

**FINANCIAL CONGLOMERATES (CONSEQUENTIAL
AMENDMENTS) INSTRUMENT 2016**

Powers exercised

- A. The Financial Conduct Authority 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 137A (The FCA’s general rules);
 - (2) section 137T (General supplementary powers);
 - (3) section 138D (Actions for damages); and
 - (4) section 139A (Power of the FCA to give guidance).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 22 April 2016.

Amendments to the Handbook

- D. The modules of the FCA’s Handbook of rules and guidance listed in column (1) below are amended in accordance with the Annexes to this instrument listed in column (2).

(1)	(2)
Glossary of definitions	Annex A
Senior Management Arrangements, Systems and Controls sourcebook (SYSC)	Annex B
General Prudential sourcebook (GENPRU)	Annex C

Citation

- E. This instrument may be cited as the Financial Conglomerates (Consequential Amendments) Instrument 2016.

By order of the Board
21 April 2016

Annex A

Amendments to the Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

<i>ancillary insurance services undertaking</i>	<p>(in relation to any <i>undertaking</i> in a <i>consolidation group</i>, <i>sub-group</i> or other group of <i>persons</i>) an <i>undertaking</i> complying with the following conditions:</p> <p>(a) its principal activity consists of:</p> <p>...</p> <p>(ii) ...</p> <p><u>(ia) providing health and care services; or</u></p> <p>(iii) ...</p> <p>...</p>
<i>applicable sectoral rules</i>	<p>(in respect of a <i>financial sector</i>) <i>applicable sectoral consolidation rules</i> for that <i>financial sector</i> and the <i>appropriate regulator's sectoral rules</i> about capital adequacy and solvency for:</p> <p>(a) the <i>banking and investment services sector</i> as set out in paragraph 6.2 of <i>GENPRU 3 Annex 1R</i>; or</p> <p>(b) <i>insurance undertakings</i> <u>the <i>insurance sector</i> as set out in paragraph 6.4 of <i>GENPRU 3 Annex 1R</i>;</u></p> <p>which of those sets of <i>rules</i> apply for the purpose of a particular calculation depends on the nature of that calculation.</p>
<i>appropriate regulator</i>	<p>(1) in the <i>FCA Handbook</i>, the <i>FCA</i>; and in the <i>PRA Handbook</i>, the <i>PRA</i>;</p> <p>...</p> <p><u>(3) (in <i>GENPRU 3</i>):</u></p> <p>(a) <u>in relation to any member of a <i>financial conglomerate</i> which is a <i>PRA-authorised person</i>, the <i>PRA</i>;</u></p> <p>(b) <u>in relation to any other <i>authorised person</i> that is a member of the <i>financial conglomerate</i>, the <i>FCA</i>;</u></p> <p>(c) <u>in relation to the <i>banking and investment services sector</i>, the <i>FCA</i>; and</u></p>

- (d) in relation to the insurance sector, the PRA.
- consolidation group* (1) the following:
- (a) a *conventional group*; or
- (b) *undertakings* linked by a *consolidation Article 12(1) relationship* or either of (for the purposes of *BIPRU*) an Article 134 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 either of (for the purposes of *BIPRU*) an Article 134 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*.

...

EEA prudential sectoral legislation (in relation to a *financial sector*) requirements applicable to *persons* in that *financial sector* in accordance with EEA legislation about prudential supervision of *regulated entities* in that *financial sector* and so that:

- (a) (in relation to the *banking sector* and the *investment services sector*) in particular this includes the requirements laid down in the *EU CRR* and (in relation to a *CAD investment firm*) the *Banking Consolidation Directive* and the *Capital Adequacy Directive*; and
- (b) (in relation to the *insurance sector*) in particular this includes requirements laid down in the *Solvency II Directive* and *Solvency II Regulations*.

