

Appendix 2: Draft PRA Rulebook: EU Exit Instrument

PRA RULEBOOK: (EU EXIT) INSTRUMENT [YEAR]

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) being the appropriate regulator within the meaning of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (“the Regulations”), having carried out consultations pursuant to regulation 5 of the Regulations and with the approval of the Treasury to the following instrument, makes the instrument in exercise of the powers conferred by regulation 3 of the Regulations.
- B. In respect of matters falling with Section 213(b) and 213(4) of the Financial Services and Markets Act 2000 (“the Act”), the PRA makes the instrument in exercise of the following powers in the Act:
- [(1) section 137G (The PRA’s general rules)
 (2) section 137T (General supplementary powers)
 (3) section 213(1) (The compensation scheme); and
 (4) section 214 (General)]
- C. The PRA makes the instrument in the exercise of paragraph 31 (Fees) of Part 3 (Penalties and Fees) of Schedule 1ZB in respect of the matters falling within that paragraph.
- D. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act

Pre-conditions to making

- E. A draft of this instrument has been approved by the Treasury, the Minister considering that it makes appropriate provision to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law, arising from the withdrawal of the United Kingdom from the European Union.
- F. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.

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- G. The PRA makes the rules and directions in the Annexes to this instrument.

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Commencement

H. This instrument comes into force on *exit day*, as defined in European Union (Withdrawal) Act 2018.

Citation

I. This instrument may be cited as the PRA Rulebook: (EU Exit) Instrument [YEAR]

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Glossary

In this Annex new text is underlined.

- alternative investment fund** ~~has the meaning given in article 4(1)(a) of AIFMD~~ means a collective investment undertaking, including investment compartments thereof which:
- (a) raises capital from a number of investors, with the intention of investing it in accordance with a defined investment policy for the benefit of those investors; and
 - (b) does not require authorisation pursuant to article 5 of the UCITS Directive.
- alternative investment fund manager** ~~has the meaning given in article 4(1)(b) of AIFMD~~ means a legal person whose regular business is managing one or more alternative investment funds.
- ancillary own funds**
- (1) (in relation to a *UK Solvency II firm* and Lloyd's) has the meaning given in *Own Funds* 2.3 and are determined in accordance with *Own Funds* 2.3 to 2.7; or
 - (2) ~~(in relation to a *Solvency II undertaking* other than a *UK Solvency II firm*) means an *own funds* item referred to in Article 89 of the *Solvency II Directive*, determined in accordance with the applicable *Solvency II EEA implementing measures*; or~~
- ...
- ancillary services** means any of the services listed in Section B of Annex I to *MiFID II* listed in Part 3A of Schedule 2 to the *Regulated Activities Order*.
- ...
- approved credit institution** means a *credit institution* recognised or permitted under the law of ~~the UK an EEA State~~ to carry on any of the activities set out in Annex 1 to the *CRD*.
- ...
- approved financial institution** means any of the following:
- ...
 - (12) the *EU*; ~~and~~
 - (13) the European Atomic Energy Community; and
 - (14) the Bank of England.
- approved State** means any of the following:

(A1) the UK

- (1) an EEA state;
- (2) The United States of America;
- (3) Canada;
- (4) Japan; or
- (5) Australia,

other than when that country has rescheduled its external debt.

...

Article 12(1) relationship

~~means a relationship where undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.~~

...

asset management company

~~means a management company within the meaning of Article 2(1)(b) of the UCITS Directive, as well as an undertaking with a Part 4A permission under Article 51ZA of the Regulated Activities Order (Managing a UCITS) or an undertaking, the registered office of which is not in an EEA State outside the UK and which would require authorisation in accordance with Article 6(1) of the UCITS Directive such permission if it had its registered office within an EEA State the UK.~~

...

bank

means:

- (1) a firm with a Part 4A permission to carry on the regulated activity of accepting deposits and is a credit institution, but is not a credit union, friendly society or a building society;
- (2) ~~an EEA bank.~~

basic own funds

...

- (2) ~~(in relation to a Solvency II undertaking other than a UK Solvency II firm) means an own funds item referred to in Article 88 of the Solvency II Directive, determined in accordance with the applicable Solvency II EEA implementing measures; or~~

...

branch

means

- (1) (in relation to a credit institution):

...

- ~~(b) for the purposes of the CRD and in accordance with Article 38 of the CRD, any number of places of business set up in the same EEA State by a credit institution with headquarters in another EEA State are to be regarded as a single branch.~~
- (2) (in relation to an *investment firm*) ~~has the meaning given in Article 4(1)(30) of MiFID II~~ means a place of business which:
 - ~~(a) is not the firm's head office;~~
 - ~~(b) is part of the firm;~~
 - ~~(c) has no legal personality; and~~
 - ~~(d) provides investment services and/or activities; and~~
 - ~~(e) may also perform ancillary services for which the investment firm has permission under Part 4A of FSMA.~~
- (3) (in relation to an *insurance undertaking*) any permanent presence of the *insurance undertaking* in the UK ~~an EEA State other than that in which it has its head office is to be regarded as a single branch, whether that presence consists of a single office which, or two or more offices each of which:~~
...
- (4) (in relation to an *IDD insurance intermediary*):
...
 - ~~(b) for the purposes of the Insurance Distribution Directive, all the places of business set up in the same EEA State by an IMD insurance intermediary with headquarters in another EEA State are to be regarded as a single branch.~~
- (5) (in relation to an *IDD reinsurance intermediary*):
...
 - ~~(b) for the purposes of the Insurance Distribution Directive, all the places of business set up in the same EEA State by an IDD reinsurance intermediary with headquarters in another EEA State are to be regarded as a single branch.~~

certification function

means:

(1) for a *CRR firm*, a *credit union* and a *third country CRR firm* in relation to the activities of its establishment in the UK **or if it does not have an establishment in the UK its activities in the UK**, has the meaning given in Certification 2.2 – 2.4;

(2) for a *UK Solvency II firm*, the *Society*, a *managing agent*, a *third country branch undertaking* (other than a *Swiss general insurer*) and a *UK ISPV* has the meaning given in Insurance – Certification 2;

(3) for a *large non-directive insurer* and a *Swiss general insurer* has the meaning given in Large Non-Solvency II Firms – Certification 2; and

(4) for a *small non-directive insurer* has the meaning given in Non-solvency II Firms – Certification 2.

common management relationship

means a relationship between two or more undertakings which satisfies the following conditions –

- (a) the undertakings are not connected in the manner described in section 1162 and Schedule 7 of the Companies Act 2006; and
- (b) either –
 - (i) the undertakings are managed on a unified basis pursuant to a contract with one of them, or provisions in the undertakings' memorandum or articles of association; or
 - (ii) the administrative, management or supervisory bodies of those undertakings consist, for the major part, of the same persons in office during the financial year in respect of which it is being decided whether such a relationship exists.

...

Community co-insurance operation

~~means a co-insurance operation which relates to one or more risks classified under *general insurance business* classes 3 to 16 and which fulfils the conditions set out in Article 190(1)(a) to (f) of the *Solvency II Directive*.~~

competent authority

means

- a) the PRA, in respect of PRA-*authorised persons* within the meaning of section 2B(5) of FSMA;
- b) in relation to a MiFID investment firm the authority designated before *exit day* by each EEA State the

UK in accordance with Article 67 of *MiFID II*,³⁷ ~~unless otherwise specified in *MiFID II*.~~

c) the FCA, in respect of any other person;

compensation funds means any *policyholder* compensation scheme ~~in any EEA State~~ in the UK.

conduct standards

- (1) for a UK Solvency II firm, the *Society*, a *managing agent* and a *UK ISPV*, means the standards of expected conduct specified in *Insurance – Conduct Standards 3*;
- (2) for a *third country branch undertaking* (other than a ~~UK deposit insurer~~ or a *Swiss general insurer*), means the standards of expected conduct specified in *Insurance – Conduct Standards 3.1 to 3.3* and, taking account only of matters relevant to the operations of the *third country branch*, *Insurance – Conduct Standards 3.4 to 3.8*;
- (3) ~~for a UK deposit insurer, means the standards of expected conduct specified in *Insurance – Conduct Standards 3.1 to 3.3* and, taking account only of matters relevant to the operations of the *third country branch* and all the *third country undertaking EEA branches*, *Insurance – Conduct Standards 3.4 to 3.8*;~~

...

consolidating supervisor means the *competent authority* responsible for the exercise of supervision on a *consolidated basis* of:

- (1) a UK parent institution, or
- (2) an institution controlled by a UK parent financial holding company or UK parent mixed financial holding company.

...

control (in the *Solvency II Firms Sector* of the *PRA Rulebook*) means the relationship between a *parent undertaking* and a *subsidiary undertaking* where that relationship falls within (1) to ~~(7)~~ (6) of the definition of *parent undertaking*, or a similar relationship between any *person* and an *undertaking*.

coordinator ~~means, in relation to a financial conglomerate, the competent authority appointed as coordinator in accordance with Article 10(1) of the Financial Groups Directive~~ has the meaning given in regulation 1(2) of *The Financial Conglomerates Regulations*.

...

covered bonds means a *debenture* that is issued by a *credit institution* which:

- (1) has its head office in the UK or an EEA State; and

...

credit risk	means the risk of loss, or of adverse change, in the financial situation, resulting from fluctuations in the credit standing of issuers of <i>securities</i> , counterparties and any debtors to which a <i>Solvency II undertaking</i> <u><i>UK Solvency II firm</i></u> is exposed, in the form of <i>counterparty default risk</i> , or <i>spread risk</i> , or <i>market risk</i> concentrations.
CRD credit institution	means a <i>credit institution</i> that has its registered office (or, if it has no registered office, its head office) in <u>the UK</u> an EEA State , (excluding an institution to which the CRD does not apply under Article 2 of the CRD).
...	
cross border services	means: (1) (in relation to a UK firm) services provided within an EEA State other than the UK under the freedom to provide services; and (2) (in relation to an incoming EEA firm or an incoming Treaty firm) services provided within the UK under the freedom to provide services.
...	
<u>direct EU legislation</u>	has the meaning given in section 3(2) of the <u>European Union (Withdrawal) Act 2018</u> .
...	
EEA bank	means an incoming EEA firm that is a CRD credit institution.
EEA parent financial holding company	means a parent financial holding company in an EEA State which is not a subsidiary of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company set up in any EEA State.
EEA parent institution	means a parent institution in an EEA State which is not a subsidiary of another institution authorised in an EEA State or of a financial holding company or mixed financial holding company set up in any EEA State.
EEA parent mixed financial holding company	means a parent mixed financial holding company in an EEA State which is not a subsidiary of an institution authorised in any EEA State or of another financial holding company or mixed financial holding company set up in any EEA State.
...	
eligible own funds	means
...	

(7) ~~as to compliance with the EEA SCR, means the aggregate of the third country branch undertaking's:~~

(a) ~~Tier 1 own funds; and~~

(b) (i) ~~Tier 2 own funds; and~~

(ii) ~~Tier 3 own funds~~

~~that satisfy the limits in Own Funds 4.1, as if references to the "SCR" in those provisions were references to the EEA SCR; and the limits in the Solvency II Regulations~~

(8) ~~as to compliance with the EEA MCR, means the aggregate of the third country branch undertaking's:~~

(a) ~~Tier 1 own funds; and~~

(b) ~~Tier 2 basic own funds that satisfy the limits in Own Funds 4.2, as if references to the "MCR" in those provisions were references to the EEA MCR; and the limits in the Solvency II Regulations.~~

...

EU-derived domestic legislation

has the meaning given in section 2(2) of the European Union (Withdrawal) Act 2018.

EU directive

has the meaning given in section 20(1) of the European Union (Withdrawal) Act 2018.

EU instrument

has the meaning given in Part II of Schedule 1 to the European Communities Act 1972.

exit day

has the meaning given in section 20(1) of the European Union (Withdrawal) Act 2018.

...

Financial Conglomerates Regulations

means The Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862).

financial instruments

means the those instruments specified in Section C of Annex I to MiFID II Part 1 of Schedule 2 to the Regulated Activities Order, read with Part 2 of that Schedule.

...

group

(in the Solvency II Firms Sector of the PRA Rulebook) means a group of undertakings that:

	(1)	consists of a <i>participating undertaking</i> , its <i>subsidiary undertakings</i> and the <i>undertakings</i> in which it holds a <i>participation</i> , as well as <i>undertakings</i> linked to each other by an Article 12(1) relationship <u>a common management relationship</u> ; or
...		
home Member State		has the meaning given in Article 4(1)(43) of the CRR .
incoming EEA firm		means an EEA firm which is exercising, or has exercised, its right to carry on a regulated activity in the UK in accordance with Schedule 3 of FSMA.
incoming firm		means an incoming firm within the meaning of section 193 of FSMA .
incoming Treaty firm		means a Treaty firm which is exercising, or has exercised, its right to carry on a <i>regulated activity</i> in the <i>UK</i> in accordance with Schedule 4 of FSMA .
...		
insurance holding company		means a <i>parent undertaking</i> , other than a Solvency II undertaking <u>UK Solvency II firm</u> and a <i>mixed financial holding company</i> , the main business of which is to acquire and hold <i>participations</i> in <i>subsidiary undertakings</i> and which fulfils the following conditions:
	(1)	its <i>subsidiary undertakings</i> are either exclusively or mainly Solvency II undertakings <u>UK Solvency II firms</u> , <i>third country insurance undertakings</i> or <i>third country reinsurance undertakings</i> ; and
	(2)	at least one of those <i>subsidiary undertakings</i> is a Solvency II undertaking <u>UK Solvency II firm</u> .
...		
investment services and/or activities		means any of the services and activities listed in Section A of Annex I to MiFID Part 3 of Schedule 2 to the <u>Regulated Activities Order</u> , insofar as they relate to any of the instruments listed in Part I of Schedule 2 to that Order.
...		
intra-group transaction		has the meaning given in point (18) of Article 2 of the Financial Groups Directive ; <u>means all transactions by which regulated entities within a financial conglomerate rely directly or indirectly on other undertakings within the same group or on any natural or legal person linked to the undertakings within that group by close links, for the fulfilment of an obligation, whether or not contractual, and whether or not for payment.</u>
...		
key function		...

(2) ~~in relation to a *third country branch undertaking* means, in relation to the carrying on of a *regulated activity* by the *third country branch undertaking*, each of the following *functions* performed in relation to the operations effected by the *third country branch* or, for a *UK deposit insurer*, in relation to the operations effected by the *third country branch* and all the *third country undertaking EEA branches*:~~

(2) in relation to a *third country branch undertaking* means, in relation to the carrying on of a *regulated activity* by the *third country branch undertaking*, each of the following *functions* performed in relation to the operations effected by the *third country branch*

...

(g) any other *function* which is of specific importance to the sound and prudent management of the *third country branch* or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*.

