

## TABLE OF CONTENTS

SUMMARY OF RESPONSES .....	2
QUESTION #1 .....	7
QUESTION #2 .....	11
QUESTION #3 .....	12
QUESTION #4 .....	15
QUESTION #5 .....	16
QUESTION #6 .....	18
QUESTION #7 .....	23
QUESTION #8 .....	24
ANNEXED INFORMATION .....	26

## Summary of Responses

**Overall** – While all countries allow financial conglomerates that conduct a range of activities, the integration of banking and securities activities is the most seamless. For example, most countries make adjustments for insurance activities when applying capital rules to a bank dominated conglomerate. Only two countries permit financial conglomerates to engage in commercial activities, although while the U.K. permits these activities, they are not that common because of the effect of certain prudential rules.

Capital adequacy requirements for banks are applied on a consolidated basis; most countries also apply them on a non-consolidated basis. It is becoming more common for capital requirements to be applied at a consolidated level for insurance companies. Large exposure limits generally only apply to banking and securities activities.

Most countries can obtain information directly or indirectly about unregulated subsidiaries. Operational integration is allowed with some restrictions, in particular where it may impede supervision or consumer understanding, and as long as appropriate systems and procedures are in place.

Generally supervisors can exercise powers, albeit fewer, with respect to holding companies.

### Suggested questions for discussion

1. Countries are split on allowing multi-activity institutions. What are the arguments for and against them – prudential, supervisory, other?
2. What are the risks of allowing financial conglomerates (of any structure) to engage in commercial activities? How do those countries that allow commercial activities contain the risks? On what basis are capital rules applied?
3. Most countries do not allow operating holding companies. What problems have been posed by operating holding companies?
4. Most countries deduct investments in insurance entities when applying prudential tests. Are there any other approaches?
5. If large exposure limits are applied at a consolidated level, what is the purpose of also applying them at the institution level?
6. Many jurisdictions do not have large exposure rules for insurance companies. Why not?
7. Some countries do not have access to information for unregulated subsidiaries. In such cases, how do you ascertain the solvency of the regulated institution (assuming the unregulated entities are significant)?
8. Some countries apply capital requirements on a non-consolidated basis at the holding company. What is the nature of this test?
9. Many countries apply capital requirements to holding companies but do not have examination powers. In those cases, how do you ascertain the quality of information used in the capital calculation?

10. Most countries have access to information in holding companies, but few have the right to examine. Why one and not the other? Is access only to publicly available information?

**Question 1** What corporate structures for financial institutions are allowed in your jurisdiction and, for those that are allowed, what activities are permitted (banking, insurance, securities, other financial, commercial)?

1 (a) Multi-activity institutions

- Five countries (Australia, Iceland, Singapore, Sweden, U.K) allow multi-activity institutions that encompass banking and securities. All countries, except Singapore, insist that the underwriting of insurance be conducted in a separate institution. Australia permits multi-activity institutions to engage in other financial activities. The U.K. places no restrictions on their activities.

1 (b) Financial conglomerates

- All countries allow financial conglomerates. In most countries these conglomerates are restricted to undertaking financial activities, although Australia permits them to engage in commercial activities as well. The U.K. places no explicit restrictions on the activities of subsidiaries, however other prudential requirements (e.g., capital requirements, asset valuation rules, etc.) can limit the desirability or ability to make certain investments. In Japan there are no restrictions on the types of activities securities companies can carry on through subsidiaries.

1 (c) Non-operating holding companies

- All countries allow non-operating holding companies. They are permitted in Canada (but not for banks).

1 (d) Operating holding companies

- Only two countries (Norway, Australia (for ADIs)) prohibit the use of operating holding companies, although Norway does permit single purpose companies, such as insurance captives, that are solely funded by the operating parent. Canada does not allow operating holding companies to own banks. They are permitted in Iceland but rarely, if ever, used.

**Question 2** If multi-activity institutions are allowed, what supervisory requirements do you apply at the activity level, and which do you apply to the institution as a whole?

- (a) Capital adequacy requirements
  - (b) Large exposure limits
  - (c) Corporate governance requirements
- For the five countries (Australia, Iceland, Singapore, Sweden, U.K.) that allow multi-activity institutions that encompass banking and securities the capital adequacy requirements and large exposure limits are applied to the institution as a whole. Iceland ensures that there are Chinese Walls established for example, between banking and securities activities and Sweden notes that there are specific conduct of business requirements for securities activities.

**Question 3** If financial conglomerates are allowed, do you take a consolidated or non-consolidated approach (or both) to supervision in the following areas

- (a) Capital adequacy requirements
  - (b) Large exposure limits
  - (c) Corporate governance requirements
- All countries, with the exception of Australia, Japan, Korea and Canada (for property and casualty insurance), do or will shortly (with the implementation of the European directive) apply the capital rules on a consolidated basis to insurers. In addition, all countries apply capital adequacy requirements on a non-consolidated basis to insurance companies (note: Canada applies the capital requirements on a non-consolidated basis to property and casualty insurers and for life companies on a consolidated basis for each regulated financial institution in the group)
- All countries apply capital adequacy requirements to banking groups on a consolidated basis, generally adjusting for any investment in insurers and, in the case of Australia, funds management activities. All except Canada and Sweden require banks to satisfy the capital requirements on a non-consolidated basis as well. Canada applies them on a consolidated basis to each regulated entity in the group.
- Large exposure limits are applied on a consolidated basis in all countries except Korea. These limits generally only apply to banking and securities activities; adjustments are made if insurance companies form part of the conglomerate. Iceland, Japan, Korea, Norway and the U.K. also apply the limits on a non-consolidated basis. In Japan the large exposure/investment rules for insurance companies are applied on both basis.
- Other corporate governance requirements are applied on a consolidated and non-consolidated basis as appropriate.

**Question 4** If financial conglomerates are allowed, do you have the authority to obtain information on subsidiaries that you do not regulate?

- Most countries do have the authority, sometimes secured through undertakings, to obtain information on subsidiaries that they do not regulate, although Korea and the U.K. do not have the authority to obtain this information directly. Australia has no authority to obtain information from unregulated subsidiaries of life companies and can only obtain information about a subsidiary of a general insurance company in limited circumstances.

**Questions 5 & 7** If financial conglomerates or operating and non-operating holding companies are allowed, are there restrictions on operational integration? If yes, what activities do they cover?

- Generally operational integration is allowed, although some restrictions are applied. For example, some countries prohibit integration of certain functions and require systems and procedures to be put in place to preserve client confidentiality and ensure proper accounting and recording of transactions. In addition, some countries prohibit integration where it may impede supervision, give rise to any concerns about safety and soundness, or impede the perception by customers of the nature of the entity with whom they have dealt.

