

Bank of England PRA

SS15/13 – Groups

Supervisory statement | SS15/13

July 2026
(Updating May 2026)



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1: Introduction

1.1 This supervisory statement is relevant to all banks, building societies, and designated investment firms and all PRA-approved or PRA-designated holding companies.

1.2 This statement sets out the Prudential Regulation Authority's (PRA's) expectations about applications relating to its approach to consolidation, in particular individual consolidation (Article 9 of the Groups Part of the PRA Rulebook), the method of consolidation under Article 18 of the Groups Part of the PRA Rulebook, and sub-consolidation. It also clarifies the PRA's interpretation of the concept of 'maintaining links...on a long-term basis' in relation to the definition of a participation.

1.3 This statement should be read in conjunction with the requirements in the Groups Part of the PRA Rulebook and the high-level expectations outlined in The PRA's approach to banking supervision,¹ and The Prudential Regulation Authority's approach to rule permissions and waivers.² For Ring-Fenced Bodies (RFBs), as defined in section 142A of the Financial Services and Markets Act (FSMA), or any other PRA-authorised person that is a member of a group containing an RFB, this statement should be read alongside the PRA's supervisory statement 8/16 'Ring-fenced bodies (RFBs)'.³

¹ www.bankofengland.co.uk/prudential-regulation/publication/pras-approach-to-supervision-of-the-banking-and-insurance-sectors.

² www.bankofengland.co.uk/prudential-regulation/publication/2024/july/pras-approach-to-rule-permissions-and-waivers-statement-of-policy.aspx.

³ July 2016: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/ring-fenced-bodies-ss>.

2: Approach to consolidation

Individual consolidation

2.1 Where a parent institution wishes to apply for individual consolidation under Article 9 of the Groups Part of the PRA Rulebook, it will be expected to make a formal application to the PRA pursuant to section 138BA of FSMA.⁴ The PRA expects the application to demonstrate how the criteria set out in paragraphs 2.2B and 2.2C and Article 396(2) of the Large Exposures (CRR) Part of the PRA Rulebook are met.

2.2 The PRA will assess individual consolidation applications against paragraphs 2.2B and 2.2C and Article 396(2) of the Large Exposures (CRR) Part of the PRA Rulebook on a case-by-case basis. Where the criteria in paragraphs 2.2B and 2.2C and Article 396(2) of the Large Exposures (CRR) Part of the PRA Rulebook are met, the PRA will assess whether it is still appropriate to permit the treatment, if doing so risks conflict with its statutory objectives. The PRA will apply a high level of scrutiny to applications under Article 9 of the Groups Part of the PRA Rulebook as per the existing individual consolidation regime.

2.2A An RFB, or any other PRA-authorized person that is a member of a group containing an RFB, should note that the PRA will assess whether it remains appropriate to permit the treatment where the criteria set out in paragraphs 2.2B and 2.2C and Article 396(2) of the Large Exposures (CRR) Part of the PRA Rulebook are met, including an assessment of the impact of the proposed treatment on the ability of the RFB and any other members of its group to fulfil their ring-fencing obligations, and on the PRA's general safety and soundness objective in relation to ring-fencing.⁵

2.2B Subject to paragraph 2.2C, the PRA may permit on a case-by-case basis parent institutions to incorporate in the calculation of their requirement under Article 9 of the Groups Part of the PRA Rulebook subsidiaries which meet the expectations laid down in lines (m) and (n) of paragraph 2.7 and whose material exposures or material liabilities are to that parent institution.

2.2C The treatment set out in paragraph 2.2B, and accordingly the permission specified in Article 9 of the Groups Part of the PRA Rulebook, shall be granted only where the parent institution demonstrates fully to the PRA the circumstances and arrangements, including legal arrangements, by virtue of which there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds, or repayment of liabilities when due by each relevant subsidiary to its parent undertaking.

Methods of consolidation

2.3 Where a parent institution does not wish to proportionately consolidate its undertakings subject to Article 18(5) of the Groups Part of the PRA Rulebook, it will be expected to make a

⁴ [PS12/24 – The Prudential Regulation Authority's approach to rule permissions and waivers](#).

⁵ See section 2B of FSMA.

formal application to the PRA pursuant to section 138A of FSMA. The application should seek to demonstrate how proportionately consolidating those undertakings is disproportionate to the risk carried by the firm.