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

- (a) ~~an *insurance undertaking*~~ a “Solvency II undertaking” as defined in the PRA Rulebook: Glossary;
- (aa) a “third country insurance undertaking” or a “third country reinsurance undertaking” as defined in the PRA Rulebook: Glossary;
- (b) an *insurance holding company*; and
- (c) ...

investment firm (1) any person whose regular occupation or business is the provision of one or more *investment services* to third parties and/or the performance of one or more investment activities

on a professional basis.

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

- (2) ...
- (3) (in *IFPRU*, ~~*GENPRU 3*~~ and *BIPRU 12*) has the meaning in article 4(1)(2) of the *EU CRR*.

...

*recognised third
country investment
firm*

- (1) (in *GENPRU 3.2 (Third-country groups)* as it applies to a *BIPRU firm* in relation to a *third-country banking and investment group* and a *banking and investment group*) a *CAD investment firm* that satisfies the following conditions:
- (a) its head office is outside the *EEA*;
 - (b) it is authorised by a *third country competent authority* in the state or territory in which the *CAD investment firm's* head office is located;
 - (c) that *third country competent authority* is named in Part 2 of *BIPRU 8 Annex 6 (Non-EEA investment firm regulators' requirements deemed CRD-equivalent for individual risks)*; and
 - (d) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *Banking Consolidation Directive* and the *Capital Adequacy Directive* as applied under the third paragraph of article 95(2) of the *EU CRR*.
- (2) (except for the purpose in (1)) (in *GENPRU 3.2 (Third country groups)* in relation to a *third-country banking and investment group* and a *banking and investment group*) an *investment firm* that falls within the meaning of "investment firm" in article 4(1)(2) of the *EU CRR* and which satisfies the following conditions:
- (a) its head office is outside the *EEA*;
 - (b) it is authorised by a *third country competent authority* in the state or territory in which the *investment firm's* head office is located; and
 - (c) that *investment firm* is subject to and complies with prudential rules of or administered by that *third country competent authority* that are at least as stringent as those laid down in the *EU CRR*.

(3) (in GENPRU 3.1) a firm in either (1) or (2), or both.

regulated entity

one of the following:

- (a) a *credit institution*; or
- (b) a ~~regulated insurance undertaking~~ “Solvency II undertaking”, “third country insurance undertaking” or “third country reinsurance undertaking”, each as defined in the PRA Rulebook: Glossary; or
- (c) an *investment firm*;

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

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:

...

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

...

...

Annex B

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

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

12 Group risk systems and controls requirements

12.1 Application

12.1.1 R Subject to SYSC 12.1.2R to SYSC 12.1.4R, this section applies to each of the following which is a member of a *group*:

(1) a *firm* that falls into any one or more of the following categories:

(a) a *regulated entity*; that is:

(i) an investment firm, except a designated investment firm unless (ii) applies; or

(ii) a credit institution or designated investment firm that is a subsidiary undertaking of a parent institution in a Member State that is an IFPRU investment firm;

...

(e) ~~a non-BIPRU firm that is a parent financial holding company in a Member State and~~ that is a member of one of the following:

(i) a UK consolidation group; ~~and~~ or

(ii) an FCA consolidation group; and

...

...

...

12.1.7 G This section implements ~~Articles 73(3) (Supervision on a consolidated basis of credit institutions) and 138 (Intra-group transactions with mixed activity holding companies) of the *Banking Consolidation Directive* article 109(2) of the *CRD* and ~~Article 9~~ article 9 of the *Financial Groups Directive* (Internal control mechanisms and risk management processes).~~

...

Annex C

Amendments to the General Prudential sourcebook (GENPRU)

In this Annex, underlining indicates new text and striking through indicates deleted text, unless otherwise stated.

1 Application

1.1 Application

...

1.1.2- G *GENPRU* 3 (Cross sector groups) applies to:
AA

...

(2) an *insurer* that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary; and

...

...

2 Capital

...

2.2 Capital resources

...

