PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND INVESTMENT FIRMS (LIQUIDITY) (CONSEQUENTIAL AMENDMENTS) INSTRUMENT 2009

Powers exercised

A. The Financial Services Authority 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 138 (General rule-making power);
(2) section 149 (Evidential provisions);
(3) section 150(2) (Actions for damages);
(4) section 156 (General supplementary powers); and
(5) section 157(1) (Guidance).

B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force as follows:

(1) Annex F (IPRU(BSOC)) comes into force on 1 June 2010;
(2) the remainder of this instrument comes into force on 1 December 2009.

Amendments to the Handbook

D. The modules of the FSA's 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 sourcebook (SYSC)	Annex B
General Prudential sourcebook (GENPRU)	Annex C
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex D
Interim Prudential sourcebook for Banks (IPRU(BANK))	Annex E
Interim Prudential sourcebook for Building Societies (IPRU(BSOC))	Annex F
Supervision manual (SUP)	Annex G

Revocation of Interim Prudential sourcebook for Banks (IPRU(BANK))

E. The provisions of the Interim Prudential sourcebook for Banks (IPRU(BANK)) are revoked with effect from 1 November 2010.

Citation

F. This instrument may be cited as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (Liquidity) (Consequential Amendments) Instrument 2009.

By order of the Board
27 November 2009

Annex A

Amendments to the Glossary of definitions

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

contingency funding plan	<u>(1)</u>	<u>(in *SYSC* 11)</u> a plan for taking action to ensure that a *firm* has adequately liquid financial resources to meet its liabilities as they fall due, prepared under *SYSC* 11.1.24E.
	<u>(2)</u>	<u>(in *BIPRU* 12) a plan for dealing with liquidity crises as required by *BIPRU* 12.4.10R.</u>

Annex B

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

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

11 Liquidity risk systems and controls

11.1 Application

11.1.1 R *SYSC* 11 applies to an *insurer*, unless it is:

(1) ~~an *insurer*, unless it is an *EEA-deposit insurer* or a *Swiss general insurer*;~~ a *non-directive friendly society*; or

(2) ~~a *BIPRU firm*;~~ a *Swiss general insurer*; or

(3) ~~an *incoming EEA firm* which:~~

~~(a) is a *full BCD credit institution*; and~~

~~(b) has a *branch* in the *United Kingdom*;~~ an *EEA-deposit insurer*; or

(4) ~~a *third country BIPRU firm* which:~~

~~(a) is a *bank*; and~~

~~(b) has a *branch* in the *United Kingdom*~~ an *incoming EEA firm*; or

(5) an *incoming Treaty firm*.

~~[**Note**: first paragraph of article 41 of the *Banking Consolidation Directive*]~~

11.1.2 R ~~If this chapter applies because the *firm* has a *branch* in the *United Kingdom* (see *SYSC* 11.1.1R(3) or *SYSC* 11.1.1R(4)), *SYSC* 11 applies only with respect to the *branch*.~~ [deleted]

11.1.3 R ~~*SYSC* 11 applies to an *incoming EEA firm* only to the extent that the relevant matter is not reserved by the relevant *Single Market Directive* to the *firm's Home State regulator*.~~ [deleted]

11.1.4 R ~~*SYSC* 11 does not apply to:~~

~~(1) a *non-directive friendly society*; or~~

~~(2) a *UCITS qualifier*; or~~

		~~(3)~~	~~an *ICVC*; or~~
		~~(4)~~	~~an *incoming EEA firm* (unless it has a *branch* in the *United Kingdom* - see *SYSC* 11.1.1R(3)); or~~
		~~(5)~~	~~an *incoming Treaty firm*; or~~
		~~(6)~~	~~an *incoming ECA provider* acting as such.~~ [deleted]
11.1.5	G	(1)	~~*SYSC* 11.1.11R and *SYSC* 11.1.12R apply only to a *BIPRU firm*.~~ [deleted]
		(2)	~~*SYSC* 11.1.26G to *SYSC* 11.1.32G do not apply to *insurers*.~~ [deleted]

