

**Appendix 4**

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

#### 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. The table in A1.1 of App1 sets out the categorisation process diagrammatically. In that table, 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 (For this purpose Category 5 is considered to be equivalent to Category 1). For example, a Category 1 firm could conduct any of the Financial Services specified under Categories 2, 3A, 3B, 3C 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.

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#### Category 3B

##### 1.3.4 An Authorised Firm is in Category 3B if:

- (a) its Licence authorises it to carry on one or more of the Financial Services of:
  - (i) Providing Custody (where it does so for a Fund); ~~or~~
  - (ii) Acting as the Trustee of a Fund; ~~and~~
  - (iii) Operating an Employee Money Purchase Scheme; or
  - (iv) Acting as the Administrator of an Employee Money Purchase Scheme;  
and
- (b) it does not meet the criteria of Categories 1, 2, 3A or 5.

#### Guidance

A Category 3B Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Providing Custody for a Fund, ~~or Acting as Trustee of a Fund,~~ or Operating or Acting as the Administrator of an Employee Money Purchase Scheme, and the absence of authorisation for the activities specified in Rules 1.3.1, 1.3.2 and 1.3.3 that are determinative of its belonging to Category 3B.

## PART 3 – Calculating the Capital Requirement

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### 3.5 Capital Requirements for Categories 3B, 3C and 4

**3.5.1** This section applies to an Authorised Firm in Category 3B, 3C or 4.

**3.5.2** The Capital Requirement for such an Authorised Firm is calculated as the higher of:

- (a) the applicable Base Capital Requirement as set out in section 3.6; or
- (b) the Expenditure Based Capital Minimum as set out in section 3.7.

**3.5.3** (1) An Authorised Firm to which this section applies must, at all times, maintain an amount which exceeds its Expenditure Based Capital Minimum in the form of liquid assets.

(2) For the purpose of this Rule, and subject to (3), liquid assets comprise any of the following:

- (a) cash in hand;
- (b) money deposited with a regulated bank or deposit-taker which has a short-term credit rating of A1 or P1 (or equivalent) and above from an ECAI;
- (c) demand deposits with a tenor of 1 year or less with a bank or deposit-taker in (b);
- (d) time deposits with a tenor of 1 year or less which have an option to redeem the deposit at any time. In such cases, the deposit amount eligible to be included as liquid assets must be calculated as net of any costs associated with such early redemption;
- (e) cash receivable from a regulated clearing house and cash deposits with such clearing houses, other than any fees or contributions to guarantee or reserve funds of such clearing houses; or
- (f) any other asset which may be approved by the DFSA as comprising a liquid asset for the purpose of this Rule.

(3) For the purpose of this Rule, liquid assets do not include:

- (a) any investment, asset or deposit which has been pledged as security or Collateral for any obligations or liabilities assumed by it or by any other third party; or
- (b) cash held in Client Money or Insurance Money accounts.

### 3.6 Base Capital Requirement

3.6.1 This section applies to an Authorised Firm in any Category.

**Guidance**

The Base Capital Requirement is a component of the calculation of the Capital Requirement under sections 3.3, 3.4 and 3.5.

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 <u>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.</u>
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 4	US \$ 10,000 Except if the Authorised Firm is authorised to Operate a Crowdfunding Platform and it holds Client Assets in which case its Base Capital Requirement is US \$140,000.
Category 5	US \$10 million

3.6.3 An Authorised Firm must have Common Equity Tier 1 Capital (CET1 Capital), as defined in section 3.13, of not less than its relevant Base Capital Requirement at the time that it obtains authorisation and at all times thereafter.

### 3.7 Expenditure Based Capital Minimum

3.7.1 This section applies to an Authorised Firm in Category 2, 3A, 3B, 3C 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 ~~which~~ 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 ~~which~~ 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 ~~which does not~~ (unless it holds Client Assets or Insurance Monies or Acts as the Administrator of an Employee Money Purchase Scheme), 13/52; or
- (d) in the case of an Authorised Firm in Category 4, ~~which does not~~ (unless it holds Insurance Monies), 6/52;

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

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## 6 OPERATIONAL RISK

### Introduction

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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 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; or
  - (xiii) Operating a Crowdfunding Platform;
  - (xiv) Operating an Employee Money Purchase Scheme; or
  - (xv) Acting as the Administrator of an Employee Money Purchase Scheme.

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## APP1 CATEGORIES OF AUTHORISED FIRMS

### A1.1 Categorisation of Authorised Firms

#### Guidance

1. This section contains the table referred to in the Guidance notes at the commencement of section 1.3 of PIB. This table is for guidance purposes only.
2. The Financial Services described in the emboldened boxes in the table 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.
3. 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.
4. An exception to the above is an Islamic Financial Institution which Manages a PSIA which is an PSIAu. Such an institution falls in Category 5.

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Category 1	Category 2	Category 3A	Category 3B	Category 3C	Category 4	Category 5
Accepting Deposits	Dealing in Investments as Principal (not as Matched Principal)	Dealing in Investments as Principal (only as a Matched Principal)	Providing Custody (only if for a Fund)	Managing a Collective Investment Fund	Arranging Deals in Investments	An Islamic Financial Institution which Manages a PSIAu
Managing a PSIAu	Providing Credit	Dealing as Agent	Acting as the Trustee of a Fund	Managing Assets	Advising on Financial Products	
			<u>Operating an Employee Money Purchase Scheme</u>	Providing Trust Services as a trustee of an express trust	Arranging Custody	
			<u>Acting as the Administrator of an Employee Money Purchase Scheme</u>	Managing a PSIAr	Insurance Intermediation	
				Providing Custody (other than for a Fund)	Insurance Management	
					Operating an Alternative Trading System	
					Providing Fund Administration	
					Providing Trust Services other than as a trustee of an express trust	



Arranging Credit  
and Advising on  
Credit

Operating a  
Crowdfunding  
Platform

