

EXPLANATORY MEMORANDUM TO
THE FINANCIAL CONGLOMERATES AND OTHER FINANCIAL GROUPS
(AMENDMENT) REGULATIONS 2013

2013 No. 1162

1. 1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 These Regulations implement, in part, Directive 2011/89/EU of the European Parliament and of the Council amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC (OJ L 326/113 8.12.2011) as regards the supplementary supervision of financial entities in a financial conglomerate. The Prudential Regulation Authority (“PRA”) and the Financial Conduct Authority (“FCA”) are responsible for implementing the majority of the provisions of this Directive. The Regulations make a limited number of technical and definitional amendments to existing secondary legislation which imposes obligations on the PRA and FCA with regard to their supervisory functions, in particular concerning information sharing and consultation requirements.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 The Financial Conglomerates Directive 2002 (Directive 2002/87/EC), provides the framework for the prudential supervision of financial conglomerates involved in both banking and insurance activities, supplementing the relevant banking and insurance sectoral directives by providing additional supervision at the group level. The Financial Conglomerates Directive 2002 was implemented in the UK mainly by rules made by the Financial Services Authority (“FSA” – the predecessor to the PRA and FCA) under the Financial Services and Markets Act 2000 (“FSMA”), but certain provisions which imposed obligations on the supervisory authority, were transposed by the Financial Conglomerates and Other Financial Groups Regulations 2004 (S.I. 2004/1862).

4.2 Directive 2011/89/EU is the result of a technical review of the 2002 Directive which was commenced by the European Commission in 2008 and makes changes to the Financial Conglomerates Directive 2002 and the relevant sectoral directives to improve the effectiveness of the current rules. These Regulations transpose those aspects of Directive 2011/89/EU which require amendments to be made to existing secondary legislation, notably the Financial Conglomerates and Other Financial Groups Regulations 2004 and the Capital Requirements Regulations 2006 (S.I. 2006/3221), by the transposition deadline of 10 June 2013. Most of the Directive provisions are being transposed by rules made by the PRA and FCA. Those

provisions of the Directive which relate to alternative investment fund managers, and which also require amendments to the Financial Conglomerates and Other Financial Groups Regulations 2004, but have a later transposition deadline of 22 July 2013, will be transposed by way of a separate set of Regulations which is due to be made for the purposes of transposing the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) by that deadline.

4.3 These Regulations also update certain cross-references in the Financial Conglomerates and Other Financial Groups Regulations 2004 to provisions in Part 12 of FSMA, which were amended by the Financial Services and Markets Act 2000 (Controllers) Regulations 2009 (S.I. 2009/534) as part of the exercise of transposing the Acquisitions Directive (Directive 2007/44/EC).

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury, Greg Clark MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Financial Conglomerates and Other Financial Groups (Amendment) Regulations 2013 are compatible with the Convention rights.”

7. Policy background

- *What is being done and why*

7.1 The aim of Directive 2011/89/EU is to act as a quick fix in response to gaps in conglomerate supervision that were highlighted by the experience of the financial crisis and identified in the review of the Financial Conglomerates Directive 2002 carried out by the European Commission in 2008/2009. The changes are expected to eliminate the unintended consequences and technical omissions in the relevant sectoral directives (covering the supervision of banking and insurance institutions), and improve the consistency of supervision of group risks. The changes include amendments to the capital calculation methodology for conglomerates, a requirement to include asset management companies and alternative investment fund managers in the conglomerates identification process, and amendments to the identification threshold triggers, as well as providing for conglomerate stress testing.

7.2 Most of these substantive changes will be implemented by amendments to PRA and FCA rules. However, a limited number of amendments are required to existing secondary legislation which imposes obligations on the PRA and FCA with regard to their supervisory functions in relation to conglomerates. These mainly concern consequential amendments to consultation and information sharing requirements.

7.3 A more fundamental review of the Financial Conglomerates Directive 2002 is currently underway. The aim of this is to provide a wider-ranging assessment of the

scope, application, and purpose of the original directive in light of the experience of the financial crisis. The European Commission published a progress update report on this review in December 2012. This noted the importance of taking into account the recent and pending changes to sectoral legislation – such as Solvency II and the Capital Requirements Directive (“CRD 4”) – as well as the implications of Banking Union proposals for conglomerate supervision. As a result, the report stated that the Commission does not intend to bring forward legislative proposals in 2013, but will keep the situation under review to determine the appropriate timing for the revision.

- **Consolidation**

7.4 There are no current plans to consolidate the amendments to the Financial Conglomerates and Other Financial Groups Regulations 2004 or the Capital Requirements Regulations 2006. However, the 2004 Regulations are likely to be amended again following the current more fundamental review of the Financial Conglomerates Directive 2002, at which stage further consideration will be given to consolidation. The Capital Requirements Regulations 2006 are expected to be further amended or replaced as part of the exercise of transposing CRD4 which is due to be adopted later this year.

