

Guidance notes for MIFIDPRU 9 Annex 2G

MIF001 – Adequate financial resources (Own funds)

Introduction

This data item provides the FCA with information on the solvency of an FCA investment firm. It is intended to reflect the underlying adequate financial resources requirements contained in MIFIDPRU and allows monitoring against the requirements set out there, and also against those individual requirements placed on firms. We have provided references to the underlying rules to assist completion of this data item.

This data item applies to all FCA investment firms. In the text below we have identified where particular data elements do not apply to all firms.

Consolidated reports

This form applies to both individual FCA investment firms and to consolidation groups. If completed on behalf of a consolidation group, it should be completed on the basis of the consolidated situation and references to an FCA investment firm should be taken to refer to the situation that would result if the consolidation group were treated as a single large FCA investment firm. Firms should refer to MIFIDPRU 2.5 for further information on how MIFIDPRU applies on a consolidated basis.

Currency

All figures should be reported in Sterling. Figures should be reported in 000s.

Defined Terms

The descriptions indicated in these notes are designed simply to repeat, summarise or amplify the relevant statutory or other definitions and terminology, including, where appropriate, the FCA investment firm's accounting framework, without departing from their full meaning or effect.

The terms used in this guidance note have the same meaning as the terms used in MIFIDPRU. Defined terms are not italicised in this note.

Data elements

These are referred to by row first, then column.

Basis of completion

1A – Basis of completion

Is the MIF001 report on behalf of a consolidation group? Enter 'Yes' in this cell if the report is being completed by a prudential consolidation group.

2A – Details of other firms within the group

If the answer to cell 1A is yes, please list the firm reference numbers (FRN) of all FCA regulated entities in the consolidated situation, and the group reference number, if applicable.

Own funds held

This section applies to all FCA investment firms.

FCA investment firms are required to hold own funds in excess of their own funds threshold requirement. Own funds held to meet the own funds threshold requirement must be made up of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital.

3A – Common Equity Tier 1 capital

FCA investment firms should enter the amount of CET1 capital they hold for their own funds. CET1 capital should be calculated in accordance with Article 50 of the UK CRR as applied and modified by Section 3.3 of MIFIDPRU – Common equity tier 1 capital. This cell must always be completed with a positive number.

4A – Additional Tier 1 capital

FCA investment firms should enter the amount of AT1 capital they hold for their own funds. AT1 capital should be calculated in accordance with Article 61 of the UK CRR as applied and modified by Section 3.4 of MIFIDPRU – Additional tier 1 capital.

FCA investment firms are not required to hold/issue AT1 capital. If no AT1 has been issued or is held, enter a zero in this cell.

5A – Tier 2 capital

FCA investment firms should enter the amount of T2 capital they hold for their own funds. T2 capital should be calculated in accordance with Article 71 of the UK CRR as applied and modified by Section 3.5 of MIFIDPRU – Tier 2 capital.

FCA investment firms are not required to hold/issue T2 capital. If no T2 has been issued or is held, enter a zero in this cell.

6A – total annual fixed overheads

The fixed overheads requirement is one quarter of the FCA investment firm's previous financial year's annual relevant expenditure after the distribution of profits. The annual relevant expenditure should be calculated in accordance with MIFIDPRU 4.5. The number entered should be the total annual relevant expenditure, not the fixed overheads requirement.

If there has been a material increase to the FCA investment firm's relevant expenditure during the year (as specified in MIFIDPRU 4.5), the revised projected relevant expenditure should be included here.

If there has been a material decrease in the FCA investment firm's relevant expenditure during the year (as specified in MIFIDPRU 4.5), the revised projected relevant expenditure should only be included here if the firm has obtained permission from the FCA to substitute a reduced fixed overheads requirement based on that relevant expenditure.

7A – variation in fixed overheads

FCA investment firms should select 'Yes' if its FOR has changed due to a material change in its business model (as defined in MIFIDPRU 4.5). If this is the case, the number entered into cell A6 should be the equivalent annual relevant expenditure for the FCA investment firm's amended FOR.

8A – Permanent minimum requirement (PMR)

If completed on an individual basis, FCA investment firms should enter one of the following numbers:

- 75 if the firm has a PMR of £75,000
- 150 if the firm has a PMR of £150,000
- 750 if the firm has a PMR of £750,000

Where a transitional provision allows an FCA investment firm to substitute an alternative PMR, this figure should reflect its standard requirement (and not the alternative lower figure under the transitional provision).

