Draft Regulations laid before Parliament under paragraph 1(1) and (2) of Schedule 7 to the European Union (Withdrawal) Act 2018, for approval by resolution of each House of Parliament.

D R A F T S T A T U T O R Y I N S T R U M E N T S

2019 No. 0000

EXITING THE EUROPEAN UNION

FINANCIAL SERVICES

The Financial Conglomerates and Other Financial Groups (Amendment etc.) (EU Exit) Regulations 2019

Made - - - - ***

Coming into force in accordance with regulation 1

CONTENTS

The Treasury, in exercise of the powers conferred by section 8(1) of the European Union (Withdrawal) Act 2018(**a**), make the following Regulations.

A draft of these Regulations has been approved by a resolution of each House of Parliament in accordance with paragraph 1(1) and (2) of Schedule 7 to the European Union (Withdrawal) Act 2018.

PART 1

General provision

Citation and commencement

1. These Regulations may be cited as the Financial Conglomerates and Other Financial Groups (Amendment etc.) (EU Exit) Regulations 2019 and come into force on exit day.

PART 2

Amendment of subordinate legislation

Amendment of the Financial Conglomerates and Other Financial Groups Regulations 2004

2.—(1) The Financial Conglomerates and Other Financial Groups Regulations 2004(**b**) are amended as follows.

(2) In regulation 1(2) (interpretation)—

(a) omit the definitions of "directive requirement", "the European Banking Committee" and "the Joint Committee of the ESAs";

(b) in the definition of "competent authority", for "any national authority of an EEA State" substitute "any authority in the United Kingdom";

(c) for the definition of "co-ordinator", substitute—

""co-ordinator" means the competent authority which has been appointed as responsible for the co-ordination and exercise of supplementary supervision of a financial conglomerate based on the criteria in regulation 2A of these Regulations;";

(d) in the definition of "financial conglomerate", after "conglomerates directive" insert—

"as if—

(a) in that Article—

(i) in point (a)(i), for "by a relationship within the meaning of Article 12(1) of Directive 83/349/EEC" there were substituted "by a common management relationship defined in Article 4(38A) of the capital requirements regulation",

(ii) in point (a)(i), "participation" had the meaning given in Article 4 (1)(35) of the capital requirements regulation,

(iii) references to "group", "financial sector", "regulated entity" and "parent undertaking" had the meaning given in these Regulations, and

(b) in Article 3(2)—

(i) in the third paragraph, "Asset management companies" had the same meaning given for "management company" in these Regulations;

(**a**) 2018 c.16.
(**b**) S.I. 2004/1862 as amended by S.I. 2013/1162.

(ii) in the fourth paragraph, "Alternative investment fund managers" had the same meaning given for "regulated entity" in these Regulations;";

(e) in the definition of "relevant competent authorities", omit ",within the meaning of Article 2(17) of the conglomerates directive,";

(f) for the definition of "regulated entity" substitute—

""regulated entity" means—

(a) a credit institution (within the meaning of Article 4(1)(1) of the capital requirements regulation),

(b) an insurance undertaking or reinsurance undertaking (within the meaning of section 417 of the Financial Services and Markets Act 2000) or a third-country insurance undertaking or third country reinsurance undertaking (within the meaning of Regulation 2(1) of the Solvency 2 Regulations 2015),

(c) a company, the regular business of which is the management of UCITS (as specified in article 51ZA of the Regulated Activities Order) in the form of common funds or of investment companies (collective portfolio management of UCITS), or an undertaking which would require permission under Part 4A of FSMA to carry on the regulated activity of managing a UCITS (as specified in article 51ZA of the Regulated Activities Order) if its registered office were located in the United Kingdom,

(d) an investment firm within the meaning of Article 2(1A) of the Markets in Financial Instruments Regulations (EU) No 600/2014, or

(e) an alternative investment fund manager within the meaning of regulation 4(1) of the Alternative Investment Managers Regulations 2013 and which is not within the definition of 'management company' in this regulation, or an undertaking that would require permission to be an alternative investment fund manager if its registered office were located in the United Kingdom; and";

(g) insert the following definitions in the appropriate place—

""financial sector" means a sector composed of one or more of the following entities—

(a) a credit institution, a financial institution or an ancillary banking services undertaking within the meaning of Article 1(5) and (23) of Directive 2000/12/EC (the banking sector);

(b) an insurance undertaking, a reinsurance undertaking or an insurance holding company within the insurance sector within the meaning given by the Financial Conglomerates part of the PRA Rulebook and the Glossary of the FCA Handbook;