8. Consultation outcome

8.1 The European Commission undertook a targeted pre-legislative consultation on its review of the Financial Conglomerates Directive in November 2009, prior to issuing its formal proposal in August 2010. We understand that a UK stakeholder responded but the response was not made public. Details of the consultation, including published responses, are available at:
http://ec.europa.eu/internal_market/consultations/2009/fcd_review_en.htm

8.2 A draft of these Regulations was subject to a public consultation in the document *CP12/40: Financial Conglomerates Directive – Technical review amendments*, a joint FSA-HM Treasury consultation, which was published on the FSA website on 21 December 2012, and is available at:
<http://www.fsa.gov.uk/static/pubs/cp/cp12-40.pdf>. The consultation closed on 21 March 2013 and no responses were received concerning the Treasury’s draft Regulations. The Treasury also consulted the FSA and its successor authorities prior to making these Regulations, which impose obligations directly on the PRA and FCA, and the FSA was content with the draft Regulations.

9. Guidance

9.1 The Treasury is not planning to issue any guidance on these Regulations, which do not impose obligations directly on business. The PRA and the FCA are due to issue policy statements detailing their final rules implementing other parts of Directive 2011/89/EU.

10. Impact

10.1 No impact on business, charities or voluntary bodies is foreseen from these Regulations and an Impact Assessment has therefore not been prepared for this instrument.

10.2 The Regulations amend existing obligations on the PRA and the FCA with regard to their supervisory functions, in particular concerning information sharing and consultation requirements.

10.3 Separately, the FSA (on behalf of the PRA and FCA) has conducted a cost benefit analysis assessing the impact of the changes that are being made to PRA and FCA rules implementing the rest of Directive 2002/89/EU, which will apply directly to the firms they supervise. This was published in the joint FSA-HM Treasury consultation *CP 12/40: Financial Conglomerates Directive – Technical Review Amendment* (December 2012).

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The amendments made by these Regulations will be reviewed following the wider EU review of the Financial Conglomerates Directive 2002 which is expected to result in more fundamental changes to the supervision of conglomerates and therefore entail a wider review of the Financial Conglomerates and Other Financial Groups Regulations 2004 (as amended by these Regulations).

13. Contact

Michael Harvey at the Treasury Tel: 020 7270 4876 or email: michael.harvey@hmtreasury.gsi.gov.uk can answer any queries regarding the instrument.

TRANSPOSITION NOTE FOR DIRECTIVE 2011/89/EU

This transposition note sets out the legislation which transposes into UK law Directive 2011/89/EU of the European Parliament and of the Council amending Directives 98/78/EC, 2002/87/EC, 2006/48/EC and 2009/138/EC as regards the supplementary supervision of financial entities in a financial conglomerate.

This Directive makes technical amendments to the Financial Conglomerates Directive 2002 (Directive 2002/87/EC), which deals with the supplementary supervision of financial conglomerates, which are groups which carry out significant activities in both the banking /investment services and insurance sectors. It also makes consequential amendments to the relevant sectoral directives dealing with the regulation of banks/investment firms and insurance firms. The Financial Conglomerates Directive 2002 was originally transposed mainly by way of rules made by the Financial Services Authority (the “FSA”) under the Financial Services and Markets Act 2000, and also in part by the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862) made by the Treasury. The new Directive makes technical changes to the Financial Conglomerates Directive 2002, including changes to the conglomerate capital calculations methodology, changes to include asset management companies and alternative investment fund managers within the process for identifying a financial conglomerate, and changes to the application of identification threshold triggers. The new Directive is being transposed mainly by the way of amendments being made to the rules of the Prudential Regulation Authority (the “PRA”) and (where necessary) the Financial Conduct Authority (the “FCA”), which were established in place of the FSA with effect from 1 April 2013 (when the Financial Services Act 2012 came into force). These rules continue to be made under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012). The new Directive includes amendments to Directive 2009/138/EC (“Solvency II”), whose transposition date is currently delayed. The FSA has consulted on proposed amendments arising from the new Directive to the draft PRA prudential sourcebook (SOLPRU) which will, in due course, transpose aspects of Solvency II. References to these draft PRA Handbook rules are shown in this Transposition Note although SOLPRU will not be made until the transposition of Solvency II takes place.

The Directive is also being transposed in part by way of amendments being made by the Treasury to the Financial Conglomerates and Other Financial Groups Regulations 2004 and the Capital Requirements Regulations 2006 (SI 2006/3221), together with consequential amendments being made to other legislation. Most of the provisions of this Directive are due to apply from 10 June 2013. Amendments to the Financial Conglomerates and Other Financial Groups Regulations 2004 relating to alternative investment fund managers (which apply from 22 July 2013) will be made separately by way of the Regulations being made to transpose the Alternative Investment Fund Managers Directive (Directive 2011/61/EU).

