

**HANDBOOK ADMINISTRATION INSTRUMENT (NO 3) 2014****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); 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.

**Commencement**

- C. This instrument comes into force on 1 February 2014 except for Part II of Annex A and Annex B which shall come into force on 1 April 2014.

**Amendments**

- D. The rules 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).
- E. The Prudential Regulation Authority gives as guidance each provision in the Annexes listed in column (2) that is marked with a G.

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Interim Prudential sourcebook for Insurers (IPRU (INS))	Annex C
Supervision manual (SUP)	Annex D

**Citation**

- E. This instrument may be cited as the Handbook Administration Instrument (No 3) 2014.

**By order of the Board of the Prudential Regulation Authority**  
29 January 2014

## Annex A

### Amendments to the Glossary of definitions

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

*Editor's Note:*

*This Annex splits all definitions which are currently shown as 'shared by both the PRA and the FCA into two versions, one for each regulator, where these have not already been split by previous instruments. The PRA version will be shown under the heading provided for below. Where a definition has not been previously split, the same definition text will appear in respect of both versions except where the PRA version is amended by this instrument or by other instruments. For the time being both versions will continue to be shown in the Handbooks of both regulators.*

#### Part I – to come into force on 1 February 2014

In every definition in the Glossary currently badged with both “PRA” and “FCA” badges, the following text is inserted before the definition, if it has not already been inserted under a previous instrument:

(A) (in the PRA Handbook):

Amend the following as shown:

*ancillary stabilisation* ~~(as defined in Article 2 of the Buy back and Stabilisation Regulation) the exercise of an over-allotment facility or of a greenshoe option by investment firms or credit institutions, in the context of a significant distribution of relevant securities, exclusively for facilitating stabilisation activity.~~

...

*consumer credit activity* any one of the following activities carried on by a *licensee firm, payment service provider* or *electronic money issuer*:

- (a) ~~providing credit or otherwise being a creditor under a regulated consumer credit agreement;~~
- (b) ~~the bailment or (in Scotland) the hiring of goods or otherwise being an owner under a regulated consumer hire agreement;~~
- (c) ~~credit brokerage in so far as it is the effecting of introductions of:~~
  - (i) ~~individuals desiring to obtain credit to persons~~

- carrying on a consumer credit business; or
- (ii) individuals desiring to obtain goods on hire to persons carrying on a consumer hire business;
- (d) ~~in so far as they relate to regulated consumer credit agreements or regulated consumer hire agreements:~~
- (i) debt adjusting;
  - (ii) debt counselling;
  - (iii) debt collecting; or
  - (iv) debt administration;
- (e) the provision of credit information services; or
- (f) the operation of a credit reference agency;

where at the time of the act or omission complained of:

- (g) ~~the licensee firm, payment service provider or electronic money issuer was:~~
- (i) covered by a standard licence under the Consumer Credit Act 1974 (as amended); or
  - (ii) authorised to carry on an activity by virtue of section 34(A) of that Act; or
  - (iii) ~~in accordance with regulation 26(2) of the Payment Services Regulations or regulation 31 of the Electronic Money Regulations, was not required to hold a licence for consumer credit business under section 21 of the Consumer Credit Act 1974; and~~
- (h) ~~the activity was carried on in the course of a business of a type specified in accordance with section 226A(2)(e) of the Act;~~

~~and expressions used in the Consumer Credit Act 1974 (as amended) have the same meaning in this definition as they have in that Act.~~

...

*DTR* the Disclosure Rules and Transparency Rules sourcebook containing the *disclosure rules, transparency rules and corporate governance rules* and the rules relating to primary information providers.

...

*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*:

(a) ...

...

(hh) an *AIFM* which is authorised (under article 8 6 of *AIFMD*) by its *Home State regulator*;

...

...

*fixed sum credit* ~~(in accordance with section 10(1)(b) of the Consumer Credit Act 1974) any facility under a contract, other than *running account credit*, by which the *customer* is enabled to receive credit (whether in one amount or by instalments).~~

...

*greenshoe option* ~~(as defined in Article 2 of the *Buy back and Stabilisation Regulation*) an option granted by the *offeror* in favour of the *investment firm(s)* or *credit institution(s)* involved in the *offer* for the purpose of covering *overallotments*, under the terms of which such firm(s) or institution(s) may purchase up to a certain amount of *relevant securities* at the offer price for a certain period of time after the *offer* of the relevant securities.~~

...

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

...

*mineral expert's report* (in *LR*) a report prepared in accordance with the *ESMA recommendations*.

...

*offeror*

- (1) ~~(in MAR 1 (The Code of Market Conduct) and LR 5.2.10 R) an offeror as defined in the Takeover Code.~~
- (2) ~~(in MAR 2 (Buy backs and Stabilisation)) (as defined in Article 2 of the *Buy back and Stabilisation Regulation*) the prior holders of, or the entity issuing, the *relevant securities*).~~
- (3) ~~(in *LR*, *PR* and *FEES* provisions in relation to *PR*) a *person* who makes an *offer of transferable securities to the public*.~~

~~(in relation to a transaction in an *investment*) a transaction which is not *on-exchange*.~~

...

~~*omnibus client account*~~

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

...

*prudential context*

(1) For the *FCA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

...

(i) the "fit and proper" test in *threshold condition 5 2E and 3D* (Suitability); or

...

(2) For the *PRA*, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

...

(i) the "fit and proper" test in *threshold condition 5 4E and 5E* (Suitability); or

...

...

~~*regulated consumer hire agreement*~~

~~in accordance with section 15 of the Consumer Credit Act 1974 (as amended) an agreement made by a person with an individual "the hirer" for the bailment or (in Scotland) the hiring of goods to the hirer, being an agreement which~~

~~(a) is not a hire purchase agreement, and~~

~~(b) is capable of subsisting for more than three months, and~~

~~(c) is not an exempt agreement;~~

~~and expressions used in that Act have the same meaning in this definition.~~

...

~~regulatory  
information service or  
RIS~~ either:

- (a) ~~a Regulated Information Service; or~~
- (b) ~~an incoming information society service that has its establishment in an EEA State other than the United Kingdom and that disseminates regulated information in accordance with the minimum standards set out in [article 12 of the TD implementing Directive].~~

...

~~restricted-use credit agreement~~ (in accordance with section 11 of the Consumer Credit Act 1974) an agreement:

- (a) ~~to finance a transaction between the customer and the firm, whether forming part of that agreement or not;~~
- (b) ~~to finance a transaction between the customer and a person (the 'supplier') other than the firm;~~
- (c) ~~to refinance any existing indebtedness of the customer's, whether to the firm or another person.~~

...

~~running-account credit~~ (in accordance with section 10(1)(a) of the Consumer Credit Act 1974) a facility under a contract by which the customer is enabled to receive from time to time (whether in his own person, or by another person) from the firm or a third party cash, goods and services (or any of them) to an amount or value such that, taking into account payments made by or to the credit of the customer, the credit limit (if any) is not at any time exceeded.

...

~~total charge for credit~~ the total of the charges (determined as at the date of making the contract) specified in as applying in relation to the secured lending but excluding the charges specified in.

...

## Part II – to come into force on 1 April 2014

*controller* (A) (in the PRA Handbook):

- (1) (in relation to a firm or other undertaking ("B"), other than a non-directive firm a person ("A") who (whether acting alone or

in concert):

- (a) holds 10% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
  - (b) holds 10% or more of the *voting power* in B or in P; or
  - (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.
- (2) (in relation to a *non-directive firm* ("B")), other than a *firm* within (2A)), a *person* ("A") who (whether acting alone or in concert):
- (a) holds 20% or more of the *shares* in B or in a *parent undertaking* ("P") of B;
  - (b) holds 20% or more of the *voting power* in B or in P; or
  - (c) holds *shares* or *voting power* in B or P as a result of which A is able to exercise significant influence over the management of B.
- (3) for the purposes of calculations relating to (1) and (2), the holding of *shares* or *voting power* by a *person* ("A1") includes any *shares* or *voting power* held by another ("A2") if A1 and A2 are acting in concert.
- (4) *shares* and *voting power* that a *person* holds in a *firm* ("B") or in a *parent undertaking* of B ("P") are disregarded for the purposes of determining *control* in the following circumstances:
- (a) *shares* held for the sole purposes of clearing and settling within a short settlement cycle;
  - (b) *shares* held by a *custodian* or its nominee in its custodian capacity are disregarded, provided that the *custodian* or nominee is only able to exercise *voting power* attached to the *shares* in accordance with instructions given in writing;
  - (c) *shares* representing no more than 5% of the total voting power in B or P held by an *investment firm*, provided that:
    - (i) it holds the *shares* in the capacity of a *market maker* (as defined in article 4.1(8) of MIFID);
    - (ii) it is authorised by its *Home State regulator* under MIFID; and

- (iii) it does not intervene in the management of B or P nor exerts any influence on B or P to buy the shares or back the share price;
- (d) shares held by a credit institution or investment firm in its trading book are disregarded, provided that:
  - (i) the shares represent no more than 5% of the total voting power in B or P; and
  - (ii) the credit institution or investment firm ensures that the voting power is not used to intervene in the management of B or P;
- (e) shares held by a credit institution or an investment firm are disregarded, provided that:
  - (i) the shares are held as a result of performing the investment services and activities of:
    - (A) underwriting share issues; or
    - (B) placing shares on a firm commitment basis in accordance with Annex I, section A.6 of MIFID; and
  - (ii) the credit institution or investment firm:
    - (A) does not exercise voting power represented by the shares or otherwise intervene in the management of the issuer; and
    - (B) retains the holding for a period of less than one year;
- (f) where a management company and its parent undertaking both hold shares or voting power, each may disregard holdings of the other, provided that each exercises its voting power independently of the other;
- (g) but (f) does not apply if the management company:
  - (i) manages holdings for its parent undertaking or an undertaking in respect of which the parent undertaking is a controller;
  - (ii) has no discretion to exercise the voting power attached to such holdings; and
  - (iii) may only exercise the voting power in relation to such holdings under direct or indirect instruction

from:

(A) its parent undertaking; or

(B) an undertaking in respect of which the parent undertaking is a controller;

(h) where an investment firm and its parent undertaking both hold shares or voting power, the parent undertaking may disregard holdings managed by the investment firm on a client by client basis and the investment firm may disregard holdings of the parent undertaking, provided that the investment firm:

(i) has permission to provide portfolio management;

(ii) exercises its voting power independently from the parent undertaking; and

(iii) may only exercise the voting power under instructions given in writing, or has appropriate mechanisms in place for ensuring that individual portfolio management services are conducted independently of any other services.

(B) (in the FCA Handbook):

(1) ...

...

owner

(A) in the PRA Handbook:

(1) (in RCB) (as defined in Regulation 4 of the RCB Regulations) an owner which owns an asset pool and issues a guarantee to pay from that asset pool claims attaching to a regulated covered bond in the event of a failure of the issuer of that bond.

(B) in the FCA Handbook:

(1) ...

...

relevant date

(A) (in the PRA Handbook):

in MCOB 10 (Annual percentage rate):

(a) (where a date is specified in or determinable under an agreement at the date of its making as the date on which the debtor is entitled to

require provision of anything which is the subject of the agreement) the earliest such date;

(b) (in any other case) the date of making the agreement

(B) (in the FCA Handbook):

(1) ...

...

security

(A) (in the PRA Handbook)

(in accordance with article 3(1) of the Regulated Activities Order (Interpretation)) any of the following investments specified in that Order:

(a) share (article 76);

(b) debenture (article 77);

(ba) alternative debenture (article 77A);

(c) government and public security (article 78);

(d) warrant (article 79);

(e) certificate representing certain securities (article 80);

(f) unit (article 81);

(g) stakeholder pension scheme (article 82(1));

(ga) personal pension scheme (article 82(2));

(h) rights to or interests in investments in (a) to (g) (article 89).

(B) (in the FCA Handbook):

(1) ...

...

transaction

(A) (in the PRA Handbook):

only the purchase and sale of a financial instrument. For the purposes of the MiFID Regulation, excluding Chapter II, this does not include:

(a) securities financing transactions; or

- (b) the exercise of options or covered warrants; or
- (c) primary market transactions (such as issuance allotment or subscription) in *financial instruments* falling within Article 4(1)(18)(a) and (b) of *MiFID*.

[Note: article 5 of the *MiFID Regulation*]

(B) (in the *FCA Handbook*):

(1) ...

...

## Annex B

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

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

**1 Application and purpose**

...

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

...

<b>Provision SYSC 4</b>	<b>COLUMN A Application to a common platform firm other than to a UCITS investment firm</b>	<b>COLUMN A+ Application to a UCITS management company</b>	<b>COLUMN A++ Application to a full-scope UK AIFM of an authorised AIF</b>	<b>COLUMN B Application to all other firms apart from insurers, managing agents, the Society and full- scope UK AIFMs of unauthorised AIFs</b>
...				
SYSC 4.4.2G [FCA] [PRA]	...	...	...	Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1R or <u>SYSC 4.4.1AR</u>
SYSC 4.4.3R [FCA] [PRA]	...	...	...	Rule only applying to the <i>firms</i> specified in SYSC 4.4.1R or <u>SYSC 4.4.1AR</u>
SYSC 4.4.4G [FCA] [PRA]	...	...	...	Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1R or <u>SYSC 4.4.1AR</u>
SYSC	...	...	...	Rule only

4.4.5R [FCA] [PRA]				applying to the <i>firms</i> specified in SYSC 4.4.1R or <u>SYSC 4.4.1AR</u>
SYSC 4.4.6G [FCA] [PRA]	...	...	...	Guidance only applying to the <i>firms</i> specified in SYSC 4.4.1R or <u>SYSC 4.4.1AR</u>
...				

## 20 Reverse stress testing

### 20.1 Application and purpose

#### Application

20.1.1 R (1) SYSC 20 applies to:

(a) a *BIPRU firm* which is:

...

(iii) a *BIPRU designated investment firm* which meets any of the criteria set out in (2) on an individual basis, or in (3) on a consolidated basis: and

...

(2) Subject to (4), SYSC 20 applies to a *BIPRU designated investment firm* if:

...

(3) Subject to (4), where all of the *BIPRU designated investment firms* within the same *UK-consolidation group* or *non-EEA sub-group*, taken together as if they were one *firm*, meet any of the criteria in (2), SYSC 20 applies to each of those *BIPRU designated investment firms* as if it individually met the inclusion criteria in (2).

(4) Any *BIPRU designated investment firm* which is included within the scope of SYSC 20 in accordance with (2) or (3) in any given year will continue to be subject to SYSC 20 for the following two years irrespective of whether or not it continues to meet the inclusion criteria in any of those subsequent years.

## Annex C

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

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

#### Appendix 9.1 (rules 9.12 and 9.13)

...

##### *Instructions for completion of Form 1*

...

- 22        Where a direction under section ~~148-~~ 138A of the *Act* has been issued disapplying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to *Form 1* explaining the effect of the order is usually required. The requirement for such a note would be specified in the direction itself. [Code 0101].

##### *Instructions for completion of Form 2*

...

- 25        Where a direction under section ~~148-~~ 138A of the *Act* has been issued disapplying or modifying any of the provisions of the *Accounts and Statements Rules*, a note to *Form 2* explaining the effect of the direction is usually required. The requirement for such a note would be specified in the direction itself. (Code 0201).

...

##### *Instructions for completion of Form 3*

- 67        Where a direction under section ~~148-~~ 138A of the *Act* has been issued to an *insurer* permitting it to take into account *implicit items* on *long-term insurance business*, that direction may specify that a note is to be included in the *return* explaining such items. That note must be included as a note to *Form 3* (Code 0312).

...

## Annex D

### Amendments to the Supervision manual (SUP)

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

#### 13.8 Changes of details: provision of notices to the appropriate UK regulator

- 13.8.1 R (1) Where a *firm* is required to submit a notice of a change to a *branch* referred to in ... or a notice of a change to *cross border services* referred to in ... ~~SUP 13.7.13G~~ 13.7.13BG ... it must complete and submit that notice in accordance with the procedures set out in SUP 13.5 for notifying the establishing of a *branch* or the provision of *cross border services*.

...

#### 15.2 Purpose

...

- 15.2.4 G ~~Schedule 2 contains a consolidated summary of all the *notification rules* applicable to *firms* set out in the *Handbook*.~~ [deleted]

...

#### 16 Annex 19AR

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

*Mortgage ~~Lending Lenders~~ and ~~Administration~~ Administrators Return*  
(‘MLAR’) - Forms/sup/sup\_Chapter16\_annex19ar\_20130401.pdf

...

#### 16 Annex 19BG

**Notes for completion of the Mortgage Lending Lenders and Administration Administrators Return (‘MLAR’)**

...

#### 5. ...

...

#### 9. Specific Items

...

#### (ii) Foreign currencies

*Firms* should report in the currency of their annual audited accounts, where this is Sterling, Euro, US Dollars, Canadian ~~dollars~~ 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 thousands where stated on the return. *Firms* should apply the same accounting treatment as for their published accounts.

**DESIGNATED INVESTMENT EXCHANGES INSTRUMENT 2014****Powers exercised**

- 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 1 March 2014.

**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 2014.

**By order of the Board of the Prudential Regulation Authority**

29 January 2014

**Annex A**  
**Amendments to the Glossary of definitions**

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

<i>custodian</i>	<ul style="list-style-type: none"> <li>(a) an <i>approved bank</i>;</li> <li>(b) an <i>approved depositary</i>;</li> <li>(c) a <del>member</del> <u>member</u> of a <i>recognised investment exchange</i> <del>or designated investment exchange</del>;</li> <li>(d) a <i>firm</i> whose <i>permitted activities</i> include <i>safeguarding and administering investments</i>;</li> <li>(e) a regulated <i>clearing firm</i>;</li> <li>(f) where it is not feasible to use a <i>custodian</i> in (a) to (e), and there are reasonable grounds to show that a <i>person</i> outside the <i>United Kingdom</i>, whose business includes the provision of custodial services, is able to provide such services which are appropriate to the <i>client</i> and in the <i>client's</i> best interest to use, that <i>person</i>.</li> </ul>
...	
<i>exchange traded fund</i>	<p>a <del>fund</del>:</p> <ul style="list-style-type: none"> <li>(a) <del>which is an open-ended investment company</del>; and</li> <li>(b) <del>the units of which are traded on a regulated market or a designated investment exchange.</del> <u>[deleted]</u></li> </ul>
<i>intermediate customer</i>	<p><del>(for the purposes only of COBS TP 1 (Transitional Provisions in relation to Client Categorisation)):</del></p> <ul style="list-style-type: none"> <li>(1) <del>(except in COB 3) a client who is not a market counterparty and who is:</del> <ul style="list-style-type: none"> <li>(a) <del>a local authority or public authority</del>;</li> <li>(b) <del>a body corporate whose shares have been listed or admitted to trading on any EEA exchange</del>;</li> <li>(c) <del>a body corporate whose shares have been listed or admitted to trading on the primary board of any IOSCO member country official exchange</del>;</li> </ul> </li> </ul>

- (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);~~
- (e) ~~a *special purpose vehicle*;~~
- (f) ~~a *partnership* or unincorporated association which has (or 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 client. [deleted]~~

*inter-professional business*

~~the business of a firm:~~

- (a) ~~when it carries on:~~
  - (i) ~~regulated activities; or~~
  - (ii) ~~related ancillary activities;~~

~~to the extent that the regulated activity that the firm is carrying on is:~~

  - (A) ~~dealing in investments as principal; or~~
  - (B) ~~dealing in investments as agent; or~~
  - (C) ~~acting as an arranger; or~~
  - (D) ~~giving transaction specific advice or agreeing to do so;~~

~~but only if that activity is:~~

  - (i) ~~in or in respect of an inter-professional investment;~~
  - (ii) ~~undertaken with or for a eligible counterparty; and~~
  - (iii) ~~carried on from an establishment maintained by the firm in the United Kingdom;~~
- (b) ~~but excluding the carrying on of the following activities:~~
  - (i) ~~the approval by a firm of a financial promotion;~~

- (ii) ~~activities carried on between operators, or between operators and depositaries, of the same collective investment scheme (when acting in that capacity);~~
- (iii) ~~corporate finance business;~~
- (iv) ~~safeguarding and administering investments and agreeing to carry on that regulated activity;~~
- (v) ~~concluding a distance contract with a consumer;~~
- (vi) ~~activities relating to life policies;~~

~~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. [deleted]~~

*inter-professional investment*

~~any of the following investments specified in Part III of the Regulated Activities Order (Specified Investments) or, in the case of units in an exchange traded fund, defined in the Glossary:~~

- (a) ~~share (article 76);~~
- (b) ~~debenture (article 77);~~
- (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]~~
- listed
- (1) (except in LR, SUP 11, INSPRU and IPRU(INS) included in an official list.
- (2) (in SUP 11, INSPRU and IPRU(INS)):
- (a) included in an official list; or
  - (b) in respect of which facilities for dealing on a regulated market have been granted.
- ...
- ...
- 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 the<sup>99</sup> 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.	<del>PRIN 1 Annex 1 R 1.2(2)</del> [deleted]	R	<del>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).</del> [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*;

...

...

**PRA RULEBOOK RELATED PARTIES INSTRUMENT 2014**

**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 138(2)G (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.

**PRA Rulebook Related Parties Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 1 February 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook Related Parties Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**  
29 January 2014

## Annex A

## PRA RULEBOOK – GLOSSARY

In the Glossary Part of the PRA Rulebook 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 *UK*.

*director*

means (in relation to any of the following (whether constituted in the *UK* 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) of *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.

*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 of *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 *UK*.

*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

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Chapter content

- 1 APPLICATION AND DEFINITIONS
- 2 RELATED PARTY TRANSACTION RISK

Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to:

- (1) a *UK bank*;
- (2) a *building society*; and
- (3) an *overseas firm* that:
  - (a) is not an *incoming firm*; and
  - (b) has a *Part 4A permission* that includes permission to carry out *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

---

- 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 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 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.

**HANDBOOK ADMINISTRATION INSTRUMENT (NO 1) 2014****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); 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.

**Commencement**

- C. This instrument comes into force on 3 March 2014, except for Annex C which comes into force on 26 April 2014.

**Amendments**

- D. The rules 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).
- E. The Prudential Regulation Authority gives as guidance each provision in the Annexes listed in column (2) that is marked with a G.

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex C
Interim Prudential sourcebook for Insurers (IPRU (INS))	Annex D
Supervision manual (SUP)	Annex E
Credit Unions sourcebook (CREDS)	Annex F

**Citation**

- E. This instrument may be cited as the Handbook Administration Instrument (No 1) 2014.

**By order of the Board of the Prudential Regulation Authority**

28 February 2014

## Annex A

## Amendments to the Glossary of definitions

In this Annex, striking through indicates deleted text.

Amend the following as shown:

- trading day*
- (1) ~~(in *MAR 7* (Disclosure of information on certain trades undertaken outside a regulated market or MTF) and *SUP 17* (Transaction reporting)) in relation to post trade information to be made public about a share under *MAR 7.2.10 EU*, any day of normal trading in a share on a *trading venue* in the *relevant liquid market* for this share.~~  
[Note: article 4(2) of the *MiFID Regulation*]
  - (2) other than in (1) or (3), a day included in the calendar of trading days published by the *appropriate regulator* at [web address tbc]
  - (3) ~~(in *FINMAR*) as defined in article 2(1)(p) of the *short selling regulation*, a trading day as referred to in article 4 of Regulation (EC) No 1287/2006.~~

...

## Annex B

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

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

#### 1 Annex 1 Detailed application of SYSC

...

Provision SYSC 6	COLUMN A ...	COLUMN A+ ...	COLUMN A++ ...	COLUMN B ...
...				
SYSC 6.3.11G	Guidance <del>[deleted]</del>	Guidance <del>[deleted]</del>	Guidance <del>[deleted]</del>	Guidance <del>[deleted]</del>

## Annex C

**Amendments to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)****Comes into force on 26 April 2014**

- 4.2A.5 R Any arrangements entered into on or after ~~[date to be confirmed]~~ 26 April 2014 which increase the amount of a loan already advanced or change the security to a loan already advanced or change the contractual terms (other than if the *firm* is exercising forbearance) of a loan already advanced will be subject to the credit risk capital requirement under *MIPRU* 4.2A.4R(2)(a) provided that, where the arrangements only increase the amount of a loan already advanced, such requirement shall only apply to the amount of such increase.

...

## Annex D

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

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

#### Appendix 9.6 (rules 9.34 and 9.35)

...

2 Subject to 3, if the insurer carries on long-term insurance business, the certificate required by rule 9.34(1) must also state that –

(a) ...

...

(d) the directors have, in preparing the return, taken and paid due regard to -

(i) advice from every *actuary* appointed by the *insurer* to perform the *actuarial function* in accordance with SUP 4.3.13R; and

(ii) if applicable,-advice from every *actuary* appointed by the *insurer* to perform the *with-profits actuary function* in accordance with SUP 4.3.16AR of the FCA Handbook and SUP 4.3.16R of the PRA Handbook.

...

## Annex E

## Amendments to the Supervision manual (SUP)

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

## 2 Information gathering by the ~~FSA~~ FCA or PRA on its own initiative

...

### 13.8 Changes of details: provision of notices to the appropriate UK regulator

- 13.8.1 R (1) Where a firm is required to submit a notice of a change to a branch referred to in ... or a notice of a change to cross border services referred to in ... ~~SUP 13.7.13G~~ 13.7.13BG ... it must complete and submit that notice in accordance with the procedures set out in *SUP* 13.5 for notifying the establishing of a branch or the provision of cross border services.

...

### 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.bankofengland.co.uk/pr/Pages/authorisations/passporting/notifying.aspx> for a *PRA-authorised person* or <http://www.fca.org.uk/firms/being-regulated/passporting/notification-forms> for an *FCA-authorised person*.

...

...

- 16.12.33 R Financial reports from a member of a financial conglomerate (see *SUP* 16.12.32R)

Content of Report	Form (Note 1)	Frequency	Due Date
...	...	...	...
Note 2	<p><del>If</del> <u>In respect of FCA-authorised persons</u>, if Part 1 of <i>GENPRU</i> 3 Annex 1R(method 1), or Part 2 of <i>GENPRU</i> 3 Annex 1R (method 2), or Part 3 of <i>GENPRU</i> 3 Annex 1R (method 3) applies, there is no specific form. Adequate information must be provided, specifying the calculation method used and each <i>financial conglomerate</i> for which the <i>appropriate regulator</i> is the <i>co-ordinator</i> must discuss with the <i>appropriate regulator</i> the form which this reporting will take and the</p>		

	extent to which verification by an auditor will be required.
...	

**16 Annex 24R Data items for SUP 16.12**

FIN066 and FIN067 are deleted in their entirety (the text of these forms is not shown).

## Annex F

### Amendments to the Credit Unions Sourcebook (CREDS)

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

- 1.1.1 G (1) The Credit Unions ~~New Sourcebook~~ sourcebook, *CREDS* for short, is the specialist sourcebook for credit unions.

...

#### Appendix 1 Key definitions

*CREDS* the Credit Unions ~~New~~ sourcebook.

**FINANCIAL SERVICES COMPENSATION SCHEME (MANAGEMENT  
EXPENSES LEVY LIMIT) INSTRUMENT 2014**

**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 137T (General supplementary powers);
  - (2) section 213 (The compensation scheme);
  - (3) section 214 (General); and
  - (4) section 223 (Management expenses).
- B. The rule-making powers referred to 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 1 April 2014.

**Amendments to the Handbook**

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

**Citation**

- F. This instrument may be cited as the Financial Services Compensation Scheme (Management Expenses Levy Limit) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

26 March 2014

## Annex

### Amendments to the Fees manual (FEES)

In this Annex, underlining indicates new text.

#### **6 Annex 1R    Financial Services Compensation Scheme – Management Expenses Levy Limit**

This table belongs to FEES 6.4.2R	
Period	Limit on total of all management expenses levies attributable to that period (£)
...	
1 April 2013 to 31 March 2014	£94,400,000
<u>1 April 2014 to 31 March 2015</u>	<u>£80,000,000</u>

**PRA FEES (MISCELLANEOUS AMENDMENTS) INSTRUMENT 2014**

**Powers exercised by the Prudential Regulation Authority**

- 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); and
  - (3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 1 April 2014.

**Amendments to the Handbook**

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- E. The Fees manual (FEES) is amended in accordance with Annex B to this instrument.

**Citation**

- F. This instrument may be cited as the PRA Fees (Miscellaneous Amendments) Instrument 2014.

By order of the Board of the Prudential Regulation Authority

26 March 2014

## Annex A

## Amendments to the Glossary of definitions

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

<i>client money</i>	(A) In the PRA Handbook:
	...
	(2A) (in <u>FEES</u> , CASS 6, CASS 7, CASS 7A and CASS 10 and, in so far as it relates to matters covered by CASS 6, CASS 7, COBS, GENPRU or IPRU(INV)), subject to the <i>client money rules</i> , money of any currency:
	(a) that a <i>firm</i> receives or holds for, or on behalf of, a client in the course of, or in connection with, its <i>MiFID business</i> ; and/or
	(b) which, in the course of carrying on <i>designated investment business</i> that is not <i>MiFID business</i> , a <i>firm</i> holds in respect of any <i>investment agreement</i> entered into, or to be entered into, with or for a <i>client</i> , or which a <i>firm</i> treats as <i>client money</i> in accordance with the <i>client money rules</i> .
	...
<i>client money rules</i>	...
	(3) (in CASS 3, CASS 6, CASS 7, CASS 7A, UPRU, <del>and</del> COBS, <u>and FEES</u> ) CASS 7.1 to 7.8.
<u><i>community finance organisation</i></u>	<u>a community benefit society, a registered charity or a community interest company limited by guarantee (within the meaning of Part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004);</u>
<i>relevant business</i>	(A) (In the PRA Handbook)
	(1) (in <i>DISP</i> and <i>FEES</i> ) that part of a <i>firm's</i> business which it conducts with <i>consumers</i> and which is subject to the jurisdiction of the <i>Financial Ombudsman Service</i> as provided for in <i>DISP</i> 2.3 (To which activities does the Compulsory Jurisdiction apply?); <del><i>DISP</i> 2.4 (To which activities does the Consumer Credit Jurisdiction apply?)</del> and <i>DISP</i> 2.5 (To which activities does the Voluntary Jurisdiction apply?), measured by reference to the appropriate tariff-base for each <i>industry block</i> .

...

...

## Annex B

### Amendments to the Fees manual (FEES)

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

### 3 Application, Notification and Vetting Fees

#### 3.1 Introduction

...

- 3.1.6 G Applications for *Part 4A permission* (and exercises of *Treaty rights*) other than in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purpose of fee raising as straightforward, ~~complex~~, moderately complex and complex and ~~straightforward~~ as identified in *FEES 3 Annex 1R*. This differentiation is based on the *permitted activities* sought and does not reflect the *appropriate regulator's* risk assessment of the applicant (or *Treaty firm*).

...

- 3.1.8 G Application fees for applications for and variations of *Part 4A permission* in respect of *credit-related regulated activities* are also set out in *FEES 3 Annex 1R*. Applications for *Part 4A permission* in respect of *credit-related regulated activities* are categorised by the *appropriate regulator* for the purposes of fee raising as straightforward, moderately complex and complex as identified in *FEES 3 Annex 1R* unless the application is for a *limited permission*.

...

#### 3.2 Obligation to pay fees

...

Method of payment

- 3.2.3 R (1) Unless (2), (3) or (4) applies, the sum payable under *FEES 3.2.1R* must be paid by bankers draft, cheque or other payable order.

...

- (3) The sum payable under *FEES 3.2.1R* by a *firm* applying for a variation of its *Part 4A permission* which is not an application for new *permission* solely in respect of one or more *credit-related regulated activities* (*FEES 3.2.7R(p)(1)* or *FEES 3.2.7R(p)(4)*) and, if applicable, *FEES 3.2.7AR(c)*) must be paid by any of the methods described in (1) or by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express

only). ~~Any payment by a permitted credit card must include an additional 2% of the sum paid.~~

(4) Unless FEES 3.2.3AR applies, the sum payable under FEES 3.2.1R by a firm applying for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add solely one or more credit-related regulated activities must be paid by Maestro, Visa Debit or credit card (Visa/Mastercard/American Express only).

(5) Payments by credit card must include an additional:

(a) 2% of the sum paid when paying by Visa or Mastercard; or

(b) 3.2% of the sum paid when paying by American Express.

3.2.3A R (1) If the fee payer (as specified in column (1) of FEES 3.2.7AR) in relation to FEES 3.2.3R(4) is:

(a) unable to make a payment by credit or debit card; or

(b) permitted to make a paper application rather than an online application for a Part 4A permission in respect of credit-related regulated activities only or a variation of its Part 4A permission to add a credit-related regulated activity;

... the sum payable under FEES 3.2.1R can be paid by bankers draft, cheque or other payable order.

3.2.3B G If FEES 3.2.3AR(1)(a) applies to a fee payer, that fee payer would be expected to notify the FCA of these circumstances in advance of making its payment (and, in any event, no less than 7 days before the date on which the application for a Part 4A permission or the variation of a Part 4A permission is made) unless such notification is impossible in the circumstances, eg, there is a sudden technological failure.

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

(1) Fee payer	(2) Fee payable	(3) Due date
(a)...	...	...
<u>(aa) A person who makes an application under section 24A of the Consumer Credit Act 1974 which meets the conditions of article 31 (Applications for a standard licence where no determination made before</u>	<u>As (a) above less any amount paid to the Office of Fair Trading in relation to the relevant application.</u>	<u>Within 30 days of the date of the invoice.</u>

<p><u>1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No. 2) Order 2013 (the “relevant application”)</u></p>		
<p>...</p>	<p>...</p>	<p>...</p>
<p>(c) A <i>firm</i> applying for a variation of its <i>Part 4A permission</i> or an <i>FCA-authorized person</i> applying to carry on a <i>PRA-regulated activity</i></p>	<p>(1) Unless (2), <del>(2A)</del>, (3), <del>(3)</del> <del>(3A)</del> or (3B) applies, if the proposed new business of the <i>firm</i> would fall within one or more activity groups specified in Part 1 of <i>FEES 4 Annex 1AR</i> or Part 1 of <i>FEES 4 Annex 1BR</i> not applicable before the application, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> which apply to that application;</p> <p><del>(2) If the only change is that the A.12 activity group tariff applied to the firm’s business before the variation and the A.13 activity group will apply after the variation, no fee is payable. Subject to (2A) below, if the firm’s application includes an application for a <i>Part 4A permission to carry on a new credit-related regulated activity</i>, the fee is 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> that would be payable under (1) above or, if higher, 50% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> that would be payable in relation to the new <i>credit-related regulated activity</i>.</del></p> <p><u>(2A) If the applicant which</u></p>	

	<p><u>already has a <i>Part 4A permission</i> to carry on a <i>credit-related regulated activity</i> exclusively applies for a <i>Part 4A permission</i> to carry on a <i>new credit-related regulated activity</i>, that is specified in Part 3 of <i>FEES 3 Annex 1AR</i> in the <i>straightforward</i> category (or if it exclusively applies for a number of such <i>permissions</i>), the fee is <u>£250</u></u></p> <p>(3) ...</p> <p><u>(3A) If the applicant had a <i>limited permission</i> prior to the application to vary its <i>Part 4A permission</i>, 100% of the highest of the tariffs set out in <i>FEES 3 Annex 1R</i> which apply to that application</u></p> <p><u>(3B) If the applicant has a <i>limited permission</i> and its application exclusively relates to another <i>limited permission</i>, the fee is 0</u></p> <p>(4)...</p>	
<p><u>(ca) A person who makes an application under section 30(1) of the Consumer Credit Act 1974 which meets the conditions of article 33 (Variations at request of licensee where no determination made before 1 April 2014) of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) (No.2) Order 2013 (the “relevant</u></p>	<p><u>As (a) or (c) above, less any amount paid to the Office of Fair Trading in relation to the relevant variation application.</u></p>	<p><u>Within 30 days of the date of the invoice.</u></p>

variation application”)		
...	...	...

