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 22 April 2016.

Amendments to the Handbook

D. The modules of the FCA’s 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>Senior Management Arrangements, Systems and Controls sourcebook (SYSC)</td>
<td>Annex B</td>
</tr>
<tr>
<td>General Prudential sourcebook (GENPRU)</td>
<td>Annex C</td>
</tr>
</tbody>
</table>

Citation

E. This instrument may be cited as the Financial Conglomerates (Consequential Amendments) Instrument 2016.

By order of the Board
21 April 2016
Annex A

Amendments to the Glossary of definitions

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

ancillary insurance services undertaking (in relation to any undertaking in a consolidation group, sub-group or other group of persons) an undertaking complying with the following conditions:

(a) its principal activity consists of:

...

(ii) ...

(iia) providing health and care services; or

(iii) ...

...

applicable sectoral rules (in respect of a financial sector) applicable sectoral consolidation rules for that financial sector and the appropriate regulator’s sectoral rules about capital adequacy and solvency for:

(a) the banking and investment services sector as set out in paragraph 6.2 of GENPRU 3Annex1R; or

(b) insurance undertakings the insurance sector as set out in paragraph 6.4 of GENPRU 3 Annex 1R;

which of those sets of rules apply for the purpose of a particular calculation depends on the nature of that calculation.

appropriate regulator (1) in the FCA Handbook, the FCA; and in the PRA Handbook, the PRA;

...

(3) (in GENPRU 3):

(a) in relation to any member of a financial conglomerate which is a PRA-authorised person, the PRA;

(b) in relation to any other authorised person that is a member of the financial conglomerate, the FCA;

(c) in relation to the banking and investment services sector, the FCA; and
(d) in relation to the insurance sector, the PRA.

**consolidation group**

(1) the following:

(a) a conventional group; or

(b) undertakings linked by a consolidation Article 12(1) relationship or either of (for the purposes of BIPRU) an Article 134 relationship or an article 18(6) relationship.

If a parent undertaking or subsidiary undertaking in a conventional group (the first person) has a consolidation Article 12(1) relationship or either of (for the purposes of BIPRU) an Article 134 relationship or an article 18(6) relationship with another person (the second person), the second person (and any subsidiary undertaking of the second person) is also a member of the same consolidation group.

…

**EEA prudential sectoral legislation**

(in relation to a financial sector) requirements applicable to persons in that financial sector in accordance with EEA legislation about prudential supervision of regulated entities in that financial sector and so that:

(a) (in relation to the banking sector and the investment services sector) in particular this includes the requirements laid down in the EU CRR and (in relation to a CAD investment firm) the Banking Consolidation Directive and the Capital Adequacy Directive; and

(b) (in relation to the insurance sector) in particular this includes requirements laid down in the Solvency II Directive and Solvency II Regulations.

**insurance sector**

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

(a) an insurance undertaking a “Solvency II undertaking” as defined in the PRA Rulebook: Glossary;

(aa) a “third country insurance undertaking” or a “third country reinsurance undertaking” as defined in the PRA Rulebook: Glossary;

(b) an insurance holding company; and

(c) …

**investment firm**

(1) any person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities
on a professional basis.

[Note: article 4(1)(1) of MiFID]

(2) …

(3) (in IFPRU, GENPRU 3 and BIPRU 12) has the meaning in article 4(1)(2) of the EU CRR.

…

recognised third country investment firm

(1) (in GENPRU 3.2 (Third-country groups) as it applies to a BIPRU firm in relation to a third-country banking and investment group and a banking and investment group) a CAD investment firm that satisfies the following conditions:

(a) its head office is outside the EEA;

(b) it is authorised by a third country competent authority in the state or territory in which the CAD investment firm’s head office is located;

(c) that third country competent authority is named in Part 2 of BIPRU 8 Annex 6 (Non-EEA investment firm regulators’ requirements deemed CRD-equivalent for individual risks); and

(d) that investment firm is subject to and complies with prudential rules of or administered by that third country competent authority that are at least as stringent as those laid down in the Banking Consolidation Directive and the Capital Adequacy Directive as applied under the third paragraph of article 95(2) of the EU CRR.

