

HANDBOOK ADMINISTRATION (NO 5) INSTRUMENT 2007**Powers exercised**

- A. The Financial Services Authority makes this instrument in the exercise of the powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.
- B. The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Financial Services and Markets Act 2000.

Commencement

- C. This instrument comes into force as follows:
- (1) the amendments in Annexes A (Part 1), C (Part 2), E (Part 2) and G come into force on 23 March 2007;
 - (2) the amendments in Annex M (Part 1) come into force on 1 April 2007;
 - (3) subject to (5), the amendments in Annexes A (Part 2), B, C (Parts 1 and 3), D, E (Parts 1, 3 and 4), F, H, I, J, L, M (Part 2), N, P and Q come into force on 6 April 2007;
 - (4) the amendments in Annexes A (Part 3), K and O come into force on 1 November 2007; and
 - (5) the amendments to BIPRU 4.4.53 R and BIPRU 6.5.5 R, as set out in Annex D, come into force on 1 January 2008.

Amendments to the Handbook

- D. The modules of the FSA 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 (SYSC)	Annex B
General Prudential sourcebook (GENPRU)	Annex C
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex D
Prudential sourcebook for Insurers (INSPRU)	Annex E
Interim Prudential sourcebook for Friendly Societies (IPRU(FSOC))	Annex F
Interim Prudential sourcebook for Insurers (IPRU(INS))	Annex G
Conduct of Business sourcebook (COB)	Annex H
Insurance: Conduct of Business sourcebook (ICOB)	Annex I
Mortgages: Conduct of Business sourcebook (MCOB)	Annex J
Market Conduct sourcebook (MAR)	Annex K
Training and Competence sourcebook (TC)	Annex L
Supervision manual (SUP)	Annex M
Enforcement manual (ENF)	Annex N
Recognised Investment Exchange and Recognised Clearing Houses sourcebook (REC)	Annex O

Listing Rules (LR)	Annex P
Disclosure and Transparency Rules (DTR)	Annex Q

Notes

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

Citation

- F. This instrument may be cited as the Handbook Administration (No 5) Instrument 2007.

By order of the Board
22 March 2007

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text. In Part 1, where new definitions are being inserted, the text is not underlined.

The changes detailed in Part 1 of this Annex take effect on 23 March 2007, the changes detailed in Part 2 take effect on 6 April 2007 and the changes detailed in Part 3 take effect on 1 November 2007.

Part 1

financial instrument [Delete the definitions of *financial instrument* currently in force and as made by FSA 2007/1, and replace with the following new text.]

- (1) (other than in (2) and (3)) instruments specified in Section C of Annex I of *MiFID*, that is:
 - (a) *transferable securities*;
 - (b) *money-market instruments*;
 - (c) units in collective investment undertakings;
 - (d) options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivative instruments, financial indices or financial measures which may be settled physically or in cash;
 - (e) options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
 - (f) options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a *regulated market* and/or an *MTF*;
 - (g) options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in (f) and not being for commercial purposes, which have the characteristics of other derivative financial

instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls (see articles 38(1), (2) and (4) of the *MiFID Regulation*);

- (h) derivative instruments for the transfer of credit risk;
- (i) financial contracts for differences; and
- (j) options, futures, swaps, forward rate agreements and any other derivative contracts relating to
 - (i) climatic variables;
 - (ii) freight rates;
 - (iii) emission allowances;
 - (iv) inflation rates or other official economic statistics;
 - (v) telecommunications bandwidth;
 - (vi) commodity storage capacity;
 - (vii) transmission or transportation capacity relating to commodities, whether cable, pipeline or other means;
 - (viii) an allowance, credit, permit, right or similar asset which is directly linked to the supply, distribution or consumption of energy derived from renewable resources;
 - (ix) a geological, environmental or other physical variable;
 - (x) any other asset or right of a fungible nature, other than a right to receive a service, that is capable of being transferred;
 - (xi) an index or measure related to the price or value of, or volume of transactions in any asset, right, service or obligation;

where the conditions in Articles 38(3) and (4) of the *MiFID Regulation* are met.

[Note: article 4(1)(17) and section C of Annex I to *MiFID* and

articles 38 and 39 of the *MiFID Regulation*]

- (2) (for the purposes of *BIPRU* and *GENPRU*) an instrument listed in Section B of the Annex to the *ISD*.
- (3) (in *MAR* 1 and 2, *DTR* 1, 2 and 3 and otherwise where used in relation to the *Market Abuse Directive*) (as defined in Article 5 of the *Prescribed Markets and Qualifying Investments Order* and Article 1(3) of the *Market Abuse Directive*, and which consequently carries the same meaning in the *Buy-back and Stabilisation Regulation*):
 - (a) transferable securities as defined in the *ISD*;
 - (b) units in collective investment undertakings;
 - (c) money-market instruments;
 - (d) financial-futures contracts, including equivalent cash-settled instruments;
 - (e) forward interest-rate agreements;
 - (f) interest-rate, currency and equity swaps;
 - (g) options to acquire or dispose of any instrument falling into these categories, including equivalent cash-settled instruments. This category includes in particular options on currency and on interest rates;
 - (h) derivatives on commodities; and
 - (i) any other instrument admitted to trading on a *regulated market* in an *EEA State* or for which a request for admission to trading on such a market has been made.

market maker

[Delete the definitions of *market maker* currently in force and as made by FSA 2007/1, and replace with the following new text.]

- (1) (except in *COBS*) (in relation to an *investment*) a *person* who (otherwise than in his capacity as the *operator* of a *regulated collective investment scheme*) holds himself out as able and willing to enter into transactions of sale and purchase in *investments* of that description at prices determined by him generally and continuously rather than in respect of each particular transaction.
- (2) (in *COBS*) a *person* who holds himself out on the financial

markets on a continuous basis as being willing to deal on own account by buying and selling *financial instruments* against his proprietary capital at prices defined by him.

[**Note:** article 4 (1)(8) of *MiFID*]

market operator

[Delete the definitions of *market operator* as made by FSA 2006/70 and 2007/1, and replace with the following new text.]

a *person* who manages and/or operates the business of a *regulated market*. The *market operator* may be the *regulated market* itself.

[**Note:** article 4(1)(13) of *MiFID*]

Part 2

controlled undertaking

means ...

credit quality assessment scale

the credit quality assessment scale:

(1) ...

(2) ...

(a) (in relation to an *eligible ECAI* whose recognition is for *risk weighting* purposes other than those in (2)(b)) with which of the *credit quality steps* set out in *BIPRU 3.4* (Risk weights under the standardised approach to credit risk) the relevant credit assessments of an ~~an~~ *recognised eligible ECAI* are to be associated; or

(b) (in relation to an *eligible ECAI* whose recognition is for *securitisation risk-weighting* purposes) with which of the *credit quality steps* set out in *BIPRU 9* (Securitisation) the relevant credit assessments of the ~~an~~ *recognised eligible ECAI* are to be associated.

free-standing additional voluntary contribution

an *additional voluntary contribution* to a private *pension policy* or *pension contract*, where the policy or contract is separate from, but associated with, an occupational pension scheme which is an approved arrangement under section 591(2)(h) of the Income and Corporation Taxes Act 1988 a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

<i>funds under management</i>	(in <i>UPRU</i> and <i>GENPRU</i>) ...
<i>Home Member State</i>	(in DTR; PR and LR) ...
<i>Home State</i>	...
	(9) ...
	(a) ... <i>shares</i> ;
	(i) ...
	(ii) ...
	The definition of 'home' Member State <i>Home State</i> shall be applicable to ...
	(b) for an <i>issuer</i> not covered by (i) (a) ...
<i>IFA pensions review claim</i>	a claim arising from the sale of a personal pension scheme by a former member of <i>PIA</i> which was an independent financial adviser; in this definition:
	(a) a "personal pension scheme" includes:
	(i) a personal pension scheme <u>that was approved under Chapter IV Part XIV of ICTA 88 (when that Chapter was in force)</u> ;
	(ii) a 'section 32' buy-out policy <u>policy that was approved under Section 32 of the Finance Act 1981 (now incorporated in Chapter I Part XIV of ICTA 88) (when that Act was in force)</u> ; and
	(iii) in relation to opt-outs and non-joiners, a retirement annuity contracts <u>that was approved under Chapter III Part XIV of ICTA 88 (when sections 618 to 628 of that Chapter were in force)</u> ; and
	(b) "ICTA 88" means the Income and Corporation Taxes Act 1988.
<i>individual pension contract</i>	a <i>pension policy</i> or <i>pension contract</i> under which contributions are paid to:
	(a) a <i>personal pension scheme</i> ; or
	(b) a retirement benefits scheme, approved under section 591(2)(g) of the Income and Corporation Taxes Act

1988 for the provision of relevant benefits by means of an annuity contract made with an insurance company of the employee's choice where that contract:

- (i) was approved under section 591(2)(g) of the Income and Corporation Taxes Act 1988 (when that section was in force); or
- (ii) is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

issuer

...

(2B) ...

(b) ... ~~Great Britain~~ United Kingdom ...

