Prudential – Investment, Insurance Intermediation and Banking Rules (PRU)

*In this attachment underlining indicates new text and striking through indicates deleted text.
3 CAPITAL AND LEVERAGE

3.6 Capital Requirements for Categories 3B, 3C and 4

3.6.1 This Section applies to an Authorised Person in Category 3B, 3C or 4.

3.6.2 Subject to 3.6A.1, the Capital Requirement for such an Authorised Person is calculated as the higher of:

(a) the applicable Base Capital Requirement as set out in Section 3.3; or

(b) the Expenditure Based Capital Minimum as set out in Section 3.7.

3.6A Variable Capital Requirement for Money Remitters and Payment Service Providers

3.6A.1 An Authorised Person with a Financial Services Permission enabling it to carry on the activity of Providing Money Services as a Money Remitter or a Payment Service Provider must calculate its Capital Requirement as:

(a) for a Money Remitter, the highest of:
   (i) the applicable Base Capital Requirement as set out in Section 3.3;
   (ii) the Expenditure Based Capital Minimum as set out in Section 3.7;
   (iii) the Variable Capital Requirement calculated in accordance with Rule 3.6A.2;

(b) for a Payment Service Provider, the higher of:
   (i) the applicable Base Capital Requirement as set out in Section 3.3;
   (ii) the Variable Capital Requirement calculated in accordance with Rule 3.6A.2 or Rule 3.6A.4, as appropriate; or

(c) where it undertakes activities under both (a) and (b), the highest of:
   (i) the applicable Base Capital Requirement as set out in Section 3.3;
   (ii) the Expenditure Based Capital Minimum as set out in Section 3.7;
   (iii) the aggregate Variable Capital Requirement arising from the sum of the calculations performed under Rules 3.6A.2 and 3.6A.4, as appropriate for the activities undertaken.

Guidance

Payment Service Providers comprise both Payment Account Providers and Stored Value Providers.
Money Remitters and Payment Account Providers

3.6A.2 A Money Remitter or a Payment Account Provider must calculate its Variable Capital Requirement as the sum of the following elements:

(a) for an Authorised Person acting only as a Money Remitter:
   
   (i) 1.25% of the first $10 million of monthly payment volume;
   (ii) 0.5% of the next $90 million of monthly payment volume;
   (iii) 0.25% of the next $150 million of monthly payment volume; and
   (iv) 0.125% of any remaining monthly payment volume; or.

(b) for an Authorised Person acting only as a Payment Account Provider or as both a Payment Account Provider and a Money Remitter:

   (i) 2.5% of the first $10 million of monthly payment volume;
   (ii) 1% of the next $90 million of monthly payment volume;
   (iii) 0.5% of the next $150 million of monthly payment volume; and
   (iv) 0.25% of any remaining monthly payment volume.

3.6A.3 (1) In Rule 3.6A.2, monthly payment volume must be calculated by an Authorised Person as the total value of Payment Transactions executed by the Authorised Person in its preceding financial year divided by the number of months in that year.

(2) Where the Authorised Person has not completed a full financial year following its authorisation, the monthly payment volume must be calculated using the projections contained in its business plan, subject to any adjustments required by the Regulator.

Guidance

1. The monthly payment volume should be split into tranches, with the first $10mn being assigned to the first tranche, the next $90mn to the second tranche and so on.

2. The portion of the Variable Capital Requirement for each tranche is then calculated by multiplying the monthly payment volume in each tranche by the percentage factor associated with that tranche and then summing those portions to derive the overall Variable Capital Requirement.

3. Examples of the calculation of the Variable Capital Requirement follow, for Authorised Persons acting as a Money Remitter, a Payment Account Provider or both at the same time, with monthly payment volumes of $120mn.
### Tranche Monthly payment volume ($mn) Activity(ies)  
<table>
<thead>
<tr>
<th>Tranche</th>
<th>Monthly payment volume ($mn)</th>
<th>Activity(ies)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Money Remitter</td>
</tr>
<tr>
<td>0 &lt; ... ≤ 10</td>
<td>10</td>
<td>1.25% * 10 = 0.125</td>
</tr>
<tr>
<td>10 &lt; ... ≤ 100</td>
<td>90</td>
<td>0.5% * 90 = 0.450</td>
</tr>
<tr>
<td>100 &lt; ... ≤ 250</td>
<td>20</td>
<td>0.25% * 10 = 0.025</td>
</tr>
<tr>
<td>... &gt; 250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>0.600</strong></td>
</tr>
</tbody>
</table>

### Stored Value Providers

**3.6A.4** A Stored Value Provider must calculate its Variable Capital Requirement as 2.5% of the average outstanding stored value, calculated using the outstanding stored value at the end of each calendar day over the preceding financial year.

