

**PRA RULEBOOK: FINANCIAL CONGLOMERATES INSTRUMENT 2015****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 2015**

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

**Commencement**

- E. This instrument comes into force on 1 January 2016.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Financial Conglomerates Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

10 December 2015

**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 FINANCIAL CONGLOMERATES**
  - 7. RISK SYSTEMS**
  - 8. TRANSITIONALS**
- ANNEX 1 – FINANCIAL CONGLOMERATE DECISION TREE**
- ANNEX 2 – CAPITAL ADEQUACY CALCULATIONS FOR FINANCIAL CONGLOMERATES**
- 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*, an *undertaking* complying with the following conditions:

- (1) its principal activity consists of:
  - (a) owning or managing property;
  - (b) managing data-processing services;
  - (c) providing health and care services; or
  - (d) any other similar activity;
- (2) the activity in (1) is ancillary to the principal activity of one or more *insurance undertakings*; and
- (3) those *insurance undertakings* are also members of that *consolidation group*.

*applicable sectoral consolidation rules*

means in respect of a *financial sector* 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*

means 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:

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

(2) 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*

means 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*

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

(1) 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

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

*banking and investment services sector*

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

*banking sector*

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

(1) a *credit institution*;

(2) a *financial institution*; and

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

*collective portfolio management investment firm*

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

*competent authority*

means 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 any *person* that is either:

- (1) a *subsidiary undertaking* of that *parent undertaking*; or
- (2) an *undertaking* in which that *parent undertaking* or a *subsidiary undertaking* of that *parent undertaking* holds a *participation*.

*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*.

*delegated acts*

means Commission Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

*EEA insurer*

means an undertaking 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*

means 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:

- (1) it is a *FCA-authorised firm*;
- (2) its head office is in the *UK* and
- (3) 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:

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

*insurance conglomerate*

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

*insurance sector*

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

- (1) a Solvency II undertaking;
- (2) *third country insurance undertaking or a third country reinsurance undertaking*;
- (3) an *insurance holding company*; and
- (4) in the relevant 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:

- (1) an *investment firm*;
- (2) a *financial institution*; and
- (3) in the relevant circumstances described in 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:

- (1) members of each of the *financial sectors*; and
- (2) 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 2(9) of the *Financial Groups Directive*.

*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:

- (1) a *credit institution*;
- (2) a *Solvency II undertaking*, a *third country insurance undertaking*, a *third country reinsurance undertaking*;
- (3) an *investment firm*;
- (4) an *asset management company* for the purposes described in 5; or
- (5) 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*.

*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*.

*smallest financial sector*

means the *financial sector* with the smallest average referred to in the box titled Threshold Test 2 in Annex 1, the *investment services sector* and the *banking sector* being treated as one in the circumstances set out in 1 to 5 of this Part.



*sectoral rules*

means, in relation to a *financial sector*, the following rules and requirements relating to the prudential supervision of regulated entities within that *financial sector* :

(1) for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (3);

(2) for the purpose of calculating *solo capital resources* and a *solo capital resources* requirement:

(a) 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

(b) the rules and requirements in (3); or

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

and so that:

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

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

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

(7) 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*.

*subsidiary undertaking*

has the meaning given in Article 2(10) of the *Financial Groups Directive*.

*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 title 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 are the definitions 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) and Art 8(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 financial sector	Applicable sectoral rules	
	Risk concentration	Intra-group transactions
Banking and investment services sector	CRR	Part Four of the CRR
Insurance sector	Group Supervision 16.1	Group Supervision 16.2
Note	Any waiver granted to a member of the financial conglomerate, on an individual or consolidated basis, shall not apply in respect of the financial conglomerate for the purposes of 4.2.	

**[Note: Art 7(4) and Art 8(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:
- (1) 3.3 to 4.3;
  - (2) Annex 2 (Capital adequacy calculations for financial conglomerates) and Annex 3 (Prudential rules for third country financial conglomerates); and
  - (3) any other provision of the PRA Rulebook relating to the supervision of financial conglomerates.

**[Note: first paragraph 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:
- (1) 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;
  - (2) 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

- (3) to the *smallest financial sector*.
- (3) The decision in (2):
  - (1) will apply to all *asset management companies* and all *alternative investment fund managers* that are members of the *financial conglomerate* from time to time;
  - (2) cannot be changed; and
  - (3) 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: second paragraph 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 Group Risk Systems 2.1.
- 7.3 For the purposes of 7.2, the risk management processes referred to in Group Risk Systems 2.1 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 Group Risk Systems 2.1 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*]

