the *unitholders* in the *AUT*;

(aa) (in relation to an *ACS*) a unit representing the rights or interests of the *unitholders* in the *ACS*; and

(b) (in relation to an *ICVC*) a *share* in the *ICVC*.; and

(2) (in relation to an *alternative investment fund*) the right or interest (however described) of an investor in an *alternative investment fund*.

*unit trust scheme*

FCA PRA

(as defined in section 237(1) of the *Act* (Other definitions)) a *collective investment scheme* under which the property in question is held on trust for the *participants*, except that it does not include an *authorised contractual scheme*.

*United Kingdom*

FCA PRA

England and Wales, Scotland and Northern Ireland (but not the Channel Islands or the Isle of Man).

*unitholder*

FCA PRA

(a) (in relation to an *ICVC*, *ACS* or an *AUT* as appropriate, and subject to ■ COLL 4.4.4 R (Special meaning of unitholder in ■ COLL 4.4)):

(i) (in relation a *unit* which is represented by a *bearer certificate*) the *person* who holds that certificate; or(ii) (in relation to a *unit* that is not represented by a *bearer certificate*) the *person* whose name is entered on the *register* in relation to that *unit*; or

(b) (in relation to a *unit* in *collective investment scheme* not within (a)):

(i) the holder of the *bearer certificate* representing that *unit*; or

(ii) the *person* who entered on the *register* of the *scheme* as the holder of that *unit*.

*unitisation*

FCA

arrangements for a newly formed *AUT* or *ACS* under which:

(a) the whole or part of the property of a *body corporate* (or a *collective investment scheme*) becomes the first *scheme property* of the *AUT* or *ACS*; and

(b) the *holders* of:

(i) *shares* in the *body corporate* being wound up; or

(ii) *units* in the *collective investment scheme*, the property of which is being transferred;

become the first *participants* in the *AUT* or *ACS*.

(in *PR*) (as defined in Article 2.1(p) of the *prospectus directive*) securities issued by a collective investment undertaking as representing the rights of the participants in such an undertaking over its assets.

*units of a collective investment scheme*

FCA PRA

*unpaid initial fund*

FCA PRA

part of the *initial fund* of a *mutual* which the *mutual* is prevented from including in its *tier one capital resources* as *permanent share capital* by reason of GENPRU 2.2.64R because it is not fully paid.

*unrated position*

FCA PRA

(for the purposes of BIPRU 9 (Securitisation), in accordance with Part 1 of Annex IX of the *Banking Consolidation Directive* (Securitisation definitions) and in relation to a *securitisation position*) describes a *securitisation position* which does not have an eligible credit assessment by an *eligible ECAI*.

*unrecognised scheme*

FCA

(in LR) a *collective investment scheme* which is neither a *recognised scheme* nor a scheme that is constituted as an *authorised unit trust scheme* or *authorised contractual scheme*.

*unregulated activity*

FCA PRA

an activity which is not a *regulated activity*.

*unregulated collective investment scheme*

FCA PRA

a *collective investment scheme* which is not a *regulated collective investment scheme*.

*unsecured debt*

FCA PRA

debt that does not fall within the definition of *secured debt*.

*unsecured lending*

FCA PRA

lending where the *mortgage lender* does not take a mortgage or other form of security in respect of the credit provided to the *customer*.

*unsolicited real time financial promotion*

FCA PRA

(in accordance with article 8 of the *Financial Promotion Order*) a *real time financial promotion* which is not a *solicited real time financial promotion*.

*upper tier three capital*

FCA PRA

an item of capital that is specified in stage O of the *capital resources table* (Upper tier three).

*upper tier three capital resources*

FCA PRA

the sum calculated at stage O of the *capital resources table* (Upper tier three).

*upper tier three instrument*

FCA PRA

an item of capital that meets the conditions in GENPRU 2.2.242R (Tier three capital: upper tier three capital resources) and is eligible to form part of a *firm's upper tier three capital resources*.

# Senior Management Arrangements, Systems and Controls





## 4.2 Persons who effectively direct the business

4.2.1

FCA PRA

R

The *senior personnel* of a *common platform firm*, a *management company* a *full-scope UK AIFM*, or of the UK branch of a *non-EEA bank* must be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the *firm*.

[Note: article 9(1) of *MiFID*, article 7(1)(b) of the *UCITS Directive* article 8(1)(c) of *AIFMD* and article 11(1) second paragraph of the *Banking Consolidation Directive*]

4.2.1A

FCA PRA

G

Other *firms* should take account of the senior personnel *rule* (■ SYSC 4.2.1 R) as if it were *guidance* (and as if "should" appeared in that rule instead of "must") as explained in ■ SYSC 1 Annex 1.3.3 G.

### Responsibility of senior personnel of an AIFM

4.2.1B

FCA

R

For a *full-scope UK AIFM*, the *senior personnel* must, in complying with ■ SYSC 4.2.1 R, be sufficiently experienced in relation to the investment strategies pursued by the *AIFs* it manages.

[Note: article 8(1)(c) of *AIFMD*]

4.2.2

FCA PRA

R

A *common platform firm*, a *management company*, a *full-scope UK AIFM* and the UK branch of a *non-EEA bank* must ensure that its management is undertaken by at least two persons meeting the requirements laid down in ■ SYSC 4.2.1 R and, for a *full-scope UK AIFM*, ■ SYSC 4.2.7 R .

[Note: article 9(4) first paragraph of *MiFID*, article 7(1)(b) of the *UCITS Directive*, article 8(1)(c) of *AIFMD* and article 11(1) first paragraph of the *Banking Consolidation Directive*]

4.2.3

FCA PRA

G

In the case of a *body corporate*, the persons referred to in SYSC 4.2.2 R should either be executive *directors* or persons granted executive powers by, and reporting immediately to, the *governing body*. In the case of a *partnership*, they should be active *partners*.

4.2.4

FCA PRA

G

At least two independent minds should be applied to the formulation and implementation of the policies of a *common platform firm*, a *management company*, a *full-scope UK AIFM* and the UK branch of a *non-EEA bank* . Where a *firm* nominates just two individuals to direct its business, the *appropriate regulator* will not regard them as both

effectively directing the business where one of them makes some, albeit significant, decisions relating to only a few aspects of the business. Each should play a part in the decision-making process on all significant decisions. Both should demonstrate the qualities and application to influence strategy, day-to-day policy and its implementation. This does not require their day-to-day involvement in the execution and implementation of policy. It does, however, require involvement in strategy and general direction, as well as knowledge of, and influence on, the way in which strategy is being implemented through day-to-day policy.

4.2.5

**FCA** **PRA**

**G**

Where there are more than two individuals directing the business of a *common platform firm*, a *management company*, a *full-scope UK AIFM* or the UK branch of a *non-EEA bank*, the *appropriate regulator* does not regard it as necessary for all of these individuals to be involved in all decisions relating to the determination of strategy and general direction. However, at least two individuals should be involved in all such decisions. Both individuals' judgement should be engaged so that major errors leading to difficulties for the *firm* are less likely to occur. Similarly, each individual should have sufficient experience and knowledge of the business and the necessary personal qualities and skills to detect and resist any imprudence, dishonesty or other irregularities by the other individual. Where a single individual, whether a chief executive, managing *director* or otherwise, is particularly dominant in such a *firm* this will raise doubts about whether SYSC 4.2.2 R is met.

4.2.6

**FCA** **PRA**

**R**

If a *common platform firm*, (other than a *credit institution* or *AIFM investment firm*) or the UK branch of a *non-EEA bank*, is:

- (1) a natural person; or
- (2) a legal person managed by a single natural person;

it must have alternative arrangements in place which ensure sound and prudent management of the *firm*.

[Note: article 9(4) second paragraph of *MiFID*]

4.2.7

**FCA**

**R**

A *full-scope UK AIFM* must notify the *FCA* of the names of the *senior personnel* of the *firm* and of every person succeeding them in office.

[Note: article 8(1)(c) of *AIFMD*]

4.2.8

**FCA**

**G**

Where the *senior personnel* of a *full-scope UK AIFM* will carry out a *FCA governing function* and the *firm* has applied for the *FCA*'s approval under section 59 of the *Act*, this will be considered sufficient to comply with **SYSC 4.2.7 R**.



# Statements of Principle and Code of Practice for Approved Persons



## 1.1A.9

FCA

G

- (1) ■ APER 1.1A.2 P refers to the *authorised person* in relation to which a *person* is an *approved person*.
- (2) Under section 59 of the *Act* (Approval for particular arrangements) there are two kinds of *approved person*.
- (3) Section 59(1) of the *Act* describes the first. It covers a *person* who performs a *controlled function* under an arrangement entered into by an *authorised person* ("A"). In this case, ■ APER 1.1A.2 P refers to A.
- (4) Section 59(2) of the *Act* describes the second. It covers a *person* who performs a *controlled function* under an arrangement entered into by a contractor ("B") of an *authorised person* ("A"). In this case, ■ APER 1.1A.2 P refers to A (and not B).

### Rule in GEN about provisions shared between the FCA and PRA

## 1.1A.10

FCA

E

■ GEN 2.2.23 R (Cutover: Application of provisions made by both the *FCA* and the *PRA*) does not apply to any provision of *APER* marked with an "E" in the margin.

## 1.1A.11

FCA

G

■ GEN 2.2.23 R does not apply to any of *APER*. It does not apply to any part of *APER* that is not shared as ■ GEN 2.2.23 R only applies to *Handbook* provisions made by both the *FCA* and the *PRA*. Hence ■ GEN 2.2.23 R does not apply to the *Statements of Principle*. ■ APER 1.1A.10 E means that ■ GEN 2.2.23 R does not apply to shared provisions marked with an "E" in the margin. ■ GEN 2.2.23 R does not apply to shared *guidance* in *APER* because the *guidance* is about material to which ■ GEN 2.2.23 R does not apply

## 1.1B Application

### Who?

#### 1.1B.1

PRA

P

APER applies to:

- (1) *PRA-approved persons*; and
- (2) *FCA-approved persons* in relation to whom the *FCA* has given its approval under section 59 of the *Act* in respect of the performance by them of *significant-influence functions* in relation to the carrying on by *PRA-authorized persons* of *regulated activities*.

### What?

#### 1.1B.2

PRA

P

- (1) *APER* applies to the performance by an *approved person* of:
  - (a) *PRA controlled functions* (whether or not approval has been sought and granted); and
  - (b) *FCA controlled functions* that are *significant-influence functions* (whether or not approval has been sought and granted);
 in relation to the *PRA-authorized persons* in relation to which that *person* is an *approved person*.
- (2) *APER* also applies to the performance by an *approved person* of any other *significant-influence functions* in relation to the *PRA-authorized persons* referred to in (1).

#### 1.1B.3

PRA

G

The functions described in ■ APER 1.1B.2 P are called *accountable functions*.

#### 1.1B.4

PRA

G

The relevance of *MiFID* to the *Statements of Principle* will depend on the extent to which the corresponding requirement imposed on *firms* under *MiFID* is reserved to a *Home State regulator* or has been disapplied under *MiFID* (see ■ APER 2.1B.2 P and ■ FIT 1.2.4A G).

### Where?

#### 1.1B.5

PRA

G

The territorial scope of the *approved persons* regime and its application to *incoming EEA firms* is set out in ■ SUP 10B.1 (see ■ SUP 10B.1.11 R and ■ SUP 10B.1.12 R).

# General Provisions



- (6) for *equity release transactions*, initial disclosure requirements in ■ MCOB 8.4, pre-application disclosure requirements in ■ MCOB 9.4 and disclosure at the offer stage in ■ MCOB 9.5 ; and
- (7) for *regulated sale and rent back agreements*, initial disclosure requirements in MCOB 4.11, pre-sale disclosure requirements in ■ MCOB 5.9 and disclosure at the offer stage requirements in ■ MCOB 6.9.



## 4.3 Letter disclosure

### Disclosure in letters to retail clients

**4.3.1** FCA PRA R A *firm* must take reasonable care to ensure that every letter (or electronic equivalent) which it or its *employees* send to a *retail client* , with a view to or in connection with the *firm* carrying on a *regulated activity*, includes the disclosure in ■ GEN 4 Annex 1 R (firms that are not PRA-authorized persons) or GEN 4 Annex 1AR (PRA-authorized persons) as applicable .

**4.3.1A** FCA PRA G Where a letter covers both activities to which this section applies and activities to which this section does not apply, the *firm* should comply with the *rules* in this chapter in relation to the business to which it applies.

**4.3.1B** FCA PRA G An example for ■ GEN 4.3.1A G would be where a letter covers business for which the FCA is the *competent authority* under the *Insurance Mediation Directive* and under *MiFID*.

**4.3.2** FCA PRA G [deleted]

**4.3.2A** FCA PRA G For a *UK domestic firm* that is not a *PRA-authorized person*, the required disclosure in ■ GEN 4 Annex 1 R is "Authorized and regulated by the Financial Conduct Authority".

**4.3.2B** FCA PRA G For a *UK domestic firm* that is a *PRA-authorized person*, the required disclosure in GEN 4 Annex 1AR is "Authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority".

**4.3.3** FCA PRA G (1) ■ GEN 4.3.1 R (Disclosure in letters to retail clients ) covers letters delivered by hand, sent by *post* and sent by fax and also electronic mail, but not text messages, account statements, business cards or compliment slips (used as such).

(2) ■ GEN 4.3.1 R (Disclosure in letters to retail clients ) applies in relation to letters sent by any of the *firm's employees*, which includes its *appointed representatives* and their *employees*.

(3) *Firms* are likely to find it convenient to include the required disclosure in their letterhead.



## General Provisions

### Schedule 4 Powers exercised

#### Sch 4.1 G

**FCA**

In this Schedule, references to *GEN* include the *Glossary*.

#### Sch 4.2 G

**FCA**

##### Powers to make rules

The following powers and related provisions in or under the *Act* have been exercised by the *FCA* to make the rules in *GEN*:

- Section 59 (Approval for particular arrangements)
- Section 73A (Part 6 Rules)
- Section 74 (The official list)
- Section 75 (Applications for listing)
- Section 77 (Discontinuance and suspension of listing)
- Section 79 (Listing particulars and other documents)
- Section 80 (General duty of disclosure in listing particulars)
- Section 81 (Supplementary listing particulars)
- Section 84 (Matters which may be dealt with by prospectus rules)
- Section 85 (Prohibition of dealing etc in transferable securities without approved prospectus)
- Section 87 (Election to have prospectus)
- Section 87A (Criteria for approval of prospectus by competent authority)
- Section 87B (Exemptions from disclosure)
- Section 87G (Supplementary prospectus)
- Section 88 (Sponsors)
- Section 89A (Transparency rules)
- Section 89B (Provision of voteholder information)
- Section 89C (Provision of information by issuers of transferable securities)
- Section 89D (Notification of voting rights held by issuer)
- Section 89E (Notification of proposed amendment of issuer's constitution)

Section 89F (Transparency rules: interpretation etc)

Section 89G (Transparency rules: other supplementary provisions)

Section 89O (Corporate governance rules)

Section 89P (Primary information providers)

Section 96 (Obligations of issuers of listed securities)

Section 96A (Disclosure of information requirements)

Section 96C (Suspension of trading)

Section 101(2) (Part 6 Rules: general provisions)

Section 118(8) (Market abuse)

Section 136(2) (Funding of the legal assistance scheme)

Section 137A (The FCA's general rules)

Section 137B (FCA general rules: clients' money, right to rescind etc)

Section 137C (FCA general rules: cost of credit and duration of credit agreements)

Section 137D (FCA general rules: product intervention)

Section 137F (Rules requiring participation in benchmark)

Section 137H (General rules about remuneration)

Section 137O (Threshold condition code)

Section 137P (Control of information rules)

Section 137Q (Price stabilising rules)

Section 137R (Financial promotion rules)

Section 137T (General supplementary powers)

Section 138C (Evidential provisions)

Section 138D (Actions for damages)

Section 192J (Rules requiring provision of information by parent undertakings)

Section 213 (The compensation scheme) (including as referred to in section 216(5) (Continuity of long-term insurance policies) and section 217(7) (Insurers in financial difficulties)

Section 214 (General)

Section 214A (Contingency funding)

Section 214D(13) (Contributions under section 214B: supplementary)

Section 215 (Rights of the scheme in insolvency)

Section 216 (Continuity of long-term insurance policies)

Section 217 (Insurers in financial difficulties)

Section 218(2)(b) (Annual report)

Section 218A (Regulators' power to require information)

Section 223 (Management expenses)

Section 223C (Payments in error)

Section 224F (Rules about relevant schemes)

Section 226 (Compulsory jurisdiction) (including as applied by regulation 125 of the *Payment Services Regulations*)

Section 226A (Consumer credit jurisdiction)

Section 229 (Awards)

Section 234 (Industry funding)

Section 238 (Restrictions on promotion)

Section 239 (Single property schemes)

Section 242 (Applications for authorisation of unit trust schemes)

Section 247 (Trust scheme rules)

Section 248 (Scheme particulars rules)

Section 261C (Applications for authorisation of contractual schemes)

Section 261I (Contractual scheme rules)

Section 261J (Contractual scheme particulars rules)

Section 278 (Rules etc as to scheme particulars)

Section 283(1) (Facilities and information in UK)

Section 286(4F) (Qualification of recognition)

Section 293 (Notification requirements)

Section 295 (Notification: overseas investment exchanges and overseas clearing houses)

Section 300B (Duty to notify proposal to make regulatory provision)

Section 332(1) (Rules in relation to persons to whom the general prohibition does not apply)

Section 340 (Appointment)

Part 3 (Penalties and Fees) of Schedule 1ZA (The Financial Conduct Authority)

Paragraph 12 (Funding of the relevant costs by authorised persons or payment service providers) of Part 2 (Funding) of Schedule 1A (Further provision about the Consumer Financial Education Body)

Paragraphs 19 (Establishment), 20 (Services) and 20C (Notice of intention to market an AIF) of Schedule 3 (EEA Passport Rights)

Paragraphs 7(3) (Annual reports), 13 (FCA's procedural rules), 16B (Procedure for complaints etc) and 16D (Enforcement of money awards) of Schedule 17 (The Ombudsman Scheme)

Regulation 6 (FCA rules) of the *OEIC Regulations*

Article 15 (Record-keeping and reporting requirements relating to relevant complaints) of the *Ombudsman Transitional Order*

Articles 4 (Pending applications), 6 (Post-commencement applications), 9 (Article 9 defaults occurring before commencement), 9A (Contributions in relation to mesothelioma claims), 10 (Applications in respect of compulsory liability insurance), 12 (Applications under the new scheme) and 23 (Record-keeping and reporting requirements relating to pre-commencement) of the *compensation transitionals order*

Regulation 3 (Consumer contract requirements: modification of rule-making powers) of the Electronic Commerce Directive (Financial Services and Markets) Regulations 2002 (SI 2002/1775)

Regulation 2 (Power of the Authority to make rules under section 138 of the Financial Services and Markets Act 2000) of the Financial Services and Markets Act 2000 (Fourth Motor Insurance Directive) Regulations 2002 (SI 2002/2706)

Article 9 (Record-keeping and reporting requirements relating to relevant transitional complaints) of the *Mortgage and General Insurance Complaints Transitional Order*

**Sch 4.3 G****FCA**

The following additional powers have been exercised by the *FCA* to make the *rules* in *GEN*:

Regulation 2(3) (Application for permission) of the Capital Requirements Regulations 2006 (SI 2006/3221)

Regulations 82 (Reporting requirements), 86 (Proposal to take disciplinary measures) and 92 (Costs of supervision) of and paragraph 1 of Schedule 5 (Disciplinary powers) to the *Payment Services Regulations*

Regulations 49 (Reporting requirements) and 59 (Costs of supervision) of the *Electronic Money Regulations*

Regulations 8 (Applications for registration), 9 (Applications for admission to the register of issuers), 18 (Notification requirements), 20 (Material changes to the regulated covered bond), 24 (Requirements relating to the asset pool), 25 (Change of owner), 36 (financial penalties policy statement), 46 (Modifications of primary and secondary legislation) of, and paragraph 5 (fees) to the Schedule (Modifications to primary and secondary legislation) to, the *RCB Regulations*

**Sch 4.4 G****FCA****Powers to make codes**

The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the codes in *GEN*:

Section 64(2) (Conduct: statements and codes)

Section 119 (The code)

Section 120 (Provisions included in the Authority's code by reference to the City Code)

Section 121 (Codes: procedure)

**Sch 4.5 G****FCA****Powers to issue statements**

The following powers and related provisions in the *Act* have been exercised by the *FCA* to issue the parts of the statements in *GEN*:

Section 63C(1) (Statement of policy)

Section 64 (Conduct: statements and codes)

Section 69 (Statement of policy) (including as applied by paragraph 1 of Schedule 5 to the *Payment Services Regulations* and paragraph 1 of Schedule 3 to the *Electronic Money Regulations*)

Section 88C (Action under section 88A: statement of policy)

Section 89S (Action under section 89Q: statement of policy)

Section 93 (Statement of policy)

Section 124 (Statement of policy)

Section 131J(1) (Statement of policy)

Section 138N (Temporary product intervention rules: statement of policy)

Section 169(9) (Investigations etc in support of overseas regulator) (including as applied by paragraph 3 of Schedule 5 to the *Payment Services Regulations* and paragraph 3 of Schedule 3 to the *Electronic Money Regulations* and by regulation 71(2) of the *AIFMD UK regulation*)

Section 192H (Statement of policy: directions under section 192C)

Section 192N (Imposition of penalties under section 192K: statement of policy)

Section 210 (Statements of policy) (including as applied by regulation 86(6) of the *Payment Services Regulations* and regulation 53 (6) of the *Electronic Money Regulations* and by regulation 71(3) of the *AIFMD UK regulation*)

Section 312J (Statement of policy under section 312F)

Section 395 (The FCA's and PRA's procedures) (including as applied by paragraph 7 of Schedule 5 to the *Payment Services Regulations* and paragraph 8 of Schedule 3 to the *Electronic Money Regulations*)

Section 404(3) (Consumer redress schemes)

Section 404A (Rules under s404: supplementary)

**Sch 4.6 G****FCA**

The following additional powers and related provisions have been exercised by the *FCA* to issue the parts of the statements in *GEN*:

Regulation 42 (Guidance) of the *RCB Regulations*

Regulation 44 (Warning notices and decision notices) of the *RCB Regulations*

Regulation 93 (Guidance) of the *Payment Services Regulations*

Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*

Regulation 60 (Guidance) of the *Electronic Money Regulations*

Section 80 (Statement of policy under sections 73 to 79) of the Financial Services Act 2012

Regulations 70 (Application of procedural provisions of the Act) and 71 (Application of provisions of the Act to unauthorised AIFMs) of the *AIFMD UK regulation*

**Sch 4.7 G****FCA****Powers to direct, require or specify**

The following powers and related provisions in the *Act* have been exercised by the *FCA* in *GEN* to direct, require or specify:

Section 55U (Applications under this Part)

Section 60 (Applications for approval)

Section 137S (Financial promotion rules: directions given by FCA)

Section 138A (Modification or waiver of rules)

Section 179 (Requirements for section 178 notices)

Section 218A (Authority's power to require information)

Section 242 (Applications for authorisation of unit trust schemes)

Section 250 (Modification or waiver of rules)

Section 270(6)(b) (Schemes authorised in designated countries or territories)

Section 274 (Applications for recognition of individual schemes)

Section 279 (Revocation of recognition)

Section 287 (Application by an investment exchange)  
 Section 293A (Information: compliance with EU requirements)  
 Section 294 (Modification or waiver of rules)  
 Section 316 (Direction by Authority)  
 Section 317 (The core provisions)  
 Section 318 (Exercise of powers through Council)  
 Paragraph 5(4) (Notice to UK Regulator) of Schedule 4 (Treaty Rights)  
 Regulations 7(3) and (4) (Modification or waiver of FSA rules) and 12 (Application for authorisation) of the *OEIC Regulations*

**Sch 4.7A G****Sch 4.8 G****FCA**

The following additional powers and related provisions have been exercised by the *FCA* in *GEN* to direct, require or specify:

Regulation 49 (Reporting requirements) of the *Electronic Money Regulations*  
 Regulations 21 (Disclosure obligations of small registered UK AIFMs), 54 (FCA approval for marketing), 58 (Marketing of AIFs managed by small third country AIFMs) and 60 (Manner and content of notifications) of the *AIFMD UK regulation*

**Sch 4.9 G****FCA****Power to make the complaints scheme**

The following power has been exercised by the *FCA* to make the complaints scheme in *GEN*:

Part 6 of the Financial Services Act 2012

**Sch 4.10 G****FCA****Powers to give guidance**

The following powers in or under the *Act* have been exercised by the *FCA* to give the guidance in *GEN*:

Section 139A (Power of the FCA to give guidance)  
 Section 234G (Guidance)

**Sch 4.11 G****FCA**

The following additional powers have been exercised by the *FCA* to give the other *guidance* in *GEN*:

Article 14 (Guidance on continued provisions) of the Financial Services and Markets Act 2000 (Consequential Amendments and Transitional Provisions) (Credit Unions) Order 2002 (SI 2002/1501)  
 Articles 9D (Applications for certificates), 9F (Revocation of certificate on request), 9G (Obtaining information from certified persons etc) and 9H (Rules prohibiting the issue of electronic money at a discount) of the *Regulated Activities Order*

Regulation 93 (Guidance) of the *Payment Services Regulations*  
Section 123 of the Banking Act 2009  
Regulation 14 (Guidance) of the *Cross-Border Payments in Euro Regulations*  
Regulation 60 (Guidance) of the *Electronic Money Regulations*  
Regulation 15 of the Payments in Euro (Credit Transfers and Direct Debits) Regulations 2012 (SI 2012/3122)

**Sch 4.12 G****FCA****Powers exercised by the FOS Ltd**

GEN 2.1.8 R is made by *FOS Ltd* in exercise of its powers referred to in Schedule 4 to *DISP*.





# Fees Manual



- (j) [deleted]
- (k) [deleted]
- (l) [deleted]
- (m) [deleted]
- (n) [deleted]
- (o) [deleted]
- (p) [deleted]
- (q) [deleted]
- (r) [deleted]
- (s) [deleted]

(2) ■ FEES 1, ■ 2 and ■ 4 apply to:

- (a) every *firm* (except an *AIFM qualifier*, *ICVC* or *UCITS qualifier*);
- (b) every *authorised fund manager* of an *authorised unit trust* or *authorised contractual scheme*;
- (c) every *ACD* of an *ICVC*;
- (d) every *person* who, under the constitution or founding arrangements of a recognised scheme, is responsible for the management of the property held for or within the *scheme*;
- (e) every *designated professional body*;
- (f) every *recognised body*;
- (g) under the Listing Rules every *issuer* of *shares*, depositary receipts and *securitised derivatives*;
- (h) under the Listing Rules (*LR*) every *sponsor*;
- (i) under the Disclosure Rules and Transparency Rules (*DTR*) every *issuer* of *shares*, depositary receipts and securitised derivatives ;
- (j) every *fee-paying payment service provider*;
- (k) every *fee-paying electronic money issuer* ;
- (l) every *issuer* of a *regulated covered bond*;
- (m) every *AIFM* applying to become a *small registered UK AIFM* and every *small registered UK AIFM*; and
- (n) every *AIFM* notifying the *FCA* under regulation 57, 58 and 59 of the *AIFMD UK regulation* and every *AIFM* which has made such a notification.

- (3) ■ FEES 1, ■ 2 and ■ 5 apply to:
- (a) every *firm* (except to the extent it is *bidding in emissions auctions*), *fee-paying payment service provider* and *fee-paying electronic money issuer* which is subject to the *Compulsory Jurisdiction* of the *Financial Ombudsman Service*; and
  - (b) every other *person* who is subject to the *Compulsory Jurisdiction* in relation to *relevant complaints*.
- (4) ■ FEES 1, ■ 2 and ■ 6 apply to:
- (a) every *participant firm* ;
  - (b) the *FSCS*; and
  - (c) the *Society*.
- (5) ■ FEES 1, ■ 2 and ■ 7 apply to:
- (a) every *person* having a *Part 4A permission*;
  - (b) an *incoming EEA firm*;
  - (c) an *incoming Treaty firm*;
  - (d) the *Society*;
  - (e) every *fee-paying payment service provider* except the Bank of England, government departments and local authorities;
  - (f) every *fee-paying electronic money issuer* except the Bank of England, government departments, local authorities, municipal banks and the National Savings Bank.
- (6) ■ FEES App 1 Annex 1 applies to every:
- (a) *registered society*; or
  - (b) *sponsoring body*; or
  - (c) *person* who submits a proposal for the registration of a *registered society*;

each as defined in ■ FEES Appendix 1.

■ FEES 1, ■ 2 and ■ 7 do not apply to an *incoming EEA firm* or an *incoming Treaty firm* that has not established a *branch* in the *United Kingdom*.

The application statement at ■ FEES 1.1.2 R (3) does not apply to  
■ FEES 5.5A, ■ FEES 5 Annex 2R or ■ FEES 5 Annex 3R.

**2.2 Late Payments and Recovery of Unpaid Fees**

**Late Payments**

2.2.1

FCA PRA

R

If a *person* does not pay the total amount of a periodic fee , *FOS* levy , or share of the *FSCS* levy or *CFEB* levy , before the end of the date on which it is due, under the relevant provision in ■ FEES 4, ■ 5, ■ 6 or ■ 7, that *person* must pay an additional amount as follows:

- (1) if the fee was not paid in full before the end of the due date, an administrative fee of £250; plus
- (2) interest on any unpaid part of the fee at the rate of 5% per annum above the Official Bank Rate from time to time in force, accruing on a daily basis from the date on which the amount concerned became due.

2.2.2

FCA PRA

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The *FCA*, (for *FCA* and *PRA* periodic fees, *FOS* and *FSCS* levies and *CFEB* levies ), expects to issue invoices at least 30 *days* before the date on which the relevant amounts fall due. Accordingly it will generally be the case that a *person* will have at least 30 *days* from the issue of the invoice before an administrative fee becomes payable .

**Recovery of Fees**

2.2.3

FCA PRA

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Paragraphs 23(8) and 27 of Schedule 1ZA and paragraphs 31(7) and 35 of Schedule 1ZB of the *Act* permit the *FCA* and *PRA* respectively to recover fees (including in respect of the *FCA*, fees relating to *payment services* , the issuance of *electronic money* and, where relevant, *FOS* levies and *CFEB* levies ), and section 213(6) permits the *FSCS* to recover shares of the *FSCS* levy payable, as a debt owed to the *FCA*, *PRA* and *FSCS* respectively, and the *FCA*, *PRA* and *FSCS*, as relevant, will consider taking action for recovery (including interest) through the civil courts.

2.2.4

FCA PRA

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In addition, the *appropriate regulator* may be entitled to take regulatory action in relation to the non-payment of fees , *FOS* levies and *CFEB* levies. The *appropriate regulator* may also take regulatory action in relation to the non-payment of a share of the *FSCS* levy, after reference of the matter to the *appropriate regulator* by the *FSCS* . What action (if any) that is taken by the *appropriate regulator* will be decided upon in the light of the particular circumstances of the case.