The following abbreviations are used in the table below:

“2004 Regulations” means the Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862)

“Amending Regulations 2013” means the Financial Conglomerates and Other Financial Groups (Amendment) Regulations 2013

“CRR 2006” means the Capital Requirements Regulations 2006 (SI 2006/3221)

“ESA” means a European Supervisory Authority

“FICOD” means the Financial Conglomerates Directive (Directive 2002/87/EC)

“FSMA” means the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012)

“MFHC” means Mixed Financial Holding Company

“RTS” means Regulatory Technical Standards

References relating to transposition by the PRA and FCA are references to their respective Handbook rules, in particular:

“APER” means the Statement of Principle and Code of Conduct for approved persons

“BIPRU” means the prudential sourcebook for banks, building societies and investment firms

“DEPP” means the decisions and penalties manual

“FIT” means the fit and proper test for approved persons

“GENPRU” means the general prudential sourcebook for banks, building societies, insurers and investment firms

“Glossary” means the glossary of defined terms used in the Handbooks

“IPRU-INS” means the interim prudential sourcebook for insurers

“INSPRU” means the prudential sourcebook for insurers

“SOLPRU” means the draft prudential sourcebook for Solvency II (Directive 2009/138/EC) insurers (sourcebook not yet in force)

“SUP” means the supervisory manual including provisions on notifications and reporting

Article of the Directive	Objective	Transposition by the Treasury	Transposition by the Prudential Regulation Authority	Transposition by the Financial Conduct Authority
Article 1	Amendments to Directive 98/78/EC (Insurance Groups Directive)			
Paragraph (1)(a)	Substitutes new definition of “mixed-activity insurance holding company” in article 1(j)	NA	Glossary – “mixed-activity insurance holding company”	Glossary – “mixed-activity insurance holding company”
Paragraph (1)(b)	Adds new definition (paragraph (m)) of “mixed financial holding company” in article 1	NA	Glossary – “mixed financial holding company”	Glossary – “mixed financial holding company”

Paragraph (2)	Replaces article 2(2) (cases of application of supplementary supervision of insurance undertakings). (no transposition required)	NA	NA	NA
Paragraph (3)	Inserts new article 2a (level of application with regard to MFHCs), dealing with agreements to apply only the provisions of FICOD; requirement on competent authority to inform ESAs of related decisions; and requirement on ESA Joint Committee to develop guidelines, and draft RTS for adoption by the Commission.	No new transposition required. See Reg 4 of the 2004 Regulations (as regards competent authority consultation requirements) and see generally s410 FSMA (in relation to obligation to inform ESAs)	INSPRU 6.1.5A IPRU(INS) 9.42E	NA
Paragraph (4)	Replaces article 3(1) (scope of supplementary supervision) to include reference to MFHC. (no new transposition required)	.NA	NA	NA

Paragraph (5)	Replaces article 4(2) (competent authorities for exercising supplementary supervision) to include reference to MFHC (No new transposition required)	NA	NA	NA
Paragraph (6)	Replaces article 10 (insurance holding companies, non-member country insurance undertakings and non-member country reinsurance undertakings) to include references to MFHCs.	NA	INSPRU 6.1.1 IPRU(INS) 9.42E	NA
Paragraph (7)	Introduces amendments to Annexes I and II	NA	INSPRU 6.1.1 INSPRU 6.1.5A IPRU(INS) 9.42E	NA
Article 2	Amendments to Directive 2002/87/EC (Financial Conglomerates Directive)			
Paragraph (1)	Replaces Article 1 (subject matter) and Article 2	No transposition required in	Glossary – new definition:	Glossary – new definition:

