

# Financial Conglomerates Directive 2002/87/EC

Explanatory meeting with Croatia and Turkey  
30 March 2006

Peter Smith  
DG Internal Market & Services  
Banking & Financial Conglomerates

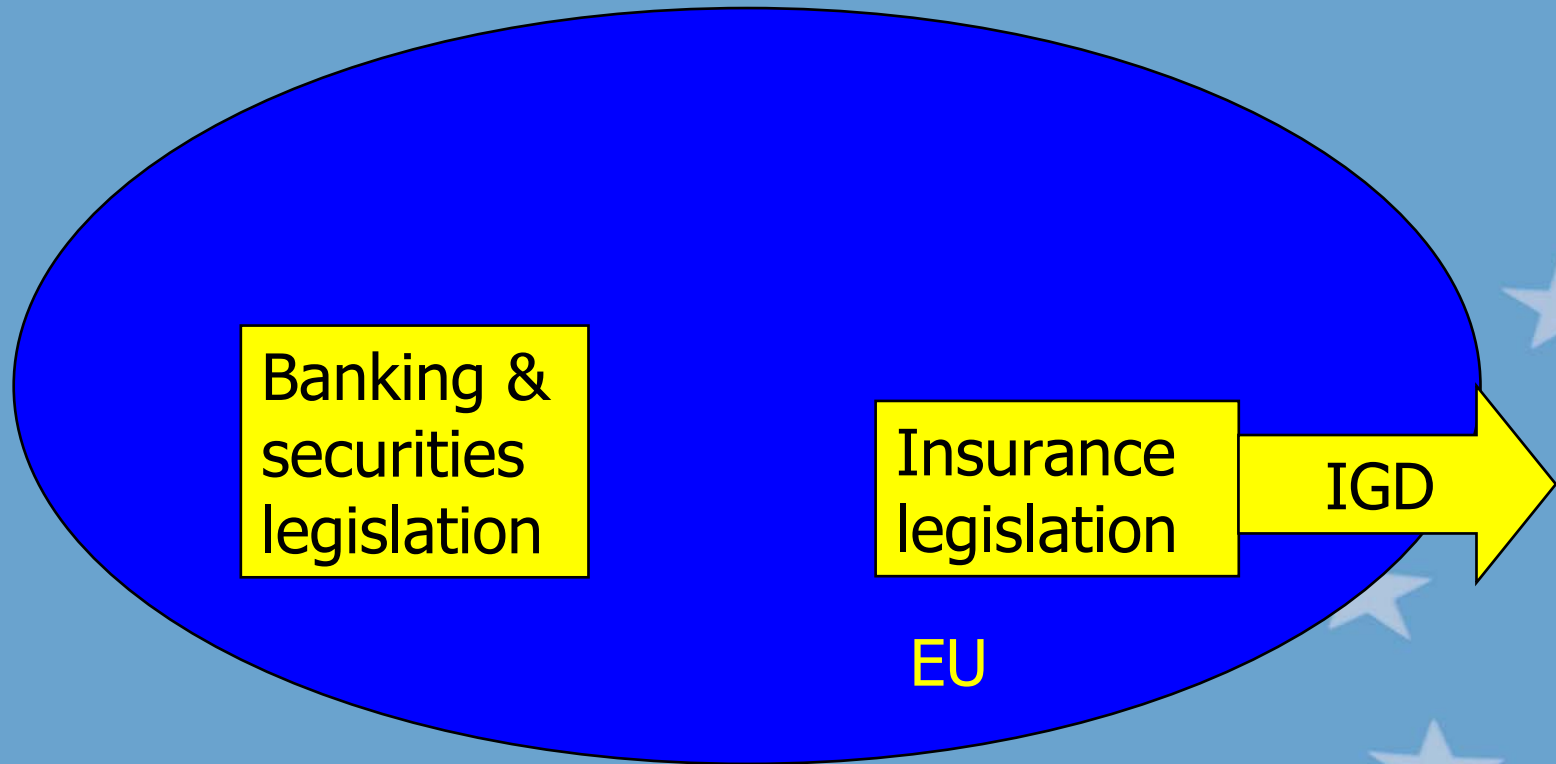
# Objectives of Directive 2002/87/EC

Address a gap in the supervisory regime in the EU

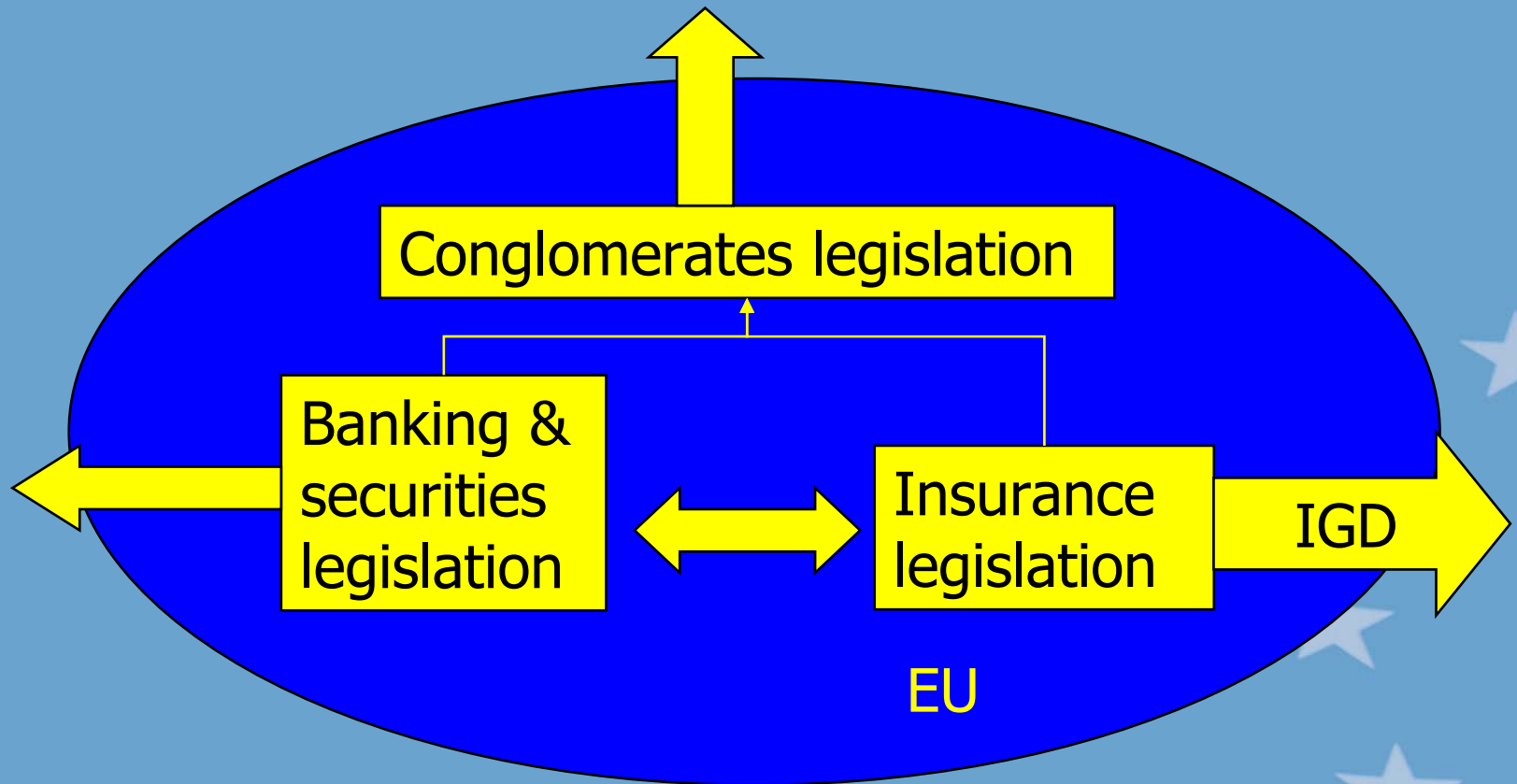
And then two further aims:

- reduce risk
- increase regulatory efficiency

# What was in place before the Directive?



# What changes does the Directive make?



# History of Directive 2002/87/EC

Builds on the work of the Joint Forum at G-10 level

A key step in delivery of the Commission's 1999 Financial Services Action Plan

# Key provisions of Directive 2002/87/EC

Provisions on:

- what is a conglomerate?
- who should supervise the conglomerate?
- how should the conglomerate be supervised?

# Provisions of Directive 2002/87/EC

Articles 3 & 4 – how to identify a conglomerate

- size thresholds
- the identification process

Article 5 – scope of supplementary supervision

- which entities does the supervision apply to?
- what about subgroups?
- what about groups with a parent outside the EU?

# Provisions of Directive 2002/87/EC

Articles 6 to 9 – the detail of supervision

- capital adequacy
- risk concentration
- intra-group transactions
- internal controls & risk management

Articles 10 to 12 – coordination and cooperation

- who is the coordinator?
- what are they responsible for?
- exchange of information



# Provisions of Directive 2002/87/EC

Articles 15 & 16 – verification & enforcement