...

linked long-term

(in relation to a ~~class of contract of insurance~~) ~~the class of contract of insurance specified in paragraph III of Part II of Schedule 1 to the Regulated Activities Order (Contracts of long term insurance), on human life or contracts to pay annuities on human life~~ a long-term insurance contract where the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

parent institution in a Member State

(in accordance with Article 4(14) of the *Banking Consolidation Directive* and Article ~~2~~ 3 of the *Capital Adequacy Directive* (Definitions)) an *institution* which has an *institution* or a *financial institution* as a *subsidiary undertaking* or which holds a *participation* in such an *institution*, and which is not itself a *subsidiary undertaking* of another *institution* authorised in the same *EEA State*, or of a *financial holding company* set up in the same *EEA State*.

pension buy-out contract

~~an annuity contract which complies with paragraph (g) of section 591(2) of the Income and Corporation Taxes Act 1988.~~

a pension policy bought from an insurer using funds from:

- (a) a scheme that was approved under Chapter 1 of Part 14 of the Income and Corporation Taxes Act 1988 when that chapter was in force; or
- (b) a scheme that is a registered pension scheme under

Chapter 2 of Part 4 of the Finance Act 2004.

<i>personal recommendation</i>	a recommendation which is <u>advice on investments, or advice on a home finance transaction</u> , given to a specific person.
<i>PRA</i>	<u>Position Risk Adjustment</u> : a percentage applied to a <i>position</i> as part of the process of calculating the <i>PRR</i> in relation to that <i>position</i> as set out in the tables in <i>BIPRU 7.2.44R</i> (Specific risk PRAs), <i>BIPRU 7.2.57R</i> (General market risk PRAs), <i>BIPRU 7.3.30R</i> (Simplified equity method PRAs), <i>BIPRU 7.3.34R</i> (PRAs for specific risk under the standard equity method) and <i>BIPRU 7.6.8R</i> (The appropriate PRA) and also as set out in <i>BIPRU 7.2.46R</i> to <i>BIPRU 7.2.47R</i> .
<i>retirement annuity</i>	an individual <i>pension policy</i> effected <u>before 1 July 1988</u> by a self-employed <i>person</i> or a <i>person</i> in non-pensionable employment before 1 July 1998 and which is <u>was approved</u> under Chapter III, Part XIV of the Income and Corporation Taxes Act 1988 (<u>when sections 618 to 628 of that Chapter were in force</u>).
<i>sovereign, institutional and corporate IRB exposure class</i>	...
<i>UK consolidation group</i>	[delete existing definition and replace with the following] <u>has the meaning in <i>BIPRU 8.2.4R</i> (Definition of UK consolidation group), which is in summary the group that is identified as a <i>UK consolidation group</i> in accordance with the decision tree in <i>BIPRU 8 Annex 1R</i> (Decision tree identifying a UK consolidation group); in each case only persons included under <i>BIPRU 8.5</i> (Basis of consolidation) are included in the <i>UK consolidation group</i>.</u>

Part 3

<i>personal recommendation</i>	a recommendation that is <u>advice on investments, or advice on a home finance transaction</u> , and is presented as suitable for the person to whom it is made, or is based on a consideration of the circumstances of that person. A recommendation is not a personal recommendation if it is issued exclusively through distribution channels or to the public. [Note: article 52 of the <i>MiFID implementing Directive</i>]
<i>trading day</i>	[Delete definition of <i>trading day</i> as made by FSA 2007/1, and amend the existing definition as shown]

(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 7.2.10EU, 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), a day included in the calendar of trading days published by FSA at www.fsa.gov.uk;

Annex B

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

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

...

6.1 Compliance

6.1.1 R A *common platform firm* must establish, implement and maintain adequate policies and procedures sufficient to ensure compliance of the *firm* including its managers, employees and *appointed representatives* with its obligations under the *regulatory system*: and for countering the risk that the *firm* might be used to further *financial crime*.

[Note: article 13(2) of MiFID]

...

17.1.34 G ...

17.1.34 G A *firm* should analyse regularly the full effect of all its *reinsurance agreements and other risk transfer agreements (both current and proposed), including any related agreements or side-letters, on both its current and potential future financial position, and ensure that:*

- (1) all significant risks related to these agreements, and the residual risks borne by the *firm*, have been identified; and
- (2) appropriate risk mitigation techniques have been applied to manage and control the risks.

...

SYSC Appendix 1

...

App 1.1.2 G ...

- (3) for a *BCD credit institution*, the *FSA*, as *Host State regulator*, is jointly responsible with the *Home State regulator* under article ~~27~~ 41 of the *Banking Consolidation Directive* for supervision of the liquidity of a *branch* in the *United Kingdom*;

...

...

Annex C

Amendments to the General Prudential sourcebook (GENPRU)

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

The changes detailed in Part 2 of this Annex take effect on 23 March 2007, and the changes detailed in Parts 1 and 3 take effect on 6 April 2007.

Part 1

...

2.1 Calculation of capital resources requirements

...

2.1.27 G The *MCR* gives effect to the EC Directive minimum requirements. For *general insurance business*, the EC Directive minimum is the higher of the *general insurance capital requirement* and the relevant *base capital resources requirement*. For *long-term insurance business*, the EC Directive minimum is the higher of the *long-term insurance capital requirement* and the *base capital resources requirement*. For *pure reinsurers* and *captive reinsurers* carrying on both *general insurance business* and *long-term insurance business*, however, the *base capital resources requirement* is the EC Directive required minimum only when it is higher than the sum of the *general insurance capital requirement* and the *long-term insurance capital requirement*. The *base capital resources requirement* is the minimum guarantee fund for the purposes of article 29(2) of the *Consolidated Life Directive (2002/83/EC)*(2002/83/EC), article 17(2) of the *First Non-Life Directive (1973/239/EEC)*(1973/239/EEC) as amended and article 40(2) of the *Reinsurance Directive (2005/68/EC)*. The *resilience capital requirement* is an *FSA minimum* requirement for *long-term insurance business* for *regulatory basis only life firms* that is additional to the EC minimum requirement for *long-term insurance business*.

...

2.1.46 R When a ~~A~~-UCITS investment firm ~~must only~~ calculates the *credit risk capital requirement* and the *market risk capital requirement* for the purpose of calculating the variable capital requirement under GENPRU 2.1.40R, it must do so only in respect of *designated investment business*. For this purpose *scheme management activity* is excluded from *designated investment business*.

...

2.1.48 R Table: Base capital resources requirement for a BIPRU firm

This table belongs to GENPRU 2.1.47R

<i>Firm category</i>	Amount: currency equivalent of
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...	
<i>UCITS investment firm</i>	The amount specified in <i>UPRU 2.1.2R(1)</i> (Financial resources requirement). However the capital that a <i>firm</i> must hold in respect of that requirement is as defined by <i>GENPRU</i> and not as specified in that <i>rule</i> . The reference in that <i>rule</i> to initial capital does not therefore apply. <u>€125,000 plus, if the funds under management exceed €250,000,000, 0.02% of the excess, subject to a maximum of €10,000,000.</u>

...

Part 2

2.2 Capital resources

...

Simple capital issuers

2.2.7 G Parts of this section are irrelevant to a *BIPRU firm* whose *capital resources* consist of straightforward *capital instruments*. Therefore the *FSA's* Personal handbooks facility available on its website allows a *BIPRU firm* to screen out those parts of this section that are not relevant to a *simple capital issuer*. *A simple capital issuer is a BIPRU firm that meets the following conditions:*

- (1) it does not raise capital through a special purpose vehicle;
- (2) it only includes *capital instruments* in its *tier one capital resources* consisting of ordinary *shares*, *PIBS* (relevant to *building societies* only), perpetual non-cumulative preference *shares* or partnership or *limited liability partnership* capital accounts (relevant to partnerships or *limited liability partnership* only);
- (3) it only includes non-redeemable and non-convertible *capital instruments* in its *tier one capital resources*; and
- (4) (if it includes *capital instruments* in its *tier one capital resources* on which *coupons* are payable) such *coupons* are non-cumulative, non-mandatory, in cash and not subject to a *step-up*.

...

Redemption of tier one instruments

2.2.70 R A *firm* may not include a *capital instrument* in its *tier one capital resources*, unless its contractual terms are such that:

- (1) ...

- (2) ...
- ...
- (c) unless at the time of exercise of that right it complies with GENPRU 2.1.13R (the main capital adequacy rule for insurers) or the *main BIPRU firm Pillar 1 rules* and will continue to do so after redemption.

...

Core tier one capital: partnership capital account (BIPRU firm only)

2.2.93 R *Eligible partnership capital* means a partners' account:

- (1) ...
- (2) from which under the terms of the partnership agreement an amount representing capital may be withdrawn by a partner only if:
 - (a) he ceases to be partner and an equal amount is transferred to another such account by his former partners or any *person* replacing him as their partner; or
 - (b) the partnership is wound up or otherwise dissolved; ~~or wound up and either the BIPRU firm has ceased to be authorised or no longer has a Part IV permission.~~
 - (c) the BIPRU firm has ceased to be authorised or no longer has a Part IV permission.

