

**Appendix 6**

In this Appendix underlining indicates new text and striking through indicates deleted text.



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# The DFSA Rulebook

Prudential – Investment, Insurance  
Intermediation and  
Banking Module

**(PIB)**

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## 1 APPLICATION, INTERPRETATION AND CATEGORISATION

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### 1.3 Categories of Authorised Firms

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#### Category 4

##### 1.3.6 An Authorised Firm is in Category 4 if:

- (a) its Licence authorises it to carry on one or more of the Financial Services of Arranging Deals in Investments, Advising on Financial Products, Arranging Custody, Insurance Intermediation, Insurance Management, Operating an Alternative Trading System, Providing Fund Administration, Providing Trust Services (where it is not acting as trustee in respect of an express trust), Providing Money Services (where it only provides Money Transmission), Arranging Credit and Advising on Credit, Operating a Crowdfunding Platform or Arranging or Advising on Money Services; and
- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B, 3C, 3D or 5.

#### Guidance

An Authorised Firm in Category 4 may not be authorised to conduct any other Financial Service beyond those listed in Rule 1.3.6(a); if it were so authorised it would belong to another Category.

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### 3 CAPITAL

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#### 3.6 Base Capital Requirement

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**3.6.2** The table below sets out the Base Capital Requirement for each Category of an Authorised Firm.

Category	Base Capital Requirement
Category 1	US \$10 million
Category 2	US \$2 million
Category 3A	US \$500,000
Category 3B	US \$4 million Except if the only Financial Service referred to in Rule 1.3.4 is Operating an Employee Money Purchase Scheme or Acting as the Administrator of an Employee Money Purchase Scheme, in which case the Base Capital Requirement is US \$1 million.
Category 3C	US \$500,000 Except if the only Financial Service referred to in Rule 1.3.5(a) that the Authorised Firm is authorised to carry on is Managing a Collective Investment Fund in which case its Base Capital Requirement is: (a) US \$140,000 if it manages any Public Fund; or (b) US \$70,000 otherwise.
Category 3D	US \$200,000
Category 4	US \$10,000 Except if the Authorised Firm; (a) is authorised to Operate a Crowdfunding Platform and it holds Client Assets; or (b) provides Money Transmission; <u>or</u> (c) <u>is authorised to Operate an Alternative Trading System and it holds Client Assets,</u> in which case its Base Capital Requirement is US \$140,000.
Category 5	US \$10 million

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## 3.7 Expenditure Based Capital Minimum

### Guidance

As the Expenditure Based Capital Minimum in Rules 3.5.2 and 3.5.3(1) do not apply to an Authorised Firm that only Manages Venture Capital Funds, this section also does not apply to such a firm.

### 3.7.1 This section applies to an Authorised Firm in Category 2, 3A, 3B, 3C, 3D or 4.

### Guidance

The Expenditure Based Capital Minimum is a component of the calculation of the Capital Requirement under sections 3.4 and 3.5 and is a key factor in the calculation of the capital components under Rule 3.2.7.

### 3.7.2 An Authorised Firm must calculate its Expenditure Based Capital Minimum as:

- (a) subject to (b), in the case of an Authorised Firm that holds Client Assets or Insurance Monies or Acts as the Administrator of an Employee Money Purchase Scheme, 18/52;
- (b) in the case of an Insurance Intermediary that holds Insurance Monies but not Client Assets, 9/52;
- (c) in the case of an Authorised Firm in Category 2, 3A, 3B or 3C (unless it holds Client Assets or Insurance Monies or Acts as the Administrator of an Employee Money Purchase Scheme), 13/52;
- (d) in the case of an Authorised Firm in Category 3D, 9/52; or
- (e) in the case of an Authorised Firm in Category 4, (unless it holds Insurance Monies or Client Assets), 6/52;

of the Annual Audited Expenditure, calculated in accordance with Rule 3.7.3.