...

### 3 Annex 1R Authorisation fees payable

#### Part 1 – Authorisation fees payable

For *PRA-authorized persons* and *persons* seeking to become *PRA-authorized persons*, the amount payable to the *PRA* is 50% of the amount payable under Part 1 and the amount payable to the *FCA* is 50% of the amount payable under Part 1. The amount payable to the *PRA* above is collected by the *FCA* as agent of the *PRA*.

For *FCA-authorized persons* and *persons* seeking to become *FCA-authorized persons*, the amount payable to the *FCA* is the amount payable under Part 17. No amount is payable to the *PRA*.

The table below sets out the following:

- (1) fees for applications by *credit unions* and *community finance organisations*;
- (2) application fees in respect of the complexity groupings that relate to *regulated activities* that are not *credit-related regulated activities*; and
- (3) application fees in respect of the complexity groupings that relate to *credit-related regulated activities*.

Application type (see Part 2)	Amount payable (£)
<i>(1) Credit unions and community finance organisations</i>	
(a) <i>Credit unions</i> – registration of a common bond	200
<i>(aa) Credit unions or community finance organisations</i> – where application is for a <i>Part 4A permission limited to permission to carry on credit-related regulated activities</i>	200
(b) <i>Version 1 credit unions</i> – authorisation (other than where (aa) applies)	300
(c) <i>Version 2 credit unions</i> – authorisation (other than where (aa) applies)	1,800
<i>(2) Complexity groupings not relating to credit-related regulated activities –</i>	

<u>see Part 2</u>					
(d) Straightforward	1,500 (unless otherwise specified in Part 2)				
...	...				
(3) <u>Complexity groupings relating to credit-related regulated activities – see Part 3</u>					
	<u>Consumer credit annual income (£)</u>				
	<u>0 - 50,000</u>	<u>&gt; 50,000</u>			
(g) <u>Limited permission</u>	<u>100 unless the application is for limited permission as a not-for-profit debt advice body, in which case the amount payable is 0.</u>	<u>500 unless the application is for limited permission as a not-for-profit debt advice body, in which case the amount payable is 0.</u>			
	<u>Consumer credit annual income (£)</u>				
	<u>0 - 50,000</u>	<u>≥ 50,000</u>	<u>≥ 100,000</u>	<u>≥ 250,000</u>	<u>≥ 1,000,000</u>
(h) <u>Straightforward</u>	<u>600</u>	<u>750</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>
(i) <u>Moderately complex</u>	<u>800</u>	<u>1,000</u>	<u>1,500</u>	<u>5,000</u>	<u>10,000</u>
(j) <u>Complex</u>	<u>1,000</u>	<u>1,250</u>	<u>2,000</u>	<u>7,000</u>	<u>15,000</u>

Part 2 – Complexity Groupings not relating to credit-related regulated activities  
Straightforward Cases

...

--

Activity grouping	description
...	
<u>A.12</u>	<del>Advisory arrangers, dealers or brokers (holding or controlling <i>client money</i> and/or assets)</del>
A.13	<del>Advisory only forms and advisory Advisors, arrangers, dealers or brokers (not holding or controlling <i>client money</i> and/or assets)</del>
...	
<u>A.21</u>	<u>Holding client money or assets or both.</u>

Part 3 – Complexity Groupings relating to *credit-related regulated activities*

Straightforward cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u><i>Credit broking;</i></u> <u><i>Providing credit information services</i></u>

Moderately complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<u><i>Debt administration</i></u> <u><i>Debt collecting</i></u> <u><i>Entering into a regulated consumer hire agreement as owner</i></u> <u><i>Entering into a regulated credit agreement as lender (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</i></u> <u><i>Exercising, or having the rights to exercise, the owner's rights and duties under a regulated consumer hire agreement</i></u> <u><i>Exercising, or having the right to</i></u>

	<p><u>exercise, the lender's rights or duties under a regulated credit agreement (excluding in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements)</u></p> <p><u>Operating an electronic system in relation to lending</u></p>
--	---

### Complex cases

<u>Activity grouping</u>	<u>Description</u>
<u>CC.2</u>	<p><u>Debt adjusting</u></p> <p><u>Debt counselling</u></p> <p><u>Entering into a regulated credit agreement as lender in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</u></p> <p><u>Exercising or having the right to exercise the lender's rights or duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</u></p> <p><u>Providing credit references</u></p>

## **4 Periodic Fees**

...

- 4.1.3 G Most of the detail of the periodic fees that are payable by *firms* is set out in *FEES 4 Annexes 1A to 11*. *FEES 4 Annex 12G* and (in respect of the FCA only) *FEES 4 Annex 13G* provides provide guidance on the calculation of certain tariffs. Most of the provisions of the Annexes will vary from one *fee year* to another. Accordingly fresh *FEES 4 Annexes* will come into force, following consultation, for each *fee year*.

...

### **4.2 Obligation to pay periodic fees**

...

- 4.2.6 R (1) Unless (2) applies, if for the *fee year* during which the event as described in column 4 of the table in *FEES* 4.2.11R and/or *FEES* 4.2.11AR, giving rise to, or giving rise to an increase in, the fee payable in *FEES* 4.2.1R, occurs on or after 1 July of the relevant *fee year*, the periodic fee required under *FEES* 4.2.1R is modified for:
- (a) *firms* (other than *AIFM qualifiers*, *ICVCs* and *UCITs qualifiers*), in accordance with *FEES* 4.2.7R and 4.2.8R;
- (b) ~~for~~ all other fee payers in column (1) of the table in *FEES* 4.2.11R or *FEES* 4.2.11AR, in accordance with the ~~table below~~. formula set out below.

Period in which event (in column 4 of the table in <i>FEES</i> 4.2.11R or <i>FEES</i> 4.2.11AR) occurs	Proportion of periodic fee payable
Fees payable to the FCA	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 31 March inclusive	25%
Fees payable to the PRA for <i>fee year</i> 2013/2014	
1 April to 30 June inclusive	100%
1 July to 30 September inclusive	75%
1 October to 31 December inclusive	50%
1 January to 28 February inclusive	25%
Formula for the calculation of fees payable under <i>FEES</i> 4.2.6R(1)	
(1)	<u>calculate the number of calendar months between and including:</u>
	(i) <u>the calendar month in which the event described in column 4 of the table in <i>FEES</i> 4.2.11R and/or <i>FEES</i> 4.2.11AR occurred;</u> <u>and</u>
	(ii) <u>the last month of the relevant <i>fee year</i>;</u>
(2)	<u>divide the number of calendar months calculated in (1) by 12;</u>

(3)	<u>multiply the total fee payable for the relevant <i>fee year</i> by the number calculated in (2).</u>
-----	---

(2) ...

4.2.7 R A *firm* (other than an *AIFM qualifier*, *ICVC*, or *UCITS qualifier*) which becomes authorised or registered, or whose *permission* and/or *payment service* activities are extended, during the course of the *fee year* must pay a fee which is calculated by:

(1) identifying each of the tariffs set out in Part 1 of *FEES 4 Annex 2AR*, Part 1 of *FEES 4 Annex 2BR* and/or Part 1 of *FEES 4 Annex 11R* as appropriate for the relevant *fee year* that apply to the *firm* only after the *permission* is received or extended or *payment service* activities are authorised or registered or extended or *electronic money* issuance activities are authorised or registered under the *Electronic Money Regulations*. ~~but ignoring:~~

(a) ~~The A13 activity group if, before the variation, the A12 activity group applied to the *firm's* business; or~~

(b) ~~The A12 activity group if, before the variation, the A13 activity group applied the *firm's* business;~~

(2) calculating the amount for each of the applicable tariffs which is the higher of:

(a) any applicable minimum fee specified in relation to a particular tariff in *FEES 4 Annex 2AR* or *FEES 4 Annex 2BR* (but note, for the avoidance of doubt, these are not the A.0 or PA.0 minimum fees set out in Part 2 of *FEES 4 Annex 2AR* and Part 2 of *FEES 4 Annex 2BR*); and

...

...

(4) working out whether an A.0 or PA.0 minimum fee is payable under Part 2 of *FEES 4 Annex 2AR* and Part 2 of *FEES Annex 2BR* and if so how much (except that ~~that~~ the minimum fee is not payable again by a *firm* whose *permission* is extended if the fee was already payable before the extension);

...

(6) modifying the result for the *FCA* and, if applicable, the *PRA* as ~~indicated by the table in~~ accordance with the formula set out in *FEES 4.2.6R* (except that *FEES 4 Annex 10R* (Periodic fees for MTF operators) deals with a ~~firm~~ *firm* that receives *permission* for *operating a multilateral trading facility* or has its *permission* extended to include this activity during the course of the relevant *fee*

*year* and *FEES* 4.2.6R does not apply).

...

#### 4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)

...

- 4.3.2 G (1) The amount payable by each *firm* will depend upon the category (or categories) of *regulated activities* or *payment services* it is engaged in (fee-blocks) and whether it is issuing *electronic money*, and on the amount of business it conducts in each category (tariff base). The fee-blocks and tariffs are identified in *FEES* 4 Annex 1AR in respect of the *FCA* and *FEES* 4 Annex 1BR in respect of the *PRA* (and guidance on calculating certain of the tariffs is at *FEES* 4 Annex 12G and (in respect of the *FCA*) *FEES* 4 Annex 13AG), while *FEES* 4 Annex 2AR in respect of the *FCA* and *FEES* 4 Annex 2BR in respect of the *PRA* set out the tariff rates for the relevant *fee year*. In case of *firms* that provide *payment services* and/or issue *electronic money*, the relevant fee blocks, tariffs and rates are set out in *FEES* 4 Annex 11R.

...

#### 4 Annex 12G Guidance on the calculation of tariffs set out in FEES 4 Annex 1AR Part 3 and Fees 4 Annex 1BR Part 3

The following tables set out guidance on how a *firm* should calculate relevant tariffs.

The following table sets out *guidance* on how a *firm* should calculate tariffs for fee-block A.4.

Table 1: Fee block A.4

Adjusted Gross Premium Income and Mathematical reserves – calculation of new regular premium business
...

Delete the following Table 2 of *FEES* 4 Annex 12G in its entirety. The deleted text is not shown.

After *FEES* TP9 insert the following new *FEES* TP10. The text is not underlined.

#### TP 10 Transitional Provisions relating to FEES 4.2.7BR for firms carrying on credit related regulated activities

(1)	(2) Material to which the transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: dates in force	(6) Handbook provision: coming into force
-----	--	-----	----------------------------	--	---

10.1	<i>FEES</i> 4.2.7BR(2)(b)	R	Insert a new paragraph after (5)(c) as follows:  “(5)(ca): paragraph (5)(c) does not apply to a <i>firm’s credit-related regulated activities.</i> ”	From 1 April 2014 until 1 April 2016	
------	------------------------------	---	--	--------------------------------------	--

**HANDBOOK ADMINISTRATION INSTRUMENT (NO 2) 2014****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); 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.

**Commencement**

- C. This instrument comes into force on 1 May 2014, except for Part 2 of Annex C which comes into force on 22 July 2014.

**Amendments**

- D. The rules 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).
- E. The Prudential Regulation Authority gives as guidance each provision in the Annexes listed in column (2) that is marked with a G.

(1)	(2)
Glossary of definitions	Annex A
Fees Manual (FEES)	Annex B
Supervision manual (SUP)	Annex C
Compensation sourcebook (COMP)	Annex D
Credit Unions sourcebook (CREDS)	Annex E

**Amendments to material outside the Handbook**

- F. The Building Societies Regulatory Guide (BSOG) is amended in accordance with Annex F to this instrument.

**Citation**

- G. This instrument may be cited as the Handbook Administration Instrument (No 2) 2014.

**By order of the Board of the Prudential Regulation Authority**

25 April 2014

## Annex A

## Amendments to the Glossary of definitions

In this Annex, striking through indicates deleted text.

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

*ONA* the *appropriate regulator's* online notifications and applications system, by whatever name known.

Amend the following as shown:

*appointed representative* (1) (in relation to cases apart from in (2) (in accordance with section 39 of the Act (other than an *authorised person*) a person who:

...

(2) (in relation to a *firm* with a *permission* only to carry on one or more *regulated activities* prescribed for the purposes of section 39(1E)(a) of the Act) in accordance with section 39 of the Act, a person ("A") who:

(a) is a party to a contract with another *authorised person* (A's *principal*) which:

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

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

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

and, therefore, to whom sections 20(1) and (1A) and 23(1A) of the Act do not apply in relation to the carrying on by A of a *regulated activity* which is not one to which A's *permission* relates, and is comprised in the carrying on of the business for which A's *principal* has accepted responsibility.

...

*principal* (1) ...

(b) (if the *person* is an *appointed representative* or, where applicable, a *tied agent*) the *authorised person* who is party to a contract with the *appointed representative*, or who is responsible for the acts of the *tied agent*, resulting in him being exempt, or in him carrying on a *regulated activity* to which sections 20(1) and (1A) and 23(1A) of the Act do not apply, under section 39 of the Act (Exemption of appointed representatives).

...

*respondent* (1) (in *DISP*, *FEES* 5 and *CREDS* 9) a *firm* (except a *UCITS* qualifier), *payment service provider*, *electronic money issuer*, ~~*licensee*~~ or *VJ* participant covered

by the *Compulsory Jurisdiction*, ~~*Consumer Credit Jurisdiction*~~ or *Voluntary Jurisdiction* of the *Financial Ombudsman Service*.

- (2) (in *DISP 2* and *3* and *FEES 5*) includes, as a result of ~~sections~~ section 226 and 226A of the *Act*:

...

- (b) ~~a person who was formerly a licensee in respect of a complaint about an act or omission which occurred at the time when it was a licensee, provided the complaint falls within a description specified in the consumer credit rules in force at the time of the act or omission;~~  
[deleted]

...

- (5) (in *DISP 2* and *3* and *FEES 5*) includes, in accordance with article 11 of the *Regulated Activities Amendment Order*, *unauthorised persons* subject to the *Compulsory Jurisdiction* in relation to *relevant existing credit-related complaints* and *relevant new credit-related complaints*.

...

Delete the following definitions. The deleted text is not shown

*consumer credit activity*

*Consumer Credit Jurisdiction*

*consumer credit prohibition*

*controlled activity*

*financial promotion rules*

*funds under management*

*licensee*

*primary pooling event*

*private person*

*regulated consumer credit hire*

*secondary pooling event*

*total amount payable*

*total charge for credit*

## Annex B

## Amendments to the Fees Manual (FEES)

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

**1 Fees Manual****1.1 Application and Purpose**

...

Application

1.1.2 R This manual applies in the following way:

...

(2) *FEES* 1, 2 and 4 apply to:

...

(d) every *person* who, under the constitution or founding arrangements of a ~~recognised scheme~~ recognised scheme, is responsible for the management of the property held for or within the *scheme*;

...

...

**Annex C****Amendments to the Supervision manual (SUP)**

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

In the following provisions of SUP the term “ONA” is replaced with “*ONA*” on each occasion that it appears:

13.5.3R(1)

13.8.1AG(1)

15.4.3R

Insert new links at the address referred to below to the following form and notes

Variation of Permission (VOP) Application Consumer Credit Activities

Variation of Permission (VOP) Application Consumer Credit - notes

The form and notes are set out below and are not underlined.

Variation of permission application form

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

*Supervision forms* [http://fshandbook.info/FS/form\\_links.jsp](http://fshandbook.info/FS/form_links.jsp)



# Variation of Permission (VOP) Application

## Consumer Credit Activities

Firm Name

Firm Reference Number

Does the firm have an Interim Permission (IP)?

- No  
 Yes ▶ Enter your IP Number below

### Important information you should read before completing this form

#### Purpose of this form

This form is **only** for firms wishing to change the scope of their permission for **Consumer Credit Business**. You must answer all sections.

**The notes that accompany the forms will help you complete the questions.** They also explain why we need the information that we are asking for.

We will only grant an application to vary the permission of a firm if we are satisfied it meets conditions known as the threshold conditions. We need the information in this form so we can assess whether the applicant firm can continue to satisfy the threshold conditions.

**It is important that you give accurate and complete information and disclose all relevant information. If you do not, you may be committing a criminal offence, it may increase the time taken to assess your application and may call into question your suitability to be authorised.**

Submit your application to:

If the appropriate regulator is the FCA send to:  
consumercreditVOP@fca.org.uk

If the appropriate regulator is the PRA send to:

Assessment and Monitoring Team  
The Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

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### Contents of this form

### Page

1 Contact Details and Timings	2
2 Variation of Permission – Consumer Credit activities	3
3 Variation of Permission – Client Money	5
4 Reason for Variation	7
5 Threshold Conditions	8
6 Approved Persons	11
7 EEA Notifications and Third Country Banking/Investment Groups	12
8 Fees	13
9 Declaration and Signature	15

## 1

**Contact details and timings for this application**

We need this information in case we need to contact you when we assess this application.

**Contact for this application****1.1 Details of the person we should contact about this application.**

Title	
First names	
Surname	
Job title	
Business address	
Postcode	
Phone number (including STD code)	
Email address	

**Timings for this application****1.2 Does the applicant firm have any timing factors that it would like us to consider?**

--

We will attempt to process your application as quickly as possible. If you wish your application to be granted by a specific date, we will try to do so. If we cannot, we will contact you with the reason why. However, please note that we must determine an application for a variation of permission once we have received it and deemed it to be complete within six months of it becoming complete.

## 2

**Variation of Permission – Consumer Credit activities**

Tell us what it is you wish to do to change your firm's permission.

**2.1 Answer this section if you wish to do the following:**

- add a new consumer credit activity to your permission;
- delete an activity from your permission; or
- change, add or delete a limitation.

If you wish to add or amend several activities in different ways, copy this page and attach it to this form.

Select activity(ies)			
Add new activity	Amend current activity	Delete activity	
			<b><u>Credit Activities</u></b>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Credit Broking
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Operating an electronic system related to lending
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt Adjusting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt-counselling
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt-collecting
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Debt Administration
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into regulated credit agreement as Lender (Excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a regulated home credit loan agreement as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a regulated home credit loan agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into high-cost short-term credit as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties in relation to high-cost short-term credit
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a bill of sale loan agreement as lender
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise the lender's rights and duties under a bill of sale loan agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Entering into a regulated consumer hire agreement as owner
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Exercising or having the right to exercise owner's rights and duties under a regulated consumer hire agreement
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Providing credit information services
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Providing credit references

**Limitation(s) on your firm's activity(ies)**

- Add a new limitation
- Delete a current limitation
- Amend a current limitation

Enter the limitation(s) below, clearly indicating the amendments if applicable.

**Requirement(s)****2.2 Are you adding, amending or deleting a requirement on your firm's permission? (tick all that are applicable)**

- Adding a new requirement ▶ Enter a non-standard requirement below.
- Amending a current requirement ▶ Enter the current requirement along with the proposed changes.
- Deleting a current requirement ▶ Enter the current requirement.
- No ▶ Continue to Section 3

# 3

## Variation of Permission – Client Money

Tell us what it is you wish to do to change your firm's client money permission.

### 3.1 Does your firm wish to change its client money or assets permission?

- No ▶ Continue to Section 4  
 Yes ▶ Answer the relevant questions in this section

### 3.2 What is the firm able to do now, and how does it wish to change its permission for client money?

Firm is currently able to:	Firm wishes to be able to:
<input type="checkbox"/> Hold and control client money	<input type="checkbox"/> Hold and control client money
<input type="checkbox"/> Not hold and not control client money	<input type="checkbox"/> Not hold and not control client money

### 3.3 Are you applying to stop holding client money?

- No ▶ Continue to Question 3.4  
 Yes ▶ Please tick this box if you have included a report from your auditors confirming that you have done this and it has either been paid back to the clients concerned or transferred to another entity that is authorised to hold it.

If you cannot confirm the above option, explain further below.

### 3.4 Are you applying to hold client money?

- No ▶ Continue to Section 4  
 Yes ▶ Continue to Question 3.5

### 3.5 Is the account held at an approved bank that meets the requirement imposed under CASS?

- Yes ▶ Continue to Question 3.7  
 No ▶ Explain why below

### 3.6 Have you read and understood the Client money rules that you are required to follow?

- Yes ▶ Continue to Section 4  
 No ▶ Explain why below

# 4

## Reason for Variation

Tell us why you are applying to change your firm's permission.

We need to know why your firm is applying to change its permission. You should give as much information as possible, including:

- how this change will affect your firm and the long-term strategy for your business;
- any new operational, legal, market risks that you have identified and will need to consider; and
- details on any outsourcing.

## 5

**Threshold Conditions**

We need to know whether the firm will continue to satisfy the threshold conditions as a result of the change in its permission.

The threshold conditions are the minimum conditions a firm is required to satisfy, and continue to satisfy, to be given and retain Part 4A Permission. The firm must satisfy us these conditions will continue to be met if we grant the application.

**You may be asked to provide documentary evidence to support of your answers, either during the application process or at a later point.**

The document '**Consumer Credit Business– Notes**' gives details on what we may ask you to provide to support your application.

**5.1 Have you reviewed 'Consumer Credit Business– Notes', and submitted the supporting information as indicated by your type of application?**

Yes ▶ Continue to Question 5.2.

No ▶ Submitting the information now will significantly speed up the application process.

### Location of Offices

**5.2 Are you either:**

- a body corporate, that your firm's Registered Office (or if you have no Registered Office, your Head Office) is located within the United Kingdom; or

- a natural person, that your Head Office is in or you are resident in the United Kingdom.

Yes ▶ Continue to Question 5.3

No ▶ Give details below.

### Effective Supervision

**5.3 As a result of this application, will there be any impact on the appropriate regulator's ability to effectively supervise the firm?**

Yes ▶ Continue to Question 5.4.

No ▶ Give details below.

## Appropriate resources

### Prudential category

5.4 What is your firm's current prudential category?

5.5 Will the firm's prudential category change as a result of this application?

- Yes ▶ What prudential category will your firm be in?  
 No ▶ Continue to Question 5.8

5.6 What will be the firm's new capital resource requirement?

5.7 Is the firm currently able to meet this new capital requirement?

- Yes ▶ Continue to Question 5.8  
 No ▶ Explain why below

## Professional Indemnity Insurance

5.8 Are you required to have in place professional indemnity insurance (PII)?

- No ▶ Continue to Question 5.9  
 Yes ▶ Do you hold a valid quote or policy for PII that covers the current business of the firm, and the proposed change in business, if applicable, for which the firm is applying?  
 Yes ▶ Continue to Question 5.9  
 No ▶ Explain why below

## Suitability

### Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check it complies, and continues to comply, with regulations.

5.9 Do you have in place a Compliance Manual and a Compliance Monitoring Programme that reflects the firm's current business and the proposed change in business, if applicable, for which you are applying?

- Yes ▶ Continue to Question 5.10  
 No ▶ Explain why below

**Conduct of Business Requirements – Consumer Credit Sourcebook**

**5.10 Is the firm ready, willing and organised to comply with the relevant provisions in the Consumer Credit Sourcebook?**

- Yes ▶ Continue to Question 5.11
- No ▶ Explain why below

**Systems and Controls (SYSC) Requirements**

**5.11 Does the firm continue to meet the SYSC requirements?**

- Yes ▶ Continue to Section 6.
- No ▶ Explain why below.

We may contact you for more detailed information to support your application, especially if you are applying to significantly change your firm's current business.

# 6

## Approved Persons

If a firm changes its permission it may need new Controlled Functions and Approved Persons or it may no longer require certain Controlled Functions.

You should consider the effect of this change on approved persons before submitting your application. If you require help, please from the FCA please call the FCA Approved Persons Helpline on+ 44 (0) 845 606 9966 or email [iva@fca.org.uk](mailto:iva@fca.org.uk). If you are a dual regulated firm and require help from the PRA, please call PRA Firm Enquiries on +44 (0) 203 461 7000 or email [PRA.firmenquiries@bankofengland.co.uk](mailto:PRA.firmenquiries@bankofengland.co.uk)

**6.1 Have any individual(s) proposed to perform a new role, for the firm's Consumer Credit business, been assessed as competent to apply the knowledge and skills necessary to engage in or oversee the activities without supervision? And do they have the necessary qualifications (where relevant) and experience?**

- Yes ▶ Continue to Section 6.2  
 No ▶ Explain why below

**6.2 The changes you have requested may result in current controlled functions no longer being required. We will remove the specific functions from the profiles of the relevant approved persons. If this applies to your application, do you accept this?**

- Yes ▶ Continue to Section 7  
 N/A, as no change to controlled functions ▶ Continue to Section 7  
 No ▶ Explain why below

## 7

**EEA Notifications and Third-Country Banking and Investment Groups**

We need to know about any connected firms outside the UK but within the EEA (European Economic Area). We also need to know whether the firm is a member of a third-country banking and investment group.

**EEA Notifications****7.1 Is the firm connected with a firm outside the UK but within the EEA?**

- No ▶ Continue to Question 7.2  
 Yes ▶ Give details of each connection below

Name of EEA Regulated Firm	Name of EEA Regulator	Firm's Contact at EEA Regulator (include email address)

**Third-Country Banking and Investment Groups****7.2 Is the firm a BIPRU firm?**

- No ▶ Continue to Section 8  
 Yes ▶ Continue to Question 7.3

**7.3 Is the firm a member of a third-country (i.e outside of the EEA) banking and investment group?**

- No ▶ Continue to Section 8  
 Yes ▶ We will ask you to give further details once we have received this application.

## 8

## Fees

Changing your firm's permission can generate an application fee and vary your periodic fee.

If an application fee is due, you must be ready to pay it in full at the same time as submitting your application, by credit/debit card (you may pay by bankers draft, cheque or other payable order by prior arrangement only if it is not possible to pay by credit or debit card). If the fee is not paid in full within five working days of the date that we contact you after you submit this form, your application will be returned to you. This fee is non-refundable; and we do not issue invoices for it.

If the proposed application will add credit activities, a fee will apply as listed below. If the firm is adding more than one credit activity, you should pay the highest fee.

### 8.1 Please state the estimated consumer credit income for the applicant

### 8.2 Indicate which of the following applies to your application.

Category of change applied for	Estimated Regulated Consumer Credit Income	Fee
<input type="checkbox"/> Limited permission only firm applying for further limited permission activities  <input type="checkbox"/> Reduction in scope of permission, e.g. only removing an activity, removing a customer or investment type from an activity, or adding a requirement or a limitation	Not applicable	No Fee
<input type="checkbox"/> Adding straightforward credit activities and the firm is currently approved for credit business other than limited permission: <ul style="list-style-type: none"> <li>• Credit broking</li> <li>• Providing credit information services</li> </ul>	Not applicable	£250
<input type="checkbox"/> Adding straightforward credit activities and the firm is not currently approved for credit business: <ul style="list-style-type: none"> <li>• Credit broking</li> <li>• Providing credit information services</li> </ul>	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £300 <input type="checkbox"/> £375 <input type="checkbox"/> £500 <input type="checkbox"/> £750 <input type="checkbox"/> £2,500 <input type="checkbox"/> Twice the above fee is payable
<input type="checkbox"/> Adding moderately complex credit activities <ul style="list-style-type: none"> <li>• Entering into regulated credit agreement as Lender (Excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)</li> <li>• Exercising or having the right to exercise lender's rights and duties under a regulated credit agreement (excluding high-cost short-term credit, bill of sale loan agreement, and home collected credit loan agreement)</li> <li>• Entering into a regulated consumer hire agreement as owner</li> <li>• Exercising or having the rights to exercise rights and duties under a regulated consumer hire agreement</li> <li>• Operating an electronic system in relation to lending</li> <li>• Debt collecting</li> <li>• Debt administration</li> </ul>	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £400 <input type="checkbox"/> £500 <input type="checkbox"/> £750 <input type="checkbox"/> £2,500 <input type="checkbox"/> £5,000 <input type="checkbox"/> Twice the above fee is payable
<input type="checkbox"/> Adding complex credit activities <ul style="list-style-type: none"> <li>• Entering into a regulated credit agreement as a lender, in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</li> <li>• Exercising or having the right to exercise the lender's rights or duties under a regulated credit agreement in relation to high-cost short-term credit, bill of sale loan agreements and home credit loan agreements</li> <li>• Debt adjusting</li> <li>• Debt counselling</li> <li>• Providing credit references</li> </ul>	Up to £50k Over £50k to £100k Over £100k to £250k Over £250k to £1m Over £1m The firm is currently a limited permission credit firm only	<input type="checkbox"/> £500 <input type="checkbox"/> £625 <input type="checkbox"/> £1,000 <input type="checkbox"/> £3,500 <input type="checkbox"/> £7,500 <input type="checkbox"/> Twice the above fee is payable

**8.3 Please confirm that the contact person for the application is ready to pay by credit or debit card.**

- Yes. To make a payment using a credit card, please do not enter the details on this form. We will contact you to ask for the details.
- No, I have made prior arrangements to pay by bankers draft, cheque or other payable order.

## 9 Declaration and Signature

### Warning

Knowingly or recklessly giving us information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). Our rules (SUP 15.6.4R) require an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to us and to tell us immediately if materially inaccurate information has been provided. Contravening these requirements may lead to disciplinary sanctions or other enforcement action by us. It should not be assumed that information is known to us just because it is in the public domain or has previously been disclosed to us or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

### Data Protection

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the FCA and/or PRA to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

### Declaration

By submitting this application form

- ✓ I confirm that the information in this application is accurate and complete to the best of my/our knowledge and belief and that I/we have taken all reasonable steps to ensure that this is the case.
- ✓ I am aware that it is a criminal offence knowingly or recklessly to give the FCA and/or PRA information that is false or misleading in a material particular.
- ✓ Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA and/or PRA on request.
- ✓ I will notify the FCA and/or PRA immediately if there is a significant change to the information given in the application pack. If I fail to do so, this may result in a delay in the application process or enforcement action.
- ✓ If this application was submitted by email I confirm that a signed copy has been retained and is available for inspection.

<b>Date</b>	<input type="text"/>
<b>Name of signatory<sup>1</sup></b>	<input type="text"/>
<b>Position<sup>2</sup> of signatory</b>	<input type="text"/>
<b>Individual Registration Number (if applicable)</b>	<input type="text"/>
<b>Signature</b>	<input type="text"/>

<sup>1</sup> The signatory must be a suitable person of a Senior Management level at the firm.

<sup>2</sup> e.g. Director, Sole Trader, Compliance Officer, etc.



# Variation of Permission (VOP) Application

## Consumer Credit – notes

### Purpose of these Notes

These notes will help you fill in the **Consumer Credit** form correctly.

If after reading these notes you need more help, you can:

- visit our website: [www.fca.org.uk/your-fca](http://www.fca.org.uk/your-fca)
- consult the Handbook: [www.fshandbook.info/FS/index.jsp](http://www.fshandbook.info/FS/index.jsp);
- email [consumercreditVOP@fca.org.uk](mailto:consumercreditVOP@fca.org.uk)

These notes, while aiming to help you, do not replace the rules and guidance in the Handbook.

### Terms in the Form

The form uses the following terms:

'**FCA/PRA, 'we', 'our', or 'us'** refers to the Financial Conduct Authority and the Prudential Regulation Authority.

'**The firm**' refers to the firm applying for the variation of permission.

'**You**' refers to the person(s) signing the form on behalf of the applicant firm.

### Contents of this form

### Page

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# 1 Contact details and timings for this application

## Contact for this application

### 1.3 Details of the person we should contact about this application.

This should be an individual in the UK.

## Timings for this application

### 1.4 Does the applicant firm have any timing factors that it would like us to consider?

If you wish your application to be granted by a specific date, for example in time for a product launch, we will try to do so. However, the time taken to determine each application is significantly affected by the quality of the application submitted and whether it is complete. If you leave a question blank, do not sign the declaration or do not attach the required supporting information, we will have to treat the application as incomplete. This will increase the time taken for us to assess your application.

We are required by law to determine applications within the earlier of (a) six months of receiving a complete application or (b) 12 months of receiving an incomplete application. However, we aim to make a decision about the application as soon as possible.

# 2 Variation of Permission – Consumer Credit activities

It is your responsibility to make sure the regulated activities you request adequately cover the activities the applicant firm intends to carry on. Use this section to request any changes you wish to make to the firm's permission.

You need a Permission Notice that matches the applicant firm's needs and covers every aspect of regulated business it wants to carry on. The Permission Notice shows the range of regulated activities the applicant firm will be authorised to carry on. It will also contain what we refer to as 'requirements' and 'limitations'.

Broadly speaking, a limitation is included in the description of a specific regulated activity and will limit how it is carried on, in some way.

A requirement is on the firm to take or not to take a specified action (e.g. not to hold client money). A requirement may extend to activities of the firm which are not regulated activities.

If the applicant firm carries on a regulated activity that is not set out in its permission notice it could be in breach of FSMA and subject to enforcement action.

## 3 Variation of Permission – Client Money

The rules and guidance about how applicant firms hold client money are designed to provide an adequate level of protection for consumers.

## 4 Reason for Variation

No additional notes.

## 5 Threshold Conditions

Threshold Conditions are the minimum requirements a firm must satisfy to be and to continue to be authorised. When we consider the applicant firm's application we will assess whether you will satisfy, and continue to satisfy, the threshold conditions which are set out in full in the Threshold Conditions (COND) 2 Sourcebook of the Handbook at: [www.fshandbook.info/FS/html/handbook/COND/2](http://www.fshandbook.info/FS/html/handbook/COND/2).

### Location of Offices

This is a requirement of Threshold Condition 2.2.

### Effective Supervision

The appropriate regulator must be capable of effectively supervising the firm. This is a requirement of Threshold Condition 2.3.

### Appropriate resources

We must be satisfied the applicant firm has adequate resources. We assess the quality and quantity of the applicant firm's resources for its:

- financial resources;
- management;
- staff; and
- systems and controls.

This is a requirement of Threshold Condition 2.4.

### Prudential category

We differentiate between our financial requirements by putting applicant firms in different prudential categories. The firm will fall into at least one prudential category (including if there is no specific prudential requirement); and it may fall into more than one prudential category, depending on its regulated activities.

The prudential categories relevant to consumer credit activities are set out in the following table:

**Table A**

PRUDENTIAL CATEGORIES FOR CONSUMER CREDIT FIRMS	
<b>IPRU –INV Sourcebook</b>	<b>Chapter</b>
Firms Operating an Electronic Systems in relation to Lending	12
<b>CONC Sourcebook</b>	<b>Chapter</b>
Debt Management Firms and not for profit debt advisors holding £1 million or more in client money.	10

For other consumer credit activities there is no specific prudential requirement and you should answer question 5.5 "no".

### Compliance

A firm must establish, maintain and carry out a Compliance Monitoring Programme of actions to check it complies, and continues to comply, with regulations. When assessing this application we need to be satisfied the applicant firm has the appropriate compliance arrangements in place to meet its regulatory obligations. The applicant firm will need, as a **minimum**, to have in place procedures to meet our rules for the subject areas in the table below. These procedures must be ready for inspection at any time.

## 5 Threshold Conditions (cont'd)

### Supporting Information to Submit With Your Application

For applications to add permission to do the following **for the first time**, the information below **must** be supplied with the application. Failure to do so will lengthen the application process.

As a guide, your VOP application should include the following information:

#### All firms

- The background to the business;
- Why you are applying to change your firm's permission
- What experience/qualifications you have in this new activity
- Will your staff numbers be increased (if so by how much)
- How will they be trained and monitored
- Are they incentivised to sell – what products or services and how?
- Details of your systems and controls incorporating the new activity – including IT systems, compliance staff and the governance of the firm.
- Where customers will be sourced from (e.g. existing client base or purchase of client bank) including the use of any lead generators or brokers (and how they will be remunerated) and a summary of the financial promotions to take place.
- How will this activity be sold (Face to Face, Telephony, via a website?)
- Details of all fees that could be payable by the customer and how they are explained to the customer.
- Details of all charges (for example for late or early repayment) and how these are communicated to customers
- Details of arrears and default procedures (including how the firm will assess whether the customer is in financial difficulty and any forbearance).
- Details of the procedures in place to mitigate the risk of fraud/crime.
- Details of the procedures in place to mitigate the higher risks of lending to vulnerable customers.
- Business forecast – not just sales, to also include what income is made by fees and charges.

