

Mr. Jörgen Holmquist
Director General
DG Internal Market and Services
European Commission
B-1049 Brussels
Belgium

30.08.2007

Report on the impact of the differences in sectoral rules on the calculation of own funds of financial conglomerates

Dear Jörgen,

I am pleased to send you an empirical analysis of the impact of the differences in sectoral rules on the calculation of own funds of financial conglomerates, as approved by the Interim Working Committee on Financial Conglomerates (IWCFC).

This work has been carried out in response to the second part of the Call for Technical Advice to the IWCFC from 12 June 2007. Our contribution to the first part which consisted of an analysis of the similarities and the differences between the sectoral definition of regulatory capital as laid down in the banking and insurance current Directives, was shared with you on 3 January.

I am happy to present the key results of our work at the October meeting of the EFCC.

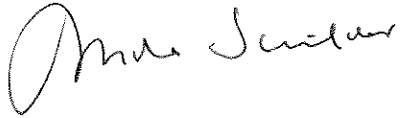
Shortly, and on the basis of these two pieces of work, the IWCFC will take up the work on the last part of the Call for Advice and start preparing recommendations as to address the consequences of the identified differences for the supervision of a conglomerate. A first meeting with the industry has been planned in September to discuss potential policy options.

I should also mention that this report was sent to CEBS' and CEIOPS' Members to alert them and to allow them to raise – in exceptional circumstances – any issues not already resolved in the IWCFC. In this so-called 'alert procedure' no issues were raised.

The report (IWCFC-DOC-07/20) will subsequently be published on the websites of CEBS and CEIOPS.

Please do not hesitate to contact me for any clarification you might need.

Best regards,

A handwritten signature in black ink, appearing to read "Arnold Schilder". The signature is fluid and cursive, with the first letter of the first name being a large, stylized capital 'A'.

Arnold Schilder
(Chairman IWCFC)

C.c: Messrs. Tertak, Pearson, Van Hulle