	(definitions)	<p>relation to Article 1.</p> <p>For amendments to definitions in Article 2 see Regs 2 & 3 of the Amending Regulations 2013 (which amend Reg 1(2) (interpretation) of the 2004 Regulations)</p>	<p>(5a) – “alternative investment fund manager”</p> <p>Glossary – existing definitions:</p> <p>(1) - “credit institution” (2) – “insurance undertaking” (3) – “investment firm” (5) – “asset management company” (6) – “reinsurance undertaking” (7) – “sectoral rules” (8) – “financial sector” (9) – “parent undertaking” (10) – “subsidiary undertaking” (11) – “participation” (12) – “consolidation group” (12a) – “control” (13) – “close links” (14) – “financial conglomerate”; and “financial conglomerate definition decision tree” in GENPRU 3.1 (15) – “mixed financial holding company” (18) – “intra-group transactions” (19) – “risk concentration”</p> <p>Glossary – amended definition: (4) – “regulated entity”</p>	<p>(5a) – “alternative investment fund manager”</p> <p>Glossary – existing definitions:</p> <p>(1) - “credit institution” (2) – “insurance undertaking” (3) – “investment firm” (5) – “asset management company” (6) – “reinsurance undertaking” (7) – “sectoral rules” (8) – “financial sector” (9) – “parent undertaking” (10) – “subsidiary undertaking” (11) – “participation” (12) – “consolidation group” (12a) – “control” (13) – “close links” (14) – “financial conglomerate”; and “financial conglomerate definition decision tree” in GENPRU 3.1 (15) – “mixed financial holding company” (18) – “intra-group transactions” (19) – “risk concentration”</p>
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				Glossary – amended definition: (4) – “regulated entity”
Paragraph (2)(a)	<p>Replaces paragraphs 1 & 2 of article 3 (threshold for identifying a financial conglomerate) in particular to include asset management companies and alternative investment fund managers</p> <p>Replaces paragraph 3 of article 3 (dealing with significance test for cross-sectoral activities)</p> <p>Adds new paragraph 3a to article 3 (dealing with waiver provisions)</p>	No new transposition required. (see Regs 2 and 4 of 2004 Regulations on competent authority notification and consultation requirements and see also sections 354A, 354B and 410 FSMA)	<p>GENPRU 3.1. in particular:</p> <ul style="list-style-type: none"> - GENPRU 3.1.8R - GENPRU 3.1.13G - GENPRU 3.1.39R - GENPRU 3 Annex 1R Part 6 - GENPRU 3 Annex 4R 	<p>GENPRU 3.1, in particular:</p> <ul style="list-style-type: none"> - GENPRU 3.1.8R - GENPRU 3.1.13G- GENPRU 3.1.39R - GENPRU 3 Annex 1R Part 6 - GENPRU 3 Annex 4R
Paragraph (2)(b)	<p>Replaces point (a) in article 3(4) (exclusions)</p> <p>Adds new point (c) to article 3(4) (dealing with exclusion of participations in the smaller sector)</p>	NA	GENPRU 3.1.13G	GENPRU 3.1.13G

Paragraph (2)(c)	Replaces article 3(5) – adding total assets under management to list of alternative parameters	NA	GENPRU 3.1.13G	GENPRU 3.1.13G
Paragraph (2)(d)	Adds new paragraphs 8 and 9 to article 3, requiring ESAs to issue guidelines and competent authorities to reassess waivers on annual basis.	No transposition required (but see generally s410 FSMA in relation to obligation on competent authorities to carry out annual review of waivers and powers of regulators to revoke waivers and rule modifications under s138A FSMA.)	NA	NA
Paragraph (3)(a)	Amends article 4(1), para 1, to remove “where necessary” words, and add Joint Committee to list of bodies to be notified of potential conglomerate members.	No new transposition required. For current transposition of notification requirements, see generally sections 354A, 354B and 410 FSMA.	NA	NA
Paragraph (3)(b)	Amends article 4(2), para 2, (revised reference to Joint Committee)	No new transposition required. For current transposition see Reg 2 of the 2004 Regulations and generally sections 354A, 354B and 410 FSMA.	NA	NA
Paragraph (3)(c)	Replaces article 4(3) (obligation on Joint Committee to keep list of	NA	NA	NA

	conglomerates on its website) (No transposition required)			
Paragraph (4)(a)	Replaces article 5(2)(b) (scope of supplementary supervision of regulated entities referred to in article 1) substituting reference to “Union” (No transposition required)	NA	NA	NA
Paragraph (4)(b)	Replaces article 5(3) to substitute reference to “third country” (No transposition required)	NA	NA	NA
Paragraph (4)(c)	Replaces article 5(4) second para, making consequential amendments to cross references (No transposition required)	NA	NA	NA
Paragraph (5)	Replaces article 6(3) and (4) (capital adequacy) – updating references to various directives and	NA	GENPRU 3.1, including - GENPRU 3.1.17G - GENPRU 3.1.21G	GENPRU 3.1, including: - GENPRU 3.1.17G - GENPRU 3.1.21G

	removing references to method 3 in Annex 1		<ul style="list-style-type: none"> - GENPRU 3.1.29R to 3.1.31R - GENPRU 3 Annex 1R 	<ul style="list-style-type: none"> - GENPRU 3.1.29R – 3.1.31R - GENPRU 3 Annex 1R
			INSPRU 6.1.64A	
Paragraph (6)(a)	<p>Replaces article 7(3) (risk concentration) substituting reference to “Union”.</p> <p>(No transposition required)</p>	NA	NA	NA
Paragraph (6)(b)	<p>Inserts new article 7(5) containing obligation on ESAs to issue guidelines on supplementary supervision of risk concentration</p> <p>(No transposition required)</p>	NA	NA	NA
Paragraph (7)(a)	<p>Replaces article 8(3) (intra-group transactions) – substituting reference to Union</p> <p>(No transposition required)</p>	NA	NA	NA
Paragraph (7)(b)	<p>Inserting new article 8(5) containing obligation on ESAs to issue guidelines on supplementary supervision on intra-group</p>	NA	NA	NA