(c) an investment firm or a financial institution within the meaning of Article 2(7) of Directive 93/6/EEC (the investment services sector);

(d) a mixed financial holding company;";

""group" means a group of undertakings, which consist of—

(a) a parent undertaking and its subsidiaries;

(b) the entities in which the parent undertaking or its subsidiaries hold a participation as defined in article 4(1) (35) of the capital requirements regulation; and

(c) undertakings linked to each other by a relationship within the meaning of a common management relationship as defined in article 4(38A) of the capital requirements regulation, including any subgroup thereof;";

""management company" has the same meaning as regulation 2(2)(f)(c) of these regulations;";

""mixed financial holding company" means a parent undertaking, other than a regulated entity, which, together with its subsidiaries, at least one of which is a regulated entity which has its head office in the UK, and other entities, constitutes a financial conglomerate;";

""parent undertaking" has the same meaning given in article 4(15)(a) of the capital requirements regulation and any undertaking which, in the opinion of the regulator, effectively exercises a dominant influence over another undertaking;".

(3) In regulation 2 (notification of identification as a financial conglomerate and choice of co-ordinator)—

(a) in paragraph (1)—

(i) omit sub-paragraphs (b), (c) and (d);

(ii) omit "for the purposes of Article 4 of the conglomerates directive";

(b) in paragraph (2)(b), for "Article 10(2) of the conglomerates directive (selection of the co-ordinator)", substitute "paragraph (2A)";

(c) after paragraph (2) insert—

"(2A) The criteria are—

(a) where the financial conglomerate is headed by a regulated entity, the task of the co-ordinator must be exercised by the competent authority which has authorised that regulated entity;

(b) where a financial conglomerate is not headed by a regulated entity, the task of coordinator must be exercised by the competent authority identified in accordance with the following principles—

(i) where the parent of a regulated entity is a mixed financial holding company, the task of coordinator must be exercised by the competent authority which has authorised that regulated entity;

(ii) where the financial conglomerate is a group without a parent undertaking at the top, or in any other case, the task of coordinator must be exercised by the competent authority which authorised the regulated entity with the largest balance sheet total in the most important financial sector.";

(d) in paragraph (3)—

(i) for "Article 10(2) of the conglomerates directive", substitute "paragraph (2A)";

(ii) omit ",where there is a directive requirement to do so,";

(e) after paragraph (3) insert—

"(3A) The relevant competent authorities may by common agreement waive the criteria referred to in paragraph (2A) if the authorities consider that their application would be inappropriate, taking into account the structure of the conglomerate and the relative importance of its activities.

(3B) Before the authorities waive the criteria in accordance with paragraph (3A), the authorities must give the financial conglomerate an opportunity to make representations.";

(f) in paragraph (4)(b)(i), omit "(within the meaning given by Article 3(2) of the conglomerates directive)".

(4) In regulation 3 (exercise of functions under Part IV of the Act for the purposes of carrying on supplementary supervision)—

(a) in paragraph (1)(b), omit "for the purposes of any provision (other than Article 11, 12, 16, 17 or 18(3)) of the conglomerates directive";

(b) in paragraph (3)—

(i) omit ", where there is a directive requirement to do so";

(ii) in sub-paragraph (a), after "member;", insert "and";

(iii) omit sub-paragraph (b).

(5) In regulation 4 (exercise of functions under section 138A of the Act for the purposes of carrying on supplementary supervision)—

(a) in paragraph (1), omit "for the purposes of any provision (other than Article 11, 12, 16, 17 or 18(3)) of the conglomerates directive";

(b) in paragraph (2)—

(i) omit ", where there is a directive requirement to do so";

(ii) at the end of paragraph (a), insert "and";

(iii) omit sub-paragraph (b).

(6) In regulation 6 (regulator functions and service of notifications), in paragraph (1), for "the conglomerates directive (including a function conferred by these Regulations)", substitute "these Regulations".

(7) In regulation 7 (supervision of third-country financial conglomerates and third-country groups - interpretation)—

(a) omit the definitions of "asset management company", "alternative investment fund manager", "credit institution", "investment firm" and "third-country group";

(b) in the definition of "third-country competent authority", for "an EEA State", substitute "part of the United Kingdom";

(c) in the definition of "third-country financial conglomerate"—

(i) in sub-paragraph (a), after "that directive" insert "as amended by regulation 2(2)(d) of the Financial Conglomerates and other Financial Groups (Amendment etc.) (EU Exit) Regulations 2019";

(ii) in sub-paragraph (b) for "EEA" substitute "UK";

(d) omit paragraph (2).

