



EUROPEAN COMMISSION

Internal Market and Services DG

Consultation Document
Review of Directive 2002/87/EC on the Supplementary Supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate (FCD)

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You are invited to respond to the questions asked in this paper. These questions are meant to support the approach the European Commission may take only and are not its final policy position nor do they form a formal proposal by the European Commission.

The present consultation addresses the review of the Financial Conglomerates Directive (FCD), as foreseen in its review clause. The Commission Services asked CEBS' and CEIOPS' Joint Committee on Financial Conglomerates (JCFC) to deliver an [Advice](#) regarding specific items in the Directive and aimed at attaining the objective of the FCD, the supplementary supervision of regulated entities that form part of a conglomerate. The directive provides such supplementary supervision by focusing on potential double gearing (multiple use of capital) and on risks of contagion, complexity, concentration, and conflicts of interest, the so-called group risks.

The Commission services would like to ask you to respond to the specific questions that were designed to supplement the responses you may have given to the [JCFC's consultation of its draft Advice](#). Your responses will help the Commission Services to develop proposals to revise the FCD. In order to fully understand and assess the financial and other impacts of possible proposals the Commission services ask you to comment on the effectiveness of potential options, on compliance costs, impacts on competition and other implied costs as well as benefits. These elements will be taken into account when preparing final policy position and the accompanying impact assessment. Where possible, the Commission services are seeking both quantitative and qualitative information. In order for your contributions to be timely and properly evaluated, when submitting your replies, please maintain the structure of the questionnaire provided in this document. In the interest of transparency all contributions will be posted on the Europa website, **unless the contributor objects to their publication.**

You are invited to send your contributions until **15 January 2010** to markt-FCD-consultation@ec.europa.eu

This consultation intends to gather contributions from a targeted audience for the review of the Financial Conglomerates Directive (FCD).

The review will conclude whether the current provisions are effective and whether legislative revisions are justified.

INFORMATION ON THE RESPONDENT

A) Name and address of the respondent

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B) The respondent is

- A financial conglomerate
- A financial institution other than a financial conglomerate
- A regulator
- A supervisor
- An association of stakeholders
- Other, please specify

C) If the respondent is an association of stakeholders, how many members do you represent?

D) Do you object to the publication of your response?

Yes/No

1. CONTEXT

The establishment and development of large, complex groups combining licenses in various sub-sectors of the financial market, notably combining insurance business with banking business, were recognized in the early Nineties. The Joint Forum, the G10 body of supervisors, which monitors and discusses financial market trends affecting banking, insurance and securities markets, observed a need for additional supervision on this kind of groups and published principles for the supervision of financial conglomerates in 1999. The Financial Conglomerates Directive¹ (FCD), adopted in 2002, was effectively the European response to these principles. The FCD is aimed at the supplementary supervision of regulated entities² that form part of a financial conglomerate. The directive provides such supplementary supervision by focusing on potential double gearing (multiple use of capital) and on the so-called group risks: the risks of contagion, complexity, risk concentration, and conflicts of interest.

The directive envisaged a review of its provisions some years after implementation. The review of the effectiveness of the directive is justified not only from this formal perspective, but also by the recent developments in the economic and supervisory environment. Markets have developed in a direction where the distinction between banking business and insurance business is not always easily detectable and where the largest groups are active in many countries. The traditional supervisory perspective of monitoring whether an authorized legal entity conforms to its obligations is no longer fit for groups that contain many licenses in all sectors and in many countries. Both the revision of the 1988 Basel Accord in 2004 and its European implementation through the Capital Requirements Directive in 2006 and the introduction of a comprehensive set of regulations for insurance companies through the Solvency II directive reflect recent developments that apply to legal entities of a group that are active in the same sub-sector, i.e., banking *or* insurance. The regulatory framework for the additional complexity and the additional risks stemming from combinations of licenses, as foreseen in the FCD, had not been evaluated.

