

FINANCIAL SERVICES REGULATORY AUTHORITY
سلطة تنظيم الخدمات المالية

Prudential – Investment, Insurance Intermediation and Banking Rules (PRU)

*In this Appendix, underlining indicates new text and strikethrough indicates deleted text, unless otherwise indicated.

8 GROUP RISK

Introduction

Guidance

1. This Chapter deals with management of Group Risk Exposure of an Authorised Person. Group Risk refers to the risk of potential losses incurred by an Authorised Person on account of its relationship with other members of its Financial Group, if it were to be part of one.
2. This Chapter includes requirements that an Authorised Person implement:
 - a. an effective management framework for Group Risk Exposure;
 - b. a specified methodology for the calculation of Financial Group Capital Resources and Financial Group Capital Requirements.
3. This Chapter also includes requirements limiting Financial Group Exposures and restrictions on the ownership or control of Deposit-taking firms.

8.1 Application

- 8.1.1** (1) This Section and Section 8.5 apply to an Authorised Person in any Category.
- (2) Sections 8.2 to 8.4 apply only to an Authorised Person in Category 1, 2 or 5.

Guidance

1. Group membership may be a source of both strength and weakness to an Authorised Person. The purpose of Group Risk requirements is to ensure that an Authorised Person takes proper account of the risks related to the Authorised Person's membership of a Group. The Group Risk requirements form a key part of the Regulator's overall approach to prudential supervision.
2. Section 8.5 imposes important restrictions on the ability of Authorised Persons in Category 3A, 3B, 3C or 4, and Financial Institutions which are not regulated in ADGM, to be a Parent of an Authorised Person in Category 1 or 5, or of a firm carrying on similar activities outside of the ADGM.

Requirements by the Regulator

- 8.1.2** Upon notice to an Authorised Person from the Regulator, the Regulator will be the consolidated supervisor of a Financial Group to which an Authorised Person belongs. The Regulator may require an Authorised Person forming part of a Financial Group to comply with requirements under PRU on a consolidated basis.

- 8.1.23** (1) The Regulator may require an Authorised Person to:
- (a) form a Financial Group with any other entity within its Group; or
 - (b) include within its Financial Group any other entity within its Group;
- where the Regulator considers it necessary or desirable to do so in the interests of effective supervision of the Authorised Person.
- (2) An Authorised Person may, for the purposes of this Section, exclude from its Financial Group any entity the inclusion of which would be misleading or inappropriate for the purposes of Financial Group supervision, provided the Authorised Person has obtained the Regulator's prior written approval.
- (3) An Authorised Person must provide to the Regulator, if requested, any of the following information in relation to its Group or Financial Group:
- (a) details as to the entities within the Group or Financial Group;
 - (b) the structure of the Group or Financial Group; and
 - (c) the systems and controls in place to manage Group Risk.

Guidance

1. If more than one member of the same Group is subject to an obligation to provide information in respect of a position of the Group or Financial Group, one or more of those Authorised Persons may make application to the Regulator for an appropriate waiver or modification.
2. For the purposes of Rule 8.1.23, the Regulator would consider a range of factors when requiring an Authorised Person to form a Financial Group. These factors would include regulatory risk factors, including but not limited to, (direct and indirect) participation, influence or contractual obligations, interconnectedness, intra Group Exposures, intra Group services, regulatory status and legal framework.

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