2.2.214 R The amount to be deducted with respect to each *material insurance holding* is the higher of:

(1) the book value of the *material insurance holding*; and

(2) the *solo capital resources requirement* for the *insurance undertaking* or *insurance holding company* in question calculated in accordance with: ~~Part 3 of *GENPRU* 3 Annex 1R (Method 3 of the capital adequacy calculations for financial conglomerates).~~

(a) for an *insurer* that is a *Solvency II firm*, the PRA Rulebook: *Solvency II Firms*; and

(b) for an *insurer* other than in (a), the PRA Rulebook: *Non-Solvency II Firms*.

...

3 Cross sector groups

3.1 Application

3.1.1 R (1) Unless otherwise stated, *GENPRU 3.1* applies to every *firm* that is a member of a *financial conglomerate* other than:

...

(c) a *UCITS* qualifier; and

(d) an *ICVC*;

(e) a *bank*;

(f) a *designated investment firm*; and

(g) an *insurer*.

(1A) *GENPRU 3.1* (except *GENPRU 3.1.5R* to *GENPRU 3.1.13G*) applies to each of the following *firms* that is a member of a *financial conglomerate*:

(a) a *bank*;

(b) a *designated investment firm*; and

(c) an *insurer* that is a “UK Solvency II firm” as defined in the PRA Rulebook: Glossary.

...

...

Introduction: identifying a financial conglomerate

3.1.3 G ...

(9) *GENPRU 3 Annex 3* is a questionnaire (together with its explanatory notes) that the ~~appropriate regulator~~ *FCA* asks groups that may be *financial conglomerates* to fill out in order to decide whether or not they are.

(10) If a *mixed financial holding company* is subject to equivalent provisions under ~~*BIPRU 8* (Group risk consolidation)~~ the *EEA prudential sectoral legislation in relation to the banking and investment services sector* and under *GENPRU 3* (Cross sector groups) and the ~~appropriate regulator~~ *FCA* is the *coordinator*, the ~~appropriate regulator~~ *FCA* may, on application by a *firm* and after consulting other *competent authorities* responsible for the supervision of subsidiaries, disapply such provisions of ~~*BIPRU 8*~~ the *EEA prudential sectoral legislation in relation to the banking and*

investment services sector with regard to the *mixed financial holding company* and apply only the relevant provisions of *GENPRU 3* to the *mixed financial holding company*.

...

3.1.8 R (1) ...

(1A) In determining the *investment services sector* for the purpose of identifying a *financial conglomerate* in the boxes entitled Threshold Test 1, Threshold Test 2 and Threshold Test 3 in the *financial conglomerate definition decision tree*, any *investment firm* that does not fall within the definition of article 4(1)(2) of the *EU CRR* is excluded.

...

...

Capital adequacy requirements: introduction

...

3.1.15 G *GENPRU 3.1.25R* is a high level capacity adequacy *rule*. It applies whether or not the ~~*appropriate regulator*~~ FCA is the *coordinator* of the *financial conglomerate* concerned.

3.1.16 G *GENPRU 3.1.29R* to *GENPRU 3.1.31R* and *GENPRU 3 Annex 1* implement the detailed capital adequacy requirements of the *Financial Groups Directive*. They only deal with a *financial conglomerate* for which the ~~*appropriate regulator*~~ FCA is the *coordinator*. If another *competent authority* is *coordinator* of a *financial conglomerate*, those *rules* do not apply with respect to that *financial conglomerate* and instead that *coordinator* will be responsible for implementing those detailed requirements.

...

3.1.19 G Paragraph 5.7 of *GENPRU 3 Annex 1* (Capital adequacy calculations for financial conglomerates) deals with a case in which there are no capital ties between entities in a *financial conglomerate*. In particular, the ~~*appropriate regulator*~~ FCA, after consultation with other *relevant competent authorities* and in accordance with Annex I of the *Financial Groups Directive*, will determine which proportional share of a solvency deficit in such an entity will have to be taken into account, bearing in mind the liability to which the existing relationship gives rise.