(2) (except for the purpose in (1)) (in GENPRU 3.2 (Third country groups) in relation to a third-country banking and investment group and a banking and investment group) an investment firm that falls within the meaning of “investment firm” in article 4(1)(2) of the EU CRR and which satisfies the following conditions:

(a) its head office is outside the EEA;

(b) it is authorised by a third country competent authority in the state or territory in which the investment firm’s head office is located; and

(c) that investment firm is subject to and complies with prudential rules of or administered by that third country competent authority that are at least as stringent as those laid down in the EU CRR.
(3)  (in GENPRU 3.1) a firm in either (1) or (2), or both.

**regulated entity** one of the following:

(a)  a credit institution; or

(b)  a regulated insurance undertaking “Solvency II undertaking”, “third country insurance undertaking” or “third country reinsurance undertaking”, each as defined in the PRA Rulebook: Glossary; or

(c)  an investment firm;

whether or not it is incorporated in, or has its head office in, an EEA State.

**sectoral rules** (in relation to a financial sector) rules and requirements relating to the prudential supervision of regulated entities applicable to regulated entities in that financial sector as follows:

...  

(b)  (for the purpose of calculating solo capital resources, and a solo capital resources requirement and regulatory surplus value):

...  

...
Annex B

Amendments to the Senior Management Arrangements, Systems and Controls (SYSC)

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

12 Group risk systems and controls requirements

12.1 Application

12.1.1 R Subject to SYSC 12.1.2R to SYSC 12.1.4R, this section applies to each of the following which is a member of a group:

(1) a firm that falls into any one or more of the following categories:

   (a) a regulated entity; that is:

      (i) an investment firm, except a designated investment firm unless (ii) applies; or

      (ii) a credit institution or designated investment firm that is a subsidiary undertaking of a parent institution in a Member State that is an IFPRU investment firm;

   ...

   (e) a non-BIPRU firm that is a parent financial holding company in a Member State and that is a member of one of the following:

      (i) a UK consolidation group; and or

      (ii) an FCA consolidation group; and

   ...

   ...

12.1.7 G This section implements Articles 73(3) (Supervision on a consolidated basis of credit institutions) and 138 (Intra-group transactions with mixed activity holding companies) of the Banking Consolidation Directive article 109(2) of the CRD and Article 9 article 9 of the Financial Groups Directive (Internal control mechanisms and risk management processes).
Annex C

Amendments to the General Prudential sourcebook (GENPRU)

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

1 Application

1.1 Application

…

1.1.2- AA  

GENPRU 3 (Cross sector groups) applies to:

…

(2) an insurer that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary; and

…

2 Capital

…

2.2 Capital resources

…

2.2.214 R The amount to be deducted with respect to each material insurance holding is the higher of:

(1) the book value of the material insurance holding; and

(2) the solo capital resources requirement for the insurance undertaking or insurance holding company in question calculated in accordance with: Part 3 of GENPRU 3 Annex 1R (Method 3 of the capital adequacy calculations for financial conglomerates):

(a) for an insurer that is a Solvency II firm, the PRA Rulebook: Solvency II Firms; and

(b) for an insurer other than in (a), the PRA Rulebook: Non-Solvency II Firms.

…
3 Cross sector groups

3.1 Application

3.1.1 R (1) Unless otherwise stated, GENPRU 3.1 applies to every firm that is a member of a financial conglomerate other than:

... 

(c) a UCITS qualifier; and 

(d) an ICVC; 

(e) a bank; 

(f) a designated investment firm; and 

(g) an insurer.

(1A) GENPRU 3.1 (except GENPRU 3.1.5R to GENPRU 3.1.13G) applies to each of the following firms that is a member of a financial conglomerate:

(a) a bank; 

(b) a designated investment firm; and 

(c) an insurer that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary.

... 

Introduction: identifying a financial conglomerate

3.1.3 G ... 

(9) GENPRU 3 Annex 3 is a questionnaire (together with its explanatory notes) that the appropriate regulator FCA asks groups that may be financial conglomerates to fill out in order to decide whether or not they are. 

