



## INDIVIDUAL CONSOLIDATION METHOD: CRR ARTICLE 9 APPLICATION

CRR ARTICLE CRITERIA	FIRM ANALYSIS
<p><i>Article 9</i></p> <p><b>Individual consolidation method</b></p> <p>1. Subject to paragraphs 2 and 3 of this Article and to Article 144(3) of Directive 2013/36/EU, the competent authorities may permit on a case by case basis parent institutions to incorporate in the calculation of their requirement under Article 6(1) subsidiaries which meet the conditions laid down in points (c) and (d) of Article 7(1), and whose material exposures or material liabilities are to that parent institution</p>	<p><i>Please demonstrate using examples where appropriate how the specific CRR requirements are met.</i></p>
<p>2. The treatment set out in paragraph 1 shall be permitted only where the parent institution demonstrates fully to the competent authorities the circumstances and arrangements, including legal arrangements, by virtue of which there is no material practical or legal impediment, and none are foreseen, to the prompt transfer of own funds, or repayment of liabilities when due by the subsidiary to its parent undertaking.</p> <p><i>The PRA will expect firms to demonstrate whether any minority interest in the subsidiary institution has any potential blocking or delay of prompt transfer of own funds or repayment of liabilities.</i></p> <p><i>The PRA will consider the non-exhaustive list below when determining whether the conditions in CRR Article 9(2) are met:</i></p> <p><i>(a) the speed with which funds can be transferred or liabilities repaid to the firm and the simplicity of the method for the transfer or repayment;</i></p> <p><i>(b) whether there are any interests other than those of the firm in the subsidiary undertaking and what impact those other interests may have on the firm's control over the subsidiary undertaking and on the ability of the firm to require a transfer of funds or repayment of liabilities. As part of our overall assessment, we would consider one of the indicators to achieving prompt transfer as being ownership of 75% or more of the subsidiary undertaking;</i></p> <p><i>(c) whether the prompt transfer of funds or repayment of liabilities to the firm might harm the reputation of the firm or its subsidiary undertakings;</i></p> <p><i>(d) whether there are any tax disadvantages for the firm or the subsidiary undertaking as a result of the</i></p>	



<p><i>transfer of funds or repayment of liabilities;</i></p> <p><i>(e) whether there are any exchange controls that may have an impact on the transfer of funds or repayment of liabilities;</i></p> <p><i>(f) whether there are assets in the subsidiary undertaking available either to be transferred or liquidated for the purposes of the transfer of funds or repayment of liabilities;</i></p> <p><i>(g) whether any regulatory requirements impact on the ability of the subsidiary undertaking to transfer funds or repay liabilities promptly;</i></p> <p><i>(h) whether the purpose of the subsidiary undertaking prejudices the prompt transfer of funds or repayment of liabilities;</i></p> <p><i>(i) whether the legal structure of the subsidiary undertaking prejudices the prompt transfer of funds or repayment of liabilities;</i></p> <p><i>(j) whether the contractual relationships of the subsidiary undertaking with the firm and other third parties prejudices the prompt transfer of funds or repayment of liabilities;</i></p> <p><i>(k) whether past and proposed flows of funds between the subsidiary undertaking and the firm demonstrate the ability to make prompt transfer of funds or repayment of liabilities; and</i></p> <p><i>(l) whether the degree of solo consolidation by the firm undermines the appropriate regulator's ability to assess the soundness of the firm as a legal entity.</i></p>	
...	
<b>Article 7</b> <b>Derogation to the application of prudential requirements on an individual basis</b>	
<p>(1)</p> <p>...</p> <p>(c) the risk evaluation, measurement and control procedures of the parent undertaking cover the subsidiary;</p>	
<p>(d) the parent undertaking holds more than 50 % of the voting rights attached to shares in the capital of the subsidiary or has the right to appoint or remove a majority of the members of the management body of the subsidiary.</p>	