

Standard 1.5

Supervision of financial and insurance conglomerates

Regulations and guidelines



RAHOITUSTARKASTUS
FINANSINSPEKTIONEN
FINANCIAL SUPERVISION

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1 APPLICATION

Issued on 14 June 2005
Valid from 30 June 2005

(1) This standard applies to financial and insurance conglomerates supervised by the Financial Supervision Authority (FIN-FSA) primarily engaged in financial activities and including at least one Finnish credit institution or investment firm and at least one Finnish insurance company, provided that the share of neither sector (financial nor insurance) is negligible. The standard applies to the supervision of regulated companies that are part of such a conglomerate and their parent companies. The concept of financial and insurance conglomerate is defined in section 3 of the Act on the Supervision of Financial and Insurance Conglomerates.¹

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(2) In addition to this standard on the supervision of financial and insurance conglomerates, sectoral legislation and other rules also apply to credit institutions, investment firms and insurance companies within a conglomerate.

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(3) The regulatory content of the standard is based on the Act on the Supervision of Financial and Insurance Conglomerates and the Credit Institutions Act. Under the Act on the Supervision of Financial and Insurance Conglomerates, one principal responsible (coordinating) supervisory authority shall always be assigned to the financial and insurance conglomerate as specified in the grounds set out in the Act. The FIN-FSA shall act as the coordinating supervisory authority if the parent company of the conglomerate is a credit institution, investment firm or holding company in a conglomerate in which the share of the financial sector is larger than that of the insurance sector, as calculated in the Act on the Supervision of Financial and Insurance Conglomerates. If the conglomerate is primarily engaged in insurance activities or in the process of changing the focus of its activities towards insurance, the Insurance Supervisory Authority shall act as the coordinating supervisory authority and shall issue the regulations applicable to the

¹ Act on the Supervision of Financial and Insurance Conglomerates, 30 July 2004/699.

conglomerate.

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(4) The provisions of the Act on the Supervision of Financial and Insurance Conglomerates do not limit the rights and obligations of other supervisory authorities to supervise a member company of the conglomerate or other companies as provided in another act. Neither do the provisions of the Act on the Supervision of Financial and Insurance Conglomerates restrict another supervisory authority's competence based on other legislation.

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(5) The Finnish Act on the Supervision of Financial and Insurance Conglomerates shall always apply to member companies of a financial and insurance conglomerate if the parent company is domiciled in Finland and at least one of the regulated member companies is domiciled in Finland. The same applies to situations in which the parent company of the conglomerate is domiciled in an EU Member State other than Finland, provided that none of the regulated member companies are present in this Member State and the balance sheet of a financial member company based in Finland is the largest compared with those of the other financial member companies based in other EU Member States.

2

OBJECTIVES

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(1) The standard sets out the key principles governing the supervision of financial and insurance conglomerates primarily engaged in financial activities, together with the main legal provisions applicable to the supervision of conglomerates². The standard summarises the supervisory obligations arising from the Act on the Supervision of Financial and Insurance Conglomerates in respect of the member companies of the conglomerate and the FIN-FSA's key responsibilities as a coordinating authority.

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(2) In addition to sectoral supervision by the authorities of companies within a financial and insurance conglomerate, supervision must also be exercised on a conglomerate-wide basis for enabling an assessment of the conglomerate's financial position. Key factors in the assessment of the financial position are the capital adequacy of the conglomerate, risk concentrations, intra-group transactions within the conglomerate, as well as internal control procedures and risk management systems. These factors generally have a stronger effect in the case of a financial and insurance conglomerate than in the case of separately conducted banking and insurance operations without a conglomerate structure. In a conglomerate, sectoral restrictions may for example be set aside by making transfers between the balance sheets of individual companies in order to avoid an imminent violation of a prescribed limit.