…

11.1.10	G	~~*SYSC* 11.1.11R and *SYSC* 11.1.12R implement the specific *liquidity risk* requirements of the *BCD*.~~ [deleted]
		~~Requirements~~
11.1.11	R	~~A *BIPRU firm* must have policies and processes for the measurement and management of its net funding position and requirements on an ongoing and forward looking basis. Alternative scenarios must be considered and the assumptions underpinning decisions concerning the net funding position must be reviewed regularly.~~ ~~[**Note:** annex V paragraph 14 of the *Banking Consolidation Directive*]~~ [deleted]
11.1.12	R	~~A *BIPRU firm* must have contingency plans in place to deal with liquidity crises.~~ ~~[**Note:** annex V paragraph 15 of the *Banking Consolidation Directive*]~~ [deleted]
11.1.13	G	An *insurer* is also required to comply with the requirements in relation to *liquidity risk* set out in *INSPRU* 4.1.
11.1.14	G	~~*SYSC* 4.1.1R requires a *BIPRU firm* to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to. A *BIPRU firm* is required by *SYSC* 7.1.2R to establish, implement and maintain adequate risk management policies and procedures, including effective procedures for risk assessment. *Liquidity risk* is one of the risks covered by both of those requirements.~~ [deleted]
11.1.15	G	~~A *UK bank*, a *branch* of an *EEA bank* and a *branch* of an *overseas bank* is required in *IPRU(BANK)* GN 3.4.3 to set out its policy on the management of its liquidity. *Guidance* on a bank's liquidity policy statement is given in *IPRU(BANK)* LM Section 10. *Guidance* on a bank's management of *liquidity risk* is given in *IPRU(BANK)* LM Sections 2 and 9.~~ [deleted]

11.1.16 G ~~A *building society* is required by *IPRU(BSOC)* 5.2.7R to maintain a board-approved policy statement on liquidity. *Guidance* on a *building society's* liquidity policy statement is given in *IPRU(BSOC)* 5.2.8 and *IPRU(BSOC)* Annex 5B *Guidance* on a *building society's* management of *liquidity risk* is given in *IPRU(BSOC)* Sections 5.3 to 5.8.~~ [deleted]

…

Contingency funding plans

…

11.1.24 E …

(3) ~~The *contingency funding plan* of a *firm* described in *SYSC* 11.1.1R(2) to *SYSC* 11.1.1R(4) should cover the extent to which the actions in (1) include:~~

~~(a)~~ ~~selling, using as *collateral* in secured funding (including repo), or securitising, its assets;~~

~~(b)~~ ~~otherwise reducing its assets;~~

~~(c)~~ ~~modifying the structure of its liabilities or increasing its liabilities; and~~

~~(d)~~ ~~the use of committed facilities.~~ [deleted]

...

…

~~Management information systems~~

11.1.26 G ~~A *firm* should have adequate information systems for controlling and reporting *liquidity risk*. The management information system should be used to check for compliance with the *firm's* established policies, procedures and limits.~~ [deleted]

11.1.27 G ~~Reports on *liquidity risk* should be provided on a timely basis to the *firm's governing body*, senior management and other appropriate personnel. The appropriate content and format of reports depends on a *firm's* liquidity management practices and the nature, scale and complexity of the business. Reports to the *firm's governing body* may be less detailed and less frequent than reports to senior management with responsibility for managing *liquidity risk*.~~ [deleted]

11.1.28 G ~~The *FSA* would expect management information to normally contain the following:~~

~~(1)~~ ~~a cash-flow or funding gap report;~~

~~(2) a funding maturity schedule;~~

~~(3) a list of large providers of funding; and~~

~~(4) a limit monitoring and exception report.~~ [deleted]

11.1.29 G ~~When considering what else might be included in *liquidity risk* management information, a *firm* should consider other types of information that may be important for understanding its *liquidity risk* profile. This may include:~~

~~(1) asset quality and trends;~~

~~(2) any changes in the *firm's* funding strategy;~~

~~(3) earnings projections; and~~

~~(4) the *firm's* reputation in the market and the condition of the market itself.~~ [deleted]

~~Limit setting~~

11.1.30 G ~~A *firm's* senior management should decide what limits need to be set, in accordance with the nature, scale and complexity of its activities. The structure of limits should reflect the need for a *firm* to have systems and controls in place to guard against a spectrum of possible risks, from those arising in day-to-day *liquidity risk* management to those arising in stressed conditions.~~ [deleted]

11.1.31 G ~~A *firm's* should periodically review and, where appropriate, adjust its limits when conditions or risk tolerances change~~. [deleted]

11.1.32 G ~~Policy or limit exceptions should receive the prompt attention of the appropriate management and should be resolved according to processes described in approved policies.~~ [deleted]

Annex C

Amendments to the General Prudential sourcebook (GENPRU)

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

Part 1

Outline of other related provisions

…

1.2.21 G (1) *SYSC* 11 sets out material on systems and controls that apply specifically to *liquidity risk* as that concept relates to an *insurer*.

…

(2A) *BIPRU* 12 sets out material on systems and controls that apply specifically to *liquidity risk* in relation to a *BIPRU firm*, a *branch* of an *incoming EEA firm* that is a *full BCD credit institution* and a *branch* of a *third country BIPRU firm* that is a *bank.*

…

(4) *SYSC* 11.1.21 E is an *evidential provision* relating to the *general stress and scenario testing rule* concerning stress testing and scenario analyses. *SYSC* 11.1.24 E is an *evidential provision* relating to the *overall Pillar 2 rule* about *contingency funding plans*. Both of these *evidential provisions* apply only to an *insurer* to which that section of *SYSC* applies.

