

Prudential – Investment, Insurance Intermediation and Banking Rulebook (PRU)

*In this attachment underlining indicates new text and striking through indicates deleted text.



**APPLICATION TABLE A:
FOR AN AUTHORISED PERSON THAT OPERATES AS A DOMESTIC FIRM**

Chapter	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
3. Capital and Leverage	Whole Chapter, except Rule 3.2.2, and Sections 3.6, 3.7 and 3.20.	Whole Chapter, except Rule 3.2.2, and Sections 3.6, 3.7, 3.17, 3.18, 3.19, 3.20 and 3.21.	Whole Chapter, except Rule 3.2.2 and Sections 3.4, 3.5, 3.16, 3.17, 3.18, 3.19 and 3.21.				Whole Chapter, except Rule 3.2.2 and Sections 3.6, 3.7 and 3.20.
10. Supervisory Review and Evaluation Process	Whole Chapter			Whole Chapter, except Sections 10.4 and 10.6			Whole Chapter

**APPLICATION TABLE B:
FOR AN AUTHORISED PERSON THAT OPERATES AS A BRANCH IN ADGM**

Chapter	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
6. Operational Risk	Whole Chapter, except Sections 6.11 and 6.12			Whole Chapter, except Sections 6.10 and 6.11 and 6.12			Whole Chapter, except Sections 6.11 and 6.12

...

1.2 Glossary

1.2.1 The following terms and abbreviations bear the following meanings for the purpose of these Rules.

Accounting Records	<p>Means records and underlying documents comprising initial and other accounting entries and associated supporting documents such as:</p> <ul style="list-style-type: none"> (a) cheques; (b) records of electronic fund transfers; (c) invoices; (d) contracts; (e) the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and (f) work sheets and spread sheets supporting cost allocations, computations, reconciliations and disclosures.
Bank	Means a Credit Institution.
By Way of Business	<p>A Person carries on an activity specified in these Rules by way of business only if he carries on that activity from a permanent place of business maintained by him in ADGM and:</p> <ul style="list-style-type: none"> (a) engages in that activity in a manner which constitutes the carrying on of a business by him; (b) holds himself out as willing and able to engage in that activity; or (c) regularly solicits other Persons to engage with him in transactions constituting that activity.
Constitution	<p>Means in relation to a Fund:</p> <ul style="list-style-type: none"> (a) which is in the form of a Body Corporate, the instrument of incorporation; (b) which is in the form of an Investment Trust, the trust deed; (c) which is in the form of a Partnership, the partnership deed; or

	(d) adopting a form other than one specified in paragraphs (a) to (c) of this definition, an instrument creating the legal form of the Fund to which the Fund Manager is a party setting out provisions relating to any aspect of the operation or management of the Fund.
Financial Institution	<p>Means:</p> <p>(a) an Authorised Person; or</p> <p>(b) any Person which carries out as its principal business an activity which would, if carried out in ADGM, be a Regulated Activity; and</p> <p>(c) is not one of the following:</p> <p>(i) a governmental organisation, including the central bank of any state; or</p> <p>(ii) a multilateral development bank.</p> <p>Has the meaning given in section 258 of FSMR.</p>
Financial Services Permission	<p>A permission given, or having effect as if so given, by the Regulator in accordance with Part 4 of the Financial Services and Markets Regulations</p> <p>Has the meaning given in section 258 of FSMR.</p>
Fund	<p>Means a Collective Investment Fund</p> <p>Has the meaning given in section 258 of FSMR.</p>
Fund Manager	<p>Means a Person responsible for the management of the property held for or within a Fund and who otherwise operates the Fund</p> <p>Has the meaning given in section 258 of FSMR.</p>
Fund Property	<p>The property held for or within a Fund</p> <p>Has the meaning given in section 258 of FSMR.</p>
Holding Company	Has the meaning given in the Companies Regulations <u>section 258 of FSMR.</u>
Home State Regulator	Means the relevant Regulated Activities financial services regulator of a Branch in its home member state.
Investment Business	The business of:

