

Appendix 2.

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

The DFSA Rulebook

Prudential – Investment, Insurance
Intermediation and
Banking Business Module

(PIB)

Contents

The contents of this module are divided into the following chapters, sections and appendices:

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App7 Reporting to DFSA	195
A7.1 [Deleted] Preparation and submission of returns	195
A7.2 Reporting of group capital adequacy.....	1985

1 GENERAL REQUIREMENTS

1.1 Application

- 1.1.1 (1) This module (PIB) applies to every Authorised Firm other than an Insurer.
- (2) The Rules in this module apply to an Authorised Firm in accordance with its Category determined under section 1.3.

Guidance

1. The effect of Rule 1.1.1 is that these Rules apply to all Authorised Firms, except those carrying on Insurance Business, that is, Insurers. Those Authorised Firms that are authorised to effect or carry out Contracts of Insurance should refer to the PIN module. These Rules apply both to Domestic Firms and Authorised Firms conducting Financial Services through a branch in the DIFC. The DFSA may modify or waive the operation of certain Rules or specified parts of such Rules in appropriate circumstances. The DFSA is more likely to consider such modifications or waivers in the case of those Authorised Firms operating in the DIFC through a branch. It is unlikely, however, the DFSA will waive or modify the system and control requirements.
2. The DFSA's Rules reinforce the fitness and proprietary requirements, GEN chapter 5 - Management Systems and Principle 4 for Authorised Firms. The PIB module is set out in:
 - a. two general chapters setting overall requirements: General Requirements and Capital; and
 - b. six chapters setting specific requirements relating to the following particular risks or issues: Islamic Financial Business (including Displaced Commercial Risk), Credit Risk, Market Risk, Liquidity Risk, Group Risk and Operational Risk.
3. The application of each section of this module as it applies to each Category of Authorised Firm is set out in Table 2.3 of this chapter.

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1.3 Categories of Authorised Firms

Guidance

1. Authorised Firms are divided into Categories to provide a clear framework for determining which specific Rules in PIB apply to each Authorised Firm. The Rules in this section enable an Authorised Firm to determine into which Category it falls.
 2. Table 1 sets out the categorisation process diagrammatically.
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3. In Table 1, an emboldened box indicates the Financial Service that is determinative of the Category into which an Authorised Firm falls. An Authorised Firm may, if authorised under its Licence to do so, conduct any number of Financial Services specified under any lower Category, than the one that applies to the Authorised Firm in accordance with this section. So, for example, a Category 1 Firm could conduct any of the Financial Services specified under Categories 2, 3 or 4, (if authorised to do so). However, a Category 4 Firm may only conduct any of the Financial Services listed under Category 4, for which it is authorised.

Category 1

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Guidance

A Category 1 Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Accepting Deposits or Providing Credit that is determinative of its ~~as~~ belonging to Category 1.

Category 2

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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 are ~~is~~ determinative of its ~~as~~ belonging to Category 2.

Category 3

- 1.3.3** (1) 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; [Added][VER6/06-06]
 - ii. Dealing in Investments as Agent
;
 - iii. Managing Assets;
 - iv. Operating a Collective Investment fund; ~~or~~

- v. Providing Custody;
 - vi. Providing Trust Services; or
 - vii. Acting as the Trustee of a Fund; 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, Acting as the Trustee of a 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 its ~~as~~ belonging to Category 3.

Category 4

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Guidance

An Authorised Firm in Category 4 may not be authorised to conduct any other Financial Service; ~~as if it were was~~ so authorised it would belong to another Category. In accordance with Rule 1.3.7, only those Authorised Firms in Category 4 which are authorised to carry on the Financial Services of Insurance Intermediation or Insurance Management may hold Insurance Money.

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Category 5

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Guidance

Authorised Firms in Categories 1 to 4 may also carry out Islamic Financial Business, but only those Authorised Firms in Categories 1 to 3 may Manage a Profit Sharing Investment Account. They will not fall within Category 5 unless the whole of the business is conducted in accordance with Shari'a and they Manage a Profit Sharing Investment Account.

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1.5 Reporting

- 1.5.1** (1) An Authorised Firm must comply with the accounting and prudential reporting requirements set out in ~~App7~~ this chapter and PRU which apply to it.
- (2) The DFSA may impose additional reporting requirements on an Authorised Firm.
- 1.5.2** An Authorised Firm must prepare ~~and submit~~ its returns in accordance with the Rules in ~~this chapter section A7.4~~ and the instruction guidelines in PRU and the DFSA's electronic prudential reporting system. ~~referred to in App7 which apply to its returns.~~

Guidance

The returns and instructional guidelines are provided in PRU and the DFSA's electronic prudential reporting system.

