

Finansinspektionen's Regulatory Code

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Finansinspektionen's regulations and general guidelines regarding special supervision of financial conglomerates;

decided on 17 March 2011.

Finansinspektionen prescribes¹ the following pursuant to the Special Supervision of Financial Conglomerates Ordinance (2006:627) and provides general guidelines.

Chapter 1 Scope

Section 1 These regulations contain provisions for financial conglomerates for which Finansinspektionen is the coordinator in accordance with the Special Supervision of Financial Conglomerates Act (2006:531).

Section 2 Firms that shall report information to Finansinspektionen pursuant to Chapter 2, section 1 and Chapter 3, section 11 are set out in Chapter 5, section 12 of the Special Supervision of Financial Conglomerates Act (2006:531).

Chapter 2 Risk concentrations and internal transactions

Section 1 Risk concentrations and intra-group transactions for which Finansinspektionen pursuant to Chapter 5, section 11 of the Special Supervision of Financial Conglomerates Act (2006:531) has made a decision shall be reported annually as per 31 December.

The information shall be submitted using the "Significant risk concentrations in financial conglomerates" form in *Appendix 1* and the "Significant intra-group transactions in financial conglomerates" form in *Appendix 2*.

Section 2 Finansinspektionen shall have received the information no later than 31 March.

Chapter 3 Own funds and capital requirements

Section 1 Provisions regarding methods for calculating own funds and capital requirements for financial conglomerates are set out in Chapter 5 of the Special Supervision of Financial Conglomerates Act (2006:531).

¹ Cf. Directive 2002/87/EC of the European Parliament and of the Council of 16 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 (EUT L 35, 11.2.2003, pp. 1–27, Celex 32002L0087).

Section 2 An accounting consolidation method and a combination of the deduction and aggregation method and the accounting consolidation method in accordance with Chapter 5, section 4 of the Special Supervision of Financial Conglomerates Act (2006:531) may be used if these methods provide an overview of the financial conglomerate's financial position that is as good as the deduction and aggregation method.

Section 3 When the accounting consolidation method is used pursuant to section 2 and there are regulated firms in a financial sector that have not been consolidated in group accounts or equivalent aggregate accounts, such firms shall also be taken into account.

General guidelines

Life insurance undertakings that may not distribute profits are one example of firms not consolidated in group accounts.

Section 4 If the own funds and capital requirement of a financial conglomerate are calculated in accordance with the accounting consolidation method, and capital requirements for financial groups or insurance groups are used, the capital requirement shall be adjusted where necessary so that the firms in the financial conglomerate are included at the same percentage in the conglomerate's capital requirement as in its own funds.

Section 5 If a subsidiary is insolvent at an individual level according to the sector provisions, the entire deficit shall be taken into account when calculating the financial conglomerate's own funds and capital requirement. This also applies to notional deficits for non-regulated firms within a financial sector.

Finansinspektionen can allow proportional inclusion of the deficit where special grounds exist.

Section 6 If there are no capital ties to one or several firms in a financial conglomerate, Finansinspektionen decides the share of the firm's own funds and capital requirement that shall be used when calculating the financial conglomerate's own funds and capital requirement.

Section 7 When calculating a financial conglomerate's own funds, items may not be utilised twice.

Section 8 If an item in the own funds of a firm in a financial conglomerate is only permitted pursuant to the provisions of the financial sector to which the firm belongs, the item may only be used to cover that sector's capital requirement calculated in accordance with that sector's provisions. If such items exceed the sector's capital requirement, a corresponding amount shall be deducted from the financial conglomerate's own funds.

Section 9 When a provision in a financial sector limits the size of an item in the own funds of a firm or group in a financial conglomerate, this limit shall be taken into consideration even when calculating the own funds of the financial conglomerate.

If the limit is a percentage of a basis, the limit shall be applied to the amount calculated in accordance with the sector provisions. If an item permitted pursuant to the provisions of both financial sectors is utilised in part to cover the capital requirement in one sector due to a sector-specific limitation, the unutilised portion

may be used following Finansinspektionen's consent to cover a deficit at the financial conglomerate level.

Section 10 A notional capital requirement for non-regulated firms in a financial sector shall correspond to the capital requirement the firm would need to fulfil in accordance with sector provisions if it were a regulated firm in that financial sector.

For a mixed financial holding company, the notional capital requirement shall be calculated in accordance with the sector provisions for the most important financial sector in the financial conglomerate.

Section 11 Information about own funds and capital requirements for financial conglomerates shall be reported on an annual basis as per 31 December.

When the deduction and aggregation method or the accounting consolidation method is used, the information shall be reported using the "Own funds and capital requirements for financial conglomerates" form, see *Appendix 3*. Instructions for the form are set out in *Appendix 4*.

Finansinspektionen shall have received the information no later than 31 March.

These regulations and general guidelines shall enter into force on 1 May 2011, whereupon Finansinspektionen's regulations and general guidelines (FFFS 2006:6) regarding special supervision of financial conglomerates shall be repealed.

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