

Appendix 6

In this appendix underlining indicates new text and striking through indicates deleted text.

*Please note that a limited number of Rules in this text are not being amended, but are included for reference.



The DFSA Rulebook

Prudential – Investment, Insurance
Intermediation and
Banking Module

(PIB)

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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 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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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 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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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	
					<u>Arranging and Advising on Credit</u>	

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
Arranging Credit or Deals in Investments	4	NO	YES	YES

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Financial Services	Prudential Category	Capital requirement	Systems and controls requirement	PII cover
Advising on Financial Products or Credit	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 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