Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):

(1) section 137A (The FCA’s general rules);
(2) section 137T (General supplementary powers);
(3) section 138D (Actions for damages); and
(4) section 139A (Power of the FCA to give guidance).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on 10 June 2013.

Amendments to the FCA Handbook

D. The modules of the FCA Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Glossary of definitions</td>
<td>Annex A</td>
</tr>
<tr>
<td>General Prudential sourcebook (GENPRU)</td>
<td>Annex B</td>
</tr>
<tr>
<td>Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)</td>
<td>Annex C</td>
</tr>
<tr>
<td>Supervision manual (SUP)</td>
<td>Annex D</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Financial Conglomerates Directive (FCA Handbook Amendments) Instrument 2013.

By order of the Board of the Financial Conduct Authority
3 June 2013
Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

Insert the following new definitions in the appropriate alphabetical position. The text is not underlined.

**alternative investment fund manager** a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of Directive 2011/61/EU or an undertaking which is outside the EEA and which would require authorisation in accordance with Directive 2011/61/EU if it had its registered office within the EEA.

**EEA parent mixed financial holding company** (in accordance with Article 4(17a) of the Banking Consolidation Directive (Definitions)) a parent mixed financial holding company in a Member State which is not a subsidiary undertaking of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company established in any EEA State.


**MFHC conglomerate** a financial conglomerate which is headed by a mixed financial holding company.

**parent mixed financial holding company in a Member State** (in accordance with Article 4(15a) of the Banking Consolidation Directive (Definitions)) a mixed financial holding company which is not itself a subsidiary undertaking of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company established in the same EEA State.

**ultimate EEA mixed financial holding company** a mixed financial holding company which has its head office in an EEA State and which is not itself the subsidiary undertaking of another mixed financial holding company, insurance parent undertaking or financial holding company which has its head office in an EEA State.

**ultimate mixed financial holding company** a mixed financial holding company which is not itself the subsidiary undertaking of another mixed financial holding company, insurance parent undertaking, or financial holding company.
Amend the following definitions as shown.

**conglomerate capital resources** (in relation to a financial conglomerate with respect to which GENPRU 3.1.29R (Application of methods method 1, or 2 or 3 from Annex I of the Financial Groups Directive) applies) capital resources as defined in whichever of paragraphs 1.1, or 2.1 or 3.1 of GENPRU 3 Annex 1R (Capital adequacy calculations for financial conglomerates) applies with respect to that financial conglomerate.

**conglomerate capital resources requirement** (in relation to a financial conglomerate with respect to which GENPRU 3.1.29R (Application of methods method 1, or 2 or 3 from Annex I of the Financial Groups Directive) applies) the capital resources requirement defined in whichever of paragraphs 1.3, or 2.4 or 3.3 of GENPRU 3 Annex 1R (Capital adequacy calculations for financial conglomerates) applies with respect to that financial conglomerate.

**EEA parent financial holding company** (in accordance with Article 4(17) of the Banking Consolidation Directive and Article 3 of the Capital Adequacy Directive (Definitions)) a parent financial holding company in a Member State which is not a subsidiary undertaking of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company set up established in any EEA State.

**EEA parent institution** (in accordance with Article 4(16) of the Banking Consolidation Directive and Article 2 of the Capital Adequacy Directive (Definitions)) a parent institution in a Member State which is not a subsidiary undertaking of another institution authorised in any EEA State, or of a financial holding company or mixed financial holding company set up established in any EEA State.

**insurance sector** a sector composed of one or more of the following entities:

(a) an insurance undertaking insurance undertaking;

(b) an insurance holding company; and

(c) (in the circumstances described in GENPRU 3.1.39R (The financial sectors: Asset management companies and alternative investment fund managers)) an asset management company or an alternative investment fund manager.

**investment services sector** a sector composed of one or more of the following entities:

(a) an investment firm;

(b) a financial institution; and

(c) (in the circumstances described in GENPRU 3.1.39R
(The financial sectors: Asset management companies and alternative investment fund managers) an asset management company or an alternative investment fund manager.

**mixed financial holding company** (in accordance with Article 2(15) of the Financial Groups Directive (Definitions)) a parent undertaking, other than a regulated entity, which meets the following conditions:

(a) it, together with its subsidiary undertakings, at least one of which is an EEA regulated entity, and other entities, constitutes a financial conglomerate;

(b) it has been notified by its coordinator that its group is a financial conglomerate in accordance with Article 4(2) of the Financial Groups Directive; and

(c) it has not been notified that its coordinator and other relevant competent authorities have agreed not to treat the group as a financial conglomerate in accordance with Article 3(3) or Article 3(3a) of the Financial Groups Directive.