2.3aA Where a parent institution is required to proportionately consolidate an undertaking subject to Article 18(5) of the Groups Part of the PRA Rulebook, the PRA would expect it to consolidate the following proportion of the undertaking:

- Where the firm only has voting rights (eg in relation to a company limited by guarantee), the proportion of the undertaking based on the voting rights that it holds;
- Where a firm has both voting rights and share of capital, the proportion of the undertaking based on the share of capital it holds. However, where a firm's share of voting rights is higher than its share of capital, it may wish to proportionately consolidate based on its share of voting rights. This would likely be in circumstances where a firm considers that this better reflects the economic substance of its holding. A firm should notify the PRA where it takes this approach.

2.3A Article 18(7) of the Groups Part of the PRA Rulebook requires a firm to use the equity method for valuing certain holdings. Where a parent institution does not wish to apply the equity method, but instead wishes to use another valuation method, it will be expected to make a formal application pursuant to s138A of FSMA. The PRA may then be able to permit the use of a different method, such as the one used by the firm under its applicable accounting framework. The PRA may also require a firm to use a different valuation method pursuant to section 55M or section 192C of FSMA if it determines that the equity method is unduly burdensome or does not adequately reflect the risks of a holding.

2.3B The PRA would consider the use of its powers pursuant to s55M or s192C of FSMA under Article 18(8) of the Groups Part of the PRA Rulebook where:

- (1) the undertaking is not a UK Solvency II firm, a third-country branch undertaking, an insurance holding company or an undertaking within Article 4(1)(27)(k) of the CRR; and
- (2) there is a substantial risk that the firm provides financial support to that subsidiary or undertaking in which it has a participation in stressed conditions, in the absence of, or in excess of any contractual obligations to provide such support.

The PRA intends to exercise this power on a case-by-case basis where it assesses that there is evidence that such substantial step-in risk exists consistent with its Step-in Risk supervisory statement.⁶

⁶ More detail can be found in supervisory statement 1/25 – [Step-in Risk](#)

2.3BA The PRA expects that a CRR consolidation entity or institution may only exclude an entity or entities from consolidation under Article 19(1) of the Groups Part of the PRA Rulebook where, consistent with Article 19(3), the balance sheet size of the entity being excluded, or the aggregate balance sheet size of the entities being excluded (where more than one entity is being excluded) is less than the relevant threshold. (The relevant threshold, as stated in Article 19(1) of the Groups Part of the PRA Rulebook, being the lower of £8.8 million and 1% of the total amount of assets and off-balance sheet items of the parent undertaking or the undertaking that holds the participation.)

Sub-consolidation

2.3C The PRA may require an institution to comply with prudential requirements on a sub-consolidated basis, where it considers that it is justified by the specificities of the risk, or of the capital structure of an institution, or for the purposes of structural separation by exercising requirement powers upon it in accordance with s55M or a direction in accordance with s192C of FSMA. The PRA intends to use this approach, in particular, to require RFBs to comply with prudential requirements on a sub-consolidated basis. An additional circumstance in which the PRA envisages using this power on a case-by-case basis is where it has concerns about the impact of any subsidiary or subsidiaries in a third country on a UK firm.

Application of individual consolidation criteria

2.4 [Deleted]

2.5 When assessing whether a parent institution has demonstrated that the criteria in paragraph 2.2C above are met, the PRA will consider whether any minority interest may represent an impediment of any kind to the prompt transfer of own funds or repayment of liabilities from subsidiary undertaking to parent. The PRA expects that the parent institution should demonstrate that any minority interest in a subsidiary institution will not result in the potential blocking or delay of prompt transfer of own funds or repayment of liabilities.

2.6 [Deleted]

2.7 In addition, the PRA will consider the non-exhaustive list below when determining whether the criteria in paragraphs 2.2B and 2.2C are met:

- (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;
- (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 the PRA's overall assessment, it would consider one of the indicators to

achieving prompt transfer as being ownership of 75% or more of the subsidiary undertaking;⁷

(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;

(d) whether there are any tax disadvantages for the firm or the subsidiary undertaking as a result of the transfer of funds or repayment of liabilities;

(e) whether there are any exchange controls that may have an impact on the transfer of funds or repayment of liabilities;

(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;

(g) whether any regulatory requirements affect the ability of the subsidiary undertaking to transfer funds or repay liabilities promptly;

(h) whether the purpose of the subsidiary undertaking prejudices the prompt transfer of funds or repayment of liabilities;

(i) whether the legal structure of the subsidiary undertaking prejudices the prompt transfer of funds or repayment of liabilities;

(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;

(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;

(l) whether the degree of individual consolidation by the firm undermines the PRA's ability to assess the soundness of the firm as a legal entity;

(m) whether the risk evaluation, measurement and control procedures of the parent undertaking cover the subsidiary; and

(n) whether, based on the firm's recovery plans and other relevant information, there are any impediments to the firm's ability to undertake recovery actions or to the implementation of the firm's preferred resolution strategy arising from the individual consolidation.

