



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP28/15

The PRA Rulebook: Part 4

August 2015

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Responses are requested by 13 November 2015.

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1 Overview

1.1 This consultation paper (CP) sets out proposals to redraft certain modules of the Prudential Regulation Authority (PRA) Handbook. This is a consultation in a planned series of consultations⁽¹⁾ aimed at reshaping Handbook material inherited from the Financial Services Authority (FSA) to create a Rulebook containing only PRA rules.

1.2 The PRA Rulebook will appear in a new online website later this year and, until then, will appear on the existing Handbook site in PDF form.⁽²⁾ Detailed proposals for the presentation of the online Rulebook were outlined in CP8/13.⁽³⁾

1.3 The transition to the Rulebook will benefit PRA-authorised firms, who will be able to access clearer and more concise rules. In addition, clearly drafted supervisory statements⁽⁴⁾ and statements of policy will facilitate a more comprehensive understanding of the PRA's requirements. This will assist firms to comply with existing PRA rules.

1.4 The proposals in this CP are relevant to all PRA authorised firms. The response period for this consultation will close on 13 November 2015. The PRA will publish a policy statement addressing any feedback received to the consultation along with the final rules in due course.

Drafting approach

1.5 The PRA has carried out a detailed assessment of the material contained in this consultation and has drafted the proposals in accordance with the following approach:

- (i) *Handbook rules*⁽⁵⁾ and *directions*⁽⁶⁾ have been consolidated into a new or existing Rulebook Part, or deleted if appropriate; and
- (ii) *Handbook guidance*⁽⁷⁾ has been consolidated into one of: a new or existing supervisory statement, rules if a direct requirement is more appropriate, or a statement of policy if the material relates to how the PRA will act; moved to the PRA's website if process-related; or deleted if appropriate.

1.6 The rules proposed in this CP do not represent a policy change; they are, in substance, replacing the equivalent rules currently in the Handbook.

1.7 The proposals delete guidance which appears in the Handbook, as the guidance does not set out a PRA expectation (because it restates legislation, or sets out procedural steps). The deletion of existing Handbook guidance is not intended to signal a change in policy.

1.8 Firms are expected to continue to make judgements about compliance with a rule in accordance with the PRA's published policies.

Content mapping

1.9 This table maps modules from the Handbook to the corresponding Rulebook or forms available on the PRA website.

Handbook module	Rulebook Part
GENPRU 3.1 (rules)	Financial Conglomerates
GENPRU 3 Annex 1 (rules)	
GENPRU 3 Annex 4 (rules)	
GENPRU 3.2 (rules relating to financial conglomerates)	
SYSC 12.1 (rules relating to financial conglomerates)	
GENPRU 3 Annex 2 (rules relating to financial conglomerates)	Groups (CRR firms)
GENPRU 3.2 (rules)	
GENPRU 3 Annex 2 (rules)	
SYSC 12.1 (rules)	Group risk systems (CRR firms)
SUP 16.3 (rules)	Regulatory Reporting (CRR firms)
SUP 16.6 (rules)	
Handbook module	PRA website
GENPRU 3.1 (guidance)	Waivers and modifications available under the Financial Conglomerates Directive
GENPRU 3 Annex 3 (guidance and form)	Identification of a Financial Conglomerate

Statutory obligations

1.10 In discharging its general functions of making rules, and determining the general policy and principles by reference to which it performs particular functions, the PRA must, so far as reasonably practicable, act in a way that advances its general objective to promote the safety and soundness of PRA-authorised firms.⁽⁸⁾ Overall, the proposals advance the PRA's general objective by assisting firms in meeting the PRA's requirements.

1.11 In making its rules and establishing its practices and procedures, the PRA must have regard to the Regulatory

(1) *PRA Consultation Paper CP2/14*, 'The PRA Rulebook', January 2014; www.bankofengland.co.uk/pradocuments/publications/policy/2014/rulebookcon214.pdf followed by *PRA Consultation Paper CP25/14*, 'The PRA Rulebook: Part 2', June 2014; www.bankofengland.co.uk/pradocuments/publications/ps/2014/ps514.pdf.

(2) <http://fshandbook.info/FS/html/PRA>.

(3) www.bankofengland.co.uk/pradocuments/publications/cp/2013/cp813.pdf.

(4) Supervisory statements are a homogenous, easily accessible set of statements that, broadly, set frameworks for firms, incorporating new and existing information. They focus on the PRA's expectations and are aimed at facilitating firm judgement in determining whether they meet those expectations.

(5) Binding obligations made under section 137G of the Financial Services and Markets Act 2000 (FSMA). Specialised rules are made under other powers.

(6) A direction is a power conferred on the PRA by FSMA and relevant statutory instruments. It is binding on the category of person to which the direction refers.

(7) Non-binding provisions which relate to the operation of FSMA, the PRA's rules and other regulatory matters.

(8) FSMA, section 2B(1)–(2).

Principles⁽¹⁾ as set out in the Financial Services and Markets Act 2000 (FSMA). The PRA considers the proposals in this CP to be compatible with the PRA's duties under the Regulatory Principles.

Impact on mutuals

1.12 The PRA has a statutory obligation to state whether the impact of the proposed rules on mutuals⁽²⁾ will be significantly different from the impact of the proposed rules on other firms.⁽³⁾ These proposals apply to all PRA-authorised firms, and the effect on mutuals is unlikely to be any different to other firms.

Impact on competition

1.13 When discharging its general rule-making function, the PRA is legally required, so far as is reasonably possible, to act in a way which, as a secondary objective, facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities.⁽⁴⁾

1.14 The PRA has assessed whether the content of this consultation facilitates effective competition in markets for services provided by PRA-authorised persons in carrying out regulated activities. The purpose of this consultation is to rewrite existing provisions which implement European Directives. Those directives provide the PRA with limited scope to choose alternative approaches to further its competition objective. The content of this consultation in the PRA's opinion does not give rise to any adverse effects on competition and is compatible with its secondary objective.

Cost benefit analysis

1.15 The PRA is required to perform a cost benefit analysis of the impact of its proposed rules.⁽⁵⁾ The PRA considers that the proposals in this CP do not amount to a material change to its rules or policy.

1.16 Therefore the PRA does not expect the incremental costs to firms arising from the move to the Rulebook to be significant. Given the benefits, the PRA has considered that any costs are minimal and justified.

Equality and diversity

1.17 The PRA may not act in an unlawfully discriminatory manner. It is required, under the Equalities Act 2010, to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.⁽⁶⁾ To meet this requirement, the PRA has assessed the policy proposals and does not consider that they give rise to equality or diversity implications.

2 Financial conglomerates

2.1 This chapter sets out the PRA's proposal to replace the rules set out in Chapter 3.1 (Cross sector groups) of the

General Prudential sourcebook (GENPRU) and GENPRU 3 Annex 1 (Capital adequacy calculations for financial conglomerates) with a new Rulebook Part 'Financial Conglomerates' (see Appendix 1.1). It also sets out proposals to move relevant guidance in GENPRU 3.1 and GENPRU 3 Annex 1 on the identification of financial conglomerates to the PRA's website.

2.2 The draft rules set out in the PRA's Financial Conglomerates Part of the Rulebook for PRA-authorised firms are in substance the same as those currently detailed in GENPRU 3.1 and GENPRU 3 Annex 1. The PRA does not expect that firms should need to amend their reporting practices as a result of the proposals in this consultation.

2.3 The main proposed changes to the rules have been to:

- (i) Either replace them with equivalent references to the Rulebook or deleted where they are no longer relevant.
- (ii) Amend them to reflect the transposition of Solvency II.
- (iii) Clarify their application in order to distinguish between rules which apply to members of a financial conglomerate for which the PRA is the co-ordinator, and members of a financial conglomerate for which the FCA or another EEA supervisory authority is the co-ordinator.
- (iv) Delete text where it is considered unnecessary, with no change to meaning or content. GENPRU 3.1.37R has also been deleted as the relevant sectoral rules already apply group requirements at the level of a mixed financial holding company.
- (v) Make a consequential amendment to the Notifications Part of the Rulebook to reflect that firms must provide evidence to justify a change in financial conglomerate status.

2.4 The new Financial Conglomerates Part also incorporates material relevant to financial conglomerates that was previously contained in Chapter 12 (Group risk systems and controls requirements) of the Senior Management Arrangements, Systems and Controls sourcebook (SYSC) of the Handbook (in particular SYSC 12.1.11 and 12.1.12), GENPRU 3.2 (Third Country Groups) of the Handbook (in particular GENPRU 3.2.8), and GENPRU 3 Annex 2.

(1) FSMA, sections 2H and 3B.

(2) Mutuals are defined as building societies, friendly societies, industrial and provident societies and mutual societies.

(3) FSMA, section 138K.

(4) FSMA, section 2H(1).

(5) FSMA, section 138(J)(2)(a).

(6) Equalities Act 2010, section 149(1).

2.5 The PRA proposes that guidance on waivers and modifications under the Financial Groups Directive (FGD) in GENPRU 3.1 (in particular GENPRU 3.1.13), and the form and explanatory notes on identifying a financial conglomerate in GENPRU 3 Annex 3 is moved to the PRA's website. The PRA expects that firms will find this guidance helpful when assessing themselves against the criteria laid out in the Financial Conglomerates Part as part of the identification of the firm as a financial conglomerate. Guidance in GENPRU 3.1 on waivers and modifications available under the FGD will also be moved to the website.

3 Third country banking and investment groups

3.1 This chapter sets out the PRA's proposal to replace the rules relevant to banking and investment groups set out in GENPRU 3.2 (Third country groups) with a new Chapter, 'Third country banking and investment groups', in the Groups Part (see Appendix 1.2).

3.2 The draft rules will apply to banks, building societies and PRA-designated investment firms. For insurance groups, the provisions of Solvency II regarding third country groups have been previously transposed into the PRA Rulebook.

4 Group risk and group systems and controls requirements

4.1 This chapter sets out the PRA's proposal to replace the rules set out in SYSC 12.1 (Group risk systems and controls requirements) with a new Rulebook Part 'Group risk systems' (see Appendix 1.3).

4.2 The draft rules will apply to banks, building societies and PRA-designated investment firms. For insurance firms, all relevant provisions of Solvency II and the non-Directive insurance firm regime regarding group risk systems and controls have been previously transposed into the relevant parts of the Rulebook. For financial conglomerates, the relevant provisions of the FGD regarding group systems and controls, in particular those that were previously in SYSC 12.1.11 and 12.1.12, have been included in the Rulebook. The main changes have been to:

- (i) Replace references to the Handbook rules with equivalent references to the PRA Rulebook, or delete where they are no longer relevant.
- (ii) Delete text where it is considered unnecessary, with no change to meaning or content.
- (iii) Effect the requirement previously in SYSC 12.1.13 by applying the following Rulebook Parts at the level of the

consolidation group on a consolidated (or sub-consolidated) basis: General Organisational Requirements; Skills, Knowledge and Expertise; and Risk Control.

- (iv) Previous guidance on the responsibility for group systems and controls (SYSC 12.1.20 to 12.1.22) has not been restated. Expectations that individual firms retain responsibility for functions outsourced to other group members are covered in the Outsourcing Part of the Rulebook. The fact that all PRA or FCA regulated entities have joint responsibility for group systems and controls where there are multiple regulated entities in the same group is a function of how the systems and controls related parts of the Rulebook have been applied at different levels within a group.

5 Regulatory reporting

5.1 This chapter sets out the PRA's proposal to replace the rules set out in SUP 16.3 (General provisions on reporting) and SUP 16.6 (Compliance reports) of the Handbook with new rules in the Regulatory Reporting Part (see Appendix 1.3).

