

September 2025

FSRA Prudential Amendments – Key Changes for Lower Risk Firms

The Financial Services Regulatory Authority (FSRA) has finalized amendments to the Prudential – Investment, Insurance Intermediation and Banking Rulebook (PRU) for Categories 3B, 3C, and 4 firms. Effective 19 August 2025 (with PII standards from 1 Jan 2026).

Key Changes: Some of the key changes are as follows:

1. Capital Requirement (Category 4):

- \$50,000 Base Capital Requirement (BCR) for Category 4 firms (except Private Financing Platforms which remain at \$150,000).
- No Expenditure-Based Capital Minimum (EBCM) for Category 4 firms that are not holding Client Assets /Insurance Money.
- Firms that hold Clients Assets or Insurance Money remain subject to both the EBCM requirement and the BCR.

2. Providing Custody for a Fund:

- BCR reduced to \$250,000 (except when providing custody for a Public Fund).

Key Changes (Continued)

3. Internal Risk Assessment Process (IRAP)

- IRAP requirements removed for Category 3B and 3C firms.
- FSRA retains power to request IRAP or internal risk reports, if deemed necessary.

4. Regulatory Reporting

- Updates to EPRS and FSRA Connect templates.
- Firms must ensure correct capital figures are reported (e.g., zero for EBCM where no longer applicable).
- Annual PII confirmation statement (Board-approved) to replace submission of PII cover.

5. Professional Indemnity Insurance (PII)

- PII requirement removed for branches of Category 3B, 3C, and 4 firms (from 19 Aug 2025).
- Following new minimum PII standards are effective for renewals on/after 1 Jan 2026:
 - The cover should be provided by an Insurer or a Regulated Financial Institution that is authorised to provide professional indemnity insurance, and which has an external credit assessment from an ECAI that maps to Credit Quality Grade 3 or better;

Key Changes (Continued)

5. *Professional Indemnity Insurance (PII) (Continued)*

- The contract incorporates terms that make provision for:
 - (A) claims arising from work carried out from the date on which the Authorised Person was authorised;
 - (B) appropriate cover in respect of legal defence costs; and
 - (C) cover in relation to claims for which the Authorised Person may be liable as a result of its conduct or the conduct of its Employees, the members of its Governing Body and its agents
- At least annually, provide the Regulator with the statement approved by its Governing Body which confirms that the Authorised Person has professional indemnity insurance cover in place for the following 12 month period which meets the requirements above.