**parent financial holding company in a Member State** (in accordance with Article 4(15) of the Banking Consolidation Directive (Definitions) and Article 3 of the Capital Adequacy Directive (Definitions)) a financial holding company which is not itself a subsidiary undertaking of an institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up established in the same EEA State.

**parent institution in a Member State** (in accordance with Article 4(14) of the Banking Consolidation Directive and Article 3 of the Capital Adequacy Directive (Definitions)) an institution which has an institution or a financial institution as a subsidiary undertaking or which holds a participation in such an institution, and which is not itself a subsidiary undertaking of another institution authorised in the same EEA State, or of a financial holding company or mixed financial holding company set up established in the same EEA State.

**regulated entity** one of the following:

... An asset management company is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: asset management companies).

An alternative investment fund manager is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: alternative investment fund managers).
regulated related undertaking

a related undertaking that is any of the following:

(a) a regulated entity; or
(b) an insurance undertaking which is not a regulated insurance entity; or
(c) an asset management company; or
(d) a financial institution which is neither a credit institution nor an investment firm; or
(e) a financial holding company; or
(f) an insurance holding company; or
(g) a mixed financial holding company.

risk concentration

(in accordance with Article 2(19) of the Financial Groups Directive (Definitions)) all risk exposures with a loss potential borne by entities within a financial conglomerate, which are large enough to threaten the solvency or the financial position in general of the regulated entities in the financial conglomerate, whether such exposures may be caused by counterparty risk, credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of these risks.

UK regulated EEA financial conglomerate

a financial conglomerate (other than a third-country financial conglomerate) that satisfies one of the following conditions:

(a) GENPRU 3.1.26 or GENPRU 3.1.29R (Capital adequacy calculations for financial conglomerates) applies with respect to it; or
(b) a firm that is a member of that financial conglomerate is subject to obligations imposed through its Part 4A permission to ensure that financial conglomerate meets levels of capital adequacy based or stated to be based on Annex I of the Financial Groups Directive.
**Annex B**

**Amendments to the General Prudential sourcebook (GENPRU)**

In this Annex, underlining indicates new text and striking through indicates deleted text.

3.1.1 R …

(3) **GENPRU 3.1.25R (Capital adequacy requirements: high level requirement), GENPRU 3.1.26R (Capital adequacy requirements: application of Method 4 from Annex I of the Financial Groups Directive), GENPRU 3.1.29R (Capital adequacy requirements: application of Methods 1, 2 or 3 from Annex I of the Financial Groups Directive)** and **GENPRU 3.1.35R (Risk concentration and intra group transactions: the main rule)** do not apply with respect to a **third-country financial conglomerate**.

...

Introduction: identifying a financial conglomerate

3.1.3 G …

(10) If a **mixed financial holding company** is subject to equivalent provisions under **BIPRU 8 (Group risk consolidation)** and under **GENPRU 3 (Cross sector groups)** and the **appropriate regulator is the coordinator**, the **appropriate regulator** may, on application by a **firm** and after consulting other **competent authorities** responsible for the supervision of subsidiaries, disapply such provisions of **BIPRU 8** with regard to the **mixed financial holding company** and apply only the relevant provisions of **GENPRU 3** to the **mixed financial holding company**.

...

Definition of financial conglomerate: discretionary changes to the definition

3.1.13 G Articles 3(3) to 3(6), Article 5(4) and Article 6(5) of the **Financial Groups Directive** allow **competent authorities**, on a case by case basis, to:

(1) change the definition of **financial conglomerate** and the obligations applying with respect to a **financial conglomerate** (which would include, where the **appropriate regulator** would be the **coordinator** under **GENPRU 3.1.3G(6)**, permitting **firms** to apply, on an annual basis and subject to publication and notification to the **relevant competent authorities**, for a group of which it is a member not to be regarded as a **financial conglomerate** on the basis of Article 3(3) of the **Financial Groups Directive** (for a group that, in terms of the tests in **GENPRU 3 Annex 4R**, does not meet Threshold Test 2 but meets Threshold Test 3) or Article 3(3a) of the **Financial Groups**
3.1.17 G Annex I of the Financial Groups Directive lays down four three methods for calculating capital adequacy at the level of a financial conglomerate. Those four three methods are implemented as follows:

(3) Method 3 calculates capital adequacy using book values and the deduction of capital requirements. It is implemented by GENPRU 3.1.29R to GENPRU 3.1.31R and Part 3 of GENPRU 3 Annex 1R.

