

**PRUDENTIAL SOURCEBOOK FOR BANKS, BUILDING SOCIETIES AND
INVESTMENT FIRMS (SHORT-TERM TRADE FINANCE TRANSACTIONS)
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 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) 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 on 31 December 2009.

Amendments to the Handbook

- D. The Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Prudential Sourcebook for Banks, Building Societies and Investment Firms (Short-Term Trade Finance Transactions) Instrument 2009.

By order of the Board
10 December 2009

Annex

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.

4.4.67 R ...

(10) Notwithstanding (2) and (9), M must be at least one-day for:

- (a) import letters of credit (including standby letters of credit issued for similar purposes) and acceptances under them;
- (b) export letters of credit confirmation and negotiation;
- (c) pre-shipment and post-shipment acceptances and financing;
- (d) export and import loans collateralised by underlying goods, up to a maximum maturity of 180 days; and
- (e) performance guarantees, bid bonds and other guarantees (including standby letters of credit issued for similar purposes) relating to the export and import of goods and services;

provided these exposures are not part of the firm's ongoing financing of the obligor.

...

4.4.69 G The last paragraph of paragraph 14 of Part 2 of Annex VII of the *Banking Consolidation Directive* says: "In addition, for other short-term exposures specified by the competent authorities which are not part of the credit institution's ongoing financing of the obligor, M shall be at least one-day. A careful review of the particular circumstances shall be made in each case." ~~The FSA has not at this stage specified any such short term exposure.~~ BIPRU 4.4.67R(10) is currently the only instance where the FSA has specified any such short-term exposures.

[**Note:** BCD Annex VII Part 2 point 14 (part)]