	(a) Dealing in Investments as Principal; (b) Dealing in Investments as Agent; (c) Arranging Credit; (d) Arranging Deals in Investments; (e) Managing Assets; (f) Advising on Investments or Credit; (g) Operating a Collective Investment Fund; (h) Providing Custody; (i) Arranging Custody; (j) Managing a Profit Sharing Investment Account; or (k) Acting as the Trustee of an Investment Trust. Has the meaning given in GLO.
Investment Trust	Means an express trust created solely for collective investment purposes under Has the meaning given in section 414258 of FSMR.
Islamic Financial Business	Any part of the financial business of an Authorised Person or Recognised Body which is carried out in accordance with Shari'a Has the meaning given in section 258 of FSMR.
Issuer	In relation to: (a) any Security other than a Unit in a Collective Investment Fund, means the Person by whom it is or is to be issued; (b) a Unit in a Collective Investment Fund, means the Fund Manager; and (c) an interest in a Limited Liability Partnership, means the Partnership. Has the meaning given in section 258 of FSMR.
Operating a Collective Investment Fund	(1) Means: (a) being legally accountable to the Unitholders in the Fund for the management of the property held for or within a Fund under the Fund's Constitution; and

	<p>(b) establishing, managing or otherwise operating or winding up a Collective Investment Fund:</p> <p>(2) To the extent that any activity under (1) constitutes Managing Assets, Acting as the Administrator of a Collective Investment Fund, Dealing in Investments as Agent, Dealing in Investments as Principal, Arranging Credit, Arranging Deals in Investments, or Providing Custody, such a Regulated Activity is taken to be incorporated within Managing a Collective Investment Fund:</p> <p>(3) The Person referred to in (1) is a Fund Manager.</p>
OTC Derivative or OTC Derivative Contract	Means a Derivative Contract the execution of which does not take place on a Recognised Investment Exchange Has the meaning given in section 258 of FSMR.
Recognised Body	Means a Recognised Investment Exchange or a Recognised Clearing House Has the meaning given in section 258 of FSMR.
Recognised Clearing House	Means a clearing house which provides Clearing Services in the ADGM in relation to which a recognition order is in force under Part 12 Has the meaning given in section 258 of FSMR.
Recognised Investment Exchange	Means an investment exchange in relation to which a recognition order is in force under Part 12 Has the meaning given in section 258 of FSMR.
Regulated Activity	<p>Has the meaning given in section 258 of FSMR.</p> <p>An activity constitutes a Regulated Activity under these Rules where:</p> <p>(1) It is one of the activities below:</p> <ul style="list-style-type: none"> (a) Accepting Deposits; (b) Providing Credit; (c) Providing Money Services; (d) Dealing in Investments as Principal; (e) Dealing in Investments as Agent;

	<p>(f) Arranging Credit;</p> <p>(g) Arranging Deals in Investments;</p> <p>(h) Managing Assets;</p> <p>(i) Advising on Investments or Credit;</p> <p>(j) Managing a Collective Investment Fund;</p> <p>(k) Providing Custody;</p> <p>(l) Arranging Custody;</p> <p>(m) Effecting Contracts of Insurance;</p> <p>(n) Carrying Out Contracts of Insurance as Principal;</p> <p>(o) Insurance Intermediation;</p> <p>(p) Insurance Management;</p> <p>(q) Managing a Profit Sharing Investment Account;</p> <p>(r) Acting as the Administrator of a Collective Investment Fund;</p> <p>(s) Acting as the Trustee of an Investment Trust;</p> <p>(t) Operating a Representative Office;</p> <p>(u) Operating a Credit Rating Agency;</p> <p>(v) Administering a Specified Benchmark;</p> <p>(w) Operating a Multilateral Trading Facility or Organised Trading Facility;</p> <p>(x) Providing Information in Relation to a Specified Benchmark; and</p> <p>(y) Shari'a-compliant Regulated Activities; and</p> <p>(2) Such activity prescribed in (1) is carried on By Way of Business.</p>
Regulator	<p><u>Means</u> Has the regulator of Regulated Activities in ADGM meaning given in section 258 of FSMR.</p>

