



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

(PRU INV)

AIFC RULES NO. FR0011 OF 2017

Astana International Financial Centre, Astana

10 December 2017



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

Contents

1.	APPLICATION	3
2.	GENERAL FINANCIAL RESOURCES REQUIREMENTS	7
3.	MINIMUM CAPITAL REQUIREMENT	10
4.	LIQUID ASSETS REQUIREMENT.....	15
5.	FINANCIAL GROUPS.....	18
6.	REPORTING AND NOTIFICATION REQUIREMENTS.....	20



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

Guidance: Purpose of this Rulebook

The purpose of this Rulebook, “PRU(INV)”, is to complement the regulatory framework established by the Financial Services Framework Regulations (“the Framework Regulations”). It sets out the requirements for PRU Investments Firms to hold Capital Resources and other financial resources sufficient to cover the risks arising from their business.

If the Rules operate as intended, a PRU Investment Firm should have a sufficient buffer of assets in excess of its liabilities so that there is only a very remote chance that it will become insolvent and thereby cause a loss to its customers and the wider financial markets (although the Rules do not guarantee that this will never happen).

The Rules will also provide a legal basis on which the AFSA may take action against a PRU Investment Firm which it considers does not have sufficient capital and other financial resources - for example by requiring it to stop transacting any new business, so as to minimise the losses to clients and/or potential market participants that might result from a failing PRU Investment Firm. Such action would also further the AFSA's objectives to avert any potential harm to wider market stability and manifestation of systemic risk.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

1. APPLICATION

1.1 Introduction

- (1) This Chapter sets out the scope of application of PRU(INV).
- (2) These PRU(INV) Rules create:
 - (a) a general financial resources requirement in accordance with Chapter 2;
 - (b) a minimum capital requirement in accordance with Chapter 3; and
 - (c) a minimum net liquid assets requirement in accordance with Chapter 4.
- (3) Chapter 5 provides for the requirements in PRU(INV) to apply at the level of the Financial Group of a PRU Investment Firm.
- (4) Chapter 6 imposes reporting and notification requirements that relate to the matters covered by these PRU(INV) Rules.

1.2 Commencement

These PRU(INV) Rules commence on 1 January 2018.

1.3 Application of PRU(INV) Rules

- (1) These PRU(INV) Rules apply to PRU Investment Firms.
- (2) A "PRU Investment Firm" can be either a PRU Dealing Investment Firm or a PRU Intermediary Investment Firm.
- (3) A "PRU Dealing Investment Firm" is an entity that has an Authorisation to conduct any of the following regulated activities:
 - (a) Dealing In Investments as Principal; or
 - (b) Dealing In Investments as Agent.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

- (4) A "PRU Intermediary Investment Firm" is an entity that has an Authorisation to conduct any of the following Regulated Activities:
- (a) Managing Investments;
 - (b) Managing A Collective Investment Scheme;
 - (c) Providing Custody Services;
 - (d) Arranging Custody Services;
 - (e) Providing Trust Services;
 - (f) Providing Fund Administration;
 - (g) Acting as A Trustee of A Fund;
 - (h) Advising on Investments;
 - (i) Arranging Deals in Investments; or
 - (j) Managing Restricted Profit-Sharing Investment Accounts.
- (5) The activities in Rule 1.3(3) and 1.3(4) are referred to as "PRU Investment Business".
- (6) These PRU(INV) Rules do not apply to entities that have an Authorisation to conduct any of the following activities unless they are PRU Investment Firms, and the following activities are not PRU Investment Business:
- (a) Insurance Intermediation;
 - (b) Representative Offices;
 - (c) Market Activities; or
 - (d) Ancillary Services.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