	transactions (No transposition required)			
Paragraph (8)(a)	Replaces article 9(4) (internal control and risk management) to add new subparagraphs requiring conglomerates to provide competent authorities with details of their structure and publicly disclose this information.	NA	SUP15.9.5R	SUP 15.9.5R
Paragraph (8)(b)	Inserts new article 9(6) containing obligation on competent authorities to align supplementary supervision with sector supervisory review process; obligation on ESAs to issue guidelines.	No transposition required. See generally section 410 FSMA.	NA	NA
Paragraph (9)	Inserts new article 9b (stress testing) containing power for Member States to require regular stress testing; ESAs to develop supplementary parameters for stress tests	NA	National discretion not implemented	National discretion not implemented
Paragraph (10)(a)	Replaces article 10(2)(b)(ii) (competent authority responsible for	NA	NA	NA

	exercising supplementary supervision – the co-ordinator) substituting reference to “Union”. (No transposition required)			
Paragraph (10)(b)	Replaces article 10(2)(b)(iii) substituting reference to “Union”. (No transposition required)	NA	NA	NA
Paragraph (11)(a)	Replaces article 11(3) (tasks of the co-ordinator) substituting reference to “Union” (No transposition required)	NA	NA	NA
Paragraph (11)(b)	Inserts new article 11(4) requiring co-operation to be carried out via sectoral colleges	For requirement to establish colleges of supervisors see Reg 12A CRR 2006 and amendments made by Art 11 Amending Regulations 2013.	NA	NA
Paragraph (12)	Replaces article 12(1)(a) (co-operation and exchange of information between competent authorities) expanding details of group structure	See s354A and 3554B FSMA for existing duty of co-operation; FSMA (Disclosure of Confidential Information) Regulations 2001 (as amended by Reg 13 Amending Regulations	NA	NA

	information to be exchanged	2013); and amendments being made to the CRR 2006 by Reg 10 of the Amending Regulations 2013.		
Paragraph (13)	Inserts new article 12a(3) dealing with provision of information to Joint Committee	See s354A and 354B FSMA for existing general duty of co-operation and FSMA (Disclosure of Confidential Information) Regulations 2001 (as amended by Reg 13 Amending Regulations 2013).	NA	NA
Paragraph (14)	Inserts new article 12b (common guidelines) requiring ESAs to develop guidelines on how competent authorities carry out risk assessments and carry out their supervision (No transposition required)	NA	NA	NA
Paragraph (15)(a)	Replaces title to article 18 substituting reference to Union (No transposition required)	NA	NA	NA
Paragraph (15)(b)	Replaces article 18(3) (parent undertakings	NA	NA	NA

	outside the Community) substituting reference to Union (No transposition required)			
Paragraph (16)	Replaces article 19(1) (co- operation with third country competent authorities) updating references to other Directives (No transposition required)	NA	NA	NA
Paragraph (17)	Replaces Title to Chapter III (powers conferred on the Commission and Committee procedure) (No transposition required)	NA	NA	NA
Paragraph (18)	Replaces article 20(1) (Powers conferred on Commission) (No transposition required)	NA	NA	NA
Paragraph (19)	Deletes paras 2, 3 and 5 of Article 21 (powers conferred on Commission – Committee)	NA	NA	NA

	(No transposition required)			
Paragraph (20)(a)	Inserts new article 21a(d) (technical standards) (No transposition required)	NA	NA	NA
Paragraph (20)(b)	Inserts new article 21a(1a) (technical standards) requiring preparation and adoption of RTS. (No transposition required)	NA	NA	NA
Paragraph (20)(c)	Inserts new para 21a(3) requiring uniform reporting formats	NA	Any required changes to be considered once ITS are issued.	Any required changes to be considered once ITS are issued.
Paragraph (21)	Inserts new articles 21b (ESA Common Guidelines) and 21c (exercise of delegation) (No transposition required)	NA	NA	NA
Paragraph (22)	Replaces article 30(1) (asset management companies) requiring asset management companies to be included in the identification process	NA	GENPRU 3.1.39R	GENPRU 3.1.39R