(3) in relation to a *third country insurance service provider* means, in relation to the carrying on of a *regulated activity* by the *third country insurance services provider* in the UK:

(a) the *risk-management function*;

(b) the *compliance function*;

(c) the *internal audit function*;

(d) the *actuarial function*;

(e) the *function* of effectively running the operations effected by the *third country insurance services provider*; and

(f) any other *function* which is of specific importance to the sound and prudent management of the *third country insurance services provider*

...

leading insurer

means (in relation to a *Community co-insurance operation*) a co-insurer that assumes the leader's role in co-insurance practice and in particular determines the terms and conditions of insurance and rating

...

listed

means:

- (1) included in ~~an~~ the official list, or
- (2) *in respect of which facilities for dealing on a regulated market have been granted.*

matching adjustment

means the adjustment to the *relevant risk-free interest rate term structure* to calculate the *best estimate* of a *relevant portfolio of insurance or reinsurance obligations* in accordance with:

- (1) *Technical Provisions 6 and 7;*
- (2) the *Solvency II Regulations* adopted under Article 86(1)(h) - (i) of the *Solvency II Directive*; ~~and~~
- (3) where a reporting reference date falls before *exit day*, any the relevant technical information made by EIOPA under Article 77e(1)(b) of the *Solvency II Directive* and adopted in the *Solvency II Regulations* under Article 77e(2) of the *Solvency II Directive*; and-
- (4) where a reporting reference falls on or after *exit day*, the relevant technical information published by the PRA in accordance with regulation 4B(6) of the *Solvency 2 Regulations 2015*.

...

MiFID investment firm

~~means a firm to which MiFID applies~~ has the meaning given in paragraph 2.1A of MiFIR.

...

mixed financial holding company

~~(in the *Solvency II Firms Sector* of the PRA Rulebook) means a mixed financial holding company as defined in Article 2(15) of Directive 2002/87/EC on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate~~ means a parent undertaking other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the UK, and other entities constitutes a financial conglomerate

...

MTF

~~has the meaning given in Article 4(1)(22) MiFID II.~~ means a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with provisions implementing Title II of MiFID II;

...

mutual-type group

...

- (2) the establishment and dissolution of such relationships ~~for the purposes of Title III of the Solvency II Directive~~ are subject to prior approval by the ~~group supervisor, PRA,~~

where the *undertaking* exercising the centralised coordination shall be considered as the *parent undertaking*, and the other *undertakings* shall be considered as *subsidiary undertakings*.

...

non-directive firm

means in accordance with the Financial Services and Markets Act 2000 (Controllers)(Exemption) Order 2009 a *UK domestic firm* other than:

- (1) a *credit institution* authorised under provisions which implemented the Banking Consolidation Directive;
- (2) an *investment firm* authorised under provisions which implemented MiFID II;
- (3) a management company as defined in article 2(1)(b) of the European Parliament and Council Directive of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to *undertakings for collective investment in transferable securities (UCITS)* (No 2009/65/EC), 1 2, 3, 4, as amended (the *UCITS Directive*), authorised under provisions which implemented that directive;
- (4) a ~~Solvency II undertaking~~ UK Solvency II firm, the *Society* and *managing agents*.

...

non-directive insurer

means a *firm* with a *Part 4A permission to effect contracts of insurance* or *carry out contracts of insurance*, other than

- (1) a *UK Solvency II firm*; ~~and~~
- (2) a *third country branch undertaking*; or
- (3) where the firm has the permission by reason only of the operation of the EEA Passport Rights (Amendment etc., and Transitional Provisions) (EU Exit) Regulations 2018

non-UCITS retail scheme

means an *ICVC*, *authorised unit trust scheme*, or an *authorised contractual scheme* which is not a *collective investment scheme* falling within provisions implementing the UCITS Directive or a *qualified investor scheme*.

...

official list

means:

- (1) *the list maintained by the FCA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA; and*
- (2) *any corresponding list maintained by a competent authority for listing in another EEA State.*

...

OTF

means a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with provisions implementing Title II of MiFID II;

overseas regulator

means a regulator outside the United Kingdom.

own funds

...

- (2) *(in relation to a Solvency II undertaking other than a UK Solvency II firm) own funds determined in accordance with Solvency II EEA implementing measures; or*

parent undertaking

...

- (7) *(except as the Group Supervision Part of the PRA Rulebook applies to members of the Society or to the Society or managing agents in respect of members) it is incorporated in or formed under the law of another EEA State and is a parent undertaking within the meaning of any rule of law in that EEA State for purposes connected with implementation of the Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC); or*
- (8) *where, in accordance with Article 212(2) of the Solvency II Directive, the opinion of the PRA, it effectively exercises a dominant influence over S;*

...

participating Solvency II undertaking

means a Solvency II undertaking that holds a participation in another undertaking.

participating UK Solvency II firm

means a UK Solvency II firm that holds a participation in another undertaking.

participation

...

- (2) *where, in accordance with Article 212(2) of the Solvency II Directive, the opinion of the PRA, an undertaking effectively exercises a significant influence over another undertaking.*

...

participating undertaking means an *undertaking* that holds a *participation* in another *undertaking* or an *undertaking* linked with another *undertaking* by ~~an~~ Article 12(1) relationship a common management relationship.

...

~~**passport activity** means an activity carried on by an *EEA firm* or by a *UK firm*, under an *EEA right*~~

policyholder either:

- (1) means, in respect of a *contract of insurance* where the *insurance undertaking* is a ~~*Solvency II undertaking*~~ *Solvency II firm*, a *policyholder* which includes a *beneficiary*;
- or

...

PRA senior management function

means

...

- (5) (in respect of a third country insurance service provider in relation to the carrying on by the firm of a regulated activity in the UK) any function specified in Insurance – Senior Management Functions 3 to 10.

rate term structure means the relevant risk-free interest rate term structure, in accordance with:

- (1) *Technical Provisions* 5 and 8.3 to 8.4
- (2) the *Solvency II Regulations* adopted under Article 86 of the *Solvency II Directive*; and
- (3) where a reporting reference date falls:

before *exit day*, any the relevant technical information made by EIOPA under Article 77(e)(1)(a) of the *Solvency II Directive* and adopted in *Solvency II Regulations* under Article 77e(2) of the *Solvency II Directive*

- (4) where a reporting reference date falls:

on or after *exit day*, the relevant technical information made by the PRA in accordance with regulation (x) of the *Solvency II Regulations 2015*.

...

regulated institution means any of the following:

- (1) ~~a Solvency II undertaking~~ UK Solvency II firm, the *Society*, a *managing agent* or a *third country branch undertaking*; or

...

regulated market

means:

- (1) ~~a regulated market as defined in article 4(1)(21) of MiFID II~~ (as defined in Article 2(1)(13) of MiFIR);
- (2) a market situated outside the ~~EEA States~~ UK which is characterised by the fact that:

...

regulatory system

means the arrangements for regulating a *firm* or other *person* in or under *FSMA*, the *Bank of England Act 1998*, the *Banking Act 2009*, the *Friendly Societies Act 1974*, the *Friendly Societies Act 1992*, the *Credit Unions Act 1979*, including the *threshold conditions*, the *Fundamental Rules* and other rules, the *Statements of Principle*, codes and guidance given by the *PRA*, the *Bank of England* or the *FCA* and including any relevant ~~directly applicable~~ provisions of an *EU Directive* or *Regulation* including those specified under section 204A(2) of *FSMA*.

...

relevant insurance group undertaking

means, in relation to a *group* falling within *Group Supervision 2.1(1)* or *2.1(2)*, each ~~UK Solvency II undertaking~~ UK Solvency II firm within that *group*.

relevant insurer

~~means, in relation to a Community co-insurance operation, an insurer which is concerned in the operation but is not the leading insurer.~~

relevant risk-free interest rate term structure

means the *relevant risk-free interest rate term structure*, in accordance with:

- (1) *Technical Provisions 5* and *8.3 to 8.4*;
- (2) the *Solvency II Regulations* adopted under Article 86 of the *Solvency II Directive*; and
- (3) where a reporting reference date falls -
- (a) before exit day, any in accordance with the relevant technical information made by EIOPA under Article 77e(1)(a) of the Solvency II Directive and adopted in Solvency II Regulations under Article 77e(2) of the Solvency II Directive
- (b) on or after exit day, the relevant technical information made by the PRA in accordance with regulation 4B(6) of the Solvency II Regulations 2015.

...

retained direct EU legislation has the meaning given in section 20(1) of the European Union (Withdrawal) Act 2018.

retained EU law has the meaning given in section 6(7) of the European Union (Withdrawal) Act 2018.

...

risk concentration has the meaning given in point (18) of Article 2 of the *Financial Groups Directive* means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position in general of the regulated entities in a *financial conglomerate*, whether such exposures are caused by counterparty risk/credit risk, investment risk, insurance risk, market risk, other risks, or a combination or interaction of such risks

risk-mitigation techniques means all techniques which enable a *Solvency II undertaking UK Solvency II firm* to transfer part or all of its risks to another party.

...

section 59ZZA means (i) in relation to a *SRO firm*, section 59ZZA of FSMA as applied to such a *firm* by regulation 69 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulation 2018 and (ii) in all other cases, section 59ZZA of FSMA

section 59ZZA application means an application under section 60 of FSMA to the PRA made by an *authorised person* who could be given a notice under section 59ZZA of FSMA in relation to the *person* subject to the application.

...

significant deviation from relevant assumptions means a significant deviation from the assumptions underlying the ~~matching adjustment or the volatility adjustment or the transitional measures referred to in Articles 308c and 308d of the Solvency II Directive~~ means a significant deviation from the assumptions underlying the *matching adjustment*, the *volatility adjustment*, the *risk-free interest rate transitional measure* or the *transitional deduction*.

Solvency II EEA implementing measures means any measures implementing the *Solvency II Directive* in an *EEA State* other than the *UK*.

...

Solvency II special purpose vehicle means an *undertaking*, whether incorporated or not, other than a *Solvency II undertaking UK Solvency II firm*, which has received authorisation from the PRA in accordance with Article 211(1) or (3) of the *Solvency II Directive* and which:

...

Solvency II undertaking means:

- (1) ~~an undertaking authorised in accordance with Solvency II EEA implementing measures transposing Article 14 of the Solvency II Directive; or~~
- (2) ~~a UK Solvency II firm.~~

...

SRO firm means a firm to whom regulation 28 or 34 of Part 6 of the EEA Passport Rights (Amendment etc. and Transitional Provisions (EU Exit) Regulations 2018 applies.

SRO insurer means a SRO firm with permission to effect contracts of insurance or carry out contracts of insurance

...

supervisory authority means a national authority or the national authorities empowered by law or regulation of the UK ~~an EEA State~~ to supervise ~~Solvency II undertakings~~ UK Solvency II firms for the purposes of the provisions implementing the Solvency II Directive, including being the PRA and FCA.

...

third country means any country or territory or country other than the United Kingdom that is not an EEA State.

third country CRR firm means an overseas firm that

- (1) ~~is not an EEA firm;~~
- (2) ~~has its head office outside the European Economic Area; and~~
- (3) would be a CRR firm if it had been a UK undertaking, had carried on all of its business in the UK and had obtained whatever authorisations for doing so as are required under FSMA.

third country firm means an overseas firm, ~~that is not an incoming firm.~~

...

third country insurance services provider means a third country insurance undertaking that has a permission to effect contracts of insurance or carry out contracts of insurance in the UK and does not have a permanent presence in the UK.

third country insurance undertaking means an undertaking that has its head office outside the EEA-UK and that would require authorisation as an insurance undertaking in accordance with provisions implementing Article 14 of the Solvency II Directive if its head office was situated in the EEA UK.

third country investment firm a firm which would be a MiFID investment firm if it had its head office in the EEA UK.

...

<i>third country reinsurance undertaking</i>	means an <i>undertaking</i> that has its head office outside the EEA <u>UK</u> and that would require authorisation as a <i>reinsurance undertaking</i> in accordance with <u>provisions implementing Article 14 of the Solvency II Directive</u> if its head office was situated in the EEA <u>UK</u> .
<i>third country undertaking EEA branch</i>	means a permanent presence of a <i>third country insurance undertaking</i> in an EEA State except the UK , which has received authorisation in accordance with Article 162 of the Solvency II Directive .
...	
<i>top-up permission</i>	means a Part 4A permission given to an incoming EEA firm or an incoming Treaty firm
...	
<u>TPR SMF application</u>	means an application under section 60 of FSMA to the PRA made by an authorised person who could be given a notice under section 59ZZA of FSMA in relation to the person subject to the application
UCITS	undertakings for collective investment in transferable securities that are established in accordance with the UCITS Directive. (1) <u>an undertaking –</u> (a) <u>with the sole object of collective investment in transferable securities or in other liquid financial instruments of capital raised from the public and which operate on the principle of risk-spreading; and</u> (b) <u>with units which are, at the request of holders, repurchased or redeemed, directly or indirectly, out of those undertakings' assets (and for these purposes, action taken by the undertaking to ensure that the stock exchange value of its units does not significantly vary from their asset value is to be regarded as equivalent to such repurchase or redemption)</u> (2) <u>undertakings for collective investment in transferable securities that are established in the EEA in accordance with the UCITS Directive.</u>
<i>UK consolidation group</i>	means the <i>consolidation group</i> of a <i>firm</i> to which supervision on a consolidated basis by the PRA applies in accordance with Article 114 of CRD Part 6 of the Capital Requirements Regulations .
<i>UK deposit insurer</i>	means a third country branch undertaking that has made a deposit in the UK under Article 162(2)(e) of the Solvency II Directive in accordance with Article 167 of the Solvency II Directive .

UK firm

(1) has the meaning given in paragraph 10 of Schedule 3 to FSMA (EEA Passport Rights);²

(2) in the Depositor Protection part and Policyholder Protection part, means an authorised person who: (i) has permission given under Part 4A of FSMA to carry on regulated activities that consist of or include one or more PRA-regulated activities; and (ii) is incorporated in the UK.

UK parent financial holding company

means a financial holding company which is not itself a subsidiary of an institution authorised in the UK, or of a financial holding company or mixed financial holding company set up in the UK.

UK parent institution

means an institution authorised in the UK which has an institution or financial institution as subsidiary or which holds a participation in such an institution or financial institution, and which is not itself a subsidiary of another institution authorised in the UK or of a financial holding company or mixed financial holding company set up in the UK.

UK parent mixed financial holding company

means a mixed financial holding company which is not itself a subsidiary of an institution authorised in the UK, or of a financial holding company or mixed financial holding company set up in the UK.

UK parent undertaking

means a UK parent institution, a UK parent financial holding company or a UK parent mixed financial holding company.

volatility adjustment

means the adjustment to the relevant risk-free interest rate term structure to calculate the best estimate in accordance with:

- (1) in accordance with the Solvency II Regulations adopted under Article 86(1)(j) of the Solvency II Directive; and
 - (a) where a reporting reference date falls before exit day, any in accordance with the relevant technical information made by EIOPA under Article 77e(1)(c) of the Solvency II Directive and adopted in Solvency II Regulations under Article 77e(2) of the Solvency II Directive; or -
 - (b) where a reporting reference date falls on or after exit day, in accordance with the relevant technical information published by the PRA in accordance with regulation 4B(6) of the Solvency 2 Regulations 2015.

