

**Appendix 5**

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 3C

**1.3.5** An Authorised Firm is in Category 3C if:

- (a) its Licence authorises it to carry on one or more of the Financial Services of:
  - (i) Managing Assets;
  - (ii) Managing a Collective Investment Fund;
  - (iii) Providing Custody (where it does so other than for a Fund);
  - (iv) Managing a PSIA (which is a PSIAr); or
  - (v) Providing Trust Services (where it is acting as trustee in respect of at least one express trust); and
- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B or 5.

#### Guidance

A Category 3C Authorised Firm may be authorised to conduct other Financial Services, but it is the authorisation for Managing Assets, Managing a Collective Investment Fund, Providing Custody other than for a Fund, Managing a PSIA which is a PSIAr, or Providing Trust Services (where it is acting as a trustee in respect of at least one express trust), and the absence of authorisation for the activities specified in Rules 1.3.1, 1.3.2, 1.3.3 and 1.3.4 that are determinative of its belonging to Category 3C.

#### 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 Credit or Deals in Investments, Advising on Financial Products or Credit, Arranging Custody, Insurance Intermediation, Insurance Management, Operating an Alternative Trading System, Providing Fund Administration, or Providing Trust Services (where it is not acting as trustee in respect of an express trust), or Arranging Credit and Advising on Credit; and

- (b) it does not meet the criteria of Categories 1, 2, 3A, 3B, 3C 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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## **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.

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### **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.

<b>Category</b>	<b>Base Capital Requirement</b>
Category 1	US \$10 million
Category 2	US \$2 million
Category 3A	US \$500,000
Category 3B	US \$4 million
Category 3C	US \$500,000 <u>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:</u> <u>(a) US \$140,000 if it manages any Public Fund; or</u> <u>(b) US \$70,000 otherwise.</u>
Category 4	US \$ 10,000
Category 5	US \$10 million

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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 ~~Credit~~ or Deals in Investments;
  - (ii) Managing Assets;
  - (iii) Advising on Financial Products ~~or Credit~~;
  - (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; ~~or~~
- (xi) Acting as the Trustee of a Fund; or
- (xii) Arranging Credit and Advising on Credit.

**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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**APP1 CATEGORIES OF AUTHORISED FIRMS**

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

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 Credit or 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 or Credit	
				Providing Trust Services as a trustee of an express trust	Arranging Custody	
				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	

## APP2 GENERAL REQUIREMENTS

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### A2.4 Reporting to the DFSA

**A2.4.1** In the following Table 1:

- (a) the column headed 'Domestic Firm or Branch' indicates whether the relevant form must be prepared and submitted by a Domestic Firm or Branch;
- (b) the column headed 'Authorised Firm Category' indicates which Category of Authorised Firm must prepare and submit the relevant form;
- (c) the column headed 'Frequency' indicates whether the relevant form must be prepared and submitted on a quarterly or annual basis; and
- (d) the column headed 'Semi-annual consolidated reporting for Financial Groups' indicates which Category of Authorised Firm of a Financial Group must prepare and submit the relevant form on a semi-annual basis.

#### Guidance

Table 1 is referred to in section 2.3, and forms part of the Rules.

**Table 1 Authorised Firm Reporting Matrix**

Form Number	Form Name	Domestic Firm or Branch	Authorised Firm Category	Frequency	Semi-annual consolidated reporting for Financial Groups
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B290	Related party <u>Person</u> Schedule	Domestic Firm and Branch	All Categories	Quarterly and annually	Not applicable
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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	3B	NO	YES	YES
Managing a Collective Investment Fund	3B	NO	YES	YES
Managing a Restricted PSIA	3B	NO	YES	YES
Providing Custody	3B or 3C	NO	YES	YES
Providing Trust Services	3B	NO	YES	YES
Acting as the Trustee of a Fund	3C	NO	YES	YES



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

Financial Services	Prudential Category	Capital requirement	Systems and controls requirement	PII cover
Arranging <del>Credit</del> or Deals in Investments	4	NO	YES	YES
Advising on Financial Products <del>or Credit</del>	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>Arranging Credit and Advising on Credit</u>	<u>4</u>	<u>NO</u>	<u>YES</u>	<u>YES</u>
Managing an Unrestricted PSIA	5 or 1	YES	YES	NO