2.8 The PRA would expect a parent institution to provide the following when applying for individual consolidation under Article 9 of the Groups Part of the PRA Rulebook:

(a) information on the balance sheet of the subsidiary and an explanation, where appropriate, of how it has evolved since the last application; and

⁷ 75% or more shareholders can pass a special resolution.

(b) a breakdown of the firm's capital and RWA (Risk Weighted Assets) with and without the Article 9 permission.

3: CRR Article 19(2) — entities excluded from the scope of prudential consolidation

[Deleted]

Application process [Deleted]

3.1 [Deleted]

3.2 [Deleted]

Application of criteria [Deleted]

3.3 [Deleted]

3.4 [Deleted]

3.5 [Deleted]

4: The concept of ‘maintaining links...on a long-term basis’

Purpose

4.1 This Chapter⁸ clarifies the PRA’s interpretation of the concept of ‘maintaining links...on a long-term basis’ (referred to below as a ‘long-term link’), which is important for ascertaining whether a holding of less than 20% in another undertaking is to be treated as a ‘participation’ for the purposes of limb (1) of the PRA Rulebook Glossary definition of this term (used in, for example, the Groups Part of the PRA Rulebook).

Background

4.2 Limb (1) of the PRA Rulebook Glossary definition of a ‘participation’ reads:

(1) ((A) when used in italics in (i) the definition of *Article 18(6) relationship* and limb (1) of the definition of *close links* in the PRA Rulebook Glossary, and (ii) the Financial Conglomerates Part and the Large Exposures Part and (B) when used without italics in (i) *CRR rules* and (ii) rules made under section 192XA of *FSMA*) means:

- (a) the ownership, direct or indirect, of 20% or more of the voting rights or capital in an *undertaking*, or
- (b) the ownership, direct or indirect, of voting rights or capital in an *undertaking* for the purpose of maintaining links with that *undertaking* on a long-term basis which contribute to the activities of the *undertaking* which owns those voting rights or that capital;

(2) ...⁹

Long-term link

4.3 The PRA’s interpretation of a long-term link takes into account the definition of ‘significant influence’ under the accounting framework. While an accounting determination of significant influence is a key factor in determining whether there is a long-term link, other factors regarding the financial, governance and management intent of the firm’s management will also be considered as explained below.

⁸ This Chapter replaces the PRA’s previous statement on the concept of ‘durable link’, which was issued on 20 October 2016.

⁹ Limb (2) is not reproduced here.

Significant influence

4.4 IAS 28 *Investments in Associates and Joint Ventures* defines significant influence: it is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

IAS 28 states that the existence of significant influence is usually evidenced in one or more of the following ways:

- a. representation on the board of directors or equivalent governing body of the investee;
- b. participation in policy-making processes, including participation in decisions about dividends or other distributions;
- c. material transactions between the entity and its investee;
- d. interchange of managerial personnel; or
- e. provision of essential technical information.

IAS 28 also sets out how voting power (including potential voting rights) should be considered in determining whether an entity has significant influence over another undertaking.

Other factors

4.5 The PRA, in addition to taking into account whether there is significant influence under the accounting framework, will also consider the future intentions of the firm's management in deciding whether a relationship arising pursuant to rights in the capital of the investee constitutes a long-term link. The long-term link assessment will take into account, on a forward-looking basis, the strategic importance of the stake to the firm. This would include, in particular, consideration as to:

- whether the firm's management intends to maintain or increase its financial stake in the undertaking;
- the role the firm's management intends to play in the undertaking's governance and management; and
- whether such arrangements are aligned with the firm's longer-term strategic ambitions.

The PRA also expects these arrangements to be communicated appropriately to all key stakeholders. This assessment could lead to a different conclusion to the accounting framework determination of significant influence in some circumstances.

Financial intent

4.6 The PRA will consider evidence of an intention by a firm's management to maintain or increase the level of its holding or to maintain a significant or strategic business relationship

with the undertaking. Subscribing to rights issues, for example, would tend to demonstrate that the stake is a strategic one that is intended to contribute to a firm's activities. However, where a firm's management can credibly demonstrate that this is not the case, (ie that it does not intend to provide such support in the future or to maintain such business relationships) then it may be appropriate to conclude that a long-term link does not exist.

Governance and management

4.7 The PRA will also consider a firm's role in the governance and management of the undertaking in considering whether a long-term link exists. Representation on the board of directors and other strategic links between the two entities would tend to point towards the existence of a long-term link. However, were a firm's management to consider that no such link exists, if it can credibly demonstrate that such relationships are limited in nature and not designed to further its strategic aims, it may be appropriate to conclude that a long-term link does not exist.