**Question 6** What supervisory/regulatory powers do you have over operating and non-operating holding companies?

General – In Canada legislation is expected to be tabled in June that will allow non-operating regulated holding companies that will be subject to supervision. Similarly Australia is reviewing its powers with respect to the supervision of conglomerate groups.

6 (a) Capital adequacy requirements (and, if so, is it applied on a consolidated or non-consolidated basis)?

- All countries but Australia and Canada apply capital adequacy requirements on a consolidated basis (generally making adjustments for investments in insurance companies) at the holding company level, although Sweden may exclude the activities of operating holding companies from the consolidation. Denmark, Japan and Norway apply requirements on a non-consolidated basis at the holding company; Iceland and Singapore have the option to do so.

6 (b) Large exposure limits (and, if so, is it applied on a consolidated or non-consolidated basis)?

- All countries but Australia and Canada apply large exposure limits on a consolidated basis (generally making adjustments for investments in insurance companies), although Sweden may exclude the activities of operating holding companies from the

consolidation. Norway applies the limits on a non-consolidated basis; in Iceland they have the option to do so.

6 (c) Cease & desist orders?

- Australia, Japan, Norway and Singapore have the power to issue cease and desist orders to holding companies. When the bill passes Parliament, Denmark will have the power to order holding companies to divest regulated subsidiaries.

6 (d) Controls on reorganisations?

- Denmark, Japan, Norway and Singapore have (or soon will have) the power to control reorganisations of holding companies. Australia exercises this power indirectly.

6 (e) Examination?

- Denmark, Iceland, Japan and Norway have the power to examine operating and non-operating holding companies; Sweden can examine operating and non-operating holding companies if there is a bank within the group. Australia has power to investigate a holding company of a banking institution but not of an insurance company.

6 (f) Access to information in the holding company?

- Only Canada does not have access to information in the holding company. Sweden only has access if there is a bank in the group; the U.K.'s access is indirect. Australia can request information about a holding company of a banking institution but not of an insurance company.

6 (g) Access to information in subsidiaries that you do not regulate?

- Only Canada does not have access to information in subsidiaries that it does not regulate. Sweden only has access if there is a bank in the group; the U.K.'s access is indirect. Australia can request information about unregulated subsidiaries of a holding company of a banking institution but not of an insurance company

6 (h) Ownership rules/restrictions?

- All countries except Iceland have power over ownership rules and restrictions.

Question #1	<p>What corporate structures for financial institutions are allowed in your jurisdiction, and (for those that are allowed) what activities are permitted (banking, insurance, securities, other financial, commercial):</p> <p>(a) Multi-activity institutions?</p> <p>(b) Financial conglomerates?</p> <p>(c) Non-operating holding companies?</p> <p>(d) Operating holding companies?</p>
Australia	<p>(a) An Authorised Deposit-Taking Institution (ADI) may undertake banking, securities and other financial activities. It is not permitted to undertake commercial activity or to underwrite insurance. Insurance companies may only undertake insurance underwriting activities. In addition, insurance companies may not undertake both general (non-life) insurance and life insurance activities within the same entity.</p> <p>(b) An ADI and insurance companies may act as a holding company for subsidiaries. These subsidiaries may engage in all forms of financial activity (e.g. insurance underwriting and securities dealing) and commercial activity.</p> <p>(c) A NOHC may own an ADI and/or insurance companies. Where a locally-incorporated NOHC owns an ADI it can be required to be authorised by APRA and subject to regulation by APRA. A conglomerate group headed by a NOHC may include all forms of activity (both financial and commercial) as well as insurance and banking. A NOHC which owns only insurance companies is not required to be authorised and is not subject to any regulation by APRA.</p> <p>(d) With the exception of approved foreign banks and regulated institutions ADIs are not permitted to be owned by operating holding companies. Insurance companies may be owned by operating holding companies (both commercial and financial). Such holding companies are not subject to prudential regulation unless the operating holding company is a regulated financial institution in its own right.</p>

Canada	<p>(a) Not allowed.</p> <p>(b) Allowed – this is the dominant structure in Canada. Activities of the component regulated institutions of a conglomerate are restricted to those permitted by the applicable financial institution legislation. For example, where a bank is the parent of the financial conglomerate, insurance activities must be undertaken in an insurance company subsidiary of the bank and securities activities must be undertaken in a securities company subsidiary of the bank. Most other financial activities that are not either banking, insurance or securities can be undertaken in subsidiaries of the financial institution. Insurance companies and banks are prohibited from having substantial investments (defined essentially as 10% or more of voting rights) in any subsidiary that is not legislatively permitted.<sup>1</sup></p> <p>(c) Allowed – but rarely found in practice. Canada's six major banks, referred to as Schedule I banks, must be widely-held. A non-operating unregulated holding company may own a trust and loan company or an insurance company provided that certain legislated criteria are met (e.g., source of continuing financial support, soundness and feasibility of plans, business record and experience, etc.)</p> <p>(d) Response same as for (c) above</p>
Denmark	<p>(a) No.</p> <p>(b) Yes.</p> <p>(c) Yes.</p> <p>(d) Yes.</p>
Iceland	<p>All four types of corporate structures are allowed but only the first two mentioned, i.e. types a and b exist for the time being. Insurance companies, however, must be operated as a separate company. Therefore multi-activity institution could not cover both bank and insurance, only bank and securities.</p>
Japan	<p>Corporate structures of (b), (c) and (d) are allowed, while those of (a) are not. (b)</p> <p>(b) Banks can carry on securities, insurance (limited to that of failed insurance companies until the certain date prior to March 31, 2001) and other financial activities through subsidiaries; insurance companies can carry on banking, securities and other financial activities through subsidiaries; and the type of activities which securities companies can carry on through subsidiaries are not limited.</p> <p>(c), (d) Holding companies (defined by the Anti-Monopoly Law) having bank subsidiaries are regulated as bank holding companies (BHCs) by the Banking Law; the type of business permitted for BHCs is limited to management of their own subsidiaries. Similar regulations are applied to insurance holding companies (IHCs) in the Insurance Business Law. BHCs and IHCs can carry on banking, insurance, securities and other financial activities through subsidiaries. There is no limit on the type of business run by non-operating holding companies and operating holding companies, excluding BHCs and IHCs.</p>
Korea	<p>Financial holding companies are allowed in Korea.</p> <p>Activities that are allowed as followings,</p> <p>The activities that are allowed through subsidiaries are financial activities such as banking, securities, insurance, and other financial businesses, and finance-related businesses that are specified by supervisory authorities.</p>

<sup>1</sup> Permitted entities basically include: financial institutions, corporations involved in factoring, financial leasing, information services, investment counselling, portfolio management, mutual funds, mutual fund distribution, real property brokerage, real property, service, specialized financing (capped) and financial holding.