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

3.1.8 R (1) ...

(1A) In determining the investment services sector for the purpose of identifying a financial conglomerate in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in the financial conglomerate definition decision tree, any investment firm that does not fall within the definition of article 4(1)(2) of the EU CRR is excluded.

Capital adequacy requirements: introduction

3.1.15 G GENPRU 3.1.25R is a high level capacity adequacy rule. It applies whether or not the appropriate regulator FCA is the coordinator of the financial conglomerate concerned.

3.1.16 G GENPRU 3.1.29R to GENPRU 3.1.31R and GENPRU 3 Annex 1 implement the detailed capital adequacy requirements of the Financial Groups Directive. They only deal with a financial conglomerate for which the appropriate regulator FCA is the coordinator. If another competent authority is coordinator of a financial conglomerate, those rules do not apply with respect to that financial conglomerate and instead that coordinator will be responsible for implementing those detailed requirements.

3.1.19 G Paragraph 5.7 of GENPRU 3 Annex 1 (Capital adequacy calculations for financial conglomerates) deals with a case in which there are no capital ties between entities in a financial conglomerate. In particular, the appropriate regulator FCA, after consultation with other relevant competent authorities and in accordance with Annex I of the Financial Groups Directive, will determine which proportional share of a solvency deficit in such an entity will have to be taken into account, bearing in mind the liability to which the existing relationship gives rise.

3.1.21 G The Annex I method to be applied may be decided by the coordinator after consultation with the relevant competent authorities and the financial conglomerate itself. Where the appropriate regulator FCA acts as
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.

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

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 FCA is coordinator of that financial conglomerate.

Capital adequacy requirements: use of requirement to apply Annex I of the Financial Groups Directive

3.1.30 R …

(1) 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 1 the firm has indicated to the appropriate regulator FCA it will apply, unless the firm is subject to a requirement obliging the firm to apply a specific part of GENPRU 3 Annex 1, in which case GENPRU 3.1.31R will apply; and

(2) the firm must indicate to the appropriate regulator FCA in advance which Part of GENPRU 3 Annex 1 the firm intends to apply.

Risk concentration and intra-group transactions: introduction

3.1.33 G Articles 7(3) (risk concentration) and 8(3) (intra-group transactions) and Annex II (Technical application of the provisions on intra-group transactions and risk concentration) of the Financial Groups Directive say that Member States may apply at the level of the financial conglomerate the provisions of the sectoral rules on risk concentrations and intra-group transactions. GENPRU 3.1 does not take up that option, although the appropriate regulator FCA may impose such obligations on a case by case basis.

Risk concentration and intra-group transactions: Table of applicable sectoral rules

3.1.36 R Table: application of sectoral rules
This table belongs to GENPRU 3.1.35R

<table>
<thead>
<tr>
<th>The most important financial sector</th>
<th>Applicable sectoral rules</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Risk concentration</td>
</tr>
<tr>
<td>...</td>
<td></td>
</tr>
<tr>
<td>Insurance sector</td>
<td><strong>PRA Rulebook: Solvency II</strong>&lt;br&gt;Firms Group Supervision&lt;br&gt;16.1</td>
</tr>
</tbody>
</table>

Note

Any waiver, approval or permission granted to a member of the financial conglomerate, on a solo (or individual for the purposes of the **EU CRR**) or consolidated basis, shall not apply in respect of the financial conglomerate for the purposes of GENPRU 3.1.36R. For this purpose, “permission” refers to a consent, approval or agreement conferred on the appropriate regulator as competent authority under the **EU CRR**.

3.1.37 R  (1) Where the sectoral rules for the banking and investment services sector are being applied, a mixed financial holding company must be treated as being a financial holding company.

(2) Where the rules for the insurance sector are being applied, a mixed financial holding company must be treated as being an insurance holding company. [deleted]

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

3.1.39 R  ...

(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:

... (c) any other provisions of the Handbook or PRA Rulebook relating to the supervision of financial conglomerates.