...

…

Additional guidance on stress tests and scenario analyses

…

1.2.78 G Additional *guidance* in relation to stress tests and scenario analysis for *liquidity risk* as that concept relates to an *insurer* is available in *SYSC* 11 (Liquidity risk systems and controls). *BIPRU* 12 sets out the main *Handbook* provisions in relation to *liquidity risk* for a *BIPRU firm.*

…

Part 2

(This Part is referred to in the new Transitional Provisions for BIPRU: see Annex D to this instrument.)

Application

1.2 Adequacy of financial resources

Application

1.2.1 R This section applies to:

(1) a *BIPRU firm*; <u>and</u>

(2) an *insurer*, unless it is:

(a) a *non-directive friendly society*; or

(b) a *Swiss general insurer*; or

(c) an *EEA-deposit insurer*; or

(d) an *incoming EEA firm*; or

(e) an *incoming Treaty firm*<u>.</u>~~; and~~

(3) ~~a *firm* to which *GENPRU* 1.2.2R applies.~~ <u>[deleted]</u>

1.2.2 R ~~The *firms* referred to in *GENPRU* 1.2.1R(3) are:~~

~~(1)~~ ~~an *incoming EEA firm* which:~~

~~(a)~~ ~~is a *full BCD credit institution*; and~~

~~(b)~~ ~~has a *branch* in the *United Kingdom*; and~~

~~(2)~~ ~~a *third country BIPRU firm* which:~~

~~(a)~~ ~~is a *bank*; and~~

~~(b)~~ ~~has a *branch* in the *United Kingdom*.~~ <u>[deleted]</u>

<u>1.2.2A</u> <u>R</u> <u>In relation to any provision in this section which applies to a *BIPRU firm*, a reference in that provision to “financial resources” does not constitute a reference to “liquidity resources”.</u>

1.2.3 R ~~This section applies to a *firm* in *GENPRU* 1.2.2R in relation to *liquidity risk* only. Accordingly, for such a *firm*, the systems, processes and resources required by this section are only those that are required with respect to *liquidity risk*.~~ <u>[deleted]</u>

1.2.3A G In relation to:

(1) a *BIPRU firm*;

(2) an *incoming EEA firm* which:

(a) is a *full BCD credit institution*; and

(b) has a *branch* in the *United Kingdom*; and

(3) a *third country BIPRU firm* which:

(a) is a *bank*; and

(b) has a *branch* in the *United Kingdom*;

BIPRU 12 contains *rules* and *guidance* in relation to the adequacy of that *firm's* liquidity resources.

1.2.4 R ~~For a *firm* described in *GENPRU* 1.2.2R, this section applies only with respect to the *branch*.~~ [deleted]

1.2.5 R ~~This section applies to an *incoming EEA firm* only to the extent that the relevant matter is not reserved by the relevant *Single Market Directive* to the *firm's Home State regulator*.~~ [deleted]

…

1.2.7 G The *guidance* in this section is drafted with respect to a *firm* to which this section and the other provisions of *GENPRU* and *BIPRU* (except *BIPRU* 12) referred to in this section apply in full. ~~The *guidance* in this section is also applicable to a *firm* that falls into *GENPRU* 1.2.2R. However, the *guidance* in this section only applies to such a *firm* in respect of *liquidity risk* and it should be read accordingly.~~

1.2.8 G ~~In the case of an *incoming EEA firm* that is a *full BCD credit institution* and of a *third country BIPRU firm* that is a *bank*, this section only applies to its *United Kingdom branch*. However, as a *branch* is not itself a legal entity separate from the rest of a *firm*, his restriction does not mean that the rest of the *firm* can necessarily be left out of account when considering compliance with this section. For example, the availability of the *branch's* liquidity resources may be affected by general liquidity problems in the *firm*. Similarly, there may be liquidity resources elsewhere in the *firm* that are available to meet liquidity problems in the *branch*.~~ [deleted]

1.2.9 G ~~One factor that may affect the degree to which it is necessary to take into account the *firm* as a whole is the extent to which the *firm* manages the liquidity of the *branch* on an autonomous basis, or includes the *branch* within integrated liquidity management of the *firm* as a whole. In the latter case, the requirement in the *general stress and scenario testing rule*,~~

~~insofar as it applies to liquidity, to carry out scenario analyses may be satisfied by the *firm* meeting similar requirements set by the regulator in its home country in respect of the *firm* as whole, provided that the *firm* separately identifies the impacts on the *United Kingdom branch* of the scenarios analysed. However, in the case of an *incoming EEA firm*, the application of this section is further restricted by *GENPRU* 1.2.5R.~~ [deleted]

…

1.2.11 G The adequacy of a *firm's* financial resources needs to be assessed in relation to all the activities of the *firm* and the risks to which they give rise and so~~, except as described in *GENPRU* 1.2.8G,~~ this section applies to a *firm* in relation to the whole of its business. In the case of a *UCITS investment firm* this means that this section is not limited to *designated investment business* excluding *scheme management activity*. It also applies to *scheme management activity* and to activities that are not *designated investment business*.