(8) In regulation 8 (supervision of third-country financial conglomerates)—

(a) for paragraph (1) substitute—

"(1) Where a regulator is verifying whether the regulated entities in a third-country financial conglomerate are subject to supervision by a third-country competent authority, which is equivalent to that provided for by the provisions of these Regulations, it must, before completing the verification, consult the other relevant competent authorities in relation to the third-country financial conglomerate.";

(b) in paragraph (2), omit ", for the purposes of Article 18(3) of the conglomerates directive (application of other methods for the purposes of ensuring appropriate supplementary supervision of the regulated entities in a third-country financial conglomerate),";

(c) in paragraph (3)—

(i) omit "Where there is a directive requirement to do so";

(ii) for "a regulator", substitute "A regulator";

(d) for paragraph (4) substitute—

"(4) If a regulator decides to take that action, it must notify the competent authority of each regulated entity in that third-country financial conglomerate that it has done so.".

(9) Omit regulation 9 (supervision of third-country banking groups).

(10) Omit regulation 10 (Supervision of third-country groups subject to the capital requirements regulation and capital requirement directive).

(11) In regulation 15(1) (extension of power to vary Part IV permissions)—

(a) in sub-paragraph (a), for "the conglomerates directive" substitute "these Regulations";

(b) omit sub-paragraphs (b) and (c).

3. After regulation 15, insert—

"Thresholds for identifying a financial conglomerate

16.—(1) If the group does not reach the threshold referred to in—

(a) the PRA Rulebook, Financial Conglomerates Annex 1, Threshold Test 2;

(b) the Threshold Test 2 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

the relevant competent authorities may decide by common agreement not to regard the group as a financial conglomerate.

(2) If a group does not reach the threshold in paragraph (1)(a) or (b), the relevant competent authority may decide not to apply the provisions on risk concentration, intra-group transactions and internal control mechanisms and risk management processes in—

(a) Chapter 3 of the FCA General Prudential Sourcebook, Chapter 12 of the FCA Senior Management Arrangements, Systems and Controls, or

(b) the Financial Conglomerates part of the PRA Rulebook;

if the application of such provisions is not necessary or would be inappropriate or misleading with respect to the objectives of supplementary supervision.

(3) Decisions taken in accordance with this regulation must be notified to the other competent authorities.

17.—(1) If the group reaches the threshold referred to in regulation 16(1)(a) or (b) but the smallest sector does not exceed EUR 6 billion, the relevant competent authorities may decide by common agreement not to regard the group as a financial conglomerate.

(2) The relevant competent authorities may also decide not to apply the provisions on risk concentration, intra-group transactions and internal control mechanisms and risk management processes in—

(a) Chapter 3 of the FCA General Prudential sourcebook, Chapter 12 of the FCA Senior Management Arrangements, Systems and Controls sourcebook, or

(b) the Financial Conglomerates part of the PRA Rulebook;

if the application of such provisions is not necessary or would be inappropriate or misleading with respect to the objectives of supplementary supervision.

(3) Decisions taken in accordance with this regulation must be notified to the other competent authority.

18.—(1) In respect of the application of—

(a) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 1, 2 and 3, or

(b) the Threshold Test 1, 2 and 3 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

the relevant competent authorities may by common agreement take the action specified in paragraph (2).

(2) The action the relevant competent authorities may take is—

(a) to exclude an entity when calculating the ratios, in the cases referred to in regulation 24, unless—

(i) the entity moved from the UK to a third country, and

(ii) there is evidence that the entity changed its location to avoid regulation;

(b) to take into account compliance with the thresholds envisaged in—

(i) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 1 and 2, or

(ii) the Threshold Test 1 and 2 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

for three consecutive years so as to avoid sudden regime shifts, and disregard such compliance if there are significant changes in the group's structure;

(c) to exclude one or more participations as defined in article 4.1(35) of the Capital Requirements Regulation in the smaller sector if—

(i) such participations are decisive for the identification of a financial conglomerate, and

(ii) are collectively of negligible interest with respect the objectives of supplementary supervision.

(3) Where a financial conglomerate has been identified according to—

(a) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 1, 2 and 3, or

(b) the Threshold Test 1, 2 and 3 of Annex 4 of Chapter 3 of the General Prudential sourcebook,

the decisions referred to in paragraph (1) must be taken on the basis of a proposal made by the co-ordinator of that financial conglomerate.

