

Appendix 6

In this Annex new text is indicated by underlining and deleted text by striking through.

The DFSA Rulebook

Prudential – Investment, Insurance
Intermediation and
Banking Business Module

(PIB)

1 GENERAL REQUIREMENTS

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1.3 Categories of Authorised Firms

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Category 2

- 1.3.2** (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; and
 - (b) its activities under (a) ~~does~~ do not constitute Dealing in Investments as a “Matched Principal”; and [Added][VER6/06-06]
 - (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;
 - (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.

[Added][VER6/06-06]

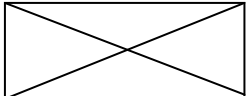
Guidance

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

Table 1 – Categorisation of Authorised Firms

Notes:

1. The Financial Services described in the emboldened boxes are the determinants for the prudential Category. The activities set out in the boxes in the table are Financial Services (see GEN chapter 2). The Financial Services that an Authorised Firm is authorised to carry on are specified on its Licence.
2. If a Person carries on any one or more of the Financial Services specified in an emboldened box under a particular Category, then the highest such Category is that Person's Category for the purposes of this module.
3. The one and only exception to the above, is an Islamic Financial Institution which Manages a Profit Sharing Investment Account. Such an institution falls in Category 5.
4. The Financial Service of Managing a Profit Sharing Investment Account is not set out in an emboldened box because it is not a determinant for a Person's prudential Category, however, a Category 4 Firm cannot carry on such a activity, hence the crossed box under Category 4.

Category 1	Category 2	Category 3	Category 4	Category 5
Accepting Deposits	Dealing in Investments as Principal, except where it does so as a Matched Principal as defined in Rule 1.3.2 (2)	Dealing in Investments as Agent Principal where it does so only as a Matched Principal as defined in Rule 1.3.2 (2)	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		<u>Dealing as Agent</u>	Advising on Financial Products or Credit	
		Operating a Collective Investment Fund	Arranging Custody	
		Managing Assets	Insurance Intermediation	
		Providing Custody	Insurance Management	
		Providing Trust Services	Operating an Alternative Trading System	
		Acting as the Trustee of a Fund	Providing Fund Administration	
Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account	Managing a Profit Sharing Investment Account		

[Amended][VER2/08-05] [Amended][VER5/04-06] [Amended] [VER/6/06/06] [Amended][VER7/08-06]

App4 CREDIT RISK

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A4.8 Concentration risk

Fully-exempt exposures

A4.8.1 An Authorised Firm may treat the following Exposures as exempt from the Concentration Risk limits in chapter 4 if they are to Counterparties not connected to the Authorised Firm:

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- (e) Exposures with a maturity of one year or less, ~~not constituting their own Capital Resources~~, to a:
 - (i) Deposit-taker or principal dealer;
 - (ii) Zone 1 clearing house or exchange; or
 - (iii) Multinational Development Bank;

where such an exposure does not form part of the capital resources of the entities referred to in (i) (ii) or (iii) to which the exposure is attributable.

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App7 Reporting to DFSA

A7.1 Preparation and submission of returns

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A7.1.1

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PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS MODULE (PIB)

Number	Name	Scope	Category 1 Authorised Firm	Category 2 Authorised Firm	Category 3 Authorised Firm	Category 4 Authorised Firm	Category 5 Authorised Firm
			Frequency	Frequency	Frequency	Frequency	Frequency
PIB 1	Balance Sheet	Solo	A/Q	A/Q	A/Q	A/Q	N/A
		Consolidated	B	B	B	<u>BN/A</u>	N/A
PIB 2	Islamic Authorised Firm's Balance Sheet	Solo	N/A	N/A	N/A	N/A	A/Q
		Consolidated	N/A	N/A	N/A	N/A	B
PIB 3	Profit and Loss	Solo		A/Q	A/Q	A/Q	N/A
			A/Q				
		Consolidated	B	B	B	<u>BN/A</u>	N/A
PIB 4	Islamic Authorised Firm's Profit and Loss	Solo	N/A	N/A	N/A	N/A	A/Q
		Consolidated	N/A	N/A	N/A	N/A	B
PIB 5	Expenditure based requirement	Solo	N/A	A/Q	A/Q	A/Q	N/A

PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS MODULE (PIB)

PIB 6	Capital Adequacy Schedule	Solo	A/Q	A/Q	A/Q	A/Q	A/Q
		Consolidated	B	B	B	B N/A	B
PIB 7	Large Exposures Schedule	Solo	A/Q	A/Q	A/Q	N/A	A/Q
		Consolidated	B	B	B	N/A	B
PIB 8	Liquidity Schedule	Solo	Q	N/A	N/A	N/A	Q
PIB 9	Branch Return	Solo	<u>A/Q</u>	<u>A/Q</u>	<u>A/Q</u>	<u>A/Q</u>	<u>A/Q</u>
PIB 12	Geographical Distribution of Assets and Liabilities Schedule	Solo	A/Q	A/Q	A/Q	N/A	A/Q
		Consolidated	B	B	B	N/A	B
PIB 13	Provisions for Impairment Schedule	Solo	A/Q	N/A	N/A	N/A	A/Q
		Consolidated	B	N/A	N/A	N/A	B
PIB 14	Exposures in Arrears Schedule	Solo	A/Q	N/A	N/A	N/A	A/Q
		Consolidated	B	N/A	N/A	N/A	B