Annex B

Amendments to the Interpretation Part

In this Annex new text is underlined.

...

2 INTERPRETATIVE PROVISIONS

...

2.7 Unless the context otherwise requires, any reference in these rules-

- (1) to any provision of direct EU legislation, is a reference to it as it has effect as retained direct EU legislation on exit day;
- (2) to an EU directive is a reference to the directive as it had effect in EU law immediately before exit day;
- (3) to the implementation or transposition of provisions of an EU directive, is a reference to the provisions of EU-derived domestic legislation which were relied on before exit day for that implementation or transposition;
- (4) to an enactment which has been amended on or before exit day by regulations made under section 8 of the European Union (Withdrawal) Act 2018, is a reference to that enactment as so amended.

2.8

- (1) The PRA Rulebook shall, after *exit day*, be construed, unless the contrary intention appears, as conferring rights and imposing obligations in relation to or in connection with Gibraltar corresponding to those which existed immediately before *exit day*.
- (2) Accordingly, any provision of the PRA Rulebook which immediately before *exit day* applied in relation to or in connection with Gibraltar shall, with any necessary modification to give effect to that corresponding right or obligation, continue to apply after *exit day*, and any provision which did not so apply shall continue not to apply, unless provision indicating a contrary intention is made.
- (3) In this rule reference to Gibraltar includes, but is not limited to, rights or obligations conferred or imposed in relation to or in connection with *Gibraltar-based firms*, public institutions established, persons resident, body corporates incorporated in Gibraltar and activities of UK firms in Gibraltar.
- (4) This rule does not apply to the Depositor Protection and Policyholder Protection Parts (which contain their own application provisions for Gibraltar-based firms).
- (5) In this rule 'a *Gibraltar-based firm*' has the same meaning as in the *Financial Services and Markets Act (Gibraltar) Order 2001*.

Annex C

Amendments to the Allocation of Responsibilities Part

In this Annex new text is underlined.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to:
 - (a) the activities of its establishment in the *UK*; or
 - (b) if it does not have an establishment in the *UK*, activities in the *UK*.

1.1A This Part does not apply to a *SRO firm*

...

6 PRESCRIBED RESPONSIBILITIES: ~~UK BRANCHES~~ THIRD COUNTRY CRR FIRMS

6.1 This chapter applies only to a *third country CRR firm* in relation to

- (i) the activities of its establishment in the *UK*; or
- (ii) if it does not have an establishment in the *UK*, its activities in the *UK*.

6.2 Each of the responsibilities set out in this rule is a *UK branch prescribed responsibility*:

- (4) responsibility for management of the *firm's* risk management processes in the *UK* , or, if the firm does not have an establishment in the *UK*, the application of the *firm's* risk management processes to its *UK* activities;

...

- (7) responsibility for management of the *firm's* systems and controls in the *UK* , or, if the firm does not have an establishment in the *UK* the application of the *firm's* systems and controls to its *UK* activities.

...

- (11) if the *firm* has an establishment in the *UK*, responsibility for the *firm's* performance of its obligations under Internal Governance of Third Country Branches 7.

Annex D

Amendments to the Certification Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (a) a *CRR firm*;
- (b) a *credit union*; or
- (c) a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
 - (a) the activities of its establishment in the UK; or
 - (b) if it does not have an establishment in the UK its activities in the UK.

1.1A This Part does not apply to a *SRO firm*

...

1.3 This Part does not apply to a function performed by:

...

- (5A) a *person* in relation to whom a notice under *section 59ZZA* has been given to an authorised person.

....

Annex E

Amendments to the Depositor Protection Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(6) an overseas firm, that if:

- (a) ~~is not an incoming firm; and~~ the firm has a Part 4A permission that includes accepting deposits; and
- (b) ~~has a Part 4A permission that includes accepting deposits~~ deposits are held by a UK establishment of the firm.

1.2 Chapter 23 and 20.2 applies apply to a UK branch of an incoming firm that is a credit institution. a Gibraltar-based credit institution.

1.3 This Part also applies to a firm which used to have a Part 4A permission to accept deposits but which has ceased to have a Part 4A permission to accept new deposits, or which is subject to a requirement not to accept new deposits, and which is not a member of a non-UK scheme the Gibraltar DGS.

1.3A For the purposes of this Part, a deposit is held by a UK establishment if it is assigned by the firm to an account of that UK establishment.

1.3B For the purposes of this Part, references to a Gibraltar establishment or branch (as applicable) of a UK firm, means an establishment or branch established pursuant to Gibraltar market access rights.

1.4 Unless otherwise stated, in this Part, the following definitions shall apply:

...

deposit

means:

- (1) a credit balance which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution is required to repay under the legal and contractual conditions applicable, including a fixed-term deposit and a savings deposit, but excluding a credit balance where:
 - (a) its existence can only be proven by a financial instrument ~~financial instrument as defined in MiFID II~~, unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which ~~exists~~ existed in the UK, Gibraltar or a Member State of the EU on 2 July 2014;

...

DGS member

...

- (5) an overseas firm ~~if that is not an incoming firm and~~
- (a) the firm has a Part 4A permission that includes accepting deposits; and
 - (b) deposits are held by a UK establishment of the firm.

...

DGS EU Exit Regulations

means the Deposit Guarantee Scheme and Miscellaneous Provisions (Amendment) (EU Exit) Regulations 2018.

...

enterprise

means any entity engaged in economic activity, irrespective of its legal form and including, in particular, self-employed persons and family businesses engaged in craft or other activities and partnerships or associations regularly engaged in an economic activity.

~~EEA right~~

~~means the entitlement of a person to establish a branch or provide services in an EEA State other than that in which they have their relevant office in accordance with the Treaty as applied in the European Economic Area; and subject to the conditions of the CRR and CRD.~~

~~euro firm~~

~~means an incoming firm that is a credit institution of an EEA State that has adopted the euro or that does not convert into their national currency the amount referred to in Article 6(1) of the DGSD, pursuant to Article 6(5) DGSD.~~

...

exclusions list

means:

...

- (2) from 1 January 2017 until exit day, a list in the form set out in Section B of Annex 3 to this Part; and
- (3) from exit day, a list in the form set out in Section C of Annex 3 to this Part.

...

Gibraltar-based credit institution

means a *credit institution* authorised as such by the Gibraltar Financial Services Commission that has its head office in Gibraltar.

Gibraltar DGS

means the deposit guarantee scheme established in Gibraltar.

Gibraltar market access rights

means market access rights pursuant to which a *person* incorporated in the *UK* is entitled to establish a *branch* or provide services in Gibraltar.

...

~~home state scheme~~

~~means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *home Member State*.~~

~~host state scheme~~

~~means a scheme or arrangement (including the *deposit guarantee scheme*) for the payment of compensation in respect of *eligible deposits*, which was established in the *EEA State* which is, with regard to a particular *institution*, the *host Member State*.~~

...

incoming firm

means a *firm* which, immediately before *exit day*, was an incoming firm within the meaning of section 193 of *FSMA* as in force at that date.

...

mandatory contributions

means, at any time, the mandatory contributions described in Article 10(4) of the *DGSD* paid before that time by *credit institutions* to schemes of mandatory contributions established by the United Kingdom for the purposes of covering the costs related to systemic risk, failure and resolution of institutions, up to the *target level*, less any amounts of such mandatory contributions previously borrowed by the *FSCS* which have not been repaid.

micro, small and medium-sized enterprises-enterprise

means an *enterprise* the annual turnover of which does not exceed EUR 50 million means ~~micro, small and medium-sized enterprises as defined with regard to the annual turnover criterion referred to in Article 2(1) of the Annex to Commission Recommendation 2003/361/EC.~~

...

money laundering

has the meaning given in Article ~~1(3)~~1(2) of the *money laundering directive*.

money laundering directive

means Directive ~~2005/60/EC~~ 2015/849/EU.

...

non-UK scheme

means a scheme established pursuant to the *DGSD* in an *EEA State* ~~other than the UK~~

...

target level

means ~~the amount of available financial means which the deposit guarantee scheme is required to reach, which is 0.8% of the amount of covered deposits (excluding temporary high balances) of DGS members.~~

2 ELIGIBILITY

...

2.2 The provisions in this rule determine whether a *deposit* is an *eligible deposit*:

- (1) A *deposit* is an *eligible deposit* only if it is held by:
 - (a) a UK establishment of a DGS member, or
 - (b) a branch of a DGS member established in another EEA State under an EEA Right Gibraltar pursuant to Gibraltar market access rights.
- (2) A *deposit* is held by a UK establishment or a branch if it is assigned by the firm to an account of that UK establishment or that branch. ~~[Deleted.]~~
- (3) A *deposit* is, subject to the other rules in this Chapter, an *eligible deposit* if it is held by a UK or Gibraltar establishment of a firm which:
 - (a) had a Part 4A permission to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and
 - (b) is not now a member of a non-UK scheme the Gibraltar DGS which protects such *deposits*.
- (4) The following are not *eligible deposits*:

...

- (f) a *deposit* the holder and any beneficial owner (as defined in regulation 6 of the Money Laundering Regulations 2007) of which have not, at the *compensation date* had their identity verified in accordance with regulation 9 of the Money Laundering Regulations 2007 ~~for equivalent:~~
 - (1) Gibraltar requirements; or EEA
 - (2) European Economic Area requirements, provided that their identity was so verified prior to exit day.

3 CIRCUMSTANCES IN WHICH THE FSCS PAYS COMPENSATION IN RESPECT OF ELIGIBLE DEPOSITS

...

3.2 The FSCS must pay compensation in accordance with this Part in respect of an *eligible deposit* if it is satisfied that the *eligible deposit* is a *deposit* with either:

- (1) a DGS member which is *in default*; or
- (2) a firm which is *in default* and which:
 - (a) had a Part 4A permission to accept such *deposits* at the time the *deposit* was accepted but no longer has permission to accept *eligible deposits*, or is subject to a requirement preventing it from doing so; and

- (b) ~~is not a member of a non-UK scheme~~ **the Gibraltar DGS which covers such deposits.**

...

5 CALCULATING COMPENSATION

- 5.3 The limit provided for in 4.2 applies to the aggregate *eligible deposits* placed by a *depositor* with the same *credit institution*, irrespective of the number of accounts, **the currency, or whether such *eligible deposits* are held by an establishment of a *DGS member* in the UK or Gibraltar** ~~the location within the EEA.~~

...

6 PAYING COMPENSATION

...

- 6.2 The FSCS must pay any compensation to the *depositor*, with the following exceptions:
- (1) where the FSCS ~~is required to~~ **may** make payments on behalf of a *non-UK scheme* in accordance with the ~~deposit guarantee scheme regulations~~ ***DGS EU Exit Regulations***;
 - (2) ~~where the FSCS must instruct a non-UK scheme to make payments on its behalf in accordance with 27.3; [deleted.]~~

...

- 6.9 **In applying this Chapter to *deposits* held with a *branch* outside the UK of a *DGS member* in Gibraltar, the FSCS must interpret references to:**
- (1) ***persons* entitled as personal representatives, trustees, bare trustees, *operators* of *pension schemes* or *persons* carrying on the *regulated activity* of winding up *pension schemes*; or**
 - (2) ***persons* having a *joint account* or joint interest in a *deposit* or carrying on business in partnership,**

as references to *persons* entitled, under the law of the relevant country or territory Gibraltar, in a capacity appearing to the FSCS to correspond as nearly as may be to that capacity.

7 FORM AND METHOD OF COMPENSATION

...

- 7.2 The FSCS may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:
- (1) by paying the compensation (on such terms as the FSCS considers appropriate) to a *DGS member* ~~or an incoming firm~~ **a Gibraltar-based credit institution with an establishment in the UK** which agrees to become liable to the *compensation recipient* in a like sum;
 - (2) by paying compensation directly into an existing deposit account of (or for the benefit of) the *compensation recipient*, with a *DGS member* ~~or an incoming firm~~ **a Gibraltar-**

based credit institution with an establishment in the UK (but before doing so the FSCS must take such steps as it considers appropriate to verify the existence of such an account and to give notice to the *depositor* of its intention to exercise this power);

...

8 CURRENCY OF COMPENSATION

...

8.2 Subject to 8.3 The FSCS must make compensation payments in respect of *eligible deposits* in pounds sterling. Where the account in which the *eligible deposit* was held was maintained in a different currency, the FSCS must use the exchange rate applying on the *compensation date*.

8.3 ~~Where the FSCS is instructing a non-UK scheme to make a payment under 27.3, the FSCS must instruct the relevant non-UK scheme to make such payments in the currency of that host Member State [Deleted.]~~

9 TIME LIMITS

...

9.4 The FSCS may decide to defer the payment of compensation beyond the time period set out in 9.3 where:

...

(5) the amount to be repaid is deemed to be part of a *temporary high balance*, in which case 10.8 applies; or

(6) ~~the amount to be repaid is to be paid out by the host state scheme; or [deleted.]~~

...

...

12 SINGLE CUSTOMER VIEW REQUIREMENTS

...

12.9 A *firm* must ensure that each *single customer view* and *exclusions view* contains all the information set out in the table below.

...

39	Account branch jurisdiction.	If the account is held in a branch outside the United Kingdom, please state in which jurisdiction the account is held [if applicable]. <u>Eligible deposits must be held by UK or Gibraltar</u>	ISO 3166-1 Alpha-3 or alternative code if ISO 3166-1 is unavailable Maximum number of characters in field: 3
----	------------------------------	---	--

establishments. State "GBR" N/A
or "GIB", as applicable.

40	BRRD Marking <u>Bank recovery and resolution marking</u>	Is the account marked under 13.2? [if applicable].	Value: Yes / No Maximum number of characters in field: 3
----	--	--	---

13 **BRRD BANK RECOVERY AND RESOLUTION MARKING AND CONTINUITY OF ACCESS**

...

13.2 A *firm* must mark accounts which hold:

...

- (2) *deposits* that would be *eligible deposits* from natural persons or *micro, small and medium-sized enterprises* if the *deposit* had not been made through a *branch* of the *firm* located outside the ~~EEA~~ UK

...

...

16 **FIRMS' DISCLOSURE OBLIGATIONS – INFORMATION AND EXCLUSIONS**

...

16.2 A *firm* must:

...

- (3) before entering into a contract on *deposit-taking* with the intending *depositor* of deposits to be held by a UK or Gibraltar establishment of the *firm*:

...

each such intending *depositor*.

- (4) before entering into a contract on *deposit-taking*, inform each intending *depositor* of deposits to be held at a UK or Gibraltar establishment of the *firm* of the exclusions from *deposit guarantee scheme* protection that fall within 2.2(4)(b) and 2.2(4)(k), if applicable.

16.3 ~~Where the *depositor* holds *eligible deposits* through a UK establishment, the~~ The information sheet must be in English, or, if different, in the language that was agreed between the *depositor* and the *firm* when the account was opened. ~~A *firm* which accepts *eligible deposits* through a *branch* established in another EEA State may provide the information sheet in the official language of that EEA State.~~

17 **FIRMS' DISCLOSURE OBLIGATIONS – STATEMENTS OF ACCOUNT**

17.1 A *firm* must:

...