5.2 The draft rules are in substance the same as those currently detailed in SUP 16.3 and SUP 16.6 of the Handbook, with no change in the scope of firms that the rules apply to. Therefore, the PRA does not expect that firms should need to amend their reporting practices in any substantive way as a result of the proposals in this consultation.

6 Consequential

6.1 The PRA proposes to make a consequential instrument which would:

- (i) make consequential amendments to the PRA Handbook Glossary, the Credit Unions sourcebook and the Senior Management Arrangements, Systems and Controls sourcebook as a result of, and to come into force at the same time as, the deletion of GENPRU 3 and SYSC 12; and
- (ii) delete various parts of the PRA Handbook for the purposes of, and that would come into force at the time as, the PRA's final move away from the PRA Handbook. These deletions include:
 - (a) chapter 1 of the Conduct of Business sourcebook (COBS): this application provision is no longer required as the rest of COBS has been deleted from the PRA Handbook;
 - (b) the transitional provisions and schedules of the Supervision manual (SUP), the General Provisions

sourcebook (GEN) and the Systems and Controls sourcebook (SYSC): all the provisions to which they are relevant have been deleted from the PRA Handbook;

- (c) chapters 16.1 (Application) to 16.3 (General provisions on reporting) of SUP, as relevant reporting requirements in SUP have been, or are proposed to be, transposed into the Rulebook;
- (d) GEN 2 (Interpreting the Handbook), as this relates to interpreting the Handbook which will no longer be relevant when all existing Handbook content has been rewritten or deleted; and
- (e) the Glossary, as this will no longer be relevant when all existing Handbook content has been rewritten or deleted.

7 Rulebook interpretation

7.1 The PRA proposes to amend the Interpretation Part of the Rulebook (see Appendix 1.5).

7.2 This draft rule will apply to all PRA-authorised persons. It provides that where a glossary term is used in a rule in the Handbook and that glossary term is not defined in the Rulebook, the Financial Services and Markets Act 2000, the Interpretation Act 1978 or an external piece of legislation, specified as applicable in a Rulebook Part, the same meaning shall be given to that term in the Rulebook.

Appendices

1 **Draft Instruments**

- 1.1 PRA Rulebook: Financial Conglomerates Instrument [Year]
- 1.2 PRA Rulebook: CRR Firms: Group Risk Systems Instrument [Year]
- 1.3 Regulatory Reporting (Amendment No. 1) Instrument [Year]
- 1.4 Handbook (Rulebook Consequentials) Instrument [Year]
- 1.5 PRA Rulebook: Interpretation (Amendment) Instrument [Year]

Appendix 1.1

PRA RULEBOOK: FINANCIAL CONGLOMERATES INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority ("PRA") 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 137G (The PRA's general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Financial Conglomerates Instrument [YEAR]

- D. The PRA makes the rules in Annexes A, B, C, D, E and F to this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: Financial Conglomerates Instrument [YEAR].

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

In this Annex, the text is all new and is not underlined.

Part

FINANCIAL CONGLOMERATES

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. DEFINITION OF A FINANCIAL CONGLOMERATE**
- 3. CAPITAL ADEQUACY**
- 4. RISK CONCENTRATION AND INTRA-GROUP TRANSACTIONS**
- 5. ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUND MANAGERS**
- 6. THIRD-COUNTRY GROUPS**
- 7. RISK SYSTEMS**
- 8. TRANSITIONALS**
- 9. ANNEX 1 – FINANCIAL CONGLOMERATE DECISION TREE**
- 10. ANNEX 2 – CAPITAL ADEQUACY CALCULATIONS FOR FINANCIAL CONGLOMERATES**
- 11. ANNEX 3 – PRUDENTIAL RULES FOR THIRD COUNTRY FINANCIAL CONGLOMERATES**

Links

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* except:

- (1) an *incoming EEA firm*;
- (2) an *incoming Treaty firm*; and
- (3) an *insurer* that is not a *UK Solvency II firm*.

1.2 This Part does not apply to a *firm* with respect to a *financial conglomerate* of which it is a member if the interest of the *financial conglomerate* in that *firm* is no more than a *participation*.

1.3 The rules in 3.2, 4.2 and Chapter 7 do not apply with respect to a *third country financial conglomerate*.

1.4 In this Part, the following definitions shall apply:

alternative investment fund manager

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

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:
 - (i) owning or managing property;
 - (ii) managing data-processing services; or
 - (iii) any other similar activity;
- (b) the activity in (a) is ancillary to the principal activity of one or more *insurance undertakings*; and
- (c) those *insurance undertakings* are also members of that *consolidation group*, *sub-group* or other group of *persons*.

applicable sectoral consolidation rules

means in respect of a *financial sector*, and in accordance with paragraph 7.2 of the table in Annex 2 to this Part, the PRA's *sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 8 of Annex 2 of this Part (Application of sectoral consolidation rules).

applicable sectoral rules

in respect of a *financial sector*, *applicable sectoral consolidation rules* for that *financial sector* and the PRA's *sectoral rules* about capital adequacy and solvency for:

(a) the *banking and investment services sector* as set out in paragraph 6.2 of Annex 2 to this Part; or

(b) the *insurance sector* as set out in paragraph 6.4 of Annex 2 to this Part;

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

asset management company

a management company within the meaning of Article 2(1)(b) of the *UCITS Directive*, as well as an *undertaking* the registered office of which is outside the *EEA* and which would require authorisation in accordance with Article 6(1) of the *UCITS Directive* if it had its registered office within the *EEA*.

authorised electronic money institution

in accordance with regulation 2(1) of the *Electronic Money Regulations*:

(a) a *person* included by the *FCA* in the *Financial Services Register* as an *authorised electronic money institution* pursuant to regulation 4(1)(a) of the *Electronic Money Regulations*; or

(b) a *person* deemed to have been granted authorisation by virtue of regulation 74 of the *Electronic Money Regulations*.

banking sector

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

(a) a *credit institution*;

(b) a *financial institution*; and

(c) an *ancillary services undertaking* that is not an *ancillary insurance services undertaking*.

banking and investment services sector

means the *investment services sector* and *the banking sector* taken together.

collective portfolio management investment firm

has the meaning given in the *PRA Handbook Glossary*.

competent authority

any national authority of an *EEA State* which is empowered by law or regulation to supervise *regulated entities*, whether on an individual or group-wide basis.

conglomerate capital resources

in relation to a *financial conglomerate* with respect to which 3.3 applies capital resources as defined in whichever of paragraphs 1.1 of Part 1 or 2.1 of Part 2 of Annex 2 applies with respect to that *financial conglomerate*.

conglomerate capital resources requirement

in relation to a *financial conglomerate* with respect to which 3.3 applies the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of Annex 2 applies with respect to that *financial conglomerate*.

consolidation group

means:

(1) a *conventional group*; or

(2) *undertakings* linked by an *Article 12(1) 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 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*.

conventional group

means a group of *undertakings* that consists of a *parent undertaking* and the rest of its *sub-group*.

CRD full-scope firm

means an investment firm as defined in article 4(1)(2) of the *CRR* that is subject to the requirements imposed by *MiFID*, or which would be subject to that Directive if its head office were in an *EEA State*, and that is not a *limited activity firm* or a *limited licence firm*.

EEA insurer

means an insurer whose head office is in any *EEA State* except the UK and which has received authorisation in accordance with article 14 of the Solvency II Directive.

EEA prudential sectoral legislation

means, in relation to a *financial sector*, requirements applicable to *persons* in that *financial sector* in accordance with *EEA* legislation with respect to prudential supervision of *regulated entities* in that *financial sector*.

EEA regulated entity

means a *regulated entity* that is an *EEA firm* or a *UK firm*.

electronic money institution

means, in accordance with regulation 2(1) of the *Electronic Money Regulations*, an *authorised electronic money institution* or a *small electronic money institution*.

Electronic Money Regulations

means the Electronic Money Regulations 2011 (SI 2011/99).

financial conglomerate notification

means a notification issued in respect of a *financial conglomerate* that has been identified as a *financial conglomerate* as contemplated by Article 4(2) of the *Financial Groups Directive*.

Financial Conglomerates Regulations

means The Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

financial sector

means one of the *banking and investment services sector* or the *insurance sector*.

Financial Services Register

means a public record, as required by section 347 of *FSMA* (The public record), regulation 4 of the Payment Services Regulations (SI 2009/209) and, regulation 4 of the *Electronic Money Regulations*.

full-scope IFPRU investment firm

a *CRD full-scope firm* that is an *IFPRU investment firm*.

IFPRU investment firm

means an *investment firm*, as defined in article 4(1)(2) of the *CRR*, including a *collective portfolio management investment firm*, that satisfies the following conditions:

- (a) it is a *FCA-authorised firm*;
- (b) its head office is in the *UK* and
- (c) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

IFPRU limited activity firm

means a *limited activity firm* that meets the following conditions:

- (a) it is an *FCA-authorised firm*;
- (b) its head office is in the *UK*; and
- (c) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

insurance conglomerate

financial conglomerate that is identified in paragraph 3.1 of Annex 2 as an insurance conglomerate.

insurance sector

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

- (a) a *Solvency II undertaking*;
- (b) *third country insurance undertaking*;
- (c) a *third country reinsurance undertaking*;
- (c) an *insurance holding company*; and

(d) in the circumstances described in 5, an *asset management company* or an *alternative investment fund manager*.

investment firm

has the meaning given by Article 2(3) of the *Financial Groups Directive*.

investment services sector

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

- (a) an *investment firm*;
- (b) a *financial institution*; and
- (c) in the relevant circumstances described in 5, an *asset management company* or an *alternative investment fund manager*.

insurance sector

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

- (d) a *Solvency II undertaking*;
- (e) *third country insurance undertaking* or a *third country reinsurance undertaking*;
- (c) an *insurance holding company*; and
- (d) in the relevant circumstances described in Chapter 5, an *asset management company* or an *alternative investment fund manager*.

limited activity firm

has the meaning given by article 96(1) of the *CRR*.

limited licence firm

has the meaning given by article 95(1) of the *CRR*.

mixed financial holding company

has the meaning given in Article 2(15) of the *Financial Groups Directive*.

most important financial sector

means the *financial sector* with the largest average referred to in the box titled Threshold Test 2 in Annex 1; and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of *financial conglomerate* and for the purposes of 1 to 5 of this Part.

overall financial sector

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

- (a) members of each of the *financial sectors*; and
- (b) except where 1 to 5 and Annex 2 to this Part provide otherwise, a *mixed financial holding company*.

own funds requirements

has the meaning given by Article 92 of the *CRR*.

parent undertaking

has the meaning in article 4(1)(15) of the *CRR* but so that, in accordance with article 2(9) of the *Financial Groups Directive*, article 4(1)(15)(b) applies.

participation

has the meaning given in article Article 2(11) of the *Financial Groups Directive*.

PRA financial conglomerate notification

means a notification in respect of a *financial conglomerate* in accordance with Regulation 2 of the *Financial Conglomerates Regulations* issued by the *PRA* or by the UK Financial Services Authority and attributed to the *PRA* on 1 April 2013, identifying that *financial conglomerate* and its *coordinator*.

recognised third country investment firm

has the meaning given by the *PRA Handbook Glossary*.

regulated entity

means one of the following:

(a) a *credit institution*;

(b) a *Solvency II undertaking*, a *third country insurance undertaking*, a *third country reinsurance undertaking*;

(c) an *investment firm*;

(d) an *asset management company* for the purposes described in 5; or

(e) an *alternative investment fund manager* for the purposes described in 5;

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

regulatory surplus value

has the meaning given in the *PRA Handbook Glossary*.

relevant competent authorities

in relation to a *financial conglomerate*, means those *competent authorities* which are, or which have been appointed as, relevant *competent authorities* in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive*.

small electronic money institution

means, in accordance with regulation 2(1) of the *Electronic Money Regulations*, a *person* included by the *FCA* in the *Financial Services Register* pursuant to regulation 4(1)(b) of the *Electronic Money Regulations*.

sub-group

means, in relation to a *person*:

that *person*; and

(b) any *person* that is either:

(i) a *subsidiary undertaking* of that *person*; or

(ii) an *undertaking* in which that *person* or a *subsidiary undertaking* of that *person* holds a *participation*.

subsidiary undertaking

an *undertaking* of which another *undertaking* is its *parent undertaking*.