	<ul style="list-style-type: none"> <li>- The activities allowed through subsidiaries by banks are finance activities and finance-related activities which are specified by the FSC (Banking Act 37).</li> <li>- The activities allowed through subsidiaries by insurance companies are finance activities, social infrastructure building activities, and activities attached to the insurance business (Enforcement Ordinance of Insurance Business Act S.16 - 2).</li> <li>- The activities allowed through subsidiaries by securities companies are not restricted.</li> </ul>
Norway	<p>(a) No, multi-activity institutions are not allowed in Norway. Different activities have to be maintained in different legal entities.</p> <p>(b) Yes, Financial conglomerates are permitted. These may include institutions from all financial sectors. (See explanation below).</p> <p>(c) Any holding company of a financial group is regulated and supervised according to law in Norway. Hence the definition in the questionnaire does not suit the situation in Norway. We choose however to answer the questions, as the information may be pertinent.</p> <p>Non-operating holding companies are regulated and supervised pursuant to the financial legislation. According to the Financial Institutions Act, a financial institution may be owned by a parent company, which pursuant to its articles of association shall not carry on other activity than administering its holdings in financial groups. Such a parent company is thus regulated and supervised by Kredittilsynet.</p> <p>(d) No. Companies defined as operating holding companies in this questionnaire are not allowed in Norway. A parent company must be a "pure" holding company, which only manages its holdings in financial groups, or a regulated financial institution, and may thus not conduct other commercial activities. See our answer to c) above.</p> <p>There are certain exceptions pertaining to insurance captives (an insurance company set up for the specific purpose of serving a commercial group, but not the public) and single purpose finance entities (such as a financing company set up by a car manufacturer or other commercial undertaking to serve their customers only).</p> <p>These single purpose companies are licensed by Kredittilsynet but not given priority in the practical supervision. For instance, an insurance captive, which is only funded by its parent company, would not be subject to supervision. Captives allowed to fund themselves in the market are supervised by Kredittilsynet.</p> <p>Financing companies within a commercial group have a limited license and likewise are not supervised if they are only funded by their parent company.</p> <p><u>Comment:</u></p> <p>The parent company of a financial group may be:</p> <ul style="list-style-type: none"> <li>a) a financial institution (i.e. a bank, an insurance undertaking, a finance company or a mortgage company)</li> <li>b) a company which pursuant to its articles of association shall not carry on other activity than administering its holdings in financial groups.</li> </ul> <p>A financial group may, in addition to a parent company, include:</p> <ul style="list-style-type: none"> <li>a) financial institutions,</li> <li>b) management companies for securities funds,</li> <li>c) property and investment companies,</li> <li>d) debt collection agencies,</li> <li>e) companies which intermediate financial services, and</li> <li>f) companies with a natural connection with financing activity or insurance business.</li> </ul> <p>The organizational set-up of a financial group must be approved by Kredittilsynet (upon delegation by the Ministry of Finance).</p>

Singapore	<p>(a) Yes, e.g. universal banking.</p> <p>(b) Yes, e.g. banking groups owning insurance/securities subsidiaries or affiliates.</p> <p>(c) Yes.</p> <p>(d) No, except for insurance companies and captive insurers which commercial groups can own. MAS is currently reviewing the organisation structure of financial and mixed conglomerates with a view to formulating a framework that clearly separates financial and non-financial activities. Under the current proposal, MAS will spell out the activities that banks can undertake, either directly or indirectly through subsidiaries or associated companies (i.e. permitted activities). Apart from financial activities, the scope of permitted activities includes activities that assist the banking business. These subsidiaries/associated companies will constitute the financial arm of the conglomerate, which will either have a non-operating financial holding company (FHC) or a bank as the holding company. MAS will effect consolidated supervision of the entire financial arm of the conglomerate.</p> <p>Instead of preventing investments in non-financial business which do not assist in banking, MAS will require conglomerates to restructure their existing subsidiaries and associated companies undertaking non-financial activities. Such entities will have to be owned by the non-financial arm of the conglomerate. MAS will not supervise the non-financial arm, which will be separated from the supervised financial arm by a set of separation criteria.</p>
Sweden	<p>(a) Banking and securities business are allowed within a single regulated entity.</p> <p>(b) Financial conglomerates: A bank can have insurance and/or securities subsidiaries. An insurance company can have banks and/or securities subsidiaries. A securities firm can have banks and/or insurance subsidiaries. There may however not be any non-regulated financial and/or commercial subsidiaries within the conglomerates.</p> <p>(c) There are no restrictions in non-operating holding companies' owning of banks, insurance companies or securities firms. However if there is a bank within the group the regulations for banks affect other activities, except those for insurance companies. FSA has the authority to make exceptions to these regulations.</p> <p>(d) There are no restrictions in operating holding companies' owning of banks, insurance companies or securities firms. However if there is a bank within the group, the regulations for banks affect other activities, except those for insurance companies. FSA has the authority to make exceptions to these regulations.</p>
United Kingdom	<p>(a) There are no restrictions on the activities that a banking or securities institution can undertake. Insurance companies cannot engage (within a single legal entity) in activities other than activities connected with their insurance business<sup>2</sup>.</p> <p>(b) There are no restrictions on the activities of subsidiaries of a financial conglomerate, although in the case of a group headed by a bank, an appropriate deduction of capital is made for qualifying holdings<sup>3</sup>. Moreover, large exposures regulations for banking and securities firms, and asset valuation, spread and diversification rules for insurance firms<sup>4</sup>, can limit a conglomerate's investments.</p> <p>(c) There are no restrictions on the activities allowed in subsidiaries of a non-operating holding company.</p> <p>(d) There are no restrictions on the activities allowed in subsidiaries of an operating holding company.</p>

<sup>2</sup> Section 16 of the Insurance Companies Act 1982.

<sup>3</sup> See article 12 of the Second Banking Co-ordination Directive at:  
[http://europa.eu.int/eur-lex/en/lif/dat/1989/en\\_389L0646.html](http://europa.eu.int/eur-lex/en/lif/dat/1989/en_389L0646.html)

<sup>4</sup> [Insurance Companies Regulations rules 1994](#)

