

SUP 16 ANN 23G: CONSOLIDATED SUPERVISION RETURN FOR INVESTMENT FIRMS

Notes to the completion of Part 1: Group Financial Resources

| Ref | Notes   |
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| A1  | The material unaudited consolidated losses/LLPs' excess drawings since balance sheet date only need to be reported on in the half-yearly return.  |
| A2  | <p>The Group should calculate its financial resources based on the consolidated financial statements prepared at the level of the ultimate EEA financial holding company in the group. The financial statements should be prepared in accordance with the relevant accounting standards but investments in insurance companies should be de-consolidated.</p> <p>The Group Tier 1 capital should be calculated by taking the relevant capital items from the consolidated balance sheet. Deductions must be made in arriving at Tier 1 for intangible assets (including goodwill arising from consolidation), investments in own shares and for material unaudited losses since the balance sheet date. Unaudited losses should be regarded as material if they exceed 10% of Group Tier 1 before taking into account this deduction.</p> |
| B1  | This is the sum of non-fixed-term (undated) cumulative preference shares, non-fixed-term (undated) long-term subordinated loans and revaluation reserves and other consolidated reserves.   |
| B2  | This is the sum of fixed-term cumulative preference shares and fixed-term long-term subordinated loans.   |
| C   | The total of short-term subordinated loans external to the group and unaudited consolidated profits arising from trading book activities should be shown here.  |
| D1  | The definition of material holdings in non-group credit institutions and investment firms should be derived on the basis of the prudential rules applied to the most significant sector in the group except that references to “own funds” should be replaced by “consolidated own funds”. For this purpose consolidated own funds is equal to A+B after the application of the eligibility limits as set out in the relevant chapter of IPRU(INV).   |
| D2  | Insurance members of the group should be de-consolidated and material insurance holdings should be deducted here. They  |

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|     | normally represent the book value of the investment in insurance undertakings, reinsurance undertakings and insurance  |
| Ref | Notes  |
|     | holding companies in which the group holds a participation, unless the group's share of the undertaking's notional or local requirement is higher, in which case, there is a deduction in full.  |
| E   | <p>The Group Financial Resources should be shown here. This represents the sum of eligible capital in A, B1, B2 and C, minus the deductions in D1 and D2. No other deductions should be made. Liquidity adjustments and other similar deductions that are made at the solo level should be included in the Group Financial Resources Requirement.</p> <p>The limits applied at the group level to the inclusion of items in the group financial resources should be the same as the limits applied at the level of the main firm in the group.</p> |

Notes to the completion of PART 2: Group Financial Resources Requirement

| <i>Ref</i> | <i>Notes</i>   |
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| F          | <p>List the name of each <i>subsidiary</i> and <i>participation</i>.</p> <p>A <i>firm</i> may combine several entities together where these are not material in relation to the group. For example, entities where total assets are in aggregate less than 5% of the group's total assets. The <i>firm</i> should list the relevant entities in a note to the return and should be able to demonstrate the contribution of the individual entities to the group calculation.</p>   |
| F1         | <p>List the percentage interest in the <i>subsidiary</i> or <i>participation</i> held by the parent. If the shares are not held directly by the parent, but by another group company, enter the effective percentage interest of the parent in the company. Where the entity is a <i>subsidiary</i> of a <i>subsidiary</i> of the parent, indicate (S) after the effective percentage interest. Such an entity will be treated as a <i>subsidiary</i> of the parent and will be included in full in the calculations.</p>  |
| F2         | <p>Specify if the <i>subsidiary</i> or <i>participation</i> is regulated by the <i>FSA</i> or another regulator. If the entity is unregulated, state "unregulated".</p>  |
| G          | <p>The financial resources requirement of entity F should be shown here. The financial resources requirement for a participation must be pro-rated (i.e. it should be multiplied by F1).</p> <p>This should be equal to the solo financial resources requirement plus any deductions from own funds made in arriving at the solo financial resources.</p> <p>In the case of a firm regulated by the FSA under IPRU(INV) Chapter 5 rules (as an investment management firm) this should be equal to the financial resources requirement calculated in accordance with IPRU(INV) 5.2.3 plus the illiquid assets adjustment calculated in accordance with IPRU(INV) Table 5.2.2(1) part II paragraph 10, but less any qualifying property adjustment.</p> <p>For unregulated firms this should be equal to the proxy financial resources requirement, which should also include illiquid assets and other deductions (where appropriate).</p> |

| <i>Ref</i> | <i>Notes</i>  |
|------------|---|
| G1         | This is the sum of figures in column G.   |
| H          | <p>Details of the method used to calculate G (the financial resources requirement) for each firm should be given here. For example for an FSA-regulated firm column H should contain the IPRU reference (eg IPRU(INV) Chapter 5). For an overseas regulated firm where the prudential calculation is recognised by FSA as being equivalent the applicable overseas regulator should be given.</p> <p>For proxy requirements for unregulated firms column H should state the regulatory rules that have been applied to calculate the proxy requirement.</p> |
| I          | <p>The financial resources requirement of the parent should be shown here.</p> <p>This should be equal to the solo financial resources requirement (excluding any large exposures requirement and requirements in respect of intra-group balances) and any adjustments made to financial resources in accordance with Rule 14.4.3R.</p>   |
| J          | The group large exposures requirement should be shown here. This will only be calculated if there are trading book activities within the group.   |
| K          | The Group Financial Resources Requirement should be shown here. It is equal to the sum of G1, I and J.  |
| L          | The overall group surplus or deficit is equal to the difference between the Total Group Financial Resources (E) and the Group Financial Resources Requirement (K).  |

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