- working with other authorities on verification
- action in cases of non-compliance

Article 18 – parent companies outside the EU

- assessment of equivalence of supervision
- additional measures where necessary

# Provisions of Directive 2002/87/EC

Article 19 – cooperation with non-EU supervisors  
- agreements on exchange of information

Articles 20 & 21 – structures for further work  
- further work for the Commission  
- creation of a committee ('Level 2')

# Provisions of Directive 2002/87/EC

Articles 22-29 – amendments to existing directives

- changes to insurance & banking directives
- harmonise requirements to consult other supervisors
- harmonise treatment of holdings in other financial institutions
- extend scope of banking directives to consider equivalence of supervision

Article 30 – asset management

- how asset managers are included

# Provisions of Directive 2002/87/EC

Annex I – details on capital adequacy

- four methods
- drawn from work of Joint Forum

Annex II – details on risk concentrations & intra-group transactions

# The future of Directive 2002/87/EC

Further detail to be added to Annexes I and II

Article 31 – review

- Commission to produce a report by August 2007

# Financial conglomerates Directive 2002/87/EC

Further information:

- [http://europa.eu.int/comm/internal\\_market/financial-conglomerates/index\\_en.htm](http://europa.eu.int/comm/internal_market/financial-conglomerates/index_en.htm)

- [peter.smith@cec.eu.int](mailto:peter.smith@cec.eu.int)