



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP8/13

Occasional Consultation Paper

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Consultation closes on 1 November 2013.

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1 Close Links and Controllers report

1 Introduction

1.1 This chapter sets out proposals to make amendments to the Supervision manual (SUP). The proposals are relevant to firms that are required to submit the Close Links and Controllers reports in accordance with SUP 11.9, 16.4 and 16.5.

1.2 Proposed Handbook rule changes are presented in Appendix 1.

2 Summary of proposals

2.1 The Prudential Regulation Authority (PRA) proposes to change the method of submitting Close Links and Controllers reports to full electronic submission via GABRIEL (Gathering Better Regulatory Information Electronically). Firms will be required to fill out the reports on GABRIEL. This will remove the uncertainty and inefficiency of the current manual process.

2.2 Close Links and Controllers reports are currently processed manually, incurring a delay between being received by the Financial Conduct Authority (FCA) and being recorded on GABRIEL, resulting in uncertainty for firms about whether their reports have been received.

2.3 Event-driven close links notifications required by SUP 11.9.4BR(2) will be unaffected and the Excel-based method of submission will remain.

2.4 The PRA proposes to implement this change for reports with a reporting period ending on or after 31 December 2013. The FCA will make corresponding changes to its Handbook.

3 Other related amendments

3.1 In addition to the amendments proposed above, the PRA propose to delete SUP 16.4.8G and SUP 16.5.7G which allow firms to submit a joint Close Links and Controllers report. The guidance conflicts with the current regulatory framework whereby the two notifications have separate requirements that do not overlap, and so submission of a joint report is not possible in practice.

3.2 The PRA also proposes to clarify in SUP 16.5.4R that firms that have no close links do not have to submit an organisation chart.

4 Cost-benefit analysis

4.1 The PRA agree with the FCA's cost-benefit analysis for its equivalent proposals.⁽¹⁾ In summary the cost-benefit analysis noted:

- the proposed change in reporting is unlikely to result in any significant one-off or ongoing costs for firms or additional regulatory costs;
- early discussions had with firms of varying size currently providing this data; and
- these changes will benefit firms as they will receive an immediate notification of a successful receipt of their submission on GABRIEL.

5 Statutory obligations

5.1 These proposals contribute to the PRA's general objective to promote the safety and soundness of firms,⁽²⁾ as there will be no delay between the Close Links and Controllers report being received and recorded on GABRIEL. This will enable firms to be certain that their reports have been received and reported on GABRIEL.

5.2 The PRA has a statutory requirement to state whether the proposals in this chapter will impact mutuals.⁽³⁾ The proposals will impact all firms equally, including mutuals.

5.3 The proposals are in line with the Regulatory Principles.⁽⁴⁾ They ensure that the resources are used in the most efficient and economic way by removing the uncertainty and inefficiency of the manual process of submitting Close Links and Controllers reports. In seeking firms' engagement on its proposals amending SUP, the PRA has been as transparent as possible in this OCP. No competition impact has been identified.

5.4 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) CP13/6 Quarterly Consultation Paper No. 2 available at www.fca.org.uk/news/cp13-09-quarterly-consultation-paper-2.

(2) Section 2B(1) and 2B(2) of FSMA 2000.

(3) Section 138K(2) of FSMA 2000.

(4) Section 3B of FSMA 2000.

2 Mortgage Lenders and Administrators Return

1 Introduction

1.1 This chapter sets out our proposals to make amendments to the Supervision manual (SUP). The proposals are relevant to firms that are required to submit the Mortgage Lenders and Administrators Return (MLAR) report in accordance with SUP 16.⁽¹⁾

1.2 Proposed Handbook rule changes are presented in Appendix 2.

2 Summary of proposals

2.1 The MLAR was designed to collect data via the Firms Online (FOL) system, which only allowed firms to report in sterling. However, when the GABRIEL (Gathering Better Regulatory Information Electronically) electronic reporting system was implemented in 2008, it allowed firms to report in a number of currencies to support the requirements for FSA0xx data items. Using GABRIEL enables firms to choose one of seven reporting currencies and set it for all of their reporting on GABRIEL (when not specifically requested to report in sterling by the SUP 16 reporting rules and guidance).

2.2 To remove the inflexibility, the Prudential Regulation Authority (PRA) proposes to remove the restriction that is written into the MLAR guidance annex (SUP 16 Annex 19BG) that states firms must report in sterling.

2.3 In addition, the PRA proposes to amend text within SUP 16 Annex 19AR and SUP 16 Annex 19BG, which incorrectly states that the form is the 'Mortgage Lending and Administration Return'. These will be changed to the correct title of 'Mortgage Lenders and Administrators Return'.

2.4 The PRA proposes to implement these changes with the reporting period ending on or after 31 December 2013. The Financial Conduct Authority (FCA) will make corresponding changes to its Handbook.

3 Cost-benefit analysis

3.1 The changes proposed to the MLAR bring outdated guidance in to line with reporting processes in GABRIEL and do not require firms to do anything differently. The proposed changes are unlikely to result in any significant one-off or ongoing costs for firms or additional regulatory costs and will assist with accuracy and clarity of reporting. The FCA concurs with this assessment of the impact of the changes.

4 Statutory obligations

4.1 These proposals contribute towards achieving the PRA's general objective to promote the safety and soundness of firms,⁽²⁾ as there will be additional choice for firms in terms of currencies in which they can submit the MLAR. This will assist with accuracy and clarity of reporting.

4.2 The PRA has a statutory requirement to state whether proposals in this chapter will impact mutuals.⁽³⁾ The proposals will impact equally on all firms including mutuals.

4.3 The proposals are in line with the Regulatory Principles.⁽⁴⁾ They ensure that resources are used in the most efficient and economic way by allowing firms to report the MLAR in a number of currencies. The PRA has been as transparent as possible in seeking firms' engagement on its proposals to amending SUP 16 through this OCP. No impacts on competition have been identified.

4.4 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) The correct report name is used throughout this chapter, see 2.3.

(2) Section 2B(1) and 2B(2) of FSMA 2000.

(3) Section 138K(2) of FSMA 2000.

(4) Section 3B of FSMA 2000.

3 Removal of the designated investment exchange regime

1 Introduction

1.1 This chapter sets out proposals to remove references to 'designated investment exchanges' (DIEs) from the Handbook. The Financial Conduct Authority (FCA) recently consulted on similar proposals, as the first stage of wider proposals to remove the concept of a DIE entirely.

1.2 Proposed rule changes are presented in Appendix 3.

2 Summary of proposals

2.1 The DIE concept existed primarily for the purpose of markets regulation. As a legacy from the Financial Services Authority (FSA) Handbook, there are a limited number of references to DIEs in the Prudential Regulation Authority (PRA) Handbook. The PRA is now planning to remove these references.

2.2 The only change with a potential policy impact is in Chapter 11 of the Supervision manual (SUP 11) and concerns pre-notifications that a fund manager intends to acquire or dispose of shares in a regulated firm. The PRA proposes to replace the reference to shares being 'admitted to listing on a designated investment exchange' with 'traded or admitted to trading on a MTF or a market operated by a recognised overseas investment exchange (ROIE)'.

2.3 The revised provision will cover a slightly wider set of shares and exchanges than the existing wording. In practice the PRA (and previously the FSA) has agreed to receive pre-notifications for a wider set of transactions than currently set out in SUP 11 and the amended wording will better reflect what currently happens in practice. This change should not have any practical effect on firms.

2.4 There are also a number of provisions in the PRA Glossary which refer to DIEs. The PRA proposes to delete terms that are not used in the PRA Handbook, along with an associated transitional provision in the Principles for Business sourcebook (PRIN TP1.1). Those Glossary terms which are still required will be re-written to avoid a reference to DIEs.

3 Cost-benefit analysis and statutory obligations

3.1 The PRA considers that any increase of costs as a result of these changes will be of no more than minimal significance and therefore has not produced a full cost-benefit analysis.⁽¹⁾ The impact on mutual societies is not expected to be different to that on other types of authorised person.

3.2 These changes are primarily administrative in nature and will clarify or remove redundant provisions. Therefore, the PRA considers that they are compatible with the Regulatory Principles⁽²⁾ because they make the PRA's requirements clearer and more transparent. The PRA does not expect these changes to give rise to any adverse effects on competition.

3.3 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) Section 138L(3) of FSMA 2000.

(2) Section 3B of FSMA 2000.

4 Interim Prudential sourcebook for Insurers and the Interim Prudential sourcebook for Friendly Societies

1 Introduction

1.1 This chapter sets out proposals to amend the submission method for reports under the Interim Prudential sourcebook for Insurers (IPRU(INS)) and the Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC)).

1.2 Proposed Handbook rule changes are presented in Appendix 4. The proposal is relevant to all insurers.

2 Summary of proposals

2.1 Since 2005, most firms reporting under IPRU(INS) Chapter 9 have submitted annual returns data electronically to the Prudential Regulation Authority (PRA). Firms submitting electronically also send a signed printed copy of the returns to the PRA. Firms not submitting electronically currently submit five copies, and must do so two weeks earlier than electronic submission.

2.2 IPRU(INS) firms must also submit other data, including half-year returns for realistic reporting firms, annual reports and financial statements, European Economic Area returns, group capital adequacy returns and form ECR1. For the majority of these returns, a signed printed copy must be sent to the PRA in addition to an electronic copy.

2.3 The PRA proposes to remove the requirement for IPRU(INS) firms to send any documents in printed form. However, the requirement to submit signed certificates will remain. All submissions must be sent by email to InsuranceData@bankofengland.co.uk, with the signed pages scanned and sent as separate attachments. The purpose of having a separate attachment for signed pages is to avoid the submission of many different formats of document, which would be time consuming and difficult to process. The PRA believes that, given the technological advancements since 2005, firms will not find electronic submission of signed pages problematic.

2.4 While firms will still be able to submit printed copies, by removing the various mandatory requirements to deposit printed copies under IPRU(INS) Chapter 9, firms will be encouraged to submit electronic copies.

2.5 Some of the firms which report under IPRU(INS) are mutuals. There are several mutual insurers as well as the directive friendly societies which are required under IPRU(FSOC) 5.1A to report under the IPRU(INS) reporting rules. These firms are all of sufficient size that the requirement that they submit electronically should not present a problem. Printed copies can be submitted where firms find it difficult to submit electronically, but the PRA hopes that the vast majority of firms will choose to submit electronically.

2.6 Non-directive friendly societies report under IPRU(FSOC). A few of these report annually under FSC1 or FSC3. Most of these are very small firms which report triennially under FSC2. The PRA does not propose to remove the requirement for printed copies but rules will be amended to reduce the number of printed copies required. The current rules require these firms to send three printed copies. To reduce the burden on these firms, the PRA proposes to reduce our requirement to a single printed copy.

3 Format of annual returns electronic submission

3.1 Where firms make a fully electronic submission under IPRU(INS) 9.6(1) the PRA requires the data to be in a form where it can readily be used. The specification for this currently contains a mixture of CSV and Word documents. The specification for the CSV files will not change as a result of these proposals. In future, firms submitting electronically will be required to submit the returns in PDF format as well as a combination of CSV and Word documents. The PRA will notify the software providers by email giving detail of the naming conventions to be applied from the 2013 year-end.

4 Cost-benefit analysis

4.1 The proposals will save firms the expense of ensuring that the printed returns are delivered (usually by courier) on the due date. Many firms already publish a PDF version of the returns on their website. The PRA does not expect firms to incur any material extra costs in producing the attachments for the email submission.

5 Statutory obligations

5.1 The Regulatory Principles are met in the proposals.⁽¹⁾ The resources are used in an effective and economic way by removing the need for the PRA to scan the annual returns which are not received electronically. By removing the

requirement to submit printed copies, more firms will choose to submit electronically. This will be more cost effective and efficient for the PRA to process and will help the PRA to supervise more effectively, because the electronic returns can be circulated within the PRA more quickly following receipt from firms.

5.2 The proposal will further help the PRA to achieve our objectives to promote the safety and soundness⁽²⁾ of firms by making the information on a firm's financial position more readily available within the PRA.

5.3 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) Section 3B of FSMA 2000.

(2) Section 2B(1) and 2B(2) of FSMA 2000.

5 FSCS protection for large unincorporated associations' deposits

1 Introduction

1.1 This chapter clarifies the scope of Financial Services Compensation Scheme (FSCS) protection for large unincorporated associations with protected deposits. The chapter proposes amendments to the Compensation sourcebook (COMP), to make clear that large unincorporated associations are eligible for deposit protection by the FSCS. Proposed Handbook changes are presented in Appendix 5.

1.2 The changes will ensure that the Prudential Regulation Authority (PRA) compensation rules are more clearly aligned with the Deposit Guarantee Schemes Directive (DGSD).

1.3 In parallel, the Financial Conduct Authority (FCA) is consulting on extending FSCS cover to large unincorporated associations and certain large partnerships in respect of protected investments.⁽¹⁾

2 FSCS protection for large unincorporated associations

2.1 The FSCS is the United Kingdom's statutory compensation fund for customers of authorised financial services firms. This protection comes at a cost which is funded by levies on the financial services industry.

2.2 COMP⁽²⁾ sets out who is eligible to benefit from the protection provided by the FSCS in respect of protected deposits. FSCS protection broadly applies to individuals and small companies, as these consumers are least able to sustain financial loss.⁽³⁾

2.3 It has come to the PRA's attention that rules on FSCS protection for large unincorporated associations with protected deposits are not clear.

2.4 Under COMP⁽⁴⁾, large partnerships are eligible to benefit from FSCS protection but large mutual associations are not. Large unincorporated associations appear under the definitions of both large mutual associations and large partnerships. However, the PRA considers that the DGSD does not permit the exclusion of large unincorporated associations from deposit protection.

2.5 Unincorporated associations may include mutuals (a mutual usually refers to a society or organisation which is owned by its members eg a sports club). It is possible that other organisations may be unincorporated, such as trade associations, housing associations, co-operatives and sports trusts. However, the PRA expects that these organisations are in practice likely to be structured as companies, industrial and provident societies or partnerships.

2.6 Where the above organisations are incorporated, they will continue to be excluded from FSCS cover under the large companies' exclusion.⁽⁵⁾ Entities registered under statute, in a way that creates corporate status, will also be subject to the companies test.

2.7 The proposed rule change will therefore make clear that all unincorporated associations (regardless of their size) will benefit from FSCS deposit protection, whereas cover for incorporated associations will continue to apply only to those that meet the size test.

3 Redress for claims arising from previous deposit-taker defaults

3.1 Information about what unincorporated associations need to do in relation to any past claims they may have will be given on the FCA and FSCS websites.

4 Single Customer View changes

4.1 The proposed changes may mean that deposit-takers need to implement changes to their Single Customer View (SCV) systems if they have not been treating large unincorporated associations as eligible depositors.

4.2 Extending FSCS protection to large unincorporated associations would mean that such accounts would need to be

(1) The specific changes can be found within the FCA's CP: Financial Services Compensation Scheme — unincorporated associations and partnerships.

(2) COMP 4.2 and COMP 4.3.1R refer.

(3) As this paper illustrates FSCS depositor protection can apply to other entities under COMP 4.2 and COMP 4.3.1R.

(4) COMP 4.2 and COMP 4.3.1R refer.

(5) Companies are excluded from deposit protection if they exceed the limits of two of the three following criteria: (a) annual turnover: £6.5 million (b) balance sheet total: £3.26 million and (c) number of employees: 50.

tagged as eligible and so included in the SCV. Depending on each deposit-taker, this may mean firms need to amend existing IT systems. Firms which have elected not to comply with the electronic SCV requirements (firms with fewer than 5,000 accounts held by eligible depositors) but which are still subject to the SCV requirements will also need to carry out a checking process to ensure any accounts held by large unincorporated associations are tagged as eligible claimants. As part of this process firms may need to contact a number of account holders to seek further details with regards to their legal structure.

5 Cost-benefit analysis

5.1 The PRA believes that there are benefits associated with clarifying the eligibility for protection under the FSCS, which outweigh associated costs.

5.2 The potential costs to firms are:

- costs of making changes to SCV systems to ensure large unincorporated associations are correctly treated and incorporated in the SCV; and
- an increase in FSCS levies from future firm failures.

5.3 Analysis previously undertaken by the Financial Services Authority (FSA) indicated a total industry one-off cost of making eligibility changes of £3.5 million. This cost covered data cleansing, tagging accounts, establishing the SCV and FSCS limit checking. The survey covered 11 firms covering 48% of the deposit industry (including small, medium and large banks and a buildings society). The actual cost, however, may be lower because:

- many firms may already treat large unincorporated associations as eligible and therefore do not need to make SCV changes; and
- the survey in question referred to the costs to firms of removing eligibility exclusions for all large companies (not just unincorporated associations).

5.4 We expect ongoing costs to be minimal because the number of unincorporated associations per deposit-taker is likely to be negligible compared with other SCV entries (eg individuals and small firms). Given that we consider that the DGSD does not permit exclusion of large unincorporated associations from FSCS cover, we do not consider it proportionate to further review potential ongoing costs.

5.5 Extending FSCS deposit protection to large unincorporated associations could increase the costs to firms in respect of future FSCS levies should a firm fail. We have

sought to identify the number of unincorporated association that will be eligible to claim FSCS compensation.

5.6 Extending FSCS cover to unincorporated clubs and societies will mean that their deposits are protected up to a maximum of £85,000 per authorised entity. An external data source⁽¹⁾ suggests that there were 5,000 unincorporated clubs and societies in 2011 and that the revenue that year of all clubs and societies was £463 million. The maximum additional FSCS liability from such extension is £200 million (representing approximately 0.02% of FSCS's total protected deposits).⁽²⁾ The scenario assumes that all 5,000 unincorporated clubs and societies have deposits with UK deposit-takers and have deposits in aggregate not larger than their estimated annual revenue. The actual FSCS liability from these organisations may be considerably lower.

6 Statutory obligations

6.1 The proposed rule change will make it clear that all unincorporated associations are covered by the FSCS and therefore assists in minimising the adverse effect of the failure of a PRA-authorised person. We believe the proposal is compatible with the PRA's general duties to promote the safety and soundness⁽³⁾ of PRA-authorised firms.

6.2 The PRA believes that the proposed rule change is compatible with the Regulatory Principles⁽⁴⁾, as it removes the uncertainty in COMP by clarifying that large unincorporated associations are eligible for deposit protection by the FSCS. The proposals do not have an adverse effect on competition in the relevant markets.

6.3 In this chapter, 'mutual societies' refers to authorised persons such as buildings societies, friendly societies and credit unions. The proposed rule change will mean that these entities may have to make changes in their SCV systems (to ensure that large unincorporated associations are treated as eligible depositors) and they may experience a small increase in their FSCS levies. However, the impact on these firms should not be different to the impact on other authorised deposit-takers.

6.4 The PRA is required to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions. We have identified that voluntary or charitable associations may be unincorporated associations, and so will benefit from FSCS protection for deposits in the future.

(1) Data taken from *Mutuals Yearbook 2011*, available at www.mutuo.co.uk/wp-content/uploads/2011/10/Mutuals-Yearbook-2011.pdf.

(2) The PRA uses the 2011 figures as a base, assumes that all unincorporated clubs and societies hold aggregate deposits that are not greater than their aggregate revenue and that revenue was equally distributed across incorporated and unincorporated clubs and societies.

(3) Section 2B(1) and 2B(2) of FSMA 2000.

(4) Section 3B of FSMA 2000.

6 Related party transaction risk

1 Introduction

1.1 This chapter explains the Prudential Regulation Authority's (PRA's) proposed rules for implementing Basel Core Principle (BCP) 11 — exposures to related parties. The rules are relevant to banks and building societies only. Proposed rules are presented in Appendix 6.

2 Proposed rules

2.1 The goals of BCP 11⁽¹⁾ are the prevention of fraud, corruption, undue pressure being placed on banks to lend imprudently to those who have a personal connection with the bank or the bank's directors and the management and avoidance of conflicts of interest.

2.2 The International Monetary Fund (IMF) commented in 2011 that the Financial Services Authority (FSA) relied on high-level rules and guidance in relation to this BCP, and recommended that it should provide a more detailed implementation of the Principle within its rules and practices.

2.3 In the FSA's October 2012 Quarterly Consultation Paper (CP12/27), the FSA proposed to write rules and guidance in the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) within its Handbook to clarify its expectations of banks and building societies in relation to transactions with related parties. The industry explained in its response to the consultation that it already has policies and procedures in place which are similar to those set out in the FSA's proposals.

2.4 The purpose of this consultation is to enable the PRA to implement BCP 11 into its Rulebook in accordance with the PRA's powers, objectives and approach to rulemaking. These are sufficiently different from the FSA's powers and objectives to necessitate further consultation.

2.5 The PRA will create a Rulebook containing only rules, rather than the FSA's set of rules and guidance. This means that the format of the PRA's rules differs to that on which the FSA consulted.⁽²⁾ The PRA believes that these changes make its expectations in this area clearer.

2.6 The PRA's proposed rules cover:

- the PRA's expectations of firms in respect of related party transactions; and
- general and specific Glossary terms.

Market value

2.7 In the context of these rules, 'market value' is interpreted as 'requiring the firm to transact with related parties on terms no more favourable than would be agreed if the transaction was not with a related party' rather than requiring some specific and detailed calculation of market value, which would be a much more onerous requirement.

