

Supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate

2001/0095(COD) - 16/12/2002 - Final act

PURPOSE : to establish supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate. **COMMUNITY MEASURE :** Directive 2002/87/EC of the European Parliament and of the Council 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. **CONTENT :** New developments in financial markets have led to the creation of financial groups which provide services and products in different sectors of the financial markets, called financial conglomerates. Until now, there has been no form of prudential supervision on a group-wide basis of credit institutions, insurance and 2000/12/EC of the European Parliament and of the undertakings and investment firms which are part of such a conglomerate. Some of these conglomerates are among the biggest financial groups which are active in the financial markets and provide services on a global basis. If such conglomerates, and in particular credit institutions, insurance undertakings and investment firms which are part of such a conglomerate, were to face financial difficulties, these could seriously destabilise the financial system and affect individual depositors, insurance policy holders and investors. This Directive makes the following key provisions: - in order to be effective, the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate are applied to all such conglomerates, if their cross-sectoral financial activities are significant. This is the case when certain thresholds are reached, no matter how they are structured. Supplementary supervision covers all financial activities identified by the sectoral financial legislation and all entities principally engaged in such activities are included in the scope of the supplementary supervision, including asset management companies; - the Directive lays down the thresholds for identifying a financial conglomerate. Among the relevant provisions, the Directive states that cross-sectoral activities will be presumed to be significant if the balance sheet total of the smallest financial sector in the group exceeds EUR 6 billion. This provision does not apply under certain circumstances; - on the identification of a financial conglomerate, the Directive provides that competent authorities which have authorised regulated entities must identify any group that falls under the scope of the Directive. The coordinator has the task of advising the parent undertaking that the group has been identified as a financial conglomerate; - the competent authorities must assess at a group-wide level the financial situation of credit institutions, insurance undertakings and investment firms which are part of a financial conglomerate, in particular as regards solvency (including the elimination of multiple gearing of own funds instruments), risk concentration and intra-group transactions. The Directive lays down provisions on capital adequacy of regulated entities; - financial conglomerates are often managed on a business-line basis which does not fully coincide with the conglomerate's legal structures. In order to take account of this trend, the requirements for management are further extended, in particular as regards the management of the mixed financial holding company; - all financial conglomerates subject to supplementary supervision have a coordinator appointed from among the competent authorities involved; - there is a pressing need for increased collaboration between authorities responsible for supplementary supervision, and to this end there is provision for cooperation and exchange of information between competent authorities; - credit institutions, insurance undertakings and investment firms which have their head office in the Community can be part of a financial conglomerate, the head of which is outside the Community. These regulated entities are subject to equivalent supplementary supervisory arrangements which achieve objectives and results similar to those pursued by the provisions of this Directive; - this Directive defines minimum standards and Member States may lay down stricter rules. **ENTRY INTO FORCE :** 11/02/03 **DATE OF TRANSPOSITION :** 11/08/04.