...

3.1.21 G The Annex I method to be applied may be decided by the *coordinator* after consultation with the *relevant competent authorities* and the *financial conglomerate* itself. Where the ~~*appropriate regulator*~~ FCA acts as

coordinator, the *financial conglomerate* itself may choose which of Method 1 or Method 2 from Annex I it will apply, unless the *firm* is subject to a *requirement* obliging the *firm* to apply a particular method.

...

Capital adequacy requirements: application of Method 1 or 2 from Annex I of the Financial Groups Directive

...

- 3.1.29A R *GENPRU* 3.1.29R applies to a *firm* with respect to the *financial conglomerate* of which it is a member if notification has been made in accordance with regulation 2 of the *Financial Groups Directive Regulations* that the *financial conglomerate* is a *financial conglomerate* and that the ~~appropriate regulator~~ FCA is *coordinator* of that *financial conglomerate*.

Capital adequacy requirements: use of requirement to apply Annex I of the Financial Groups Directive

- 3.1.30 R ...

- (1) the definitions of *conglomerate capital resources* and *conglomerate capital resources requirement* that apply for the purposes of that *rule* are the ones from whichever of Part 1 or Part 2 of *GENPRU* 3 Annex 1 the *firm* has indicated to the ~~appropriate regulator~~ FCA it will apply, unless the *firm* is subject to a *requirement* obliging the *firm* to apply a specific part of *GENPRU* 3 Annex 1, in which case *GENPRU* 3.1.31R will apply; and
- (2) the *firm* must indicate to the ~~appropriate regulator~~ FCA in advance which Part of *GENPRU* 3 Annex 1 the *firm* intends to apply.

...

Risk concentration and intra-group transactions: introduction

...

- 3.1.33 G Articles 7(3) (Risk concentration) and 8(3) (Intra-group transactions) and Annex II (Technical application of the provisions on intra-group transactions and risk concentration) of the *Financial Groups Directive* say that Member States may apply at the level of the *financial conglomerate* the provisions of the *sectoral rules* on *risk concentrations* and *intra-group transactions*. *GENPRU* 3.1 does not take up that option, although the ~~appropriate regulator~~ FCA may impose such obligations on a case by case basis.

...

Risk concentration and intra-group transactions: Table of applicable sectoral rules

- 3.1.36 R Table: application of sectoral rules

This table belongs to GENPRU 3.1.35R

The most important financial sector	Applicable sectoral rules	
	Risk concentration	Intra-group transactions
...		
<i>Insurance sector</i>	<u>PRA Rulebook: Solvency II Firms Group Supervision 16.1</u>	Rule 9.39 of IPRU(INS) and, for Solvency II firms , the PRA Rulebook: Solvency II Firms; firms . Groups: 16.2
Note	Any <u>waiver, approval or permission</u> granted to a member of the <i>financial conglomerate</i> , on a solo (or individual for the purposes of the <i>EU CRR</i>) or consolidated basis, shall not apply in respect of the <i>financial conglomerate</i> for the purposes of GENPRU 3.1.36R. For this purpose, “ <u>permission</u> ” refers to a consent, approval or agreement conferred on the <u>appropriate regulator as competent authority</u> under the <i>EU CRR</i> .	

- 3.1.37 R (1) ~~Where the sectoral rules for the banking and investment services sector are being applied, a mixed financial holding company must be treated as being a financial holding company.~~
- (2) ~~Where the rules for the insurance sector are being applied, a mixed financial holding company must be treated as being an insurance holding company. [deleted]~~

...

