

PRA RULEBOOK: CRR FIRMS: GROUPS (CAPITAL REQUIREMENTS DIRECTIVE V) INSTRUMENT 2020

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 proposed rules and had regard to representations made.

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

Commencement

- E. This instrument comes into force on 29 December 2020.

Citation

- F. This instrument may be cited as the PRA Rulebook: Groups (Capital Requirements Directive V) Instrument 2020

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Groups Part

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

1 APPLICATION AND DEFINITIONS

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1.2

...

intermediate EU parent undertaking

means a parent undertaking with its head office in one of the EEA states.

...

2 METHODS OF PRUDENTIAL CONSOLIDATION

2.1 (1) In carrying out the calculations in (Part One, Title II, Chapter 2 of the *CRR*) for the purposes of prudential consolidation, a *firm* must include the relevant proportion of an undertaking with whom it has an:

(a) ~~Article 42(1)~~22(7) relationship; or

...

...

[Note: Art 18(3) and (6) of the *CRR*]

2.2 In carrying out the calculations in Part One, Title II, Chapter 2 of the *CRR* for the purposes of prudential consolidation, a *firm* (for which the *PRA* is the *consolidating supervisor*) must carry out a proportional consolidation according to ~~include the proportion of~~ the share of capital held of *participations* in *institutions* and *financial institutions* managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where those undertakings' liability is limited to the share of capital they hold.

[Note: Art 18(4) of the *CRR*]

2.3 In carrying out the calculations in Part One, Title II, Chapter 2 of the *CRR* for the purposes of prudential consolidation, a *firm* must carry out a proportional consolidation according to the share of capital held ~~a full consolidation~~ of any undertaking with whom it has an *Article 18(5) relationship*.

[Note: Art 18(5) of the *CRR*]

...

4 INTERMEDIATE PARENT UNDERTAKINGS

- 4.1 (1) Subject to (2), this chapter applies to every *firm* that is an *institution* where both of the following tests are met:
- (a) the *firm* belongs to a *third country banking and investment group* that includes the *firm* and at least one other *institution* in the *EU*; and
 - (b) the total value of the assets in the *EU* of the *third country banking and investment group* to which the *firm* belongs is equal to or greater than 40 billion euros, calculated in accordance with 4.3.
- (2) This chapter shall not apply to a *firm* if it is a member of a *third country banking and investment group* operating through more than one *institution* in the *EU* that had total assets in the *EU* equal to or greater than 40 billion euros on 27 June 2019.
- 4.2 A *firm* referred to in 4.1 must have a single *intermediate EU parent undertaking* that is either:
- (1) a *credit institution* authorised in accordance with Article 8 *CRD*;
 - (2) a *financial holding company* or *mixed financial holding company* approved in accordance with Article 21a *CRD*; or
 - (3) where none of the *institutions* subject to 4.1 is a *credit institution*, an *investment firm* that is authorised in accordance with Article 5.1 *MiFID* and is subject to *BRRD*.
- 4.3 The calculation in 4.1(1)(b) shall be as follows:
- (1) The total value of the assets in the *EU* of the *third country banking and investment group* is the sum of:
- (a) the total value of the assets of each *institution* in the *EU* belonging to the *third country banking and investment group*; and
 - (b) the total value of the assets of each branch of the *third country banking and investment group* authorised in the *EU* in accordance with *CRD*, *MiFIDII* or *MiFIR*.
- (2) The total value of the assets of an *institution* shall be assessed:
- (a) if the *institution* is at the head of a *consolidation group*, on the basis of its own consolidated situation; and otherwise
 - (b) on an individual basis.
- (3) In making this calculation no asset or value of an asset shall be double counted.