Trust Administration Services	<p>The provision of Trust Administration Services include:</p> <ul style="list-style-type: none"> (a) the keeping of Accounting Records relating to an express trust and the preparation of trust accounts; (b) the preparation of trust instruments or other documents relating to an express trust; (c) the management and administration of trust assets subject to an express trust; (d) dealing with trust assets subject to an express trust, including the investment, transfer and disposal of such assets; (e) the distribution of trust assets subject to an express trust; and (f) the payment of expenses or remuneration out of an express trust.
-------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

...

Category 3B

1.3.4 An Authorised Person is in Category 3B if:

- (a) its Financial Services Permission authorises it to carry on one or more of the Regulated Activities of:
 - (i) Providing Custody (where it does so for a Public Fund); or
 - (ii) Acting as the Trustee of an Investment Trust; and
- (b) it does not meet the criteria of Categories 1, 2, 3A or 5.

Guidance

A Category 3B Authorised Person may be authorised to conduct other Regulated Activities, but it is the authorisation for Providing Custody for a Public Fund or Acting as Trustee of a Fund, and the absence of authorisation for the activities specified in Rules 1.3.1, 1.3.2 and 1.3.3 that are determinative of its belonging to Category 3B.

Category 3C

1.3.5 An Authorised Person is in Category 3C if:

- (a) its Financial Services Permission authorises it to carry on one or more of the Regulated Activities of:
- (i) Managing Assets;
 - (ii) Managing a Collective Investment Fund;
 - (iii) Providing Custody (where it does so other than for a Public Fund);
 - (iv) Managing a Profit Sharing Investment Account which is a PSIAr;
 - (v) Providing Trust Services (where it is acting as trustee in respect of at least one express trust);
 - (vi) Providing Money Services; or
 - (vii) Issuing a Fiat-Referenced Token; and
- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B or 5.

Guidance

A Category 3C Authorised Person may be authorised to conduct other Regulated Activities, but it is the authorisation for Managing Assets, Managing a Collective Investment Fund, Providing Custody other than for a Public Fund or Managing a Profit Sharing Investment Account which is a PSIAr, Providing Trust Services (where it is acting as a trustee in respect of at least one express trust) or Providing Money Services, and the absence of authorisation for the activities specified in Rules 1.3.1, 1.3.2, 1.3.3 and 1.3.4 that are determinative of its belonging to Category 3C.

Category 4

1.3.6 An Authorised Person is in Category 4 if:

- (a) its Financial Services Permission authorises it to carry on one or more of the Regulated Activities of:
- (i) Arranging Credit;
 - (ii) Arranging Deals in Investments;
 - (iii) Advising on Investments or Credit;
 - (iv) Arranging Custody;
 - (v) Insurance Intermediation;
 - (vi) Providing Trust Services (where it is not acting as trustee in respect of an express trust);

- (vii) Insurance Management;
 - (viii) Acting as the Administrator of a Collective Investment Fund;
 - (ix) Operating a Multilateral Trading Facility or Organised Trading Facility;
 - (x) Operating a Private Financing Platform; or
 - (xi) Providing Third Party Services; and
- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B, 3C or 5.

...