2.8 This interpretation has been reached on the basis of the BCP text, which states in evidential provisions that 'Laws, regulations or the supervisor require that exposures to related parties may not be granted on more favourable terms (ie for credit assessment, tenor, interest rates, amortisation schedules, requirement for collateral) than corresponding exposures to non-related counterparties'.

Key employees

2.9 The PRA have defined 'related parties' to include a firm's 'key employees'. The term 'key employees' has not been defined within the proposed rules. The PRA expects that a firm will determine its key employees as regards related party transaction risk. The PRA expects that in making this determination, firms will seek to achieve group-wide compliance with the rules. The PRA may review its decision about whether it is appropriate to prescribe the definition of 'key employees' in future, for example, following changes to the governance rules in response to the report issued by the Parliamentary Commission on Banking Standards.

Exceptions

2.10 The Basel Core Principle states clearly that certain transactions with related parties, such as staff receiving credit at favourable rates as part of an overall remuneration package, are not prevented by this Principle. The proposed rules reflect

(1) BCP 11 states that to prevent abuses arising from exposures (both on the balance sheet and off the balance sheet) to related parties and to address conflict of interest, supervisors must have in place requirements that banks extend exposures to related companies and individuals on an arm's-length basis.

(2) Part V of 'The Prudential Regulation Authority's approach to banking supervision', April 2013, available at www.bankofengland.co.uk/publications/Documents/prapproach/bankingappr1304.pdf. See Chapter 10.

this. However, the expectation remains that the firm monitors and controls such arrangements.

PRA actions

2.11 Where there are failings in the firm's establishment, implementation and maintenance of the risk control requirements set out in the rules, the PRA intends to exercise its powers to impose firm specific requirements or limitations which include but are not restricted to:

- setting a limit for a firm's transactions with related parties; or
- deducting a firm's exposures under transactions with related parties from its capital resources; or
- requiring a firm to collateralise that firm's transactions with related parties.

3 Cost-benefit analysis

3.1 As the PRA's proposed requirements are similar to those previously proposed by the FSA, the cost-benefit considerations in this consultation are substantially similar to the FSA's previous consultation.

3.2 The benefits of the proposed rules include clarification of the PRA's expectations in relation to transactions with related parties. This more fully demonstrates compliance with BCP.

3.3 Costs are expected to be minimal as the target population of firms would be expected to have such procedures in place. This was confirmed by the responses to CP12/27.

4 Statutory obligations

4.1 The PRA's objective to promote the safety and soundness of firms⁽¹⁾ is met by the role of these requirements in preventing fraud, corruption and undue pressure being placed on banks.

4.2 These proposals are compatible with the principles of good regulation, particularly having regard to the international character of the financial markets by demonstrating compliance with international standards.

4.3 The PRA has a statutory requirement to state whether the proposals in this chapter will impact on mutuals. The public feedback which the FSA received from the Building Societies Association to CP12/27 suggests that these costs are expected to be minimal for its members. The PRA does not believe the impact is significantly different for mutuals than for other firms.⁽²⁾

4.4 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) Section 2B(1) and 2B(2) of FSMA 2000.

(2) Section 138K(2) of FSMA 2000.

7 CRD IV consequential and minor amendments

1 Introduction

1.1 This chapter sets out proposals for consequential and minor amendments to the Prudential Regulation Authority (PRA) Handbook in response to the Capital Requirements Directive (2013/36/EU)⁽¹⁾ (CRD) and Capital Requirements Regulation (575/2013)⁽²⁾ (CRR), jointly known as CRD IV.

1.2 The chapter also introduces the process for accepting applications for the various CRR discretions and scheduling Financial Reporting (FINREP) returns.

2 Consequential and minor amendments

2.1 The transposition of CRD IV requires a number of changes to parts of the existing Handbook. The proposed consequential amendments are administrative and do not reflect any change in policy. Most of them incorporate or update cross-references to the CRR, the Directive, and the use of relevant new defined terms.

2.2 Proposed Handbook rule changes are presented in Appendix 7A and 7B.

2.3 CRD Article 71(3) calls for Member States to require institutions to have in place appropriate procedures for their employees to report breaches of regulatory requirements contained in the CRR or the provisions implementing the CRD, internally through a specific, independent and autonomous channel, and that appropriate protection for employees and personal data is in place.

2.4 The PRA proposes to implement this requirement by copy-out from the CRD. Draft rules are presented in Appendix 7C.

3 Applying for a CRR Permission

3.1 In CP5/13, the PRA set out proposals for exercising the key national discretions allowed by the CRR. This section sets out the process for firms to make an application for a CRR Permission.

3.2 The PRA will publish a new CRR Permission application form on the PRA website. Applications will be assessed against the relevant CRR criteria and Supervisory Statements. After making a decision the PRA will issue a CRR Permission notice if approved, or notify the applicant of reasons for refusal.

3.3 The PRA intends to publish details of all CRR Permissions it approves on our website, unless it considers it to be inappropriate or unnecessary to do so.

3.4 Further details and guidance on the CRR Permissions process will be available at: www.bankofengland.co.uk/pr/Pages/authorisations/waivers/publication.aspx.

3.5 Proposed Handbook rule changes are presented in Appendix 7D.

4 FINREP scheduling

4.1 To assist firms with automated scheduling of FINREP returns, the PRA proposes to introduce a requirement for firms to notify the PRA if they believe they are subject to FINREP, and inform the PRA when they cease to report FINREP. By providing this notification the PRA will be able to undertake the necessary operational procedures to place the FINREP reporting requirement onto a firm's GABRIEL⁽³⁾ schedule and to remove the FINREP reports from GABRIEL when a firm ceases to report under FINREP.

4.2 Article 2(3) of the draft implementing technical standards on supervisory reporting⁽⁴⁾ allows adjusted accounting reference dates for FINREP information. The PRA expects firms meeting the criteria in CRR Article 99(2) to report FINREP data on a calendar quarter basis. However, some FINREP firms have accounting year ends that do not correspond to calendar quarter ends. In those cases, firms can report FINREP data

(1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Text with EEA relevance.

(2) Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 Text with EEA relevance.

(3) The FCA's and PRA's electronic regulatory reporting system.

(4) www.eba.europa.eu/documents/10180/359626/EBA+ITS+2013+02+%28Draft+ITS+on+supervisory+reporting%29.pdf/f3e58351-8aec-4827-8e8e-628525122414.

according to their accounting year and notify the PRA if they do so. New notification rules to this effect are proposed in SUP 16.

4.3 Proposed Handbook rule changes are presented in Appendix 7E.

5 Cost-benefit analysis

5.1 The proposed consequential changes to the Handbook are a direct result of the changes imposed by the implementation of CRD IV. The PRA set out the costs and benefits of implementing CRD IV in CP5/13. The PRA does not believe these consequential changes will add any significant costs or benefits to those set out in CP5/13.

5.2 Firms previously regulated by the FSA were encouraged to adopt internal procedures to encourage workers with concerns to report internally about matters that were relevant to the functions of the FSA. Therefore, the PRA believes that firms

should have internal controls and procedures already in place that are similar to the requirements of CRR Article 71(3), and the incremental cost of meeting the new requirements will be minimal.

5.3 The notification requirements could result in some administration costs to firms, which the PRA expects to be of minimal significance. In addition, the notification requirements would provide firms with certainty on when returns are due, and flexibility on reporting periods.

6 Statutory obligations

6.1 In making its rules and establishing its practices and procedures the PRA must have regard to the Regulatory Principles.⁽¹⁾ In addition, when consulting on draft rules, the PRA is required to consider the impact on mutuals,⁽²⁾ competition, and equality and diversity. The impacts on these areas were assessed in CP5/13, and there are no additional impacts from the consequential amendment proposals.

(1) Section 3B of FSMA 2000.

(2) Section 138K(2) of FSMA 2000.

8 Remuneration

1 Introduction

1.1 In CP5/13, the Prudential Regulation Authority (PRA) consulted on consequential changes to the Handbook⁽¹⁾ remuneration provisions arising from CRD IV⁽²⁾. This chapter proposes rules to copy out the substantive additional remuneration requirements of CRD IV, particularly Article 94 of the CRD, to meet the United Kingdom's transposition obligations. Issues related to the interpretation and application of these rules will be considered in due course.

1.2 Proposed Handbook rule changes are presented in Appendix 8.

2 Proposals

Cap on the ratio of variable to fixed remuneration

2.1 The ratio between the variable and fixed remuneration that can be paid to a staff member subject to the remuneration provisions is capped at 1:1. Under CRD, Member States may set a lower cap. The PRA does not intend to set a lower cap. Under CRD, Member States may allow the cap to be increased to 2:1, or a ratio between 1:1 and 2:1, subject to the approval of shareholders, owners or members of the institution. The PRA intends to implement this discretion in full to allow the cap to be increased to 2:1. This approval requires the support of at least 66% of the shares or ownership rights represented, provided that at least 50% of the total shares or ownership rights are represented. If the latter condition is not met, at least 75% of the shares or ownership rights represented must support the proposition.

2.2 This cap applies to variable remuneration awards for performance years beginning in 2014 and thereafter.

Discount rate

2.3 For the purposes of the above cap, CRD enables Member States to allow firms to apply a discount rate to a maximum of 25% of total variable remuneration if it is paid in instruments deferred for at least five years. The PRA intends to implement this discretion. CRD enables Member States to set a lower maximum percentage. It is the PRA's intention to allow the discount rate to apply to the full 25% of total variable remuneration. The European Banking Authority has to publish guidelines on the applicable notional discount rate by 31 March 2014.

Terms of employment contracts

2.4 There is a requirement that buyouts from contracts in previous employment must align with the long-term interests of the firm that is the new employer, including deferral, performance and clawback arrangements.

3 Cost-benefit analysis

3.1 Remuneration policies designed to reward short-term revenue and profit targets in the financial sector have been identified as a contributory factor to the financial crisis. These remuneration policies incentivise excessive risk-taking and short-termism by firms.

3.2 These behaviours partly stem from the inability of shareholders to understand and monitor the risks that were being undertaken by employees (a 'principal-agent' problem). Subsequent to the crisis, reducing remuneration has been complicated by 'first-mover disadvantage'. That is, firms are afraid of losing key staff to competitors if they lower remuneration and other firms do not, which has helped to keep remuneration high.

3.3 There is, therefore, a possible role for regulation to help co-ordinate an orderly reduction in remuneration.

3.4 However, there is little or no *ex-ante* evidence that the proposed cap on variable remuneration will be net-beneficial. First, the proposal incentivises affected firms to drive up fixed remuneration, especially in foreign jurisdictions where firms are competing against non-EU firms unconstrained by the cap, and within the EU in roles which are globally mobile.

3.5 Second, as the cap is not applied globally, the co-ordination problem described above will not be fully resolved. Rather, the cap is likely to create a competitive disadvantage for EU banks' non-EU operations. EU banks operating in other non-EU jurisdictions (for example, North America or Asia) are likely to be at a competitive disadvantage if non-EU banks can offer more flexible performance-based remuneration packages.

3.6 The proposal is likely to lead to a fall in the proportion of variable remuneration and a rise in the proportion of fixed

(1) SYSC 19A and the Remuneration code.

(2) Capital Requirements Directive (2013/36/EU) (CRD) and Capital Requirements Regulations (575/2013) (CRR), jointly known as CRD IV.

remuneration without necessarily reducing overall remuneration. The cap could therefore limit the extent to which remuneration is performance-sensitive and make remuneration clawback more difficult. Firms' remuneration strategies may become less flexible which could make adjustment during periods of stress more difficult, undermining financial stability.

3.7 The PRA proposes to make use of the discretions provided in the CRD, as set out above, in order to mitigate the potential negative impacts of the cap to the extent possible.

4 Statutory obligations

4.1 The proposed rules for remuneration will meet the United Kingdom's obligations to transpose the relevant CRD provisions. The PRA has made use of the discretions available to it to minimise the potential negative impacts the bonus cap may have, consistent with the PRA's general objective to promote the safety and soundness of firms.⁽¹⁾

4.2 The PRA has a statutory requirement to state whether or not the impact on mutual societies⁽²⁾ of the rules proposed for this category of firm will be significantly different from its impact on other firms. In general, bonuses that are multiples of salary are less prevalent in mutuals and they will not face the competitiveness impacts in operations in third country markets as identified above, meaning the impact of the proposed rule will be less for the mutual sector than for the general population of firms.

4.3 The PRA has a duty to have regard to the need to minimise any adverse effect on competition in relevant markets. While the PRA notes above that there may be a competitive disadvantage for EU banks operating in non-EU jurisdictions, the PRA has not identified a competition impact from the point of view of the UK banking market.

4.4 No equality and diversity implications have been identified in relation to the issues addressed in this chapter.

(1) Section 2B(1) and 2B(2) of FSMA 2000.

(2) Section 138K(2) of FSMA 2000.

9 Initial capital exemption for small credit institutions

1 Introduction

1.1 This chapter sets out proposals to set a lower amount of initial capital for small credit institutions, in line with a Capital Requirements Regulation (CRR) national discretion. The intention to consult on this discretion was announced in the Bank of England/ Financial Services Authority paper 'A review of requirements for firms entering into or expanding in the banking sector' (March 2013).

1.2 Proposed Handbook rule changes are presented in Appendix 9.

2 Proposal

2.1 Article 12(1) of the Capital Requirements Directive (CRD) requires the Prudential Regulation Authority (PRA) to refuse authorisation to commence the activity of a credit institution where the credit institution has initial capital of less than €5 million. However, Article 12(4) provides a discretion in the case of particular categories of credit institutions subject to the following conditions:

- the initial capital is no less than €1 million; and
- the Member States concerned notify the European Commission ('the Commission') and the European Banking Authority of their reasons for exercising that option.

2.2 The PRA intends to exercise this discretion by granting authorisation to particular categories of banks with a minimum capital requirement of €1 million or £1 million, whichever is higher. The proposed category of credit institutions to which the discretion will apply is Small Specialist Banks (SSB). The Commission has indicated to the PRA that this category and the criteria and conditions attached to it are consistent with the intent of CRD IV.⁽¹⁾

2.3 To be considered a SSB, the PRA proposes that banks should have to carry out one or more of the following activities:

- Providing basic banking services which could include current and savings accounts.
- Lending to small and medium-sized enterprises.
- Residential mortgage lending.

Qualifying conditions and assessment

2.4 Each application for authorisation under the category will be considered on its merits. The PRA does, however, expect applying firms to show compliance with the following conditions:

- to be resolvable under the Bank Insolvency Procedure. This will require an assessment of resolvability before authorisation; and
- to meet the PRA's threshold conditions and have appropriate governance, risk management, systems and controls in place to ensure the effective management of their business. The PRA may set specific risk management standards for these firms.

2.5 The resolvability assessment would include a review of business models, financial information and legal entity structures as well as the capability to produce a 'single customer view' within 72 hours and for this to be kept accurate and up to date. There will be fixed costs involved in meeting these requirements and these will necessarily be more material for smaller firms. Firms seeking authorisation under the category would need to factor these potential costs into their business models and financial projections.

3 Cost-benefit analysis

3.1 By exercising the discretion for a lower minimum capital requirement, this proposal lowers the regulatory barrier to entry for Small Specialist Banks. While this proposal will not change the competitive landscape in UK banking, it promotes competition in the sector.

⁽¹⁾ Capital Requirements Directive (2013/36/EU) (CRD) and Capital Requirements Regulations (575/2013) (CRR), jointly known as CRD IV.

3.2 At the same time, the proposal could increase the risk that a new entrant bank might fail. However, this risk is mitigated by requiring new entrants to meet the PRA's Threshold Conditions and to be resolvable under the Bank's Insolvency Procedure.

4 Statutory obligations

4.1 The proposed rule for authorisation will contribute towards the PRA's general objective to promote the safety and soundness of firms⁽¹⁾ by requiring firms seeking authorisation to have sufficient controls in place to safeguard their safety and soundness. It will also advance the PRA's general objective by facilitating the ability of new firms to provide sound banking services which meet the needs of specific groups of consumers and businesses.

4.2 The PRA has a statutory requirement to state whether or not the impact on mutual societies⁽²⁾ of the rule proposed for

this category of firms will be significantly different from its impact on other firms. The proposed rule will affect mutual societies and building societies in particular. There is currently an exception in the United Kingdom to the €5 million requirement for building societies although only a few have needed to make use of it because the majority of building societies have capital that exceeds €5 million. It is possible that, if significant numbers of new firms sought authorisation under this exception, this could have an impact on currently authorised building societies' market share.

4.3 The PRA has a duty to have regard to the need to minimise any adverse effect on competition in relevant markets. The purpose of this proposal is to encourage new entrants into the market and thus should have a beneficial impact on competition.

4.4 The issues addressed in this chapter do not give rise to equality and diversity implications.

(1) Section 2B(1) and 2B(2) of FSMA 2000.

(2) Section 138K(2) of FSMA 2000.

10 The online Rulebook

1 Introduction

1.1 This chapter sets out the Prudential Regulation Authority's (PRA's) proposals for reshaping the PRA's policy material, by creating a PRA Rulebook and improving the online presentation of the PRA's rules, including style, structure and functionality requirements. The proposals are relevant to all PRA firms.

1.2 Views are invited on the proposals generally but firms are encouraged in particular to give feedback on any identified improvements to the online Handbook. After the consultation closes on 1 November 2013, the PRA will consider and implement any necessary revisions to the PRA's plans to redevelop the online Rulebook.

2 Background

2.1 At legal cutover,⁽¹⁾ Financial Services Authority (FSA) Handbook provisions were adopted by the PRA. These provisions contain both rules and guidance and many are shared with the Financial Conduct Authority (FCA). The PRA recognised at legal cutover that this solution was fit for purpose in the short term, but that more work would be required once the PRA was established to revise the set of policy material.

2.2 The PRA set out in the 'approach' documents⁽²⁾ that the PRA intends to establish and maintain published policy material which is consistent with its objectives, clear in intent, straightforward in its presentation and as concise as possible, so that it is usable by the senior management of firms. This involves replacing the inherited Handbook material and moving towards a PRA Rulebook, which contains only rules. In addition, the PRA will produce a limited amount of additional guidance in the form of supervisory statements, which are intended to be a homogenous set of material which is clear and understandable for firms.

2.3 The combination of rules and supervisory statements form the PRA's policy framework and will be the basis upon which the PRA communicates its policies to the industry. The PRA has already started to produce rules and supervisory statements in line with the PRA's policy framework, starting with the implementation of CRD IV.⁽³⁾

2.4 In addition to reworking the content of the rules, the PRA will also launch a new Rulebook site in 2015 which will play a key part in improving the clarity and navigability of PRA rules. The PRA is interested in gathering feedback from firms on their current experience of the PRA Handbook in order to develop an appropriate solution.

2.5 Prior to the launch of the new site, rules in the new style and structure will be implemented into the current online Handbook in PDF format, so distinguishing the material from the PRA's inherited Handbook provisions. Work will continue over the coming years to reshape all the inherited Handbook material to fit with the policy framework.

3 Style and content

3.1 The PRA proposes a new high-level structure of the Rulebook which divides the majority of rules into two sectors, (1) deposit takers and investment firms ('banking') and (2) insurance. Rules within these sectors will be further split into two groups: those applying to directive firms (CRD IV and SII) and non-directive firms.

3.2 The proposed high-level structure is intended to be tailored and easily searchable for firms so that they can look at one section to see the majority, if not all, of rules applicable to them. The PRA will aim to replicate rules that apply across sectors in different sections where possible.

3.3 The PRA proposes to implement a new naming and numbering convention based on the new rulebook structure. The name of a Part will succinctly describe its content, for example a Part containing market risk rules will be labelled 'Market Risk'. Rulebook references will be as follows: [Part] [Rule], for example Market Risk 3.1.

3.4 The PRA will redraft rules so that they are clear, concise and short. Where possible, the rules will be purposive so the intention behind them is clear. Specifically, the PRA will follow the 'intelligent copy-out' approach followed by the FSA in relation to directive implementation. The PRA will not

(1) An expression used to describe when the PRA acquired its legal powers.

(2) www.bankofengland.co.uk/publications/Documents/praapproach/bankingappr1304.pdf.

(3) See section on 'the PRA's Policy Framework' as set out in paragraphs 1.23–1.25 of PRA CP5/13, 'Strengthening capital standards: implementing CRD IV', August 2013.

transpose regulation text into its rules but may give effect to regulation discretions and derogations through specific rules.

4 Website functionality

4.1 The PRA proposes to retain the benefits of the existing Handbook site where possible. Specifically, the PRA will seek to retain an online consolidated Rulebook, which is the rule text displayed on a webpage with links to relevant material, for example links to rule instruments and relevant supervisory statements. The website will also have a navigable menu.

4.2 The PRA proposes to retain the time travel functionality, which allows a user to move back and forwards in time within the rules to view material that was in force and that is not yet in force. The search facility, the ability to view online content as a PDF and in printable form will also be maintained.

4.3 The PRA has extensively engaged with a number of external stakeholders, including regulated firms, trade bodies and the FCA to ascertain improvements to the existing online site. From this engagement, the PRA has identified a number of functionality enhancements which are set out below.