This review of the FCD effectively started in 2008. During the review process, the so-called group risks have materialized all across the financial sector, underscoring the importance of the supplementary supervision of inter-linkages within financial groups and between financial institutions. While the Commission Services, with the help of European supervisors represented by the Joint Committee on Financial Conglomerates (JCFC), are reviewing the FCD, similar evaluating initiatives have been undertaken in other countries that are member of the G10's Joint Forum, such as the US, based on the original principles published by the G10's Joint Forum, and taking lessons from the crisis.

The Obama Administration suggested to the Congress introducing supplementary supervision on large, complex financial groups carried out by the Federal Reserve, on top

¹ Directive 2002/87 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate

² Regulated entities are legal entities which got authorization to operate in a specific market. This paper uses the terms "regulated entity", "authorized entity" and "license" as synonyms. Non-regulated entities are not subject to an authorization procedure, nor are they supervised by an authority.

of the existing license-based supervision conducted by several existing authorizing agencies. The [report](#) does not make an explicit distinction between pure banking groups, pure insurance groups, or conglomerates. It acknowledges that large³, complex financial groups can pose additional risks to society if they are interconnected.

The G20 debate regarding systemically important financial institutions seems to build upon concepts such as interconnectedness, i.e. the situation where distress in one firm raises the likelihood of distress in others, substitutability of a firm's services in an economy, and a firm's relative size in a market. In the same context of crisis-related lessons, the FSB asked the Joint Forum to investigate gaps in regulatory frameworks, assessing the sectoral frameworks in a comprehensive analysis. This analysis will be published in due course.

The FCD supplements the two most important sectoral directives, the Capital Requirements Directive⁴ (CRD) and Solvency II⁵ (S2), regarding the prudential supervision of banks and insurers respectively.⁶ The FCD provides for supplementary supervision on top of those two directives, as well as solutions for regulatory loopholes between the two directives. Its effectiveness can only be assessed within the perspective of these two directives.⁷

The following questionnaire will mainly be focused on the most immediate technical problems found during the review. The review, however, also revealed a couple of other issues of a more general nature that deserve a more in-depth investigation and which may merit being taken forward in the context of any forthcoming initiative. The Commission Services would also appreciate your input about these other, more fundamental issues.

³ The draft includes a consideration to allow supervisors to ask for information for the purpose of determining whether to designate a company as a tier 1 FHC in case firms are larger than 10 billion dollar total assets in the USA, or 100 billion dollar total assets under management in the USA, or 2 billion dollar total gross premiums in the USA.

⁴ Directive 2006/48 relating to the taking up and pursuit of the business of credit institutions and 2006/49 on the capital adequacy of investment firms and credit institutions

⁵ Directive 2009/xx on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (recast).

⁶ The supervisory principles underlying the two sectoral directives are similar, namely aimed at the stability of the authorized firms or the consolidated group of firms, the protection of depositors and policyholders respectively, with risk based supervisory means. Having two separate "silo"-directives is justified by the role of capital in the two mainstream financial business models: on the one hand, banks leverage available capital to risky loans, so that depositors are not exposed to the full risks of e.g. corporate exposures, while on the other hand insurers need to make sure that the cash flows from their invested assets will be sufficient to pay out expected claims from insurance policies and keep extra capital for the uncertainty of that calculation of expectations. Risk measurement, control and risk management, however, are similar.

⁷ This is why one of the most important elements of prudential supervision on financial groups, the quality of its capital buffer, can only be reviewed in combination with the provisions of these two directives and, given the underway revisions to the Basel II framework, will be picked up in due course. Therefore, it is not addressed in the ongoing FCD-review and in this questionnaire.

First, the issue of top level supervision (chapter 3) not only revealed flaws in the legal text, but also the notion of a patchwork of legal group structures which are extremely difficult to understand. The overview of groups with more than 1,000 legal entities in many countries is a challenge, for supervisors, shareholders, other stakeholders and for the group's management itself.⁸ The issue of transparency in group structures may deserve consideration.