(4) Method 4 consists of a combination of Methods 1, 2 and 3 from Annex I of the Financial Groups Directive, or a combination of two of those Methods. It is implemented by GENPRU 3.1.26R, GENPRU 3.1.28R, GENPRU 3.1.30R and Part 4 of GENPRU 3 Annex 1 and would be implemented by means of a requirement.

3.1.18 G Part 4 of GENPRU 3 Annex 1R (Use of Method 4 from Annex I of the Financial Groups Directive) applies the appropriate regulator’s sectoral rules with respect to the financial conglomerate as a whole, with some adjustments. Where Part 4 of GENPRU 3 Annex 1R applies the appropriate regulator’s sectoral rules for:

(1) the insurance sector, that involves a combination of Methods 2 and 3; and

(2) the banking sector and the investment services sector, that involves a combination of Methods 1 and 3. [deleted]

3.1.20 G (1) In the following cases, the appropriate regulator (acting as coordinator) may choose which of the four methods for calculating capital adequacy laid down in Annex I of the Financial Groups Directive should apply:

(a) where a financial conglomerate is headed by a regulated entity that has been authorised by the appropriate regulator, or

(b) the only relevant competent authority for the financial conglomerate is the appropriate regulator. [deleted]
(2) GENPRU 3.1.28R automatically applies Method 4 from Annex I of the Financial Groups Directive in these circumstances except in the cases set out in GENPRU 3.1.28R(1)(e) and GENPRU 3.1.28R(1)(f). The process in GENPRU 3.1.22G does not apply.

3.1.21 G Where GENPRU 3.1.20G does not apply, the Annex I method to be applied is may be decided by the coordinator after consultation with the relevant competent authorities and the financial conglomerate itself. Where the appropriate regulator acts as coordinator, the financial conglomerate itself may choose which of Method 1 or Method 2 from Annex I it will apply, unless the firm is subject to a requirement obliging the firm to apply a particular method.

3.1.22 G The method of calculating capital adequacy chosen in respect of a financial conglomerate as described in GENPRU 3.1.21G will be applied with respect to that financial conglomerate by varying the Part 4A permission of a firm in that financial conglomerate to include a requirement. That requirement will have the effect of obliging the firm to ensure that the financial conglomerate has capital resources of the type and amount needed to comply with whichever of the methods in GENPRU 3 Annex 1R is to be applied with respect to that financial conglomerate. The powers in the Act relating to waivers and varying a firm's Part 4A permission can be used to implement one of the methods from Annex I of the Financial Groups Directive in a way that is different from that set out in GENPRU 3.1 and GENPRU 3 Annex 1R if that is necessary to reflect the consultations referred to in GENPRU 3.1.21G. [deleted]

3.1.23 G If there is more than one firm in a financial conglomerate with a Part 4A permission, the appropriate regulator would not normally expect to apply the requirement described in GENPRU 3.1.22G to all of them. Normally it will only be necessary to apply it to one. [deleted]

3.1.24 G The appropriate regulator expects that in all or most cases falling into GENPRU 3.1.21G, the rules in Part 4 of GENPRU 3 Annex 1R will be applied. [deleted]

... Capital adequacy requirements: application of Method 4 from Annex I of the Financial Groups Directive

3.1.26 G If this rule applies under GENPRU 3.1.27R to a firm with respect to a financial conglomerate of which it is a member, the firm must at all times have capital resources of an amount and type:

(1) that ensure that the financial conglomerate has capital resources of an amount and type that comply with the rules applicable with respect to that financial conglomerate under Part 4 of GENPRU 3 Annex 1R (as modified by that annex); and
(2) that as a result ensure that the firm complies with those rules (as so modified) with respect to that financial conglomerate. [deleted]

3.1.27 R GENPRU 3.1.26R applies to a firm with respect to a financial conglomerate of which it is a member if one of the following conditions is satisfied:

(1) the condition in GENPRU 3.1.28R is satisfied; or

(2) this rule is applied to the firm with respect to that financial conglomerate as described in GENPRU 3.1.30R. [deleted]