4.4 As set out in 3.2, the PRA will seek to implement functionality that allows the duplication of rule content within different Rulebook areas. The PRA also proposes an enhanced search function, ensuring that relevant areas of the Rulebook are easier to find, including a better filtering system for results. The search should identify relevant areas of the Rulebook as well as individual terms.

4.5 The PRA also proposes to introduce functionality that improves access to the glossary, for example by introducing tags of defined terms which allow 'hover-over popups' of glossary text. This is in addition to the stylistic approach of minimising the amount of defined terms, to address feedback that the Glossary is difficult to use.

5 Cost-benefit analysis

5.1 The PRA will carefully consider the costs of developing a new Rulebook alongside the benefits to ensure that the solution offers good value for money. The PRA does not expect the move to the Rulebook to entail a direct cost for firms.

5.2 The Rulebook site should promote compliance with the PRA's requirements, and improve efficiency by enabling firms to easily access rules which apply to them. The improved functionality will improve navigation between the glossary, supervisory statements and any relevant UK/EU legislation. A stand-alone PRA Rulebook site will also reduce administrative costs arising from maintaining shared material with the FCA.

6 Statutory obligations

6.1 The PRA's general objective is to promote the safety and soundness of firms.⁽¹⁾ The proposals advance this objective by assisting firms to meet PRA requirements. The proposals, which help implement the PRA's policy framework, will also advance the PRA's general objective by ensuring consistent and clear communication of PRA expectations to firms.

6.2 The PRA has a statutory requirement to state whether proposals in this chapter will impact on mutuals and whether this will be significantly different from the impact on other firms. The proposals apply to all PRA firms, including mutuals who will not be impacted any differently from other firms.

6.3 In making its rules and establishing its policies the PRA must have regard to the Regulatory Principles.⁽²⁾ The PRA considers the proposals are in line with these principles, for example, the PRA has strategically planned to ensure delivery of an online site which is achievable within a set time and cost framework, so ensuring efficient and economic use of resources. The Rulebook material will be written over the course of a few years, so ensuring proportionate delivery and allowing time for firms to adjust to the new policy framework. The PRA has been as transparent as possible, seeking firm engagement on its plans through this consultation. No impacts on competition have been identified.

6.4 The proposals set out in this chapter do not give rise to equality and diversity implications.

7 Next steps

7.1 In December 2013, the CRD IV rules which form part of the Rulebook and their accompanying supervisory statements will be published in final form. In December 2013, the PRA will also issue a consultation for the first tranche of the revised Rulebook content.

7.2 The PRA will continue to issue consultations on revised Rulebook content in 2014 and this work will continue until all the FSA-inherited material has been redrafted following the PRA policy framework.

(1) Section 2B(1) and 2B(2) of FSMA 2000.

(2) Section 3B of FSMA 2000.

Appendices

1	Controllers and Close Links reporting (amendment) instrument 2013
2	Supervision manual (reporting and audit requirements) (amendment) instrument 2013
3	Designated investment exchanges instrument 2013
4	Prudential reporting requirements for insurers (amendment) instrument 2013
5	Compensation sourcebook (large unincorporated associations) instrument 2013
6	PRA Rulebook related parties instrument 2013
7A	Capital Requirements Directive IV (consequential amendments) instrument 2013
7B	Capital Requirements Directive (financial conglomerates) consequential amendments instrument 2013
7C	Prudential sourcebook for senior management, systems, arrangements and controls amendment instrument 2013
7D	PRA Rulebook CRR firms: applications for CRR permissions instrument 2013
7E	Capital Requirements Regulation (Reporting No 2) amendment instrument [No. XXX] 2013
8	Capital Requirements Directive (governance and variable remuneration) amendment instrument [No. XXX] 2013
9	PRA Rulebook: base capital resources requirement instrument 2013

**CONTROLLERS AND CLOSE LINKS REPORTING (AMENDMENT)
INSTRUMENT 2013**

Powers exercised

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (The PRA's general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority) ("FCA"), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

- E. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.
- F. The PRA gives as guidance each provision that is marked as G in accordance with the Annex to this instrument.

Citation

- G. This instrument may be cited as the Controllers and Close Links Reporting (Amendment) Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex

Amendments to the Supervision manual (SUP)

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

11 **Controllers and close links**

....

11.9 **Changes in close links**

Requirement to notify changes in close links

11.9.1B R (1) A *firm* must notify the *PRA* that it has become or ceased to be *closely linked* with any *person*. ~~The notification must be made by completing the Close Links Notification Form (see SUP 11.9.3C G and must include the information set out in SUP 16.5.4 R (4),~~ and ensure the following:

(a) where SUP 11.9.4BR (2) applies, the notification must be made in line with SUP 11.9.3CAR; and

(b) in any other case, the notification must be made by completing the Close Links Notification Form (see SUP 11.9.3CG) and must include the information set out in SUP 11.9.3DG.

(2) If a *group* includes more than one *firm*, a single close links notification may be made by completing the Close Links Notification Form, the Close Links Monthly Report or the Close Links Annual Report (as applicable) and so satisfy the notification requirement for all *firms* in the *group*. Nevertheless, the requirement to notify, and the responsibility for notifying, remains with each *firm* in the *group*.

...

11.9.2A G A *firm* may elect not to include the following *close links* in the notification submitted under ~~SUP 11.9.1R, SUP 11.9.5R~~ SUP 11.9.1AR, SUP 11.9.1BR, SUP 11.9.5AR, SUP 11.9.5BR or SUP 16.5:

...

...

Form of notification and method of submission

11.9.3C G The Close Links Notification Form approved by the *PRA* for notifications under ~~SUP 11.9.1BR(1)(b), SUP 11.9.5BR and SUP 16.5.4R(1),~~ may be found at the *PRA* website.

11.9.3CA R The notification under SUP 11.9.1BR(1)(a), and SUP 11.9.5B R must be made electronically by completing the Close Links Monthly Report and submitting it through the relevant platform provided by the PRA.

11.9.3CB G The Close Links Monthly Report must contain the information specified in SUP 16 Annex 35 AR.

11.9.3D G (1) The notification in SUP 11.9.1AR(1)(b) and SUP 11.9.1BR(1)(b) should contain a list of all *persons* with whom the *firm* is aware that it

has close links, when the notification is made, and, for each such person, state:

- (a) its name;
- (b) the nature of the close links;
- (c) if the close links is with a body corporate, its country of incorporation, address and registered number; and
- (d) if the close link is with an individual, their date and place of birth.

(2) The firm must also submit a group organisation chart.

Timing of notification requirement

11.9.4B R The firm must make a notification to the PRA under SUP 11.9.1BR:

...

- (2) where a firm has elected to report on a *monthly* basis, within fifteen *business days* of the end of each *month* by completing the ~~Close Links Notification Form, including the information set out in SUP 16.5.4 R (4) Close Links monthly Report~~ for that *month* and must submit the *group* organisation chart on a quarterly basis unless there have been no changes since the submission of the previous organisation chart to the PRA, in which case the *group* organisation chart is not required.

...

16.4 Annual controllers report

...

Reporting requirement

- 16.4.5 R (1) ~~A firm must submit a report to the appropriate regulator annually, containing the information in (3) or (4) (as applicable). [deleted]~~
- (2) ~~A firm must submit the report in (1) to the appropriate regulator within four months of the firm's accounting reference date. [deleted]~~
- (3) ~~If a firm is not aware:~~
- (a) ~~that it has any controllers; or~~
 - (b) ~~of any changes in the identity of its controllers since the submission of its previous report under (1); or~~
 - (c) ~~of any changes in the percentage of shares or voting power in the firm held by any controllers (alone or acting in concert) since the submission of its previous report;~~
- ~~then the report in (1) must confirm this. [deleted]~~
- (4) ~~Unless (3) applies, the report in (1) must contain a list of all the controllers as at the firm's accounting reference date of which it is aware and, for each such controller, state:~~

- (a) ~~its name;~~
- (b) ~~the percentage of voting power in the firm, or in the firm's parent undertaking, which it is entitled to exercise or control the exercise of, whether alone or acting in concert;~~
- (c) ~~the percentage of shares in the firm, or in the firm's parent undertaking, which it holds, whether alone or acting in concert;~~
- (d) ~~if the controller is a body corporate, its country of incorporation, address and registered number; and~~
- (e) ~~if the controller is an individual, his date and place of birth.~~
~~[deleted]~~

(4A) ~~A firm that is a regulated entity must include in its report to the appropriate regulator under (1) whether any consolidation group of which it is a member is a third-country banking and investment group.~~
~~[deleted]~~

(4B) ~~A firm does not have to give notice to the appropriate regulator under (4A) if it, or another member of the third-country banking and investment group, has already given notice to the appropriate regulator of the relevant fact.~~~~[deleted]~~

...

A firm must submit annually by electronic means to the appropriate regulator the Controllers Report which contains the information specified in the form in SUP 16 Annex 37AR.

16.4.6 G The information required by SUP 16.4.5 R(4) may be provided in the form of a group organisation chart. ~~[deleted]~~

...

16.4.8 G A firm may submit a single report satisfying the requirements of its annual controllers report (SUP 16.4.5 R) and its annual close links report (SUP 16.5.4 R). Such a report should contain the information required on both controllers and close links. ~~[deleted]~~

...

16.5 Annual Close Links Reports

...

Report

- 16.5.4 R (1) A firm must submit a report to the appropriate regulator annually by completing the Close Links Notification Form (see SUP 11.9.3BG for the FCA and SUP 11.9.3CG for the PRA) and must include the information in (3) or (4) (as applicable) and (5). ~~[deleted]~~
- (2) A firm must submit the report in (1) to the appropriate regulator within four months of the firm's accounting reference date. ~~[deleted]~~
- (3) If a firm is not aware:

- (a) that it has any *close links*; or
- (b) of any material changes to the details in (4) (a) to (c) in respect of its *close links* since the submission of its previous report under (1);

then the report in (1) must confirm this. ~~[deleted]~~

- (4) Unless (3) applies, the report in (1) must contain a list of all *persons* with whom the *firm* has *close links* as at the *firm's accounting reference date* of which it is aware, and for each such *person* state:
- (a) — its name;
- (b) — the nature of the *close links*;
- (c) — if the *close link* is with a *body corporate*, its country of incorporation, address and registered number; and
- (d) — if the *close link* is with an individual, his date and place of birth. ~~[deleted]~~
- (5) — The *firm* must also submit a *group organisation chart*. ~~[deleted]~~

A *firm* must submit a report to the *appropriate regulator* annually by completing the Close Links Annual Report in SUP 16 Annex 36AR which must be sent electronically to the *appropriate regulator*.

...

- 16.5.7 G A *firm* may submit a single report satisfying the requirements of its annual controllers report (SUP 16.4.5R) and its annual close links report (SUP 16.5.4R). Such a report should contain the information required on both *controllers* and *close links*. ~~[deleted]~~

...

16 Annex R **Close Links Monthly Report**
35A

This annex consists only of one or more forms. Forms are to be found through the following address:

Close Links Report – SUP 16 Annex 35AR

16 Annex G **Guidance notes for data items in SUP 16 Annex 35AR**
35B

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 35AR – SUP 16 Annex 35BG

16 Annex R **Close Links Annual Report**
36A

This annex consists only of one or more forms. Forms are to be found through the following address:

Close Links Report – SUP 16 Annex 36AR

16 Annex G **Guidance notes for data items in SUP 16 Annex 36AR**
36B

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 36AR – SUP 16 Annex 36BG

16 Annex R **Controllers Report**
37A

This annex consists only of one or more forms. Forms are to be found through the following address:

Controllers Report – SUP 16 Annex 37AR

16 Annex G **Guidance notes for data items in SUP 16 Annex 37AR**
37B

This annex consists only of one or more forms. Forms are to be found through the following address:

Guidance notes for data items in SUP 16 Annex 36AR – SUP 16 Annex 36BG

**16 Annex 35BG Guidance notes for completion of the close links monthly report in
SUP 16 Annex 35AR**

The close links provisions contained in Schedule 6 of FSMA stem from the Directive 95/26/EC (Post BCCI Directive). This Directive, implemented in July 1996, in the wake of the collapse of the Bank and Credit and Commerce International (BCCI) in 1991, was designed to strengthen competent authorities' powers to properly supervise financial institutions.

The Directive states that the firm must provide information on its close links on a 'continuous basis' to ensure effective supervision is not disrupted, ie the appropriate regulator is able to identify potential risks to a firm from its close links.

This report is referred to in SUP 11.9.1AR and SUP 11.9.1BR and is used by a firm and/or group to submit the periodic notifications required by the chapter. The information provided in this report is in accordance with the rules set out in SUP 11.9.

Data elements

These are referred to by row first, then by column, so data element 2A will be row 2 and column A.

Main details

1A Does this report cover close links relating to more than one authorised firm?

This question must be answered by all firms.

The FCA/PRA allows firms to submit a report for more than one firm (ie a group of firms). However, the responsibility for the accuracy of the close links information provided by the group remains with each individual firm listed in Question 2A.

The submitting firm can only submit on behalf of firms' whose accounting reference date (ARD) matches that of its own. Therefore, covering the same reporting period (with the exception of firms submitting on a monthly basis).

Any additional firms whose ARD does not match that of the submitting firm must submit their own report for the relevant period.

2A If Yes, list the firm reference numbers (FRNs) of all additional firms included in the report.

This question must be answered if the answer to Question 1A is 'Yes'.

Please list the FRN's of all the additional firms included in the report.

This firms listed in this question must have an equivalent accounting reference date (ARD). Therefore, the same reporting requirement (ie the same start and end of reporting period, due date and copy number).

3A Does the firm/group have any close links?

This question must be answered by all firms.

A firm must notify the appropriate regulator whether the firm is aware that it has any close links.

4A If Yes, have there been any material changes to the close links for the firm/group since the submission of the last report?

This question must be answered if the answer to Question 3A is 'Yes'.

The firm/group should indicate here whether there have been any changes to the close links since the submission of the previous notification to the appropriate regulator.

5A Are you submitting a group organisation chart?

This question must be answered if the answer to Question 4A is 'Yes'.

The organisation chart must be provided in PDF format. However, we do not define the structure of the organisation chart and the firm or group may use whatever structure it already holds for its own purpose. However, this chart must show all the firm's and/or group's close links.

An organisation chart is required on a quarterly basis unless no changes have occurred since the submission of the last organisation chart.

An organisation chart can be attached to the report via GABRIEL using the facility at the bottom of the form.

Details of existing, new and ceased close links (body corporates and/or individuals)

Questions 6 and 7 must be answered if the answer to Question 3A is 'Yes'. Questions 8 and 9 must be answered if the firm has ceased any close links since the submission of the previous notification to the appropriate regulator.

The firm and/or group making the submission must provide all the information in relation to its close links.

6A-9A Name of close link (body corporates and/or individuals)

Please provide the full name of the body corporate and/or individual (up to a maximum of 100 characters)

6B - 9B Nature of close link (body corporates and/or individuals)

Please select from one of the following:

- parent undertaking of the firm;
- subsidiary undertaking of the firm;
- parent undertaking of a subsidiary undertaking of the firm;
- subsidiary undertaking of a parent undertaking of the firm;
- CL owns or controls 20% or more of the voting rights or capital of the firm; or
- firm owns or controls 20% or more of the voting rights or capital of CL

6C / 8C Country of incorporation (body corporates only)

Please provide the country of incorporation using the relevant ISO country code if the controller is a body corporate.

A full list of the countries names and their relevant code elements can be found at:

http://www.iso.org/iso/country_codes/iso_3166_code_lists/country_names_and_code_elements.htm

6D / 8D Address (body corporates only)

Please provide the full postal address for the body corporate (up to a maximum

of 100 characters).

6E / 8E Registered number (body corporates only)

Please provide the body corporate's registered number (up to a maximum of 20 characters). This is the unique company registration number for body corporates incorporated in the UK or equivalent number for overseas firms.

7C / 9C Date of birth (individuals only)

Please provide the individual's date of birth in dd/mm/yyyy format and between 18 and 115 years of age.

7D / 9D Place of birth (individuals only)

Please provide the individual's place of birth by providing the town and country of birth. For example, London, England (up to a maximum of 100 characters).

16 Annex 36BG Guidance notes for completion of close links annual report in SUP 16 Annex 36AR

The close links provisions contained in Schedule 6 of FSMA stem from the Directive 95/26/EC (Post BCCI Directive). This Directive, implemented in July 1996 in the wake of the collapse of the Bank and Credit and Commerce International (BCCI) in 1991, was designed to strengthen competent authorities' powers to properly supervise financial institutions.

The Directive states that the firm must provide information on its close links on a 'continuous basis' to ensure effective supervision is not disrupted, ie the appropriate regulator is able to identify potential risks to a firm from its close links.

This report is referred to in SUP 16.5.4R and is used by a firm and/or group to submit the annual report required by the rules in SUP 16.5. The information provided in this report is in accordance with SUP 16.5.4R.

Data elements

These are referred to by row first, then by column, so data element 2A will be row 2 and column A.

Main details

1A Does this report cover close links relating to more than one authorised firm?

This question must be answered by all firms.

The FCA/PRA allows firms to submit a report for more than one firm (ie a group of firms). However, the responsibility for the accuracy of the close links information provided by the group remains with each individual firm listed in Question 2A.

The submitting firm can only submit on behalf of firms' whose accounting reference date (ARD) matches that of its own. Therefore, covering the same reporting period (with the exception of firms submitting on a monthly basis).

Any additional firms whose ARD does not match that of the submitting firm must submit their own report for the relevant period.

2A If Yes, list the firm reference numbers (FRNs) of all additional firms included in the report.

This question must be answered if the answer to Question 1A is 'Yes'.

Please list the FRN's of all the additional firms included in the report.

This firms listed in this question must have an equivalent Accounting Reference Date (ARD). Therefore, the same reporting requirement (ie the same start and end of reporting period, due date and copy number).

3A Does the firm/group have any close links?

This question must be answered by all firms.

A firm must notify the appropriate regulator of whether the firm is aware that it has any close links.

4A If Yes, have there been any material changes to the close links for the firm/group since the submission of the last report?

This question must be answered if the answer to Question 3A is 'Yes'.

The firm/group should indicate whether there have been any changes to the close links since the submission of the previous report/notification to the appropriate regulator, including any event-driven notifications made.

5A Are you submitting a group organisation chart?

This question must be answered if the answer to Question 3A is 'Yes'.

The organisation chart must be provided in PDF format. However, we do not define the structure of the organisation chart and the firm or group may use whatever structure it already holds for its own purpose. However, this chart must show all the firm's and/or group's close links.

A group organisation chart is required for every annual report submission made so long as the firm is aware that it has close links.

An organisation chart can be attached to the report via GABRIEL using the facility at the bottom of the page.

Details of close links (body corporates and/or individuals)

These questions must be answered if the answer to Question 3A is 'Yes'. The firm and/or group making the submission must provide all the information in relation to its close links if any exist.

6A Name of close link (body corporates and/or individuals)

Please provide the full name of the body corporate and/or individual (up to a maximum of 100 characters)

6B Nature of close link (body corporates and/or individuals)

Please select from one of the following:

- parent undertaking of the firm;
- subsidiary undertaking of the firm;
- parent undertaking of a subsidiary undertaking of the firm;
- subsidiary undertaking of a parent undertaking of the firm;
- CL owns or controls 20% or more of the voting rights or capital of the firm; or
- firm owns or controls 20% or more of the voting rights or capital of CL

6C Country of incorporation (body corporates only)

Please provide the country of incorporation using the relevant ISO country code if the controller is a body corporate.

A full list of the countries names and their relevant code elements can be found at:

http://www.iso.org/iso/country_codes/iso_3166_code_lists/country_names_and_code_elements.htm

6D Address (body corporates only)

Please provide the full postal address for the body corporate (up to a maximum of 100 characters).

6E Registered number (body corporates only)

Please provide the body corporate's registered number (up to a maximum of 20 characters). This is the unique company registration number for body corporates incorporated in the UK or equivalent number for overseas firms.

7C Date of birth (individuals only)

Please provide the individual's date of birth in dd/mm/yyyy format and between 18 and 115 years of age.

7D Place of birth (individuals only)

Please provide the individual's place of birth by providing the town and country of birth. For example, 'London, England' (up to a maximum of 100 characters).

16 Annex 37BG Guidance notes for completion of controllers report in SUP 16 Annex 37AR

A firm and its controllers are required to notify certain changes in control in accordance with SUP 11. The purpose of this report required under SUP 16.4.5R is to ensure that, in addition to such notification, the appropriate regulator receives regular and comprehensive information about the identities of all the controllers of a firm.

Data elements

These are referred to by row first, then by column, so data element 2A will be row 2 and column A.

Main details**1A Does this report cover controllers relating to more than one authorised firm?**

This question must be answered by all firms.

The FCA/PRA allows firms to submit a report for more than one firm (ie a group of firms). However, the responsibility for the accuracy of the controllers information provided by the group remains with each individual firm listed in Question 2A.

The submitting firm can only submit on behalf of firms whose accounting reference date (ARD) matches that of its own. Therefore, covering the same reporting period.

Any additional firms whose ARD does not match that of the submitting firm, must submit their own report for the relevant period.

2A If Yes, list the firm reference numbers (FRNs) of all additional firms included in the report.

This question must be answered if the answer to Question 1A is 'Yes'.

Please list the FRNs of all the additional firms included in the report.