Purpose

…

1.2.13 G This section amplifies *Principle* 4, under which a *firm* must maintain adequate financial resources. It is concerned with the adequacy of the financial resources that a *firm* needs to hold in order to be able to meet its liabilities as they fall due. These resources include both capital and liquidity resources. As noted in *GENRPU* 1.2.3AG, however, the *FSA's rules* and *guidance* in relation to the adequacy of the liquidity resources of a *BIPRU firm* are set out in *BIPRU* 12.

…

Outline of other related provisions

…

1.2.21 G …

(2) ~~Chapters LM and LS of *IPRU(BANK)* contain *guidance* on the *overall financial adequacy rule* so far as it relates to adequate liquidity for *banks* and the *firms* to which *GENPRU* 1.2.2R (Application of this section to certain non-*EEA firms*) applies.~~ [deleted]

(3) ~~Chapter 5 of volume 1 of *IPRU(BSOC)* contains *guidance* and an *evidential provision* on the *overall financial adequacy rule* so far as it relates to adequate liquidity for a *building society*.~~ [deleted]

…

…

Requirement to have adequate financial resources

…

1.2.26A	G	*BIPRU* 12 contains *rules* and *guidance* in relation to the adequacy of a *BIPRU firm's* liquidity resources. Consistent with *GENPRU* 1.2.2AR, in assessing the adequacy of its liquidity resources, a *BIPRU firm* should do so by reference to the *overall liquidity adequacy rule*, rather than the *overall financial adequacy rule*.

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, unless otherwise stated.

The definition of a BIPRU firm

…

1.1.9 G *EEA firms* are subject to the prudential standards of their home state regulator. But the *Banking Consolidation Directive* permits a host state *competent authority* to require a *BCD credit institution* to meet certain standards relating to its liquidity. The *FSA's* approach to liquidity for such *firms* is set out in ~~*IPRU(BANK)* and *SYSC* 11 (Liquidity risk systems and controls)~~ *BIPRU* 12.

1.1.10 G …

(5) An *overseas firm* that is subject to equivalent supervision is subject to the *threshold conditions* and the *Principles*. *BIPRU* and *GENPRU* do not generally apply. However ~~*GENPRU* 1.2 (Adequacy of financial resources)~~ *BIPRU* 12 applies to a *credit institution* with respect to liquidity risk in relation to its *United Kingdom branch*.

In BIPRU 12.6.17G delete the equation and replace it with the following. The text is not underlined.

$\text{Liquidity Buffer} \geq \text{Wholesale net cash outflow component} + \text{Retail deposit component} + \text{Credit pipeline component}$	
Liquidity buffer	$\mathrm{FSA048}_{18,1} + FSA048_{19,1} + FSA048_{6,1} + FSA048_{6,2} + \inf f(x) : x = 1,2,3..y$ $where:$ $f(x) = \sum_{m=1}^{x} FSA047_{6,m}$
Retail deposit component	$\left(0.2 \times \sum_{m=1}^{10} \mathrm{FSA048}_{54,m}\right) + \left(0.1 \times \sum_{m=1}^{10} \mathrm{FSA048}_{55,m}\right)$
Credit pipeline component	$0.25 \times \left(\sum_{n=59}^{69} \mathrm{FSA048}_{n,1}\right)$

<table>
<tr>
<td>Wholesale net cash outflow component</td>
<td>$$\left|\min\left(0,\left(\sum_{n=44}^{51} FSA048_{n,1}\right)+\left(\sum_{n=52}^{53}\sum_{m=1}^{5} FSA048_{n,m}\right)+FSA048_{56,1}+\inf\left\{g(x) : x=1,2,3\ldots y\right\}\right)\right|$$
$where:$
$$g(x)=\sum_{m=1}^{y}\left[\left(\sum_{n=20}^{22} FSA047_{n,m}\right)+\left(\sum_{n=26}^{30} FSA047_{n,m}\right)+\left(\sum_{n=35}^{51} FSA047_{n,m}\right)+FSA047_{57,m}\right]$$</td>
</tr>
<tr>
<td colspan="2">$Where:$
$y =$ number of business days in three months

$FSAxxx_{i,j}$ = The entry in FSAXXX row i column j

$\inf\{f(x) : x = 1,2,3\}$ represents the greatest lower bound of the function f(x) over the range x = 1,2,3</td>
</tr>
</table>

After BIPRU TP 30, insert the following new transitional rules. The text is not underlined.