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## **6 OPERATIONAL RISK**

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### **6.1 Application**

**6.1.1** This chapter applies to an Authorised Firm as follows:

- (a) Sections 6.1 to 6.9 apply to an Authorised Firm in any Category;
- (b) Sections 6.10 and 6.11 apply only to an Authorised Firm in Category 1, 2, 3A or 5;
- (c) Section 6.12 applies only to an Authorised Firm in Category 3B, 3C, 3D or 4 which undertakes one or more of the following Financial Services:
  - (i) Arranging Deals in Investments;
  - (ii) Managing Assets;
  - (iii) Advising on Financial Products;
  - (iv) Managing a Collective Investment Fund;
  - (v) Providing Custody;
  - (vi) Insurance Intermediation;
  - (vii) Insurance Management;
  - (viii) Managing a Profit Sharing Investment Account (unrestricted);
  - (ix) Providing Trust Services;
  - (x) Providing Fund Administration;
  - (xi) Acting as the Trustee of a Fund;
  - (xii) Arranging Credit and Advising on Credit;
  - (xiii) Operating a Crowdfunding Platform;
  - (xiv) Operating an Employee Money Purchase Scheme;
  - (xv) Acting as the Administrator of an Employee Money Purchase Scheme;
  - (xvi) Providing Money Services; or
  - (xvii) Arranging or Advising on Money Services; or
  - (xviii) Operating an Alternative Trading System, if it holds Client Assets;

- (d) Section 6.13 applies only to an Authorised Firm that provides Money Services, Account Information Services or Payment Initiation Services.

**Guidance**

Section 5.3 of the GEN Module contains Rules and Guidance in relation to Systems and Controls, some of which may relate to the management of Operational Risk. The Corporate Governance rules in the GEN module set out overarching requirements in relation to Board responsibilities, including risk management. The Rules and Guidance in this section seek to complement the aforementioned requirements, while providing for a framework to address matters which directly relate to Operational Risk management.

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## **6.12 Professional indemnity insurance**

- 6.12.1** This section applies to an Authorised Firm in Category 3B, 3C, 3D or 4 which undertake one or more of the Financial Services prescribed in Rule 6.1.1(c).

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## APP6 CALCULATING THE OPERATIONAL RISK CAPITAL REQUIREMENT

### Guidance

1. Section 6.11 of PIB provides that an Authorised Firm in Categories 1, 2, 3A and 5 must use the Basic Indicator Approach to calculate its Operational Risk Capital Requirement, unless the firm has approval from the DFSA to use the Standardised Approach or Alternative Standardised Approach. In this App6:
  - a. the Basic Indicator Approach is prescribed in section A6.1;
  - b. the Standardised Approach is prescribed in section A6.2; and
  - c. the Alternative Standardised Approach is prescribed in section A6.3.
2. The application of various components of the rules on Operational Risk to Authorised Firms licensed to carry out various financial services is detailed in the table below:

Financial Services	Prudential Category	Capital requirement	Systems and controls requirement	PII cover
Accepting Deposits	1	YES	YES	NO
Providing Credit	2	YES	YES	NO
Dealing in Investments as Principal	2	YES	YES	NO
Dealing in Investments as Matched Principal	3A	YES	YES	NO
Dealing in Investments as Agent	3A	YES	YES	NO
Managing Assets	3C	NO	YES	YES
Managing a Collective Investment Fund	3C	NO	YES	YES
Managing a Restricted PSIA	3C	NO	YES	YES
Providing Custody	3B or 3C	NO	YES	YES
Providing Trust Services	3C or 4	NO	YES	YES
Acting as the Trustee of a Fund	3B	NO	YES	YES
Providing Money Services (issuing Stored Value)	3C	NO	YES	YES
Providing Money Services (other than issuing Stored Value)	3D	NO	YES	YES
Arranging Deals in Investments	4	NO	YES	YES

Financial Services	Prudential Category	Capital requirement	Systems and controls requirement	PII cover
Advising on Financial Products	4	NO	YES	YES
Arranging Custody	4	NO	YES	NO
Insurance Intermediation	4	NO	YES	YES
Insurance Management	4	NO	YES	YES
Providing Fund Administration	4	NO	YES	YES
Operating an Alternative Trading System	4	NO	YES	NO * <u>(* unless it holds Client Assets)</u>
Arranging Credit and Advising on Credit	4	NO	YES	YES
Operating a Crowdfunding Platform	4	NO	YES	YES
Arranging or Advising on Money Service	4	NO	YES	YES
Managing an Unrestricted PSIA	5 or 1	YES	YES	NO

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