Paragraph (23)	Inserts new article 30a (alternative investment fund managers) requiring alternative investment fund managers to be included in consolidated and supplementary supervision and identification process	In relation to third country groups, see amendments to Regs 7, 9 and 10 of the 2004 Regulations <i>[to be made by the Alternative Investment Fund Managers Regulations 2013]</i> .	GENPRU 3.1.39R	GENPRU 3.1.39R
Paragraph (24)	Introduces Annex 11 amendments to Annex 1 of FICOD	NA	GENPRU 3.1.17G GENPRU 3.1.29R – 3.1.31R GENPRU 3 Annex 1R INSPRU 6.1.64A	GENPRU 3.1.17G GENPRU 3.1.29R – 3.1.31R GENPRU 3 Annex 1R
Article 3	Amendments to Directive 2006/48/EC (Banking Consolidation Directive)			
Paragraph (1)	Replaces article 1(2) (application to holding companies) to insert reference to MFHCs.	See amendments to CRR 2006 definitions made by Art 8 Amending Regulations 2013	BIPRU 8.3.1R BIPRU 8.5.1R	BIPRU 8.3.1R BIPRU 8.5.1R
Paragraph (2)(a)	Replaces article 4(14)-(17) (definitions) to insert reference to MFHC and new definition of EU Parent MFHC	See amendments to CRR 2006 definitions made by Art 8 Amending Regulations 2013	Glossary – amended definitions: (14) – “parent institution in a Member State” (15) – “parent financial holding company in a Member State” (16) – “EEA parent institution” (17) – “EEA parent financial	Glossary – amended definitions: (14) – “parent institution in a Member State” (15) – “parent financial holding company in a Member State” (16) – “EEA parent

			<p>holding company”</p> <p>Glossary – new definitions:</p> <p>(15a) – “parent mixed financial holding company in a Member State”</p> <p>(17a) – “EEA parent mixed financial holding company”</p>	<p>institution”</p> <p>(17) – “EEA parent financial holding company”</p> <p>Glossary – new definitions:</p> <p>(15a) – “parent mixed financial holding company in a Member State”</p> <p>(17a) – “EEA parent mixed financial holding company”</p>
Paragraph (2)(b)	Inserts new article 4(19a) containing definition of MFHC	See amendments to CRR 2006 definitions made by Art 8 Amending Regulations 2013	Glossary – existing definition: (19a) – “mixed financial holding company”	Glossary – existing definition: (19a) – “mixed financial holding company”
Paragraph (2)(c)	Replaces article 4(48) containing definition of consolidating supervisor to insert reference to MFHC	See amendments to CRR 2006 definitions made by Art 8 Amending Regulations 2013	NA	NA
Paragraph (3)	Replaces article 14 (notification of EBA)	See generally sections 354A and 354B and 410 FSMA and Reg 11 CRR 2006 as amended by Reg 10 Amending Regulations 2013	NA	NA
Paragraph (4)(a)	Replaces article 39(1)(b) – (Commission powers in relation to co-operation with third country competent authorities)	NA	NA	NA

	(No transposition required)			
Paragraph ((4)(b))	Replaces article 39(2)(a) – (No transposition required)	NA	NA	NA
Paragraph (5)	Replaces article 69(2) (solo supervision waiver) to insert reference to MFHC	NA	National discretion in article 69 not implemented	National discretion in article 69 not implemented
Paragraph (6)	Replaces article 71(2) (group compliance with articles 75, 120, 123 and Section 5)	NA	BIPRU 8.2.1R BIPRU 8.2.4R BIPRU 8.5.1R	BIPRU 8.2.1R BIPRU 8.2.4R BIPRU 8.5.1R
Paragraph (7)	Replaces article 72(2) (group compliance with disclosure requirements) to insert a reference to EU Parent MFHC	NA	BIPRU 11.2.4R BIPRU 11.2.5R BIPRU 11.4.5R	BIPRU 11.2.4R BIPRU 11.2.5R BIPRU 11.4.5R
Paragraph (8)	Inserts new article 72a dealing with option for consolidating supervisor only to apply supplementary supervision; obligation on consolidating supervisor to inform EBA; obligation on Joint Committee to adopt guidelines and new power	NA	GENPRU 3.1.3G (10)	GENPRU 3.1.3G (10)

	for Commission to adopt RTS.			
Paragraph (9)	Replaces article 73(2) (consolidated application of articles 75, 120, 123 and Section 5) inserting reference to MFHC	NA	BIPRU 8.31.R	BIPRU 8.3.1R
Paragraph (10)	Replaces article 80(7)(a) (standardised approach) to include reference to MFHC	NA	BIPRU 3.2.25R(a)(ii)	BIPRU 3.2.25R(a)(ii)
Paragraph (11)(a)	Replaces article 84(2)(2) (IRB approach) to include reference to EU Parent MFHC	NA	BIPRU 4.2.3R	BIPRU 4.2.3R
Paragraph (11)(b)	Replaces article 84(6) (IRB approach) to include reference to EU Parent MFHC	NA	BIPRU 1.3.3G and 1.3.4G	BIPRU 1.3.3G and 1.3.4G
Paragraph (12)	Replaces article 89(1)(e) (IRB Approach) inserting reference to MFHC	NA	BIPRU 4.2.26R (6)	BIPRU 4.2.26R(6)
Paragraph (13)	Replaces article 105(3) and (4) (minimum own funds for operation risk) to insert reference to EU Parent MFHC	NA	BIPRU 1.3.3G and 1.3.4G BIPRU 6.5.31R and 6.5.32G	BIPRU 1.3.3G and 1.3.4G BIPRU 6.5.31R and 6.5.32G
Paragraph (14)	Replaces article 122a(2) (exposures to transferred credit risk) to insert references to EU Parent	NA	BIPRU 9.15.7R	NA

