

PRA RULEBOOK: GLOSSARY INSTRUMENT 2015

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and directions and had regard to representations made.

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- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 2 April 2015.

Citation

- F. This instrument may be cited as the PRA Rulebook: Glossary Instrument 2015.

By order of the Board of the Prudential Regulation Authority

30 March 2015

Annex

PRA RULEBOOK – GLOSSARY

Insert the following new definitions into the Glossary Part of the PRA Rulebook:

accounting reference date

- (1) in relation to a company incorporated in the *UK* under the Companies Acts, means the accounting reference date of that company determined in accordance with section 391 of the Companies Act 2006; and
- (2) in relation to any other body, means the last day of its financial year.

ancillary service

means any of the services listed in Section B of Annex 1 to *MiFID*.

appointed representative

has the meaning given in s39(2) *FSMA*.

associate

means (in relation to a *person* ("A")):

- (1) an *affiliated company* of A;
- (2) an *appointed representative* of A, or a *tied agent* of A, or of any *affiliated company* of A; and
- (3) any other whose business or domestic relationship with A or A's *associate* might reasonably be expected to give rise to a community of interest between them which may involve a conflict of interest in dealings with third parties.

branch

means

- (1) (in relation to a *credit institution*):
 - (a) a place of business which forms a legally dependent part of a *credit institution* and which carries out directly all or some of the transactions inherent in the business of *credit institutions*;
 - (b) for the purposes of the *CRD* and in accordance with Article 38 of the *CRD*, any number of places of business set up in the same *EEA State* by a *credit institution* with headquarters in another *EEA State* are to be regarded as a single branch; or
- (2) (in relation to an *investment firm*) has the meaning given in Article 4(1)(26) of *MiFID*.

client

has the meaning given in the *FCA Handbook* other than for the purposes of the part of the *FCA Handbook* in Specialist sourcebooks that has the title Professional Firms.

contract of insurance

has the meaning given in Article 3(1) of the *Regulated Activities Order*.

cross border services

means:

- (1) (in relation to a *UK firm*) services provided within an *EEA State* other than the *UK* under the freedom to provide services; and
- (2) (in relation to an *incoming EEA firm* or an *incoming Treaty firm*) services provided within the *UK* under the freedom to provide services.

EEA

means the *European Economic Area*.

European Economic Area

means the area established by the Agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being and which consists of the *EEA States*.

FCA Handbook

means the *FCA's Handbook* of rules and guidance as amended from time to time.

financial instruments

mean the instruments specified in Section C of Annex I of *MiFID*.

home Member State

has the meaning given in Article 4(1)(43) of the *CRR*.

IMD insurance intermediary

has the meaning given in article 2(1) of the *Insurance Mediation Directive*.

Insurance Directives

means the *Consolidated Life Directive* and the *First Non-Life Directive*, *Second Non-Life Directive* and *Third Non-Life Directive*.

Insurance Mediation Directive

means the European Parliament and Council Directive of 9 December 2002 on insurance mediation (No 2002/92/EC).

investment firm

means any *person* whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more *investment activities* on a professional basis.

investment services and/or activities

means any of the services and activities listed in Section A of Annex I to *MiFID*.

MiFID

means the European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC).

MiFID business

means *investment services and activities* and, where relevant, *ancillary services* carried on by a *MiFID investment firm*.

MiFID implementing Directive

means Commission Directive No. 2006/73/EC implementing Directive 2004/39/EC of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

MiFID investment firm

means a *firm* to which *MiFID* applies.

mutual

means an *insurer* which:

- (1) if it is a *body corporate* has no share capital (except a wholly owned subsidiary with no share capital but limited by guarantee); or
- (2) is a *friendly society*; or
- (3) is a society registered or deemed to be registered under Co-operative and Benefit Societies Act 2014 or the Industrial and Provident Societies (Northern Ireland) Act 1969.

non-directive firm

(in accordance with the Financial Services and Markets Act 2000 (Controllers) (Exemption) Order 2009 (SI 2009/774)) a *UK domestic firm* other than:

- (1) a *credit institution* authorised under the Banking Consolidation Directive;
- (2) an *investment firm* authorised under *MiFID*;
- (3) a management company as defined in article 2(1)(b) of the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (No 2009/65/EC), 1 2, 3, 4, as amended (the UCITS Directive), authorised under that directive;
- (4) an undertaking pursuing the activity of direct insurance within the meaning of:
 - (a) article 2 of the *Consolidated Life Directive*, authorised under that directive; or
 - (b) article 1 of the *First Non-Life Directive*, authorised under that directive;

- (5) an undertaking pursuing the activity of *reinsurance* within the meaning of article 2.1(a) of the *Reinsurance Directive*, authorised under that directive.

non-directive friendly society

means:

