LIQUIDITY STANDARDS (MISCELLANEOUS AMENDMENTS NO 3) INSTRUMENT 2011

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 1 November 2011.

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
Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)	Annex B
Supervision manual (SUP)	Annex C

Citation

E.   This instrument may be cited as the Liquidity Standards (Miscellaneous Amendments No 3) Instrument 2011.

By order of the Board
22 September 2011

Annex A

Amendments to the Glossary of definitions

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

DLG by default	(in relation to a *UK ILAS BIPRU firm* (a *group liquidity reporting firm*) and any reporting period under *SUP* 16 (Reporting requirements)) the *firm* and each *person* identified in accordance with the following:

…

(b) (in a case in which the *firm* is not the only *UK ILAS BIPRU firm* in its *group*):

(i) each of those other *UK ILAS BIPRU ~~firm~~ firms*; and

(ii) each *person* identified by applying the tests in (a) separately to the *firm* and to each of those other *UK ILAS BIPRU firms*, so that applying (b) to the *firm* and to each of those *UK ILAS BIPRU firms* results in their having the same *defined liquidity group*:

(iii) no *DLG by default* exists where the *group* consists only of *UK ILAS BIPRU firms*.

…

low frequency liquidity reporting firm	any of the following:

(a) a *simplified ILAS BIPRU firm*; or

(b) a *standard ILAS BIPRU firm* whose most recent *annual report and accounts* show balance sheet assets of less than £~~1~~5 billion (or its equivalent in foreign currency translated into sterling at the balance sheet date); or

…

Annex B

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 credit pipeline component

12.6.15　R　The credit pipeline component is the sum represented by 25% of a *firm's* credit facilities offered to its ~~retail~~ *customers* but which are yet to be drawn down, including:

(1)　offers to make loans secured on residential property;

(2)　overdraft facilities; and

(3)　credit card facilities.

…

In the following provision, the text and formulae have been deleted and replaced with a new version. The old text is not shown, and the new text is not shown underlined.

12.6.17　G　In mathematical terms the calculation in *BIPRU* 12.6.9R and *BIPRU* 12.6.16R may be represented as follows:

Liquidity Buffer ≥ Wholesale net cash outflow component + Retail and SME deposit component + Credit pipeline component

Liquidity buffer	$FSA048_{18,1} + FSA048_{19,1} + FSA048_{6,1} + FSA048_{6,2} + FSA048_{25,2} + FSA048_{34,2}$ $+ \inf\{f(x): x = 1,2,3..y\}$ $where:$ $f(x) = \sum_{m=1}^{x} FSA047_{6,m} + \sum_{m=1}^{x} FSA047_{25,m} + \sum_{m=1}^{x} FSA047_{34,m}$
Retail and SME *deposit* component	$\left(0.2 \times \sum_{n=53}^{54} \sum_{m=1}^{10} FSA048_{n,m} \right) + \left(0.1 \times \sum_{m=1}^{10} FSA048_{55,m} \right)$
Credit pipeline component	$0.25 \times \left(\sum_{n=59}^{69} FSA048_{n,1} \right)$

Wholesale net cash outflow component	$$\left\|\min\left(\begin{array}{c}0,\left(\sum\limits_{n=20}^{22}FSA048_{n,1}\right)+\left(\sum\limits_{n=26}^{30}FSA048_{n,2}\right)+\left(\sum\limits_{n=35}^{39}FSA048_{n,2}\right)+\left(\sum\limits_{n=44}^{51}FSA048_{n,1}\right)+\\+\left(\sum\limits_{m=1}^{5}FSA048_{52,m}\right)+FSA048_{56,1}+\inf\{g(x):x=1,2,3...y\}\end{array}\right)\right\|$$ $where:$ $$g(x)=\sum\limits_{m=1}^{y}\left[\left(\sum\limits_{n=20}^{23}FSA047_{n,m}\right)+\left(\sum\limits_{n=26}^{30}FSA047_{n,m}\right)+\left(\sum\limits_{n=35}^{51}FSA047_{n,m}\right)+FSA047_{57,m}\right]$$

$Where:$

$y = $ number of business days in three months

$FSAxxx_{m,n} = $ The entry in FSAXXX row m column n

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

Amend the following as shown.

TP 30   **Liquidity floor for certain banks**

Application

30.1   R   *BIPRU* TP 30 applies to a *firm* which as at 1 December 2009 is a *standard ILAS BIPRU firm* and which as at 30 November 2009 calculated its liquidity resources in accordance with Chapter LM of *IPRU(BANK)*.

Duration of transitional provisions

30.2   R   *BIPRU* TP 30 applies:

         (1)   in the case of an *incoming EEA firm* or a *third country BIPRU firm*, from 1 November 2010 until the earlier of the date on which the *firm* receives *individual liquidity guidance* from the *FSA* and 30 November 2011 31 December 2012; and

         (2)   in the case of any other *firm*, from 1 October 2010 until the earlier of the date on which the *firm* receives *individual liquidity guidance* from the *FSA* and 30 November 2011 31 December 2012.