	MFHC			
Paragraph (15)	Replaces article 125(2) (supervision) to insert reference to parent MFHC and EU parent MFHC	NA	BIPRU 8 Annex 4G	BIPRU 8 Annex 4G
Paragraph (16)	Replaces article 126 (supervision) to insert references to parent MFHC and EU parent MFHC	NA	BIPRU 8 Annex 4G	BIPRU 8 Annex 4G
Paragraph (17)(a)	Replaces article 127(1) (consolidated supervision) to insert reference to MFHC	See generally Part 12A of FSMA 2000 (powers exercisable in relation to parent undertakings)	See Policy Statement: The power of direction over qualifying parent undertakings	Statement of policy on the use of the power to direct parent undertakings (Appendix 1 of Policy Statement 13/5)
Paragraph (17)(b)	Replaces article 127(3) to insert reference to MFHC	No new transposition required. See generally sections 165 and 192J FSMA.	NA	NA
Paragraph (18)(a)	Amends article 129(1) (tasks of consolidating supervisor) to insert reference to EU Parent MFHC	See Reg 11 CRR 2006 and amendments to definition of “EEA consolidated supervisor” in Reg 1 CRR 2006 made by Reg 8 Amending Regulations 2013.	NA	NA
Paragraph (18)(b)	Amends article 129(2) (application for permissions) to insert reference to EU parent MFHC	Article 129(2) BCD is currently transposed by Regs 2-9 CRR 2006; see amendments to definition of “EEA consolidated supervisor” in Reg 1 CRR 2006 made by Reg 8 Amending	BIPRU 1.3.3G and 1.3.4G	BIPRU 1.3.3G and 1.3.4G

		Regulations 2013.		
Paragraph (18)(c)(i)-(iii)	Amends article 129(3) subparagraphs 1, 5 and 9 (joint decision on own funds) to insert reference to EU Parent MFHC	Article 129(3) BCD is currently transposed by Regs 10A -10B CRR 2006; see amendments to definition of “EEA consolidated supervisor” in Reg 1 CRR 2006 made by Reg 8 Amending Regulations 2013.	NA	NA
Paragraph (19)	Replaces article 131a(2) sixth subparagraph (supervisory colleges) to insert reference to EU Parent MFHC	Article 131a BCD currently transposed by Reg 12A CRR 2006; see amendments to definition of “relevant competent authority” in Reg 1 CRR 2006 made by Reg 8 Amending Regulations 2013.	NA	NA
Paragraph (20)(a)	Replaces article 132(1) subparagraph 5 (information sharing) to insert reference to EU Parent MFHC	Article 132 BCD is currently transposed by Regs 11 & 12 CRR 2006, and FSMA Disclosure of Confidential Information Regulations 2001); see amendments to Regs 1, and 11 CRR 2006 made by Regs 8 and 10 of the Amending Regulations 2013, and amendments to Disclosure of Confidential Information Regulations 2001 made by Reg 13 of the Amending Regulations 2013.	NA	NA

Paragraph (20)(b)	Replaces article 132(1) subparagraph 6(a) to amend list of essential information to be exchanged to include more detailed information on group structure	(see above)	NA	NA
Paragraph (21)	Replaces article 135 (directors of financial holding company to be of good repute) to insert reference to MFHC	No new transposition required. See Part 5 FSMA (approved persons)	See APER and FIT in relation to PRA controlled functions.	APER and FIT in relation to FCA controlled functions.
Paragraph (22)	Replaces article 139(3) first subparagraph (exchange of information) to insert reference to MFHC.	No new transposition required. See generally s349, 354A and 354B FSMA and Disclosure of Confidential Information Regulations 2001	NA	NA
Paragraph (23)(a)	Replaces article 140(1) (co-operation) to insert reference to MFHC	No new transposition required. See s354A and 354B FSMA.	NA	NA
Paragraph (23)(b)	Replaces article 140(3) (lists of financial holding companies) to insert reference to MFHC	No new transposition required. See generally sections 354A, 354B and 410 FSMA and Reg 11 CRR 2006.	NA	NA
Paragraph	Replaces article 141 and	No new transposition required.	See Policy Statement: The	DEPP 6