The financial sectors: asset management companies and alternative investment fund managers

- 3.1.39 R ...
- (2) An asset management company or an alternative investment fund manager is in the overall financial sector and is a regulated entity for the purpose of:
- ...
- (c) any other provisions of the ~~Handbook or PRA Rulebook~~ relating to the supervision of *financial conglomerates*.
- (3) In the case of a *financial conglomerate* for which the ~~appropriate regulator~~ FCA is the coordinator, all asset management companies and all alternative investment fund managers must be allocated to

one *financial sector* to which they belong for the purposes in (2), being either the *investment services sector* or the *insurance sector*. But if that choice has not been made in accordance with (4) and notified to the ~~appropriate regulator~~ FCA in accordance with (4)(d), an *asset management company* or an *alternative investment fund manager* must be allocated to the smallest *financial sector*.

(4) ...

(d) must be notified to the ~~appropriate regulator~~ FCA as soon as reasonably practicable after the notification in (4)(a).

...

3.2 Third country groups

Application

3.2.1 R *GENPRU 3.2* applies to every *firm* that is a member of a *third-country group*. But it does not apply to:

...

(4) an ICVC; or

(5) a bank; or

(6) a designated investment firm; or

(7) an insurer.

3.2.1A R *GENPRU 3.2.9R* (Supervision by analogy: rules for third-country banking and investment groups) applies in relation to the following:

(1) a CAD investment firm; and

(2) an investment firm that falls within the definition of “investment firm” in article 4(1)(2) of the EU CRR.

Purpose

3.2.2 G *GENPRU 3.2* implements in part ~~Article 18~~ article 18 of the *Financial Groups Directive*, and ~~Article 127~~ article 127 of the *CRD* and (in relation to *BIPRU firms*) article 143 of the BCD.

Equivalence

3.2.3 G ... Article 18(1) of the *Financial Groups Directive* sets out the process for establishing equivalence with respect to *third-country financial conglomerates* and ~~Article 127(1) and (2)~~ article 127 (1) and (2) of the *CRD* does so with respect to *third-country banking and investment groups*, except where the investment firms in the group are CAD investment firms only, in

which case article 143 of the BCD applies.

...

3.2.6 G The ~~appropriate regulator~~ FCA believes that it will only be right to adopt the option in *GENPRU 3.2.5G* in response to very unusual group structures.

...

3 Annex 1R Capital adequacy calculations for financial conglomerates (GENPRU 3.1.26R and GENPRU 3.1.29R)

...

7 Table

A mixed financial holding company	4.4	<p><i>A 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>EU CRR</i> and the <i>PRA Rulebook: Groups Part</i>) are applied; or</p> <p>(2) an <i>insurance holding company</i> (if the <i>rules</i> in <i>PRA Rulebook: Solvency II Firms: Group Supervision</i> are applied).</p>
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8 Table: PART 5: Principles applicable to all methods

...
Cross sectoral capital	5.3	<p>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 - 3):</p> <p>...</p>
Application of sectoral rules: General	5.4	<p>The following adjustments apply to the <i>applicable sectoral rules</i> as they are applied by the <i>rules</i> in this annex.</p> <p>(1) The scope of those rules will be extended to cover any mixed financial holding company and each other member of the overall financial sector. [deleted]</p> <p>...</p> <p>(5) (For the purposes of Parts 1 to 3 and 2) those <i>rules</i> must be adjusted, if necessary, when</p>