Question#2	<p>What supervisory requirements do you apply at the activity level, and which do you apply to the institution as a whole:</p> <p>(a) Capital adequacy requirements?</p> <p>(b) Large exposures limits?</p> <p>(c) (Others) applied at the activity level (please specify)?</p>
Australia	<p>(a) Capital adequacy requirements are applied to an ADI as a whole capturing all multi-activities in an entity's capital measures. Capital adequacy requirements are also applied to a life insurance company (including all its statutory funds) and general insurance companies as a whole.</p> <p>(b) Large exposure limits are applied on a consolidated group basis to an ADI and its subsidiaries (excluding insurance and funds management activities) vis a vis the consolidated capital base of the ADI headed-group. Limits are applied to concentration of asset exposures of statutory funds of life insurance companies to a particular asset, or with a particular obligor. A reserve is required to be established against that part of the value of that exposure considered excessive. There are no large exposure limits for general insurance companies with the exception of limits on the concentration of reinsurance assets with unauthorised reinsurers.</p> <p>(c) APRA adopts a holistic approach to assessment of risk in an ADI. To this end it monitors compliance with systems and controls established by ADIs to cover specific forms of multi activities. Life and general insurers only conduct insurance underwriting.</p>
Canada	OSFI does not allow multi-activity institutions.
Denmark	Does not allow multi-activity institutions.
Iceland	<p>(a) Capital adequacy is required for the institution as a whole, not for each activity such as bank-activity and security-activity separately. Insurance activity, however, must be operated through a separate company, cf. answer to question 3.</p> <p>(b) Large exposure limits are applied to the institution as a whole, not for each activity.</p> <p>(c) Appropriate segregation of activities (Chinese Walls), for example banks vs. securities.</p>
Japan	We are considering the possibility of allowing commercial businesses for the financial institutions, which may be interpreted as mixed conglomerates.
Korea	
Norway	Does not allow multi-activity institutions.
Singapore	<p>(a) Institutional level.</p> <p>(b) Institutional level.</p> <p>(c) We do not have specific supervisory requirements at the activity level.</p>
Sweden	<p>(a) The capital adequacy requirements apply at the institutional level</p> <p>(b) Large exposures limits apply at the institutional level</p> <p>(c) The supervisory requirements applied at activity level refer to conduct of business for securities firms.</p>
United Kingdom	We apply a wide range of prudential requirements, including capital and large exposures and, in the case of banks, liquidity requirements. These are applied at the institution level in all cases – so if, for example, a bank is engaged in securities business, then it is the capital and large exposures requirements applicable to banks that apply and these apply across all the business of the bank.

Question#3	<p>Do you take a consolidated or non-consolidated approach (or both) to supervision in the following areas:</p> <p>(a) Capital adequacy requirements?</p> <p>(b) Large exposure limits?</p> <p>(c) Corporate governance requirements?</p>
Australia	<p>(a) Both. Capital adequacy requirements are applied to an ADI on a stand-alone basis and on a consolidated basis for groups headed by an ADI. However, subsidiaries engaged in insurance and funds management activities are excluded from consolidated group capital adequacy calculations. ADIs are required to deduct from total capital their investments in these non-consolidated subsidiaries.</p> <p>Capital adequacy requirements for life insurance companies are applied on a stand-alone basis. Investments in subsidiaries are deducted in calculating compliance with Solvency and Capital Adequacy Standards. Similarly, capital adequacy requirements for general insurance companies are applied on a stand-alone basis with deduction of investments in related companies applied in calculating solvency requirements.</p> <p>All regulated subsidiaries of ADIs, life and general insurance companies are required to satisfy regulatory capital adequacy, large exposures and corporate governance on a stand-alone basis.</p> <p>(b) Limits are set on the maximum level of credit concentration held by a consolidated group headed by an ADI to individual counterparties (and their associates). Consolidated group exposures exclude those held by insurance and funds management subsidiaries. No consolidated large exposure limits are applied for groups headed by life or general insurance companies.</p> <p>(c) Corporate governance requirements are established under the Corporations Law and are applied uniformly to all forms of corporate entities. APRA applies some specific corporate governance requirements (e.g. external auditor requirements) on a stand-alone entity basis. For conglomerate groups containing an ADI, APRA has implemented some corporate governance requirements on a group basis (e.g. group external auditor reports).</p>
Canada	<p>(a) For financial conglomerates headed by banks and by life insurance companies consolidated capital requirements are applied to the whole conglomerate. For a bank-led group, insurance subsidiaries are deconsolidated and shaved from the bank's capital. For an insurance-led group, banking subsidiaries are deconsolidated and shaved from the insurance company's capital. Each regulated subsidiary of the parent financial institution must also meet individual capital adequacy requirements on a consolidated basis. The same applies to large exposure limit, examination, corporate governance and other requirements.</p> <p>(b) Both – see comment immediately above.</p> <p>(c) Both – see comment immediately above.</p>
Denmark	<p>(a) Both.</p> <p>(b) A consolidated approach.</p> <p>(c) Both.</p>
Iceland	<p>(a) Capital adequacy is required on a solo basis for each regulated financial company and on a consolidated basis for the financial conglomerate. An insurance subsidiary company, however, is not included in the consolidation but the participation in an insurance subsidiary company is subtracted from the own funds of the parent company. The same applies for a bank which is a subsidiary company to an insurance parent company.</p> <p>(b) Large exposure limits are applied on a solo basis for each regulated financial company and on a consolidated basis for the institution as a whole. An insurance subsidiary company, however, is not included in the consolidation but the participation in an insurance subsidiary company is subtracted</p>

	<p>from the own funds of the parent company. The same applies for a bank which is a subsidiary company to an insurance parent company.</p> <p>(c) No specific requirement regarding corporate governance. The board of governors of the parent company is responsible for the fulfilment of the capital adequacy requirements, large exposure limits and compilation of annual and semiannual financial accounts on a consolidated basis.</p>
Japan	<p>(a) Regarding capital adequacy/solvency margin requirements, we take both of consolidated and non-consolidated approaches for banks; and non-consolidated approach for insurance and securities companies.</p> <p>(b) Regarding large exposure rule for banks and large exposure/investment rule for insurance companies, we take both of consolidated and non-consolidated approaches. We have no similar rule for securities companies.</p> <p>(c) Most of corporate governance requirements, regulated by the Commercial Code, are on a non-consolidated basis. Regarding disclosure requirements, we take both of consolidated and non-consolidated approaches for banks, insurance and securities companies.</p>
Korea	<p>* Please annex for charts provided where indicated</p> <p>(a) BIS capital ratios of deposit institutions such as banks, merchant banking corporations, mutual savings &amp; finance companies are regulated on a consolidated basis The capital adequacy of Insurance companies and Securities companies is regulated on an unconsolidated basis. (Capital adequacy of securities companies is assessed by the condition that the amount of investment into subsidiaries &amp; the amount of loss are deducted from net capital)</p> <p>- <i>Chart</i></p> <ol style="list-style-type: none"> <li>1) Owned Capital/Risk-Weighted assets x 100(Regulation on supervision of banking institutions S. 29[prudential management ratios])</li> <li>2) Operational Net Capital/Total Risks x 100(Regulation on securities companies. S. 16[Net operational capital ratios])</li> <li>3) Solvency Ratio/Policy Reserve x 100(Regulation on Insurance Supervision S. 25[Standard of solvency margin])</li> </ol> <p>(b) Large exposure limits are applied on an un-consolidated basis</p> <p>- <i>Chart</i></p> <ol style="list-style-type: none"> <li>1. Banking Act S. 35(Credit Limits to Single Borrowers, etc.) Group of related borrowers: single borrowers and related parties Single borrowers: a single individual or corporation Large credit exposure: credit extending in excess of 1/10th of the equity capital of a banking institution to single borrowers or group of related borrowers</li> <li>2. Enforcement Decree of Insurance Business Act S. 15(Ratios of Asset management) Group of companies attached to a single person: Enforcement decree of the Monopoly Regulation and Fair Trade Act</li> <li>3. Securities and Exchange Act S. 54.3(Soundness of Asset Management) persons having a special relationship: the largest and major shareholders of the company</li> </ol> <p>(c) Corporate governance requirements are applicable to individual financial institutions</p> <p>- <i>Chart</i></p> <ol style="list-style-type: none"> <li>1. Banking Act S. 22(composition of the board of directors), S. 2 of 23(audit committee)</li> <li>2. Securities &amp; Exchange Act S. 5 of 54(nomination of outside directors), S. 6 of 54(audit committee)</li> <li>3. Insurance Business Act S. 2 of 12(nomination of outside directors), S. 3 of 12(audit committee)</li> </ol>
Norway	<p>(a) Both.</p> <p>(b) Both (Large exposure limits do not apply to insurance undertakings in the group).</p>