- (7) The activities in Rule 1.3(6) are referred to as "Non-PRU(INV) Investment Business".
- (8) If a PRU Investment Firm holds both an Authorisation to carry on PRU Investment Business and an Authorisation to carry on Non-PRU(INV) Investment Business, it will be subject to these PRU(INV) Rules in relation to the whole of its business, including its Non-PRU(INV) Investment Business. However, the AFSA may direct that the PRU Investment Firm will be deemed to satisfy:
- (a) some or all of these PRU(INV) Rules where it satisfies the rules that apply to it by reason of the Authorisation to carry on Non-PRU(INV) Investment Business; or
 - (b) some or all of the rules that apply to it by reason of the Authorisation to carry on Non-PRU(INV) Investment Business where it satisfies these PRU(INV) Rules.
- (9) Where a PRU Investment Firm makes an application to the AFSA for this Rule 1.3(9) to apply, and the AFSA is satisfied that:
- (a) the PRU Investment Firm is a legal entity that is authorised and regulated to carry out the same regulated activities by the Financial Services Regulator in the jurisdiction in which it is incorporated;
 - (b) the PRU Investment Firm is subject to prudential regulation by that Financial Services Regulator in respect of the whole of its business, including the business carried on through its AIFC Operation; and
 - (c) the level of prudential regulation is at least equivalent to the level of prudential regulation under these PRU(INV) Rules, as assessed by the AFSA,
- then the AFSA may direct that the PRU Investment Firm shall be an "Externally Regulated PRU Investment Firm".
- (10) Chapter 2 applies to an Externally Regulated PRU Investment Firm except as provided otherwise therein. Chapters 3 and 4 of these PRU(INV) Rules do not apply



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

to Externally Regulated PRU Investment Firms. In Chapter 5, only Rule 5.3 applies to Externally Regulated PRU Investment Firms, and in Chapter 6, only Rule 6.6 applies to Externally Regulated PRU Investment Firms.

- (11) Irrespective of whether a PRU Investment Firm is an Externally Regulated PRU Investment Firm, it must comply with these PRU(INV) Rules and with the rules of any other Financial Services Regulator, in each case to the extent applicable.

- (12) Where it is satisfied that the business of a PRU Dealing Investment Firm is subject to risks that are not adequately addressed by the rules in PRU(INV), the AFSA may direct that PRU(INV) shall not apply to that PRU Dealing Investment Firm and that, instead, that PRU Dealing Investment Firm shall be subject to the rules that it has made in relation to the prudential regulation of entities that have an Authorisation from the AFSA to carry on banking business in the AIFC.



2. GENERAL FINANCIAL RESOURCES REQUIREMENTS

2.1 General

2.1.1 Governing Body's responsibilities

- (1) The Governing Body of a PRU Investment Firm, other than an Externally Regulated PRU Investment Firm, must consider whether the minimum Capital Resources and Liquid Assets required by these PRU(INV) Rules are adequate to ensure that there is no significant risk that the firm's liabilities cannot be met as they fall due. The firm must obtain additional Capital Resources and Liquid Assets if its Governing Body considers that the minimum required does not adequately reflect the risks of its business.
- (2) The Governing Body is also responsible for:
 - (a) ensuring that the management of the firm's Capital Resources and Liquid Assets is part of the firm's overall risk management, and is aligned with the nature, scale and complexity of its business and its risk profile;
 - (b) ensuring that the firm complies with these PRU(INV) Rules; and
 - (c) monitoring the adequacy and appropriateness of the firm's systems and controls and the firm's compliance with them.
- (3) The Governing Body of a PRU Investment Firm, including an Externally Regulated PRU Investment Firm, shall identify any future circumstances and events that it considers to have a realistic probability of occurring and which would create a material risk that the PRU Investment Firm would become insolvent. For each set of circumstances and events, it shall assess how the financial position of the PRU Investment Firm would be affected, and what management actions it would expect to take in anticipation of, and as a result of, those circumstances and events in order to try to ensure that the PRU Investment Firm does not become insolvent and continues to comply with these PRU(INV) Rules.
- (4) In addition, the Governing Body of a PRU Dealing Investment Firm, including an Externally Regulated PRU Investment Firm, shall conduct an annual internal capital



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

adequacy assessment to examine how the PRU Dealing Investment Firm would be affected by adverse stresses and scenarios that might reasonably be expected to occur in a future period of three years and, in doing so, it shall take into account management actions that it would expect to take, and cashflows that it would expect to receive and pay, in anticipation of, and as a result of, those stresses and in those scenarios.

2.1.2 Systems and controls

- (1) A PRU Investment Firm, other than an Externally Regulated PRU Investment Firm, must have adequate systems and controls to enable it to calculate and monitor its Capital Resources and Liquid Assets and its compliance with the requirements of these PRU(INV) Rules.
- (2) The systems and controls must be in writing and must be appropriate for the nature, scale and complexity of the firm's business and its risk profile.
- (3) The systems and controls must enable the firm to demonstrate its compliance with these PRU(INV) Rules at all times.
- (4) The systems and controls must enable the firm to manage its Capital Resources and Liquid Assets in anticipation of events or changes in market conditions.
- (5) The firm must have contingency arrangements to maintain or increase its Capital Resources and Liquid Assets in times of stress.