Capital adequacy requirements: compulsory application of Method 3 from Annex I of the Financial Groups Directive

3.1.28 R (1) The condition in this rule is satisfied for the purpose of GENPRU 3.1.27R(1) with respect to a firm and a financial conglomerate of which it is a member (with the result that GENPRU 3.1.26R automatically applies to that firm) if:

(a) notification has been made in accordance with regulation 2 of the Financial Groups Directive Regulations that the financial conglomerate is a financial conglomerate and that the appropriate regulator is coordinator of that financial conglomerate;

(b) the financial conglomerate is not part of a wider UK regulated EEA financial conglomerate;

(c) the financial conglomerate is not an UK regulated EEA financial conglomerate under another rule or under paragraph (b) of the definition of UK regulated EEA financial conglomerate (application of supplementary supervision through a firm’s Part 4A permission);

(d) one of the following conditions is satisfied:

(i) the financial conglomerate is headed by a regulated entity that is a UK domestic firm; or

(ii) the only relevant competent authority for that financial conglomerate is the appropriate regulator;

(e) this rule is not disapplied under paragraph 5.7 of GENPRU 3 Annex 1R (No capital ties); and

(f) the financial conglomerate meets the condition set out in the box titled Threshold Test 2 (10% average of balance sheet and solvency requirements) in the financial conglomerate definition decision tree. [deleted]

(2) Once GENPRU 3.1.26R applies to a firm with respect to a financial conglomerate...
conglomerate of which it is a member under GENPRU 3.1.27R(1), (1)(f) ceases to apply with respect to that financial conglomerate. Therefore the fact that the financial conglomerate subsequently ceases to meet the condition in (1)(f) does not mean that the condition in this rule is not satisfied. [deleted]

Capital adequacy requirements: application of Methods Method 1, or 2 or 3 from Annex I of the Financial Groups Directive

3.1.29 R If, with respect to a firm and a financial conglomerate of which it is a member, this rule is applied under GENPRU 3.1.29AR to the firm with respect to that financial conglomerate as described in GENPRU 3.1.30R, the firm must at all times have capital resources of an amount and type that ensures that the conglomerate capital resources of that financial conglomerate at all times equal or exceed its conglomerate capital resources requirement.

3.1.29A R GENPRU 3.1.29R applies to a firm with respect to the financial conglomerate of which it is a member if notification has been made in accordance with regulation 2 of the Financial Groups Directive Regulations that the financial conglomerate is a financial conglomerate and that the appropriate regulator is coordinator of that financial conglomerate.

Capital adequacy requirements: use of Part 4A permission requirement to apply Annex I of the Financial Groups Directive

3.1.30 R With respect to a firm and a financial conglomerate of which it is a member

If GENPRU 3.1.29R (application of Method 1 or 2 from Annex I of the Financial Groups Directive) applies to a firm with respect to the financial conglomerate of which it is a member, then with respect to the firm and the financial conglomerate:

(1) GENPRU 3.1.26R (Method 4 from Annex I of the Financial Groups Directive) is applied to the firm with respect to that financial conglomerate for the purposes of GENPRU 3.1.27R(2), or the definitions of conglomerate capital resources and conglomerate capital resources requirement that apply for the purposes of that rule are the ones from whichever of Part 1 or Part 2 of GENPRU 3 Annex 1R the firm has indicated to the appropriate regulator it will apply, unless the firm is subject to a requirement obliging the firm to apply a specific part of GENPRU 3 Annex 1R, in which case GENPRU 3.1.31R will apply; and

(2) GENPRU 3.1.29R (Methods 1 to 3 from Annex I of the Financial Groups Directive) is applied to the firm with respect to that financial conglomerate; the firm must indicate to the appropriate regulator in advance which Part of GENPRU 3 Annex 1R the firm intends to apply.

If the firm’s Part 4A permission contains a requirement obliging the firm to comply with GENPRU 3.1.26R or, as the case may be, GENPRU 3.1.29R.
3.1.31 R If GENPRU 3.1.29 R (application of Methods Method 1 or 2 from Annex I of the Financial Groups Directive) applies to a firm with respect to a financial conglomerate of which it is a member, and the firm is subject to a requirement obliging the firm to apply a specific part of GENPRU 3 Annex 1R, the definitions of conglomerate capital resources and conglomerate capital resources requirement that apply for the purposes of that rule are the ones from whichever of Part 1, or Part 2 or Part 3 of GENPRU 3 Annex 1R is specified in the requirement referred to in GENPRU 3.1.30R.