	(c) Both
Singapore	<p>(a) Banking groups are required to comply with capital adequacy requirements at bank as well as group levels, i.e. both consolidated and non-consolidated basis.</p> <p>(b) Banks are required to carry out aggregation for the purpose of complying with the following large exposure limits: (1) credit facilities to a single borrower or related group of borrowers; (2) total substantial credit facilities (3) bank's investments and (4) bank's holding of immovable properties. In other words, such limits are applied on a consolidated basis.</p> <p>(c) Both the financial holding company and subsidiary bank are subject to the same standard of corporate governance requirements.</p>
Sweden	<p>(a) Consolidated on banks and securities firms but not on insurance companies.</p> <p>(b) See 3 (a).</p> <p>(c) The corporate governance requirements apply to all institutions under supervision.</p>
United Kingdom	<p>In banking / securities groups, financial entities are subject to both unconsolidated and consolidated capital and large exposures requirements. Insurers are not included in this quantitative consolidated assessment at present: any investment in insurance entities is deducted from the consolidated capital and their assets are not included in the consolidated test. Investments in commercial subsidiaries are also deducted.</p> <p>Financial conglomerates subject to insurance regulations are at present subject to capital and asset concentrations rules at the institution level, but the FSA is in the process of implementing the EU Insurance Group Directive<sup>5</sup>, which will extend these on a consolidated basis. Other activities will be included in the consolidation.</p> <p>Corporate governance requirements (largely in terms of the fitness and propriety of senior management, and the adequacy of high-level systems and controls) are applied by the FSA at both consolidated and unconsolidated levels, as appropriate.</p>

<sup>5</sup> The text of the IGD can be found at [http://europa.eu.int/eur-lex/en/lif/dat/1998/en\\_398L0078.html](http://europa.eu.int/eur-lex/en/lif/dat/1998/en_398L0078.html).

Question#4	Do you have the authority to obtain information on subsidiaries that you do not regulate?
Australia	Legislation provides that APRA may obtain information from all subsidiaries of an ADI and all subsidiaries of an authorised NOHC. APRA may also inspect all subsidiaries and may commission reports from the external auditors of all subsidiaries. APRA has nor formal powers to obtain information on subsidiaries or associates of life insurance companies. Legislation provides APRA can obtain information relating to the business of a subsidiary of a general insurance company where the assets of a related entity are counted towards compliance with a general insurer's solvency requirements.
Canada	Legislation gives the Superintendent the authority to obtain information at any time in any form from regulated financial institutions. Where a regulated financial institution controls an unregulated subsidiary, it is required to get an undertaking from the subsidiary that it will provide full access to OSFI. Information from a non-controlled unregulated subsidiary may be provided when approval is being sought for the acquisition of a substantial investment (refer to 1(b)); if it is not provided, approval may be denied. Where a subsidiary is not controlled, OSFI has less authority to subsequently obtain information because the financial institution itself has less access. Where information cannot be obtained, OSFI may increase the capital requirements of the parent financial institution because of the unknown risks that may be contained in the non-controlled subsidiary.
Denmark	Yes.
Iceland	The Financial Supervisory Authority (FME) in Iceland has the authority to obtain any kind of documents and information from subsidiaries or associated companies to regulated financial companies which it deems necessary when supervising the parent company.
Japan	We have the authority to obtain information on subsidiaries. Information on subsidiaries and affiliated companies owned by banks/insurance companies is provided to the supervisor when they seek permission for or give notice on their acquisition, and they regularly report required information on their subsidiaries and affiliated to the supervisor. Information on securities companies' subsidiaries which are regulated financial institutions etc. is provided to the supervisor when they give notice on their acquisition, and the securities companies regularly report required information on their subsidiaries and affiliated companies to the supervisor.
Korea	We have no laws or regulations which contain the right of direct information requests to unregulated subsidiaries, but the FSC can acquire information from parent financial institutions.
Norway	Yes. According to the Act on the Supervision of Credit Institutions, Insurance Companies and Securities Trading etc., (the Financial Supervision Act), when an institution supervised by Kredittilsynet forms part of a group, other companies in the group shall also be subject to supervision. When required on supervisory grounds this also applies to those parts of the business in the group which do not otherwise fall within the provisions of the Act.
Singapore	Within a financial conglomerate, MAS would have access to all records held by the regulated parent, including information on the unregulated subsidiaries. In addition, substantial acquisitions require MAS' prior approval. MAS imposes a requirement to obtain information (e.g. annual reports) on an unregulated subsidiary when it grants approval for a bank or other regulated entity to acquire an unregulated subsidiary.
Sweden	Yes, if there is a bank within the group. Otherwise only via the parent company if it is under supervision.
United Kingdom	The power to obtain information on unregulated subsidiaries is linked to the authorisation of the regulated institution; the FSA has no direct powers over non-regulated entities.

