

## ANNEX I

### CAPITAL ADEQUACY

#### II. Technical calculation methods

##### Method 'Accounting consolidation' method

1:

The calculation of the supplementary capital adequacy requirements of the regulated entities in a financial conglomerate shall be carried out on the basis of the consolidated accounts.

The supplementary capital adequacy requirements shall be calculated as the difference between:

- (i) the own funds of the financial conglomerate calculated on the basis of the consolidated position of the group; the elements eligible are those that qualify in accordance with the relevant sectoral rules;
- and
- (ii) the sum of the solvency requirements for each different financial sector represented in the group; the solvency requirements for each different financial sector are calculated in accordance with the corresponding sectoral rules.

The sectoral rules referred to are in particular Directives 2000/12/EC, Title V, Chapter 3, as regards credit institutions, 98/78/EC as regards insurance undertakings, and 93/6/EEC as regards credit institutions and investment firms.

In the case of non-regulated financial sector entities which are not included in the aforementioned sectoral solvency requirement calculations, a notional solvency requirement shall be calculated.

The difference shall not be negative.

##### Method 'Deduction and aggregation' method

2:

The calculation of the supplementary capital adequacy requirements of the regulated entities in a financial conglomerate shall be carried out on the basis of the accounts of each of the entities in the group.

The supplementary capital adequacy requirements shall be calculated as the difference between:

- (i) the sum of the own funds of each regulated and non-regulated financial sector entity in the financial conglomerate; the elements eligible are those which qualify in accordance with the relevant sectoral rules;
- and
- (ii) the sum of
  - the solvency requirements for each regulated and non-regulated financial sector entity in the group; the solvency requirements shall be calculated in accordance with the relevant sectoral rules, and
  - the book value of the participations in other entities of the group.

In the case of non-regulated financial sector entities, a notional solvency requirement shall be calculated. Own funds and solvency requirements shall be taken into account for their proportional share as provided for in Article 6(4) and in accordance with Section I of this Annex.

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*Status: EU Directives are being published on this site to aid cross referencing from UK legislation. After IP completion day (31 December 2020 11pm) no further amendments will be applied to this version.*

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The difference shall not be negative.

[<sup>F1</sup>Method 'Combination method'

3:

Competent authorities may allow a combination of method 1 and method 2.]

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**Textual Amendments**

- F1** Substituted by [Directive 2011/89/EU](#) of the European Parliament and of the Council of 16 November 2011 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 (Text with EEA relevance).