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(3) The aims of the regulations on the supervision of financial and insurance conglomerates and of this standard are to

- promote, in accordance with the overall objectives of the Directive on supplementary supervision and the Act on the Supervision of Financial and Insurance Conglomerates, the stability of financial and insurance conglomerates and strengthen the supervision of

² The regulatory framework governing companies and activities falling under credit institution, investment firm and insurance company sectors is composed of sectoral legislation and regulation by the authorities.

multinational conglomerates, in particular, by contributing to supervisory cooperation across countries and by bringing more clarity to the division of responsibilities between supervisory authorities in the supervision of such conglomerates

- upgrade the supervision of conglomerates through supplementary supervision, as sectoral supervision alone is insufficient for making an overall financial assessment of a financial and insurance conglomerate, as set out in the Directive on supplementary supervision (see sections 3 International framework and 4 Legal basis) and in the Act on the Supervision of Financial and Insurance Conglomerates
- contribute to the financial stability of financial and insurance conglomerates
- promote management of financial and insurance conglomerates in accordance with sound and prudent business principles
- regulate the monitoring of the conglomerate's capital adequacy, risk concentrations, intra-group transactions, as well as internal control and risk management processes
- prevent manipulative transfers between the balance sheets of member companies of the conglomerate affecting supervisory limits or restrictions.

3

INTERNATIONAL FRAMEWORK

Issued on 14 June 2005
Valid from 30 June 2005

(1) This standard is based on the recommendations issued by the Joint Forum on Financial Conglomerates (Joint Forum), the main points of which are:

- Principles for the assessment of capital adequacy are presented in the calculation of capital adequacy requirements. Three techniques are available for measuring capital adequacy, ie
 - building-block prudential approach
 - risk-based aggregation method
 - risk-based deduction method.
- A fitness and propriety assessment of the conglomerate's management and other key personnel and owners shall be undertaken when authorisation is granted and whenever necessary thereafter. The fulfilment of this requirement shall also be monitored on an ongoing basis by the company heading the conglomerate.
- International supervision of financial and insurance conglomerates is based on the free and open exchange of information between the authorities responsible for the supervision of the individual companies of the conglomerate.

4

LEGAL BASIS

Issued on 14 June 2005
Valid from 30 June 2005

(1) This standard is based on 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 (Directive on supplementary supervision).

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(2) The Directive lays down the rules for supplementary supervision of regulated companies within financial and insurance conglomerates. Issuance of the Directive constitutes one step further in the development of prudential supplementary supervision of financial and insurance conglomerates. The Directive addresses, for example, sectoral legislative shortcomings and additional risks to operational stability with a view to rendering the supervisory systems for conglomerates engaged in diversified financial activities safer and more reliable.

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(3) Provisions on the supervision of financial and insurance conglomerates are contained in the Act on the Supervision of Financial and Insurance Conglomerates (699/2004) and the Council of State Decree issued by the Ministry of Finance 1193/2004 on the calculation of the capital adequacy of a financial and insurance conglomerate.

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(4) FIN-FSA regulations on the supervision of financial and insurance conglomerates are based on the provisions of the Act on the Supervision of Financial and Insurance Conglomerates, notably section 4, subsection 5, section 10, subsection 2, section 16, subsection 3, section 24, section 26, and section 35, subsection 3.

5

KEY PRINCIPLES OF SUPERVISION OF FINANCIAL AND INSURANCE CONGLOMERATES

Justifications

*Issued on 14 June 2005
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(1) In its supervisory activities, the FIN-FSA emphasizes the responsibility of the board of the parent company of a financial and insurance conglomerate for setting objectives, planning business operations and establishing internal control and risk management processes for the conglomerate. Such responsibility of the highest governing body does not eliminate the independent responsibility of the boards of the member companies. The FIN-FSA is obliged to undertake an assessment of the owners and managers of the holding company of the conglomerate as well as of management operations to the same extent, irrespective of whether the parent company has authorisation or not.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(2) A financial and insurance conglomerate shall establish processes for risk control and risk assessment. A conglomerate-wide approach to risk assessment requires a risk management system embracing the entire conglomerate. Under the Act on the Supervision of Financial and Insurance Conglomerates, the parent company of the conglomerate shall have in place adequate internal control and risk management systems commensurate with the scale of the activities of the conglomerate. Similarly, a financial and insurance company within the conglomerate shall have in place adequate internal control and risk management systems commensurate with the scale of its activities.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(3) The parent company of the conglomerate shall regularly report to the FIN-FSA the conglomerate's large exposures, risk concentrations, conglomerate structure, intra-group transactions, consolidated financial statement, and share and real estate holdings. In order for the FIN-FSA to determine the structure of the conglomerate, the parent company shall, on an annual basis, provide the FIN-FSA with a report on the situation prevailing as at the close of