## 2.3 Relieving Provisions

### Remission of Fees and levies

- 2.3.1** **R** If it appears to the *appropriate regulator* or the *FSCS* (in relation to any *FSCS* levy only) that in the exceptional circumstances of a particular case, the payment of any fee, *FSCS* levy, *FOS* levy or *CFEB* levy would be inequitable, the *appropriate regulator* or the *FSCS* as relevant, may (unless **FEES 2.3.2B R** applies) reduce or remit all or part of the fee or levy in question which would otherwise be payable.
- FCA** **PRA**
- 2.3.2** **R** If it appears to the *appropriate regulator* or the *FSCS* (in relation to any *FSCS* levy only) that in the exceptional circumstances of a particular case to which **FEES 2.3.1R** does not apply, the retention by the *appropriate regulator*, the *FSCS*, or the *CFEB*, as relevant, of a fee, *FSCS* levy, *FOS* levy or *CFEB* levy which has been paid would be inequitable, the *appropriate regulator*, the *FSCS* or the *CFEB*, may (unless **FEES 2.3.2B R** applies) refund all or part of that fee or levy.
- FCA** **PRA**
- 2.3.2A** **G** A poor estimate or forecast by a fee or levy payer, when providing information relevant to an applicable tariff base, is unlikely, of itself, to amount to an exceptional circumstance for the purposes of **FEES 2.3.1 R** or **FEES 2.3.2 R**. By contrast, a mistake of fact or law by a fee or levy payer may give rise to such a claim.
- FCA** **PRA**
- 2.3.2B** **R** The *appropriate regulator* or the *FSCS* may not consider a claim under **FEES 2.3.1 R** and/or **FEES 2.3.2 R** to reduce, remit or refund any overpaid amounts paid by a fee or levy payer in respect of a particular period, due to a mistake of fact or law by the fee or levy payer, if the claim is made by the fee or levy payer more than 2 years after the beginning of the period to which the overpayment relates.
- FCA** **PRA**
- 2.3.3** **G** [deleted]

Special Project Fee for restructuring

FCA PRA

- (1) R The Special Project Fee for restructuring (the SPFR) is only payable by a *person* in one of the following categories:
  - (a) if it is in any of the A fee-blocks (as defined in Part 1 of FEES 4 Annex 1A R in respect of the *FCA* and Part 1 of FEES 4 Annex 1B R in respect of the *PRA*); or
  - (b) if it is in fee-block G.3 (as defined in FEES 4 Annex 11 R); or
  - (c) if it is a *recognised investment exchange*; or
  - (d) [deleted]
  - (e) if it is in any of the B fee-blocks (as defined in Part 1 of FEES 4 Annex 1A R and FEES 4 Annex 1B R).
- (2) R The SPFR becomes payable by a *person* falling into (1)(a) or (b) if it engages in, or prepares to engage in, activity which involves it undertaking or making arrangements with a view to any of the following:
  - (a) raising additional capital; or
  - (b) a significant restructuring of the *firm* or the *group* to which it belongs, including:
    - (i) mergers or acquisitions;
    - (ii) reorganising the *firm's group* structure; and
    - (iii) *retribution*.
- (3) R No SPFR is payable under (2) if the transaction only involves the *firm* seeking to raise capital within the *group* to which it belongs.
- (4) R Where the transaction in (2) involves raising capital outside the *group* to which the *firm* belongs, any SPFR in relation to that transaction is only payable by the largest *firm* in that *group*. The largest *firm* is the one that pays the highest periodic fee in the *appropriate regulator fee year* in which the bill is raised. For the purpose of the calculation in (9), all time spent and fees and disbursements incurred in relation to the group are added together.
- (5) R The definition of *group* is limited for the purposes of calculating the SPFR to *parent undertakings* and their *subsidiary undertakings*.
- (6) R The SPFR also becomes payable by any *person* falling into (1) if any of the following circumstances apply to it:
  - (a) an *insolvency order* is in effect as respects the *person* or the *person* is being voluntarily wound up or steps are being taken for the making of an *in-*

- solvency order* or voluntary winding up of, or with respect to, the *person* by someone entitled to take such steps; or
- (b) the Bank of England or the Treasury have exercised a stabilisation power in respect of the *person* under the Banking Act 2009.
- (7) R In (6):
- (a) references to an *insolvency order* or winding up include the equivalent process in any jurisdiction outside the *United Kingdom*; and
- (b) references to an *insolvency order* include such an order made under the Banking Act 2009.
- (7A)R The *FCA* and the *PRA* will levy separate SPFRs. The use of the term "*appropriate regulator*" in FEES 3 Annex 9R refers to the regulator levying the SPFR.
- (8) R Subject to FEES TP 8.1R, no SPFR is payable to an *appropriate regulator*:
- (a) if the amount calculated in accordance with (9) in relation to the regulatory work conducted by the *appropriate regulator* totals less than 50,000; or
- (b) for time spent giving *guidance* to the *person* in relation to the same matter if the *appropriate regulator* has charged that *person* for that *guidance*.
- (9) R The SPFR for the *appropriate regulator* is calculated as follows:
- (a) Determine the number of hours, or part of an hour, taken by the *appropriate regulator*, or, if applicable, both the *FCA* and *PRA* under FEES TP 8.1R, in relation to regulatory work conducted as a consequence of the activities referred to in (2) or (6).
- (b) Next, multiply the applicable rate in the table at (11) by the number of hours or part hours obtained under (a).
- (c) Then add any fees and disbursements invoiced to the *appropriate regulator* by any *person* in respect of services performed by that *person* for the *appropriate regulator* in relation to assisting the *appropriate regulator* in performing the regulatory work referred to in (a).
- (d) The resulting figure is the fee.
- (e) The number of hours or part hours referred to in (a) are the number of hours or part hours as recorded on the *appropriate regulator's* systems in relation to the regulatory work referred to in (a).
- (10) R The first column in the table at (11) sets out the relevant pay grades of those employed by the *appropriate regulator* and the second column sets out the hourly rates chargeable in respect of those pay grades.
- (11) R Table of *FCA* hourly rates:
- | FCA pay grade      | Hourly rate () |
|--------------------|----------------|
| Administra-<br>tor | 30             |



## Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3 and FEES 4 Annex 1BR Part 3

**FCA** **PRA**

The following tables set out guidance on how a *firm* should calculate relevant tariffs.

Table 1: Fee block A.4

### Adjusted Gross Premium Income and Mathematical reserves - calculation of new regular premium business

- (1) In calculating the new regular *premium* business element of its Adjusted Gross Premium Income, a *firm* (A) should not include business transferred from another *firm* (B) under the procedure set out at Part VII of the *Act*, during the relevant financial year, provided that that transfer did not involve the creation of new contracts between the policyholders subject to the transfer and A. This is because that business is existing business even though it is new from the point of view of A. This means that if new contracts are created as part of the transfer, that business should be included in the calculation of As new regular *premium* income business.
- (2) If any business is transferred to a *firm* (A) from another *firm* (B) under the procedure set out at Part VII of the *Act* and that business would have been included in Bs tariff base as new regular *premium* business in the absence of such a transfer, this business should be included in either As or Bs tariff base, depending on the date of transfer. FEES 4.3.15R explains in whose tariff base it should be included.
- (3) Mathematical reserves should take account of all of As business, including all new business transferred from B.

Table 2: Fee-blocks A.12, A.13 and A.14

### Calculating and apportioning annual income - FEES 4 Annex 11A R

#### Calculating annual income

(1) Annual income should include all amounts due to the *firm* arising out of the *regulated activities* referred to in fee-blocks A.12, A.13 and A.14 for which the *firm* holds *permission*, including regular *charges* and instalments due to the *firm* during the reporting year.

The *firm* should refer to the fee-block definitions in FEES 4 Annex 1A R, Part 1 to decide which particular income streams should be taken into account when calculating its annual income for the purposes of fee-blocks A.12, A.13 and A.14.

(2) To avoid any doubt, the *firm* should exclude from the calculation of its annual income any *regulated activities* belonging to fee-blocks A.12, A.13 and A.14 where the performance of such *regulated activities* is entirely incidental to the carrying out by the *firm* of the *regulated activity* of *managing investments* belonging to fee-block A.7.

(3) To avoid double-counting, amounts which have been passed on to other *firms* may be excluded from the calculation of annual income. Transfers of income to other *firms* may be especially common within *groups* where, to present a single interface to *clients*, all amounts due to the *group* may be collected by one *firm* for subsequent redistribution to other *firms* within the *group*. It is for *groups* themselves to decide the most convenient way to report such annual income - i.e. whether the *firm* which receives the full amount should declare that full amount, or whether each *firm* in the *group* should report its separate distribution.

(4) The *firm* should include earnings from those who will become its appointed representatives immediately after authorisation.

## Calculating and apportioning annual income - FEES 4 Annex 11A R

(5) If any *fee* payable by the *firm* to another party for arranging a transaction with a *client* exceeds the amount payable by the end *client*, the *firm* may not take that excess into account in calculating the net amount retained but must instead net the sum payable by the end *client* to zero.

(6) The total should include administration charges and any interest from income related to the *regulated activities*.

(7) Items such as general business expenses (e.g. employees' salaries and overheads) should not be deducted, nor any penalties or fines that have been levied against the *firm*.

(8) Rebates to *clients* should be excluded and also *fees* or *commission* passed to other authorised *firms*.

(9) *Authorised professional firms* should exclude income from *non-mainstream regulated activities*. They may estimate the proportion of their business that is derived from those activities and split the income from individual invoices accordingly.

## Apportioning income

Where a *firm* cannot separate its income on the basis of activities, it may apportion the income on the basis of the proportionate split of business that the *firm* otherwise undertakes. For instance:

(1) If a *firm* receives annual income from a platform-based business it may report this in line with a wider breakdown of its activities.

(2) A *firm* providing corporate finance advice which does not maintain records of the split between *regulated activities* and non-regulated activities for individual cases may calculate that regulated business accounts for a certain proportion of its business overall and apply that as a multiplier across its income.

(3) A *firm* may allocate ongoing *commission* from previous business on the basis of the type of *firm* it receives the *commission* from. This avoids tracking back legacy business which may no longer match the provider's current business model.

(4) An *authorised professional firm* may estimate the proportion of its business that is derived from *regulated activity* and split its income for individual invoices accordingly.

(5) If a *firm* has invested income from *regulated activities*, then any interest received should be reported as income, in proportion to the volume of regulated business it undertakes to avoid tracking back old payments.

(6) *Firms'* systems ought to be able to distinguish *UK* from non-*UK* business to establish which conduct of business regime it was conducted under. If, however, they do not relate the figures back to income streams for the specific *regulated activities* in a particular fee-block then the *firm* may make a proportionate split as described above, calculating its regulated *UK* income on the basis of the overall split between *UK* and overseas income.

(7) It is for individual *firms* to determine how they should calculate the appropriate split of income. The *FCA* is not prescriptive about the methodology. It requires only that:

(a) the approach should be proportionate - the *FCA* is looking for *firms* to make their best efforts to estimate the split;

(b) the *firm* must be able on request to provide a sound and clearly expressed rationale for its approach - for example, if all invoices were analysed over a particular period, the *firm* should be able to justify the period as representative of its business across the year;

(c) the methodology should be objective - for example, based on random sampling of invoices or random stratified sampling;

**6.1.5** G The FSCS may impose three types of levy: a *management expenses levy* (consisting of a *base costs levy* and a *specific costs levy*), a *compensation costs levy* and a *MERS levy*. The FSCS has discretion as to the amount and timing of the levies imposed.

FCA PRA

**6.1.6** G In calculating a *compensation costs levy*, the FSCS may include *compensation costs* expected in the 12-month period following the date of the levy. The total amount of all *management expenses levies* attributable to a financial year may not exceed the amount set out on an annual basis in ■ FEES 6 Annex 1 R.

FCA PRA

**6.1.7** G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into twelve *classes*. These are the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*; the *investment intermediation class* and the *general insurance intermediation class* and the four FCA provider contribution classes (the *deposit acceptor's contribution class*; the *insurers-life contribution class*; the *insurers - general contribution class*; and the *home finance providers and administrators' contribution class*). The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.

PRA

**6.1.7A** G In order to allocate a share of the amount of *specific costs* and *compensation costs* to be funded by an individual *participant firm*, the funding arrangements are split into twelve *classes*: the *deposits class*; the *life and pensions provision class*; the *general insurance provision class*; the *investment provision class*; the *life and pensions intermediation class*; the *home finance intermediation class*, the *investment intermediation class*; the *general insurance intermediation class*; the *deposit acceptor's contribution class*; the *insurers - life contribution class*; the *insurers - general contribution class*; and the *home finance providers and administrators' contribution class*. The *permissions* held by a *participant firm* determine into which *class*, or *classes*, it falls.

FCA

**6.1.8** G The provisions on the allocation of levies to *classes* up to their *levy limits* meet a requirement of section 213(5) of the *Act* that the *appropriate regulator*, in making rules to enable the FSCS to impose levies, must take account of the desirability of ensuring that the amount of the levies imposed on a particular class of *authorised person* reflects, so far as practicable, the amount of claims made, or likely to be made, in respect of that class of person.

FCA PRA

### The management expenses levy

**6.1.9** G Section 223 of the *Act* (Management expenses) prevents the FSCS from recovering, through a levy, any *management expenses* attributable to a particular period in excess of the limit set in *COMP* as applicable to that period. 'Management expenses' are defined in section 223(3) to mean expenses incurred or expected to be incurred by the FSCS in connection with its functions under the *Act*, except:

FCA PRA

- (1) expenses incurred in paying compensation;
- (2) expenses incurred as a result of the FSCS making the arrangements to secure continuity of insurance set out in ■ COMP 3.3.1 R and ■ COMP 3.3.2 R or taking the measures set out in ■ COMP 3.3.3 R and ■ COMP 3.3.4 R when a *relevant person* is an *insurer* in financial difficulties;

- (3) expenses incurred under section 214B or section 214D of the *Act* as a result of the *FSCS* being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009; and
- (4) expenses incurred under Part XVA of the *Act* as a result of the *FSCS* being required by HM Treasury to act in relation to a *relevant scheme*.

6.1.10

FCA PRA

G

A *management expenses levy* may consist of two elements. The first is a *base costs levy*, for the base costs of running the *compensation scheme* in a financial year, that is, costs which are not dependent upon the level of activity of the *compensation scheme* and which therefore are not attributable to any specific *class*. Included in this category are items such as the salary of the members of the board of the *FSCS*, the costs of the premises which the *FSCS* occupies, and its audit fees. It would also likely include the cost of any insurance cover secured by *FSCS* against the risk of it paying claims out in circumstances where the *levy limit* of the particular *class* to which the claim would otherwise be attributable has exceeded its *levy limit* for the year, as the insurance cover is likely to benefit all *classes* which may have costs allocated to them if the *levy limit* of another *class* is breached. The amount that each *participant firm* pays towards a *base costs levy* is calculated by reference to the *regulatory costs* paid by the *firm*. All *participant firms* are liable to contribute towards a *base costs levy*.

6.1.11

PRA

G

The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference to the amount of business conducted by the *firm* in each of the *classes* to which the *FSCS* has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in ■ FEES 6 Annex 3 R. *Participant firms* may be exempt from contributing to the *specific costs levy*.

6.1.11A

FCA

G

The second element of a *management expenses levy* is a *specific costs levy* for the "specific costs" of running the *compensation scheme* in a financial year. These costs are attributable to a *class*, and include the salary costs of certain staff of the *FSCS* and claims handling and legal and other professional fees. It also may include the cost of any insurance cover that *FSCS* secures against the risk of *FSCS* paying out claims above a given level in any particular *class* (but below the *levy limit* for that *class* for the year). The *specific costs* are attributed to the *class* which is responsible for those costs. When the *FSCS* imposes a *specific costs levy*, the levy is allocated to the *class* which is responsible for those costs up to the relevant *levy limits*. *Specific costs* attributable to certain *classes*, which exceed the *class levy limits*, may be allocated to the *retail pool*. The *FSCS* may include in a *specific costs levy* the *specific costs* that the *FSCS* expects to incur (including in respect of defaults not yet declared at the date of the levy) during the financial year of the *compensation scheme* to which the levy relates. The amount that each *participant firm* pays towards the *specific costs levy* is calculated by reference

to the amount of business conducted by the *firm* in each of the *classes* to which the *FSCS* has allocated *specific costs*. Each *class* has a separate "tariff base" for this purpose, set out in ■ FEES 6 Annex 3A. *Participant firms* may be exempt from contributing to the *specific costs levy*.

6.1.12 [G] [deleted]

6.1.13 [G] The limit on the *management expenses* attributable to the forthcoming financial year of the *FSCS*. will be consulted on in January each year.  
[FCA] [PRA]

### The compensation costs levy

6.1.14 [G] In imposing a *compensation costs levy* in each financial year of the *compensation scheme* the *FSCS* will take into account the *compensation costs* which the *FSCS* has incurred and has not yet raised through levies, any recoveries it has had made using the rights that have been assigned to it or to which it is subrogated and those *compensation costs* it expects to incur (including in respect of defaults yet to be declared) over the 12 *months* following the date of the levy.  
[FCA] [PRA]

6.1.15 [G] *Compensation costs* are principally the costs incurred in paying compensation. Costs incurred:  
[FCA] [PRA]

- (1) in securing continuity of long-term insurance; or
- (2) in safeguarding eligible claimants when insurers are in financial difficulties; or
- (3) in making payments or giving indemnities under ■ COMP 11.2.3 R; or
- (4) as a result of the *FSCS* being required by HM Treasury to make payments in connection with the exercise of the stabilisation power under Part 1 of the Banking Act 2009; or
- (5) in paying interest, principal and other costs from borrowing to allow the *FSCS* to pay claims attributable to a particular *class*;

are also treated as *compensation costs*. *Compensation costs* are attributed to the *class* which is responsible for the costs. When the *FSCS* imposes a *compensation costs levy* the levy is allocated to the *class* which is responsible for the costs up to relevant *levy limits*. Certain *classes* may be funded, for *compensation costs levies* beyond the *class levy limit*, by the *retail pool*.

### Participant firms that are members of more than one class

6.1.16 [G] If a *participant firm* is a member of more than one *class*, the total *compensation costs levy* and *specific costs levy* for that *firm* in a particular year will be the aggregate of the individual levies calculated for the *firm* in respect of each of the *classes* for that year. Each *class* has a *levy limit* which is the maximum amount of *compensation costs* and *specific costs* which may be allocated to a particular *class* in a financial year for the purposes of a levy.  
[FCA] [PRA]

6.1.16A

FCA

G

### The retail pool

The FCA has made *rules* providing that *compensation costs* and *specific costs* attributable to the intermediation *classes* and the investment provision *class*, which exceed the *class levy limits*, may be allocated to the *retail pool*. Levies allocated to the *retail pool* are then allocated amongst the other such *classes*, together with certain *classes* (known as *FCA provider contribution classes*). The *FCA provider contribution classes* may contribute to *compensation costs levies* or *specific costs levies* funded by the *retail pool*, but not themselves receive any such funding. The *FCA provider contribution classes* have a different tariff structure to the other *classes*, based on *regulatory costs* (see ■ FEES 6.5A.6 R).

6.1.17

FCA PRA

G

### Incoming EEA firms

*Incoming EEA firms* which obtain cover or 'top up' under the provisions of ■ COMP 14 are *firms* whose *Home State* scheme provides no or limited compensation cover in the event that they are determined to be in default. Under ■ FEES 6.6, the FSCS is required to consider whether *incoming EEA firm's* should receive a discount on the amount that they would otherwise pay as their share of the levy, to take account of the availability of their *Home State* cover. The amount of any discount is recoverable from the other members of the *incoming EEA firm's class*.

- (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3 R) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R;
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.4.7A

FCA

R

The *FSCS* must calculate a *participant firm's* share of a *specific costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares) by:

- (1) identifying each of the relevant *classes* to which the *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R;
- (2) identifying the *management expenses* other than *base costs* which the *FSCS* has incurred, or expects to incur, in the relevant financial year of the *compensation scheme*, allocated to the *classes* identified in (1), but not yet levied;
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3A) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R (but this paragraph is modified for a *specific costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by ■ FEES 6.5A.6 R);
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.4.8

FCA PRA

R

A *firm* which becomes a *participant firm* part way through a financial year of the *compensation scheme* will not be liable to pay a share of a *specific costs levy* made in that year.

6.4.9

G

[deleted]

6.4.10

FCA PRA

G

Since a *firm* that becomes a *participant firm* in the course of a financial year of the *compensation scheme* will already be obtaining a discount in relation to the *base costs*

levy through the modified fee provisions of ■ FEES 4.2.6 R, no *rule* is necessary in ■ FEES 6 for discounts on the *base costs levy*.

**Specific costs levy for newly authorised firms**

6.4.10A

FCA PRA

**R**

- (1) This *rule* deals with the calculation of:
  - (a) a *participant firm's specific costs levy* in the financial year of the FSCS following the FSCS financial year in which it became a *participant firm*; or
  - (b) a *participant firm's specific costs levy* in the financial year of the FSCS in which it had its *permission* extended, and the following FSCS financial year; and
  - (c) the tariff base for the *classes* that relate to the relevant *permissions* or extensions, as the case may be.
- (2) Unless this *rule* says otherwise the tariff base is calculated, where necessary, using the projected valuation of the business to which the tariff relates.
- (3) The rest of this *rule* only applies to a *firm* that becomes a *participant firm*, or extends its *permission*, on or after 1 April 2009.
  - (a) If a *participant firm's* tariff base is calculated using data from a period that begins on or after it became a *participant firm* or on or after the date that the *participant firm* receives its extension of *permission*, as the case may be, the *participant firm* must use that data.
  - (b) If a *participant firm* satisfies the following conditions it must calculate its tariff base under (c) for the FSCS financial year following the FSCS financial year it became a *participant firm*:
    - (i) it became a *participant firm* or receives its extension of *permission*, as the case may be, between 1 April and 31 December inclusive; and
    - (ii) its tariff base, but for this *rule*, is calculated by reference to the financial year ended in the calendar year ending 31 December or the twelve *months* ending 31 December before the FSCS financial year.
  - (c) If a *participant firm* satisfies the conditions in (b) it must calculate its tariff base as follows:
    - (i) it must use actual data in relation to the business to which the tariff relates rather than projected valuations;
    - (ii) the tariff is calculated by reference to the period beginning on the date it became a *participant firm* or





## 6.5 Compensation costs

6.5.1 **R** [deleted]

6.5.2 **R** The FSCS must allocate any *compensation costs levy*:

**PRA**

- (1) to the relevant *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class* .

- (2) [deleted]

### Allocation: all classes except A, B and C

6.5.2-A **R** The FSCS must allocate any *compensation costs levy*:

**FCA**

- (1) first, to the relevant *classes* in proportion to the amount of *compensation costs* arising from, or expected to arise from, claims in respect of the different activities for which *firms* in those *classes* have *permission* up to the *levy limit* of each relevant *class*. The *FCA provider contribution classes* are not relevant *classes* for this purpose; and
- (2) thereafter, where the *levy limit* has been reached (whether as a result of *compensation costs* or *specific costs* or both) for a *class* whose attributable costs may be allocated to the *retail pool* (see **■ FEES 6 Annex 5**), to the retail pool, in accordance with, and subject to, **■ FEES 6.5A**.

6.5.2A **G** The use made by FSCS of borrowing facilities to provide liquidity until the next levy does not affect the attribution of *compensation costs*, nor the allocation of *compensation cost levies*; the allocation of a *compensation costs levy* occurs at the time that the FSCS imposes a levy.

**FCA PRA**

6.5.2B **G** [deleted]

6.5.2C **G** [deleted]

6.5.3

FCA PRA

R

If a *participant firm* which is *in default* has carried on a *regulated activity* other than in accordance with a *permission*, the FSCS must treat any *compensation costs* or *specific costs* arising out of that activity as if the relevant *permission* were held by the *participant firm*.

6.5.4

FCA PRA

R

If the relevant *person* in default is an *appointed representative*, the FSCS must treat any *compensation costs* or *specific costs* arising out of a *regulated activity* for which his *principal* has not accepted responsibility to as if the *principal* had accepted responsibility.

6.5.5

FCA PRA

R

(1) A *participant firm* must pay to the FSCS a share of each *compensation costs levy* allocated to the *classes* of which it is a member unless either the *firm* is exempt under ■ FEES 6.2 (Exemption) or the FSCS has chosen to exercise its discretion under ■ FEES 6.3.23 R in respect of that *firm*.

(2) [deleted]

6.5.6

PRA

R

The FSCS must calculate each *participant firm's* share of a *compensation costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares)) by:

(1) identifying each of the *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R (1);

(2) identifying the *compensation costs* falling within ■ FEES 6.5.1 R allocated, in accordance with ■ FEES 6.5.2 R, to the *classes* identified in (1);

(3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3 R) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R;

(4) applying the proportion calculated in (3) to the figure in (2);  
and

(5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

6.5.6A

FCA

R

The FSCS must calculate each *participant firm's* share of a *compensation costs levy* (subject to ■ FEES 6.3.22 R (Adjustments to calculation of levy shares)) by:

(1) identifying each of the relevant *classes* to which each *participant firm* belongs, using the statement of business most recently supplied under ■ FEES 6.5.13 R (1);

- (2) identifying the *compensation costs* falling within ■ FEES 6.5.1 R allocated, in accordance with ■ FEES 6.5.2 R, to the *classes* identified in (1);
- (3) calculating, in relation to each relevant *class*, the *participant firm's* tariff base (see ■ FEES 6 Annex 3A) as a proportion of the total tariff base of all *participant firms* in the *class*, using the statement of business most recently supplied under ■ FEES 6.5.13 R (but this paragraph is modified for a *compensation costs levy* allocated to an *FCA provider contribution class* in the *retail pool* by ■ FEES 6.5A.6 R);
- (4) applying the proportion calculated in (3) to the figure in (2); and
- (5) if more than one *class* is relevant, adding together the figure in (4) for each *class*.

#### Classes and tariff bases for compensation cost levies and specific costs levies

6.5.7

PRA

R

When calculating a *participant firm's* share of a *compensation costs levy* or *specific costs levy* allocated to each *class* the FSCS must use the *classes* and tariff bases as set out in the table in ■ FEES 6 Annex 3 R.

(1) [deleted]

(2) [deleted]

(3) [deleted]

(4) [deleted]

(5) [deleted]

6.5.8

FCA PRA

G

Guidance on parts of ■ FEES 6 Annex 3 R can be found in ■ FEES 6 Annex 4 G.

#### New participant firms

6.5.9

FCA PRA

R

A *firm* which becomes a *participant firm* part way through a financial year of the *compensation scheme* will not be liable to pay a share of a *compensation costs levy* made in that year.

#### Compensation costs levy for newly authorised firms

6.5.9A

FCA PRA

R

■ FEES 6.4.10AR applies to the calculation of a *participant firm's* *compensation costs levy* and its tariff base as it applies to the calculation of its *specific costs levy*.

6.5.9B

FCA PRA

G

The example table in ■ FEES 6.4.10B G can be applied to the calculation of the tariff bases under ■ FEES 6.5.9AR.

**Membership of several classes**

6.5.10 **R** [deleted]

6.5.11 **R** [deleted]

6.5.12 **G** A *participant firm* may belong to more than one *class*.

**FCA** **PRA**

**Reporting requirements**

6.5.13 **R** (1) Unless exempt under **FEES 6.2.1 R**, a *participant firm* must provide the *FSCS* by the end of February each year (or, if it has become a *participant firm* part way through the financial year, by the date requested by the *appropriate regulator*) with a statement of:

**FCA** **PRA**

- (a) *classes* to which it belongs; and
- (b) the total amount of business (measured in accordance with the appropriate tariff base or tariff bases) which it conducted, in respect of the most recent valuation period (as specified by **FEES 6 Annex 3 R** (Financial Services Compensation Scheme - classes )) ending before the relevant year in relation to each of those *classes*.

(2) In this *rule* the relevant year means the year in which the month of February referred to in (1) falls.

(3) [deleted]

6.5.13A **G** For example, when the tariff base for a particular *class* is based on a *firm's annual eligible income* the valuation period for that *class* is the *firm's* last financial year ending in the year to 31 December preceding the financial year of the *FSCS* for which the calculation is being made. In the case of a *firm* in *class* A1 (Deposits) its valuation period will be 31 December.

**FCA** **PRA**

6.5.14 **R** If the information in **FEES 6.5.13 R** has been provided to the *appropriate regulator* under other *rule* obligations, a *participant firm* will be deemed to have complied with **FEES 6.5.13 R**.

**FCA** **PRA**

6.5.15 **R** Where a *participant firm* can identify that a *protected deposit* or a *protected dormant account* was made by or belonged to a *person* who is not an *eligible claimant*, it may exclude the amount of that deposit or that account from the tariff base, provided that it notifies the *FSCS* of the amount of the deposit or the account so excluded and provides the *FSCS* with such information about the deposit or account as the *FSCS* may reasonably require.

**PRA**

6.5.16

FCA PRA

R

If a *participant firm* does not submit a complete statement by the date on which it is due in accordance with ■ FEES 6.5.13 R and any prescribed submission procedures:

- (1) the *firm* must pay an administrative fee of £250 (but not if it is already subject to an administrative fee under ■ FEES 4 Annex 2A R, Part 1 or ■ FEES 5.4.1 R for the same financial year); and
- (2) the *compensation costs levy* and any *specific costs levy* will be calculated using (where relevant) the valuation or valuations of business applicable to the previous period, multiplied by the factor of 1.10 (or, if it has become a *participant firm* part way through a financial year, on the basis of the information provided to the *appropriate regulator* for the purposes of ■ FEES 4.4.2 R) or on any other reasonable basis, making such adjustments as seem appropriate in subsequent levies once the true figures are known.

6.5.17

R

[deleted]

6



Financial Services Compensation Scheme - classes

FCA

This table belongs to ■ FEES 6.4.7A R and ■ FEES 6.5.6A R

| Class A                    | Deposits  |
|----------------------------|---|
| Firms with permission for: | <i>accepting deposits and/or operating a dormant account fund. BUT does not include any fee payer who either effects or carries out contracts of insurance.</i>   |
| Tariff base                | <p>(1) <i>Protected deposits and/or</i></p> <p>(2) <i>Protected dormant accounts multiplied by 0.2 as at 31 December. Except where paragraph (4) says otherwise, protected deposits must be adjusted as follows.</i></p> <p>(1) Only include a <i>protected deposit</i> to the extent that an <i>eligible claimant</i> would have a claim in respect of it.</p> <p>(2) Exclude any amount in respect of which the <i>FSCS</i> would not pay compensation due to the maximum payment limits in <b>COMP 10.2</b>.</p> <p>(3) The tariff base calculation is made on the basis of the information that the <i>firm</i> would have to include in the <i>single customer views</i> it has to be able to produce under <b>COMP 17</b> (Systems requirements for firms that accept deposits). The information must be of the extent and standard required if the <i>firm</i> was preparing the <i>single customer views</i> as at the valuation date for the tariff base (31 December).</p> <p>(4) (a) If this paragraph applies, the adjustments in (1) to (3) do not apply and the calculation is based on <i>protected deposits</i>.</p> <p>(b) This paragraph applies with respect to a <i>protected deposit</i> to the extent that, under <b>COMP 17</b>, the <i>firm</i> does not have to identify an <i>eligible claimant</i> with respect to that <i>protected deposit</i> because the account is held by the account holder on behalf of others.</p> <p>(c) This paragraph applies with respect to a <i>protected deposit</i> that has been excluded from the <i>single customer view</i> because it is an account that is not active, as defined in <b>COMP 17.2.3 R(2)</b>.</p> |

6

PAGE  
1

General Insurance

|                            |  |
|----------------------------|--|
| Class B1                   | General Insurance Provision  |
| Firms with permission for: | <i>effecting contracts of insurance; and/or carrying out contracts of insurance;</i> |

General Insurance

that are *general insurance contracts*.

**Class B2**

**General Insurance Intermediation**

**Firms with permission for:**

Any of the following in respect of *general insurance contracts*:

*dealing in investments as agent;*

*arranging (bringing about) deals in investments;*

*making arrangements with a view to transactions in investments;*

*assisting in the administration and performance of a contract of insurance;*

*advising on investments;*

*agreeing to carry on a regulated activity which is within any of the above.*

**Tariff base**

**Class B1: Relevant net premium income and eligible gross technical liabilities.** The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to *relevant net premium income*. The tariff base for the second portion (25%) is based on eligible gross technical liabilities.

Eligible gross technical liabilities are calculated in accordance with the method for calculating gross technical liabilities in fee block A3 in part 3 of FEES 4 Annex 1B R with the following adjustments.

(1) Eligible gross technical liabilities are calculated by reference to *protected contracts of insurance with eligible claimants*.

(2) A *firm* may choose not to apply paragraph (1) and instead include all gross technical liabilities that it would be obliged to take into account for fee block A3 as long as the amount that it would include under (1) is lower.

(3) If an *incoming EEA firm* does not report gross technical liabilities in the way contemplated by this table, the *firm's* gross technical liabilities are calculated in the same way as they would be for a *UK firm*.

(4) None of the notes for the calculation of fees in fee block A3 in part 3 of FEES 4 Annex 1B R apply except for the purposes of (2).

(5) A *directive friendly society* must also calculate eligible gross technical liabilities in accordance with this table.