The financial sectors: asset management companies and alternative investment fund managers

3.1.39 R (1) In accordance with Article Articles 30 and 30a of the Financial Groups Directive (Asset management companies and Alternative investment fund managers), this rule deals with the inclusion of an asset management company or an alternative investment fund manager that is a member of a financial conglomerate in the scope of regulation of financial conglomerates. This rule does not apply to the definition of financial conglomerate.

(2) An asset management company or an alternative investment fund manager is in the overall financial sector and is a regulated entity for the purpose of:

(a) GENPRU 3.1.26R 3.1.29R to GENPRU 3.1.36R;

(3) In the case of a financial conglomerate for which the appropriate regulator is the coordinator, all asset management companies and all alternative investment fund managers must be allocated to one financial sector to which they belong for the purposes in (2), being either the investment services sector or the insurance sector. But if that choice has not been made in accordance with (4) and notified to the appropriate regulator in accordance with (4)(d), an asset management company or an alternative investment fund manager must be allocated to the investment services sector smallest financial sector.

(4) The choice in (3):

(a) ....

(b) applies to all asset management companies and all alternative investment fund managers that are members of the financial conglomerate from time to time;
3. Annex 1R  Capital adequacy calculations for financial conglomerates ([GENPRU 3.1.26R and GENPRU 3.1.29R])

3. Table: PART 3: Method 3 of Annex I of the Financial Groups Directive (Book value/Requirement Method) [deleted]

<table>
<thead>
<tr>
<th>Capital resources</th>
<th>Requirement</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>The conglomerate capital resources of a financial conglomerate calculated in accordance with this Part are equal to the capital resources of the person at the head of the financial conglomerate that qualify under paragraph 3.2.</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>The elements of capital that qualify for the purposes of paragraph 3.1 are those that qualify in accordance with the applicable sectoral rules. In particular, the portion of the conglomerate capital resources requirement attributable to a particular member of a financial sector must be met by capital resources that would be eligible under the sectoral rules that apply to the calculation of its solo capital resources.</td>
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</tr>
<tr>
<td>3.3</td>
<td>The conglomerate capital resources requirement of a financial conglomerate calculated in accordance with this Part is equal to the sum of the following amounts for each member of the overall financial sector: (1) (in the case of the person at the head of the financial conglomerate) its solo capital resources requirement; (2) (in the case of any other member) the higher of the following two amounts: (a) its solo capital resources requirement; and (b) the book value of the interest of the person at the head of the financial conglomerate in that member.</td>
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</tr>
<tr>
<td>3.4</td>
<td>A participation may be valued using the equity method of accounting.</td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>The capital resources requirement of a member of the financial conglomerate in the overall financial sector must be included proportionally. If however the member has a solvency deficit and is a subsidiary undertaking, it must be included in full.</td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>The information required for the purpose of establishing whether or not a firm is complying with GENPRU 3.1.29R (insofar as the definitions in this Part are applied for the purpose of that rule) must be based on the individual accounts.</td>
<td></td>
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</tbody>
</table>
of members of the financial conglomerate, together with such other sources of information as appropriate.

4 Table: PART 4: Method 4 of Annex I of the Financial Groups Directive (Combination of Methods 1, 2 and 3) [deleted]

| Applicable sectoral rules | 4.1 | The rules that apply with respect to a particular financial conglomerate under GENPRU 3.1.26R are those relating to capital adequacy and solvency set out in the table in paragraph 4.2. |

5 Table: Paragraph 4.2: Application of sectoral consolidation rules [deleted]

<table>
<thead>
<tr>
<th>Type of financial conglomerate</th>
<th>Applicable sectoral consolidation rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and investment services conglomerate</td>
<td>BIPRU 8 and BIPRU TP, subject to paragraph 4.5.</td>
</tr>
<tr>
<td>Insurance conglomerate</td>
<td>INSPRU 6.1 amended in accordance with Part 5.</td>
</tr>
</tbody>
</table>

6 Table

| Types of financial conglomerate | 4.3 | (1) This paragraph sets out how to determine the category of financial conglomerate for the purposes of paragraphs 4.1 and 4.2. |

8 Table: PART 5: Principles applicable to all methods

| Application of sectoral rules: Banking sector and investment services sector | 5.6 | The following adjustments apply to the applicable sectoral rules for the banking sector and the investment services sector as they are applied by the rules in this annex. (1) References in those rules to non-EEA sub-groups do not apply. (2) (For the purposes of Parts 1 to 3 and 2), where those rules require a group to be treated as if it were a single undertaking, those rules apply to the banking sector and investment services sector. |
sector taken together.