TP 31 Consequential changes to the Handbook occasioned by BIPRU 12: all firms to which BIPRU 12 applies

Application

31.1 R *BIPRU* TP 31 applies to a *firm* which as at 1 December 2009 falls into *BIPRU* 12.1.1R.

31.2 G The Prudential Sourcebook for Banks, Building Societies and Investment Firms (Liquidity) (Consequential Amendments) Instrument 2009 (FSA 2009/68) comes into force on 1 December 2009 (with the exception of Annex F which comes into force on 1 June 2010). The effect of *BIPRU* TP 26 is that the quantitative aspects of *BIPRU* 12 are disapplied for a period following 1 December 2009, the exact period of disapplication varying according to the type of *firm* in question. As a result of the phased application of the quantitative aspects of *BIPRU* 12, the associated consequential *Handbook* changes are also phased. *BIPRU* TP 31 deals with the phasing of those consequential *Handbook* changes.

Transitional provisions

31.3

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the		Transitional Provision	Transitional provision:	Handbook provisions:

	transitional provision applies			dates in force	coming into force
1	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 30 November 2009 calculates its liquidity resources in accordance with Chapter LS of *IPRU(BANK)*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 31 May 2010	1 December 2009
2	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	Subject to (3), in relation to a *firm* which as at 30 November 2009 calculates its liquidity resources in accordance with *IPRU(BSOC)*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 31 May 2010	1 December 2009
3	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 30 November 2009 calculates its liquidity resources in accordance with *IPRU(BSOC)* and which as at 1 June 2010 has a *simplified ILAS waiver*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 30 September 2010	1 December 2009
4	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 30 November 2009 calculates its liquidity resources in accordance with Chapter LM of *IPRU(BANK)* and which is not an *incoming EEA firm* or a *third country BIPRU firm*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 30 September 2010	1 December 2009
5	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 30 November 2009 calculates its liquidity resources in accordance with Chapter LM of *IPRU(BANK)* and which is an *incoming EEA firm* or a *third country BIPRU firm*, the changes effected by the Annex listed in column (2) do not	1 December 2009 until 31 October 2010	1 December 2009

			apply.		
6	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to an *incoming EEA firm* or a *third country BIPRU firm* which as at 30 November 2009 has a Global Liquidity Concession, the changes effected by the Annex listed in column (2) do not apply.	1 December until 31 October 2010 or, if earlier, the date on which the *firm* ceases to have a Global Liquidity Concession	1 December 2009
7	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 1 December 2009 is a *full scope BIPRU investment firm* and which is also an *ILAS BIPRU firm*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 31 October 2010	1 December 2009
8	The changes to *GENPRU* set out in Annex C (Part 2) to instrument FSA 2009/68.	R	In relation to a *firm* which as at 1 December 2009 is a *non-ILAS BIPRU firm*, the changes effected by the Annex listed in column (2) do not apply.	1 December 2009 until 31 October 2010	1 December 2009

TP 32 Consequential changes to the Handbook occasioned by BIPRU 12: simplified ILAS building societies

Application

32.1 R *BIPRU* TP 32 applies to a *firm* which:

(1) as at 30 November 2009 calculates its liquidity resources in accordance with *IPRU(BSOC)*; and

(2) as at 1 June 2010 has a *simplified ILAS waiver*.

Transitional provisions

32.2

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional Provision	Transitional provision: dates in force	Handbook provisions: coming into force
1	The changes to *IPRU(BSOC)* set out in Annex F to instrument FSA 2009/68.	R	The changes effected by the Annex listed in column (2) do not apply.	1 June 2010 until 30 September 2010	1 December 2009

Insert the following new entries into BIPRU Schedule 1 (Record keeping requirements) in the appropriate numerical position. The text is not underlined.

Record keeping requirements

Sch 1 Record keeping requirements

G

1 …				
2 …				
3 Table				
Handbook reference	Subject of Record	Contents of Record	When record must	Retention Period

			be made	
BIPRU 12.3.8R(1)	A *firm's liquidity risk* tolerance	An appropriately documented account of the *firm's liquidity risk* tolerance	Not specified	Not specified
BIPRU 12.4.13R	A *firm's contingency funding plan*	Formal documentation of the *contingency funding plan*	Not specified	Not specified
BIPRU 12.5.4R(2)	An *ILAS BIPRU firm's ILAA*	A written record of the *firm's ILAA*	Not specified	Not specified
BIPRU 12.5.13R(2)	*ILAA* methodology	Evidence supporting the behavioural assumptions that an *ILAS BIPRU firm* makes in carrying out its *BIPRU* 12.5.6R stress tests for the purpose of its *ILAA*	Not specified	Not specified
BIPRU 12.5.13R(3)	*ILAA* methodology	Evidence supporting an *ILAS BIPRU firm's* assessment of the adequacy of its liquidity buffer for the purpose of its *ILAA*	Not specified	Not specified
BIPRU 12.6.13R	The *simplified ILAS waiver* application	A written policy statement assessing the likelihood of withdrawal of retail *deposits* in the circumstances described in *BIPRU* 12.6.11R(2)(a)	Not specified	Not specified
BIPRU	A *simplified ILAS BIPRU*	A written record	Not	Not