The firms listed in this question must have an equivalent accounting reference date (ARD). Therefore, the same reporting requirement (ie the same start and end of reporting period, due date and copy number).

Firm/controller details

The firm and/or group making the submission must provide all the information in relation to its controllers (see SUP 16.4.5R).

If the report is being submitted on behalf of more than one authorised firm, this section must be completed and contain at least the mandatory information for each firm. For firms reporting on behalf of a group, although the submission of the report is made by one firm, the requirement to provide the report and the information contained within remains the responsibility of each authorised firm listed in Question 2A.

3A Firm reference number (FRN)

This question must be answered by the submitting firm and all firms listed in Question 2A.

Please provide the FRN of the firm for whose controller details are being provided.

3B Does the firm have any controllers?

This question must be answered by the submitting firm and all firms listed in Question 2A.

Answer 'Yes' or 'No' accordingly. If 'No', no further information needs to be provided for this firm.

3C Are you aware of any changes in the identity of the controllers since the last submission?

Answer 'Yes' or 'No' accordingly. This question must be answered if the answer to Question 3B is 'Yes'

3D Are you aware of any changes in the percentage of shares or voting power held by any controllers (alone or acting in concert) since the last submission?

Answer 'Yes' or 'No' accordingly. This question must be answered if the answer to Question 3B is 'Yes'

3E Was appropriate regulatory approval sought and granted prior to the change(s) being effected?

Answer 'Yes' or 'No' accordingly. This question must be answered if the answer to Question 3C or 3D is 'Yes'.

If a controller is increasing their shares or voting power but does not move up a controller band (see question 5 in the [Change in control FAQs](#) page) then this question can be answered N/A.

If a controller is increasing their shares or voting power and does cross a controller band, then regulatory approval must be sought (see Change in Control page) for details on how to notify the FCA. If such approval has not been sought or granted, then the report should still be completed and submitted. The firm should also complete the relevant controller notification form.

3F If the firm is a member of a consolidation group, is this group a third-country banking and investment group?

If the firm is a member of a consolidation group which is a third-country banking and investment group, then this question should be answered 'Yes'.

If the firm is a member of a consolidation group but that group is not a third-country banking and investment group, then this question should be answered 'No'.

If the firm is not a member of a consolidation group, or the firm is not a regulated entity, or the firm that is a regulated entity and is a member of a consolidation group and has already notified the FCA of this fact (SUP 16.4.5R(4B)), then this question should be answered 'NA'.

3G Is the information being provided in a group organisation chart?

Answer 'Yes' or 'No' accordingly. This question must be answered if the answer to Question 3B is 'Yes'

If all the required information in this report is being provided in the form of an organisational chart, Questions 3H to 3P do not need to be completed.

The organisation chart must be provided in PDF format. However, we do not define the structure of the organisation chart and the firm/group may use whatever structure it already holds for its own purpose. This chart must show all the information required in Questions 3H to 3P and make it clear for what period the organisation chart is relevant.

An organisation chart can be attached to the report via GABRIEL once the report is in a 'Ready to Submit' status.

However, if the answer to this question is 'No', then the information in Questions 3H to 3P must be provided.

3H Name of controller

The name of the *controller* (up to a maximum of 100 characters)

3I % Voting power

The percentage of voting power in the firm or in the firm's parent undertaking, which it is entitled to exercise or control the exercise of, whether alone or acting in concert (to the nearest percentage).

3J % Shareholding

The percentage of shares in the firm, or in the firm's parent undertaking, which it holds, whether alone or acting in concert (to the nearest percentage)

3K Is the controller a body corporate or individual?

Please state whether the *controller* is a body corporate or an individual

3L If controller is a body corporate; country of incorporation

Please provide the country of incorporation using the relevant ISO country code if the controller is a body corporate.

A full list of the countries names and their relevant code elements can be found at:

http://www.iso.org/iso/country_codes/iso_3166_code_lists/country_names_and_code_elements.htm

3M If controller is a body corporate; address

Please provide the body corporate's address. If the body corporate is a foreign incorporated firm, then please provide the UK head office address (up to a maximum of 100 characters).

3N If controller is a body corporate; registered number

Please provide the body corporate's registered number. This is the unique company registration number for body corporates incorporated in the UK or equivalent number for overseas firms (up to a maximum of 20 characters).

3O If controller is an individual; date of birth

Please provide the individual's date of birth in dd/mm/yyyy format and between 18 and 115 years of age.

3P If controller is an individual; place of birth

Please provide the individual's place of birth by providing the town and country of birth. For example, London, England (up to a maximum of 100 characters).

16 Annex
35A **R** **Close Links Monthly Report**

REP001a Close Links Notification

Currency N/A

Currency Units N/A

Main Details

This section should be completed by all firms

- 1 Does this report cover close links relating to more than one authorised firm?
- 2 If Yes, list the firm reference numbers (FRNs) of all additional firms included in this report.
- 3 Does the firm/group have any close links?
- 4 If Yes, have there been any material changes, to the close links, for the firm/group since the last submission of the report?
- 5 Are you submitting a group organisation chart?

New and Existing Body Corporates

	A	B	C	D	E
6	Name of close link	Nature of close link	Country of incorporation	Address	Registered Number

New and Existing Individuals

	A	B	C	D
7	Name of close link	Nature of close link	Date of Birth	Place of Birth

Ceased Body Corporates

	A	B	C	D	E
8	Name of close link	Nature of close link	Country of incorporation	Address	Registered Number

Ceased Individuals

	A	B	C	D
9	Name of close link	Nature of close link	Date of Birth	Place of Birth

16 Annex R Close Links Annual Report
36A

REP001 Close Links Report

Currency N/A

Currency Units N/A

Main Details

This section should be completed by all firms

- 1 Does this report cover close links relating to more than one authorised firm?
- 2 If Yes, list the firm reference numbers (FRNs) of all additional firms included in this report.
- 3 Does the firm/group have any close links?
- 4 If Yes, have there been any material changes, to the close links, for the firm/group since the last submission of the report?
- 5 *Firms must provide an organisation chart unless no close links exist.*
 Are you submitting a group organisation chart?

Body Corporates

	A	B	C	D	E
6	Name of close link	Nature of close link	Country of incorporation	Address	Registered Number

Individuals

	A	B	C	D
7	Name of close link	Nature of close link	Date of Birth	Place of Birth

16 Annex R Controllers Report
37A

REP002 Controllers Report

Currency N/A Currency Units N/A

Main Details

This section should be completed by all firms

1 Does this report cover controllers relating to more than one authorised firm?

2 If Yes, list the firm reference numbers (FRNs) of all additional firms included in this report.

FRN

Firm/Controller Details

3 Firm Details

This section should be completed for the reporting firm and every firm listed in 2A.

A	B	C	D	E	F	G
Firm reference number (FRN)	Does the firm have any Controllers?	Are you aware of any changes in the identity of the controllers since the last submission?	Are you aware of any changes in the percentage of shares or voting power held by any controllers (alone or acting in concert) since the last submission?	Was appropriate regulatory approval sought and granted prior to the change(s) being effected?	If the firm is a member of a consolidation group, is this group a third-country banking and investment group?	Is the information being provided in a group organisation chart?
1						

Controller Details

If the answer to question 3G is No, please complete this section.

				If controller is a body corporate			If controller is an individual	
H	I	J	K	L	M	N	O	P
Name of Controller	% Voting power	% Shareholding	Is the controller a Body corporate or Individual?	Country of incorporation	Address	Registered Number	Date of Birth	Place of Birth

Number of Controllers to Add

--	--	--	--	--	--	--	--	--

Number of Firms to Add

**SUPERVISION MANUAL (REPORTING AND AUDIT REQUIREMENTS) (AMENDMENT)
INSTRUMENT 2013**

Powers exercised by the Board of the Prudential Regulation Authority (PRA)

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making power referred to above is specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

- E. The PRA amends the rules and guidance in the Supervision manual (SUP) in accordance with the Annex to this instrument.

Citation

- F. This instrument may be cited as the Supervision Manual (Reporting and Audit Requirements) (Amendment) Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex

Amendments to the Supervision manual (SUP)

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

**16 Annex
19AR** **Notes for completion of the Mortgage ~~Lending~~ Lenders & Administration
Administrators Return ('MLAR')**

...

**16 Annex
19BG** **Notes for completion of the Mortgage ~~Lending~~ Lenders & Administration
Administrators Return ('MLAR')**

...

5. Accounting conventions

...

However, information in respect of lending (eg balances, advances, interest rates, arrears etc.) to be reported in sections D, E, F, G, H and J of the return should not be fair-valued but should report the contractual position (ie as between lender and borrower).

All amounts should be shown in one of the reporting currencies accepted by the relevant platform provided by the FCA, unless otherwise specified in the Handbook.

...

9. Specific Items

...

(ii) Foreign currencies

~~Amounts in foreign currencies, including also any loans denominated in foreign currencies, should be translated into their equivalent sterling value using an appropriate rate of exchange at the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value used in the return. Thus all entries in the form represent sterling amounts. You should report in the currency of your annual audited accounts, where this is Sterling, Euro, US dollars, Canadian dollars, Swedish Kroner, Swiss Francs or Yen. Where annual audited accounts are reported in a currency outside those specified above, please translate these values into an equivalent within the list using an appropriate rate of exchange at the reporting date, or where appropriate, at the rates of exchange fixed under the terms of any relevant currency hedging transaction, and that value used in the return. Please report in 000's where stated on the return. Firms should apply the same accounting treatment as for their published accounts.~~

...

DESIGNATED INVESTMENT EXCHANGES INSTRUMENT 2013

Powers exercised by the Board of the Prudential Regulation Authority (PRA)

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (The PRA's general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 178 (Obligation to notify the appropriate regulator: acquisitions of control); and
 - (4) section 191D (Obligation to notify the appropriate regulator: dispositions of control).
- B. The rule-making power referred to above is specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority ("FCA")), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument shall come into force on [date].

Amendments to the Handbook

- E. The rules and directions in the modules of the PRA's Handbook listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Principles for Businesses (PRIN)	Annex B
Supervision manual (SUP)	Annex C

Citation

- F. This instrument may be cited as the Designated Investment Exchanges Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

Amendments to the Glossary of definitions

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

<i>custodian</i>	<p>(A) <u>(in the PRA Handbook)</u></p> <p>(a) <u>an approved bank;</u></p> <p>(b) <u>an approved depositary;</u></p> <p>(c) <u>a member of a recognised investment exchange;</u></p> <p>(d) <u>a firm whose permitted activities include safeguarding and administering investments;</u></p> <p>(e) <u>a regulated clearing firm;</u></p> <p>(f) <u>where it is feasible to use a custodian in (a) to (e), and there are reasonable grounds to show that a person outside the United Kingdom, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the client and in the client's best interest to use, that person.</u></p>
<i>exchange traded fund</i>	<p>a fund:</p> <p>(a) which is an open-ended investment company; and</p> <p>(b) the units of which are traded on a regulated market or a designated investment exchange. [deleted]</p>
<i>intermediate customer</i>	<p>(for the purposes only of COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):</p> <p>(1) (except in COB 3) a client who is not a market counterparty and who is:</p> <p>(a) a local authority or public authority;</p> <p>(b) a body corporate whose shares have been listed or admitted to trading on any EEA exchange;</p> <p>(c) a body corporate whose shares have been listed or admitted to trading on the primary board of any IOSCO member country official exchange;</p> <p>(d) a body corporate (including a limited liability partnership) which has (or any of whose holding companies or subsidiaries has) (or has had at any time during the previous two years) called up share capital or net assets of at least £5 million (or its equivalent in any other currency at the relevant time);</p> <p>(e) a special purpose vehicle;</p> <p>(f) a partnership or unincorporated association which has (or</p>

has had at any time during the previous two years) net assets of at least £5 million (or its equivalent in any other currency at the relevant time) and calculated in the case of a limited *partnership* without deducting loans owing to any of the *partners*;

- (g) a trustee of a trust (other than an *occupational pension scheme*, *SSAS*, *personal pension scheme* or *stakeholder pension scheme*) which has (or has had at any time during the previous two years) assets of at least £10 million (or its equivalent in any other currency at the relevant time) calculated by aggregating the value of the cash and *designated investments* forming part of the trust's assets, but before deducting its liabilities;
- (h) a trustee of an *occupational pension scheme* or *SSAS*, or a trustee or *operator* of a *personal pension scheme* or *stakeholder pension scheme* where the scheme has (or has had at any time during the previous two years):
 - (i) at least 50 members; and
 - (ii) assets under management of at least £10 million (or its equivalent in any other currency at the relevant time);
- (i) another *firm*, or an *overseas financial services institution*, when, in relation to *designated investment business*, or related *ancillary activities*, conducted with or for that *firm* or institution, that *firm* or institution is an *intermediate customer* in accordance with *COB 4.1.7R* (Classification of another firm or an overseas financial services institution);
- (j) *collective investment scheme*;
- (k) a *client* when he is classified as an *intermediate customer* in accordance with *COB 4.1.9R* (Expert *private customer* classified as intermediate customer);
- (l) a *recognised investment exchange*, *designated investment exchange*, *regulated market* or *clearing house*, except when it is classified as a *market counterparty* in accordance with *COB 4.1.8AR* (Classification of an exchange or clearing house);

but excluding:

- (i) [deleted]
 - (ii) a *client* who would otherwise be an *intermediate customer*, when he is classified in accordance with:
 - (A) *COB 4.1.12R* (Large intermediate customer classified as market counterparty); or
 - (B) (except for the purposes of *DISP*) *COB 4.1.14R* (Client classified as *private customer*)- [deleted]
- (2) (in *COB 3*) a *person* in (1) or a *person* who would be such a *person*

	if he were a <i>client</i> . <u>[deleted]</u>
<i>inter-professional business</i>	<p>the business of a firm:</p> <p>(a) when it carries on:</p> <p>(i) regulated activities; or</p> <p>(ii) related ancillary activities;</p> <p>to the extent that the regulated activity that the firm is carrying on is:</p> <p>(A) dealing in investments as principal; or</p> <p>(B) dealing in investments as agent; or</p> <p>(C) acting as an arranger; or</p> <p>(D) giving transaction-specific advice or agreeing to do so;</p> <p>but only if that activity is:</p> <p>(i) in or in respect of an inter-professional investment;</p> <p>(ii) undertaken with or for a eligible counterparty; and</p> <p>(iii) carried on from an establishment maintained by the firm in the United Kingdom;</p> <p>(b) but excluding the carrying on of the following activities:</p> <p>(i) the approval by a firm of a financial promotion;</p> <p>(ii) activities carried on between operators, or between operators and depositaries, of the same collective investment scheme (when acting in that capacity);</p> <p>(iii) corporate finance business;</p> <p>(iv) safeguarding and administering investments and agreeing to carry on that regulated activity;</p> <p>(v) concluding a distance contract with a consumer;</p> <p>(vi) activities relating to life policies;</p> <p>in this definition, the exclusion in article 15 of the Regulated Activities Order (Absence of holding out etc) is to be disregarded in determining whether dealing in investments as principal or agreeing to do so) is a regulated activity. <u>[deleted]</u></p>
<i>inter-professional investment</i>	<p>any of the following investments specified in Part III of the <i>Regulated Activities Order</i> (Specified Investments) or, in the case of <i>units</i> in an <i>exchange traded fund</i>, defined in the <i>Glossary</i>:</p> <p>(a) share (article 76);</p> <p>(b) debenture (article 77);</p>

- ~~(ba) alternative debenture (article 77A);~~
 - ~~(c) government and public security (article 78);~~
 - ~~(d) warrant (article 79);~~
 - ~~(e) certificate representing certain securities (article 80);~~
 - ~~(f) 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 *option on a commodity future*;~~~~
 - ~~(g) 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*;~~~~
 - ~~(h) 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*;~~~~
 - ~~(i) rights to or interests in investments in (a) to (h) (article 89)~~
 - ~~(j) units in an exchange traded fund. [deleted]~~
- market counterparty (for the purposes only of COBS TP 1 (Transitional Provisions in relation to Client Categorisation));
- (1) (except in COB 3) a *client* who is:
 - (a) a properly constituted government (including a quasi-governmental body or a government agency) of any country or territory;
 - (b) a central bank or other national monetary authority of any country or territory;
 - (c) a supranational whose members are either countries or central banks or national monetary authorities;
 - (d) a State investment body, or a body charged with, or intervening in, the management of the public debt;

- (e) ~~another firm, or an overseas financial services institution, except in relation to designated investment business, and related ancillary activities, conducted with or for that firm or institution, when that firm or institution is an intermediate customer in accordance with COB 4.1.7 R (Classification of another firm or an overseas financial services institution);~~
- (f) ~~any associate of a firm (except an OPS firm), or of an overseas financial services institution, if the firm or institution consents;~~
- (g) ~~a client when he is classified as a market counterparty in accordance with COB 4.1.12R (Large intermediate customer classified as a market counterparty);~~
- (h) ~~a recognised investment exchange, designated investment exchange, regulated market or clearing house when it is classified as a market counterparty in accordance with COB 4.1.8AR (Classification of an exchange or clearing house);~~

but excluding:

- (A) ~~a regulated collective investment scheme; and~~
 - (B) ~~(except for the purposes of DISP) a client, who would otherwise be a market counterparty, when he is classified as a private customer in accordance with COB 4.1.14R (Client classified as private customer). [deleted]~~
- (2) ~~(in COB 3) a person in (1) or a person who would be such a person if he were a client. [deleted]~~

...

private customer

~~(for the purposes only of COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):~~

- (1) ~~(except in COB 3, COB 4.2 and COB 6.4) subject to (h), a client who is not a market counterparty or an intermediate customer, including~~
 - (a) ~~an individual who is not a firm;~~
 - (b) ~~an overseas individual who is not an overseas financial services institution;~~
 - (c) ~~[deleted]~~
 - (d) ~~(except for the purposes of DISP) a client when he is classified as a private customer in accordance with COB 4.1.14R (Client classified as a private customer);~~
 - (e) ~~a person to whom a firm gives basic advice;~~
 - (f) ~~(in COB 6.1 to 6.5) where the regulated activity (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is no registered contact, the person to whom the⁹⁹ statement must be sent in accordance~~

with Regulation 10 of the *CTF Regulations*

- (g) ~~(in COB 6.7) where the regulated activity (except for a personal recommendation relating to a contribution to a CTF) relates to a CTF and there is no registered contact, the child, via the person to whom the statement must be sent in accordance with Regulation 10 of the CTF Regulations;~~
- (h) ~~a client who would otherwise be excluded as a market counterparty or intermediate customer if the client is within (e), (f) or (g);~~

~~but excluding a client, who would otherwise be a private customer:~~

- (i) ~~when he is classified as an intermediate customer in accordance with COB 4.1.9R (Expert private customer classified as an intermediate customer); or~~
 - (ii) ~~when the regulated activity relates to a CTF, any person other than (e), (f), (g) or (h).~~
- (2) ~~(in COB 3) a person in (1) or a person excluded under (1)(h)(ii) or a person who would be such a person if he were a client. (in COB 4.2 and 6.1 to 6.5) a person in (1) and, in relation to the conclusion of a distance contract, a consumer.~~
 - (3) ~~(in COB 4.2 and 6.1 to 6.5) a person in (1) and, in relation to the conclusion of a distance contract, a consumer. [deleted]~~

Annex B
Amendments to the Principles for Businesses (PRIN)

In this Annex, striking through indicates deleted text.

TP 1.1

	Material to which the transitional provision applies		Transitional Provision	Transitional Provision: dates in force	Handbook provision: coming into force
1.	PRIN 1 Annex 1 R 1.2(2) [deleted]	R	A firm need not comply with PRIN Ann 1R 1.2(2) in relation to an eligible counterparty if the client was correctly categorised as a market counterparty on 31 October 2007 and the firm complied with COB 4.1.12R(2) (Large intermediate customer classified as market counterparty). [deleted]	From 1 November 2007 indefinitely	1 November 2007

Annex C
Amendments to the Supervision manual (SUP)

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

11.3 Requirements on controllers or proposed controllers under the Act

...

Pre-notification and approval for fund managers

...

11.3.5B D The *appropriate regulator* may treat as notice given in accordance with sections 178 and 191D of the *Act* a written notification from a *firm* which contains the following statements:

- (1) that the *firm* proposes to acquire and/or dispose of *control*, on one or more occasions, of any *UK domestic firm* whose *shares* or those of its ultimate *parent undertaking* are, at the time of the acquisition or disposal of *control*, listed, or which are traded or admitted to listing trading on a ~~designated investment exchange~~ MTF or a market operated by a ROIE;

...

...

**PRUDENTIAL REPORTING REQUIREMENTS FOR INSURERS (AMENDMENT) INSTRUMENT
2013**

Powers exercised

- A. The Prudential Regulation Authority (“the PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making power referred to above is specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

- E. The Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC)) is amended in accordance with Annex A to this Instrument.
- F. The Interim Prudential sourcebook for Insurers (IPRU(INS)) is amended in accordance with Annex B to this Instrument.