3 CAPITAL AND LEVERAGE

Guidance

1. This Chapter deals with all aspects of prudential requirements relating to the capital adequacy of Authorised Persons, in terms of both quantity and quality, and, where appropriate, the maintenance of liquid assets. (Chapter 9 covers more generally the related prudential topic of liquidity, the ability of an Authorised Person to meet its financial obligations as they fall due.) The Chapter outlines the minimum capital requirements that an Authorised Person should meet, consistent with Pillar 1 of the Basel Accord, and aims to ensure that an Authorised Person maintains adequate capital resources to support the risks associated with its activities and that it can fully absorb unexpected losses at any time. A summary of the minimum capital requirements is given in App 3.2.
2. This Chapter also includes provisions forming part of the framework for the assessment by the Regulator, under Pillar 2 of the Basel Accord, of the capital adequacy of an Authorised Person, with further detail given in Chapter 10. The disclosure requirements placed upon an Authorised Person under Pillar 3 of the Basel Accord are covered in Chapter 11.
3. Part 1 of this Chapter sets out the application provisions. Part 2 of this Chapter outlines the fundamental capital adequacy obligations and the systems and controls requirements to ensure compliance with this critical regulatory obligation. Part 3 of this Chapter and the related App4 include the Rules and associated guidance for the calculation of minimum Capital Requirement for different Categories of Authorised Persons. Additionally, this Part also includes requirements for the maintenance of liquid assets by ~~firms subject to the Expenditure Based Capital Minimum~~ Authorised Persons in Category 3B, 3C and 4 . Part 4 of this Chapter specifies detailed Rules on the calculation of Capital Resources of an Authorised Person, including detailed Rules on the eligibility criteria for different components of Capital Resources which correspond to varying levels of quality. This part also specifies the requirements in respect of the Capital Conservation Buffer and associated obligations.

...

- 3.3.2** The table below sets out the Base Capital Requirement for each Category of Authorised Persons.

Category	Base Capital Requirement (US \$)
3C	250,000, except where an Authorised Person has a Financial Services Permission: a) the only Regulated Activity referred to in Rule 1.3.5(a) that the Authorised Person is authorised to carry out is only to carry out

Category	Base Capital Requirement (US \$)
	the Regulated Activity of Managing a Collective Investment Fund, in which case the Base Capital Requirement is: i) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or ii) 50,000 if the Authorised Person manages a Fund other than those specified in i); or b) <u>an Authorised Person has a Financial Services Permission to carry out the Regulated Activity of Issuing a Fiat-Referenced Token, in which case it is 2 million.</u>
4	10,000 50,000, except where an Authorised Person has a Financial Services Permission: a) to carry out the Regulated Activity of Operating a Private Financing Platform and holds Client Assets, in which case the Base Capital Requirement is 150,000; or b) to carry out the Regulated Activity of Providing Third Party Services, in which case the Base Capital Requirement will be 50,000.

...

3.6.2 Subject to Section 3.6A, the Capital Requirement for such an Authorised Person is calculated as the higher of:

- (a) the applicable Base Capital Requirement as set out in Section 3.3; or
- (b) the Expenditure Based Capital Minimum as set out in Section 3.7, where applicable.

Guidance

- Section 3.6A specifies the Capital Requirements for Authorised Persons undertaking the Regulated Activity of Providing Money Services.
- ~~The Expenditure Based Capital Minimum is a component of the calculation of the Capital Requirement under Section 3.6 and is relevant in determining whether the Regulator has to be notified under Rule 3.20.2.~~

Authorised Persons should note the obligation to notify the Regulator under Rule 3.20.2 if their Capital Resources fall below 120% of their Capital Requirement.

...

3.7 Expenditure Based Capital Minimum

3.7.1 An Authorised Person, other than one that has a Financial Services Permission to carry out the Regulated Activity of Providing Third Party Services, must calculate its Expenditure Based Capital Minimum as:

- (a) in the case of an Authorised Person in Category 3C which has issued a Fiat-Referenced Token, one year;
- (b) in the case of an Authorised Person which holds Client Assets or Relevant Money or Insurance Money, 18/52nds; or
- (c) in the case of an Authorised Person in Category 3B or 3C which does not hold Client Assets or Relevant Money or Insurance Money, 13/52nds; ~~or~~
- ~~(d) in the case of an Authorised Person in Category 4, which does not hold Insurance Money or Client Assets, 6/52nds;~~

of the Annual Audited Expenditure, calculated in accordance with Rule 3.7.2.

