

FINANCIAL CONGLOMERATES DIRECTIVE (HANDBOOK AMENDMENTS) INSTRUMENT 2014**Powers exercised by the Board of the Prudential Regulation Authority (PRA)**

- A. The Prudential Regulation Authority makes this instrument in the exercise of the following powers and related provisions in 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 power referred to above is 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 with the Financial Conduct Authority) (“FCA”), the PRA consulted the FCA. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

Commencement

- D. This instrument comes into force on 26 May 2014.

Amendments

- E. The rules in the modules of the PRA’s Handbook 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
Prudential sourcebook for Insurers (INSPRU)	Annex B
Interim Prudential sourcebook for Insurers (IPRU (INS))	Annex C

Citation

- F. This instrument may be cited as the Financial Conglomerates Directive (Handbook Amendments) Instrument 2014.

By order of the Board of the Prudential Regulation Authority

23 May 2014.

Annex A

Amendments to the Glossary of definitions

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

ultimate EEA insurance parent undertaking an *EEA insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *EEA insurance parent undertaking* or of a *mixed financial holding company* which has its head office in an *EEA State*.

ultimate insurance parent undertaking an *insurance parent undertaking* that is not itself the *subsidiary undertaking* of another *insurance parent undertaking* or of a *mixed financial holding company*.

Annex B**Amendments to the Prudential sourcebook for insurers (INSPRU)**

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

Scope – undertaking whose group capital is to be calculated and maintained

6.1.17 R The *undertakings* referred to in *INSPRU* 6.1.8R, *INSPRU* 6.1.9R, *INSPRU* 6.1.10R and *INSPRU* 6.1.15R are

(1) for any *firm* that is not within (2), each of the following:

...

(ba) the ~~ultimate~~ ultimate *mixed financial holding company* at the head of a *MFHC conglomerate* of which the *firm* is a member;

...

Annex C

Amendments to the Interim Prudential Sourcebook for Insurers (IPRU(INS))

Appendix 9.9: Group Capital Adequacy (Form 95)

Form 95 is amended as set out below:

In this Part, the text in the data item set out in column (1) is amended as indicated in column (2).

(1)	(2)						
	Retain the text and amend as follows (underlining indicates new text):						
Form 95: INSURANCE GROUP CAPITAL ADEQUACY REPORTING FORM	...						
	<table border="1"> <thead> <tr> <th data-bbox="408 687 571 750"><i>Ref</i></th> <th data-bbox="571 687 1404 750"><i>Instructions</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="408 750 571 846">A (pages 2, 3 & 4)</td> <td data-bbox="571 750 1404 846">...</td> </tr> <tr> <td data-bbox="408 846 571 1585">D2 (page 2)</td> <td data-bbox="571 846 1404 1585"> <p>This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> <u>when computing the group capital resources of an insurance group</u>. The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i>; and the <i>ancillary services undertaking's</i> notional capital resources requirement (see <i>INSPRU</i> 6.1.62R to 6.1.64R).</p> <p><u>For insurance-led conglomerates, for the purposes of <i>INSPRU</i> 6.1.43R, in calculating the group capital resources of an undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or in applying the provisions of <i>INSPRU</i> 6.1 for the purposes of calculating the conglomerate capital resources of a financial conglomerate under the provisions of <i>GENPRU</i> 3.1, a firm must, in accordance with <i>GENPRU</i> 3.1.30R but subject to <i>GENPRU</i> 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in <i>GENPRU</i> 3 Annex 1 R to reflect direct or indirect investments by the undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or by members of the financial conglomerate in each related undertaking which is an ancillary services undertaking.</u></p> </td> </tr> </tbody> </table>	<i>Ref</i>	<i>Instructions</i>	A (pages 2, 3 & 4)	...	D2 (page 2)	<p>This column should be completed only for <i>related undertakings</i> which are <i>ancillary services undertakings</i> <u>when computing the group capital resources of an insurance group</u>. The entry is the higher of: the book value of the direct or indirect investment by the <i>ultimate insurance parent undertaking</i> or <i>ultimate EEA insurance parent undertaking</i> in the <i>ancillary services undertaking</i>; and the <i>ancillary services undertaking's</i> notional capital resources requirement (see <i>INSPRU</i> 6.1.62R to 6.1.64R).</p> <p><u>For insurance-led conglomerates, for the purposes of <i>INSPRU</i> 6.1.43R, in calculating the group capital resources of an undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or in applying the provisions of <i>INSPRU</i> 6.1 for the purposes of calculating the conglomerate capital resources of a financial conglomerate under the provisions of <i>GENPRU</i> 3.1, a firm must, in accordance with <i>GENPRU</i> 3.1.30R but subject to <i>GENPRU</i> 3.1.31R, apply Method 2 (Deduction and Aggregation Method) or Method 1 (Accounting Consolidation Method) as set out in <i>GENPRU</i> 3 Annex 1 R to reflect direct or indirect investments by the undertaking in <i>INSPRU</i> 6.1.17R (1)(ba) or (bb) or by members of the financial conglomerate in each related undertaking which is an ancillary services undertaking.</u></p>
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