

## STATUTORY INSTRUMENTS

# 2004 No. 1862

## The Financial Conglomerates and Other Financial Groups Regulations 2004

### PART 5

#### Miscellaneous

#### Consultation on change of control

<sup>F1</sup>13. ....

**F1** [Reg. 13](#) revoked (1.1.2014) by [The Capital Requirements Regulations 2013 \(S.I. 2013/3115\)](#), [reg. 1\(2\)](#), [Sch. 3](#)

#### References to existing directives

14.—(1) In section 119(2B) of the Building Societies Act 1986 (definition of “Banking Consolidation Directive”) <sup>M1</sup>, at the end insert “ (as last amended by Directive [2002/87/EC](#) of the European Parliament and of the Council) ”.

(2) In section 17(7C) of the Bank of England Act 1998 (power to obtain information) <sup>M2</sup>, after “Council Directive [2000/12/EC](#) of the European Parliament and the Council”, insert “ (as last amended by Directive [2002/87/EC](#) of the European Parliament and of the Council) ”.

(3) In article 2(3) of the Cash Ratio Deposits (Eligible Liabilities) Order 1998 (interpretation) <sup>M3</sup>, at the end, insert “ (as last amended by Directive [2002/87/EC](#) of the European Parliament and of the Council) ”.

(4) In the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 <sup>M4</sup>, in regulation 2(5)(e)(i) and regulation 3(3)(e)(i) (content of consent and regulator’s notice), after “first non-life insurance directive”, insert “ (as last amended by Directive [2002/87/EC](#) of the European Parliament and of the Council) ”.

#### Marginal Citations

**M1** 1986 c. 53; definition inserted by [S.I. 1996/1669](#), substituted by [S.I. 2000/2952](#).

**M2** 1998 c. 11; [section 17\(7C\)](#) was inserted by [S.I. 2001/3649](#).

**M3** [S.I. 1998/1130](#); [article 2\(3\)](#) was amended by [S.I. 2000/2952](#).

**M4** [S.I. 2001/2511](#); [regulation 2](#) was amended by [S.I. 2002/765](#) and [S.I. 2003/2066](#) and [regulation 3](#) was amended by [S.I. 2003/1473](#) and [S.I. 2003/2066](#).

*Changes to legislation: The Financial Conglomerates and Other Financial Groups Regulations 2004, PART 5 is up to date with all changes known to be in force on or before 25 January 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

**Extension of power to vary Part IV permissions**

15.—(1) Subject to paragraph (2), [<sup>F2</sup>a regulator] may exercise its [<sup>F3</sup>own-initiate variation power or own-initiative requirement power (within the meaning of Part 4A of the Act)] in relation to an authorised person, if it appears to it that it is desirable to do so for the purpose of—

(a) carrying out supplementary supervision in accordance with [<sup>F4</sup>these Regulations];

<sup>F5</sup>(b) . . . . .

<sup>F6</sup>(c) . . . . .

(2) [<sup>F7</sup>A regulator] may exercise its own-initiative [<sup>F7</sup>power, for the purposes set out in paragraph (1), to vary a Part IV permission in any of the ways mentioned in [<sup>F8</sup>sections 55H(2), 55I(1), 55L(5)(b) or (c) or 55M(5)(b) or (c) of the Act]; and this extends to including any provision in the permission as varied that could be included if a fresh permission were given in response to an application under [<sup>F9</sup>section 55A] of the Act (application for permission).

(3) The duty imposed by [<sup>F10</sup>subsection (3) of section 55B] of the Act (the threshold conditions) does not prevent [<sup>F11</sup>a regulator] from exercising its own-initiative power for the purposes set out in paragraph (1).

- F2** Words in reg. 15 substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(a)** (with Sch. 2 para. 96)
- F3** Words in reg. 15(1) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(b)** (with Sch. 2 para. 96)
- F4** Words in reg. 15(1)(a) substituted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, **2(11)(a)** (with reg. 6) (as amended by S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F5** Reg. 15(1)(b) omitted (31.12.2020) by virtue of [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, **2(11)(b)** (with reg. 6) (as amended by S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F6** Reg. 15(1)(c) omitted (31.12.2020) by virtue of [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, **2(11)(b)** (with reg. 6) (as amended by S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11); 2020 c. 1, Sch. 5 para. 1(1)
- F7** Words in reg. 15(2) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(c)(i)** (with Sch. 2 para. 96)
- F8** Words in reg. 15(2) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(c)(ii)** (with Sch. 2 para. 96)
- F9** Words in reg. 15(2) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(c)(iii)** (with Sch. 2 para. 96)
- F10** Words in reg. 15(3) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(d)(ii)** (with Sch. 2 para. 96)
- F11** Words in reg. 15(3) substituted (1.4.2013) by [The Financial Services Act 2012 \(Consequential Amendments and Transitional Provisions\) Order 2013 \(S.I. 2013/472\)](#), **Sch. 2 para. 95(12)(d)(i)** (with Sch. 2 para. 96)

**[F12] 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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

- 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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

- 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,

---

**Changes to legislation:** *The Financial Conglomerates and Other Financial Groups Regulations 2004, PART 5 is up to date with all changes known to be in force on or before 25 January 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

---

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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by [S.I. 2019/1010](#), regs. 1(3), 8 and [S.I. 2020/1031](#), reg. 3, Sch. para. 15 and with savings in [S.I. 2019/680](#), reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

- 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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

**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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

### 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,

---

**Changes to legislation:** The Financial Conglomerates and Other Financial Groups Regulations 2004, PART 5 is up to date with all changes known to be in force on or before 25 January 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

---

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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

**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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

**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.

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/264\)](#), regs. 1, 3 (with regs. 6, 9) (as amended



**Changes to legislation:** The Financial Conglomerates and Other Financial Groups Regulations 2004, PART 5 is up to date with all changes known to be in force on or before 25 January 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

### [<sup>F13</sup> Interpretation of regulations 16 to 23

#### 23A. In regulations 16 to 23—

“FCA General Prudential Sourcebook” means that Part of the FCA Handbook as that Handbook has effect on 17th August 2022;

“FCA Handbook” means the Handbook made by the Financial Conduct Authority under the Act as that Handbook has effect on 17th August 2022; and

“PRA Rulebook” means the rulebook published by the Prudential Regulation Authority containing rules made by that Authority under the Act as that rulebook has effect on 17th August 2022.]

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/264), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

**F13** Reg. 23A inserted (17.8.2022) by [The Financial Services and Markets Act 2000 \(Consequential Amendments of References to Rules and Miscellaneous Amendments\) Regulations 2022](#) (S.I. 2022/854), regs. 1(2), 2(2)

### 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.]

**F12** Regs. 16-24 inserted (31.12.2020) by [The Financial Conglomerates and Other Financial Groups \(Amendment etc.\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/264), regs. 1, 3 (with regs. 6, 9) (as amended by S.I. 2019/1010, regs. 1(3), 8 and S.I. 2020/1031, reg. 3, Sch. para. 15 and with savings in S.I. 2019/680, reg. 11 ); 2020 c. 1, Sch. 5 para. 1(1)

**Changes to legislation:**

The Financial Conglomerates and Other Financial Groups Regulations 2004, PART 5 is up to date with all changes known to be in force on or before 25 January 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

**Changes and effects yet to be applied to :**

- Regulations revoked by [2023 c. 29 Sch. 1 Pt. 2](#)