(2) include a reference to the *information sheet* and a reference to the *exclusions list* on a *depositor's* statement of account in respect of deposits held by a UK or Gibraltar establishment of the firm;

(3) at least annually:

(a) provide to the depositor of deposits held by a UK or Gibraltar establishment of the firm;

...

(4) include the following information on a depositor's statement of account in respect of deposits held by a UK or Gibraltar establishment of the firm;

...

17.3 A firm which was, immediately before exit day, a credit institution and an incoming firm, and which is a DGS member immediately after exit day, must, within two months after exit day:

(a) provide to the depositor of deposits held by a UK establishment of the firm:

(i) the information sheet; and

(ii) the exclusions list; and

(b) if applicable, inform the depositor of the exclusions from deposit guarantee scheme protection that fall within 2.2(4)(b) and 2.2(4)(k).

...

19 DISCLOSURE OF TRANSFER OF DEPOSITS

19.1 In the case of a merger, conversion of *subsidiaries* into *branches*, transfer or similar operations, a *firm* must:

...

(2) give *depositors* a three month period following notification in accordance with (1), to withdraw or transfer to another *institution*, without incurring any penalty, such part of their *eligible deposits*, together with any accrued interest and other benefits, as exceed the coverage level pursuant to 4.2 (or, if applicable in the case of a *non-UK scheme*, other transposition of Article 6(1) of the *DGSD*) at the time of the operation.

20 DISCLOSURE OF WITHDRAWAL OR EXCLUSION FROM THE DEPOSIT GUARANTEE SCHEME

20.1 A *firm* must inform *depositors* within one month if it withdraws from or is excluded from the *deposit guarantee scheme* or any *non-UK scheme*.

20.2 A Gibraltar-based credit institution with an establishment in the UK must inform depositors of that establishment within one month if it withdraws from or is excluded from the Gibraltar DGS.

20.3 A firm must inform *depositors of deposits* which:

- (1) immediately prior to *exit day*, were *eligible deposits*; and
- (2) on *exit day*, ceased to be *eligible deposits* by virtue of not being held at a **UK or Gibraltar** establishment,

that such *deposits* ceased to be *eligible deposits* on *exit day*; and must do so as soon as practicably possible after *exit day* and in any event within one month after *exit day*.

...

22 NOTIFICATION REQUIREMENTS ON TRANSFER TO A NON-UK SCHEME

22.1 If a firm which is a *DGS member* intends to transfer to become a member of a *non-UK scheme*, and cease to be a *DGS member*, it shall give at least six months' notice to the *FSCS* and the *PRA* of its intention to make such a transfer. During the six month period, the firm shall remain a *DGS member*. [Deleted.]

23 DEPOSIT COMPENSATION INFORMATION – BRANCHES AND WEBSITE

...

23.3 In this Chapter, references to “compensation leaflet” are:

- (1) in the case of a *DGS member*, references to the *FSCS*'s standard leaflet with respect to its protection of *deposits*; and
- (2) in the case of an *incoming firm* that it is a *credit institution* a **Gibraltar-based credit institution**, with an establishment in the *UK* references to a leaflet with respect to the protection of *deposits* by the **Gibraltar DGS** compensation scheme of its *home member state* where such a leaflet is provided electronically and in English by the **Gibraltar DGS** *home state scheme* or, where a leaflet is not available, a link to the *home state scheme*'s **Gibraltar DGS** website.

23.4 A firm that accepts *deposits* under a single brand or trading name must prominently display the compensation sticker and compensation poster in each **UK branch (and, in the case of a UK firm with a branch in Gibraltar, each Gibraltar branch)** in the following ways:

...

23.5 A firm that accepts *deposits* under multiple brands or trading names must prominently display the compensation sticker and compensation poster in each **UK branch (and, in the case of UK firm with a branch in Gibraltar, each Gibraltar branch)** in the following ways:

...

23.10 A firm that accepts *eligible deposits* through a *branch* or *branches* established in other *EEA States* may provide the information required by this Chapter in the official language(s) of the *EEA State* (which may be either the compensation sticker, compensation poster or compensation leaflet in that language or the firm's own translation of that compensation sticker, compensation poster or compensation leaflet). [Deleted.]

24 DUTIES OF THE FSCS

...

24.10 The FSCS must correspond with a *depositor* in any one of:

- (1) English; or
- (2) ~~any other official Union language~~ or Welsh if that language is used by the *firm* which holds the *eligible deposit* when communicating with that *depositor*.

...

26 CONFIDENTIALITY, INFORMATION SHARING AND CO-OPERATION

...

26.2 The FSCS must exchange with ~~host state schemes~~ (in relation to a *DGS member*), information: ~~[Deleted.]~~

- (1) relating to the ~~DGS member's~~ compliance with this Part;
- (2) necessary to prepare for a repayment of *depositors*, including markings made under Chapter 11;
- (3) ~~communicated to the FSCS by the PRA that the PRA has detected problems with a DGS member that are likely to give rise to the intervention of the deposit guarantee scheme.~~

26.3 The FSCS must have appropriate procedures in place to enable it to share information and communicate effectively with ~~non-UK schemes~~, the members of such schemes, and bodies outside the UK. The FSCS shall inform the PRA of any cooperation agreement it enters into with a ~~non-UK scheme~~. ~~[Deleted.]~~

26.4 In order to facilitate effective co-operation, the FSCS shall have written co-operation agreements in place with ~~non-UK schemes~~. Such agreements shall take account of 26.1. ~~[Deleted.]~~

27 PAYMENTS IN RESPECT OF UK BRANCHES OF INCOMING FIRMS AND EEA BRANCHES OF DGS MEMBERS

27.1 This Chapter applies only to the FSCS. ~~[Deleted.]~~

27.2 Where the FSCS is required under the ~~deposit guarantee scheme regulations~~ to pay compensation on behalf of a ~~non-UK scheme~~, the FSCS must inform the ~~depositors~~ concerned that the relevant ~~credit institution~~ is ~~in default~~ and of their right to compensation on behalf of the ~~non-UK scheme~~. The FSCS may receive correspondence from those ~~depositors~~ on behalf of the ~~non-UK scheme~~. ~~[Deleted.]~~

27.3 Where the FSCS is required, under this Part, to pay compensation to a ~~depositor~~ in respect of ~~deposits~~ held with a ~~branch~~ of a ~~DGS member~~ in an ~~EEA state~~ other than the UK, the FSCS must instruct the relevant ~~non-UK scheme~~ to make such payments on its behalf. The FSCS must provide the necessary funding prior to payout by the ~~non-UK scheme~~ and must compensate the ~~non-UK scheme~~ for costs incurred by the ~~non-UK~~

~~scheme with regard to acts done by the non-UK scheme in accordance with the instructions given by the FSCS. [Deleted.]~~

28 SUBROGATION

...

- 28.3 (1) The FSCS may determine that, if it is necessary or desirable in conjunction with the exercise of the FSCS's powers under 28.2, that the *compensation recipient* shall be treated as having irrevocably and unconditionally appointed the chairman of the FSCS for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the UK, Gibraltar another EEA State or any other state or law-country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

30 RECOVERIES OF ELIGIBLE DEPOSITS: RETURN OF SURPLUS TO COMPENSATION RECIPIENT

- 30.1 If the FSCS, in relation to a *claim for eligible deposits*, makes recoveries from the *credit institution* or any third party in respect of that *eligible deposit*, it must:

- (1) retain from those recoveries a sum equal to the aggregate of:
- (a) the sum paid by the FSCS as compensation; and
 - ...
 - (b) ~~any amount paid or payable by a home state scheme to the compensation recipient, and [deleted.]~~

...

32 FUNDING – USE OF EXISTING MANDATORY CONTRIBUTIONS

...

- 32.2 If the PRA determines, in accordance with the *deposit guarantee scheme regulations*, that the FSCS is unable to raise a *DGS compensation costs levy* from *DGS members* to meet the liabilities of the *deposit guarantee scheme*, the FSCS may borrow an amount equal to the ~~amount of such mandatory contributions~~ in order to meet the liabilities of the deposit guarantee scheme.

- 32.3 The FSCS must impose a *DGS compensation costs levy* on *DGS members* sufficient to repay any amounts borrowed in accordance with 32.2 ~~equal to mandatory contributions borrowed in accordance with Article 10 (4) of the DGSD~~ within a reasonable time and in accordance with repayment deadlines under the applicable loan agreement and 34.3.

...

48 FUNDING – TRANSFER OF LEVIES

- 48.1 ~~This Chapter applies only to the FSCS. [Deleted.]~~
- 48.2 ~~If a firm ceases to be a DGS member and joins a non-UK scheme, the FSCS must transfer the contributions paid by that firm to the available financial means of the deposit guarantee scheme during the 12 months preceding the end of the membership to the relevant non-UK scheme. [Deleted.]~~
- 48.3 ~~48.2 does not apply if the firm has been excluded from the deposit guarantee scheme pursuant to Article 4(5) of the DGSD. [Deleted.]~~
- 48.4 ~~If some of the activities of a DGS member are transferred to another Member State and become subject to a non-UK scheme, the contributions paid by that firm during the 12 months preceding the transfer shall be transferred to the relevant non-UK scheme in proportion to the amount of covered deposits transferred. [Deleted.]~~

...

ANNEX I – INFORMATION SHEET (CHAPTER 16)

Currency of reimbursement: Pound sterling (GBP, £) or, for branches of UK banks operating in other EEA Member States, the currency of that State.

ANNEX II – CONTENT OF COMPENSATION STICKERS AND POSTERS (CHAPTER 23)

The compensation stickers must contain the following statements only:

UK banks

building societies

credit unions

Northern Ireland credit unions

An overseas firm, that if:

(a) is not an incoming firm the firm has a Part 4A permission that includes accepting deposits; and

(b) has a Part 4A permission that includes accepting deposits deposits are held by a UK establishment of the firm.

...

- (1) "Your eligible deposits with held by a UK/Gibraltar [delete as appropriate] establishment of [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.
-

Please ask/click here [delete as appropriate] for further information or visit www.fscs.org.uk."

As an alternative, for *credit unions* or *Northern Ireland credit unions* that accept deposits under a single brand or trading name:

"Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit www.fscs.org.uk."

Incoming firm that is a *credit institution* [] UK branch of a Gibraltar-based credit institution

-
- (2) "Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent [insert Gibraltar coverage limit including applicable currency] by the Gibraltar Deposit Guarantee Scheme [insert name of compensation scheme] the [insert home state of compensation scheme] deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home state equivalent insert Gibraltar coverage limit including applicable currency] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]."-[]

The compensation posters must contain the following statements only:

UK banks

building societies

credit unions

Northern Ireland credit unions

An overseas firm, that if:

(a) ~~is not an incoming firm~~ the firm has a Part 4A permission that includes accepting deposits; and

(b) ~~has a Part 4A permission that includes accepting deposits~~ deposits are held by a UK establishment of the firm.

...

-
- (1) Firms that accept deposits under a single brand or trading name

"Your eligible deposits with held by a UK/Gibraltar [delete as appropriate] establishment of [insert name of firm] are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit www.fscs.org.uk."

As an alternative, for credit unions or Northern Ireland credit unions that accept deposits under a

single brand or trading name: "Your eligible deposits are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. Any deposits you hold above the limit are unlikely to be covered.

Please ask/click here [delete as appropriate] for further information or visit www.fscs.org.uk."

~~Incoming firm that is a credit institution~~ [] UK branch of a Gibraltar-based credit institution

-
- (3) ~~Incoming firm that is a credit institution and~~ UK branch of a Gibraltar-based credit institution that accepts deposits under a single brand or trading name

"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent insert Gibraltarian coverage limit including applicable currency] by [insert name of compensation scheme] the [insert home state of compensation scheme] the Gibraltar deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. Any deposits you hold above the [insert 100,000 euro or home state equivalent insert Gibraltarian coverage limit including applicable currency] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]." []

-
- (4) ~~Incoming firm~~ UK branch of a Gibraltar-based credit institution that accepts deposits under multiple brands or trading names

"Your eligible deposits with [insert name of firm] are protected up to a total of [insert 100,000 euro or home state equivalent insert Gibraltarian coverage limit including applicable currency] by [insert name of compensation scheme] the [insert home state of compensation scheme] the Gibraltar deposit guarantee scheme and are not protected by the UK Financial Services Compensation Scheme. This limit is applied to the total of any deposits you have with the following: [insert names of brands as appropriate]. Any total deposits above the [insert 100,000 euro or home state equivalent insert Gibraltarian coverage limit including applicable currency] limit are unlikely to be covered. Please ask/click here [delete as appropriate] for further information or visit [insert website address of scheme]." []

...

ANNEX 3 – EXCLUSIONS LIST (CHAPTER 16)

Section C (from exit day)

A deposit is excluded from protection if:

- (1) The holder and any beneficial owner of the deposit have never been identified in accordance with money laundering requirements. For further information, contact your bank, bank building society or credit union.
- (2) The deposit arises out of transactions in connection with which there has been a criminal conviction for money laundering.
- (3) It is a deposit made by a depositor which is one of the following:
 - credit institution
 - financial institution
 - investment firm

- insurance undertaking
 - reinsurance undertaking
 - collective investment undertaking
 - pension or retirement fund¹
 - public authority, other than a small local authority.
- (4) It is a deposit of a credit union to which the credit union itself is entitled
- (5) It is a deposit which can only be proven by a financial instrument² unless it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed in the UK or a Member State on 2 July 2014)
- (6) It is a deposit of a collective investment scheme which qualifies as a small company.³
- (7) It is a deposit of an overseas financial services institution which qualifies as a small company.⁴
- (8) It is a deposit of certain regulated firms (investment firms, insurance undertakings and reinsurance undertakings) which qualify as a small business or a small company⁵ – refer to the FSCS for further information on this category
- (9) It is not held by an establishment of a bank, building society or credit union in the UK or, in the case of a bank or building society incorporated in the UK, it is not held by an establishment in Gibraltar.

For further information about exclusions, refer to the FSCS website at www.FSCS.org.uk

¹ Deposits by personal pension schemes, stakeholder pension schemes and occupational pension schemes of micro, small and medium sized enterprises are not excluded

² As listed in Part I of Schedule 2 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

³ Under the Companies Act 1985 or Companies Act 2006

⁴ See footnote 3

⁵ See footnote 3

Annex F

Amendments to the Dormant Account Scheme Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(5) an overseas firm ~~that~~ if:

(a) ~~is not an incoming firm; and [deleted.]~~

(b) the firm has a Part 4A permission that includes accepting deposits and

(c) deposits are held by a UK establishment of the firm.

1.2 In this Part, the following definitions shall apply:

...

DAS member

means:

...

(4) an overseas firm, if:

(a) the firm ~~that is not an incoming firm and~~ has a part 4A permission that includes accepting deposits and

(b) deposits are held by a UK establishment of the firm.

...

Gibraltar-based credit institution

has the meaning given in the Depositor Protection Part.

...

7 FORM AND METHOD OF COMPENSATION

...