(3) In the case of a financial conglomerate for which the appropriate regulator FCA 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 FCA in accordance with (4)(d), an asset management company or an alternative investment fund manager must be allocated to the smallest financial sector.

(4) …

(d) must be notified to the appropriate regulator FCA as soon as reasonably practicable after the notification in (4)(a).

…

3.2 Third country groups

Application

3.2.1 R GENPRU 3.2 applies to every firm that is a member of a third-country group. But it does not apply to:

…

(4) an ICVC; or

(5) a bank; or

(6) a designated investment firm; or

(7) an insurer.

3.2.1A R GENPRU 3.2.9R (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to the following:

(1) a CAD investment firm; and

(2) an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the EU CRR.

Purpose

3.2.2 G GENPRU 3.2 implements in part Article 18 of the Financial Groups Directive, and Article 127 of the CRD and (in relation to BIPRU firms) article 143 of the BCD.

Equivalence

3.2.3 G … Article 18(1) of the Financial Groups Directive sets out the process for establishing equivalence with respect to third-country financial conglomerates and Article 127(1) and (2) of the CRD does so with respect to third-country banking and investment groups, except where the investment firms in the group are CAD investment firms only, in
which case article 143 of the BCD applies.

... 

3.2.6 G The appropriate regulator FCA believes that it will only be right to adopt the option in GENPRU 3.2.5G in response to very unusual group structures.

... 

3 Annex 1R Capital adequacy calculations for financial conglomerates (GENPRU 3.1.26R and GENPRU 3.1.29R)

... 

7 Table

<table>
<thead>
<tr>
<th>A mixed financial holding company</th>
<th>4.4</th>
<th>A mixed financial holding company must be treated in the same way as:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(1) a financial holding company (if Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook: Groups Part) are applied; or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2) an insurance holding company (if the rules in PRA Rulebook: Solvency II Firms: Group Supervision are applied).</td>
</tr>
</tbody>
</table>

8 Table: PART 5: Principles applicable to all methods

<table>
<thead>
<tr>
<th>Cross sectoral capital</th>
<th>5.3</th>
<th>In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the Financial Groups Directive (Other technical principles and insofar as not already required in Parts 1 - 32):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application of sectoral rules: General</th>
<th>5.4</th>
<th>The following adjustments apply to the applicable sectoral rules as they are applied by the rules in this annex.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(1) The scope of those rules will be extended to cover any mixed financial holding company and each other member of the overall financial sector.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>[deleted]</td>
</tr>
<tr>
<td></td>
<td></td>
<td>...</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(5) (For the purposes of Parts 1 to 3 and 2) those rules must be adjusted, if necessary, when</td>
</tr>
</tbody>
</table>
calculating the capital resources, capital resources requirements or solvency requirements for a particular financial sector to exclude those for a member of another financial sector.

(6) Any waiver, approval or permission granted to a member of the financial conglomerate under those rules does not apply for the purposes of this annex.

<table>
<thead>
<tr>
<th>Application of sectoral rules: Insurance sector</th>
<th>5.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) This rule applies an adjustment to the applicable sectoral rules for the insurance sector as they are applied by the rules in this annex.</td>
<td></td>
</tr>
<tr>
<td>(2) To the extent that:</td>
<td></td>
</tr>
<tr>
<td>(a) those rules merely require a report on whether or not a specified level of solvency is met (a soft limit); or</td>
<td></td>
</tr>
<tr>
<td>(b) the requirements in those rules concern having net assets of any amount at or above certain levels;</td>
<td></td>
</tr>
<tr>
<td>those requirements are restated so as to include an obligation at all times actually to have capital at or above that level (a hard limit), thereby turning a soft limit into a hard limit and turning a limit drafted by reference to assets and liabilities into a requirement that the level of capital be maintained at or above a specified level. If those rules apply both a hard and soft limit, and the level of the soft limit is higher, that soft limit is applied under this annex, but translated into a hard limit in accordance with the earlier provisions of this rule.</td>
<td></td>
</tr>
<tr>
<td>[deleted]</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application of sectoral rules: Banking sector and investment services sector</th>
<th>5.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4) For the purposes of Part 3 Parts 1 and 2), 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.</td>
<td></td>
</tr>
<tr>
<td>(5) (For the purposes of Part 3 Parts 1 and 2), BIPRU 8.5.9R and BIPRU 8.5.10R do not apply.</td>
<td></td>
</tr>
<tr>
<td>…</td>
<td></td>
</tr>
</tbody>
</table>

| 5.7 |
| … |
(4) If:

... 

