



NOTICE OF PERMISSION
Investment firm consolidation waiver

To: Tullett Prebon (Europe) Limited
Tullett Prebon (Securities) Limited
Tullett Prebon (Equities) Limited
ICAP Europe Limited
ICAP Securities Limited
ICAP Energy Limited
iSwap Euro Limited
ICAP Global Derivatives Limited
ICAP WCLK Limited
The Link Asset and Securities Company Limited (each a “firm” and collectively the “firms”)

Ref: 1793332
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Of: Level 3, 155 Bishopsgate, London, EC2M 3TQ

Date: 30 December 2016

Permission issued pursuant to Regulation (EU) No. 575/2013 on the prudential supervision for credit institutions and investment firms (EU CRR)

A. Power

1. This permission is given by the *FCA* under regulation 41 of the Capital Requirements Regulations 2013.

B. Duration

2. (1) This permission takes effect on 30 December 2016.
(2) This permission expires on 30 December 2026.

C. Decision

3. In accordance with the discretion afforded to the *FCA* by article 15 of the *EU CRR*, the *FCA* has decided to grant the permission to the firms (and in respect of the *FCA consolidation group* of which they are members) to waive the application of Part Three of the *EU CRR* and Title VII, Chapter 4 of *CRD* (Capital buffers) on a *consolidated basis*.
4. As a consequence of the decision in paragraph 3 and in relation to the firms, there is no *FCA consolidation group* to which *IFPRU* 10.6 (Application on a consolidated basis) would apply.

D. Conditions

5. This permission is subject to the conditions set out in this section.
6. The amount of excess goodwill must not exceed at any time in the relevant time periods the amounts set out in the following table and must be reduced to zero by the end of the 10th anniversary of the date this permission takes effect:

Time Period	Excess Goodwill must not exceed at any time:
0.0 – 2.5 years	100% of initial excess goodwill
2.5 – 5.0 years	75% of initial excess goodwill
5.0 – 7.5 years	50% of initial excess goodwill
7.5 – 10.0 years	25% of initial excess goodwill

Excess goodwill is the difference, calculated on a *consolidated basis* for the *FCA consolidation group* of which the firms would be members but for this permission, between:

- (a) *own funds*; and
- (b) *own funds requirements* in article 92(1)(c) of the *EU CRR* (Total capital ratio),

the calculation of which must include excess goodwill that arises from completion of any acquisitions notified to the *FCA* prior to the granting of this permission and planned for completion in the period ending on the first anniversary of the date this permission takes effect in the amount that has been notified to the *FCA*.

For the purpose of the amounts referred to in the table above, the amount of initial excess goodwill is determined as excess goodwill at the date this permission takes effect from the latest financial forecasts made available to the *FCA* in connection with this permission.

The annual limits set out in paragraph 6 must be re-based regularly as appropriate. In particular, when there are disposals, any goodwill converted into significant or non-significant investments in financial sector entities and deducted from *common*

equity tier 1 capital must be taken into account.⁷ In relation to any outstanding debt, the *FCA consolidation group* of which the firms would be members but for this permission must, on a *consolidated basis*, from the date that this permission takes effect until the date that this permission expires:

- (1) maintain a ratio of net debt (aggregate borrowings less cash and cash equivalents) to EBITDA (earnings before the deduction of interest, expenses, taxes, depreciation and amortisation - disregarding extraordinary or exceptional items) of not more than 2.5:1;
- (2) maintain a ratio of EBIT (earnings before tax and interest - disregarding extraordinary or exceptional items) to net interest payable of at least 4:1;
- (3) maintain an absolute limit on leverage so that net debt does not exceed £500 million (five hundred million pounds); and
- (4) maintain a relative limit on leverage so that net debt does not exceed two times consolidated total equity per the most recently published annual report.

For the purposes of this condition, debt excludes any indebtedness to the operators of clearing systems and similar organisations in respect of clearing, settlement and similar or related obligations including overdrafts at banks and agents arising from failures to settle, give-up or clear trades where such indebtedness is outstanding for up to 15 days.