Citation

- G. This instrument may be cited as the Prudential Reporting Requirements for Insurers (Amendment) Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

Amendments to the Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))

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

Chapter 5: Prudential Reporting

ANNUAL ACTUARIAL INVESTIGATION

- 5.1 (1) ...
- (2) ...
- (a) ...
- (b) deposit ~~three copies~~ one copy of that abstract with the *PRA* within 6 months of the end of the *financial year* to which it relates,
- ~~and one of these copies~~ the copy must be signed as required by rule 5.12-
~~The copies must be~~ and sent to Insurance Returns, Regulatory Data Group, Statistics and Regulatory Data Division (HO5 A-B), Bank of England, Threadneedle Street, London EC2R 8AH (and must not be addressed to the *friendly society's* normal supervisory contact).

...

TRIENNIAL ACTUARIAL INVESTIGATION

- 5.2 (1) ...
- (a) ...
- (b) ...
- (1A) ...
- (2) ...
- (a) ...
- (b) deposit ~~three copies~~ one copy of that abstract with the *PRA* within 6 months of the end of the *period* to which it relates,
- ~~and one of these copies~~ the copy must be signed as required by rule 5.20-
~~The copies must be~~ and sent to Insurance Returns, Regulatory Data Group, Statistics and Regulatory Data Division (HO5 A-B), Bank of England, Threadneedle Street, London EC2R 8AH (and must not be addressed to the *friendly society's* normal supervisory contact).

Correction of abstracts

- 5.3 (1) ...

- (2) ~~One of the copies~~ The documents referred to in (1) must be signed –
- (a) ...
 - (b) ...
 - (c) ...

Annex B

Amendments to the Interim Prudential sourcebook for Insurers (IPRU(INS))

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

...

Deposit of accounts etc. with the PRA

- 9.6 (1) ~~Every~~ One copy of every 'account', 'balance sheet', abstract or statement required by rules 9.3, 9.3A, 9.4 and 9.36A and any report of the auditor of the *insurer* made in pursuance of rules 9.5 or 9.36E must be ~~printed, and the 'required copies'~~ deposited with the PRA within the periods set out in the table below.
- ...
- (2) ~~In (1), the reference to the required copies is to—~~
- (a) ~~five printed copies of the document; or~~
- (b) ~~one printed copy of the document and one of it~~ Where documents are submitted in an electronic form which may be they must be submitted in pdf format as well as in a form which is capable of being readily used or translated by the PRA and sent by email to InsuranceData@bankofengland.co.uk. The title of the email must be: <firm name> PRA returns <dd/mm/yyyy>.
- (c) ~~The~~ Where documents are submitted in printed copies form they must be sent to Insurance Returns, The Prudential Regulation Authority, 20 Moorgate, London, EC2R 6DA Regulatory Data Group, Statistics and Regulatory Division (HO5 A - B), Bank of England, Threadneedle Street, London, EC2R 8AH (and must not be addressed to the *insurer's* normal supervisory contact).
- (d) ~~Where documents are sent in electronic form the~~ The title of the email must be: <firm name> PRA returns <dd/mm/yyyy>.
- (e) ~~If documents deposited under (1) are in electronic form, except scanned documents containing signatures in (3) and (4), they must be created directly from the word processing or spread sheet software and not by scanning a printed copy.~~
- (3) ~~In the case of any document deposited under (1), except an auditor's report, one of the printed copies, or, as the case may be, the printed copy, of the document must be signed in accordance with rule 9.33.~~
- If the Certificate by Directors, deposited under (1), is submitted electronically, the signed document must be scanned and sent as a separate pdf attachment.
- (4) ~~In the case of any If the auditor's report deposited under (1), one of the printed copies, or, as the case may be, the printed copy, of the document~~

~~must be signed by the auditor.~~ is submitted electronically, the signed document must be scanned and sent as a separate pdf attachment.

- (5) ...
- (6) There must be deposited with every revenue 'account' and 'balance sheet' of an *insurer* any statement or report on the affairs of the *insurer* made or submitted:
- (a) to the *insurer's* shareholders or *policyholders*; or
- (b) to the *insurer's with-profits policyholders* under COBS 20.4.7R or SUP 4.3.16AR(4) of the *FCA Handbook*,

in respect of the *financial year* to which the 'account' and 'balance sheet' relate.

The *insurer* may either send a printed copy or an electronic copy of these reports. The requirements in (2) above as to postal address, email address and email title apply. The title of the emails should be <firm name>report and statements<dd/mm/yyyy>, or <firm name>statements to with-profits policyholders<dd/mm/yyyy>.

Insurance statistics: EEA States

- 9.37
- (1) ...
- (2) ...
- (3) ...
- (4) The statements required by this rule must be ~~printed, and three copies must be~~ deposited with the *PRA* within four months after the end of the calendar year to which they relate; but if in any case it appears to the *PRA* that the circumstances are such that a longer period than four months should be allowed, the *PRA* may extend that period by such period not exceeding three months as it thinks fit. If the due date for deposit of documents required by this rule falls on a day which is not a *business day*, the documents must be submitted no later than the first *business day* after the due date. If the statements required by this rule are sent electronically the title of the email should be <firm name> EEA forms<dd/mm/yyyy.pdf>.
- (5) ~~One of the copies of the~~ The statement deposited under (4) must be signed by a *director*, a chief executive or the secretary of the *insurer*. If the statement is deposited in electronic form a scanned copy of the signature page of the report must be sent as a separate attachment to the email.
- ...
- 9.42
- (1) ...
- (2) ...
- (3) ...
- (a) ...

(b) ...

The insurer must send one printed copy ~~and~~ or one electronic copy to the appropriate addresses set out in rule 9.6(2) above. The electronic copy must be sent by email and the title of the email must be:

<firm name> group capital adequacy <dd/mm/yyyy>.

(4) ...

(a) ...

(b) ...

The *insurer* must send one printed copy ~~and~~ or one electronic copy to the appropriate addresses set out in rule 9.6(2) above. The electronic copy must be sent by email and the title of the email must be:

<firm name> group capital adequacy <dd/mm/yyyy>.

9.44

(1) ...

(2) ...

(3) An *insurer* must deposit a printed copy of the report with the *PRA* within 2 months and 15 days of the *financial year* end ~~unless, in addition to depositing a printed copy, an insurer also deposits~~ or an electronic a ~~printed copy, then the period for deposit is~~ within 3 months of the *financial year* end. The copies must be sent to the appropriate addresses set out in rule 9.6(2) above.

...

(4) The ~~printed copy signature page~~ of the report must be signed by the persons described in *IPRU(INS)* 9.33(1). If the report is submitted in electronic form, a scanned copy of the signature page must be sent as a separate attachment to the email.

(5) ~~The~~ If the electronic copy of the report deposited under (3) above ~~must be is sent electronically in an electronic form which may it must be in a form~~ which may be readily used or translated by the *PRA* and must be sent by email to the appropriate address set out in rule 9.6(2) above. The title of the email must be:

<firm name> Form ECR1 <dd/mm/yyyy>.

...

**COMPENSATION SOURCEBOOK (LARGE UNINCORPORATED ASSOCIATIONS) INSTRUMENT
2013**

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers); and
 - (3) section 213 (The compensation scheme).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.
- C. The PRA makes this instrument in accordance with section 213(1A) of the Act and the Financial Services and Markets Act 2000 (Financial Services Compensation Scheme) Order 2013, SI 2013/598.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

- E. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- F. The Compensation sourcebook (COMP) is amended in accordance with the Annex B to this instrument.

Citation

- G. This instrument may be cited as the Compensation Sourcebook (Large unincorporated associations) Instrument 2013.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Glossary of definitions

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

- | | |
|---------------------------------|--|
| <i>large mutual association</i> | <p>(1) <u>(in COMP), an unincorporated</u> a mutual association or <u>an unincorporated association (which is not a mutual association)</u> with net assets of more than £1.4 million (or its equivalent in any currency at the relevant time).</p> <p>(2) <u>(except in COMP), 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).</u></p> |
| ... | |
| <i>large partnership</i> | <p>(1) <u>(in COMP), a partnership</u> 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>(2) <u>(except in COMP), a partnership or unincorporated association with net assets of more than £1.4 million (or its equivalent in any other currency at the relevant time).</u></p> |

Annex B

Amendments to the Compensation sourcebook (COMP)

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

4.2 Who is eligible to benefit from the protection provided by the FSCS?

...

4.2.2 R Table COMP 4.2.2R Persons not eligible to claim unless COMP 4.3 applies (see COMP 4.2.1R)

...

(13) *Large companies or ~~large mutual associations~~*

...

(19) *Large mutual associations*

...

4.3 Exceptions: Circumstances where a person coming within COMP 4.2.2R may receive compensation

4.3.1 R A *person* is eligible to claim compensation in respect of a *protected deposit* or a *protected dormant account* if, at the date on which the *relevant person* is determined to be *in default*:

- (1) he came within category (14) of COMP 4.2.2R; or
- (2) he came within any of categories (1)-(3), (7) or (12) of COMP 4.2.2R, and was not a *large company*, ~~*large mutual association*~~ or a *credit institution*; or
- (3) he was a *credit union*; or
- (4) he came within category (19) of COMP 4.2.2R.

...

TP1.1 Transitional Provisions Table

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook Provisions: coming into force
...					
35 [PRA]	<u>Amendments introduced by the Compensation Sourcebook (Large unincorporated associations) Instrument 2013</u>	R	<u>The changes referred to in (2) do not apply in relation to a <i>claim</i> against a <i>relevant person</i> that was <i>in default</i> before [insert commencement date of instrument].</u>	<u>From [insert commencement date of instrument] indefinitely</u>	<u>From [insert commencement date of instrument]</u>

PRA RULEBOOK RELATED PARTIES INSTRUMENT 2013

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (the PRA’s general rules); and
 - (2) section 137T (general supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook Related Parties Instrument 2013

- D. The PRA makes the rules in Annex A and Annex B to this instrument.

Commencement

- E. The Annexes to this instrument comes into force on [date].

Citation

- F. This instrument may be cited as the PRA Rulebook Related Parties Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

PRA RULEBOOK – GLOSSARY

In this Annex insert the following new definitions:

accepting deposits

means the regulated activity specified in article 5 of the *Regulated Activities Order* (Accepting deposits).

affiliated company

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

body corporate

means any body corporate including a body corporate constituted under the law of a country or territory outside the *United Kingdom*.

director

means (in relation to any of the following (whether constituted in the *United Kingdom* or under the law of a country or territory outside it)):

(a) an unincorporated association;

(b) a *body corporate*;

any *person* appointed to direct its affairs, including a *person* who is a member of its *governing body* and (in accordance with section 417(1) *FSMA*):

(i) a *person* occupying in relation to it the position of a director (by whatever name called);
and

(ii) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the directors of that body are accustomed to act.

FCA

means the Financial Conduct Authority.

governing body

means the board of *directors*, committee of management or other governing body of an unincorporated association or *body corporate*.

incoming firm

means an incoming firm within the meaning of section 193 *FSMA*.

management body

means a *firm's* body or bodies, which are appointed in accordance with national law, which are empowered to set the *firm's* strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the *persons* who effectively direct the business of the *firm*.

overseas firm

means a *firm* which has its registered office (or, if it has no registered office, its head office) outside the *United Kingdom*.

Part 4A permission

means a permission given by the *FCA* or *PRA* under Part 4A of *FSMA* (Permission to carry on regulated activities), or having effect as if so given.

Regulated Activities Order

means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544).

senior management

means those natural *persons* who exercise executive functions within a *firm* and who are responsible, and accountable to the *management body*, for the day-to-day management of the *firm*.

undertaking

means an undertaking within the meaning of section 1161(1) of the Companies Act 2006 (meaning of “undertaking” and related expressions).

Annex B

Part

RELATED PARTY TRANSACTION RISK

Chapter content

1. APPLICATION
2. RELATED PARTY TRANSACTION RISK

Links

1 APPLICATION

1.1 This Part applies to:

- (1) a *UK bank*;
- (2) a *building society*; and
- (3) an *overseas firm* which is not an *incoming firm* and which has a *Part 4A permission* which includes *accepting deposits*.

1.2 In this Part the following definitions shall apply:

close family member

means in relation to a natural *person* ("A"):

- (a) A's spouse or civil partner;
- (b) any other *person* with whom A lives as partner in an enduring family relationship;
- (c) A's children or step-children;
- (d) any children or step-children of a *person* within (b) (and who are not children or step-children of A) who live with A and have not attained the age of 18; and
- (e) A's parents.

related parties

means in relation to a *firm*:

- (a) any *person* that it *controls*;
- (b) its *affiliated companies*;
- (c) its and its *affiliated companies' controllers*;
- (d) its and its *affiliated companies' directors*;
- (e) its and its *affiliated companies' senior management*;
- (f) its and its *affiliated companies' key employees*;
- (g) *close family members* of any natural *person* listed in (a) to (f) above;
- (h) direct and related interests of any *person* listed in (a) to (g) above; and
- (i) any *person* that would fall into (a) to (h) above after the relevant *transaction* has occurred.

transaction

means any transaction or arrangement including:

- (a) any arrangement or circumstance that gives rise to or varies an on-balance sheet or off-balance sheet asset or liability (whether contingent or otherwise);

- (b) dealings such as service contracts, asset acquisitions and disposals, construction contracts, lease agreements, derivative transactions, borrowings and write-offs.

2 RELATED PARTY TRANSACTION RISK

Related party transaction risk

- 2.1 A *firm* must enter into *transactions* with *related parties* at market value or on terms no more favourable than would be agreed if the *transaction* was not with a *related party*.
- 2.2 Rule 2.1 does not apply to beneficial terms that are part of an overall remuneration package such as favourable interest rates for employee loans.
- 2.3 A *firm* must establish, implement and maintain effective policies and procedures to identify, evaluate and manage risks arising out of *transactions* with its *related parties*.
- 2.4 In meeting rule 2.3, a *firm's* policies and procedures on *related party transactions* must:
- (1) prevent a *related party* from taking part in the *firm's* decision making process in relation to any *transactions* with that *related party*;
 - (2) set a materiality threshold above which *transactions* with *related parties* receive prior approval from the *firm's management body*;
 - (3) ensure that the *firm* records and monitors the details and amounts of any *related party transactions* using an independent credit review or audit process; and
 - (4) only permit exceptions to those policies and procedures if reported to the *firm's senior management* or *management body* as appropriate.
- 2.5 A *firm* must provide the *PRA* with details on aggregate exposures to *related parties* if requested by the *PRA*. The details must be provided by the date set by the *PRA* at the time of the request.

**CAPITAL REQUIREMENTS DIRECTIVE IV (CONSEQUENTIAL AMENDMENTS)
INSTRUMENT 2013**

Powers exercised

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D (Actions for damages);
 - (4) section 213 (The compensation scheme); and
 - (5) paragraph 31 (Fees) of schedule 1ZB (The Prudential Regulation Authority).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the PRA Handbook

- E. The modules of the PRA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes in this instrument listed in column (2) below.

(1)	(2)
Glossary of definitions	Annex A
Principles for Businesses (PRIN)	Annex B
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex C
General Provisions (GEN)	Annex D
Fees manual (FEES)	Annex E
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex F
Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))	Annex G
Interim Prudential sourcebook for Investment Businesses (IPRU(INV))	Annex H
Supervision manual (SUP)	Annex I
Compensation sourcebook (COMP)	Annex J
Credit Unions New sourcebook (CREDS)	Annex K

Notes

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

Citation

- G. This instrument may be cited as the Capital Requirements Directive IV (Consequential Amendments) Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

Amendments to the Glossary of definitions

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

Amend the following definitions as shown.

<i>AMA permission</i>	an <i>Article 129 implementing measure</i> , a <i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or an institution a <u><i>CAD investment firm</i></u> to use the <i>advanced measurement approach</i> to <i>operational risk</i> on a solo basis or, if the context requires, a consolidated basis.
<i>approved credit institution</i>	a <i>credit institution</i> recognised or permitted under the law of an <i>EEA State</i> to carry on any of the activities set out in Annex 1 to the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> .
<i>Branch</i>	(a) (in relation to a <i>credit institution</i>): <ul style="list-style-type: none"> (i) ... (ii) for the purposes of the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> and in accordance with article 38 of the <u><i>CRD</i></u>, any number of places of business set up in the same <i>EEA State</i> by a <i>credit institution</i> with headquarters in another <i>EEA State</i> are to be regarded as a single <i>branch</i>; <p>...</p>
<i>capital resources gearing rules</i>	(1) ... <ul style="list-style-type: none"> (2) (in relation to a bank or building society) GENPRU 2.2.29R, GENPRU 2.2.30R, GENPRU 2.2.46R and GENPRU 2.2.49R. [deleted] (3) (in relation to a BIPRU investment firm) GENPRU 2.2.30R, GENPRU 2.2.46R and GENPRU 2.2.49R and GENPRU 2.2.50R. [deleted]
<i>capital resources table</i>	(in relation to an <i>insurer</i> or <i>BIPRU firm</i>) the table specified in <i>GENPRU 2.2.19R</i> (Applicable capital resources calculation) which in summary is as follows: <ul style="list-style-type: none"> (1) (in the case of an <i>insurer</i>) <i>GENPRU 2 Annex 1R</i>; <u>and</u> (2) (in the case of a bank) GENPRU 2 Annex 2R; [deleted] (3) (in the case of a building society) GENPRU 2 Annex 3R; and [deleted] (4) (in relation to a BIPRU investment firm) whichever of the tables in GENPRU 2 Annex 4R, GENPRU 2 Annex 5R or GENPRU 2 Annex 6R applies to the firm under GENPRU 2.2.19R. [deleted]
<i>CCR internal model method</i>	an <i>Article 129 implementing measure</i> , <i>Article 129 permission</i> , a

<i>permission</i>	<i>requirement</i> or a <i>waiver</i> that requires a <i>BIPRU firm</i> or an institution a <u>CAD investment firm</u> to use the <i>CCR internal model method</i> .
<i>common platform firm</i>	a <i>firm</i> that is: <ul style="list-style-type: none"> (a) a <i>BIPRU firm</i>; or <u>(aa) a bank; or</u> <u>(ab) a building society; or</u> <u>(ac) a designated investment firm; or</u> <u>(ad) an IFPRU investment firm; or</u> <p>...</p>
<i>consolidation group</i>	<u>(1)</u> the following: <p>...</p> <p><u>(2)</u> <u>(in SYSC) the undertakings included in the scope of prudential consolidation to the extent and in the manner prescribed in Part One, Title II, Chapter 2, Sections 2 and 3 of the EU CRR and IFPRU 8.1.3R to IFPRU 8.1.4R (Prudential consolidation) for which the FCA is the consolidating supervisor under [article 111 of the CRD].</u></p>
<i>consumer</i>	... <p>(D) (for the purposes of (2A)(b)):</p> <p>(a) "credit institution" means:</p> <p style="padding-left: 40px;">(i) a credit institution authorised under the banking consolidation directive <u>CRD</u>; or</p> <p>...</p>
<i>covered bond</i>	... <p>(2) (in accordance with point 68 of Part 1 of Annex VI of the <i>Banking Consolidation Directive</i> (Exposures in the form of covered bonds) and for the purposes of the IRB approach or the <i>standardised approach</i> to credit risk <u>in BIPRU</u>) a covered bond as defined in (1) collateralised in accordance with <i>BIPRU</i> 3.4.107R (Exposures in the form of covered bonds).</p> <p>...</p>
<i>CRD implementation measure</i>	(in relation to a <i>person</i> and for the purposes of <i>GENPRU</i> and <i>BIPRU</i> (except in <i>GENPRU</i> 3), a provision of the <i>Banking Consolidation Directive</i> or the <i>Capital Adequacy Directive</i> and an <i>EEA State</i> other than the <i>United Kingdom</i>) a measure implementing that provision of that Directive for that type of <i>person</i> in that <i>EEA State</i> .
<i>credit institution</i>	(1) (except in <i>REC</i>) (in accordance with articles 4(1) and 107

of the ~~BCD~~):

- (a) ~~an undertaking whose business is to receive deposits and other repayable funds from the public and to grant credits for its own account has the meaning in article 4(1)(1) of the *EU CRR*; or~~
- (b) [deleted]
- (c) [deleted]
- (d) ~~for the purpose of *BIPRU 10* (Large exposures requirements) it means:~~
 - (i) ~~a credit institution defined by (1)(a) to (1)(b) that has been authorised in an *EEA State*; or~~
 - (ii) ~~any private or public undertaking which meets the definition in (1)(a)–1(b) and which has been authorised in a *non-EEA State*. [deleted]~~

~~(see also *BCD credit institution*, *full credit institution*, *full BCD credit institution* and *Zone A credit institution*.)~~

- (2) (in *REC*) and in *SUP 11* (Controllers and close links and *SUP 16* (Reporting requirements)):
 - (a) a credit institution authorised under the ~~*Banking Consolidation Directive*~~ *CRD*;
 - (b) an institution which would satisfy the requirements for authorisation as a credit institution under the ~~*Banking Consolidation Directive*~~ *CRD* if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*.
- (3) (in relation to the definition of *electronic money issuer*) a credit institution as defined by (1)(a) and includes a branch of the credit institution within the meaning of ~~Article 4(3) of the *Banking Consolidation Directive*~~ article 4(1)(17) of the *EU CRR* which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with ~~Article 38 of the *Banking Consolidation Directive*~~ article 47 of the *CRD*.

DGD claim

a *claim*, in relation to a *protected deposit*, against a ~~*BCD*~~ *CRD credit institution*, whether established in the *United Kingdom* or in another *EEA State*.

DLG by default

...

