

Chapter 8

Group risk consolidation

Text of Articles 125 and 126 of the Banking Consolidation Directive

Article 125

1. Where a parent undertaking is a parent credit institution in a Member State or an EU parent credit institution, supervision on a consolidated basis shall be exercised by the competent authorities that authorised it under Article 6.
2. Where the parent of a credit institution is a parent financial holding company in a Member State, a parent mixed financial holding company in a Member State an EU parent financial holding company or an EU parent mixed financial holding company, supervision on a consolidated basis shall be exercised by the competent authorities that authorised that credit institution under Article 6.

Article 126

1. Where credit institutions authorised in two or more Member States have as their parent the same parent financial holding company in a Member State, the same mixed parent financial holding company in a Member State, the same EU parent financial holding company or the same EU parent mixed financial holding company, supervision on a consolidated basis shall be exercised by the competent authorities of the credit institution authorised in the Member State in which the financial holding company or mixed financial holding company is established.

Where the parents of credit institutions authorised in two or more Member States comprise more than one financial holding company or mixed financial holding company which have their head offices in different Member States and there is a credit institution in each of these States, supervision on a consolidated basis shall be exercised by the competent authority of the credit institution with the largest balance sheet total.
2. Where more than one credit institution authorised in the Union has as its parent the same financial holding company or the same mixed financial holding company and none of these credit institutions has been authorised in the Member State in which the financial holding company or the mixed financial holding company is established, supervision on a consolidated basis shall be exercised by the competent authority that authorised the credit institution with the largest balance sheet total, which shall be considered, for the purposes of this Directive, as the credit institution controlled by an EU parent financial holding company or an EU parent mixed financial holding company.
3. In particular cases, the competent authorities may by common agreement waive the criteria referred to in paragraphs 1 and 2 if their application would be inappropriate, taking into account the credit institutions and the relative importance of their activities in different countries, and appoint a different competent authority to exercise supervision on a consolidated basis. In these cases, before taking their decision, the competent authorities shall give the EU parent credit institution, EU parent financial holding company,

4.
Note

the EU parent mixed financial holding company, or credit institution with the largest balance sheet total, as appropriate, an opportunity to state its opinion on that decision.

[Omitted]

The *Capital Adequacy Directive* says that generally references in Articles 125 and 126 of the *Banking Consolidation Directive* to *credit institution* should be read as including ones to *CAD investment firms*. Also, the *Banking Consolidation Directive* and the *Capital Adequacy Directive* apply to the *EEA*. Therefore for the purposes of BIPRU 8 Articles 125 and 126 of the *Banking Consolidation Directive* should be read with the following adjustments:

- (1) a reference to a credit institution should be read as being one to a *credit institution* or *CAD investment firm*;
- (2) a reference to a parent credit institution in a Member State should be read as being one to a *parent institution in a Member State*;
- (3) a reference to a EU parent credit institution should be read as being one to an *EEA parent institution*;
- (4) a reference to a EU parent financial holding company should be read as being one to an *EEA parent financial holding company*;
- (4a) a reference to a EU parent mixed financial holding company should be read as being one to an *EEA parent mixed financial holding company*;
- (5) a reference to a Member State should be read as being one to an *EEA State*;
- (6) a reference to a credit institution authorised in the Community should be read as being to a *credit institution* or *CAD investment firm* authorised in an *EEA State*.

Parent financial holding company in a Member State, financial holding company, parent mixed financial holding company in a Member State and mixed financial holding company have the same meaning as they do in the *Glossary*.