Second, conglomerates usually have as many non-regulated entities as regulated entities, most of the time for good reasons, but still a challenge to assess from a group risk management point of view. The Joint Forum report on [Special Purpose Entities](#) was just one example of their added value but also the challenge of controlling non-regulated entities. The question comes to mind what should exactly be included in the scope of supplementary supervision.

Third, in both mainstream sectors a fruitful debate is going on about the definition of capital. The role of the capital buffer is different in the two sectors (see footnote 5), which may justify sector-specifics, but investors buying stocks in conglomerates cannot make that distinction. Also, the JCFC's [Capital Advice](#) included recommendations for the assessment of capital in conglomerates, which would have to be picked up cross-sectorally.

Fourth, work is advancing on developing binding principles for [remuneration](#) in both banking and insurance sectors and is aimed at sound internal governance given the specific sector in which firms operate. As regards banks and investment firms, in July 2009 the Commission adopted a proposal to amend the CRD which, among other things, will require banks and investment firms to have sound remuneration policies that comply with a set of principles. In the insurance sector, the Commission proposes to adopt implementing measures under Solvency II which will apply similar principles. The debates, however, also raise the question of the compatibility of sectoral remuneration policies in the context of large conglomerates and their group wide remuneration policies. It may be worthwhile to consider the consistency of group wide remuneration policies in the context of groups that are not just banks or just insurers.

Question 1

For which of the following a review with respect to the transparency of group structures would be justified? Please select all that apply and explain why:

- Yes, for all conglomerates
- Yes, for all conglomerates larger than 100 billion euro total assets
- Yes, for all groups, banks or insurers or conglomerates
- Yes, for all groups larger than 100 billion euro total assets
- No, I don't think that a review of transparency of group structures is justified

Why?

⁸ Recently a debate started about "living wills" in the context of bank resolution. The issue of complex group structures is, however, much broader than an issue of resolution only.

Question 2

Do you think that a more in-depth investigation is justified with respect to the supervisory scope of supplementary supervision, especially in relation to the non-regulated parts of financial conglomerates? Please explain why.

Yes/No

Why?

Question 3

In your opinion, would the debates on the definition of capital in the banking and insurance sector respectively, justify a more in-depth investigation of the cross-sectoral perspective? Please explain why.

Yes/No

Why?

Question 4

With respect to the group wide remuneration policies in financial conglomerates, would you regard it as useful to consider the compatibility of these policies across the banking and insurance sectors within the conglomerate?

Yes/No

Why?

2. SCOPE OF THIS CONSULTATION

The review of the FCD builds on several earlier exercises and will be supplemented by stakeholder feedback to this questionnaire. First, the review builds upon work that has already been carried out by the [mixed technical group in 2005](#), and the identification work that is carried out by the JCFC each year to update the public [list of financial conglomerates](#) and their "relevant competent authorities". Second, the review capitalizes on the work carried out by the Joint Forum on [risk concentrations](#), [credit risk transfers](#), and the use of [special purpose entities](#). Third, the Commission Services asked the JCFC to take stock of the current implementation of the directive in member states and to recommend which issues need to be tackled, and how then could be tackled.

The analysis provided in the [JCFC's Advice](#) concludes that, besides a few technical easy-to-restore and undisputed issues⁹, there are three areas where significant issues hamper the achievement of the FCD objectives:

- (1) The supervision at the conglomerate level, more specifically, the consequences of group structures having a Financial Holding Company, an Insurance Holding Company or a Mixed Financial Holding Company at the top level of a group structure;
- (2) The identification process following the quantitative thresholds set out in the Directive;
- (3) The treatment of participations in the supplementary supervision.

The Commission Services are seeking your responses with respect to the potential impact of initiatives in these three areas.