For these purposes:

- (iii) *credit institution* has the meaning used in *SUP 16*

(Reporting requirements), namely either of the following:

- (A) a credit institution authorised under the ~~Banking Consolidation Directive~~ CRD; or
- (B) an institution which would satisfy the requirements for authorisation as a credit institution under the ~~Banking Consolidation Directive~~ CRD if it had its registered office (or if it does not have a registered office, its head office) in an *EEA State*; and

...

EEA bank

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

EEA firm

(in accordance with paragraph 5 of Schedule 3 to the Act (EEA Passport Rights)) any of the following, if it does not have its relevant office in the *United Kingdom*:

...

- (b) a *credit institution* (as defined in article 4(1)(1) of the ~~Banking Consolidation Directive~~ EU CRR);
- (c) a financial institution (as defined in article 4(5)(1)(26) of the ~~Banking Consolidation Directive~~ EU CRR) which is a subsidiary of the kind mentioned in article 24 34 of the CRD and which fulfils the conditions in articles 23 33 and 24 34;

...

fee-paying electronic money issuer

any of the following when they issue *electronic money*:

...

- (d) a *full credit institution*, including a branch of the *full credit institution* within the meaning of article 4(3) (17) of the ~~BCD~~ EU CRR which is situated within the *EEA* and which has its head office in a territory outside the *EEA* in accordance with article 38 47 of the ~~BCD~~ EU CRR;

...

fixed overheads requirement

- (1) (except in *IPRU(INV)* and for the purposes of *GENPRU* (except in *GENPRU 3*) and *BIPRU* (except in *BIPRU 12*)) the part of the *capital resources requirement* calculated in accordance with *GENPRU 2.1.53R* (Calculation of the fixed overheads requirement).

...

full ~~BCD~~ CRD credit institution

a ~~BCD~~ CRD credit institution that falls within paragraph (1)(a) of the definition of *credit institution*.

Home State

- (1) (in relation to a *credit institution*) the *EEA State* in which the *credit institution* has been authorised in accordance with the ~~Banking Consolidation Directive~~ CRD.

	...
<i>Institution</i>	<p>(1) (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 has the meaning in article 4(1)(3) of the EU CRR).</p> <p>(2) (for the purposes of GENPRU and BIPRU) includes a CAD investment firm.</p>
<i>Investment firm</i>	...
<i>investment management firm</i>	<p>(5) (in SYSC 19A) a firm in (3) except for a BIPRU firm</p> <p>(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 IFPRU investment firm, BIPRU 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):</p> <p>...</p>
<i>IRB permission</i>	an Article 129 implementing measure , a requirement or a waiver that requires a BIPRU firm or an institution a CAD investment firm to use the IRB approach .
<i>listed activity</i>	an activity listed in Annex 1 to the Banking Consolidation Directive CRD .
<i>MiFID investment firm</i>	<p>...</p> <p>(in full) a firm which is:</p> <p>...</p> <p>(2) a BCD CRD credit institution (only when providing an investment service or activity in relation to the rules implementing the Articles referred to in Article 1(2) of MiFID);</p> <p>...</p>
<i>mixed-activity holding company</i>	<p>one of the following:</p> <p>(a) (in accordance with Article 4(20) of the Banking Consolidation Directive (Definitions)) a parent undertaking, other than a financial mixed-activity holding company, a credit institution or a mixed financial holding company, the subsidiary undertakings of which include at least one credit</p>

~~institution; or~~

- (b) ~~(in accordance with Articles 2(2) and 37(1) of the *Capital Adequacy Directive* (Supervision on a consolidated basis) and in relation to a *banking* and investment group without any *credit institutions* in it) a *parent undertaking*, other than a *financial holding company*, an *investment firm* or a *mixed financial holding company*, the *subsidiary undertakings* of which include at least one *investment firm*.~~

has the meaning given to the definition of “mixed activity holding company” in article 4(1)(22) of the *EU CRR*.

multilateral development bank

...

- (b) ~~for the purposes of the *standardised approach* to credit risk the following are considered to be a *multilateral development bank*: [deleted]~~

...

operational risk

...

- (2) ~~(except in *COLL* and *FUND* in *GENPRU* (except *GENPRU 3* (Cross sector groups) and *BIPRU* (except *BIPRU 12* (Liquidity Standards))) in accordance with Article 4(22) of the *Banking Consolidation Directive*) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.~~

- (3) (in *GENPRU 3*, *IFPRU*, and *BIPRU 12*) has the meaning in Article 4(1)(52) of the *EU CRR*.

option

...

but so that for the purposes of calculating capital requirements for *BIPRU firms* and ~~*BIPRU-10* (Large exposures requirements)~~ it also includes any of the items listed in the table in *BIPRU 7.6.18R* (Option PRR: methods for different types of option) and any case settled option.

own funds

- (1) (in *GENPRU* (except *GENPRU 3* (Cross sector groups) and *BIPRU* (except *BIPRU 12* (Liquidity standards))) own funds described in articles 56 to 57 of the *Banking Consolidation Directive*.

...

- (5) (in *IFPRU*) has the meaning in article 4(1)(118) of the *EU CRR*.

parent financial holding company in a Member State

- (1) (in *GENPRU* (except *GENPRU 3*) and *BIPRU* (except *BIPRU 12*)) (in accordance with Article 4(15) of the *Banking Consolidation Directive* (Definitions) and Article 3 of the *Capital Adequacy Directive* (Definitions)) a *financial holding company* which is not itself a *subsidiary undertaking* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* established in the same *EEA State*.

	(2)	<u>(except in (1)) has the meaning in article 4(1)(30) of the CRR.</u>
parent institution in a Member State	(1)	<u>(in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) (in accordance with Article 4(14) of the Banking Consolidation Directive and Article 3 of the Capital Adequacy Directive (Definitions)) an institution which has an institution or a financial institution as a subsidiary undertaking or which holds a participation in such an institution, and which is not itself a subsidiary undertaking of another institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company established in the same EEA State.</u>
	(2)	<u>(except in (1)) has the meaning in article 4(1)(28) of the CRR.</u>
parent mixed financial holding company in a Member State	(1)	<u>(in GENPRU (except GENPRU 3) and BIPRU (except BIPRU 12)) (in accordance with Article 4(15a) of the Banking Consolidation Directive (Definitions)) a mixed financial holding company which is not itself a subsidiary undertaking of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company established in the same EEA State.</u>
	(2)	<u>(except in (1)) has the meaning in article 4(1)(32) of the CRR.</u>
parent undertaking	(1)	... (c) for the purposes of <u>BIPRU (except BIPRU 12)</u> , <u>GENPRU (except GENPRU 3)</u> and <u>INSPRU</u> as they apply on a consolidated basis, for the purposes of BIPRU 10 (Large exposures requirements) and for the purposes of SYSC 12 (Group risk systems and controls requirement) and SYSC 49A <u>19C</u> (Remuneration Code for <u>BIPRU firms</u>) and in relation to whether an <i>undertaking</i> is a <i>parent undertaking</i>) an <i>undertaking</i> which has the following relationship to another <i>undertaking</i> ("S"):
	(3)	<u>(for the purposes of GENPRU 3, BIPRU 12, IFPRU and SYSC 19A (Remuneration Code)) has the meaning in article 4(1)(15) of the CRR.</u>
Participation	(1)	<u>(for the purposes of UPRU and GENPRU (except GENPRU 3) and for the purposes of BIPRU (except BIPRU 12) and INSPRU as they apply on a consolidated basis):</u> ...
	(2)	<u>(except in (1)) has the meaning in article 4(1)(35) of the EU CRR.</u>

<i>permanent interest bearing shares</i>	any shares of a class defined as deferred shares for the purposes of section 119 of the Building Societies Act 1986 which are issued as permanent interest bearing shares and on terms which qualify them as own funds for the purposes of the Banking Consolidation Directive <u>EU CRR</u> .
<i>personal investment firm</i>	(subject to BIPRU TP 1 (Revised definition of personal investment firm for certain transitional purposes)) a firm whose permitted activities include <i>designated investment business</i> , which is not an authorised professional firm, bank, BIPRU <u>IFPRU investment firm</u> , <u>BIPRU firm</u> , building society, collective portfolio management firm, credit union, energy market participant, 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 (Securities and futures firms) or 5 (Investment management firms), and which is within (a), (b) or (c): ...
<i>recognised third country investment firm</i>	a CAD investment firm that satisfies the following conditions: ... (d) that investment firm is subject to and complies with prudential rules of or administered by that <i>third country competent authority</i> that are at least as stringent as those laid down in the EEA prudential sectoral legislation for the investment services sector <u>Banking Consolidation Directive</u> and the <u>Capital Adequacy Directive</u> as applied under the third paragraph of article 95(2) of the <u>EU CRR</u> .
<i>regulatory system</i>	the arrangements for regulating a firm or other person in or under the Act, including the <i>threshold conditions</i> , the <i>Principles</i> and other rules, the <i>Statements of Principle</i> , codes and guidance 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 MiFID Regulation <u>and the EU CRR</u> .
<i>remuneration</i>	any form of remuneration, including salaries, <i>discretionary pension benefits</i> and benefits of any kind. [Note: paragraph 23 of Annex V to the Banking Consolidation Directive <u>article 92(2) of CRD</u>]
<i>Remuneration Code staff</i>	(for a <u>BIPRU CRR firm</u> and a third country BIPRU firm <u>an overseas firm</u> in SYSC 19A1.1.1R(1)(f)) has the meaning given in SYSC 19A.3.4 R. ...
<i>securities and futures firm</i>	(subject to BIPRU TP 1 (Revised definition of securities and futures firm for certain transitional purposes)) a firm whose permitted activities include <i>designated investment business</i> or <i>bidding in emissions auctions</i> , which is not an authorised professional firm, bank, BIPRU investment firm (unless it is an exempt BIPRU commodities firm), <u>IFPRU investment firm</u> (unless it is an exempt <u>IFPRU investment firm</u>), building society, collective portfolio

management firm, credit union, friendly society, ICVC, insurer, media firm, 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) 5 (Investment management firms) or 13 (Personal investment firms), and which is within (a), (b), (c), (d), (e), (f), (g), (ga) or (h):

...

(g) *an exempt BIPRU commodities firm;*

(ga) an exempt IFPRU commodities firm;

...

Single Market Directives

(a) *the Banking Consolidation Directive (to the extent it applies to CAD investment firms)*

(aa) the CRD;

...

sponsor

(1) ...

(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. [deleted]~~

(3) (in IFPRU and FUND) has the meaning in article 4(1)(14) of the EU CRR.

third country BIPRU firm

(1) (in BIPRU (except in BIPRU 12 (Liquidity standards)) and SYSC 19C) an overseas firm that:

...

(2) (in BIPRU 12 (Liquidity standards)) an overseas firm that:

(a) is a bank;

(b) is not an EEA firm; and

(c) has its head office outside the EEA.

trading book

...

(2) ~~(in BIPRU, and GENPRU, BSOCS and IPRU(INV) 11 and in relation to a BIPRU firm and IPRU(INV) 11) has the meaning in BIPRU 1.2 (Definition of the trading book) which is in summary, all that firm's positions in CRD financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book, and which are either free of any restrictive~~

covenants on their tradability or able to be hedged.

...

(4) (in IFPRU and in relation to an IFPRU investment firm) has the meaning in article 4(1)(86) of the CRR.

UK lead regulated firm

...

For the purposes of this definition:

- (a) Consolidated supervision of a group of *persons* means supervision of the adequacy of financial and other resources of that group on a consolidated basis consolidated basis. For example, this includes supervision under *BIPRU 8* (Group risk consolidation).
- (d) It is not relevant whether or not any supervision by another *regulatory body* has been assessed as equivalent under the *CRD* and EU CRR or the *Financial Groups Directive*.
- (e) If the group is a *UK consolidation group* or *financial conglomerate* of which the *FCA* or the *PRA* is lead regulator that is headed by an *undertaking* that is not itself the *subsidiary undertaking* of another *undertaking* the *firm* is a 'UK lead regulated firm'.

...

Amend the following definitions and re-position them in the appropriate alphabetical position.

~~*BCD CRD credit institution*~~ a *credit institution* that has its registered office (or, if it has no registered office, its head office) in an *EEA State*, excluding an *institution* to which the ~~*BCD CRD*~~ does not apply under article 2 of the ~~*BCD CRD*~~ (see also full ~~*BCD-CRD credit institution*~~).

~~*GAD CRD bank*~~ a *bank* which uses the ~~*Capital Adequacy Directive*~~ EU CRR to measure the capital requirement on its trading book.

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

~~*CNCOM*~~

~~*concentration risk capital component*~~

~~*connected lending of a capital nature*~~

~~*consolidated operational risk requirement*~~

~~*consolidated requirement component*~~

~~*consolidation UK integrated group*~~

~~*consolidation wider integrated group*~~

conversion factor

counterparty credit risk

credit enhancement

credit valuation adjustment

default

effective expected positive exposure

eligible institution

energy market participant

financial derivative instrument

free delivery

funded credit protection

group of connected clients

individual CNCOM

individual counterparty CNCOM

lending firms

main BIPRU firm Pillar 1 rules

master netting agreement internal models approach permission

matched principal exemption conditions

non-core concentration risk group counterparty

non-core large exposure group

oil market participant

one-sided credit valuation adjustment

operational risk capital requirement

ORCR

probability of default

protection buyer

protections seller

PRR item

public sector entity

qualifying equity index
repurchase transaction
risk capital requirement
risk weight
risk weighted exposure amount
secured lending transaction
securities or commodities lending or borrowing transaction
securitisation position
securitisation special purpose entity
securitisation exposure
simple capital issuer
specific risk position risk adjustment
standard market risk PRR rules
standardised approach
stressed VaR
synthetic securitisation
third country BIPRU 730K firm
total exposure
trading book concentration risk excess
traditional securitisation
tranche
unfunded credit protection
value at risk
VaR measure
VaR model position

In the following table, the words in Column (2) of the definition in Column (1) are replaced by the word in Column (3), except where indicated in Column (4), unless the context otherwise requires.

Column (1)	Column (2) (current	Column (3) (new	Column (4) (Glossary provisions
------------	------------------------	--------------------	------------------------------------

(Glossary provision to be amended)	wording)	wording)	not amended)
<i>advanced IRB approach</i>	<i>appropriate regulator</i>	<i>FCA</i>	-
<i>advanced measurement approach</i>			
<i>advanced prudential calculation approach</i>			
<i>alternative standardised approach</i>			
<i>Article 129 implementing measure</i>			
<i>CAD 1 model approach</i>			
<i>CCR internal model method</i>			
<i>credit quality assessment scale</i>			
<i>foundation IRB approach</i>			
<i>IRB approach</i>			
<i>master netting agreement internal models approach</i>			
<i>standardised approach</i>			
<i>VaR model approach</i>			

Annex B

Amendments to the Principles for Business (PRIN)

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

3 Rules about application

3.1 Who?

3.1.1 R *PRIN* applies to every *firm*, except that:

- (1) for an *incoming EEA firm* or an *incoming Treaty firm*, the *Principles* apply only in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (2) for an *incoming EEA firm* which is a ~~BCD~~ CRD *credit institution* without a *top-up permission*, *Principle 4* applies only in relation to the liquidity of a *branch* established in the *United Kingdom*

... ..

...

3.1.3 G *PRIN* 3.1.1R(2) reflects article 44 156 of the ~~*Banking Consolidation Directive*~~ CRD which provides that the *Host State regulator* retains responsibility in cooperation with the *Home State regulator* for the supervision of the liquidity of a *branch* of a ~~BCD~~ CRD *credit institution*.

...

Annex C

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

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

SYSC 1 Detailed application of SYSC
Annex 1

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

Provision SYSC 7	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
...				
SYSC 7.1.7B G	Guidance applies only to a <u>BIPRU firm or a CRR firm</u>
...				
SYSC 7.1.8 G (1)(2)	Guidance applies to a <u>BIPRU firm or a CRR firm</u>

4 General Organisational Requirements

4.1 General requirements

...

Business continuity

...

4.1.7 R ...

[Note: article 5(3) of the *MiFID implementing Directive*, annex V paragraph 13 of the *Banking Consolidation Directive*, and article 4(3) of the *UCITS implementing Directive* and article 85(2) of the *CRD*.]

4.2 Persons who effectively direct the business

...

- 4.2.1 R ...
- [Note:** article 9(1) of MiFID, article 7(1)(b) of the UCITS Directive, article 8(1)(c) of AIFMD, and article 11(1) of the *Banking Consolidation Directive* and article 13(1) of the *CRD*].
- 5 Employees, agents and other relevant persons**
- 5.1 Skills, knowledge and expertise**
- ...
- Segregation of functions
- ...
- 5.1.7 R The *senior personnel* of a *common platform firm* must define arrangements concerning the segregation of duties within the *firm* and the prevention of conflicts of interest.
- [Note:** article 88 of the *CRD* and annex V paragraph 1 of the *Banking Consolidation Directive*].
- ...
- 6 Compliance, internal audit and financial crime**
- 6.1 Compliance**
- ...
- 6.1.4-A G In setting the method of determining the *remuneration* of *relevant persons* involved in the compliance function:
- (1) *firms* that SYSC 19A applies to will also need to comply with the *Remuneration Code*; and
- (2) *BIPRU firms* will also need to comply with the *BIPRU Remuneration Code*.
- ...
- 21 Risk control: additional guidance**
- 21.1 Risk control: guidance on governance arrangements**
- ...
- 21.1.2 G (1) A Chief Risk Officer should:
- (a) ...
- ...
- (j) provide risk-focused advice and information into the setting and individual application of the *firm's remuneration policy*. ~~(w)~~ Where the *Remuneration Code* applies, see in particular SYSC 19A.3.15E. Where the *BIPRU Remuneration Code* applies, see in

particular SYSC 19C.3.15E.)-

Annex D

Amendments to the General Provisions (GEN)

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

2 Interpreting the Handbook

...

2.2 Interpreting the Handbook

...

- 2.2.25 G Examples of rules being interpreted as cut back by *GEN 2.2.23R* include the following:
- (1) ~~*BIPRU 4* imposes capital requirements that, for a *PRA-authorised person* such as a *bank*, are the exclusive responsibility of the *PRA*; accordingly this section is not applied by the *FCA* to a *PRA-authorised person*.~~[deleted]
 - (2) *SYSC 6.1.1R* requires a *firm* to maintain adequate policies and procedures to ensure compliance with its obligations under the *regulatory system*; *SYSC 6.1.1R* should be interpreted:

...

 - (b) as applied by the *PRA* in respect of a *PRA-authorised person's* compliance with those regulatory obligations that are the responsibility of the *PRA* (for example, in respect of a *bank* maintaining policies and procedures to ensure compliance with financial resources requirements in ~~*BIPRU*~~[the *PRA Handbook*]¹ and the *EU CRR*).

...

¹ Reference to the *PRA Handbook* may be replaced with a more specific term or *PRA sourcebook* depending on the *PRA's* views.

Annex E

Amendments to the Fees manual (FEES)

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

3.2 Obligation to pay fees

...

3.2.7A

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

approach.		
-----------	--	--

...

Delete FEES 3 Annex 6 and add FEES 3 Annex 6A

Annex **Part 1**
6A

R	<p><u>Fees payable in relation to internal approaches that require permission under Part Three of the CRR other than internal model method for counterparty credit risk:</u></p> <p><u>(1) Subject to (3), for applications made to the appropriate regulator to authorise a new internal approach:</u></p> <p><u>(i) where the application relates to CRD credit institutions or designated investment firms and to five or more significant overseas entities within the same group (Group 1) and the application is for a permission to use one of the internal approaches in Tables 1 or 2 or guidance on the availability of such a permission, the fees in Table 1 are applicable.</u></p> <p><u>(ii) for all other CRD credit institutions or designated investment firms the fees in Table 2 are applicable.</u></p> <p><u>(2) Subject to (3), for applications made to the consolidating supervisor other than the appropriate regulator for a joint decision under Article 20 of the CRR on the use of one of the internal approaches in Tables 1 or 2 and where the appropriate regulator is requested to assist the consolidating supervisor, the fees in Table 1 and Table 2 are applicable if the firm concerned meets the following conditions :</u></p> <p><u>(i) it is a CRD credit institution; and</u></p> <p><u>(ii) the firm does not fall within Group 4 as defined in Table 2.</u></p> <p><u>(3) If however the application or request for assistance is in relation to the use of the Advanced IRB approach and the appropriate regulator (in the case of (1)) or the relevant consolidating supervisor (in the case of (2)) has already granted permission for the use of the Foundation IRB approach then table 3 applies.</u></p> <p><u>(4) References to the internal approaches in Tables 1, 2 and 3 shall be construed as follows:</u></p> <p><u>(i) Foundation IRB means the internal approach for credit risk referred to in Article 143(1) of the CRR;</u></p> <p><u>(ii) Advanced IRB means the internal approach for credit risk referred to in Article 151(4) and (9) of the CRR; and</u></p> <p><u>(iii) AMA means the internal approach for operational risk referred to in 312(2) of the CRR.</u></p>
---	--

Table 1

<u>Application Group</u>	<u>Description of Group</u>	<u>Application fee</u>		
		<u>Advanced IRB ('000)</u>	<u>Foundation IRB ('000)</u>	<u>AMA ('000)</u>
<u>Group 1</u>	<u>Five or more significant overseas entities as</u>	<u>268</u>	<u>232</u>	<u>181</u>

	described in more detail in the definition of Group 1 in the introduction to Part 1 of this Annex			
--	---	--	--	--

Table 2

Application Group	Description of Group		Application fee		
	Modified eligible liabilities	Number of traders as at 31 December prior to the PRA's fee year in which the fee is payable	Advanced IRB ('000)	Foundation IRB ('000)	AMA ('000)
Group 2	>40,000	>200	232	198	146
Group 3	>5,000 – 40,000	26-200	94	72	51
Group 4	0-5,000	0-25	42	30	24

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

Table 3 (Advanced IRB approach where the appropriate regulator or the consolidating supervisor has already given permission to use Foundation IRB)

Application Group	Advanced IRB Application fee
Group 1	67,000
Group 2	58,000
Group 3	23,500
Group 4	10,500

The four application groups have the same meaning as they do in Tables 1 and 2

Part 2

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

...