Core tier one capital: Eligible LLP members' capital (BIPRU firm only)

2.2.94 R *Eligible LLP members' capital* means a members' account:

- (1) ...
- (2) from which under the terms of the *limited liability partnership* agreement an amount representing capital may be withdrawn by a member only if:
 - (a) he ceases to be a member and an equal amount is transferred to another such account by his former fellow members or any *person* replacing him as a member; or
 - (b) the *limited liability partnership* is wound up or otherwise dissolved; ~~or wound up and either the BIPRU firm has ceased to be authorised or no longer has a Part IV permission.~~
 - (c) the BIPRU firm has ceased to be authorised or no longer has a Part IV permission.

...

2.2.236 R A BIPRU firm calculating risk weighted exposure amounts under the IRB approach must deduct:

- (1) ...
- (2) any expected loss ~~amounts~~ amounts calculated in accordance with BIPRU 4.7.12R (Expected loss amounts under the simple risk weight approach to calculating risk weighted exposure amounts for exposures belonging to the equity exposure IRB exposure class) or BIPRU 4.7.17R (Expected loss amounts under the PD/LGD approach).

...

GENPRU 2 Annex 2R

Capital resources table for a bank

...
Deductions from the totals of tier one and two		(M)
...
...
Investments in <i>subsidiary undertakings</i> and <i>participations</i> which are not <u>excluding any amount which is already deducted as <i>Material holdings</i> or <i>Qualifying holdings</i></u>	None	(Part 2 of stage M)
...
...

...

GENPRU 2 Annex 3R

Capital resources table for a building society

...
Deductions from the totals of tier one and two		(M)
...
Investments in <i>subsidiary undertakings</i> and <i>participations</i> which are not <u>excluding any amount which is already deducted as</u>	None	

<i>Material holdings or Qualifying holdings</i>		
...

...

Part 3

TP Transitional provisions

...

TP 7 Pillar 3 capital resources

...

7.4 R *A firm* may elect not to apply *GENPRU 2.2.239R(2)* to (4) (50:50 split between deductions from *tier one capital* and *tier two capital*) to *material insurance holdings* acquired before ~~1 January 2007~~ 20 July 2006. If a firm elects not to apply *GENPRU 2.2.239R(2)* to (4), the firm must deduct such *material insurance holdings* from the total of *tier one capital* and *tier two capital*.

...

TP Transitional provisions

...

TP 8 Miscellaneous capital resources definitions for BIPRU firms

...

8.9 R Upper tier 2 instruments: Deferral of interest

A bank or BIPRU investment firm may treat a *capital instrument* as eligible for inclusion within stage G of the *capital resources table* (Upper tier two capital) if it would not otherwise be eligible if:

(1) ...

...

(5) the only reason that it does not meet *GENPRU 2.2.177R(2)* is because a mandatory cash *coupon* is payable; and

(6) the *firm* has the right not to pay the cash *coupon* if it is in breach of any of the *main BIPRU firm Pillar 1 rules* or to the extent that paying such *coupon* would result in a breach of any of those *rules*; and

~~(7) any amount not paid under (6) does not accumulate.~~

...

Annex D

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.

- ...
3 Standardised credit risk
- ...
3.4 Risk weights under the standardised approach to credit risk
- ...
Exposures to administrative bodies and non-commercial undertakings
- 3.4.20 R *BIPRU 3.4.21R to ~~BIPRU 3.4.26~~ 3.4.26R set out the provisions applying to exposures to administrative bodies and non-commercial undertakings.*
- ...
3.4.43 G *BIPRU 3 Annex ~~2~~ 4G contains a flow diagram guide to determining the risk weight to be applied to short-term exposures to institutions according to whether a short-term credit assessment is available.*
- ...
3.4.80 R The value of the collateral must be the market value or mortgage lending value reduced as appropriate to reflect the results of the monitoring required under *BIPRU ~~3.4.64~~ 3.4.60R(4)(b) and BIPRU 3.4.66R* and to take account of any prior claims on the property.
- [Note: BCD Annex VIII Part 3 point 65]
- ...
3.5 Simplified method of calculating risk weights
- ...
3.5.5 G Table: Simplified method of calculating risk weights
- This table belongs to *BIPRU 3.5.4G*.

Exposure class	Exposure sub-class	Risk weights	Comments
...
<i>Institutions</i>	...	...	...
	<i>Exposures to an EEA institution with a head office in another EEA</i>	50%	

	<i>State</i> in the currency of that state with original effective maturity of over <u>three</u> months		
	<i>Exposures</i> to an <i>EEA institution</i> with a head office in another <i>EEA State</i> in the currency of another <i>EEA State</i> with original effective maturity of over <u>three</u> months	50%	See Notes 2 and 3.
	<i>Exposures</i> to <i>institution</i> with a head office in a country outside the <i>EEA</i> in the currency of that country with original effective maturity of over <u>three</u> months	50%	See Note 1.

...

...

4 The IRB approach

...

4.2 The IRB approach: High level material

...

4.2.3 R Where an ~~EU~~ EEA parent ~~credit~~ institution and its subsidiary undertakings or an ~~EU~~ EEA parent financial holding company and its subsidiary undertakings use the IRB approach on a unified basis, the question whether the minimum IRB standards are met is answered by considering the parent undertaking and its subsidiary undertakings together unless the firm's IRB permission specifies otherwise.

[Note: BCD Article 84(2) (part)]

4.2.10 G To the extent that a firm uses LGD estimates in its internal risk management processes that differ from the downturn LGDs used in the calculation of risk weighted ~~assets~~ assets (see BIPRU 4.3.103R), the reasons for the difference

should be documented in accordance with *BIPRU* 4.3.109R.

...

- 4.2.18 R To the extent that a *firm's IRB permission* permits this, implementation may be carried out sequentially across the different *IRB exposure classes* within the same business unit, across different business units in the same group or for the use of own estimates of *LGDs* or *conversion factors* for the calculation of *risk weights* for the *sovereign, institutional and corporate IRB exposure class*.

...

Combined use of methodologies: Basic provisions

- 4.2.26 R (1) To the extent that its *IRB permission* permits this, a *firm* permitted to use the *IRB approach* in the calculation of *risk weighted exposure amounts* and *expected loss amounts* ~~amounts~~ amounts for one or more *IRB exposure classes* may apply the *standardised approach* in accordance with this *rule*.

...

...

- 4.3 The IRB approach: Provisions common to different exposure classes

...

- 4.3.77 G Where a *firm* is able to demonstrate that the effect is immaterial in accordance with *BIPRU* 4.1.25R (Compliance), it may estimate average *LGDs* and *conversion factors* under the *historical average rules* in a way that does not strictly comply with *BIPRU* 4.3.94R (Default weighted average), provided the final estimates of *LGD* and *conversion factors* following the adjustments to averages of historical experience are made on the basis of *default weighted averages* for the *facility grade* or ~~pool~~ pool in question.

...

- 4.3.92 R If a *firm* uses data that is pooled across *institutions* it must be able to demonstrate to the *FSA* that:

(1) ...

...

(3) the pooled data is used consistently over time by the *firm* for its permanent estimates; ~~and~~

[**Note:** *BCD* Annex VII Part 4 point 57]

...

4.4 The IRB approach: Exposures to corporates, institutions and sovereigns

...

4.4.35 R Until 31 December 2010, *covered bonds* as set out in *BIPRU 3.4.107R* to *BIPRU 3.4.110R* may be assigned an *LGD* value of 11.25% if:

- (1) assets as set out in *BIPRU 3.4.107R*(1)(a) to (c) collateralising the *covered bonds* all qualify for *credit quality assessment step ~~one~~ one* as set out in *BIPRU 3*;

...

...

4.4.53 R Advanced IRB approach: Data maintenance

As well as complying with *BIPRU 4.3.54R* and *BIPRU 4.4.21R* (Data maintenance), a *firm* using own estimates of *LGDs* and/or *conversion factors* under the *advanced IRB approach* must collect and store:

- (1) complete histories of data on the facility ratings and *LGD* and *conversion factor* estimates associated with each ~~*rating scale*~~ *rating scale*;

...

...

4.4.62 R Table: Formulae for the calculation of *expected loss* amounts
This table belongs to *BIPRU 4.4.61R*

...

...

4.4.83 R An *institution*, an *insurance undertaking* (including an *insurance undertaking* that carries out *reinsurance*) or an export credit agency which fulfils the following conditions may be recognised as an eligible provider of *unfunded credit protection* which qualifies for the treatment set out in *BIPRU 4.4.79R*:

- (1) ...
- (2) the protection provider is regulated in a manner equivalent to the rules laid down in the *Banking Consolidation Directive* or had, at the time the credit protection was provided, a credit assessment by an ~~*recognised*~~ *eligible ECAI* which is associated with *credit quality step 3* or above under the *rules* for the *risk weighting* of *exposures* to

corporates under the standardised approach;

...

...

4.5 The IRB approach: Specialised lending exposures

...

4.5.9 R Table: Risk weights for specialised lending
This table belongs to BIPRU 4.5.98R

...

...

4.6 The IRB approach: Retail exposures

...