(6) A *non-directive friendly society* must calculate gross technical liabilities as the amount that it is required to show in FSC 2 - Form 9 line 11 in Appendix 10 of *IPRU(FSOC)* (assets allocated towards the general insurance business required minimum margin) in relation to the most recent financial year of the *firm* (as at the applicable reporting date under FEES 6.5.13 R) for which the *firm* is required to have reported that information to the *PRA* under *IPRU(FSOC)*. A *non-directive friendly society* must dis-



### General Insurance

regard for this purpose such amounts as are not required to be included by reason of a *waiver* or a written concession carried forward as an amendment to the *rule* to which it relates under SUP TP.

**Class B2:** *annual eligible income* where *annual eligible income* means annual income adjusted in accordance with this table. Annual income is calculated as the sum of (a) and (b):

(a) the net amount retained by the *firm* of all brokerages, fees, commissions and other related income (for example, administration charges, overrides and profit shares) due to the *firm* in respect of or in relation to *class B2* activities, including any income received from an *insurer*; and

(b) if the *firm* is an *insurer*, in relation to *class B2* activities, the amount of *premiums* receivable on its *contracts of insurance* multiplied by 0.07, excluding those *contracts of insurance* which result from *class B2* activities carried out by another *firm*, where a payment has been made by the *insurer* to that other *firm* and that payment is of a type that falls under (a).

Notes relating to the calculation of the tariff base for *class B2*:

(1) Exclude annual income for *pure protection contracts*. Only include *general insurance contracts*

(2) The calculation is adjusted in accordance with the definition of *annual eligible income*.

(3) Net amount retained means all the commission, fees, etc. in respect of *class B2* activities that the *firm* has not rebated to customers or passed on to other *firms* (for example, where there is a commission chain). Items such as general business expenses (for example, employees' salaries and overheads) must not be deducted.

(4) *Class B2* activities mean activities that fall within *class B2*. They also include activities that now fall within *class B2* but that were not *regulated activities* when they were carried out.

(5) A reference to a *firm* also includes a reference to any *person* who carried out activities that would now fall into *class B2* but which were not at the time *regulated activities*.

### Life and Pensions

#### Life and Pensions Provision

*effecting contracts of insurance*; and/or  
*carrying out contracts of insurance*;  
that are *long-term insurance contracts* (including *pure protection contracts*).

### Class C1

Firms with permis-  
sion for:

General Insurance

Class C2

Life and Pensions Intermediation

Firms with permission for:

Any of the following:

- dealing in investments as agent;*
- arranging (bringing about) deals in investments;*
- making arrangements with a view to transactions in investments;*
- assisting in the administration and performance of a contract of insurance;*
- advising on investments;*
- advising on pension transfers and pension opt-outs;*
- providing basic advice on a stakeholder product;*
- agreeing to carry on a regulated activity which is within any of the above; in relation to any of the following:*
- long-term insurance contracts (including pure protection contracts);*
- rights under a stakeholder pension scheme or a personal pension scheme.*

Tariff base

Class C1: *Relevant net premium income* and eligible mathematical reserves. The levy is split into two in the ratio 75:25. The tariff base for the first portion (75%) is calculated by reference to *relevant net premium income*. The tariff base for the second portion (25%) is based on mathematical reserves.

Eligible mathematical reserves are calculated in accordance with the method for calculating mathematical reserves in fee block A4 in part 3 of FEES 4 Annex 1B R with the following adjustments.

(1) Eligible mathematical reserves are calculated by reference to *protected contracts of insurance with eligible claimants*.

(2) A *firm* may choose not to apply paragraph (1) and instead include all mathematical reserves that it would be obliged to take into account for fee block A4 as long as the amount that it would include under (1) is lower.

(3) If an *incoming EEA firm* does not report mathematical reserves in the way contemplated by this table, the *firm's* mathematical reserves are calculated in the same way as they would be for a *UK firm*.

(4) None of the notes for the calculation of fees in fee block A4 in part 3 of FEES 4 Annex 1B R apply except for the purposes of (2).

(5) A *directive friendly society* must also calculate eligible mathematical reserves in accordance with this table.

(6) A *non-directive friendly society* must calculate mathematical reserves as the amount that it is required to show in FSC 2 - Form 9 line 23 in

## Fees Manual

### FEES TP 8 Transitional provisions relating to FEES 3 Annex 9R and FEES 4.3.6R taking effect in 2013/14

**FCA** **PRA**

| (1)            | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision   | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|----------------|--|-----|--|--|---|
| <b>8.1</b>     | <b>Special project fee transitional provisions</b>       |     |  |  |   |
| 8.1.1          | FEES3Annex9R R   |     | This <i>rule</i> relates to a special project fee or part of a special project fee which has the following characteristics:  | From 1 April 2013 indefinitely             | 1 April 2013                              |
| [FCA]<br>[PRA] |  |     | (1) one or more of the events described in FEES 3 Annex 9R (2) or (6) had occurred before 1 April 2013; and  |  |   |
|                |  |     | (2) <i>FSA</i> employees conducted regulatory work which had been recorded on the <i>FSA</i> 's systems and/or the <i>FSA</i> was invoiced fees and disbursements as a consequence of the applicable event or events referred to in FEES 3 Annex 9R (2) or (6) before 1 April 2013.                        |  |   |
|                |  |     | (3) Hours or part hours worked by <i>FSA</i> staff and any fees or disbursements invoiced to the <i>FSA</i> of the kind described in FEES 3 Annex 9R (9) which were not accounted for in an invoice issued by the <i>FSA</i> prior to 31 March 2013 shall be named "pre-LCO accrued costs" in FEES TP 8.1. |  |   |

| (1)                     | (2) Material to which the transitional provision applies | (3) | (4) Transitional provision   | (5) Transitional provision: dates in force | (6) Handbook provision: coming into force |
|-------------------------|--|-----|--|--|---|
| 8.1.2<br>[FCA]<br>[PRA] | FEES 3 Annex 9R R  | R   | <p>In relation to the kind of special project fee specified in FEES TP 8.1.1R,</p> <p>(a) where one of the events referred to in FEES 3 Annex 9R (6)(a) had occurred, any pre-LCO accrued costs shall be included in the calculation of any amount payable to the <i>FCA</i> under FEES 3 Annex 9R (9);</p> <p>(b) a special project fee is payable to the <i>FCA</i> regardless of whether the amount calculated according to FEES 3 Annex 9R for the <i>FCA</i> is less than £50,000; and</p> <p>(c) no special project fee is payable if the sum total of adding together (i) the amount calculated in accordance with FEES 3 Annex 9R (9) in respect of the <i>FCA</i> and (ii) the total costs invoiced by the <i>FSA</i> before 1 April 2013 results in a total amount of less than £50,000.</p> | From 1 April 2013 indefinitely             | 1 April 2013                              |
| 8.1.3<br>[FCA]<br>[PRA] | FEES 3 Annex 9R R  | R   | <p>In relation to the kind of special project fee specified in FEES TP 8.1.1R, where one of the events referred to in FEES 3 Annex 9R (2) or (6)(b) had occurred:</p> <p>(a) 50% of the pre-LCO accrued costs shall be included in the calculation of any amount payable to the <i>FCA</i> under FEES 3 Annex 9R(9);</p> <p>(b) 50% of the pre-LCO accrued costs shall be included in the calculation of any amount payable to the <i>PRA</i> under FEES 3 Annex 9R(9);</p> <p>(c) a special project fee is payable to the <i>appropriate regulator</i> regardless of whether the amount calculated according</p>  | From 1 April 2013 indefinitely             | 1 April 2013                              |

# Prudential sourcebook for Banks, Building Societies and Investment Firms



## 1.3 Applications for advanced approaches and waivers

### Application

1.3.1

R

FCA PRA

This section of the *Handbook* applies to every *BIPRU firm* that wishes to apply for a permission to use any of the approaches set out in

■ BIPRU 1.3.2 G.

### Purpose

1.3.2

G

FCA PRA

- (1) A *firm* may apply for an *Article 129 permission* or a *waiver* in respect of:
  - (a) the *IRB approach*;
  - (b) the *advanced measurement approach*;
  - (c) the *CCR internal model method*; and
  - (d) the *VaR model approach*.
- (2) A *firm* should apply for a *waiver* if it wants to:
  - (a) apply the *CAD 1 model approach*; or
  - (b) apply the *master netting agreement internal models approach*; or
  - (c) disapply consolidated supervision under ■ BIPRU 8 for its *UK consolidation group* or *non-EEA sub-group*; or
  - (d) apply the treatment in ■ BIPRU 2.1 (Solo-consolidation waiver); or
  - (da) apply the treatment for a *core UK group* in ■ BIPRU 3.2.25 R (Zero risk-weighting for intra-group exposures) or in ■ BIPRU 10.8A (Intra-group exposures: core UK group); or
  - (e) apply the treatment for a *non-core large exposures group* in ■ BIPRU 10.9A (Intra-group exposures: non-core large exposures group); or
  - (f) apply the treatment in ■ BIPRU 10.6.35 R (Sovereign large exposure waiver).

### Article 129

1.3.3

G

FCA PRA

An *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of its *EEA parent financial holding company* or the *subsidiary undertakings* of its *EEA parent mixed financial holding company* that wish to use any of the approaches listed in ■ BIPRU 1.3.2 G (1) in respect of its group, including members of its group that are *BIPRU firms*, may apply for an *Article 129 permission*.

**1.3.4** FCA PRA G The *Article 129 procedure* allows an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of its *EEA parent financial holding company* or the *subsidiary undertakings* of its *EEA parent mixed financial holding company* to apply for permission to use the approaches in ■ BIPRU 1.3.2 G (1) without making separate applications to the *competent authority* of each *EEA State* where members of a *firm's* group are authorised.

**1.3.5** FCA PRA G The *Capital Requirements Regulations 2006* set out the *Article 129 procedure*.

**1.3.6** FCA PRA G Where a *firm* or its group has been granted an *Article 129 permission*, each *competent authority*, including the lead *competent authority*, will need to take action to apply that *Article 129 permission* to the *institutions* that they authorise. Part 3 of the *Capital Requirements Regulations 2006* governs how the *appropriate regulator* will take that action, whether or not the *appropriate regulator* is the lead *competent authority*.

### Article 129 permissions and waivers - specific conditions

**1.3.7** FCA PRA D When an *advanced measurement approach* is intended to be used by an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of an *EEA parent financial holding company*, the application of a *firm* in accordance with ■ BIPRU 1.3.14 D must include the elements listed in ■ BIPRU 6.5.5 R (Minimum standards for the advanced measurement approach).

[Note:BCD Article 105(2)]

**1.3.8** FCA PRA D When an *advanced measurement approach* is intended to be used by an *EEA parent institution* and its *subsidiary undertakings* or the *subsidiary undertakings* of an *EEA parent financial holding company* or an *EEA parent mixed financial holding company*, the application of a *firm* must include a description of the methodology used for allocating *operational risk* capital between the different entities of the group.

[Note: BCD AnnexX Part 3 point 30]

**1.3.9** FCA PRA D For the purposes of ■ BIPRU 1.3.8 D, the application of a *firm* must indicate whether and how diversification effects are intended to be factored in the risk measurement system.

[Note: BCD annex X Part 3 point 31]

### Waiver - general

**1.3.10** FCA PRA G As explained in ■ SUP 8, under section 138A of the *Act*, the *appropriate regulator* may not grant a *waiver* to a *firm* unless it is satisfied that:

- (1) compliance by the *firm* with the *rules*, or with the *rules* as modified, would be unduly burdensome or would not achieve the purpose for which the *rules* were made; and
- (2) the *waiver* would not adversely affect the advancement of any of the *appropriate regulator's* objectives.



supervision of that *firm*. Therefore if a *firm's capital resources* have fallen, or are expected to fall, below the level advised in *individual capital guidance*, then, consistent with *Principle 11* (Relations with regulators), a *firm* should inform the *appropriate regulator* of this fact as soon as practicable, explaining why this has happened or is expected to happen and:

- (1) what action the *firm* intends to take to increase its capital resources or to reduce its risks and hence its capital requirements; or
- (2) what modification the *firm* considers should be made to the *individual capital guidance* which it has been given.

## 2.2.21

FCA PRA

G

In the circumstance set out in ■ BIPRU 2.2.20 G, the *appropriate regulator* may ask a *firm* for alternative or more detailed proposals and plans or further assessments and analyses of capital adequacy and risks faced by the *firm*. The *appropriate regulator* will seek to agree with the *firm* appropriate timescales and scope for any such additional work, in light of the circumstances which have arisen.

## 2.2.22

FCA PRA

G

If a *firm* has not accepted *individual capital guidance* given by the *appropriate regulator* it should, nevertheless, inform the *appropriate regulator* as soon as practicable if its capital resources have fallen, or are expected to fall, below the level suggested by that *individual capital guidance*.

## 2.2.23

FCA PRA

G

Monitoring the use of a *firm's capital planning buffer* is also a fundamental part of the *appropriate regulator* supervision of that *firm*. A *firm* should only use its *capital planning buffer* to absorb losses or meet increased capital requirements if certain adverse circumstances materialise. These should be circumstances beyond the *firm's* normal and direct control, whether relating to a deteriorating external environment or periods of stress such as macroeconomic downturns or financial/market shocks, or firm-specific circumstances.

## 2.2.23A

FCA PRA

G

Consistent with *Principle 11* (Relations with regulators), a *firm* should notify the *appropriate regulator* as early as possible in advance where it has identified that it would need to use its *capital planning buffer*. The *firm's* notification should at least state:

- (1) what adverse circumstances are likely to force the *firm* to draw down its *capital planning buffer*;
- (2) how the *capital planning buffer* will be used up in line with the *firm's* capital planning projections; and
- (3) what plan is in place for the eventual restoration of the *capital planning buffer*.

## 2.2.23B

FCA PRA

G

Following discussions with the *firm* on the items listed in ■ BIPRU 2.2.23AG (1) to ■ BIPRU 2.2.23AG (3), the *appropriate regulator* may put in place additional reporting arrangements to monitor the *firm's* use of its *capital planning buffer* in accordance with the plan referred to in ■ BIPRU 2.2.23AG (3). The *appropriate regulator* may also identify specific trigger points as the *capital planning buffer* is being used up by the *firm*, which could lead to additional supervisory actions.

2.2.23C

FCA PRA

G

Where a *firm's capital planning buffer* is being drawn down due to circumstances other than those referred to in ■ BIPRU 2.2.23 G, such as poor planning or mismanagement, the *appropriate regulator* may ask the *firm* for more detailed plans for it to restore its *capital planning buffer*. In the light of the relevant circumstances, the *appropriate regulator* may consider taking other remedial actions, which may include using its powers under section 55L (in the case of the *FCA*) or section 55M (in the case of the *PRA*) of the *Act* to impose on its own initiative such requirements on a *firm* as it considers appropriate.

2.2.23D

FCA PRA

G

A *firm* should inform the *appropriate regulator* where its *capital planning buffer* is likely to start being drawn down even if it has not accepted the *appropriate regulator's* assessment as to the amount or quality of its *capital planning buffer*.

2.2.23E

FCA PRA

G

Where a *firm* has started to use its *capital planning buffer* in circumstances where it was not possible to notify in advance, it should notify the *appropriate regulator* and provide the information referred to in ■ BIPRU 2.2.23A G as soon as practicable afterwards.

2.2.23F

FCA PRA

G

■ BIPRU 2.2.20 G to ■ BIPRU 2.2.23E G also apply to *individual capital guidance* and to *capital planning buffer* on a consolidated basis as referred to in ■ BIPRU 2.2.19 G.

### Proportionality of an ICAAP

2.2.24

FCA PRA

G

■ BIPRU 2.2.25 G to ■ BIPRU 2.2.27 G set out what the *appropriate regulator* considers to be a proportional approach to preparing an *ICAAP* as referred to in ■ GENPRU 1.2.35 R (The processes, strategies and systems required by the *overall Pillar 2 rule* should be comprehensive and proportionate), according to the relative degree of complexity of a *firm's* activities. If a *firm* adopts the appropriate approach, it may enable the *appropriate regulator* more easily to review a *firm's ICAAP* when the *appropriate regulator* undertakes its *SREP*. The *appropriate regulator* is also likely to place more reliance on an *ICAAP* which takes the appropriate form described in ■ BIPRU 2.2.25 G to ■ BIPRU 2.2.27 G than would otherwise be the case although there may also be circumstances in which the *appropriate regulator* will be able to rely on an *ICAAP* that is not drawn up in that form.

2.2.25

FCA PRA

G

- (1) This paragraph applies to a small *firm* whose activities are simple and primarily not credit-related.
- (2) In carrying out its *ICAAP* it could:
  - (a) identify and consider that *firm's* largest losses over the last 3 to 5 years and whether those losses are likely to recur;
  - (b) prepare a short list of the most significant risks to which that *firm* is exposed;
  - (c) consider how that *firm* would act, and the amount of capital that would be absorbed, in the event that each of the risks identified were to materialise;
  - (d) consider how that *firm's CRR* might alter under the scenarios in (c) and how its *CRR* might alter in line with its business plans for the next 3 to 5 years;

### Treatment

3.4.21

FCA PRA

R

Without prejudice to ■ BIPRU 3.4.22 R to ■ BIPRU 3.4.26 R, *exposures* to administrative bodies and non-commercial *undertakings* must be assigned a 100% *risk weight*.

[Note: BCD Annex VI Part 1 point 12]

### Public sector entities

3.4.22

FCA PRA

R

Without prejudice to ■ BIPRU 3.4.23 R to ■ BIPRU 3.4.26 R, *exposures* to *public sector entities* must be assigned a 100% *risk weight*.

[Note: BCD Annex VI Part 1 point 13]

3.4.23

FCA PRA

R

A *firm* may treat an *exposure* to a *public sector entity* as an *exposure* to a regional government or local authority in accordance with ■ BIPRU 3.4.11 R to ■ BIPRU 3.4.14 R.

[Note: BCD Annex VI Part 1 point 14]

3.4.24

FCA PRA

R

In exceptional circumstances a *firm* may treat an *exposure* to a *public sector entity* established in the *United Kingdom* as an *exposure* to the central government of the *United Kingdom* if there is no difference in risk between *exposures* to that body and *exposures* to the central government of the *United Kingdom* because of the existence of an appropriate guarantee by the central government.

[Note: BCD Annex VI Part 1 point 15]

3.4.25

FCA PRA

R

Where a *competent authority* of another *EEA State* implements points 14 or 15 of Part 1 of Annex VI of the *Banking Consolidation Directive* by exercising the discretion to treat *exposures* to *public sector entities* as *exposures* to *institutions* or as *exposures* to the central government of the *EEA State* concerned, a *firm* may *risk weight exposures* to the relevant *public sector entities* in the same manner.

[Note: BCD Annex VI Part 1 point 16]

3.4.26

FCA PRA

R

When *competent authorities* of a third country jurisdiction, which apply supervisory and regulatory arrangements at least equivalent to those applied in the *EEA*, treat *exposures* to *public sector entities* as *exposures* to *institutions*, a *firm* may *risk weight exposures* to the relevant *public sector entities* in the same manner.

[Note: BCD Annex VI Part 1 point 17]

**Exposures to multilateral development banks: Treatment**

3.4.27

FCA PRA

R

Without prejudice to ■ BIPRU 3.4.28 R to ■ BIPRU 3.4.29 R:

- (1) a *firm* must treat *exposures to multilateral development banks* in the same manner as *exposures to institutions* in accordance with ■ BIPRU 3.4.34 R to ■ BIPRU 3.4.39 R (Exposures to institutions: credit assessment based method); and
- (2) the preferential treatment for short-term *exposures* specified in ■ BIPRU 3.4.37 R, ■ BIPRU 3.4.39 R and ■ BIPRU 3.4.44 R must not be applied.

[Note: BCD Annex VI Part 1 point 19]

3.4.28

FCA PRA

R

An *exposure to a multilateral development bank* listed in point (a) of the definition in the *Glossary* must be assigned a 0% *risk weight*.

[Note: BCD Annex VI Part 1 point 20]

3.4.29

FCA PRA

R

A *risk weight* of 20% must be assigned to the portion of unpaid capital subscribed to the European Investment Fund.

[Note: BCD Annex VI Part 1 point 21]

**Exposures to international organisations**

3.4.30

FCA PRA

R

*Exposures to the following international organisations* must be assigned a 0% *risk weight*:

- (1) the *EU*;
- (2) the International Monetary Fund; and
- (3) the Bank for International Settlements.

[Note: BCD Annex VI Part 1 point 22]

**Exposures to institutions: General**

3.4.31

FCA PRA

R

■ BIPRU 3.4.32 R to ■ BIPRU 3.4.48 R set out the treatment to be accorded to *exposures to institutions*.**Exposures to institutions: Treatment**

3.4.32

FCA PRA

R

Without prejudice to ■ BIPRU 3.4.33 R to ■ BIPRU 3.4.47 R, *exposures to financial institutions* authorised and supervised by the *competent authorities* responsible for the authorisation and supervision of *credit institutions* and subject to prudential requirements equivalent to those applied to credit *institutions* must be *risk weighted* as *exposures to institutions*.

**Model standards: Risk factors: Specific risk**

7.10.46

**R**

FCA PRA

- (1) If a *firm's VaR model* covers the calculation of *PRR* with respect to *specific risk* the *firm* must meet the *VaR specific risk minimum requirements* in addition to the other requirements of ■ BIPRU 7.10.
- (2) The *VaR model* must explain the historical price variation in the portfolios concerned.
- (3) The *VaR model* must capture concentration in terms of magnitude and changes of composition of the portfolios concerned.
- (4) The *VaR model* must be robust to an adverse environment.
- (5) The *VaR model* must capture name-related basis risk. That is the *firm* must be able to demonstrate that the *VaR model* is sensitive to material idiosyncratic differences between similar but not identical *positions*.
- (6) The *VaR model* must capture event risk.
- (7) In addition to the other requirements in ■ BIPRU 7.10, a *firm* must have an approach in place to capture, in the calculation of its capital requirements, the *incremental risk charge* of its *trading book positions* that is incremental to the default and migration risk captured by the *VaR measures*, as specified in ■ BIPRU 7.10.55A R to ■ BIPRU 7.10.55S G and ■ BIPRU 7.10.107R (Backtesting: Specific risk backtesting).
- (8) [deleted]

7.10.47

**G**

FCA PRA

This paragraph provides *guidance* on ■ BIPRU 7.10.46 R (2). Take as an example a *VaR model* based on a factor model or on a historical simulation model. The ability of the model to explain price variation could be demonstrated by a statistical comparison over the same period of time between actual price changes on the portfolio and the profit and loss impact of risk factors included within the model. A *firm* may wish to include an estimate of residual variation not explained by the model.

7.10.48

**R**

FCA PRA

- (1) [deleted]
- (2) A *firm's VaR model* must conservatively assess the risk arising from less liquid *positions* and *positions* with limited price transparency under realistic market scenarios. In addition, the *VaR model* must meet minimum data standards. Proxies must be appropriately conservative and may be used only where available data is insufficient or is not reflective of the true volatility of a *position* or portfolio.

7.10.49

**R**

FCA PRA

As techniques and best practices evolve, a *firm* must avail itself of these advances.

7.10.50 **R** [deleted]

7.10.51 **R** [deleted]

7.10.52 **R** [deleted]

#### Model standards: Materiality

7.10.53 **R** **FCA** **PRA** A *firm's VaR model* must capture accurately all material price risks for *positions* within the scope of its *VaR permission*, including risks relating to *options* or *option-like positions*. The *firm* must ensure that, if its *VaR model* does not accurately capture any material risk, the *firm* has *capital resources* adequate to cover that risk. These capital resources must be additional to those required to meet its *capital resources requirement*.

7.10.54 **G** **FCA** **PRA** For example, **R** BIPRU 7.10.53R might involve creating and documenting a prudent incremental *PRR charge* for the risk not captured in the *VaR model* and holding sufficient *capital resources* against this risk. In that case the *firm* should hold *capital resources* at least equal to its *capital resources requirement* as increased by adding this incremental charge to the *model PRR*. Alternatively the *firm* may make valuation adjustments through its profit and loss reserves to cover this material risk. These reserves should be transparent to *senior management* and auditable. The reserves should also be consistent with **R** GENPRU 1.3 (Valuation) while not being excessive in relation to the principles of mark-to-market accounting. Therefore, a *firm* should be able to satisfy the *appropriate regulator* that all material risks are adequately addressed, whether this be through the *VaR model*, through taking an incremental *PRR charge* or through making an adjustment through profit and loss reserves.

7.10.55 **G** **FCA** **PRA** A *firm* is expected ultimately to move towards full revaluation of *option* positions. For portfolios containing path dependent *options*, an instantaneous price shock applied to a static portfolio will be acceptable provided that the risks not captured by such an approach are not material. Where a risk is immaterial and does not justify further *capital resources*, that immaterial risk should still be documented.

#### Incremental risk charge: Scope and parameters

7.10.55A **R** **FCA** **PRA** A *firm* must demonstrate that its *incremental risk charge* meets soundness standards comparable to those under the *IRB approach*, assuming a constant level of risk and adjusted, where appropriate, to reflect the impact of liquidity, concentrations, hedging and optionality.

7.10.55B **R** **FCA** **PRA** The *incremental risk charge* must cover all *positions* which are subject to a capital charge for interest-rate *specific risk* in accordance with the *firm's VaR model permission*, except *securitisation positions* and *nth-to-default credit derivatives*. Where permitted by its *VaR model permission*, a *firm* may choose consistently to include all listed *equity positions* and *derivatives positions* based on listed *equities* for which that inclusion is consistent with how the *firm* internally measures and manages risk, but the approach must reflect the impact of correlations between default and migration events, and it must not reflect the impact of diversification between default and migration events and other market risk factors.

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# Prudential sourcebook for Banks, Building Societies and Investment Firms

## BIPRU TP 35 AIFMD

FCA

### Application

35.1 R BIPRU TP 35 applies to a *collective portfolio management investment firm*.

### Duration of transitional

35.2 R BIPRU TP 35 applies from 22 July 2013 until 21 July 2014

### Transitional provision

- 35.3 R
- (1) Where a *firm* meets the conditions in (2), the changes effected by Annex H of the Alternative Investment Fund Managers Directive Instrument 2013 do not apply and, therefore, the provisions in *BIPRU* amended by that Annex will continue to apply as they were in force as at 21 July 2013.
  - (2) The conditions referred to in (1) are:
    - (a) the *firm* falls within regulation 72(1) of the *AIFMD UK regulation*; and
    - (b) the *firm* does not have a *Part 4A permission to manage an AIF*.





# Prudential sourcebook for Insurers



1.5.26

FCA PRA

G

Where a *firm* merges separate funds for different types of business, it will need to ensure that the merger will not result in *policyholders* being treated unfairly. When considering merging the funds, the *firm* should consider the impact on its *PPFM* (see ■ COBS 20.3 ) and on its obligations to notify the *appropriate regulator* (see ■ SUP 15.3). In particular, a *firm* would need to consider how any *inherited estate* would be managed and how the fund would be run in future, such that *policyholders* are treated fairly.

1.5.27

FCA PRA

R

**A *firm* may not transfer assets out of a *long-term insurance fund* unless:**

- (1) the assets represent an *established surplus*; and
- (2) no more than three months have passed since the determination of that surplus.

1.5.28

FCA PRA

G

As a result of ■ INSPRU 1.5.27 R (2), an *actuarial investigation* undertaken to determine an *established surplus* remains in-date for three months from the date as at which the determination of the surplus was made. However, even where the investigation is still in-date, the *firm* should not make the transfer unless there is sufficient surplus at the time of the transfer to allow it to be made without breach of ■ INSPRU 1.1.20 R or ■ INSPRU 1.1.21 R of the *PRA Handbook*.

1.5.29

FCA PRA

G

■ INSPRU 1.1.27 R and ■ INSPRU 1.1.28 R provide further constraints on the transfer of assets out of a *with-profits fund*. ■ INSPRU 1.1.27 R requires a *firm* to have *admissible assets* in each of its *with-profits funds* to cover the *technical provisions* and other *long-term insurance liabilities* relating to all the business in that fund. ■ INSPRU 1.1.28 R requires a *realistic basis life firm* to ensure that the *realistic value of assets* for each of its *with-profits funds* is at least equal to the *realistic value of liabilities* of that fund.

#### **Exclusive use of long-term insurance assets**

1.5.30

FCA PRA

R

- (1) A *firm* must apply a *long-term insurance asset* only for the purposes of its *long-term insurance business*.
- (2) For the purpose of (1), applying an asset includes coming under any obligation (even if only contingently) to apply that asset.

1.5.31

FCA PRA

R

**A *firm* must not agree to, or allow, any mortgage or charge on its *long-term insurance assets* other than in respect of a *long-term insurance liability*.**

1.5.32

FCA PRA

G

The purposes of the *long-term insurance business* include the payment of *claims*, expenses and liabilities arising from that business, the acquisition of lawful access to fixed assets to be used in that business and the investment of assets. The payment of liabilities may include repaying a loan but only where that loan was incurred for the purpose of the *long-term insurance business*. The purchase or investment of assets may include an exchange at fair *market value* of assets (including *money*) between the *long-term insurance fund* and other assets of the *firm*. A *firm* may also lend *securities* held in a *long-term insurance fund* under a *stock lending* transaction or transfer assets as *collateral* for a *stock lending* transaction where the *firm* is the borrower, where such lending or transfer is for the benefit of the *long-term insurance business*.

1.5.33  
FCA

**R**

**Payment of financial penalties**

If the *FCA* or *PRA* imposes a financial penalty on a *long-term insurer*, the *firm* must not pay that financial penalty from a *long-term insurance fund*.

1.5.34  
FCA

**G**

■ INSPRU 1.5.2A R states that this provision applies to all *firms*, except *mutuals*, and includes *firms* qualifying for authorisation under Schedule 3 or 4 to the *Act*.

**Requirements: property-linked funds**

1.5.35  
FCA PRA

**G**

■ INSPRU 3.1.57 R requires a *firm* to cover, as closely as possible, its *property-linked liabilities* by the property to which those liabilities are linked. In order to comply with this *rule*, a *firm* should identify the assets it holds to cover *property-linked liabilities* and should not apply those assets (as long as they are needed to cover the *property-linked liabilities*) for any purpose other than to meet those liabilities.

1.5.36  
FCA

**R**

A *firm* must select, allocate and manage the assets to which its *property-linked liabilities* are linked taking into account:

- (1) the *firm's* contractual obligations to holders of *property-linked policies*; and
- (2) its regulatory duty to treat *customers* fairly, including in the way it makes discretionary decisions as to how it selects, allocates and manages assets.

1.5.37  
FCA

**G**

*Property-linked liabilities* may be linked either to specified assets (with no contractual discretion given to the *firm* as to the choice of assets) or to assets of a specified kind where the selection of the actual assets is left to the *firm*.

**Requirements: UK branches of certain non-EEA firms**

1.5.38  
PRA

**G**

The purpose of the *rules* and *guidance* set out in ■ INSPRU 1.5.38 G to ■ INSPRU 1.5.57 R is to protect against the risk that the financial resources required in respect of the activities of the *United Kingdom* (or *EEA*) *branch(es)* might be depleted by the other activities of the *non-EEA direct insurer*.

1.5.39  
PRA

**G**

By virtue of ■ INSPRU 1.5.2 R (4), the *rules* in ■ INSPRU 1.5.41 R to ■ INSPRU 1.5.57 R apply to *non-EEA direct insurers* except for *Swiss general insurers* and *EEA-deposit insurers*. Responsibility for determining the adequacy of the world-wide financial resources of *Swiss general insurers* or *EEA-deposit insurers* rests exclusively with the Swiss authorities or the authorities in the *EEA State* (other than the *United Kingdom*) in which the deposit was made.

1.5.40  
PRA

**G**

- (1) ■ INSPRU 1.5.41 R requires a *non-EEA direct insurer* to hold adequate world-wide resources to meet the needs of the world-wide business without the need to rely on *UK* or *EEA branch* assets other than to meet *branch liabilities*.