the preceding year, submitting by the end of February basic details concerning the member companies of the conglomerate, together with information on major owners, board members, managing directors and auditors, including any changes therein.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(4) When carrying out its overview of intra-group transactions and risk concentrations, the FIN-FSA shall monitor the possible risk of contagion of unprofitable operations in the conglomerate, the risk of a conflict of interest, the risk of circumventing sectoral rules, and the level or volume of risks.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(5) On the basis of the regular reports of the parent company of a financial and insurance conglomerate primarily engaged in financial activities, the FIN-FSA, as a coordinating authority, undertakes an assessment of the capital adequacy and commercial standing of the conglomerate and of the effects of risk concentrations and intra-group transactions on the capital adequacy, profitability and liquidity of the conglomerate and its member companies.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(6) The supervision of conglomerates is largely based on the free and open exchange of information between supervisory authorities. Together, the authorities assess the relevance of the information obtained in the course of supervision, for example when considering the need for supplementary supervision of the conglomerate or a member company.

5.1 Recognition of a conglomerate and its holding company

Binding

*Issued on 14 June 2005
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(7) Section 9 of the Act on the Supervision of Financial and Insurance Conglomerates sets out provisions on the obligation of a company within a conglomerate to notify the FIN-FSA or the Insurance Supervisory Authority without delay of its being part of a financial and insurance conglomerate. The parent company of the conglomerate is obliged to collect the information on the conglomerate as a whole and report it to the coordinating supervisory authority.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(8) The swift exchange of information between the conglomerate and the coordinating supervisory authority is important as changes in the conglomerate structure may alter the proportional shares of the sectors, thus changing the scope for applying provisions governing the conglomerate.

5.2 Supervision of the owners of the holding company

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(9) The acquisition or ownership of a holding in a holding company must not jeopardise the sound and prudent conduct of the business operations of the holding company or conglomerate. For this reason, the authorities shall receive detailed information on the planned acquisition of shares and participations in the holding company if the acquisition represents at least 10% of the share, guarantee or cooperative capital or of the voting rights. The disclosure requirement applies to any individual planning to acquire a major holding as well as to the holding company itself, which shall disclose such changes in holdings of which it has been made aware.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(10) Section 11 of the Act on the Supervision of Financial and Insurance Conglomerates addresses supervision of the owners of the holding company of the conglomerate. The FIN-FSA will, at a later date, issue a standard setting out the disclosure requirements applicable to the acquisition of holdings and changes in holdings.

Binding

*Issued on 14 June 2005
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(11) Guideline 101.6 on the supervision by the Financial Supervision Authority of changes in the ownership of credit institutions and Regulation 203.15 on the reporting of voting rights and qualifying holdings will apply until the FIN-FSA issues the relevant standards.

5.3 Fitness and propriety of the management [and key personnel] of the holding company

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(12) Section 14 of the Act on the Supervision of Financial and Insurance Conglomerates sets out the principles for the management of a holding company of a conglomerate. The board and the managing director shall manage the holding company of a conglomerate in a professional manner and in line with sound and prudent business principles. Board members and deputy board members, the managing director and the deputy managing director shall be reliable persons who are not bankrupt and whose competence has not been restricted. Board members and deputy board members, the managing director and the deputy managing director shall furthermore possess such general knowledge of the financial and insurance business as is deemed necessary with regard to the nature and scope of the operations of the conglomerate.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(13) The holding company of a conglomerate shall promptly notify the FIN-FSA of any changes in board members and deputy board members or of managing director and deputy managing director.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(14) The FIN-FSA will, at a later date, issue a standard setting out the principles for and contents of fitness and propriety assessments. Guideline 101.10 on the contents of fitness and propriety assessments and on the reporting requirement, the FIN-FSA statement of 9 December 1998 on assessing the fitness and propriety of directors and managers of credit institutions (K/17/98/LLO) and Regulation 203.17 on written reporting on the fitness and propriety of owners, directors and managers of investment firms in connection with changes will apply until the FIN-FSA issues the relevant standards.

