

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

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



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## 1.2 Glossary

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

<u>Fiat-Referenced Token Intermediation</u>	<u>Has the meaning given in section 258 of FMSR.</u>
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## 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, unless the Authorised Person is carrying on only Fiat-Referenced Token Intermediation; or
  - (vii) Issuing a Fiat-Referenced Token; and
- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B or 5.

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## 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~~ or
- (xii) Providing Money Services only by way of Fiat-Referenced Token Intermediation; and

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**3.6A.1** Subject to Rule 3.6A.7, an Authorised Person with a Financial Services Permission enabling it to carry on the Regulated Activity of Providing Money Services must calculate the Capital Requirement for each activity it undertakes as the highest of:

- (a) the applicable Base Capital Requirement as set out in Section 3.3; ~~and~~ or
- (b) (i) where it undertakes currency exchange the Expenditure Based Capital Minimum as set out in Section 3.7;
- (ii) for a Money Remitter:
  - (A) the Expenditure Based Capital Minimum as set out in Section 3.7; ~~and~~ or
  - (B) the Variable Capital Requirement calculated in accordance with Rule 3.6A.2;
- (iii) for a Payment Account Provider the Variable Capital Requirement calculated in accordance with Rule 3.6A.4; or
- (iv) for a Stored Value Provider the Variable Capital Requirement calculated in accordance with Rule 3.6A.6.

### Guidance

Where an Authorised Person undertakes two or more of the activities under the Regulated Activity of Providing Money Services at the same time, Rule 3.6A.68 specifies how the overall Capital Requirement for those activities should be calculated.

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**3.6A.8** An Authorised Person undertaking more than one of the activities under Providing Money Services must calculate its Capital Requirement as the highest of, where applicable;

- (i) the Base Capital Requirement as set out in Section 3.3;
- (ii) the Expenditure Based Capital Minimum calculated in accordance with Rule 3.7.1; and/or
- (iii) the Total Variable Capital Requirement.

#### **Guidance**

The Total Variable Capital Requirement for an Authorised Person is the aggregate of the Variable Capital Requirements calculated in accordance with Rules 3.6A.2, 3.6A.4, 3.6A.6 and 3.6A.7 as appropriate.

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### **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;

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#### **Guidance**

1. An Authorised Person is considered to be holding Relevant Money and subject to (c) where it offers Payment Services alongside currency exchange—or, Money Remittance or Fiat-Referenced Token Intermediation.
2. An Authorised Person undertaking Providing Money Services by carrying on only one or both more of the activities of currency exchange and, Money Remittance to its customers or Fiat-Referenced Token Intermediation, but which is not operating as a Payment Services Service Provider, is considered not to hold Client Assets, in the form of Client Money, or Relevant Money and is subject to (d) applies.

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### **Exclusions from the Large Exposures limits**

**4.15.8** (1) For the purposes of this Section, Exposure excludes:

Appendix 3

- (a) claims and other assets required to be deducted for the purposes of calculating an Authorised Person's Tier 1;
- (b) a transaction entered into by an Authorised Person as depository or as agent that does not create any legal liability on the part of the Authorised Person;
- (c) claims resulting from foreign exchange transactions where an Authorised Person has paid its side of the transaction and the countervalue remains unsettled during the two business days following the due payment or due delivery date. After two business days the claim becomes an Exposure;
- (d) ~~the case of provision of money transmission, payment services~~ Money Remittance, Payment Services, clearing and settlement, correspondent banking or financial instruments clearing, settlement and custody services to clients, delayed receipts in funding and other exposures arising from Client activity which do not last longer than the following business day;
- (e) ~~in the case of the provision of money transmission~~ Money Remittance including the execution of payment services Payment Services, clearing and settlement in any currency and correspondent banking, intra-day exposures to Financial Institutions providing those services;

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## Appendix 3

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 Public Fund)	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 Public Fund	Arranging Custody	
				Providing Trust Services as a trustee of an express trust	Insurance Intermediation	
				Providing Money Services other than Fiat-Referenced Token Intermediation	Insurance Management	
				Issuing a Fiat-Referenced Token	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	
					Providing Third Party Services	
						Fiat-Referenced Token Intermediation