3. TOP LEVEL SUPERVISION – INTERACTION BETWEEN SUPPLEMENTARY VERSUS SECTORAL SUPERVISION

The current provisions in the FCD apply supplementary supervision at the conglomerate level. This conglomerate level can be either the level of the Mixed Financial Holding Company (MFHC, Art. 2(15) FCD), or the level of the highest regulated banking or insurance entity. The legal form of the MFHC excludes the possibility of the form of a Financial Holding Company (art 29(1) FCD defining a FHC) or an Insurance Holding Company (art 28(1) FCD defining a IHC) as the top level of the conglomerate. This exclusion was explicitly preferred when the directive was negotiated in 2002, in order to separate supplementary supervision from sectoral supervision.

An unforeseen and unintended consequence of the FCD appeared to be the loss of waivers at sub-consolidated levels under the Insurance Groups Directive, only applicable for IHCs¹⁰. Another unforeseen and unintended consequence appeared after the adoption

⁹ The inclusion of re-insurance undertakings in the scope (increasing total gross premiums written in the supervisory scope by approximately € bln, but supported by all stakeholders as a logical consequence), the deletion of the third capital calculation method in Annex I, and guidance for convergence to be welcomed in the areas of risk concentration, intra group transactions and internal control supervision, as well as clarity about the determination of relevant competent authorities.

¹⁰ Annex II of the IGD allows member states to waive the adjusted solvency calculation for sub-groups.

of the CRD, which introduced supervision at the consolidated level, the FHC level. Certain banking groups are no longer subject to supervisory controls implied by consolidated supervision of an FHC, because of an acquisition of insurance business and thus becoming an MFHC.¹¹ Third, looking ahead to the implementation of Solvency II, insurance groups that have become a conglomerate and which have an MFHC on top and not an IHC, may not be allowed to apply the group regime as envisaged.¹² In conclusion, the FCD appeared not to be supplementing the sectoral directives (Figure 1), but rather substituting them (Figure 2) or causing duplication of supervision.¹³

Before the acquisition

After the acquisition

Figure 1: regulated entity at the top¹⁴

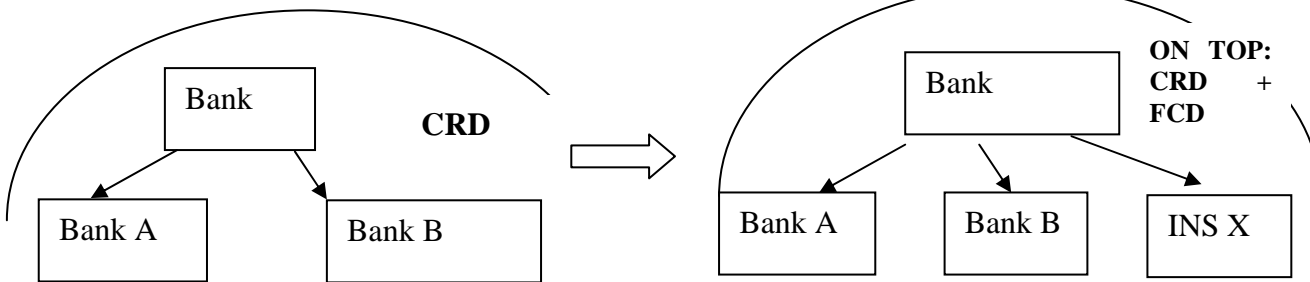
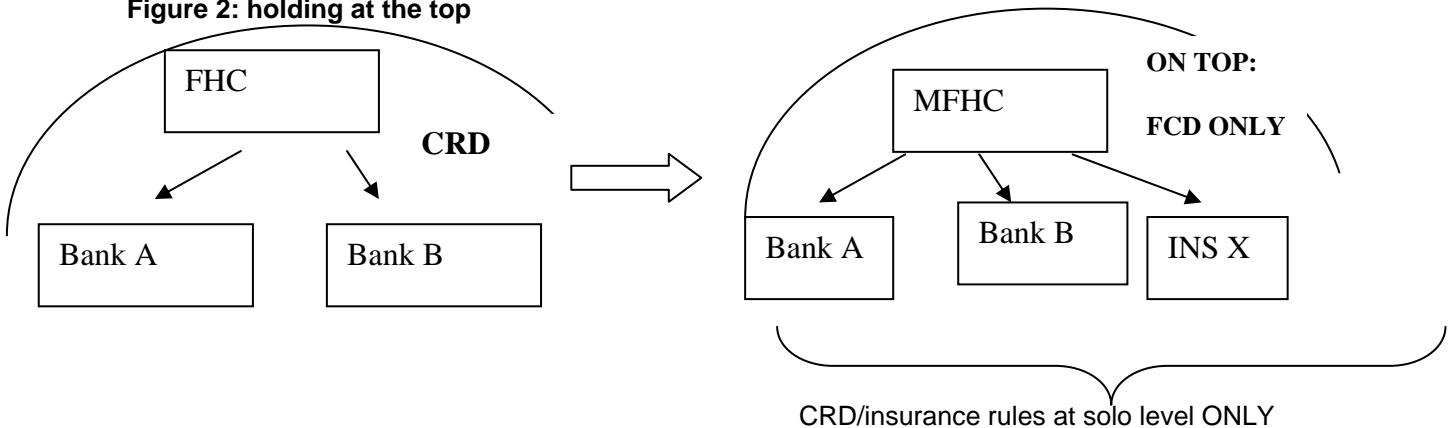