7.2 Subject to Chapter 6, the FSCS may pay compensation in any form and by any method (or any combination of them) that it determines is appropriate including, without limitation:

- (1) by paying the compensation (on such terms as the *FSCS* considers appropriate) to a firm with a *Part 4A* permission to accept deposits **or a Gibraltar-based credit institution with an establishment in the UK** ~~an incoming firm~~ or another dormant account fund operator which agrees to become liable to the claimant in a like sum;

...

12 SUBROGATION

...

- 12.4 (1) The *FSCS* may determine that, if it is necessary or desirable in conjunction with the exercise of the *FSCS*'s powers under 12.3, that the claimant shall be treated as having irrevocably and unconditionally appointed the chairman of the *FSCS* for the time being to be their attorney and agent and on their behalf and in their name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the *UK*, **Gibraltar** ~~another EEA State~~ or any other state or law-country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

Annex G

Amendments to the External Audit Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

...

1.3 In this Part, the following definitions shall apply:

...

group supervisor

means the PRA in accordance with regulation 26 of The Solvency 2 Regulations 2015 ~~(in relation to a group) the authority designated as group supervisor in relation to that group, in accordance with Article 247 of the Solvency II Directive.~~

...

4 DUTIES ON THE EXTERNAL AUDITOR

...

4.2 Where the *relevant elements of the SFCR* in a *group SFCR* that:

- (1) pertains to an *undertaking* that is not a ~~Solvency II undertaking~~ UK Solvency II firm; and
- (2) information has been prepared in accordance with:
 - (a) *PRA* rules other than those implementing the *Solvency II Directive*; or
 - (b) ~~an EU instrument~~ UK law other than the *Solvency II Regulations*,

the external auditor shall state in the report under 4.1(2) that the information has been properly compiled in accordance with the relevant *PRA* rules and ~~EU instruments~~ UK law relating to that *undertaking* from information provided by *undertakings* in the *group* and the *relevant insurance group undertaking*.

...

Annex H

Amendments to the Financial Conglomerates Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* except:

- (1) ~~an incoming EEA firm; [deleted.]~~
- (2) ~~an incoming Treaty firm; and [deleted.]~~

...

1.4 In this Part, the following definitions shall apply:

alternative investment fund manager

~~means a manager of alternative investment funds within the meaning of Article 4(1)(b), (l) and (ab) of the AIFMD or an undertaking which is outside the EEA and which would require authorisation in accordance with the AIFMD if it had its registered office within the EEA.~~

...

asset management company

~~means a management company within the meaning of Article 2(1)(b) of the UCITS Directive, as well as an undertaking the registered office of which is outside the EEA and which would require authorisation in accordance with Article 6(1) of the UCITS Directive if it had its registered office within the EEA.~~

...

competent authority

~~means any national authority of an EEA State which is empowered by law or regulation to supervise regulated entities, whether on an individual or group-wide basis.~~

...

consolidation group

means:

- (1) a conventional group; or
- (2) undertakings linked by ~~an Article 12(1) relationship~~ a common management relationship or an Article 18(6) relationship.

If a parent undertaking or subsidiary undertaking in a conventional group (the first person) has a consolidation ~~Article 12(1) relationship~~ common management relationship or an Article 18(6) relationship with another person (the second person), the second person, and any subsidiary undertaking of the second person, is also a member of the same consolidation group.

...

CRD full-scope firm

means an *investment firm* as defined in article 4(1)(2) of the *CRR* that is subject to the requirements imposed by virtue of *MiFID*, or which would be subject to ~~that~~ Directive those requirements if its head office were in the UK an EEA State, and that is not a *limited activity firm* or a *limited licence firm*.

...

~~*EEA insurer*~~

~~means an undertaking whose head office is in any EEA State except the UK and which has received authorisation in accordance with article 14 of the *Solvency II Directive*.~~

~~*EEA prudential sectoral legislation*~~

~~means, in relation to a financial sector, requirements applicable to persons in that financial sector in accordance with EEA legislation with respect to prudential supervision of regulated entities in that financial sector.~~

~~*EEA UK regulated entity*~~

~~means a regulated entity that is an EEA firm or a UK firm.~~

...

financial conglomerate notification

means a notification issued in respect of a financial conglomerate that has been identified as a financial conglomerate as contemplated by Article 4(2) of the Financial Groups Directive. [deleted.]

~~*Financial Conglomerates Regulations*~~

~~means The Financial Conglomerates and Other Financial Groups Regulations 2004 (SI 2004/1862)~~

...

insurance sector

means a sector composed of one or more of the following entities:

- (1) ~~a *Solvency II undertaking*~~ UK Solvency II firm;
- (2) *third country insurance undertaking* or a *third country reinsurance undertaking*;
- (3) an *insurance holding company*; and
- (4) in the relevant circumstances described in 5, an *asset management company* or an *alternative investment fund manager*.

...

investment firm

has the meaning given by Article 2(3) of the *Financial Groups Directive*

...

mixed financial holding company

~~has the meaning given in Article 2(15) of the *Financial Groups Directive* has the meaning given in regulation 1(2) of the *Financial Conglomerates Regulations*.~~

...

parent undertaking

has the meaning in Article 2(9) of the *Financial Groups Directive*.

participation

~~has the meaning given in article Article 2(11) of the *Financial Groups Directive* Article 4(1)(35) *CRR*.~~

...

regulated entity

means one of the following:

...

(2) ~~a *Solvency II undertaking*~~ UK Solvency II firm, a third country insurance undertaking, a third country reinsurance undertaking

...

whether or not it is incorporated in, or has its head office in, ~~an EEA State~~ the UK.

relevant competent authorities

~~in relation to a *financial conglomerate*, means those *competent authorities* which are, or which have been appointed as, *relevant competent authorities* in relation to that *financial conglomerate* under Article 2(17) of the *Financial Groups Directive*~~

...

sectoral rules

means, in relation to a *financial sector*, the following rules and requirements relating to the prudential supervision of *regulated entities* within that *financial sector*.

(1) ~~for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (3);~~

(2) for the purpose of calculating *solo capital resources* and a *solo capital resources requirement*.

...

~~(b) the rules and requirements in (3); or~~

...

subsidiary undertaking

~~has the meaning given in Article 2(10) of the *Financial Groups Directive*.~~

~~*third country financial conglomerate*~~

~~a *financial conglomerate* that is of a type that falls under Article 5(3) of the *Financial Groups Directive* has the meaning given in regulation 7 of the *Financial Conglomerates and Other Financial Groups Regulations 2004*~~

~~*third country insurance undertaking*~~

~~means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as an *insurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office was situated in the *EEA*.~~

~~*third country reinsurance undertaking*~~

~~means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as a *reinsurance undertaking* in accordance with Article 14 of the *Solvency II Directive* if its head office were situated in the *EEA*.~~

...

~~*UK regulated EEA financial conglomerate*~~

~~means a *financial conglomerate* other than a *third country financial conglomerate* that satisfies one of the following conditions:~~

- ~~(1) 3.3 applies with respect to it; or~~
- ~~(2) a *firm* that is a *member* of that *financial conglomerate* is subject to obligations imposed through its *Part 4A permission* or section 55M of *FSMA* to ensure that the *financial conglomerate* meets levels of capital adequacy based on or stated to be based on Annex I of the *Financial Groups Directive*.~~

2 DEFINITION OF A FINANCIAL CONGLOMERATE

2.5 In respect of a *financial conglomerate* in relation to which a **PRA** *financial conglomerate notification* has been issued, the figures in Annex 1 are altered as follows:

- (1) the figure of 40% in the box titled Threshold Test 1 is replaced by 35%;
- (2) the figure of 10% in the box title Threshold Test 2 is replaced by 8%; and
- (3) the figure of six billion Euro in the box titled Threshold Test 3 is replaced by five billion Euro.

3 CAPITAL ADEQUACY

3.1 In this Chapter,

- (1) ~~3.2 applies where a *financial conglomerate notification* has been issued in respect of a *financial conglomerate* of which a *firm* is a *member*; and [deleted.]~~

...

3.2 ~~A firm must at all times have capital resources of such an amount and type that results in the capital resources of the financial conglomerate being adequate. [Deleted.]~~

3.4 (1) Subject to 3.5, the definitions of conglomerate capital resources and conglomerate capital resources requirement that apply for the purposes of 3.3 are the definitions from whichever of Part 1 or Part 2 of Annex 2 the firm has indicated to the PRA it will apply to the group or each part of the group.

(2) The firm must indicate to the PRA in advance which Part of Annex 2 it intends to apply to the group or each part of the group.

...

4 RISK CONCENTRATION AND INTRA-GROUP TRANSACTIONS

...

4.2 A firm that is a member of a ~~UK regulated~~ EEA financial conglomerate headed by a mixed financial holding company must ensure compliance with the sectoral rules, identified for these purposes in the table at 4.3, regarding risk concentration and intra-group transactions of the most important financial sector in that financial conglomerate with respect to that financial sector as a whole, including the mixed financial holding company.

...

5 ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUND MANAGERS

5.1 A firm must treat an asset management company and an alternative investment fund manager that is a member of a financial conglomerate of which that firm is a member:

...

(2) In the case of a financial conglomerate for which the PRA is the coordinator, a firm must allocate an asset management company and an alternative investment fund manager:

(a) to the investment services sector where a decision to that effect has been made by ~~the undertaking in the financial conglomerate that is the group member referred to in Article 4(2) of the Financial Groups Directive~~ the relevant member referred to in regulation 2(4) of the Financial Conglomerates Regulations;

...

6 THIRD COUNTRY FINANCIAL CONGLOMERATE

6.1 This Chapter applies to a firm that is a member of a third country financial conglomerate except:

(1) an ~~incoming EEA firm~~; or ~~[deleted.]~~

(2) an ~~incoming Treaty firm~~; or ~~[deleted.]~~

...

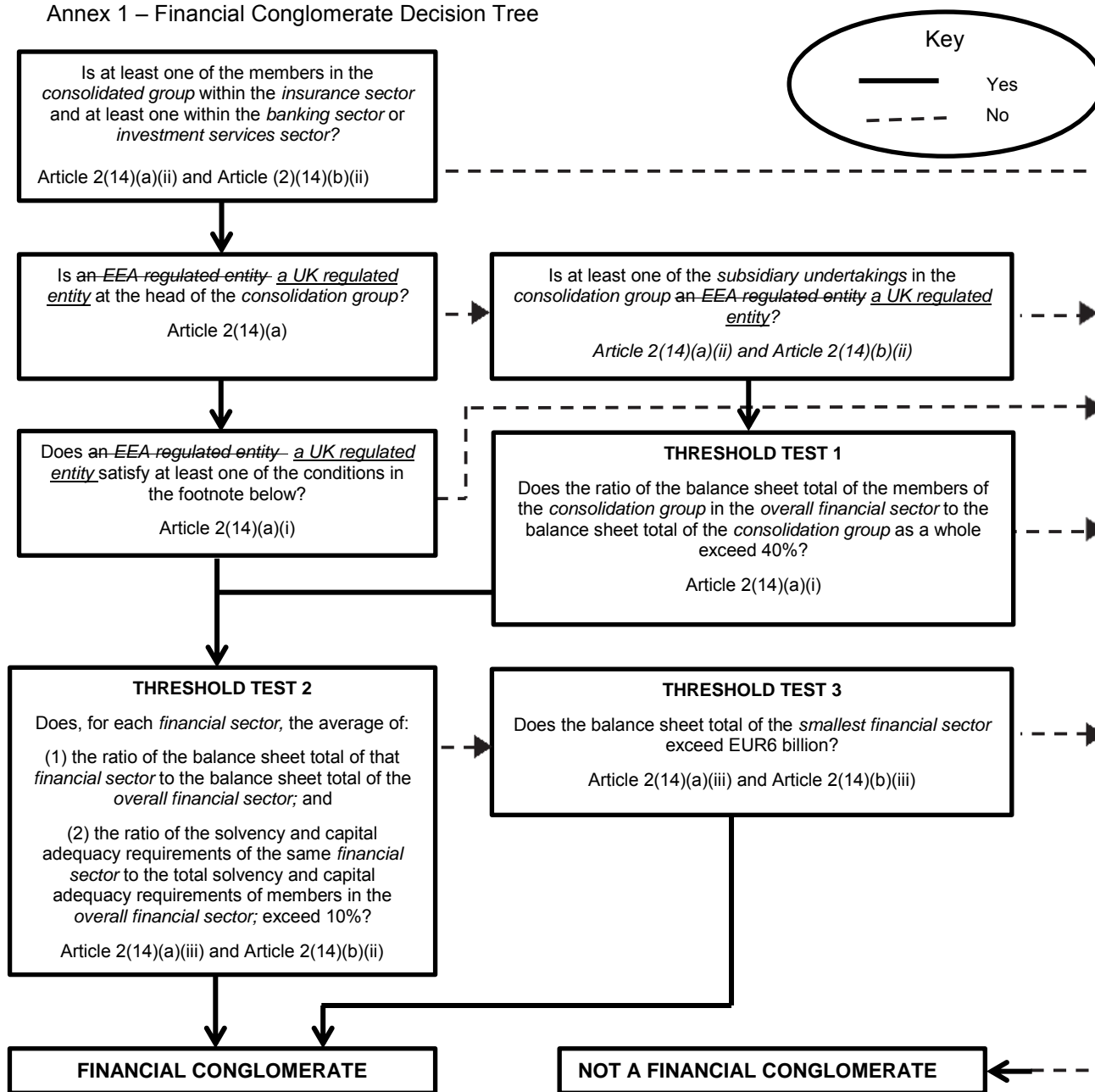
7 RISK SYSTEMS

7.1 This Chapter applies to a firm that is a member of a ~~UK-regulated EEA~~ financial conglomerate in respect of which a PRA financial conglomerate notification has been issued.

8 TRANSITIONALS

COLUMN A	COLUMN B	COLUMN C
Financial Conglomerates Directive	(PRA Handbook as at 31 December 2015)	Financial Conglomerates (PRA Rulebook)
Art 3.3 <u>Regulation 16 of the <i>Financial Conglomerates Regulations</i></u>	Rule 3.1.5 <i>waiver</i>	Rule 2.1 <i>waiver</i>
Art 3.3a <u>Regulation 17 of the <i>Financial Conglomerates Regulations</i></u>		
Art 3.5 <u>Regulation 19 of the <i>Financial Conglomerates Regulations</i></u>	Rule 3.1.11 <i>waiver</i>	Rule 2.7 <i>waiver</i>
Art 3.4(b) <u>Regulation 18(b) of the <i>Financial Conglomerates Regulations</i></u>		
Art 6(5) <u>Regulation 24 of the <i>Financial Conglomerates Regulations</i></u>	Rule 3.1.29 <i>waiver</i>	Rule 3.3 <i>waiver</i>

Annex 1 – Financial Conglomerate Decision Tree



Footnote: The conditions are that the ~~EEA regulated entity~~ UK regulated entity at the head of the consolidation group: (1) is a parent undertaking of a member of the consolidation group in the overall financial sector, (2) has a participation in a member of the consolidation group that is in the overall financial sector, or (3) has a consolidation ~~Article 12(1) relationship~~ common management relationship with a member of the consolidation group that is in the overall financial sector

Annex 2 – Capital Adequacy Calculations for Financial Conglomerates

...