- (1) a *friendly society* whose *insurance business* is restricted to the provision of benefits which vary according to the resources available and in which the contributions of the members are determined on a flat-rate basis;
- (2) a *friendly society* whose *long-term insurance business* is restricted to the provision of benefits for employed and self-employed *persons* belonging to an undertaking or group of undertakings, or a trade or group of trades, in the event of death or survival or of discontinuance or curtailment of activity (whether or not the commitments arising from such operations are fully covered at all times by mathematical reserves);
- (3) a *friendly society* which undertakes to provide benefits solely in the event of death where the amount of such benefits does not exceed the average funeral costs for a single death or where the benefits are provided in kind;
- (4) a *friendly society* (carrying on *long-term insurance business*):
- (a) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits or claiming assistance from other *persons* who have undertaken to provide it; and
- (b) whose annual gross premium income (other than from contracts of *reinsurance*) has not exceeded 5 million Euro for each of the three preceding financial years;
- (5) a *friendly society* (carrying on *general insurance business*):
- (a) whose registered rules contain provisions for calling up additional contributions from members or reducing their benefits;
- (b) whose gross premium income (other than from contracts of *reinsurance*) for the preceding financial year did not exceed 5 million Euro; and
- (c) whose members provided at least half of that gross premium income;
- (6)
- (a) a *friendly society* whose liabilities in respect of *general insurance contracts* are fully reinsured with or guaranteed by other *mutuals*; and;
- (b) the *mutuals* providing the *reinsurance* or the guarantee are subject to the rules of the *First Non-Life Directive*.
- and
- (7) in each case whose *insurance business* is limited to that described in any of (1) to (6); and

- (8) for the purposes of (4) and (5), the exchange rate from the Euro to the pound sterling for each year beginning on 31 December is the rate applicable on the last day of the preceding October for which the exchange rates for the currencies of all the European Union member states were published in the Official Journal of the European Union.

outsourcing

means an arrangement of any form between a *firm* and a service provider by which that service provider performs a process, a service or an activity which would otherwise be undertaken by the *firm* itself

partner

means (in relation to a *firm* which is a *partnership*) any *person* appointed to direct its affairs, including:

- (1) a *person* occupying the position of a partner (by whatever name called); and
- (2) a *person* in accordance with whose directions or instructions (not being advice given in a professional capacity) the partners are accustomed to act.

passported activity

means an activity carried on by an *EEA firm*, or by a *UK firm*, under an *EEA right*

policy

has the meaning given in Article 2 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361).

policyholder

has the meaning given in Article 3 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361).

prudential context

means, in relation to activities carried on by a *firm*, the context in which the activities have, or might reasonably be regarded as likely to have, a negative effect on:

- (1) the safety and soundness of *firms*; or
- (2) the ability of the *firm* to meet either:
 - (a) the "fit and proper" test in threshold conditions 4E and 5E (Suitability); or
 - (b) the applicable requirements and standards under the *regulatory system* relating to the *firm's* financial resources.

relevant person

means any of the following:

- (1) a *director*, *partner* or equivalent, manager or *appointed representative* (or where applicable, *tied agent*) of the *firm*;

- (2) a *director, partner* or equivalent, or manager of any *appointed representative* (or where applicable, *tied agent*) of the *firm*;
- (3) an *employee* of the *firm* or of an *appointed representative* (or where applicable, *tied agent*) of the *firm*; as well as any other natural person whose services are placed at the disposal and under the control of the *firm* or an *appointed representative* or a *tied agent* of the *firm* and who is involved in the provision by the *firm* of *regulated activities*; or
- (4) a natural person who is directly involved in the provision of services to the *firm* or its appointed representative (or where applicable, *tied agent*) under an *outsourcing* arrangement, for the purpose of the provision by the firm of *regulated activities*.

Second Non-Life Directive

means the Council Directive of 22 June 1988 on the coordination of laws, etc and laying down provisions to facilitate the effective exercise of freedom to provide services and amending Directive 73/239/EEC (No 88/357/EEC).

senior personnel

means those *persons* who effectively direct the business of the *firm*, which could include a *firm's governing body* and other *persons* who effectively direct the business of the *firm*.

standing data

means the information relating to a *firm* held by the *PRA* on the following matters:

- (1) Communications with a *firm*:
 - (a) name;
 - (b) trading name(s);
 - (c) registered office;
 - (d) principal place of business;
 - (e) website address;
 - (f) complaints contact and complaints officer; and
 - (g) the name and email address of the primary compliance contact.
- (2) Other information about a *firm*:
 - (a) name and address of the *firm's* auditor;
 - (b) accounting reference date; and
 - (c) locum.

supervisory function

means any function within a *firm* that is responsible for the supervision of its *senior personnel*.

third country investment firm

a *firm* which would be a *MiFID investment firm* if it had its head office in the *EEA*.

tied agent

means a *person* who, under the full and unconditional responsibility of only one *MiFID investment firm* or *third country investment firm* on whose behalf it acts, promotes *investment services* and/or *ancillary services* to *clients* or prospective *clients*, receives and transmits instructions or orders from the *client* in respect of *investment services* or *financial instruments*, places *financial instruments* and/or provides advice to *clients* or prospective *clients* in respect of those *financial instruments* or *investment services*.