12.6.21R	*firm's ILSA*	of the *firm's ILSA*	specified	specified
BIPRU 12.7.11R	Periodic realisation of assets	A written policy setting out the *firm's* approach to periodic realisation of its assets	Not specified	Not specified

Insert the following new entries into BIPRU Schedule 2 (Notification and reporting requirements) in the appropriate numerical position. The text is not underlined.

Notification and reporting requirements

Sch 2 Notification and reporting requirements

G

1 …				
2 …				
3 Table				
Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
BIPRU 12.4.9R	Results of the *BIPRU* 12.4 stress tests	The results referred to in column (2)	The carrying out of the *BIPRU* 12.4 stress tests	To be reported in a timely manner
BIPRU 12.6.13R(2)	A *simplified ILAS BIPRU firm's* policy statement prepared in accordance with *BIPRU* 12.6.13R	The policy statement referred to in column (2)	The *firm's* decision to apply for a *simplified ILAS waiver*	Prior to the *firm's* application for a *simplified ILAS waiver*
BIPRU 12.9.13R	The occurrence of any of the events identified in *BIPRU* 12.9.14R	Fact of occurrence and adequately reasoned explanation for the deviation	The occurrence of any of the events identified in *BIPRU* 12.9.14R	As soon as the *firm* becomes aware of the event in question

BIPRU 12.9.18R	A *firm's* liquidity remediation plan	The matters identified in *BIPRU* 12.9.18R	The occurrence of any of the events identified in *BIPRU* 12.9.14R	Within two days of the notification made under *BIPRU* 12.9.13R

Annex E

Amendments to the Interim Prudential sourcebook for Banks (IPRU(BANK))

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

LM

MISMATCH LIQUIDITY

1 INTRODUCTION

1.1 Legal sources

…

2 As part of the implementation of the recast Capital Adequacy Directive and the Banking Consolidation Directive in the UK from January 2007, provisions relating to a firm's systems and controls for liquidity risk ~~have been introduced in *SYSC* 11~~ are given effect in *BIPRU* 12.3 and provisions concerning stress testing and scenario analysis have been introduced in *BIPRU* 12.4 and *GENPRU* 1.2.30R. The relevant rules implement part of Article 22 and Annex V of the Banking Consolidation Directive. This chapter, ~~and~~ chapter LS and *BIPRU* 12.3 and 12.4 ~~sets~~ set out the FSA's framework for monitoring the liquidity of banks authorised for the purposes of the Act to determine whether the above requirements are met.

…

2 RATIONALE

…

2.2 How the FSA monitors liquidity

~~6~~ ~~The responsibility for ensuring a bank can meet its obligations as they fall due rests with the bank's own management. The bank should take account of its characteristics and position within the banking system in determining a prudent liquidity policy.~~ [deleted]

…

3 MAIN FEATURES OF THE LIQUIDITY POLICY

…

3.1 Main prudential policies applying to banks

...

3 ~~A bank should have adequate systems for monitoring liquidity on a daily basis.~~

~~(See *SYSC* 11)~~ [deleted]

3A ~~A bank should carry out stress testing and scenario analysis in relation to liquidity risk. (See *GENPRU* 1.2.26R and associated guidance, and *SYSC* 11).~~ [deleted]

3B ~~A bank should have a contingency funding plan. (see *SYSC* 11)~~ [deleted]

…

9 MONITORING LIQUIDITY

…

~~9.1.2 Systems for monitoring liquidity~~

2 ~~In order to be considered to be conducting its business in a prudent manner a bank must maintain adequate systems. A bank should therefore have in place systems which enable it to monitor its liquidity profile on a frequent and timely basis.~~

~~a) What in detail will be considered adequate systems depends on the nature of business conducted by the bank. But every bank should have systems in place that enables it to calculate its liquidity position on a daily basis.~~

~~b) The adequacy of the systems in place for monitoring liquidity is checked through the section 166 process and through review team visits.~~ [deleted]

10 POLICY STATEMENTS

…

4 The policy statement should consider the management of liquidity in both normal and abnormal circumstances. In particular, it should include details of the bank's contingency funding plan maintained as required by ~~*SYSC* 11.1.24E~~ *BIPRU* 12.4.10R.

