



Annex A

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

1.3.1 (1) An Authorised Firm is in Category 2 if:

- (a) its Licence authorises it to carry on the Financial Service of Dealing in Investments as Principal;
- (b) its activities under (a) does not constitute Dealing in Investments as a “Matched Principal”; and
- (c) it does not meet the criteria of Categories 1 or 5.

(2) For the purposes of this Rule and Rule 1.3.3, an Authorised Firm Deals in Investments as a “Matched Principal” if:

- (a) it enters into transactions as a principal only for the purpose of fulfilling its Clients’ orders;
- (b) it holds positions for its own accounts (“positions”) only as a result of a failure to match Clients’ orders precisely;
- (c) the total market value of the positions it holds is no more than 15% of the Firm’s Tier One Capital resources; and
- (d) the positions are incidental and provisional in nature and are strictly limited to the time reasonably required to carry out a transaction of that nature.

Guidance

A Category 2 Authorised Firm may be authorised to conduct other Financial Services. However, its authorisation for Dealing in Investments as Principal, and the absence of the authorisations for Accepting of Deposits or Providing Credit, are determinative of it belonging to Category 2.

1.3.3 An Authorised Firm is in Category 3 if:

- (a) its Licence authorises it to carry on one or more of the Financial Services of:
 - (i) Dealing in Investments as Principal and, it does so only as a Matched Principal;



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- (ii) Dealing in Investments as Agent;
 - (iii) Managing Assets;
 - (iv) Operating a Collective Investment Fund; or
 - (v) Providing Custody; and
- (b) it does not meet the criteria of Categories 1, 2 or 5.

Guidance

A Category 3 Authorised Firm may be authorised to conduct other Financial Services but it is the authorisation for Dealing in Investments as Agent, Managing Assets, Operating a Collective Investment Fund or Providing Custody, and the absence of authorisation for the activities specified in Rules 1.3.1 and 1.3.2 that are determinative of it as belonging to Category 3.



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Table 1 – Categorisation of Authorised Firms

Category 1	Category 2	Category 3	Category 4	Category 5
Accepting Deposits	Dealing in Investments as Principal, <u>except</u> where it does so as a <u>Matched Principal as defined in Rule 1.3.2 (2)</u>	Dealing in Investments as Agent <u>where it does</u> so only as a <u>Matched Principal as defined in Rule 1.3.2 (2)</u>	Arranging Credit or Deals in Investments	An Islamic Financial Institution whose entire business is conducted in accordance with Shari'a and which Manages a Profit Sharing Investment Account
Providing Credit			Advising on Financial Products or Credit	
	Operating a Collective Investment Fund	Arranging Custody		
	Managing Assets	Insurance Broker Intermediation		
	Providing Custody	Insurance Management		
	Providing Trust Services	Operating an Alternative Trading System		
		Providing Fund Administration		
Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account		