6

Financial Services Compensation Scheme Funding

...

6.6

Incoming EEA firms

- 6.6.1 R If an incoming EEA firm, which is a BCD CRD credit institution, an IMD insurance intermediary or MiFID investment firm, is a participant firm, the FSCS must give the firm such discount (if any) as is appropriate on the share of any levy it would otherwise be required to pay, taking account of the nature of the levy and the extent of the compensation coverage provided by the firm's Home State scheme.

Annex F

Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)

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

4 Capital resources

4.2 Capital resources requirements

...

Capital resources requirement: firms carrying on regulated activities including designated investment business

4.2.5 R The capital resources requirement for a *firm* (other than a *credit union*) carrying on *regulated activities*, including *designated investment business*, is the higher of:

...

(2) the financial resource requirement which is applied by the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the *EU CRR* or the Prudential sourcebook for Banks, Building Societies and Investment Firms.

...

4.4 Calculation of capital resources

The calculation of a firm's capital resources

4.4.1 R (1) ...

(2) If the *firm* is subject to the Interim Prudential sourcebook for investment businesses, the Prudential sourcebook for Investment Firms and the *EU CRR*, the Prudential sourcebook for Banks, Building Societies and Investment Firms or the Credit Unions sourcebook, the capital resources are the higher of:

(a) the amount calculated under (1); and

(b) the financial resources calculated under those sourcebooks and regulations.

Annex G

Amendments to the Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))

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

7 Chapter 7: Definitions

PART I DEFINITIONS

7.1 In this Part of the *IPRU(FSOC)*, unless the contrary intention appears, the following definitions apply.

...
<i>approved credit institution</i> means an institution recognised or permitted under the law of an <i>EEA State</i> to carry on any of the activities set out in Annex 1 to the <i>Banking Consolidation Directive</i> <u><i>CRD</i></u> ;
...

Annex H

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

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

1 Chapter 1: Application and General Provisions

1.1 PURPOSE

1.1.1 Before 1 January 2007, the Interim Prudential Sourcebook for Investment Businesses (*IPRU(INV)*) was the part of the *Handbook* that dealt with capital requirements for *investment firms* subject to the position risk requirements of the previous version of the *Capital Adequacy Directive*. Now, however, *investment firms* which are subject to the risk-based capital requirements of the *Capital Adequacy Directive* are subject to the General Prudential sourcebook (*GENPRU*) and the Prudential sourcebook for Banks, Building Societies and Investment Firms (*BIPRU*). [deleted]

...

1.2 APPLICATION

...

1.2.2 R (1) ...

(2) IPRU(INV) does not apply to:

...

(b) a *media firm*; or

(c) a *BIPRU investment firm* (unless it is an *exempt BIPRU commodities firm*); or

(d) an IFPRU investment firm (unless it is an exempt IFPRU commodities firm).

...

(j) an exempt CAD firm; ~~and~~

(k) a *collective portfolio management firm*; and

(l) a collective portfolio management investment firm.

1.2.3 G For the avoidance of doubt, *IPRU(INV)* does not apply to any of the following:

...

(b) ...

(ba) a designated investment firm; or

(c) ...

...

1.2.5 R Table

This table belongs to IPRU(INV) 1.2.4R

...	
<i>Collective portfolio management investment firm</i>	Chapters 1 and 11
...	
<i>Securities and futures firm (which is an exempt BIPRU commodities firm or an exempt IFPRU commodities firm)</i>	Chapters 1 and 3
...	

...

4 Chapter 4: Lloyd's firms

...

4.2 Purpose

...

4.2.4 G A *members' adviser* is not regulated by the *Society* and accordingly this chapter specifies the financial resource and accounting requirements to be met. *Firms* which fall within the scope of this chapter will be *firms* with *permission* only to advise persons on *syndicate* participation at Lloyd's. The nature of that advisory business is akin to corporate finance advice and so the applicable requirements are those in *IPRU(INV) 3* relevant to *firms* giving corporate finance advice. *Firms* with other permissions will fall within the scope of other chapters of *IPRU(INV)*, *GENPRU*, *BIPRU*, *IFPRU* (and the *EU CRR*) or *INSPRU*.

...

Annex I

Amendments to the Supervision manual (SUP)

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

3.1.10 G Other relevant sections of the Handbook (see SUP 3.1.9G)

<i>Friendly society</i>	<i>IPRU(FSOC)</i>
<i>Insurer (other than a friendly society)</i>	<i>IPRU(INS)</i>
<i>Investment management firm, personal investment firm, securities and futures firm (other than IFPRU investment firms and BIPRU investment firms)</i>	<i>IPRU(INV)</i>
<i>UCITS firm</i>	<i>(UPRU)</i>
<i>Society of Lloyd's and Lloyd's managing agents</i>	<i>IPRU(INS)</i>

...

11.8 Changes in the circumstances of existing controllers

11.8.1 R A firm must notify the appropriate regulator immediately it becomes aware of any of the following matters in respect of one or more of its controllers:

...

- (4) if a controller, who is authorised in another EEA State as a MiFID investment firm, ~~BCD~~ CRD credit institution or UCITS management company or under the Insurance Directives or the Insurance Mediation Directive, ceases to be so authorised (registered in the case of an IMD insurance intermediary).

...

13 Exercise of passport rights by UK firms

...

13.2.1 G This chapter gives guidance to UK firms. In most cases UK firms will be authorised persons under the Act. However, under the ~~Banking Consolidative Directive~~ CRD, a subsidiary of a firm which is a credit institution which meets the criteria set out in that Directive also has an EEA right. Such an authorised subsidiary is known as a financial institution. References in this chapter to a UK firm include a financial institution.

...

...

13.6.1 G Where a UK firm is exercising an EEA right, other than under the Insurance Mediation Directive (see SUP 13.6.9AG) or the Reinsurance Directive (see SUP 13.6.9BR) or the CRD, and has established a branch in another EEA State, any

changes to the details of the *branch* are governed by the *EEA Passport Rights Regulations*. ...

...

Firms passporting under the ~~Banking Consolidation Directive~~ CRD and Insurance Mediation Directive

- 13.7.11 G A UK firm providing cross border services under the ~~Banking Consolidative Directive~~ CRD or *Insurance Mediation Directive* is not required to supply a change to the details of *cross border services* notice.

...

- 13.8.2 G UK firms passporting under the ~~Banking Consolidative Directive~~ CRD or the *Insurance Directives* may be required to submit the change to details notice in the language of the *Host State* as well as in English.

...

13 Annex 1R **Passporting: Notification of intention to establish a branch in another EEA state**

This annex consists of only one or more forms. Forms can be completed online now by visiting: <http://www.fsa.gov.uk/Pages/doing/index.shtml>

<http://www.bankofengland.co.uk/pru/Pages/authorisations/passporting/notifying.aspx>

X
The forms are also to be found through the following address:

Passporting: Notification of intention to establish a branch in another EEA state - SUP 13 Annex 1

...

In *SUP 13 Annex 1* form, on page 1 substitute 'Capital Requirements Directive' for 'Banking Consolidation Directive'

Amend the following as shown.

13A **Qualifying for authorisation under the Act**

...

- 13A.1.3 G (1) Under the *Gibraltar Order* made under section 409 of the *Act*, a Gibraltar firm is treated as an *EEA firm* under Schedule 3 to the *Act* if it is:

...

- (b) authorised in Gibraltar under the ~~Banking Consolidation Directive~~ CRD; or

...

...

13A.5 **EEA firms providing cross border services into the United Kingdom**

...

The notification procedure

- 13A.5.4 G (1) Unless the *EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that received authorisation under article 18 of the *auction regulation*) is passporting under the *Insurance Medication Directive*, if the *appropriate UK regulator* receives a regulator's notice or, where no notice is required (in the case of an *EEA firm* passporting under the ~~*Banking Consolidation Directive*~~), is informed of the *EEA firm's* intention to provide *cross border services* into the *United Kingdom*, the *appropriate UK regulator* will, under paragraphs 14(2) and 14(3) of Part II of Schedule 3 to the *Act*, notify the *EEA firm* of the *applicable provisions* (if any) within two *months* of the *day* on which the *appropriate UK regulator* received the regulator's notice or was informed of the *EEA firm's* intention.
- (2) ...

...

13A Annex 1G Application of the Handbook to Incoming EEA Firms

...		
(1) Module of Handbook	(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom	(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom
<i>PRIN</i>	The <i>Principles</i> apply only in so far as responsibility for the matter in question is not reserved by an <i>EU instrument</i> to the <i>firm's Home State regulator</i> (<i>PRIN</i> 3.1.1R(1)). For an <i>incoming EEA Firm</i> which is a <i>BCD CRD</i> <i>credit institution</i> without a <i>top-up permission</i> , <i>Principle 4</i> applies only in relation to the liquidity of a branch established in the <i>United Kingdom</i> (<i>PRIN</i> 3.1.1R(2)).	...
...		
<i>BIPRU</i>	<i>EEA firms that are CAD investment firms</i> are subject to the prudential standards of their home state regulator (<i>BIPRU</i> 1.1.7R and <i>BIPRU</i> 1.1.9 G). However, <i>BIPRU</i> 12 applies to an <i>EEA firm</i> that is an <i>IFPRU investment firm</i> or <i>BIPRU firm</i> as respects the activities of its <i>UK branch</i> , but in relation to <i>liquidity risk</i> only.	Does not apply if the <i>firm</i> has <i>permission</i> only for <i>cross border services</i> and does not carry on <i>regulated activities</i> in the <i>United Kingdom</i> .
...		
<i>INSPRU</i>	...	

<u>IFPRU</u>	<u>EEA firms that are investment firms (as defined in the EU CRR) are subject to the EU CRR as implemented by their home state regulator (IFPRU 1.1.5R).</u>	Does not apply if the <u>firm has permission only for cross border services and does not carry on regulated activities in the United Kingdom.</u>
...		
COMP	Applies, except in relation to the <i>passported activities</i> of a <i>MiFID investment firm</i> , a BCD <u>CRD credit institution</u> (other than an electronic money institution within the meaning of article 1(3)(1) of the <i>E-Money Directive</i> that has the right to benefit from the mutual recognition arrangements under the Banking Consolidation Directive <u>CRD</u>), an <i>IMD Insurance intermediary</i> , a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> and an <i>incoming AIFM branch</i> carrying on either <i>AIFM management functions</i> for an <i>unauthorised AIF</i> or non-core services under article 6.4 of <i>AIFMD</i> (see the definition of “ <i>participant firm</i> ”). However, a <i>firm</i> specified above may be able to apply for <i>top-up cover</i> in relation to its <i>passported activities</i> (see COMP 14 (Participation by EEA Firms)).	Does not apply in relation to the <i>passported activities</i> of an <i>MiFID investment firm</i> , a BCD <u>CRD credit institution</u> , an <i>IMD insurance intermediary</i> or a <i>UCITS management company</i> carrying on non-core services under article 6.3 of the <i>UCITS Directive</i> or an <i>incoming EEA AIFM</i> regarding <i>AIFM management functions</i> carried on for an <i>unauthorised AIF</i> or non-core services under article 6.4. Otherwise, <i>COMP</i> may apply, but the coverage of the <i>compensation scheme</i> is limited for non-UK <i>activities</i> (see COMP 5).
...		

14.6 Cancelling qualification for authorisation

Incoming EEA firms

- 14.6.1 G Section 34 of the *Act* states that an *incoming EEA firm* no longer qualifies for *authorisation* under Schedule 3 to the *Act* if it ceases to be an *incoming EEA firm* as a result of:
- (1) having its *EEA authorisation* withdrawn by its *Home State regulator*; or
 - (2) ceasing to have an *EEA right* in circumstances in which *EEA authorisation* is not required; this is relevant to a *financial institution* that is a subsidiary of a *credit institution* (of the kind mentioned in Article ~~49~~ 34 of the ~~Banking Consolidation Directive~~ CRD) which fulfils the conditions in articles ~~48~~ 33 and ~~49~~ 34 of that *Directive*.

...

Appendix 3 Guidance on passporting issues

App 3.3.6 G (1) The European Commission has not produce an interpretative communication on *MiFID*. It is arguable, however, that the principles in the communication on the Second Banking Directive can be applied to *investment services and activities*. This is because Chapter II of Title II of *MiFID* (containing provisions relating to operating conditions for investment firms) also applies to the *investment services and activities* of firms operating under the *Banking Consolidation Directive*, which is repealed and replaced by the CRD.

(2) ...

...

App 3.9 Mapping of MiFID, ~~Banking Consolidation Directive~~ CRD, UCITS Directive and Insurance Mediation Directive to the Regulated Activities Order

App 3.9.1 G The following Tables 1, 2, 2A and 2B provide an outline of the *regulated activities* and *specified investments* that may be of relevance to firms considering undertaking *passporting activities* under the ~~Banking Consolidation Directive~~ CRD, MiFID, the UCITS Directive and the Insurance Mediation Directive. The tables may be of assistance to UK firms that are thinking of offering financial services in another EEA State and to EEA firms that may offer those services in the United Kingdom.

App 3.9.2 G The tables provide a general indication of the *investments* and activities specified in the Regulated Activities Order that may correspond to categories provided for in the ~~Banking Consolidation Directive~~ CRD, MiFID, the UCITS Directive of the Insurance Mediation Directive. The tables do not provide definitive *guidance* as to whether a firm is carrying on an activity that is capable of being passported, nor do the tables take account of exceptions that remove the effect of articles. Whether a firm is carrying on a *passporting activity* will depend on the particular circumstances of the firm. If a firm's activities give rise to potential passporting issues, it should obtain specialist advice on the relevant issues.

...

App 3.9.4 Activities set out in Annex 1 of the BCD CRD

	Table 1: BCD <u>CRD</u> activities		Part II RAO Activities	Part III RAO Investments
	1.	Acceptance of Taking deposits and other repayable funds from the public	Article 5	Article 74
	...			
	15.	Issuing electric money	Article 9B	Article 74A
	...			
Note 1 : The services and activities provided for in Sections A and B of Annex I of <i>MiFID</i> when referring to the <i>financial instruments</i> provided for in Section C of Annex I of that Directive are subject to mutual recognition according to the BCD-CRD from 1 November 2007 January 2013. See the table at SUP App 3.9.5G below for mapping of <i>MiFID investment services and activities</i> . For further details relating to this residual category, please see the "Banking Consolidation Directive" "CRD" section of the passporting forms				

	entitled "Notification of intention to establish a branch in another EEA State" and "Notification of intention to provide cross border services in another EEA State".
--	--

Annex J

Amendments to the Compensation sourcebook (COMP)

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

1 Introduction and Overview

...

1.4 EEA Firms

- 1.4.1 G *Incoming EEA firms* which are conducting *regulated activities* in the *United Kingdom* under a ~~BCD~~ CRD, *IMD* or *MiFID* passport are not required to participate in the *compensation scheme* in relation to those *passport activities*. They may apply to obtain the cover of, or 'top-up' into, the *compensation scheme* if there is no cover provided by the *incoming EEA firm's Home State* compensation scheme or if the level or scope of the cover is less than that provided by the *compensation scheme*. This is covered by *COMP 14*.

Annex K**Amendments to the Credit Unions New sourcebook (CREDS)**

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

- 2.2.2 G For *credit unions*, the arrangements, processes and mechanisms referred to in SYSC 4.1.1R should be comprehensive and proportionate to the nature, scale, and complexity of the risks inherent in the business model and of the *credit union's* activities. That is the effect of SYSC 4.1.2R and SYSC 4.1.2AG.

**CAPITAL REQUIREMENTS DIRECTIVE (FINANCIAL CONGLOMERATES) CONSEQUENTIAL
AMENDMENTS INSTRUMENT 2013**

Powers exercised

- A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (the PRA's general rules);
 - (2) section 137T (general supplementary powers); and
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority) ("FCA"), the PRA consulted the FCA. After so consulting, the PRA published a draft of proposed rules and had regard to representations made.

Amendments to the Handbook

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The General Prudential sourcebook (GENPRU) is amended in accordance with Annex B to this instrument.

Commencement

- F. This instrument comes into force on [date].

Citation

- G. This instrument may be cited as the Capital Requirements Directive (Financial Conglomerates) Consequential Amendments Instrument 2013.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Glossary of definitions

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

Part 1: New definitions

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

IFPRU investment firm an *investment firm* as defined in article 4(1)(2) of the CRR that satisfies the following conditions:

- (a) it is an *FCA-~~authorised~~ firm*;
- (b) its head office is in the *UK*; and
- (c) is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (vi) an *ICVC*.

...

IFPRU limited-activity firm a *limited activity firm* that meets the following conditions:

- (a) it is an *FCA-~~authorised~~ firm*; and
- (d) its head office is in the *UK*; and
- (e) is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*;
 - (vi) an *ICVC*.

...

IFPRU limited-licence firm a *limited licence firm* that meets the following conditions:

- (a) it is an *FCA-~~authorised~~ firm*;
- (b) its head office is in the *UK*; and
- (c) is not:
 - (i) an *incoming EEA firm*;
 - (ii) an *incoming Treaty firm*;
 - (iii) any other *overseas firm*;
 - (iv) a *designated investment firm*;
 - (v) an *insurer*; or
 - (vi) an *ICVC*.

...

own funds requirements as defined in article 92 (Own funds requirements) of the CRR.

Part 2: Amendments

Amend the following definitions as shown.

~~core concentration risk group~~
~~counterparty~~ (in relation to a *firm*) a counterparty which is its *parent undertaking*, its *subsidiary undertaking* or a *subsidiary undertaking* of its *parent undertaking*, provided that (in each case) both the counterparty and the *firm* are:

~~(a) included within the scope of consolidation on a full basis with respect to the same *UK consolidation group*; and~~

~~(b) (where relevant) held by one or more intermediate *parent undertaking* or *financial holding company*, all of which are incorporated in the *United Kingdom*.~~

Annex B

Amendments to the General Prudential sourcebook (GENPRU)

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

3 Cross sector groups

3.1 Application

...

- 3.1.16 G *GENPRU 3.1.26* ~~29R~~ to *GENPRU 3.1.31R* and *GENPRU 3 Annex 1R* implement the detailed capital adequacy requirements of the *Financial Groups Directive*. They only deal with a *financial conglomerate* for which the *appropriate regulator* is the *coordinator*. If another *competent authority* is *coordinator* of a *financial conglomerate*, those *rules* do not apply with respect to that *financial conglomerate* and instead that *coordinator* will be responsible for implementing those detailed requirements.

...

Risk concentration and intragroup transactions: the main rule

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

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

- 3.1.36 R Table: application of sectoral rules
This table belongs to *GENPRU 3.1.35R*

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

- 3.1.37 R (1) Where the sectoral rules for the *banking and investment services sector* are being applied, a *mixed financial holding company* must be treated as being a *financial holding company*.
- ...
- 3.1.38 R (1) ~~This rule applies for the purposes of the definitions of:~~
- (a) ~~a core concentration risk group counterparty; and~~
- (b) ~~a non-core concentration risk group counterparty;~~
- ~~as they apply for the purposes of the rules for the banking and investment services sector as applied by GENPRU 3.1.36R. [deleted]~~
- (2) ~~For the purposes of BIPRU 10.9A.4R(1) and BIPRU 10.9A.4R(2) (as they apply to the definitions in GENPRU 3.1.38R(1)), the conditions are also satisfied if the counterparty and the firm are included within the scope of consolidated supervision on a full basis with respect to the same financial conglomerate under GENPRU 3.1 or the relevant implementation measures in another EEA State for the Financial Groups Directive. [deleted]~~
- ...
- The financial sectors: asset management companies and alternative investment fund managers
- 3.1.39 R (1) ...
- (2) An *asset management company* or an *alternative investment fund manager* is in the *overall financial sector* and is a *regulated entity* for the purpose of:
- ...
- (c) any other provision of the *Handbook* or *PRA Rulebook* relating to the supervision of *financial conglomerates*.
- ...
- (5) This rule applies even if:
- (a) a *UCITS management company* is a ~~BIPRU~~ an IFPRU investment firm; or
- (b) an *asset management company* or an alternative investment fund manager is an *investment firm*.

3.2 Third-country groups

...

Purpose

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

Equivalence

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

Other methods: General

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

Supervision by analogy: introduction

...

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

...

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

R

1 Table: PART 1: Method of Annex I of the ~~Financial Groups Directive~~ Groups Directive (Accounting Consolidation Method)

...