#### Lenders

Details of how your affordability assessments are carried out

#### Pawnbrokers

Details of how you will value items

Details of the circumstances in which you will allow a customer to redeem an item and any charges made when this occurs.

#### Firms applying for High Cost Short Term Lending

Forecast to include what percentage of loans do you expect to be in arrears and default, what percentage of loans you expect to be refinanced.

Details of how the firm will use continuous payment authorities.

#### Debt Management firms

What are the firms systems and controls to ensure that it provides accurate payments / data / information to creditors?

What are the firms systems and controls regarding its handling of client money?

What information is provided to the customer about the options available to them and the implications and consequences?

What proportion of debtor payments are passed on to creditors?

## 5 Threshold Conditions (cont'd)

### Debt collection firms

What are the firm's systems and controls to ensure the quality of information it receives from creditors?

What are the firm's systems and controls to ensure that it provides accurate payments / data / information to creditors?

### Firms applying for log book lending

What is the firm's approach to seizing assets?

Details of how any depreciation of asset is calculated

### Firms applying as home collected credit providers

The number of employees, agents or brokers who will be selling the products of the firm, how they will be overseen and remunerated and the geographical area of the firm's home collected credit business.

### Credit Brokers

What level of service you provide and whether this is exclusively with one lender or a panel of lenders – how is this communicated with the customer

What is your procedure of refunding any upfront fees?

## 6 Approved Persons

You must ensure that no individual performs a controlled function until the application has been granted and we have approved the individual to perform the controlled function(s).

### What is an approved person?

An approved person is an individual who is approved by us to perform a controlled function for an authorised firm or an appointed representative. To be approved and continue to be approved to perform a controlled function, an individual must:

- meet, and maintain, our criteria for approval (the 'fit and proper test'); and then
- perform their controlled function(s) in line with the Statement of Principles and Code of Practice for Approved Persons (APER) Sourcebook of the Handbook.

### What is a controlled function?

A controlled function is a function for a regulated business that has particular regulatory significance.

For example, overseeing the firm's systems and controls and being responsible for compliance with our rules.

There are different controlled functions relevant to the different types of businesses we regulate. Some controlled functions are required for every firm, others will depend on the nature of your business.

Each controlled function has a 'CF' number. You can find a full list of all the controlled functions and an explanation of each one at: [www.fshandbook.info/FS/html/handbook/SUP/10](http://www.fshandbook.info/FS/html/handbook/SUP/10).

The Approved Person 'Form A' application form is found at: [www.fca.org.uk/your-fca](http://www.fca.org.uk/your-fca)

## 7 EEA Notifications and Third-Country Banking and Investment Groups

### EEA Notifications

We need to know about any connected firms outside the UK but within the EEA because we may contact the relevant EEA Home State Regulators of these connected firms, as part of the application process.

### Third-Country Banking and Investment Groups

#### Definition of BIPRU firm

*BIPRU* firm has the meaning set out in the FCA or PRA handbook as appropriate.

#### Definition of third-country banking and investment group

A third-country banking and investment group is a banking and investment group that is:

- (a) headed by:
  - (i) a credit institution;
  - (ii) an asset management company;
  - (iii) an investment firm; or
  - (iv) a financial holding company;that has its head office outside the EEA; and
- (b) not part of a wider EEA banking and investment group.

## 8 Fees

The application fee is an integral part of your application. If you do not pay the appropriate fee in full with the completed application pack or when we contact you, we will not process your application.

For further information on fees, see FEES 3 Annex 1.

You should note the firm's periodic fee may change as a result of this application. See [www.fca.org.uk/your-fca](http://www.fca.org.uk/your-fca) for further details.

## 9 Declaration and Signature

This must be the person who is responsible for making the application. This should be a suitable person of appropriate seniority at the firm.

Amend the following as shown:

**13 Exercise of passport rights by UK firms**

...

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



## Passporting

### Notification of intention to establish a branch in another EEA state (excluding the Payment Services Directive and Electronic Money Directive)

...

#### 10.2 Please give details of the firm's programme of operations.

##### Note to Question 10.2

Provide a programme of operations stating in particular the services which the *AIFM* intends to perform and the organisational structure of the *branch*.

Please also identify the *AIFs* that the *AIFM* intends to manage and the domiciles of these *AIFs*. If any of these *AIFs* will be established in a different *EEA State* to the *branch*, please provide the address in the *Home State* of the *AIF* from which documents may be obtained.

For a suggested template firms may adhere to the template provided in section 3.3 when preparing a programme of operations.

**13A Qualifying for authorisation under the Act****13A.1 Application and purpose**

...

13A.1.3 G ...

- (2) Gibraltar insurance companies, *credit institutions, insurance intermediaries, and investment firms and management companies* are allowed to passport their services into the *United Kingdom* if they comply with the relevant notification procedures...

...

13A.6.2 G An *incoming EEA firm* (other than an *EEA pure reinsurer* or an *EEA firm* that has received authorisation under article 18 of the *auction regulation* and only provides services in the *United Kingdom*) or *incoming Treaty firm* carrying on business in the *United Kingdom* must comply with the *applicable provisions* (see SUP 13A.4.4G, SUP 13A.4.6G and SUP 13A.5.4G) and other relevant *UK* legislation. For example where the business includes:

- (1) business covered by the Consumer Credit Act 1974, then an *incoming EEA firm* or *incoming Treaty firm* must comply with the provisions of that Act, ~~as modified by paragraph 15(3) of Schedule 3 to the Act;~~ or

...

...

**14 Incoming EEA firms changing details, and cancelling qualification for authorisation****14.1 Application and purpose**

Application

...

14.1.3 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:

...

- (aa) authorised in Gibraltar under the *Reinsurance Directive*; or

...

- (d) authorised in Gibraltar under ~~the *Investment Services Directive*~~ *MiFID*; or

- (e) authorised in Gibraltar under the *UCITS Directive*.

...

...

**15.3 General notification requirements**

...

Breaches of rules and other requirements in or under the Act or the CCA

- 15.3.11 R (1) A firm must notify the appropriate regulator of:
- (a) ...
  - (aa) a significant breach of any requirement imposed by the CCA or by regulations or an order made under the CCA (except if the breach is an offence, in which case (c) applies), but any notification under (aa) is required to be made only to the FCA; or
  - (b) ...
  - (c) the bringing of a prosecution for, or a conviction of, any offence under the Act or the CCA; or
  - ...

...

**15.5 Core information requirements**

...

- 15.5.9 R (1) A firm other than:
- (a) a credit union; or
  - (b) an FCA-authorised person with permission to carry on only credit-related regulated activity.

must submit any notice under SUP 15.5.1R, SUP 15.5.4R and SUP 15.5.5R by submitting the form in SUP 15 Ann 3R online at the appropriate regulator's website.

- (2) A credit union or an FCA-authorised person with permission to carry on only credit-related regulated activity (other than a firm with only an interim permission to which the modifications to SUP 15 in CONC 12 apply) must submit any notice under SUP 15.5.1R, SUP 15.5.4R, SUP 15.5.5R and SUP 15.5.7R by submitting the form in SUP 15 Ann 3R in the way set out in SUP 15.7.4R to SUP 15.7.9G (Form and method of notification).

...

...

**16 Reporting requirements**

**16.1 Application**

- 16.1.3 R Application of different sections of SUP 16 (excluding SUP 16.13, SUP 16.15, SUP 16.16 and SUP 16.17)

(1) Section(s)	(2) Categories of firm to which section applies	(3) Applicable rules and guidance
...		
SUP 16.4 and SUP	All categories of firm except:	Entire sections

16.5			
	...		
	(j)	a firm with permission to carry on only insurance mediation activity, home finance mediation activity, or both;	
	(ja)	<u>an FCA-authorised person with permission to carry on only credit-related regulated activity.</u>	
	(k)	a firm falling within a combination of <del>both</del> (i), and (j) <u>and (ja).</u>	
	...		
SUP 16.11	A firm, other than a managing agent, which is:		Entire section
	...		
	(4)	a person who issues or manages the relevant assets of the issuer of a structured capital-at-risk product, <u>or</u>	
	(5)	<u>a firm with permission to enter into a regulated credit agreement as lender in respect of high-cost short-term credit or home credit loan agreements.</u>	
	...		

...

**16.10 Verification of standing data**

Application

16.10.1 G The effect of SUP 16.1.1R is that this section applies to every firm except:

...

(2) a UCITS qualifier, or

(2A) an AIFM qualifier, or

...

...

- 16.10.4A R (1) A *firm* other than:
- (a) a credit union; or
  - (b) an FCA-authorised person with permission to carry on only credit-related regulated activity;

must submit any corrected *standing data* under SUP 16.10.4R(3) online at the *appropriate regulator's* website using the ~~ONA~~ ONA system.

- (2) A credit union or a firm with permission to carry on only credit-related regulated activity must submit any corrected *standing data* under SUP 16.10.4R(3) to static.data@fca.org.uk or via post or hand delivery to the FCA marked for the attention of the 'Static Data team'.

...

## 16 Annex 19BG

NOTES FOR COMPLETION OF THE MORTGAGE LENDING ADMINISTRATION RETURN ('MLAR')

...

INTRODUCTION: GENERAL NOTES ON THE RETURN

...

### 4. Regulated mortgage contracts and the wider mortgage market

...

(ii) Residential loans to individuals

...

Examples of non-regulated mortgage contracts which fall under the wider category of residential loans to individuals include: buy-to-let loans and other types of loan where the property is not for use by the borrower (or qualifying dependants); and residential loans to individuals where the lender does not have a first charge. In the case where a lender takes a first and a second charge over the same residential property (for different purposes), we consider that generally the loan secured by the first charge will be a regulated mortgage contract, but that the loan secured by the second charge will invariably not and should be reported as non-regulated.

Pending the UK implementation of the Mortgage Credit Directive, even though loans secured by a second or subsequent charge on residential property may potentially be regulated credit agreements, firms completing the MLAR in the period after 1 April 2014 should continue to include second charge mortgage business as business falling within non-regulated mortgage contracts.

...

## App 3 Guidance on passporting issues

...

App 3.3.6 G ...

(2) The European Commission has not produced an interpretative communication on either the *Insurance Mediation Directive*, AIFMD or ~~on~~ the *UCITS Directive*.

...

App 3.3.13 G The *Single Market Directives* require *credit institutions, insurance undertakings* (other than *reinsurance undertakings*), *MiFID investment firms, AIFMs, UCITS management companies* and *insurance intermediaries* to make a notification to the *Home State* before establishing a *branch* or providing *cross border services*...

...

**App 3.9 Mapping of MiFID, CRD, AIFMD, UCITS Directive and Insurance Mediation Directive to the Regulated Activities Order**

App 3.9.1 G The following Tables 1, 2, 2ZA, 2A and 2B provide an outline of the *regulated activities* and *specified investments* that may be of relevance to *firms* considering undertaking *passport activities* under the *CRD, MiFID, AIFMD*, 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 *CRD, MiFID, AIFMD*, the *UCITS Directive* or the *Insurance Mediation Directive*...

...

**Part 2: Comes into force on 22 July 2014**

**16 Reporting requirements**

...

**16.12 Integrated Regulatory Reporting**

...

Reporting requirement

...

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

		(1)	(2)	(3)	(4)
RAG number	Regulated Activities	Provisions containing:			
		applicable <i>data items</i>	reporting	due date	

			frequency/period	
...				
RAG 6	<ul style="list-style-type: none"><li>♦ <i>acting as the depositary of an authorised contractual scheme</i></li></ul>	...	...	...
...				

**Annex D**

**Amendments to the Compensation sourcebook (COMP)**

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

4 Eligible claimants

...

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)

This table belongs to *COMP 4.2.1R*

...	
(3)	<i>Collective investment schemes, and anyone who is the <del>operator</del> <u>operator</u> or trustee <u>depository</u> of such a <del>scheme</del> <u>scheme</u>.</i>
...	

**Annex E****Amendments to the Credit Unions Sourcebook (CREDS)**

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

## Accounting records and systems

- 2.2.24 G SYSC 9.1.1R requires that a *credit union* takes reasonable care to make and retain adequate records of all matters governed by the Act or the CCA, secondary legislation under the Act or the CCA, or *rules* (including accounting records). These records should be capable of being reproduced in the English language and on paper.

...

**Annex F**

**Amendments to the Building Societies Regulatory Guide (BSOG)**

In this Annex, striking through indicates deleted text.

1.1.3 G ...  
"official list" ...  
~~"OFT"~~ Office of Fair Trading  
...

**PRA RULEBOOK: ADMINISTRATION INSTRUMENT (NO 1) 2014**

**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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook Administration Instrument (No 1) 2014**

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

**Commencement**

- E. This instrument comes into force on 1 May 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook Administration Instrument (No 1) 2014.

**By order of the Board of the Prudential Regulation Authority**

25 April 2014

**Annex A**

In this Annex new text is underlined and deleted text is struck through.

**Part**

## **WAIVERS TRANSITIONAL PROVISIONS**

---

...

### **2 WAIVERS TRANSITIONAL PROVISIONS**

---

2.1 (1) ...

(6) Any condition relevant to the application of the waiver shall have effect on 1 January ~~2013~~ 2014 until the expiry date specified in the waiver.

(7) ...

**PRA RULEBOOK CRR FIRMS: – CAPITAL BUFFERS INSTRUMENT 2014**

**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 (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: Capital Buffers Instrument 2014**

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

**Commencement**

- E. The rules in Annex A of this instrument come into force on 1 May 2014.
- F. The following rules in Annex B of this instrument come into force on 1 May 2014: Rules 1.1 to 1.3, 3.2, 4.1 to 4.5, 5.1 to 5.6.
- G. The following rules in Annex B of this instrument come into force on 1 January 2016: Rules 2.1; 2.2, 3.1.

**Citation**

- H. This instrument may be cited as the PRA Rulebook CRR Firms: Capital Buffers Instrument 2014.

By order of the Board of the Prudential Regulation Authority  
25 April 2014

**Annex A**

**PRA RULEBOOK – GLOSSARY**

In the Glossary Part of the PRA Rulebook insert the following new definition:

*credit institution*

has the meaning given in point (1) of Article 4(1) of the *CRR*.

## Annex B

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

Part

# CAPITAL BUFFERS

---

Chapter content

1. APPLICATION AND DEFINITIONS
2. CAPITAL CONSERVATION BUFFER
3. COUNTERCYCLICAL CAPITAL BUFFER
4. CAPITAL CONSERVATION MEASURES
5. APPLICATION ON AN INDIVIDUAL AND CONSOLIDATED BASIS

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:

*capital conservation buffer*

means the amount of *common equity tier 1 capital* a *firm* must calculate in accordance with Chapter 2.

*combined buffer*

means the sum of

- (a) the *capital conservation buffer*; and
- (b) the *countercyclical capital buffer*.

*countercyclical buffer rate*

means (in accordance with point (7) of Article 128 of the *CRD*) the rate:

- (a) expressed as a percentage of *total risk exposure amount* set by the FPC or an *EEA countercyclical buffer authority*; or
- (b) expressed in terms equivalent to a percentage of *total risk exposure amount* set by a *third country countercyclical buffer authority*;

that a *firm* must apply in order to calculate its *countercyclical capital buffer*.

*countercyclical capital buffer*

means the amount of *common equity tier 1 capital* a *firm* must calculate in accordance with Chapter 3.

*distribution in connection with common equity tier 1 capital*

includes (in accordance with Article 141(10) of the *CRD*):

- (a) a payment of cash dividends;
- (b) a distribution of fully or partly paid bonus shares or other capital instruments referred to in Article 26(1)(a) of the *CRR*;
- (c) a redemption or purchase by an institution of its own shares or other capital instruments referred to in Article 26(1)(a) of the *CRR*;
- (d) a repayment of amounts paid up in connection with capital instruments referred to in Article 26(1)(a) of the *CRR*; and
- (e) a distribution of items referred to in points (b) to (e) of article 26(1) of the *CRR*

*EEA countercyclical buffer authority*

means the authority or body of an *EEA State* other than the *UK* designated for the purpose of Article 136 of the *CRD* with responsibility for setting the *countercyclical buffer rate* for that *EEA State* or the European Central Bank when it carries out the

task of setting a countercyclical buffer rate for an *EEA State* conferred on it by Article 5(2) of Council Regulation (EU) No. 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

*FPC*

means the *Financial Policy Committee*

*MDA*

means maximum distributable amount calculated in accordance with 4.3(4).

*parent financial holding company in a Member State*

means (in accordance with point (26) of Article 3(1) of the *CRD*) a *financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

*parent institution in a Member State*

means (in accordance with point (24) of Article 3(1) of the *CRD*) an *institution* authorised in an *EEA State* which has an *institution* or *financial institution* as *subsidiary* or which holds a *participation* in such an *institution* or *financial institution*, and which is not itself a *subsidiary* of another *institution* authorised in the same *EEA State* or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

*parent mixed financial holding company in a Member State*

means (in accordance with point (28) of Article 3(1) of the *CRD*) a *mixed financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

*relevant credit exposures*

means (in accordance with Article 140(4) of the *CRD*) exposures other than those referred to in points (a) to (f) of Article 112 of the *CRR* that are subject to:

- (a) the *own funds* requirements for credit risk under Part Three, Title II of the *CRR*; or
- (b) where the exposure is held in the *trading book*, *own funds* requirements for specific risk under Part Three, Title IV, Chapter 2 of the *CRR* or incremental default and migration risk under Part Three, Title IV, Chapter 5 of the *CRR*; or
- (c) where the exposure is a *securitisation*, the *own funds* requirements under Part Three, Title II, Chapter 5 of the *CRR*.

*third country countercyclical buffer authority*

means the authority of a *third country* empowered by law or regulation with responsibility for setting the *countercyclical buffer rate* for that *third country*.

*total risk exposure amount*

means the total risk exposure amount of a *firm* calculated in accordance with Article 92(3) of the *CRR*.

- 1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

## 2 CAPITAL CONSERVATION BUFFER

---

- 2.1 A *firm* must calculate a *capital conservation buffer of common equity tier 1 capital* equal to 2.5% of its *total risk exposure amount*.

**[Note: Art 129(1) (part) of the CRD]**

- 2.2 This rule modifies 2.1 for a transitional period between 1 January 2016 and 31 December 2018:

- (1) from 1 January 2016 until 31 December 2016 for 2.5% there is substituted 0.625%;
- (2) from 1 January 2017 until 31 December 2017 for 2.5% there is substituted 1.25%; and
- (3) from 1 January 2018 until 31 December 2018 for 2.5% there is substituted 1.875%.

**[Note: Art 160(1) to (5) (part) of the CRD]**

## 3 COUNTERCYCLICAL CAPITAL BUFFER

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Calculation of the countercyclical capital buffer

- 3.1 (1) A *firm* must calculate a *countercyclical capital buffer of common equity tier 1 capital* equal to its *total risk exposure amount* multiplied by the weighted average of the *countercyclical buffer rates* that apply to exposures in the jurisdictions where the *firm's relevant credit exposures* are located.

**[Note: Art 130(1) (part) of the CRD]**

- (2) In order to calculate the weighted average referred to in (1), a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to *the relevant credit exposures* in the jurisdiction in question, divided by its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to all of its *relevant credit exposures*.
- (3) For the purposes of (2), a *firm* must calculate its total *own funds* requirement for credit risk, specific risk, incremental default and migration risk in accordance with Part Three, Titles II and IV of the *CRR*.
- (4) The *countercyclical buffer rate* for an exposure located in the *UK* is the rate set by the *FPC* for the *UK*.
- (5) The *countercyclical buffer rate* for an exposure located in an *EEA State* other than the *UK* is:
  - (a) the rate set by the *EEA countercyclical buffer authority* for that jurisdiction; or

- (b) if that rate exceeds 2.5% and has not been recognised by the *FPC*, 2.5%.
- (6) The *countercyclical buffer rate* for an exposure located in a *third country* is the rate set by the *FPC* for that jurisdiction.
- (7) If the *FPC* has not set a rate for a *third country*, the *countercyclical buffer rate* for an exposure located in that jurisdiction is:
  - (a) the rate set by the *third country countercyclical buffer authority* for that jurisdiction; or
  - (b) if that rate exceeds 2.5% and has not been recognised by the *FPC*, 2.5%.
- (8) If the *FPC* has not set a rate for a *third country* and either there is no *third country countercyclical buffer authority* for that country or the authority has not set a rate for that jurisdiction, the *countercyclical buffer rate* for an exposure located in that jurisdiction is zero.
- (9) If the rate for the *UK* is increased, that increase takes effect from the date specified by the *FPC*.
- (10) If the rate for an *EEA State* other than the *UK* is increased, subject to (5)(b) that increase takes effect from:
  - (a) the date specified by the *EEA countercyclical buffer authority* for that jurisdiction, if the rate applied under this Chapter does not exceed 2.5%;
  - (b) the date specified by the *FPC* if the rate applied under this Chapter exceeds 2.5%.
- (11) If the rate for a *third country* is increased by the *FPC*, that increase takes effect from the date specified by the *FPC*.
- (12) If the *FPC* does not set a rate for a *third country* and the rate for that *third country* is increased by the *third country countercyclical buffer authority* for that jurisdiction, subject to (7)(b) that increase takes effect from:
  - (a) the date 12 months after the date on which the increase was published by the *third country countercyclical buffer authority* in accordance with the relevant law the *third country*, if the rate applied under this Chapter does not exceed 2.5%;
  - (b) the date specified by the *FPC* if the rate applied under this Chapter exceeds 2.5%.
- (13) If a rate is reduced, that reduction takes effect immediately.

**[Note: Art 140 of the CRD.]**

3.2 This rule applies until 31 December 2015

- (1) A *firm* must calculate a *countercyclical capital buffer of common equity tier 1 capital* equal to its *total risk exposure amount* multiplied by the weighted average of the *countercyclical buffer rates* that apply in the jurisdictions where the *firm's relevant credit exposures* are located.
- (2) In order to calculate the weighted average referred to in (1), a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to the *relevant credit exposures* in the jurisdiction in question, divided by its total *own funds* requirements for credit risk that relates to all of its *relevant credit exposures*.
- (3) For the purposes of (2), *firm* must calculate its total *own funds* requirement for credit risk, specific risk, incremental default and migration risk in accordance with Part Three, Titles II and IV of the *CRR*.

- (4) The *countercyclical buffer rate* for an exposure is the rate recognised or set by the *FPC* for the jurisdiction in which that exposure is located.
- (5) If the *FPC* does not recognise or set a rate for the jurisdiction in which an exposure is located, the *countercyclical buffer rate* for that exposure is zero.
- (6) If the rate recognised or set by the *FPC* for a jurisdiction is increased, that increase takes effect from the date specified by the *FPC*.
- (7) If a rate is reduced, that reduction takes effect immediately.

**[Note: Art 160(6) (part) of the CRD]**

#### 4 CAPITAL CONSERVATION MEASURES

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##### Combined buffer

- 4.1 A *firm* does not meet the *combined buffer* if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* does not meet the *combined buffer*.

**[Note: Art 129(5) (part) and 130(5) (part) of the CRD]**

##### Restrictions on distributions

- 4.2 A *firm* that meets the *combined buffer* must not make a *distribution in connection with common equity tier 1 capital* to an extent that would decrease its *common equity tier 1 capital* to a level where the *combined buffer* is no longer met.

**[Note: Art 141(1) of the CRD]**

- 4.3 (1) A *firm* that does not meet the *combined buffer* must:
  - (a) calculate the *MDA* in accordance with (4); and
  - (b) report the *MDA* to the *PRA* in writing no later than 5 working days after the *firm* identified that it did not meet the *combined buffer*.
- (2) A *firm* that does not meet the *combined buffer* must not undertake any of the following actions before it has calculated the *MDA*:
  - (a) make a *distribution in connection with common equity tier 1 capital*;
  - (b) create an obligation to pay variable remuneration or *discretionary pension benefits* or pay variable remuneration or *discretionary pension benefits* if the obligation to pay was created at a time when the *firm* did not meet the *combined buffer*; and
  - (c) make payments on *additional tier 1 instruments*.
- (3) If a *firm* does not meet the *combined buffer*, it must not distribute more than the *MDA* calculated in accordance with (4) through any action referred to in points (a) to (c) of (2).
- (4) A *firm* must calculate the *MDA* by multiplying the sum calculated in accordance with (5) by the factor determined in accordance with (6). The *MDA* shall be reduced by any of the actions referred to in point (a), (b) or (c) of (2)..
- (5) The sum to be multiplied in accordance with (4) shall consist of:

- (a) interim profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the *CRR* that have been generated since the most recent decision on the distribution of profits or any of the actions referred to in points (a), (b) or (c) of (2);
- plus
- (b) year-end profits not included in *common equity tier 1 capital* pursuant to Article 26(2) of the *CRR* that have been generated since the most recent decision on the distribution of profits or any of the actions referred to in points (a), (b) or (c) of (2);
- minus
- (c) amounts which would be payable by tax if the items specified in points (a) and (b) were to be retained.
- (6) The factor referred to in (4) shall be determined as follows:
- (a) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount*, is within the first (that is, the lowest) quartile of the *combined buffer*, the factor shall be 0;
- (b) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR*, expressed as a percentage of the *firm's total risk exposure amount*, is within the second quartile of the *combined buffer*, the factor shall be 0.2;
- (c) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount* is within the third quartile of the *combined buffer*, the factor shall be 0.4; and
- (d) if the *common equity tier 1 capital* maintained by the *firm* which is not used to meet the *own funds* requirement under Article 92(1)(c) of the *CRR* expressed as a percentage of the *firm's total risk exposure amount*, is within the fourth (that is, the highest) quartile of the *combined buffer*, the factor shall be 0.6.
- (7) A *firm* must calculate the lower and upper bounds of each quartile of the *combined buffer* as follows:

Lower bound of quartile

$$= \frac{\text{Combined buffer}}{4} \times (Q_n - 1)$$

Upper bound of quartile

$$= \frac{\text{Combined buffer}}{4} \times Q_n$$

"Qn" indicates the ordinal number of the quartile concerned.

- (8) The restrictions imposed by this rule only apply to payments that result in a reduction of *common equity tier 1 capital* or in a reduction of profits, and where a suspension of payment or failure to pay does not constitute an event of default or a condition for the commencement of proceedings for an order for the appointment of a liquidator or administrator of the *firm*.
- (9) If a *firm* does not meet the *combined buffer* and intends to distribute any of its distributable profits or undertake an action referred to in points (a), (b) and (c) of (2) it must give the *PRA* notice of its intention at least one month before the intended date of distribution or action

unless there are exceptional circumstances which make it impracticable to give such a period of notice in which event the firm must give as much notice as is practicable in those circumstances. When giving notice a *firm* must provide the following information:

- (a) the amount of *own funds* maintained by the *firm*, subdivided as follows:
  - (i) *common equity tier 1 capital*;
  - (ii) *additional tier 1 capital*; and
  - (iii) *tier 2 capital*.
- (b) the amount of its interim and year-end profits;
- (c) the *MDA* calculated in accordance with (4);
- (d) the amount of distributable profits it intends to allocate between the following:
  - (i) dividend payments;
  - (ii) share buybacks;
  - (iii) payments on *additional tier 1 instruments*; and
  - (iv) the payment of variable remuneration or *discretionary pension benefits*, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the *firm* did not meet its *combined buffer*.

(10)A *firm* must maintain arrangements to ensure that the amount of distributable profits and the *MDA* are calculated accurately and must be able to demonstrate that accuracy to the *PRA* on request.

**[Note: Art 141(2) to 141(10) of the CRD]**

Capital conservation plan

4.4 When a *firm* does not meet the *combined buffer*, it must prepare a capital conservation plan and submit it to the *PRA* no later than 5 working days after the *firm* identified that it did not meet the *combined buffer*.

**[Note: Art 142(1) of the CRD]**

4.5 The capital conservation plan must include the following:

- (1) the *MDA*;
- (2) estimates of income and expenditure and a forecast balance sheet;
- (3) measures to increase the capital ratios of the *firm*; and
- (4) a plan and timeframe for the increase of *own funds* with the objective of meeting the *combined buffer*.

**[Note: Art 142(2) of the CRD]**

## 5 APPLICATION ON AN INDIVIDUAL AND CONSOLIDATED BASIS

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### Application on an individual basis

- 5.1 This Part applies to a *firm* on an individual basis whether or not it also applies to the *firm* on a *consolidated basis* or *sub-consolidated basis*.

### Application on a consolidated basis

- 5.2 A *firm* which is a *parent institution in a Member State* must comply with this Part on the basis of its *consolidated situation*.
- 5.3 A *UK bank* or *building society* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this Part on the basis of the *consolidated situation* of that holding company, if the *PRA* is responsible for supervision of the *UK bank* or *building society* on a *consolidated basis* under Article 111 of the *CRD*.
- 5.4 A *UK designated investment firm* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this Part on the basis of the *consolidated situation* of that holding company, if:
- (1) there is no *subsidiary* of the holding company which is a *credit institution*; and
  - (2) the *PRA* is responsible for the supervision of the *UK designated investment firm* on a *consolidated basis* under Article 111 of the *CRD*.

### Sub-consolidation in cases of entities in third countries

- 5.5 A *firm* that is a *subsidiary* must apply this Part on a *sub-consolidated basis* if the *firm*, or the *parent undertaking* where it is a *financial holding company* or *mixed financial holding company*, have an *institution* or *financial institution* as a *subsidiary* in a *third country* or hold a *participation* in such an *institution* or *financial institution*.

### Extent and manner of prudential consolidation

- 5.6 If this Part applies to a *firm* on a *consolidated basis* or on a *sub-consolidated basis*, the *firm* must carry out consolidation to the extent and in the manner prescribed in Articles 18(1), 18(8), 19(1), 19(3), 23 and 24(1) of the *CRR* and Groups 2.1-2.3.

**[Note: Art 129(1) (part) and 130(1) (part) of the *CRD*]**

**FINANCIAL CONGLOMERATES DIRECTIVE (HANDBOOK AMENDMENTS) INSTRUMENT 2014****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); 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 26 May 2014.

**Amendments**

- E. The rules 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
Prudential sourcebook for Insurers (INSPRU)	Annex B
Interim Prudential sourcebook for Insurers (IPRU (INS))	Annex C

**Citation**

- F. This instrument may be cited as the Financial Conglomerates Directive (Handbook Amendments) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

23 May 2014.

## Annex A

## Amendments to the Glossary of definitions

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

*ultimate EEA insurance parent undertaking* an *EEA insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *EEA insurance parent undertaking* or of a *mixed financial holding company* which has its head office in an *EEA State*.

*ultimate insurance parent undertaking* an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking* or of a *mixed financial holding company*.

**Annex B****Amendments to the Prudential sourcebook for insurers (INSPRU)**

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

Scope – undertaking whose group capital is to be calculated and maintained

6.1.17 R The *undertakings* referred to in *INSPRU* 6.1.8R, *INSPRU* 6.1.9R, *INSPRU* 6.1.10R and *INSPRU* 6.1.15R are

(1) for any *firm* that is not within (2), each of the following:

...

(ba) the ~~ultimate~~ ultimate *mixed financial holding company* at the head of a *MFHC conglomerate* of which the *firm* is a member;

...

## Annex C

## Amendments to the Interim Prudential Sourcebook for Insurers (IPRU(INS))

## Appendix 9.9: Group Capital Adequacy (Form 95)

Form 95 is amended as set out below:

In this Part, the text in the data item set out in column (1) is amended as indicated in column (2).

(1)	(2)						
	Retain the text and amend as follows (underlining indicates new text):						
Form 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM	...						
	<table border="1"> <thead> <tr> <th data-bbox="408 687 571 750"><i>Ref</i></th> <th data-bbox="571 687 1404 750"><i>Instructions</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="408 750 571 846">A (pages 2, 3 &amp; 4)</td> <td data-bbox="571 750 1404 846">...</td> </tr> <tr> <td data-bbox="408 846 571 1585">D2 (page 2)</td> <td data-bbox="571 846 1404 1585"> <p>This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> <u>when computing the group capital resources of an insurance group</u>. The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i>; and the <i>ancillary services undertaking's</i> notional capital resources requirement (see <i>INSPRU</i> 6.1.62R to 6.1.64R).</p> <p><u>For insurance-led conglomerates, for the purposes of <i>INSPRU</i> 6.1.43R, in calculating the group capital resources of an undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or in applying the provisions of <i>INSPRU</i> 6.1 for the purposes of calculating the conglomerate capital resources of a financial conglomerate under the provisions of <i>GENPRU</i> 3.1, a firm must, in accordance with <i>GENPRU</i> 3.1.30R but subject to <i>GENPRU</i> 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in <i>GENPRU</i> 3 Annex 1 R to reflect direct or indirect investments by the undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or by members of the financial conglomerate in each related undertaking which is an ancillary services undertaking.</u></p> </td> </tr> </tbody> </table>	<i>Ref</i>	<i>Instructions</i>	A (pages 2, 3 & 4)	...	D2 (page 2)	<p>This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> <u>when computing the group capital resources of an insurance group</u>. The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i>; and the <i>ancillary services undertaking's</i> notional capital resources requirement (see <i>INSPRU</i> 6.1.62R to 6.1.64R).</p> <p><u>For insurance-led conglomerates, for the purposes of <i>INSPRU</i> 6.1.43R, in calculating the group capital resources of an undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or in applying the provisions of <i>INSPRU</i> 6.1 for the purposes of calculating the conglomerate capital resources of a financial conglomerate under the provisions of <i>GENPRU</i> 3.1, a firm must, in accordance with <i>GENPRU</i> 3.1.30R but subject to <i>GENPRU</i> 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in <i>GENPRU</i> 3 Annex 1 R to reflect direct or indirect investments by the undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or by members of the financial conglomerate in each related undertaking which is an ancillary services undertaking.</u></p>
	<i>Ref</i>	<i>Instructions</i>					
A (pages 2, 3 & 4)	...						
D2 (page 2)	<p>This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> <u>when computing the group capital resources of an insurance group</u>. The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i>; and the <i>ancillary services undertaking's</i> notional capital resources requirement (see <i>INSPRU</i> 6.1.62R to 6.1.64R).</p> <p><u>For insurance-led conglomerates, for the purposes of <i>INSPRU</i> 6.1.43R, in calculating the group capital resources of an undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or in applying the provisions of <i>INSPRU</i> 6.1 for the purposes of calculating the conglomerate capital resources of a financial conglomerate under the provisions of <i>GENPRU</i> 3.1, a firm must, in accordance with <i>GENPRU</i> 3.1.30R but subject to <i>GENPRU</i> 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in <i>GENPRU</i> 3 Annex 1 R to reflect direct or indirect investments by the undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or by members of the financial conglomerate in each related undertaking which is an ancillary services undertaking.</u></p>						



**PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND INVESTMENT FIRMS  
(LIQUIDITY STANDARDS) AMENDMENT  
INSTRUMENT 2014**

**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 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 26 May 2014.

**Amendments**

- E. The Glossary of definitions is amended in accordance with Annex A to this instrument.
- F. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with Annex B to this instrument.

**Citation**

- G. This instrument may be cited as the Prudential sourcebook for Banks, Building Societies and Investment Firms (Liquidity Standards) Amendments Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**  
23 May 2014

**Annex A****Amendments to the Glossary of definitions**

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

<i>Shari'ah compliant firm</i>	a <i>firm</i> whose entire operations are structured and conducted in accordance with Islamic commercial jurisprudence and its investment principles.
<i>sukuk</i>	certificates of equal value representing an undivided interest in the ownership of specified assets or investments acquired or to be acquired and that comply with Islamic commercial jurisprudence and its investment principles, but excluding <i>shares</i> .

## Annex B

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

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

## 12.7 Liquid assets buffer

...