## Chapter 7

# Individual Capital Assessment



## 7.1 Application

7.1.1

PRA

**R** ■ INSPRU 7.1 applies to an insurer unless it is:

- (1) a *non-directive friendly society*; or
- (2) a *Swiss general insurer*; or
- (3) an *EEA-deposit insurer* ; or
- (4) an *incoming EEA firm* ; or
- (5) an *incoming Treaty firm*.

7.1.2

PRA

**R** Subject to ■ INSPRU 7.1.3 R, ■ INSPRU 7.1 applies to managing agents and to the Society in accordance with:

- (1) for *managing agents*, ■ INSPRU 8.1.4 R; and
- (2) for the *Society*, ■ INSPRU 8.1.2 R.

7.1.3

PRA

**R** *Managing agents* must carry out assessments of capital adequacy for each *syndicate* they manage by reference to all open *syndicate years* taken together.

7.1.3A

FCA PRA

**G** A *firm* should refer to ■ GEN 2.2.23 R to ■ GEN 2.2.25 G (cutover: application of provisions made by both the *FCA* and the *PRA*) when applying the *rules* and *guidance* in ■ INSPRU 7. In particular:

- (1) ■ INSPRU 7.1.16 G to ■ 7.1.18 Gand ■ INSPRU 7.1.20 G are made by the *FCA* for the purpose of applying this *guidance* to *insurers* pursuant to the *statutory objectives*; and
- (2) certain *rules* and *guidance* in ■ INSPRU 7.1 are also made by the *FCA* for the purpose of their application to *dormant account fund operators*. These provisions are ■ INSPRU 7.1.4 G to ■ 7.1.21 G, ■ INSPRU 7.1.25 G to ■ 7.1.27 G, ■ INSPRU 7.1.29 G to ■ 7.1.73 G and ■ 7.1.91 G? ■ 7.1.99 G.

# **Interim Prudential Sourcebook**

## **Friendly Societies**





## Annex 5:

### Guidance on Exemption from Triennial Valuation

1. This Annex gives guidance to *friendly societies* who may wish to seek exemption from the requirement in rule 5.2 to cause an actuarial investigation to be carried out.  
**PRA**
2. Rule 5.1 requires any *friendly society* with permission to carry on *long-term insurance business* which is an *incorporated friendly society*, to cause the *actuary* appointed to perform the *actuarial function* under the rules in *SUP* to carry out an annual investigation into the *friendly society's* financial condition in respect of its *long-term insurance business*.  
**PRA**
3. Rule 5.2 provides that any *friendly society* which carries on any *insurance business* which is not subject to the annual valuation requirement under rule 5.1 should cause the *appropriate actuary* to carry out an investigation into the financial condition of that *insurance business* at least once every 3 years. Generally this would be as at the 3<sup>rd</sup> anniversary of the 31 December when the previous valuation was due. The requirements in relation to this triennial valuation are set out in rule 5.2(1) to (6).  
**PRA**
4. The *PRA* has power under section 138A of the *Act* to waive or modify the application of rule 5.2 to a particular *friendly society* (see *SUP*). This may include dispensing with the valuation requirement entirely or modifying it, e.g. to substitute a quinquennial valuation or to restrict the scope of the valuation to only part of the *insurance business*.  
**PRA**
5. Notwithstanding the fact that a *friendly society* may have been exempted from the requirement to carry out an actuarial investigation under rule 5.2, there may be circumstances when the *committee* may, in order to comply with the *PRA Principles for Businesses*, nonetheless need to cause an actuarial valuation to be carried out.  
**PRA**
6. Applications for exemption should be made as soon as possible after the *financial year end* for which valuation is due. Initial enquiries may be made before the end of the *financial year*.  
**PRA**
7. An application form for a waiver or modification of rule 5.2 is set out below.  
**PRA**

## Attachment to Annex 5:

PRA

### Proforma Application

**Insurance Returns  
Regulatory Data Group  
Statistics and Regulatory Data Division (HO5 A-B)  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH**

Dear Sir or Madam,

**Request for dispensation from actuarial investigation**

The \_\_\_\_\_ (insert name of friendly society) \_\_\_\_\_ hereby requests dispensation from the requirement to cause an actuarial investigation to be carried out as at under rule 5.2 of the Interim Prudential Sourcebook for Friendly Societies for one or more of the following reasons –

(a) the purposes of the friendly society are such that (1)

\_\_\_\_\_

(b) the nature of the friendly society's business is such that (1)

\_\_\_\_\_

(c) the manner in which the friendly society's business is carried on is such that (1)

\_\_\_\_\_

(d) the scale of the business is such that the contribution income for each year since the previous valuation date has been as follows, \_\_\_\_\_ the assets as at the valuation date are £\_\_\_\_\_ and no changes in rates of benefits or contributions have been made since the previous valuation date.

[I am also attaching a certificate signed by the friendly society's appropriate actuary supporting the friendly society's request for a dispensation (2)].

(Signed) Chief Executive

Notes

(1) Please provide details of why the friendly society is seeking dispensation;

(2) The actuary's certificate is optional - please delete this sentence if the certificate is not provided. If an actuary's certificate is to be attached it should be in the form set out overleaf.

[where supporting actuary's certificate is to be attached it should read as follows]

I have performed an initial investigation as follows:-

I am of the opinion that the friendly society's margin of solvency as at [ ] was/is likely to be in excess of the required margin of solvency and is expected to remain so for the foreseeable future and for so long as there is no significant change in the nature or volume of business transacted or in the nature or distribution of the assets held by the friendly society and I support the application on the ground(s) that

(Signed) Fellow of the

of Actuaries



**Interim Prudential  
Sourcebook  
  
Insurers**



## Appendix 9.11

### Reporting Forms

- 1            The reporting forms and templates can be found in instrument 2001/22 Lloyd's Sourcebook Instrument 2001, as amended by instrument 2005/72 Lloyd's Sourcebook (Amendment No 3) Instrument 2005.

**PRA**





# **Interim Prudential Sourcebook**

## **Investment Businesses**



# 11 Chapter 11: Collective Portfolio Management Firms

## 11.1 INTRODUCTION

### *Application*

11.1.1 R This chapter applies to a **collective portfolio management firm**.

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11.1.2 G A **collective portfolio management firm** that manages an **AIF** is an **internally managed AIF** or an **external AIFM**. This affects the **firm's base capital resources requirement** (see *IPRU(INV)* 11.3.1R). An **internally managed AIF** is not permitted to engage in activities other than the management of that **AIF**, whereas an **external AIFM** may manage **AIFs** and/or **UCITS**, provided it has *permission* to do so. A **firm** 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**.

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### *Relevant accounting principles*

11.1.3 R (1) Except where a **rule** makes a different provision, terms in this chapter must have the meaning given to them in the **Companies Act 2006** or the **firm's accounting framework** (usually **UK generally accepted accounting principles** or **IFRS**) where defined in that Act or framework.

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(2) Accounting policies must be the same as those adopted in the **firm's annual report and accounts** and must be consistently applied.

### *Purpose*

11.1.4 R (1) This chapter amplifies **threshold condition 2D (Appropriate resources)** by providing that a **firm** must meet, on a continuing basis, a **minimum capital resources requirement**. This chapter also amplifies **Principles 3 and 4** which require a **firm** to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems, and to maintain adequate financial resources by setting out a **capital resources requirement** for a **firm** according to the **regulated activity** or activities it carries on.

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(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** and a **UCITS management company**.

## 11.2 MAIN REQUIREMENTS

*Collective portfolio management firm*

11.2.1 R A collective portfolio management firm must:

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- (1) when it first becomes a *collective portfolio management firm*, hold *initial capital* of not less than the applicable *base capital resources 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); 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* (in line with *IPRU(INV)* 11.3.1R); and
    - (ii) the *fixed overheads requirement* (in line with *IPRU(INV)* 11.3.3R); 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

**FCA**

which, in line with *IPRU(INV)* 11.3.11G(1)(a), covers professional liability risks by way of *own funds*.

- (2) The *Pll capital requirement* applies to a *firm* that manages an *AIF* and 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 requirement*

- 11.3.1 R The *base capital resources requirement* for a *collective portfolio management firm* is:

**FCA**

- (1) €125,000 for a *firm* that is a *UCITS firm* or an *external AIFM*; and  
(2) €300,000 for 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:

**FCA**

- (1) the *base capital resources 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.

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

- 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):

**FCA**

- (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.

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.

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11.3.6 R The relevant fixed expenditure of a *firm* is:

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- (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*.

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):

FCA

- (1) its level of fixed expenditure changes materially; or
- (2) the *regulated activities* comprised within its *permission* change.

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.

FCA

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

FCA

**amount of the expenditure and the amount recharged.**

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.

**FCA**

**Professional negligence**

11.3.11 G A *firm* that manages an *AIF* should:

**FCA**

- (1) cover the professional liability risks set out in article 12 of the *AIFMD level 2 regulation* (professional liability risks) (as replicated in *IPRU(INV)* 11.3.12EU) by either:
  - (a) maintaining an amount of *own funds* in line with article 14 of the *AIFMD level 2 regulation* (additional own funds) (as replicated in *IPRU(INV)* 11.3.14EU) (the *professional negligence capital requirement*); or
  - (b) holding professional indemnity insurance and maintaining an amount of *own funds* to meet the *PII capital requirement* under article 15 of the *AIFMD level 2 regulation* (professional indemnity insurance) (as replicated in *IPRU(INV)* 11.3.15EU) and *IPRU(INV)* 11.3.16R; and
- (2) comply with the qualitative requirements addressing professional liability risks in article 13 of the *AIFMD level 2 regulation* (qualitative requirements addressing professional liability risks) (as replicated in *IPRU(INV)* 11.3.13EU).

11.3.12 EU

**FCA**

| Professional liability risks |   |
|------------------------------|---|
| 1.                           | The professional liability risks to be covered pursuant to Article 9(7) of Directive 2011/61/EU shall be risks of loss or damage caused by a relevant person through the negligent performance of activities for which the AIFM has legal responsibility. |
| 2.                           | Professional liability risks as defined in paragraph 1 shall include, without being limited to, risks of:   |
|                              | (a) loss of documents evidencing title of assets of the AIF;  |
|                              | (b) misrepresentations or misleading statements made to the AIF or its investors;   |
|                              | (c) acts, errors or omissions resulting in a breach of:   |
|                              | (i) legal and regulatory obligations;   |
|                              | (ii) duty of skill and care towards the AIF and its investors;  |
|                              | (iii) fiduciary duties;   |
|                              | (iv) obligations of confidentiality;  |
|                              | (v) AIF rules or instruments of incorporation;  |
|                              | (vi) terms of appointment of the AIFM by the AIF;   |

|  |   |   |
|--|---|---|
|  | (d)   | failure to establish, implement and maintain appropriate procedures to prevent dishonest, fraudulent or malicious acts; |
|  | (e)   | improperly carried out valuation of assets or calculation of unit/share prices;   |
|  | (f)   | losses arising from business disruption, system failures, failure of transaction processing or process management.      |
| 3.   | Professional liability risks shall be covered at all times either through appropriate additional own funds determined in accordance with Article 14 or through appropriate coverage of professional indemnity insurance determined in accordance with Article 15. |   |
| [Note: article 12 of the <i>AIFMD level 2 regulation</i> ] |   |   |

### 11.3.13 EU

FCA

| Qualitative requirements addressing professional liability risks |   |
|--|---|
| 1.   | An AIFM shall implement effective internal operational risk management policies and procedures in order to identify, measure, manage and monitor appropriately operational risks including professional liability risks to which the AIFM is or could be reasonably exposed. The operational risk management activities shall be performed independently as part of the risk management policy. |
| 2.   | An AIFM shall set up a historical loss database, in which any operational failures, loss and damage experience shall be recorded. This database shall record, without being limited to, any professional liability risks as referred to in Article 12(2) that have materialised.  |
| 3.   | Within the risk management framework the AIFM shall make use of its internal historical loss data and where appropriate of external data, scenario analysis and factors reflecting the business environment and internal control systems.   |
| 4.   | Operational risk exposures and loss experience shall be monitored on an ongoing basis and shall be subject to regular internal reporting.   |
| 5.   | An AIFM's operational risk management policies and procedures shall be well documented. An AIFM shall have arrangements in place for ensuring compliance with its operational risk management policies and effective measures for the treatment of non-compliance with these policies. An AIFM shall have procedures in place for taking appropriate corrective action.                         |
| 6.   | The operational risk management policies and procedures and measurement systems shall be subject to regular review, at least on an annual basis.  |
| 7.   | An AIFM shall maintain financial resources adequate to its assessed risk profile.   |
| [Note: article 13 of the <i>AIFMD level 2 regulation</i> ]       |   |



11.3.14 EU

FCA

| Additional own funds   |  |
|--|--|
| 1.   | This Article shall apply to AIFMs that choose to cover professional liability risks through additional own funds.  |
| 2.   | <p>The AIFM shall provide additional own funds for covering liability risks arising from professional negligence at least equal to 0,01 % of the value of the portfolios of AIFs managed.</p> <p>The value of the portfolios of AIFs managed shall be the sum of the absolute value of all assets of all AIFs managed by the AIFM, including assets acquired through use of leverage, whereby derivative instruments shall be valued at their market value.</p>  |
| 3.   | <p>The additional own funds requirement referred to in paragraph 2 shall be recalculated at the end of each financial year and the amount of additional own funds shall be adjusted accordingly.</p> <p>The AIFM shall establish, implement and apply procedures to monitor on an ongoing basis the value of the portfolios of AIFs managed, calculated in accordance with the second subparagraph of paragraph 2. Where, before the annual recalculation referred to in the first subparagraph, the value of the portfolios of AIFs managed increases significantly, the AIFM shall without undue delay recalculate the additional own funds requirement and shall adjust the additional own funds accordingly.</p> |
| 4.   | The competent authority of the home Member State of the AIFM may authorise the AIFM to provide additional own funds lower than the amount referred to in paragraph 2 only if it is satisfied — on the basis of the historical loss data of the AIFM as recorded over an observation period of at least three years prior to the assessment — that the AIFM provides sufficient additional own funds to appropriately cover professional liability risks. The authorised lower amount of additional own funds shall be not less than 0,008 % of the value of the portfolios of AIFs managed by the AIFM.  |
| 5.   | The competent authority of the home Member State of the AIFM may request the AIFM to provide additional own funds higher than the amount referred to in paragraph 2 if it is not satisfied that the AIFM has sufficient additional own funds to appropriately cover professional liability risks. The competent authority shall give reasons why it considers that the AIFM's additional own funds are insufficient.   |
| <b>[Note: article 14 of the <i>AIFMD level 2 regulation</i>]</b> |  |

11.3.15 EU

FCA

| Professional indemnity insurance |   |
|----------------------------------|---|
| 1.                               | This Article shall apply to AIFMs that choose to cover professional liability risks through professional indemnity insurance. |
| 2.                               | The AIFM shall take out and maintain at all times professional indemnity insurance that:                                      |
|                                  | (a) shall have an initial term of no less than one year;  |
|                                  | (b) shall have a notice period for cancellation of at least 90 days;  |
|                                  | (c) shall cover professional liability risks as defined in Article 12(1)  |

|  |     |   |
|--|-----|---|
|  |     | and (2);  |
|  | (d) | is taken out from an EU or non-EU undertaking authorised to provide professional indemnity insurance, in accordance with Union law or national law;   |
|  | (e) | is provided by a third party entity.  |
|  |     | Any agreed defined excess shall be fully covered by own funds which are in addition to the own funds to be provided in accordance with Article 9(1) and (3) of Directive 2011/61/EU.  |
| 3.   |     | The coverage of the insurance for an individual claim shall be equal to at least 0,7 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).  |
| 4.   |     | The coverage of the insurance for claims in aggregate per year shall be equal to at least 0,9 % of the value of the portfolios of AIFs managed by the AIFM calculated as set out in the second subparagraph of Article 14(2).   |
| 5.   |     | The AIFM shall review the professional indemnity insurance policy and its compliance with the requirements laid down in this Article at least once a year and in the event of any change which affects the policy's compliance with the requirements in this Article. |
| [Note: article 15 of the <i>AIFMD level 2 regulation</i> ] |     |   |

- 11.3.16 R** If a *firm* satisfies the requirement referred to in *IPRU(INV)* 11.3.11G with professional indemnity insurance it must, in addition to maintaining an amount of *own funds* to cover any defined excess, hold adequate *own funds* to cover any exclusions in the insurance policy that would otherwise result in the *firm* having insufficient resources to cover liabilities arising. A *firm* may satisfy its requirements for professional indemnity insurance with a policy that also provides cover to one or more entities other than the *firm*, provided that the policy satisfies the conditions of the *AIFMD level 2 regulation*, exclusive of the cover provided to other entities.

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*Liquid assets*

- 11.3.17 R** For the purposes of this chapter, liquid assets are assets which:

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- (1) are readily convertible to cash within one month; and
- (2) have not been invested in speculative positions.

- 11.3.18 G** Examples of liquid assets that are acceptable under *IPRU(INV)* 11.3.17R include cash, *readily realisable investments* that are not held for short-term resale, and debtors.

FCA

[Note: article 9(8) of AIFMD]

| TABLE 11.4   |  |          |         |
|--|--|----------|---------|
| PART I   |  |          |         |
| A firm must calculate its <i>initial capital</i> and <i>own funds</i> as shown below, subject to the detailed requirements set out in Part II. |  |          |         |
| Paragraph  |  | Category | Part II |
| <b>TIER 1</b>  |  |          |         |
| (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       |
| <b>Initial capital = A</b>   |  |          |         |
| <b>TIER 1</b>  |  |          |         |
| (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       |
| <b>Tier 1 capital = (A-B) =</b>  |  | C        |         |
| <b>TIER 2</b>  |  |          | 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) =   |                                  | E  |   |
| <b>PART II<br/>DETAILED REQUIREMENTS</b>  |                                  |  |   |
| <b>1</b>  | <b>Ratios</b>                    |  |   |
|   | (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).   |   |
| <b>2</b>  | <b>Non corporate entities</b>    |  |   |
|   | (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. |
| <b>Note</b>   |                                  |  |   |
| 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> . |                                  |  |   |
| <b>3</b>  | <b>Audited Reserves (Item 3)</b> |  |   |
| 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.   |
| <b>Note</b>  |                                 |  |
| 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.  |
| <b>Note</b>  |                                 |  |
| 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. |
| <b>Note</b>  |                                 |  |
| 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.   |                                 |  |
|  |                                 |  |
| <b>4</b>   | <b>Interim profits (Item 3)</b> |  |
| Non-trading book 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.   |   |   |
| 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. |   |   |
| <b>Note</b>  |   |   |
| 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.   |   |   |
|  |   |   |
| <b>5</b>   | <b>Eligible LLP members' capital (Item 5)</b> |   |
| 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.  |   |   |
|  |   |   |
| <b>6</b>   | <b>Intangible assets (Item 7)</b>             |   |
| 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.  |
|  |   |   |
| <b>7</b>   | <b>Material current year losses (Item 8)</b>  |   |
| 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. |   |
|   |   |
| <b>8</b>  | <b>Material holdings in credit and financial institutions (Item 10)</b>   |
| 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. |
|   |   |
| <b>9</b>  | <b>Long term qualifying subordinated loans (Item 13)</b>  |
| 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).   |   |
|   |   |
| <b>10</b>   | <b>Qualifying arrangements (Item 15)</b>  |
| 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> .  |   |

## 11.5 QUALIFYING SUBORDINATED LOANS

### *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:

FCA

- (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.

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

*Form of qualifying subordinated loan agreement*

11.5.3

FCA

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”.

*Requirements on a firm in relation to qualifying subordinated loans*

11.5.4

FCA

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.



# Conduct of Business Sourcebook



| Reference to PPFM issues (COBS 20.3.6R)                       | With-profits principles  | With-profits practices  |
|---|--|---|
|   | <p>which the <i>firm</i> applies charges to or apportions its actual expenses amongst <i>with-profits policies</i>, or exercises any discretion to apply charges to particular <i>with-profits policies</i>.</p>   | <p>(c) Relationship between the <i>firm's</i> actual charges and expenses, as applied to determine the amounts payable under <i>with-profits policies</i>, and the charges and expenses borne by the <i>with-profits fund</i>;</p> <p>(d) Circumstances under which expenses will be charged to the <i>with-profits fund</i> at an amount other than cost, and the reasons why; and</p> <p>(e) Interval for reviewing any arrangements for out-sourced services, including those provided by connected parties, giving a broad indication of the terms for termination.</p> |
| (5) Management of inherited estate                            | <p>(a) Preferred size or scale of <i>inherited estate</i> and implications for the values of the <i>with profits policies</i>; and</p> <p>(b) Any existing division of the <i>inherited estate</i> between <i>with-profits funds</i>; and</p> <p>(c) Any constraints on the freedom to deal with the <i>inherited estate</i> as a result of previous dealings.</p> | <p>(d) How the <i>inherited estate</i> is used, for example, in meeting costs;</p> <p>(e) Whether the investment strategy for the <i>inherited estate</i> differs from the rest of the <i>with-profits fund</i>; and</p> <p>(f) Any current guidelines in place as to the size or scale of the <i>inherited estate</i> or as to how and over what time period the <i>inherited estate</i> would be managed, if it becomes too large or too small.</p>   |
| (6) Equity between the with-profits fund and any shareholders | (a) Arrangements for, and any changes to, profit sharing between shareholders and <i>with-profits policyholders</i> .  | <p>(b) Current basis on which profit between <i>with-profits policyholders</i> and shareholders is divided; and</p> <p>(c) Whether the pricing of any policies being written, and particular policies open to new business, appear to be significantly and systematically reducing the <i>inherited estate</i> if the shareholder transfer is taken into account.</p>   |

## 20.4 Communications with with-profits policyholders

### Provision and publication of PPFM

20.4.1

FCA

R

A *firm* must:

- (1) on request, provide its *PPFM*, or the *PPFM* applicable to specified *with-profits funds*:
  - (a) free of charge to its *with-profits policyholders*; or
  - (b) for a reasonable charge to any person who is not its *with-profits policyholder*; and
- (2) if the *firm* publishes its *PPFM* on its website, prominently signpost its location there.

### Notification of changes

20.4.2

FCA

R

A *firm* must send its *with-profits policyholders* who are affected by any change in its *PPFM*, written notice, setting out any:

- (1) proposed changes to the *with-profits principles*, three *months* in advance of the effective date; and
- (2) changes to the *with-profits practices*, within a reasonable time.

20.4.3

FCA

R

A *firm* need not give the notice required if the change to its *PPFM*:

- (1) is necessary to correct an error or omission; or
- (2) would improve clarity or presentation without materially affecting the *PPFM*'s substance; or
- (3) is immaterial.

# Insurance: Conduct of Business sourcebook



## Chapter 2

# General matters

## 2.1 Client categorisation

### Introduction

2.1.1

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Different provisions in this sourcebook may apply depending on the type of *person* with whom a *firm* is dealing:

- (1) A *policyholder* includes anyone who, upon the occurrence of the contingency insured against, is entitled to make a claim directly to the *insurance undertaking*.
- (2) Only a *policyholder* or a prospective *policyholder* who makes the arrangements preparatory to him concluding a *contract of insurance* (directly or through an agent) is a *customer*. In this sourcebook, *customers* are either *consumers* or *commercial customers*.
- (3) A *consumer* is any natural person who is acting for purposes which are outside his trade or profession.
- (4) A *commercial customer* is a *customer* who is not a *consumer*.

### Customer to be treated as consumer when status uncertain

2.1.2

FCA

R

If it is not clear in a particular case whether a *customer* is a *consumer* or a *commercial customer*, a *firm* must treat the *customer* as a *consumer*.

### Customer covered in both a private and business capacity

2.1.3

FCA

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- (1) Except where paragraph (2) applies, if a *customer* is acting in the capacity of both a *consumer* and a *commercial customer* in relation to a particular *contract of insurance*, the *customer* is a *commercial customer*.
- (2) For the purposes of ■ ICOB 5.1.4 G and ■ ICOB 8.1.2 R, if, in relation to a particular *contract of insurance*, the *customer* entered into it mainly for purposes unrelated to his trade or profession, the *customer* is a *consumer*.



2.1.4

FCA

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**Customer classification examples**

In practice, private individuals may act in a number of capacities. The following table sets out a number of examples of how an individual acting in certain capacities should, in the FCA's view, be categorised.

| Customer classification examples   |                            |
|--|----------------------------|
| Capacity   | Classification             |
| Personal representatives, including executors, unless they are acting in a professional capacity, for example, a solicitor acting as executor. | <i>Consumer</i>            |
| Private individuals acting in personal or other family circumstances, for example, as trustee of a family trust.                               | <i>Consumer</i>            |
| Trustee of a trust such as a housing or NHS trust.   | <i>Commercial customer</i> |
| Member of the governing body of a club or other unincorporated association such as a trade body and a student union.                           | <i>Commercial customer</i> |
| Pension trustee.   | <i>Commercial customer</i> |
| <i>Person</i> taking out a <i>policy</i> covering property bought under a buy-to-let mortgage.   | <i>Commercial customer</i> |
| <i>Partner</i> in a <i>partnership</i> when taking out insurance for purposes related to his profession.                                       | <i>Commercial customer</i> |

2

**2.2 Communications to clients and financial promotions**

**Application**

2.2.1  
FCA

R

In addition to the general application *rule* for this sourcebook, this section applies to the *communication*, or *approval for communication*, to a *person* in the *United Kingdom* of a *financial promotion* of a *non-investment insurance contract* unless it can lawfully be *communicated* by an *unauthorised* communicator without *approval*.

**Clear, fair and not misleading rule**

2.2.2  
FCA

R

When a *firm* communicates information, including a *financial promotion*, to a *customer* or other *policyholder*, it must take reasonable steps to communicate it in a way that is clear, fair and not misleading.

**Approving financial promotions**

2.2.3  
FCA

R

- (1) Before a *firm* *approves* a *financial promotion* it must take reasonable steps to ensure that the *financial promotion* is clear, fair and not misleading.
- (2) If, subsequently, a *firm* becomes aware that a *financial promotion* is not clear, fair and not misleading, it must withdraw its *approval* and notify any *person* that it knows to be relying on its approval as soon as reasonably practicable.

**Pricing claims: guidance on the clear, fair and not misleading rule**

2.2.4  
FCA

G

- (1) This *guidance* applies in relation to a *financial promotion* that makes pricing claims, including *financial promotions* that indicate or imply that a *firm* can reduce the *premium*, provide the cheapest *premium* or reduce a *customer's* costs.
- (2) Such a *financial promotion* should:
  - (a) be consistent with the result reasonably expected to be achieved by the majority of *customers* who respond, unless the proportion of those *customers* who are likely to achieve the pricing claims is stated prominently;
  - (b) state prominently the basis for any claimed benefits and any significant limitations; and

**Eligibility to claim benefits: policies arranged as part of a packaged bank account**

5.1.3A

FCA

R

A *firm* arranging policies as part of a *packaged bank account* must:

- (1) take reasonable steps to establish whether the *customer* is eligible to claim each of the benefits under each *policy* included in the *packaged bank account* which must include checking that the *customer* meets any qualifying requirements to claim each of the benefits under each *policy*; and
- (2) inform the *customer* whether or not he would be eligible to claim each of the benefits under each *policy* included in the *packaged bank account* so that the *customer* can take an informed decision about the arrangements proposed.

5.1.3B

FCA

R

A *firm* must make a record of the eligibility assessment and, if the *customer* proceeds with the arrangements proposed, retain it for a minimum period of three years from the date on which the assessment was undertaken.

5.1.3C

FCA

R

- (1) Throughout the term of a *policy* included in a *packaged bank account*, a *firm* must provide the *customer* with an eligibility statement, in writing, on an annual basis. This statement must set out any qualifying requirements to claim each of the benefits under the *policy* and recommend that the *customer* reviews his circumstances and whether he meets these requirements.
- (2) Where a *customer* has reached an age limit on claiming benefits under a travel insurance *policy* included in a *packaged bank account* (or will reach an age limit before the next annual statement is due), a *firm* must state this clearly and prominently in the statement and on an annual basis thereafter.
- (3) The statement (provided under ■ ICOBS 5.1.3C R (1)) must not:
  - (a) include any information other than that required under this rule; or
  - (b) form part of another *document* provided to the *customer* by the *firm*; or
  - (c) be included in the same mailing as any other *document* provided to the *customer* by the *firm*.

**Disclosure**

PAGE 3

5.1.4

FCA

G

A *firm* should bear in mind the restriction on rejecting claims (■ ICOBS 8.1.1R (3)). Ways of ensuring a *customer* knows what he must disclose include:

- (1) explaining to a *commercial customer* the duty to disclose all circumstances material to a *policy*, what needs to be disclosed, and the consequences of any failure to make such a disclosure;

- (2) ensuring that the *commercial customer* is asked clear questions about any matter material to the *insurance undertaking*;
- (3) explaining to the *customer* the responsibility of *consumers* to take reasonable care not to make a misrepresentation and the possible consequences if a *consumer* is careless in answering the *insurer's* questions, or if a *consumer* recklessly or deliberately makes a misrepresentation; and
- (4) asking the *customer* clear and specific questions about the information relevant to the *policy* being arranged or varied.

# Chapter 8

## Claims handling

## 8.1 Insurers: general

### 8.1.1

FCA

R

An *insurer* must:

- (1) handle claims promptly and fairly;
- (2) provide reasonable guidance to help a *policyholder* make a claim and appropriate information on its progress;
- (3) not unreasonably reject a claim (including by terminating or avoiding a *policy*); and
- (4) settle claims promptly once settlement terms are agreed.

### 8.1.2

FCA

R

A rejection of a *consumer policyholder's* claim is unreasonable, except where there is evidence of fraud, if it is :

- (1) in relation to contracts entered into or variations agreed on or before 5 April 2013, for:
  - (a) non-disclosure of a fact material to the risk which the *policyholder* could not reasonably be expected to have disclosed; or
  - (b) non-negligent misrepresentation of a fact material to the risk; or
- (2) in relation to contracts entered into or variations agreed on or after 6 April 2013, for misrepresentation by a *customer* and the misrepresentation is not a *qualifying misrepresentation*; or
- (3) for breach of warranty or condition unless the circumstances of the claim are connected to the breach and unless (for a *pure protection contract*):
  - (a) under a 'life of another' contract, the warranty relates to a statement of fact concerning the life to be assured and, if the statement had been made by the life to be assured under an 'own life' contract, the *insurer* could have rejected the claim under this *rule*; or

- (b) the warranty is material to the risk and was drawn to the *customer's* attention before the conclusion of the contract.

8.1.3

FCA

**R** For the purposes of ■ ICOBS 8.1.2R (2) a "qualifying misrepresentation" is one made by a *consumer* before a consumer insurance contract was entered into or varied if:

- (1) the *consumer* made the misrepresentation in breach of the duty set out in section 2(2) of the Consumer Insurance (Disclosure and Representations) Act 2012 to take reasonable care not to make a misrepresentation to the *insurer*; and
- (2) the *insurer* shows that without the misrepresentation, that *insurer* would not have entered into the contract (or agreed to the variation) at all, or would have done so only on different terms.

[Note: section 4 of the Consumer Insurance (Disclosure and Representations) Act 2012.]



## 8.2 Motor vehicle liability insurers

### Application: who? what?

8.2.1

FCA

R

- (1) This section applies to a *motor vehicle liability insurer*.
- (2) The *rules* in this section relating to the appointment of claims representatives apply in relation to claims by *injured parties* resulting from accidents occurring in an *EEA State* other than the *injured party's EEA State* of residence which are caused by the use of *vehicles* insured through an establishment in, and normally based in, an *EEA State* other than the *injured party's EEA State* of residence.
- (3) The *rules* in this section relating to claims handling apply in respect of claims arising from any accident caused by a *vehicle normally based in the United Kingdom*.

[Note: article 20(1) of the *Consolidated Motor Insurance Directive*]

### Requirement to appoint claims representatives

8.2.2

G

[deleted]

8.2.2A

FCA

R

A *person* carrying on, or seeking to carry on, *motor vehicle liability insurance business* must have a claims representative in each *EEA state* other than the *United Kingdom*.