7 Table

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

Transfer-ability of capital	5.1	<p>Capital may not be included in:</p> <p>(1) a firm's conglomerate capital resources under GENPRU 3.1.29R ; or</p> <p>(2) in the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R ;</p> <p>...</p>
Double counting	5.2	<p>Capital must not be included in:</p> <p>(1) a firm's conglomerate capital resources under GENPRU 3.1.29R ; or</p> <p>(2) the capital resources of the financial conglomerate for the purposes of GENPRU 3.1.26R ;</p> <p>if:</p> <p>...</p>
Cross sectoral capital	5.3	<p>In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i> (Other technical principles and insofar as not already required in Parts 1-3):</p> <p>(1) the solvency requirements for each different <i>financial sector</i> represented in a <i>financial conglomerate</i> required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R must be covered by own funds elements in accordance with the corresponding <i>applicable sectoral rules</i>; and</p> <p>(2) if there is a deficit of own funds at the <i>financial conglomerate</i> level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R.</p>
...		

<p>Application of sectoral rules: Banking sector and investment services sector</p>	5.6	<p>In relation to a <i>BIPRU firm</i> that is a member of a <i>financial conglomerate</i> where there are no <i>credit institutions</i> or <i>investment firms</i>, the following adjustments apply to the applicable sectoral rules for the <i>banking sector</i> and the <i>investment services sector</i> as they are applied by the rules in this annex.</p> <p>(1) References in those rules to <i>non-EEA sub-groups</i> do not apply.</p> <p>(2) (For the purposes of Parts 1 and 2), where those rules require a group to be treated as if it were a single undertaking, those rules apply to the <i>banking sector</i> and <i>investment services sector</i> taken together. [deleted]</p> <p>...</p> <p>(Other than as above) the <i>CRD</i> and <i>CRR</i> apply for the <i>banking sector</i> and the <i>investment services sector</i>.</p>
<p>No capital ties</p>	5.7	<p>(1) This rule deals with a <i>financial conglomerate</i> in which some of the members are not linked by capital ties at the time of the notification referred to in <i>GENPRU 3.1.28R(1)</i> <i>3.1.29AR</i> (Capital adequacy requirements: Application of Method 1 or 2 from Annex I of the Financial Groups Directive).</p> <p>(2) If:</p> <p>(a) <i>GENPRU 3.1.26R</i> (Capital adequacy requirements: Application of Annex I of the Financial Groups Directive) would otherwise apply with respect to a <i>financial conglomerate</i> under <i>GENPRU 3.1.28R</i>; and</p> <p>(b) all members of that <i>financial conglomerate</i> are linked directly or indirectly with each other by capital ties except for members that collectively are of negligible interest with respect to the objectives of supplementary supervision of regulated entities in a <i>financial conglomerate</i> (the "peripheral members");</p> <p><i>GENPRU 3.1.28R</i> continues to apply. Otherwise <i>GENPRU 3.1.28R</i> does not apply with respect to a <i>financial conglomerate</i> falling into (1). [deleted]</p> <p>(3) If <i>GENPRU 3.1.28R</i> applies with respect to a <i>financial conglomerate</i> in accordance with (2) the peripheral members must be excluded from the calculations under <i>GENPRU 3.1.26R</i>. [deleted]</p> <p>(4) If:</p> <p>(a) <i>GENPRU 3.1.26R</i> applies with respect to <i>financial conglomerate</i> falling into (1) under <i>GENPRU 3.1.27R(2)</i> (Use of Part 4A permission</p>

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

...		
Solo capital resources requirement: Banking sector and investment service sector	6.2	<p>(1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> must be calculated in accordance with this <i>rule</i>, subject to paragraphs 6.5 and 6.6.</p> <p>(2) The <i>solo capital resources requirement</i> of a <i>building society</i> is its <i>CRR own funds requirements</i>.</p> <p>...</p> <p>(4) If there is a <i>credit institution</i> in the <i>financial conglomerate</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is, subject to (2) and (3), calculated in</p>

		<p>accordance with the <i>rules</i> for calculating the <u>CRR own funds requirements</u> of a bank that is a <u>BIPRU firm</u>.</p> <p>(5) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>;</p> <p>(b) there is at least one CAD <i>investment firm</i> in the <i>financial conglomerate</i>; and</p> <p>(c) all the CAD <i>investment firms</i> in the <i>financial conglomerate</i> are <i>limited licence firms</i> or <i>limited activity firms</i>;</p> <ul style="list-style-type: none"> the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>rules</i> for calculating the <u>CRR own funds requirements</u> of: <p>(di) (if there is a <i>limited activity firm</i> in the <i>financial conglomerate</i>), a BIPRU <u>an IFPRU limited activity firm</u>; or</p> <p>(eii) (in any other case), a BIPRU <u>an IFPRU limited licence firm</u>.</p> <p>(6) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>; and</p> <p>(b) (5) does not apply;</p> <ul style="list-style-type: none"> the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>rules</i> for calculating the <u>CRR own funds requirements</u> of a <i>full scope BIPRU investment firm</i>. <p>(7) <u>In relation to a BIPRU firm that is a member of a financial conglomerate where there are no credit institutions or investment firms, Any any CRR capital resources requirements</u> calculated under a <u>BIPRU TP</u> may be used for the purposes of the <i>solo capital resources requirement</i> in this <i>rule</i> in the same way that the <u>CRR capital resources requirements</u> can be used under <u>BIPRU 8</u>.</p>
...		
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	The <i>solo capital resources requirement</i> for an <i>EEA regulated entity</i> (other than a <u>bank, building society, designated investment firm, IFPRU investment firm, BIPRU firm, an insurer</u> or an <i>EEA insurer</i>) that is subject to the <i>solo capital adequacy sectoral rules</i> for its <i>financial sector</i> of the <i>competent authority</i> that authorised it is equal to the

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

...

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

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

...

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

R

1 Table: PART 1: Third-country financial conglomerates

...	
1.2	A <i>firm</i> must comply, with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1, with whichever of <i>GENPRU 3.1.26R</i> and <i>GENPRU 3.1.29R</i> <u>is as applied under paragraph 1.3.</u>
1.3	<p>For the purposes of paragraph 1.2:</p> <p>(1) the rule in <i>GENPRU 3.1</i> that applies as referred to in paragraph 1.2 is the one that is specified by the requirement referred to in <i>GENPRU 3.2.8R</i>; [deleted]</p> <p>(2) (where <i>GENPRU 3.1.29R</i> is applied) the definitions of <i>conglomerate capital resources</i> and <i>conglomerate capital resources requirement</i> that apply for the purposes of that rule are</p>

	the ones from whichever of Part 1, or Part 2 or Part 3 of <i>GENPRU 3</i> Annex 1R is specified in that requirement <u>the requirement</u> referred to in <i>GENPRU 3.2.8R</i> ; and ...
...	

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

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

3 Annex 3 Guidance Notes for Classification of Groups

G

...

Please note the following:

...

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

- **banking/investment** activities are listed in - Annex 1 to the ~~Banking Consolidation Directive~~ Capital Requirements Directive 2013/36/EU
- **insurance** activities are listed in - IPRU Insurers Annex 11.1 and 11.2 p 163-168.

...

PRUDENTIAL SOURCEBOOK FOR SENIOR MANAGEMENT, SYSTEMS, ARRANGEMENTS AND CONTROLS AMENDMENT INSTRUMENT 2013

Powers exercised

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

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

Citation

- F. This instrument may be cited as the Prudential sourcebook of Senior Management, Arrangements, Systems and Controls Amendments Instrument 2013.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

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

In this Annex the text is all new and is not underlined.

General organisational requirements

4 General requirements

- 4.1.15 R (1) A firm must have in place appropriate procedures for its employees to report breaches internally through a specific, independent and autonomous channel.
- (2) The channel in (1) may be provided through arrangements provided for by social partners.

PRA RULEBOOK CRR FIRMS: APPLICATIONS FOR CRR PERMISSIONS INSTRUMENT 2013

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) [powers granted by HMT to direct the form and manner of application]
 - (2) section 137G (the PRA’s general rules);
 - (2) section 137T (general supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook CRR Firms: Applications for CRR Permissions Instrument 2013

- D. The PRA makes the rules in Annex A to this Instrument.

Commencement

- E. This instrument comes into force on [date].

Citation

- F. This instrument may be cited as the PRA Rulebook CRR Firms: Applications for CRR Permissions Instrument 2013.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

In this Annex, the text is all new and is not underlined.

Part

APPLICATIONS FOR CRR PERMISSIONS

Chapter content

1. APPLICATION AND DEFINITIONS
2. FORM AND MANNER OF APPLICATION FOR A CRR PERMISSION
3. NOTIFICATION OF ALTERED CIRCUMSTANCES

Links

1 APPLICATION AND DEFINITIONS

- 1.1 This Part applies to every firm that is a *CRR firm*.
- 1.2 In this Part the following definitions shall apply:

CRR permission

means a permission given to a *firm* by the *PRA* under powers conferred on the *PRA* by the *CRR*.

2 FORM AND MANNER OF APPLICATION FOR A CRR PERMISSION

- 2.1 The *PRA* directs that a *firm* wishing to apply for a *CRR permission* must make a written application to the *PRA*.
- 2.2 The application must be accompanied by such information and documents as are necessary to demonstrate how the firm complies with the conditions contained in the relevant *CRR* Article.

3 NOTIFICATION OF ALTERED CIRCUMSTANCES

- 3.1 A *firm* that has applied for or has been granted a *CRR permission* must notify the *PRA* immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application, the *CRR permission* or any condition to which the *CRR permission* is subject.

CAPITAL REQUIREMENTS REGULATION (REPORTING No 2) AMENDMENT INSTRUMENT [No. XXX] 2013

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers);
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

- E. The Supervisory manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- F. This instrument may be cited as the Capital Requirements Regulation (Reporting No 2) Amendment Instrument [No. XXX] 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex

Amendments to the Supervision manual (SUP)

Part 1: Comes into force on 1 January 2014.

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

...

Notifications regarding financial information reporting under CRR

16.3.19A R (1) A firm must notify the PRA if it is required to report financial information on a consolidated basis in accordance with Article 99 (2) CRR.

(2) A firm must notify the PRA when it ceases to report financial information on a consolidated basis in accordance with Article 99 (2) CRR.

16.3.19B R A firm must notify the PRA if it adjusts its reporting reference dates under Article 2 (3) Commission Regulation (EU) .../...[full citation and link to EU Regulation made under Article 99 CRR.]

...

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

...

16.17.3 R ...

(7) This rule applies to:

(a) a BIPRU firm; and a building society;

(b) a third country BIPRU firm;
~~that a bank;~~

(c) a designated investment firm; and

(d) an overseas firm that:

(i) is not an EEA firm;

(ii) has its head office outside the EEA; and;

(iii) would be a bank, building society or a designated investment firm, if it had been a UK domestic firm, had carried on all of its business in the United Kingdom and had obtained whatever authorisations for doing so as are required under the Act.

that

(e) is not a BIPRU limited licence firm or a BIPRU limited activity firm;

(e) and

(e) is not, and does not have, an EEA parent institution or an EEA

(f) parent financial holding company;

and that firm had total assets equal to or greater than £50 billion on an unconsolidated basis on the accounting reference date immediately prior to the firm's last complete financial year.

(8) This rule also applies to:

(a) a BIPRU firm; and a building society;

(b) a third country BIPRU firm;
~~that a bank;~~

(c) a designated investment firm; and

- (d) an overseas firm that:
 (i) is not an EEA firm;
 (ii) has its head office outside the EEA; and;
 (iii) would be a bank, building society or a designated investment firm, if it had been a UK domestic firm, had carried on all of its business in the United Kingdom and had obtained whatever authorisations for doing so as are required under the Act.

that

~~(e)~~ is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*;

~~(e)~~ and

~~(e)~~ is part of a UK lead regulated group;

~~f)~~

and that *firm* had total assets equal to or greater than £50 billion on an unconsolidated basis on the *accounting reference date* immediately prior to the *firm's* last complete financial year.

(9) In this rule "total assets" means

(a) in relation to a ~~*BIPRU firm*~~, bank, building society or designated investment firm, ~~the firm's~~ its total assets as set out in its balance sheet on the relevant *accounting reference date*; and

(b) in relation to a ~~*third country BIPRU firm*~~ an overseas firm, the total assets of the overseas firm as set out in its balance sheet on the relevant *accounting reference date* that cover the activities of the branch operation in the *United Kingdom*.

High Earners Reporting Requirements

16.17.4

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

...
 (10) This rule applies to a ~~*BIPRU firm*~~ and a ~~*third country BIPRU firm*~~ bank, building society and an investment firm that:

(a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and

...
 (11) This rule also applies to a ~~*BIPRU firm*~~ and a ~~*third country BIPRU firm*~~ bank, building society and an investment firm that:

(a) is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*; and

...
 (12) This rule also applies to a ~~*BIPRU limited licence firm*~~ or a ~~*BIPRU limited activity firm*~~:

...
 (b) where that UK lead regulated group contains either: ~~a *BIPRU firm* or a *third country BIPRU firm* that is not a *BIPRU limited licence firm* or a *BIPRU limited activity firm*.~~

(i) a bank, building society or an investment firm that is not a limited licence firm or a limited activity firm; or

(ii) an overseas firm that:

(aa) is not an EEA firm;

(bb) has its head office outside the EEA; and

(cc) would be a bank, building society or an investment firm that is not a limited licence firm or limited activity firm, if it had been a UK domestic firm, had carried on

all of its business in the United Kingdom and had obtained whatever authorisations for doing so as are required under the Act.

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

**CAPITAL REQUIREMENTS DIRECTIVE (GOVERNANCE AND VARIABLE REMUNERATION)
AMENDMENT
INSTRUMENT [No. XXX] 2013**

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules);
 - (2) section 137H (General rules about remuneration); and
 - (3) section 137T (General supplementary powers);
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on [date].

Amendments to the Handbook

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

Notes and Guidance

- F. In Annex A to this instrument, the “notes” (indicated by “**Note:**”) are included for the convenience of readers but do not form part of the legislative text.
- G. The PRA gives as guidance each provision in the Annex marked with a G.

Citation

- H. This instrument may be cited as the Capital Requirements Directive (Governance and Variable Remuneration) Amendment Instrument [No. XXX] 2013.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

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

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

SYSC 1
Annex 1 **Detailed application of SYSC**

Part 3	Tables summarising the application of the common platform requirements to different types of firm			
...				
Provision SYSC 4	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, managing agents the Society, and full-scope UK AIFMs of unauthorised AIFs
SYSC 4.1.1 R [FCA] [PRA]	but SYSC 4.1.1R(2) applies only to a BIPRU firm [deleted]	but SYSC 4.1.1R(2) applies only to a BIPRU firm [deleted]	but SYSC 4.1.1R(2) applies only to a BIPRU firm [deleted]	but SYSC 4.1.1R(2) applies only to a third country BIPRU firm [deleted]
...				
SYSC 4.1.3 R [FCA] [PRA]	Rule applies only to a BIPRU firm [deleted]	Rule for a <i>UCITS investment firm</i> ; otherwise not applicable [deleted]	Not applicable [deleted]	Not applicable [deleted]
...				
<u>SYSC 4.3A.1R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<u>SYSC 4.3A.2R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<u>SYSC 4.3A.3R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<u>SYSC 4.3A.4R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<u>SYSC 4.3A.5R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i> that is a <i>UCITS investment firm</i>	Not applicable	Not applicable
<u>SYSC</u>	Rule applicable to <u>CRR firms</u>	Rule for a <i>CRR firm</i>	Not applicable	Not applicable

<u>4.3A.6R</u> [FCA] [PRA]	<u>CRR firms</u>	<u>firm that is a UCITS investment firm</u>		
...				
<u>SYSC 4.3A.8R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <u>CRR firm that is a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 4.3A.9R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <u>CRR firm that is a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 4.3A.10R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <u>CRR firm that is a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 4.3A.11R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <u>CRR firm that is a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 4.3A.12R</u> [FCA] [PRA]	Rule applicable to <u>CRR firms</u>	Rule for a <u>CRR firm that is a UCITS investment firm</u>	<u>Not applicable</u>	<u>Not applicable</u>

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

Provision SYSC 7	COLUMN A Application to a common platform firm other than to a UCITS investment firm	COLUMN A+ Application to a UCITS management company	COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF	COLUMN B Application to all other firms apart from insurers, managing agents, the Society, and full-scope UK AIFMs of unauthorised AIFs
...				
<u>SYSC 7.1.8 G (1)(2)</u> [FCA] [PRA]	(1) Guidance applies to a BIPRU firm (2) Guidance	(1) Guidance for a UCITS investment firm; otherwise not applicable (2) Guidance	<u>Not applicable</u>	(1) Not applicable (2) Guidance
...				
<u>SYSC 7.1.17R</u> [FCA] [PRA]	Rule applies to a <u>CRR firm</u>	Rule for a <u>UCITS investment firm that is a CRR firm, otherwise not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 7.1.18R</u> [FCA] [PRA]	Rule applies to a <u>CRR firm</u>	Rule for a <u>UCITS investment firm that is a CRR firm, otherwise not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC 7.1.19R</u> [FCA] [PRA]	Rule applies to a <u>CRR firm</u>	Rule for a <u>UCITS investment firm that is a CRR firm, otherwise not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>
<u>SYSC</u>	Rule applies to a	Rule for a <u>UCITS</u>	<u>Not applicable</u>	<u>Not applicable</u>

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

19A.1 General application and purpose

...

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

~~(a)(1)~~ ...

~~(b)(2)~~ ...

~~(c)(3)~~ ...

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

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

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

...

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

...

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

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

...

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

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

19A.3.44A R A firm may set a ratio between the fixed and the variable components of total *remuneration* that exceeds 1:1 provided the ratio:

- (1) does not exceed 1:2; and
- (2) is approved by the shareholders or owners or members of the firm in accordance with SYSC 19A.3.44BR.

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

19A.3.44B R A firm must ensure that any approval by the shareholders or owners or members of the firm of a ratio that exceeds 1:1 is carried out in accordance with the following procedure:

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

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

- 19A.3.44C R A firm must notify without delay the appropriate regulator of the decisions taken by its shareholders or members or owners including any approved higher maximum ratio.
- [Note: article 94(1)(g)(ii) of the CRD]**
- 19A.3.44D R A firm may apply a discount rate to a maximum of 25% of an employee's total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years.
- [Note: article 94(1)(g)(iii) of the CRD]**
- ...
- 19A.3.54 R (1) ...
- ...
- (1B) Condition 1 is that the firm is a *UK bank, a building society, a designated investment firm*, or a relevant ~~BIPRU 730k firm~~ IFPRU 730k firm that has relevant total assets exceeding £50 billion.
- ...
- (1D) Condition 2 is that the firm:
- (a) is a full credit institution, ~~a relevant BIPRU 730k firm~~ a designated investment firm or a relevant ~~IFPRU 730k firm~~ or a relevant ~~third country BIPRU 730k firm~~ third country IFPRU 730k firm; and
- (b) is part of a group containing a firm that has relevant total assets exceeding £50 billion and that is a *UK bank, a building society, a designated investment firm* or a relevant ~~BIPRU 730k firm~~ IFPRU 730k firm.
- (1E) In this rule:
- (a) a "relevant ~~BIPRU 730k firm~~ IFPRU 730k firm" is any ~~BIPRU 730k firm~~ IFPRU 730k firm that is not a *limited activity firm* or a *limited licence firm*;
- (b) a "relevant ~~third country BIPRU 730k firm~~ IFPRU 730k firm" is any third country ~~BIPRU 730k firm~~ IFPRU 730k firm that is not a *limited activity firm* or a *limited licence firm*; and
- (c) ...
- ...

PRA RULEBOOK: BASE CAPITAL RESOURCES REQUIREMENT INSTRUMENT 2013

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (the PRA’s general rules);
 - (2) section 137T (general supplementary powers); and
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority) (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Handbook: Base Capital Resources Requirement Instrument 2013

- D. The PRA makes the rules in Annex A to this instrument.

Commencement

- E. This instrument comes into force on [date].

Citation

- F. This instrument may be cited as the PRA Rulebook: Base Capital Resources Requirement Instrument 2013.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

In this Annex, underlining indicates new text and striking thorough indicates deleted text, unless indicated otherwise.

DEFINITION OF CAPITAL

Chapter content

1. APPLICATION AND DEFINITIONS

2. ...

...

12. BASE CAPITAL RESOURCES REQUIREMENT

...

1 APPLICATION AND DEFINITIONS

1.1 ...

...

1.3 In this part, the following definition shall apply:

Small specialist bank

a bank that has capital resources equal to or in excess of the base capital resources requirement for a *small specialist bank* in 12.1 but less than the base capital resources requirement of a *bank*.

After Chapter 11, insert the new text. This is not underlined.

12 BASE CAPITAL RESOURCES REQUIREMENT

12.1 A *CRR firm* must maintain at all times capital resources equal to or in excess of the base capital resources requirement set out in the table below:

<i>Firm category</i>	<i>Amount: Currency equivalent of</i>
<i>bank</i>	€5 million
<i>small specialist bank</i>	The higher of €1 million and £1 million
<i>building society</i>	The higher of €1 million and £1 million
<i>designated investment firm</i>	€730,000