(3) Any investment firm consolidation waivers granted to members of the financial conglomerate do not apply.

(4) (For the purposes of Parts 1 to 4 Part 3), without prejudice to the application of requirements in BIPRU 8 preventing the use of an advanced prudential calculation approach on a consolidated basis, any advanced prudential calculation approach permission that applies for the purpose of BIPRU 8 does not apply.

(5) (For the purposes of Parts 1 to 4 Part 3), BIPRU 8.5.9R and BIPRU 8.5.10R do not apply.

(6) (For the purposes of Parts 1 to 4 Part 3), where the financial conglomerate does not include a credit institution, the method in GENPRU 2 Annex 4R must be used for calculating the capital resources and BIPRU 8.6.8R does not apply.

No capital ties 5.7

(1) This rule deals with a financial conglomerate in which some of the members are not linked by capital ties at the time of the notification referred to in GENPRU 3.1.28R(1) (Capital adequacy requirements: Compulsory application of Method 4 from Application of Annex I of the Financial Groups Directive).

(2) If:

(a) GENPRU 3.1.26R (Capital adequacy requirements: Application of Method 4 from Application of Annex I of the Financial Groups Directive) would otherwise apply with respect to a financial conglomerate under GENPRU 3.1.28R; and

(b) all members of that financial conglomerate are linked directly or indirectly with each other by capital ties except for members that collectively are of negligible interest with respect to the objectives of supplementary supervision of regulated entities in a financial conglomerate (the "peripheral members");

...

9 Table: PART 6: Definitions used in this Annex

Defining the financial sectors 6.1

For the purposes of Parts 1 to 3 1 and 2 of this annex (but, not for the purposes of the definition of most important financial sector):

(1) an asset management company is allocated in
<table>
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<tr>
<th></th>
<th>accordance with GENPRU 3.1.39R; and</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2)</td>
<td>an alternative investment fund manager is allocated in accordance with GENPRU 3.1.39R; and</td>
</tr>
<tr>
<td>(3)</td>
<td>a mixed financial holding company must be treated as being a member of the <strong>most important financial sector</strong>.</td>
</tr>
</tbody>
</table>
Annex C

Amendments to the Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text.

1 Application

...

1.3 Applications for advanced approaches and waivers

...

Article 129

1.3.3 G An EEA parent institution and its subsidiary undertakings or the subsidiary undertakings of its EEA parent financial holding company or the subsidiary undertakings of its EEA parent mixed financial holding company that wish to use any of the approaches listed in BIPRU 1.3.2G(1) in respect of its group, including members of its group that are BIPRU firms, may apply for an Article 129 permission.

1.3.4 G The Article 129 procedure allows an EEA parent institution and its subsidiary undertakings or the subsidiary undertakings of its EEA parent financial holding company or the subsidiary undertakings of its EEA parent mixed financial holding company to apply for permission to use the approaches in BIPRU 1.3.2G(1) without making separate applications to the competent authority of each EEA State where members of a firm’s group are authorised.

...

1.3.8 D When an advanced measurement approach is intended to be used by an EEA parent institution and its subsidiary undertakings or the subsidiary undertakings of an EEA parent financial holding company or an EEA parent mixed financial holding company, the application of a firm must include a description of the methodology used for allocating operational risk capital between the different entities of the group.

[Note: BCD annex Annex X Part 3 point 30]

...

3 Standardised credit risk
3.2 The central principles of the standardised approach to credit risk

... Zer-risk weighting for intra-group exposures: core UK group ...

3.2.25 R  Subject to BIPRU 3.2.35R, and with the exception of exposures giving rise to liabilities in the form of the items referred to in BIPRU 3.2.26R, a firm is not required to comply with BIPRU 3.2.20R (Calculation of risk weighted exposures amounts under the standardised approach) in the case of the exposures of the firm to a counterparty which is its parent undertaking, its subsidiary undertaking or a subsidiary undertaking of its parent undertaking, provided that the following conditions are met:

(a) the counterparty is:

(i) a core concentration risk group counterparty; and

(ii) an institution, financial holding company, mixed financial holding company, financial institution, asset management company or ancillary services undertaking subject to appropriate prudential requirements;

...