### Conditions for appointing claims representatives

8.2.3

FCA

R

A *firm* must ensure that each claims representative:

- (1) is responsible for handling and settling a claim by an *injured party*;
- (2) is resident or established in the *EEA State* where it is appointed;
- (3) collects all information necessary in connection with the settlement of a claim and takes the measures necessary to negotiate its settlement;



- (4) possesses sufficient powers to represent the *firm* in relation to an *injured party* and to meet an *injured party's* claim in full; and
- (5) is capable of examining cases in the official language(s) of the *EEA State* of residence of the *injured party*.

[Note: article 21(1), (4) and (5) of the *Consolidated Motor Insurance Directive*]

8.2.4

FCA

G

The requirement to possess sufficient powers does not prevent a claims representative from seeking additional authority or instructions if needed. It does prevent it from declining to deal with, or transferring responsibility for, claims properly referred to it by an *injured party*, or their representative.

### Notifying the appointment of claims representatives

8.2.5

FCA

R

- (1) A *firm* must notify to the *information centres* of all *EEA States*:
  - (a) the name and address of the claims representative which they have appointed in each of the *EEA States*;

[Note: article 23(2) of the *Consolidated Motor Insurance Directive*]

- (b) the telephone number and effective date of appointment; and
  - (c) any material change to information previously notified.
- (2) Notification must be made within ten *business days* of an appointment or of a material change.

### Motor vehicle liability claims handling rules

8.2.6

FCA

R

Within three *months* of the *injured party* presenting his *claim* for compensation:

- (1) the *firm* of the *person* who caused the accident or its claims representative must make a reasoned offer of compensation in cases where liability is not contested and the damages have been quantified; or
- (2) the *firm* to whom the claim for compensation has been addressed or its claims representative must provide a reasoned reply to the points made in the claim in cases where liability is denied or has not been clearly determined or the damages have not been fully quantified.

[Note: article 22 of the *Consolidated Motor Insurance Directive* and article 3 of the *Consolidated Motor Insurance Directive*]

8.2.7

FCA

R

- (1) If liability is initially denied, or not admitted, within three *months* of any subsequent admission of liability, the *firm* must (directly, or through a claims representative) make a reasoned offer of

settlement, if, by that time, the relevant claim for damages has been fully quantified.

- (2) If an *injured party's* claim for damages is not fully quantified when it is first made, within three *months* of the subsequent receipt of a fully quantified claim for damages, the *firm* must (directly, or through a claims representative) make a reasoned offer of damages, if liability is admitted at that time.

8.2.8  
FCA

**R** A claim for damages will be fully quantified for the purpose of this section when the *injured party* provides written evidence which substantiates or supports the amounts claimed.

**Interest on compensation**

8.2.9  
FCA

- (1) If the *firm*, or its claims representative, does not make an offer as required by this section, the *firm* must pay simple interest on the amount of compensation offered by it or awarded by the court to the *injured party*, unless interest is awarded by any tribunal.
- (2) The interest calculation period begins when the offer should have been made and ends when the compensation is paid to the *injured party*, or his authorised representative.
- (3) The interest rate is the Bank of England's base rate (from time to time), plus 4%.

[Note: article 22 of the *Consolidated Motor Insurance Directive*. Regulation 6 of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 makes this *rule* actionable under section 138D of the Act (Actions for damages) by any person who suffers loss as a result of its contravention]

8.2.10  
FCA

**R** A *firm* will be taken to have received a claim, or a fully quantified claim, for damages when the claim is delivered to it, or a claims representative, by any *person* by any method of delivery which is lawful in the *firm's*, or its claims representative's, respective State of residence or establishment.

8.2.11  
FCA

**G** The provisions in this section are not intended to, and do not, restrict any rights which the *injured party*, or its *motor vehicle liability insurer*, or any other *insurer* acting on its behalf, may have and which would enable any of them to begin legal proceedings against the *person* causing the accident or that *person's*, or the *vehicle's*, *insurers*.



## 8.3 Insurance intermediaries (and insurers handling claims on another insurer's policy)

### Application: who?

8.3.1  
FCA

**G** This section applies to an *insurance intermediary*, and to an *insurer* handling a claim on another *insurance undertaking's policy*.

### Interaction with the general law

8.3.2  
FCA

**G** A *firm* is expected to comply with the general law on the duties of an insurance intermediary. This section does not seek to set out the full extent of those duties.

### Conflicts of interest

8.3.3  
FCA

- G**
- (1) *Principle 8* requires a *firm* to manage conflicts of interest fairly. ■ SYSC 10 also requires an *insurance intermediary* to take all reasonable steps to identify conflicts of interest, and maintain and operate effective organisational and administrative arrangements to prevent conflicts of interest from constituting or giving rise to a material risk of damage to its *clients*.
  - (2) [deleted]
  - (3) If a *firm* acts for a *customer* in arranging a *policy*, it is likely to be the *customer's* agent (and that of any other *policyholders*). If the *firm* intends to be the *insurance undertaking's* agent in relation to claims, it needs to consider the risk of becoming unable to act without breaching its duty to either the *insurance undertaking* or the *customer* making the *claim*. It should also inform the *customer* of its intention.
  - (4) A *firm* should in particular consider whether declining to act would be the most reasonable step where it is not possible to manage a conflict, for example where the *firm* knows both that its *customer* will accept a low settlement to obtain a quick payment, and that the *insurance undertaking* is willing to settle for a higher amount.

### Dealing with claims notifications without claims handling authority

PAGE  
7  
8.3.4  
FCA

**G** A *firm* that does not have authority to deal with a claim should forward any claim notification to the *insurance undertaking* promptly, or inform the *policyholder* immediately that it cannot deal with the notification.



## 8.4 Employers' Liability Insurance

### Application

8.4.1

FCA

R

- (1) The general application *rule* in ■ ICOBS 1.1.1 R applies to this section subject to the modifications in (2).
- (2) This section applies to:
  - (a) any *firm* solely with respect to the activities of:
    - (i) *carrying out contracts of insurance*; or
    - (ii) *managing the underwriting capacity of a Lloyd's syndicate as a managing agent at Lloyd's*;
 in relation to *general insurance contracts* and, in either case, including business accepted under *reinsurance to close*;
  - (b) all *incoming EEA firms* or *incoming Treaty firms* falling within (a) including those providing *cross border services*.
- (3) In this section references to:
  - (a) an 'employers' liability register' are to the employers' liability register referred to in ■ ICOBS 8.4.4R (1)(a);
  - (b) a '*director's certificate*' are to a statement complying with the requirements in ■ ICOBS 8.4.4R (1)(b);
  - (c) *employers' liability insurance* include business accepted under *reinsurance to close* covering *employers' liability insurance* (including business that is only included as *employers' liability insurance* for the purposes of this section) ; and
  - (d) a '*qualified director's certificate*' are to the statement complying with the requirements in ■ ICOBS 8.4.4R (1)(b)(ii).

8.4.2

FCA

G

■ ICOBS 8.4 does not generally apply to activities carried out in relation to a *reinsurance contract* (see ■ ICOBS 1.1.2 R and ■ ICOBS 1 Annex 1 Part 2 1.1 R) but it does apply to business accepted under *reinsurance to close*.

8.4.3

FCA

G

**Purpose**

The purpose of ■ ICOBS 8.4 is to assist individuals with claims arising out of their course of employment in the *United Kingdom* for employers carrying on, or who carried on, business in the *United Kingdom*, to identify an *insurer* or *insurers* that provided *employers' liability insurance* (other than certain co-insurance and excess cover arrangements) by requiring *insurers* to produce an employers' liability register. In particular it aims to assist ex-employees whose employers no longer exist or who cannot be located.

**Principal obligation to produce an employers' liability register and supporting documents**

8.4.4

FCA

R

(1) A *firm carrying out contracts of insurance*, or a *managing agent managing insurance business*, including in either case business accepted under *reinsurance to close*, which includes *United Kingdom commercial lines employers' liability insurance*, must:

- (a) produce an employers' liability register complying with the requirements in (2) and ■ ICOBS 8 Annex 1;
- (b) obtain and submit to the *FCA* a written statement, by a *director* of the *firm* responsible for the production of the employers' liability register, that to the best of the *director's* knowledge the *firm* in its production of the register is either:
  - (i) materially compliant with the requirements of ■ ICOBS 8.4.4R (2) and ■ ICOBS 8 Annex 1; or
  - (ii) not materially compliant with the provisions referred to in (i), in which case the statement must also set out, to the best of the *director's* knowledge, the information required by ■ ICOBS 8.4.4A R; and
- (c) obtain and submit to the *FCA* a report satisfying the requirements of ■ ICOBS 8.4.4C R, prepared by an auditor satisfying the requirements of ■ SUP 3.4 and ■ SUP 3.8.5 R to ■ 3.8.6 R, and addressed to the *directors* of the *firm*.

(1A) For the purposes of ■ ICOBS 8.4.4R (1)(b):

- (a) 'materially compliant' means that in relation to at least ninety-nine percent of *policies* for which information is required to be included, the information in the register does not contain any inaccuracy or lack faithful reproduction (as relevant) that would affect the outcome of a search when compared to a search carried out with fully accurate and/or faithfully reproduced information; and
- (b) the *firm* must ensure that the *director's* certificate includes the description of 'materially compliant' referred to in (a).

- (2) For the purposes of (1)(a) the employers' liability register is required to:
- (a) include the date upon which the register was produced;
  - (b) include a database which:
    - (i) reliably stores information required by ■ ICOBS 8 Annex 1;
    - (ii) in relation to information required by  
■ ICOBS 8 Annex 1 1.1R(1), contains accurate information and, in relation to information required by  
■ ICOBS 8 Annex 1 1.1R(2), contains information which faithfully reproduces the information that the *firm* has; and
    - (iii) has an effective search function which allows a person inputting data included on the register relating to a particular employer over a particular period to retrieve information on the register relating to a potential employers' liability claim corresponding to that employer and period;
  - (c) allow for requests for information or searches relating to a potential claim to be made by:
    - (i) individuals with the potential claim, or their authorised representative, or
    - (ii) any employer to whom the potential claim relates; or
    - (iii) an *insurer* which is potentially jointly and severally liable with another *firm* in relation to the potential claim; or
    - (iv) a relevant *insurance intermediary* acting for an *insurer* in (iii);
  - (d) allow for requests by a tracing office which meets the conditions in ■ ICOBS 8.4.9R relating to the use of information on the *firm's* register to the extent that the information is necessary, and used solely, to enable the tracing office to provide comprehensive searching facilities to its users; and
  - (e) allow for responses to requests or searches in (c) to be provided without delay.
- (3) For the purposes of (1)(b) and (c) the *director's* certificate and report prepared by an auditor must:
- (a) relate to a version of the register as at a date no later than 12 *months* after it is first produced in accordance with (1)(a); and

(b) be obtained and submitted to the *FCA* within four *months* of the date in (a).

(4) For the purposes of (1):

(a) *United Kingdom* commercial lines *employers' liability insurance* means commercial lines *employers' liability insurance* where both the employer's business was or is carried on, and the employees' course of employment was or is, in the *United Kingdom*; and

(b) commercial lines business comprises *contracts of insurance* carried out in relation to *persons* whose *employers' liability insurance* relates to a business or profession they carry on.

8.4.4A

FCA

R

The information referred to in ■ ICOBS 8.4.4R (1)(b)(ii) is:

- (1) a description of the ways in which the *firm*, in its production of the register, is not materially compliant;
- (2) the number of *policies*, in relation to which, either:
  - (a) the *firm* is not able to include any information in the register; and/or
  - (b) information is included in the register but information may be incorrect or incomplete;
 in each case as a proportion of the total number of *policies* required to be included in the register;
- (3) where the *firm* is only practicably able to provide an estimate of the numbers in (2), the basis of each estimate; and
- (4) a description of the systems and controls used in the production of the register and of the steps, together with relevant timescales, that the *firm* is taking to ensure that the *firm* will be materially compliant as soon as practicable.

8.4.4B

FCA

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In relation to the written statement referred to in ■ ICOBS 8.4.4R (1)(b):

- (1) ■ ICOBS 8.4.4R (1)(b) does not preclude the relevant *director* from, in addition, including in the *director's* statement any of the following as relevant:
  - (a) if a *firm's* employers' liability register is more than materially compliant, a statement to this effect, and/or a statement of the extent to which the *director* considers, to the best of his knowledge, the *firm* to be compliant in its production of the register;
  - (b) reasons for the level of any non-compliance; and/or
  - (c) information relating to *policies* which are not required to be included in the register;

- (2) the statement regarding the *firm's* level of compliance with requirements in ■ ICOB8 8.4.4R (2) and ■ ICOB8 8 Annex 1, and, in relevant cases, the steps the *firm* is undertaking to ensure material compliance as soon as practicable, does not alter the underlying requirement that the *firm* has to comply fully with the relevant requirements in ■ ICOB8 8.4.4R (2) and ■ ICOB8 8 Annex 1 (that is, not just to a material extent). So, it is possible that a *firm* will be able to comply with ■ ICOB8 8.4.4R (1)(b) but continue to not fully comply with the underlying requirements, for example, in respect of the *policies* falling outside the ninety-nine percent threshold. In relation to these *policies*, as well as those identified in any qualified *director's* certificate, the *firm* will need to remedy errors or omissions as soon as practicable, and have systems and controls in place to give effect to this on an ongoing basis.

8.4.4C

FCA

R

The report referred to in ■ ICOB8 8.4.4R (1)(c) must:

- (1) be prepared on the basis of providing an opinion under a *limited assurance engagement* confirming whether the auditor has found no reason to believe that the *firm*, solely in relation to the *firm's* extraction of information from its underlying records, has not materially complied with the requirements in ■ ICOB8 8.4.4R (2) and ■ ICOB8 8 Annex 1 in the production of its employer's liability register, having regard in particular to the possible errors and omissions referred to in (3) below;
- (2) use the description of material compliance as referred to in ■ ICOB8 8.4.4R (1A)(a) adapted as necessary to apply solely to the *firm's* extraction of information from its underlying records;
- (3) address, in particular, the following risks:
  - (a) information relating to certain *policies* issued or renewed on or after 1 April 2011 is entirely omitted from the register even though some relevant policy details are included in the *firm's* underlying records;
  - (b) information relating to certain *policies* in respect of which claims were made on or after 1 April 2011 is entirely omitted from the register even though some relevant policy details are included in the *firm's* underlying records;
  - (c) relevant information required to be included in the register, and which is included in the *firm's* underlying records, is omitted from, or is inaccurately entered on to, the register; and
  - (d) information relating to *policies* which do not provide *employers' liability insurance* are included in the register.

8.4.5

FCA

G

- (1) For the purposes of ■ ICOB8 8.4.4R (2)(c) and ■ ICOB8 8.4.4 R (2)(d), a *firm* may put in place appropriate screening on its employers' liability register to monitor:



- (a) requests for information and searches to ensure that they are being made for a legitimate purpose by persons falling into one of the categories in ■ ICOBS 8.4.4R (2)(c); and
- (b) requests from tracing offices to ensure that the information is necessary, and will only be used by the tracing office, for the purposes of providing users of the tracing service with the same information as the *firm* itself would have provided had the inquirer approached the *firm* directly.

If a *firm* has any reason to suspect that the information is, or may be, being misused then it may restrict the use of the information provided or request its return.

- (2) For the purposes of ■ ICOBS 8.4.4R (2)(e) the *FCA* expects that, in the ordinary course, a person searching or making an information request will be provided with a response within one *business day* of the initial request.
- (3) In the *FCA*'s view, commercial lines business does not include *employers' liability insurance* provided for retail consumers, for example, in relation to insurance taken out to cover liability in relation to domestic arrangements such as home help.

#### FCA notification requirements

8.4.6

FCA

R

A *firm* must:

- (1) notify the *FCA*, within one *month* of falling within
  - ICOBS 8.4.1R (2), as to whether or not it, or, if relevant, a member of the *syndicates* it manages, carries on business falling within
  - ICOBS 8.4.4R (1) and, if it does, include in that notification:
    - (a) details of the internet address of the *firm* or tracing office at which the employers' liability register is made available;
    - (b) the name of a contact person at the *firm* and their telephone number or postal address, or both; and
    - (c) the period over which the *firm* or *syndicate* member provided cover under relevant *policies* or, if still continuing, the date that cover commenced; and
    - (d) the *firm*'s Firm Reference Number; and
- (2) ensure that the notification in (1):
  - (a) is approved and signed by a *director* of the *firm*; and
  - (b) contains a statement that to the best of the *director*'s knowledge the content of the notification is true and accurate.

8

PAGE  
13

8.4.6A

FCA

R

A *firm* with potential liability under an excess *policy* and which satisfies the requirements in ■ ICOBS 8 Annex 1 1.1B R must notify the *FCA* before the date upon which it first seeks to rely upon that *rule* and ensure that

the requirements of ■ ICOBS 8.4.6R (2) are satisfied in respect of this notification.

**Requirement to make employers' liability register and supporting documents available**

8.4.7  
FCA

**R**

- (1) A *firm* must make available:
  - (a) the information on the employers' liability register either:
    - (i) on the *firm's* website at the address notified to the FCA in ■ ICOBS 8.4.6R (1); or
    - (ii) by arranging for a tracing office which meets the conditions in ■ ICOBS 8.4.9 R to make the information available on the tracing office's website; and
  - (b) the latest *director's* certificate and the latest report prepared by an auditor for the purposes of ■ ICOBS 8.4.4R (1)(c), to a tracing office which has obtained information from the *firm* for the purposes of providing comprehensive tracing information, in accordance with ■ ICOBS 8.4.4R (2)(d), provided that the tracing office has agreed with the *firm* not to disclose confidential information in the certificate and the report to third parties, save as required by law.
- (2) If a *firm* arranges for a tracing office to make information available for the purposes of (1)(a)(ii) the *firm* must:
  - (a) send to the tracing office copies of its latest *director's* certificate and report prepared by the *firm's* auditor provided that the tracing office has agreed with the *firm* not to disclose confidential information in the certificate and the report to third parties, save as required by law;
  - (b) maintain records of all the tracing information and copies of all documents it has provided to the tracing office;
  - (c) retain all legal rights in relation to the ownership and use of the information and documents provided to the tracing office to enable the *firm* to provide that information or documentation to another tracing office or to make it available itself; and
  - (d) send to the tracing office its Firm Reference Number.

8.4.8  
FCA

**A**

For the purposes of ■ ICOBS 8.4.4R (2)(d) and ■ ICOBS 8.4.7R (1)(a)(ii) the existence of published and up-to-date versions of both a certificate from the *directors* of the tracing office, stating that the tracing office has complied in all material respects with the requirements in ■ ICOBS 8.4.9R (1) to ■ (6), and a report under a *reasonable assurance engagement*, addressing the accuracy and completeness of the tracing

office's database, may be relied upon as tending to establish that a *firm* has satisfied the requirement to use a tracing office which meets the conditions in ■ ICOBS 8.4.9R (1) to ■ (6).

#### Qualifying tracing offices

8.4.9

FCA

R

The conditions referred to in ■ ICOBS 8.4.4R (2)(d) and ■ ICOBS 8.4.7R (1)(a)(ii) are that the tracing office is one which:

- (1) maintains a database which:
  - (a) accurately and reliably stores information submitted to it by *firms* for the purposes of complying with these *rules*;
  - (b) has systems which can adequately keep it up to date in the light of new information provided by *firms*;
  - (c) has an effective search function which allows a person inputting data included on the database relating to a particular employer over a particular period to retrieve information on the database relating to a potential employers' liability claim corresponding to that employer and period;
- (2) maintains adequate records of the *director's* certificates and reports prepared by an auditor sent to it by *firms* for the purposes of complying with these *rules*;
- (3) has effective arrangements for information security, information back up and business continuity and to prevent the misuse of data;
- (4) accepts search requests in relation to information in (1) relating to a potential claim from:
  - (a) individuals with the potential claim, or their authorised representative; or
  - (b) the employer to whom the potential claim relates; or
  - (c) an *insurer* which is potentially jointly and severally liable with another *firm* in relation to the potential claim; or
  - (d) a relevant *insurance intermediary* acting for an *insurer* in (c);
- (5) provides responses to requests in (4) without delay;
- (6) has adequate arrangements for providing to a *firm*, upon request and without delay, a full copy of the information on the database that the *firm* has provided to it;
- (7) includes in its published annual report:
  - (a) a certificate from the *directors* of the tracing office stating whether the tracing office has complied with the requirements

in (1) to (6) in relation to the period covered by the annual report; and

- (b) an independent report commissioned under a *reasonable assurance engagement* satisfying the requirement in ■ ICOBS 8.4.9A R, addressing the accuracy and completeness of the database, prepared by an auditor satisfying the requirements of ■ SUP 3.4 and ■ SUP 3.8.5 R to ■ SUP 3.8.6 R, and addressed to the *directors* of the tracing office; and

- (8) provides to a *firm* making use of the tracing office for the purposes of ■ ICOBS 8.4.7R (1)(a)(ii):
  - (a) a copy of its annual report promptly after publication; and
  - (b) upon request and without delay a full copy of the information on the database that the *firm* has provided to it.

8.4.9A  
FCA

R

The requirement referred to in ■ ICOBS 8.4.9R (7)(b) is that the report must include an opinion from the auditor confirming whether, in all material respects, the tracing office maintains a database which accurately and reliably stores information submitted to it by *firms* for the purpose of complying with relevant requirements in ■ ICOBS 8.4 and that it has systems which can adequately keep it up to date in the light of new information provided by *firms*.

8.4.10  
FCA

G

- (1) ■ ICOBS 8.4.4R (2)(b) and ■ ICOBS 8.4.9R (1) require a *firm*, or a tracing office used by a *firm*, to have an effective search function in relation to the employers' liability register database. In the FCA's view an effective search function is one which finds all matches in the register to any specified whole word.
- (2) For the purposes of ■ ICOBS 8.4.9R (5) the term 'without delay' should have the same meaning as in ■ ICOBS 8.4.5G (2).
- (3) In order to assist *firms* with their obligations under these *rules* the FCA has agreed to publish on its website at <http://www.fca.org.uk/consumers/financial-services-products/insurance/employers-liability> a list of *persons* providing tracing office facilities which have published the *directors'* certificate and independent assurance report referred to in ■ ICOBS 8.4.9R (7).

**Updating and verification requirements**

8.4.11  
FCA

R

- (1) A *firm* must notify the FCA:
  - (a) of any information provided to the FCA under ■ ICOBS 8.4.6 R or ■ ICOBS 8.4.6A R which ceases to be true or accurate; and
  - (b) of the new position, in accordance with the notification requirements in ■ ICOBS 8.4.6 R;

within one *month* of the change.

- (2) A *firm* producing an employers' liability register must:
- (a) update the register with any new or more accurate information falling within ■ ICOBS 8 Annex 1:
    - (i) by virtue of the entry into or renewal of, or of a claim made in relation to, a *policy*, as required by ■ ICOBS 8 Annex 1 Part 1; and
    - (ii) in all other cases, by virtue of the *firm* having received that new or more accurate information;
  - (b) make the updated information in (a) available, in accordance with ■ ICOBS 8.4.7 R, no later than:
    - (i) in relation to new or more accurate information arising out of the entry into or renewal of, or a claim made in relation to, a *policy*, three *months* from the date of entry, renewal or the date upon which the claim was made; and
    - (ii) in all other cases, three *months* from the date upon which the *firm* received the new or more accurate information;
  - (c) update the register, no less frequently than once every three *months*, and include the date that the register was updated and a statement that the register may be relied on as up-to-date as at a date three *months* prior to the date upon which the register was updated, or such later date as applicable to the *firm*;
  - (d) obtain and submit to the *FCA* a *director's* certificate:
    - (i) no later than twelve *months* after the date of the most recent *director's* certificate, obtained and submitted to the *FCA* in accordance with ■ ICOBS 8.4.4R (1)(b) or this *rule*;
    - (ii) complying with the requirements, and containing one of the statements, set out in ■ ICOBS 8.4.4R (1)(b); and
    - (iii) in relation to a version of the employers' liability register dated no more than four *months* prior to the date of the *director's* certificate;
  - (e) obtain and submit to the *FCA* a report prepared by an auditor:
    - (i) no later than twelve *months* after the date of the most recent report, obtained and submitted to the *FCA* in accordance with ■ ICOBS 8.4.4R (1)(c) or this *rule*;
    - (ii) complying with the requirements set out in ■ ICOBS 8.4.4R (1)(c); and

(iii) in relation to a version of the employers' liability register dated no more than four *months* prior to the date of the report; and

(f) make available, in accordance with ■ ICOBS 8.4.7 R, the *director's* statement in (d) and the report in (e) no later than four *months* after the effective date of the version of the register to which they relate, in place of the previous certificate and report.

8.4.12

FCA

G

For the purposes of ■ ICOBS 8.4.11R (2)(c) a *firm* is required to include the date at which it updates the register. However, depending on the *firm's* processes for making information available for the purposes of ■ ICOBS 8.4.11R (2)(b), the register may only be relied upon as being up-to-date as at a date three *months* prior to the date on which the *firm* has updated the register, or such lesser period as applicable to the *firm* as is consistent with the *firm's* processes. ■ ICOBS 8.4.11R (2)(c) requires the *firm* to include a statement as to the date at which the register may be relied upon as containing up-to-date information which can be no earlier than three *months* prior to the new date on the register, but may be later depending on the *firm's* circumstances.

8.4.12A

FCA

R

(1) For the purposes of ■ ICOBS 8.4.11R (2)(a), ■ 8.4.11R (2)(b) and ■ ICOBS 8 Annex 1 a claim is deemed to be made in relation to a *policy* at the date on which the *firm* establishes, or otherwise accepts, that it has provided relevant cover under the *policy*, and is therefore potentially liable subject to the terms of the *policy*.

(2) A *firm* must use reasonable endeavours to establish whether it has provided relevant cover:

- (a) within three *months* of being notified of a potential claim; or
- (b) if that is not possible, as soon as is reasonably practicable thereafter.

**Transfers of insurance business**

8.4.13

FCA

R

The transferor in an *insurance business transfer scheme* must provide the transferee with the information and documents the transferor holds in compliance with ■ ICOBS 8.4 in respect of the insurance business transferred.

# Mortgages and Home Finance: Conduct of Business sourcebook







## 10.2 Purpose

### 10.2.1

FCA

G

The purpose of this chapter is to establish the requirements for the proper calculation of the *APR*. As a cost measure which facilitates comparisons between similar mortgages offered on a similar basis, the *APR* is an integral element of the *rules* relating to *financial promotions* of *qualifying credit* and disclosure.



### 10.3 Formula and assumptions for calculating the APR

#### Formula for calculating the APR

10.3.1  
FCA

R

The *APR* must be calculated so that, subject to ■ MCOB 10.3.1B R (2), the *annual percentage rate* of charge is the rate for *i* which satisfies the equation set out in ■ MCOB 10.3.1A R, expressed as a percentage.

10.3.1A  
FCA

R

#### Formula for calculating the APR

This table belongs to MCOB 10.3.1R is:  
The equation referred to in MCOB 10.3.1R is:

$$\sum_{K=1}^{K=m} \frac{A_K}{(1+i)^K} = \sum_{K'=1}^{K'=m'} \frac{A'_{K'}}{(1+i)^{K'}}$$

where

*K* is the number identifying a particular advance of credit;  
*K'* is the number identifying a particular instalment;  
*A<sub>K</sub>* is the amount of advance *K*;  
*A'<sub>K'</sub>* is the amount of instalment *K'*;  
 $\Sigma$  represents the sum of all the terms indicated;  
*m* is the number of advances of credit;  
*m'* is the total number of instalments;  
<sup>t</sup>*K* is the interval, expressed in years, between the *relevant date* and the date of the second advance and those of any subsequent advances numbered three to *m*; and  
<sup>t</sup>*K'* is the interval, expressed in years, between the *relevant date* and the dates of instalments numbered one to *m'*.

10.3.1B  
FCA

R

- (1) In ■ MCOB 10.3.1A R, references to instalments are references to any payment made by or on behalf of the *customer* which comprise:
- (a) a repayment of all or part of the credit under the contract; or
  - (b) a payment of all or part of the *total charge for credit*; or
  - (c) both a repayment of all or part of the credit and a payment of all or part of the *total charge for credit*.

# Client Assets



6.1.16F  
FCA

**R**

When a *trustee firm* or *depository* acts as a *custodian* for a trust or *collective investment scheme* , (except for a *firm acting as trustee or depository of an AIF*), and:

- (1) the trust or *scheme* is established by written instrument; and
- (2) the *trustee firm* or *depository* has taken reasonable steps to determine that the relevant law and provisions of the trust instrument or *scheme* constitution will provide protections at least equivalent to the *custody rules* for the trust property or *scheme* property;

the *trustee firm* or *depository* need comply only with the *custody rules* listed in the table below.

| Reference  | Rule                                       |
|--|--|
| CASS 6.1.1 R to CASS 6.1.9 G and CASS 6.1.15 G to CASS 6.1.16C R | Application                                |
| CASS 6.1.16E R to CASS 6.1.16I G                                 | Trustees and depositories                  |
| CASS 6.1.22 G to CASS 6.1.24 G                                   | General purpose                            |
| CASS 6.2.1 R and CASS 6.2.2 R                                    | Protection of clients' safe custody assets |
| CASS 6.2.3 R and CASS 6.2.6 G                                    | Registration and recording                 |
| CASS 6.2.7 R   | Holding                                    |
| CASS 6.4.1 R and CASS 6.4.2 G                                    | Use of safe custody assets                 |
| CASS 6.5.  | Records, accounts and reconciliations      |

6.1.16G  
FCA

**G**

The reasonable steps referred in ■ CASS 6.1.16FR (2) could include obtaining an appropriate legal opinion to that effect.

6.1.16H  
FCA

**R**

When a *trustee firm* or *depository* within ■ CASS 6.1.16F R arranges for, or delegates the provision of safe custody services by or to another *person*, the *trustee firm* or *depository* must also comply with ■ CASS 6.3.1 R (Depositing assets and arranging for assets to be deposited with third parties) in addition to the custody rules listed in the table in ■ CASS 6.1.16F R.

6.1.16I  
FCA

**G**

A *trustee firm* or *depository* that just arranges safeguarding and administration of assets may also take advantage of the exemption in ■ CASS 6.1.16J R (Arrangers).

**Depositories of AIFs**

6.1.16IA  
FCA

**R**

- (1) Subject to (2), when a *firm* is *acting as trustee or depository of an AIF* the *firm* need comply only with the *custody rules* in the table below:

| Reference  | Rule   |
|--|--|
| CASS 6.1.1 R, CASS 6.1.9 G, CASS 6.1.9A G and CASS 6.1.16B G                   | <b>Application</b>                           |
| CASS 6.1.22 G to CASS 6.1.24 G   | <b>General purpose</b>                       |
| CASS 6.2.3 R and CASS 6.2.4 R to CASS 6.2.6 G                                  | <b>Registration and recording</b>            |
| CASS 6.2.7 R   | <b>Holding</b>                               |
| CASS 6.3.1R (1A) and CASS 6.3.1R (4)   | <b>Arranging registration</b>                |
| CASS 6.5.1 R, CASS 6.5.2A R, CASS 6.5.3 R, CASS 6.5.13R (1A) and CASS 6.5.14 G | <b>Records, accounts and reconciliations</b> |

(2) When a firm is acting as trustee or depositary of an AIF that is an authorised AIF the firm must, in addition to the custody rules in (1), also comply with the custody rules in the table below:

| Reference  | Rule   |
|--|--|
| CASS 6.1.1B R  | <b>Application</b>                           |
| CASS 6.5.4 G (1A) to CASS 6.5.4 G (4), CASS 6.5.5 R, CASS 6.5.7A G, CASS 6.5.8A G , CASS 6.5.9 G and CASS 6.5.15 G | <b>Records, accounts and reconciliations</b> |

6.1.16IB

FCA

G

Firms acting as trustee or depositary of an AIF are reminded of the obligations in ■ FUND 3.11 (Depositaries) and Chapter IV (Depositary) of the AIFMD level 2 regulation which apply in addition to those in ■ CASS 6.

6.1.16IC

FCA

G

A firm (Firm A) to which another firm acting as trustee or depositary of an AIF (Firm B) has delegated safekeeping functions in line with ■ FUND 3.11.25R (Delegation: safekeeping) will not itself be acting as trustee or depositary of an AIF for that AIF. ■ CASS 6.1.16IA R will not apply to Firm A in respect of that AIF. However, Firm A may be safeguarding and administering investments in respect of that AIF.

frequency, it must pay that *client* all interest earned on that *client money*. Any interest due to a *client* will be *client money*.

