

PRA RULEBOOK: GLOSSARY INSTRUMENT (No. 2) [YEAR]

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 instrument) 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 proposed rules and had regard to representations made.

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- D. The PRA makes the rules in Annexes A to J of this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the Glossary Instrument (No. 2) [Year].

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex A

Amendments to the Glossary

In the Glossary Part of the PRA Rulebook, insert the following new definitions.

advising on investments

means the *regulated activity*, specified in article 53 of the *Regulated Activities Order* (Advising on investments).

advising on pension transfers and pension opt-outs

means advising on *investments* in respect of *pension transfers* and *pension opt-outs*.

agreeing to carry on a regulated activity

means the *regulated activity*, specified in article 64 of the *Regulated Activities Order* (Agreeing to carry on specified kinds of activity).

AIF

means an *alternative investment fund*.

AIFM

means *alternative investment fund manager*.

AIFM investment management functions

means investment management functions of an *AIFM* as set out in 1(a) (portfolio management) or (b) (risk management) of Annex I to *AIFMD*.

AIFMD

means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.

alternative investment fund

means (in accordance with article 4(1)(a) of *AIFMD*) a collective investment undertaking, including investment compartments thereof, which:

- (a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and

- (b) does not require authorisation pursuant to article 5 of the *UCITS Directive*.

alternative investment fund manager

means (in accordance with article 4(1)(b) of *AIFMD*) a legal person whose regular business is performing *AIFM investment management functions* for one or more *AIF*.

annual report and accounts

means

- (1) (in relation to a company incorporated in the *UK*) an annual report and annual accounts as those terms are defined in section 471 of the Companies Act 2006 together with an auditor's report prepared in relation to those accounts under sections 495 to 497A of the same Act;
- (2) (in relation to any other body) any similar or analogous documents which it is required to prepare whether by its constitution or by the law under which it is established.

arranging (bringing about) deals in investments

means the *regulated activity* specified in article 25(1) of the *Regulated Activities Order*.

arranging safeguarding and administration of assets

that part of *safeguarding and administering investments* which consists solely of arranging for one or more other *persons* to carry on both:

- (a) the safeguarding of assets belonging to another; and
- (b) the administration of those assets.

Article 12(1) relationship

means a relationship where undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.

Article 18(5) relationship

means a relationship where undertaking are linked by participations or capital ties other than those referred to in paragraphs (1) and (2) of Article 18 of the *CRR*.

commodity future

has the meaning given in the *PRA Handbook*.

commodity option

has the meaning given in the *PRA Handbook*.

consolidated basis

has the meaning in article 4(1)(48) of the *CRR*.

consolidation group

means the undertakings included in the scope of consolidation pursuant to Articles 18(1), 18(8), 19(1), 19(3) and 23 of the *CRR* and Groups 2.1- 2.3.

contractually based investment

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

coordinator

means, in relation to a *financial conglomerate*, the *competent authority* appointed as coordinator in accordance with Article 10(1) of the *Financial Groups Directive*. In this definition *competent authority* has the meaning given in point (16) of Article 2 of the *Financial Groups Directive*.

core UK group

means all counterparties that:

- (a) are listed in a *firm's core UK group permission*;
- (b) in relation to a *firm*, satisfy the conditions in Article 113(6) of the *CRR*; and
- (c) in respect of which exposures are exempted, under Article 400(1)(f) of the *CRR*, from the application of Article 395(1) of the *CRR*.

For the purposes of this definition "exposures" has the meaning given to it in Article 389 of the *CRR*.

core UK group permission

means a permission given by the *PRA* under Article 113(6) of the *CRR*.

CREDS

means the Credit Unions sourcebook in the *PRA Handbook*.

dealing in investments as agent

means the *regulated activity*, specified in article 21 of the *Regulated Activities Order* (Dealing in investments as agent).

designated investment

means a *security* or a *contractually-based investment* (other than a *funeral plan contract* and a right to or interest in a *funeral plan contract*), that is, any of the following *investments*, specified in Part III of the *Regulated Activities Order* (Specified Investments), and a *long-term care insurance contract* which is a *pure protection contract*.