4.6.27 R If a *firm* derives long run average estimates of *PD* and *LGD* for *retail exposures* from an estimate of total *losses*, and an appropriate estimate of *PD* or *LGD*, the process for estimating total *losses* must meet the ~~*IRB*~~ minimum *IRB* standards for estimation of *PD* and *LGD*, and the outcome must be consistent with the concept of *LGD* as set out in BIPRU 4.3.99R (Default weighted average).

...

4.7 The IRB approach: Equity exposures

...

4.7.12 R The ~~*expected loss amounts*~~ amounts for *equity exposures* must be calculated according to the following formula:

...

...

4.7.24 R The *risk weighted exposure amount* is the potential *loss* on the *firm's equity exposures* as derived using internal value-at-risk models subject to the 99th percentile, one-tailed confidence interval of the difference between quarterly returns and an appropriate risk-free rate computed over a long-term sample period, multiplied by 12.5. The *risk weighted exposure* amounts at the individual *exposure* level must not be less than the sum of minimum *risk weighted exposure* amounts required under the *PD/LGD approach* and the corresponding ~~*expected loss amounts*~~ amounts multiplied by 12.5 and calculated on the basis of the *PD* values set out in BIPRU 4.7.18(1)R and the corresponding *LGD* values set out BIPRU 4.7.20R and BIPRU 4.7.21R.

...

4.8 The IRB approach: Purchased receivables

...

4.8.8 R If a *firm* derives long run average estimates of *PDs* and *LGDs* for *corporate exposure* purchased receivables from an estimate of *EL*, and an appropriate estimate of *PD* or *LGD*, the process for estimating total *losses* must meet the overall standards for estimation of *PD* and *LGD* set out in the ~~*IRB*~~ *minimum IRB standards*, and the outcome must be consistent with the concept of *LGD* as set out in *BIPRU* 4.3.99R.

[Note: *BCD* Annex VII Part 4 point 61]

...

4.8.20 R For hybrid pools of purchased *retail exposure* receivables where the purchasing *firm* cannot separate *exposures* secured by real estate collateral and *qualifying revolving retail exposures* from other *retail exposures*, the ~~*retail*~~ *retail risk weight* function producing the highest capital requirements for those *exposures* must apply.

[Note: *BCD* Annex VII Part 1 point 16]

...

4.10 The IRB approach: Credit risk mitigation

...

4.10.28 R Table: Minimum LGD for secured portion of exposures
This table belongs to *BIPRU* 4.10.24R - *BIPRU* 4.10.27R

...

...

4.10.36 R (1) This *rule* sets out the calculation of ~~risk weighted exposure amounts~~ *risk weighted exposure amounts* and ~~expected loss~~ *expected loss* amounts under the ~~financial collateral comprehensive method~~ *financial collateral comprehensive method* for a *firm* using the *IRB approach*.

...

...

4.10.40 R Unfunded credit protection: Minimum requirements for assessing the effect of guarantees and credit derivatives: Introduction

BIPRU 4.10.41R to BIPRU 4.10.48R set out the minimum requirements:

- (1) assessing the effect of guarantees and credit derivatives for:
 - (a) *exposures in the sovereign, institutional and corporate IRB exposure class where the advanced IRB approach is being used to calculate LGDs; and*
 - (b) ...

...

...

...

5 Credit risk mitigation

...

5.4 Financial collateral

...

5.4.35 R This table belongs to *BIPRU 5.4.34R*

<i>Credit quality step with which the credit assessment of the debt security is associated</i>	<i>Residual Maturity</i>	<i>Volatility adjustments for debt securities issued by entities described in BIPRU 5.4.2R(2)</i>	<i>Volatility adjustments for debt securities issued by entities described in BIPRU 5.4.2R(3) and (4)</i>
	
1	≤ 1 year	...	...
	≤ 1 ≤ 5 years	...	...
...

...

6 Operational risk

...

6.3 Operational risk: Basic indicator approach

...

General risk management standards

6.3.16 G In common with all *BIPRU firms*, a *firm* calculating its *ORCR* using the *basic indicator approach* is required to meet the general risk management standards set out in *SYSC 4.1.1R* to *SYSC 4.1.2R* and *SYSC ~~7.1.15R~~ 7.1.16R*.

6.4 Operational risk: Standardised approach

Eligibility

6.4.1 R (1) To be eligible for the *standardised approach*, a *firm* must meet the qualifying criteria set out in this *rule*, in addition to the general risk management standards set out in *SYSC 4.1.1G* to *SYSC 4.1.2R* and *SYSC ~~7.1.15R~~ 7.1.16R*.

...

...

6.4.17 R Eligibility for the alternative standardised approach

To be eligible to use the *alternative standardised approach*, a *firm* must meet the following conditions, in addition to the general risk management standards set out in *SYSC 4.1.1G* to *SYSC 4.1.2R* and *SYSC ~~7.1.15R~~ 7.1.16R*:

...

...

6.5 Operational risk: Advanced measurement approaches

...

6.5.5 Minimum standards

R A *firm* must be able to satisfy the *FSA* that it meets:

(1) the general risk management standards in *SYSC 4.1.1R* to *SYSC 4.1.2R* and *SYSC ~~7.1.15R~~ 7.1.16R*;

...

...

7 Market risk

7.1 Application, purpose, general provisions and non-standard transactions

...

- 7.1.12 R A *firm* may calculate the *PRR* for a *position* falling into *BIPRU 7.1.9R* by applying by analogy the *rules* relating to the calculation of the *interest rate PRR*, the *equity PRR*, the *commodity PRR*, the *foreign ~~exchange~~ currency PRR*, the *option PRR* or the *collective investment undertaking PRR* if doing so is appropriate and if the *position* and *PRR item* are sufficiently similar to those that are covered by those *rules*.
- ...
- 7.2 Interest rate PRR
- ...
- 7.2.23 G For a *foreign currency swap*, the two notional *zero-specific-risk securities* would be denominated in different currencies. A *foreign currency swap* is also included in the *foreign ~~exchange~~ currency PRR* calculation.
- ...
- 7.2.47 R A *securitisation exposures* that would be subject to a deduction treatment under the treatment set out in *GENPRU 2.2* (Capital resources) or *risk weighted* at 1250% as set out in *BIPRU 9* (Securitisation) is subject to a capital charge that is no less than that set out under those treatments. ~~Unrated~~ Unrated liquidity facilities are subject to a capital charge that is no less than that set out in *BIPRU 9*.
- ...
- 7.3 Equity PRR and basic interest rate PRR for equity derivatives
- ...
- 7.3.34 R Table: PRAs for specific risk under the standard equity method
This table belongs to *BIPRU 7.3.33R*(~~4~~)
- ...
- ...
- 7.4 Commodity PRR
- ...
- 7.4.15 G (1) ...
- ...
- (4) Step 2: if the *firm* uses the *commodity simplified ~~method~~ approach*, nothing more need be done to arrive at the notional *position*. In this case the *firm* uses the *commodity maturity ladder approach* and so subdivides each *position* in each metal into three because the level of the index is based on the prevailing one, two and three month

forward prices. Since the *future* will be settled in three months' time at the prevailing level of the index, the three *positions* for each metal will have maturities of four, five and six months respectively.

...

7.4.31 R A *firm* may use the *commodity extended maturity ladder approach* to calculate the *commodity PRR* for a particular *commodity* provided the *firm*:

(1) ...

...

(4) at least twenty *business days* before the date the *firm* uses that approach notifies the *FSA* in writing of:

(a) its intention to use the *commodity extended maturity ladder method approach*; and

(b) ...

...

7.5 Foreign currency PRR

...

7.5.18 R (1) ...

(2) The actual *foreign currency positions* of a *CIU* must be included in a *firm's foreign currency PRR* calculation under *BIPRU 7.5.2G 7.5.1R*.

...

...

7.6 Option PRR

...

7.6.7 R (1) ...

...

(3) If a *firm* does not have *commodity positions* treated under *BIPRU 7.4* or does not have *positions* in the *commodity* in question treated under *BIPRU 7.4* the restrictions in *BIPRU 7.4* that regulate when a *firm* can and cannot use a particular method of calculating the *commodity PRR* apply for the purpose of establishing the *appropriate PRR PRA* for the purposes of *BIPRU 7.6*.

