

Standard RA1.1

Reporting of intra-group transactions

Regulations and guidelines



RAHOITUSTARKASTUS
FINANSINSPEKTIONEN
FINANCIAL SUPERVISION



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APPLICATION

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(1) This reporting standard is applicable to reporting to the Financial Supervision Authority (FIN-FSA) of intra-group (mutual) transactions between companies in a banking or investment firm group.

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(2) In addition, this standard is applicable to reporting to the FIN-FSA of intra-group (mutual) transactions between regulated companies within a financial and insurance conglomerate primarily engaged in financial activities.

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(3) Financial entities subject to the reporting requirement are

- credit institutions
- investment firms
- the parent company of the consolidation group of a credit institution or investment firm
- the company heading a financial and insurance conglomerate primarily engaged in financial activities
- the central body of the amalgamation of cooperative banks

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(4) In this standard, the general expression 'supervised entity' is used when referring to all entities covered by the scope of application of this standard.

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(5) No separate reporting requirements apply to parent companies of sub-consolidation groups.

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OBJECTIVES

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(1) This reporting standard is related to section 1 Corporate governance and business activity of the FIN-FSA's set of regulations. The aim of this standard is to ensure that supervised entities provide the FIN-FSA with the necessary data for monitoring intra-group transactions between companies within consolidation groups of supervised entities and between companies within financial and insurance conglomerates, and the impact of such transactions on, for instance, performance and capital adequacy.

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(2) In acting as a coordinating supervisory authority for a financial and insurance conglomerate primarily engaged in financial activities, the FIN-FSA receives the information from the Insurance Supervisory Authority to which the latter has access on the basis of the Acts on Insurance Companies and Insurance Associations.

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(3) The FIN-FSA also requests the submission of corresponding information from the authorities responsible for the supervision of foreign regulated companies within such conglomerates.

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LEGAL BASIS

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(1) The requirement to report intra-group transactions is based on section 71a of the Credit Institutions Act (1607/1993) and section 31 of the Investment Firms Act (579/1996).

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(2) Under section 31 of the Investment Firms Act, intra-group transactions with member companies in a group and with companies in which the investment firm holds a participating interest that are outside the consolidation group of the investment firm shall be governed by the provisions of section 71a of the Credit Institutions Act.

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(3) Reporting of intra-group transactions within a financial and insurance conglomerate is based on section 24 of the Act on the Supervision of Financial and Insurance Conglomerates (699/2004) and on the provisions of the Credit Institutions Act, the Investment Firms Act, and the Acts on Insurance Companies and Insurance Associations.

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REPORTING TO THE FINANCIAL SUPERVISION AUTHORITY

4.1 Terms and conditions of transactions

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(1) Transactions may not be entered into on terms and conditions that diverge from those normally applied to similar transactions between independent parties. This does not, however, apply to

- the acquisition of administrative services by a member company in a group from another member company within the same group
- capital and debenture loans granted by the parent company to a subsidiary that are necessary for the reinforcement of the subsidiary's capital base
- the provision of financing to subsidiaries other than that referred to above when the subsidiary is a financial institution or ancillary services undertaking within the same consolidation group, or a financial or insurance undertaking within the same financial and insurance conglomerate, and the parent company bears overall responsibility for the asset management of the consolidation group or conglomerate.

4.2 Transactions covered by the reporting requirements and content of the report

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(2) A credit institution or, if the credit institution belongs to a consolidation group, the parent company of the consolidation group shall notify the FIN-FSA of transactions in which one of the parties is the credit institution or a company belonging to its consolidation group and the other party

- 1) a company within the same consolidation group
- 2) a company which is outside the same consolidation group but within the same group as the credit institution, or in which the credit institution or a company within the same group as the credit institution has a participating interest, as referred to in the Accounting Act (1336/1997).
- 3) a company pension fund as referred to in the Pension Funds Act (1774/1995), which is established by the credit institution or an employer company within the same group or consolidation group as the credit institution and whose sphere of activity covers persons employed by the employer company.
- 4) a pension fund as referred to in the Employee Benefit Funds Act (1164/1992), whose sphere of activity may cover employees of the credit institution or of an employer company within the same group or consolidation group as the credit institution.