Question#5	Are there restrictions on operational integration? If yes, what activities do they cover?
Australia	Some restrictions are applied to operational integration of ADIs and related entities. Policies are in place which preclude an ADI from acting as a funds manager and covering outsourcing of computer processing. As a general rule, however, members of a group headed by an ADI or NOHC may integrate operations provided such activities do not give rise to any concerns about the safety and soundness of an ADI, or impede the assessment of the financial and risk status of the ADI on a stand-alone basis, or impede the perception by customers of the nature of the entity with whom they have dealt. There are no restrictions on the operational integration of insurance companies.
Canada	There are no specific legislated limitations on operational integration. However, where management functions integral to the carrying on of business of a financial institution are not being performed by employees of the financial institution (i.e., have been outsourced) to an extent that the Superintendent considers inappropriate, the Superintendent has the authority to order the financial institution to take all steps necessary to ensure that these functions are exercised by employees of the financial institution.
Denmark	You are not allowed to banking business and insurance business in the same company. Life and non-life insurance shall be in separate companies as well.
Iceland	Combining of similar parts of the operations is allowed provided they do not represent the main activities of which the regulated companies are entitled to operate. However there are restrictions related to the difference of allowed activities of each company and issues of bank secrecy. Evaluation on a case-by-case basis needed.
Japan	We have no specific restrictions on operational integration except for preventive measures against adverse effects between a parent company and its subsidiaries (e.g. securing independence of offices of a financial institution from other financial institutions etc., prohibition of common use of computers and of providing customers' private information).
Korea	We have no regulations concerning operational integration and no cases concerning operational integration. In case of investment trust companies under the Securities Investment Trust Business Act, the law prohibits Joint act with affiliated companies or selling companies( S. 35 of the Securities Investment Trust Business Act)
Norway	Operational integration is allowed, but there are certain restrictions. A financial group must have rules for its activities that ensure that revenues, costs, losses and gains are distributed as correctly as possible among the group undertakings and among the group areas of activity. This also applies for integrated operations. According to law, transactions between undertakings in a financial group must be in accordance with ordinary business terms and principles. Kredittilsynet may order changes to be made in transactions between undertakings in the group. Kredittilsynet supervises such distribution and may order changes to be made in transactions among the group undertakings or in other dispositions, which lead to a distribution that is not in accordance with these principles. Activities commonly integrated include IT, human resources functions, information services/public relations, legal functions, company finances, etc. The parent company and undertakings included in the group may have the same committee of representatives. The undertakings in the group must have the same auditor unless otherwise provided by law or regulation. Several companies, including the parent company in the group, may be allowed to share the same control committee.



Singapore	We have permitted such integration to facilitate operational efficiency. For example, we have allowed related merchant banks, futures companies and banks to share front and back office facilities. However, necessary systems and procedures have to be established by each entity to preserve client confidentiality and to ensure proper accounting and recording of transactions. Also, investments of insurance funds managed by related group entities have to be clearly segregated.
Sweden	Yes, the restriction is however not precise. FSA has in general to be able to conduct an efficient supervision.
United Kingdom	There are no such restrictions, and the FSA would not oppose any such integrated arrangements where there are systems to ensure the proper segregation of funds.

Question #6	<p>What supervisory/regulatory powers do you have over such holding companies:</p> <ul style="list-style-type: none"> <li>(a) Capital adequacy requirements (and, if so, is it applied on a consolidated or non-consolidated basis)?</li> <li>(b) Large exposures limits requirements (and, if so, is it applied on a consolidated or non-consolidated basis)?</li> <li>(c) Cease &amp; desist orders?</li> <li>(d) Controls on reorganisations?</li> <li>(e) Examination?</li> <li>(f) Access to information in the holding company?</li> <li>(g) Access to information in subsidiaries that you do not regulate?</li> <li>(h) Ownership rules/restrictions?</li> </ul>
Australia	<p>Under current policy holding companies for ADIs are restricted to locally-incorporated authorised non-operating holding companies (NOHCs) or approved foreign holding companies (eg banks, insurance companies). Life and general insurance companies may be owned by non-operating or operating holding companies.</p> <p>APRA has the same prudential powers over an authorised NOHC as over an ADI itself. APRA has, however, no powers to regulate individual members (other than ADIs and insurance companies) of a conglomerate group headed by a NOHC. APRA has no powers over an operating holding company which owns an ADI or holding companies operating and non-operating) which own a life or general insurance company. APRA does not regulate such holding companies (and their groups).</p> <ul style="list-style-type: none"> <li>(a) APRA has proposed applying consolidated capital adequacy requirements to a consolidated group headed by an authorised NOHC. This will include all entities (both financial and non-financial) in the group.</li> <li>(b) APRA has proposed applying large exposure limits on a consolidated group basis to a group headed by an authorised NOHC.</li> <li>(c) APRA may issue directions (which include cease and desist type orders) to an authorised NOHC. This can include a direction for the NOHC to divest itself of its investments in subsidiaries.</li> <li>(d) APRA has no direct powers over reorganisations of groups headed by an authorised NOHC. It does, however, have the power to set Prudential Standards for authorised NOHCs which could address investments in subsidiaries and group structures. These powers could be used to govern reorganisations which involve the NOHC. Breach of a Prudential Standard would permit APRA to issue a direction to an authorised NOHC.</li> <li>(e) APRA has the power to appoint investigators to an authorised NOHC and to its subsidiaries. It has no powers to investigate a holding company (and its subsidiaries) for a life or general insurance company.</li> <li>(f) APRA has the power to require information to be provided by a authorised NOHC and its subsidiaries. It can also require reports by the external auditors of authorised NOHCs and their subsidiaries. APRA has no powers to gather information from holding companies (and their subsidiaries) of life and general insurance companies.</li> <li>(g) Refer above.</li> <li>(h) Holding companies of ADIs and life insurance companies are required to have a diversified ownership. Unless approved by the Treasurer no person (including corporate entities) and their associates may control more than 15 per cent of the voting shares of a holding company which</li> </ul>

	owns an ADI or life insurance company. There is no legislative control at present on ownership of holding companies for general insurers but the ownership of the holding company is considered in decisions to approve the ownership of a general insurer by the holding company. It is intended to bring ownership of holding companies for general insurers under the same legislative controls as apply to ownership of ADIs and life insurance holding companies.
Canada	<p>While OSFI permits operating and non-operating holding companies to own some regulated financial institutions, as noted in 1(c) and 1(d), OSFI does not legislatively supervise these holding companies (although see response under "other comments" in question 8). However, when incorporating financial institutions or approving the acquisition of control of a financial institution by an operating or non-operating holding company, legislation permits the Minister of Finance to set out any provision, that is not contrary to the legislation, that is considered appropriate.</p> <p>(a) None.  (b) None.  (c) None.  (d) None.  (e) None.  (f) None.  (g) None.  (h) Changes in ownership are subject to approval.</p>
Denmark	<p>(a) Both.  (b) On a consolidated basis.  (c) At the moment there is a bill in Parliament that will give the DFSA the power to order the holding company to disinvest the regulated subsidiaries.  (d) Same answer as (c).  (e) Yes.  (f) Yes.  (g) Yes.  (h) Shareholders that own more than 10% are vetted by the DFSA.</p>
Iceland	<p>(a) The FME can decide that the capital adequacy requirements shall apply, as appropriate, both to a group and to individual companies within a group in cases involving a regulated financial company which, individually or in collaboration with another party, is related by ownership to another company in such a way as to cause it to be necessary to apply the prudential rules in question.  (b) The FME can decide that the large exposure limits shall apply, as appropriate, both to a group and to individual companies within a group in cases involving a regulated financial company which, individually or in collaboration with another party, is related by ownership to another company in such a way as to cause it to be necessary to apply the prudential rules in question.  (c) The FME has no supervisory power to cease or desist orders from holding companies to a regulated financial company provided they are in accordance with laws and regulations or sound and proper business practices.  (d) The same answer as to (c).  (e) The FME has the authority to obtain any kind of documents and information from active shareholders of a regulated financial company and others closely linked to the parties which it deems necessary when supervising the regulated financial company in question.  (f) The same answer as to (e).  (g) The same answer as to (e) and (f).  (h) No ownership rules or restrictions exist.</p>

