

Chapter 8

Group risk consolidation

8.2 Scope and basic consolidation requirements for UK consolidation groups

Main consolidation rule for UK consolidation groups

8.2.1 **R** A firm that is a member of a UK consolidation group must comply, to the extent and in the manner prescribed in ■ BIPRU 8.5, with the obligations laid down in ■ GENPRU 1.2 (Adequacy of financial resources) and the main BIPRU firm Pillar 1 rules (but not the base capital resources requirement) on the basis of the consolidated financial position of:

- (1) where either Test 1A or Test 1B in ■ BIPRU 8 Annex 1 (Decision tree identifying a UK consolidation group) apply, the parent institution in a Member State in the UK consolidation group; or
- (2) where either Test 1C or Test 1D in ■ BIPRU 8 Annex 1 apply, the parent financial holding company in a Member State or the parent mixed financial holding company in a Member State.

8.2.2 **R** Further to ■ BIPRU 8.2.1 R, a firm that is a member of a UK consolidation group must at all times ensure that the consolidated capital resources of the UK consolidation group are equal to or exceed its consolidated capital resources requirement.

8.2.3 **G** The base capital resources requirement does not apply on a consolidated basis.

Definition of UK consolidation group

8.2.4 **R** A firm's UK consolidation group means a group that is identified as a UK consolidation group in accordance with the decision tree in ■ BIPRU 8 Annex 1 R (Decision tree identifying a UK consolidation group); the members of that group are:

- (1) where either Test 1A or Test 1B in ■ BIPRU 8 Annex 1 R apply, the members of the consolidation group made up of the sub-group of the parent institution in a Member State identified in ■ BIPRU 8 Annex 1 R together with any other person who is a member of that consolidation group because of a consolidation Article 12(1) relationship or an Article 134 relationship; or
- (2) where either Test 1C or Test 1D in ■ BIPRU 8 Annex 1 R apply, the members of the consolidation group made up of the sub-group of

the *parent financial holding company in a Member State* or the *parent mixed financial holding company in a Member State* identified in ■ BIPRU 8 Annex 1 R together with any other person who is a member of that *consolidation group* because of a *consolidation Article 12(1) relationship* or an *Article 134 relationship*;

in each case only persons included under ■ BIPRU 8.5 (Basis of consolidation) are included in the *UK consolidation group*.

- 8.2.5 **R** For the purposes of this chapter, what would otherwise be a *UK consolidation group* is not a *UK consolidation group* if all the members of that *UK consolidation group* wholly form part of another *UK consolidation group*.
- 8.2.6 **G**
- 8.2.7 **G** ■ BIPRU 8 Annex 1 (Decision tree identifying a UK consolidation group) shows that Articles 125 and 126 of the *Banking Consolidation Directive* are important in deciding whether the *appropriate regulator* is obliged to supervise a group or part of a group and hence whether that group or part of a group is a *UK consolidation group*. ■ BIPRU 8 Annex 4 (Text of Articles 125 and 126 of the *Banking Consolidation Directive*) sets out these articles together with an explanation of how those articles should be read in the case of a group which also contains *CAD investment firms*.