Figure 2: holding at the top



¹¹ This regards, among others, group wide internal capital adequacy assessment processes (Art. 123 CRD) and waivers of solo-supervision on subsidiaries (Art. 69(2) CRD) with respect to internal governance (Art. 22 CRD), large exposures (Section 5 CRD), minimum level of own funds (Art. 75 CRD) if such subsidiaries are consolidated into the member state's top level FHC.

¹² As envisaged by Art 218-258; e.g., regarding group solvency (Art. 235 S2), public disclosure (Art. 256 S2), fit & proper requirements (Art. 257 S2).

¹³ A full duplication of supplementary supervision would be possible if the supervisor who is designated as the coordinator of the conglomerate is different from the one who is designated as the group supervisor for the insurance group. Solvency II includes the FCD's supplementary supervision provisions, which could imply that supplementary supervision is already carried out for the insurance group. Although this situation was not found by the JCFC during the review of the FCD, the Commission Services are aware of this possibility and seek appropriate solutions to both prevent duplication and to have coordination arrangements explicitly include the prevention of duplicated supervision.

¹⁴ The same is true for insurance groups, with reference to the application of FCD replacing the Insurance Groups Directive

The problem analysis outlined in the JCFC's draft Advice was supported by the industry in their responses to the JCFC's consultation. In order to develop appropriate solutions to the flaws identified, the Commission Services would like to better assess key characteristics of the underlying market. First, if you are a financial conglomerate, the Services would appreciate your indicating the size and the number of licenses your conglomerate holds in both the banking and the insurance markets. Second, the Services would like to have a better idea of the legal structures which prevail in the market currently.

Question 5

Are you identified as a financial conglomerate, either waived (Art 3(3) FCD) or not?

- Yes, waived.
- Yes, not waived.
- No, I'm not a financial conglomerate.
- Don't know.

Question 6

Please indicate the size of your banking and insurance businesses in terms of total assets and gross premiums, respectively, as of 30 June 2009.

Banking business total assets (BA, all authorized banking business types):

- BA < €10 billion
- €10 billion < BA < €100 billion
- €100 billion < BA < €500 billion
- BA > €500 billion
- Decline to state

Insurance total gross premiums (IP, all authorized insurance types):

- IP < € billion
- € billion < IP < €10 billion
- €10 billion < IP < €25 billion
- IP > €25 billion
- Decline to state

Question 7

Please indicate the number of authorized legal entities in your banking (incl investment) and insurance (life, non-life, re-insurance) businesses, your conglomerate held in Q2 of 2009.

Banking

- Less than 10
- Between 10 and 99
- Between 100 and 199
- 200 or more
- Decline to state

Insurance

- Less than 10
- Between 10 and 99
- Between 100 and 199
- 200 or more
- Decline to state.