12.7.2A R Notwithstanding *BIPRU* 12.7.2R, for the purpose of satisfying *BIPRU* 12.2.8R a *Shari'ah compliant firm* may include *sukuk* in its liquid assets buffer.

...

12.7.8A R For the purpose of *BIPRU* 12.7.2AR, a *Shari'ah compliant firm* may include only a *sukuk* which:

- (1) is issued by a government or central bank or *designated multilateral development bank*; or
- (2) satisfies the following conditions:
  - (a) the *sukuk* is not issued by a member of the *financial sector* or where that member is a member of a *group* by any member of that *group*; and
  - (b) the issuer of the *sukuk* has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 3 or above in the table set out in *BIPRU* 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps).

...

12.7.8B R For the purpose of *BIPRU* 12.7.8AR, a *Shari'ah compliant firm* may count *sukuk* only up to the limits on the share of total assets in the *firm's* liquid assets buffer and after haircuts have been applied as follows:

- (1) For the purpose of *BIPRU* 12.7.8AR(1),
  - (a) if the central bank or government or *designated multilateral development bank* in question has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 1 in the table set out in *BIPRU* 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps), *sukuk* can comprise an unlimited share of the total assets in the *firm's* liquid assets buffer and are not subject to a haircut; or
  - (b) if the central bank or government or *designated multilateral development bank* in question has been assessed by at least one *eligible ECAI* as having a credit rating associated with credit quality step 2 in the table set out in *BIPRU* 12 Annex 1R (Mapping of credit assessments of *ECAIs* to credit quality steps), *sukuk* can comprise not more than 40% of the total assets in the *firm's* liquid assets buffer after a haircut of 25% has been

applied; or

- (c) in all other cases, *sukuk* can comprise not more than 20% of the total assets in the *firm's* liquid assets buffer after a haircut of 50% has been applied.
- (2) For the purpose of *BIPRU* 12.7.8AR(2), *sukuk* cannot comprise more than 10% of the total assets in the *firm's* liquid assets buffer after a haircut of 50% has been applied.
- (3) The total amount of *sukuk* not falling under *BIPRU* 12.7.8BR(1)(a) cannot comprise more than 40% of the total amount of assets in the *firm's* liquid assets buffer.

...

12.7.12A R For the purpose of *BIPRU* 12.7.8AR(1) and (2), a *Shari'ah compliant firm* must count *sukuk* only that comply with *BIPRU* 12.7.9R(1), (2) and (3).

**PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND INVESTMENT  
FIRMS (LIQUIDITY STANDARDS NO 2) AMENDMENT  
INSTRUMENT 2014**

**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 138C (Evidential provisions).
- B. The rule-making powers referred to 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.

**Amendments**

- D. The Prudential sourcebook of Bank, Building Societies and Investment Firms (BIPRU) is amended in accordance with the Annex to this instrument.

**Commencement**

- E. The Annex to this instrument comes into force on 26 May 2014.

**Citation**

- F. This instrument may be cited as the Prudential sourcebook of Bank, Building Societies and Investment Firms (Liquidity Standards No 2) Amendments Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

23 May 2014

## Annex

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

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

### 12.3 Liquidity risk management

- 12.3.1 ~~G~~ The approach taken in *BIPRU* 12.3 is to set out:
- ~~(1) overarching systems and controls provisions in relation to a firm's management of its liquidity risk;~~
  - ~~(2) provisions outlining the responsibilities of that firm's governing body and senior managers for the oversight of liquidity risk;~~
  - ~~(3) more detailed provisions covering a number of specific areas, including:~~
    - ~~(a) pricing liquidity risk;~~
    - ~~(b) intra-day management of liquidity;~~
    - ~~(c) management of collateral;~~
    - ~~(d) management of liquidity across legal entities, business lines and currencies; and~~
    - ~~(e) funding diversification and market access.~~
- 12.3.1A G The approach taken in *BIPRU* 12.3 is to set out:
- (1) overarching systems and controls provisions in relation to a firm's management of its liquidity risk;
  - (2) provisions outlining the responsibilities of that firm's governing body and senior managers for the oversight of liquidity risk;
  - (3) more detailed provisions covering a number of specific areas, including:
    - (a) pricing liquidity risk;
    - (b) intra-day management of liquidity;
    - (c) management of collateral;
    - (d) management of liquidity across legal entities, business lines and currencies;
    - (e) funding diversification and market access; and
    - (f) asset encumbrance.

...

12.3.5A R The strategies, policies, process and systems referred to in *BIPRU* 12.3.4R must ensure that the risks associated with collateral management and asset encumbrance are adequately identified, monitored and managed.

...

12.3.8A R A *firm* must ensure that its *governing body* establishes that *firm's* approach to asset encumbrance and that this is appropriately documented.

...

12.3.12 R A *firm* must ensure that its *senior managers*:

- (1) continuously review that *firm's* liquidity position, including its compliance with the *overall liquidity adequacy rule*; and
- (2) report to its *governing body* on a regular basis adequate information as to that *firm's* liquidity position and its compliance with the *overall liquidity adequacy rule* and with *BIPRU* 12.3.4R.

...

12.3.12A R A *firm* must ensure that its *senior managers*:

- (1) continuously review that *firm's* liquidity position, including its compliance with the *overall liquidity adequacy rule*;
- (2) report to its *governing body* on a regular basis adequate information as to that *firm's* liquidity position and its compliance with the *overall liquidity adequacy rule* and with *BIPRU* 12.3.4R; and
- (3) continuously review that *firm's* asset encumbrance position in accordance with that *firm's* approach to asset encumbrance.

...

12.3.15 R (1) In relation to all significant business activities, a *firm* should ensure that it accurately quantifies liquidity costs, benefits and risks and fully incorporates them into:

- (a) product pricing;
- (b) performance measurement and incentives; and
- (c) the approval process for new products.

(2) For the purposes of (1), a *firm* should ensure that it:

- (a) includes significant business activities whether or not they

are accounted for on-balance sheet; and

(b) ~~carries out the exercise of quantification and incorporation both in normal financial conditions and under the stresses required by BIPRU 12.4.1R.~~

(3) ~~A firm should ensure that the liquidity costs, benefits and risks are clearly and transparently attributed to business lines and are understood by business line management.~~

(4) ~~Contravention of any of (1), (2) or (3) may be relied upon as tending to establish contravention of BIPRU 12.3.4R.~~

12.3.15A R (1) In relation to all significant business activities, a firm should ensure that it accurately quantifies liquidity costs, benefits and risks and fully incorporates them into:

(a) product pricing;

(b) performance measurement and incentives; and

(c) the approval process for new products.

(2) For the purposes of (1), a firm should ensure that it:

(a) includes significant business activities whether or not they are accounted for on-balance sheet; and

(b) carries out the exercise of quantification and incorporation both in normal financial conditions and under the stresses required by BIPRU 12.4.1AR.

(3) A firm should ensure that the liquidity costs, benefits and risks are clearly and transparently attributed to business lines and are understood by business line management.

(4) Contravention of any of (1), (2) or (3) may be relied upon as tending to establish contravention of BIPRU 12.3.4R.

...

12.3.19 R ~~For the purposes of BIPRU 12.3.17R, a firm must ensure that:~~

(1) ~~it is able to meet its payment and settlement obligations on a timely basis under both normal financial conditions and under the stresses required by BIPRU 12.4.1R; and~~

(2) ~~its arrangements for the management of intra-day liquidity enable it to identify and prioritise the most time-critical payment and settlement obligations.~~

12.3.19A R For the purposes of BIPRU 12.3.17R, a firm must ensure that:

(1) it is able to meet its payment and settlement obligations on a timely basis under both normal financial conditions and under the stresses required by BIPRU 12.4.1AR; and

- (2) its arrangements for the management of intra-day liquidity enable it to identify and prioritise the most time-critical payment and settlement obligations.
- ...
- 12.3.24 G ~~For the purposes of BIPRU 12.3.23R (8) and (9), a firm should take into account the impact of the stresses that it conducts under BIPRU 12.4.1R on the requirements which may be imposed on the provision of its assets as collateral (for example, haircuts) and also the availability of funds from private counterparties during such periods of stress.~~
- 12.3.24A G For the purposes of BIPRU 12.3.23R (8) and (9), a firm should take into account the impact of the stresses that it conducts under BIPRU 12.4.1AR on the requirements which may be imposed on the provision of its assets as collateral (for example, haircuts) and also the availability of funds from private counterparties during such periods of stress.
- ...
- 12.3.25 E (1) ~~A firm should ensure that its arrangements for the management of liquidity risk:~~
- ~~(a) enable it to monitor shifts between intra-day and overnight or term collateral usage;~~
  - ~~(b) enable it to appropriately adjust its calculation of available collateral to account for assets that are part of a tied hedge;~~
  - ~~(c) include adequate consideration of the potential for uncertainty around, or disruption to, intra-day asset flows; and~~
  - ~~(d) take into account the potential for additional collateral requirements under the terms of contracts governing existing collateral positions (for example, as a result of a deterioration in its own credit rating).~~
- (2) ~~Contravention of any of (1)(a) to (d) may be relied upon as tending to establish contravention of BIPRU 12.3.4R.~~
- 12.3.25A E (1) A firm should ensure that its arrangements for the management of liquidity risk:
- (a) enable it to monitor shifts between intra-day and overnight or term collateral usage;
  - (b) enable it to appropriately adjust its calculation of available collateral to account for assets that are part of a tied hedge;
  - (c) include adequate consideration of the potential for uncertainty around, or disruption to, intra-day asset

flows; and

(d) take into account the potential for additional collateral requirements under the terms of contracts governing existing collateral positions (for example, as a result of a deterioration in its own credit rating) and the impact of these on its asset encumbrance position.

(2) Contravention of any of (1)(a) to (d) may be relied upon as tending to establish contravention of BIPRU 12.3.4R.

...

#### Asset encumbrance

12.3.33 R A firm must actively manage its asset encumbrance position.

12.3.34 R For the purposes of BIPRU 12.3.33R, a firm must ensure that:

(1) its policies take into account the firm's business model, the specificities of the funding markets and the macroeconomic situation; and

(2) its governing body receives timely information on:

(a) the level, evolution and types of asset encumbrance;

(b) the amount, evolution and credit quality of unencumbered but encumberable assets; and

(c) the amount, evolution and types of additional encumbrance resulting from stress scenarios (contingent encumbrance).

12.3.35 G Asset encumbrance occurs when assets are used to secure creditors' claims so that they are no longer available to general creditors in the event of a firm's failure. The PRA considers that this is the case where an asset is, either explicitly or implicitly, pledged or subject to an arrangement to secure, collateralise or credit-enhance a transaction.

#### **12.4 Stress testing and contingency funding**

...

12.4.1 R In order to ensure compliance with the overall liquidity adequacy rule and with BIPRU 12.3.4R and BIPRU 12.4.1R, a firm must:

(1) conduct on a regular basis appropriate stress tests so as to:

(a) identify sources of potential liquidity strain;

(b) ensure that current liquidity exposures continue to conform to the liquidity risk tolerance established by that firm's governing body; and

- (c) identify the effects on that *firm's* assumptions about pricing; and
- (2) analyse the separate and combined impact of possible future liquidity stresses on its:
- (a) cash flows;
- (b) liquidity position;
- (c) profitability; and
- (d) solvency.
- 12.4.1A      R      In order to ensure compliance with the *overall liquidity adequacy rule* and with *BIPRU 12.3.4R* and *BIPRU 12.4.-1R*, a *firm* must:
- (1) conduct on a regular basis appropriate stress tests so as to:
- (a) identify sources of potential liquidity strain;
- (b) ensure that current liquidity exposures continue to conform to the *liquidity risk* tolerance established by that *firm's governing body*; and
- (c) identify the effects on that *firm's* assumptions about pricing; and
- (d) identify contingent asset encumbrance; and
- (2) analyse the separate and combined impact of possible future liquidity stresses on its:
- (a) cash flows;
- (b) liquidity position;
- (c) profitability; and
- (d) solvency.
- 12.4.1B      G      For the purpose of *BIPRU 12.4.1AR(1)(d)*, the stress tests should take into account a range of different stress scenarios, including downgrades in the *firm's* credit rating, devaluation of pledged assets and increases in margin requirements.
- ...
- 12.4.12      G      ~~A *contingency funding plan* sets out a *firm's* strategies for addressing liquidity shortfalls in emergency situations. Its aim should be to ensure that, in each of the stresses required by *BIPRU 12.4.1R*, it would still have sufficient liquidity resources to ensure that it can meet its liabilities as they fall due.~~
- 12.4.12A      G      *A contingency funding plan* sets out a *firm's* strategies for addressing liquidity shortfalls in emergency situations. Its aim should

be to ensure that, in each of the stresses required by BIPRU 12.4.1AR, it would still have sufficient liquidity resources to ensure that it can meet its liabilities as they fall due.

- 12.4.13 R ~~A firm must ensure that its *contingency funding plan*:~~
- ~~(1) outlines strategies, policies and plans to manage a range of stresses;~~
  - ~~(2) establishes a clear allocation of roles and clear lines of management responsibility;~~
  - ~~(3) is formally documented;~~
  - ~~(4) includes clear invocation and escalation procedures;~~
  - ~~(5) is regularly tested and updated to ensure that it remains operationally robust;~~
  - ~~(6) outlines how that *firm* will meet time-critical payments on an intra-day basis in circumstances where intra-day liquidity resources become scarce;~~
  - ~~(7) outlines that *firm's* operational arrangements for managing a retail funding run;~~
  - ~~(8) in relation to each of the sources of funding identified for use in emergency situations, is based on a sufficiently accurate assessment of:
 
    - ~~(a) the amount of funding that can be raised from that source; and~~
    - ~~(b) the time needed to raise funding from that source;~~~~
  - ~~(9) is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement systems;~~
  - ~~(10) outlines how that *firm* will manage both internal communications and those with its external stakeholders; and~~
  - ~~(11) establishes mechanisms to ensure that the *firm's governing body* and senior managers receive management information that is both relevant and timely.~~

- 12.4.13A R A firm must ensure that its *contingency funding plan*:
- (1) outlines strategies, policies and plans to manage a range of stresses;
  - (2) establishes a clear allocation of roles and clear lines of management responsibility;
  - (3) is formally documented;
  - (4) includes clear invocation and escalation procedures;

- (5) is regularly tested and updated to ensure that it remains operationally robust;
- (6) outlines how that *firm* will meet time-critical payments on an intra-day basis in circumstances where intra-day liquidity resources become scarce;
- (7) outlines that *firm's* operational arrangements for managing a retail funding run;
- (8) in relation to each of the sources of funding identified for use in emergency situations, is based on a sufficiently accurate assessment of:
- (a) the amount of funding that can be raised from that source; and
- (b) the time needed to raise funding from that source;
- (9) is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement systems;
- (10) outlines how that *firm* will manage both internal communications and those with its external stakeholders;
- (11) establishes mechanisms to ensure that the *firm's governing body* and senior managers receive management information that is both relevant and timely; and
- (12) outlines strategies to address the contingent asset encumbrance resulting from the relevant stress events.
- 12.4.14 E ~~(1) In designing a *contingency funding plan* a *firm* should ensure that it takes into account:~~
- ~~(a) the impact of stressed market conditions on its ability to sell or securitise assets;~~
- ~~(b) the impact of extensive or complete loss of typically available market funding options;~~
- ~~(c) the financial, reputational and any other additional consequences for that *firm* arising from the execution of the *contingency funding plan* itself;~~
- ~~(d) its ability to transfer liquid assets having regard to any legal, regulatory or operational constraints; and~~
- ~~(e) its ability to raise additional funding from central bank market operations and liquidity facilities.~~
- ~~(2) Contravention of any of (1)(a) to (e) may be relied upon as tending to establish contravention of *BIPRU* 12.3.4R.~~
- 12.4.14A E (1) In designing a *contingency funding plan* a *firm* should ensure that it takes into account:

- (a) the impact of stressed market conditions on its ability to sell or securitise assets;
  - (b) the impact of extensive or complete loss of typically available market funding options;
  - (c) the financial, reputational and any other additional consequences for that *firm* arising from the execution of the contingency funding plan itself;
  - (d) its ability to transfer liquid assets having regard to any legal, regulatory or operational constraints;
  - (e) its ability to raise additional funding from central bank market operations and liquidity facilities; and
  - (f) the impact of increased collateral requirements.
- (2) Contravention of any of (1)(a) to (f) may be relied upon as tending to establish contravention of BIPRU 12.3.4R.

...

12.4.16 G ~~The *appropriate regulator* expects that a *firm's contingency funding plan* will encompass a range of actions that the *firm* might take in anticipation of or in response to changes in its funding position. These changes could result from either *firm-specific* or general developments. The *appropriate regulator* anticipates that different actions in a *contingency funding plan* would be taken at different stages of a developing situation.~~

12.4.16A G The *appropriate regulator* expects that a *firm's contingency funding plan* will encompass a range of actions that the *firm* might take in anticipation of or in response to changes in its funding position or asset encumbrance position. These changes could result from either *firm-specific* or general developments. The *appropriate regulator* anticipates that different actions in a *contingency funding plan* would be taken at different stages of a developing situation.

**HANDBOOK (RULEBOOK CONSEQUENTIALS NO 1) INSTRUMENT 2014****Powers exercised**

- 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 powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**Commencement**

- D. This instrument comes into force on 19 June 2014.

**Amendments**

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

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General provisions (GEN)	Annex C
Fees manual (FEES)	Annex D
General Prudential sourcebook (GENPRU)	Annex E
Prudential sourcebook for Insurers (INSPRU)	Annex F
Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU)	Annex G
Supervision manual (SUP)	Annex H

**Deletion**

- G. Each of the following modules and chapters of the PRA’s Handbook is deleted:

PRIN (Principles for Businesses)
----------------------------------

FINMAR (Financial Stability and Market Confidence Sourcebook)
SUP 2 (Information gathering by the FCA or PRA on its own initiative)
SUP 3 (Auditors)
SUP 5 (Reports by skilled persons)
SUP 6 (Applications to vary and cancel Part 4A permission and to impose, vary or cancel requirements)
SUP 8 (Waiver and modification of rules)
SUP 15 (Notifications to the FCA or PRA)

**Citation**

- H. This instrument may be cited as the Handbook (Rulebook Consequentials No 1) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

## Annex A

## Amendments to the Glossary of definitions

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

<i>close links</i>	...	<p>(2) (except where (1) applies and except in <del>SUP 3 (Auditors)</del> and <del>SUP 4 (Actuaries)</del>) (in accordance with paragraph 3(2) in Schedule 6 to the Act (Close links)) the relationship between a <i>person</i> (“A”) and another <i>person</i> (“CL”) which exists if:</p> <p>...</p> <p>(3) (in <del>SUP 3 (Auditors)</del> and <del>SUP 4 (Actuaries)</del>) (in accordance with section 343(8) of the Act (Information given by auditor or actuary to a regulator: persons with close links)) the relationship in (2), disregarding (e) and (f).</p> <p>...</p>
<i>eligible counterparty</i>	(1)	<del>(for the purposes other than those set out in (2))</del> (in accordance with COBS 3.6.1R) a <i>client</i> that is either a <i>per se eligible counterparty</i> or an <i>elective eligible counterparty</i> .
	(2)	<del>(for the purposes of PRIN, in relation to activities other than designated investment business) a client categorised as an eligible counterparty in accordance with PRIN 1 Annex 1 R.</del> <del>[deleted]</del>
		...
<u><i>Fundamental Rules</i></u>		<u>the Fundamental Rules set out in Fundamental Rules 2 in the PRA Rulebook.</u>
		...
<i>material outsourcing</i>		<i>outsourcing</i> services of such importance that weakness, or failure, of the services would cast serious doubt upon the <i>firm</i> ’s continuing satisfaction of the <i>threshold conditions</i> or compliance with the <del>Principles</del> <i>Fundamental Rules</i> .
		...
<i>PRIN</i>		the part of the <del>Handbook</del> in High Level Standards that has the title

~~Principles for Businesses.~~ In relation to any rules in PRIN, the equivalent provision (if any) in the Fundamental Rules Part of the PRA Rulebook.

...

*Principle*

one of the Principles set out in PRIN 2.1.1R (Principles for Businesses)- or:

- (a) in relation to Principle 1, Fundamental Rule 1;
- (b) in relation to Principle 2, Fundamental Rule 2;
- (c) in relation to Principle 3, Fundamental Rule 5 or Fundamental Rule 6 as appropriate;
- (d) in relation to Principle 4, Fundamental Rule 4; and
- (e) in relation to Principle 11, Fundamental Rule 7.

...

*regulatory system*

...

the arrangements for regulating a *firm* or other *person* in or under the *Act*, including the *threshold conditions*, the ~~Principles~~ Fundamental Rules and other *rules*, the *Statements of Principle*, codes and *guidance* and including any relevant directly applicable provisions of a Directive or Regulation such as those contained in the *MiFID implementing Directive*, the *MiFID Regulation* and the *EU CRR*.

...

*requisite details*

the details required in regulation 1 of the *EEA Passport Rights Regulations* ~~and set out in SUP 13 Annex 1 R (Requisite details: branches).~~

...

*rule*

(in accordance with section 417(1) of the *Act* (Definitions)) a rule made by the *FCA* or the *PRA* under the *Act*, includes  $\div$  an evidential provision.

- (a) ~~a Principle;~~ and [deleted]
- (b) ~~an evidential provision~~ [deleted]

...

*waiver*

a direction waiving or modifying a *rule*, given by the ~~appropriate regulator~~ PRA under section 138A of the *Act* (Modification or waiver of rules) or by the *FCA* under sections 250, 261L or 294 of the *Act* (Modification or waiver of rules) or regulation 7 of the *OEIC Regulations* (see ~~SUP 8~~ and REC 3.3).

...

## Annex B

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

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

#### 1.2 Purpose

...

##### 1.2.1 G ~~The purposes of SYSC are:~~

- (1) ~~to encourage *firms' directors and senior managers* to take appropriate practical responsibility for their *firms'* arrangements on matters likely to be of interest to the *appropriate regulator* because they impinge on the *appropriate regulator's* functions under the *Act*; [deleted]~~
- (2) ~~to increase certainty by amplifying *Principle 3*, under which a *firm* must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems; [deleted]~~
- (3) ~~to encourage *firms* to vest responsibility for effective and responsible organisation in specific *directors and senior managers*; and [deleted]~~
- (4) ~~to create a common platform of organisational and systems and controls requirements for all *firms*. [deleted]~~

##### 1.2.1A G The purposes of SYSC are:

- (1) to encourage *firms' directors and senior managers* to take appropriate practical responsibility for their *firms'* arrangements on matters likely to be of interest to the *PRA* because they impinge on the *PRA's* functions under the *Act*;
- (2) to encourage *firms* to vest responsibility for effective and responsible organisation in specific *directors and senior managers*; and
- (3) to create a common platform of organisational and systems and controls requirements for all *firms*.

...

#### 11.1 Application

...

- 11.1.8 G Appropriate systems and controls for the management of *liquidity risk* will vary with the scale, nature and complexity of the *firm's* activities. Most of the material in SYSC 11 is, therefore, guidance. SYSC 11 lays out some of the main issues that the *PRA* expects a *firm* to consider in relation to *liquidity*

*risk*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations ~~as set out in Principle 3~~ to organise and control its affairs responsibly and effectively.

...

## 14.1 Application

...

14.1.6 G This section is designed to amplify ~~Principle 3 (Management and control) which requires~~ the requirement that a *firm* ~~take reasonable care to~~ must organise and control its affairs responsibly and effectively, and have effective risk strategies and ~~with~~ adequate risk management systems. This section is also designed to be complementary to SYSC 2, SYSC 3 and SYSC 13 in that it contains some additional *rules* and *guidance* on senior management arrangements and associated systems and controls for *firms* that could have a significant impact on the PRA's objectives

14.1.7 G In addition to supporting ~~PRIN~~ and SYSC 2, SYSC 3 and SYSC 13, this section lays the foundations for the more specific *rules* and *guidance* on the management of credit, market, liquidity, operational, insurance and group risks that are in SYSC 11, SYSC 12, SYSC 15, SYSC 16 and INSPRU 5.1. Many of the elements raised here in general terms are expanded upon in these sections.

...

## 15.1 Application

...

15.1.6 G Appropriate systems and controls for the management of credit risk will vary with the scale, nature and complexity of the *firm's* activities. Therefore the material in this section is *guidance*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations ~~as set out in Principle 3~~ to organise and control its affairs responsibly and effectively.

...

## 16.1 Application

...

16.1.4 G ...

(4) Appropriate systems and controls for the management of *market risk* will vary with the scale, nature and complexity of the *firm's*

activities. Therefore the material in this section is *guidance*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations ~~as set out in Principle 3~~ to organise and control its affairs responsibly and effectively.

...

## 17.1 Application

...

- 17.1.7 G Appropriate systems and controls for the management of insurance risk will vary with the scale, nature and complexity of a *firm's* activities. Therefore, the material in this section is *guidance*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations, ~~as set out in Principle 3~~, to organise and control its affairs responsibly and effectively.

...

## 20.1 Application and purpose

...

- 20.1.2 G ~~This chapter amplifies Principle 2, under which a firm must conduct its business with due skill, care and diligence, and Principle 3, under which a firm must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems.~~[deleted]

...

**Annex C****General Provisions (GEN)**

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

**1.3 Emergency**

...

1.3.2A R Notwithstanding GEN 1.3.2R(4), a notification under GEN 1.3.2R(3) must be given or addressed and delivered in accordance with Notifications 7 (Form and method of notification) of the PRA Rulebook (whether or not the person is a firm).

## Annex D

## 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 R Table of application, notification and vetting fees payable to the PRA

(1) Fee payer	(2) Fee payable	Due Date
...		
(h) <i>A person</i> in respect of which the <i>appropriate regulator</i> has given notice of its intention to itself appoint a <i>skilled person</i> to provide it with a report pursuant to section 166(3)(b) of the <i>Act</i> and <del><i>SUP 5.2</i></del> .	...	...
...		

...

## 4.3 Periodic fee payable by firms (other than AIFM qualifiers, ICVCs and UCITS qualifiers)

...

4.3.6A R If a *firm* has applied to cancel its *Part 4A permission* in the way set out in Permissions and Waivers 2 of the *PRA Rulebook*, then *FEES 4.3.6R(1)* and *(2)* do not apply but it must pay the total amount due when the application is made.

...

4.3.13A R (1) If:

(a) a *firm* makes an application to vary its *permission* (by reducing its scope), or cancel it, in the way set out in Permissions and Waivers 2 of the *PRA Rulebook*; and

(b) the *firm* makes the application or notification referred to in (a) before the start of the *fee year* to which the fee relates,

*FEES 4.2.1R* applies to the *firm* as if the relevant variation or cancellation of the *firm's permission* took effect immediately before the start of the *fee year* to which the fee relates.

(2) But (1) does not apply if, due to the continuing nature of the business, the variation or cancellation is not to take effect on or before 30 June of the *fee year* to which the fee relates.

...

Annex 2B R **PRA fee rates and EEA/Treaty firm modifications for the period from 1 April 2013 to 28 February 2014**

...

Part 5		
...		
(2)	The conditions in this paragraph are:	
	(a)	<i>FEES 4.3.13R</i> and <i>FEES 4.3.13AR</i> (Firms Applying to Cancel or Vary Permission Before Start of Period) <del>does</del> <u>do</u> not apply with respect to the relevant fee blocks;
	...	
...		

## Annex E

## Amendments to the General Prudential sourcebook (GENPRU)

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

## 2 Capital

...

## 2.1.20 R ...

- (2) that election is made by written notice given to the ~~appropriate regulator~~ PRA in a way that complies with the requirements for written notice in ~~SUP 15.7~~ Notifications 7 (Form and method of notification) of the PRA Rulebook.

...

## 2 G Guidance on applications for waivers relating to Implicit items

Annex

8

1	...
2	Under section 138A of the <i>Act</i> , the <i>PRA</i> may, on the application of a <i>firm</i> , grant a <i>waiver</i> <del>from PRU</del> . There are general requirements that must be met before any <i>waiver</i> can be granted. <del>As explained in SUP 8,</del> <u>the</u> <u>The</u> <i>PRA</i> may not give a <i>waiver</i> unless the <i>PRA</i> is satisfied that:
	...
4	<i>Implicit items</i> are economic reserves which are contained within the long-term insurance business provisions. Article 27(4) of the <i>Consolidated Life Directive</i> identifies three types of <i>implicit item</i> , in respect of: future profits, <i>zillmerisation</i> and hidden reserves. This annex is intended to <del>amplify the</del> <u>provide guidance</u> <del>in SUP 8</del> relating to the granting of <i>waivers</i> for <i>implicit items</i> and to provide <i>guidance</i> on other aspects. Whilst this <i>guidance</i> applies to applications for <i>waivers</i> for <i>implicit items</i> generally, for a <i>realistic basis life firm</i> , to the extent that an <i>implicit item</i> is allocated to a <i>with-profits fund</i> , this <i>guidance</i> relates to <i>implicit items</i> for the purposes of determining the <i>regulatory value of assets</i> (see INSPRU 1.4.24R).
...	
9	This annex sets out the procedures to be followed and the form of calculations and data which should be submitted by <i>firms</i> to the <del>appropriate regulator</del> <u>PRA</u> . This <i>guidance</i> should also be read in conjunction with the general requirements relating to the <i>waiver</i>

	<p>process described in <i>SUP 8</i>. The <i>PRA</i> expects that applications for <i>waivers</i> in respect of future profits and <i>zillmerising</i> will not normally be considered to pass the "would not adversely affect the advancement of any of the <i>PRA</i>'s objectives" test unless the relevant criteria set out in this <i>guidance</i> have been satisfied and an application for such a <i>waiver</i> may require further criteria to be satisfied for this test to be passed. As set out below, <i>waivers</i> in respect of either <i>zillmerising</i> or hidden reserves will not normally be given except in very exceptional circumstances.</p>
Timing	
10	<p>A <i>long-term insurer</i> may apply to the <i>PRA</i> for a <i>waiver</i> in respect of <i>implicit items</i>. A <i>waiver</i> will not apply retrospectively (<del>see <i>SUP 8.3.6 G</i></del>). Consequently, applications intended for a particular accounting reference date will normally need to be made well before that reference date. Applications by <i>firms</i> must be made to the <i>PRA</i> in writing and include the relevant details specified under <del><i>SUP 8.3.3D</i></del> <u>Permissions and Waivers 4 in the <i>PRA</i> Rulebook</u>. Given the uncertainty in predicting the future, <i>waivers</i> will normally be granted for a maximum of 12 months at a time and any further applications will need to be made accordingly.</p>
...	
15	<p>An application for a <i>capital resources waiver</i> (which includes an application for an extension to or other variation of a <i>waiver</i>) should be prepared using the standard application form for a <i>waiver</i> (<del>see <i>SUP 8 Annex 2D</i></del>). In addition, the application should be accompanied by full supporting information to enable the <i>PRA</i> to arrive at a decision on the merits of the case. In particular, the application should state clearly the nature and the amounts of the <i>implicit items</i> that a <i>firm</i> wishes to count against its <i>capital resources requirement</i> and whether it proposes to treat the <i>implicit item</i> as <i>tier one capital</i> or <i>tier two capital</i>. In order to assess an application, the <i>PRA</i> needs information as to the make-up of the <i>firm's capital resources</i>, the quality of the capital items which have been categorised into each tier of capital and a breakdown of capital both within and outside the <i>firm's long-term insurance fund</i> or <i>funds</i> and between the <i>firm's with-profits funds</i> and <i>non-profit funds</i>. An explanation as to the appropriateness of the proposed treatment of the <i>implicit item</i> under the <i>capital resources table</i> should also be provided, including a demonstration that, in allowing for <i>implicit items</i>, there has been no double counting of future margins and that the basis for valuing such margins is prudent.</p>
...	
19	<p><i>Firms</i> should take into account any material changes in financial conditions or other relevant circumstances that may have an impact on the level of future profits that can prudently be taken into account. <i>Firms</i> should also re-evaluate whether an application to vary an</p>

	<p><i>implicit item waiver</i> should be made whenever circumstances have changed. In the event that circumstances have changed such that an amendment is appropriate, the <i>firm</i> must contact the <i>PRA</i> as quickly as possible in accordance with <del><i>Principle 11</i></del>. (See <del><i>SUP 8.5.1R</i></del>). <u><i>Fundamental Rule 7</i></u>. In this context, the <i>PRA</i> would expect notice of any matter that materially impacts on the <i>firm's</i> financial condition, or any <i>waivers</i> granted.</p>
...	
45	<p>The <i>PRA</i> will publish the <i>waiver</i> (see <del><i>SUP 8.6</i></del> and <del><i>SUP 8.7</i></del>). Public disclosure is standard practice unless the <i>PRA</i> is satisfied that publication is inappropriate or unnecessary (see section <del>138AB</del> <u>138B</u> of the <i>Act</i>). Any request that a direction not be published should be made to the <i>PRA</i> in writing with grounds in support, as set out in <del><i>SUP 8.6</i></del>. Disclosure of a <i>waiver</i> will normally be required in the <i>firm's</i> annual <i>returns</i>.</p>

## Annex F

## Amendments to the Interim Prudential sourcebook for Insurers (INSPRU)

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

## 2.1 Application

...

- 2.1.6 G The requirements in this section address both current and contingent exposure to credit risk. ~~PRIN and SYSC~~ requires a *firm* to establish adequate internal systems and controls for exposure to credit risk. This section requires a *firm* to restrict its exposure to different *counterparties* and assets to prudent levels and to ensure that those exposures are adequately diversified. It also requires a *firm* to make deductions from the value of assets in respect of exposures to one asset, *counterparty* or group of closely related *counterparties* in excess of prescribed limits.

...

- 2.1.23 R A *firm* must notify the PRA in accordance with ~~SUP 15.7~~ Notifications 7 (Form and method of notification) of the PRA Rulebook as soon as it first becomes aware that:

(1) ...

...

...

## 4.1 Application

...

- 4.1.5 G The purpose of this section is to amplify parts of INSPRU in their application to *liquidity risk* and, in so doing, to suggest minimum standards for management of that risk. The main relevant part, SYSC 14 (Prudential risk management and associated systems and controls), itself amplifies ~~Principle 3 (Management and control) and SYSC (Senior management arrangements, Systems and Controls)~~.

- 4.1.6 G Appropriate management of *liquidity risk* will vary with the scale, nature and complexity of the *firm's* activities. Most of the material in this section is, therefore, *guidance*. The section lays out some of the main issues that the PRA expects a *firm* to consider in relation to *liquidity risk*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations ~~as set out in Principle 3~~ to organise and control its affairs responsibly and effectively.

...

## 5.1 Application

...

- 5.1.8 G Appropriate management of operational risk will vary with the scale, nature and complexity of a *firm's* activities. Therefore the material in this section is *guidance*. A *firm* should assess the appropriateness of any particular item of *guidance* in the light of the scale, nature and complexity of its activities as well as its obligations ~~as set out in *Principle 3*~~ to organise and control its affairs responsibly and effectively.

...

## 6.1 Application

...

- 6.1.16 G ~~*Principle 4* requires a~~ A *firm* is required to maintain adequate financial resources, taking into account any activity of other members of the *group* of which the *firm* is a member. *INSPRU* 6.1 sets out provisions that deal specifically with the way the activities of other members of the *group* should be taken into account. This results in the *firm* being required to hold sufficient capital resources so that the *group capital resources* are at least equal to the *group capital resources requirement*. However, the adequacy of the *group capital resources* needs to be assessed both by the *firm* and the *PRA*. *Firms* are required to carry out an assessment of the adequacy of their financial resources under the *overall financial adequacy rule*, the *overall Pillar 2 rule* and *GENPRU* 1.2.39R, and the *PRA* will review this and may provide individual guidance on the amount and quality of *capital resources* the *PRA* considers adequate. As part of such reviews, the *PRA* may also form a view on the appropriateness of the *group capital resources requirement* and *group capital resources*. Where necessary, the *PRA* may also give individual *guidance* on the *capital resources* a *firm* should hold in order to comply with ~~*Principle 4*~~ the requirement to maintain adequate financial resources expressed by reference to *INSPRU* 6.1.9R and *INSPRU* 6.1.15R.