...		
...		
7.7		Position risk requirements for collective investment undertakings
...		
7.7.5	R	Without prejudice to other provisions in <i>BIPRU 7.7</i> , a <i>position</i> in a <i>CIU</i> is subject to a <i>collective investment undertaking PRR</i> (<i>general market risk</i> and <i>specific risk</i>) of 32%. Without prejudice to provisions in <i>BIPRU 7.5.18R</i> (<i>Foreign currency PRR</i> for <i>CIUs</i>) or, if the <i>firm</i> has a <i>VaR model permission</i> , <i>BIPRU 7.10.44R</i> (<i>Commodity risks</i> and <i>VaR models</i>) taken together with <i>BIPRU 7.5.18R</i> , where the modified gold treatment set out in those <i>rules</i> is used, a <i>position</i> in a <i>CIU</i> is subject to a <i>securities PRR</i> requirement for <i>position risk</i> (<i>general market risk</i> and <i>specific risk</i>) and a <i>foreign-exchange <u>currency</u> PRR</i> of no more than 40%.
...		
7.10		Use of a Value at Risk Model
...		
7.10.135	R	To the extent that a <i>position</i> does not fall within the scope of a <i>firm's VaR model permission</i> the <i>firm</i> must calculate the <i>PRR</i> under the <i>standard <u>market risk</u> PRR rules</i> or, as applicable, those provisions as modified by the <i>firm's CAD 1 waiver</i> .
...		
7.11		Credit derivatives in the trading book
...		
7.11.16	R	<p>(1) ...</p> <p>(2) ...</p> <p>(3) The second situation referred to in (1) is that the <i>position</i> falls under <i>BIPRU 7.11.14R(2)(a)</i> or <i>BIPRU 7.11.15</i> but there is a currency or maturity mismatch between the credit protection and the underlying asset (currency mismatches must be included in the normal reporting with respect to the <i>foreign <u>exchange</u> <u>currency</u> PRR</i>).</p>
...		
...		
8		Group risk - consolidation
...		

8.2 Scope and basic consolidation requirements for UK consolidation groups

...

Definition of UK consolidation group

8.2.4 R *A firm's UK consolidation group means ~~the~~ a group that is identified as a UK consolidation group in accordance with the decision tree in BIPRU 8 Annex 1R (Decision tree identifying a UK consolidation group); the members of that group are:*

(a) where either Test 1A or Test 1B in BIPRU 8 Ann 1R apply, the members of the consolidation group made up of the sub-group of the parent institution in a Member State identified in BIPRU 8 Ann 1R together with any other person who is a member of that consolidation group because of a consolidation Article 12(1) relationship or an Article 134 relationship; or

(b) where either Test 1C or Test 1D in BIPRU 8 Ann 1R apply, the members of the consolidation group made up of the sub-group of the parent financial holding company in a Member State identified in BIPRU 8 Ann 1R together with any other person who is a member of that consolidation group because of a consolidation Article 12(1) relationship or an Article 134 relationship;

in each case only persons included under BIPRU 8.5 (Basis of consolidation) are included in the UK consolidation group.

...

8.9 Consolidated concentration risk requirements

...

8.9.5 R Intra-group securities financing transactions

A firm may only treat an exposure as exempt under BIPRU 10.7.4R (Intra-group securities financing transactions) as applied on a consolidated basis if the exposure is or (if that rule applied to the undertaking in question) would be exempt under BIPRU 10.7.4R on a solo basis. BIPRU 10.7.6R (Abuse of the exemption) continues to apply. The exemption is not available if the firm uses the CCR internal models method for securities financing transactions for the purpose of this chapter.

...

BIPRU 8 Ann 1R – Decision tree identifying a UK consolidation group

...

BIPRU 8 Ann 2G – Examples of how to identify a UK consolidation group

Example 1
(example of Article 125 (1))

...

BIPRU 8 Ann 3G – Examples of how to identify a non-EEA sub-group

Example 1
(example refers to BIPRU 8.3.11)

...

9 Securitisation

...

9.12 Calculation of risk-weighted exposure amounts under the IRB approach

...

9.12.22 R ...

$$(3) \quad S[x] = \begin{cases} x & \text{when } x \leq \underline{K}_{IRBR} \\ K_{IRBR} + K[x] - K[\underline{K}_{IRBR}] + (d \cdot K_{IRBR} \omega) (1 - e^{\omega(K_{IRBR} - x)/K_{IRBR}}) & \text{when } K_{IRBR} < x \end{cases}$$

...

...

10 Concentration risk requirements

...

10.5 Limits on exposures and large exposures

...

10.5.16 G A firm's CNCOM should be calculated as part of its *credit risk capital requirement* (~~CRCR~~)(CRCR) in accordance with GENPRU 2.1 (Calculation of capital resources requirements).

10.5.24 G Example of a CNCOM calculation (all numbers £000s)

This table belongs to BIPRU 10.5.23G

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

(5)	The 'headroom' between the non-securities exposure and 25% of the amended <i>capital resources</i> is calculated.	

	Non-securities exposure <u>Non-trading book exposure</u>	200

(8)	If the excess <i>exposure</i> has been outstanding for more than 10 days, the 25% limit (£275) is taken up by £200 counterparty <i>exposure</i> and £75 securities <i>exposure</i> within the limit. These two items, when added to the items in bold below, total £460. £460 is the total net <i>large exposures</i> position as set out in (2) above.	
	(a)	...
		£130 <u>110</u> x 4.00% x 200%
		10.400 <u>8.800</u>
	(b)	...
	Additional capital requirement [(a) + (b)]	
	13.885 <u>12.285</u>	

...

10.6 Exemptions

...

10.6.9 R Exemptions for firms using the financial collateral simple method under the standardised approach

A firm which uses the *financial collateral simple method* under the *standardised approach* may treat the following *exposures* as exempt from the limits described in *BIPRU 10.5* (Limits on exposures and large exposures), ~~provided that the exposures are to counterparties which are not connected counterparties:~~

...

10.6.14 R Exemptions for firms using the financial collateral comprehensive method

A firm which uses the *financial collateral comprehensive method* under the *standardised approach* or the *IRB approach* (but not the *advanced IRB approach*) may calculate the value of its *exposures* to a *counterparty* or to a *group of connected clients* ~~(but not connected counterparties)~~ or to connected counterparties as being the fully-adjusted value of the *exposures* to the *counterparty* or *group of connected clients* calculated in accordance with the *financial collateral comprehensive method* under *BIPRU 5* (Credit risk mitigation) and, if relevant, *BIPRU 4.10* (The *IRB approach*: Credit risk mitigation), taking into account the *credit risk mitigation*, volatility

adjustments and any maturity mismatch (E*) in accordance with those *rules*.

...

Exemptions for firms using own estimates of LGDs and conversion factors under the IRB approach

10.6.17 R A *firm* that uses own estimates of *LGDs* and *conversion factors* under the *IRB approach* for an *IRB exposure class* may recognise the effects described in (1) in calculating the value of its *exposures* to a *counterparty* or to a *group of connected clients* (~~but, subject to the firm's IRB permission, not connected counterparties~~) or to *connected counterparties* for the purposes of *BIPRU 10.5* (Limits on exposures and large exposures) if:

...

...

10.7 Treasury concessions and intra-group securities financing transactions

...

10.7.4 R ...

(4) (whether or not the *firm* uses the *financial collateral comprehensive approach method*) the collateral is eligible under the *financial collateral comprehensive approach method* and the *firm* meets the other minimum requirements under *BIPRU 5* (Credit risk mitigation) in relation to that collateral.

10.7.5 R The level of collateralisation referred to in *BIPRU 10.7.4R(3)* must be measured by reference to the gross amount of the *exposure* without taking into account the effects of netting and without applying volatility adjustments or adjustments for maturity mismatches under the *financial collateral comprehensive approach method*.

...

10.8 UK integrated groups

...

10.8.11 R A *firm* may only treat an *exposure* as exempt under *BIPRU 10.7.4R* (Intra-group securities financing transactions) as applied under this section if the *exposure* is or (if that *rule* applied to the *undertaking* in question) would be exempt under *BIPRU 10.7.4R* on a solo basis. *BIPRU 10.7.6R* (Abuse of the exemption) continues to apply. The exemption is not available if the *firm* uses the *CCR internal models method* for *securities financing transactions* for the purpose of this chapter.

...

BIPRU 10 Annex 1G Treatment of exposures under the integrated groups regime for concentration risk

...		
3	UKIG <i>firm</i> to an <i>undertaking</i> within its <i>residual block</i> (no WIG in place)}	<p>...</p> <ul style="list-style-type: none"> ▪ ... ▪ ... ▪ <i>BIPRU 10.5.12 R</i> (500% limit for <u>excess trading book</u> excess exposures) with the deletion of the time limit set out in <i>BIPRU 10.5.12R</i>; and ▪ ... <p>...</p>

...

11 Disclosure (Pillar 3)

...

11.3 Disclosures: Information to be disclosed; Frequency, media and location of disclosures; Verification

...

11.3.2 R (1) ...

(2) ...

(3) *A firm* using the *advanced measurement approach* for the calculation of its *operational risk capital requirement* must publicly disclose the information laid down in *BIPRU 11.6.6R*.

[**Note:** *BCD Article 145(2), CAD Article 39*]

...

11.4 Technical criteria on disclosure: General criteria

...

11.4.5 R *A firm* which is a significant subsidiary of:

- (1) an *EEA parent institution*; or
- (2) an *EEA parent financial holding company*;

must disclose the information specified in *BIPRU 11.5.3R* to *BIPRU 11.5.4R* on an individual or sub-consolidated basis.

[**Note:** *BCD Annex XII Part 1 point 5*]

...

11.5 Technical criteria on disclosure: General requirements

...

11.5.4 R A *firm* must disclose the following information regarding compliance with *BIPRU 3*, *BIPRU 4*, *BIPRU 6*, *BIPRU 7*, *BIPRU 10* and the *overall Pillar 2 rule*:

(1) ...