Question 8

Your (identified; waived or not) conglomerate level is:

- an MFHC
- a regulated banking entity
- a regulated insurance entity

Question 9

The level of your group, where capital for the group is attracted and where chief officers (CEO, CFO, CRO, COO, etc) are responsible for group-wide policies and strategic decisions, is organized at:

- the MFHC level,
- the highest sectoral regulated entity level,
- otherwise. Please specify:

Question 10

The entity referred to in Question 9 is:

- in the same member state as the highest level regulated entity,

- in a different member state,
- outside the European Union

Question 11

Do you want to share any other relevant information with the Services regarding the supervision problems at the top level?

4. IDENTIFICATION PROCESS

In 2002, the provisions to identify a financial group as a conglomerate were based on the assumption that one could recognize a group exposed to group risks, as meant in recital 3 FCD, by its size, i.e., solvency and balance sheet ratios. More recent experiences have shown that the exposure of a complex group to group risks is dependent not only on the quantitative ratios of balance sheet totals and solvency figures, but also on qualitative indicators such as combinations of business lines, being part of a network and quality of group-wide risk management.

A second flaw in the identification process, which was found during the review, relates to the question of inclusion of asset management companies (AMCs) in the scope of the FCD. Back in 2002, they were added to the scope at the very end of the negotiation process, without a sufficient clarity as to how and when they should be included in either the identification or the supervision or both: the added provision was clear in one respect only, the mere inclusion of AMCs (Art. 30 FCD). Since then, however, the CRD included AMC activities in its list of activities in CRD Annex I, which automatically resulted in the inclusion in the scope of supplementary supervision when related to a bank. AMCs related to insurance undertakings, on the other hand, are included in the scope of group supervision only when they belong to an insurance/reinsurance group covered by the insurance directives. This has been made explicit in Solvency II, where article 228 provides for the treatment of participations in, inter alia, "financial institutions" (which cover AMCs via the CRD or the FCD). The different approaches lead to an unlevel playing field among AMCs whereby supplementary supervision of their activities became subject to the group structure in which they operate, resulting in regulatory arbitrage opportunities.

The current quantitative thresholds and the lack of clarity regarding AMCs have led to a list of identified conglomerates that do not always appear as groups exposed to group risks, while missing certain large complex financial institutions which stakeholders had in mind when adopting the FCD in 2002. As was revealed during the consultation of the JCFC's draft Advice, industry and the supervisory communities agree with the finding

that the current identification process and quantitative thresholds are not effective for the objective of the FCD. In a different context, the Financial Stability Board (FSB) in its Report on Systemically Relevant Financial Institutions pointed out that the exposure to group risks may also depend on indicators such as the relative size of the firm's services in an economy, the substitutability of the firm's services and the interconnectedness of entities within and among conglomerates.

The 'identification' aspect of the FCD revision embodies two separate items: the inclusion of asset management companies and the introduction of risk-based indicators. In order to be able to assess the impact of potential policy options, the Commission Services appreciates your answers to the following questions:

4.1. Identification including asset management companies

Question 12

Please indicate the relative importance of the AMCs in your group in terms of revenue

- <1% of total gross revenue
- < 5% of total gross revenue
- >5% of total gross revenue
- Not applicable.

Question 13

Do these AMCs serve

- the banking business only
- the insurance business only
- both of the above

If both,

- as separate entities for each sector, or
- as entities serving both sectors at the same time
- None of the above.
- Don't know.

Question 14

If the AMCs are serving both the group itself (proprietary business, risk for the group) and external clients (non-proprietary business, risk for the client), do you separate the two types of business in separate legal entities?

Yes/no

Question 15

If you separate proprietary (risk for the group itself) from non-proprietary (risk for the client) business of your AMCs, could you indicate their relative importance in terms of revenue (choose the closest answer)?

