

**Draft RTS on risk-concentration and intra-group transactions**

**IRSG preliminary views**

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## Financial Conglomerates Directive (FICOD)

- Cross-sectorial directive, targeting supervision of financial conglomerates in addition to sectorial supervision (insurance and banking)
- The Directive mentions the following as specific aims:
  1. avoid double gearing or multiple use of capital and
  2. monitor group risks eg contagion, concentration, conflicts of interest
- In practice, member states have implemented FICOD with a wide discretion, hampering supervisory consistency

## Background and rationale for ESAs draft RTS

- Ensure a consistent/harmonised application of FICOD
- Provide a set of supervisory measures which should be taken into account by supervisors in their supplementary supervision
- Provide clarification about which risk-concentration and intra-group transactions should be considered “significant”
- Legal basis provided by FICOD, to overrule the criteria/requirements used so far by member states

## Key emerging IRSG comments (1/2)

- A harmonised approach with respect to supervisory measures is welcomed
- For example, reporting of risk concentration and intra-group transactions should be aligned to the greatest extent possible with the respective sectorial rules, such as Solvency II reporting (QRTs), in particular in terms of scope, content, frequency and channels of communication.
- The RTS should therefore include a reference to already existing or currently under implementation legislation (e.g. Solvency II QRTs) and only introduce additional types of reporting requirements if there is a clear need and benefit
- However, when harmonisation is already ensured at a lower level (eg by the requirements set in Solvency II or CRD IV/CRR) the RTS should avoid duplication of work at the level of the supplementary supervision

## Key emerging IRSG comments (2/2)

- While we understand that it is not possible to set thresholds in the RTS, the regulated entities should be involved in the discussions with the coordinator and other relevant competent authorities on appropriate thresholds and content/form of the significant intra-group transactions or risk concentration report.
- Any reporting of matters relating to the financial conglomerate supervision should be exclusively made to the coordinator of the conglomerate.
- Wording such as “may include” or “including in particular” is too vague and gives too much leeway for different requests, thus potentially missing the harmonisation purpose of the RTS.

## Next steps

- IRSG position paper :
  - To be drafted with members of the sub-group by 13 October
  - To be shared with the IRSG on 13 October for comments and any additional input
- Deadline for the consultation: 24 October
- ESAs need to submit final RTS to the EC by 1 January 2015