...

(4) the *firm's* minimum capital requirements for the following:

(a) in respect of its *trading-book* business, its:

(i) ...

(ii) *equity ~~rate~~ PRR*;

...

(b) in respect of all of its business activities, its:

(i) ...

(ii) *foreign ~~exchange~~ currency PRR*;

(5) ...

...

11.5.12 R A *firm* must disclose its *capital resources requirements* separately for each risk referred to in (1) and (2).

(1) in respect of its *trading-book* business, its:

(a) ...

(b) *equity ~~rate~~ PRR*;

- ...
- (2) in respect of all of its business activities, its:
- (a) ...
- (b) *foreign ~~exchange~~ currency PRR.*
- ...
- ...
- 11.5.14 R The following information must be disclosed by a *firm* on *operational risk*:
- (1) the approaches for the assessment of the *operational risk capital requirement* that the *firm* qualifies for; and
- ...
- ...
- 11.6 Qualifying requirements for the use of particular instruments or methodologies
- ...
- 11.6.3 R For the purposes of *BIPRU* 11.6.1R(4), where a *firm* uses its own estimates of *LGDs* or *conversion factors* for the calculation of *risk weighted exposure amounts* for *exposures* falling into the *sovereign, institutional and corporate IRB exposure class*, the *firm* must disclose those *exposures* separately from *exposures* for which it does not use such estimates.
- [**Note:** *BCD* Annex XII Part 3 point 1 (part)]
- ...
- 11.6.6 R A *firm* using the *advanced measurement approach* for the calculation of its *operational risk capital requirement* must disclose a description of the use of insurance for the purpose of mitigating the risk.
- [**Note:** *BCD* Annex XII Part 3 point 3]
- ...
13. The calculation of counterparty risk exposure values for financial derivatives, securities financing transactions and long settlement transactions
- ...
- 13.6 CCR internal model method
- 13.6.12 R Notwithstanding *BIPRU* ~~13.3.9R~~ 13.3.10R (Combined use), a *firm* may choose not to apply the *CCR internal model method* to *exposures* that are

immaterial in size and risk.

[Note: BCD Annex III Part 6 point 1 third sentence]

...

13.6.27 R For the purposes of *BIPRU* ~~13.6.26R~~ ~~[above rule]~~ 13.6.25R:

(1) ...

(2) if all contracts in the *netting set* mature within less than one year, *effective EPE* is the average of *effective EE* until all contracts in the *netting set* mature.

...

14 Capital requirements for settlement and counterparty risk

...

14.2.18 R Treatment of expected loss amounts under the IRB approach

...

(2) unless the *firm's IRB permission* does not permit it, if the credit risk of the counterparty is adequately taken into account in the valuation of a position included in the *trading book* the *expected loss* amount for the counterparty ~~risk~~ risk exposure must be zero.

[Note: CAD Article 17(1)]

...

TP Transitional provisions

...

TP 3 Pre CRD capital requirements applying on a solo basis during 2007

...

3.18 R ...

(1) *BIPRU* 10.6.14R to *BIPRU* 10.6.26 R (Exemptions for firms using the financial collateral comprehensive ~~approach~~ method, Exemptions for firms using own estimates of LGDs and conversion factors under the IRB approach and Stress testing of credit risk concentrations) apply;

...

TP 12 Operational risk transitionals: small trading book

...

Minimum consolidated capital requirement

- 12.13 R If a *firm* applies *BIPRU* TP 12.12R to its *UK consolidation group* or *non-EEA sub-group* it must apply *BIPRU* TP 12.11R to that group in accordance with *BIPRU* TP 2.31R to *BIPRU* TP 2.33G (Consolidated capital floors for a *firm* using the *IRB approach* or *AMA* (*advanced measurement approach*)).

...

TP 22 Solo consolidation

...

- 22.6 R A *firm* with a deemed *solo consolidation waiver* under *BIPRU* TP 22.3R may not apply the treatment in *BIPRU* 2.1 (Solo consolidation) to the *subsidiary undertaking* concerned unless the conditions in *BIPRU* 2.1.4220R and to *BIPRU* 2.1.4324R (Solo consolidation – Minimum standards) are met with respect to that *subsidiary undertaking*.

...

Annex E

Amendments to the Prudential sourcebook for Insurers (INSPRU)

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

The changes detailed in Part 1, Part 3 and Part 4 to this Annex take effect on 6 April 2007 and those detailed in Part 2 take effect on 23 March 2007.

Part 1

Amend INSPRU 1.1 as follows:

...

1.1 Application

...

1.1.78 R In *INSPRU* 1.1.77R references to *technical provisions* comprise:

(1) ...

...

(3) provisions for incurred but not enough reported (~~IBNER~~ IBNER)
claims;

...

...

1.1.94 R The following *rules* and *guidance* apply to *managing agents* in accordance with *INSPRU* 8.1.4R:

(1) *INSPRU* 1.1.13G to *INSPRU* 1.1.20R (except *INSPRU*
1.1.1312R(1));

...

Part 2

Amend INSPRU 1.2 as follows:

...

1.2.5 G *Firms* to which *GENPRU* 2.1.18 R applies are required to calculate a *with-profits insurance capital component* (see *GENPRU* 2.1.38 R). In order to calculate its *with-profits insurance capital component*, such a *firm* is required to carry out additional calculations of its liabilities on a realistic basis (see *INSPRU* 1.3), which it is required to report to the *FSA* (see Forms

18,19). A *firm* that reports its liabilities on a realistic basis is referred to in *PRU GENPRU* and *INSPRU* as a *realistic basis life firm*. Such *firms* are subject to different *rules* relating to the calculation of *mathematical reserves* (see *INSPRU* 1.2.46 R and *INSPRU* 1.2.76 R) compared with those that apply to *firms* that report on a regulatory basis only (*regulatory basis only life firms*).

...

1.2.29 R For the purpose of *INSPRU* 1.2.28R(1)(c), benefits payable include:

...

1.2.30 G All cash flows are to be valued using prudent assumptions in accordance with generally accepted actuarial practice. Cash flows may be omitted from the valuation calculations provided the reserves obtained as a result of leaving those cash flows out of the calculation are not less than would have resulted had all cash flows been included (see *INSPRU* 1.2.22R (2)(b)). Provision for future expenses in respect of *with-profits insurance contracts* (excluding *accumulating with-profits policies*) may be made implicitly, using the *net premium* method of valuation (see *INSPRU* 1.2.43 R below). For the purposes of *INSPRU* 1.2.28R(2)(1)(b), any charges included in expenses should be determined in accordance with the *firm's* regulatory duty to treat its *customers* fairly.

...

1.2.78 G The prospective valuation of future cash flows to determine the amount of the *mathematical reserves* includes amounts to be received or paid under contracts of *reinsurance* in respect of *long-term insurance business* (see *INSPRU* 1.2.28R(4)(1)(d)). This applies even where those cash flows cannot be identified as related to particular *long-term insurance contracts* (see *INSPRU* 1.2.22R (3)).

Part 3

Amend *INSPRU* 3.1 as follows:

...

3.1 Market risk in insurance

...

3.1.65 R Currency risk: matching of assets and liabilities

For the purposes of *INSPRU* 3.1.53R, a *managing agent* must ensure that:

(1) *syndicate* liabilities are covered by matching *syndicate assets* as

required by ~~INSPRU 3.2.53~~ 3.1.53R; or that

(2) ...

...

Part 4

Amend *INSPRU* 6.1 as follows:

6.1 Group risk: Insurance Groups

...

6.1.34 R For the purposes of *INSPRU* 6.1, an *individual capital resources requirement* is:

(1) ...

...

(12) in respect of an *EEA ISPV*, the solo capital resources requirement that applies to the *ISPV* under the *sectoral rules* for the *insurance sector* of the ~~Member State~~ member State of the *competent authority* that authorised the *ISPV*.

...

Annex F

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

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

APPENDIX 3

PERMITTED LINKS

Part I - Descriptions of property by reference to which benefits may be determined

...

5. Units or other beneficial interests in -
 - (a) a scheme falling within the *UCITS Directive* or an authorised fund which is a non-UCITS retail scheme;
 - (b) a *collective investment fund* which satisfies the following conditions-
 - (i) the property of the fund comprises property of any of the descriptions in 1 to 10;
 - (ii) the units are *readily realisable* at a price which represents the net value per unit of the assets and liabilities of the fund; and
 - (iii) the price at which the units may be bought and sold is published regularly.

Annex G

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

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

...

VOLUME ONE

...

Chapter 1

APPLICATION RULE

The Society of Lloyd's²

...

~~²LLD applies to the Society~~

...

VOLUME TWO

Appendices to the Rules

...

Appendix 9.1

...

Instructions for completion of Form 2

...

9. The *base capital resources requirement* at line 33 must be taken from *GENPRU 2.1.2630R*. ...

9A. The individual *minimum capital requirement* at line 34 is calculated in accordance with *GENPRU 2.1.24AR* or *GENPRU 2.1.25R* and is the greater of line 33 and the sum of lines 31 and 32.