- (1) life policy (subset of article 75 (Contracts of insurance));

- (2) share (article 76);
- (3) debenture (article 77);
- (4) alternative debenture (article 77A);
- (5) government and public security (article 78);
- (6) warrant (article 79);
- (7) certificate representing certain securities (article 80);
- (8) unit (article 81);
- (9) rights under a stakeholder pension scheme (article 82(1))
- (10) rights under a personal pension scheme (article 82(2));
- (11) Greenhouse gas allowances which are auctioned (article 82A), where they are a financial instrument.
- (12) *option* (article 83); for the purposes of the *permission* regime, this is sub-divided into:
 - (a) *option* (excluding a *commodity option* and an *option* on a *commodity future*);
 - (b) *commodity option* and *option* on a *commodity future*;
- (13) future (article 84); for the purposes of the *permission* regime, this is sub-divided into:
 - (a) future (excluding a *commodity future* and a *rolling spot forex contract*);
 - (b) *commodity future*;
 - (c) *rolling spot forex contract*;
- (14) contract for differences (article 85); for the purposes of the *permission* regime, this is sub-divided into:
 - (a) contract for differences (excluding a *spread bet* and a *rolling spot forex contract*);
 - (b) *spread bet*;
 - (c) *rolling spot forex contract*;
- (15) rights to or interests in investments in (1) to (14) (article 89) but not including rights to or interests in rights under a *long-term care insurance contract* which is a *pure protection contract*.

designated investment business

means any of the following activities, specified in Part II of the *Regulated Activities Order* (Specified Activities), which is carried on by way of business:

- (1) *dealing in investments as principal* (article 14), but disregarding the exclusion in article 15 (Absence of holding out etc);
- (2) *dealing in investments as agent* (article 21) but only in relation to *designated investments*;
- (3) MiFID business bidding (part of bidding in emissions auctions) (article 24A);
- (4) *arranging (bringing about) deals in investments* (article 25(1)), but only in relation to *designated investments*;
- (5) *making arrangements with a view to transactions in investments* (article 25(2)), but only in relation to *designated investments*;
- (6) *operating a multilateral trading facility* (article 25D);
- (7) *managing investments* (article 37), but only if the assets consist of or include (or may consist of or include) *designated investments*;
- (8) assisting in the administration and performance of a *contract of insurance*, but only if the *contract of insurance* is a *designated investment*;
- (9) *safeguarding and administering investments* (article 40), but only if the assets consist of or include (or may consist of or include) *designated investments*; for the purposes of the *permission* regime, this is subdivided into:
 - (a) *safeguarding and administration of assets (without arranging)*;
 - (b) *arranging safeguarding and administration of assets*;
- (10) sending dematerialised instructions (article 45(1));
- (11) causing dematerialised instructions to be sent (article 45(2));
- (12) *establishing, operating or winding up a stakeholder pension scheme* (article 52(a));
- (13) *establishing, operating or winding up a personal pension scheme* (article 52(b));
- (14) providing basic advice on a stakeholder product (article 52B);
- (15) *advising on investments* (article 53), but only in relation to *designated investments*; for the purposes of the *permission* regime, this is subdivided into:

- (a) *advising on investments (except pension transfers and pension opt-outs);*
- (b) *advising on pension transfers and pension opt-outs;*
- (16) *agreeing to carry on a regulated activity in (1) to (11) and (13) (article 64);*
- (17) *managing a UCITS (article 51ZA);*
- (18) *acting as trustee or depositary of a UCITS (article 51ZB);*
- (19) *managing an AIF (article 51ZC);*
- (20) *acting as trustee or depositary of an AIF (article 51ZD);*
- (21) *establishing, operating or winding up a collective investment scheme (article 51ZE).*

eligible counterparty

has the meaning given in the *FCA Handbook* for the purposes other than for the purposes of the part of the *FCA Handbook* in High Level Standards that has the title Principles for Businesses.

establishing, operating or winding up a personal pension scheme

means the *regulated activity*, specified in article 52(b) of the *Regulated Activities Order* (Establishing etc. a pension scheme).

establishing, operating or winding-up a collective investment scheme

means the *regulated activity* specified in article or 51ZE of the *Regulated Activities Order* (Establishing etc a collective investment scheme).

establishing, operating or winding up a stakeholder pension scheme

means the *regulated activity*, specified in article 52 (a) of the *Regulated Activities Order* (Establishing etc. a pension scheme).

financial conglomerate

has the meaning given in point (14) of Article 2 of the *Financial Groups Directive*.

Financial Groups Directive

means Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.

funeral plan contract

means the investment specified in articles 59(2), 60 and 87 of the Regulated Activities Order.

GENPRU

means the General Prudential sourcebook for Banks, Building Societies, Insurers and Investment Firms in the *PRA Handbook*.