#### Discharge of fiduciary duty

7.2.15

FCA

R

Money ceases to be *client money* (having regard to ■ CASS 7.2.17 R where applicable) if:

- (1) it is paid to the *client*, or a duly authorised representative of the *client*; or
- (2) it is paid to a third party on the instruction of the *client*, unless it is transferred to a third party in the course of effecting a transaction, in accordance with ■ CASS 7.5.2 R (Transfer of client money to a third party); or
- (3) it is paid into a bank account of the *client* (not being an account which is also in the name of the *firm*); or
- (4) it is due and payable to the *firm* in accordance with ■ CASS 7.2.9 R (Money due and payable to the firm); or
- (5) it is paid to the *firm* as an excess in the *client bank account* (see ■ CASS 7.6.13 R (2) (Reconciliation discrepancies)); or
- (6) it is paid by an *authorised central counterparty* to a clearing member other than the *firm* in connection with a *porting* arrangement in accordance with ■ CASS 7.2.15A R; or
- (7) it is paid by an *authorised central counterparty* directly to the *client* in accordance with ■ CASS 7.2.15B R; or
- (8) it is transferred by the *firm* to a *clearing member* in connection with a *regulated clearing arrangement* and the *clearing member* remits payment to another *firm* or to another *clearing member* in accordance with ■ CASS 7.2.15CR (1); or
- (9) it is transferred by the *firm* to a *clearing member* in connection with a *regulated clearing arrangement* and the *clearing member* remits payment directly to the *indirect clients* of the firm in accordance with ■ CASS 7.2.15CR (2).

7.2.15A

FCA

R

*Client money* which the *firm* places at an *authorised central counterparty* in connection with a *regulated clearing arrangement* ceases to be *client money* for that *firm* if, as part of the default management process of that *authorised central counterparty* in respect of a default by the *firm*, it is *ported* by the *authorised central counterparty* in accordance with article 48 of EMIR.

- 7.2.15B** **R** **FCA** *Client money which the firm places at an authorised central counterparty in connection with a regulated clearing arrangement ceases to be client money if, as part of the default management process of that authorised central counterparty in respect of a default by the firm, it is paid directly to the client by the authorised central counterparty in accordance with the procedure described in article 48(7) of EMIR.*
- 7.2.15C** **R** **FCA** *Client money received or held by the firm and transferred to a clearing member who facilitates indirect clearing through a regulated clearing arrangement ceases to be client money for that firm and, if applicable, the clearing member, if the clearing member:*
- (1) remits payment to another firm or to another clearing member in accordance with default management procedures adopted by the clearing member which comply with the requirements of article 4(4) of the EMIR L2 Regulation; or
  - (2) remits payment to the indirect clients of the firm in accordance with default management procedures adopted by the clearing member which comply with the requirements of articles 4(4) and 4(5) of the EMIR L2 Regulation.
- 7.2.16** **G** **FCA** When a firm wishes to transfer client money balances to a third party in the course of transferring its business to another firm, it should do so in a way which it discharges its fiduciary duty to the client under this section.
- 7.2.17** **R** **FCA** When a firm draws a cheque or other payable order to discharge its fiduciary duty to the client, it must continue to treat the sum concerned as client money until the cheque or order is presented and paid by the bank.
- Allocated but unclaimed client money** .....
- 7.2.18** **G** **FCA** The purpose of the rule on allocated but unclaimed client money is to allow a firm, in the normal course of its business, to cease to treat as client money any balances, allocated to an individual client, when those balances remain unclaimed.
- 7.2.19** **R** **FCA** A firm may cease to treat as client money any unclaimed client money balance if it can demonstrate that it has taken reasonable steps to trace the client concerned and to return the balance.
- 7.2.20** **A** **FCA**
- (1) Reasonable steps should include:
    - (a) entering into a written agreement, in which the client consents to the firm releasing, after the period of time specified in (b), any client money balances, for or on behalf of that client, from client bank accounts;
    - (b) determining that there has been no movement on the client's balance for a period of at least six years (notwithstanding



- any payments or receipts of charges, interest or similar items);
- (c) writing to the *client* at the last known address informing the *client* of the *firm's* intention of no longer treating that balance as *client money*, giving the *client* 28 days to make a claim;
  - (d) making and retaining records of all balances released from *client bank accounts*; and
  - (e) undertaking to make good any valid claim against any released balances.
- (2) Compliance with (1) may be relied on as tending to establish compliance with ■ CASS 7.2.19 R.
- (3) Contravention of (1) may be relied on as tending to establish contravention of ■ CASS 7.2.19 R.

7.2.21

FCA

G

When a *firm* gives an undertaking to make good any valid claim against released balances, it should make arrangements authorised by the *firm's* relevant *controllers* that are legally enforceable by any *person* with a valid claim to such *money*.

7



## 7.3 Organisational requirements: client money

### Requirement to protect client money

7.3.1

FCA

R

A *firm* must, when holding *client money*, make adequate arrangements to safeguard the *client's* rights and prevent the use of *client money* for its own account.

[Note: article 13(8) of *MiFID*]

### Requirement to have adequate organisational arrangements

7.3.2

FCA

R

A *firm* must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of *client money*, or of rights in connection with *client money*, as a result of misuse of *client money*, fraud, poor administration, inadequate record-keeping or negligence.

[Note: article 16(1)(f) of the *MiFID implementing Directive*]

## 7.4 Segregation of client money

### Depositing client money

7.4.1  
FCA

**R** A *firm*, on receiving any *client money*, must promptly place this *money* into one or more accounts opened with any of the following:

- (1) a central bank;
- (2) a *BCD credit institution*;
- (3) a bank authorised in a third country;
- (4) a *qualifying money market fund*.

[Note: article 18(1) of the *MiFID implementing Directive*]

7.4.2  
FCA

**G** An account with a central bank, a *BCD credit institution* or a bank authorised in a third country in which *client money* is placed is a *client bank account*.

### Qualifying money market funds

7.4.3  
FCA

**G** Where a *firm* deposits *client money* with a *qualifying money market fund*, the units in that fund should be held in accordance with ■ CASS 6.

[Note: recital 23 to the *MiFID implementing Directive*]

7.4.4  
FCA

**G** A *firm* that places *client money* in a *qualifying money market fund* should ensure that it has the *permissions* required to invest in and hold units in that fund and must comply with the *rules* that are relevant for those activities.

7.4.5  
FCA

**R** A *firm* must give a *client* the right to oppose the placement of his *money* in a *qualifying money market fund*.

[Note: article 18(3) of the *MiFID implementing Directive*]

7.4.6  
FCA

**G** If a *firm* that intends to place *client money* in a *qualifying money market fund* is subject to the requirement to disclose information before providing services, it should, in compliance with that obligation, notify the *client* that:

- (1) *money* held for that *client* will be held in a *qualifying money market fund*; and

- (2) as a result, the *money* will not be held in accordance with the *client money rules* but in accordance with the *custody rules*.

#### **A firm's selection of a credit institution, bank or money market fund**

7.4.7

FCA

R

A *firm* that does not deposit *client money* with a central bank must exercise all due skill, care and diligence in the selection, appointment and periodic review of the *credit institution*, bank or *qualifying money market fund* where the *money* is deposited and the arrangements for the holding of this *money*.

[Note: article 18(3) of the *MiFID implementing Directive*]

7.4.8

FCA

R

When a *firm* makes the selection, appointment and conducts the periodic review of a *credit institution*, a bank or a *qualifying money market fund*, it must take into account:

- (1) the expertise and market reputation of the third party; and
- (2) any legal requirements or market practices related to the holding of *client money* that could adversely affect *clients'* rights.

[Note: article 18(3) of the *MiFID implementing Directive*]

7.4.9

FCA

G

In discharging its obligations when selecting, appointing and reviewing the appointment of a *credit institution*, a bank or a *qualifying money market fund*, a *firm* should also consider, together with any other relevant matters:

- (1) the need for diversification of risks;
- (2) the capital of the *credit institution* or bank;
- (3) the amount of *client money* placed, as a proportion of the *credit institution* or bank's capital and *deposits*, and, in the case of a *qualifying money market fund*, compared to any limit the fund may place on the volume of redemptions in any period;
- (4) the credit rating of the *credit institution* or bank; and
- (5) to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the *credit institution* or bank and *affiliated companies*.

7.4.9A

FCA

R

A *firm* must limit the funds that it deposits or holds with a relevant group entity or combination of such entities so that those funds do not at any point in time exceed 20 per cent of the balance on:

- (1) all of its *general client bank accounts* considered in aggregate;
- (2) each of its *designated client bank accounts*; and

(3) each of its *designated client fund accounts*.

7.4.9B

FCA

R

For the purpose of ■ CASS 7.4.9A R an entity is a relevant group entity if it is:

- (1) a *BCD credit institution*, a bank authorised in a third country, a *qualifying money market fund*, or the entity operating or managing a *qualifying money market fund*; and
- (2) a member of the same *group* as that *firm*.

7.4.9C

FCA

G

The *rules* in ■ SUP 16.14 provide that a *firm* must report to the *FCA* in relation to the identity of the entities with which it deposits *client money* and the amounts of *client money* deposited with them. The *FCA* will use that information to monitor compliance with the diversification *rule* in ■ CASS 7.4.9A R.

7.4.10

FCA

R

A *firm* must make a record of the grounds upon which it satisfies itself as to the appropriateness of its selection of a *credit institution*, a bank or a *qualifying money market fund*. The *firm* must make the record on the date it makes the selection and must keep it from the date of such selection until five years after the *firm* ceases to use the third party to hold *client money*.

#### Client bank accounts

7.4.11

FCA

R

A *firm* must take the necessary steps to ensure that *client money* deposited, in accordance with ■ CASS 7.4.1 R, in a central bank, a *credit institution*, a bank authorised in a third country or a *qualifying money market fund* is held in an account or accounts identified separately from any accounts used to hold *money* belonging to the *firm*.

[Note: article 16(1)(e) of the *MiFID implementing Directive*]

7.4.12

FCA

G

A *firm* may open one or more *client bank accounts* in the form of a *general client bank account*, a *designated client bank account* or a *designated client fund account* (see ■ CASS 7A.2.1 G (Failure of the authorised firm: primary pooling event)).

7.4.13

FCA

G

A *designated client fund account* may be used for a *client* only where that *client* has consented to the use of that account and all other *designated client fund accounts* which may be pooled with it. For example, a *client* who consents to the use of bank A and bank B should have his *money* held in a different *designated client fund account* at bank B from a *client* who has consented to the use of banks B and C.

#### Payment of client money into a client bank account

7.4.14

FCA

G

Two approaches that a *firm* can adopt in discharging its obligations under the *client money segregation requirements* are:

- (1) the 'normal approach'; or
- (2) the 'alternative approach'.

7.4.15

FCA

R

A *firm* that does not adopt the normal approach must first send a written confirmation to the FCA from the *firm's* auditor that the *firm* has in place systems and controls which are adequate to enable it to operate another approach effectively.

7.4.16

FCA

G

The alternative approach would be appropriate for a *firm* that operates in a multi-product, multi-currency environment for which adopting the normal approach would be unduly burdensome and would not achieve the *client* protection objective. Under the alternative approach, *client money* is received into and paid out of a *firm's* own bank accounts; consequently the *firm* should have systems and controls that are capable of monitoring the *client money* flows so that the *firm* can comply with its obligations to perform reconciliations of records and accounts (see ■ CASS 7.6.2 R). A *firm* that adopts the alternative approach will segregate *client money* into a *client bank account* on a daily basis, after having performed a reconciliation of records and accounts of the entitlement of each *client* for whom the *firm* holds *client money* with the records and accounts of the *client money* the *firm* holds in *client bank accounts* and *client transaction accounts* to determine what the *client money* requirement was at the close of the previous *business day*.

7.4.17

FCA

G

Under the normal approach, a *firm* that receives *client money* should either:

- (1) pay it promptly, and in any event no later than the next *business day* after receipt, into a *client bank account*; or
- (2) pay it out in accordance with the *rule* regarding the discharge of a *firm's* fiduciary duty to the *client* (see ■ CASS 7.2.15 R).

7.4.18

FCA

G

Under the alternative approach, a *firm* that receives *client money* should:

- (1) (a) pay any *money* to or on behalf of *clients* out of its own account; and  
 (b) perform a reconciliation of records and accounts required under ■ CASS 7.6.2 R (Records and accounts), and where relevant ■ SYSC 4.1.1 R (General requirements) and ■ SYSC 6.1.1 R (Compliance), adjust the balance held in its *client bank accounts* and then segregate the *money* in the *client bank account* until the calculation is re-performed on the next *business day*; or
- (2) pay it out in accordance with the *rule* regarding the discharge of a *firm's* fiduciary duty to the *client* (see ■ CASS 7.2.15 R).

7.4.19

FCA

G

A *firm* that adopts the alternative approach may:

- (1) receive all *client money* into its own bank account;
- (2) choose to operate the alternative approach for some types of business (for example, overseas equities transactions) and operate the normal approach for other types of business (for example, *contingent liability investments*) if the *firm* can demonstrate that its systems and controls are adequate (see ■ CASS 7.4.15 R); and

- (3) use an historic average to account for uncleared cheques (see paragraph 4 of ■ CASS 7 Annex 1 G).

7.4.20

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* should ensure that any *money* other than *client money* deposited in a *client bank account* is promptly paid out of that account unless it is a minimum sum required to open the account, or to keep it open.

7.4.21

FCA

R

If it is prudent to do so to ensure that *client money* is protected, a *firm* may pay into a *client bank account* *money* of its own, and that *money* will then become *client money* for the purposes of this chapter.

### Automated transfers

7.4.22

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach that receives *client money* in the form of an automated transfer should take reasonable steps to ensure that:

- (1) the *money* is received directly into a *client bank account*; and
- (2) if *money* is received directly into the *firm's* own account, the *money* is transferred into a *client bank account* promptly, and in any event, no later than the next *business day* after receipt.

### Mixed remittance

7.4.23

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach that receives a *mixed remittance* (that is part *client money* and part other *money*) should:

- (1) pay the full sum into a *client bank account* promptly, and in any event, no later than the next *business day* after receipt; and
- (2) pay the *money* that is not *client money* out of the *client bank account* promptly, and in any event, no later than one *business day* of the day on which the *firm* would normally expect the remittance to be cleared.

### Appointed representatives, tied agents, field representatives and other agents

7.4.24

FCA

G

- (1) Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach should establish and maintain procedures to ensure that *client money* received by its *appointed representatives*, *tied agents*, *field representatives* or other agents is:

- (a) paid into a *client bank account* of the *firm* promptly, and in any event, no later than the next *business day* after receipt; or
- (b) forwarded to the *firm*, or in the case of a *field representative* forwarded to a specified business address of the *firm*, so as to ensure that the *money* arrives at the specified business address promptly, and in any event, no later than the close of the third *business day*.

- (2) For the purposes of 1(b), *client money* received on *business day* one should be forwarded to the *firm* or specified business address of the *firm* promptly, and in any event, no later than the next *business day* after receipt (*business day* two) in order for it to reach that *firm* or specified business address by the close of the third *business day*. Procedures requiring the *client money* in the form of a cheque to be sent to the *firm* or the specified business address of the *firm* by first class post promptly, and in any event, no later than the next *business day* after receipt, would be in line with 1(b).

7.4.25

FCA

G

The *firm* should ensure that its *appointed representatives*, *tied agents*, *field representatives* or other agents keep *client money* separately identifiable from any other *money* (including that of the *firm*) until the *client money* is paid into a *client bank account* or sent to the *firm*.

7.4.26

FCA

G

A *firm* that operates a number of small branches, but holds or accounts for all *client money* centrally, may treat those small branches in the same way as *appointed representatives* and *tied agents*.

### Client entitlements

7.4.27

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach that receives outside the *United Kingdom* a *client* entitlement on behalf of a *client* should pay any part of it which is *client money*:

- (1) to, or in accordance with, the instructions of the *client* concerned; or
- (2) into a *client bank account* promptly, and in any event, no later than five *business days* after the *firm* is notified of its receipt.

7.4.28

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach should allocate a *client* entitlement that is *client money* to the individual *client* promptly and, in any case, no later than ten *business days* after notification of receipt.

### Money due to a client from a firm

7.4.29

FCA

G

Pursuant to the *client money segregation requirements*, a *firm* operating the normal approach that is liable to pay *money* to a *client* should promptly, and in any event no later than one *business day* after the *money* is due and payable, pay the *money*:

- (1) to, or to the order of, the *client*; or
- (2) into a *client bank account*.

### Segregation in different currency

7.4.30

FCA

R

A *firm* may segregate *client money* in a different currency from that of receipt. If it does so, the *firm* must ensure that the amount held is adjusted each *day* to an amount at least equal to the original currency amount (or the currency in which the *firm* has its liability to its *clients*, if different), translated at the previous day's closing spot exchange rate.



**7.4.31**  
**FCA** **G** The *rule* on segregation of *client money* in a different currency (■ CASS 7.4.30 R) does not apply where the *client* has instructed the *firm* to convert the *money* into and hold it in a different currency.

### **Commodity Futures Trading Commission Part 30 exemption order**

**7.4.32**  
**FCA** **G** United States (US) legislation restricts the ability of non-US firms to trade on behalf of US customers on non-US futures and options exchanges. The relevant US regulator (the CFTC) operates an exemption system for *firms* authorised under the *Act*. The *FCA* or the *PRA* sponsors the application from a *firm* for exemption from Part 30 of the General Regulations under the US Commodity Exchange Act in line with this system.

**7.4.33**  
**FCA** **G** A *firm* with a *Part 30 exemption order* undertakes to the CFTC that it will refuse to allow any US customer to opt not to have his *money* treated as *client money* if it is held or received in respect of transactions on non-US exchanges, unless that US customer is an "eligible contract participant" as defined in section 1a(12) of the Commodity Exchange Act, 7 U.S.C. In doing so, the *firm* is representing that if available to it, it will not make use of the opt-out arrangements in ■ CASS 7.1.7B R to ■ CASS 7.1.7F R in relation to that business.

**7.4.34**  
**FCA** **R** A *firm* must not reduce the amount of, or cancel a letter of credit issued under, an LME bond arrangement where this will cause the *firm* to be in breach of its *Part 30 exemption order*.

**7.4.35**  
**FCA** **R** A *firm* must notify the *FCA* immediately it arranges the *issue* of an individual letter of *credit* under an LME bond arrangement.

## 7.5 Transfer of client money to a third party

### 7.5.1

FCA

G

This section sets out the requirements a *firm* must comply with when it transfers *client money* to another *person* without discharging its fiduciary duty owed to that *client*. Such circumstances arise when, for example, a *firm* passes *client money* to a *clearing house* in the form of margin for the *firm's* obligations to the *clearing house* that are referable to transactions undertaken by the *firm* for the relevant clients. They may also arise when a *firm* passes *client money* to an *intermediate broker* for *contingent liability investments* in the form of initial or variation margin on behalf of a *client*. In these circumstances, the *firm* remains responsible for that *client's equity balance* held at the *intermediate broker* until the contract is terminated and all of that *client's* positions at that *broker* closed. If a *firm* wishes to discharge itself from its fiduciary duty, it should do so in accordance with the *rule* regarding the discharge of a *firm's* fiduciary duty to the *client* (■ CASS 7.2.15 R).

### 7.5.2

FCA

R

A *firm* may allow another *person*, such as an exchange, a *clearing house* or an *intermediate broker*, to hold or control *client money*, but only if:

- (1) the *firm* transfers the *client money*:
  - (a) for the purpose of a transaction for a *client* through or with that *person*; or
  - (b) to meet a *client's* obligation to provide collateral for a transaction (for example, an *initial margin* requirement for a *contingent liability investment*); and
- (2) in the case of a *retail client*, that *client* has been notified that the *client money* may be transferred to the other *person*.

### 7.5.3

FCA

G

A *firm* should not hold excess *client money* in its *client transaction accounts* with *intermediate brokers*, *settlement agents* and *OTC counterparties*; it should be held in a *client bank account*. This *guidance* does not apply to *client money* provided by a *firm* to an *authorised central counterparty* in connection with a *contingent liability investment* undertaken for a *client* and recorded in a *client transaction account* that is an *individual client account* or an *omnibus client account* at that *authorised central counterparty*.

## 7.6 Records, accounts and reconciliations

### Records and accounts

7.6.1  
FCA

**R** A *firm* must keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish *client money* held for one *client* from *client money* held for any other *client*, and from its own *money*.

[Note: article 16(1)(a) of the *MiFID implementing Directive*]

7.6.2  
FCA

**R** A *firm* must maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the *client money* held for *clients*.

[Note: article 16(1)(b) of the *MiFID implementing Directive*]

### Client entitlements

7.6.3  
FCA

**G** Pursuant to **■** CASS 7.6.2 R (Records and accounts), and where relevant **■** SYSC 4.1.1 R (General requirements) and **■** SYSC 6.1.1 R (Compliance), a *firm* should take reasonable steps to ensure that it is notified promptly of any receipt of *client money* in the form of a *client* entitlement.

### Record keeping

7.6.4  
FCA

**R** A *firm* must ensure that records made under **■** CASS 7.6.1 R and **■** CASS 7.6.2 R are retained for a period of five years after they were made.

7.6.5  
FCA

**G** A *firm* should ensure that it makes proper records, sufficient to show and explain the *firm's* transactions and commitments in respect of its *client money*.

### Internal reconciliations of client money balances

7.6.6  
FCA

**G**

- (1) Carrying out internal reconciliations of records and accounts of the entitlement of each *client* for whom the *firm* holds *client money* with the records and accounts of the *client money* the *firm* holds in *client bank accounts* and *client transaction accounts* should be one of the steps a *firm* takes to satisfy its obligations under **■** CASS 7.6.2 R, and where relevant **■** SYSC 4.1.1 R and **■** SYSC 6.1.1 R.

- (2) A *firm* should perform such internal reconciliations:

- (a) as often as is necessary; and
  - (b) as soon as reasonably practicable after the date to which the reconciliation relates;
- to ensure the accuracy of the *firm's* records and accounts.
- (3) The *standard method of internal client money reconciliation* sets out a method of reconciliation of client money balances that the *FCA* believes should be one of the steps that a *firm* takes when carrying out internal reconciliations of *client money*.

### Records

7.6.7

FCA

R

- (1) A *firm* must make records, sufficient to show and explain the method of internal reconciliation of *client money* balances under ■ CASS 7.6.2 R used, and if different from the *standard method of internal client money reconciliation*, to show and explain that:
- (a) the method of internal reconciliation of *client money* balances used affords an equivalent degree of protection to the *firm's clients* to that afforded by the *standard method of internal client money reconciliation*; and
  - (b) in the event of a *primary pooling event* or a *secondary pooling event*, the method used is adequate to enable the *firm* to comply with the *client money distribution rules*.
- (2) A *firm* must make these records on the date it starts using a method of internal reconciliation of *client money* balances and must keep it for a period of five years after ceasing to use it.

7.6.8

FCA

R

A *firm* that does not use the *standard method of internal client money reconciliation* must first send a written confirmation to the *FCA* from the *firm's* auditor that the *firm* has in place systems and controls which are adequate to enable it to use another method effectively.

### Reconciliations with external records

7.6.9

FCA

R

A *firm* must conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom *client money* is held.

[Note: article 16(1)(c) of the *MiFID implementing Directive*]

### Frequency of external reconciliations

7.6.10

FCA

G

- (1) A *firm* should perform the required reconciliation of *client money* balances with external records:
- (a) as regularly as is necessary; and
  - (b) as soon as reasonably practicable after the date to which the reconciliation relates;

to ensure the accuracy of its internal accounts and records against those of third parties by whom *client money* is held.

- (2) In determining whether the frequency is adequate, the *firm* should consider the risks which the business is exposed, such as the nature, volume and complexity of the business, and where and with whom the *client money* is held.

#### Method of external reconciliations

7.6.11

FCA

G

A method of reconciliation of *client money* balances with external records that the *FCA* believes is adequate is when a *firm* compares:

- (1) the balance on each *client bank account* as recorded by the *firm* with the balance on that account as set out on the statement or other form of confirmation issued by the bank with which those accounts are held; and
- (2) the balance, currency by currency, on each *client transaction account* as recorded by the *firm*, with the balance on that account as set out in the statement or other form of confirmation issued by the *person* with whom the account is held;

and identifies any discrepancies between them.

7.6.12

FCA

R

Any *approved collateral* held in accordance with the *client money rules* must be included within this reconciliation.

#### Reconciliation discrepancies

7.6.13

FCA

R

When any discrepancy arises as a result of a *firm's* internal reconciliations, the *firm* must identify the reason for the discrepancy and ensure that:

- (1) any *shortfall* is paid into a *client bank account* by the close of business on the day that the reconciliation is performed; or
- (2) any excess is withdrawn within the same time period (but see ■ CASS 7.4.20 G and ■ CASS 7.4.21 R).

7.6.14

FCA

R

When any discrepancy arises as a result of the reconciliation between a *firm's* internal records and those of third parties that hold *client money*, the *firm* must identify the reason for the discrepancy and correct it as soon as possible, unless the discrepancy arises solely as a result of timing differences between the accounting systems of the party providing the statement or confirmation and that of the *firm*.

7.6.15

FCA

R

While a *firm* is unable to resolve a difference arising from a reconciliation between a *firm's* internal records and those of third parties that hold *client money*, and one record or a set of records examined by the *firm* during its reconciliation indicates that there is a need to have a greater amount of *client money* or *approved collateral* than is in fact the case, the *firm* must assume, until the matter is finally resolved, that the record or set of records is accurate and pay its own *money* into a relevant account.

**Notification requirements**

7.6.16

FCA

R

A *firm* must inform the *FCA* in writing without delay:

- (1) if it has not complied with, or is unable, in any material respect, to comply with the requirements in ■ CASS 7.6.1 R, ■ CASS 7.6.2 R or ■ CASS 7.6.9 R;
- (2) if having carried out a reconciliation it has not complied with, or is unable, in any material respect, to comply with ■ CASS 7.6.13 R to ■ CASS 7.6.15 R.

**Audit of compliance with the MiFID client money rules**

7.6.17

FCA

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*Firms* are reminded that the auditor of the *firm* has to confirm in the report submitted to the *FCA* under ■ SUP 3.10 (Duties of auditors: notification and report on client assets) that the *firm* has maintained systems adequate to enable it to comply with the *client money rules*.

7.6.18

FCA

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*Firms* that do not adopt the normal approach are reminded that the *firm's* auditor must confirm to the *FCA* in writing that the *firm* has in place systems and controls which are adequate to enable it to operate the alternative approach effectively (see ■ CASS 7.4.15 R).

7.6.19

FCA

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*Firms* that do not use the *standard method of internal client money reconciliation* are reminded that the *firm's* auditor must confirm to the *FCA* in writing that the *firm* has in place systems and controls which are adequate to enable it to use another method effectively (see ■ CASS 7.6.8 R).

## 7.7 Statutory trust

### 7.7.1

FCA

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Section 137B(1) of the Act (Miscellaneous ancillary matters) provides that *rules* may make provision which result in *client money* being held by a *firm* on trust (England and Wales and Northern Ireland) or as agent (Scotland only). This section creates a fiduciary relationship between the *firm* and its *client* under which *client money* is in the legal ownership of the *firm* but remains in the beneficial ownership of the *client*. In the event of *failure* of the *firm*, costs relating to the distribution of *client money* may have to be borne by the trust.

### 7.7.2

FCA

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#### Requirement

A *firm* receives and holds *client money* as trustee (or in Scotland as agent) on the following terms:

- (1) for the purposes of and on the terms of the *client money rules* and the *client money distribution rules*;
- (2) subject to (4), for the *clients* (other than *clients* which are *insurance undertakings* when acting as such with respect of *client money* received in the course of *insurance mediation activity* and that was opted in to this chapter) for whom that *money* is held, according to their respective interests in it;
- (3) after all valid claims in (2) have been met, for *clients* which are *insurance undertakings* with respect of *client money* received in the course of *insurance mediation activity* according to their respective interests in it;
- (4) on *failure* of the *firm*, for the payment of the costs properly attributable to the distribution of the *client money* in accordance with (2); and
- (5) after all valid claims and costs under (2) to (4) have been met, for the *firm* itself.

7.7.3

FCA

**R** A *trustee firm* which is subject to the *client money rules* by virtue of ■ CASS 7.1.1 R (4):

- (1) must receive and hold *client money* in accordance with the relevant instrument of trust;
- (2) subject to that, receives and holds *client money* on trust on the terms (or in Scotland on the agency terms) specified in ■ CASS 7.7.2 R.

7.7.4

FCA

**G** If a *trustee firm* holds *client money* in accordance with ■ CASS 7.7.3 R (2), the *firm* should follow the provisions in ■ CASS 7.1.15E R and ■ CASS 7.1.15F R.



## 7.8 Notification and acknowledgement of trust

### Banks

7.8.1

FCA

R

- (1) When a *firm* opens a *client bank account*, the *firm* must give or have given written notice to the bank requesting the bank to acknowledge to it in writing that:
- (a) all *money* standing to the credit of the account is held by the *firm* as trustee (or if relevant, as agent) and that the bank is not entitled to combine the account with any other account or to exercise any right of set-off or counterclaim against *money* in that account in respect of any sum owed to it on any other account of the *firm*; and
  - (b) the title of the account sufficiently distinguishes that account from any account containing *money* that belongs to the *firm*, and is in the form requested by the *firm*.
- (2) In the case of a *client bank account* in the *United Kingdom*, if the bank does not provide the required acknowledgement within 20 *business days* after the *firm* dispatched the notice, the *firm* must withdraw all *money* standing to the credit of the account and deposit it in a *client bank account* with another bank as soon as possible.

### Exchanges, clearing houses , intermediary brokers or OTC counterparties

7.8.2

FCA

R

- (1) A *firm* which undertakes any *contingent liability investment* for *clients* through an exchange, *clearing house*, *intermediate broker* or *OTC* counterparty must, before the *client transaction account* is opened with the exchange, *clearing house*, *intermediate broker* or *OTC* counterparty:
- (a) notify the *person* with whom the account is to be opened that the *firm* is under an obligation to keep *client money* separate from the *firm's* own *money*, placing *client money* in a *client bank account*;
  - (b) instruct the *person* with whom the account is to be opened that any *money* paid to it in respect of that transaction is to be credited to the *firm's* *client transaction account*; and

- (c) require the *person* with whom the account is to be opened to acknowledge in writing that the *firm's client transaction account* is not to be combined with any other account, nor is any right of set-off to be exercised by that *person* against *money* credited to the *client transaction account* in respect of any sum owed to that *person* on any other account.
- (2) If the exchange, *clearing house*, *intermediate broker* or *OTC* counterparty does not provide the required acknowledgement within 20 *business days* of the dispatch of the notice and instruction, the *firm* must cease using the *client transaction account* with that exchange, *clearing house*, *intermediate broker* or *OTC* counterparty and arrange as soon as possible for the transfer or liquidation of any open positions and the repayment of any *money*.



7.9

[Deleted]



## 7A.2 Primary pooling events

### Failure of the authorised firm: primary pooling event

7A.2.1

FCA

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- (1) A firm can hold *client money* in a *general client bank account*, a *designated client bank account* or a *designated client fund account*.
- (2) A firm holds all *client money* in *general client bank accounts* for its *clients* as part of a common pool of *money* so those particular *clients* do not have a claim against a specific sum in a specific account; they only have a claim to the *client money* in general.
- (3) A firm holds *client money* in *designated client bank accounts* or *designated client fund accounts* for those *clients* that requested their *client money* be part of a specific pool of *money*, so those particular *clients* do have a claim against a specific sum in a specific account; they do not have a claim to the *client money* in general unless a *primary pooling event* occurs. A *primary pooling event* triggers a notional pooling of all the *client money*, in every type of *client money* account, and the obligation to distribute it.
- (4) If the firm becomes insolvent, and there is (for whatever reason) a *shortfall* in *money* held for a *client* compared with that *client's* entitlements, the available funds will be distributed in accordance with the *client money distribution rules*.