Transitional provisions

30.3 R A *standard ILAS BIPRU firm* falling into *BIPRU* TP 30.1 must ensure that at all times between 1 October 2010 or 1 November 2010 (as relevant) and the expiry of *BIPRU* TP 30 it maintains liquidity resources which are no less in amount than the higher of:

(1) the amount ~~its~~ it assesses as adequate in its *ILAA*; and

(2) the amount that it would have maintained during that period had it calculated its liquidity resources solely in accordance with Chapter LM of *IPRU(BANK)* in the form in which it appeared on 30 September 2010 or 31 October 2010 (as relevant).

Annex C

Amendments to the Supervision manual (SUP)

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

Regulated Activity Group 1

16.12.5 R The applicable *data items* and forms or reports referred to in *SUP* 16.12.4R are set out according to *firm* type in the table below:

Description of *data item*	Prudential category of *firm*, applicable *data items* and reporting format (Note 1)						
	UK bank	*Building society*	*Non-EEA bank*	*EEA bank* that has *permission* to accept deposits, other than one with permission for cross border services only	*EEA bank* that does not have permission to accept deposits, other than one with permission for cross border services only	*Credit union*	*Dormant account fund operator* (note 15)
…							
Pricing data	FSA052 (Notes 17, ~~21 and~~ 22 and 24)	FSA052 (Notes 17, ~~21 and~~ 22 and 24)	FSA052 (Notes 17, 19, ~~21 and~~ 22 and 24)	FSA052 (Notes 17, 19, ~~21 and~~ 22 and 24)	FSA052 (Notes 17, 19, ~~21 and~~ 22 and 24)		
…							
…							
Note 24	This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.						

…

Regulated Activity Group 3

…

16.12.11 R The applicable *data items* referred to in *SUP* 16.12.4R are set out according to *firm* type in the table below:

Description of *data* item	*Firms'* prudential category and applicable *data items* (note 1)							
	BIPRU firms (note 17)			*Firms* other than *BIPRU firms*				
	730K	125K and *UCITS investment firms*	50K	*IPRU (INV)* Chapter 3	*IPRU (INV)* Chapter 5	*IPRU (INV)* Chapter 9	*IPRU (INV)* Chapter 13	*UPRU*
…								
Pricing data	FSA052 (Notes 27, ~~30,~~ 31~~, and~~ 33 <u>and 34</u>)							
…								
…								
<u>Note 34</u>	<u>This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.</u>							

…

Regulated Activity Group 4

…

16.12.15   R   The applicable *data items* referred to in *SUP* 16.12.4R according to type of *firm* are set out in the table below:

Description of *data* item	*Firms'* prudential category and applicable *data items* (note 1)							
	BIPRU firms			*Firms* other than *BIPRU firms*				
	730K	125K and *UCITS investment firms*	50K	*IPRU (INV)* Chapter 3	*IPRU (INV)* Chapter 5	*IPRU (INV)* Chapter 9	*IPRU (INV)* Chapter 13	*UPRU*
…								
Pricing data	FSA052 (Notes 24, ~~27,~~ 28~~, and~~ 30 <u>and 31</u>)							
…								
…								
<u>Note 31</u>	<u>This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.</u>							

…

Regulated Activity Group 7

…

16.12.22A   R   The applicable *data items* referred to in *SUP* 16.12.4R are set out according to type of *firm* in the table below:

Description of *Data item*	*Firms'* prudential category and applicable *data item* (note 1)					
	BIPRU 730k firm	*BIPRU 125k firm* and *UCITS investment firm*	*BIPRU 50k firm*	*Exempt CAD firms* subject to *IPRU(INV)* Chapter 13	*Firms* (other than *exempt CAD firms*) subject to *IPRU(INV)* Chapter 13	*Firms* that are also in one or more of *RAGs* 1 to 6 and not subject to *IPRU(INV)* Chapter 13
…						
Pricing data	FSA052 (Notes 17, 20, 21 and 24 and 25)					
…						
…						
Note 25	This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.					

…

Regulated Activity Group 8

…

16.12.25A   R   The applicable *data items* referred to in *SUP* 16.12.4R are set out according to type of *firm* in the table below:

Description of *data item*	*Firms'* prudential category and applicable *data item* (note 1)							
	BIPRU			*Firms* other than *BIPRU firms*				
	730K	125K	50K	*IPRU (INV)* Chapter 3	*IPRU (INV)* Chapter 5	*IPRU (INV)* Chapter 9	*IPRU (INV)* Chapter 13	*UPRU*
…								
Pricing data	FSA052 (Notes 22, 25, 26, and 28 and 29)							

…								
…								
Note 29	This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported.							