2.2 Financial Resources

2.2.1 Financial resources

- (1) A PRU Investment Firm, other than an Externally Regulated PRU Investment Firm, must have and maintain, at all times, Capital Resources and Liquid Assets of at least the minimum kinds and amounts required by, and calculated in accordance with, these PRU(INV) Rules.
- (2) A PRU Investment Firm to which Rule 2.2.1(1) applies must have and maintain, at all times, Capital Resources and Liquid Assets that are adequate in relation to the



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

nature, scale and complexity of its business and its risk profile, to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

2.2.2 Financial resources—Externally Regulated PRU Investment Firms

An Externally Regulated PRU Investment Firm must:

- (a) ensure that its AIFC Operation has, and maintains, at all times, access to financial resources that are adequate in relation to the nature, scale and complexity of the business of its AIFC Operation and its risk profile, to ensure that there is no significant risk that any liabilities assumed by or through the AIFC Operation cannot be met as they fall due;
- (b) if and to the extent so directed by the AFSA, hold some or all of the resources in paragraph (a) in one or more bank accounts or custody accounts maintained in Kazakhstan in the name of the AIFC Operation, on terms whereby those resources may be withdrawn and applied only by authorised representatives of the AIFC Operation; and
- (c) comply with the prudential requirements set by its home Financial Services Regulator.

2.2.3 Intervention power of AFSA

If the AFSA is not satisfied that a PRU Investment Firm is in compliance with Rule 2.2.1 or 2.2.2 (as applicable) then it may impose a requirement on that PRU Investment Firm to have and maintain additional amounts of Capital Resources and/or Liquid Assets, and/or to hold additional financial resources in one or more bank accounts or custody accounts maintained in Kazakhstan, and the PRU Investment Firm must comply with that requirement.



3. MINIMUM CAPITAL REQUIREMENT

3.1 Application of Chapter 3

This Chapter does not apply to a PRU Investment Firm that is an Externally Regulated PRU Investment Firm.

3.2 References to Capital Resources and currencies

- (1) In these PRU(INV) Rules, "Capital Resources" must be calculated as the sum of the following capital elements, subject to deductions listed in (2) below:
 - (a) the ordinary equity share capital of the PRU Investment Firm, to the extent fully paid up;
 - (b) share premium accounts related to the equity share capital referred in paragraph (a);
 - (c) any retained earnings and reserves created out of earnings of past periods of the Insurance Intermediary, and accumulated other comprehensive income, as defined in the International Financial Reporting Standards, to the extent shown in its audited financial statements and accounts; and
 - (d) any amount directed by the AFSA under Rule 3.2(3).
- (2) In determining its Capital Resources, a PRU Investment Firm must deduct the following items from the sum of the capital elements in (1) above:
 - (a) any interim losses incurred by the PRU Investment Firm in the current financial year, irrespective of whether or not shown in audited financial statements and accounts;
 - (b) each of the following, to the extent that its value contributes to the sum of the capital elements in (1) above:
 - (i) goodwill and other intangible assets as defined in the International Financial Reporting Standards;



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

- (ii) tangible fixed assets, including equipment and vehicles;
 - (iii) deferred tax assets that rely on future profitability;
 - (iv) defined benefit pension fund assets of the Insurance Intermediary;
 - (v) investments by the PRU Investment Firm or by any of its Subsidiaries in the Insurance Intermediary's own shares;
 - (vi) holdings of equity shares of Affiliates or Related Persons which a reciprocal cross holding with the PRU Investment Firm which have the effect of artificially inflating the Capital Resources of the PRU Investment Firm;
 - (vii) any investments in, and loans to, Affiliates or Related Persons; and
 - (viii) holdings of other investments and assets that are not readily realisable into cash; and
- (c) any amount to be deducted from Capital Resources as directed by the AFSA.
- (3) Where the AFSA is satisfied that a capital instrument issued by the PRU Investment Firm, and in respect of which the PRU Investment Firm has received the issuance proceeds in full, has characteristics of permanence and loss absorption that are sufficient to ensure that it would be available to absorb unexpected losses of the PRU Investment Firm, it may direct that some or all of the liabilities created by that instrument may be included in the Capital Resources of the PRU Investment Firm under Rule 3.2(1)(d).