Guidance

1. An Authorised Person is considered to be holding Relevant Money and subject to ~~(a)~~ where it offers Payment Services alongside currency exchange or Money Remittance.
2. An Authorised Person undertaking only one or both of currency exchange and Money Remittance to its customers, but not Payment Services, is considered not to hold Client Assets, in the form of Client Money, or Relevant Money and ~~(b)~~ applies.

...

3.7A Liquid assets

- 3.7A.14** (1) ~~This Section applies to an Authorised Person in Category 3B, 3C or 4. An Authorised Person to which this Section applies must maintain, at all times, an amount of assets which exceeds its Expenditure Based Capital Minimum Requirement in the form of liquid assets.~~
- (2) For the purpose of this Rule, and subject to (3), liquid assets comprise any of the following:
- (a) cash in hand;
 - (b) Money deposited with a regulated bank or deposit-taker where that entity has a Credit Grade Quality of II or better in the short-term rating category, or a Credit Grade Quality of 3 or better in the long-term rating category;

- (c) demand Deposits with a tenor of one year or less with a bank or deposit-taker meeting the condition in (b) in relation to Credit Quality Grade;
 - (d) time Deposits with a tenor of one year or less which have an option to redeem the Deposit at any time. In such cases, the Deposit amount eligible to be included as liquid assets must be calculated as net of any costs associated with such early redemption;
 - (e) cash receivable from a regulated clearing house and cash Deposits with such clearing houses, other than any fees or contributions to guarantee or reserve funds of such clearing houses; or
 - (f) any other asset which may be approved by the Regulator as comprising a liquid asset for the purpose of this Rule.
- (3) For the purpose of this Rule, liquid assets do not include:
- (a) any Investment, asset or Deposit which has been pledged as security or Collateral for any obligations or liabilities assumed by it or by any other third party; or
 - (b) cash held in Client Money, Relevant Money or Insurance Money accounts.

...

3.17 Capital Conservation Buffer

3.17.1 This Section applies to an Authorised Person in Category 1, 2, or 5.

3.17.2 ~~Where, pursuant to Section 3.4, the Risk Capital Requirement forms the Capital Requirement of an Authorised Person, then that this Section applies, an Authorised Person~~ is subject to a Capital Conservation Buffer requirement.

...

3.18 Countercyclical Capital Buffer

3.18.1 This Section applies to an Authorised Person in Category 1, 2 or 5.

3.18.2 ~~Where, pursuant to this Section 3.4, the Risk Capital Requirement forms the Capital Requirement of applies, an Authorised Person, then it is~~ subject to a Countercyclical Capital Buffer requirement.

...

3.19 Combined Buffer

3.19.1 The Combined Buffer is the sum of the Capital Conservation Buffer and the Countercyclical Capital Buffer.

3.19.2 An Authorised Person in Category 1, 2 or 5 must not use CET1 Capital that is held to meet the Combined Buffer Requirement to meet:

- (a) its Capital Requirement;
- (b) any Individual Capital Requirement that may be imposed pursuant to Chapter 10; or
- (c) any other buffer, where applicable.

...

Credit Derivatives

4.13.11 (1) An Authorised Person may recognise the effects of CRM of a Credit Derivative only if it is provided by any of the following entities:

- (a) central government or central banks;
- (b) the MDBs referred to in Rules ~~4.12.7 to 4.12.8~~ ;
- (c) the international organisations referred to in Rule 4.12.9;
- (d) PSE;

...

6.11 Operational Risk Capital Requirement

6.11.1 This Section applies to an Authorised Person that is a Domestic Firm in Category 1, 2, 3A or 5.

...