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:

(a) for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (c); or

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

(i) to the extent provided for in paragraphs 6.4 to 6.6 of Annex 2, rules and requirements that are referred to in those paragraphs; and

(ii) the rules and requirements in (c); or

(c) for all other purposes, rules and requirements of the *PRA*.

and so that:

(d) in relation to prudential rules about consolidated supervision for any *financial sector*, those requirements include ones relating to the form and extent of consolidation;

(e) in relation to any *financial sector*, those requirements include ones relating to the eligibility of different types of capital;

(f) in relation to any *financial sector*, those requirements include both ones applying on a solo basis and ones applying on a consolidated basis; and

(g) references to the *PRA's sectoral rules* are to *sectoral rules* in the form of rules.

solo capital resources

means capital resources that are or would be eligible as capital under the *sectoral rules* that apply for the purpose of calculating its *solo capital resources requirement*. Paragraph 7.1 of Annex 2 applies for the purpose of this definition in the same way as it does for the definition of *solo capital resources requirement*.

solo capital resources requirement

a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of Annex 2.

solvency deficit

in Annex 2 and in respect of a member of the *overall financial sector*, means the amount, if any, by which its *solo capital resources* fall short of its *solo capital resources requirement*.

third-country financial conglomerate

a *financial conglomerate* that is of a type that falls under Article 5(3) of the *Financial Groups Directive*.

third country insurance undertaking

means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as an *insurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office was situated in the *EEA*.

third country reinsurance undertaking

means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as a *reinsurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office were situated in the *EEA*.

UCITS management company

(1) except in relation to *MiFID business*, a *firm* which is either:

(a) a *UCITS firm*; or

(b) a *UCITS investment firm*.

(2) in relation to *MiFID business*, a *management company* as defined in the *UCITS Directive*.

[Note: article 4(1)(24) of MiFID]

UK-regulated EEA financial conglomerate

means a *financial conglomerate* other than a *third country financial conglomerate* that satisfies one of the following conditions:

(1) 3.3 applies with respect to it; or

(2) a *firm* that is a member of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* or section 55M of *FSMA* to ensure that the *financial conglomerate* meets levels of capital adequacy based on or stated to be based on Annex I of the *Financial Groups Directive*.

- 1.5 Unless otherwise defined in this Part, any italicised expression used in this Part and in the *CRR* or the *Solvency II Directive* has the same meaning as in the *CRR* or the *Solvency II Directive*;

2 DEFINITION OF A FINANCIAL CONGLOMERATE

- 2.1 A *financial conglomerate* means a *consolidation group* that is a financial conglomerate when assessed against the decision tree in Annex 1.

[Note: Art 2(14) and Art 3(1) to 3(3) of the *Financial Groups Directive*]

- 2.2 A *consolidation group* is not prevented from being a *financial conglomerate* because it is part of a wider:

- (1) *consolidation group*; or
- (2) *financial conglomerate*; or
- (3) group of *persons* linked in some other way.

[Note: Art 2(12) and Art 2(14) of the *Financial Groups Directive*]

- 2.3 For the purpose of the definition of *financial conglomerate*, there are two *financial sectors* as follows:

- (1) the *banking sector* and the *investment services sector*, taken together; and
- (2) the *insurance sector*.

[Note: Art 2(8) and second paragraph of Art 3(2) of the *Financial Groups Directive*]

- 2.4 For the purposes of Annex 1:

- (1) a *mixed financial holding company* is outside the *overall financial sector* for the purposes of the tests set out in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in Annex 1;
- (2) determining whether the tests set out in the boxes entitled Threshold Test 2 and Threshold Test 3 in Annex 1 are passed is based on a consideration of the consolidated and/or aggregated activities of the members of the *consolidation group* within the *insurance sector* and the consolidated and/or aggregated activities of the members of the *consolidation group* within the *banking sector* and the *investment services sector*; and
- (3) in determining the *investment services sector* for the purposes of the tests in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3, any *investment firm* that does not fall within the definition in Article 4(1)(2) of the *CRR* is excluded.

[Note: Art 2(4) of the *Financial Groups Directive*]

- 2.5 In respect of a *financial conglomerate* in relation to which a *financial conglomerate notification* has been issued, the figures in Annex 1 are altered as follows:

- (1) the figure of 40% in the box titled Threshold Test 1 is replaced by 35%;
- (2) the figure of 10% in the box titled Threshold Test 2 is replaced by 8%; and
- (3) the figure of six billion Euro in the box titled Threshold Test 3 is replaced by five billion Euro.

[Note: Art 3(6) of the *Financial Groups Directive*]

- 2.6 The alteration in 2.5 applies to a *financial conglomerate* only during the period that:
- (1) begins when the *financial conglomerate* would otherwise have stopped being a *financial conglomerate* because it does not meet one of the unaltered thresholds referred to 2.5; and
 - (2) covers the three years following that date.

[Note: Art 3(6) of the *Financial Groups Directive*]

- 2.7 The calculations referred to in Annex 1 regarding the balance sheet must be made on the basis of the aggregated balance sheet total of the members of the *consolidation group*, according to their annual accounts. For the purposes of this calculation, *undertakings* in which a *participation* is held must be taken into account as regards the amount of their balance sheet total corresponding to the aggregated proportional share held by the *consolidation group*. However, where consolidated accounts are available, they must be used instead of aggregated accounts.

[Note: Art 3(7) of the *Financial Groups Directive*]

- 2.8 The solvency and capital adequacy requirements referred to in Annex 1 must be calculated in accordance with the provisions of the relevant *sectoral rules*.

[Note: Art 3(7) of the *Financial Groups Directive*]

3 CAPITAL ADEQUACY

- 3.1 In this Chapter,
- (1) 3.2 applies where a *financial conglomerate notification* has been issued in respect of a *financial conglomerate* of which a *firm* is a member; and
 - (2) 3.3, 3.4 and 3.5 apply where a *PRA financial conglomerate notification* has been issued in respect of a *financial conglomerate* of which a *firm* is a member.

- 3.2 A *firm* must at all times have capital resources of such an amount and type that results in the capital resources of the *financial conglomerate* being adequate.

[Note: Art 6(2) of the *Financial Groups Directive*]

- 3.3 A *firm* must 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*.

[Note: Art 6(2) of the *Financial Groups Directive*]

- 3.4 (1) Subject to 3.5, the definitions of *conglomerate capital resources* and *conglomerate capital resources requirement* that apply for the purposes of 3.3 are the definitions from whichever of Part 1 or Part 2 of Annex 2 the *firm* has indicated to the *PRA* it will apply.

[Note: Art 6(4) of the *Financial Groups Directive*]

- (2) The *firm* must indicate to the *PRA* in advance which Part of Annex 2 it intends to apply.

- 3.5 If a *firm* is subject to a *requirement* that prescribes the capital adequacy calculation by reference to one or other of Parts 1 and 2 of Annex 2, the definitions of *conglomerate capital resources* and *conglomerate capital resources requirement* that apply for the purposes of 3.3 to that *firm* in relation to the treatment of each *person* within the *financial conglomerate*, are the ones from whichever of Part 1 or Part 2 of Annex 2 is specified in the *requirement*.

[Note: paragraph 3 of Annex I of the *Financial Groups Directive*]

4 RISK CONCENTRATION AND INTRA-GROUP TRANSACTIONS

- 4.1 This Chapter applies to a *firm* that is a member of a *financial conglomerate* in respect of which a *PRA financial conglomerate notification* has been issued.

[Note: Art 7(2) of the *Financial Groups Directive*]

- 4.2 A *firm* that is a member of a *UK regulated EEA financial conglomerate* headed by a *mixed financial holding company* must ensure compliance with the *sectoral rules*, identified for these purposes in the table at 4.3, regarding *risk concentration* and *intra-group transactions* of the *most important financial sector* in that *financial conglomerate* with respect to that *financial sector* as a whole, including the *mixed financial holding company*.

[Note: Art 7(4) and Art 8(4) of the *Financial Groups Directive*]

- 4.3 Table: application of *sectoral rules*

The most important <i>financial sector</i>	Applicable <i>sectoral rules</i>	
	<i>Risk concentration</i>	<i>Intra-group transactions</i>
<i>Banking and investment services sector</i>	CRR	Part Four of the CRR
<i>Insurance sector</i>	Solvency II: Groups: 16.1	Solvency II: Groups:16.2
Note	Any <i>waiver</i> , approval or <i>CRR permission</i> granted to a member of the <i>financial conglomerate</i> , on an individual or consolidated basis, shall not apply in respect of the <i>financial conglomerate</i> for the purposes of 4.2.	

[Note: Art 7(4) of the *Financial Groups Directive*]

5 ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUNDS MANAGERS

- 5.1 A *firm* must treat an *asset management company* and an *alternative investment fund manager* that is a member of a *financial conglomerate* of which that *firm* is a member:

(1) as included in the *overall financial sector* for the purposes of:

- (a) 3.3 to 4.3;
- (b) Annex 2 (Capital adequacy calculations for financial conglomerates) and Annex 3 (Prudential rules for third country financial conglomerates); and

- (c) any other provision of the *PRA Rulebook* relating to the supervision of *financial conglomerates*.

[Note: paragraph 1 of Art 30 and paragraph 1 of Art 30a of the *Financial Groups Directive*]

- (2) In the case of a *financial conglomerate* for which the *PRA* is the *coordinator*, a *firm* must allocate an *asset management company* and an *alternative investment fund manager*.
 - (a) to the *investment services sector* where a decision to that effect has been made by the *undertaking* in the *financial conglomerate* that is the group member referred to in Article 4(2) of the *Financial Groups Directive*;
 - (b) to the *insurance sector* where a decision to that effect has been made by the *undertaking* in the *financial conglomerate* that is the group member referred to in Article 4(2) of the *Financial Conglomerates Directive*; or
 - (c) to the *smallest financial sector*.
- (3) The decision in (2):
 - (a) will apply to all *asset management companies* and all *alternative investment fund managers* that are members of the *financial conglomerate* from time to time;
 - (b) cannot be changed; and
 - (c) must be notified to the *PRA* without delay.
- (4) This rule applies even if a *UCITS management company* is an *IFPRU investment firm* or if an *asset management company* or *alternative investment fund manager* is an *investment firm*.

[Note: paragraph 2 of Art 30 and Art 30a(2) of the *Financial Groups Directive*]

6 THIRD-COUNTRY FINANCIAL CONGLOMERATES

- 6.1 This Chapter applies to a *firm* that is a member of a *third-country financial conglomerate* except:
 - (1) an *incoming EEA firm*; or
 - (2) an *incoming Treaty firm*; or
 - (3) an *insurer* that is not a *UK Solvency II firm*.
- 6.2 If a *firm* is subject to a *requirement* obliging it to comply with this rule with respect to a *third country financial conglomerate* of which it is a member, it must comply, with respect to that *third-country financial conglomerate*, with the rules in Part 1 of Annex 3, as adjusted by Part 3 of that Annex.