Guidance

In deciding whether to exercise discretion under Rule 3.2(3), the AFSA will take into account whether the Basel Requirements are satisfied.

3.3 Minimum Capital Requirement

- (1) A PRU Investment Firm must ensure that it maintains at all times Capital Resources of at least its Minimum Capital Requirement.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

- (2) The Minimum Capital Requirement of:
- (a) a PRU Intermediary Investment Firm is equal to its Base Capital Requirement;
 - (b) a PRU Dealing Investment Firm is equal to the sum of:
 - (i) its Base Capital Requirement;
 - (ii) its Credit Risk Capital Requirement;
 - (iii) its Market Risk Capital Requirement; and
 - (iv) its Operational Risk Capital Requirement.
- (3) The Base Capital Requirement of a PRU Investment Firm shall be the amount specified in Table 3.3 by reference to the activity that the PRU Investment Firm is authorised to conduct or, if the PRU Investment Firm is authorised to conduct more than one such activity, the amount that is the higher or highest of the relevant amounts of in Table 3.3.

Table 3.3 Base Capital Requirement

Regulated Activity	Base Capital Requirement (USD)
Dealing In Investments as Principal, unless such activities are limited to matching client orders and the AFSA determines that it is appropriate in all the circumstances to apply a lower Base Capital Requirement	2,000,000
Dealing In Investments as Principal, where such activities are limited to matching client orders and the AFSA determines that it is appropriate in all the circumstances to apply a lower Base Capital Requirement than above	500,000



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

Dealing In Investments As Agent.	500,000
Managing Investments	500,000
Managing A Collective Investment Scheme	500,000
Providing Custody Services	500,000
Arranging Custody Services	200,000
Providing Trust Services	200,000
Providing Fund Administration	200,000
Acting as A Trustee of A Fund	200,000
Advising on Investments	200,000
Arranging Deals In Investments	200,000
Managing Profit-Sharing Investment Accounts	200,000

- (4) The Credit Risk Capital Requirement of a PRU Dealing Investment Firm must be calculated in accordance with rules imposed on the PRU Dealing Investment Firm individually as part of its authorisation by the AFSA.
- (5) The Market Risk Capital Requirement of a PRU Dealing Investment Firm must be calculated in accordance with rules imposed on the PRU Dealing Investment Firm individually as part of its authorisation by the AFSA.
- (6) The Operational Risk Capital Requirement of a PRU Dealing Investment Firm must be calculated in accordance with rules imposed on the PRU Dealing Investment Firm individually as part of its authorisation by the AFSA.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

Guidance

The rules imposed under paragraphs (4), (5) and (6) will apply the relevant parts of the Basel Requirements to the PRU Dealing Investment Firm, taking into account the nature, scale and complexity of the PRU Dealing Investment Firm's business. This will include:

- (a) rules providing for the Credit Risk Capital Requirement to be determined using a risk-weighted assets calculation in respect of on- and off- balance sheet exposures of the PRU Dealing Investment Firm using the standardised approach of the Basel Requirements, and allowing for reliance on credit risk mitigation techniques and providing for more onerous treatment of exposures to securitisations and over-the-counter derivatives in each case in accordance with Basel Requirements to the extent applicable to the PRU Dealing Investment Firm's business;
- (b) rules providing for the Market Risk Capital Requirement to be determined using the standardised measurement method of the Basel Requirements, reflecting interest rate risk, equity position risk, foreign exchange risk, commodities risk and the treatment of options, in each case in accordance with the Basel Requirements to the extent applicable to the PRU Dealing Investment Firm's business;
- (c) rules providing for the Operational Risk Capital Requirement to be determined using the basic indicator approach or the standardised approach of the Basel Requirements to the extent applicable to the PRU Dealing Investment Firm's business.



4. LIQUID ASSETS REQUIREMENT

4.1 Application of Chapter 4

This Chapter does not apply to a PRU Investment Firm that is an Externally Regulated PRU Investment Firm.

4.2 Liquid Assets requirement

- (1) A PRU Investment Firm must have, at all times, Liquid Assets whose value is at least equal to 25% of the firm's Annual Operating Expenditure (as defined in Rule 4.4).
- (2) If at any time the AFSA considers that because of the nature, scale and complexity of a particular PRU Investment Firm's business, or its risk profile, it is appropriate to require the PRU Investment Firm to hold a greater amount of Liquid Assets than is required by Rule 4.2(1), the AFSA may require the PRU Investment Firm to hold Net Liquid Assets to a specified higher percentage of its Annual Operating Expenditure, and the PRU Investment Firm must comply with that requirement.