...

12. The *with-profits insurance capital component* at line 39 must be the total of the amounts shown at line ~~64~~6 on Forms 18, calculated in accordance with the *rules* in *INSPRU* 1.3.

...

Instructions for completion of Forms 11 and 12

...

5. Lines 14 and 24 of Form 11 and line 27 of Form 12 must be left blank for a *pure reinsurer* ~~that does not have permission under the Act to effect contracts of insurance.~~ which became a firm in run-off before 31 December 2006 and whose Part IV permission has not subsequently been varied to add back the regulated activity of effecting contracts of insurance.

...

Instructions for completion of Form 15

...

4. The amount shown in line 12 may only be discounted or reduced to take account of investment income:
 - (a) for *Class* 1 or 2 business; or
 - (b) in respect of annuities; or
 - (c) if the *insurer* is a *pure reinsurer* which ~~does not have permission under the Act to effect contracts of reinsurance.~~ became a firm in run-off before 31 December 2006 and whose Part IV permission has not subsequently been varied to add back the regulated activity of effecting contracts of insurance.

...

Instructions for completion of Form 40

...

12. Transfers of contracts from or to other funds or from or to another insurer must be included at line 31 or 32, with details specified in a supplementary note [Code 4004]. Where there are subfunds, inter-subfund transfer must be excluded from the total Form 40.
13. If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return*; and the difference is not due solely to the use of a

different rate to express other currencies in sterling then the reason must be stated in a supplementary note as specified in paragraph 7 of Appendix 9.1 [Code 4001].

...

Instructions for completion of Form 41

1. Single and regular premiums must include that part of the premium which was or will be recoverable from ~~the Inland Revenue~~ H.M. Revenue and Customs.

...

Instructions for completion of Form 45

...

2. If any of the brought forward amounts differs from the corresponding carried forward amounts in the previous *return*, and the difference is not due solely to the use of a different rate to express other currencies in sterling then the reason for the difference must be stated in a supplementary note ~~as specified in paragraph 7 of Appendix 9.1 [Code 4501].~~

...

Annex H

Amendments to the Conduct of Business sourcebook (COB)

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

- ...
- 6.7.23 R (1) After an increase in regular or single *premiums* or payments (including a *pension transfer*) to a *life policy*, *personal pension scheme* or *stakeholder pension scheme*, a *retail customer* has a right to cancel (see *COB 6.7.7R (4)*) in the following circumstances, unless (2) or (2A) apply ~~applies~~:
- (a) ...
 - (b) ...
 - (c) ...
 - (d) ...
- (2) Paragraph (1) does not apply if:
- ...
(c) the variation is in respect of a *life policy* held within a *CTF*;
~~or~~
 - (d) ~~the variation is in respect of a *SIPP* that is itself a *life policy*.~~
- (2A) Paragraphs (1)(a), (b) and (d) do not apply if the variation is in respect of a *SIPP*.

...

...
COB 12 Lloyd's

12.1 Application

- ...
12.1.4 G The *Society* is itself also required to comply with the requirements of *INSPRU* which contains *rules* and *guidance* in respect of areas where *COB* provisions also have relevance. In particular *INSPRU 8.4.3R* places a requirement on the *Society* to make appropriate *byelaws* governing conduct in the *capacity transfer market*. ~~*LLD* also imposes at *LLD 9.2.3 R* a requirement on the *Society* to comply with the standards of due care and diligence set out in *CASS* in relation to the *custody* of assets that constitute *members' funds*.~~

...

Annex I

Amendments to the Insurance: Conduct of Business sourcebook (ICOB)

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

...

ICOB 1 Annex 2G

Summary of Handbook provisions for insurance intermediaries

...

	Module	Application
...		
Business Standards	...	...
	<i>INSPRU</i>	Applies in respect of (1) where the <i>insurance intermediary</i> is also an <i>insurer</i> . <u>Some requirements are relevant to an <i>insurance intermediary</i> doing (1) or (2) where it is also an <i>underwriting agent</i>.</u>
...
Specialist sourcebooks	...	...

	Lloyd's sourcebook, <i>LLD</i>	Applies only to the <i>Society</i> but some requirements are relevant to an <i>insurance intermediary</i> doing (1) or (2) where it is also an <i>underwriting agent</i>.
...

Annex J

Amendments to the Mortgages: Conduct of Business sourcebook (MCOB)

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

- 3.1.6 R ~~This chapter does not apply to a firm in relation to the communication or approval of a financial promotion of a home reversion plan to an unauthorised reversion provider.~~ [deleted]
- ...
- 9.9 Disclosure after sale: instalment home reversion plans
Provision of statements: instalment reversion plans
- ...
- Annual statement for instalment reversion plans: content
- ...
- Annual statement for instalment reversion plans: additional content if tariff of charges has changed
- ...
- Event-driven information for instalment reversion plans: material changes
- ...
- Responsibilities of reversion providers and administrators: instalment reversion plans
- ...
- Further releases: all home reversion plans
- ...

Annex K

Amendments to the Market Conduct sourcebook (MAR)

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

Insert new heading for MAR 6, as follows:

6 Systematic Internalisers

Annex L

Amendments to the Training and Competence sourcebook (TC)

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

...

2.1.4 R Activities to which TC 2 applies

	Activity	Extent of Application
...
2. <i>Employees overseeing on a day-to-day basis:</i>	<p>...</p> <p>(g) the sales to <i>customers of equity release transactions<u>lifetime mortgages</u></i> which do not involve <i>personal recommendations</i>;</p> <p>(h) the sales to <i>customers of <u>home reversion plans</u></i> which do not involve <i><u>personal recommendations</u></i>.</p>	Whole of <i>TC 2</i> applies except <i>TC 2.7</i> (Supervising).

..

2.5.1A R The time limits to which *TC 2.5.1R* applies

Activity in <i>TC 2.1.4R</i>		Examination must be passed:
...
2.	...	...
	<u>(h)</u>	<u>no time limit</u>

...

Annex M

Amendment to the Supervision manual (SUP)

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

The changes detailed in Part 1 come into effect on 1 April 2007 and those detailed in Part 2 come into effect on 6 April 2007.

Part 1

Amend SUP 16.7 as follows:

...
16.7.68 R Financial reports from a UCITS management company (see SUP 16.7.67R)

Report	<u>Return</u>	Frequency	Due date
...			
If the <i>firm's</i> ultimate parent is a <i>mixed-activity holding company</i> , the annual accounts of the <i>mixed-activity holding company</i> (Only for <i>UCITS investment firms</i>)		Annually	As soon as available after year-end
<u>Adequate information relating to the following activities:</u> <u>(1) insurance mediation activity;</u> <u>(2) mortgage mediation activity;</u> <u>(3) retail investment activity.</u>	<u>RMAR</u> <u>(excluding sections A, B, C, D, E) (Note 4)</u>	<u>Half yearly</u>	<u>For half yearly report:</u> <u>30 business days after period end</u>
<u>Adequate information relating to mortgage lending and mortgage administration.</u>	<u>MLAR</u> <u>(excluding A1, A2 and B1)</u> <u>(Note 4)</u>	<u>Quarterly</u>	<u>20 business days after quarter end</u>

Note 1: ...

...

Note 4: When given the report required, a firm must use the return indicated. The RMAR and MLAR are located at SUP 16 Annex 18AR and SUP 16 Annex 19AR respectively and have the status of rules.

Part 2

Amend SUP Schedule 4 as follows:

...

SUP Schedule 4 Powers exercised

4.1 G

The following powers and related provisions in the <i>Act</i> have been exercised by the <i>FSA</i> to make the <i>rules</i> in <i>SUP</i> :		
(1)	...	
...		
(14A)	<u>Section 318(1) (Exercise of powers through Council)</u>	
...		

...

Annex N

Amendments to the Enforcement manual (ENF)

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

...

13 Discipline: Financial penalties

...

13.5 Financial penalties for late submission of reports

13.5.1 G This section sets out the *FSA's* policy and procedures in relation to financial penalties for late submission of reports. It applies to reporting by *firms* required under all *rules* (not including the *Part 6 rules*) which require *firms* to report to the *FSA* on a periodic basis. It also applies to periodic reporting by *firms* required by the provisions specified in (6) and (7). The following is a list of the main periodic reporting *rules* (the list may not be comprehensive) and those other provisions:

(1) ...

...

(5) *IPRU(INS) 9.61 (1) to IPRU(INS) 9.61 (2) (The Central Fund), and IPRU(INS) 9.62 (1) and IPRU(INS) 9.62(2) (Capacity transfer market) and the rules set out in IPRU(INS) 9.48(1) and ~~LLD 15.10.2 R (Reporting by the Society)~~*;

...

...

Annex O

Amendments to the Recognised Investment Exchange and Recognised Clearing Houses sourcebook (REC)

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

2.6.4 UK (1) ... subject to the requirements contained in Chapter IV of the [*MiFID Regulation*] [(see ~~REC 2.16.15EU~~ 2.6.15EU and ...)].