IMD reinsurance intermediary

has the meaning given in Article 2(6) of the *Insurance Mediation Directive*.

investment

means (in accordance with sections 22(4) of *FSMA* (Regulated activities) and section 93(2) of the Financial Services Act 2012) any investment, including any asset, right or interest.

life policy

has the meaning given in the *PRA Handbook*.

long-term care insurance contract

a *long-term insurance contract*:

- (a) which provides, would provide at the *policyholder's* option, or is sold or held out as providing, benefits that are payable or provided if the *policyholder's* health deteriorates to the extent that he cannot live independently without assistance and that is not expected to change; and
- (b) under which the benefits are capable of being paid for periodically for all or part of the period that the *policyholder* cannot live without assistance;

where 'benefits' are services, accommodation or goods necessary or desirable for the continuing care of the *policyholder* because he cannot live independently without assistance.

long-term insurance contract

means a "contract of long-term insurance" as defined in Article 3(1) of the *Regulated Activities Order*.

making arrangements with a view to transactions in investments

means the *regulated activity*, specified in article 25(2) of the *Regulated Activities Order* (Arranging deals in investments).

managing a UCITS

means the *regulated activity*, specified in article 51ZA of the *Regulated Activities Order* (Managing a UCITS).

managing an AIF

means the *regulated activity*, specified in article 51ZC of the *Regulated Activities Order* (Managing an AIF).

managing investments

means the *regulated activity*, specified in article 37 of the *Regulated Activities Order* (Managing investments).

non-core large exposures group or NCLEG

has the meaning given in the Large Exposures Part.

operating a multilateral trading facility

means the *regulated activity* in article 25D of the *Regulated Activities Order*.

option

has the meaning given in the *PRA Handbook*.

pension opt-out

has the meaning given in the *PRA Handbook*.

pension transfer

has the meaning given in the *PRA Handbook*.

professional client

has the meaning given in the *FCA Handbook*.

pure protection contract

means:

- (1) a *long-term insurance contract* in respect of which the following conditions are met:
 - (a) the benefits under the contract are payable only on death or in respect of incapacity due to injury, sickness or infirmity;
 - (b) the contract has no surrender value, or the consideration consists of a single premium and the surrender value does not exceed that premium; and
 - (c) the contract makes no provision for its conversion or extension in a manner which would result in it ceasing to comply with (a) or (b); or
- (2) a *reinsurance contract* covering all or part of a risk to which a *person* is exposed under a *long-term insurance contract*.

reinsurance contract

means a *contract of insurance* covering all or part of a risk to which a *person* is exposed under a *contract of insurance*.

reinsurance mediation

has the meaning given in Article 2(4) of the *Insurance Mediation Directive*.

retail client

means a *client* who is neither a *professional client* or an *eligible counterparty*.

rolling spot forex contract

has the meaning given in the *PRA Handbook*.

safeguarding and administering investments

means the *regulated activity*, specified in article 40 of the *Regulated Activities Order* (Safeguarding and administering investments).

safeguarding and administration of assets (without arranging)

that part of *safeguarding and administering investments* which consists of both:

- (a) the safeguarding of assets belonging to another; and
- (b) the administration of those assets.

security

has the meaning provided in article 3(1) of the *Regulated Activities Order* (Interpretation).

specified investment

has the meaning given in the *PRA Handbook*.

spread bet

has the meaning given in the *PRA Handbook*.

UCITS

undertakings for collective investment in transferable securities that are established in accordance with the *UCITS Directive*.

UCITS Directive

means 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) as amended.

Amend the following definitions, where underlining indicates new text and deleted text is struck through.

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*.
- (3) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:
 - (a) is managed by the *insurance undertaking's* own staff; or
 - (b) is an agency of the *insurance undertaking*; or
 - (c) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.
- (4) (in relation to an *IMD insurance intermediary*):
 - (a) a place of business which is a part of an *IMD insurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides insurance mediation for which the *IMD insurance intermediary* has been registered;
 - (b) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD insurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.
- (5) (in relation to an *IMD reinsurance intermediary*):
 - (a) a place of business which is a part of an *IMD reinsurance intermediary*, not being the principal place of business, which has no separate legal personality and which provides *reinsurance mediation* for which the *IMD reinsurance intermediary* has been registered;

- (b) for the purposes of the *Insurance Mediation Directive*, all the places of business set up in the same *EEA State* by an *IMD reinsurance intermediary* with headquarters in another *EEA State* are to be regarded as a single *branch*.

Contract of insurance

- (1) (in relation to a *specified investment*) the *investment*, specified in article 75 of the *Regulated Activities Order* (Contracts of insurance), which is rights under a *contract of insurance* in (2) below.
- (2) (in relation to a *contract*) has the meaning given in Article 3(1) of the *Regulated Activities Order*.

IMD insurance intermediary

has the meaning given in article 2(45) of the *Insurance Mediation Directive*.

Annex B

Amendments to the Depositor Protection Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.4 Unless otherwise stated, in this Part, the following definitions shall apply:

...

~~*personal pension scheme*~~

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

...

~~*stakeholder pension scheme*~~

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

...

Annex C

Amendments to the Fundamental Rules Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~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.~~

...

Annex D

Amendments to the General Provisions Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~*eligible counterparty*~~

~~has the meaning given in the *FCA Handbook* for the purposes other than for the purposes of the part of the *FCA Handbook* in High Level Standards that has the title Principles for Businesses.~~

...