6.12 Professional indemnity insurance

6.12.1 This Section applies to an Authorised Person that is a Domestic Firm in Category 3B, 3C or 4.

6.12.2 An Authorised Person must:

- (a) subject to Rule 6.12A, take out and maintain professional indemnity insurance cover appropriate to the nature, size, complexity and risk profile of the Authorised Person's business, and which meets the following minimum standards:
 - (i) the cover is provided by an Insurer or a Regulated Financial Institution that is authorised to provide professional indemnity insurance, and which has an external credit assessment from an ECAI that maps to Credit Quality Grade 3 or better;
 - (ii) the contract incorporates terms that make provision for:

- (A) claims arising from work carried out from the date on which the Authorised Person was authorised;
 - (B) appropriate cover in respect of legal defence costs; and
 - (C) cover in relation to claims for which the Authorised Person may be liable as a result of its conduct or the conduct of its Employees, the members of its Governing Body and its agents.
- (b) at least annually, provide the Regulator with a copy of the statement approved by its Governing Body which confirms that the Authorised Person has professional indemnity insurance cover in (a) covering place for the following 12 month period and be able to demonstrate its adequacy in relation to the nature, size, complexity and risk profile of the Authorised Person's business, which meets the requirements in (a) ; and
- (c) notify the Regulator of any material changes to the cover in (a), including the level of cover, its renewal or termination.

Guidance

1. In complying with Rule 6.12-2, Where it considers it appropriate to do so, the Regulator may require an Authorised Person should take out and maintain a contract for to provide it with a copy of its professional indemnity insurance (PII) from a reputable and well-capitalised insurer and such contract should include cover in respect of claims for which the Authorised Person may be liable as a result of the conduct of itself and its Employees and appropriate cover in respect of legal costs arising from a claim cover.
2. Pursuant to Rule ~~6.4.16~~ 6.12.2(c), an Authorised Person should notify the Regulator of any significant PII claim made. What amounts to a significant claim will depend on the nature size and complexity of the Authorised Person and the Regulator would expect the Authorised Person to treat a series of small single claims which are significant in aggregate as significant for the purposes of Rule 6.4.1(c).
3. An Authorised Person can fulfil the requirements under this Section by ensuring coverage of its activities under a group-wide PII policy, provided that policy covers the Authorised Person and its activities and that policy meets the conditions specified in this Section. Where the Authorised Person's group PII cover does not meet the requirements specified under this Section, the Authorised Person will be required to obtain PII cover that meets those requirements.

...

10 SUPERVISORY REVIEW AND EVALUATION PROCESS

Introduction

Guidance

1. This Chapter deals with the regulatory requirements arising out of the need for Authorised Persons to carry out a self-assessment of their risks they face, which can be reviewed and assessed by the Regulator. This Chapter details the Rules stipulating the need to complete internal risk assessments by Authorised Persons in defined frequencies and the Regulator's role in reviewing the results of such assessments. In the case of Authorised Persons facing financial risks, the requirements in this Chapter mandate completion of an Internal Capital Adequacy Assessment Process. The Regulator will review the results of such internal risk assessments. This Chapter also sets out how the Regulator may impose an additional Capital Requirement on a firm-specific basis in addition to the minimum requirement specified in Chapter 3 of these Rules to address higher-than-normal risk.
2. Where the Regulator considers it appropriate to do so, it may use its supervisory powers to require Authorised Persons not referred to in Rule 10.1.1(a) to carry out an internal risk assessment equivalent to that specified in this Chapter and to submit such assessment to the Regulator or to provide it with copies of the Authorised Person's internal risk management documents.
23. App11 provides detailed guidance on the various components of the Supervisory Review and Evaluation Process and explains the role of the different parties in completing the required processes.

10.1 Application

10.1.1 This Chapter applies to an Authorised Person that is a Domestic Firm in Category 1, 2, 3A, ~~3B, 3C~~ or 5 ~~as follows:~~

(a) ~~Sections 10.1, 10.2, 10.3 and 10.5 apply only to an Authorised Person in Category 1, 2, 3A, 3B, 3C or 5; and~~

(b) ~~Sections 10.4 and 10.6 apply only to an Authorised Person in Category 1, 2, 3A or 5.~~

...

10.2 Overview

Guidance

1. These Rules are designed to implement key aspects of Pillar 2 of the revised framework ~~off~~ for capital adequacy, commonly known as Basel III, published by the BCBS.