8. Subject to paragraph 8(2) below,

- (1) in relation to any period where the *FCA consolidation group* of which the firms would be members but for this permission has more than £300 million (three hundred million pounds) of externally generated debt, the firms must ensure that at least one third of such debt has a residual maturity of at least eighteen months.
- (2) Paragraph 8(1) does not apply in relation to the period from the date this permission takes effect until the earlier of:
 - (i) 30 June 2018; and
 - (ii) the date at which the bank bridge facility in place as at the date that this permission takes effect has been repaid in full.

9. The firm reports the following to the *FCA* under article 17(2) of the *EU CRR*:

- (1) any *large exposure* risks of members of the *FCA consolidation group* of which it would be a member but for this permission, including any *undertakings* not located in an *EEA State*, on a half yearly basis commencing 30 June 2017;
- (2) the amount, on a *consolidated basis*, of *own funds* and *own funds requirements* of the *FCA consolidation group* of which the firms would be members but for



this permission, on a half yearly basis commencing 31 June 2017; and

- (3) the ratios specified in paragraphs 7(1), 7(2), 7(3) and 7(4), on a half yearly basis commencing 30 June 2017.

- 10. The firm notifies the *FCA* immediately on becoming aware of any of the following occurring, or becoming likely to occur:
 - (1) any material issue being identified that would adversely affect the repayment at maturity of debts referred to above;
 - (2) any material issue being identified that would adversely affect the repayment of the bank bridge facility referred to in paragraph 8(2) above by 30 June 2018;
 - (3) any material adverse deviation from financial forecasts made available to the *FCA* in connection with this permission; and
 - (4) any material increase in leverage (e.g. due to a fall in profitability).

E. Additional requirements

- 11. In relation to this permission, the firm is reminded of the following obligations in article 17 of the *EU CRR*:
 - (1) to notify the *FCA* of the risks which could undermine its financial position, including those associated with the composition and sources of its *own funds*, internal capital and funding; and
 - (2) the requirements of Part Eight of the *EU CRR* (Disclosure by institutions) apply on an individual basis.
- 12. For the purpose of paragraph 11(1), the firms must notify the *FCA* immediately on any of them becoming aware that one or more of the firms has/have failed, or is/are likely to fail, to meet any of the conditions in section D.

F. Facts and matters relied on

- 13. The *FCA* has made this decision on the basis of the facts provided and statements made by the firms in the course of its application for this permission. If any of those facts or statements were not true, or no longer reflect the state of affairs described, this could constitute sufficient grounds to revoke this permission.
- 14. The conditions in section D are based on:
 - (1) the firms (and the *FCA consolidation group* of which they would be members, but for this permission) calculating their *own funds* and *own funds requirements* using management accounts and accrued profits net of related distributions; and



- (2) the *own funds* and *own funds requirements* stated in the *EU CRR* as at the date of this permission. In the event of a change in the *EU CRR* or to the manner in which the *EU CRR* is applied to the Tullett Prebon group or its firms (whether as a result of a change in implementing legislation, a change in the policy of a competent authority, or otherwise), which materially affects the way in which the firms (and the *FCA consolidation group* of which they would be members, but for this permission) calculate their *own funds* or their *own funds requirements*, the firms will on becoming aware of such a change, notify the *FCA* of any change to the conditions in section D which they consider may be required as a result.

G. Procedural matters

15. Where any of the firms is aggrieved at the determination of the application for the grant of this permission, it may refer the matter to the Upper Tribunal (the “Tribunal”). The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the *FCA*. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the firm has 28 days from the date on which this notice is given to the firm to refer the matter to the Tribunal.
16. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the firm and filed with a copy of this notice. The Tribunal’s contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk). Further details are contained in “Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)” which is available from the Tribunal website: <http://www.tribunals.gov.uk/financeandtax/FormsGuidance.htm>.
17. The firm should note that a copy of the reference notice (Form FTC3) must be sent to the *FCA* at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to the signatory below at the *FCA*.

H. Interpretation

18. Any expression used in this notice which is used in the *EU CRR* shall have the meaning given, or used, in those regulations.
19. Unless otherwise provided, interpretative provisions (including definitions) of the *Handbook* (version as in force on the date of this notice) apply to this notice in the same way as they apply to the *Handbook*.

Caroline Hall
Authorisations Division
Financial Conduct Authority