19.—(1) In respect of the application of—

(a) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 1 and 2, or

(b) the Threshold Test 1 and 2 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

the relevant competent authorities may, in exceptional cases and by common agreement, take the action specified in paragraph (2).

(2) The action the competent authorities may take is to—

(a) replace the criterion based on balance sheet total with one or both of the parameters specified in paragraph (3), or

(b) add one or both of the parameters,

if they determine that the parameters are of relevance for the purposes of supplementary supervision.

(3) The parameters are—

(a) income structure;

(b) off-balance-sheet activities;

(c) total assets under management.

20.—(1) In respect of the application of—

(a) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 1 and 2, or

(b) the Threshold Test 1 and 2 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook;

if the ratios referred to in those rules fall below 40% and 10% respectively for conglomerates already subject to supplementary supervision, a lower ratio of 35% and 8 % respectively will apply for the following three years.

(2) In respect of the application of—

(a) the PRA Rulebook, Financial Conglomerates Annex 1 Threshold Test 3, or

(b) the Threshold Test 3 of Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

if the balance sheet total of the smallest financial sector in the group falls below EUR 6 billion for conglomerates already subject to supplementary supervision, a lower figure of EUR 5 billion must apply for the following three years.

(3) During the period which paragraph (2) applies, the co-ordinator may, with the agreement of the other relevant competent authority, decide that the lower ratios or the lower amount referred to in this regulation must cease to apply.

Scope of supplementary supervision of regulated entities

21.—(1) Where a person—

(a) holds participations (as defined in article 4.1(35) of the capital requirements regulation);

(b) holds capital ties in one or more regulated entities; or

(c) exercises significant influence over such entities without holding a participation or capital ties, other than in the cases referred to in regulations 22 and 23 of these Regulations;

the relevant competent authorities must, by common agreement determine whether and to what extent supplementary supervision of the regulated entities is to be carried out, as if they constituted a financial conglomerate.

(2) To apply such supplementary supervision, at least one of the entities must be a regulated entity which is part of a financial conglomerate and the conditions set out in—

(a) the PRA Rulebook Financial Conglomerates Annex 1; and

(b) Annex 4 of Chapter 3 of the FCA General Prudential sourcebook,

must be met.

(3) The relevant competent authorities must make their decision considering the objectives of the supplementary supervision.

(4) For the purposes of applying paragraph (1) to cooperative groups, the competent authorities must consider the public financial commitment of these groups with respect to other financial entities.

22.—(1) The following regulated entities must be subject to supplementary supervision at the level of the financial conglomerate in accordance with—

(a) Chapter 3 of the FCA General Prudential sourcebook,

(b) Chapter 12 of the FCA Senior arrangements, Systems and Controls sourcebook, and

(c) the Financial Conglomerates part of the PRA Rulebook.

(2) The regulated entities are—

(a) every regulated entity which is at the head of a financial conglomerate;

(b) every regulated entity, the parent undertaking of which is a mixed financial holding company which has its head office in the United Kingdom;

(c) every regulated entity linked with another financial sector entity by a common management relationship (within the meaning of article 4(38A) of the capital requirement regulation).

(3) Where a financial conglomerate is a subgroup of another financial conglomerate which meets the requirements of paragraph (2)(a), the relevant competent authorities may apply supplementary supervision to the regulated entities within the latter group only.

23. A regulated entity which is not subject to supplementary supervision in accordance with regulation 22, the parent undertaking of which is a regulated entity or a mixed financial holding company which has its head office in a third country, must be subject to supplementary supervision at the level of the financial conglomerate to the extent and in the manner prescribed in—

(a) regulation 8,

(b) the PRA Rulebook Financial Conglomerates Rule 6.2, and

(c) rule 3.2 of Chapter 3 of the FCA General Prudential sourcebook.

Capital adequacy

24.—(1) The co-ordinator may exclude an entity from the supplementary supervision scope when calculating the supplementary capital adequacy requirements if—

(a) the entity is situated in a third country where there are legal impediments to the transfer of the necessary information, without prejudice to the rules regarding the obligations of the competent authorities to refuse authorisation where the effective exercise of their supervisory functions is prevented;

(b) the entity is of negligible interest with respect to the objectives of the supplementary supervision of regulated entities in a financial conglomerate;

(c) the inclusion of the entity would be inappropriate or misleading with respect to the objectives of supplementary supervision.

(2) However, if several entities are to be excluded—

(a) under paragraph (1)(b), they must be included when collectively they are of non-negligible interest;

(b) under paragraph (1)(c), the co-ordinator must, except in cases of urgency, consult the other relevant competent authority before taking a decision.