- ~~1. The reporting package provided in section App7 encompasses the following returns:~~

Balance sheet	Large exposures
Profit and loss account	Liquidity mismatch
Capital adequacy calculation	

- ~~2. The matrix set out in section App7 provides Authorised Firms with the following information:~~

~~Application of the returns
Scope of reporting
Reporting frequency~~

- ~~3. For accounting related returns (balance sheet and profit and loss statements), Authorised Firms are required to disclose within the form itself which accounting standards are applied.~~

1.5.3 ~~Returns must be submitted to:~~

~~Supervision Division
DFSA
Level 13, The Gate
PO Box 75850
Dubai, United Arab Emirates~~

1.6 Submission of returns

1.6.1 Subject to Rule 1.6.2, an Authorised Firm must, submit its returns in writing to the DFSA to:

Supervision Division
DFSA
Level 13, The Gate
PO Box 75850
Dubai, United Arab Emirates

1.6.2 When the DFSA has issued a notice announcing that the DFSA's electronic prudential reporting system is in operation, an Authorised Firm must, from the date specified in the notice submit its returns to the DFSA using the DFSA's electronic prudential reporting system. Such submission must be in accordance with any instructions set out in the notice and any instructions provided through such a system or specified in PRU.

Guidance

The returns and instructional guidelines are provided in PRU and the DFSA's electronic prudential reporting system.

1.6.1 1.6.3 (1) Annual returns must be authenticated ~~signed~~ by two officers of an Authorised Firm who are either Directors, Partners or Persons previously approved by the DFSA for this purpose.

(2) Quarterly returns must be authenticated ~~signed~~ by an officer of an Authorised Firm who is either a Director, Partner or Person previously approved by the DFSA for this purpose.

1.6.4 For the purpose of authentication in Rule 1.6.3, the specified individuals must sign a hard copy of the return and keep an original copy of that document for at least 6 years for inspection by the DFSA.

1.6.2 1.6.5 If the DFSA notifies an Authorised Firm, or the Authorised Firm itself forms the view, that a ~~R~~return that has been submitted to the DFSA appears to be inaccurate or incomplete, the Authorised Firm must consider the matter and within a reasonable time of the date of notification by the DFSA it must correct, if applicable, any inaccuracies and make good any omissions, and re-submit the relevant parts of the ~~R~~return.

1.6.6 (1) Subject to (2), (3), (4) and (5) an Authorised Firm must prepare and submit returns in accordance with Table 2, which forms part of this Rule.

(2) An Authorised Firm which carries on business in or from the DIFC through a Branch is not required to prepare and submit forms PIB 1 to PIB 7.

(3) A Domestic Firm is not required to prepare or submit form PIB 9.

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

- (4) A Category 4 Authorised Firm is not required to prepare and submit the appendices to form PIB 1.
 - (5) A Category 4 Authorised Firm operating as a Branch in the DIFC is not required to prepare and submit appendix 1 to form PIB 9.
 - (6) An Authorised Firm must prepare and submit form PIB 10 whenever it submits one or more of the forms listed in Table 2.
 - (7) All returns must be completed in thousands of USD.
 - (8) For the purposes of Table 2, in the columns headed ‘Frequency’:
 - (a) the letter Q indicates that the relevant form must be prepared and submitted on a quarterly basis;
 - (b) the letter A indicates that the relevant form must be prepared and submitted on an annual basis;
 - (c) the letters A and Q together indicate that the relevant form must be prepared and submitted on both a quarterly and annual basis;
 - (d) the letter B indicates that the relevant form must be prepared and submitted on a six-monthly basis; and
 - (e) the letters N/A indicate that the form is not applicable to the category of Authorised Firm.
- 4.6.3 1.6.7** (1) An Authorised Firm must submit to the DFSA any annual returns required by ~~App7~~ Table 2, which forms part of this Rule, within four months of the end of the Authorised Firm’s financial year.
- (2) An Authorised Firm must submit to the DFSA any other returns required by ~~App7~~ Table 2, which forms part of this Rule, within one month of the end of the reporting period to which the return relates.
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PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS (PIB)

Table 2

REPORTING MATRIX

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

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

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

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

<u>Number</u>	<u>Name</u>	<u>Applicable to the Authorised Firms licensed to conduct the following Financial Services</u>	<u>Scope</u>	<u>Frequency</u>
<u>Form 101</u>	<u>Details of investment activity</u>	<u>Dealing in Investments as Principal</u> <u>Providing Credit</u> <u>Accepting Deposits</u> <u>Managing a Profit Sharing Investment Account</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 102</u>	<u>Details of credit activity</u>	<u>Providing Credit</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 103</u>	<u>Details of deposits accepted</u>	<u>Accepting Deposits</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 104</u>	<u>Details of wealth management activity</u>	<u>Managing Assets</u> <u>Arranging Credit or Deals in investments</u> <u>Advising on Financial Products or Credit</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 105</u>	<u>Details of activity – Asset Management, Custody and Trust Services</u>	<u>Managing Assets</u> <u>Providing Custody</u> <u>Arranging Custody</u> <u>Providing Trust Services</u> <u>Arranging Credit or Deals in Investments</u> <u>Advising on Financial Products or Credit</u>	<u>Solo</u>	<u>A/Q</u>