3 Table

Types of financial conglomerate	<p>3.1 (1) This paragraph sets out how to determine the category of <i>financial conglomerate</i>.</p> <p>(2) If there is an EEA a <u>UK regulated entity</u> at the head of the <i>financial conglomerate</i>, then:</p> <p>(a) if that entity is in the <i>banking sector</i> or the <i>investment services sector</i>, the <i>financial conglomerate</i> is a <i>banking and investment services conglomerate</i>; or</p> <p>(b) if that entity is in the insurance sector, the <i>financial conglomerate</i> is an <i>insurance conglomerate</i>.</p> <p>(3) If (2) does not apply and the <i>most important financial sector</i> is the <i>banking and investment services sector</i>, it is a <i>banking and investment services conglomerate</i>.</p> <p>(4) If (2) and (3) do not apply, it is an <i>insurance conglomerate</i>.</p>
---------------------------------	---

...

5 Table Part 3: Principles applicable to all methods

...

Application of sectoral rules: general	<p>5.4 The following adjustments apply to the <i>applicable sectoral rules</i> as they are applied by the rules in this Annex.</p> <p>(1) If any of those rules would otherwise not apply to a situation in which they are applied by this Annex, those rules nevertheless still apply (and in particular, any of those rules that would otherwise have the effect of disapplying consolidated supervision do not apply).</p> <p>(2) If it would not otherwise have been included, an <i>ancillary insurance services undertaking</i> is included in the <i>insurance sector</i>.</p> <p>(3) The scope of those rules is amended so as to remove restrictions relating to where members of the <i>financial conglomerate</i> are incorporated or have their head office, so that the scope covers every member of the <i>financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in <u>the UK</u> an EEA State.</p> <p>(4) For the purposes of Parts 1 to 2, those rules must be adjusted, if necessary, when calculating the capital resources, capital resources requirements or solvency requirements for a particular <i>financial sector</i> to exclude those for a member of another <i>financial sector</i>.</p> <p>(5) Any <i>waiver</i> granted to a member of the <i>financial conglomerate</i> under those rules does not apply for the purposes of this annex.</p>
--	--

...

6 Table: Part 4: Definitions used in this Annex

...

Solo capital resources	<p>6.4 (1) The <i>solo capital resources requirement</i> of an <i>undertaking</i> in the <i>insurance sector</i> is:</p>
------------------------	--

requirement: insurance sector	(a)	in respect of a <i>UK Solvency II firm</i> , the SCR;
	(b)	in respect of a <i>Solvency II undertaking</i> other than a <i>UK Solvency II firm</i>, the equivalent of the SCR as calculated in accordance with the <i>Solvency II EEA implementing measures</i> in the <i>EEA State</i> in which it has received authorisation in accordance with article 14 of the <i>Solvency II Directive</i>; [deleted.]
	(c)	in respect of a <i>third country insurance undertaking</i> or <i>third country reinsurance undertaking</i> to which Group Supervision, 10.4(2) applies, the equivalent of the SCR as calculated in accordance with the applicable requirements in that <i>third country</i> ;
	(d)	in respect of any <i>undertaking</i> which is not within (a) to (c), the capital resources requirement calculated according to the rules for the calculation of the solo capital resources requirement applicable to that <i>undertaking</i> for the purposes of the calculation referred to in Group Supervision and Chapter I of Title II of the <i>delegated acts</i> or, if no rules are applicable for that calculation under Group Supervision and Chapter I of Title II of the <i>delegated acts</i> , in accordance with the <i>SCR Rules</i> .
Solo capital resources requirement: EEA firms in the banking sector or investment services sector	6.5	<p>The <i>solo capital resources requirement</i> for an <i>EEA regulated entity</i> (other than a <i>bank</i>, <i>building society</i>, <i>designated investment firm</i>, <i>IFPRU investment firm</i> as defined in the <i>FCA Handbook</i>, <i>BIPRU firm</i> as defined in the <i>FCA Handbook</i>, an <i>insurer</i> or an <i>EEA insurer</i>) that is subject to the <i>solo capital adequacy sectoral rules</i> for its <i>financial sector</i> of the <i>competent authority</i> that authorised it is equal to the amount of capital it is obliged to hold under those <i>sectoral rules</i> provided that the following conditions are satisfied</p> <p>(1) for the purposes of the <i>banking sector</i> and the <i>investment services sector</i>, those <i>sectoral rules</i> must correspond to the <i>PRA sectoral rules</i> identified in paragraph 6.2 as applying to that <i>financial sector</i>;</p> <p>(2) the entity must be subject to those <i>sectoral rules</i> in (1); and</p> <p>(3) paragraph 6.3 applies to the entity and those <i>sectoral rules</i>.</p>
Solo capital resources requirement: non-EEA	6.6	The <i>solo capital resources requirement</i> for a <i>recognised third country credit institution</i> or a <i>recognised third country investment firm</i> is the amount of capital resources that it is obliged to hold

~~firms non-~~
UK firms
subject to
equivalent
regimes in
the banking
sector or
investment
services
sector

under the *sectoral rules* for its *financial sector* that apply to it in the state or territory in which it has its head office provided that:

- | | |
|-----|---|
| (1) | there is no reason for the <i>firm</i> applying the rules in this Annex to believe that the use of those <i>sectoral rules</i> would produce a lower figure than would be produced under paragraph 6.2; and |
| (2) | paragraph 6.3 applies to the entity and those <i>sectoral rules</i> . |

Annex 3 –Prudential Rules for Third Country Financial Conglomerates (6.2)

...

2 Table: PART 2: Adjustment of scope

2.1	The adjustments that must be carried out under this paragraph are that the scope of the rules referred to in Part 1 of this Annex, are amended:
(1)	to remove any provisions disapplying those rules for <i>third country financial conglomerates</i> ;
(2)	to remove all limitations relating to where a member of the <i>third country financial conglomerate</i> is incorporated or has its head office; and
(3)	so that the scope covers every member of the <i>third country financial conglomerate</i> that would have been included in the scope of those rules if those members had their head offices in, and were incorporated in, and an EEA State the UK.

Annex I

Amendments to the FSCS Management Expenses Levy Limit and Base Costs Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

CRO insurer

has the meaning given in the Policyholder Protection Part.

...

participant firm

(1) has the meaning given in paragraph A (2) of the *PRA Handbook* Glossary definition of 'participant firm' as at 29 February 2016 for the purposes of the *PRA's* rules and has the meaning given in the *FCA Handbook* for the purposes of the *FCA's* rules in FEES 1; and

(2) includes CRO insurers.

Annex J

Amendments to the General Provisions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

~~*incoming ECA provider*~~

~~has the meaning given in the *FCA Handbook*.~~

...

SRO firm with a top-up permission

means a *firm* to which regulation 34 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

SRO firm without a top-up permission

means a *firm* to which regulation 28 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

~~*State of the risk*~~

~~means references to the *EEA State* in which a risk is situated in accordance with paragraphs 6(3) and 6(4) of Schedule 12 to *FSMA*.~~

TPR firm

means a *firm* to which regulation 8 or regulation 11 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

TPR firm with a top-up permission

means a *firm* to which regulation 11 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

TPR firm without a top-up permission

means a *firm* to which regulation 8 of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018 applies.

...

...

3 DISCLOSURE TO RETAIL CLIENTS

3.1 This Chapter

...

(2) does not apply to:

(a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~

(b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~

(c) ~~an incoming firm not falling under (a) and (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State; [deleted.]~~

...

(e) *general insurance business* if:

(i) ~~the State of the risk is an EEA State other than the UK; or [deleted.]~~

(ii) the State of the risk is outside the ~~EEA UK~~ and the *policyholder* is not in the UK when the *contract of insurance* is entered into;

...

(f) *long-term insurance business* if:

(i) ~~the policyholder's habitual residence is in an EEA State other than the UK; or [deleted.]~~

(ii) the *policyholder's habitual residence* is outside the ~~EEA UK~~ and the policyholder is not present in the UK when the *contract of insurance* is entered into; or

...

3.2 A *firm* must take reasonable care to ensure that every letter (or electronic equivalent) which it or its *employees* send to a *retail client*, which a view to or in connection with the *firm* carrying on a *regulated activity*, includes the following disclosure:

...

(2) for an *overseas firm* **(which is not an incoming firm a TPR firm or a SRO firm)**, "[Authorised and regulated by [name of the overseas regulator of the *overseas firm* in the jurisdiction of that *overseas firm's* registered office (or, if it has no registered office, its head office)]. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request."

(a) If the *overseas firm* ~~(which is not an incoming firm)~~ translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear;

(b) An *overseas firm* ~~(which is not an incoming firm)~~ is not required to disclose its applicable authorisation or regulation by the overseas regulator if it is not so authorised or regulated.

- (3) for an incoming firm without a top-up permission either: ~~[deleted.]~~
- (a) ~~“Authorised by [name of home Member State regulator]”; or [Deleted.]~~
 - (b) ~~“Authorised by [name of home Member State regulator] and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request”. [Deleted.]~~

If the incoming firm without a top-up permission: ~~[Deleted.]~~

...

- (c) ~~translates the name of the home Member State regulator into English it must ensure that the State in which the regulator is based is clear; [deleted.]~~
 - (d) ~~indicates or implies to a customer that is regulated by the PRA or the FCA, it must make the disclosure in (b). [deleted.]~~
- (4) for an incoming firm with a top-up permission, ~~“Authorised by [name of home Member State regulator] and the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request”; [deleted.]~~

If the incoming firm with a top-up permission translates the name of the home Member State regulator into English it must ensure that the State in which the regulator is based is clear. ~~[Deleted.]~~

(4A) for an overseas firm that is a TPR firm without a top-up permission, “Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm’s registered office (or, if it has no registered office, its head office)]. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website.”

If the firm translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

(4B) for an overseas firm that is a TPR firm with a top-up permission, “Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm’s registered office (or, if it has no registered office, its head office)]. Authorised by the Prudential Regulation Authority and with deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website.”

If the firm translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

(4C) for an overseas firm that is an SRO firm without a top-up permission, "Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm's registered office (or, if it has no registered office, its head office)]. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority's website."

If the firm translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

(4D) for an overseas firm that is a SRO firm with a top-up permission, "Authorised and regulated by [name of the overseas regulator of the overseas firm in the jurisdiction of that overseas firm's registered office (or, if it has no registered office, its head office)]. Authorised by the Prudential Regulation Authority and with deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Financial Services Contracts Regime, which allows EEA-based firms to operate in the UK for a limited period to carry on activities which are necessary for the performance of pre-existing contracts, are available on the Financial Conduct Authority's website."

If the firm translates the name of the overseas regulator into English it must ensure that the State in which the regulator is based is clear.

...

5 STATEMENTS ABOUT AUTHORISATION AND REGULATION BY THE PRA

5.1 This Chapter:

(1) subject to (2), applies to:

...

(b) activities carried on from an establishment maintained by the firm (or by its appointed representative) in the UK, provided that, in the case of the MiFID or equivalent third country business of the firm ~~business of an incoming EEA firm~~, it only applies to business conducted within the territory of the UK;

...

(2) does not apply to:

(a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~

(b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~

(c) ~~an incoming a third country firm not falling under (a) or (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State;~~

...

6 DISCLOSURE TO RETAIL CLIENTS ON ACTIVITIES FROM NON-UK ESTABLISHMENTS

6.1 This Chapter:

...

(2) does not apply to:

- (a) ~~an incoming ECA provider when the firm is acting as such; [deleted.]~~
- (b) ~~an incoming EEA firm which has permission only for cross border services and which does not carry on regulated activities in the UK; [deleted.]~~
- (c) ~~an incoming a third country firm not falling under (a) or (b), to the extent that the firm is subject to equivalent rules imposed by its home Member State;~~

...

7 INSURANCE AGAINST FINANCIAL PENALTIES

7.1 This Chapter applies to every *firm*, ~~but only with respect to business that can be regulated under section 137G of FSMA.~~

...

Annex K

Amendments to the Insurance - Allocation of Responsibilities Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(4A) a *third country insurance services provider*, and

...

1.1A This Part does not apply to a *SRO firm*

1.2 In this Part, the following definitions shall apply:

...

prescribed responsibility

means

(1) for a *firm* (other than a *third country branch undertaking*, a *third country insurance services provider* or a *small run-off firm*) means the responsibilities in 3.1 and 3.3;

(2) for a *third country branch undertaking* (other than a ~~*UK deposit insurer*~~ or a *Swiss general insurer*) means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13;

(3) ~~for a *UK deposit insurer*, means the responsibilities set out in 3.1 and 3.3 to the extent only that they are relevant to the operations effected by its *third country branch* and all its *third country undertaking EEA branches*, save in relation to 3.1(4) which shall also take account of the operations of the *third country branch undertaking* to the same extent as is necessary to ensure compliance by the *third country branch undertaking* with Third Country Branches 13; [deleted.]~~

third country insurance provider prescribed responsibility

means the responsibilities set out in 3B.2

...

2 ALLOCATION OF RESPONSIBILITIES

2.1 A firm (other than a *third country branch undertaking*, *third country insurance services provider*, a *small run-off firm* or a *UK ISPV*) must allocate each of the *prescribed responsibilities* set out in 3.1 (other than 3.1(10) and (11)) to one or more persons who, in relation to that firm, are approved under section 59 of *FSMA* by:

...

2.2 A firm (other than a *third country branch undertaking*, *third country insurance services provider*, a *small run-off firm* or a *UK ISPV*) must allocate each of the *prescribed responsibilities* set out in 3.1(10) and (11) and the *prescribed responsibility* set out in 3.3, if applicable, to one or more *non-executive directors* who perform:

...

2.3A A *third country insurance services provider* who has been given a notice under section 59ZZA must allocate each of the prescribed responsibilities set out in chapter 3B to one or more persons who are treated under that section as approved under section 59.

3B PRESCRIBED RESPONSIBILITIES: UK SERVICES PROVIDERS

3B.1 This Chapter applies only to a *third country insurance services provider*.

3B.2 Each of these responsibilities is a *third country insurance provider prescribed responsibility*:

- (1) responsibility for management of the application of the firm's risk management processes to its *UK activities*;
- (2) responsibility for the firm's compliance with the *UK regulatory system* applicable to the firm;
- (3) responsibility for the escalation of correspondence from the *PRA*, *FCA* and other regulators in respect of the firm to each of the *governing body* or the *management body* of the firm and, as appropriate, the *firm's parent undertaking* and the *ultimate parent undertaking* of the firm's group; and
- (4) responsibility for management of the application of the firm's systems and controls to its *UK activities*.

4 IDENTIFICATION OF KEY FUNCTIONS

4.1 A firm must identify:

- (1) each of the *functions* that the firm considers to be a *key function*; and
- (2) any such *key function* that amounts to effectively running the firm (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively running the operations effected by the *third country branch*, ~~or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*~~) or for a *third country insurance services provider*, effectively running the activities carried out in the *UK*.