Internal Risk Assessment Process (IRAP)

2. An Authorised Person that is a Domestic Firm in Category 1, 2, 3A, ~~3B, 3C~~ or 5 is required to carry out an IRAP as detailed in Section 10.3, which is proportionate to the nature, size and complexity of its business activities and risk profile. An IRAP is a comprehensive internal risk evaluation as detailed in Section 10.3. More detail on the establishment of an IRAP and the manner of carrying out an IRAP assessment is provided in App11.

Internal Capital Adequacy Assessment Process (ICAAP)

3. An Authorised Person that is a Domestic Firm in Category 1, 2, 3A or 5 is also required to carry out an ICAAP as detailed in Section 10.4, which is proportionate to the nature, size and complexity of its business activities and risk profile. This process enables such an Authorised Person to determine and maintain an adequate amount and quality of Capital Resources, relative to its risk profile. More detail on the establishment of an ICAAP and the manner of carrying out an ICAAP assessment is provided in App11.

...

10.3 IRAP

- 10.3.1 This Section applies to an Authorised Person that is a Domestic Firm in Category 1, 2, 3A, ~~3B, 3C~~ or 5.

...

10.4 ICAAP

- 10.4.1 This Section applies to an Authorised Person that is a Domestic Firm in Category 1, 2, 3A or 5.

...

10.5 SREP

Guidance

1. The Regulator may conduct a SREP to review and evaluate the assessments carried out by an Authorised Person under its IRAP (relevant to firms in Categories 1, 2, 3A, ~~3B, 3C~~ and 5) and ICAAP (relevant to ~~firms~~ Authorised Persons that are Domestic Firms in Categories 1, 2, 3A and 5). Section A11.3 of App11 contains guidance in relation to a SREP.
2. The Regulator may engage with a firm in Categories 1, 2, 3A and 5 in a dialogue where, following an SREP, the Regulator considers that it is or may be appropriate to impose an Individual Capital Requirement on the firm.

3. It is important that a firm cooperates in an open and co-operative manner with the Regulator in the course of its conduct of the dialogue.

10.6 Imposition of an Individual Capital Requirement

- 10.6.1** (1) This Section applies to an Authorised Person that is a Domestic Firm in Category 1, 2, 3A or 5.
- (2) The Regulator may, subject to (3) and (4), at any time by written notice to an Authorised Person:
- (a) impose an Individual Capital Requirement; or
 - (b) vary or withdraw an Individual Capital Requirement.
- (3) The Regulator may act under (2) on its own initiative where the Regulator forms the view that the Capital Requirement of the Authorised Person is insufficient to address adequately all its risks.
- (4) The Regulator will, where prescribing an Individual Capital Requirement, also specify in the notice the types and amounts of Capital Resources required to meet the Individual Capital Requirement.
- (5) If the Regulator decides to exercise its power under (2) after a Financial Services Permission has been granted, the Authorised Person may refer the matter to the Court for review.

...

APP1 CATEGORIES OF AUTHORISED PERSONS

...

Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
Accepting Deposits	Providing Credit	Dealing in Investments as Principal (only as a Matched Principal)	Providing Custody (only if for a <u>Public Fund</u>)	Managing a Collective Investment Fund	Arranging Credit	An Islamic Financial Institution Managing a Profit Sharing Investment Account which is a PSIAu
Managing a Profit Sharing Investment Account which is a PSIAu	Dealing in Investments as Principal (not as Matched Principal)	Dealing in Investments as Agent	Acting as the Trustee of an Investment Trust	Managing Assets	Arranging Deals in Investments	
				Managing a Profit Sharing Investment Account which is a PSIAr	Advising on Investments or Credit	
				Providing Custody other than for a <u>Public Fund</u>	Arranging Custody	
				Providing Trust Services as a trustee of an express trust	Insurance Intermediation	
				Providing Money Services	Insurance Management	
				<u>Issuing a Fiat-Referenced Token</u>	Acting as the Administrator of a Collective Investment Fund	
					Operating a Multilateral Trading Facility or Organised Trading Facility	
					Providing Trust Services other than as a trustee of an express trust	
					Operating a Private Financing Platform	
					<u>Providing Third Party Services</u>	

...