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

<u>Form 106</u>	<u>Details of activity - Brokerage</u>	<u>Dealing in investments as Agent</u> <u>Arranging Credit or Deals in Investments</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 107</u>	<u>Outward Remittances</u>	<u>Accepting Deposits</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 108</u>	<u>Inward Remittances</u>	<u>Accepting Deposits</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 109</u>	<u>Details of activity – Domestic Fund</u>	<u>Operating a Collective Investment Fund</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 110</u>	<u>Balances due from and due to head office, own branches and other banks</u>	<u>Accepting Deposits</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 111</u>	<u>Marketing of foreign funds</u>	<u>Arranging Credit or Deals in investments</u> <u>Advising on Financial Products or Credit</u> <u>Dealing in Investments as Agent</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 112</u>	<u>Details of activity - Acting as a Trustee of a Fund and Fund Administration</u>	<u>Acting as a Trustee of a Fund</u> <u>Providing Fund Administration</u>	<u>Solo</u>	<u>A/Q</u>
<u>Form 113</u>	<u>Related party transactions</u>	<u>Applicable to all the Authorised Firms</u>	<u>Solo</u>	<u>A/Q</u>

1.7 Report to the DFSA

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Table 2 3 APPLICATION OF RULES TO CATEGORIES OF AUTHORISED FIRMS

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App7 Reporting to DFSA

A7.1—~~Preparation and submission of returns~~

Guidance

The Returns and Instruction Guidelines are provided in PRU. App7 provides Rules and Guidance in respect of the preparation and submission of those returns.

- ~~A7.1.1~~ (1) Subject to (2) and (3), An Authorised Firm must prepare and submit returns in accordance with the matrix which appears at the conclusion of this Rule.
- (2) An Authorised Firm which carries on business in or from the DIFC through a Branch is not required to prepare and submit forms PIB 1 to PIB 7.
- (3) A Domestic Firm is not required to prepare or submit form PIB 9.
- (4) An Authorised Firm must prepare and submit form PIB 10 whenever it submits one or more of forms PIB 1 to PIB 9 and PIB 12 to PIB 14.
[Amended][VER9/06/07][RM43]
- (5) For the purposes of the matrix, in the columns headed 'Frequency':
- (f) the letter Q indicates that the relevant form must be prepared and submitted on a quarterly basis;
 - (g) the letter A indicates that the relevant form must be prepared and submitted on an annual basis;
 - (h) the letters A and Q together indicate that the relevant form must be prepared and submitted on both a quarterly and annual basis;
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PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS (PIB)

- ~~(i) — the letter B indicates that the relevant form must be prepared and submitted on a six-monthly basis; and~~
 - ~~(ii) — the letters N/A indicate that the form is not applicable to the category of Authorised Firm.~~
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PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS (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	Sole	A/Q	A/Q	A/Q	A/Q	N/A
		Consolidated	B	B	B	B	N/A
PIB 2	Islamic Authorised Firm's Balance Sheet	Sole	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	Sole	A/Q	A/Q	A/Q	A/Q	N/A
		Consolidated	B	B	B	B	N/A
PIB 4	Islamic Authorised Firm's Profit and Loss	Sole	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	Sole	N/A	A/Q	A/Q	A/Q	N/A
PIB 6	Capital Adequacy Schedule	Sole	A/Q	A/Q	A/Q	A/Q	A/Q
		Consolidated	B	B	B	B	B

PRUDENTIAL – INVESTMENT, INSURANCE INTERMEDIATION AND BANKING BUSINESS (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-7	Large Exposures Schedule	Sole	A/Q	A/Q	A/Q	N/A	A/Q
		Consolidated	B	B	B	N/A	B
PIB-8	Liquidity Schedule	Sole	Q	N/A	N/A	N/A	Q
PIB-9	Branch Return	Sole	Q	Q	Q	Q	Q
PIB-12	Geographical Distribution of Assets and Liabilities Schedule	Sole	A/Q	A/Q	A/Q	N/A	A/Q
		Consolidated	B	B	B	N/A	B
PIB-13	Provisions for Impairment Schedule	Sole	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	Sole	A/Q	N/A	N/A	N/A	A/Q
		Consolidated	B	N/A	N/A	N/A	B

[Amended][VER9/06/07][RM43/07]

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

A7.1.2 ~~In each of the forms, the letter N refers to the current reporting period and the expression N-1 refers to the previous reporting period.~~

A7.1.3 ~~All forms must be completed in thousands of USD. Items in brackets show negative numbers.~~

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