...

5 RECORDS

5.1 A *firm* must have and maintain a *management responsibilities map*, which is a clear and coherent document or series of documents with the following details:

- (1) a list of the *key functions* identified by the *firm* in accordance with 4.1 highlighting those that amount to effectively running the *firm* (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively running the operations effected by the *third country branch* ~~or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*~~); or for a *third country insurance services provider*, effectively running the activities carried out by the *third country insurance services provider*, in the *UK*;
- (2) the names of the *persons* who effectively run the *firm* (or, for a *third country branch undertaking* other than a *Swiss general insurer*, effectively run the operations effected by the *third country branch* ~~or, for a *UK deposit insurer*, the operations effected by the *third country branch* and all the *third country undertaking EEA branches*~~) or who are responsible for other *key functions* listed pursuant to 5.1(1); or for a *third country insurance services provider*, effectively running the activities carried out by the *third country insurance services provider*, in the *UK*;
- ...
- (6) where a *firm* (other than a *third country branch undertaking* or *third country insurance services provider*) is a member of a *group*:
- ...
- (7) matters reserved to the *governing body* (including the terms of reference of its committees) and including, in the case of a *third country branch undertaking*, the equivalent body (or its committees) responsible for the management of the *third country branch undertaking's* business activities in the *UK* and in the case of a *third country insurance services provider*, the equivalent body (or its committees) responsible for the management of the *firm's* activities in the *UK*.

Annex L

Amendments to the Insurance – Certification Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATIONS AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(4A) a *third country insurance services provider* in relation to the activities carried out in the UK that are subject to the regulatory system;

...

1.1A This Part does not apply to a *SRO firm*

...

1.3A For the purposes of this Part, *large firm* includes a *third country insurance services provider* which would be a *large firm* if the amounts specified in (a) and (b) of the Glossary definition are only those amounts relating to the activities carried out in the UK by the *third country insurance services provider*.

1.4 This Part does not apply to a function performed by:

(1) a *PRA approved person*;

(1A) a person in relation to whom a notice under section 59ZZA has been given to an authorised person

(2) a person who performs an *FCA controlled function*; or

(3) a *non-executive director* in relation to their *non-executive director* function.

Annex M

Amendments to the Insurance – Fitness & Propriety Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) a *UK ISPV*; and

(6) a *third country insurance services provider*.

...

1.1A Any reference in this Part to assessing or deciding whether a *person* is a fit and proper *person*, shall, in relation to a *SRO firm*, be construed as a reference to assessing or deciding whether the *person* is fit and proper to perform the function of overseeing an orderly run-off of the *firm's regulated activities* in the *UK*.

...

4 DISCLOSURE AND REPLACEMENTS

4.1

(1) A *firm* (other than a *UK ISPV* or *third country insurance services provider*) shall notify the *PRA* of any changes to the identity of *key function holders* and shall provide the *PRA* with:

...

Annex N

Amendments to the Insurance – Senior Management Functions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) a *UK ISPV*, in accordance with 12; and

(6) a *third country insurance services provider*.

...

2 GENERAL

2.3 A firm (other than a *third country branch undertaking*, a firm that does not have an establishment in the UK or a small run-off firm) must

...

6 HEAD OF THIRD COUNTRY BRANCH

6.1 This Chapter applies only to a *firm* that is a *third country branch undertaking* or a *third country insurance services provider* (other than a *Swiss general insurer*).

6.1A (1) 6.2, 6.3, 6.4 and 6.5 shall not apply to a *SRO firm*

(2) 6.6 and 6.7 apply only to a *SRO firm*

6.2 The *Head of Third Country Branch function* (SMF19) is the function of having responsibility for

(1) the conduct of all activities of the *third country branch undertaking* that are subject to the *regulatory system*; or

(2) the conduct of all activities of the *third country insurance services provider* that are subject to the *regulatory system*.

6.3 (1) A *third country branch undertaking* or a *third country insurance services provider* must have at least one *person* approved to perform the *Head of Third Country Branch function*.

(2) If a vacancy arises in respect of the *Head of Third Country Branch function*, a *third country branch undertaking* or a *third country insurance services provider* must ensure that it appoints a *person* to fill that vacancy as soon as possible.

- 6.4 A *third country branch undertaking* or a *third country insurance services provider* that transacts *with-profits insurance business* must have at least one *person* approved to perform the *With-Profits Actuary function* (SMF20a).
- 6.5 A *third country branch undertaking* or a *third country insurance services provider* is not required to have any *person(s)* approved to perform any of the other *PRA senior management functions*.
- 6.6 A *SRO firm* must ensure that at least one *person* performs the *Head of Overseas Branch Function* on its behalf and if a vacancy arises in respect of that function it must ensure that it appoints a *person* to fill the vacancy as soon as possible
- 6.7 For the purposes of 6.6 the *Head of Overseas Branch Function* (SMF 19) is the function of having responsibility to oversee the orderly run-off of the *firm's regulated activities* in the *UK*

13 COMBINATION OF PRA SENIOR MANAGEMENT FUNCTIONS

- 13.1 This Chapter does not apply to a *third country branch undertaking* or to a *firm* that does not have an establishment in the *UK*.

Annex O

Amendments to the Insurance – Senior Managers Regime – Applications and Notifications Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

...

(4) a *third country branch undertaking* (other than a *Swiss general insurer*); ~~and~~

(5) a *UK ISPV*; ~~and~~

(6) a *third country insurance services provider*.

1.2 In this Part, the following definitions shall apply:

...

current approved person approval

means

(1) an approval granted to a *person* under section 59 of *FSMA* (Approval for particular arrangements):

(a) by the *PRA* for the performance of a *PRA senior management function*; or

(b) by the *FCA* for the performance of an *FCA designated senior management function* or a *significant influence function*;

but excludes a notice given under section 59ZZA of *FSMA* treating a person as approved for those purposes;

...

1.3 In this Part, *PRA approved person* also includes a *person* in relation to whom a *notice under section 59ZZA* has been given to an *authorised person*.

...

2A SECTION 59ZZA APPLICATION

2A.1 (1) In the case of a *section 59ZZA* application, the following directions shall have effect in substitution for any directions relating to the provision of information, documents, *statement of responsibilities* and form of application which would otherwise apply on the making of an application under section 60 of *FSMA*.

(2) The *PRA* directs that the application must contain the information and be accompanied by such documents as are set out in the form approved by the *PRA* for the purposes of this direction; except that where the application is in respect of a

person who holds a current approved persons approval, Form E may be used in accordance with 2.3 instead.

- (3) The PRA directs that the application must be accompanied by a statement of responsibilities in accordance with Insurance - Allocation of Responsibilities 5.4, containing such information as is set out in the form approved by the PRA for the purposes of this direction; except that where a Form E is used pursuant to (2) above, the application must provide a statement of responsibilities specified in 2.7.
- (4) A function performed by a person in relation to whom a notice under section 59ZZA of FSMA could be given, shall not (otherwise than for the purposes of making an application under section 60 of FSMA), be treated as a controlled function until the earliest of -
- (a) 12 weeks beginning on the day on which exit day occurs
 - (b) the giving of the notice under section 59ZZA, or
 - (c) the notification by the PRA of its decision to grant or refuse the application.
- (5) In this Chapter statement of responsibilities form means for a firm making a TPR SMF application the form to be completed by a firm containing:
- (a) the information referred to in Insurance – Allocation of Responsibilities 5.1(3);
 - (b) in respect of 2A.3, the information required by section 60(2A) of FSMA; and
 - (c) in respect of Insurance – Allocation of Responsibilities 5.5, the information required by section 60(2A) of FSMA.

...

2B SRO FIRMS

2B.1 2A.1 shall apply to a SRO firm as if

- (1) the reference in 2A.1 (2) and (3) to the forms approved by the PRA were references to the forms approved for the purposes of an application made by a SRO firm and
- (2) the reference in 2A.1 (4)(a) to 12 weeks beginning on the day on which exit day occurs were a reference to 12 weeks beginning on the day the firm became a SRO firm.

6 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS

- 6.1 The PRA directs that save as required by 6.1A or 6.2, a firm must make any applications, notifications or submissions required by this Part by submitting the form specified using the ONA system.
- 6.1A The PRA directs that a firm making a section 59ZZA application must make that application by submitting the information, documents, statement of responsibilities and forms required by 2A in the manner set out in Notifications 7.

Annex P

In this Annex, the text is all new and is not underlined.

Part

INSURANCE – SUPERVISED RUN OFF

Chapter content

1. APPLICATION AND DEFINITIONS
2. PROVISION OF RUN-OFF PLAN
3. CONTENT OF SCHEME OF OPERATIONS
4. NOTIFICATIONS AND ANNUAL UPDATES
5. THIRD COUNTRY BRANCHES

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to *SRO insurers*.

1.2 In this Part, the following definitions shall apply:

end date

means the end of the relevant period determined in accordance with regulation [41] of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

material transaction

means a transaction (when aggregated with any similar transactions) in which:

- (1) the price actually paid or received for the transfer of assets or liabilities or the performance of services; or
- (2) the price which would have been paid or received had that transaction been negotiated at arm's length between unconnected parties;

exceeds:

- (a) in the case of a *firm* which carries on *long-term insurance business*, but not *general insurance business*, the sum of €20,000 and 5% of the *firm's* liabilities arising from its *long-term insurance business*, excluding *linked long-term liabilities* and net of *reinsurance ceded*; or
- (b) in the case of a *firm* which carries on *general insurance business*, but not *long-term insurance business*, the sum of €20,000 and 5% of the *firm's* liabilities arising from its *general insurance business*, net of *reinsurance ceded*; or

(c) in the case of a *firm* which carries on both *long-term insurance business* and *general insurance business*:

(i) where the transaction is in connection with the *firm's long-term insurance business*, the sum of €20,000 and 5% of the *firm's liabilities* arising from its *long-term insurance business*, excluding *linked long-term liabilities* and net of *reinsurance ceded*; and

(ii) in all other cases, the sum of €20,000 and 5% of the *firm's liabilities* arising from its *general insurance business*, net of *reinsurance ceded*.

and

(d) a reference to the "*firm's liabilities*" is to be interpreted as a reference only to the liabilities relevant to the operations effected by the *third country branch*.

scheme of operations

means a scheme which:

(1) describes the nature of the risks which the *insurer* is underwriting, or intends to underwrite, and the guiding principles which it intends to follow in reinsuring or covering those risks; and

(2) contains the information required under 3.1.

2 PROVISION OF RUN-OFF PLAN

2.1 A *firm* must, within 28 days of the date on which the *firm* becomes an *SRO firm*, submit a run-off plan to the *PRA* including:

(1) a *scheme of operations*, in accordance with 3; and

(2) an explanation of how, or to what extent:

(a) all *liabilities to policyholders* will be met in full as they fall due; and

(b) the *firm* will have ceased *effecting contracts of insurance* and *carrying out contracts of insurance* by the *end date*.

3 CONTENT OF SCHEME OF OPERATIONS

3.1 In accordance with 3.2, a *scheme of operations* must:

(1) describe the *firm's* run-off strategy;

(2) include a description of the business underwritten by the *firm*;

(3) in the case of *third country branch undertakings*, include financial projections (including appropriate scenarios and stress-tests) as follows:

(a) a forecast summary profit and loss account in accordance with 3.3;

(b) a forecast summary balance sheet in accordance with 3.4; and

- (c) forecast *MCR* and *SCR* at the end of each financial year or part financial year;
- (4) as at the end of each financial year which falls (in whole or part) within the period to which the *scheme of operations* relates:
 - (a) in the case of *third country branch undertakings*, identify any *material transactions* proposed to be entered into or carried out with, or in respect of, any associate or any other person with whom the *firm* has *close links*; and
 - (b) describe the assumptions which underlie those forecasts and the reasons for adopting those assumptions; and
- (5) cover the run-off period until all *liabilities to policyholders* will be met in full or otherwise transferred.

3.2 The information required by 3.1 must:

- (1) in the case of *third country branch undertakings*, reflect the nature and content of the rules relating to *eligible own funds* applicable to a *firm*;
- (2) where a *firm* carries on both *long-term insurance business* and *general insurance business*, be separated for *long-term insurance business* and *general insurance business*; and
- (3) in the case of *third country branch undertakings*, take account only of matters relevant to the operations effected by the *third country branch*.

3.3 The forecast summary profit and loss account referred to in 3.1(3)(a) must contain the following information:

- (1) *premiums* and *claims* (gross and net of *reinsurance*) analysed by accounting *class* of *insurance business*;
- (2) investment return;
- (3) expenses;
- (4) other charges and income;
- (5) taxation; and
- (6) dividends paid and accrued.

3.4 The forecast summary balance sheet referred to in 3.1(3)(b) must contain the following information:

- (1) investments analysed by type;
- (2) assets held to cover *linked long-term liabilities*;
- (3) other assets and liabilities separately identifying cash at bank and in hand;
- (4) capital and reserves analysed into called up share capital or equivalent funds, share premium account, revaluation reserve, other reserves and profit and loss account;
- (5) subordinated liabilities;

- (6) the fund for future appropriations;
- (7) *technical provisions* gross and net of *reinsurance* analysed by accounting class of *insurance business* and separately identifying the provision for *linked long-term liabilities*, *unearned premiums*, unexpired risks and equalisation; and
- (8) other liabilities and credits.

4 NOTIFICATIONS AND ANNUAL UPDATES

4.1 A firm must:

- (1) notify the PRA at least 28 days before entering into or carrying out any *material transaction* with, or in respect of, an associate or any other *person* with whom the firm has *close links*, unless that transaction is in accordance with a *scheme of operations* which has been submitted to the PRA;
- (2) notify the PRA promptly of any matter which has happened or is likely to happen and which represents a significant departure from the *scheme of operations* and either:
 - (a) explain the nature of the departure and the reasons for it and in the case of *third country branch undertakings*, provide revised forecast financial information in 3.1(3) in the *scheme of operations* for its remaining term; or
 - (b) include an amended *scheme of operations* and explain the amendments and the reasons for them.

4.2 A firm must, at least annually, update the PRA in writing on progress against, or deviation from, the firm's run-off plan submitted in accordance with 2.

5 THIRD COUNTRY BRANCHES

5.1 This Chapter applies to *third country branch undertakings*.

5.2 In this Part, reference to "SCR", "MCR" and "*technical provisions*" is to be interpreted in accordance with Third Country Branches 10.2(1) to (3).

Annex Q

Amendments to the Policyholder Protection Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

...

1.1A For the purposes of Chapter 21 and Annex 2, references to "firm" includes *CRO insurers*.

1.2 In this Part, the following definitions shall apply:

...

CRO insurer

a person to whom [Regulation 47 of the EEA Passport Exit Regulations] applies in respect of the activities of *effecting contracts of insurance or carrying out contracts of insurance*.

...