Annex P

Amendments to the Listing Rules (LR)

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

LR TP 1

(1)	(2) Material to which transitional provision applies	(3)	(4) Transitional provision	(5) Transitional provision: Dates in force	(6) Handbook provision: Coming into force
1.	<p>All of the <u>Amendments to LR set out in this Annex B of the Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006, relating to:</u></p> <p><u>(i) DTR 4 and periodic financial reporting; and</u></p> <p><u>(ii) DTR 6 in so far as they may relate to, or are required to give effect to, amendments in (i).</u></p>		<p>All of the <u>The amendments to LR set out in this Annex described in column 2 shall have effect as follows:</u></p>	...	

9.3.9 R Where a *listed company* has taken a power in its *constitution* to impose sanctions on a shareholder who is in default in complying with a notice served under section ~~212~~ 793 of the Companies Act ~~1985~~ (Company investigations) 2006 (Notice by company requiring information about interests in its shares):

- (1) ...
- (2) ...

- (3) ...
- (4) ...
- (b) ... section ~~212~~ 793.

...

9.8.6 R In the case of a *listed company* incorporated in the *United Kingdom*, the following additional items must be included in its annual financial report:

- (1) ...
- (2) ...
 - (a) ... sections 198 to 208 of the Companies Act 1985 (Disclosure of certain major interests in the share capital of a *company*) or DTR 5; or
 - (b) ...

...

LR 9
Annex 1

R This code imposes restrictions on dealing in the *securities* of a *listed company* beyond those imposed by law. Its purpose is to ensure that *persons discharging managerial responsibilities* and employee insiders do not abuse, and do not place themselves under suspicion of abusing, *inside information* that they may be thought to have, especially in periods leading up to an announcement of the *company's* results.

Nothing in this code sanctions a breach of section 118 of the *Act* (Market abuse), the insider dealing provisions of the Criminal Justice Act or any other relevant legal or regulatory requirements.

Definitions

- (1) In this code the following definitions, in addition to those contained in the *listing rules*, apply unless the context requires otherwise:
 - (a) ...
 - (i) the period of 60 days immediately preceding a preliminary announcement of the *listed company's* annual results or, if shorter, the period from the end of the relevant financial year up to and including the time of announcement; ~~and~~ or
 - (ii) the period of 60 days immediately preceding the publication of its annual financial report or if shorter the period from the end of the relevant financial year up to and including the time of such publication; and
 - (iii) ...
 - (iv) if the *listed company* reports on a quarterly basis (~~or publishes interim management statements~~) the period of 30 days immediately preceding the announcement of the quarterly results (~~or interim management statement~~) or, if

shorter ...

...

18.4 Continuing obligations

...

- 18.4.3 R An *overseas company* that is the *issuer* of the *equity shares* which the certificates represent must comply with:
- (1) the requirements of this section;
 - (2) the continuing obligations set out in *LR 14.3* (Continuing obligations) and *LR 18.4.3A*; and
 - (3) ...

Annual accounts continuing obligations

- 18.4.3A R
- (1) An issuer within LR 18.4.3 R must publish its annual report and annual accounts as soon as possible after they have been approved.
 - (2) An issuer within LR 18.4.3 R must approve and publish its annual report and accounts within six months of the end of the financial period to which they relate.
 - (3) The annual report and accounts must:
 - (a) have been prepared in accordance with the issuer's national law and, in all material respects, with national accounting standards or IAS; and
 - (b) have been independently audited and reported on, in accordance with:
 - (i) the auditing standards applicable in an EEA State; or
 - (ii) an equivalent auditing standard.

Annex Q

Amendments to the Disclosure and Transparency Rules (DTR)

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

...

- 5.1.1 R (1) references to an "issuer", in relation to *shares* admitted to trading on a *regulated market*, are to an *issuer* whose *Home State* is the *United Kingdom*; ~~and~~
- (2) references to a "non-UK issuer" are to an *issuer* whose *shares* are admitted to trading on a *regulated market* and whose *Home State* is the United Kingdom other than:
- (a) ...
- (b) a company which is otherwise incorporated in, and whose principal place of business is in, the *UK*; ~~;~~
- (3) references to "*shares*" are to *shares* which are:
- (a) already issued and carry rights to vote which are exercisable in all circumstances at general meetings of the *issuer* including *shares* (such as preference *shares*) which, following the exercise of an option for their conversion, event of default or otherwise, have become fully enfranchised for voting purposes; and
- (b) to trading on a *regulated* or *prescribed market*; ~~;~~

- 5.1.2 R Subject to the exemption for certain third country *issuers* (DTR 5.11.6 R), a *person* must notify the *issuer* of the percentage of its voting rights ~~if the percentage of voting rights which~~ he holds as *shareholder* or through his direct or indirect holding of *financial instruments* falling within ~~DTR 5.1.3~~ 5.3.1R (or a combination of such holdings) if the percentage of those voting rights:
- (1) reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% (or in the case of a non-UK *issuer* on the basis of thresholds at 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%) as a result of an acquisition or disposal of *shares* or *financial instruments* falling within DTR 5.3.1 R); or
- (2) ...
- and in the case of an issuer which is not incorporated in an ~~EEA state~~ EEA State a notification under (2) must be made on the basis of equivalent events and disclosed information.

...

...

5.2.1 R A *person* is an indirect holder of *shares* for the purpose of the applicable definition of *shareholder* to the extent that he is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:

Case	
...	...
(e)	voting rights which are held, or may be exercised within the meaning of points (a) to (d) or, in cases (f) and (h) by a firm <u>person</u> undertaking investment management, or by a <i>management company</i> , by an undertaking controlled by that <i>person</i> ;
...	...

...

5.4.4 R A *parent undertaking* which wishes to make use of the exemption in relation to *issuers* subject to this chapter whose *shares* ~~which~~ are admitted to trading on a *regulated market* must without delay, notify the following to the *FSA*:

- (1) ...
- (2) a statement that, in the case of each such *management company* or *investment firm*, the *parent undertaking* complies with the conditions laid down in *DTR 5.4.3R*.

...

5.4.6 R A *parent undertaking* of a *management company* or of an *investment firm* must in relation to *issuers* subject to this chapter whose *shares* ~~which~~ are admitted to trading on a *regulated market* be able to demonstrate to the *FSA* on request that:

- (1) ...

...

5.4.11 R A *parent undertaking* of a third country undertaking must comply with the notification requirements in *DTR 5.4.4R* (1) and *DTR 5.4.5R* and in addition:

- (1) ...
- (2) ~~M~~must be able to demonstrate to the *FSA* ...

...

5.5.1 R An *issuer* of *shares* must, if it acquires or disposes of its own *shares*, either itself or through a *person* acting in his own name but on the *issuer's* behalf, make public the percentage of voting rights attributable to those *shares* it holds as a result of the transaction as a whole, as soon as possible, but not later than four *trading days* following such acquisition or disposal where that percentage reaches, exceeds or falls below the thresholds of 5% or 10%

of the voting rights.

...

...

5.8.9 G The FSA ~~maintains and publishes~~ provides a link to ~~on its website at www.fsa.gov.uk~~ a calendar of *trading days* through its website at www.fsa.gov.uk which applies in the *United Kingdom* for the purposes of this chapter.

...

...

5.11 Non EEA ~~s~~State issuers

...

DTR TP 1 Transitional provisions

(1)	(2) Material to which transitional provision applies	(3)	(4) Transitional Provision	(5) Transitional Provision: Dates in force	(6) Handbook Provision: Coming into force
3	...				
3A	4.1.6 and 4.2.4	R	<u>An issuer whose registered office is in a third country is exempt from the requirement to prepare its consolidated accounts in accordance with IFRS or IAS prior to financial years starting on or after 1 January 2009, provided that it prepares its annual consolidated financial statements and half yearly consolidated financial statements in accordance the accounting standards of a third country and provided that one of the following conditions is met:</u> <u>(a) the notes to the financial statements contain an explicit and unreserved statement that they comply with International Financial Reporting Standards in accordance with IAS 1 Presentation of Financial Statements;</u> <u>(b) the financial statements are prepared in accordance with the Generally Accepted Accounting Principles of either Canada, Japan or the United States of America;</u> <u>(c) the financial statements are</u>	6 April 2007 – <u>issuer's financial year starting on or after 1 January 2009</u>	20 January 2007

			<p><u>prepared in accordance with the Generally Accepted Accounting Principles of a third country other than Canada, Japan or the United States and the following conditions are satisfied:</u></p> <p><u>(i) the third country authority responsible for the national accounting standards in question has made a public commitment, before the start of the financial year to which the financial statements relate, to converge those standards with International Financial Reporting Standards;</u></p> <p><u>(ii) that authority has established a work programme which demonstrates the intention to progress towards convergence before 31 December 2008; and</u></p> <p><u>(iii) the issuer provides evidence that satisfies the competent authority that the conditions in (i) and (ii) are met.</u></p> <p><u>[Note: article 1 of Commission Decision of 4 December 2006 (2006/891/EC)]</u></p>		
...					
8	5.8.11 <u>5.8.12</u>	R	Notwithstanding DTR 5.8.11 <u>5.8.12R</u> ...	From 20 January 2007	