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STATUTORY INSTRUMENTS

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**1996 No. 1669**

**The Financial Institutions (Prudential  
Supervision) Regulations 1996**

**PART I  
GENERAL**

**Citation, commencement and interpretation**

**1.—(1)** These Regulations may be cited as the Financial Institutions (Prudential Supervision) Regulations 1996.

(2) These Regulations shall come into force on 18th July 1996.

(3) In these Regulations—

“the Banking Act” means the Banking Act 1987<sup>(1)</sup>;

“the Building Societies Act” means the Building Societies Act 1986<sup>(2)</sup>;

“the Financial Services Act” means the Financial Services Act 1986<sup>(3)</sup>;

“the Friendly Societies Act” means the Friendly Societies Act 1992<sup>(4)</sup>;

“the Insurance Companies Act” means the Insurance Companies Act 1982<sup>(5)</sup>;

“the Bank” means the Bank of England;

“the Board” means The Securities and Investments Board;

“EEA State” means a State which is a contracting party to the agreement on the European Economic Area signed at Oporto on 2nd May 1992<sup>(6)</sup> as adjusted by the Protocol signed at Brussels on 17th March 1993<sup>(7)</sup>;

“the Prudential Supervision Directive” means the European Parliament and Council Directive of 29th June 1995 amending—

(a) Directives [77/780/EEC](#) and [89/646/EEC](#) in the field of credit institutions,

(b) Directives [72/239/EEC](#) and [92/49/EEC](#) in the field of non-life insurance,

(c) Directives [79/267/EEC](#) and [92/96/EEC](#) in the field of life assurance,

(d) Directive [93/22/EEC](#) in the field of investment firms, and

(e) Directive [85/611/EEC](#) in the field of undertakings for collective investment in transferable securities (UCITS),

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(1) 1987 c. 22.

(2) 1986 c. 53.

(3) 1986 c. 60.

(4) 1992 c. 40.

(5) 1982 c. 50.

(6) Cm 2073.

(7) Cm 2183.

with a view to reinforcing prudential supervision (No. 95/26/EC)(8);

“undertaking” has the same meaning as in Part VII of the Companies Act 1985(9).

(4) Any reference in these Regulations—

- (a) to an undertaking being closely linked with any person, or being closely linked with any person by control; or
- (b) to an undertaking’s close links with any person, shall be construed in accordance with regulation 2 below.

**Meaning of “closely linked” etc.**

2.—(1) This regulation has effect for the purposes of these Regulations and the following Acts, namely—

- (a) the Banking Act;
- (b) the Building Societies Act;
- (c) the Friendly Societies Act; and
- (d) the Insurance Companies Act;

and subject to the modifications referred to in paragraph (3) below, expressions used in paragraph (2) below which are also used in Part VII of the Companies Act 1985 have the same meanings as in that Part.

(2) An undertaking is closely linked with—

- (a) any person who is or, if he were an undertaking, would be its parent undertaking;
- (b) any undertaking which is its subsidiary undertaking;
- (c) any undertaking which is or, if any person falling within sub-paragraph (a) above were an undertaking, would be a fellow subsidiary undertaking; and
- (d) any person in accordance with whose directions or instructions its directors are accustomed to act;

and any reference to an undertaking’s close links with any person shall be construed accordingly.

(3) For the purpose of determining any question arising under paragraph (2) above, sections 258 to 260 of and Schedule 10A to the Companies Act 1985 shall have effect with the modifications specified in Schedule 1 to these Regulations.

(4) An undertaking which is closely linked with any person is closely linked with that person by control if, and only if, it would still be closely linked with that person if subsection (4) of section 258 of the Companies Act 1985, and paragraph 3 of Schedule 1 to these Regulations, were omitted.

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(8) O.J. No. L.168, 18.7.95, p.7.

(9) 1985 c. 6.