If completed on a consolidated basis, FCA investment firms should enter the consolidated PMR, calculated in accordance with MIFIDPRU 2.5.27R.

K-factor requirements

This section does not apply to SNI firms and these firms should leave it blank. Where a non-SNI firm does not have permission to carry out the relevant activity, the cell should be left blank.

In this section, non-SNI firms should provide the relevant K-factor requirement. Values should be provided in thousands, rather than units.

For example, if the firm has calculated its average AUM to be £1 million, its K-AUM requirement is £200. The number to be entered in cell 10A is 0.2.

9A – Total K-factor requirement

FCA investment firms should enter the total amount of their K-factor requirement. This figure should be the sum of cells 10A to 23A.

10A – K-AUM

FCA investment firms should input their K-AUM requirement calculated in accordance with MIFIDPRU 4.7.

11A –K-CMH (segregated)

FCA investment firms should enter their K-CMH requirement for segregated accounts, calculated in accordance with MIFIDPRU 4.8.

A segregated account is defined in the Handbook Glossary.

12A –K-CMH (non-segregated)

FCA investment firms should enter their K-CMH requirement for non-segregated accounts, calculated in accordance with MIFIDPRU 4.8.

A non-segregated account is an account that does not satisfy the conditions to be a segregated account.

13A – K-ASA

FCA investment firms should enter their K-ASA requirement calculated in accordance with MIFIDPRU 4.9.

Client orders handled

14A – K-COH (cash trades)

FCA investment firms should enter their K-COH requirement for cash trades calculated in accordance with MIFIDPRU 4.10.

15A – K-COH (derivative trades)

FCA investment firms should enter their K-COH requirement for derivatives trades calculated in accordance with MIFIDPRU 4.10.

Daily Trading Flow

16A – K-DTF (cash trades)

FCA investment firms should enter the value of their K-DTF requirement for cash trades calculated in accordance with MIFIDPRU 4.15.

17A – this cell has been deliberately left blank

18A – K-DTF (derivative trades)

FCA investment firms should enter the value of their K-DTF requirement for derivative trades calculated in accordance with MIFIDPRU 4.15.

19A – this cell has been deliberately left blank

20A – K-NPR (K-factor requirement)

FCA investment firms should enter the capital requirement calculated for net position risk in accordance with MIFIDPRU 4.12.

21A – K-CMG

FCA investment firms should enter the total capital requirement calculated for K-CMG in accordance with MIFIDPRU 4.13. The value given shall be the sum of the individual K-CMG requirements for each portfolio for which the firm has obtained a K-CMG permission from the FCA.

22A – K-TCD

FCA investment firms should enter their total capital requirement calculated for K-TCD in accordance with MIFIDPRU 4.14.

23A – K-CON

FCA investment firms should enter their total own funds requirement calculated for K-CON in accordance with MIFIDPRU 5.7.

Transitional requirements

This section applies to all FCA investment firms if they are relying on transitional provisions to limit their own funds requirement. Firms that are not relying on transitional provisions should leave these fields blank.

24A – Transitional requirement

FCA investment firms should enter the current amount of any transitional own funds requirement.

Note, that where an FCA investment firm changes its permissions during this period in a manner that would result in an increase in its permanent minimum requirement under MIFIDPRU, it will no longer be able to take advantage of any transitional provisions that limit its permanent minimum own funds requirement. Before the FCA will grant any change in permission, it will assess whether the investment firm is able to meet the full permanent minimum own funds requirement and any other additional requirements that may apply as a result of the change.

25A – Basis of transitional

FCA investment firms should identify by reference to the relevant provision in MIFIDPRU the transitional provision or provisions they are relying on for their own funds requirement entered in cell 24A.

Own funds threshold requirement/wind-down trigger

This section applies to all FCA investment firms.

26A – Own funds threshold requirement

An FCA investment firm should enter the higher of:

- its own assessment of its own funds threshold requirement as determined through the ICARA process (MIFIDPRU 7.6) or
- the amount specified by the FCA to be its own funds threshold requirement

It is possible that both the FCA investment firm and the FCA have determined that no additional own funds are required to that set by the MIFIDPRU 4 requirements. In this case, the FCA investment firm should enter the higher of its PMR, its FOR and its KFR (where this applies).

27A – Own funds wind-down trigger

An FCA investment firm should enter its Fixed Overhead Requirement unless the FCA has specified an alternative own funds wind-down trigger.