7A.2.2

FCA

R

A *primary pooling event* occurs:

- (1) on the *failure* of the *firm*;
- (2) on the vesting of assets in a trustee in accordance with an '*assets requirement*' imposed under section 55P(1)(b) or (c) (as the case may be) of the *Act*;
- (3) on the coming into force of a *requirement* for all *client money* held by the *firm*; or
- (4) when the *firm* notifies, or is in breach of its duty to notify, the *FCA*, in accordance with ■ CASS 7.6.16 R (Notification requirements), that it is unable correctly to identify and allocate in its records all valid claims arising as a result of a *secondary pooling event*.

7A.2.3

FCA

**R** ■ CASS 7A.2.2R (4) does not apply so long as:

- (1) the *firm* is taking steps, in consultation with the *FCA*, to establish those records; and
- (2) there are reasonable grounds to conclude that the records will be capable of rectification within a reasonable period.

#### Pooling and distribution

7A.2.4

FCA

**R** If a *primary pooling event* occurs:

- (1) all *client money* held in a *client bank account* or a *client transaction account* of the *firm* is treated as pooled (forming a notional pool) except for *client money* held in a *client transaction account* at an *authorised central counterparty*; or a *clearing member* which is, in either case, held as part of *regulated clearing arrangement*;
- (2) the *firm* must distribute *client money* comprising the notional pool in accordance with ■ CASS 7.7.2 R, so that each *client* receives a sum which is rateable to the *client money* entitlement calculated in accordance with ■ CASS 7A.2.5 R; and
- (3) if, in connection with a *regulated clearing arrangement*, *client money* is remitted directly to the *firm* either from an *authorised central counterparty* or from a *clearing member*, then:
  - (a) any such remittance in respect of a *client transaction account* that is an *individual client account* must be distributed to the relevant *client* subject to ■ CASS 7.7.2 R (4);
  - (b) subject to (3)(c), any such remittance in respect of a *client transaction account* that is an *omnibus client account* must form part of the notional pool under ■ CASS 7A.2.4R (1) and be subject to distribution in accordance with ■ CASS 7A.2.4R (2); and
  - (c) any such remittance in respect of a *client transaction account* that is an *omnibus client account* must be distributed to the relevant *clients* for whom that *omnibus client account* is held if:
    - (i) no *client money* in excess of the amount recorded in that *omnibus client account* is held by the *firm* as margin in relation to the positions recorded in that *omnibus client account*; and
    - (ii) the amount of such remittance attributable to each *client* of the *omnibus client account* is readily apparent from information provided to the *firm* by the *authorised*

## 7A.2 Primary pooling events

### Failure of the authorised firm: primary pooling event

7A.2.1

FCA

G

- (1) A firm can hold *client money* in a *general client bank account*, a *designated client bank account* or a *designated client fund account*.
- (2) A firm holds all *client money* in *general client bank accounts* for its *clients* as part of a common pool of *money* so those particular *clients* do not have a claim against a specific sum in a specific account; they only have a claim to the *client money* in general.
- (3) A firm holds *client money* in *designated client bank accounts* or *designated client fund accounts* for those *clients* that requested their *client money* be part of a specific pool of *money*, so those particular *clients* do have a claim against a specific sum in a specific account; they do not have a claim to the *client money* in general unless a *primary pooling event* occurs. A *primary pooling event* triggers a notional pooling of all the *client money*, in every type of *client money* account, and the obligation to distribute it.
- (4) If the *firm* becomes insolvent, and there is (for whatever reason) a *shortfall* in *money* held for a *client* compared with that *client's* entitlements, the available funds will be distributed in accordance with the *client money distribution rules*.

7A.2.2

FCA

R

A *primary pooling event* occurs:

- (1) on the *failure* of the *firm*;
- (2) on the vesting of assets in a trustee in accordance with an '*assets requirement*' imposed under section 55P(1)(b) or (c) (as the case may be) of the *Act*;
- (3) on the coming into force of a *requirement* for all *client money* held by the *firm*; or
- (4) when the *firm* notifies, or is in breach of its duty to notify, the *FCA*, in accordance with ■ CASS 7.6.16 R (Notification requirements), that it is unable correctly to identify and allocate in its records all valid claims arising as a result of a *secondary pooling event*.

7A.2.3

FCA

**R** ■ CASS 7A.2.2R (4) does not apply so long as:

- (1) the *firm* is taking steps, in consultation with the *FCA*, to establish those records; and
- (2) there are reasonable grounds to conclude that the records will be capable of rectification within a reasonable period.

#### Pooling and distribution

7A.2.4

FCA

**R** If a *primary pooling event* occurs:

- (1) all *client money* held in a *client bank account* or a *client transaction account* of the *firm* is treated as pooled (forming a notional pool) except for *client money* held in a *client transaction account* at an *authorised central counterparty*; or a *clearing member* which is, in either case, held as part of *regulated clearing arrangement*;
- (2) the *firm* must distribute *client money* comprising the notional pool in accordance with ■ CASS 7.7.2 R, so that each *client* receives a sum which is rateable to the *client money* entitlement calculated in accordance with ■ CASS 7A.2.5 R; and
- (3) if, in connection with a *regulated clearing arrangement*, *client money* is remitted directly to the *firm* either from an *authorised central counterparty* or from a *clearing member*, then:
  - (a) any such remittance in respect of a *client transaction account* that is an *individual client account* must be distributed to the relevant *client* subject to ■ CASS 7.7.2 R (4);
  - (b) subject to (3)(c), any such remittance in respect of a *client transaction account* that is an *omnibus client account* must form part of the notional pool under ■ CASS 7A.2.4R (1) and be subject to distribution in accordance with ■ CASS 7A.2.4R (2); and
  - (c) any such remittance in respect of a *client transaction account* that is an *omnibus client account* must be distributed to the relevant *clients* for whom that *omnibus client account* is held if:
    - (i) no *client money* in excess of the amount recorded in that *omnibus client account* is held by the *firm* as margin in relation to the positions recorded in that *omnibus client account*; and
    - (ii) the amount of such remittance attributable to each *client* of the *omnibus client account* is readily apparent from information provided to the *firm* by the *authorised*



*central counterparty* or, in the case of *indirect clients*, the *clearing member*;

in which case the amount of such remittance must be distributed to each such *client* in accordance with the information provided by the *authorised central counterparty* or *clearing member* subject to ■ CASS 7.7.2 R (4).

7A.2.4A

FCA

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- (1) Under *EMIR*, where a *firm* that is a clearing member of an *authorised central counterparty* defaults, the *authorised central counterparty* may:
  - (a) *port client* positions where possible; and
  - (b) after the completion of the default management process:
    - (i) return any balance due directly to those *clients* for whom the positions are held, if they are known to the *authorised central counterparty*; or
    - (ii) remit any balance to the *firm* for the account of its *clients* if the *clients* are not known to the *authorised central counterparty*.
- (1A) Under the *EMIR L2 Regulation*, where a *firm* acting in connection with a *regulated clearing arrangement* for a *client* (who is also an *indirect client*) defaults, the *clearing member* with whom the *firm* has placed *client money* of the *indirect client*, may, in accordance with the *EMIR L2 Regulation*:
  - (a) transfer the positions and assets either to another *clearing member* of the relevant *authorised central counterparty* or to another *firm* willing to act for the *indirect client*; or
  - (b) liquidate the assets and positions of the *indirect clients* and remit all monies due to the *indirect clients*.
- (1B) For the avoidance of doubt, 'relevant *clients*' in the case of ■ CASS 7A.2.4R (3)(a) and ■ CASS 7A.2.4R (3)(c) includes a *client* who is also an *indirect client*.
- (2) Where any balance remitted from an *authorised central counterparty* or, in the case of *indirect clients*, a *clearing member*, to a *firm* is *client money*, ■ CASS 7A.2.4R (3) provides for the distribution of remittances from either an *individual client account* or an *omnibus client account*.
- (3) Remittances received by the *firm* falling within ■ CASS 7A.2.4R (3)(a) and ■ CASS 7A.2.4R (3)(c) should not be pooled with *client money* held in any *client bank account* operated by the *firm* at the time of the *primary pooling event*. Those remittances should be segregated and promptly distributed to each *client* on whose behalf the remittance was received.
- (4) For the avoidance of doubt, in respect of a *regulated clearing arrangement*, any *client money* remitted by the *authorised central counterparty* or, in the case of *indirect clients*, the *clearing member*, to the *firm* pursuant to ■ CASS 7A.2.4R (3) should not be treated as *client money* received after the failure of the *firm* under ■ CASS 7A.2.7 R.

7A.2.5

FCA

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- (-1) Each *client's client equity balance* must be reduced by:
- (a) any amount paid by:
    - (i) an authorised central counterparty to a clearing member other than the *firm* in connection with a *porting* arrangement in accordance with ■ CASS 7.2.15 R (6) in respect of that *client*;
    - (ii) a *clearing member* to another *clearing member* or *firm* (other than the *firm*) in connection with a transfer in accordance ■ CASS 7.2.15 R (8);
  - (b) any amount paid by:
    - (i) an *authorised central counterparty* directly to that *client*, in accordance with ■ CASS 7.2.15 R (7); and
    - (ii) a *clearing member* directly to an *indirect client* in accordance ■ CASS 7.2.15 R (9); and
  - (c) any amount that must be distributed to that *client* by the *firm* in accordance with ■ CASS 7A.2.4R (3)(a) or ■ (c).
- (1) When, in respect of a *client*, there is a positive individual *client* balance and a negative *client equity balance*, the credit must be offset against the debit reducing the individual *client* balance for that *client*.
- (2) When, in respect of a *client*, there is a negative individual *client* balance and a positive *client equity balance*, the credit must be offset against the debit reducing the *client equity balance* for that *client*.

7A.2.6

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[deleted]

7A.2.7

FCA

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#### Client money received after the failure of the firm

*Client money* received by the *firm* after a *primary pooling event* must not be pooled with *client money* held in any *client money* account operated by the *firm* at the time of the *primary pooling event*. It must be placed in a *client bank account* that has been opened after that event and must be handled in accordance with the *client money rules*, and returned to the relevant *client* without delay, except to the extent that:

- (1) it is *client money* relating to a transaction that has not settled at the time of the *primary pooling event*; or
- (2) it is *client money* relating to a *client*, for whom the *client money* entitlement, calculated in accordance with ■ CASS 7A.2.5 R, shows

that *money* is due from the *client* to the *firm* at the time of the *primary pooling event*.

7A.2.8

FCA

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*Client money* received after the *primary pooling event* relating to an unsettled transaction should be used to settle that transaction. Examples of such transactions include:

- (1) an equity transaction with a trade date before the date of the *primary pooling event* and a settlement date after the date of the *primary pooling event*; or
- (2) a *contingent liability investment* that is 'open' at the time of the *primary pooling event* and is due to settle after the *primary pooling event*.

7A.2.9

FCA

R

If a *firm* receives a *mixed remittance* after a *primary pooling event*, it must:

- (1) pay the full sum into the separate *client bank account* opened in accordance with ■ CASS 7A.2.7 R; and
- (2) pay the *money* that is not *client money* out of that *client bank account* into a *firm's* own bank account within one *business day* of the *day* on which the *firm* would normally expect the remittance to be cleared.

7A.2.10

FCA

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Whenever possible the *firm* should seek to split a *mixed remittance* before the relevant accounts are credited.

7A.2.11

FCA

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If both a *primary pooling event* and a *secondary pooling event* occur, the provisions of this section relating to a *primary pooling event* apply.

## 7A.3 Secondary pooling events

### Failure of a bank, intermediate broker, settlement agent or OTC counterparty: secondary pooling events

**7A.3.1** **R** **FCA** *A secondary pooling event occurs on the failure of a third party to which client money held by the firm has been transferred under ■ CASS 7.4.1 R (1) to ■ CASS 7.4.1 R (3) (Depositing client money) or ■ CASS 7.5.2 R (Transfer of client money to a third party).*

**7A.3.2** **R** **FCA** *■ CASS 7A.3.6 R to ■ CASS 7A.3.18 R do not apply if, on the failure of the third party, the firm repays to its clients or pays into a client bank account, at an unaffected bank, an amount equal to the amount of client money which would have been held if a shortfall had not occurred at that third party.*

**7A.3.3** **G** **FCA** *When client money is transferred to a third party, a firm continues to owe fiduciary duties to the client. Whether a firm is liable for a shortfall in client money caused by a third party failure will depend on whether it has complied with its duty of care as agent or trustee.*

### Failure of a bank

**7A.3.4** **G** **FCA** *When a bank fails and the firm decides not to make good the shortfall in the amount of client money held at that bank, a secondary pooling event will occur in accordance with ■ CASS 7A.3.6 R. The firm would be expected to reflect the shortfall that arises at the failed bank in its records of the entitlement of clients and of money held with third parties.*

**7A.3.5** **G** **FCA** *The client money distribution rules seek to ensure that clients who have previously specified that they are not willing to accept the risk of the bank that has failed, and who therefore requested that their client money be placed in a designated client bank account at a different bank, should not suffer the loss of the bank that has failed.*

**Failure of a bank: pooling**

7A.3.6

FCA

R

If a *secondary pooling event* occurs as a result of the *failure* of a bank where one or more *general client bank accounts* are held, then:

- (1) in relation to every *general client bank account* of the *firm*, the provisions of ■ CASS 7A.3.8 R, ■ CASS 7A.3.13 R and ■ CASS 7A.3.14 R will apply;
- (2) in relation to every *designated client bank account* held by the *firm* with the *failed* bank, the provisions of ■ CASS 7A.3.10 R, ■ CASS 7A.3.13 R and ■ CASS 7A.3.14 R will apply;
- (3) in relation to each *designated client fund account* held by the *firm* with the *failed* bank, the provisions of ■ CASS 7A.3.11 R, ■ CASS 7A.3.13 R and ■ CASS 7A.3.14 R will apply;
- (4) any *money* held at a bank, other than the bank that has *failed*, in *designated client bank accounts*, is not pooled with any other *client money*; and
- (5) any *money* held in a *designated client fund account*, no part of which is held by the bank that has *failed*, is not pooled with any other *client money*.

7A.3.7

FCA

R

If a *secondary pooling event* occurs as a result of the *failure* of a bank where one or more *designated client bank accounts* or *designated client fund accounts* are held, then:

- (1) in relation to every *designated client bank account* held by the *firm* with the *failed* bank, the provisions of ■ CASS 7A.3.10 R, ■ CASS 7A.3.13 R and ■ CASS 7A.3.14 R will apply; and
- (2) in relation to each *designated client fund account* held by the *firm* with the *failed* bank, the provisions of ■ CASS 7A.3.11 R, ■ CASS 7A.3.13 R and ■ CASS 7A.3.14 R will apply.

7A.3.8

FCA

R

*Money* held in each *general client bank account* and *client transaction account* of the *firm* must be treated as pooled and:

- (1) any *shortfall* in *client money* held, or which should have been held, in *general client bank accounts* and *client transaction accounts*, that has arisen as a result of the *failure* of the bank, must be borne by all the *clients* whose *client money* is held in either a *general client bank account* or *client transaction account* of the *firm*, rateably in accordance with their entitlements;
- (2) a new *client money* entitlement must be calculated for each *client* by the *firm*, to reflect the requirements in (1), and the *firm's* records must be amended to reflect the reduced *client money* entitlement;

- (3) the *firm* must make and retain a record of each *client's* share of the *client money shortfall* at the *failed* bank until the *client* is repaid; and
- (4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), for the purposes of reconciliations pursuant to ■ CASS 7.6.2 R (Records and accounts), and where relevant ■ SYSC 4.1.1 R (General organisational requirements) and ■ SYSC 6.1.1 R (Compliance).

7A.3.9

FCA

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The term "which should have been held" is a reference to the *failed* bank's failure to hold the *client money* at the time of the pooling event.

7A.3.10

FCA

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For each *client* with a *designated client bank account* held at the *failed* bank:

- (1) any *shortfall* in *client money* held, or which should have been held, in *designated client bank accounts* that has arisen as a result of the *failure*, must be borne by all the *clients* whose *client money* is held in a *designated client bank account* of the *firm* at the *failed* bank, rateably in accordance with their entitlements;
- (2) a new *client money* entitlement must be calculated for each of the relevant *clients* by the *firm*, and the *firm's* records must be amended to reflect the reduced *client money* entitlement;
- (3) the *firm* must make and retain a record of each *client's* share of the *client money shortfall* at the *failed* bank until the *client* is repaid; and
- (4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), for the purposes of reconciliations pursuant to ■ CASS 7.6.2 R (Records and accounts), and where relevant ■ SYSC 4.1.1 R (General organisational requirements) and ■ SYSC 6.1.1 R (Compliance).

7A.3.11

FCA

R

Money held in each *designated client fund account* with the *failed* bank must be treated as pooled with any other *designated client fund accounts* of the *firm* which contain part of the same designated fund and:

- (1) any *shortfall* in *client money* held, or which should have been held, in *designated client fund accounts* that has arisen as a result of the *failure*, must be borne by each of the *clients* whose *client money* is held in that designated fund, rateably in accordance with their entitlements;
- (2) a new *client money* entitlement must be calculated for each *client* by the *firm*, in accordance with (1), and the *firm's* records must be amended to reflect the reduced *client money* entitlement;

- (3) the *firm* must make and retain a record of each *client's* share of the *client money shortfall* at the *failed* bank until the *client* is repaid; and
- (4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), for the purposes of reconciliations pursuant to
  - CASS 7.6.2 R (Records and accounts), and where relevant
  - SYSC 4.1.1 R (General organisational requirements) and
  - SYSC 6.1.1 R (Compliance).

7A.3.12

FCA

R

A *client* whose *money* was held, or which should have been held, in a *designated client bank account* with a bank that has *failed* is not entitled to claim in respect of that *money* against any other *client bank account* or *client transaction account* of the *firm*.

#### Client money received after the failure of a bank

7A.3.13

FCA

R

*Client money* received by the *firm* after the failure of a bank, that would otherwise have been paid into a *client bank account* at that bank:

- (1) must not be transferred to the *failed* bank unless specifically instructed by the *client* in order to settle an obligation of that *client* to the *failed* bank; and
- (2) must be, subject to (1), placed in a separate *client bank account* that has been opened after the *secondary pooling event* and either:
  - (a) on the written instruction of the *client*, transferred to a bank other than the one that has *failed*; or
  - (b) returned to the *client* as soon as possible.

7A.3.14

FCA

R

If a *firm* receives a *mixed remittance* after the *secondary pooling event* which consists of *client money* that would have been paid into a *general client bank account*, a *designated client bank account* or a *designated client fund account* maintained at the bank that has *failed*, it must:

- (1) pay the full sum into a *client bank account* other than one operated at the bank that has *failed*; and
- (2) pay the *money* that is not *client money* out of that *client bank account* within one *business day* of the day on which the *firm* would normally expect the remittance to be cleared.

7A.3.15

FCA

G

Whenever possible the *firm* should seek to split a *mixed remittance* before the relevant accounts are credited.

### Failure of an intermediate broker, settlement agent or OTC counterparty: Pooling

7A.3.16

FCA

R

If a *secondary pooling event* occurs as a result of the *failure* of an *intermediate broker, settlement agent* or *OTC counterparty*, then in relation to every *general client bank account* and *client transaction account* of the *firm*, the provisions of ■ CASS 7A.3.17 R and ■ CASS 7A.3.18 R will apply.

7A.3.17

FCA

R

Money held in each *general client bank account* and *client transaction account* of the *firm* must be treated as pooled and:

- (1) any *shortfall* in *client money* held, or which should have been held, in *general client bank accounts* and *client transaction accounts*, that has arisen as a result of the *failure*, must be borne by all the *clients* whose *client money* is held in either a *general client bank account* or a *client transaction account* of the *firm*, rateably in accordance with their entitlements;
- (2) a new *client money* entitlement must be calculated for each *client* by the *firm*, to reflect the requirements of (1), and the *firm's* records must be amended to reflect the reduced *client money* entitlement;
- (3) the *firm* must make and retain a record of each *client's* share of the *client money shortfall* at the *failed intermediate broker, settlement agent* or *OTC counterparty* until the *client* is repaid; and
- (4) the *firm* must use the new *client money* entitlements, calculated in accordance with (2), for the purposes of reconciliations pursuant to ■ CASS 7.6.2 R (Records and accounts), and where relevant ■ SYSC 4.1.1 R (General organisational requirements) and ■ SYSC 6.1.1 R (Compliance).

### Client money received after the failure of an intermediate broker, settlement agent or OTC counterparty

7A.3.18

FCA

R

*Client money* received by the *firm* after the *failure* of an *intermediate broker, settlement agent* or *OTC counterparty*, that would otherwise have been paid into a *client transaction account* at that *intermediate broker, settlement agent* or *OTC counterparty*:

- (1) must not be transferred to the *failed* third party unless specifically instructed by the *client* in order to settle an obligation of that *client* to the *failed intermediate broker, settlement agent* or *OTC counterparty*; and
- (2) must be, subject to (1), placed in a separate *client bank account* that has been opened after the *secondary pooling event* and either:



- (a) on the written instruction of the *client*, transferred to a third party other than the one that has *failed*; or
- (b) returned to the *client* as soon as possible.

**Notification to the FCA: failure of a bank, intermediate broker, settlement agent or OTC counterparty**

7A.3.19

FCA

R

On the *failure* of a third party with which *money* is held, a *firm* must notify the *FCA*:

- (1) as soon as it becomes aware of the *failure* of any bank, *intermediate broker, settlement agent, OTC counterparty* or other entity with which it has placed, or to which it has passed, *client money*; and
- (2) as soon as reasonably practical, whether it intends to make good any *shortfall* that has arisen or may arise and of the amounts involved.

7A

# Market Conduct



- (a) it must include all reasonable steps necessary to ensure that the information to be published is reliable, monitored continuously for errors, and corrected as soon as errors are detected;
- (b) it must facilitate the consolidation of the data with similar data from other sources;
- (c) it must make the information available to the public on a non-discriminatory commercial basis at a reasonable cost.

**[Note: article 32 of the *MiFID Regulation*]**

7.2.12A

FCA

G

- (1) The FCA considers that for the purposes of ensuring that published information is reliable, monitored continuously for errors, and corrected as soon as errors are detected (see ■ MAR 7.2.12 EU(a)), and in respect of arrangements facilitating the consolidation of data as required in ■ MAR 7.2.12 EU(b), the guidance in ■ MAR 5.8.3 G and ■ MAR 5.8.4 G (subject to additional guidance in (2)) applies equally to *firms* falling within this chapter, and should be read as if references to provisions and types of *firm* in ■ MAR 5 were references to the corresponding provisions and types of *firm* in this chapter.
- (2) In addition to ■ MAR 5.8.4 G, as applied to *firms* in this chapter under (1), for the purposes of facilitating the consolidation of transparency data with similar data from other sources, the FCA considers information as being made public in accordance with ■ MAR 7.2.12 EU(b), if, in addition to ■ MAR 5.8.4 G (1)(a) to ■ (c), each trade is published through only one primary publication channel.

### **Publication of results of calculations and estimates made by the FCA**

7.2.13

FCA

G

The information relating to 'minimum qualifying size' referred to in Article 28 of the *MiFID Regulation* (see ■ MAR 7.2.6 EU) and the results of calculations and estimates required to be published as a result of Articles 33 and 34 of the *MiFID Regulation* are available at [www.fca.org.uk](http://www.fca.org.uk) and at <http://mifiddatabase.esma.europa.eu/>.

### **Trade Data Monitors**

7.2.14

FCA

G

The FCA considers that a *firm* will satisfy its obligations under ■ MAR 7.2.12 EU if:

- (1) in assessing the arrangements, the *firm* follows the guidelines published on the FCA's website at <http://www.fca.org.uk/your-fca/documents/guidelines-tdm>; and
- (2) it has been confirmed that the arrangements will enable the *firm* to comply with the guidelines through either:
  - (a) a statement by the FCA; or
  - (b) a report by an external auditor to the provider of the arrangements which is made available to *firms* and, on request, to the FCA.

A "trade data monitor" is a provider of such arrangements which has been assessed by the FCA or an external auditor as having the capability to provide services and facilities to *firms* in accordance with the guidelines published on the FCA's website at <http://www.fca.org.uk/your-fca/documents/guidelines-tdm>

Use of a trade data monitor does not affect a *firm's* obligations under ■ MAR 7.2.10 EU regarding the timing of the disclosure of post-trade information.

# Supervision





## 4.3 Appointment of actuaries

### Appointment by firms

4.3.1

PRA

R

A *firm* to which this section applies (see ■ SUP 4.1) must:

- (1) appoint one or more *actuaries* to perform:
  - (a) the *actuarial function* (see ■ SUP 4.3.13 R) in respect of all classes of its *long-term insurance business*; and
  - (b) the *with-profits actuary function* (see ■ SUP 4.3.16A R) in respect of all classes of its *with-profits business* (if any);
- (2) notify the PRA, without delay, when it is aware that a vacancy in the office of any such *actuary* will arise or has arisen, giving the reason for the vacancy;
- (3) appoint an *actuary* to fill any such vacancy that has arisen; and
- (4) ensure a replacement *actuary* can take up office at the time the vacancy arises or as soon as is reasonably practicable after that.

4.3.2

FCA PRA

G

The provisions relating to the duties of an *actuary* appointed to perform these functions are set out in ■ SUP 4.3.13 R to ■ SUP 4.3.18 G. The functions performed by *actuaries* appointed by a *firm* under ■ SUP 4.3.1 R are specified as *controlled functions* (CF 12, the *actuarial function*, and CF 12A, the *with-profits actuary function*) in SUP 10B (*PRA-Approved persons*). As a result, an application must be made to the PRA under section 60 of the Act (Applications for approval) for approval by the PRA with the consent of the FCA of the *person* proposing to take up such an appointment. Section 61(3) of the Act (Determination of applications) gives the PRA three months to grant its approval or give a *warning notice* that it proposes to refuse the application. A *firm* should not appoint an *actuary* until the PRA with the consent of the FCA has approved the *actuary*. In order to comply with ■ SUP 4.3.1 R, a *firm* should ensure it applies to the PRA as soon as practicable before the date when it needs the *actuary* to take office. The PRA will need time to consider the application before deciding whether to grant approval. See SUP 10B (*PRA-Approved persons*).

### Appointment by the PRA

4.3.3

PRA

R

If a *firm*, which is required to appoint one or more *actuaries* under ■ SUP 4.3.1 R, fails to do so within 28 days of a vacancy arising, the PRA

may appoint one or more *actuaries* to perform any function corresponding to the *actuarial function* or the *with-profits actuary function* on the following terms:

- (1) the *actuary* to be remunerated by the *firm* on the basis agreed between the *actuary* and the *firm* or, in the absence of agreement, on a reasonable basis; and
- (2) the *actuary* to hold office until he resigns or the *firm* appoints another *actuary*.

4

4.3.4  
PRA

**G** ■ SUP 4.3.3 R allows but does not require the *PRA* to appoint an *actuary* if the *firm* has failed to do so within the 28 day period. When it considers whether to use this power, the *PRA* will take into account the likely delay until the *firm* can make an appointment and the urgency of any pending duties of the *actuary*.

4.3.5  
PRA

**G** The *PRA* will not normally seek to appoint an *actuary* under ■ SUP 4.3.3 R if a notification under ■ SUP 10B (*PRA-Approved persons*) has been received from the *firm* in relation to a proposed appointment of an *actuary* under ■ SUP 4.3.1 R, and that application is still being considered.

4.3.6  
PRA

**R** A *firm* must comply with and is bound by the terms on which an *actuary* has been appointed by the *PRA* under ■ SUP 4.3.3 R.

4.3.7  
PRA

**G** If the *PRA* appoints an *actuary* under ■ SUP 4.3.3 R, he will not be an *approved person* (not being appointed under ■ SUP 4.3.1 R). However, the *firm* is still under an obligation to appoint an *actuary* under ■ SUP 4.3.1 R and will need to seek prior approval of that *person* (even if the individual it proposes to appoint is the *person* who has been appointed by the *PRA* under ■ SUP 4.3.3 R).

**Actuaries' qualifications**

4.3.8  
FCA PRA

**G** The appropriate regulator is concerned to ensure that every *actuary* appointed by a *firm* under this section has the necessary skill and experience to provide the *firm* with appropriate actuarial advice. ■ SUP 4.3.9 R to ■ SUP 4.3.10 G set out the appropriate regulator's *rules* and *guidance* aimed at achieving this.

4.3.9  
FCA PRA

**R** Before a *firm* applies for approval of the *person* it proposes to appoint as an *actuary* under ■ SUP 4.3.1 R, it must take reasonable steps to ensure that the *actuary*:

- (1) has the required skill and experience to perform his functions under the *regulatory system*; and
- (2) is a Fellow of the Institute of Actuaries or of the Faculty of Actuaries.

## Chapter 6

# Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements

## 6.1 Application, interpretation and purpose

### Application

#### 6.1.1

FCA PRA

G

This chapter applies to every *firm* with a *Part 4A permission* which wishes to:

- (1) vary its *Part 4A permission*; or
- (2) cancel its *Part 4A permission* and end its *authorisation* ;
- (3) have a new *requirement* imposed on it;
- (4) vary a *requirement* imposed on it; or
- (5) cancel a *requirement* imposed on it.

#### 6.1.2

FCA

G

If appropriate, a *firm* which is an *authorised fund manager* should also refer to ■ COLL 7 for *guidance* on the termination of *ICVCs*, *ACSs* and *AUTs* and on winding up *authorised funds* that are not commercially viable.

#### 6.1.3

FCA PRA

G

This chapter applies to an *incoming firm* or a *UCITS qualifier* only in respect of a *top-up permission*. An *incoming firm* or a *UCITS qualifier* should refer to ■ SUP 14 (Variation of passport rights by incoming EEA firms and ending authorisation) for the procedures for changes to *permission* granted under Schedules 3, 4 or 5 of the *Act*.

#### 6.1.3A

FCA PRA

G

- (1) In ■ SUP 6 the "relevant regulator" is the regulator to which a *firm* with a *Part 4A permission* has made or can make (in accordance with ■ SUP 6) an application to vary or cancel its *Part 4A permission* or to have imposed on it a new *requirement* or to vary or cancel any existing *requirement* (see ■ SUP 6.2.3A G to ■ SUP 6.2.3E G).
- (2) Where the *PRA* can only determine an application with the consent of the *FCA*, the *FCA* may request further information as if it were the relevant regulator.
- (3) In some instances, the *Act* requires the *FCA* and the *PRA* to consult with each other prior to exercising their powers under the *Act*. Details of where consultation is required have not been set out in ■ SUP 6. Where a provision in ■ SUP 6 makes reference to a power, the exercise of which by the *FCA* or the *PRA* (as the case may be) requires consultation under the *Act*, *firms*

- (a) make an application for an internal transfer of an *approved person*, Form E (Internal transfer), or make an application for an individual to perform additional *controlled functions*, the relevant Form A (Application); see ■ SUP 10.13.3 D to ■ SUP 10.13.5 G;
  - (b) notify the *appropriate regulator* of any *approved person* who has ceased to perform a *controlled function* specified by that regulator, Form C (Ceasing to perform controlled functions); see ■ SUP 10.13.6 R to ■ SUP 10.13.13 G.
- (2) If the *firm* intends to recruit new individuals to perform *controlled functions*, it should apply for approval of the individuals as *approved persons* as soon as possible using Form A (Application); see ■ SUP 10.12.

6.3.9 G [deleted]

6.3.10 G [deleted]

**Variation of permission involving insurance business**

6.3.11 G A *firm* with *Part 4A permission* to carry on *insurance business*, which is applying for a variation of its *Part 4A permission* to add further insurance activities or *specified investments*, will be required to submit particular information on its existing activities as part of its application. This includes the *scheme of operations* which is required to be submitted as part of the application pack (for further details on the *scheme of operations*, see ■ SUP App 2 (Insurers: scheme of operations)).

6.3.12 G In applying to vary its *Part 4A permission* to add categories of *specified investments*, in relation to *insurance business*, a *firm* carrying on *insurance business* will need to determine the *classes* of *specified investments* relating to *effecting* and *carrying out contracts of insurance* for which variation of *Part 4A permission* will be necessary, having regard to whether certain *classes* of contract may qualify to be effected or carried out on an ancillary or supplementary basis.