Japan	<p>(a) Capital adequacy requirements for BHCs are applied on a consolidated basis.</p> <p>(b) Large exposure rule for BHCs is applied on a consolidated basis.</p> <p>(c) The supervisor has the power to issue cease and desist orders to BHCs and IHCs.</p> <p>(d) BHCs and IHCs need to get supervisor's permission of acquiring their subsidiaries.</p> <p>(e) The supervisor has the power to carry out on-site inspections in BHCs, IHCs, and holding companies owing securities subsidiaries to ensure that respective regulated financial institutions under holding companies are managed prudently.</p> <p>(f) The supervisor has the power to require BHCs, IHCs, and holding companies owing securities subsidiaries to make reports or provide materials on business or financial conditions of respective regulated financial institutions under holding companies.</p> <p>(g) When especially needed, the supervisor can require subsidiaries other than banks of BHCs and subsidiaries other than insurance companies of IHCs to make reports or provide materials on business or financial conditions of respective regulated financial institutions under holding companies and holding companies themselves.</p> <p>(h) Fit and proper test is applied when establishment of BHCs and IHCs are permitted.</p>
Korea	
Norway	<p>(a) Yes, both.</p> <p>(b) Yes, both (Large exposure limits do not apply to insurance undertakings in the group).</p> <p>(c) Yes, both.</p> <p>(d) Yes, both.</p> <p>(e) Yes, both.</p> <p>(f) Yes.</p> <p>(g) Yes.</p> <p>(h) Yes, both.</p>
Singapore	<p>Financial holding company (FHC) is defined as a company incorporated in Singapore and approved as a financial institution under Section 28 of the Monetary Authority of Singapore Act to carry on business in Singapore as a holding company of subsidiaries which include a bank incorporated in Singapore. The FHC directives include the following supervisory/ regulatory powers:</p> <p>(a) Yes, at both consolidated and non-consolidated level. Currently, MAS use the full consolidation approach in computing to prescribe the capital adequacy ratio (CAR) of banking groups. It ensures that the whole group, not just the bank, is strong and prevents regulatory arbitrage. However, such an approach does not differentiate between strong and weak entities within the group. Once the separation criteria (between financial and non-financial businesses of a group) are in place, the CAR would apply only to the financial arm and MAS would have greater latitude to consider alternative approaches for group CAR computation. We are inclined to adopt "sum of the parts" approach where each of the financial entities will be subject to individual risk-based capital requirements (e.g. banks, securities, and insurance). MAS is currently drawing up risk-based capital requirements for securities and insurance businesses. For those entities that carry on permitted but unregulated activities, the capital for such entities will be deducted in full. In the case of foreign bank subsidiaries, MAS may prescribe CAR requirements depending on factors such as the strength of the host regulators and the CAR regime in the host countries, MAS' relationship with the regulators.</p> <p>(b) Yes, at consolidated level. Please refer to question 3(b).</p> <p>(c) Yes. Under Section 28(5) of the MAS Act, MAS is empowered to withdraw approval of a FHC if it appears to MAS that —</p> <p style="padding-left: 20px;">i) any information required to be furnished in connection with an application for approval was false or misleading in a material particular;</p>

	<p>ii) the FHC has failed to comply with any direction or guideline issued or condition attached to an approval or conditions of operation imposed under this section;</p> <p>iii) the FHC has conducted its affairs so as to threaten the interests of its depositors or customers; or</p> <p>iv) it is in the public interest to do so.</p> <p>(d) Yes. A FHC is required to obtain MAS' prior approval for any amendment, whether by alteration or addition, to its Memorandum and Articles of Association, as well as the range of permitted business that it can engage in.</p> <p>(e) Yes. MAS is empowered to carry out an inspection or investigation, under conditions of secrecy, of the books, accounts and transactions of a FHC.</p> <p>(f) Yes. MAS is empowered to obtain from a FHC all information (including returns) that it may reasonably require for the proper discharge of its supervisory functions.</p> <p>(g) Yes.</p> <p>(h) MAS' prior approval is required for investors to acquire substantial ownership in a FHC.</p>
Sweden	<p>(a) The capital adequacy requirements apply to the holding companies on a consolidated level. FSA has however the possibility to exclude an operating holding company depending on what business is conducted in the holding company.</p> <p>(b) See 6 (a).</p> <p>(c)+(d) Cease &amp; Desist orders and controls on reorganisation can not be applied on the holding companies.</p> <p>(e) FSA has the power to examine holding companies only if there is a bank within the group.</p> <p>(f) FSA has access to information if there is a bank within the group.</p> <p>(g) FSA has access to information if there is a bank within the group.</p> <p>(h) FSA has the power to refuse ownership over 10% of share capital or voting rights if the owner is not fit and proper.</p>

United Kingdom	<p>Holding companies are not regulated in the UK unless they undertake regulated activities. FSA powers are therefore exercised mostly on a consolidated basis, and the regulatory obligations fall on the FSA-authorized entity. European legislation distinguishes between ‘financial holdings’, ‘insurance holdings’ and ‘mixed activity holdings’<sup>6</sup>.</p> <p>(a) Financial holding companies (i.e. predominantly financial, excluding insurance) are subject to consolidated capital requirements (excluding insurance); insurance holding companies will shortly be subject to consolidated capital requirements.</p> <p>(b) Financial holding companies are subject to consolidated large exposures requirements.</p> <p>(c) The FSA has no direct cease and desist powers over unregulated holding companies (see question 8).</p> <p>(d) The FSA has no direct controls on reorganisations over unregulated holding companies (see question 8).</p> <p>(e) The FSA has no direct powers of examination over holding companies (see question 8).</p> <p>(f) The FSA can obtain information on the holding company through its authorisation of a group entity where the holding company is not itself authorised. For example, the FSA can request accountant’s reports on group companies; these reports are conducted by auditors and cover a range of information set by the FSA.</p> <p>(g) The FSA can gain access to information in subsidiaries but this power is linked to the authorisation of the regulated institution(s) in the group, not any power over non-regulated entities themselves.</p> <p>(h) The FSA can set ownership rules or restrictions, in particular in relation to setting fitness and propriety standards.</p>
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<sup>6</sup> Under the Second Consolidated Supervision Directive and the Insurance Groups Directive.  
*Integrated Financial Supervisors Conference – Toronto, Canada - May 22-23, 2000*  
*Pre-Conference Survey #2 Responses - Integration within Financial Conglomerates & Financial Holding Companies - Implications for Supervisors*  
*Revised June 30, 2000*

Question #7	Are there restrictions on operational integration? If yes, what activities do they cover?
Australia	See response to Question 5.
Canada	See response to question 5.
Denmark	See the answer to question 5.
Iceland	Combining of similar parts of the operations is allowed provided they do not represent the main activities of which the regulated companies are entitled to operate.
Japan	We have no specific restrictions on operational integration except for preventive measures against adverse effects between a parent company and its subsidiaries (e.g. securing independence of offices of a financial institution from other financial institutions etc., prohibition of common use of computers and of providing customers' private information).
Korea	
Norway	Yes, there are restrictions on operational integration. See our answer to question 5 above.
Singapore	Please refer to question 5.
Sweden	See 5 above.
United Kingdom	No.