5.4 Auditors' reporting requirements

Binding

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(15) Section 15 of the Act on the Supervision of Financial and Insurance Conglomerates sets out provisions on the reporting requirements to be met by the auditors of the holding company of a conglomerate. The auditors of the holding company of a conglomerate shall notify the FIN-FSA, as coordinating supervisory authority, promptly of any fact or decision concerning the holding company of the conglomerate of which they have become aware when performing their duties and which may be considered to violate the responsibilities of the holding company of the conglomerate under the Act on the Supervision of Financial and Insurance Conglomerates, jeopardise the continuation of the activities of the holding company of the conglomerate or its subsidiaries or lead to the refusal to certify the accounts or to the expression of reservations.

5.5 Financial statement and consolidated financial statement

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(16) The Council of State Decree No. 89/2002 sets out provisions on the consolidated financial statement of financial and insurance conglomerates. If the parent company of a financial and insurance conglomerate is a listed company, it shall issue the consolidated financial statement in accordance with the International Financial Reporting Standards in effect since the beginning of 2005. The FIN-FSA will issue a standard to this effect. A standard [3.1] on issuing this type of financial statement and annual report is under preparation.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(17) Under section 10 of the Act on the Supervision of Financial and Insurance Conglomerates, the coordinating authority shall be annually notified of the consolidated financial statement of the parent company of a conglomerate.

5.6 Capital adequacy of the conglomerate

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(18) Section 19 of the Act on the Supervision of Financial and Insurance Conglomerates sets out provisions on capital adequacy requirements for conglomerates. With a view to safeguarding the capital adequacy of financial and insurance companies within a conglomerate, the conglomerate shall, on an ongoing basis, hold own funds equivalent to at least the aggregate minimum amount of sectorally required own funds.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(19) In calculating the conglomerate's own funds and minimum amount of own funds, the conglomerate is considered to include, as an exception to the general definition of a conglomerate, only the financial and insurance companies that are part of the conglomerate. The holding company of the conglomerate is, however, always taken into account irrespective of its sector.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(20) Under the Council of State Decree 1193/2004 on the calculation of the capital adequacy of a financial and insurance conglomerate, the conglomerate's own funds are allowed to include the sectorally approved items of own funds of each company to such an extent as they are required to cover the minimum amount of the company's own funds. Any items of own funds in excess of this amount shall in practice be transferable and available among the various legal units of the conglomerate in order to qualify for inclusion in the conglomerate's own funds. In addition, these funds shall meet the requirements set on the own funds of each sector in order to qualify for covering the own funds minimum requirement across sectors.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(21) The company heading the conglomerate shall issue and submit to the FIN-FSA, on a quarterly basis, a capital adequacy calculation consistent with one of the options listed in the appendix to the Decree and showing the amount of the conglomerate's own funds, the minimum requirement for own funds and the difference between them. The company heading the conglomerate shall submit such notifications for the first three quarters no later than the 15th of May, August and November, respectively, and for the fourth quarter at the end of February.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(22) The company heading the conglomerate shall confirm a plan for the conglomerate for maintaining these capital levels.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(23) If the capital adequacy calculation referred to in section 19 of the Act on the Supervision of Financial and Insurance Conglomerates and required for submission to the authorities on a quarterly basis shows that the conglomerate's capital adequacy is negative or has become endangered, the company heading the conglomerate shall submit a plan for restoring the conglomerate's capital adequacy to the coordinating supervisory authority for approval within a time frame determined by the latter.

5.7 Risk concentrations

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(24) In order to monitor and control risk concentrations in a conglomerate, sections 21-23 of the Act on the Supervision of Financial and Insurance Conglomerates impose an obligation on the parent company to regularly report risk concentrations in the conglomerate to the coordinating authority.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(25) The FIN-FSA has issued Standard [RA4.1](#) Reporting of large exposures and risk concentrations on the reporting of a conglomerate's exposures to customers. The standard sets out provisions on the contents of the report to be filed with the FIN-FSA.

Exposures to customers

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(26) Exposures to a customer of a company within a conglomerate, as defined in the Act on the Supervision of Financial and Insurance Conglomerates, refer, with certain exceptions, to the total exposures in the form of claims, investments and off-balance sheet commitments vis-à-vis any one natural or legal person or vis-à-vis any one natural or legal person sharing substantial economic interests with the said person. Loan and guarantee insurance is considered comparable to off-balance sheet commitments.