Appendix 1

A3.2 Capital Requirements
Guidance

1. This table summarises the Capital Requirement that an Authorised Person is subject to and an Authorised Person must hold sufficient Capital Resources at all times to meet the Capital Requirement.

Capital Requirement (USD)				
Category	<----- maximum of ----->			
	Base Capital Requirement ²	Expenditure Based Capital Minimum ³		Risk Capital Requirement ⁵
		Holding Client Assets or Relevant Money ⁴ or Insurance Money?		
		No	Yes	
1	10mn			Credit, Market, Operational and CVA (plus, where appropriate, Displaced Commercial)
2	2mn			Credit, Market, Operational and CVA
3A	500k			
3B ⁶	4mn			
3C ⁶	250k			
	except where an Authorised Person has a Financial Services Permission: a) the only Regulated Activity referred to in Rule 1.3.5(a) that the Authorised Person is	13/52nds of Annual Audited Expenditure	18/52nds of Annual Audited Expenditure	See guidance note 8 for Money Remitters and Payment Service Providers

Appendix 1

	<p>authorised to carry out is only to carry out the Regulated Activity of Managing a Collective Investment Fund, in which case the Base Capital Requirement is:</p> <p>i) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or</p> <p>ii) 50,000 if the Authorised Person manages a Fund other than those specified in i); or</p> <p>b) <u>an Authorised Person has a Financial Services Permission to carry out the Regulated</u></p>			
--	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

Appendix 1

	Activity of Issuing a Fiat-Referenced Token, in which case it is 2 million.			
4 ^{6, 7}	10k-50k			
	except where an Authorised Person has a Financial Services Permission: a) to carry out the Regulated Activity of Operating a Private Financing Platform and holds Client Assets, in which case the Base Capital Requirement is 150,000; or b) to carry out the Regulated Activity of Providing Third Party Services, in which case the Base Capital Requirement will be 50,000.			

Appendix 1

5	10mn		Credit, Market, Operational, CVA and Displaced Commercial
---	------	--	-----------------------------------------------------------

A11.2 ICAAP**Guidance****Application**

1. This Guidance is relevant to an Authorised Person as described in Section 10.4 (that is, ~~a firm~~ an Authorised Person that is a Domestic Firm in Category 1, 2, 3A or 5) in regard to an Internal Risk Capital Adequacy Assessment Process (referred to in this Guidance as an ICAAP).

...

A11.3 Supervisory Review and Evaluation Process (SREP)**Guidance****Application**

1. This Guidance is relevant to an Authorised Person as described in Section 10.5 (that is, ~~a firm~~ a Domestic Firm in Category 1, 2, 3A, 3B, 3C or 3A or 5) in regard to a Supervisory Review and Evaluation Process (referred to in this Guidance as a SREP).

...

APP12 PUBLIC DISCLOSURE REQUIREMENTS**Table 1 – Scope of application**

Qualitative Disclosures	(a)	The name of the Authorised Person.
	(b)	<p>In the case of a Financial Group, a list of all the entities forming part of the Financial Group and a brief description of each of those entities. In addition, a description of differences in the basis of consolidation for regulatory purposes compared to that required under the International Financial Reporting Standards. The description must include a brief description of the entities:</p> <p>(i) that are fully consolidated;</p> <p>(ii) that are consolidated on a pro-rata basis;</p> <p>(iv) <u>(iii)</u> that are equity-accounted;</p> <p>(v) <u>(iv)</u> that are included as deductions from any of the components of Capital Resources;</p>

		(v) from which surplus capital is recognised, if any; and
		(vi) that are not consolidated and not deducted.
	(c)	Any restrictions or impediments on transfer of funds or regulatory capital within the Financial Group.