(24)	142 (verification of information; penalties for holding companies) to insert reference to MFHC	See generally Reg 11 CRR 2006 and s354A, 354B and 192K FSMA; see amendments to definitions in Reg 1 CRR 2006 made by Reg 8 of the Amending Regulations 2013.	power of direction over qualifying parent undertakings	
Paragraph (25)(a)	Replaces article 143(1) (third country verification) inserting reference to MFHC	No new transposition required. See Regs 8 and 9 of the 2004 Regulations.	NA	NA
Paragraph (25)(b)	Replaces article 143(3) third subparagraph inserting reference to MFHC and substituting reference to “Union”	No new transposition required. See generally Regs 8 and 9 of the 2004 Regulations.	NA	NA
Paragraph (26)	Inserts new article 146a dealing with requirement on banking group to disclose structure and governance	NA	BIPRU 11.4.5R BIPRU 11.5.2R	BIPRU 11.4.5R BIPRU 11.5.2R
Paragraph (27)	Introduces annex III amendments to annex X BCD	NA	BIPRU 1.3.8D	BIPRU 1.3.8D
Article 4	Amendments to Directive 2009/138/EC (Solvency II)			

Paragraph (1)	Replaces article 212(1)(f) and (g) (group supervision - definitions) to add new definition of MFHC	NA	Handbook Glossary amended definition: (h) “mixed financial holding company”	NA
Paragraph (2)	Replaces article 213(2) and (3) (cases of application of group supervision) inserting references to MFHC provisions to avoid dual application of Solvency 2 and FICOD; provisions for RTS.	NA	SOLPRU 11.1 SOLPRU 11.2 SOLPRU 11.4 – 11.7	NA
Paragraph (3)	Replaces article 214(1) (scope of group supervision) inserting reference to MFHC	NA	SOLPRU 11.2.1R	NA
Paragraph (4)	Replaces article 215(1) and (2) (ultimate parent undertaking at Community level) inserting references to MFHC	NA	SOLPRU 11.2.1R	
Paragraph (5)	Replaces article 216(1) (ultimate parent undertaking at national level) inserting reference to MFHC	NA	No new transposition required.	NA

Paragraph (6)	Replaces article 219 (frequency of calculation) inserting references to MFHC	NA	SOLPRU 11.1.2R SOLPRU 11.1.3R	NA
Paragraph (7)	Replaces article 226 (intermediate insurance holding companies) inserting references to MFHC	NA	SOLPRU 11.4.17R	NA
Paragraph (8)	Replaces article 231(1) (group internal model) inserting reference to MFHC	NA	SOLPRU 11.5.4R	NA
Paragraph (9)	Replaces article 233(5) (Method 2: deduction and aggregation method) inserting reference to MFHC	NA	SOLPRU 11.5.9R	NA
Paragraph (10)	Replaces title of Title III, Chapter II, Section I, Subsection 5 (no transposition required)	NA	NA	NA
Paragraph (11)	Replaces article 235 (group solvency of an insurance holding company) inserting references to MFHC	NA	SOLPRU 11.6.1R	NA

Paragraph (12)	Replaces article 243 (subsidiaries of an insurance holding company) inserting reference to MFHC	NA	NA	NA
Paragraph (13)	Replaces article 244(2) (supervision of risk concentration) inserting reference to MFHC	NA	SOLPRU 11.1.2R SOLPRU 11.1.3R SOLPRU 11.8.1R	NA
Paragraph (14)	Replaces article 245(2) (supervision of intra-group transactions) inserting reference to MFHC	NA	SOLPRU 11.1.2R SOLPRU 11.1.3R SOLPRU 11.8.1R	NA
Paragraph (15)	Replaces article 246(4) subparagraphs 1, 2 and 3 (supervision of the system of governance) inserting reference to MFHC	NA	SOLPRU 11.1.2R SOLPRU 11.1.3R SOLPRU 11.9.2R	NA
Paragraph (16)	Replaces article 247(2)(b) (group supervisor) inserting reference to MFHC	NA	NA	NA
Paragraph (17)	Inserts new subparagraph into article 249(1) (co-operation and exchange of information between supervisory authorities)	No new transposition required. See generally s354B FSMA and FSMA (Disclosure of Confidential Information)	NA	NA

	requirement on group supervisor to provide all authorities and EIOPA with information about group structure etc	Regulations 2001.		
Paragraph (18)	Replaces article 256(1) and (2) (group solvency and financial condition report) inserting reference to MFHC	NA	SOLPRU 11.1.2R SOLPRU 11.1.3R SOLPRU 11.9.4R SOLPRU 11.7.1R	NA
Paragraph (19)	Replaces article 257 (administrative, management or supervisory body of insurance holding companies) inserting reference to MFHC	See generally sections Part 5 FSMA (approved persons)	SOLPRU 11.1.2R SOLPRU 11.1.3R SOLPRU 11.9.5G	NA
Paragraph (20)	Replaces article 258(1) and (2) (enforcement measures) inserting references to MFHC	See generally Parts 11, 12A and 14 FSMA.	No new transposition required	NA