...

4.2 The IRB approach: High level material

General approach to granting an IRB permission

4.2.3 R  Where an EEA parent institution and its subsidiary undertakings or an EEA parent financial holding company and its subsidiary undertakings use the IRB approach on a unified basis, the question whether the minimum IRB standards are met is answered by considering the parent undertaking and its subsidiary undertakings together, unless the firm's IRB...
permission specifies otherwise.

... Combined use of methodologies: Basic provisions

4.2.26 R

(6) A firm may apply the standardised approach to exposures of a firm to a counterparty which is its parent undertaking, its subsidiary undertaking or a subsidiary undertaking of its parent undertaking, provided that the counterparty is an institution, a financial holding company, a mixed financial holding company, a financial institution, an asset management company or an ancillary services undertaking subject to appropriate prudential requirements.

... 6 Operational risk

6.5 Operational risk: Advanced measurement approaches

... Use of an advanced approach on a groupwide basis

6.5.31 R Where an EEA parent institution and its subsidiary undertakings or an EEA parent financial holding company and its subsidiary undertakings or an EEA parent mixed financial holding company and its subsidiary undertakings use an advanced measurement approach on a unified basis for the parent undertaking and its subsidiary undertakings, the qualifying criteria set out in BIPRU 6.5 may be met by the parent undertaking and its subsidiary undertakings considered together where permitted by the AMA permission.

... 6.5.32 G Where the AMA is used on a unified basis for the parent undertaking and its subsidiary undertakings, and approval and reporting of the AMA are carried out at the group level, the qualifying criteria in BIPRU 6.5 may be met if:

(1) the subsidiary undertakings have delegated to the governing body or designated committee of the EEA parent institution or EEA parent financial holding company or EEA parent mixed financial holding company responsibility for approval of the AMA;
(2) the governing body or designated committee of the EEA parent institution or EEA parent financial holding company or EEA parent mixed financial holding company approves either:

...

8 Group risk consolidation

...

8.2 Scope and basic consolidation requirements for UK consolidation groups

Main consolidation rule for UK consolidation groups

8.2.1 R A firm that is a member of a UK consolidation group must comply, to the extent and in the manner prescribed in BIPRU 8.5, with the obligations laid down in GENPRU 1.2 (Adequacy of financial resources), the main BIPRU firm Pillar 1 rules (but not the base capital resources requirement) and BIPRU 10 (Large exposures requirements) on the basis of the consolidated financial position of:

...

(2) where either Test 1C or Test 1D in BIPRU 8 Annex 1R apply, the parent financial holding company in a Member State or the parent mixed financial holding company in a Member State.

...

Definition of UK consolidated group

8.2.4 R A firm's UK consolidation group means a group that is identified as a UK consolidation group in accordance with the decision tree in BIPRU 8 Annex 1R (Decision tree identifying a UK consolidation group); the members of that group are:

(1) ...

(2) where either Test 1C or Test 1D in BIPRU 8 Annex 1R apply, the members of the consolidation group made up of the sub-group of the parent financial holding company in a Member State or the parent mixed financial holding company in a Member State identified in BIPRU 8 Annex 1R together with any other person who is a member of that consolidation group because of a consolidation Article 12(1) relationship or an Article 134 relationship;
in each case only persons included under BIPRU 8.5 (Basis of consolidation) are included in the UK consolidation group.

8.3 Scope and basic consolidation requirements for non-EEA sub-groups

Main consolidation rule for non-EEA sub-groups

8.3.1 R (1) A BIPRU firm that is a subsidiary undertaking of a BIPRU firm or of a financial holding company or of a mixed financial holding company must apply the requirements laid down in GENPRU 1.2 (Adequacy of financial resources), the main BIPRU firm Pillar 1 rules (but not the base capital resources requirement) and BIPRU 10 (Large exposures requirements) on a sub-consolidated basis if the BIPRU firm, or the parent undertaking where it is a financial holding company or a mixed financial holding company, have a third country banking or investment services undertaking as a subsidiary undertaking or hold a participation in such an undertaking.

8.5 Basis of consolidation

Undertakings to be included in consolidation

8.5.1 R A firm must include only the following types of undertaking in a UK consolidation group or non-EEA sub-group for the purposes of this chapter:

... (5) a financial holding company; and

(6) a mixed financial holding company; and

(7) an ancillary services undertaking.