		<p>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>.</p> <p>(6) Any <i>waiver, approval or permission</i> granted to a member of the <i>financial conglomerate</i> under those <i>rules</i> does not apply for the purposes of this annex.</p>
Application of sectoral rules: Insurance sector	5.5	<p>(1) This rule applies an adjustment to the applicable sectoral rules for the insurance sector as they are applied by the rules in this annex.</p> <p>(2) To the extent that:</p> <p>(a) those rules merely require a report on whether or not a specified level of solvency is met (a soft limit); or</p> <p>(b) the requirements in those rules concern having net assets of any amount at or above certain levels; those requirements are restated so as to include an obligation at all times actually to have capital at or above that level (a hard limit), thereby turning a soft limit into a hard limit and turning a limit drafted by reference to assets and liabilities into a requirement that the level of capital be maintained at or above a specified level. If those rules apply both a hard and soft limit, and the level of the soft limit is higher, that soft limit is applied under this annex, but translated into a hard limit in accordance with the earlier provisions of this rule.</p> <p>[deleted]</p>
Application of sectoral rules: Banking sector and investment services sector	5.6	<p>...</p> <p>(4) For the purposes of Part 3 <u>Parts 1 and 2</u>), without prejudice to the application of requirements in <i>BIPRU 8</i> preventing the use of an <i>advanced prudential calculation approach</i> on a consolidated basis, any <i>advanced prudential calculation approach permission</i> that applies for the purpose of <i>BIPRU 8</i> does not apply.</p> <p>(5) (For the purposes of Part 3 <u>Parts 1 and 2</u>), <i>BIPRU 8.5.9R</i> and <i>BIPRU 8.5.10R</i> do not apply.</p> <p>...</p>
	5.7	...

		<p>(4) If:</p> <p>...</p> <p>(c) 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 <i>GENPRU 3 Annex 1</i> the <i>firm</i> has, under <i>GENPRU 3.1.30R</i>, indicated to the appropriate regulator <u>FCA</u> it will apply or, if applicable, in the <i>requirement</i> referred to in <i>GENPRU 3.1.31R</i>; and</p> <p>...</p>
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9 Table: PART 6: Definitions used in this Annex

...		
Solo capital resources requirement: Insurance sector	6.4	<p>(1) ... The <i>solo capital resources requirement</i> of an undertaking a Solvency II firm in the <i>insurance sector</i> is: the capital resources requirement identified in the PRA Rulebook: Solvency II firms: Solvency Capital Requirement—General Provisions as applying to that undertaking.</p> <p>(a) in respect of a UK Solvency II firm, the <i>SCR</i>;</p> <p>(b) in respect of a Solvency II undertaking other than a UK Solvency II firm, the equivalent <i>SCR</i> as calculated in accordance with the Solvency II <u>EEA implementing measures in the EEA State in which it has received authorisation in accordance with article 14 of the Solvency II Directive;</u></p> <p>(c) in respect of a third country <u>insurance undertaking or third country reinsurance undertaking to which the PRA Rulebook: Solvency II Firms: Group Supervision, 10.4(2) applies, the equivalent of the SCR as calculated in accordance with the applicable requirements in that third country; and</u></p> <p>(d) in respect of any <i>undertaking</i> which is not within (a) to (c), <u>the capital resources requirement calculated according to the rules for the calculation of the solo capital resources requirement applicable to that undertaking for the purposes of the calculation referred to in the PRA Rulebook: Solvency II Firms: Group Supervision and Chapter 1 of Title II of the delegated acts, or if no rules are applicable for that calculation under Group Supervision and Chapter 1 of Title II of the delegated acts, in accordance with the SCR</u></p>

		<p><u>Rules.</u></p> <p><u>For the purpose of this Part as it applies in relation to GENPRU 3.1, the following expressions bear the same meaning as defined in the PRA Rulebook: Glossary:</u></p> <p>(i) <u>“UK Solvency II firm”;</u></p> <p>(ii) <u>“Solvency II undertaking”;</u></p> <p>(iii) <u>“delegated acts”;</u></p> <p>(iv) <u>“third country insurance undertaking”;</u></p> <p>(v) <u>“third country reinsurance undertaking”;</u> and</p> <p>(vi) <u>“SCR Rules”.</u></p>
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	<p>...</p> <p>(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>appropriate regulator’s FCA’s sectoral rules</i> identified in paragraph 6.2 as applying to that <i>financial sector</i>;</p> <p>...</p>
...
<u>Reference to “rules”</u>	<u>6.7A</u>	<u>A reference to “rules” in this annex includes any directly applicable Community regulation that is relevant to the purpose of which “rules” as used refers to.</u>

10 Table

Solo capital resources requirement: the insurance sector	6.8	...
Applicable sectoral consolidation rules	6.9	The <i>applicable sectoral consolidation rules</i> for a <i>financial sector</i> are the <i>appropriate regulator’s sectoral rules</i> about capital adequacy and solvency on a consolidated basis that are applied in the table in paragraph 6.10.