EEA Passport Exit Regulations

means the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018

...

money laundering

has the meaning given in Article 1(2) of the *Money Laundering Directive 2015/849/EU*. means any act which:

- (1) constitutes an offence under section 18 (Money laundering) of the Terrorism Act 2000;
- (2) constitutes an offence under section 327 (Concealing etc), section 328 (Arrangements) or section 329 (Acquisition, use and possession) of the Proceeds of Crime Act 2002;
- (3) constitutes an attempt, conspiracy or incitement to commit an offence specified in paragraph (2)
- (4) constitutes aiding, abetting, counselling or procuring the commission of an offence specified in paragraph (2); or
- (5) would constitute an offence specified in paragraph (2), (3), or (4) if done in the *United Kingdom*.

...

occupational pension fund management business

...

- (2) (other than in connection with a *personal pension scheme*) *pension fund management* written as linked long-term business, for an *occupational pension scheme* or for an institution falling ~~within~~ referred to in article 2) of the Council Directive of 3 June 2003 on the activities and supervision of institutions for occupation retirement provision (No 2003/43/EC), but only to the extent that:

...

participant firm

means:

(1) a firm which is an *insurer*, or a *member* (except 21, 22.6 - 22.8 and Annex 2 in respect of a *member*); or

(2) a *CRO insurer*.

...

TPR insurer

means in relation to a *contract of insurance*, a person to whom Regulation [8 or 11] of the EEA Passport Rights Exit Regulations applied, at the time at which the *contract of insurance* was issued,

...

9 PROTECTED CLAIMS

...

9.2 A *protected contract of insurance* is:

(A1) (if issued on or after *exit day*) a *contract of insurance* within 9.2A;

(1) (if issued after 1 December 2001 and before *exit day*) a *contract of insurance* within 9.3; or

(2) (if issued before 1 December 2001) a *contract of insurance* within 9.6.

9.2A A *contract of insurance* issued on or after *exit day* which:

(1) relates to a protected risk or commitment as described in 9.2B;

(2) was issued by a *relevant person* (whether or not there is now a *successor* in respect of that *relevant person*) through an establishment in:

(a) the UK; or

(b) (in relation only to a *TPR insurer*, a *SRO insurer* or a *CRO insurer* that (in each case) has no establishment in the UK) an EEA State; or

(c) the Channel Islands or the Isle of Man; or

(d) Gibraltar.

(3) is a *contract of long-term insurance* or a *relevant general insurance contract*;

(4) is not a *reinsurance contract*, and

(5) if it is a *contract of insurance* entered into by a *member*, was entered into on or after 1 January 2004

is a protected contract of insurance

9.2B A risk or commitment is a protected risk or commitment for the purpose of 9.2A if:

- (1) in the case of a *contract of insurance* issued through an establishment in the UK falling within 9.2A(2)(a), or the Channel Islands or the Isle of Man, it is situated in the UK, Gibraltar, the Channel Islands or the Isle of Man;
- (2) in the case of a *contract of insurance* falling within 9.2A(2)(b) issued by a TPR insurer in the circumstances set out in 9.2A(2)(b) through an establishment in an EEA state, it is situated in the UK;
- (3) in the case of a *contract of insurance* falling within 9.2A(2)(c), it is situated in the UK, the Channel Islands or the Isle of Man;
- (4) in the case of a *contract of insurance* falling within 9.2A(2)(d) where the relevant person is a UK firm, it is situated in the UK or Gibraltar;
- (5) in the case of a *contract of insurance* falling within 9.2A(2)(d) where the relevant person is incorporated in Gibraltar, it is situated in the UK; or
- (6) in the case of a *contract of insurance* falling within 9.2A(2)(d) where the relevant person is a TPR insurer, SRO insurer or CRO insurer, it is situated in the UK.

9.3 A *contract of insurance* issued after 1 December 2001 and before *exit day* which:

- (1) relates to a protected risk or commitment as described in 9.4
- (2) was issued by a *relevant person* (whether or not there is now a *successor* in respect of that *relevant person*) through an establishment in:
...
 - (b) another an EEA State other than the UK; or
 - (c) the Channel Islands or the Isle of Man; or
 - (d) Gibraltar.
...

9.4 A risk or commitment is a protected risk or commitment for the purpose of 9.3 if:

- (1) in the case of a *contract of insurance* falling within 9.3(2)(a), it is situated in the UK, Gibraltar, an EEA State, the Channel Islands or the Isle of Man;
- (2) in the case of a *contract of insurance* where the *relevant person* was, at the time of issue, a UK firm within the meaning of paragraph 10 of Schedule 3 of FSMA (as in force immediately before *exit day*) is a UK firm issuing and issued that a *contract of insurance* through an establishment falling within 9.3(2)(b), it is situated in the UK, Gibraltar or an EEA State;
- (3) in the case of a *contract of insurance* where the *relevant person* was not, at the time of issue, a UK firm within the meaning of paragraph 10 of Schedule 3 of FSMA (as in force immediately before *exit day*) is a firm which is not a UK firm issuing a and issued that *contract of insurance* through an establishment falling within 9.3(2)(b) or 9.3(2)(d), it is situated in the UK; or

...

9.5 For the purposes of 9.2B, 9 and 9.6, the situation of a risk or commitment is determined as follows:

...

...

10 RELEVANT PERSONS IN DEFAULT

...

10.4 The *FSCS* may determine a *relevant person* to be *in default* if it is satisfied that a *protected claim* exists, and the *relevant person* is the subject of one or more of the following proceedings in the *UK* (or of equivalent or similar proceedings in another jurisdiction):

...

- (2) a determination by the *relevant person's* ~~*Home State regulator*~~ regulator or ~~other~~ *competent authority* that the *relevant person* appears unable to meet claims against it and has no early prospect of being able to do so;

....

11 SUCCESSORS IN DEFAULT

...

11.4 The *FSCS* may determine a *successor* to be *in default* if it is satisfied that a *protected claim* exists, and the *successor* is the subject of one or more of the following proceedings in the *UK* (or of equivalent or similar proceedings in another jurisdiction):

...

- (2) where relevant, a determination by the *successor's* ~~*Home State regulator*~~ regulator or ~~other~~ *competent authority* that the *successor* appears unable to meet *claims* against it and has no early prospect of being able to do so;

...

...

12 ASSIGNMENT (AUTOMATIC, ELECTRONIC AND IN WRITING)

...

12.9 (1) The FSCS may determine that:

...

that claimant shall be treated as having irrevocably and unconditionally appointed the chairman of the FSCS for the time being to be his attorney and agent and on his behalf and in his name or otherwise to do such things and execute such deeds and documents as may be required under such laws of the UK, ~~another EEA State~~ Gibraltar or any other state or country to create or give effect to such assignment or transfer or otherwise give full effect to those powers.

...

...

ANNEX 2: METHODOLOGY FOR CALCULATION OF A PARTICIPANT FIRM'S LEVY SHARE

Insurance Class B1	General Insurance Provision
Firms with permission for:	...
Tariff base	<p>Insurance Class B1: Relevant net premium income and eligible liabilities.</p> <p>Relevant net premium income is calculated in accordance with the method applicable to the <i>firm</i> for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (2) (c) with the following adjustments:</p> <p>...</p> <p>(2) If an incoming EEA firm does not report relevant net premium income in the way contemplated in this table, the participant firm's relevant net premium income is calculated in the same way as they would be for a UK firm.</p> <p>Eligible liabilities are calculated in accordance with the method applicable to the <i>firm</i> for calculating 'best estimate liabilities for fees purposes' in Fees 1.2 and Fees 3.4 (2) (c) with the following adjustments.</p> <p>...</p> <p>(3) If an incoming EEA firm does not report liabilities in the way contemplated by this table, the participant firm's liabilities are calculated in the same way as they would be for a UK firm.</p> <p>...</p>

Insurance Class C1	Life and Pensions Provision
Firms with permission for:	...
Tariff base	<p>Insurance Class C1: Relevant net premium income and eligible liabilities.</p> <p>Relevant net premium income is calculated in accordance with the method applicable to the <i>firm</i> for calculating 'gross written premium for fees purposes' in Fees 1.2 and Fees 3.4 (3) (c) with the following adjustments:</p> <p>...</p> <p>(5) If an <i>incoming EEA firm</i> does not report relevant net premium income in the way contemplated in this table, the <i>participant firm's</i> relevant premium income is calculated in the same way as they would be for a <i>UK firm</i>.</p> <p>Eligible liabilities are calculated in accordance with the method applicable to the <i>firm</i> for calculating 'best estimate liabilities for fee purposes' as defined in Fees 1.2 and Fees 3.4 (3) (c) with the following adjustments.</p> <p>...</p> <p>(3) If an <i>incoming EEA firm</i> does not report liabilities in the way contemplated by this table, the <i>participant firm's</i> liabilities are calculated in the same way as they would be for a <i>UK firm</i>.</p> <p>...</p>

Annex R

Amendments to the Run-off Operations Part

In this Annex new text is underlined.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II* firm; and
- (2) in accordance with 5, *third country branch undertakings* except:
 - (a) *Swiss general insurers*; and
 - (b) *SRO insurers*.

Annex S

Amendments to the Senior Management Functions Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is :

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to); ~~the activities of its establishment in the UK.~~
 - (a) the activities of its establishment in the UK; or
 - (b) if it does not have an establishment in the UK, its activities in the UK.

...

7 UK BRANCH OF OVERSEAS FIRM

7.1 This Chapter applies only to a *third country CRR firm* in relation to); ~~the activities of its establishment in the UK.~~

- (a) the activities of its establishment in the UK; or
- (b) if it does not have an establishment in the UK, its activities in the UK.

7.1A (1) 7.2 and 7.3(1) do not apply to a *third country CRR firm* that is a *SRO firm*

(2) 7.4 and 7.5 apply only to a *SRO firm*

7.2 The *Head of Overseas Branch Function* (SMF 19) is the function of having responsibility alone or jointly with others for; ~~the conduct of all activities of the UK establishment of a third country firm which are subject to the UK regulatory system.~~

- (i) the conduct of all activities of the UK establishment of a *third country firm* which are subject to the UK regulatory system; or
- (ii) where the firm does not have an establishment in the UK, the conduct of all activities which are subject to the UK regulatory system.

...

7.4 A *SRO firm* must ensure that at least one *person* performs the *Head of Overseas Branch function* on its behalf

7.5 For the purposes of 7.4, the *Head of Overseas Branch Function* (SMF 19) is the function of having responsibility to oversee the orderly run-off of the *firm's regulated activities* in the UK.

Annex T

Amendments to the Senior Managers Regime – Application and Notifications Part

In this Annex new text is underlined and deleted text is struck through.

1 APPLICATION AND DEFINITIONS

1.1 Unless otherwise stated, this Part applies to every *firm* that is:

- (1) a *CRR firm*;
- (2) a *credit union*; or
- (3) a *third country CRR firm* in relation to: ~~the activities of its establishment in the UK.~~
 - (a) the activities of its establishment in the UK; or
 - (b) if it does not have an establishment in the UK, its activities in the UK

1.2 In this Part, the following definitions shall apply:

current approved person approval

means

- (1) an approval granted to a *person* under section 59 of *FSMA* (Approval for particular arrangements):
 - (a) by the *PRA* for the performance of a *PRA senior management function*; or
 - (b) by the *FCA* for the performance for the performance of an *FCA designated senior management function* or a *significant influence function*;

but excludes a notice given under section 59ZZA of *FSMA* treating a *person* as approved for those purposes.

...

1.3 In this Part, *PRA approved person* also includes a *person in relation to whom a notice under section 59ZZA* has been given to an authorised person.

2A **SECTION 59ZZA** APPLICATION

2A.1 (1) In the case of a *section 59ZZA application*, the following directions shall have effect in substitution for any directions relating to the provision of information, documents, statement of responsibilities and the form of application that would otherwise apply on the making of an application under section 60 of *FSMA*.

- (2) The PRA directs that the application must contain the information and be accompanied by such documents as are set out in the form approved by the PRA for the purposes of this direction; except that where the application is in respect of a person who holds a current approved persons approval, Form E may be used in accordance with 2.3 instead.
- (3) The PRA directs that the application must be accompanied by a statement of responsibilities in accordance with *Allocation of Responsibilities 2.1*, containing such information as is set out in the form approved by the PRA for the purposes of this direction; except that where Form E is used pursuant to (2) above, the application must provide a statement of responsibilities in the form specified in 2.7(2).
- (4) A function performed by a person in relation to whom a notice under section 59ZZA of FSMA could be given, shall not (otherwise than for the purposes of making an application under section 60 of FSMA), be treated as a controlled function until the earliest of -
- (a) 12 weeks beginning on the day on which exit day occurs
 - (b) the giving of the notice under section 59ZZA of FSMA, or
 - (c) the notification by the PRA of its decision to grant or refuse the application.

2B SRO FIRMS

2B.1 2A.1 shall apply to a SRO firm as if

- (1) the reference in 2A.1(2) and (3) to the forms approved by the PRA were references to the forms approved for the purposes of an application made by a SRO firm and
- (2) as if the reference in 2A.1(4)(a) to 12 weeks beginning on the day on which exit day occurs were a reference to 12 weeks beginning on the day the firm became a SRO firm

7 PROCEDURE FOR MAKING APPLICATIONS AND NOTIFICATIONS

- 7.1 (1) The PRA directs that:
- (aa) a firm making a section 59ZZA application must do so by submitting the information, documents, statement of responsibilities and forms required by 2A in the manner set out in Notifications 7;

Annex U

In this Annex, the text is all new and is not underlined.

Part

SUPERVISED RUN-OFF

Chapter content

1. APPLICATION AND DEFINITIONS
2. PROVISION OF RUN-OFF PLAN
3. CONTENT OF RUN-OFF PLAN
4. NOTIFICATIONS AND ANNUAL UPDATES

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to *SRO firms*, except *SRO insurers*.

1.2 In this Part, the following definitions shall apply:

end date

means the end of the relevant period determined in accordance with regulation [41] of the EEA Passport Rights (Amendment, etc., and Transitional Provisions) (EU Exit) Regulations 2018.

2 PROVISION OF RUN-OFF PLAN

2.1 A *firm* must, within 28 days of the date on which the *firm* becomes an *SRO firm*, submit a run-off plan, in accordance with 3, to the *PRA*.

3 CONTENT OF RUN-OFF PLAN

3.1 A *firm's* run-off plan must:

- (1) describe the *firm's* run-off strategy;
- (2) include a description of the business of the *firm*;
- (3) include an explanation of how, or to what extent, the *firm* will have ceased *accepting deposits* by the *end date*; and
- (4) cover the run-off period until all *deposits*, including any interest or premium payable, will be paid, repaid or returned to *depositors* or otherwise transferred.

4 NOTIFICATIONS AND ANNUAL UPDATES

4.1 A *firm* must notify the *PRA* promptly of any matter which has happened or is likely to happen and which represents a significant departure from the run-off plan and either:

- (1) explain the nature of the departure and the reasons for it; or

(2) include an amended run-off plan and explain the amendments and the reasons for them.

4.2 A *firm* must, at least annually, update the *PRA* in writing on progress against, or deviation from, its run-off plan submitted in accordance with 2.