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(27) A large exposure is defined in the Act on the Supervision of Financial and Insurance Conglomerates as an exposure to a customer equalling or exceeding 10% of the conglomerate's own funds.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(28) The parent company of a conglomerate shall report large exposures to the coordinating supervisory authority at least four times a year.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(29) Section 22 of the Act on the Supervision of Financial and Insurance Conglomerates sets out provisions on the limits for exposures to customers. Exposure to a customer may not reach an amount exceeding 25% of the conglomerate's own funds, or 20% of the conglomerate's own funds if the customer company is the parent company or subsidiary of a company within the conglomerate or a subsidiary of the parent company.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(30) The total amount of large exposures may not reach an amount exceeding 800% of the conglomerate's own funds.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(31) If a conglomerate's exposures to an individual customer or total large exposures exceed the prescribed limit, the parent company of the conglomerate shall promptly notify the coordinating supervisory authority thereof.

Other risk concentrations

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(32) The parent company of a conglomerate shall, on an annual basis, provide the FIN-FSA with a report on the situation prevailing as at the close of the preceding year, submitting by the end of February information on the conglomerate's share and real estate holdings, the strategy applied to these holdings and intra-group limits on overall holdings.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(33) In addition, the parent company of a conglomerate shall monitor country, exchange rate, interest rate and sectoral risks inherent in the conglomerate's transactions and set intra-group limits for such risks. The parent company of the conglomerate shall, at least on a quarterly basis, provide the FIN-FSA with information that is necessary for supervising concentrations arising from these risks. The FIN-FSA requires no specifically defined form for the reporting of this data, but relies on reports the conglomerate has issued for its own internal use.

5.8 Internal control and risk management

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(34) Section 16 of the Act on the Supervision of Financial and Insurance Conglomerates sets out provisions on the establishment of internal control and risk management processes for companies within a conglomerate. According to these provisions, the parent company of the conglomerate shall have in place adequate internal control and risk management systems commensurate with the scale of the activities of the conglomerate. Similarly, the holding company of the conglomerate and a financial and insurance company within the conglomerate shall have in place adequate internal control and risk management systems commensurate with the scale of its activities.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(35) Accordingly, the parent company of a financial and insurance conglomerate is responsible for the formulation of risk management principles and other internal control and business principles for the conglomerate.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(36) The governing body exercising supreme decision-making power in the parent company (board of directors) shall ensure that controlled organisations adhere to the principles of internal control on a comprehensive basis. This responsibility of the highest governing body does not, however, eliminate the responsibility of, for example, the board of a credit institution or insurance company operating as a subsidiary of the conglomerate for establishing processes of internal control within their own organisation.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(37) Under section 16 of the Act on the Supervision of Financial and Insurance Conglomerates, the coordinating supervisory authority may issue more detailed rules for the establishment of internal control and risk management.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(38) In addition, Standard 4.1 on the establishment and maintenance of internal control and risk management defines the qualitative requirements set by the FIN-FSA on the establishment of internal control and risk management for conglomerates.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(39) The FIN-FSA has issued more detailed regulations and guidelines on credit and operational risk management for conglomerates in its Standards 4.4a on the management of credit risk and 4.4b on the management of operational risk.

5.9 Sound governance

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(40) The requirements for sound governance include the FIN-FSA's guidance to the parent company of the conglomerate on the requirements for the composition and operations of governing bodies, and the division of their respective responsibilities. Sound governance promotes the achievement of the goals set by the owners and board of directors of the parent company of the conglomerate, as well as compliance with sound and prudent business principles.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(41) The FIN-FSA will, at a later date, issue a standard setting out the requirements for sound governance in conglomerates.

5.10 Intra-group transactions

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(42) While provisions on reporting intra-group transactions are mainly incorporated in the Credit Institutions Act, the Investment Firms Act as well as the Acts on Insurance Companies and Insurance Associations, these Acts, however, play a key role in the supplementary supervision of financial and insurance conglomerates.

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(43) The reporting of intra-group transactions and risk concentrations between member companies of conglomerates seeks to

- establish the effect of intra-group transactions in order to obtain an accurate view of the conglomerate's financial position
- ensure that intra-group transactions do not weaken the capital adequacy, profitability or liquidity of the conglomerate or its member companies
- ensure that intra-group transactions do not cause potential problems to spread within the conglomerate from one business area to another

- ensure that intra-group transactions are not undertaken to avoid supervision or the obligation to comply with acts and administrative regulations.