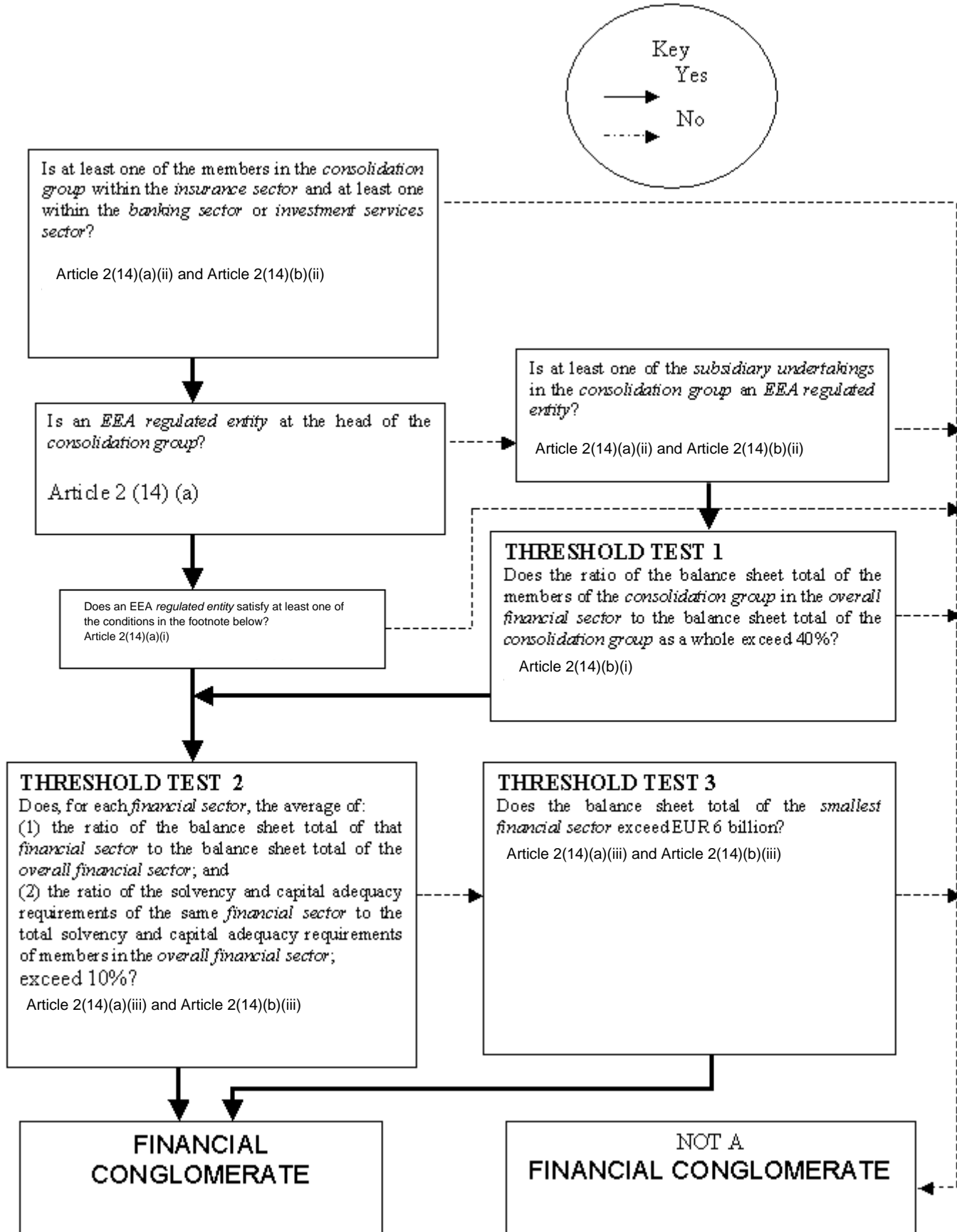
## 8 TRANSITIONALS

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:

<b><u>COLUMN A</u></b>	<b><u>COLUMN B</u></b>	<b><u>COLUMN C</u></b>
<b>Financial Conglomerates Directive</b>	<b>GENPRU 3 (PRA Handbook as at 31 December 2015)</b>	<b>Financial Conglomerates (PRA Rulebook)</b>
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	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: <ul style="list-style-type: none"> <li>(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</li> <li>(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>.</li> </ul>
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	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> : <ul style="list-style-type: none"> <li>(1) (for the <i>person</i> at the head of the <i>financial conglomerate</i>) its <i>solo capital resources</i>;</li> <li>(2) (for any other member): <ul style="list-style-type: none"> <li>a. its <i>solo capital resources</i>; less</li> <li>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"> <li>i. the <i>person</i> at the head of the <i>financial conglomerate</i>; or</li> </ul> </li> </ul> </li> </ul>
-------------------	-----	--

		ii. any other member.
	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>
---------------------------------	-----	--

### 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>
-----------------------------------	-----	---

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> 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 services sector	5.5	In relation to a BIPRU firm (as defined in the FCA Handbook) 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 they are applied by the rules in this