- 10 prop / 90 non-prop (most risks of asset management born by clients)
- 50 prop / 50 non-prop
- 90 prop / 10 non-prop (most risks of asset management born by conglomerate itself)

Question 16

Would you like to share any other relevant information regarding the inclusion of AMCs? Could you, for example, illustrate how you make the distinction between proprietary and non-proprietary business in an operational and legal sense, such as how do you allocate resources to the two types of business?

4.2. Identification process

Question 17

Which of the following indicators could be used in addition to or instead of 10% of solvency and of total assets in the other sector to make the identification process of a financial conglomerate more risk-based? Select all that apply:

- (a) income structure: in addition / instead / not
- (b) off balance sheet activities: in addition / instead / not
- (c) relative size of respective businesses in their respective markets: in addition / instead / not
- (d) business structure, i.e., relations between the respective sectors within the conglomerate: in addition / instead / not
- (e) other, please specify:

Question 18

Do you think that bancassurance groups whose smallest sector is smaller than 6 billion euro *and* smaller than 10% of its solvency and of total assets would never be materially exposed to group risks?

Yes

No

Don't know.

Question 19

Would you like to share any other relevant information with respect to the identification process of financial conglomerates?

5. THE TREATMENT OF PARTICIPATIONS IN SUPPLEMENTARY SUPERVISION

The FCD's objective of detecting potential group risks and potential double use of capital is a specific objective, which, among other elements, requires a check on relationships through 'participations' and especially 'durable links'. In part, it also reflects the notion heard in the context of the G20 debate regarding the necessity to detect interconnectedness in the system, which justifies supervision on conglomerates that is supplementary to the supervision of licensed entities under pure banking or insurance rules. Interconnectedness is about situations when distress in one undertaking raises the likelihood of distress in others.

For years, the industry has been signalling a lack of predictability of the application of the 'durable link' concept, a concept which entails the detection of interconnectedness within a group of entities. This signal was confirmed by the JCFC Advice regarding the FCD review. Because of the observed diversity in its application, and repeated requests by industry for more convergence, the Commission Services included the opportunity for the new European supervisory authorities to develop standards for converged application also in this respect in the proposal for an [Omnibus Directive](#) accompanying the Regulations of the new European supervisory authorities.

The JCFC Advice points to a specific problem with respect to the treatment of participations in the day-to-day supplementary supervision. Company law prohibits a minority owner from accessing information which is not accessible for other owners. If it so happens that a bank or insurer has a minority stake which is so small, that it cannot influence the risk management of the other firm, it may not deliver satisfactory reports on risk concentration or intra group transactions simply because it cannot access the necessary data. Industry therefore requested to waive minority participations from the supplementary supervision on risk concentration, intra-group transactions and internal control elements, but supervisors oppose to this request stressing the underlying objectives of the FCD. While respecting company law provisions, the FCD, however,

gives the supervisor a specific right to ask for information in the participation for the purposes of supplementary supervision (Art. 14 FCD) when it is concerned about potential group risks. This right to ask for additional information is undisputed and serves the objective of the prudential supervision in general and supplementary supervision in particular.

The role of the durable link concept in supplementary supervision

The detection of participations through the detection of a durable link dates back to the Fourth Company Law Directive (1978) and was meant to detect relationships between natural and/or legal persons which implied a longer term dependency. For financial undertakings this was regarded as an important concept in order to be able to supervise not only controlled relationships or ownerships, but also other dependencies potentially affecting the financial soundness of an institution.

The concept relates to situations where holdings are below 20% but still may qualify as participations. Examples are representations in governing bodies of firms, participation in policy making processes, interchange of managerial personnel, commercial links such as cross-selling, joint products and distribution lines, long-term supply contracts, coordinated market behaviour, etc.

However, the development of more specific capital requirements in the area of banking and insurance resulted in a definition of participation which focused on control and influence rather than dependency; in this way the definition was also aligned to accounting standards. For the calculation of capital requirements, assuming that ultimate risk - thus ultimate buffers - should be born by the owners of an undertaking, this could be justified.

