



EUROPEAN COMMISSION  
Internal Market and Services DG  
FINANCIAL INSTITUTIONS  
**Banking and financial conglomerates**

Brussels, 12 June 2007

## **CALL FOR TECHNICAL ADVICE (No.1) FROM THE INTERIM WORKING COMMITTEE ON FINANCIAL CONGLOMERATES**

***Subject: Sectoral rules on eligible capital and analysis of the consequences for supervision of financial conglomerates***

### **1. Background**

Article 6 of the Financial Conglomerates Directive ('FCD', Directive 2002/87/EC<sup>1</sup>) requires EU competent authorities to supervise the capital adequacy of financial conglomerates. Annex I of the Directive provides further information on the methods that can be used for capital calculations by financial conglomerates.

During the process of transposition and implementation of the FCD, it became apparent that competent authorities faced challenges in applying supplementary supervision to financial conglomerates. Some of these challenges arose from differences in the rules in the banking/securities and insurance sectoral legislation, which underpins the FCD, on the items that firms can count as eligible capital.

### **2. Specific Call for Technical Advice**

Following agreement in the European Financial Conglomerates Committee, the Commission services wish to seek the technical advice of the Interim Working Committee on Financial Conglomerates ('IWCF') on the following issues:

#### **(a) Comparison of the sectoral rules for eligibility of capital instruments**

The IWCF should produce a comparison of the capital instruments that are eligible in the banking/securities and insurance sectors for prudential purposes. This comparison should include any limits that are applicable to the inclusion of particular capital instruments, and any deductions that must be made from eligible capital.

The Commission services would welcome the receipt of this technical advice during January 2007.

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<sup>1</sup> 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.

## **(b) Consequences of the sectoral rules for the supervision of financial conglomerates**

The IWCFE should analyse the impact that any differences in the sectoral rules have for the supervision of financial conglomerates, taking into account the results from part (a) of the work, and in particular the impact of any differences on the comparability of the results arising from the methods for capital calculation set out in FCD Annex I.

The Commission services would welcome the receipt of this advice during January 2008.

## **(c) Recommendations relevant to the supervision of financial conglomerates**

The IWCFE should make any recommendations for action that it considers would be appropriate to address the consequences of the differences identified in parts (a) and (b) for the supervision of financial conglomerates.

The Commission services would welcome the receipt of this advice during January 2008.

## **3. Liaison with other groups**

Work on the sectoral rules on eligible capital instruments is already in progress in the insurance sector (as part of the Solvency II project) and in the banking/securities sector<sup>2</sup>.

Given this, the IWCFE should liaise closely with both CEBS and CEIOPS to make use of work that they have already undertaken, and to avoid duplication of work in the future.

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<sup>2</sup> See [http://europa.eu.int/comm/internal\\_market/bank/docs/calls/call\\_for\\_tech\\_advice\\_en.pdf](http://europa.eu.int/comm/internal_market/bank/docs/calls/call_for_tech_advice_en.pdf) for the Call for Technical Advice issued to CEBS on 26 September 2005.