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### 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	Base Capital Requirement <sup>2</sup>	<-----maximum of----->		
		Expenditure Based Capital Minimum <sup>3</sup>		Risk Capital Requirement <sup>5</sup>
		Holding Client Assets or Relevant Money <sup>4</sup> 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 <sup>6</sup>	4mn			
3C <sup>6</sup>	250k	13/52nds of Annual Audited Expenditure	18/52nds of Annual Audited Expenditure	See guidance note 8 for Money Remitters and Payment Service Providers
	except where: a) the only Regulated Activity referred to in Rule 1.3.5(a) that the Authorised Person is authorised to carry out is Managing a Collective Investment Fund, in which case the Base Capital Requirement is:			

	<ul style="list-style-type: none"> <li>i) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or</li> <li>ii) 50,000 if the Authorised Person manages a Fund other than those specified in i) or</li> </ul> <p>b) an Authorised Person has a Financial Services Permission to <del>carry</del> carry out the Regulated Activity of Issuing a Fiat-Referenced Token, in which case it is 2 million.</p>			
	c) to carry out the Regulated Activity of Issuing a Fiat-Referenced Token, in which case it is 2 million.		One year of AAE	
<b>4<sup>6,7</sup></b>	<p>50k</p> <p>except where an Authorised Person has a Financial Services Permission to carry out the Regulated Activity of Operating a Private Financing Platform, in which case the Base Capital Requirement is 150,000.</p> <p>a)</p>	n/a	18/52nds of AAE	
<b>5</b>	10mn			Credit, Market, Operational, CVA and Displaced Commercial

2. An Authorised Person, whichever Category it is a member of, must hold a minimum amount of CET1 Capital at the time that it obtains authorisation and at all times thereafter, in accordance with Rule 3.3.3, corresponding to the Base Capital Requirement.
3. The Expenditure Based Capital Minimum is calculated as the specified proportion of the Annual Audited Expenditure (AAE), calculated in accordance with Rule 3.7.2.
4. An Authorised Person in Category 3C undertaking the Regulated Activity of Providing Money Services by performing only one or more of the activities of that offers only one of or both currency exchange, and Money Remittance to their customers, or Fiat-Referenced Token Intermediation but not Payment Services, but which is not operating as a Payment Service Provider is considered not to hold Client Assets, in the form of Client Money, or Relevant Money.

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Activity	Capital Requirement (USD)		
	<-----maximum of----->		
	BCR	EBCM (of AAE) <sup>9</sup>	VCR
<u>Fiat-Referenced Token Intermediary</u>	50k	n/a	n/a
<u>Currency Exchange</u>	250k	13/52nds	n/a
		13/52nds	<i>Sole activity</i> <i>Both activities</i>

Activity	Capital Requirement (USD)		
	<-----maximum of----->		
	BCR	EBCM (of AAE) <sup>9</sup>	VCR
Money Remitter		<p>Sum of the following elements, based on monthly payment volume:</p> <ul style="list-style-type: none"> <li>(i) 1.25% of the first 10 million;</li> <li>(ii) 0.5% of the next 90 million;</li> <li>(iii) 0.25% of the next 150 million; and</li> <li>(iv) 0.125% of remaining monthly payment volume</li> </ul>	<p>Sum of the following elements, based on combined monthly payment volume across both activities:</p> <ul style="list-style-type: none"> <li>(i) 2.5% of the first 10 million;</li> <li>(ii) 1.0% of the next 90 million;</li> <li>(iii) 0.5% of the next 150 million; and</li> <li>(iv) 0.25% of remaining monthly payment volume</li> </ul>
Payment Account Provider		<p>n/a</p> <p>Sum of the following elements, based on monthly payment volume:</p> <ul style="list-style-type: none"> <li>(i) 2.5% of the first 10 million;</li> <li>(ii) 1.0% of the next 90 million;</li> <li>(iii) 0.5% of the next 150 million; and</li> <li>(iv) 0.25% of remaining monthly payment volume</li> </ul>	
Stored Value Provider		n/a	2.5% of average outstanding Stored Value

9. Where an Authorised Person offers both (i) currency exchange or Money Remittance and (ii) Payment Services other than Fiat-Referenced Token Intermediation to its customers it must calculate the Expenditure Based Capital Minimum as 18/52nds of AAE.