On the contrary, for the supplementary supervision on group risks, downgrading the concept of dependence to control or influence only would imply a loss of oversight on potential contagion and concentration channels. The application of the durable link criterion to the supplementary supervision as provided for in the FCD has added value when monitoring risk concentrations throughout the conglomerate including its participations, assessing intra group transactions also to the durable-link-participations, when checking for the consistency of internal control mechanisms, and when exchanging information with other supervisors about the potential group risks, as an additional group risk picture contributing to supervisory review processes and in the sector-silo's. Contrary to the CRD and S2, the FCD is not about capital requirements, as it is providing for a supplementary check on group risks and potential double gearing only.

The JCFC's [Capital Advice](#) signalled a second problem regarding the treatment of participations. Among other things, it concluded that the treatment of participations was different in the two mainstream sectoral rules, which may have complicated the supplementary supervision as well.

In order to be able to assess the impact of alternative policy options, the Commission Services appreciate your responses to the following questions, using figures of Q2 2009:

Question 19

Please indicate the absolute and relative size of the aggregate of minority participations (regulated and non-regulated) MP in your conglomerate in terms of total assets?¹⁵

- MP < 1%
- 1% < MP < 5%
- MP > 5%

Question 20

Please indicate how much of these minority participations are holdings of more than 10% but less than 20%?

- < 20%
- 20% < 10-20MP < 50%
- 10-20MP > 50%

6. GENERAL QUESTIONS

Although the objective of the FCD review was to check for the effectiveness of the current directive, and the issues mentioned in this consultation are mainly technical issues, the Services would appreciate your views with respect to a possible impact on incremental costs and benefits to your organisation, and on the competitiveness of the European conglomerates. The Evaluation study of the implementation costs of the [FSAP](#) directives showed that the costs of compliance to the FCD are very low compared to the other directives, but this could be different for your individual situation.

If your conglomerate is currently subject to the FCD and will remain subject to it, potential changes to the FCD may affect you, especially the level where supplementary supervision is applied and the inclusion of participations and/or asset management companies:

Question 21a

Please, if possible, estimate likely impacts in terms of incremental benefits (including capital and information provision-related costs) for your organisation.¹⁶ Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

¹⁵ We realize this answer depends on the accounting method chosen; the answers are meant as an indication of the impact only.

¹⁶ Benefits of improved supplementary supervision could be streamlining in reporting lines, or better alignment to internal governance structures stemming from the restoration of the top level supervision problem, or efficiency gains

Question 21b

Please, if possible, estimate likely impacts in terms of incremental costs (including capital and information provision-related costs) for your organisation.¹⁷ Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

Question 22

What would be the implications, if any, for the competitiveness of your businesses in the EU and internationally?

Question 23

What would be the impact for your clients?

If your conglomerate is currently subject to supplementary supervision under the FCD and it were excluded from such supervision,

Question 24a

What would be the likely impacts in terms of incremental cost savings (including capital and information provision-related cost savings) for your organisation?

¹⁷ You might expect costs of improved supplementary supervision in the updating of reporting lines, or adapting internal governance structures, or other.

Question 24b

What would be the likely impacts in terms of incremental costs (including risks) for your organisation?

Question 25

What would be the implications, if any, for the competitiveness of your businesses in the EU and internationally?

Question 26

What would be the impact for your clients?

If your conglomerate is currently not subject to supplementary supervision under the FCD, but would become subjected to it, were the financial conglomerate identification process modified,

Question 27a

Could you please, if possible, estimate likely impacts in terms of incremental benefits (including capital and information provision-related costs) for your organisation? Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

Question 27b

Could you please, if possible, estimate likely impacts in terms of incremental costs (including capital and information provision-related costs) for your organisation? Please assess separately the most material impacts by referencing to the relevant articles of the FCD which matter to your organisation.

Question 28

What would be the implications, if any, for the competitiveness of your businesses in the EU and internationally?

Question 29

What would be the impact for your clients?

We thank you for your kind cooperation.