…

LS

STERLING STOCK LIQUIDITY

1 INTRODUCTION

1.1 Legal sources

…

2 As part of the implementation of the recast Capital Adequacy Directive and the Banking Consolidation Directive in the UK from January 2007, provisions

relating to a firm's systems and controls for liquidity risk ~~have been introduced in *SYSC* 11~~ are given effect in *BIPRU* 12.3 and provisions concerning stress testing and scenario analysis are introduced in *BIPRU* 12.4 and *GENPRU* 1.2.30R. The relevant rules implement part of Article 22 and Annex V of the Banking Consolidation Directive. This chapter, ~~and~~ chapter LM and *BIPRU* 12.3 and 12.4 ~~sets~~ set out the FSA's framework for monitoring the liquidity of banks authorised for the purposes of the Act to determine whether the above requirements are met.

…

…

2 THE FSA'S APPROACH TO STERLING STOCK LIQUIDITY

1 Regardless of whether a bank reports on a mismatch basis or a stock liquidity basis, the same principles apply. Namely, prudent liquidity management (on the part of the bank) and liquidity monitoring. Details of these are outlined in Chapter LM on mismatch liquidity and *BIPRU* 12.3 and 12.4.

2 …

b) For the FSA's general approach to liquidity and the mismatch approach to liquidity management, see the chapter on mismatch liquidity and *BIPRU* 12.3 and 12.4.

…

3 MAIN FEATURES OF THE POLICY

This section should be read in conjunction with its equivalent section in the chapter on mismatch liquidity, which sets out the obligations in respect of liquidity, which apply to all authorised banks, and also in conjunction with the rules and guidance in *BIPRU* 12.3 and 12.4. The policy set out below replaces the framework for sterling maturity mismatches and applies only to UK-incorporated retail banks on a consolidated basis (unless otherwise agreed in writing with the FSA).

…

5 MONITORING LIQUIDITY

5.1 General

1 All banks are required to maintain a liquidity policy statement to the FSA. ~~They should also maintain adequate systems for monitoring liquidity.~~

a) ~~These are checked during the normal course of supervision by review team visits, treasury visits and reports under section 166 of the Act.~~ [deleted]

b) …

Annex F

Amendments to the Interim Prudential sourcebook for Building Societies (IPRU(BSOC))

In this Annex, the following sections and provisions of IPRU(BSOC) are deleted. The text of the deleted sections and provisions is not shown.

5 LIQUIDITY

CONTENTS

Interim Prudential Sourcebook for Building Societies

5 Liquidity

5.1 Introduction <u>[Deleted]</u>

5.1.1 G <u>[Deleted]</u>

5.1.1A G <u>[Deleted]</u>

5.1.2 G <u>[Deleted]</u>

5.2 Rules <u>[Deleted]</u>

…

5.2.4 E <u>[Deleted]</u>

5.2.5 G <u>[Deleted]</u>

5.2.6 G <u>[Deleted]</u>

5.2.7 R <u>[Deleted]</u>

5.2.8 G <u>[Deleted]</u>

<u>…</u>

5.3 The Prudential Regime for Liquidity

...

5.3.3 G <u>[Deleted]</u>

5.3.4 G <u>[Deleted]</u>

...

5.4 Short-term Liquidity <u>[Deleted]</u>

5.4.1 G <u>[Deleted]</u>

5.4.2 G <u>[Deleted]</u>

5.4.3 G <u>[Deleted]</u>

5.4.4 G [Deleted]

5.4.5 G [Deleted]

5.4.6 G [Deleted]

5.4.7 G [Deleted]

5.5 Supervisory Approach to Liquidity [Deleted]

5.5.1 G [Deleted]

5.5.2 G [Deleted]

…

5.7 Society-only Approach to Liquidity [Deleted]

5.7.1 G [Deleted]

…

ANNEX 5A

Prudential Liquidity

…

ANNEX 5B

Policy Statement on Liquidity

…

ANNEX 5C

Inter-society Holdings [Deleted]

5C.1 G [Deleted]

5C.2 G [Deleted]

5C.3 G [Deleted]

5C.4 G [Deleted]

5C.5 G [Deleted]

Annex G

Amendments to the Supervision manual (SUP)