(c) the treatment of the links in (1) (including the treatment of any solvency deficit) is as provided for in whichever of Part 1 or Part 2 of GENPRU 3 Annex 1 the firm has, under GENPRU 3.1.30R, indicated to the appropriate regulator FCA it will apply or, if applicable, in the requirement referred to in GENPRU 3.1.31R; and

...

9 Table: PART 6: Definitions used in this Annex

<table>
<thead>
<tr>
<th>Solo capital resources requirement: Insurance sector</th>
<th>6.4</th>
</tr>
</thead>
</table>
| (1) … The solo capital resources requirement of an undertaking a Solvency II firm in the insurance sector is: the capital resources requirement identified in the PRA Rulebook: Solvency II firms: Solvency Capital Requirement—General Provisions as applying to that undertaking:
(a) in respect of a UK Solvency II firm, the SCR;
(b) in respect of a Solvency II undertaking other than a UK Solvency II firm, the equivalent SCR as calculated in accordance with the Solvency II EEA implementing measures in the EEA State in which it has received authorisation in accordance with article 14 of the Solvency II Directive;
(c) in respect of a third country insurance undertaking or third country reinsurance undertaking to which the PRA Rulebook: Solvency II Firms: Group Supervision, 10.4(2) applies, the equivalent of the SCR as calculated in accordance with the applicable requirements in that third country; and
(d) in respect of any undertaking which is not within (a) to (c), the capital resources requirement calculated according to the rules for the calculation of the solo capital resources requirement applicable to that undertaking for the purposes of the calculation referred to in the PRA Rulebook: Solvency II Firms: Group Supervision and Chapter 1 of Title II of the delegated acts, or if no rules are applicable for that calculation under Group Supervision and Chapter 1 of Title II of the delegated acts, in accordance with the SCR... |
For the purpose of this Part as it applies in relation to GENPRU 3.1, the following expressions bear the same meaning as defined in the PRA Rulebook: Glossary:

(i) “UK Solvency II firm”;
(ii) “Solvency II undertaking”;
(iii) “delegated acts”;
(iv) “third country insurance undertaking”;
(v) “third country reinsurance undertaking”; and
(vi) “SCR Rules”.

<table>
<thead>
<tr>
<th>Solo capital resources requirement: EEA firms in the banking sector or investment services sector</th>
<th>6.5</th>
<th>…</th>
</tr>
</thead>
<tbody>
<tr>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>

Reference to “rules” 6.7A

A reference to “rules” in this annex includes any directly applicable Community regulation that is relevant to the purpose of which “rules” as used refers to.

10 Table

<table>
<thead>
<tr>
<th>Solo capital resources requirement: the insurance sector</th>
<th>6.8</th>
<th>…</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Applicable sectoral consolidation rules</th>
<th>6.9</th>
<th>The applicable sectoral consolidation rules for a financial sector are the appropriate regulator’s sectoral rules about capital adequacy and solvency on a consolidated basis that are applied in the table in paragraph 6.10.</th>
</tr>
</thead>
</table>

11 Table: Paragraph 6.10: Application of sectoral consolidation rules
### Financial sector

<table>
<thead>
<tr>
<th>Banking sector</th>
<th>Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook IFPRU 8.1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment services sector</td>
<td>(in relation to a designated investment firm or an IFPRU investment firm which is a member of a financial conglomerate for which the PRA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and the PRA Rulebook; (in relation to a designated investment firm or an IFPRU investment firm which is a member of a financial conglomerate for which the FCA is the coordinator) Part One, Title II, Chapter 2 of the EU CRR and IFPRU 8.1;</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

#### 3 Annex 2R  Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 3.2.9R)

...  