[Note: Art 18 of the *Financial Groups Directive*]

7 RISK SYSTEMS

7.1 This Chapter applies to a *firm* that is a member of a *UK-regulated EEA financial conglomerate*.

[Note: Art 9(1) of the *Financial Groups Directive*]

7.2 A *firm* must comply with 2.1 Group Risk Systems.

7.3 For the purposes of 7.2, the risk management processes referred to in 2.1 Group Risk Systems include:

- (1) sound governance and management processes, which must include the approval and periodic review by the appropriate managing bodies within the *financial conglomerate* of the strategies and policies of the *financial conglomerate* in respect of all the risks assumed by the *financial conglomerate*, such review and approval being carried out at the level of the *financial conglomerate*;
- (2) adequate capital adequacy policies at the level of the *financial conglomerate*, one of the purposes of which must be to anticipate the impact of the business strategy of the *financial conglomerate* on its risk profile and on the capital adequacy requirements to which it and its members are subject;
- (3) adequate procedures for the purpose of ensuring that the risk monitoring systems of the *financial conglomerate* and its members are well integrated into their organisation;
- (4) adequate procedures for the purpose of ensuring that the systems and controls of the members of the *financial conglomerate* are consistent and that the risks can be measured, monitored and controlled at the level of the *financial conglomerate*; and
- (5) arrangements in place to contribute to and develop, if required, adequate recovery and resolution arrangements and plans, which a *firm* must update regularly.

[Note: Art 9(2) of the *Financial Groups Directive*]

7.4 For the purposes of 7.2, the internal control mechanisms referred to in 2.1 Group Risk Systems include:

- (1) mechanisms that are adequate to identify and measure all material risks incurred by members of the *financial conglomerate* and appropriately relate capital in the *financial conglomerate* to risks; and
- (2) sound reporting and accounting procedures for the purpose of identifying, measuring, monitoring and controlling *intra-group transactions* and *risk concentrations*.

[Note: Art 9(3) of the *Financial Groups Directive*]

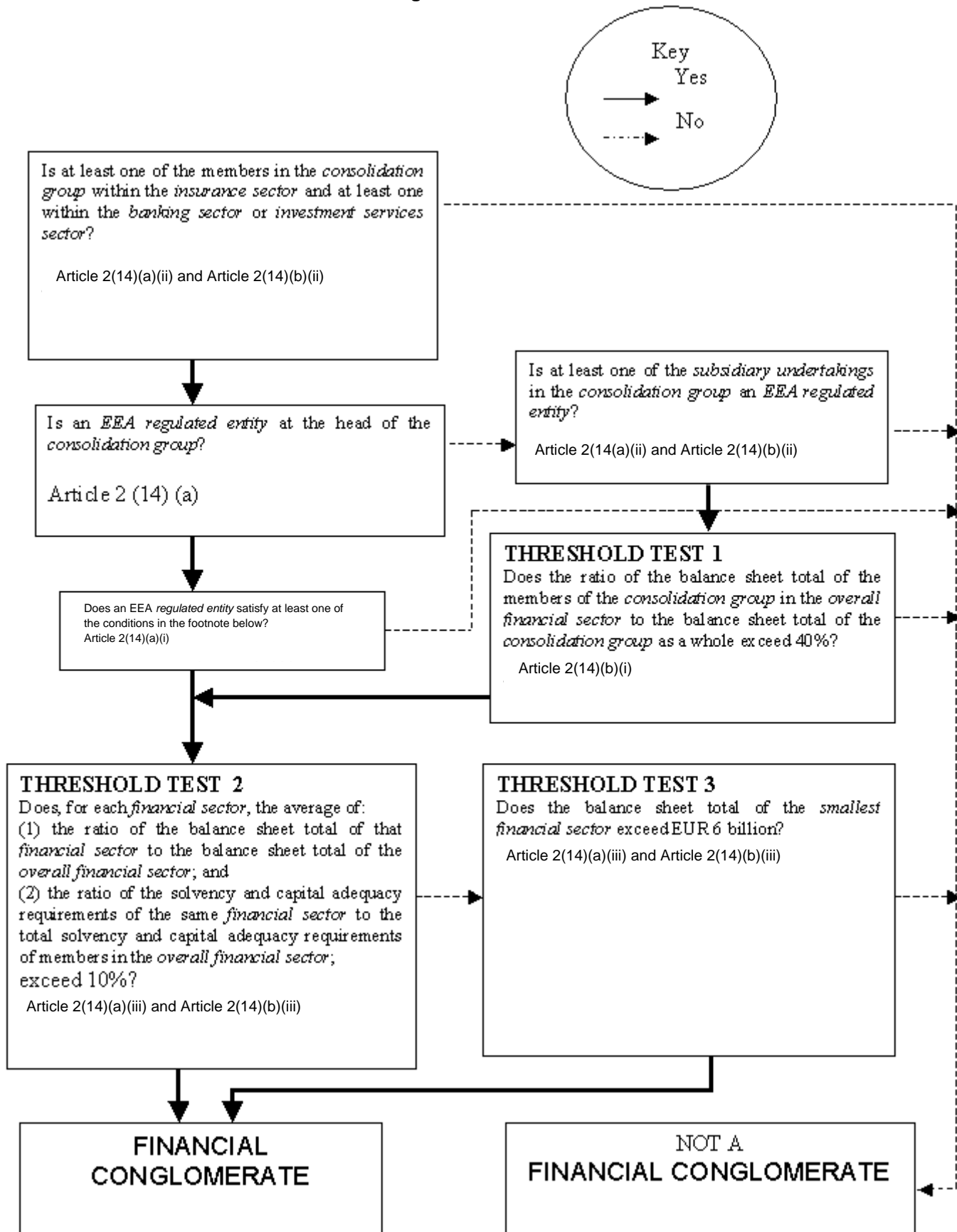
8 TRANSITIONALS

8.1 A *waiver* applied to a *firm* in relation to a rule specified in Column B of the table at 8.2 will apply to that *firm* as a waiver or modification, as appropriate, of the corresponding rule set out under Column C of that table.

8.2 Correlation table:

<u>COLUMN A</u>	<u>COLUMN B</u>	<u>COLUMN C</u>
Financial Conglomerates Directive	GENPRU 3 (PRA Handbook as at [•])	Financial Conglomerates (PRA Rulebook)
Art 3.3 Art 3.3a	Rule 3.1.5 <i>waiver</i>	Rule 2.1 <i>waiver</i>
Art 3.5 Art 3.4(b)	Rule 3.1.11 <i>waiver</i>	Rule 2.7 <i>waiver</i>
Art 6(5)	Rule 3.1.29 <i>waiver</i>	Rule 3.3 <i>waiver</i>

Annex 1 - financial conglomerate decision tree



Footnote: The conditions are that the EEA regulated entity at the head of the consolidation group: (1) is a parent undertaking of a member of the consolidation group in the overall financial sector; (2) has a participation in a member of the consolidation group that is in the overall financial sector; or (3) has a consolidation Article 12(1) relationship with a member of the consolidation group that is in the overall financial sector.

Annex 2 - capital adequacy calculations for financial conglomerates (3.3)

1 Table: PART 1: Method of Annex I of the *Financial Groups Directive* (Accounting Consolidation Method)

Capital resources	1.1	The <i>conglomerate capital resources</i> of a <i>financial conglomerate</i> calculated in accordance with this Part are the capital of that <i>financial conglomerate</i> , calculated on an accounting consolidation basis, that qualifies under paragraph 1.2.
	1.2	<p>The elements of capital that qualify for the purposes of paragraph 1.1 are those that qualify in accordance with the <i>applicable sectoral rules</i>, in accordance with the following:</p> <ul style="list-style-type: none"> (1) the <i>conglomerate capital resources requirement</i> is divided up in accordance with the contribution of each <i>financial sector</i> to it; and (2) the portion of the <i>conglomerate capital resources requirement</i> attributable to a particular <i>financial sector</i> must be met by capital resources that are eligible in accordance with the <i>applicable sectoral rules</i> for that <i>financial sector</i>.
Capital resources requirement	1.3	The <i>conglomerate capital resources requirement</i> of a <i>financial conglomerate</i> calculated in accordance with this Part is equal to the sum of the capital adequacy and solvency requirements for each <i>financial sector</i> calculated in accordance with the <i>applicable sectoral rules</i> for that <i>financial sector</i> .
Consolidation	1.4	The information required for the purpose of establishing whether or not a <i>firm</i> is complying with 3.3 (insofar as the definitions in this Part are applied for the purpose of that rule) must be based on the consolidated accounts of the <i>financial conglomerate</i> , together with such other sources of information as appropriate.
	1.5	The <i>applicable sectoral rules</i> that are applied under this Part are the <i>applicable sectoral consolidation rules</i> . Other <i>applicable sectoral rules</i> must be applied if required.

2 Table: PART 2: Method 2 of Annex I of the *Financial Groups Directive* (Deduction and Aggregation Method)

Capital resources	2.1	<p>The <i>conglomerate capital resources</i> of a <i>financial conglomerate</i> calculated in accordance with this Part are equal to the sum of the following amounts (insofar as they qualify under paragraph 2.3) for each member of the <i>overall financial sector</i>:</p> <ul style="list-style-type: none"> (1) (for the <i>person</i> at the head of the <i>financial conglomerate</i>) its <i>solo capital resources</i>; (2) (for any other member): <ul style="list-style-type: none"> a. its <i>solo capital resources</i>; less b. the book value of the <i>financial conglomerate's</i> investment in that member, to the extent not already deducted in the calculation of the <i>solo capital resources</i> for: <ul style="list-style-type: none"> i. the <i>person</i> at the head of the <i>financial conglomerate</i>; or ii. any other member.
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	2.2	The deduction in paragraph 2.1(2) must be carried out separately for each type of capital represented by the <i>financial conglomerate's</i> investment in the member concerned.
	2.3	The elements of capital that qualify for the purposes of paragraph 2.1 are those that qualify in accordance with the <i>applicable sectoral rules</i> . In particular, the portion of the <i>conglomerate capital resources requirement</i> attributable to a particular member of a <i>financial sector</i> must be met by capital resources that would be eligible under the <i>sectoral rules</i> that apply to the calculation of its <i>solo capital resources</i> .
Capital resources requirement	2.4	The <i>conglomerate capital resources requirement</i> of a <i>financial conglomerate</i> calculated in accordance with this Part is equal to the sum of the <i>solo capital resources requirement</i> for each member of the <i>financial conglomerate</i> that is in the <i>overall financial sector</i> .
Partial inclusion	2.5	The capital resources and capital resources requirements of a member of the <i>financial conglomerate</i> in the <i>overall financial sector</i> must be included proportionally. If however the member is a <i>subsidiary undertaking</i> and it has a <i>solvency deficit</i> , it must be included in full.
Accounts	2.6	The information required for the purpose of establishing whether or not a <i>firm</i> is complying with 3.3 (insofar as the definitions in this Part are applied for the purpose of that rule) must be based on the individual accounts of members of the <i>financial conglomerate</i> , together with such other sources of information as appropriate.