Binding

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(3) Intra-group transactions covered by the reporting requirements are (a–m):

- a) services produced within a group or conglomerate, agreements to share costs, or agreements on management and other administration of a company within a group or conglomerate
- b) ordinary payments
- c) leases for real estate, flats, land or assets
- d) ordinary transactions of a real estate company within a group or conglomerate (eg housing service charges and rents)
- e) ordinary market investments, including overnight deposits, money market instruments and mutual funds
- f) securities intermediation within a group or conglomerate
- g) mutual reinsurance or other intra-group insurance arrangements
- h) investments in shares and capital
- i) capital loans
- j) items eligible for the solvency margin of insurance companies
- k) credits, guarantees and issued collateral
- l) derivatives and off-balance sheet commitments
- m) transfer of assets or business.

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(4) For transaction types a-g, only the following basic data need to be reported:

- pricing
- fees
- interest rates
- principles of division
- collateral
- terms of payment

- significant terms and conditions.

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(5) In addition to basic data, closer details shall be reported if business concerns areas mentioned under items h-m. Such details subject to reporting are:

- parties to transaction
- purchasing/selling price, fair value of assets transferred or subscription price
- amount of credit, other liability or collateral
- collateral terms and other terms of credit
- any deviation from original repayment plan
- dividends, surplus or profit distributed or interest on guarantee capital
- other special terms.

4.3 Reporting limits

Binding
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(6) The FIN-FSA shall be notified quarterly of transactions in excess of one million euro occurring in a quarter, or several transactions of the same kind over the same quarter with an aggregate value in excess of one million euro or representing 5% of the own funds of a credit institution that is party to the transaction or a company that is party to the transaction and part of the consolidation group of the credit institution.

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(7) Upon application by the parent company, the FIN-FSA may raise the reporting limit applicable if the amount of one million euro is unnecessarily low in relation to the size of the group or financial and insurance conglomerate.

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(8) The transactions referred to above under Transactions covered by the reporting requirements can be regarded as transactions of the same kind (eg dividends, interest rates, insurance premiums and transfers of securities and real estate). If transactions are so interrelated that they can be regarded as one transaction, the reporting limit shall be compared with the aggregate value of transactions. The factual interrelation shall be assessed in terms of both time and type of transaction.

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(9) The value of off-balance sheet commitments shall be calculated in accordance with Standard RA4.1 on reporting large exposures and risk concentrations.

4.4 Reporting periods

Binding

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(10) Reports shall be filed with the FIN-FSA on a quarterly basis, for the first three quarters no later than 15 May, 15 August and 15 November, respectively, and for the fourth quarter at the end of February.

Binding

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(11) In addition, the company heading a financial and insurance conglomerate primarily engaged in financial activities shall provide the FIN-FSA with an aggregate report on intra-group transactions made during the accounting period by the end of February following the accounting period.

Binding

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(12) The first report under this standard shall be filed for the transactions between 1 April and 30 June 2006 and shall be submitted to the FIN-FSA no later than 15 August 2006.

4.5 Form of the report

Binding

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(13) The report may be submitted to the FIN-FSA in a free-form document. The report shall be dated and signed by both the person preparing the report and the person verifying the data.

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FURTHER INFORMATION

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(1) Please find the necessary contact information in the list of [Persons responsible](#) for standards provided on the FSA website. For further information, please contact:

- Institutional Supervision, tel. +358 10 831 5207

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OBSOLETE REGULATION

*Issued on 2 May 2006
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(1) This standard renders the following regulation obsolete: Regulation No. 105.14 on Reporting to the Financial Supervision Authority of intra-group transactions between companies in a banking or investment firm group, and between companies within a financial and insurance conglomerate.