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

13A Annex 1G Application of the Handbook to the Incoming EEA Firms

…		
(1) Module of Handbook	**(2) Potential application to an incoming EEA firm with respect to activities carried on from an establishment of the firm (or its appointed representative) in the United Kingdom**	**(3) Potential application to an incoming EEA firm with respect to activities carried on other than from an establishment of the firm (or its appointed representative) in the United Kingdom**
…		
SYSC	*SYSC 1* and *SYSC* 1 Annex 1 (Application of SYSC 2 and SYSC 3) contain application provisions only. *SYSC* 2 and *SYSC* 3 apply only to an *insurer*, a *managing agent* and the *Society* as set out in *SYSC* 1 Annex 1.1.1R, which include the following exceptions: (1) *SYSC* 2.1.1R(1) and *SYSC* 2.1.2G do not apply; (2) *SYSC* 2.1.3R to *SYSC* 2.2.3G apply, but only in relation to allocation of the function in *SYSC* 2.1.3R(2) and only in so far as responsibility for the matter in question is not reserved by a European Community instrument to the *firm's Home State regulator*; and (3) *SYSC* 3 applies, but only in so far as responsibility for the matter in question is not reserved by a European Community instrument to	*SYSC* 2 and *SYSC* 3 do not apply if the *firm* has *permission* only for *cross-border services* and does not carry on *regulated activities* in the *United Kingdom* (*SYSC* 1 Annex 1.1.1R). *SYSC* 2 and *SYSC* 3 have limited application for activities which are not carried on from a *UK* establishment (see *SYSC* 1 Annex 1.1.1R(2A)). Otherwise, see column (2). The *common platform requirements* in *SYSC* 4 - *SYSC* 10 apply as set out in *SYSC* 1 Annex 1.2.2R. *SYSC* 11 - *SYSC* 17 do not apply. *SYSC* 18 applies.

	the *firm's Home State regulator*. *SYSC* 1.1.7 R (Where?) further restricts the territorial application of *SYSC* 1 to *SYSC* 3 for an *incoming EEA firm*. Further *guidance* is contained in *SYSC* 2.1.6G, Question 12. *SYSC* 18 applies to the extent that the Public Interest Disclosure Act 1998 applies to the *firm*. The *common platform requirements* in *SYSC* 4 - 10 apply as set out in Part 2 of *SYSC* 1 Annex 1 (Application of the common platform requirement). *SYSC* 1 Annex 1.2.7G reminds *EEA MiFID investment firms* that they must comply with the *common platform record-keeping requirements* in relation to a *branch* in the *United Kingdom*. SYSC 9 applies to activities carried on from an establishment in the *United Kingdom*, unless another applicable *rule* which is relevant to the activity has a wider territorial scope, in which case the *common platform record-keeping requirements* apply with that wider scope in relation to the activity described in that *rule* (*SYSC* 1 Annex 1.2.17R). ~~*SYSC* 11 applies to an *incoming EEA firm* which:~~ ~~(1) is a *full BCD credit institution*; and~~ ~~(2) has a *branch* in the *United Kingdom* (*SYSC* 11.1.1 R (3)).~~ *SYSC* 12 does not apply (*SYSC* 12.1.3R).	

	SYSC 13 does not apply (*SYSC* 13.1.1G). *SYSC* 14 does not apply (*SYSC* 14.1.1R). *SYSC* 15 does not apply (*SYSC* 15.1.1G). *SYSC* 16 does not apply (*SYSC* 16.1.1G). *SYSC* 17 does not apply (*SYSC* 17.1.1G). *SYSC* 18 applies.	
…		
GENPRU	~~*GENPRU* applies only to the *firm's branch* in the *United Kingdom* in relation to *liquidity risk* only (*GENPRU* 1.2.3R and *GENPRU* 1.2.21G).~~ Does not apply.	Does not apply if the *firm* has *permission* only for *cross border services* and does not carry on *regulated activities* in the *United Kingdom*.
BIPRU	~~*BIPRU* does not apply as~~ *EEA firms* are subject to the prudential standards of their home state regulator (*BIPRU* 1.1.7R and *BIPRU* 1.1.9G). However, *BIPRU* 12 applies to an *EEA firm* as respects the activities of its *UK branch*, but in relation to *liquidity risk* only.	Does not apply if the *firm* has *permission* only for *cross border services* and does not carry on *regulated activities* in the *United Kingdom*.
…		

16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

...

FSA048 Enhanced Mismatch Report

…

53 SME deposits

A *firm* should report in this row all its deposits and account balances where the account holder is a *small* ~~*or*~~ *and medium-sized enterprise* (*SME*). A *firm* should also report here deposits and account balances where the account holder is a *partnership* or a *sole trader* which would be a *small and medium-sized enterprise* if it were a company.

…

57 Principal FX cash flows (including currency swaps)

…

For example, if a *firm* was completing this *data item* to show its contractual assets and liabilities denominated in *US dollars* and it had transacted a forward foreign exchange contract to ~~purchase~~ sell $75m against the ~~sale~~ purchase of an equivalent amount of another currency four months after the reporting date, it would enter -75,000 in column F and make no other entries.

…

Part 11 Assets included in Part 2 held under re-hypothecation rights

Rows 78 to 89 relate to securities reported in Part 2 of this *data item*, held as *clients'* assets or *derivative* net margin collateral received in relation to which the *firm* has re-hypothecation rights. Row 81 is intentionally left blank.

…