		<p>Annex.</p> <ol style="list-style-type: none"> <li>(1) References in those rules to non-EEA sub-groups (as defined in the FCA Handbook) do not apply.</li> <li>(2) Any investment firm consolidation waivers (as defined in the FCA Handbook) granted to members of the <i>financial conglomerate</i> do not apply.</li> <li>(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.</li> <li>(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.</li> <li>(5) For the purposes of Parts 1 and 2, 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.</li> </ol> <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"> <li>(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).</li> <li>(2) If 3.3 applies with respect to a <i>financial conglomerate</i> falling into (1), then: <ol style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ol> </li> </ol>

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"> <li>(1) an <i>asset management company</i> is allocated in accordance with 5.1;</li> <li>(2) an <i>alternative investment fund manager</i> is allocated in accordance with 5.1; and</li> <li>(3) a <i>mixed financial holding company</i> must be treated as being a member of the <i>most important financial sector</i>.</li> </ol>
Solo capital resources requirement: banking sector and investment services sector	6.2	<ol style="list-style-type: none"> <li>(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.</li> <li>(2) The <i>solo capital resources requirement</i> of a <i>building society</i> is its <i>own funds requirements</i>.</li> <li>(3) The <i>solo capital resources requirement</i> of an <i>electronic money</i></li> </ol>

		<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) of the <i>CRR</i> or 96(1) of the <i>CRR</i>,</p> <p>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) of the <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 of a full-scope IFPRU investment firm</i> 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 does 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 the <i>EEA State</i> in which it has received authorisation in accordance with article 14 of the <i>Solvency II Directive</i>.;</p> <p>(c) in respect of a <i>third country insurance undertaking</i> or <i>third country reinsurance undertaking</i> to which Group Supervision, 10.4(2) applies, the equivalent</p>

		<p>(d) of the <i>SCR</i> as calculated in accordance with the applicable requirements in that <i>third country</i>; in respect of any <i>undertaking</i> which is not within (a) to (c), the capital resources requirement calculated according to the rules for the calculation of the solo capital resources requirement applicable to that <i>undertaking</i> for the purposes of the calculation referred to in Group Supervision and Chapter I of Title II of the <i>delegated acts</i> or, if no rules are applicable for that calculation under Group Supervision and Chapter I of Title II of the <i>delegated acts</i>, in accordance with the <i>SCR Rules</i>.</p>
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	<p>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:</p> <ol style="list-style-type: none"> <li>(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>;</li> <li>(2) the entity must be subject to those <i>sectoral rules</i> in (1); and</li> <li>(3) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.</li> </ol>
Solo capital resources requirement: non-EEA firms subject to equivalent regimes in the banking sector or investment services sector	6.6	<p>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:</p> <ol style="list-style-type: none"> <li>(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</li> <li>(2) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.</li> </ol>
Solo capital resources requirement: mixed financial holding company	6.7	<p>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.</p>

### 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.

### 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>		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 Rulebook</i> .

9 Table

Part 4	9	This Part 4 is subject to Part 3 of this Annex.
--------	---	---

**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 2.1.
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 4.2 (as adjusted in accordance with paragraph 2.1) 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 2.1; and (2) 3.2.

2 Table: PART 2: Adjustment of scope

2.1	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> .
-----	---



Externally defined glossary terms

<b>Term</b>	<b>Definition source</b>
EEA State	s425 FSMA
FCA	s417 FSMA
financial institution	Article 4(26) CRR
institution	Article 4(3) CRR
person	Schedule 1 of the Interpretation Act 1978

## 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:

- (1) ~~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~~
- (2) ~~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 group that meets the following conditions:

- (1) it is headed by a *third country undertaking* that would be:
  - a) an *institution*;
  - b) a *financial holding company*, or
  - c) a *mixed financial holding company*,  
if its head office was in the *EEA*; and
- (2) it is not part of a wider *consolidation 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 3.2 to 3.4 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:

- (1) those requirements of the *CRR* that apply to the *firm* on a *consolidated basis*; and
- (2) rules that apply to the *firm* on a *consolidated basis*.

on the basis of the consolidated situation of the *third country banking and investment group*.

3.3 A *firm* must comply with Group Risk Systems in respect of the *third country banking and investment group*.

3.4 The scope of the *CRR* requirements and rules referenced in 3.2 and 3.3 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 to the PRA Rulebook, deleted text is struck through and new text is underlined.

Article 18(6) relationship

means a relationship of one of the following kinds:

- (1) 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
- (2) 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.

CRR permission

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

financial conglomerate

has the meaning given in point (14) of Article 2 of the *Financial Groups Directive* ~~Financial Conglomerates 2.1.~~

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*.~~

...

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*.