...
Article 125

1. …

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 or 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, or 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 was set up 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 Community 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 was set up, 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, or EU parent financial holding company, 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.

4. [Omitted]
(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;

Parent financial holding company in a Member State, and 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.

10 Large exposures requirements

10.8A Intra group exposures: core UK group

Definition of core UK group

10.8A.2 An undertaking is a member of a firm's core UK group if, in relation to the firm, that undertaking satisfies the following conditions:

(1) ...

(2) it is an institution, financial holding company, financial institution, asset management company, or ancillary services undertaking or mixed financial holding company;

(3) (in relation to a subsidiary undertaking) 100% of the voting rights attaching to the shares in its capital is held by the firm or a financial holding company or mixed financial holding company (or a subsidiary undertaking of the financial holding company or mixed financial holding company), whether individually or jointly, and that firm or financial holding company or mixed financial holding company (or its subsidiary undertaking) must have the right to appoint or remove a majority of the members of the board of directors, committee of management or other governing body of the undertaking;
11 Disclosure (Pillar 3)

... 

11.2 Basis of disclosures

... 

Firms controlled by an EEA parent financial holding company

11.2.4 A firm controlled by an EEA parent financial holding company or an EEA parent mixed financial holding company must comply with the obligations laid down in BIPRU 11.3 on the basis of the consolidated financial situation of that EEA parent financial holding company or EEA parent mixed financial holding company. 

[Note: BCD, Article 72(2)]

11.2.5 A firm which is a significant subsidiary of an EEA parent financial holding company or an EEA parent mixed financial holding company must disclose the information specified in BIPRU 11.4.5R on an individual or sub-consolidated basis.

... 

11.4 Technical criteria on disclosure: General criteria

... 

Disclosures: Significant subsidiaries

11.4.5 A firm which is a significant subsidiary of:

(1) an EEA parent institution; or 

(2) an EEA parent financial holding company; or 

(3) an EEA parent mixed financial holding company;

must disclose the information specified in BIPRU 11.5.3R to BIPRU 11.5.4R on an individual or sub-consolidated basis.

[Note: BCD Annex XII Part 1 point 5]

...
Annex D

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

15.9 Notifications by members of financial conglomerates

... 

15.9.5 R (1) A firm must, at the level of the EEA financial conglomerate, regularly provide the appropriate regulator with details on the financial conglomerate’s legal structure and governance and organisational structure, including all regulated entities, non-regulated subsidiaries and significant branches.

(2) A firm must disclose publicly, at the level of the EEA financial conglomerate, on an annual basis, either in full or by way of references to equivalent information, a description of the financial conglomerate’s legal structure and governance and organisational structure.

(3) For the purposes of (1) and (2), where a firm is a member of an EEA financial conglomerate which is part of a wider UK regulated EEA financial conglomerate, reporting applies only at the level of the EEA parent mixed financial holding company or ultimate EEA mixed financial holding company.

... 

16.12 Integrated Regulatory Reporting

...

Financial Conglomerates

...

16.12.33 R Financial reports from a member of a financial conglomerate (see SUP 16.12.32R)

<table>
<thead>
<tr>
<th>Content of Report</th>
<th>Form (Note 1)</th>
<th>Frequency</th>
<th>Due Date</th>
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</thead>
<tbody>
<tr>
<td>Calculation of supplementary capital adequacy requirements in accordance with one of</td>
<td>Note 2</td>
<td>Note 5 Yearly</td>
<td>Note 5</td>
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<td>Note 2</td>
<td>If Part 1 of <em>GENPRU</em> 3 Annex 1R (method 1), or Part 2 of <em>GENPRU</em> 3 Annex 1R (method 2), or Part 3 of <em>GENPRU</em> 3 Annex 1R (method 3) applies, there is no specific form. Adequate information must be provided, specifying the calculation method used and each <em>financial conglomerate</em> for which the appropriate regulator is the co-ordinator must discuss with the appropriate regulator how to do this the form which this reporting will take and the extent to which verification by an auditor will be required.</td>
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<td>Note 5</td>
<td>The frequency and due date will be as follows: (1) <em>banking and investment services conglomerate</em>: frequency is half-yearly with due date 45 <em>business days</em> after period end; (2) <em>insurance conglomerate</em>: frequency is yearly with due date four months after period end for the capital adequacy return and three months after period end for the report on compliance with <em>GENPRU</em> 3.1.35R where it</td>
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