6.3.13 G The application for variation of *Part 4A permission* will need to provide information about the *classes* of *contract of insurance* for which variation of *Part 4A permission* is requested and also those *classes* qualifying to be carried on, on an ancillary or supplementary basis. For example, an *insurer* applying to vary its *permission* to include *class 10* (motor vehicle liability, other than carrier's liability) must satisfy the *FCA* that it will meet, and continue to meet, *threshold condition 3F* (Appointment of claims representatives). *Firms* should note that, although the relevant regulator is able in principle to use its power to give *Part 4A permission* for an applicant to carry on a *regulated activity* for which it did not originally apply, this is not possible under the *Insurance Directives*, which set out minimum information requirements for an application for *authorisation* including information on the *specified investments* the applicant proposes to deal in.

6.3.14 G (1) A *firm* carrying on *insurance business* which is seeking to cease such business in respect of one or more *classes* of *specified investment*, but which is not intending to cease all *insurance business*, should apply to vary its *Part 4A permission* to remove the activity of *effecting contracts of insurance* in respect of those *specified investments* in relation to which it no longer wishes to carry

on business. A *firm* intending to cease all *insurance business* should refer to ■ SUP 6 Annex 4.

- (2) If the application for variation of *Part 4A permission* is granted by the *PRA*, the *firm* will have *Part 4A permission* only to *carry out contracts of insurance* in respect of the *specified investments* in relation to which it no longer wishes to carry on business (see ■ SUP 6 Annex 4). This will allow the *firm* to run off this aspect of its business. When the business in question has been run-off completely, the *firm* should then apply to vary its *Part 4A permission* to remove the relevant *classes of specified investment*.

**The application for variation of permission and/or imposition, variation or cancellation of requirements**

6.3.15

FCA PRA

D

- (1) A *firm* other than a *credit union* wishing to make an application under ■ SUP 6 must apply online using the form specified on the ONA system.
- (2) [deleted]
- (3) Until the application has been determined, a *firm* which submits an application must inform the relevant regulator of any significant change to the information given in the application immediately it becomes aware of the change.
- (3A) Where an application requires the consent of the *FCA*, a *firm* which submits an application must inform the *FCA* of any significant change to the information given in the application immediately it becomes aware of the change.
- (4) Where a *firm* is obliged to submit any form, notice or application online under (1), if the ONA information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a *firm* must submit any form, notice or application by using the form in ■ SUP 6 Ann 5D and submitting it in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

6.3.15A

FCA PRA

G

- (1) If the ONA systems fail and online submission is unavailable for 24 hours or more, the relevant regulator will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in ■ SUP 6.3.15 D (4) and ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification) should be used.
- (2) Where ■ SUP 6.3.15 D (4) applies to a *firm*, ■ GEN 1.3.2 R (Emergency) does not apply.

6.3.15B

PRA

G

A *credit union* wishing to make an application under ■ SUP 6 must apply using the form in ■ SUP 6 Annex 5 D and submit its application in the way set out in ■ SUP 15.7.4 R to ■ SUP 15.7.9 G (Form and method of notification).

15.3.22

FCA PRA

D

Lloyd's of London

■ SUP 15.3.23 D to ■ SUP 15.3.25 D are given in relation to the exercise of the powers of the *Society* and of the *Council* generally, with a view to achieving the objective of enabling the *appropriate regulator* to:

- (1) comply with its general duty under section 314 of the *Act* ( Regulators' general duty);
- (2) determine whether *underwriting agents*, or *approved persons* acting for them or on their behalf, are complying with the requirements imposed on them by or under the *Act*;
- (3) enforce the provisions of the *Act*, or requirements made under the *Act*, by enabling the *appropriate regulator* to consider, where appropriate, whether it should use its powers, for example, to:
  - (a) vary or cancel the *permission* of an *underwriting agent*, under section 55J of the *Act* (Variation or cancellation on initiative of regulator );
  - (b) withdraw approval from an *approved person* acting for or on behalf of an *underwriting agent*, under section 63 of the *Act* (Withdrawal of approval) (see ■ EG 9 );
  - (c) prohibit an individual acting for or on behalf of an *underwriting agent* from involvement in *regulated activities*, under section 56 of the *Act* (Prohibition orders) (see ■ EG 9 );
  - (d) require an *underwriting agent* to make restitution, under section 384 of the *Act* (Power of FCA or PRA to require restitution) (see ■ EG 11 );
  - (e) discipline an *underwriting agent*, or an *approved person* acting for it or on its behalf, for a breach of a requirement made under the *Act*, including the *Principles*, *Statements of Principle* and *rules* (see ■ DEPP 6 and ■ EG 7 );
  - (f) apply to court for an *injunction*, restitution order or *insolvency order* (see ■ EG 10, ■ EG 11 and ■ EG 13 ); and
  - (g) prosecute any criminal offence that the *appropriate regulator* has power to prosecute under the *Act* (see ■ EG 12 ).

15.3.23

FCA PRA

D

The *Society* must immediately inform the *appropriate regulator* in writing if it becomes aware that any matter likely to be of material concern to the *appropriate regulator* may have arisen in relation to:

- (1) the *regulated activities* for which the *Society* has *permission*; or
- (2) *underwriting agents*; or
- (3) *approved persons* or individuals acting for or on behalf of *underwriting agents*.

15.3.24  
FCA PRA

D

The *Society* must inform the *appropriate regulator* if it commences investigations or disciplinary proceedings relating to apparent breaches:

- (1) of the *Act* or requirements made under the *Act*, including the *threshold conditions* or the *Principles* or other *rules*, by an *underwriting agent*; or
- (2) of the *Statements of Principle* by an individual or other *person* who carries out *controlled functions* for or on behalf of an *underwriting agent*.

15.3.25  
FCA PRA

D

The *Society* must inform the *appropriate regulator* if it commences investigations or disciplinary proceedings which do not fall within the scope of ■ SUP 15.3.24 D but which:

- (1) involve an *underwriting agent*, or an *approved person* who carries out *controlled functions* for it or on its behalf; or
- (2) may indicate that an individual acting for or on behalf of an *underwriting agent* may not be a fit and proper *person* to perform functions in relation to *regulated activities*.

#### UK AIFMs

15.3.26  
FCA

R

A *full-scope UK AIFM* must notify the *FCA* before implementing any material changes to the conditions under which it was granted *permission to manage an AIF*, in particular to the information it provided in its application for that *permission*.

[Note: article 10(1) of *AIFMD*]

15.3.27  
FCA

G

Changes that the *FCA* would expect to be notified of under ■ SUP 15.3.26 R include:

- (1) an *AIFM* being appointed to manage another *AIF*;
- (2) the appointment of a different *depository* for an *AIF* the *AIFM* manages; and
- (3) the appointment of any new *senior personnel* if the *AIFM* is not required to apply for the *FCA*'s approval for that appointment under section 59 of the *Act*.

15.3.28  
FCA

R

Where a *small authorised UK AIFM* no longer meets the conditions in regulation 11 of the *AIFMD UK regulation* (within the meaning of Chapter II of the *AIFMD level 2 regulation*) it must:

- (1) immediately notify the *FCA*; and
- (2) within 30 calendar days, apply to the *FCA* for a variation of its *permission* to become a *full-scope UK AIFM*.

[Note: article 3(3) second and third paragraphs of *AIFMD*]



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## Retail Mediation Activities Return ('RMAR')

**FCA**

This annex consists only of one or more forms. Forms are to be found through the following address:

*Retail Mediation Activities Return ('RMAR') - SUP Chapter 16 Annex 18A R*



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## Notes for Completion of the Retail Mediation Activities Return ('RMAR')

**FCA**

This annex consists only of one or more forms. Forms are to be found through the following address:

*Notes for Completion of the Retail Mediation Activities Return ('RMAR')* - SUP Chapter 16 Annex 18b G



Supervision

# Chapter 21

## Waiver



## 21.1 Form of waiver for energy market participants

21.1.1  
FCA

G

■ SUP 21 Annex 1 sets out a form of *waiver* that the *FCA* will be minded to give to *energy market participants* in the exercise of its statutory discretion under sections 138A and 138B of the *Act* to grant a *waiver* of its *rules*.

21.1.2  
FCA

G

*Energy market participants* should bear in mind that sections 138A and 138B of the *Act* requires that in order to give a *waiver* of particular *rules*, the *FCA* must be satisfied that:

- (1) compliance with the *rules*, or with the *rules* as unmodified, would be unduly burdensome or would not achieve the purpose for which the *rules* were made; and
- (2) the *waiver* would not adversely affect the advancement of any of the *FCA*'s operational objectives.

21.1.3  
FCA

G

Accordingly, the *FCA* must be satisfied that the statutory criteria will be met in each case where an *energy market participant* applies for a waiver in the form in

■ SUP 21 Annex 1.

21.1.4  
FCA

G

In particular, clause 4 of the form of *waiver* in ■ SUP 21 Annex 1 will not ordinarily be inserted in *waivers* for *energy market participants* that will not, at the time the *waiver* will take effect, clearly satisfy the conditions set out in that clause. For these purposes the *FCA* will take into account the relative proportions of the *energy market participant's* assets and revenues that are referable to the various parts of its business, as well as to any other factor that the *FCA* considers is relevant to an assessment of the prudential risk presented by the *energy market participant*.

# Dispute Resolution: Complaints





## 1.3.2A

FCA

G

These procedures should, taking into account the nature, scale and complexity of the *respondent's* business, ensure that lessons learned as a result of determinations by the *Ombudsman* are effectively applied in future *complaint* handling, for example by:

- (1) relaying a determination by the *Ombudsman* to the individuals in the *respondent* who handled the *complaint* and using it in their training and development;
- (2) analysing any patterns in determinations by the *Ombudsman* concerning *complaints* received by the *respondent* and using this in training and development of the individuals dealing with *complaints* in the *respondent*; and
- (3) analysing guidance produced by the *FCA*, other relevant regulators and the *Financial Ombudsman Service* and communicating it to the individuals dealing with *complaints* in the *respondent*.

## 1.3.3

FCA

R

In respect of *complaints* that do not relate to *MiFID business*, a *respondent* must put in place appropriate management controls and take reasonable steps to ensure that in handling *complaints* it identifies and remedies any recurring or systemic problems, for example, by:

- (1) analysing the causes of individual *complaints* so as to identify root causes common to types of *complaint*;
- (2) considering whether such root causes may also affect other processes or products, including those not directly complained of; and
- (3) correcting, where reasonable to do so, such root causes.

## 1.3.3A

## 1.3.3B

FCA

G

[Deleted]

The processes that a *firm* should have in place in order to comply with ■ DISP 1.3.3 R may include, taking into account the nature, scale and complexity of the *firm's* business including, in particular, the number of *complaints* the *firm* receives:

- (1) the collection of management information on the causes of *complaints* and the products and services *complaints* relate to, including information about *complaints* that are resolved by the *firm* by close of business on the *business day* following its receipt;
- (2) a process to identify the root causes of *complaints* (■ DISP 1.3.3 R (1));
- (3) a process to prioritise dealing with the root causes of *complaints*;
- (4) a process to consider whether the root causes identified may affect other processes or products ( ■ DISP 1.3.3 R (2));
- (5) a process for deciding whether root causes discovered should be corrected and how this should be done (■ DISP 1.3.3 R (3));
- (6) regular reporting to the *senior personnel* where information on recurring or systemic problems may be needed for them to play their part in identifying, measuring, managing and controlling risks of regulatory concern; and

- (7) keeping records of analysis and decisions taken by *senior personnel* in response to management information on the root causes of *complaints*.

1.3.4

FCA

G

In respect of *complaints* that relate to *MiFID business*, a *firm* should put in place appropriate management controls and take reasonable steps, in the same way as for *complaints* that do not relate to *MiFID business* (see ■ DISP 1.3.3 R and ■ DISP 1.3.3B G), in order to detect and minimise any risk of compliance failures (■ SYSC 6.1) and to comply with *Principle 6* (Customers' interests).

1.3.5

G

[deleted]

1.3.6

FCA

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Where a *firm* identifies (from its *complaints* or otherwise) recurring or systemic problems in its provision of, or failure to provide, a financial service, it should (in accordance with *Principle 6* (Customers' interests) and to the extent that it applies) consider whether it ought to act with regard to the position of *customers* who may have suffered detriment from, or been potentially disadvantaged by, such problems but who have not complained and, if so, take appropriate and proportionate measures to ensure that those *customers* are given appropriate redress or a proper opportunity to obtain it. In particular, the *firm* should:

- (1) ascertain the scope and severity of the consumer detriment that might have arisen; and
- (2) consider whether it is fair and reasonable for the *firm* to undertake proactively a redress or remediation exercise, which may include contacting *customers* who have not complained.

1.3.7

FCA

R

- (1) A *firm* must appoint an individual at the *firm*, or in the same *group* as the *firm*, to have responsibility for oversight of the *firm's* compliance with ■ DISP 1.
- (2) The individual appointed must be carrying out a *FCA governing function* at the *firm* or in the same *group* as the *firm*.

1.3.8

FCA

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*Firms* are not required to notify the name of the individual to the *FCA* or the *Financial Ombudsman Service* but would be expected to do so promptly on request. There is no bar on a *firm* appointing different individuals to have the responsibility at different times where this is to accommodate part-time or flexible working.

# Compensation



- (3) both (1) and (2); or
- (4) (a) a *UK branch* of an *EEA UCITS management company*; or
  - (b) an establishment of such an *EEA UCITS management company* in its *Home State* from which *cross border services* are being carried on;
 

and in either case the *management company* is providing *collective portfolio management* services for a *UCITS scheme* but only if the *claim* relates to that activity; or
- (5) an establishment of an *incoming EEA AIFM* in another *EEA State* if the claim relates to providing *AIFM management functions* on a *cross-border services* basis for an *authorised AIF*.

#### Managers and depositaries of funds

5.5.3

FCA

R

The conditions referred to in ■ COMP 5.5.1 R for a manager or *depository* of a *fund* are:

- (1) for the activities of *managing an AIF* or *establishing, operating or winding up a collective investment scheme*, the *claim* is in respect of an investment in:
  - (a) an *authorised fund*; or
  - (b) any other *fund* which has its registered office or head office in the *UK* or is otherwise domiciled in the *UK* and is not a *closed-ended corporate AIF*;
- (2) where a *firm* is acting as *depository* of an *AIF* and in so doing is carrying on the activity of *acting as trustee or depository of an AIF* or *safeguarding and administering assets*, the *claim* is in respect of their activities for:
  - (a) an *authorised AIF*; or
  - (b) a *charity AIF* which is not a *closed-ended corporate AIF* .

 5.6 Protected home finance mediation

5.6.1

FCA

R

Protected *home finance mediation* is:

- (1) *advising on a home finance transaction; or*
- (2) *arranging (bringing about) a home finance transaction; or*
- (3) *making arrangements with a view to a home finance transaction; or*
- (4) *agreeing to carry on a regulated activity in (1) to (3); or*
- (5) *the activities of a home finance provider which would be arranging but for article 28A of the Regulated Activities Order (Arranging contracts or plans to which the arranger is a party);*

provided that the condition in ■ COMP 5.6.2 R is satisfied.

5.6.2

FCA

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■ COMP 5.6.1 R applies only if the *protected home finance mediation* was carried on by a *relevant person*:

- (1) *with a customer who was a resident in the United Kingdom; or*
- (2) *from an establishment maintained by the relevant person (or its appointed representative) in the United Kingdom with a customer who was resident elsewhere in the EEA;*

at the time the *protected home finance mediation* was carried on.

**Claims in respect of protected dormant accounts**

10.2.12

PRA

R

In the event of a default of a *dormant account fund operator*, the FSCS will pay compensation in accordance with ■ COMP 10.2.3 R on the basis of the *authorisation* of the *relevant person* who was liable for the *protected deposit* immediately prior to the liability being transferred to the *dormant account fund operator* (and the relevant *authorisation* of the *relevant person* is the *authorisation* that was in place at the time that the liability was transferred).

10.2.13

PRA

G

The purpose of ■ COMP 10.2.12 R is to ensure that *persons* whose *balances* in a *dormant account* have been transferred to a *dormant account fund operator* do not have their entitlement to compensation reduced in the event of default of the *dormant account fund operator*. So, a *person* who held *dormant accounts* with two different *relevant persons*, the liability for which were then automatically transferred to the *dormant account fund operator*, could still be compensated by the FSCS on the basis of accounts with two separate *relevant persons* (and so could receive up to 2 x £85,000 in compensation) rather than just one account with one *relevant person*.





14.1.4A

FCA

R

For an *incoming EEA firm* which is an *AIFM*, the question of whether it is a *participant firm* for its *passport activities* depends on the type of activities it carries on under that passport. If it manages an *authorised AIF* from a *branch* in the *UK* or under the freedom to provide *cross-border services*, it is a *participant firm* for that activity. If it manages an *unauthorised AIF*, or provides the services in article 6(4) of *AIFMD* from a *branch* in the *UK* or on a *cross-border services* basis, it is not a *participant firm* for that activity; however, it may choose to obtain *top-up cover* for those activities if carried on from a *branch* in the *UK*.

14.1.5

FCA PRA

G

In relation to an *incoming EEA firm's passport activities*, its *Home State* compensation scheme must provide compensation cover in respect of business within the scope of the *Deposit Guarantee Directive*, *Investors Compensation Directive*, article 6(3) of the *UCITS Directive* and article 6(4) of *AIFMD*, whether that business is carried on from a *UK branch* or on a *cross border services* basis. *Insurance mediation activity* relating to *non-investment insurance contracts* is not within the scope of the *Deposit Guarantee Directive* and the *Investor Compensation Directive*.

14.1.6

FCA PRA

G

If there is no cover provided by the *incoming EEA firm's Home State* or the scope and/or level of cover is less than that provided by the *compensation scheme*, this chapter enables the *firm* to obtain cover or 'top-up' cover from the *compensation scheme* for its *passport activities* carried on from a *UK branch*, up to the *compensation scheme's* limits (set out in ■ COMP 10). This reflects section 214(5) of the *Act (General)* and regulation 3 of the *Electing Participants Regulations (Persons who may elect to participate)*. If the *firm* 'tops up' and then becomes insolvent, the *Home State* compensation scheme will pay compensation up to the limit and scope of the *Home State* compensation scheme, with the *FSCS* paying compensation for the additional amount in accordance with the provisions in this sourcebook ( ■ COMP 12.4.1 R and ■ COMP 12.4.4 R).

## 14.2 Obtaining top-up cover

### 14.2.1

FCA PRA

R

An *incoming EEA firm* may, by notice in writing to the FSCS, elect to receive *top-up cover* from the *compensation scheme* if it falls within one of the categories prescribed in regulation 3 of the *Electing Participants Regulations* (Persons who may elect to participate).

### 14.2.2

FCA PRA

R

An election under ■ COMP 14.2.1 R takes effect on the date when the FSCS notifies the *incoming EEA firm* that its election has been accepted.

### 14.2.3

FCA PRA

G

A notice under ■ COMP 14.2.1 R should include details confirming that the *incoming EEA firm* falls within a prescribed category. In summary:

- (1) the *firm* must be:
  - (a) a *credit institution*; or
  - (b) an *IMD insurance intermediary*; or
  - (c) a *MiFID investment firm*; or
  - (d) a *UCITS management company* that carries on the activities of *managing investments* (other than *collective portfolio management*), *advising on investments* or *safeguarding and administering investments*;
  - (e) an *AIFM* that carries on *AIFM management functions* for an *unauthorised AIF*; or
  - (f) an *AIFM* that provides the services in article 6(4) of *AIFMD*;
- (2) the *firm* must have established a *branch* in the *United Kingdom* in the exercise of an *EEA right*; and
- (3) the scope and/or level of cover provided by the *firm's Home State* compensation scheme must be less than that provided by the *compensation scheme*.

### 14.2.4

FCA PRA

R

When the FSCS accepts an application, it must allocate the *incoming EEA firm* to the *contribution group* (or groups) which seems to the FSCS to be most appropriate, taking into account the nature of the business for which the *incoming EEA firm* is seeking cover from the *compensation scheme*.

# Compensation

## Schedule 1 Record-keeping requirements

### Sch 1.1 G

**FCA** **PRA**

1. The aim of the guidance in the following table is to give the reader a quick overall view of the relevant record keeping requirements. The Rules listed below apply only to FSCS (the scheme manager).
2. It is not a complete statement of those requirements and should not be relied upon as it were.

### Sch 1.2 G

**FCA** **PRA**

| Handbook refer-<br>ence | Subject of record | Contents of<br>record   | When record<br>must be made | Retention<br>period |
|-------------------------|-------------------|---|-----------------------------|---------------------|
| FEES 6.3.14 R           | FSCS funding      | Full details of the<br>movement of funds<br>within sub-schemes. | Ongoing requirement.        | N/A                 |
| [deleted]               |                   |   |                             |                     |
| [deleted]               |                   |   |                             |                     |



# Collective Investment Schemes



## Qualified Investor Schemes: eligible investors

**FCA**

This Annex belongs to ■ COLL 8.1.3R

For the purposes of the *rule* on qualified investor schemes: eligible investors (COLL 8.1.3R) a *firm* must only record ownership of *units* in the register of a *qualified investor scheme* in accordance with the following table:

| Issue or transfer of units to:   | Issue or transfer of units (see Note 1) in a qualified investor scheme which is:  |
|--|---|
| Category 1 person  | (1) that <i>collective investment scheme</i> ; or   |
| A <i>person</i> :  | (2) any other <i>collective investment scheme</i> whose underlying property and risk profile are both 'substantially similar' (see Note 2) to those of that <i>collective investment scheme</i> ; or  |
| (1) who is already a <i>participant</i> in an <i>unregulated collective investment scheme</i> or a <i>qualified investor scheme</i> ; or   | (3) a <i>collective investment scheme</i> which is intended to absorb or take over the assets of that <i>collective investment scheme</i> ; or  |
| (2) who has been, in the last 30 months, a <i>participant</i> in an <i>unregulated collective investment scheme</i> or a <i>qualified investor scheme</i> .                                    | (4) a <i>collective investment scheme</i> , <i>units</i> in which are being offered by its <i>operator</i> as an alternative to cash on the liquidation of that <i>collective investment scheme</i> . |
| Category 2 person  | that <i>collective investment scheme</i> .  |
| A <i>person</i> :  |   |
| (1) for whom the <i>authorised fund manager</i> or an <i>associate</i> has taken reasonable steps to ensure that <i>investment</i> in the <i>collective investment scheme</i> is suitable; and |   |
| (2) who is an 'established' or 'newly accepted' <i>client</i> of the <i>authorised fund manager</i> or of an <i>associate</i> (see Notes 3 & 4).   |   |

**Category 3 person**any such *collective investment scheme*

A *person* who is eligible to participate in a scheme constituted under:

(1) the Church Funds Investment Measure 1958;

(2) section 96 or 100 of the Charities Act 2011; or

(3) section 25 of the Charities Act (Northern Ireland) 1964.

**Category 4 person**(1) A *collective investment scheme* of which the *instrument constituting the scheme*:

An eligible employee, that is, a *person* who is:

(a) restricts the *scheme property*, apart from cash and near cash, to:

(1) an officer;

(i) (where the employer is a company) *shares in and debentures of the company* or any other connected *company* (see Note 5);

(2) an *employee*;

(ii) (in any case), any property, provided that the *scheme* takes the form of a trust which the *firm* reasonably believes not to contain any risk that any eligible employee may be liable to make any further payments (other than *charges*) for *investment* transactions earlier entered into, which the eligible employee was not aware of at the time he entered into them; and

(3) a former officer or *employee*; or

(4) a member of the immediate family of any of (1)-(3);

of an employer which is (or is in the same *group* as) the *firm*, or which has accepted responsibility for the activities of the *firm* in carrying out the *designated investment business* in question.

(b) (in a case falling within A(1) above) restricts participation in the *scheme* to eligible employees, the employer and any connected *company*.(2) Any *collective investment scheme* provided that the participation of eligible employees is to facilitate their co-investment:(a) with one or more *companies* in the same *group* as their employer (which may include the employer); and/or(b) with one or more *clients* of such a *company*.



# Investment Funds sourcebook



- (i) are *collective investment schemes*;
  - (ii) are not *authorised AIFs*;
  - (iii) holds the majority of their assets as land, directly or indirectly, through an entity which also meets the conditions in (ii) to (iv) of this sub-paragraph (but this condition does not apply during the first 180 days and the last 180 days of the period during which the undertaking is an *AIF*);
  - (iv) do not hold any *specified investments* other than:
    - (aa) *contracts of insurance* which relate to land held by the *AIF*; and
    - (bb) *shares* through which the *AIF* holds land ; and
  - (v) are *operated*, or will be established and *operated*, by a *person* with a *Part 4A permission* to carry on the regulated activity of *establishing, operating or winding up a collective investment scheme*.
- (3) to fall within the third category the *AIFM* must:
- (a) have a registered office in the *UK*;
  - (b) be a *small AIFM*; and
  - (c) have applied for registration as a *EuSEF manager* or *EuVECA manager* and meet the conditions for such registration.

## 1.3.8

FCA

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Under regulation 16 of the *AIFMD UK regulation* a *small registered UK AIFM* may apply to the *FCA* for a *Part 4A permission* to *manage an AIF*. In its application a *small registered UK AIFM* may apply to become:

- (1) a *small authorised UK AIFM*; or
- (2) a *full-scope UK AIFM*, in accordance with article 3(4) of *AIFMD*.

## 1.4 AIFM business restrictions

### Single AIFM

1.4.1  
FCA

**R** A *full-scope UK AIFM* must ensure that for each *AIF* it is appointed to manage, it is the only *AIFM* of that *AIF*, and is responsible for ensuring compliance with *AIFMD*.

[Note: article 5(1) of *AIFMD*]

### Internally managed AIFs

1.4.2  
FCA

**R** An *internally managed AIF* which is a *full-scope UK AIFM* must not engage in any activities other than *AIFM management functions* in respect of that *AIF*.

[Note: article 6(3) of *AIFMD*]

### External AIFMs

1.4.3  
FCA

**R** An *external AIFM* that is a *full-scope UK AIFM* must not engage in any activities other than:

- (1) *AIFM management functions*;
- (2) the management of *UCITS*, for which it is subject to authorisation under the *UCITS Directive*;
- (3) the management of portfolios of investments in accordance with mandates given by investors on a discretionary client-by-client basis, including portfolios of investments for pension funds and institutions for occupation retirement provisions in accordance with article 19(1) of Directive 2003/41/EC;
- (4) investment advice;
- (5) safe-keeping and administration in relation to shares or units of collective investment undertakings; and
- (6) reception and transmission of orders in relation to *financial instruments*.

to acquire control of such companies in accordance with regulation 35 of the *AIFMD UK regulation* or if it is in the process of divesting its investment in an issuer which it controls or previously controlled.

3.11.14

FCA

R

An *AIFM* must ensure that a *depositary* appointed in line with

■ FUND 3.11.12 R is a *firm*:

- (1) which has the *Part 4A permission of acting as trustee or depositary of an AIF*; and
- (2) which has *own funds* of at least £125,000.

[Note: article 21(3) second paragraph after (c) and (5)(a) of *AIFMD*]

3.11.15

FCA

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For certain types of closed-ended *AIFs* (such as private equity, venture capital and real estate funds) a wider range of entities than those specified in ■ FUND 3.11.10 R may perform the relevant *depositary* functions. The *FCA* requires such entities to obtain authorisation as a *depositary* to demonstrate that they can meet the commitments inherent in those functions, but imposes a lower level of capital requirements in recognition of the different degree of risk implied by the characteristics of the *AIF*. The capital requirements of such *firms* are contained in ■ IPRU-INV 5 (particularly ■ IPRU-INV 5.2.3R(3)(a)(ia) (Own funds requirement)) or in *GENPRU* and *BIPRU* if the *firm* undertakes *MiFID business*.

[Note: recital 34 of *AIFMD*]

#### Additional requirements for depositaries of authorised AIFs

3.11.16

FCA

R

A *MiFID investment firm* (other than a *PRA-authorised person*) which is appointed as a *depositary* for an *authorised AIF* in accordance with ■ FUND 3.11.10R (2) must maintain *own funds* of at least £4 million.

3.11.17

FCA

G

Where the *firm* referred to in ■ FUND 3.11.16 R is a *full scope BIPRU investment firm* which is a *depositary* for an *authorised AIF* appointed in line with ■ FUND 3.11.10R (2), it is subject to the capital requirements of *GENPRU* and *BIPRU*. However, these requirements are not in addition to ■ FUND 3.11.16 R and, therefore, a *firm* subject to this *rule* may use the *own funds* required under *GENPRU* and *BIPRU* to meet the £4 million requirement.

#### Eligible depositaries for EEA AIFs

3.11.18

FCA

R

An *AIFM* must, for each *EEA AIF* it manages, ensure the appointment of a *depositary* which is *established* in the *Home State* of the *AIF* and which is eligible to be a *depositary* in that *Home State* in accordance with article 21(3) of *AIFMD*.

[Note: article 21(3) and (5)(a) of *AIFMD*]

#### Written contract

3.11.19

FCA

R

An *AIFM* and a *depositary* must ensure that the appointment of the *depositary* is evidenced by a written contract. The contract must regulate the flow of information deemed necessary to allow the *depositary* to

perform its functions for the *AIF* for which it has been appointed as *depository*.

[Note: article 21(2) of *AIFMD*]

**Depository functions: cash monitoring**

3.11.20

FCA

R

A *depository* must ensure that the *AIF*'s cash flows are properly monitored and that:

- (1) all payments made by, or on behalf of, investors upon the subscription of *units* or *shares* of an *AIF* have been received;
- (2) all cash of the *AIF* has been booked in cash accounts opened:
  - (a) in the name of:
    - (i) the *AIF*; or
    - (ii) the *AIFM* acting on behalf of the *AIF*; or
    - (iii) the *depository* acting on behalf of the *AIF*; and
  - (b) at:
    - (i) a central bank; or
    - (ii) a *BCD credit institution*; or
    - (iii) a bank authorised in a third country; or
    - (iv) another entity of the same nature, in the relevant market where cash accounts are required, provided such an entity is subject to effective prudential regulation and supervision which have the same effect as *EU* law and are effectively enforced and in accordance with the principles set out in article 16 (safeguarding of client financial instruments and funds) of the *MiFID implementing directive*; and
- (3) where cash accounts are opened in the name of the *depository* acting on behalf of the *AIF* in accordance with (2)(a)(iii), the *depository* must ensure that no cash of the entity referred to in (2)(b), and none of the *depository*'s own cash, is booked on such accounts.

[Note: article 21(7) of *AIFMD*]

**Depository functions: safekeeping of financial instruments**

3.11.21

FCA

R

- (1) A *depository* must hold in custody all *AIF custodial assets*.
- (2) The *depository* must ensure that all *AIF custodial assets* that can be registered in a *financial instruments* account are

# Recognised Investment Exchanges





## Chapter 6

# Overseas Investment Exchanges



## 6.1 Introduction and legal background

### 6.1.1

FCA

G

The *Act* prohibits any *person* from carrying on, or purporting to carry on, *regulated activities* in the *United Kingdom* unless that *person* is an *authorised person* or an *exempt person*. If an *overseas investment exchange* wishes to undertake *regulated activities* in the *United Kingdom*, it will need to:

- (1) obtain a *Part 4A permission* from the *FCA*;
- (2) (in the case of an *EEA firm* or a *Treaty firm*) qualify for *authorisation* under Schedule 3 (EEA Passport Rights) or Schedule 4 (Treaty rights) to the *Act*, respectively; or
- (3) (in the case of an *EEA market operator*) obtain *exempt person* status by exercising its passport rights under Articles 31(5) and 31(6) of *MiFID* (in the case of arrangements relating to a *multilateral trading facility*) or Article 42(6) of *MiFID* (in the case of arrangements relating to a *regulated market*); or
- (4) obtain *exempt person* status by being declared by the *FCA* to be an *ROIE*.

### 6.1.2

FCA

G

Having the status of an *ROIE* facilitates the participation of *overseas investment exchanges* in *UK markets*. In comparison with *authorisation*, it reduces the involvement which *UK* authorities need to have in the day-to-day affairs of an *overseas recognised body* because they are able to rely substantially on the supervisory and regulatory arrangements in the country where the applicant's head office is situated.