3 Table

Types of financial conglomerate	3.1	<p>(1) This paragraph sets out how to determine the category of <i>financial conglomerate</i>.</p> <p>(2) If there is an <i>EEA regulated entity</i> at the head of the <i>financial conglomerate</i>, then:</p> <p>(a) if that entity is in the <i>banking sector</i> or the <i>investment services sector</i>, the <i>financial conglomerate</i> is a <i>banking and investment services conglomerate</i>; or</p> <p>(b) if that entity is in the <i>insurance sector</i>, the <i>financial conglomerate</i> is an <i>insurance conglomerate</i>.</p> <p>(3) If (2) does not apply and the <i>most important financial sector</i> is the <i>banking and investment services sector</i>, it is a <i>banking and investment services conglomerate</i>.</p> <p>(4) If (2) and (3) do not apply, it is an <i>insurance conglomerate</i>.</p>
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4 Table

A mixed financial holding company	4.1	<p>A <i>mixed financial holding company</i> must be treated in the same way as:</p> <p>(1) a <i>financial holding company</i>, if Part One, Title II, Chapter 2 of the <i>CRR</i> and Groups are applied; or</p> <p>(2) an <i>insurance holding company</i>, if the rules in Solvency II Firms: Group Supervision are applied).</p>
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5 Table: PART 3: Principles applicable to all methods

Transfer-ability of capital	5.1	Capital may not be included in a <i>firm's conglomerate capital resources</i> under 3.3 if the effectiveness of the transferability and availability of the capital across the different members of the <i>financial conglomerate</i> is insufficient, given the objectives of the capital adequacy rules for <i>financial conglomerates</i> .
Double counting	5.2	Capital must not be included in a <i>firm's conglomerate capital resources</i> under 3.3 if: (1) it would involve double counting or multiple use of the same capital; or (2) it results from any inappropriate intra-group creation of capital.
Cross sectoral capital	5.3	In accordance with the second sub-paragraph of paragraph 2(ii) of Section I of Annex I of the <i>Financial Groups Directive</i> (Other technical principles and insofar as not already required in Parts 1-2): (1) the solvency requirements for each different <i>financial sector</i> represented in a <i>financial conglomerate</i> required by 3.3 must be covered by own funds elements in accordance with the corresponding applicable <i>sectoral rules</i> ; and (2) if there is a deficit of own funds at the <i>financial conglomerate</i> level, only cross sectoral capital (as referred to in that sub-paragraph) shall qualify for verification of compliance with the additional solvency requirement required by 3.3.
Application of sectoral rules: general	5.4	The following adjustments apply to the <i>applicable sectoral rules</i> as they are applied by the rules in this Annex. (1) If any of those rules would otherwise not apply to a situation in which they are applied by this Annex, those rules nevertheless still apply (and in particular, any of those rules that would otherwise have the effect of disapplying consolidated supervision do not apply). (2) If it would not otherwise have been included, an <i>ancillary insurance services undertaking</i> is included in the <i>insurance sector</i> . (3) The scope of those rules is amended so as to remove restrictions relating to where members of the <i>financial conglomerate</i> are incorporated or have their head office, so that the scope covers every member of the <i>financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in an <i>EEA State</i> . (4) For the purposes of Parts 1 to 2, those rules must be adjusted, if necessary, when calculating the capital resources, capital resources requirements or solvency requirements for a particular <i>financial sector</i> to exclude those for a member of another <i>financial sector</i> . (5) Any <i>waiver</i> , approval or <i>CRR permission</i> granted to a member of the <i>financial conglomerate</i> under those rules does not apply for the purposes of this annex.
Application of sectoral rules: banking sector and investment	5.5	In relation to a <i>BIPRU firm</i> that is a member of a <i>financial conglomerate</i> where there are no <i>credit institutions</i> or <i>investment firms</i> , the following adjustments apply to the <i>applicable sectoral rules</i> for the <i>banking sector</i> and the <i>investment services sector</i> as

services sector		<p>they are applied by the rules in this <i>Annex</i>.</p> <ol style="list-style-type: none"> (1) References in those rules to <i>non-EEA sub-groups</i> do not apply. (2) Any <i>investment firm consolidation waivers</i> granted to members of the <i>financial conglomerate</i> do not apply. (3) For the purposes of Parts 1 and 2, without prejudice to the application of requirements in BIPRU 8 of the FCA Handbook preventing the use of an advanced prudential calculation approach (as defined in the FCA Handbook) on a consolidated basis, any advanced prudential calculation approach permission (as defined in the FCA Handbook) that applies for the purpose of BIPRU 8 of the FCA Handbook does not apply. (4) For the purposes of Parts 1 and 2, BIPRU 8.5.9R of the FCA Handbook and BIPRU 8.5.10R of the FCA Handbook do not apply. (5) For the purposes of Parts 1 and 2, where the <i>financial conglomerate</i> does not include a <i>credit institution</i>, the method in GENPRU 2 Annex 4 of the FCA Handbook must be used for calculating the capital resources and BIPRU 8.6.8R of the FCA Handbook does not apply. <p>Other than as above, the <i>CRD</i> and <i>CRR</i> apply for the <i>banking sector</i> and the <i>investment services sector</i>.</p>
No capital ties	5.6	<ol style="list-style-type: none"> (1) This rule deals with a <i>financial conglomerate</i> in which some of the members are not linked by capital ties at the time of the notification referred to in 3.1(2). (2) If 3.3 applies with respect to a <i>financial conglomerate</i> falling into (1), then: <ol style="list-style-type: none"> (a) the treatment of the links in (1) (including the treatment of any <i>solvency deficit</i>) is as provided for in whichever of Part 1 or Part 2 of this Annex 2 the <i>firm</i> has, under 3.4, indicated to the <i>PRA</i> it will apply or, if applicable, in the <i>requirement</i> referred to in 3.5; and (b) 3.3 applies even if the <i>applicable sectoral rules</i> do not deal with how <i>undertakings</i> not linked by capital ties are to be dealt with for the purposes of consolidated supervision.

6 Table: PART 4: Definitions used in this Annex

Defining the financial sectors	6.1	<p>For the purposes of Parts 1 and 2 of this Annex:</p> <ol style="list-style-type: none"> (1) an <i>asset management company</i> is allocated in accordance with 5.1; (2) an <i>alternative investment fund manager</i> is allocated in accordance with 5.1; and (3) a <i>mixed financial holding company</i> must be treated as being a member of the <i>most important financial sector</i>.
Solo capital resources requirement: banking sector and investment services sector	6.2	<ol style="list-style-type: none"> (1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> must be calculated in accordance with this rule, subject to paragraphs 6.5 and 6.6. (2) The <i>solo capital resources requirement</i> of a <i>building society</i> is its <i>own funds requirements</i>. (3) The <i>solo capital resources requirement</i> of an <i>electronic money</i>

		<p><i>institution</i> is the capital resources requirement that applies to it under the <i>Electronic Money Regulations</i>.</p> <p>(4) If there is a <i>credit institution</i> in the <i>financial conglomerate</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is, subject to (2) and (3), calculated in accordance with the <i>CRR</i> for calculating the <i>own funds requirements of a bank</i>.</p> <p>(5) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>;</p> <p>(b) there is at least one <i>investment firm</i> in the <i>financial conglomerate</i>; and</p> <p>(c) all the <i>investment firms</i> in the <i>financial conglomerate</i> are firms within the meaning of Article 95(1) <i>CRR</i> or 96(1) <i>CRR</i>, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>CRR</i> for calculating the own funds requirements of:</p> <p>(i) if there is a firm within the scope of Article 96(1) <i>CRR</i> in the <i>financial conglomerate</i>, an IFPRU limited activity firm as defined in the FCA Handbook; or</p> <p>(ii) in any other case, an IFPRU limited licence firm.</p> <p>(6) If:</p> <p>(a) the <i>financial conglomerate</i> does not include a <i>credit institution</i>; and</p> <p>(b) (5) does not apply, the <i>solo capital resources requirement</i> for any <i>undertaking</i> in the <i>banking sector</i> or the <i>investment services sector</i> is calculated in accordance with the <i>CRR</i> for calculating the <i>own funds requirements</i> of a full-scope IFPRU investment firm as defined in the FCA Handbook.</p> <p>(7) In relation to a BIPRU firm as defined in the FCA Handbook that is a member of a <i>financial conglomerate</i> in which there are no <i>credit institutions</i> or <i>investment firms</i>, any <i>capital resources requirements</i> calculated under a BIPRU TP in the FCA Handbook may be used for the purposes of the <i>solo capital resources requirement</i> in this rule in the same way that the <i>capital resources requirements</i> can be used under BIPRU 8 of the FCA Handbook.</p>
Solo capital resources requirement: application of rules	6.3	Any exemption that would otherwise apply under any rules applied by paragraph 6.2 do not apply for the purposes of this Annex.
Solo capital resources requirement: insurance sector	6.4	<p>(1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>insurance sector</i> is:</p> <p>(a) in respect of a <i>UK Solvency II firm</i>, the <i>SCR</i>;</p> <p>(b) in respect of a <i>Solvency II undertaking</i> other than a <i>UK Solvency II firm</i>, the equivalent of the <i>SCR</i> as calculated in accordance with the <i>Solvency II EEA implementing measures</i> in its <i>Home State</i>;</p> <p>(c) in respect of a <i>third country insurance undertaking</i> or <i>third country reinsurance undertaking</i> to which Solvency II: Group Supervision, 10.4(2) applies, the equivalent of the <i>SCR</i> as calculated in accordance with the applicable requirements in that <i>third country</i>;</p> <p>(d) in respect of any <i>undertaking</i> which is not within (a) to (c), the rules for the calculation of the solo capital</p>

		resources requirement applicable to that <i>undertaking</i> under the Solvency II: Group Supervision and the <i>Solvency II Regulations</i> .
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	The <i>solo capital resources requirement</i> for an <i>EEA regulated entity</i> (other than a <i>bank</i> , <i>building society</i> , <i>designated investment firm</i> , <i>IFPRU investment firm</i> as defined in the FCA Handbook, <i>BIPRU firm</i> as defined in the FCA Handbook, an <i>insurer</i> or an <i>EEA insurer</i>) that is subject to the solo capital adequacy <i>sectoral rules</i> for its <i>financial sector</i> of the <i>competent authority</i> that authorised it is equal to the amount of capital it is obliged to hold under those <i>sectoral rules</i> provided that the following conditions are satisfied: <ul style="list-style-type: none"> (1) for the purposes of the <i>banking sector</i> and the <i>investment services sector</i>, those <i>sectoral rules</i> must correspond to the <i>PRA sectoral rules</i> identified in paragraph 6.2 as applying to that <i>financial sector</i>; (2) the entity must be subject to those <i>sectoral rules</i> in (1); and (3) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.
Solo capital resources requirement: non-EEA firms subject to equivalent regimes in the banking sector or investment services sector	6.6	The <i>solo capital resources requirement</i> for a <i>recognised third country credit institution</i> or a <i>recognised third country investment firm</i> is the amount of capital resources that it is obliged to hold under the <i>sectoral rules</i> for its <i>financial sector</i> that apply to it in the state or territory in which it has its head office provided that: <ul style="list-style-type: none"> (1) there is no reason for the <i>firm</i> applying the rules in this Annex to believe that the use of those <i>sectoral rules</i> would produce a lower figure than would be produced under paragraph 6.2; and (2) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.
Solo capital resources requirement: mixed financial holding company	6.7	The <i>solo capital resources requirement</i> of a <i>mixed financial holding company</i> is a notional capital requirement. It is the capital adequacy requirement that applies to <i>regulated entities</i> in the <i>most important financial sector</i> under the table in [paragraph 8].

7 Table

Solo capital resources requirement: the insurance sector	7.1	References to capital requirements in the provisions of this Annex defining <i>solo capital resources requirement</i> must be interpreted in accordance with paragraph 5.4.
Applicable sectoral consolidation rules	7.2	The <i>applicable sectoral consolidation rules</i> for a <i>financial sector</i> are the <i>PRA sectoral rules</i> regarding capital adequacy and solvency on a consolidated basis that are applied in the table in paragraph 8.

