

**PRA RULEBOOK: ADMINISTRATION INSTRUMENT (No. 1) 2015****Powers exercised**

- A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (The PRA's general rules); and
  - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Administration Instrument (No. 1) 2015**

- D. The rules in the Parts of the PRA Rulebook listed in column (1) below are amended in accordance with the Annexes to this instrument listed column (2).

(1)	(2)
Internal Capital Adequacy Assessment	A
Definition of Capital	B
Capital Buffers	C

**Commencement**

- E. This instrument comes into force on 31 March 2015.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Administration Instrument (No. 1) 2015.

**By order of the Board of the Prudential Regulation Authority**

30 March 2015

## Annex A

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Part

## **INTERNAL CAPITAL ADEQUACY ASSESSMENT**

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### **1 APPLICATION AND DEFINITIONS**

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*parent financial holding company in a Member State*

means (in accordance with point (26) of Article ~~43~~(1) of the CRD) a *financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

*parent institution in a Member State*

means (in accordance with point (24) of Article ~~43~~(1) of the CRD) an *institution* authorised in an *EEA State* which has an *institution* or *financial institution* as *subsidiary* or which holds a *participation* in such an *institution* or *financial institution*, and which is not itself a *subsidiary* of another *institution* authorised in the same *EEA State* or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

*parent mixed financial holding company in a Member State*

means (in accordance with point (28) of Article ~~43~~(1) of the CRD) a *mixed financial holding company* which is not itself a *subsidiary* of an *institution* authorised in the same *EEA State*, or of a *financial holding company* or *mixed financial holding company* set up in the same *EEA State*.

## Annex B

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## Part

**DEFINITION OF CAPITAL**

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- 2.1 For the purposes of calculating *own funds* on an individual basis and a *sub-consolidated basis*, *firms* subject to supervision on a *consolidated basis* must deduct at least the relevant percentage of holdings of *own funds instruments* issued by *financial sector entities* included in the scope of consolidated supervision in accordance with Part Two of the *CRR*, except where the exception in 2.3 or 2.67 applies.

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- 4.9 For the purposes of this Chapter and in relation to a *firm*, a connected party means another person (“P”) in respect of whom the *firm* has not been permitted to apply the individual consolidation method under Article 89 of the *CRR* and one of the following applies:
- (1) P is closely related to the *firm*;
  - (2) P is an associate of the *firm*; or
  - (3) the same persons significantly influence the *management body* of P and the *firm*.

## Annex C

In this Annex new text is underlined and deleted text is struck through.

## Part

**CAPITAL BUFFERS**

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5.4 A *UK designated investment firm* controlled by a *parent financial holding company in a Member State* or a *parent mixed financial holding company in a Member State* must comply with this Part on the basis of the *consolidated situation* of that holding company, if:

(1) there is no *subsidiary* of the holding company which is a *credit institution* to which 5.3 applies; and

(2) the *PRA* is responsible for the supervision of the *UK designated investment firm* on a *consolidated basis* under Article 111 of the *CRD*.