~~*professional client*~~

~~has the meaning given in the *FCA Handbook*.~~

...

~~*retail client*~~

~~means a *client* who is neither a *professional client* or an *eligible counterparty*.~~

...

Annex E

Amendments to the Groups Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~Article 12(1) relationship~~

~~means a relationship where undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.~~

~~Article 18(5) relationship~~

~~means a relationship where undertaking are linked by participations or capital ties other than those referred to in paragraphs (1) and (2) of Article 18 of the CRR.~~

...

Annex F

Amendments to the Internal Capital Adequacy Assessment Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~Article 12(1) relationship~~

~~means a relationship where undertakings are linked by a relationship within the meaning of Article 12(1) Directive 83/349/EEC.~~

...

~~consolidation group~~

~~means the undertakings included in the scope of consolidation pursuant to Articles 18(1), 18(8), 19(1), 19(3) and 23 of the CRR and Groups 2.1- 2.3.~~

...

~~financial conglomerate~~

~~has the meaning given in point (14) of Article 2 of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate.~~

...

Annex G

Amendments to the Large Exposures Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~core UK group~~

~~means all counterparties that:~~

~~(a) are listed in a firm's core UK group permission;~~

~~(b) in relation to a firm, satisfy the conditions in Article 113(6) of the CRR; and~~

~~(c) in respect of which exposures are exempted, under Article 400(1)(f) of the CRR, from the application of Article 395(1) of the CRR.~~

...

~~core UK group permission~~

~~means a permission given by the PRA under Article 113(6) of the CRR.~~

...

Annex H

Amendments to the Notifications Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

branch

~~(1) (in relation to a *credit institution*) means:~~

~~(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;~~

~~(2) (in relation to an *investment firm*) has the meaning given in Article 4(1)(26) of *MiFID*; and~~

~~(3) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in an *EEA State* other than that in which it has its head office is to be regarded as a single *branch*, whether that presence consists of a single office which, or two or more offices each of which:~~

~~(a) is managed by the *insurance undertaking's* own staff; or~~

~~(b) is an agency of the *insurance undertaking*; or~~

~~(c) is managed by a *person* who is independent of the *insurance undertaking*, but has permanent authority to act for the *insurance undertaking* as an agency would.~~

...

consolidation group

~~means the *undertakings* included in the scope of consolidation pursuant to Articles 18(1), 18(8), 19(1), 19(3) and 23 of the *CRR* and Groups 2.1- 2.3.~~

Coordinator

~~means, in relation to a *financial conglomerate*, the *competent authority* appointed as coordinator in accordance with Article 10(1) of the *Financial Groups Directive*.~~

...

~~*financial conglomerate*~~

~~has the meaning given in point (14) of Article 2 of the *Financial Groups Directive*.~~

~~*Financial Groups Directive*~~

~~means Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of *credit institutions*, *insurance undertakings* and *investment firms* in a *financial conglomerate*.~~

...

Annex I

Amendments to the Policyholder Protection Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

~~AIF~~

~~means an alternative investment fund.~~

~~AIFM~~

~~means alternative investment fund manager.~~

~~AIFMD~~

~~means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.~~

~~alternative investment fund~~

~~means (in accordance with article 4(1)(a) of AIFMD) a collective investment undertaking, including investment compartments thereof, which:~~

~~(a) raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those~~

~~investors; and~~

~~(b) does not require authorisation pursuant to article 5 of the UCITS Directive.~~

~~alternative investment fund manager~~

~~means (in accordance with article 4(1)(b) of AIFMD) a legal person whose regular business is performing AIFM investment management functions for one or more AIF.~~

~~*AIFM investment management functions*~~

~~means investment management functions of an *AIFM* as set out in 1(a) (portfolio management) or (b) (risk management) of Annex I to *AIFMD*.~~

...

~~*investment*~~

~~means (in accordance with sections 22(4) of *FSMA* (Regulated activities) and section 93(2) of the Financial Services Act 2012) any investment, including any asset, right or interest.~~

...

~~*UCITS Directive*~~

~~means 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) as amended.~~

Annex J

Amendments to the Public Disclosure Part

In this Annex deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

~~1.2 In this Part, the following definitions shall apply:~~

~~*annual report and accounts*~~

~~(1) (in relation to a company incorporated in the UK) an annual report and annual accounts as those terms are defined in:~~

~~(a) section 262(1) of the Companies Act 1985, together with an auditor's report prepared in relation to those accounts under section 235 of the same Act where these provisions are applicable; or~~

~~(b) section 471 of the Companies Act 2006 together with an auditor's report prepared in relation to those accounts under sections 495 to 497 of the same Act;~~

~~(2) (in relation to any other body) any similar or analogous documents which it is required to prepare whether by its constitution or by the law under which it is established.~~