After “3: Table PART 3: Adjustment of scope”, insert the following new Table. The text is not underlined.

<table>
<thead>
<tr>
<th>4</th>
<th>Table: PART 4: Definition used in this Annex</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4.1</strong></td>
<td>This Part sets out the definition which a firm must apply for the purposes of this annex as it applies in relation to GENPRU 3.2.</td>
</tr>
<tr>
<td><strong>4.2</strong></td>
<td>A reference to “rules” in this annex includes any directly applicable Community regulation that is relevant to the purpose of which “rules” as used refers to.</td>
</tr>
</tbody>
</table>

...  

#### 3 Annex 3G  Guidance Notes for Classification of Groups

...  

Purpose and scope

The form is designed to identify groups and sub-groups that are likely to be financial conglomerates under the Financial Groups Directive. A group may be
a financial conglomerate if it contains both insurance and banking/investment businesses and meets certain threshold tests. The appropriate regulator FCA needs to identify conglomerates with their head offices in the EEA and those with their head offices outside the EEA, although this does not necessarily mean that the latter will be subject to EEA conglomerate supervision.

This form’s purpose is to enable the appropriate regulator FCA to obtain sufficient information so as to be able to determine how likely a group/sub-group is to be a financial conglomerate. …

A copy of this form will be found on the appropriate regulator’s FCA’s Financial Groups Website with current contact details.

Calculating balance sheet totals:

Our expectation of how this may be achieved efficiently is as follows:

- …

- Where off-balance sheet treatment of funds under management and on-balance sheet treatment of policy holders’ funds may distort the threshold calculation, groups should consult the appropriate regulator FCA on the appropriateness of using other measures under article 3.5 of the Financial Groups Directive.

- …

- Where accounting standards differ between entities, groups should consult the appropriate regulator FCA if they believe this is likely materially to affect the threshold calculation.

Solvency (capital adequacy) requirements

Generally, the solvency requirements should be according to sectoral rules of the appropriate regulator FCA that would apply to the type of entity. However, you can use EEA rules or local rules in the circumstances set out in Part 6 of GENPRU 3 Annex 1. But if this choice makes a significant difference, either with respect to whether the group is a financial conglomerate or with respect to which sector is the biggest, you should consult with the appropriate regulator FCA. …

Our expectation of how this may be achieved efficiently is as follows:

- …
Where there is an unregulated financial undertaking in the opposite sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be one of the following:

- as if the entity were regulated by the *appropriate regulator FCA* under the appropriate sector rules;
- ...

Form GENPRU 3 Ann 3G: Classification of Groups (GENPRU 3.1.3G)

Part 1: General Information

... 

B  Name of *appropriate regulator FCA* supervisor:

...
3 Annex 4R (see GENPRU 3.1.5R)

Is at least one of the members in the consolidation group within the insurance sector and at least one within the banking sector or investment services sector?

Article 2(14)(d), 2(14)(a)(ii) and Article 2(14)(b)(i)

Is an EEA regulated entity at the head of the consolidation group?

Article 2(14)(a)

Does an EEA regulated entity satisfy at least one of the conditions in the footnote below?

Article 2(14)(b)(i)

THRESHOLD TEST 1
Does the ratio of the balance sheet total of the members of the consolidation group to the overall financial sector to the balance sheet total of the consolidation group as a whole exceed 40%?

Article 2(14)(a(i)), 2(14)(b)(ii), Article 3(1)

THRESHOLD TEST 2
Does, for each financial sector, the average of (1) the ratio of the balance sheet total of that financial sector to the balance sheet total of the overall financial sector, and (2) the ratio of the solvency and capital adequacy requirements of the same financial sector to the total solvency and capital adequacy requirements of members in the overall financial sector, exceed 10%?

Article 2(14)(a(iii)) and Article 2(14)(b)(iii), Article 3(2)

FINANCIAL CONGLOMERATE

THRESHOLD TEST 3
Does the balance sheet total of the smallest financial sector exceed EUR 6 billion?

Article 2(14)(a)(iii) and Article 2(14)(b)(iii), Article 3(3)

NOT A FINANCIAL CONGLOMERATE