11 Table: Paragraph 6.10: Application of sectoral consolidation rules

Financial sector	Sectoral rules
<i>Banking sector</i>	Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Rulebook</i> <i>IFPRU 8.1</i> .
...	...
<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 <i>PRA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>EU CRR</i> and the <i>PRA Rulebook</i> ; (in relation to a <u><i>designated investment firm</i></u> or an <i>IFPRU investment firm</i> which is a member of a <i>financial conglomerate</i> for which the <i>FCA</i> is the <i>coordinator</i>) Part One, Title II, Chapter 2 of the <i>EU CRR</i> and <i>IFPRU 8.1</i> ; ...

3 Annex 2R Prudential rules for third country groups (GENPRU 3.2.8R to GENPRU 3.2.9R)

...

After “3: Table PART 3: Adjustment of scope”, insert the following new Table. The text is not underlined.

4 Table: PART 4: Definition used in this Annex

4.1	This Part sets out the definition which a <i>firm</i> must apply for the purposes of this annex as it applies in relation to <i>GENPRU 3.2</i> .
4.2	A reference to “ <i>rules</i> ” in this annex includes any directly applicable Community regulation that is relevant to the purpose of which “ <i>rules</i> ” as used refers to.

...

3 Annex 3G Guidance Notes for Classification of Groups

...

Purpose and scope

The form is designed to identify groups and sub-groups that are likely to be financial conglomerates under the Financial Groups Directive. A group may be

a financial conglomerate if it contains both insurance and banking/investment businesses and meets certain threshold tests. The ~~appropriate regulator~~ FCA needs to identify conglomerates with their head offices in the EEA and those with their head offices outside the EEA, although this does not necessarily mean that the latter will be subject to EEA conglomerate supervision.

This form's purpose is to enable the ~~appropriate regulator~~ FCA to obtain sufficient information so as to be able to determine how likely a group/sub-group is to be a financial conglomerate. ...

...

A copy of this form ~~will~~ can be found on the ~~appropriate regulator's~~ FCA's Financial Groups Website with current contact details.

...

Calculating balance sheet totals:

Our expectation of how this may be achieved efficiently is as follows:

- ...
- Where off-balance sheet treatment of **funds under management** and on-balance sheet treatment of **policy holders' funds** may distort the threshold calculation, groups should consult the ~~appropriate regulator~~ FCA on the appropriateness of using other measures under article 3.5 of the Financial Groups Directive.
- ...
- Where accounting standards differ between entities, groups should consult the ~~appropriate regulator~~ FCA if they believe this is likely materially to affect the threshold calculation.
- ...

Solvency (capital adequacy) requirements

Generally, the solvency requirements should be according to sectoral rules of the ~~appropriate regulator~~ FCA that would apply to the type of entity. However, you can use EEA rules or local rules in the circumstances set out in Part 6 of *GENPRU* 3 Annex 1. But if this choice makes a significant difference, either with respect to whether the group is a financial conglomerate or with respect to which sector is the biggest, you should consult with the ~~appropriate regulator~~ FCA. ...

Our expectation of how this may be achieved efficiently is as follows:

- ...

- Where there is an unregulated financial undertaking in the opposite sector from its parent/sub-group, the solvency requirement of the subsidiary or participation should be one of the following:
 - as if the entity were regulated by the ~~appropriate regulator~~ FCA under the appropriate sector rules;
 - ...

...

Form GENPRU 3 Ann 3G: Classification of Groups (GENPRU 3.1.3G)

Part 1: General Information

...

B Name of ~~appropriate regulator~~ FCA supervisor:

...

3 Annex 4R (see GENPRU 3.1.5R)