...

- 6.1.26 R A *firm* may elect to use the calculation method referred to in *INSPRU* 6.1.25R(2) if it has made the election by written notice to the *PRA* in a way that complies with the requirements for written notice in ~~*SUP 15.7*~~ Notifications 7 of the *PRA* Rulebook.

...

## 7.1 Application

...

- 7.1.26 G ~~The ICA should assume that a *firm* will continue to manage its business having regard to the *PRA's* and *FCA's* Principles for Businesses. In particular, a *firm* should take into account how the Principles for Businesses may constrain its prospective management actions, for example, the *FCA's Principle 6* (Treating Customers Fairly). [deleted]~~
- 7.1.26A G The ICA should assume that a *firm* will continue to manage its business having regard to the *Principles*. In particular, a *firm* should take into account how the *Principles* may constrain its prospective management actions.

## Annex G

**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.

### 3.1 Application and purpose

- 3.1.5 G ~~Under *Principles 3 and 4* a firm is required to take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems and to maintain adequate financial resources. Under *Principle 9* a firm is obliged to take reasonable care to ensure the suitability of its *advice on investments* and discretionary decisions for any *customer* who is entitled to rely upon its judgement.~~[deleted]
- 3.1.5A G Under ~~*Principles 3 and 4*~~ *Fundamental Rules 4, 5 and 6* a firm is required to ~~take reasonable care to organise and control its affairs responsibly and effectively with adequate risk management systems~~ have effective risk strategies and risk management systems, to organise and control its affairs responsibly and effectively and to maintain adequate financial resources at all times.

...

## Annex H

## Amendments to the Supervision manual (SUP)

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

## 4.4 Appropriate actuaries

...

- 4.4.3 G An *appropriate actuary* should have skills and experience appropriate to the nature, scale and complexity of the *firm's* business and the requirements and standards under the regulatory system to which it is subject. ~~In complying with Principle 3, a~~ A firm should have regard to whether its proposed *appropriate actuary* has adequate qualifications and experience, and seek confirmation of this from the *actuary*, or the *actuary's* current and previous employers, as appropriate.

...

## 4.5 Provisions applicable to all actuaries

...

- 4.5.7A G In relation to Lloyd's, an effect of the *insurance market direction* set out ~~at SUP 3.1.13D~~ in Lloyd's (Auditors and Actuaries) 2 of the PRA Rulebook is that sections 342(5) and 343(5) of the *Act* (Information given by auditor or actuary to a regulator) apply also to *actuaries* who are appointed to evaluate the *long-term insurance business* of a *syndicate*.

...

## 10B PRA Approved Persons

...

## 10B.11.7 G Outsourcing arrangements

Outsourcing arrangements		Submitting form
...		
Outsourcing by A to B (both being a member of the same <i>United Kingdom group</i> and each having its registered office in the <i>United Kingdom</i> )	See SUP 10B.3.4G	<del>See SUP 15.7.8G</del> <u>If a firm is a member of a group which includes more than one firm, any one undertaking in the group may notify the PRA on behalf of all firms in the group to which the notification applies. In this way, that undertaking may satisfy the obligation of all relevant firms in the group to notify</u>

		<u>the PRA. Nevertheless, the obligation to make the notification remains the responsibility of the individual firm itself.</u>
...		

10B.14.1 D ...

- (3) An application by a *credit union* must be made using the form in *SUP* 10B Annex 4D or *SUP* 10B Annex 8D and must be submitted in the way set out in ~~*SUP* 15.7.4R to *SUP* 15.7.9G~~ Notifications 7 (Form and method of notification) of the PRA Rulebook.
- (4) Where a *firm* is obliged to submit an application online under (2), if the information technology systems used by the *PRA* fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored a *firm* must use the form in *SUP* 10B Annex 4D or *SUP* 10B Annex 8D and submit it in the way set out in ~~*SUP* 15.7.4R to *SUP* 15.7.9G~~ Notifications 7 (Form and method of notification) of the PRA Rulebook.

...

10B.14.3 G If the information technology systems used by the *PRA* fail and online submission is unavailable for 24 hours or more, the *FCA* and *PRA* will endeavour to publish a notice on their websites confirming that online submission is unavailable and that the alternative methods of submission set out in *SUP* 10B.14.1D(4) and ~~*SUP* 15.7.4R to *SUP* 15.7.9G~~ Notifications 7 (Form and method of notification) of the PRA Rulebook should be used.

...

## 11.9 Changes in close links

...

11.9.3-B G The *PRA* may ask the *firm* for additional information following a notification under *SUP* 11.9.1BR in order to satisfy itself that the *firm* continues to satisfy the *threshold conditions* ~~(see *SUP* 2: Information gathering by the FCA and PRA on their own initiative).~~

...

## 13 Exercise of passport rights by UK firms

...

13.5.3 R (1) ~~A UK firm, other than a credit union, must submit any notice under *SUP* 13.5.1R(1), *SUP* 13.5.1AR or *SUP* 13.5.2R online at [www.fca.org.uk](http://www.fca.org.uk) using the ONA system. [deleted]~~

...

- (3) ~~Where a *firm* is obliged to submit a notice in accordance with (1), if the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit that notice in the way set out in SUP 15.7.4 R to SUP 15.7.9 G (Form and method of notification). [deleted]~~

13.5.3-A R (1) A UK firm, other than a credit union, must submit any notice under SUP 13.5.1R(1), SUP 13.5.1AR or SUP 13.5.2R online at the PRA's website using the ONA system.

- (2) Where a *firm* is obliged to submit a notice in accordance with (1), if the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* must submit that notice in the way set out in Notifications 7 (Form and method of notification) of the PRA Rulebook.

13.5.3A G ~~A credit union must submit any notice under SUP 13.5.1R(1), SUP 13.5.1AR or SUP 13.5.2R in the way set out in SUP 15.7.4R to SUP 15.7.9 G (Form and method of notification). [deleted]~~

13.5.4 G (1) ~~If the information technology systems fail and online submission is unavailable for 24 hours or more, the appropriate UK regulator will endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission set out in SUP 13.5.3R(3) and SUP 15.7.4R to SUP 15.7.9G (Form and method of notification) should be used. [deleted]~~

- (2) ~~Where SUP 13.5.3 R(3) applies to a *firm*, GEN 1.3.2R (Emergency) does not apply. [deleted]~~

...

13.8.1A G ~~The effect of SUP 13.8.1R(1) is that a firm should submit any form, notice or application under SUP 13.8.1R(1) in the following ways: [deleted]~~

- (1) ~~A UK firm, other than a credit union, should submit it online at [www.fca.org.uk](http://www.fca.org.uk) using the ONA system. [deleted]~~

- (2) ~~If the information technology systems fail and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored, a *firm* should submit it in the way set out in SUP 13.5.3 R(3) and SUP 15.7.4R to SUP 15.7.9G (Form and method of notification). GEN 1.3.2R (Emergency) does not apply in these circumstances. [deleted]~~

- (3) ~~If the information technology systems fail and online submission is unavailable for 24 hours or more, the appropriate UK regulator will~~

~~endeavour to publish a notice on its website confirming that online submission is unavailable and that the alternative methods of submission should be used. [deleted]~~

(4) [deleted]

13.8.1B G ~~A credit union should submit any form, notice or application under SUP 13.8.1R(1) in the way set out in SUP 13.5.3R(3) and SUP 15.7.4R to SUP 15.7.9G (Form and method of notification). [deleted]~~

...

SUP 13A Annex 1 (Application of the Handbook to Incoming EEA Firms) is deleted in its entirety.

## **14.7 Cancellation of a top-up permission to carry on regulated activities outside the scope of the Single Market Directives or the auction regulation**

14.7.1 G ~~Where an incoming EEA firm, an incoming Treaty firm or a UCITS qualifier wishes to cancel its top up permission, either with or without cancellation of its qualification for authorisation under Schedule 3, 4, or 5 to the Act, it should make an application following the procedures set out in SUP 6 (Applications to vary and cancel Part 4A Permission). [deleted]~~

...

## **16.2 Purpose**

...

16.2.1 G (1) ~~In order to discharge its functions under the Act, the appropriate regulator needs timely and accurate information about firms. The provision of this information on a regular basis enables the appropriate regulator to build up over time a picture of firms' circumstances and behaviour. [deleted]~~

(2) ~~Principle 11 requires a firm to deal with its regulators in an open and cooperative way, and to disclose to the appropriate regulator appropriately anything relating to the firm of which the appropriate regulator would reasonably expect notice. The reporting requirements are part of the appropriate regulator's approach to amplifying Principle 11 by setting out in more detail the information that the appropriate regulator requires. They supplement the provisions of SUP 2 (Information gathering by the appropriate regulator on its own initiative) and SUP 15 (Notifications to the FCA or PRA). The reports required under these rules help the appropriate regulator to monitor firms' compliance with Principles governing relationships between firms and their customers, with Principle 4, which requires firms to maintain adequate financial resources, and with other requirements and standards under the regulatory system.~~

[deleted]

- 16.2.1A G (1) In order to discharge its functions under the Act, the PRA needs timely and accurate information about firms. The provision of this information on a regular basis enables the PRA to build up over time a picture of firms' circumstances and behaviour.
- (2) A firm is required to deal with the PRA in an open, cooperative and timely way, and to appropriately disclose to the PRA anything relating to the firm of which the PRA would reasonably expect notice. The reporting requirements are part of the PRA's approach to amplifying these requirements by setting out in more detail the information that the PRA requires. They supplement the rules relating to information gathering and notifications to the PRA. The reports required under these rules help the PRA to monitor firms' compliance with the requirement to maintain adequate financial resources, and with other requirements and standards under the regulatory system.

...

### 16.3 General provisions on reporting

...

- 16.3.23 G ~~When the appropriate regulator receives a report which contains confidential information and whose submission is required under this chapter, it is obliged under Part 23 of the Act (Public Record, Disclosure of Information and Co-operation) to treat that information as confidential. (See SUP 2.2.4G for the FCA and SUP 2.2.4AG for the PRA) [deleted]~~
- 16.3.24 G ~~SUP 2.3.12AG and SUP 2.3.12BG state that the appropriate regulator may pass to other regulators information which it has in its possession. Such information includes information contained in reports submitted under this chapter. The appropriate regulator's disclosure of information to other regulators is subject to SUP 2.2.4G or SUP 2.2.4AG (Confidentiality of information). [deleted]~~

...

- 16.10.4-A R The form referred to in SUP 16.10.4R is the Standing Data Form referred to in Notifications 10.2 of the PRA Rulebook.

...

### App 2 Insurers: Regulatory intervention points and run-off plans

- 2.3.9 G ~~These rules are in addition to the other rules and guidance in SUP and in the PRA Rulebook, in particular SUP 2 (Information gathering by the appropriate regulator on its own initiative), SUP 15 (Notifications to the FCA or PRA), SUP 16 (Reporting requirements) and the Principles for~~

~~Businesses (PRIN):~~

...

- 2.13.1 R A *firm* which has submitted a *scheme of operations* to the *PRA*, whether required by *SUP* App 2.4, *SUP* App 2.5 or *SUP* App 2.8, or as part of an application under ~~*SUP* 6.3 (see *SUP* 6.3.25G), *SUP* 6.4 (see *SUP* 6 Annex 4), Permissions and Waivers 2 of the *PRA* Rulebook or *SUP* 11.5 (see *SUP* 11.5.5G)~~, or an amended *scheme of operations*, must during the period covered by that *scheme of operations*:

- (1) ...

...

...

**PRA RULEBOOK: PERMISSIONS AND WAIVERS INSTRUMENT 2014**

**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;
  - (3) section 55U(4) (Applications under Part 4A FSMA);and
  - (4) section 138A(3) (Modification or waiver of rules).
- B. The rule-making powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Permissions and Waivers Instrument 2014**

- D. The PRA makes the rules and gives the directions in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Permissions and Waivers Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

**Annex**

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

**Part**

# **PERMISSIONS AND WAIVERS**

---

**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. APPLICATIONS TO VARY AND CANCEL PART 4A PERMISSION**
- 3. APPLICATIONS TO IMPOSE, VARY AND CANCEL REQUIREMENTS**
- 4. WAIVER AND MODIFICATION OF RULES**
- 5. CHANGES TO INFORMATION, ADDITIONAL INFORMATION AND NOTIFICATION OF ALTERED CIRCUMSTANCES**

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm*.

1.2 In this Part, the following definitions shall apply:

*requirement*

means a requirement imposed by the *PRA* on a *firm* under section 55M of *FSMA* (Imposition of requirements by *PRA*).

*waiver*

means a direction waiving or modifying a *rule*, given by the *PRA* under section 138A of *FSMA* (Modification or waiver of rules).

## 2 APPLICATIONS TO VARY AND CANCEL PART 4A PERMISSION

---

2.1 This Chapter applies to every *firm* that wishes to:

- (1) vary its *Part 4A permission*; or
- (2) cancel its *Part 4A permission*.

2.2 The *PRA* directs that a *firm* other than a *credit union* wishing to make an application to vary or cancel a *Part 4A permission* apply online using the form specified on the *ONA system*, unless otherwise advised by the *PRA*.

2.3 Where the *ONA system* fails and is unavailable for 24 hours or more, the *PRA* directs that a *firm* which is required to make an application in the manner set out in 2.2 make the application by using the relevant form on the *PRA's* website and submit it using one of the alternative ways set out in Notifications 7.4.

2.4 The *PRA* directs that a *credit union* wishing to make an application to vary or cancel a *Part 4A permission* submit the relevant form on the *PRA's* website using one of the alternative ways set out in Notifications 7.4.

2.5 Where a *firm* has applied for cancellation of its *Part 4A permission*, it must demonstrate to the *PRA* that it has ceased or will cease carrying on all *regulated activities*.

## 3 APPLICATIONS TO IMPOSE, VARY AND CANCEL REQUIREMENTS

---

3.1 This Chapter applies to every *firm* that wishes to:

- (1) have a new *requirement* imposed on it; or
- (2) vary a *requirement* imposed on it; or
- (3) cancel a *requirement* imposed on it.

3.2 The *PRA* directs that a *firm* other than a *credit union* wishing to make an application to impose, vary or cancel a *requirement* apply online using the form specified on the *ONA system*, unless otherwise advised by the *PRA*.

3.3 Where the *ONA system* fails and is unavailable for 24 hours or more, the *PRA* directs that a *firm* which is required to make an application under 3.2 make the application by using the relevant form on the *PRA's* website and submit it using one of the alternative ways set out in Notifications 7.4.

- 3.4 The *PRA* directs that a *credit union* wishing to make an application to impose, vary or cancel a *requirement* submit the relevant form on the *PRA*'s website using one of the alternative ways set out in Notifications 7.4.

#### **4 WAIVER AND MODIFICATION OF RULES**

---

- 4.1 This Chapter applies to every *firm* or *person* who is subject to *PRA rules*.
- 4.2 The *PRA* directs that a *firm* or *person* wishing to apply for a *waiver* must complete the relevant form on the *PRA*'s website and submit it in the way set out in Notifications 7.4 unless otherwise advised by the *PRA*.

#### **5 CHANGES TO INFORMATION, ADDITIONAL INFORMATION AND NOTIFICATION OF ALTERED CIRCUMSTANCES**

---

- 5.1 Until an application under this Part has been determined, a *firm* or *person* who submits the application must immediately notify the *PRA* of any significant change to the information provided in the application.
- 5.2 A *firm* or *person* which has applied for or has been granted a *waiver* must immediately notify the *PRA* if it becomes aware of any matter which could affect the continuing relevance or appropriateness of the application of the *waiver*.

**PRA RULEBOOK: USE OF SKILLED PERSONS INSTRUMENT 2014**

**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);
  - (3) section 166 (Reports by skilled persons); and
  - (4) section 166A (Appointment of skilled person to collect and update information).
- B. The rule-making powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Use of Skilled Persons Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Use of Skilled Persons Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

**Annex A**

In the Glossary Part of the PRA Rulebook, insert the following new definition:

*skilled person*

means a *person* appointed to:

- (1) make and deliver to the *PRA* a report as provided for by section 166 of *FSMA* (Reports by skilled persons); or
- (2) collect or update information as required by the *PRA* under section 166A of *FSMA* (Appointment of skilled person to collect and update information).

## Annex B

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

### Part

# USE OF SKILLED PERSONS

---

### Chapter content

1. APPLICATION AND DEFINITIONS
2. COST OF THE SKILLED PERSON'S REPORT
3. CONTRACT WITH THE SKILLED PERSON
4. DELIVERY OF THE SKILLED PERSON'S REPORT TO THE PRA

### Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 This Part applies to all *firms*.

1.2 In this Part, the following definition shall apply:

*relevant requirement*

has the meaning specified in section 204A(2) of *FSMA*.

## 2 COST OF THE SKILLED PERSON'S REPORT

---

2.1 A *firm* must, including where applicable in complying with the *Fundamental Rules*, give the *PRA* information about the cost of the *skilled person's* report. This includes both an initial estimate of the cost as well as the cost of the completed report.

## 3 CONTRACT WITH THE SKILLED PERSON

---

3.1 When a *firm* appoints a *skilled person* the *firm* must, in a contract with the *skilled person*:

- (1) require and permit the *skilled person* during and after the course of their appointment:
  - (a) to cooperate with the *PRA* in the discharge of its functions under *relevant legislation* in relation to the *firm*; and
  - (b) to communicate to the *PRA* information on, or the *skilled person's* opinion on, matters of which they have, or had, become aware in their capacity as *skilled person* reporting on the *firm* in the following circumstances:
    - (i) the *skilled person* reasonably believes, as regards the *firm* concerned:
      - (A) that there is or has been, or may be or may have been, a contravention of any *relevant requirement* that applies to the *firm* concerned; and
      - (B) that the contravention may be of material significance to the *PRA* in determining whether to exercise, in relation to the *firm* concerned, any functions conferred on the *PRA* by or under *relevant legislation*; or
    - (ii) the *skilled person* reasonably believes that the information on, or their opinion on, those matters may be of material significance to the *PRA* in determining whether the *firm* concerned satisfies and will continue to satisfy the *threshold conditions*; or
    - (iii) the *skilled person* reasonably believes that *firm* is not, may not be or may cease to be a going concern;
- (2) require the *skilled person* to prepare a report or collect or update information, as notified to the *firm* by the *PRA*, within the time specified by the *PRA*; and
- (3) waive any contractual or other duty of confidentiality owed by the *skilled person* to the *firm* which might limit the provision of information or opinion by that *skilled person* to the *PRA* in accordance with (1) or (2).

3.2 A *firm* must ensure that the contract it makes with the *skilled person* under 3.1 requires and permits the *skilled person* to provide the following to the *PRA* if requested to do so:

- (1) interim reports;
- (2) source data, *documents* and working papers;
- (3) copies of any draft reports given to the *firm*; and
- (4) specific information about the planning and progress of the work to be undertaken (which may include project plans, progress reports including percentage of work completed, details of time spent, costs to date, and details of any significant findings and conclusions).

3.3 A *firm* must ensure that the contract required by 3.1:

- (1) is governed by the laws of a part of the *UK*;
- (2) expressly:
  - (a) provides that the *PRA* has a right to enforce the provisions included in the contract under 3.1, 3.2 and 3.3(2)(b)-(d);
  - (b) provides that, in proceedings brought by the *PRA* for the enforcement of those provisions, the *skilled person* is not to have available by way of defence, set-off or counterclaim any matter that is not relevant to those provisions;
  - (c) (if the contract includes an arbitration agreement) provides that the *PRA* is not, in exercising the right in (a), to be treated as a party to, or bound by, the arbitration agreement; and
  - (d) provides that the provisions included in the contract under 3.1, 3.2 and 3.3(2)(a)-(c) are irrevocable and may not be varied or rescinded without the *PRA*'s consent; and
- (3) is not varied or rescinded in such a way as to extinguish or alter the provisions referred to in (2)(d).

3.4 A *firm* must give the *PRA* a copy of the draft contract required by 3.1 before it is made with the *skilled person*.

#### **4 DELIVERY OF THE SKILLED PERSON'S REPORT TO THE PRA**

---

4.1 When a *firm* appoints a *skilled person*, a *firm* must, including where applicable in complying with the *Fundamental Rules*, take reasonable steps to ensure that a *skilled person* delivers a report or collects or updates information in accordance with the terms of the *skilled person's* appointment.



**PRA RULEBOOK: LLOYD'S (ACTUARIES AND AUDITORS) INSTRUMENT 2014**

**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 316(1) (Direction by a regulator).
- B. The rule-making powers referred to 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 by the PRA) and section 319 of the Act (Consultation), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and the proposed direction and had regard to representations made.

**PRA Rulebook: Lloyd's (Actuaries and Auditors) Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Lloyd's (Actuaries and Auditors) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

**Annex A**

Insert the following new definitions into the Glossary Part of the PRA Rulebook:

*actuarial body*

means the Institute and Faculty of Actuaries.

*actuary*

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

*carrying out contracts of insurance*

means the *regulated activity* specified in article 10(2) of the *Regulated Activities Order* (Effecting and carrying out contracts of insurance).

*contracts of general insurance*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*contracts of long-term insurance*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*Council*

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

*effecting contracts of insurance*

means the *regulated activity* specified in article 10(1) of the *Regulated Activities Order* (Effecting and carrying out contracts of insurance).

*general insurance business*

the business of *effecting contracts of insurance* or *carrying out contracts of insurance* in each case in relation to *contracts of general insurance* only.

*long-term insurance business*

the business of *effecting contracts of insurance* or *carrying out contracts of insurance* in each case in relation to *contracts of long-term insurance* only.

*managing agent*

has the meaning given in article 3(1) of the *Regulated Activities Order*.

*member*

means a *person* admitted to membership of the *Society* or any *person* by law entitled or bound to administer its affairs.

*PRA Handbook*

means the *PRA's Handbook of rules and guidance*.

*syndicate*

means one or more *persons*, to whom a particular *syndicate* number has been assigned by or under the authority of the *Council*, *carrying out contracts of insurance* or *effecting contracts of insurance* written at Lloyd's.

## Annex B

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

Part

# LLOYD'S: ACTUARIES AND AUDITORS

---

Chapter content

1. DEFINITION
2. AUDITORS AND ACTUARIES DIRECTION

Links

## 1 DEFINITIONS

---

1.1 In this Part the following definition applies:

*insurance business*

means the *regulated activities* of *effecting contracts of insurance* or *carrying out contracts of insurance* written at Lloyd's.

## 2 AUDITORS AND ACTUARIES DIRECTION

---

- 2.1 (1) The *PRA* directs that, with effect from 27 May 2014, Part XXII of *FSMA* (Auditors and Actuaries) applies to the carrying on of *insurance business* by *members* as modified by (2).
- (2) Regulations made by *the Treasury* under section 342(5) and section 343(5) of Part XXII of *FSMA* apply only to *actuaries* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*, in relation to the *long-term insurance business* of that *syndicate*.
- (3) In Part XXII of *FSMA* (Auditors and Actuaries) as applied by this direction:
- (a) a reference to an auditor of an *authorised person* is to be read as including an auditor appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*; and
  - (b) a reference to an *actuary* acting for an *authorised person* is to be read as including an *actuary* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*.
- 2.2 The direction in SUP 3.1.13D of the *PRA Handbook* continues to have effect from the date specified in that direction to the date on which the direction in 2.1 has effect.

**PRA RULEBOOK: FUNDAMENTAL RULES INSTRUMENT 2014**

**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 instruments) of the Act.

**Pre-conditions to making**

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

**PRA Rulebook: Fundamental Rules Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Fundamental Rules Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

## Annex A

## PRA RULEBOOK – GLOSSARY

Insert the following new definitions into the Glossary Part of the PRA Rulebook:

*ancillary activity*

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

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

*dealing in investments as principal*

means the *regulated activity* specified in Article 14 of the *Regulated Activities Order* (Dealing in investments as principal).

*EU instrument*

has the meaning given in Part II of Schedule 1 to the European Communities Act 1972.

*Fundamental Rules*

means the *rules* set out in Fundamental Rules 2.

*incoming EEA firm*

means an *EEA firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *UK* in accordance with Schedule 3 of *FSMA*.

*incoming Treaty firm*

means a *Treaty firm* which is exercising, or has exercised, its right to carry on a *regulated activity* in the *UK* in accordance with Schedule 4 of *FSMA*.

*permission*

means permission to carry on *regulated activities*.

*regulatory system*

means the arrangements for regulating a *firm* or other *person* in or under *FSMA*, including the *threshold conditions*, the *Fundamental Rules* and other *rules*, the *Statements of Principle*, codes and *guidance* given by the *PRA* and including any relevant directly applicable provisions of a *EU Directive* or *Regulation*.

*top-up permission*

means a *Part 4A permission* given to an *incoming EEA firm* or an *incoming Treaty firm*.

*UK firm*

has the meaning given in paragraph 10 of Schedule 3 to *FSMA* (EEA Passport Rights).

**Annex B**

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

**Part**

# **FUNDAMENTAL RULES**

---

**Chapter content**

- 1. APPLICATION AND DEFINITIONS**
- 2. FUNDAMENTAL RULES**
- 3. RESTRICTIONS**
- 4. TRANSITIONAL PROVISIONS**

**Links**

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to all *firms*.

1.2 In this Part, the following definitions shall apply:

*branch*

has the meaning specified in Article 4(1)(17) of the *CRR*.

*cross border services*

means:

- (1) (in relation to a *UK firm*) services provided within an *EEA State* other than the *UK* under the freedom to provide services; and
- (2) (in relation to an *incoming EEA firm* or an *incoming Treaty firm*) services provided within the *UK* under the freedom to provide services.

*prudential context*

means, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (1) the safety and soundness of *firms*; or
- (2) the ability of the *firm* to meet either:
  - (a) the "fit and proper" test in *threshold conditions* 4E and 5E (Suitability); or
  - (b) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

## 2 FUNDAMENTAL RULES

---

2.1 *Fundamental Rule 1: A firm must conduct its business with integrity.*

2.2 *Fundamental Rule 2: A firm must conduct its business with due skill, care and diligence.*

2.3 *Fundamental Rule 3: A firm must act in a prudent manner.*

2.4 *Fundamental Rule 4: A firm must at all times maintain adequate financial resources.*

2.5 *Fundamental Rule 5: A firm must have effective risk strategies and risk management systems.*

2.6 *Fundamental Rule 6: A firm must organise and control its affairs responsibly and effectively.*

2.7 *Fundamental Rule 7: A firm must deal with its regulators in an open and cooperative way and must disclose to the PRA appropriately anything relating to the firm of which the PRA would reasonably expect notice.*

2.8 *Fundamental Rule 8: A firm must prepare for resolution so, if the need arises, it can be resolved in an orderly manner with a minimum disruption of critical services.*

### 3 RESTRICTIONS

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- 3.1 The *Fundamental Rules* apply to every *firm*, except that:
- (1) for an *incoming firm*, the *Fundamental Rules* 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* that is a *credit institution* without a *top-up permission*, *Fundamental Rule 4* applies only in relation to the liquidity of a *branch* established in the *UK*; and
  - (3) for an *incoming EEA firm* that has *permission* only for *cross border services* and does not carry on *regulated activities* in the *UK*, the *Fundamental Rules* do not apply.
- 3.2 A *firm* will not be subject to a *Fundamental Rule* to the extent that it would be contrary to the *UK's* obligations under *EU* legislation.
- 3.3 The *Fundamental Rules* apply with respect to the carrying on of:
- (1) *regulated activities*;
  - (2) activities that constitute *dealing in investments as principal*, disregarding the exclusion in Article 15 of the *Regulated Activities Order* (Absence of holding out etc); and
  - (3) *ancillary activities* in relation to *PRA-regulated activities*.
- 3.4 *Fundamental Rules* 3, 4, 5, 6, 8 and (in so far as it relates to disclosing to the *PRA*) 7 (and this chapter) also:
- (1) apply with respect to the carrying on of *unregulated activities* (for *Fundamental Rules* 5, 6 and 8 this is only in a *prudential context*); and
  - (2) take into account any activity of other members of a *group* of which the *firm* is a member.
- 3.5 The *Fundamental Rules* apply with respect to activities wherever they are carried on.
- 3.6 Where *Fundamental Rule 7* refers to regulators, this means, in addition to the *PRA*, other regulators with recognised jurisdiction in relation to *regulated activities*, whether in the *UK* or abroad.

### 4 TRANSITIONAL PROVISIONS

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- 4.1 Each *rule* in the Principles for Businesses module of the *PRA Handbook* continues to apply in relation to any act or omission before the date on which this Part came into force.
- 4.2 Anything done, or having effect as done, under or for the purposes of any *rule* in the Principles for Businesses module of the *PRA Handbook* has effect after the date on which this Part came into force as if done under or for the purposes of any substantially similar *rule* in this Part.

**PRA RULEBOOK: INFORMATION GATHERING INSTRUMENT 2014**

**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 instruments) of the Act.

**Pre-conditions to making**

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

**PRA Rulebook: Information Gathering Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Information Gathering Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

13 June 2014

## Annex A

## PRA RULEBOOK – GLOSSARY

Insert the following new definitions in the Glossary Part of the PRA Rulebook:

*Capital Requirements Regulations*

means the Capital Requirements Regulations 2013 (SI 2013/3115).

*employee*

means an individual:

- (1) who is employed or appointed by a *person* in connection with that *person's* business, whether under a contract of service or for services or otherwise;  
or
- (2) whose services, under an arrangement between that *person* and a third party, are placed at the disposal and under the control of that *person*.

*material outsourcing*

means outsourcing services of such importance that weakness, or failure, of the services would cast serious doubt upon the *firm's* continuing satisfaction of the *threshold conditions* or compliance with the *Fundamental Rules*.

*relevant legislation*

means:

- (1) *FSMA*;
- (2) the *Capital Requirements Regulations*;
- (3) any other *enactment*; or
- (4) any directly applicable *EU* regulation.

## Annex B

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

Part

# INFORMATION GATHERING

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Chapter content

1. APPLICATION
2. COOPERATION
3. ACCESS TO PREMISES
4. ACCESS TO DOCUMENTS AND PERSONNEL
5. INFORMATION REQUESTED ON BEHALF OF OTHER REGULATORS

Links

## 1 APPLICATION

---

- 1.1 This Part applies to every *firm*.

## 2 COOPERATION

---

- 2.1 A *firm* must take reasonable steps to ensure that its agents, *appointed representatives* and suppliers under *material outsourcing* arrangements deal in an open, cooperative and timely way with the *PRA* in the discharge of its functions under any *relevant legislation* in relation to the *firm*.

## 3 ACCESS TO PREMISES

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- 3.1 A *firm* must permit any representative or appointee of the *PRA* to have access, with or without notice, during reasonable business hours to any of its business premises, in relation to the discharge of the *PRA*'s functions under any *relevant legislation*.
- 3.2 A *firm* must take reasonable steps to ensure that its agents, *appointed representatives* and suppliers under *material outsourcing* arrangements permit any representative or appointee of the *PRA* to have access, with or without notice, during reasonable business hours to any of its business premises, in relation to the discharge of the *PRA*'s functions under any *relevant legislation* in relation to the *firm*.

## 4 ACCESS TO DOCUMENTS AND PERSONNEL

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- 4.1 Subject to section 413 of *FSMA*, a *firm* must, in relation to the discharge of the *PRA*'s functions under any *relevant legislation*:
- (1) permit any representative or appointee of the *PRA* to have access to any document that the *PRA* reasonably requests;
  - (2) make itself readily available to meet any representative or appointee of the *PRA* as the *PRA* reasonably requests; and
  - (3) answer truthfully, fully and promptly all questions reasonably put to it by any representative or appointee of the *PRA*.
- 4.2 Subject to section 413 of *FSMA*, a *firm* must, in relation to the discharge of the *PRA*'s functions under any *relevant legislation*, take reasonable steps to ensure that the following *persons* act in the manner set out in 4.1 in relation to the *firm*:
- (1) its *employees*, agents and *appointed representatives*; and
  - (2) any other members of its *group*, and their *employees* and agents.

## 5 INFORMATION REQUESTED ON BEHALF OF OTHER REGULATORS

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- 5.1 Subject to section 413 of *FSMA*, a *firm* must cooperate with the *PRA* in providing information at the request of another regulator to enable that regulator to discharge its functions properly.

**PRA RULEBOOK: AUDITORS INSTRUMENT 2014**

**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);
  - (3) section 340(1) and (4) (Appointment: requirements on firms);
  - (4) section 340(3A) (Appointment: requirements as to co-operation); and
  - (5) section 340(6) and (7) (Appointment: qualifications of auditors).
- B. The rule-making powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Auditors Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 19 June 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Auditors Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**  
13 June 2014

**Annex A**

Insert the following new definitions in the Glossary Part of the PRA Rulebook.

*guidance*

means guidance given by the *PRA* in the form of supervisory statements or otherwise.

*internal controls*

means the whole system of controls, financial or otherwise, established by the management of a *firm* in order to:

- (1) carry on the business of the *firm* in an orderly and efficient manner;
- (2) ensure adherence to management policies;
- (3) safeguard the assets of the *firm* and other assets for which the *firm* is responsible; and
- (4) secure as far as possible the completeness and accuracy of the *firm's* records (including those necessary to ensure continuous compliance with the requirements or standards under the *regulatory system* relating to the adequacy of the *firm's* financial resources).

*Statement of Principle*

means one of the Statements of Principle issued by the *PRA* under section 64(1A) of *FSMA* (Conduct: statements and codes) with respect to the conduct of approved persons .

## Annex B

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

Part

# AUDITORS

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## Chapter content

1. APPLICATION
2. APPOINTMENT OF AUDITORS
3. AUDITORS' QUALIFICATIONS
4. AUDITORS' INDEPENDENCE
5. FIRMS' COOPERATION WITH THEIR AUDITORS
6. NOTIFICATION OF MATTERS RAISED BY AUDITORS
7. DUTIES OF AUDITORS

Links

## 1 APPLICATION

---

- 1.1 This Part applies to:
- (1) every *firm*, except for an *incoming firm* that does not have a *top-up permission*; and
  - (2) the external auditor of such a *firm* (if appointed under 2 or appointed under or as a result of a statutory provision other than in *FSMA*).
- 1.2 In 1.1, where *firm* refers to a *managing agent*, it applies in respect of the *managing agent's* own business and in respect of the *insurance business* of each *syndicate* that the *managing agent* manages.

## 2 APPOINTMENT OF AUDITORS

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- 2.1 A *firm* must:
- (1) appoint an auditor;
  - (2) when it becomes aware that a vacancy in the office of auditor will arise or has arisen:
    - (a) notify the *PRA*; and
    - (b) give reasons for the vacancy,without delay, using the form referred to in Notifications 10.3;
  - (3) appoint an auditor to fill any vacancy in the office of auditor;
  - (4) ensure that the replacement auditor can take up office at the time the vacancy arises or as soon as reasonably practicable after that; and
  - (5) when a new auditor is appointed:
    - (a) notify the *PRA* of that appointment; and
    - (b) advise the *PRA* of the name and business address of the auditor appointed and the date from which the appointment has effect,using the form referred to in Notifications 10.3.
- 2.2 Where a *firm* that is not under an obligation to appoint an auditor imposed by an *enactment* other than *FSMA* fails to appoint an auditor within 28 days of a vacancy arising, the *PRA* may appoint an auditor for that *firm* on the following terms:
- (1) the auditor to be remunerated by the *firm* on the basis agreed between the auditor and *firm* or, in the absence of agreement, on a reasonable basis; and
  - (2) the auditor to hold office until he resigns or the *firm* appoints another auditor.
- 2.3 A *firm* must comply with and is bound by the terms on which an auditor has been appointed by the *PRA*.

