

Finansinspektionen's Regulatory Code

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

FFFS 2006:6

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decided on 30 June 2006.

Finansinspektionen prescribes the following pursuant to the Special Supervision of Financial Conglomerates Ordinance (2006:627).

Below the paragraphed regulations, Finansinspektionen provides General Guidelines. They are found under the heading *General guidelines*.

Chapter 1 Scope

Section 1 These regulations and general guidelines 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 in accordance with Chapter 2, section 1 and Chapter 3, section 12 are set out in Chapter 5, section 12 of the Special Supervision of Financial Conglomerates Act.

Chapter 2 Risk concentrations and intra-group transactions

Section 1 Risk concentrations and intra-group transactions for which Finansinspektionen in accordance with Chapter 5, section 11 of the Special Supervision of Financial Conglomerates Act 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, *Appendix 1*, and "Significant intra-group transactions in financial conglomerates" form, *Appendix 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.

Section 2 The accounting consolidation method and a combination of the aggregation and deduction method and the accounting consolidation method in accordance with Chapter 5, section 4 of the Special Supervision of Financial Conglomerates Act may be used if the methods provide as good a picture of the

financial conglomerate's financial position as the aggregation and deduction method.

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

General guidelines

Life insurance undertakings that may not distribute profits are one example of firms not consolidated in consolidated 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 theoretical 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 the sector's capital requirement calculated in accordance with the 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, the 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 taken into consideration as the amount calculated in accordance with the sector provisions. If an item that is permitted pursuant to the provisions of both financial sectors is utilised in part to cover the capital requirement in a 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 the financial sector.

For a mixed financial holding company, the notional capital requirement shall be calculated in accordance with the sector provisions for the largest 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 aggregation and deduction method or the accounting consolidation method is used, the information shall be reported using the "Own funds and capital requirements for financial conglomerates" form, *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 August 2006.

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