(3) When the co-ordinator excludes a regulated entity in the supplementary supervision scope under paragraph (1)(b) and (c), the competent authorities may ask the entity which is at the head of the financial conglomerate for information which may facilitate the competent authorities' supervision of the regulated entity.".

Amendment to the Capital Requirements Regulations 2013

4. In regulation 2 of the Capital Requirements Regulations 2013(**a**) (interpretation), in paragraph (1), in the definition of "capital requirements directive", before "Directive 2013/36/EU", insert "United Kingdom enactment and rules which implemented".

PART 3

Amendment of retained direct EU legislation

Amendments to Regulation (EU) No 575/2013

5.—(1) The capital requirements regulation is amended as follows.

(2) In Article 4.1, for point (21) substitute—

"(21) "mixed financial holding company" has the meaning given in regulation 1(2) of the Financial Conglomerates and Other Financial Groups Regulations 2004;".

(3) In Article 18, for paragraph 8 substitute—

"8. Where consolidated supervision is required under this regulation, ancillary services undertakings and asset management companies as defined in Article 4(1)(19) of this regulation must be included in consolidations in the cases, and in accordance with the methods, laid down in this Article.".

(4) In Article 49—

(a) in paragraph 1—

(i) for "method 1, 2 or 3 of Annex I to Directive 2002/87/EC", substitute "method 1 or 2 or a combination of these under Annex 2 of the Financial Conglomerates part of the PRA Rulebook and Chapter 3 of the FCA General Prudential sourcebook";

(ii) in point (b), before "Directive 2002/87/EC", insert "the United Kingdom enactment and rules which implemented";

(**a**) S.I. 2013/3115

(b) in paragraph 5, for "Annex I to Directive 2002/87/EC", substitute "Annex 2 of the Financial Conglomerates part of the PRA Rulebook and Annex 1 of Chapter 3 of the FCA General Prudential sourcebook;

(c) for paragraph 6 substitute—

"6. Where a competent authority applies method 1, 2 or a combination of these under Annex 2 of the Financial Conglomerates part of the PRA Rulebook and Annex 1 of Chapter 3 of the FCA General Prudential sourcebook, the competent authority must disclose the supplementary own funds requirement and capital adequacy ratio of the financial conglomerate.".

(5) In Article 400(2)(c), before "Directive 2002/87/EC", insert "United Kingdom enactment and rules which implemented".

(6) In Article 493(3)(c), before "Directive 2002/87/EC" insert "United Kingdom enactment and rules which implemented".

PART 4

Saving provisions

Saving provisions

6.—(1) Where a relevant decision is made before exit day by a body other than the PRA or the FCA—

(a) that decision will continue to have effect on and after exit day;

(b) the competent authorities will have the power to review, vary, modify or revoke the decision, as if the decision had been taken by—

(i) the PRA, in relation to a PRA-authorised person (within the meaning of the Financial Services and Markets Act 2000(**a**)), or

(ii) the FCA, in any other case.

(2) For the purposes of paragraph (1), a relevant decision is one made by—

(a) the relevant competent authorities by common agreement—

(i) not to regard a group as a financial conglomerate in accordance with Article 3.3 or 3.3a of the conglomerates directive;

(ii) not to apply the provisions of Article 7, 8 or 9, in accordance with Article 3.3 or 3.3a of the conglomerates directive;

(iii) in the circumstances referred to in the second sub-paragraph of Article 3.4, under Article 3.4(a) (b) or (c) of the conglomerates directive;

(iv) under Article 3.5 of the conglomerates directive;

(v) under Article 5.4 of the conglomerates directive;

(vi) under Article 10.3 of the conglomerates directive;

(b) made by the relevant competent authorities—

(i) under Article 18.1, .2 or .3 of the conglomerates directive;

(ii) referred to in Article 30 or 31 of the conglomerates directive;

(iii) as to which method must be applied by a financial conglomerate in accordance with Annex I of the conglomerates directive;

(iv) under method 3 in Annex I of the conglomerates directive;

(c) made by the coordinator—

(**a**) 2000 c. 8.

(i) with the agreement of the other relevant competent authorities, that the lower ratios or lower amount referred to in Article 3.6 of the conglomerates directive must cease to apply;

(ii) not to include a particular entity in scope when calculating the supplementary capital adequacy requirements in the cases specified in Article 6.5 of the conglomerates directive;

(iii) after consultation with the other relevant competent authorities—

(aa) to identify the type of transactions and risks regulated entities in a particular financial conglomerate must report in accordance with Annex 2 of the conglomerates directive;

(bb) to define appropriate thresholds based on regulatory own funds or technical provisions in accordance with Annex 2 of the conglomerates directive.