**3.6A.5** Where the Authorised Person has not completed a full financial year following its authorisation, the average outstanding stored value must be calculated using the projections contained in its business plan, subject to any adjustments required by the Regulator.

### Expenditure Based Capital Minimum

**3.7.1** An Authorised Person must calculate its Expenditure Based Capital Minimum as:

(a) in the case of an Authorised Person which holds Client Assets or Insurance Money, 18/52nds;

(b) in the case of an Authorised Person in Category 3B or 3C which does not hold Client Assets or Relevant Money or Insurance Money, 13/52nds; or

(c) in the case of an Authorised Person in Category 4, which does not hold Insurance Money, 6/52nds;

of the Annual Audited Expenditure, calculated in accordance with Rule 3.7.2.

### Guidance

For the purposes of Rule 3.7.1, Authorised Persons undertaking the Regulated Activity of Providing Money Services that offer only one of or both currency exchange and Money Remittance to their customers, but not Payment Services, are considered not to hold Client Assets, in the form of Client Money, or Relevant Money.

...
3.21 The Leverage Ratio

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3.21.4 An Authorised Person must notify the Regulator immediately in writing if, at any time, it does not hold, or is likely not to hold, an amount and quality of capital that is necessary to comply with Rule 3.1921.3.

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A3.2 Capital Requirements

Guidance

1. This table summarises the minimum Capital Requirement that an Authorised Person is subject to and an Authorised Person must hold sufficient Capital Resources at all times to meet the minimum Capital Requirement.

<table>
<thead>
<tr>
<th>Category</th>
<th>Minimum Capital Requirement (USD)</th>
<th>Expenditure Based Capital Minimum</th>
<th>Risk Capital Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10mn</td>
<td></td>
<td>Credit, Market, Operational and CVA (plus, where appropriate, Displaced Commercial)</td>
</tr>
<tr>
<td>2</td>
<td>2mn</td>
<td></td>
<td>Credit, Market, Operational and CVA</td>
</tr>
<tr>
<td>3A</td>
<td>500k</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3B&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4mn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3C&lt;sup&gt;3&lt;/sup&gt;</td>
<td>250k</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

or, where the Financial Services Permission permits only the Regulated Activity of Managing a Collective Investment Fund: (i) 150k for a Public Fund or one available to retail customers or (ii) 50k otherwise except where an Authorised Person has a Financial Services Permission only to carry out the Regulated Activity of Managing a Collective Investment Fund, in which case the Base Capital Requirement is the higher of:

a) 150,000 if the Authorised Person manages a Public Fund or any other type of fund that is available to retail customers; or
b) 50,000 otherwise.
<p>| | | | |</p>
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>4, 6</td>
<td>10k</td>
<td>6/52nds of Annual Expenditure</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>10mn</td>
<td></td>
<td>Credit, Market, Operational, CVA and Displaced Commercial</td>
</tr>
</tbody>
</table>

2. An Authorised Person, whichever Category it is a member of, must hold a minimum amount of CET1 Capital at the time that it obtains authorisation and at all times thereafter, in accordance with Rule 3.3.3, corresponding to the Base Capital Requirement.

3. An Authorised Person in Category 3C undertaking the Regulated Activity of Providing Money Services that offers only one of or both currency exchange and Money Remittance to their customers, but not Payment Services, is considered not to hold Client Assets, in the form of Client Money, or Relevant Money.

4. Where the Risk Capital Requirement is the binding capital requirement for an Authorised Person in Category 1, 2 or 5 it must also hold a Capital Conservation Buffer of CET1 Capital of 2.5% of the Total Risk Exposure Amount and, where applicable, a Countercyclical Capital Buffer of CET1 Capital, to be determined in accordance with Section 3.18.

5. An Authorised Person in Category 3B, 3C or 4 must notify the Regulator immediately if its Capital Resources fall below 120% of its minimum Capital Requirement, in accordance with Rule 3.20.2.

6. An Authorised Person in Category 4 is only permitted to hold Insurance Monies.

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