

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

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

1 APPLICATION, INTERPRETATION AND CATEGORISATION

1.1 Application

1.1.1 (1) Subject to (2), these Rules apply to every Authorised Person where its Financial Services Permission authorises it to carry on one or more of the Regulated Activities listed in 1.3.1(a), 1.3.2(a), 1.3.3(1)(a), 1.3.4(a), 1.3.5(a), 1.3.6(a) or 1.3.7(a).

(2) ~~In respect of a Fund Manager that:~~

~~(a) manages only Venture Capital Funds; or~~

~~(b) (i) manages only Venture Capital Funds; and~~

~~(ii) undertakes one or both of the Regulated Activities of Advising on Investments or Credit and Arranging Deals in Investments where those activities are restricted to co-investments in assets in which a Venture Capital Fund managed by the Authorised Person has invested or will invest;~~

~~only the requirements under Sections 2.3 and 6.12 apply.~~

~~[Intentionally deleted]~~

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(5) These Rules apply to the whole business of an Authorised Person except in relation to Client Assets and Insurance Money that are held or controlled by an Authorised Person which are not included in any prudential calculation.

Guidance

1. The effect of Rule 1.1.1(1) is that these Rules apply to all Authorised Persons, except those that are Insurers, Representative Offices or Credit Rating Agencies. In the case of Insurers, those firms that are authorised to effect or carry out Contracts of Insurance should instead refer to the PIN Rulebook.

~~2. Rule 1.1.1(2) does not apply to an Authorised Person where its Financial Services Permission authorises it to carry on one or both of the Regulated Activities of Advising on Investments or Credit and Arranging Deals in Investments where those activities are not restricted to co-investments in assets in which a Venture Capital Fund managed by the Authorised Person has invested or will invest.~~

~~32.~~ These Rules apply to Authorised Persons classified as Domestic Firms and to those Authorised Persons conducting Regulated Activities through a Branch in ADGM.

43. These Rules reinforce the fitness and propriety requirements for Authorised Persons found in GEN 3 – Management, Systems and Controls and Principle 3. These Rules are comprised of the following:
- a. an initial Chapter establishing a categorisation of firms for the application of these Rules;
 - b. two general Chapters detailing overall requirements: General Requirements and Capital and Leverage;
 - c. six Chapters detailing specific requirements relating to the following particular risk types: Credit Risk, Market Risk, Operational Risk, interest rate risk in the Non-Trading Book, Group Risk and Liquidity Risk;
 - d. a Chapter imposing processes for risk self-assessment by Authorised Persons and supervisory assessment by the Regulator; and
 - e. a final Chapter imposing public disclosure requirements.
54. With regards to Authorised Persons carrying on Islamic Financial Business, there are additional matters that should be included in their report to the Regulator which are in the Islamic Finance Rulebook (IFR) (see IFR rules).
65. To assist Authorised Persons two tables are provided that set out the application of these Rules to Domestic Firms (Application Table A) and Branches (Application Table B), based on the different Categories of Authorised Persons. These tables are for guidance purposes only.

**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
1. Application, Interpretation and Categorisation	Whole Chapter						
2. General Requirements	Whole Chapter						
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. <u>Section 3.7 does not apply to an Authorised Person that is a Venture Capital Fund Manager or a Sub-Threshold Fund Manager.</u>				Whole Chapter, except Rule 3.2.2 and Sections 3.6, 3.7 and 3.20.
4. Credit Risk	Whole Chapter						Whole Chapter
5. Market Risk	Whole Chapter	Only Sections 5.1, 5.2 and 5.6					Whole Chapter, except Section 5.4
6. Operational Risk	Whole Chapter, except Section 6.12			Whole Chapter, except Sections 6.10 and 6.11			Whole Chapter, except Section 6.12

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Chapter	Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
				Section 6.12 does not apply to an Authorised Person that is an Institutional Fund Manager.			

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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;
- (b) in the case of an Authorised Person engaged in Providing Custody in respect of Virtual Assets, 26/52nds;
- (c) in the case of an Authorised Person which holds Client Assets or Relevant Money or Insurance Money, 18/52nds; ~~or~~
- (d) 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
- (e) in the case of an Institutional Fund Manager, 6/52nds.

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

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Appendix 5

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	13/52nds of Annual Audited Expenditure	18/52nds of Annual Audited Expenditure	See guidance note 8 for Money Remitters and Payment Service Providers
3C ⁶	250k			
	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	6/52nds of Annual Audited Expenditure for an Institutional Fund Manager		

Appendix 5

	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) 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>n/a to a Venture Capital Fund Manager or a Sub-Threshold Fund Manager</u>		
	c) to carry out the Regulated Activity of Issuing a Fiat-Referenced Token, in which case it is 2 million.	One year of AAE		
4 ^{6,7}	50k	n/a	18/52nds of AAE	
	except where an Authorised Person has a Financial Services Permission: a) to carry out the Regulated Activity of Operating a Private			

Appendix 5

	Financing Platform, in which case the Base Capital Requirement is 150,000. a)			
5	10mn			Credit, Market, Operational, CVA and Displaced Commercial

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A11.1 IRAP

Guidance

Application

1. This Guidance is relevant to an Authorised Person described in Section 10.3 (that is, a firm in Category 1, 2, ~~3A, 3B, 3C, or 3A~~ or 5) in regard to an Internal Risk Assessment Process (referred to in this Guidance as an IRAP).
2. The following Guidance generally assumes that the Rules relating to capital adequacy in these Rules apply to an Authorised Person on a solo basis. However, the Guidance is to be read as also applying where the capital adequacy requirements in these Rules apply to the Financial Group of an Authorised Person on a consolidated basis.