(3) For the purposes of this regulation—

"conglomerates directive" means Directive 2002/87/EC of the European Parliament and of the Council of 16th December 2002 on the supplementary supervision of credit institutions, insurance undertakings, and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council;

"the coordinator" has the meaning given in Article 2(17)(b) of the conglomerates directive;

"the FCA" means the Financial Conduct Authority;

"the PRA" means the Prudential Regulation Authority;

"relevant competent authorities" has the same meaning as in Article 2(17) of the conglomerates directive;

PART 5

Transfer of functions to make technical standards

Transfer of functions to the competent authorities

7.—(1) The PRA and the FCA may make technical standards in respect of the following.

(2) UK legislation implementing Article 2.11 of the conglomerates directive.

(3) UK legislation implementing Article 6.2 of the conglomerates directive, to ensure a uniform format for, and determine the frequency of and, where appropriate, the dates for reporting.

(4) To ensure consistent application of UK legislation implementing Articles 2, 7 and 8 and Annex II to the conglomerates directive, the PRA and the FCA may make technical standards to establish a more precise formulation of the definitions set out in Article 2 of that directive and to coordinate the provisions adopted pursuant to Articles 7 and 8 and Annex II.

(5) To ensure uniform conditions of application of these Regulations, the PRA and the FCA may make technical standards on—

(a) UK legislation implementing Article 7(2) to ensure uniform conditions of application of the procedures for including the items within the scope of the definition of 'risk concentrations' in the supervisory overview referred to in the second subparagraph of Article 7(2);

(b) UK legislation implementing Article 8(2) to ensure uniform conditions of application of the procedures for including the items within the scope of the definition of 'intra-group transactions' in the supervisory overview referred to in the third subparagraph of Article 8(2).

(6) To ensure consistent application of the calculation methods listed in UK legislation implementing Annex I, Part II of the conglomerates directive, in conjunction with—

(a) Article 49(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, and

(b) Rule 10.5 of the Group Supervision part of the PRA Rulebook,

but without prejudice to Rule 3.4 of the Financial Conglomerates part of the PRA Rulebook or rule 3.1.30 of Chapter 3 of the FCA General Prudential sourcebook.

(7) For the purpose of this regulation—

"conglomerates directive" means Directive 2002/87/EC of the European Parliament and of the Council of 16th December 2002 on the supplementary supervision of credit institutions, insurance undertakings, and investment firms in a financial conglomerate.

Name
Name
Date Two of the Lords Commissioners of Her Majesty's Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made in exercise of the powers in section 8(1) of the European Union (Withdrawal) Act 2018 (c. 16) and section 2(2) of the European Communities Act 1972 to address the deficiencies in retained EU law, to operate effectively and other deficiencies arising from the withdrawal of the United Kingdom from the European Union.

Part 2 of these Regulations make amendments to UK legislation, specifically the Financial Conglomerates and Other Financial Groups Regulations 2004 and the Capital Requirements Regulations 2013 to ensure that references in UK legislation to EU bodies and legal requirements which would cause deficiencies in UK legislation once the United Kingdom withdraws from the European Union are amended.

Part 3 amends references to financial conglomerates in Regulation (EU) No 575/2013.

Part 4 saves decisions made by EU authorities in relation to financial conglomerates, to ensure their continued effect post exit day, granting the PRA and the FCA power to review, vary, modify and revoke the decisions.

These Regulations refer to the Rulebook made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000 (c.8), and sourcebooks made by the Financial Conduct Authority under that Act.

The Rulebook is available on http://www.prarulebook.co.uk and copies of the rules referred to can be obtained from the Prudential Regulation Authority, 20 Moorgate, London EC2R 6DA, where it is also available for inspection.

Sourcebooks made by the Financial Conduct Authority are available on https://www.handbook.fca.org.uk/handbook and copies of the rules referred to can be obtained from the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN, where they are also available for inspection.

An impact assessment of the effect that this instrument, and other instruments made by the Treasury under the European Union (Withdrawal) Act 2018 at or about the same time, will have on the costs of business, the voluntary sector and the public sector is available from the Treasury, 1 Horse Guards Road, London SW1A 2HQ and is published alongside this instrument at www.legislation.gov.uk.

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