8 Table: Application of sectoral consolidation rules

<i>Banking sector</i>	8	Part One, Title II, Chapter 2 of the <i>CRR</i> and the Groups Part.
<i>Insurance sector</i>		Solvency II Firms: Group Supervision
<i>Investment services sector</i>		in relation to a <i>designated investment firm</i> or an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the PRA is the <i>coordinator</i> , Part One, Title II, Chapter 2 of the <i>CRR</i>

		and the <i>PRA</i> Rulebook.
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9 Table

Part 4	9	This Part 4 is subject to Part 3 of this Annex.
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Annex 3 - prudential rules for third country financial conglomerates (6.2)

1 Table: PART 1: Third-country financial conglomerates

1.1	This Part of this Annex sets out the rules with which a <i>firm</i> must comply under 6.2 with respect to a <i>financial conglomerate</i> of which it is a member.
1.2	A <i>firm</i> must comply, with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1, with 3.3.
1.3	For the purposes of paragraph 1.2: (1) the definitions of <i>conglomerate capital resources</i> and <i>conglomerate capital resources requirement</i> that apply for the purposes of that rule are the ones from whichever of Part 1 or Part 2 of Annex 2 is specified in the <i>requirement</i> referred to in 6.2; and (2) the rules so applied (including those in Annex 2) are adjusted in accordance with paragraph 3.1.
1.4	If the condition in Articles 7(4) and 8(4) of the <i>Financial Groups Directive</i> is satisfied (the <i>financial conglomerate</i> is headed by a <i>mixed financial holding company</i>) with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1 the <i>firm</i> must also comply with 4.1 (as adjusted in accordance with paragraph 3.1) with respect to that <i>financial conglomerate</i> .
1.5	A <i>firm</i> must comply with the following with respect to the <i>financial conglomerate</i> referred to in paragraph 1.1: (1) Chapter 7 as adjusted under paragraph 3.1; and (2) 3.2.

2 Table: PART 2: Adjustment of scope

3.1	The adjustments that must be carried out under this paragraph are that the scope of the rules referred to in Part 1 of this Annex, are amended: (1) to remove any provisions disapplying those rules for <i>third country financial conglomerates</i> ; (2) to remove all limitations relating to where a member of the <i>third-country financial conglomerate</i> is incorporated or has its head office; and (3) so that the scope covers every member of the <i>third-country financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in, and were incorporated in, and an <i>EEA State</i> .
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Externally defined glossary terms

Term	Definition source
EEA State	s425 FSMA
FCA	s417 FSMA
group	s421 FSMA
parent undertaking	s420 FSMA
person	Schedule 1 of the Interpretation Act 1978
subsidiary undertaking	s420 FSMA

Annex B

Amendments to the Groups Part

In this Annex deleted text is struck through and new text is underlined.

1.2 In this Part the following definitions shall apply:

~~Article 18(6) relationship~~

~~means a relationship of one of the following kinds:~~

- ~~(a) where an institution exercises a significant influence over one or more institutions or financial institutions, but without holding a participation or other capital ties in these institutions; or~~
- ~~(b) where two or more institutions or financial institutions are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.~~

third-country banking and investment group

means a banking and investment group that meets the following conditions:

- (a) it is headed by:
 - (i) a credit institution; or
 - (ii) an asset management company; or
 - (iii) an investment firm; or
 - (iv) a financial holding company.
- that has its head office outside the EEA; and
- (b) it is not part of a wider EEA banking and investment group.

3 THIRD COUNTRY BANKING AND INVESTMENT GROUPS

- 3.1 This Chapter applies where a firm is subject to a requirement obliging it to comply with this rule with respect to a third country banking and investment group of which it is a member.

[Note: Art 127 of the CRD]

- 3.2 A firm must comply with the requirements of Part One, Title II, Chapter 2 of the CRR and the rules in this Part with respect to the relevant third-country banking and investment group.
- 3.3 The sectoral rules applied by Chapter 3 cover all prudential rules that apply on a consolidated basis including those relating to large exposures.
- 3.4 A firm must comply with Group Risk Systems, as adjusted under 3.5, with respect to the relevant third-country banking and investment group.
- 3.5 The scope of the rules in Chapter 3 is adjusted:

- (1) to remove any provisions disapplying those rules for *third country banking and investment groups*;
- (2) to remove all limitations relating to where a member of the *third country banking and investment group* is incorporated or has its head office; and
- (3) so that the scope covers every member of the *third country banking and investment group* that would have been included in the scope of those rules if those members had their head offices, and were incorporated, in an *EEA State*.

Annex C

Amendments to the Glossary

In the Glossary Part of the PRA Rulebook, insert the following new definitions.

Article 18(6) relationship

means a relationship of one of the following kinds:

- (a) where an *institution* exercises a significant influence over one or more *institutions* or *financial institutions*, but without holding a *participation* or other capital ties in these *institutions*; or
- (b) where two or more *institutions* or *financial institutions* are placed under single management other than pursuant to a contract or clauses of their memoranda or articles of association.

competent authority

has the meaning given in point (16) of Article 2 of the *Financial Groups Directive*.

coordinator

means in relation to a *financial conglomerate*, the *competent authority* appointed as coordinator in accordance with Article 10(1) of the *Financial Groups Directive*.

CRR permission

means a permission given to a *firm* by the *PRA* under powers conferred on the *PRA* by the *CRR*.

Financial Groups Directive

means Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of *credit institutions*, *insurance undertakings* and *investment firms* in a *financial conglomerate*.

intra-group transaction

has the meaning given in point (18) of Article 2 of the *Financial Groups Directive*.

requirement

means a requirement included in a *firm's Part 4A permission* under section 55L *FSMA* (Imposition of requirements by the FCA), section 55M *FSMA* (Imposition of Requirements by the PRA) or section 55O *FSMA* (Imposition of requirements on acquisition of control).

risk concentration

has the meaning given in point (19) of Article 2 of the *Financial Groups Directive*.

Annex D

Amendments to the Regulatory Reporting Part

In this annex, struck through text indicates deletions.

1 Application and Definitions

...

1.2 In this Part, the following definitions shall apply:

~~CRR permission~~

~~means a permission given to a firm by the PRA under powers conferred on the PRA by the CRR.~~

...

~~intra-group transactions~~

~~has the meaning given in point (18) of Article 2 of the Financial Groups Directive.~~

...

~~requirement~~

~~means a requirement included in a firm's Part 4A permission under section 55L FSMA (Imposition of requirements by the FCA); section 55M FSMA (Imposition of Requirements by the PRA) or section 55O FSMA (Imposition of requirements on acquisition of control).~~

~~risk concentration~~

~~has the meaning given in point (19) of Article 2 of the Financial Groups Directive.~~

Annex E

Amendments to the Notifications Part

In this annex, struck through text indicates deletions and new text is underlined.

1 Application and Definitions

...

1.2 In this Part, the following definitions shall apply:

~~competent authority~~

~~has the meaning given in point (16) of Article 2 of the *Financial Groups Directive*.~~

...

~~coordinator~~

~~means in relation to a *financial conglomerate*, the *competent authority* appointed as coordinator in accordance with Article 10(1) of the *Financial Groups Directive*.~~

...

~~*Financial Groups Directive*~~

~~means Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of *credit institutions, insurance undertakings and investment firms in a financial conglomerate*.~~

...

9.1 A firm that is a *regulated entity* must notify the PRA immediately it becomes aware, such notification to include a detailed explanation in support of the firm's assessment, that any *consolidation group* of which it is a member:

(1) is a *financial conglomerate*; or

(2) has ceased to be a *financial conglomerate*.

Appendix 1.2

PRA RULEBOOK: CRR FIRMS: GROUP RISK SYSTEMS INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority ("PRA") 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 137G (The PRA's general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Group Risk Systems Instrument [YEAR]

- D. The PRA makes the rules in the Annexes A, B, C and D to this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Group Risk Systems Instrument [YEAR].

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

In this Annex, the text is all new and is not underlined.

Part

GROUP RISK SYSTEMS

Chapter content

- 1. APPLICATION AND DEFINITIONS**
- 2. GROUP SYSTEMS AND CONTROLS**

Links

1 APPLICATION AND DEFINITIONS

- 1.1 This Part applies to a *CRR firm* that is a member of a *group*.
- 1.2 This Part does not apply to a firm in relation to the *regulated activity* of bidding in emissions auctions (article 24A of the *Regulated Activities Order*) where it is carried on by way of business by a *MiFID investment firm* (other than a UCITS investment firm, as defined in the *FCA Handbook*) in relation to a *financial instrument*.
- 1.3 In this Part, the following definitions shall apply:

group

means, in relation to a *person* ("A"), A and any *person*:

- (1) within the scope of section 421 of the *Act*;
 - (2) who has an *Article 12(1) relationship* with A;
 - (3) who has an *Article 12(1) relationship* with any *person* in (1);
 - (4) who is a *subsidiary undertaking* of a *person* in (2) or (3); or
 - (5) whose omission from an assessment of the risks to A of A's connection to any *person* coming within (1) to (4) or an assessment of the financial resources available to such *persons* would be misleading.
- 1.4 Unless otherwise defined in this Part, any italicised expression used in this Part and in the *CRR* has the same meaning as in the *CRR*.

2 GROUP SYSTEMS AND CONTROLS

- 2.1 A *firm* must:
- (1) have adequate, sound and appropriate risk management processes and internal control mechanisms for the purpose of assessing and managing its own exposure to *group* risk, including sound administrative and accounting procedures; and
 - (2) ensure that its *group* has adequate, sound and appropriate risk management processes and internal control mechanisms at the level of the *group*, including sound administrative and accounting procedures.
- 2.2 The internal control mechanisms referred to in 2.1 must include:
- (1) mechanisms that are adequate for the purpose of producing any data and information which would be relevant for the purpose of monitoring compliance with any prudential requirements (including any reporting requirements and any requirements relating to capital adequacy, solvency, systems and controls and large exposures):
 - (1) to which the *firm* is subject with respect to its membership of a *group*; or
 - (2) that apply to or with respect to that *group* or part of it; and
 - (2) mechanisms that are adequate to monitor funding within the *group*.

- 2.3 A *firm* must comply with 2.1(2) in relation to any *UK consolidation group* or *non-EEA sub-group* of which it is a member, as well as in relation to its *group*.

[Note: Art 109(2) of the CRD]

- 2.4 A *CRR firm* that is a *subsidiary* of a *mixed-activity holding company* must ensure that the risk management processes and internal control mechanisms referred to in 2.1 include sound reporting and accounting procedures and other mechanisms that are adequate to identify, measure, monitor and control transactions between the *firm's parent undertaking mixed-activity holding company* and any of the *subsidiary* of the *mixed-activity holding company*.

[Note: Art 123 of the CRD]

Externally defined glossary terms

Term	Definition source
mixed-activity holding company	Article 4(1)(22) CRR
parent undertaking	Article 4(1)(15) CRR
person	Schedule 1 Interpretation Act 1978
regulated activity	section 22 FSMA
subsidiary	Article 4(1)(16) CRR

Annex B

Amendments to the General Organisational Requirements Part

In this Annex new text is underlined.

...

7 GROUP ARRANGEMENTS

7.1 Where a *firm* is a member of a *consolidation group*, the *firm* must ensure that the risk management processes and internal control mechanisms at the level of the *consolidation group* of which it is a member comply with the obligations set out in 2.1, 2.6, Chapter 5 and Chapter 6 of this Part on a *consolidated basis*.

7.2 Compliance with the obligations referred to in 7.1 must enable the *consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the CRD]

Annex C

Amendments to the Skills, Knowledge and Expertise Part

In this Annex new text is underlined.

...