4.3 Calculating Liquid Assets

- (1) Subject to paragraph (2), the "Liquid Assets" of a PRU Investment Firm means each of the following, to the extent it is beneficially owned by the PRU Investment Firm free from any security interest or other claim of any third party, other than a banker's lien or custodian's lien arising in the ordinary course of business:
 - (a) cash in hand;
 - (b) money deposited with a regulated bank or deposit-taker which has a short-term credit rating of A1 or P1 (or equivalent) and above from an Approved ECAI;
 - (c) demand deposits with a tenor of 1 year or less with a bank or deposit-taker in (b);



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

- (d) time deposits with a tenor of 1 year or less which have an option to redeem the deposit at any time; in such cases, the deposit amount eligible to be included as Liquid Assets must be calculated as net of any costs associated with such early redemption;
 - (e) cash receivable from a regulated clearing house and cash deposits with such clearing houses, other than any fees or contributions to guarantee or reserve funds of such clearing houses; and
 - (f) any other asset which may be approved by the AFSA as comprising a Liquid Asset for the purpose of this Rule.
- (2) For the purpose of paragraph (1), Liquid Assets do not include:
- (a) any investment, asset or deposit which has been pledged as security or collateral for any obligations or liabilities assumed by it or by any other Person; or
 - (b) cash held in Client Money or Insurance Money accounts.

4.4 Calculating Annual Operating Expenditure

- (1) Subject to Rule 4.4(2), a PRU Investment Firm's Annual Operating Expenditure at any time, which shall be calculated as at the end of the most recently ended financial year for which audited accounts are available, is the total of:
- (a) the expenses reported in those audited annual accounts of the PRU Investment Firm for the period of the financial year covered by those accounts that arose in the normal course of the firm's business arising from PRU Investment Business or Non-PRU(INV) Investment Business (including from any such activities carried out by a branch of the PRU Investment Firm in any other jurisdiction); plus
 - (b) the amount by which the Governing Body, acting reasonably, expects the corresponding annual operating expenses in any financial year after the



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

financial year covered by those accounts to exceed the amount in paragraph (a).

- (2) In the period between being authorised as a PRU Investment Firm and the date of publication of the audited accounts in respect of its first full financial year as a PRU Investment Firm, a PRU Investment Firm must calculate its Annual Operating Expenditure using its budgeted or forecast accounts for its first twelve months that it submitted to the AFSA as part of its application for authorisation as a PRU Investment Firm, and must make adjustments to take into account the amount by which the Governing Body, acting reasonably, expects the annual operating expenses to exceed the amounts included in those budgeted or forecast accounts.



5. FINANCIAL GROUPS

5.1 Application of Chapter 5

Other than Rule 5.3, this Chapter does not apply to a PRU Investment Firm that is an Externally Regulated PRU Investment Firm.

5.2 Application of Chapters 3 and 4 to Financial Groups

- (1) Where the AFSA directs that the PRU Investment Firm should comply with Chapters 3 and 4 at the level of its Financial Group, the PRU Investment Firm must, in addition to complying with those Rules on a solo basis, ensure that the financial position of its Financial Group on a consolidated basis is compliant with those Rules (as if the Financial Group, treated as a single entity, were a PRU Investment Firm).
- (2) The Financial Group of a PRU Investment Firm is made up of:
 - (a) the PRU Investment Firm;
 - (b) any Subsidiary (direct or indirect) of the PRU Investment Firm that carries on any PRU Investment Business in any jurisdiction; and
 - (c) any other entity that the AFSA directs should be included in the Financial Group due to there being a high degree of financial interdependence between the PRU Investment Firm and that entity.
- (3) A PRU Investment Firm may apply to the AFSA for approval to exclude an entity from its Financial Group. The AFSA will grant such an approval only after the PRU Investment Firm satisfies the AFSA that inclusion of the entity would not materially alter the risk profile of the PRU Investment Firm and/or its Financial Group and that the exclusion of that entity would not hinder AFSA's ability to effectively supervise the PRU Investment Firm and its Financial Group.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

Guidance

The AFSA would consider a range of factors when requiring a PRU Investment Firm to treat another entity as part of its Financial Group. These factors would include direct and indirect participation, influence or contractual obligations, interconnectedness, intra-group exposures, intra-group services, regulatory status and nature of business of other entities in the group and the legal framework.