Binding

Issued on 14 June 2005
Valid from 30 June 2005

(44) Transactions may not be entered into on terms and conditions that diverge from those normally applied to similar transactions between independent parties. This does not, however, apply to

- the acquisition of administrative services needed by member companies of a group from another member company within the group
- capital and debenture loans granted by the parent company to a subsidiary that are necessary for the reinforcement of the subsidiary's capital base
- the provision of financing to subsidiaries other than that referred to above when the subsidiary is a financial institution or ancillary services undertaking within the same consolidation group, or a financial or insurance company within the same financial and insurance conglomerate, and the parent company bears overall responsibility for the asset management of the consolidation group or conglomerate.

Reporting

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(45) Intra-group transactions may have a significant effect on the financial performance and capital adequacy position of individual companies within the conglomerate. They may also cause conflicts of interest between parties to transactions.

Justifications

Issued on 14 June 2005
Valid from 30 June 2005

(46) The FIN-FSA has issued Standard RA1.1 on the reporting of intra-group transactions. As the reporting of intra-group transactions is based on sectoral regulations, the Act on the Supervision of Financial and Insurance Conglomerates does not contain separate provisions on the obligation of companies within a conglomerate to report intra-group transactions. Consequently, transactions between companies within a conglomerate shall be reported on the basis of sectoral regulations to the supervisory authority concerned, which is responsible for reporting further to the coordinating supervisory authority transactions that are significant for the supervision of the conglomerate.

5.11 Acquisition of control in an undertaking outside the European Economic Area

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(47) Section 13 of the Act on the Supervision of Financial and Insurance Conglomerates applies to the acquisition of control in an undertaking outside the European Economic Area (EEA). Corporate acquisitions affecting the structure of a financial and insurance conglomerate must not impair the exercise of supervision of the conglomerate by the authorities. A member company of a conglomerate may not acquire control as referred to in chapter 1, section 5, of the Accounting Act in a credit institution, investment firm, fund management company or insurance company domiciled in a non-EEA state, if it has not notified the coordinating supervisory authority of the acquisition in advance or if the coordinating supervisory authority has prohibited the acquisition within a specified period of time after having received notification.

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(48) The coordinating supervisory authority has the right to prohibit the acquisition within three months of receipt of the notification if the company to be acquired is part of the conglomerate and the legal provisions and administrative regulations applicable to the company materially impair the effective supervision of the conglomerate.

Justifications

*Issued on 14 June 2005
Valid from 30 June 2005*

(49) Acquisition of control in a company as referred to herein without approval from the authorities is punishable under law.

6

REPORTING TO THE FINANCIAL SUPERVISION AUTHORITY

Binding

*Issued on 14 June 2005
Valid from 30 June 2005*

(1) The disclosure and reporting requirements of the conglomerate include the following:

A) Notification is based on a FIN-FSA standard, regulation or guideline:

- supervision of the owners of a holding company; Regulation 101.6
- fitness and propriety of the management of the holding company; [standard under preparation]
- capital adequacy of a conglomerate; (decree 1193/2004 issued by the Ministry of Finance on the calculation of the capital adequacy of a financial and insurance conglomerate) [to be appended to the forthcoming standard on capital adequacy reporting]
- large exposures of a conglomerate; Standard RA4.1
- supervision of intra-group transactions; Standard RA1.1
- financial statement and consolidated financial statement of a holding company; [standard under preparation]
- events relating to operational risks; Standard RA4.2

B) Free-form notification:

- establishment and membership of a conglomerate
- basic data on companies within a conglomerate
- acquisition of control in an undertaking outside the European Economic Area
- supervision of other risk concentrations in a conglomerate
- auditors' disclosure requirement
- restructuring of operations in a conglomerate

7

FURTHER DETAILS

Please find the necessary contact information in the list of [Persons responsible](#) for standards provided on the FSA website. For further information, please contact:

- Institutional Supervision, tel. +358 10 831 5207

8

RECORD OF AMENDMENTS

This standard issued on 17 June 2003 was amended as follows:

- Amendment dated 14 June 2005: Updating of the standard with amendments to the Act on the Supervision of Financial and Insurance Conglomerates

All versions of the standard are available on the FIN-FSA's website under Regulation/FSA standards.