6 GROUP ARRANGEMENTS

6.1 Where a *firm* is a member of a *consolidation group*, the *firm* must ensure that the risk management processes and internal control mechanisms at the level of the *consolidation group* of which it is a member comply with the obligations set out in 3.2 on a *consolidated basis*.

6.2 Compliance with the obligations referred to in 6.1 must enable the *consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the CRD]

Annex D

Amendments to the Risk Control Part

In this Annex new text is underlined.

...

4 GROUP ARRANGEMENTS

4.1 Where a *firm* is a member of a *consolidation group*, the *firm* must ensure that the risk management processes and internal control mechanisms at the level of the *consolidation group* of which it is a member comply with the obligations set out in 2.3, 2.7 and Chapter 3 on a *consolidated basis*.

4.2 Compliance with the obligations referred to in 4.1 must enable the *consolidation group* to have arrangements, processes and mechanisms that are consistent and well integrated and that any data relevant to the purpose of supervision can be produced.

[Note: Art 109(2) of the CRD]

Appendix 1.3

PRA RULEBOOK: REGULATORY REPORTING (AMENDMENT No.1) INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority ("PRA") 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 137G (The PRA's general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Regulatory Reporting Instrument 2015

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA Rulebook: Regulatory Reporting (Amendment No.1) Instrument 2015.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex

Amendments to the Regulatory Reporting Part

In this Annex, new text is underlined and deleted text is struck through.

...

Part

REGULATORY REPORTING

Chapter content

...

16. DATA ITEMS AND OTHER FORMS

17. COMPLIANCE REPORTS

18. NOTIFICATIONS REGARDING CHANGE OF ACCOUNTING REFERENCE DATE

19. NOTIFICATIONS REGARDING FINANCIAL INFORMATION REPORTING UNDER THE CRR

...

1 APPLICATION AND DEFINITIONS

...

1.2 ...

data items

means one or more *data elements* that are grouped together in a prescribed format (unless specified in this Part as “no standard format”) and required to be submitted by a *firm*.

...

2 REPORTING REQUIREMENTS – DATA ITEMS

...

2.7 A bank must also submit *data items* as required by Chapter 17.

3 REPORTING REQUIREMENTS – FREQUENCY AND PERIOD

3.1 Where a firm is required to submit *data items* in accordance with ~~Chapter 2~~ 2.1 to 2.3, it must...

4 REPORTING REQUIREMENTS – SUBMISSION DATES

4.1 Where a firm is required to submit *data items* in accordance with ~~Chapter 2~~ 2.1 to 2.3, it must...

4.2 If the due date for submission of a *data item* required by this Part falls on a day which is not a *business day*, the *data item* must be submitted so as to be received by the PRA no later than the first *business day* after the due date.

4.3 Unless otherwise stated, if the reporting frequency for submission of a *data item* required by this Part is expressed as half yearly, quarterly or monthly and the due date for submission is expressed as a set period of time:

- (1) the first due date for submission after the *firm's accounting reference date* is to be calculated as the last day of that set period from the *accounting reference date*; and
- (2) thereafter, until the *firm's next accounting reference date*, the due dates for submission are to be calculated as the last day of that set period from:
 - (a) the date falling six months after the *firm's accounting reference date*, in the case of half yearly reporting frequency;
 - (b) the dates falling every three months after the *firm's accounting reference date*, in the case of quarterly reporting frequency; and
 - (c) the dates falling every month after the *firm's accounting reference date*, in the case of monthly reporting frequency.

5 REPORTING REQUIREMENTS – SUBMISSION METHOD

...

5.3 ~~SUP 16.3.6 R to SUP 16.3.10 G in the supervision manual in the *PRA Handbook* apply to *data items* specified as “No standard format.” Unless otherwise stated, *firms* must submit *data items* specified as “No standard format” via electronic mail to regulatoryreporting@bankofengland.co.uk or via post or hand delivery to Regulatory Data Group, Statistics and Regulatory Data Division (HO5 A-B), Bank of England, Threadneedle Street, London EC2R 8AH; or via fax to the Regulatory Data Group of the Bank of England (020 7601 3334).~~

5.4 A *data item* must:

- (1) give the firm reference number (or all the firm reference numbers in those cases where a *data item* is submitted on behalf of a number of *firms*); and
- (2) if submitted in paper form, be submitted with the cover sheet specified in 16.25 duly completed.

...

16 DATA ITEMS AND OTHER FORMS

...

16.25 Cover sheet can be found here.

17 COMPLIANCE REPORTS

17.1 This Chapter applies only to *banks*.

17.2 A *firm* must submit to the *PRA* the duly completed *data items* described in and in accordance with the following table, which sets out:

- (1) the applicable *data items*;
- (2) the applicable reporting frequencies for submission of *data items*; and
- (3) the applicable due dates for submission. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of <i>data item</i>	<i>Data item</i>	Frequency	Due date
List of all <i>overseas regulators</i> for each legal entity in the <i>firm's group</i>	No standard format	Annually	6 months after the <i>firm's accounting reference date</i>
Organogram showing each <i>authorised person</i> in the <i>firm's group</i>	No standard format	Annually	6 months after the <i>firm's accounting reference date</i>

18 NOTIFICATIONS REGARDING CHANGE OF ACCOUNTING REFERENCE DATE

- 18.1 A firm must notify the PRA if it changes its *accounting reference date* by submitting the form referred to in Notifications 10.2 (Standing Data Form).
- 18.2 When a firm extends its accounting period, it must make the notification in 18.1 before the previous *accounting reference date*.
- 18.3 When a firm shortens its accounting period, it must make the notification in 18.1 before the new *accounting reference date*.
- 18.4 The Notifications Part, including Notifications 5.3A and 5.5 (Core Information Requirements), applies to any notification made under 18.1.

19 NOTIFICATIONS REGARDING FINANCIAL INFORMATION REPORTING UNDER THE CRR

- 19.1 A firm must notify the PRA if it is required to report financial information in accordance with Article 99 (2) of the CRR.
- 19.2 A firm must notify the PRA when it ceases to report financial information in accordance with Article 99 (2) of the CRR.
- 19.3 A firm must notify the PRA if it adjusts its reporting reference dates for financial information under Article 99 of the CRR from the calendar year to its accounting year-end.
- 19.4 The Notifications Part, including Notifications 7.4 (Form and Method of Communication), applies to any notification made under this Chapter.

...

Appendix 1.4

HANDBOOK (RULEBOOK CONSEQUENTIALS) INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority ("PRA") 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 137G (The PRA's general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

Commencement

- D. Part 1 of this instrument comes into force on [DATE].
- E. Part 2 of this instrument comes into force on [DATE].

Citation

- F. This instrument may be cited as the Handbook (Rulebook Consequentials) Instrument [Year].

By order of the Board of the Prudential Regulation Authority
[DATE]

Part 1**Amendments**

The modules and sourcebooks of the PRA's Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this Part listed in column (2).

(1)	(2)
Glossary	A
Credit Unions sourcebook (CREDS)	B
Senior Management Arrangements, Systems and Controls (SYSC)	C

Deletion

Each of the following modules and sections of the PRA's Handbook is deleted:

GENPRU 3
SYSC 12

Annex A

Amendments to the Glossary

In this Annex new text is underlined and deleted text is struck through.

<i><u>alternative investment fund manager</u></i>	(1)	(in GENPRU 3 the Financial Conglomerates Part of the <i>PRA Rulebook</i>) a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of Directive 2011/61/EU or an <i>undertaking</i> which is outside the <i>EEA</i> and which would require authorisation in accordance with Directive 2011/61/EU if it had its registered office within the <i>EEA</i> .
	(2)	(except in <u>the Financial Conglomerates Part of the <i>PRA Rulebook</i></u> and in accordance with article 4(1)(b) of AIFMD) a legal person whose regular business is performing AIFM investment management functions for one or more AIF.
...		
<i>ancillary services undertaking</i>	(1)	...
	(2)	(for the purpose of GENPRU 1.3 (Valuation) the Financial Conglomerates Part of the <i>PRA Rulebook</i> and INSPRU 6.1 (Group Risk: Insurance Groups)) an undertaking in (1) and an .
...		
<i>applicable sectoral consolidation rules</i>		in respect of a <i>financial sector</i> and in accordance with paragraph 6.9 of GENPRU 3 Annex 1 (Applicable sectoral consolidation rules) paragraph 7.2 of the table in Annex to of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) the appropriate regulator's <i>PRA's</i> sectoral rules about capital adequacy and solvency on a consolidated basis applicable to that <i>financial sector</i> under the table in paragraph 6.10 of GENPRU 3 Annex 1 8 of Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> .
<i>applicable sectoral rules</i>		...
	(a)	the <i>banking and investment services sector</i> as set out in paragraph 6.2 of GENPRU 3 Annex 1 6.2 of Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> ; or
...		
<i>banking and investment group</i>		...

	(a)	...
	(b)	would form such a group if the scope of those <i>sectoral rules</i> were amended as described in <u>paragraph 3.1 of GENPRU 3 Annex 2 (removing restrictions relating to place of incorporation or head office of members of those financial sectors)</u> the Financial Conglomerates Part of the <i>PRA Rulebook</i> .
...		
<i>banking and investment services conglomerate</i>		<u>a financial conglomerate</u> that is identified in <u>paragraph 4.3 of GENPRU 3 Annex 1 (Types of financial conglomerate)</u> the Financial Conglomerates Part of the <i>PRA Rulebook</i> as a <i>banking and investment services conglomerate</i> .
<i>banking and investment services sector</i>		(in relation to a <i>financial sector</i> in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with <u>GENPRU 3.1 (Cross sector groups)</u> the Financial Conglomerates Part of the <i>PRA Rulebook</i>), the <i>investment services sector</i> and the <i>banking sector</i> taken together.
...		
<i>central bank</i>		(in accordance with Article <u>4(23)(1)(46)</u> of the <u>Banking Consolidation Directive (Definitions)</u> <i>CRR</i> and for the purposes of <u>GENPRU and BIPRU</u> the Financial Conglomerates Part of the <i>PRA Rulebook</i>) includes the European Central Bank unless otherwise indicated.
...		
<i>competent authority</i>	(1)	...
	(2)	...
	(3)	(in relation to a group, and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) <u>SYSC 12 (Group risk systems and controls requirement)</u> , <u>GENPRU, BIPRU and INSPRU</u> , any national authority of an <i>EEA State</i> which is empowered by law or regulation to supervise <i>regulated entities</i> , whether on an individual or group-wide basis.
...		
<i>conglomerate capital resources</i>		(in relation to a <i>financial conglomerate</i> with respect to which <u>GENPRU 3.1.29 R (Application of method 1 or 2 from Annex I of the Financial Groups Directive)</u> 3.3 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> applies) capital resources as defined in whichever of paragraphs 1.1 or 2.1 of <u>GENPRU 3 Annex 1 (Capital</u>

	adequacy calculations for financial conglomerates) <u>Part 2 of Annex 2 of the Financial Conglomerates Part of the PRA Rulebook</u> applies with respect to that <i>financial conglomerate</i> .	
<i>conglomerate capital resources requirement</i>	(in relation to a <i>financial conglomerate</i> with respect to which GENPRU 3.1.29 R (Application of method 1 or 2 from Annex 1 of the <i>Financial Groups Directive</i>) <u>3.3 of the Financial Conglomerates Part of the PRA Rulebook</u> applies) the capital resources requirement defined in whichever of paragraphs 1.3 or 2.4 of GENPRU 3 Annex 1 (Capital adequacy calculations for financial conglomerates) <u>Annex 2 of the Financial Conglomerates Part of the PRA Rulebook</u> applies with respect to that <i>financial conglomerate</i> .	
...		
<i>CRD implementation measure</i>	(in relation to an <i>person</i> and for the purposes of GENPRU and BIPRU (except in GENPRU 3) the <u>Financial Conglomerates Part of the PRA Rulebook</u>)), a provision of the <i>Banking Consolidation Directive</i> or the <i>Capital Adequacy Directive</i> and an <i>EEA State</i> other than the <i>United Kingdom</i>) a measure implementing that provision of that Directive for that type of <i>person</i> in that <i>EEA State</i> .	
...		
<i>financial institution</i>	(1)	...
	(2)	...
	(3)	<u>For the purposes of the Financial Conglomerates Part of the PRA Rulebook</u>) has the meaning in Article 4(1)(26) of the <u>EU CRR</u> .
...		
<i>financial sector</i>	(1)	...
	(2)	for the purposes of the definition of <i>financial conglomerate</i> and for any other provision of GENPRU 3 <u>the Financial Conglomerates Part of the PRA Rulebook</u> that treats the <i>banking sector</i> and the <i>investment services sector</i> as one) one of the <i>banking and investment services sector</i> or the <i>insurance sector</i> .
...		
<i>insurance conglomerate</i>	a <i>financial conglomerate</i> that is identified in paragraph 4.3 of GENPRU 3 Annex 1 (Types of financial conglomerate) <u>3.1 of Annex 2 of the Financial Conglomerates Part of the PRA Rulebook</u> as an insurance conglomerate.	