## 3 AUDITORS' QUALIFICATIONS

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- 3.1 Before a *firm* appoints an auditor, it must take reasonable steps to ensure that the auditor:

- (1) has the required skill, resources and experience to perform its functions under the *regulatory system* commensurate with the nature, scale and complexity of the *firm's* business and the requirements and standards under the *regulatory system* to which it is subject; and
  - (2) is eligible for appointment as an auditor under any applicable laws.
- 3.2 A *firm* must not appoint as auditor a *person* who is disqualified under Part XXII of *FSMA* (Auditors and Actuaries) from acting as an auditor either for that *firm* or for a relevant class of *firm*.
- 3.3 A *firm* must take reasonable steps to ensure that an auditor, which it is planning to appoint or has appointed, provides information to the *PRA* about the auditor's qualifications, skills, experience and independence in accordance with the reasonable requests of the *PRA*.

#### 4 AUDITORS' INDEPENDENCE

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- 4.1 A *firm* must take reasonable steps to ensure that the auditor which it appoints is independent of the *firm*.
- 4.2 If a *firm* becomes aware at any time that its auditor is not independent of the *firm*, it must take reasonable steps to ensure that it has an auditor independent of the *firm*. The *firm* must notify the *PRA* if independence is not achieved within a reasonable time.

#### 5 FIRMS' COOPERATION WITH THEIR AUDITORS

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- 5.1 A *firm* must cooperate with its auditor in the discharge of the auditor's duties under this Part. In complying with this rule, and in each case subject to section 413 of *FSMA* (Protected items):
- (1) a *firm* must give its auditor a right of access at all times to the *firm's* accounting and other records, in whatever form they are held, and *documents* relating to its business; and
  - (2) a *firm* must allow its auditor to copy *documents* or other material on the premises of the *firm* and to remove copies or hold them elsewhere, or give the auditor such copies on request.
- 5.2 A *firm* must take reasonable steps to ensure that:
- (1) each of its:
    - (a) *appointed representatives*;
    - (b) suppliers under a *material outsourcing* arrangement; and
    - (c) *tied agents*,
 where applicable, gives the *firm's* auditor the same rights of access to their own books, accounts and vouchers, and entitlement to information and explanations from their officers as are given in respect of the *firm* by section 341 of *FSMA* (Access to books etc); and
  - (2) all its employees cooperate with its auditor in the discharge of the duties of the auditor under this Part,

in each case subject to section 413 of *FSMA* (Protected items).

## 6 NOTIFICATION OF MATTERS RAISED BY AUDITORS

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- 6.1 A *firm* must notify the *PRA* if the *firm* expects, or knows, that the auditor will qualify the report on the audited annual financial statements or include any emphasis of matter.

## 7 DUTIES OF AUDITORS

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- 7.1 An auditor of a *firm* must cooperate with the *PRA* in the discharge of its functions under any *relevant legislation* including by attending such meetings and supplying such information as the *PRA* reasonably requests about the firm to enable the *PRA* to discharge its functions under any *relevant legislation*.
- 7.2 An auditor of a *firm* must give a *skilled person* appointed by the *firm* or appointed by the *PRA* in respect of the *firm* all assistance that *person* reasonably requires.
- 7.3 An auditor of a *firm* must be independent of the *firm* when performing duties in respect of that *firm*.
- 7.4 An auditor of a *firm* must take reasonable steps to be satisfied that no conflict of interest exists in respect of that *firm* from which bias may reasonably be inferred. The auditor must take appropriate action where this is not the case.
- 7.5 An auditor must notify the *PRA* without delay if the auditor:
- (1) is removed from office by a *firm*;
  - (2) is formally notified of such removal from office;
  - (3) resigns before the term of office expires;
  - (4) is not re-appointed by a *firm*; or
  - (5) is disqualified from being the auditor of:
    - (a) any *undertaking* or particular class of *undertaking*; or
    - (b) any *firm* or particular class of *firm*.
- 7.6 In the circumstances set out in 7.5, the auditor must notify the *PRA* without delay:
- (1) of any matter connected with the removal or ceasing of the office of auditor that the auditor thinks ought to be drawn to the *PRA*'s attention; or
  - (2) that there is no such matter.

## **PRA RULEBOOK: NOTIFICATIONS INSTRUMENT 2014**

### **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 318(1) (Exercise of powers through Council).
- B. The rule-making powers referred to 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 by the PRA) and section 319 (Consultation) of the Act, the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and directions and had regard to representations made.

### **PRA Rulebook: Notifications Instrument 2014**

- D. The PRA makes the rules and gives the directions in Annex A, Annex B, Annex C, Annex D and Annex E to this instrument.

### **Commencement**

- E. This instrument comes into force on 19 June 2014.

### **Citation**

- F. This instrument may be cited as the PRA Rulebook: Notifications Instrument 2014.

### **By order of the Board of the Prudential Regulation Authority**

13 June 2014

## Annex A

## PRA RULEBOOK – GLOSSARY

Insert the following new definitions into the Glossary Part of the PRA Rulebook:

*approved person*

means a *person* in relation to whom the *FCA* or the *PRA* has given its approval under section 59 of *FSMA* (Approval for particular arrangements) for the performance of a *controlled function*.

*bank*

means:

- (1) a *firm* with a *Part 4A Permission* to carry on the *regulated activity* of accepting deposits and is a *credit institution*, but is not a *credit union*, *friendly society* or a *building society*; or
- (2) an *EEA bank*.

*business day*

means:

- (1) (in relation to anything done or to be done in (including to be submitted to a place in) any part of the *UK*) any day which is not a Saturday or Sunday, Christmas Day, Good Friday or a bank holiday in that part of the *UK*;
- (2) (in relation to anything done or to be done by reference to a market outside the *UK*) any day on which that market is normally open for business.

*Consolidated Life Directive*

means the Council Directive of 5 November 2002 on the taking-up and pursuit of the business of life assurance (No 2002/83/EC), which consolidates the provisions of the *First Life Directive*, the *Second Life Directive* and the *Third Life Directive*.

*controlled function*

means a function, relating to the carrying on of a *regulated activity* by a *firm*, which is specified by either the *FCA* or the *PRA*, under section 59 of *FSMA* (Approval for particular arrangements).

*CRD credit institution*

means 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 *CRD* does not apply under Article 2 of the *CRD*.

*EEA bank*

means an *incoming EEA firm* that is a *CRD credit institution*.

*First Life Directive*

means the Council Directive of 5 March 1979 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance (No 79/267/EEC).

*First Non-Life Directive*

the Council Directive of 24 July 1973 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct insurance other than life insurance (No 73/239/EEC).

*insurance business*

means the *regulated activities* of *effecting contracts of insurance* or *carrying out contracts of insurance*.

*Insurance Groups Directive*

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

*insurance special purpose vehicle*

means an *undertaking*, other than an *insurance undertaking* or *reinsurance undertaking* which has received an official *authorisation* in accordance with Article 6 of the *First Non-Life Directive*, Article 4 of the *Consolidated Life Directive* or Article 3 of the *Reinsurance Directive*:

- (1) which assumes risks from such *insurance undertakings* or *reinsurance undertakings*; and
- (2) which fully funds its exposures to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the *undertaking's reinsurance* obligations.

*insurance undertaking*

means an *undertaking*, whether or not an *insurer*, which carries on *insurance business*.

*insurer*

means a *firm* with *permission* to *effect contracts of insurance* or *carry out contracts of insurance* (other than a *UK ISPV*).

*officer*

means, in relation to a *body corporate*:

- (1) a *director*, member of the committee of management, *chief executive*, *manager*, secretary or other similar officer of the body, or a *person* purporting to act in any such capacity; and
- (2) an individual who is a *controller* of the body.

#### *ONA system*

means the *PRA's* online notification and applications system, by whatever name known.

#### *reinsurance*

includes retrocession.

#### *Reinsurance Directive*

means the Directive of 16 November 2005 of the European Parliament and of the Council (No 2005/68/EC) on reinsurance and amending the *First Non-Life Directive* and the *Third Non-Life Directive* as well as the *Insurance Groups Directive* and the *Consolidated Life Directive*.

#### *reinsurance undertaking*

means an *insurance undertaking* whose *insurance business* is restricted to *reinsurance*.

#### *Second Life Directive*

means the Council Directive of 8 November 1990 on the coordination of laws, etc and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 79/267/EEC (No 90/619/EEC).

#### *Society*

means the society incorporated by the Lloyd's Act 1871 by the name of Lloyd's.

#### *Third Life Directive*

means the Council Directive of 10 November 1992 on the coordination of laws, etc, and amending Directives 79/267/EEC and 90/619/EEC (No 92/96/EEC).

#### *Third Non-Life Directive*

means the Council Directive of 18 June 1992 on the coordination of laws, etc, and amending Directives 73/239/EEC and 88/357/EEC (No 92/49/EEC).

#### *UK ISPV*

means an *insurance special purpose vehicle* with a *Part 4A permission* to carry out *contracts of insurance* or *effect contracts of insurance*.



## Annex B

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

Part

# NOTIFICATIONS

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## Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL NOTIFICATION REQUIREMENTS
3. LLOYD'S OF LONDON
4. NOTIFIED PERSONS
5. CORE INFORMATION REQUIREMENTS
6. INACCURATE, FALSE OR MISLEADING INFORMATION
7. FORM AND METHOD OF NOTIFICATION
8. SPECIFIC NOTIFICATIONS
9. FINANCIAL CONGLOMERATE NOTIFICATIONS
10. FORMS

Links

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to every *firm*.

1.2 In this Part, the following definitions shall apply:

*authorised UK representative*

means (in relation to a *firm*) a *person* resident in the *UK* who is authorised to act generally, and to accept service of any *document*, on behalf of the *firm*.

*branch*

- (1) (in relation to a *credit institution*) means:
  - (a) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*;
  - (b) for the purposes of the *CRD* and in accordance with Article 38 of the *CRD*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single branch;
- (2) (in relation to an *investment firm*) has the meaning given in Article 4(1)(26) of *MiFID*; and
- (3) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:
  - (a) is managed by the *insurance undertaking's* own staff; or
  - (b) is an agency of the *insurance undertaking*; or
  - (c) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.

*competent authority*

has the meaning given in point (16) of Article 2 of the *Financial Groups Directive*.

*consolidation group*

means the *undertakings* included in the scope of consolidation pursuant to Articles 18(1), 18(8), 19(1), 19(3) and 23 of the *CRR* and Groups 2.1- 2.3.

*coordinator*

means, in relation to a *financial conglomerate*, the *competent authority* appointed as coordinator in accordance with Article 10(1) of the *Financial Groups Directive*.

*dormant account fund operator*

means a *firm* with *permission* for operating a *dormant account fund*.

*EEA financial conglomerate*

means a *financial conglomerate* that is of a type that falls under Article 5(2) of the *Financial Groups Directive*.

*financial conglomerate*

has the meaning given in point (14) of Article 2 of the *Financial Groups Directive*.

*Financial Groups Directive*

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

*injunction*

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

*insolvency order*

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

*MiFID Regulation*

means Commission Regulation (EC) 1287/2006 implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for *investment firms* and defined terms for the purposes of that Directive.

*notification rule*

(in relation to a *firm*) means a *rule* requiring a *firm* to give the *PRA* notice of, or information regarding, an event, but excluding a *rule* requiring periodic submission of a report.

*occupational pension scheme*

has the meaning given in Article 3(1) of the *Regulated Activities Order*.

*operating a dormant account fund*

means either of the *regulated activities* specified in Article 63N(1) of the *Regulated Activities Order*.

*overseas regulator*

has the meaning given in section 195(3) of *FSMA*.

*regulated entity*

means one of the following:

- (1) a *credit institution*;
- (2) an *insurance undertaking* within the meaning of Article 4 of the *Consolidated Life Directive*, Article 6 of the *First Non-Life Directive* or Article 1(b) of the *Insurance Groups Directive*; or
- (3) an *investment firm*,

whether or not it is incorporated in, or has its head office in, an *EEA State*.

*repurchase transaction*

has the meaning given in point (83) of Article 4(1) of the *CRR*.

*sole trader*

means an individual who is a *firm*.

1.3 This Part applies to *incoming firms* without a *top-up permission* as follows:

- (1) 1 applies in full;
- (2) 2.1-2.3 apply in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (3) 2.4-2.5 apply in full;
- (4) 2.6-2.9 apply in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (5) 3-4 do not apply;
- (6) 5.1-5.3 apply in full except that 5.2(2) does not apply to an *incoming EEA firm* without a *top-up permission*;
- (7) 5.4 applies in so far as responsibility for the matter in question is not reserved by an *EU instrument* to the *firm's Home State regulator*;
- (8) 5.5 applies in full; and
- (9) 6-9 apply in full.

1.4 This Part:

- (1) applies with respect to the carrying on of both *regulated activities* and *unregulated activities*; and

- (2) takes into account any activity of other members of a *group* of which the *firm* is a member.

## 2 GENERAL NOTIFICATION REQUIREMENTS

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2.1 A *firm* must notify the *PRA* immediately it becomes aware, or has information which reasonably suggests, that any of the following has occurred, may have occurred or may occur in the foreseeable future:

- (1) the *firm* failing to satisfy one or more of the *threshold conditions*; or
- (2) any matter which could have a significant adverse impact on the *firm's* reputation; or
- (3) any matter which could affect the *firm's* ability to continue to provide adequate services to its customers and which could result in serious detriment to a customer of the *firm*; or
- (4) any matter in respect of the *firm* which could result in serious financial consequences to the *UK financial system* or to other *firms*.

2.2 In determining whether the *PRA* should be notified of any of the events in 2.1 that may occur in the foreseeable future, a *firm* must consider both the probability of the event happening and the severity of the outcome should it happen.

2.3 A *firm* must give the *PRA* notice of:

- (1) any proposed restructuring, reorganisation or business expansion which could have a significant impact on the *firm's* risk profile or resources, including, but not limited to:
  - (a) setting up a new *undertaking* within a *firm's* *group*, or a new *branch* (whether in the *UK* or not);
  - (b) commencing the provision of *cross border services* into a new territory;
  - (c) commencing the provision of a new type of product or service (whether in the *UK* or not);
  - (d) ceasing to undertake a *regulated activity* or *ancillary activity*, or significantly reducing the scope of such activities;
  - (e) entering into, or significantly changing, a *material outsourcing* arrangement;
  - (f) a substantial change or a series of changes in the *governing body* of an *overseas firm* (other than an *incoming firm*);
  - (g) any proposed change which limits the liability of any of the members or partners of a *firm* such as a general partner becoming a limited partner or re-registration as a limited liability company of a company incorporated with unlimited liability; or
  - (h) in relation to a *dormant account fund operator*, notify the *PRA* when the operator intends to rely on a third party for the performance of operational

functions which are critical or important for the performance of relevant services and activities in connection with *operating a dormant account fund* on a continuous and satisfactory basis;

- (2) any significant failure in the *firm's* systems or controls, including those reported to the *firm* by the *firm's* auditor;
- (3) any action which a *firm* proposes to take which would result in a material change in its capital adequacy or solvency, including, but not limited to:
  - (a) any action which would result in a material change in the *firm's* financial resources or financial resources requirement;
  - (b) a material change resulting from the payment of a special or unusual dividend or the repayment of share capital or a subordinated loan;
  - (c) for *firms* which are subject to consolidated financial supervision, any proposal under which another *group* member may be considering such an action; or
  - (d) significant trading or non-trading losses (whether recognised or unrecognised).

2.4 (1) A *firm* must notify the *PRA* of:

- (a) a significant breach of a *rule* or *Statement of Principle*;
- (b) a breach of any requirement imposed by *FSMA* or by regulations or an order made under *FSMA* by *the Treasury* (except if the breach is an offence, in which case (c) applies);
- (c) the bringing of a prosecution for, or a conviction of, any offence under *FSMA*;
- (d) a breach of a directly applicable provision in the *MiFID Regulation*;
- (e) a breach of a directly applicable provision in the *CRR* or any directly applicable regulations made under the *CRD* or the *CRR*;
- (f) a breach of any requirement in regulation 4C(3) (or any successor provision) of the Financial Services and Markets Act 2000 (Markets in Financial Instruments) Regulations 2007; or
- (g) it exceeding (or becoming aware that it will exceed) the limit in Article 395 of the *CRR*,

by (or as regards (c), against) the *firm* or any of its *directors*, *officers*, *employees*, *approved persons*, or *appointed representatives* or, where applicable, *tied agents*.

- (2) A *firm* must make the notification in (1) immediately it becomes aware, or has information which reasonably suggests, that any of the matters in (1) has occurred, may have occurred or may occur in the foreseeable future.

2.5 A notification under 2.4 must include:

- (1) information about any circumstances relevant to the breach or offence;
- (2) identification of the *rule* or requirement or offence; and
- (3) information about any steps which a *firm* or other *person* has taken or intends to take to rectify or remedy the breach or prevent any future potential occurrence.

2.6 A *firm* must notify the *PRA* immediately if:

- (1) civil proceedings are brought against the *firm* and the amount of the claim is significant in relation to the *firm's* financial resources or its reputation; or
- (2) any action is brought against the *firm* under section 71 (Actions for damages) or section 138D (Actions for damages) of *FSMA*; or
- (3) disciplinary measures or sanctions have been imposed on the *firm* by any statutory or regulatory authority, professional organisation or trade body (other than the *PRA*) or the *firm* becomes aware that one of those bodies has started an investigation into its affairs; or
- (4) the *firm* is prosecuted for, or convicted of, any offence involving fraud or dishonesty, or any penalties are imposed on it for tax evasion; or
- (5) it is removed as trustee of an *occupational pension scheme* by a court order.

2.7 A notification under 2.6 must include details of the matter and an estimate of the likely financial consequences, if any.

- 2.8 (1) A *firm* must notify the *PRA* immediately if one of the following events arises and the event is significant:
- (a) it becomes aware that an *employee* may have committed a fraud against one of its customers;
  - (b) it becomes aware that a *person*, whether or not employed by it, may have committed a fraud against it;
  - (c) it considers that any *person*, whether or not employed by it, is acting with intent to commit a fraud against it;
  - (d) it identifies irregularities in its accounting or other records, whether or not there is evidence of fraud; or
  - (e) it suspects that one of its *employees* may be guilty of serious misconduct concerning their honesty or integrity and which is connected with the *firm's regulated activities* or *ancillary activities*.
- (2) A notification under (1) must provide all relevant and significant details of the incident or suspected incident of which the *firm* is aware.

2.9 A *firm* must notify the *PRA* immediately of any of the following events:

- (1) the calling of a meeting to consider a resolution for winding up the *firm*;
- (2) an application to dissolve the *firm* or to strike it off the Register of Companies;
- (3) the presentation of a petition for the winding up of the *firm*;
- (4) the making of, or any proposals for the making of, a composition or arrangement with any one or more of its creditors;
- (5) an application for the appointment of an administrator or trustee in bankruptcy to the *firm*;
- (6) the appointment of a receiver to the *firm* (whether an administrative receiver or a receiver appointed over particular property);
- (7) an application for an interim order against the *firm* under section 252 of the Insolvency Act 1986 (or, in Northern Ireland, section 227 of the Insolvency (Northern Ireland) Order 1989);
- (8) if the *firm* is a *sole trader*:
  - (a) an application for a sequestration order on the *firm*; or
  - (b) the presentation of a petition for bankruptcy; or
- (9) anything equivalent to (1) to (8) above occurring in respect of the *firm* in a jurisdiction outside the *UK*.

### 3 LLOYD'S OF LONDON

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#### 3.1 The *PRA* directs that:

- (1) the *Society* must immediately inform the *PRA* in writing if it becomes aware that any matter likely to be of material concern to the *PRA* may have arisen in relation to:
  - (a) the *regulated activities* for which the *Society* has *permission*; or
  - (b) *managing agents*; or
  - (c) *approved persons* or individuals acting for or on behalf of *managing agents*.
- (2) the *Society* must inform the *PRA* if it commences investigations or disciplinary proceedings relating to apparent breaches:
  - (a) of *FSMA* or requirements made or imposed under *FSMA*, including the *threshold conditions* or any *rules*, by a *managing agent*; or
  - (b) of the *Statements of Principle* by an individual or other *person* who carries out *controlled functions* for or on behalf of a *managing agent*.
- (3) that the *Society* must inform the *PRA* if it commences investigations or disciplinary proceedings which do not fall within the scope of (2) but which:

- (a) involve a *managing agent*, or an *approved person* who carries out *controlled functions* for it or on its behalf; or
- (b) may indicate that an individual acting for or on behalf of a *managing agent* may not be a fit and proper person to perform functions in relation to *regulated activities*,

and in each case the direction is given in relation to the exercise of the powers of the *Society* and of the *Council* generally, with a view to achieving the objective of enabling the *PRA* to (1) comply with its general duty under section 314 of *FSMA*; (2) determine whether *managing agents* or *approved persons* acting for them or on their behalf, are complying with the requirements imposed on them by or under *FSMA* and (3) enforce the provisions of *FSMA*, or requirements made under *FSMA*, by enabling the *PRA* to consider, where appropriate, whether it should use its powers, for example to:

- (i) vary or cancel the *permission* of a *managing agent*, under section 55J of *FSMA* (Variation or cancellation on initiative of regulator);
- (ii) withdraw approval from an *approved person* acting for or on behalf of a *managing agent*, under section 63 of *FSMA* (Withdrawal of approval);
- (iii) prohibit an individual, acting for or on behalf of a *managing agent*, from involvement in *regulated activities*, under section 56 of *FSMA* (Prohibition orders);
- (iv) require a *managing agent* to make restitution, under section 384 of *FSMA* (Power of [FCA or PRA] to require restitution);
- (v) discipline a *managing agent*, or an *approved person* acting for it or on its behalf, for a breach of a requirement made under *FSMA*, including the *Fundamental Rules*, *Statements of Principle* and *rules*;
- (vi) apply to court for an *injunction*, restitution order or *insolvency order*; and
- (vii) prosecute any criminal offence that the *PRA* has power to prosecute under *FSMA*.

3.2 Each direction in SUP 15.3.22D to SUP 15.3.25D of the *PRA Handbook* continues to have effect from the date the relevant direction was given to the date on which the direction in 3.1 has effect.

#### 4 NOTIFIED PERSONS

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- 4.1 (1) An *overseas firm*, which is not an *incoming firm*, must notify the *PRA* within 30 *business days* of any *person* taking up or ceasing to hold the following positions:
- (a) the *firm's* worldwide chief executive (that is, the *person* who, alone or jointly with one or more others, is responsible under the immediate authority of the *directors* for the whole of its business) if the *person* is based outside the *UK*;
  - (b) the *person* within the *overseas firm* with a purely strategic responsibility for *UK* operations;
  - (c) for a *bank*: the two or more *persons* who effectively direct its business; or

(d) for an *insurer*: the *authorised UK representative*.

- (2) The notification in (1) must be submitted in the form referred to in 10.1 (Form F). However, if the *person* is an *approved person*, notification giving details of their name, the *approved person's* individual reference number and the position to which the notification relates, is sufficient.

**[Note: 4.1 is not made under the powers conferred on the PRA by Part V of FSMA (Performance of Regulated Activities). A person notified to the PRA under 4.1 is not subject to the Statements of Principle or Code of Practice for Approved Persons, unless they are also an approved person.]**

- 4.2 (1) A *firm* other than a *credit union* must submit the form referred to in 10.1 online using the *ONA system*.
- (2) Where a *firm* is obliged to submit an application online under (1), if the *ONA system* fails and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored:
- (a) a *firm* must submit the form in the way set out in 7.4 to 7.6; and
- (b) the *rules* in relation to non-compliance with *rules* by a *firm* in the case of an emergency do not apply.

## 5 CORE INFORMATION REQUIREMENTS

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- 5.1 A *firm* must give the *PRA* reasonable advance notice of a change in any of the following names, and give details of the new name and the date of the change:
- (1) the *firm's* name (which is the registered name if the *firm* is a *body corporate*); and
- (2) any business name under which the *firm* carries on a *regulated activity* or *ancillary activity* either from an establishment in the *UK* or with or for clients in the *UK*,
- in each case by submitting the form referred to in 10.2 (Standing Data Form).
- 5.2 A *firm* must give the *PRA* reasonable advance notice of a change in any of the following addresses, and give details of the new address and the date of the change:
- (1) the *firm's* principal place of business in the *UK*; and
- (2) in the case of an *overseas firm*, its registered office (or head office) address,
- in each case by submitting the form referred to in 10.2 (Standing Data Form).
- 5.3 A *firm* must give the *PRA* reasonable advance notice of a change in any of the following telephone numbers, and give details of the new telephone number and the date of the change:
- (1) the number of the *firm's* principal place of business in the *UK*; and
- (2) in the case of an *overseas firm*, the number of its head office,

in each case by submitting the form referred to in 10.2 (Standing Data Form).

- 5.4 A *firm* must notify the *PRA* immediately if it becomes subject to or ceases to be subject to the supervision of any *overseas regulator* (including a *Home State regulator*).
- 5.5 (1) A *firm* other than a *credit union* must submit the forms required in 5.1 to 5.3 online using the *ONA system*.
- (2) Where a *firm* is obliged to submit a notice online under (1), if the *ONA system* fails and online submission is unavailable for 24 hours or more, until such time as facilities for online submission are restored:
- (a) a *firm* must submit any notice required by 5.1 to 5.3 in the way set out in 7.4 to 7.6; and
- (b) the *rules* in relation to non-compliance with *rules* by a *firm* in the case of an emergency do not apply.

## 6 INACCURATE, FALSE OR MISLEADING INFORMATION

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- 6.1 A *firm* must take reasonable steps to ensure that all information it gives to the *PRA* in accordance with a *rule* is:
- (1) factually accurate or, in the case of estimates and judgments, fairly and properly based after appropriate enquiries have been made by the *firm*; and
- (2) complete, in that it should include anything of which the *PRA* would reasonably expect notice.
- 6.2 If a *firm* is unable to obtain the information required in 6.1, then it must inform the *PRA* that the scope of the information provided is, or may be, limited.
- 6.3 If a *firm* becomes aware, or has information that reasonably suggests that it has or may have provided the *PRA* with information which was or may have been false, misleading, incomplete or inaccurate, or has or may have changed in a material particular, it must notify the *PRA* immediately. Subject to 6.4, the notification must include:
- (1) details of the information which is or may be false, misleading, incomplete or inaccurate, or has or may have changed;
- (2) an explanation why such information was or may have been provided; and
- (3) the correct information.
- 6.4 If the information in 6.3(3) cannot be submitted with the notification (because it is not immediately available), it must instead be submitted as soon as possible afterwards.

## 7 FORM AND METHOD OF NOTIFICATION

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- 7.1 A notification required from a *firm* under any *notification rule* must be given in writing, and in English, and must be submitted on the form specified for that *notification rule*, or if no form is

specified, on the form referred to in 10.3 (Notification form), and must give the *firm's* Firm Reference Number unless:

- (1) the *notification rule* states otherwise; or
- (2) the notification is provided solely in compliance with 2.3 or *Fundamental Rule 7*.

7.2 A *firm* must provide a written notification following an oral notification if:

- (1) the *PRA* requests written confirmation of a *firm's* oral notification; or
- (2) a matter either is complex or may be such as to make it necessary for the *PRA* to take action.

7.3 In giving notice to the *PRA*:

- (1) a *firm* must ensure that matters are promptly, properly and clearly communicated to the *PRA*; and
- (2) a *firm* must discuss relevant matters with the *PRA* at an early stage, before making any internal or external commitments.

7.4 Unless stated in the *notification rule*, or on the relevant form (if specified), a written notification required from a *firm* under any *notification rule* must be:

- (1) given to or addressed for the attention of the *firm's* usual supervisory contact at the *PRA*; and
- (2) delivered to the *PRA* by one of the following methods:
  - (a) post to the *PRA's* address;
  - (b) leaving the notification at the *PRA's* address and obtaining a time-stamped receipt;
  - (c) electronic mail to an address for the *firm's* usual supervisory contact at the *PRA* and obtaining an electronic confirmation of receipt;
  - (d) hand delivery to the *firm's* usual supervisory contact at the *PRA*;
  - (e) fax to a fax number for the *firm's* usual supervisory contact at the *PRA* and receiving a successful transmission report for all pages of the notification;
  - (f) online submission via the *PRA's* website at [www.bankofengland.co.uk/pr/](http://www.bankofengland.co.uk/pr/).

**[Note: The current published address of the PRA for postal submission or hand delivery of notifications is 20 Moorgate, London EC2R 6DA.]**

7.5 If the *firm* or its *group* is subject to lead supervision arrangements by the *PRA*, the *firm* or *group* may give or address a notice under 7.4(1) to the supervisory contact at the *regulator* designated as lead supervisor, if the *firm* has chosen to make use of the lead supervisor as a central point of contact.

7.6 If a *firm* is a member of a *group* which includes more than one *firm*, any one *undertaking* in the *group* may notify the *PRA* on behalf of all *firms* in the *group* to which the notification applies. In this way, that *undertaking* may satisfy the obligation of all relevant *firms* in the group to notify the *PRA*. Nevertheless, the obligation to make the notification remains the responsibility of the individual *firm* itself.

7.7 If a *notification rule* requires notification within a specified period:

- (1) the *firm* must give the notification so as to be received by the *PRA* no later than the end of that period; and
- (2) if the end of that period falls on a day which is not a *business day*, the notification must be given so as to be received by the *PRA* no later than the first *business day* after the end of that period.

## 8 SPECIFIC NOTIFICATIONS

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8.1 A *CRR firm* must report to the *PRA* immediately any case in which its counterparty in a *repurchase transaction* or securities or commodities lending or borrowing transaction defaults on its obligations.

## 9 FINANCIAL CONGLOMERATE NOTIFICATIONS

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9.1 A *firm* that is a *regulated entity* must notify the *PRA* immediately it becomes aware that any *consolidation group* of which it is a member:

- (1) is a *financial conglomerate*; or
- (2) has ceased to be a *financial conglomerate*.

9.2 (1) A *firm* that is a *regulated entity* must establish whether or not any consolidation group of which it is a member:

- (a) is a *financial conglomerate*; or
  - (b) has ceased to be a *financial conglomerate*,
- if:
- (c) the *firm* believes; or
  - (d) a reasonable *firm* that is complying with the requirements of the *regulatory system* would believe,

that it is likely that (a) or (b) is true.

- (2) A *firm* does not need to determine whether (1)(a) is the case if the *consolidation group* is already being regulated as a *financial conglomerate*.
- (3) A *firm* does not need to determine whether (1)(b) is the case if notification has already been given as contemplated by 9.4.

- 9.3 A *firm* must consider the requirements in 9.2 on a continuing basis, and in particular, when the *group* prepares its financial statements and on the occurrence of an event affecting the *consolidation group*. Such events include, but are not limited to, an acquisition, merger or sale.
- 9.4 A *firm* does not have to give notice to the *PRA* under 9.1 if it or another member of the *consolidation group* has already given notice of the relevant fact to:
- (1) the *PRA*; or
  - (2) (if another *competent authority* is *coordinator* of the *financial conglomerate*) that *competent authority*; or
  - (3) (in the case of a *financial conglomerate* that does not yet have a *coordinator*) the *competent authority* who would be *coordinator* under Article 10(2) of the *Financial Groups Directive* (Competent authority responsible for exercising supplementary supervision (the *coordinator*)).
- 9.5 (1) A *firm* must, at the level of the *EEA financial conglomerate*, regularly provide the *PRA* with details on the *financial conglomerate's* legal structure and governance and organisational structure, including all *regulated entities*, non-regulated subsidiaries and significant *branches*.
- (2) A *firm* must disclose publicly, at the level of the *EEA financial conglomerate*, on an annual basis, either in full or by way of references to equivalent information, a description of the *financial conglomerate's* legal structure and governance and organisational structure.
- (3) For the purposes of (1) and (2), where a *firm* is a member of an *EEA financial conglomerate* which is part of a wider *UK regulated EEA financial conglomerate*, reporting applies only at the level of the *EEA parent mixed financial holding company* or *ultimate EEA mixed financial holding company*.

## 10 FORMS

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- 10.1 Form F can be found [here](#).
- 10.2 The Standing Data Form can be found [here](#).
- 10.3 The Notification Form can be found [here](#).

**Annex C**

**Form F**



Application number  
(for FCA /PRA use only)

The FCA and PRA have produced notes which will assist both the applicant and the notified person in answering the questions in this form. Please read these notes, which are available on both FCA and PRA websites at:

[http://media.fshandbook.info/Forms/notes/imap\\_formf\\_notes.doc](http://media.fshandbook.info/Forms/notes/imap_formf_notes.doc)  
<http://www.bankofengland.co.uk/PRA>

Both the applicant and the notified person will be treated by the FCA and PRA as having taken these notes into consideration when completing their answers to the questions in this form.

## Form F - Changes in notified persons

FCA and PRA Handbook Reference: SUP 15 Annex 2R – Notification under SUP 15.4.1R

1 April 2013

Name of notified person<sup>†</sup>  
(to be completed by applicant)

Name of firm<sup>†</sup>

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom  
Telephone +44 (0) 845 606 9966  
Facsimile +44 (0) 207 066 0017  
E-mail [iva@fca.org.uk](mailto:iva@fca.org.uk)  
Website <http://www.fca.org.uk>

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA  
United Kingdom  
Telephone +44 (0) 203 461 7000  
E-mail [PRA.firmenquiries@bankofengland.co.uk](mailto:PRA.firmenquiries@bankofengland.co.uk)  
Website <http://www.bankofengland.co.uk/PRA>

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above

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<sup>†</sup>The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

## Contact Details

Contact for this application

Title†
First Name†
Surname†
Job Title†
Business address †
Post code†
Phone number (including STD code) †
Email address†
Mobile No†
Fax No. †

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

Details of notified person

Is the notified person an approved person?

