SCHEDULE 3

Capital requirements

PART 2

Own funds

Own funds requirement

3. The amount of own funds referred to in regulation 22(1)(b) is to be calculated in accordance with such of Method A, Method B or Method C (set out in paragraphs 8 to 10) as the FCA may direct.

Adjustment by the FCA

4. The FCA may direct that an authorised payment institution must hold own funds up to 20% higher, or up to 20% lower, than the amount which would result from paragraph 3.

5. A direction made under paragraph 4 must be on the basis of an evaluation of the relevant authorised payment institution including, if available and where the FCA considers it appropriate, any risk-management processes, risk loss database or internal control mechanisms of the authorised payment institution.

6. The FCA may make a reasonable charge for making an evaluation required under paragraph 5.

Provision for start-up payment institutions

7. If an authorised payment institution has not completed a full financial year's business, references to a figure for the preceding financial year are to be read as the equivalent figure projected in the business plan provided in the payment institution's application for authorisation, subject to any adjustment to that plan required by the FCA.

Method A

8.—(1) "Method A" means the calculation method set out in this paragraph.

(2) The own funds requirement is 10% of the authorised payment institution's fixed overheads for the preceding financial year.

(3) If a material change has occurred in an authorised payment institution's business since the preceding financial year, the FCA may direct that the own funds requirement is to be a higher or lower amount than that calculated in accordance with sub-paragraph (2).

Method B

9.—(1) "Method B" means the calculation method set out in this paragraph.

(2) The own funds requirement is the sum of the following elements multiplied by the scaling factor—

(a) 4% of the first 5,000,000 euros of payment volume;

(b) 2.5% of the next 5,000,000 euros of payment volume;

(c) 1% of the next 90,000,000 euros of payment volume;

(d) 0.5% of the next 150,000,000 euros of payment volume; and

(e) 0.25% of any remaining payment volume.

(3) "Payment volume" means the total amount of payment transactions executed by the authorised payment institution in the preceding financial year divided by the number of months in that year.

(4) The "scaling factor" is—

(a) 0.5 for a payment institution that is authorised to provide only the payment service specified in paragraph 1(f) of Schedule 1 (money remittance); and

(b) 1 for a payment institution that is authorised to provide any other payment service specified in paragraph 1(a) to (e) of Schedule 1.

Method C

10.—(1) "Method C" means the calculation method set out in this paragraph.

(2) The own funds requirement is the relevant indicator multiplied by—

(a) the multiplication factor; and

(b) the scaling factor;

subject to the proviso in sub-paragraph (7).

(3) The "relevant indicator" is the sum of the following elements—

(a) interest income;

(b) interest expenses;

(c) gross commissions and fees received; and

(d) gross other operating income.

(4) For the purpose of calculating the relevant indicator—

(a) each element must be included in the sum with its positive or negative sign;

(b) income from extraordinary or irregular items must not be used;

(c) expenditure on the outsourcing of services rendered by third parties may reduce the relevant indicator if the expenditure is incurred from a payment service provider;

(d) the relevant indicator is calculated on the basis of the twelve-monthly observation at the end of the previous financial year;

(e) the relevant indicator must be calculated over the previous financial year; and

(f) audited figures must be used unless they are not available in which case business estimates may be used.

(5) The "multiplication factor" is the sum of—

(a) 10% of the first 2,500,000 euros of the relevant indicator;

(b) 8% of the next 2,500,000 euros of the relevant indicator;

(c) 6% of the next 20,000,000 euros of the relevant indicator;

(d) 3% of the next 25,000,000 euros of the relevant indicator; and

(e) 1.5% of any remaining amount of the relevant indicator.

(6) "Scaling factor" has the meaning given in paragraph 9(4).

(7) The proviso is that the own funds requirement must not be less than 80% of the average of the previous three financial years for the relevant indicator.

Application of accounting standards

11. Except where this Schedule provides for a different method of recognition, measurement or valuation, whenever a provision in this Schedule refers to an asset, liability, equity or income statement item, an authorised payment institution must, for the purpose of that provision, recognise the asset, liability, equity or income statement item and measure its value in accordance with whichever of the following are applicable for the purpose of the institution's external financial reporting—

(a) Financial Reporting Standards and Statements of Standard Accounting Practice issued or adopted by the Financial Reporting Council Limited;

(b) Statements of Recommended Practice, issued by industry or sectoral bodies recognised for this purpose by the Financial Reporting Council Limited;

(c) International Financial Reporting Standards and International Accounting Standards issued or adopted by the International Accounting Standards Board;

(d) International Standards on Auditing (United Kingdom and Ireland) issued by the Financial Reporting Council Limited or a predecessor body;

(e) the Companies Act 2006.