

Good practice document: Step-by-step guide for investment holding company qualification.

Investment firms applying for a declaration of no objection with DNB and investment holding companies already holding a DNO whose activities will become predominantly financial in nature must prepare an analysis to assess whether their shareholder structure includes an investment holding company. We have included an example of such an analysis in this good practice document. You can use the step-by-step guide below to assess whether a company qualifies as an investment holding company. You must take the investment firm as your starting point.

Please note that Articles 4(1)(23) and 7 of the Investment Firm Directive are leading in determining whether there is an investment holding company. This step-by-step guide provides an indication and must also be followed for intermediate holding companies. Consolidated supervision of such companies is ultimately exercised at the highest investment holding company in the European Union. For example, if the highest holding company has its registered office in Switzerland, but an intermediate holding company in France qualifies as an investment holding company, the intermediate holding company in France will be subject to consolidated supervision.

1. Is there a (indirect) majority shareholder (with an interest of > 50%)?
 - a. If no: there is **no investment holding company**.
 - b. If yes: proceed to step 2.

2. Is the majority shareholder a legal entity?
 - a. If no: there is **no investment holding company**.
 - b. If yes: proceed to step 3.

3. Is the majority shareholder (i.e., The holding company) a credit institution, investment firm or purely industrial holding company?
 - a. If no, proceed to step 4.
 - b. If yes: there is **no investment holding company**.

4. Does the holding company have multiple subsidiaries?
 - a. If no: **the company qualifies as an investment holding company**.
 - b. If yes: proceed to step 5.

5. Are more than 50% of the holding company's activities related to activities of investment firms and financial institutions*?
 - a. If no: there is **no investment holding company**.
 - b. If yes: **the company qualifies as an investment holding company**.

*** Qualification as a financial institution**

*Does the main activity of the subsidiaries consist of acquiring participations or engaging in one or more of the activities listed in points 2 to 12 and point 15 of Annex I of the CRD?**

- a. If yes: the subsidiaries qualify as financial institutions.*
- b. If no: there is no financial institution.*

****The relevant activities in Annex I of the CRD are:**

- Lending, including consumer credit, loan agreements relating to immovable property, factoring (with or without recourse), financing of commercial transactions (including forfeiting).*
- Financial leasing.*
- Payment services as defined in Article 4(3) of Directive 2007/64/EC.*
- Issuing and administering other means of payment (e.g., travellers' cheques and bankers' drafts) insofar as such activity is not covered by the previous point.*
- Guarantees and commitments.*
- Trading for own account or for account of customers in: (a) money market instruments (cheques, bills, certificates of deposit, etc.); (b) foreign exchange; (c) financial futures and options; (d) exchange and interest-rate instruments; or (e) transferable securities.*
- Participation in securities issues and the provision of services relating to such issues.*
- Advice to businesses on capital structure, industrial strategy and related questions and advice as well as services relating to mergers and acquisitions.*
- Money broking.*
- Portfolio management and advice.*
- Custody and administration of securities.*
- Issuing electronic money.*

Example of analysis

Below is an example of the analysis we expect you to submit. The analysis will at least show whether your subsidiaries are financial institutions and what is the balance sheet total, turnover, number of employees and available capital of the subsidiary in question. This applies to all subsidiaries as well as the holding company on a solo basis, as the holding company itself may also engage in activities.

	Financial institution?	Balance sheet	Turnover	Employees	Capital
Investment company	Yes	500,000	803,200	3	350,000
Subsidiary 2	Yes	300,000	800,000	2	350,000
Subsidiary 3	No	600,000	800,000	6	100,000
Subsidiary 4	No	700,000	300,000	4	150,000
Holding	No	100,000	500,000	3	150,000
Total		2,200,000	3,203 200	18	1,100. 000
Share of financial institutions		< 50%	> 50%	<50%	>50%

An investment holding company exists if one of the criteria being assessed shows that the share of financial institutions exceeds 50%. In this example, this is evidenced by two criteria, i.e., capital and turnover. This holding company therefore qualifies as an investment holding company.

DISCLAIMER

Good practices set out suggestions or recommendations for supervised institutions. They are examples of possible applications that, in DNB's opinion, provide a good interpretation of the obligations laid down in legislation and regulations. Good practices are indicative, and institutions are free to take a different approach as long as they otherwise comply with the laws and regulations. To read more about the status of our policy statements, go to the [Explanatory guide to DNB's policy statements](#) on Open Book on Supervision.