YES  NO

**1.01 a** If 'yes' Notified person's Individual Reference Number (IRN)<sup>†</sup>

**b** OR name of previous regulatory body<sup>†</sup>

**c** AND previous reference number<sup>†</sup>

**1.02** Title  
(e.g. Mr, Mrs, Ms, etc)<sup>†</sup>

**1.03** Surname<sup>†</sup>

**1.04** ALL forenames<sup>†</sup>

**1.05** Name commonly known by<sup>†</sup>

**1.06** Date of birth<sup>†</sup> / /

**1.07** National Insurance number<sup>†</sup>

**1.08** Previous name<sup>†</sup>

**1.09** Date of change<sup>†</sup> / /

**1.10** Reason for change<sup>†</sup>

**1.11 a** Nationality<sup>†</sup>

**b** Passport Number<sup>†</sup>  
(If National Insurance number not available)

**1.12** Place of birth<sup>†</sup>

 I have supplied further information related to this in Section 6<sup>†</sup>

YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**1.13 a** Private address<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / /  To PRESENT

(If address has changed in the last three years, please provide addresses for the previous three years.)<sup>†</sup>

**1.14 a** Previous address 1<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / /  To / /

**1.15 a** Previous address 2<sup>†</sup>

**b** Postcode<sup>†</sup>

**c** Dates resident at this address (mm/yyyy)<sup>†</sup> From / /  To / /



I have supplied further information related to this in Section 6<sup>†</sup>

YES

NO

<sup>†</sup>The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

2.01 Name of *firm* making the application<sup>†</sup>

2.02 a *Firm* Reference Number (FRN)<sup>†</sup>

2.03 a Name of Home State regulator<sup>†</sup>

b Country<sup>†</sup>



I have supplied further information  
related to this in Section 6<sup>†</sup>

YES

NO

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<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

3.01 Notified positions individual is taking over. †

**a** Firm's world-wide chief executive where *the person* is situated outside the *United Kingdom*

**b** The *person*, if not the world-wide chief executive, within the *overseas* firm with a purely strategic responsibility for *UK* operations

**c** For a *bank*: the two or more *persons* who effectively direct its business in accordance with SYSC 4.2.2

**d** For a *UK* branch of an *insurer*: the *authorised UK representative*

3.02 Effective date†

/ /

3.03 Individual Reference Number of individual being replaced†

3.04 Name of individual being replaced†



I have supplied further information related to this in Section 6†

YES

NO

**Employment history for past 5 years**

**Section 4**

Please start with the most recent employment. †

Note: ALL gaps in employment must be accounted for

\_\_\_\_\_

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**4.01 Employment details (1)**

<b>a</b>	Period (mm/yyyy) <sup>†</sup>	From /	To /												
<b>b</b>	Nature of employment <sup>†</sup>	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;"><i>a</i> Employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>b</i> Self-employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>c</i> Unemployed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>d</i> Full-time education</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>		<i>a</i> Employed	<input type="checkbox"/>	<i>b</i> Self-employed	<input type="checkbox"/>	<i>c</i> Unemployed	<input type="checkbox"/>	<i>d</i> Full-time education	<input type="checkbox"/>				
<i>a</i> Employed	<input type="checkbox"/>														
<i>b</i> Self-employed	<input type="checkbox"/>														
<i>c</i> Unemployed	<input type="checkbox"/>														
<i>d</i> Full-time education	<input type="checkbox"/>														
	if b, c or d is ticked, please give details <sup>†</sup>														
<b>c</b>	Name of employer <sup>†</sup>														
<b>d</b>	Nature of business <sup>†</sup>														
<b>e</b>	Previous / other names of employer <sup>†</sup>														
<b>f</b>	Last known address of employer <sup>†</sup>														
<b>g</b>	Is / was employer regulated by a regulatory body? <sup>†</sup>	Yes <input type="checkbox"/> No <input type="checkbox"/>	Name of regulatory body												
<b>h</b>	Is / was employer an <i>appointed representative/tied agent</i> <sup>†</sup>	Yes <input type="checkbox"/> No <input type="checkbox"/>	If yes, of which firm?												
<b>i</b>	Position held <sup>†</sup>														
<b>j</b>	Responsibilities <sup>†</sup>														
<b>k</b>	Reason for leaving <sup>†</sup>	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;"><i>a</i> Resignation</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>b</i> Redundancy</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>c</i> Retirement</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>d</i> Termination/dismissal</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>e</i> End of contract</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>f</i> Other</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>		<i>a</i> Resignation	<input type="checkbox"/>	<i>b</i> Redundancy	<input type="checkbox"/>	<i>c</i> Retirement	<input type="checkbox"/>	<i>d</i> Termination/dismissal	<input type="checkbox"/>	<i>e</i> End of contract	<input type="checkbox"/>	<i>f</i> Other	<input type="checkbox"/>
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<i>d</i> Termination/dismissal	<input type="checkbox"/>														
<i>e</i> End of contract	<input type="checkbox"/>														
<i>f</i> Other	<input type="checkbox"/>														
	Specify <sup>†</sup>														
	I have supplied further information related to this in Section 6 <sup>†</sup>	YES <input type="checkbox"/>	NO <input type="checkbox"/>												

<b>4.02 a</b>	Period (mm/yyyy) <sup>†</sup>	From /	To /				
<b>b</b>	Nature of employment <sup>†</sup>	<table border="0" style="width: 100%;"> <tr> <td style="padding-right: 20px;"><i>a</i> Employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td><i>b</i> Self-employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>		<i>a</i> Employed	<input type="checkbox"/>	<i>b</i> Self-employed	<input type="checkbox"/>
<i>a</i> Employed	<input type="checkbox"/>						
<i>b</i> Self-employed	<input type="checkbox"/>						

- c Unemployed
- d Full-time education

if b, c or d is ticked, please give details †

c Name of employer †

d Nature of business †

e Previous / other names of employer †

f Last known address of employer †

g Is / was employer regulated by a regulatory body? †

Yes  No

Name of regulatory body

h Is / was employer an *appointed representative/tied agent* †

Yes  No

If yes, of which firm?

i Position held †

j Responsibilities †

k Reason for leaving †

- a Resignation
- b Redundancy
- c Retirement
- d Termination/dismissal
- e End of contract
- f Other

Specify †



I have supplied further information related to this in Section 6 †

YES

NO

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**4.03 Employment details (3)**

<b>a</b>	Period (mm/yyyy) †	From /	To /
<b>b</b>	Nature of employment †	a Employed <input type="checkbox"/> b Self-employed <input type="checkbox"/> c Unemployed <input type="checkbox"/> d Full-time education <input type="checkbox"/>	
	if b, c or d is ticked, please give details †		
<b>c</b>	Name of employer †		
<b>d</b>	Nature of business †		
<b>e</b>	Previous / other names of employer †		
<b>f</b>	Last known address of employer †		
<b>g</b>	Is / was employer regulated by a regulatory body? †	Yes <input type="checkbox"/> No <input type="checkbox"/>	Name of regulatory body
<b>h</b>	Is / was employer an <i>appointed representative/tied agent</i> †	Yes <input type="checkbox"/> No <input type="checkbox"/>	If yes, of which <i>firm</i> ?
<b>i</b>	Position held †		
<b>j</b>	Responsibilities †		
<b>k</b>	Reason for leaving †	a Resignation <input type="checkbox"/> b Redundancy <input type="checkbox"/> c Retirement <input type="checkbox"/> d Termination/dismissal <input type="checkbox"/> e End of contract <input type="checkbox"/> f Other <input type="checkbox"/>	
	Specify †		

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**4.04 Employment details (4)**

<b>a</b>	Period (mm/yyyy) †	From /	To /												
<b>b</b>	Nature of employment †	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">a Employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>b Self-employed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>c Unemployed</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>d Full-time education</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>		a Employed	<input type="checkbox"/>	b Self-employed	<input type="checkbox"/>	c Unemployed	<input type="checkbox"/>	d Full-time education	<input type="checkbox"/>				
a Employed	<input type="checkbox"/>														
b Self-employed	<input type="checkbox"/>														
c Unemployed	<input type="checkbox"/>														
d Full-time education	<input type="checkbox"/>														
	if b, c or d is ticked, please give details †														
<b>c</b>	Name of employer †														
<b>d</b>	Nature of business †														
<b>e</b>	Previous / other names of employer †														
<b>f</b>	Last known address of employer †														
<b>g</b>	Is / was employer regulated by a regulatory body? †	Yes <input type="checkbox"/>	No <input type="checkbox"/> Name of regulatory body												
<b>h</b>	Is / was employer an <i>appointed representative/tied agent</i> †	Yes <input type="checkbox"/>	No <input type="checkbox"/> If yes, of which <i>firm</i> ?												
<b>i</b>	Position held †														
<b>j</b>	Responsibilities †														
<b>k</b>	Reason for leaving †	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">a Resignation</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>b Redundancy</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>c Retirement</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>d Termination/dismissal</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>e End of contract</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> <tr> <td>f Other</td> <td style="text-align: right;"><input type="checkbox"/></td> </tr> </table>		a Resignation	<input type="checkbox"/>	b Redundancy	<input type="checkbox"/>	c Retirement	<input type="checkbox"/>	d Termination/dismissal	<input type="checkbox"/>	e End of contract	<input type="checkbox"/>	f Other	<input type="checkbox"/>
a Resignation	<input type="checkbox"/>														
b Redundancy	<input type="checkbox"/>														
c Retirement	<input type="checkbox"/>														
d Termination/dismissal	<input type="checkbox"/>														
e End of contract	<input type="checkbox"/>														
f Other	<input type="checkbox"/>														
	Specify †														



I have supplied further information related to this in Section 6 †

YES

NO

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**4.05 Employment details (5)**

<b>a</b>	Period (mm/yyyy) †	From /	To /
<b>b</b>	Nature of employment †	a Employed <input type="checkbox"/> b Self-employed <input type="checkbox"/> c Unemployed <input type="checkbox"/> d Full-time education <input type="checkbox"/>	
	if b, c or d is ticked, please give details †		
<b>c</b>	Name of employer †		
<b>d</b>	Nature of business †		
<b>e</b>	Previous / other names of employer †		
<b>f</b>	Last known address of employer †		
<b>g</b>	Is / was employer regulated by a regulatory body? †		
<b>h</b>	Is / was employer an <i>appointed representative/tied agent</i> †		
<b>i</b>	Position held †		
<b>j</b>	Responsibilities †		
<b>k</b>	Reason for leaving †		
	Specify †		



I have supplied further information related to this in Section 6 †

YES

NO

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

5.01	a	Has the notified person <b>ever</b> been convicted of any offence (whether spent or not and whether or not in the <i>United Kingdom</i> ):	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	i.	involving fraud, theft, false accounting, offences against the administration of public justice (such as perjury, perverting the course of justice and intimidation of witnesses or jurors), serious tax offences or other dishonesty or		
	ii.	relating to <i>companies, building societies, industrial and provident societies, credit unions, friendly societies</i> , insurance, banking or other financial services, insolvency, consumer credit or consumer protection, <i>money laundering</i> , market manipulations or <i>insider dealing</i> ?		
	b	Is the notified person the subject of any current criminal proceedings?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	c	Has the notified person <b>ever</b> been given a caution in relation to any criminal offence	Yes <input type="checkbox"/>	No <input type="checkbox"/>
		*		
5.02		Has the notified person any convictions for any offences (whether spent or not and whether or not in the United Kingdom) other than those in 5.01 above (excluding traffic offences that did not result in a ban from driving or did not involve driving without insurance)?*	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.03	a	Has the notified person <b>ever</b> had a County Court Judgment (CCJ) or other judgement debt, (whether or not in the United Kingdom)	Yes <input type="checkbox"/>	No <input type="checkbox"/>
		Has the notified person had:	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	i.	more than 2 CCJs or judgment debts?		
		or	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	ii.	more than £1,000 in total of CCJs or judgment debts?		
	b	Is the notified person aware of anybody's intention to:		
	i.	begin more than one set of proceedings against the notified person for a CCJ or other judgment debt? Or	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	ii.	claim more than £1,000 of CCJs or	Yes <input type="checkbox"/>	No <input type="checkbox"/>
		judgment debts in total from the notified person	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.04		Does the notified person have any judgment debts (including CCJs) made under a court order still outstanding, whether in full or in part?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.05		Has the notified person <b>ever</b> failed to satisfy any such judgment debts within one year of the making of the order?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
5.06	a	Is the notified person, or has the notified person <b>ever</b> been, the subject of any bankruptcy proceedings or proceedings for the sequestration of the notified person's estate?	Yes <input type="checkbox"/>	No <input type="checkbox"/>

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

b	Has the notified person <b>ever</b> entered or is in the process of entering into an agreement in favour of the notified person's creditors, for example a deed of arrangement or an individual voluntary arrangement (or in Scotland a trust deed)?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5.07	Does the notified person have any outstanding financial obligations arising from <i>regulated activities</i> , which the notified person has carried on in the past (whether or not in the <i>United Kingdom</i> )?  (In the case of <i>advisers</i> , this will include any outstanding liabilities arising from commissions paid for the sale of <i>packaged products</i> that have lapsed.)	Yes <input type="checkbox"/> No <input type="checkbox"/>
5.08	Has the notified person <b>ever</b> been found guilty of carrying on any unauthorised <i>regulated activities</i> or been investigated for the possible carrying on of unauthorised <i>regulated activities</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5.09	Is the notified person, or has the notified person <b>ever</b> been, the subject of an investigation into allegations of misconduct or malpractice in connection with any business activities?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5.10	<b>Has the notified person ever</b> (whether or not in the <i>United Kingdom</i> ) –	
a	been refused entry to, or been dismissed or requested to resign from, any profession, vocation, office or employment, or any fiduciary office or position of trust, whether or not remunerated?	Yes <input type="checkbox"/> No <input type="checkbox"/>
b	been refused, restricted in, or had suspended, the right to carry on any trade, business or profession for which specific licence, authorisation, registration, membership or other permission is required?	Yes <input type="checkbox"/> No <input type="checkbox"/>
c	been disqualified by a court from acting as a <i>director</i> of a <i>company</i> or from acting in a management capacity or conducting the affairs of any <i>company, partnership</i> or <i>unincorporated association</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/>
d	been the subject of a disqualification direction under section 59 of the Financial Services Act 1986 or a prohibition order, under section 56 of the Financial Services and Markets Act 2000, or received a warning notice that such a direction or order be made?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5.11	In relation to activities regulated by the <i>FCA</i> and/or <i>PRA</i> or any other regulatory body (see note section 5), has:	
	i. the notified person, or	
	ii. any company, partnership or unincorporated association of which the notified person is or has been a controller, director, senior manager, partner or company secretary, during the notified person's association with that entity and for a period of three years after the notified person ceased to be associated with it, <b>ever</b> –	
a	been refused, had revoked, restricted or terminated, any licence, authorisation, registration, notification, membership or other permission granted <b>by any such body</b> ?	Yes <input type="checkbox"/> No <input type="checkbox"/>

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

- b been criticised, censured, disciplined, suspended, expelled, fined, or been the subject of any other disciplinary or intervention action **by any such body**? Yes  No
- c resigned whilst under investigation by, or been required to resign from, **any such body**? Yes  No
- d decided, after making an application for any licence, authorisation, registration, notification, membership or other permission granted by **any such body**, not to proceed with it? Yes  No
- e been the subject of any civil action which has resulted in a finding against the notified person or it by a court? Yes  No

**5.12 Has any *company, partnership* or unincorporated association of which the notified person is or has been a *controller, director, senior manager, partner, or company secretary*, in the *United Kingdom* or elsewhere, at any time during the notified person's involvement or within one year of such an involvement -**

- a been put into liquidation, wound up, ceased trading, had a receiver or administrator appointed or entered into any voluntary arrangement with its creditors? Yes  No
- b been adjudged by a court liable for any fraud, misfeasance, wrongful trading or other misconduct? Yes  No
- c been investigated or been involved in an investigation by an inspector appointed under companies or any other legislation, or required to produce documents to the Secretary of State, or any other authority, under any such legislation? Yes  No
- d been convicted of any criminal offence, censured, disciplined or publicly criticised, by any inquiry, by the *Takeover Panel* or any governmental or statutory authority or any other regulatory body (other than as already indicated under 5.11(b)) Yes  No

**5.13** Is the notified person aware of any business interests, employment obligations, or any other situations which may conflict with the performance of the *controlled functions* for which approval is now sought? Yes  No

➔ I have supplied further information related to this in Section 6<sup>†</sup> YES  NO

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

## Supplementary Information †

### Section 6

**6.01** Is there any other information the notified person of the firm considers to be relevant to the application?

†

Please provide full details†

**6.02** Full details must be provided here if there were any issues that arose when leaving an employer listed in section 4 or if any question has been answered 'yes' in section 5.†

Please indicate clearly which question additional information relates to.†

Question	Information

**6.03** Include a list of all directorships currently or previously held by the notified person in the past 10 years (where *director* has the meaning given in the *Glossary*).†

**6.04** Is there any other information the notified person or the *firm* considers to be relevant to the application?†

Yes  No

If yes, provide details below or on a separate sheet of paper†

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

# Supporting Documents<sup>†</sup>

Indicate the required supporting documents to accompany this form.

Documents	Mode (Send by Email, Post, or by Fax)

Other information

--

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

## DECLARATION OF NOTIFIED PERSON<sup>†</sup>

Knowingly or recklessly giving the *FCA* and/or *PRA* information which is false or misleading in a material particular may be a criminal offence (section 398 of the Financial Services and Markets Act 2000).

It should not be assumed that information is known to the *FCA* and/or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* and/or *PRA* or another *regulatory body*. If there is any doubt about the relevance of information, it should be included.

### Data Protection<sup>†</sup>

For the purposes of complying with the Data Protection Act, the personal information in this Form will be used by the *FCA* and/or *PRA* to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

**I can confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the Notes to this Form.**

The *FCA* and/or *PRA* may seek to verify the information given in this Form including answers pertaining to fitness and propriety. **I authorise the *FCA* and/or *PRA* to make such enquiries and seek further information as it thinks appropriate in the course of verifying the information given in this Form. I also understand that the results of these checks may be disclosed to my employer.**

7.01 Notified person's full name<sup>†</sup>

7.02 Signature<sup>\*</sup>

Date<sup>†</sup> / /

Tick here to confirm you have read and understood this declaration: <sup>∞</sup>

---

\* The above question(s) appears on a paper form submission only. That question does not appear on an electronic form submission

<sup>∞</sup> The above question(s) appears on the electronic form submission only. It does not appear on a paper form submission.

<sup>†</sup> The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**DECLARATION OF FIRM<sup>†</sup>**

Knowingly or recklessly giving the *FCA* and/or *PRA* information which is false or misleading in a material particular may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). *SUP* 15.6.1R and *SUP* 15.6.4R require an *authorised person* to take reasonable steps to ensure the accuracy and completeness of information given to the *FCA* and/or *PRA* and to notify the *FCA* and/or *PRA* immediately if materially inaccurate information has been provided.

*APER* 4.4.7E provides that, where an *approved person* is responsible for reporting matters to the *FCA* and/or *PRA*, failure to inform the *FCA* and/or *PRA* of materially significant information of which he is aware is a breach of *Statement of Principle* 4. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the *FCA* and/or *PRA*.

It should not be assumed that information is known to the *FCA* and/or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* and/or *PRA* or another regulatory body. If there is any doubt about the relevance of information, it should be included.

In making this application the *firm* believes on the basis of due and diligent enquiry that the notified person is a fit and proper person to perform the notified position(s) listed in section 3. The *firm* also believes, on the basis of due and diligent enquiry, that the notified person is competent to fulfil the duties required of such function(s).

**I confirm that the information in this Form is accurate and complete to the best of my knowledge and belief and that I have read the Notes to this Form.**

**I confirm that I have authority to make this notification, and sign this Form, on behalf of each *firm* identified in section 7. I also confirm that a copy of this Form, as submitted to the *FCA* and/or *PRA* will be sent to each of those *firms* at the same time as submitting the Form to the *FCA* and/or *PRA*.**

Name of the *firm* submitting the application<sup>†</sup>

7.03

7.04 Name of *person* signing on behalf of the *firm*<sup>†</sup>

7.05 Job title<sup>†</sup>

7.06 Signature<sup>\*</sup>

Date<sup>†</sup>

Tick here to confirm you have read and understood this declaration:

## Completion Checklist

Is the Form fully completed? †

Are ALL forenames included? †

Is there a complete five-year employment history with all gaps explained? †

Is the Form correctly signed and dated by both the *firm* making the application and the notified person? †

Has all supplementary information been included and clearly marked? †

\* The above question(s) appears on a paper form submission only. That question does not appear on an electronic form submission

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in *SUP* 15.7

‡ The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in *SUP* 15.7

† The above question(s) should be completed whether submission of this form is online or in one of the other ways set out in SUP 15.7

**Form F – Changes in notified persons**  
**Version 5**

**Annex D**  
**Standing Data Form**



This form may be completed on screen and printed, or printed for completion by hand.

NOTE: You cannot save the form if you are completing it using Acrobat Reader. It is therefore advisable to assemble all the information you require before completing the form.

Print as many copies as you require before quitting

This form can be saved if you are using the full Acrobat application.

All fields except Signatures may be completed on screen.

Text in blue will not print.

## Standing Data

**To update firm name and trading names, website address,  
accounting reference date, auditors, locum, contacts and addresses.**

*SUP 15 Annex 3R – Notifications under SUP 16.10*

(April 2013)

Click in any field to enter text. Press tab to go to next field.

Firm name

("The Firm")

Firm reference number

Address

**Please return the form, marked for the attention of the Customer Contact Centre to:**

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS  
United Kingdom

Telephone +44 (0) 20 7066 1000  
Facsimile +44 (0) 20 7066 1099

Registered as a Limited Company in England and Wales No 1920623. Registered Office as above.

## NOTES

This form should be used to update your *firm* name and trading name(s), website address, accounting reference *date*, auditors, locum, contacts and addresses.

### Personal Details

### Section A

1 Contact Name for this notification

\*

2 Contact's Details:

a Position in the firm

\*

b Daytime telephone number

\*

c E-mail address

d Individual reference number (IRN), if applicable

### Change Full Name of *Firm*

### Section B

If you wish to advise the *FCA* or *PRA* of a change to the firm's name please enter the following details, otherwise proceed to Section C1.

**Note:** this section is not intended to be used by firms that are covered by Industrial & Provident, Friendly Society, Credit Union or Building Society legislation. These firms should contact the *FCA*'s Mutuals Team.

Current Legal Status:

(a) Private Limited Company

(b) Public Limited Company

(c) Limited Liability Partnership

(d) Limited Partnership

(e) Sole Trader

(f) Unlimited Liability Company

(g) Partnership

(h) **Other, please specify below**

1 New full name of *firm*

\*

2 Please enter the date on which the change becomes effective

/ /

Yes No N/A

3 Has the change requested been approved by Companies House?

If your *firm* is a UK registered limited company (including PLC), limited partnership (if registered at Companies House), *limited liability partnership* or unlimited liability company, you should only make a change to your *firm* name if the change has already been approved by Companies House.

If you have answered 'Not Applicable', please explain why below:

4 I confirm that the change requested does not constitute a change of legal status.

**Add New Trading Name(s) †****Section C1**

If you wish to add a new trading name of the firm please enter the following details, otherwise please proceed to Section C2:

- |           |   |  |   |
|-----------|---|--|---|
| <b>1</b>  | New Trading Name  | <input type="text"/>   | * |
| <b>1a</b> | Please enter the date on which the change becomes effective | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>2</b>  | New Trading Name  | <input type="text"/>   | * |
| <b>2a</b> | Please enter the date on which the change becomes effective | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>3</b>  | New Trading Name  | <input type="text"/>   | * |
| <b>3a</b> | Please enter the date on which the change becomes effective | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>4</b>  | New Trading Name  | <input type="text"/>   | * |
| <b>4a</b> | Please enter the date on which the change becomes effective | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |

**Delete Current Trading Name(s)**

If you wish to delete a trading name of the firm please enter the following details, otherwise please proceed to Section D:

- |           |   |  |   |
|-----------|---|--|---|
| <b>1</b>  | Trading name to be deleted  | <input type="text"/>   | * |
| <b>1a</b> | Please confirm when the trading name must cease:  | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>1b</b> | I confirm that the above trading name will not be used by the firm from the date indicated above. |  |   |
| <b>2</b>  | Trading name to be deleted  | <input type="text"/>   | * |
| <b>2a</b> | Please confirm when the trading name must cease:  | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>2b</b> | I confirm that the above trading name will not be used by the firm from the date indicated above. |  |   |
| <b>3</b>  | Trading name to be deleted  | <input type="text"/>   | * |
| <b>3a</b> | Please confirm when the trading name must cease:  | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>3b</b> | I confirm that the above trading name will not be used by the firm from the date indicated above. |  |   |
| <b>4</b>  | Trading name to be deleted  | <input type="text"/>   | * |
| <b>4a</b> | Please confirm when the trading name must cease:  | <input type="text"/> / <input type="text"/> / <input type="text"/> | * |
| <b>4b</b> | I confirm that the above trading name will not be used by the firm from the date indicated above. |  |   |



If you wish to change the contact details of the Complaints Officer or Primary Compliance Contact please enter the following details, otherwise please proceed to Section E1:

**Please note that this will not change your approved person records. If you want to change these records, please complete the appropriate Approved Persons Form.**

Please indicate which contact this change applies to. If you wish to change the details for both please copy this form and record the details for each on separate forms, unless the details are the same.

(a) Complaints Officer

(b) Primary Compliance Contact

1 Title

\*

2 Forename(s)

\*

3 Surname

\*

4 Job Title

5 Email address

6 Phone number. This must be a direct dialled number.

\*

7 Fax Number

8 Please enter the date on which the change becomes effective.

/ /

\*

9 Address

\*

Postcode:

10 If you would also like the contact details of the following to be changed, please tick the appropriate boxes. This will amend the contact details in line with the changes recorded above.

Complaints Contact

Primary Compliance Contact





(c) Customer Services

(d) EEA Branch Address

Page 6

\* Denotes a mandatory field

(e) Firm Association Branch

(f) Professional Advisor

Please enter the new address details:

2 Address

\*

Postcode:

3 Telephone number.

\*

4 Fax Number

5 Email address

6 Please enter the date on which the change becomes effective.

/ /

\*



1 Please enter the following details to change your accounting reference date:

- (a) Current Accounting Reference Date (dd/mm)  /  \*
- (b) New Accounting Reference Date (dd/mm)  /  \*

2 What accounting periods will result from the change? The new accounting reference date that you have entered could result in several different periods depending on whether you want to extend or reduce your periods and which period is the first period affected.

Although the *FCA* or *PRA* may accept accounting periods of up to 18 months, SUP 16.3.18G advises firms that accounting periods longer than 15 months may be deemed unacceptable as this may hinder the timely provision of relevant and important information to the *FCA* or *PRA*. If a firm wishes to have an accounting period of longer than 18 months (sole traders and certain partnerships), the firm must apply to the *FCA* in writing.

Please detail the start and end dates for the current accounting period and the two following periods below:

- |     |                |                      |   |                      |   |    |                      |   |                      |   |   |
|-----|----------------|----------------------|---|----------------------|---|----|----------------------|---|----------------------|---|---|
| (a) | Current Period | <input type="text"/> | / | <input type="text"/> | / | to | <input type="text"/> | / | <input type="text"/> | / | * |
| (b) | Next Period    | <input type="text"/> | / | <input type="text"/> | / | to | <input type="text"/> | / | <input type="text"/> | / | * |
| (c) | Next Period 2  | <input type="text"/> | / | <input type="text"/> | / | to | <input type="text"/> | / | <input type="text"/> | / | * |

**Note the change that you have requested will result in a change to your reporting timetable.**

3 I confirm the change requested above and that it is correctly represented by the accounting periods listed.

Please enter the new website address:

1 Website (format – [www.fca.org.uk](http://www.fca.org.uk)):

Please enter the following details to change your Auditor's details:

1 Firm name







6 Telephone number.

[Redacted] \*

7 Fax Number

[Redacted]

8 Email address

[Redacted]

6 Effective date

/ / \*



**Warning**

Knowingly or recklessly giving the *FCA* or *PRA* information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000). SUP 15.6.4R requires an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the *FCA* or *PRA* and to notify the *FCA* or *PRA* *immediately if materially inaccurate information has been provided*. *Contravention of these requirements* may lead to disciplinary sanctions or other enforcement action by the *FCA* or *PRA*. It should not be assumed that information is known to the *FCA* or *PRA* merely because it is in the public domain or has previously been disclosed to the *FCA* or *PRA* or another regulatory body. If you are not sure whether a piece of information is relevant, please include it anyway.

**Data Protection**

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the Financial Conduct Authority and the Prudential Regulation Authority to discharge their statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

**Declaration**

By submitting this notification form

I/we confirm that the information contained in this form is accurate and complete to the best of my knowledge and belief and that I have taken all reasonable steps to ensure that this is the case.

I am/we are aware that it is a criminal offence knowingly or recklessly to give the *FCA* or *PRA* information that is false or misleading in a material particular.

I/we confirm that, for those questions that do not require supporting evidence, the records which demonstrate the firm's compliance with the rules in relation to the questions will be available to the *FCA* or *PRA* on request.

I/we will notify the *FCA* or *PRA* immediately if there is a significant change to the information given in the form. If I/we fail to do so, this may result in enforcement action.

Date

Name of first signatory<sup>1</sup>

Position<sup>2</sup> of first signatory

Individual Reference Number (IRN)

Signature

Name of second signatory<sup>1</sup>

Position<sup>2</sup> of second signatory

Individual Reference Number (IRN)

Signature

---

<sup>1</sup> For a sole trader, the signature of the principal is required.  
For a limited company, the signature of two directors or one director and the company secretary is required.  
For a partnership, the signature of at least one partner is required.

<sup>2</sup> e.g. director, partner or sole trader

**Annex E**  
**Notification Form**



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



# Notification Form

(April 2013)

Firm name

("The Firm")

Firm Reference Number

Address

Please return the form, marked for the attention of your relevant supervisory contact as appropriate:

Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London  
E14 5HS United Kingdom  
[www.fca.org.uk](http://www.fca.org.uk)  
[fcc@fca.org.uk](mailto:fcc@fca.org.uk)

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

[www.bankofengland.co.uk/PRA](http://www.bankofengland.co.uk/PRA)

[PRA.firmenquiries@bankofengland.co.uk](mailto:PRA.firmenquiries@bankofengland.co.uk)

Telephone +44 (0) 20 7066 1000

Telephone +44 (0) 20 3461 7000

Facsimile +44 (0) 20 7066 1099

The Financial Conduct Authority is registered as a Limited Company in England and Wales No 1920623. Registered Office as above.

The Prudential Regulation Authority is registered as a Limited Company in England and Wales No 07854923. Registered Office: 8 Lothbury Road, London, EC2R 7HH

1 Contact Name for this form \*

2 Contact's Details:

a Position in the firm \*

b Daytime telephone number \*

c E-mail address

d Individual reference number (IRN), if applicable

**Type of notification**

**Section B**

There are circumstances where a firm must disclose information to the FCA and/or PRA in a timely manner, including:-

- where a rule has been breached;
- where the firm fails to satisfy a threshold condition (these can be found in Schedule 6 of the Financial Services and Markets Act 2000);
- where a matter occurs which could have a significant adverse impact on a firm, including its ability to provide adequate services to a customer;
- where a particular notifiable event may have occurred.

A consolidated summary of some of the notification rules is in the Handbook, Schedule 2 of the Supervision Modules (SUP). Also, Principle for Businesses No 11 requires a firm to disclose appropriately any information of which the FCA and/or PRA would reasonably expect notice. Other notification requirements are listed in Schedule 2 of many of the other FCA and PRA Modules within the Handbook. This form allows you to make any of these notifications.

3 To help us process your notification efficiently, please select at least one of the categories below:\*

Finance/capital issues †

For example:

- breach of capital requirements;
- excess in allowed large exposures requirements;
- qualification in audited annual accounts (financial issue); and
- insolvency, bankruptcy or winding up.

Client money issues



For example:

- negative client money account; and
- notifiable issue in client assets report.

Professional indemnity insurance (PII) cover



For example:

- cover not renewed;
- cover exhausted; and
- cover does not meet FCA or PRA requirements.

Complaints, including a decision not to pay a Financial Ombudsman Service award



Fraud, error or other irregularities



For example:

- fraud on the firm (actual or attempted);
- fraud by staff (actual or attempted); and
- money laundering issues.

Litigation/disciplinary issues, including civil, criminal or disciplinary proceedings against the firm or any of its representatives.



Other rule breaches (not included above).



Other notification requirements (not relating to a rule breach)



For example:

- a repayment of a subordinated loan (see the Supervision manual (SUP) 15.3.8(3)(a**b**)G for more information); or
- any proposed restructuring, reorganisation or business expansion that could have a significant impact on the firm's risk profile and resources.

This Notification should form should not be used for the following purposes:

- changes to Standing Data e.g. change of firm name, address, contact details, website, auditor, accounting reference date. (These changes need to be made via the FCA and PRA Standing Data form); or
- Whistle blowing e.g. revealing a suspected wrongdoing in an organisation. In these circumstances you should email [whistle@fca.org.uk](mailto:whistle@fca.org.uk) or write in or phone us.

Please see our website for more details.

Yes No

4 Has the notifiable event occurred? \*

4a If selected 'Yes', on what date did the event occur (record last applicable date)?

/ /

4b If selected 'No', what is the probability of the event occurring?

5 If this notification is about a specific rule, threshold condition and/or principle, please record its reference if known:

6 What are the details of the notification? \*

7 What (if any) is the impact of the notification?

Yes No N/A

8 If relevant, have you resolved the issue?

† † †

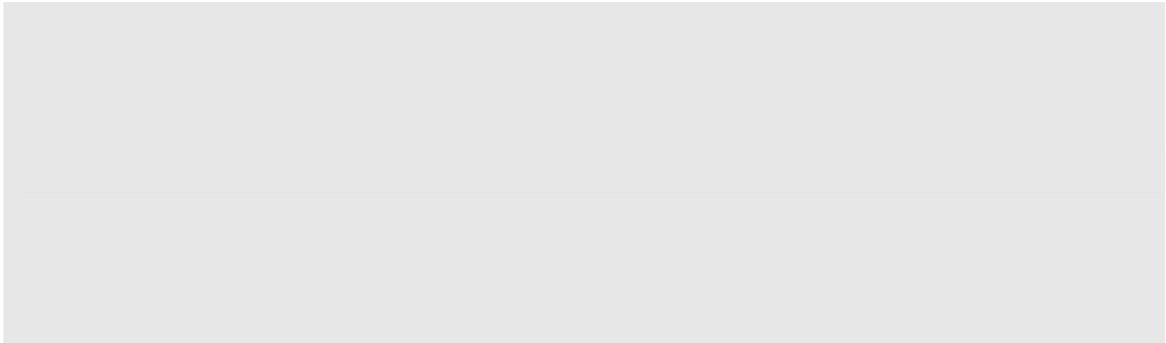
8a If answered 'Yes'. When did you resolve the issue (end date)?

/ /

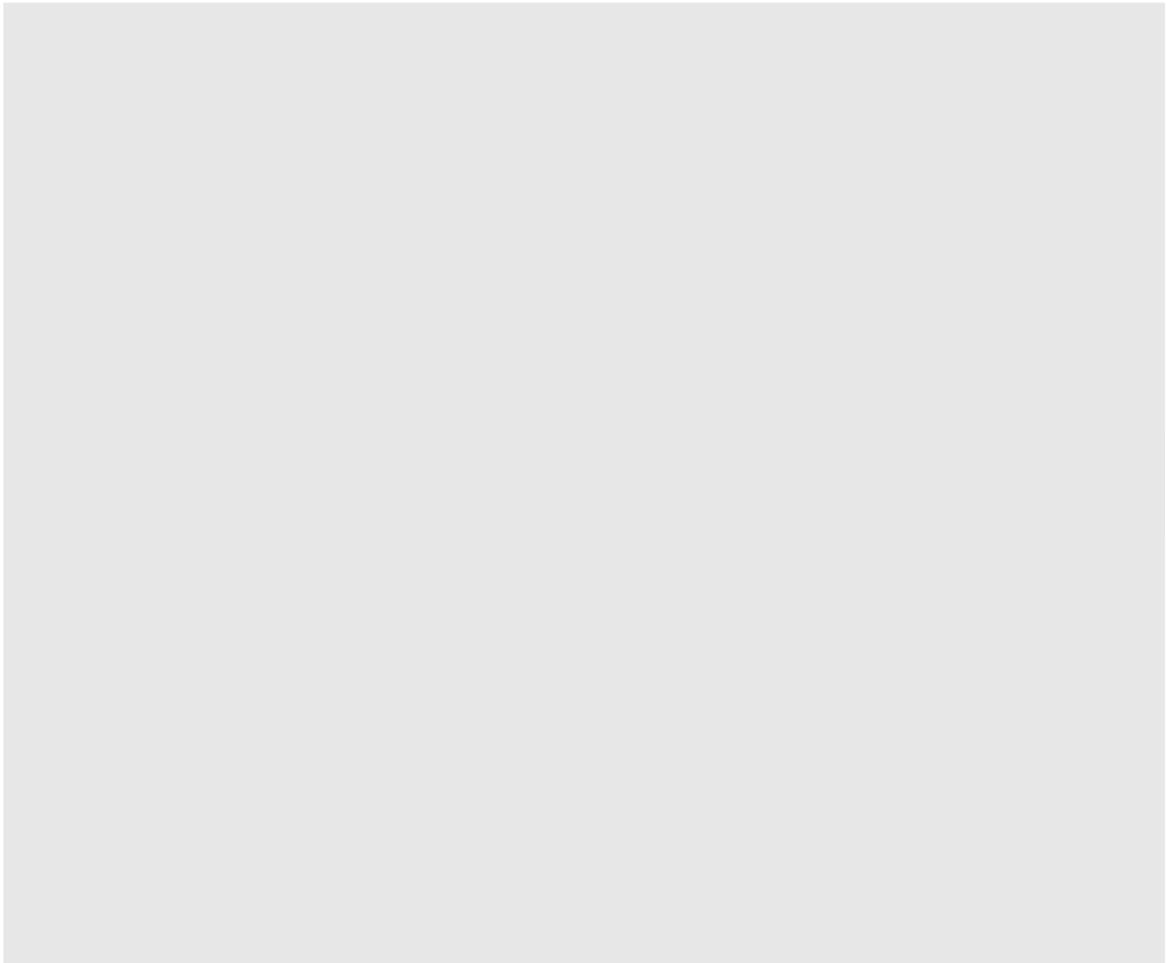
How was the issue resolved?