Question #8	Other Comments
Australia	<p>APRA released Policy Discussion Papers in March and November 1999 on the prudential supervision of conglomerates. In April 2000 it issued a Policy Information Paper setting out a policy framework for the supervision of conglomerate groups which contain an ADI. The framework establishes polices covering ownership, permissible NOHC activities, corporate governance (eg fit and proper requirements) and risk management issues. The framework does not implement proposals contained in the earlier Policy Discussion Papers regarding proposed changes to determination of group and ADI stand-alone capital adequacy and intra-group and group large exposure limits. These measures have been held over pending further industry discussions and consultation with overseas regulators. The policy measures proposed by APRA included deduction of investments in related entities from the Tier 1 capital of an ADI and application of limits on exposures by an ADI on a stand-alone basis to related entities vis a vis the stand-alone Tier 1 capital of the ADI.</p>
Canada	<p>In June 1999 the federal government issued a policy paper "Reforming Canada's Financial Services Sector" which proposed allowing for a non-operating <u>regulated</u> holding company structure for large banks and demutualized insurance companies. While this policy paper is a statement of intent and work is ongoing on a legislative package, such reforms have not yet been adopted into law. As a result, all policy proposals are subject to alteration. Key supervisory powers over these holding companies laid out in the policy paper are as follows:</p> <ul style="list-style-type: none"> <li>• Consolidated capital adequacy requirements</li> <li>• Cease and desist orders</li> <li>• Controls on reorganisations</li> <li>• Periodic examination authority</li> <li>• Access to information in the non-operating holding company</li> <li>• Access to information in non-regulated subsidiaries of the non-operating holding company</li> <li>• Ownership limits</li> <li>• Self-dealing with the regulated financial institutions</li> <li>• Ongoing fit and proper test for board of directors</li> </ul> <p>Other supervisory powers being considered include:</p> <ul style="list-style-type: none"> <li>• Large exposure limits</li> </ul> <p>Part of this legislative package also includes broader investment powers for financial institutions that could lead to more complex financial conglomerates. Briefly, the legislation would permit financial institutions to undertake activities in subsidiaries that were previously required to be undertaken in-house.</p>
Denmark	No other comments.
Iceland	
Japan	
Korea	
Norway	<p>Group contributions may not be made between subsidiaries in the same group. Neither may group contributions be given by life insurance companies, unless otherwise provided in the company's articles of association. The contribution together with dividend must not exceed a prudent distribution of dividend based on the individual year's operation unless the Ministry of Finance, in order to secure the financial strength of a group company, authorizes a higher contribution. A company in a group may not (in principle) give loans to or provide guarantees in favor of another company within the group.</p>



Singapore	
Sweden	
United Kingdom	The Post-BCCI Directive at the European level also permits regulators to object to certain organisational, management structures and shareholders, and to obtain information on connected entities <sup>7</sup> .

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<sup>7</sup> The Directive can be found at: [http://europa.eu.int/eur-lex/en/lif/dat/1995/en\\_395L0026.html](http://europa.eu.int/eur-lex/en/lif/dat/1995/en_395L0026.html)

## ANNEXED INFORMATION

Below is some information that was not able to be included in the consolidation of responses. Additional annexes and/or attachments not included below will be made available at the conference.

### KOREAN RESPONSE 3(a) Capital adequacy requirements

<i>Parent Institutions</i>	<i>Criteria</i>	<i>Minimum Required Capital</i>
<i>Banks</i>	<i>Consolidated</i>	<i>Over BIS Capital Ratio 8%<sup>1</sup></i>
<i>Securities Companies</i>	<i>Un-consolidated</i>	<i>Over net operational capital ratio 100%<sup>2</sup></i>
<i>Insurance Companies</i>	<i>Un-consolidated</i>	<i>Over Solvency Margin Ratio 100%<sup>3</sup></i>

### KOREAN RESPONSE 3(b) Large exposure limits

<i>Parent Institutions</i>	<i>Criteria</i>	<i>Exposure Limits</i>
<i>Banks<sup>1</sup></i>	<i>Un-consolidated</i>	<i>Credit limit to a group of related Borrowers: 25% of capital Credit limit to a Single borrower: 20% of capital Aggregate limit of large exposure : 5 times capital</i>
<i>Insurance Companies<sup>2</sup></i>	<i>Un-consolidated</i>	<i>Credit limit to a single borrower: 3% of total assets Credit limit to a group of companies attached to a single person: 5% of total assets</i>
<i>Securities Companies<sup>3</sup></i>	<i>-</i>	<i>None, exposure to persons having a relationship persons is prohibited</i>

KOREAN RESPONSE 3(c) - Corporate governance requirements

<i>Parent Institutions</i>	<i>Criteria</i>	<i>Composition of Board of directors</i>
<i>Banks<sup>1</sup></i>	<i>Un-consolidated</i>	<p><i>Banks</i></p> <p><i>1) must install over 3 outside directors in the board of directors and the number of outside directors shall be over 1/2 of the total number of directors. (Implemented as of 22 April 2000)</i></p> <p><i>2) must establish an audit committee (2/3 of the audit committee must be outside directors)</i></p>
<i>Insurance Companies<sup>2</sup></i>	<i>Un-consolidated</i>	<p><i>Insurance companies whose total amount of assets are over the specified amount set by the presidential decree (the Enforcement Ordinance is not yet determined)</i></p> <p><i>1) must install over 3 outside directors in the board of directors and the number of outside directors shall be over 1/2 of the total number of directors</i></p> <p><i>2) must establish an audit committee (over 2/3 of the total number of the audit committee should be outside directors)</i></p>
<i>Securities Companies<sup>3</sup></i>	-	<p><i>Securities companies whose total amount of assets are over KRW 2 trillion</i></p> <p><i>1) will locate over 3 outside directors in the board of directors and the number of outside directors shall be over 1/2 of the total number of directors</i></p> <p><i>2) must establish an audit committee (over 2/3 of the total number of the audit committee should be outside directors)</i></p>