...		
insurance sector	...	
	(a)	...
	(b)	...
	(c)	(in the circumstances described in GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers) 5.5 of the <u>Financial Conglomerates Part of the PRA Rulebook</u>) an <i>asset management company</i> or an <i>alternative investment fund manager</i> .
...		
investment services sector	...	
	(a)	...
	(b)	...
	(c)	(in the circumstances described in GENPRU 3.1.39 R (The financial sectors: Asset management companies and alternative investment fund managers) 5.1 of the <u>Financial Conglomerates Part of the PRA Rulebook</u>) an <i>asset management company</i> or an <i>alternative investment fund manager</i> .
...		
most important financial sector	(in relation to a financial sector in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with GENPRU 3.1 (Cross sector groups) the <u>Financial Conglomerates Part of the PRA Rulebook</u>) the <i>financial sector</i> with the largest average referred to in the box titled Threshold Test 2 in the <i>financial conglomerate definition decision tree</i> (10% ratio of balance sheet size and solvency requirements) <u>Annex 1 of the Financial Conglomerates Part of the PRA Rulebook</u> ; and so that the investment services sector and the banking sector are treated as one for the purpose of the definition of <i>financial conglomerate</i> and for any other purpose that GENPRU 3.1 (Cross sector groups) of Chapters 1 to 5 of the Financial Conglomerates Part of the PRA Rulebook says they are.	
...		

<i>operational risk</i>	(1)	...
	(2)	(in GENPRU (except GENPRU 3 (Cross sector groups) and BIPRU (except in the Financial Conglomerates Part of the <i>PRA Rulebook</i> and BIPRU 12 (Liquidity Standards)) (in accordance with Article 4(22) 3(1)(46) of the Banking Consolidation Directive CRD) the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
	(3)	(in GENPRU 3 the Financial Conglomerates Part of the <i>PRA Rulebook</i> , IFPRU, and BIPRU 12) has the meaning in Article 4(1)(52) of the <i>EU CRR</i> .
...		
<i>own funds</i>	(1)	...
	...	
	(5)	(except in (1) to (4)) and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i> has the meaning in article 4(1)(118) of the <i>EU CRR</i> .
...		
<i>parent financial holding company in a Member State</i>	(1)	...
	(2)	(except in (1)) and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i> has the meaning in article 4(1)(30) of the <i>EU CRR</i> .
<i>parent institution in a Member State</i>	(1)	...
	(2)	(except in (1)) and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i> has the meaning in article 4(1)(28) of the <i>EU CRR</i> .
<i>parent mixed financial holding company in a Member State</i>	(1)	...
	(2)	(except in (1)) and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i> has the meaning in article 4(1)(32) of the <i>EU CRR</i> .
<i>parent undertaking</i>	(1)	...

	(2)	...
	(3)	(for the purposes of GENPRU 3 , BIPRU 12, and <i>IFPRU</i> and the Financial Conglomerates Part of the <i>PRA Rulebook</i>) has the meaning in article 4(1)(15) of the <i>EU CRR</i> but so that (in accordance with article 2(9) of the <i>Financial Groups Directive</i>) article 4(1)(15)(b) applies for the purposes of GENPRU 3 the Financial Conglomerates Part of the <i>PRA Rulebook</i> .
...		
<i>participation</i>	(1)	...
	(2)	(except in (1) and for the purposes of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) has the meaning in article 4(1)(35) of the <i>EU CRR</i> 2(11) of the <i>Financial Groups Directive</i> .
...		
<i>regulated entity</i>	...	
	An <i>asset management company</i> is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: asset management companies) Chapter 5 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> .	
	An <i>alternative investment fund manager</i> is treated as a regulated entity for the purposes described in GENPRU 3.1.39R (The financial sectors: alternative investment fund managers) Chapter 5 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> .	
...		
<i>sectoral rules</i>	...	
	(a)	(for the purposes of GENPRU 3.1.12 R (Definition of financial conglomerate: Solvency requirement) 2.8 of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) <i>EEA prudential sectoral legislation</i> for that <i>financial sector</i> together with as appropriate the rules and requirements in (c); or
	(b)	...
	(i)	(to the extent provided for in paragraphs 6.4 to 6.6 of GENPRU 3 Annex 1R Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) rules and

		requirements that are referred to in those paragraphs; and
...		
<i>smallest financial sector</i>		(in relation to a <i>financial sector</i> in a <i>consolidation group</i> or a <i>financial conglomerate</i> and in accordance with GENPRU 3.1 (Cross sector groups) the Financial Conglomerates Part of the <i>PRA Rulebook</i>) the <i>financial sector</i> with the smallest average referred to in the box titled Threshold Test 2 in the financial conglomerate definition decision tree (10% ratio of balance sheet size and solvency requirements) Annex 1 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> , the <i>banking sector</i> and <i>investment services sector</i> being treated as one <i>financial sector</i> in the circumstances set out in GENPRU 3.4 the Financial Conglomerates Part of the PRA Rulebook.
...		
<i>solo capital resources</i>	(1)	(for the purposes of GENPRU 3 the Financial Conglomerates Part of the PRA Rulebook and INSPRU 6) capital resources that are or would be eligible as capital under <i>sectoral rules</i> that apply for the purpose of calculating its <i>solo capital resources requirement</i> . Paragraph 6.8 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) 7.1 of Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> applies for the purpose of this definition in the same way as it does for the definition of <i>solo capital resources requirement</i> .
	(2)	...
<i>solo capital resources requirement</i>	(1)	(for the purposes of GENPRU 3 the Financial Conglomerates Part of the PRA Rulebook) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> .
	(2)	(for the purposes of INSPRU 6) a capital resources requirement calculated on a solo basis as defined in paragraph 6.2 to 6.7 of GENPRU 3 Ann 1R (Solo capital resources requirement: the insurance sector) Annex 2 of the Financial Conglomerates Part of the <i>PRA Rulebook</i> as it would apply if references to <i>financial conglomerate</i> in those paragraphs were replaced with references to <i>insurance group</i> .
	(3)	...
...		

<i>solvency deficit</i>	(in GENPRU 3 Ann 1R (Capital adequacy calculations with respect to financial conglomerates Annex 2 of the Financial Conglomerates Part of the PRA Rulebook) and in respect of a member of the <i>overall financial sector</i>) the amount (if any) by which its <i>solo capital resources</i> fall short of its <i>solo capital resources requirement</i> .	
...		
<i>UK regulated EEA financial conglomerate</i>	...	
	(a)	GENPRU 3.1.29 R (Capital adequacy calculations for financial conglomerates) 3.3 of the Financial Conglomerates Part of the <i>PRA Rulebook</i>) applies with respect to it; or
	(b)	...
...		

Delete the following definitions altogether. The deleted text is not shown.

fixed overheads requirement

Annex B

Amendments to the Credit Unions sourcebook (CREDS)

In this Annex deleted text is struck through.

8.1	Application and purpose
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...

8.1.2A	G	The purpose of this section is to provide additional <i>rules</i> and <i>guidance</i> relating to reporting requirements that are specific to <i>credit unions</i> . <i>Credit unions</i> also need to comply with the relevant provisions of SUP relating to reporting, including SUP 16.3 the Regulatory Reporting Part of the <i>PRA</i> Rulebook.
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Annex C

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

In this Annex new text is underlined and deleted text is struck through.

4.3A	CRR firms
	Management body

...

4.3A.6BG	<p>The limits on directorships set out in SYSC 4.3A.6 R also apply to members of the management body of the UK consolidation group or non-EEA sub group in accordance with SYSC 12.1.13 R. Individuals in any of the entities belonging to the UK consolidation group or non-EEA sub group are capable of forming part of this management body. For example, members of the management body of a non-CRR firm that is a parent financial holding company in a Member State and is a member of a UK consolidation group could be caught by the limits in SYSC 4.3A.6 R (SYSC 12.1.14 R). In particular, a person who requires approval under SUP 10B.6.2 R or SUP 10B.6.4 R because of the influence they exercise over the CRR firm is a member of the management body of the UK consolidation group or non-EEA sub group and therefore subject to the limit on directorships in SYSC 4.3A.6 R. <u>[deleted]</u></p> <p>[Note: article 91(3) and article 109(2) of the <i>CRD</i>]</p>
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...

Part 2**Annex A****Deletion**

Each of the following modules and sections of the PRA's Handbook is deleted:

Glossary
GEN 2
GEN TP 1
GEN TP 2
GEN Sch 1
GEN Sch 2
GEN Sch 3
GEN Sch 6
SYSC TP 2
SYSC Sch 1
SYSC Sch 2
SYSC Sch 3
SYSC Sch 6
SUP 16.1
SUP 16.2
SUP 16.3
SUP 16.6
SUP TP1.1
SUP TP1.2
SUP Sch 1
SUP Sch 6

Appendix 1.5

PRA RULEBOOK: INTERPRETATION (AMENDMENT) INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) 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 137G (the PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Interpretation (Amendment) Instrument[Year]

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on [DATE] 2015.

Citation

- F. This instrument may be cited as the PRA Rulebook: Interpretation (Amendment) Instrument [Year].

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex

Amendments to the Interpretation Part of the PRA Rulebook

In this Annex, new text is underlined and deleted text is struck through.

2 INTERPRETATIVE PROVISIONS

Purposive interpretation

42.1 Every provision in the *PRA Rulebook* must be interpreted in the light of its purpose.

Use of defined expressions

...

2.2A In the *PRA Rulebook* an expression in italics that has no meaning given in any of the relevant Part, the *PRA Rulebook* Glossary, *FSMA* or the Interpretation Act 1978 but that was defined in the *PRA Handbook* as at [DATE] has that meaning.

...

Activities covered by rules

42.5 In the *PRA Rulebook*, a rule made by the *PRA* under section 137G of *FSMA* applies to a *firm* with respect to the carrying on of any activities, except to the extent that a contrary intention appears.

Continuity of authorised partnerships and unincorporated associations

42.6 If a *firm* is dissolved, but its authorisation continues to have effect under section 32 (Partnerships and unincorporated associations of *FSMA* in relation to any partnership or unincorporated association that succeeds to the business of the dissolved *firm*, the successor partnership or unincorporated association is to be regarded as the same *firm* for the purposes of the *PRA Rulebook* unless the context otherwise requires.