8b If answered 'No', what action (if any) will you be taking?

8c If answered 'Not applicable', please explain why below:

A large, empty grey rectangular box intended for the user to provide an explanation if they answered 'Not applicable' to question 8c.

9 If you have any additional information to add to this form, please enter it below or attach it as a document. (Please remember to mark attachments with the firm's name and FRN, and the question number to which the document relates.)

A large, empty grey rectangular box intended for the user to provide additional information or attach documents related to question 9.

Warning

Knowingly or recklessly giving the FCA and/or PRA information, which is false or misleading in a material particular, may be a criminal offence (sections 398 and 400 of the Financial Services and Markets Act 2000) SUP 15.6.4R requires an authorised person to take reasonable steps to ensure the accuracy and completeness of information given to the FCA and/or PRA and to notify the FCA and/or PRA immediately if materially inaccurate information has been provided. Contravention of these requirements may lead to disciplinary sanctions or other enforcement action by the FCA and/or PRA. It should not be assumed that information is known to the FCA and/or PRA merely because it is in the public domain or has previously been disclosed to the FCA and/or PRA. If you are not sure whether a piece of information is relevant, please include it anyway.

Data Protection

For the purposes of complying with the Data Protection Act, the personal information in this form will be used by the Financial Conduct Authority and/or the Prudential Regulation Authority to discharge its statutory functions under the Financial Services and Markets Act 2000 and other relevant legislation. It will not be disclosed for any other purposes without the permission of the applicant.

Declaration

By signing this form

- I/we confirm that this information is accurate and complete to the best of my knowledge and belief and that I have taken all reasonable steps to ensure that this is the case.
- I am/we are aware that it is a criminal offence knowingly or recklessly to give the FCA and/or PRA information that is false or misleading in a material particular.
- Some questions do not require supporting evidence. However, the records, which demonstrate the applicant firm's compliance with the rules in relation to the questions, must be available to the FCA and/or PRA on request.
- I/we will notify the FCA and/or PRA immediately if there is a significant change to the information given in the form. If I/we fail to do so, this may result in a delay in the application process or enforcement action.

Date	<input type="text"/>
Name of first signatory <sup>1</sup>	<input type="text"/>
Position <sup>2</sup> of first signatory	<input type="text"/>
Individual Registration Number	<input type="text"/>
Signature	<input type="text"/>
Name of second signatory	<input type="text"/>
Position of second signatory	<input type="text"/>
Individual Registration Number	<input type="text"/>
Signature	<input type="text"/>

<sup>1</sup> For a sole trader, the signature of the principal is required.  
 For a limited company, the signature of two directors or one director and the company secretary is required.  
 For a partnership, the signature of at least one partner is required.

<sup>2</sup> e.g. Director, Partner or Sole Trader.

**PRA PERIODIC FEES (2014/2015) AND OTHER FEES INSTRUMENT 2014**

**Powers exercised by the Prudential Regulation Authority**

- 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); and
  - (3) paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB (The Prudential Regulation Authority) of the Act.
- B. The rule making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

**Commencement**

- C. This instrument comes into force on 2 July 2014.

**Amendments to the Handbook**

- D. The Fees manual (FEES) is amended in accordance with the Annex to this instrument.

**Citation**

- F. This instrument may be cited as the PRA Periodic Fees (2014/2015) and Other Fees Instrument 2014.
- G. The Prudential Regulation Authority gives as guidance each provision in the Annex that is marked with a G.

**By order of the Board of the Prudential Regulation Authority**

1 July 2014

## Annex

## Amendments to the Fees manual (FEES)

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

## 3 Application, Notification and Vetting Fees

...

## FEES 3 Annex 9 Special Project Fee for restructuring

(11) R	...	
	...	
(11) AR	Table of <i>PRA</i> hourly rates:	
	PRA pay grade	Hourly rate (£)
	Administrator	30
	Associate	55
	Technical Specialist	<del>400</del> <u>90</u>
	Manager	<del>140</del> <u>115</u>
	Any other person employed by the <i>PRA</i>	<del>460</del> <u>165</u>
(12) G	...	

...

## 4.4 Information on which Fees are calculated

- 4.4.1 R A *firm* (other than the *Society* and an *MTF* operator in relation to its *MTF* business) must notify to the *FCA* (in its own capacity and, if applicable, in its capacity as collection agent for the *PRA*) the value (as at the valuation date specified in Part 5 of *FEES* 4 Annex 1AR in relation to fees payable to the *FCA* or Part 5 of *FEES* 4 Annex 1BR in relation to fees payable to the *PRA*) of each element of business on which the periodic fee payable by the *firm* is to be calculated.

...

4  
Annex  
2BFEES 4 Annex 2B PRA fee rates and EEA/Treaty firm modifications for the period from ~~1 April 2013 to 28 February 2014~~ 1 March 2014 to 28 February 2015

Part 1  
This table shows the tariff rates applicable to each of the fee blocks set out in Part 1 of FEES 4 Annex 1BR.

(1)	...
...	

Note	In the case of activity groups A.3 and A.4 there are <del>three</del> <u>two</u> tariff rates. The rate in column 1 applies to all <i>firms</i> in their respective fee-blocks. The rate in column 2 relates to the Solvency 2 Implementation fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 5 of this Annex. <del>The rate in Column 3 relates to the Solvency 2 Special Project fee and <i>firms</i> must determine their obligation to pay this fee by reference to Part 4 of this annex.</del> The total periodic fee for each of these fee-blocks is determined by adding the amounts obtained under <del>all three</del> <u>both</u> columns, as applicable.			
Activity group	Fee payable			
A.1	Band width (£ million of Modified Eligible Liabilities (MELs))	Fee (£/£m or part £m of MELs)		
		General Periodic fee		
	>10 - 140	<del>33.38</del> <u>36.81</u>		
	>140 - 630	<del>33.38</del> <u>36.81</u>		
	>630 - 1,580	<del>33.38</del> <u>36.81</u>		
	>1,580 - 13,400	<del>41.73</del> <u>46.01</u>		
	>13,400	<del>55.08</del> <u>60.74</u>		
A.3	Gross premium income (GPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	<del>Column 3 Solvency 2 special project fee</del>
	Minimum fee (£)	Not applicable	25.00	<del>25.00</del>
	Band Width (£ million of GPI)	Fee (£/£m or part £m of GPI)		
	>0.5 - 10.5	<del>370.25</del> <u>439.00</u>	<del>-27.03</del> <u>66.82</u>	<del>20.84</del>

	>10.5 - 30	<del>370.25</del> <u>439.00</u>	<del>-27.03</del> <u>66.82</u>	<del>20.84</del>
	>30 - 245	<del>370.25</del> <u>439.00</u>	<del>-27.03</del> <u>66.82</u>	<del>20.84</del>
	>245 - 1,900	<del>370.25</del> <u>439.00</u>	<del>-27.03</del> <u>66.82</u>	<del>20.84</del>
	>1,900	<del>370.25</del> <u>439.00</u>	<del>-27.03</del> <u>66.82</u>	<del>20.84</del>
	Plus			
	Gross technical liabilities (GTL)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 <del>Solvency 2 special project fee</del>
	Band Width (£ million of GTL)	Fee (£/£m or part £m of GTL)		
	>1 - 12.5	<del>49.93</del> <u>24.41</u>	<del>-1.44</del> <u>3.62</u>	<del>4.22</del>
	>12.5 - 70	<del>49.93</del> <u>24.41</u>	<del>-1.44</del> <u>3.62</u>	<del>4.22</del>
	>70 - 384	<del>49.93</del> <u>24.41</u>	<del>-1.44</del> <u>3.62</u>	<del>4.22</del>
	>384 - 3,750	<del>49.93</del> <u>24.41</u>	<del>-1.44</del> <u>3.62</u>	<del>4.22</del>
	>3,750	<del>49.93</del> <u>24.41</u>	<del>-1.44</del> <u>3.62</u>	<del>4.22</del>
	For UK ISPVs the tariff rates are not relevant and a flat fee of £430.00 is payable in respect of each <i>fee year</i> .			
A.4	Adjusted annual gross premium income (AGPI)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 <del>Solvency 2 special project fee</del>
	Minimum fee (£)	Not applicable	25.00	<del>25.00</del>
	Band Width (£ million of AGPI)	Fee (£/£m or part £m of AGPI)		
	>1 - 5	<del>360.32</del> <u>451.00</u>	<del>-38.34</del> <u>97.49</u>	<del>20.39</del>
	>5 - 40	<del>360.32</del> <u>451.00</u>	<del>-38.34</del> <u>97.49</u>	<del>20.39</del>
	>40 - 260	<del>360.32</del> <u>451.00</u>	<del>-38.34</del> <u>97.49</u>	<del>20.39</del>
	>260 - 4,000	<del>360.32</del> <u>451.00</u>	<del>-38.34</del> <u>97.49</u>	<del>20.39</del>
	>4,000	<del>360.32</del> <u>451.00</u>	<del>-38.34</del> <u>97.49</u>	<del>20.39</del>
	PLUS			
A.4	Mathematical reserves (MR)	Column 1 General periodic fee	Column 2 Solvency 2 implementation fee	Column 3 <del>Solvency 2 special project fee</del>

	Minimum fee (£)	Not applicable	25.00	25.00
	Band Width (£ million of MR)	Fee (£/£m or part £m of MR)		
	>1 - 20	<del>8.06</del> <u>10.41</u>	<del>-0.86</del> <u>2.26</u>	0.44
	>20 - 270	<del>8.06</del> <u>10.41</u>	<del>-0.86</del> <u>2.26</u>	0.44
	>270 - 7,000	<del>8.06</del> <u>10.41</u>	<del>-0.86</del> <u>2.26</u>	0.44
	>7,000 - 45,000	<del>8.06</del> <u>10.41</u>	<del>-0.86</del> <u>2.26</u>	0.44
	>45,000	<del>8.06</del> <u>10.41</u>	<del>-0.86</del> <u>2.26</u>	0.44
A.5	Band Width (£ million of Active Capacity (AC))	Fee (£/£m or part £m of AC)		
	>50 - 150	<del>54.36</del> <u>55.10</u>		
	>150 - 250	<del>54.36</del> <u>55.10</u>		
	>250 - 500	<del>54.36</del> <u>55.10</u>		
	>500 - 1,000	<del>54.36</del> <u>55.10</u>		
	>1,000	<del>54.36</del> <u>55.10</u>		
A.6	Flat fee <del>Solvency 2 Special Project Flat Fee (£)</del> Solvency 2 Implementation Flat Fee (£)	<del>1,394,436.00</del> <u>1,772,360.08</u> <del>272,293.06</del> <del>-92,775.96</del> <u>264,360.00</u>		
A.10	Band Width (No. of traders)	Fee (£/trader)		
	2 - 3	<del>4,507.98</del> <u>4,951.00</u>		
	4 - 5	<del>4,507.98</del> <u>4,951.00</u>		
	6 - 30	<del>4,507.98</del> <u>4,951.00</u>		
	31 - 180	<del>4,507.98</del> <u>4,951.00</u>		
	>180	<del>4,507.98</del> <u>4,951.00</u>		

## Part 2

This table sets out the tariff rate applicable to each of the fee blocks set out in Part 2 of FEES 4 Annex 1BR

PA.0	(1)	The minimum fee payable by any <i>firm</i> referred to in (3) is 500 <sup>2</sup> unless:
------	-----	---

	(a)	...
	...	
PT.1	Periodic fees payable under Part 1 multiplied by rate <del>£0.0745</del> <u>£0.0639</u>	

## Part 3

This table shows the modifications to fee tariffs that apply to *incoming EEA firms* and *incoming Treaty firms* which have established branches in the UK.

Activity Group	Percentage deducted from the tariff payable under Part 1 applicable to the <i>firm</i>
A.1	...
...	

## Part 4

This part sets out when a Solvency 2 Special Project fee is due for *firms* falling into fee block A.3 or A.4.

(1)	The Solvency 2 Special Project fee forms part of the periodic fee payable under fee blocks A.3 and A.4.	
(2)	The Solvency 2 Special Project fee is only payable by a <i>firm</i> if it meets the conditions in Part 5 and the condition set out in paragraph (3) of this Part.	
(3)	The condition is that before 1 June 2013 the <i>firm</i> , or a member of the group of which the <i>firm</i> is also a member (in either case, the recipient), received a written communication from the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> that it has met the criteria for entry into pre-Internal Model Approval Process status (pre-IMAP) and the recipient remains in pre-IMAP status on 1 June 2013.	
(4)	For the purposes of (3), the recipient will be deemed to remain in pre-IMAP status unless, before 1 June 2013:	
	(a)	the recipient informs the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> in writing that it wishes to withdraw from pre-IMAP status; or
	(b)	the recipient has been informed by the <i>FSA</i> or, on or after the 1 April 2013, the <i>PRA</i> in writing that it is no longer in pre-IMAP status.
(5)	For the purposes of this Part, a reference to pre-IMAP means the status achieved by the recipient by joining the process established by the <i>FSA</i> whereby the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> and the recipient engage with a view to the <i>FSA</i> or, on or after 1 April 2013, the <i>PRA</i> establishing whether an internal model developed by the recipient is likely to meet the tests and standards specified in the <i>Solvency 2 Directive</i> .	

(6)	<del>FEES 4.2.6R and FEES 4.2.7R do not apply to the Solvency 2 Special Project Fee.</del>
-----	--

...

## 6.5 Compensation costs

...

6.5.13R (1) Unless exempt under *FEES 6.2.1R* or *FEES 6.2.1AR*, a *participant firm* must provide the *FSCS* by the end of February each year (or, if it has become a *participant firm* part way through the financial year, by the date requested by the *appropriate regulator*) with a statement of:

(a) ...

...

**SENIOR MANAGEMENT ARRANGEMENTS, SYSTEMS AND CONTROLS (REMUNERATION  
CODE – CLAWBACK) INSTRUMENT 2014**

**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 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 instruments) of the Act.

**Pre-conditions to making**

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

**Commencement**

- D. This instrument comes into force on 1 January 2015.

**Amendments to the Handbook**

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

**Notes and Guidance**

- F. In the Annex 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 Senior Management Arrangements, Systems and Controls (Remuneration Code - Clawback) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

25 July 2014

## 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 19A	Remuneration Code
...	
19A.1.3	<p>R (1) <i>A firm</i> must apply the <i>remuneration</i> requirements in SYSC 19A.3, other than SYSC 19A.3.44R(3) <del>and</del> 19A.3.44AR, <u>19A.3.51R(2) and (3), 19A.3.51BR and 19A.3.54R(1)(c)</u>, in relation to:</p> <p>(a) <i>remuneration</i> awarded, whether pursuant to a contract or otherwise, on or after 1 January 2011;</p> <p>(b) <i>remuneration</i> due on the basis of contracts concluded before 1 January 2011 which is awarded or paid on or after 1 January 2011; and</p> <p>(c) <i>remuneration</i> awarded, but not yet paid, before 1 January 2011, for services provided in 2010.</p> <p>(2) ...</p> <p><u>(3) <i>A firm</i> must apply the <i>remuneration</i> requirements in SYSC 19A.3.51R(2) and (3), 19A.3.51BR and 19A.3.54R(1)(c) in relation to <i>remuneration</i> awarded on or after 1 January 2015.</u></p>
...	
19A.3.51	<p>R <i>A firm</i> must ensure that:</p> <p><u>(1) any variable <i>remuneration</i>, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the <i>firm</i> as a whole, and justified on the basis of the performance of the <i>firm</i>, the business unit and the individual concerned;</u></p> <p><u>(2) any variable <i>remuneration</i> is subject to clawback, such that it is not awarded save where an amount corresponding to it can be recovered from the individual by the <i>firm</i> if the recovery is justified on the basis of the circumstances described in SYSC 19A.3.51AR(3) and 19A.3.51B; and</u></p> <p><b>[Note: article 94(1)(n) of CRD and Standards 6 and 9 of the FSB Compensation Standards]</b></p> <p><u>(3) variable <i>remuneration</i> is subject to clawback for a period of at least 7 years from the date on which it is awarded.</u></p>
...	

- 19A.3.51A R A *firm* must:
- (1) ~~ensure that any of the total variable remuneration is subject to malus or clawback arrangements; [deleted]~~
  - (2) set specific criteria for the application of malus and clawback; and
  - (3) ensure that the criteria for the application of malus and clawback in particular cover situations where the *employee*:
    - (a) participated in or was responsible for conduct which resulted in significant losses to the *firm*; or
    - (b) failed to meet appropriate standards of fitness and propriety.

...

- 19A.3.51B R A *firm* must make all reasonable efforts to recover an appropriate amount corresponding to some or all vested variable remuneration where either of the following circumstances arise during the period in which clawback applies:

- (a) there is reasonable evidence of *employee* misbehaviour or material error; or
- (b) the *firm* or the relevant business unit suffers a material failure of risk management.

A *firm* must take into account all relevant factors (including, where the circumstances described in (b) arise, the proximity of the *employee* to the failure of risk-management in question and the *employee*'s level of responsibility) in deciding whether and to what extent it is reasonable to seek recovery of any or all of their vested variable remuneration.

...

- 19A.3.54 R (1) Subject to (1A) to (3), the *rules* in SYSC 19A Annex 1.1R to 1.4R apply in relation to the prohibitions on *Remuneration Code* staff being *remunerated* in the ways specified in:
- (a) SYSC 19A.3.40R (guaranteed variable *remuneration*);
  - (b) SYSC 19A.3.49R (non-deferred variable *remuneration*);  
and
  - (c) SYSC 19A.3.51R(2) (performance adjustment - clawback); and
  - (ed) SYSC 19A Annex 1.7R (replacing payments recovered or property transferred).

...

**PRA RULEBOOK: BRANCH RULES INSTRUMENT 2014**

**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).
- B. The rule-making powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Branch Rules Instrument 2014**

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

**Commencement**

- E. This instrument comes into force on 5 September 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Branch Rules Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

2 September 2014

## Annex A

## PRA RULEBOOK – GLOSSARY

Amendments to the PRA Rulebook – Glossary

In this Annex, new text is shown underlined and deleted text is shown strikethrough.

...

designated investment firm

means an investment firm that has been designated by the PRA under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order (S.I. 2013/556).

...

third country firm

means an overseas firm that is not an incoming firm.

...

UK designated investment firm

~~means a UK undertaking that is an investment firm that has been designated by the PRA under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order (S.I. 2013/556)~~ a designated investment firm.

## **Annex B**

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

**Part**

# **INCOMING FIRMS AND THIRD COUNTRY FIRMS**

---

**Chapter content**

- 1. APPLICATION AND DEFINITION**
- 2. ADEQUACY OF RESOLUTION PLAN**

## 1 APPLICATION AND DEFINITION

---

1.1 Unless otherwise stated, this Part applies only to:

- (1) an *incoming firm*; or
- (2) a *third country firm*,

that is:

- (3) a *bank*; or
- (4) a *designated investment firm*.

1.2 In this Part the following definition shall apply:

*resolution plan*

means, in relation to a *firm*, the plan for the resolution of the *firm* prepared by the authority in the jurisdiction of the *firm's* head office responsible for the *firm's* resolution.

## 2 ADEQUACY OF RESOLUTION PLAN

---

2.1 This chapter applies only to a *third country firm* that is:

- (1) a *bank*; or
- (2) a *designated investment firm*.

2.2 A *firm* must take all steps within its control to ensure that its *resolution plan* provides adequately for the resolution of the *firm's* UK branch.

**PRA RULEBOOK: HOUSING INSTRUMENT 2014**

**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 (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: Housing Instrument 2014**

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

**Commencement**

- E. Annex A of this instrument comes into force on 1 October 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Housing Instrument 2014.

By order of the Board of the Prudential Regulation Authority  
1 October 2014

## **Annex A**

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

**Part**

# **HOUSING**

---

**Chapter content**

- 1. APPLICATION AND DEFINITION**
- 2. HIGH LOAN TO INCOME ALLOWANCE**

## 1 APPLICATION AND DEFINITION

---

- 1.1 If either Condition A or Condition B is met, this Part applies to a *firm* with a *Part 4A permission* that includes entering into a *regulated mortgage contract* as lender, except:
- (1) an *EEA Firm* with respect to an activity carried on in the UK under an *EEA right*; or
  - (2) a *firm* with a *Part 4A permission* that includes effecting or carrying out a contract of insurance as principal.
- 1.2 This Part applies to an *overseas firm* only in relation to activities carried on from an establishment in the *UK*.
- 1.3 A *firm* that is a *parent undertaking* must ensure that a *subsidiary undertaking*, which meets Condition A or Condition B, complies with the requirements of this Part in relation to activities carried on from an establishment in the *UK*, as if it were a *firm* subject to those requirements.
- 1.4 1.3 does not apply in relation to a *subsidiary undertaking* that:
- (1) is an *EEA firm* with respect to an activity carried on in the UK under an *EEA right*;
  - (2) is a *firm* that is otherwise subject to this Part;
  - (3) is a *firm* with a *Part 4A permission* that includes effecting or carrying out a contract of insurance as principal; or
  - (4) does not have a *Part 4A permission* which includes entering into a *regulated mortgage contract* as lender.
- 1.5 Condition A is that in the set of four consecutive *quarters* ending on 30 June 2014, the *firm* has entered into *regulated mortgage contracts* under which the total *credit* provided is or exceeds £100 million, but Condition A is not met if the *firm* entered into less than 300 *regulated mortgage contracts* in that period.
- 1.6 Where Condition A is met this Part applies from 1 October 2014.
- 1.7 Condition B is that during both of two consecutive sets of four *quarters* the *firm* has entered into *regulated mortgage contracts* under which the total *credit* provided in each set of four *quarters* is or exceeds £100 million, but Condition B is not met if the *firm* entered into less than 300 *regulated mortgage contracts* in each of those sets of four *quarters*.
- 1.8 Where Condition B is met, this Part applies from the start of the second *quarter* following the end of the final *quarter* relevant to the determination that the firm meets Condition B.

1.9 This Part ceases to apply (until Condition A or Condition B is met) if during both of two consecutive sets of four *quarters*:

(1) the *firm* has entered into *regulated mortgage contracts* under which the total *credit* provided is less than £100 million; or

(2) the *firm* has entered into less than 300 *regulated mortgage contracts*

in each of those sets of four *quarters*.

1.10 In this chapter two consecutive sets of four quarters means:

(1) a second set of four *quarters* ending on 30 September 2014 or on the last day of each subsequent *quarter*; and

(2) a first set of four *quarters* ending on the last day of the immediately preceding *quarter*.

1.11 In this Part the following definitions apply:

*credit*

means the cash loan provided by a *firm* under a *regulated mortgage contract*:

(1) at the time the *regulated mortgage contract* is entered into; or

(2) drawn down at a later date.

*high loan to income mortgage contract*

means a *regulated mortgage contract* under which the *credit* provided by a *firm* to an individual, or to individuals jointly, is or exceeds a multiple of 4.5 times the individual's *income*, or the individuals' joint *income*, at the time at which that *income* is assessed by the *firm* for the purpose of entering into the *regulated mortgage contract*.

*income*

means the gross annual income, before tax or other deductions, of an individual taken into account by a *firm* to calculate the *credit* it will provide under a *regulated mortgage contract*.

*legal mortgage*

includes a legal charge and, in Scotland, a heritable security.

*lifetime mortgage*

has the meaning given in the PRA Handbook.

*quarter*

means any of the four calendar quarters of each year, the first quarter beginning on 1 January.

*re-mortgage with no change to the principal sum outstanding*

means a *regulated mortgage contract* under which the amount of *credit* provided does not exceed that outstanding to the *firm*, or to a different lender, under a previous *regulated mortgage contract*, or any other type of contract under which the obligation to repay the *credit* provided is secured by a *legal mortgage* on *land*. In determining the amount of *credit* provided, no account shall be taken of:

- (1) arrangement fees;
- (2) professional fees and costs; and
- (3) administration costs.

*regulated mortgage contract*

has the meaning given in Article 61(3)(a) of the *Regulated Activities Order*, but:

- (1) *re-mortgages with no change to the principal sum outstanding*; and
- (2) *lifetime mortgages*

must be disregarded.

## 2 HIGH LOAN TO INCOME ALLOWANCE

---

- 2.1 Unless 2.3 or 2.4 apply, a *firm* must ensure that the number of *high loan to income mortgage contracts* it enters into in a *quarter* does not exceed 15% of all *regulated mortgage contracts* it enters into in that *quarter*.
- 2.2 A *firm* that is part of a *group* may allocate all or part of its high loan to income allowance to any member of the *group*.
- 2.3 A *firm* that has allocated any part of its high loan to income allowance to another member of the *group* must ensure that the number of *high loan to income mortgage contracts* it enters into in a *quarter* does not exceed the amount specified in 2.1, as reduced by the amount of the high loan to income allowance it has allocated under 2.2.

- 2.4 A *firm* that is part of a *group* must ensure that the number of *high loan to income mortgage contracts* it enters into in a *quarter* does not exceed the amount specified in 2.1, plus any high loan to income allowance allocated to it under 2.2.
- 2.5 A *firm* must keep a record of any part of a high loan to income allowance it has allocated or received.
- 2.6 In this chapter, a high loan to income allowance is the number of *high loan to income mortgage contracts* a *firm* may enter into in a *quarter* in compliance with 2.1 without the modifications in 2.3 or 2.4 applied.

**CAPITAL REQUIREMENTS DIRECTIVE (GOVERNANCE) AMENDMENT  
INSTRUMENT 2014**

**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);
- B. The rule-making powers referred to 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**Commencement**

- D. This instrument comes into force on 27 October 2014.

**Amendments to the Handbook**

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

**Notes and Guidance**

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

**Citation**

- I. This instrument may be cited as the Capital Requirements Directive (Governance) Amendment Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**  
22 October 2014

## Annex A

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

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

#### 4 General organisational requirements

...

#### 4.3A CRR firms

Management body

...

4.3A.6B    G    The limits on directorships set out in SYSC 4.3A.6R also apply to members of the management body of the UK consolidation group or non-EEA sub group in accordance with SYSC 12.1.13R. Individuals in any of the entities belonging to the UK consolidation group or non-EEA sub group are capable of forming part of this management body. For example, members of the management body of a non-CRR firm that is a parent financial holding company in a Member State and is a member of a UK consolidation group could be caught by the limits in SYSC 4.3A.6R (SYSC 12.1.14R). In particular, a person who requires approval under SUP 10B.6.2R or SUP 10B.6.4R because of the influence they exercise over the CRR firm is a member of the management body of the UK consolidation group or non-EEA sub group and therefore subject to the limit on directorships in SYSC 4.3A.6R.

[Note: article 91(3) and article 109(2) of the CRD]

## Annex B

### Amendments to the Glossary of definitions

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

*CRD*

~~the *Capital Adequacy Directive* and the *Banking Consolidation Directive*.~~ Directive 2013/36/EU of the European Parliament and 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.

**PRA RULEBOOK CREDIT RISK (AMENDMENT) INSTRUMENT 2014**

**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 instruments) of the Act.

**Pre-conditions to making**

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

**PRA Rulebook Credit Risk (Amendment) Instrument 2014**

- D. The Credit Risk Part of the PRA Rulebook is amended in accordance with the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 27 October 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook Credit Risk (Amendment) Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

22 October 2014

## Annex

## Amendments to the Credit Risk Part of the Rulebook

In this Annex, new text is shown underlined and deleted text is shown strikethrough.

#### 4 CRITERIA FOR CERTAIN EXPOSURES SECURED BY MORTGAGES ON COMMERCIAL IMMOVABLE PROPERTY

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4.1 For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may ~~only~~ treat *exposures* as fully and completely secured by mortgages on commercial immovable property located in the *UK* in accordance with Article 126 of the *CRR* only where annual average *losses* stemming from lending secured by mortgages on commercial property located in the *UK* did not exceed 0.5% of risk-weighted exposure amounts over a representative period. A *firm* shall calculate the *loss* level referred to in this rule on the basis of the aggregate market data for commercial property lending published by the *PRA* in accordance with Article 101(3) of the *CRR*.

4.1A For the purposes of Articles 124(2) and 126(2) of the *CRR* and in addition to the conditions set out therein, a *firm* may treat an *exposure* or any part of an *exposure* that is located in a jurisdiction that is not an *EEA State* as fully and completely secured for the purposes of Article 126 (1) of the *CRR* only if all of the following conditions are met:

- (1) annual average *losses* stemming from lending secured by mortgages on commercial property located in that jurisdiction did not exceed 0.5% of the exposure value over a representative period where:
  - (a) there is sufficient evidence that the data used to determine the *loss* level referred to in this rule are of the same or better quality as the data required to be published under Article 101(3) of the *CRR*; and
  - (b) it is reasonable to rely on such data;
- (2) the risk-weight that would be applied to that *exposure* or part of an *exposure* by the relevant supervisory authority in that jurisdiction is 50% or less.

4.2 For the purposes of ~~this rule~~ 4.1 and 4.1A, a representative period shall be a time horizon of sufficient length and which includes a mix of good and bad years.

**[Note: Arts. 124(2) and 126(2) of the *CRR*]**

**PRA RULEBOOK: CRR FIRMS: REMUNERATION REPORTING REQUIREMENTS 2014**

**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).
- 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 by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: CRR Firms: Remuneration Reporting Requirements 2014**

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

**Deletion**

- E. The following parts of the PRA Handbook are deleted:

SUP 16.17:	Remuneration reporting
SUP 16 Annex 33A:	Remuneration Benchmarking Information Report
SUP 16 Annex 33B:	Guidance note for data items in SUP 16 Annex 33AR
SUP 16 Annex 34A:	High Earners Report
SUP 16 Annex 34B:	Guidance note for data items in SUP 16 Annex34AR

**Commencement**

- F. This instrument comes into force on 7 November 2014.

**Citation**

- G. This instrument may be cited as the PRA Rulebook: CRR Firms: Remuneration Reporting Requirements Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

3 November 2014

Annex A

# REMUNERATION REPORTING REQUIREMENTS

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## Chapter content

1. APPLICATION AND DEFINITIONS
2. REMUNERATION BENCHMARKING REPORTING REQUIREMENT
3. HIGH EARNERS REPORTING REQUIREMENT

## Links:

[to be completed as per Links Record Sheet]

## 1 APPLICATION AND DEFINITIONS

---

1.1 Unless otherwise stated, this Part applies to:

- (1) a *CRR firm* which:
  - (a) is a *CRR firm responsible for consolidation*; or
  - (b) is not, and does not have, an *EEA parent institution* or an *EEA parent financial holding company*; and
- (2) a *third country CRR firm* in relation to its activities carried on from an establishment in the *UK*.

1.2 In this Part, the following definitions shall apply:

*accounting reference date*

means

- (1) (in relation to a *body corporate* incorporated in the *UK* under the Companies Acts) the accounting reference date of that *body corporate* determined in accordance with section 391 of the Companies Act 2006; or
- (2) (in relation to any other body) the last day of its financial year.

*consolidation group entity*

means an *institution* or *financial institution* which is, in relation to a *CRR firm responsible for consolidation*:

- (1) the *CRR firm responsible for consolidation*;
- (2) a *subsidiary* of the *CRR firm responsible for consolidation*; or
- (3) a *subsidiary* of the *EEA parent financial holding company* or *EEA parent mixed financial holding company* by which the *CRR firm responsible for consolidation* is controlled.

*CRR firm responsible for consolidation*

means a *CRR firm* which is either:

- (1) an *EEA parent institution*; or
- (2) controlled by an *EEA parent financial holding company* or by an *EEA parent mixed financial holding company* and to which supervision on a consolidated basis applies in accordance with Article 111 of *CRD*.

*high earner*

means an *employee* (of any *consolidation group entity*) whose total annual *remuneration* is €1 million or more per year or its equivalent in another currency determined by reference to the conversion rate applicable to the corresponding *High Earners Report* under this Part.

*High Earners Report*

means the report by which a *firm* provides to the *PRA* the information required in Chapter 3.

*material risk taker*

means a member of *Remuneration Code Staff*, as described in SYSC 19A.3.4R.

*Remuneration Benchmarking Information Report*

means the report by which a *firm* provides to the *PRA* the information required in Chapter 2.

*total assets*

means:

- (1) in relation to a *CRR firm* or an *EEA Bank*, its total assets as set out in its balance sheet on the relevant *accounting reference date*; and
- (2) in relation to a *third country CRR firm*, the total assets of the *third country CRR firm* as set out in its balance sheet on the relevant *accounting reference date* that cover the activities of the branch operation in the *UK*.

- 1.3 Unless otherwise defined, any italicised expression used in this Part and in the *CRD* or *CRR* has the same meaning as in the *CRD* or *CRR*.

## 2 REMUNERATION BENCHMARKING REPORTING REQUIREMENT

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- 2.1 This chapter applies to a *firm* to which this Part applies, which 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.
- 2.2 A *firm* must submit a *Remuneration Benchmarking Information Report* to the *PRA* annually.
- 2.3 The *firm* must provide to the *PRA*, by way of its *Remuneration Benchmarking Information Report*, the information disclosed in accordance with the criteria for disclosure established in points (g), (h) and (i) of Article 450(1) of the *CRR*.
- [Note: Art. 75(1) of the *CRD*]**
- 2.4 The *firm* must submit the *Remuneration Benchmarking Information Report* to the *PRA* within four months of the *firm's* *accounting reference date*.
- 2.5 A *firm* that is not, and does not have, an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* must complete that report on an unconsolidated basis in respect of *remuneration* awarded to *employees* of the *firm* in the last completed financial year.
- 2.6 A *firm* that is a *CRR firm responsible for consolidation* must complete that report on a consolidated basis in respect of *remuneration* awarded to all *employees* of all *consolidation group entities* in the last completed financial year.

- 2.7 The *firm* must ensure that the information in the *Remuneration Benchmarking Information Report* is denominated in euro, determined by reference to the [exchange rate used by the European Commission for financial programming and the budget for December of the reported year](#).

**[Note: EBA/GL/2014/08]**

### 3 HIGH EARNERS REPORTING REQUIREMENT

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- 3.1 A *firm* must submit a *High Earners Report* to the *PRA* annually.
- 3.2 The *firm* must submit that report to the *PRA* within four months of the end of the *firm's* *accounting reference date*.
- 3.3 A *firm* that is not, and does not have, an *EEA parent institution*, an *EEA parent financial holding company* or an *EEA parent mixed financial holding company* must complete that report on an unconsolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* of the *firm* who mainly undertook their professional activities within the *EEA*.
- 3.4 A *firm* that is a *CRR firm responsible for consolidation* must complete that report on a consolidated basis in respect of *remuneration* awarded in the last completed financial year to all *high earners* who mainly undertook their professional activities within the *EEA* at:
- (1) the *EEA parent institution*, *EEA parent financial holding company* or the *EEA parent mixed financial holding company* of the *UK consolidation group*;
  - (2) each *consolidation group entity* that has its registered office (or if it has no registered office, its head office) in an *EEA State*; and
  - (3) each *branch* of any other *consolidation group entity* that is established or operating in an *EEA State*.
- 3.5 The *firm's High Earners Report* must report, in pay brackets of €1m, the number of *high earners*, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. The number of *high earners* must be reported as the number of natural persons, independent of the number of working hours on which their contract is based.

**[Note: Art. 75(3) of the CRD]**

- 3.6 The *firm* must ensure that the information in the *High Earners Report* is denominated in euro, determined by reference to the [exchange rate used by the European Commission for financial programming and the budget for December of the reported year](#).

**[Note: EBA/GL/2014/07]**