5.3 Accepting deposits

No PRU Investment Firm shall be, or shall have a Subsidiary that is, authorised to accept deposits in any jurisdiction.



6. REPORTING AND NOTIFICATION REQUIREMENTS

6.1 Introduction

- (1) This Chapter sets out the prudential reporting requirements for a PRU Investment Firm.
- (2) Other than Rules 6.5 and 6.6, this Chapter does not apply to an Externally Regulated PRU Investment Firm.

6.2 Preparing Returns

- (1) A PRU Investment Firm, other than an Externally Regulated Investment Firm, must submit quarterly and annual prudential returns to the AFSA using the templates prescribed for this purpose by the AFSA from time to time.
- (2) Annual prudential returns of a PRU Investment Firm must contain a certification by the same auditor that is responsible for auditing the PRU Investment Firm's annual financial statements. The certification must relate to the annual prudential returns and each set of unaudited quarterly returns that have been submitted to the AFSA by the PRU Investment Firm in the previous year.

6.3 Signing Returns

- (1) A prudential return must be signed by 2 individuals, and in each case:
 - (a) one of those individuals must be the individual approved to exercise the Finance Officer Function; and
 - (b) the other individual must be either the individual approved to exercise the Senior Executive Officer Function for the PRU Investment Firm or one of the individuals approved to exercise the Director Function for the PRU Investment Firm.
- (2) In paragraph (1), Senior Executive Officer Function and Director Function have the same meanings as in GEN.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

6.4 Reductions in paid-up share capital and other capital instruments

A PRU Investment Firm, other than an Externally Regulated Investment Firm, must not reduce its paid-up share capital, or repay or redeem any part of any capital instrument the liabilities under which are included in its Capital Resources in accordance with Chapter 3, without the AFSA's written approval.

6.5 Breaches of PRU(INV)

- (1) If a PRU Investment Firm becomes aware, or has reasonable grounds to believe, that it is or may be (or may be about to be) in breach of any of the rules in PRU(INV) that applies to it, it must:
 - (a) notify the AFSA in writing about the breach and the relevant circumstances immediately and not later than within 1 Business Day; and
 - (b) subject to paragraph (2) below, not make any cash transfers or payments or transfer of liquid assets to its Affiliates or Related Persons, whether by way of dividends or otherwise, without the AFSA's written permission.
- (2) In the case of an Externally Regulated PRU Investment Firm, the restriction in paragraph (1)(b) shall apply only to assets within the control of the AIFC Operation of the Externally Regulated PRU Investment Firm.

Guidance

In dealing with a breach, or possible breach, of this part, the AFSA's primary concern will be the interests of existing and prospective Clients and potential adverse impact on market participants as well as market stability. The AFSA recognises that there will be circumstances in which a problem may be resolved quickly, for example by support from a parent entity, without jeopardising the interests of Clients and stakeholders. In such circumstances, it will be in the interests of all parties to minimise the disruption to the firm's business. The AFSA's will normally seek to work cooperatively with the Authorised Firms in such stressed situations to deal with any problems. There will, however, be circumstances in which it is necessary to take regulatory action to avoid exposing market participants, stakeholders and Clients to the potential adverse consequences of the firm's Failure, and the AFSA will not hesitate to take appropriate action if it considers this necessary.



AIFC PRUDENTIAL RULES FOR INVESTMENT FIRMS

6.6 Externally Regulated PRU Investment Firms

- (1) The AFSA may require an Externally Regulated PRU Investment Firm to give it a copy of any report that the Externally Regulated PRU Investment Firm is required to provide to any other Financial Services Regulator to demonstrate compliance with capital and liquidity requirements.
- (2) The AFSA may require an Externally Regulated PRU Investment Firm to provide information to it setting out, in a level of detail satisfactory to the AFSA:
 - (a) what financial resources are available to it in respect of its AIFC Operation, including those available to satisfy Rule 2.2.2;
 - (b) what liabilities and other financial commitments it is subject to in respect of its AIFC Operation.
- (3) If an Externally Regulated PRU Investment Firm breaches (or expects to breach) a prudential requirement set by the Financial Services Regulator in its jurisdiction of incorporation, it must immediately notify the AFSA and must give the AFSA copies of any relevant documents (including all relevant documents submitted to that Financial Services Regulator).