



Bank of England PRA

## Application for Authorisation

# UK Insurance Special Purpose Vehicle (UK ISPV) Application Form (Accelerated Pathway) – Notes

### Terms in this form

In this form we use the following terms:

- 'AMRE' refers to Aggregate Maximum Risk Exposure as defined in the PRA Rulebook
- 'applicant' refers to the person or firm applying on behalf of the proposed UK ISPV, where the entity has not been established yet. Where an entity has already been established the applicant may be the entity, or a person or firm applying on its behalf.
- 'cedant' refers to the undertaking which the UK ISPV assumes risk from;
- 'FCA' refers to the Financial Conduct Authority;
- 'FSMA' refers to the Financial Services and Markets Act 2000;
- 'ISPV' refers to a UK ISPV, as per the meaning given in the Glossary of the PRA Rulebook;
- 'ISPV webpage' refers to the following webpage: <https://www.bankofengland.co.uk/prudential-regulation/authorisations/insurance-special-purpose-vehicles>
- 'MISPV' refers to a UK multi-arrangement UK ISPV, as per the meaning given in the Insurance Special Purpose Vehicles Part of the PRA Rulebook;
- 'Part 4A Permission' refers to the permission granted by the PRA to carry out one or more regulated activities as per section 55F (within Part 4A) of FSMA;
- 'PRA' refers to the Prudential Regulation Authority;
- 'Qualifying holding' has the meaning given in Chapter 1.2 of the Insurance Special Purpose Vehicles Part of the PRA Rulebook;
- 'RAO' refers to Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
- 'RTR' refers to the Risk Transformation Regulations 2017;
- 'SOP' refers to Scope of Permission;
- 'Statement of Policy' refers to the PRA's Statement of Policy 'The Prudential Regulation Authority's approach to authorising and supervising UK insurance special purpose vehicles';
- 'VOP' refers to Variation of Permission;
- 'we', 'us' or 'our' refers to the appropriate regulator; and
- 'you' refers to the person(s) signing the form on behalf of the applicant.

**Note: The requirements that an applicant seeking to become a UK MISPV must meet are the same as those for a standalone UK ISPV. Therefore, unless otherwise indicated, all references made to "UK ISVPV" in this form are equally applicable to UK MISPVs**

# Introduction

## Background

Entities wishing to operate in the United Kingdom as an UK ISPV need to apply to the PRA for a 'Part 4A Permission' to perform the regulated activity of 'insurance risk transformation' as defined in Regulation 13A of the RAO. The application will be reviewed in conjunction with the FCA and FCA consent will be required before authorisation by the PRA.

## The accelerated pathway application process.

The PRA will determine certain UK ISPV applications that meet specified criteria and eligibility requirements within 10 working days of receipt of a complete application.

## Pre-application stage

An applicant can submit an application at any time, but the PRA also offers applicants the possibility of a 'pre-application stage' prior to formal submission. This is not a mandatory part of the authorisation process, but in our experience, it can make the review process quicker and simpler once a formal application is subsequently submitted. A pre-application stage will also be used by the PRA to determine whether proposals meet the criteria for an accelerated pathway application.

## Relevant requirements

A full list of the relevant legal and policy material in relation to UK ISPVs is set out in Chapter 1 of the PRA's Statement of Policy, and will be available on the [ISPV webpage](#).

In the Statement of Policy and the 'FCA Statement – authorising and supervising insurance special purpose vehicles' the PRA and FCA, respectively, outline their approach and expectations to authorising UK ISPVs, including the relevant parts of the PRA Rulebook and FCA Handbook, respectively, which must be met. Further, the UK ISPV must also meet the relevant provisions in the Risk Transformation Regulations 2017, and FSMA, including the PRA and FCA Threshold Conditions.

Particular importance is placed on compliance with Chapter 2B of the Insurance Special Purpose Vehicles Part of the PRA Rulebook which relate to the requirements on the UK ISPV to be 'fully funded', ensure 'effective risk transfer' and ensure 'subordination of the rights of the providers of debt or financing mechanisms'. The applicant must also meet the eligibility requirements to be able to apply through the accelerated pathway process.

## UK ISPV Application Form (Accelerated pathway Process)

The UK ISPV Application Form (Accelerated pathway process) includes the relevant information which is likely to assist the PRA and FCA in reaching their decision. Once we have reviewed the information submitted as part of this application, we reserve the right to seek additional information where required. Applicants are required to complete the application form in full and are encouraged to signpost where supporting documentation contains evidence the mandatory authorisation conditions are met to enable a quicker and simpler review process.

## UK ISPV Application Form (Accelerated pathway Process) – Notes

These notes intend to provide further guidance for applicants when completing and submitting an UK ISPV Application Form (Accelerated pathway Process).

## Completeness requirements

All applications are to be deemed complete at the point of submission.

For an application to be "complete" the applicant would have to ensure that it met the following criteria on submission of the application to the PRA:

- Use an accelerated pathway application form (template provided to applicants).
- Submit to the PRA, via the UK ISPV mailbox, all documentation (including attestations - see next section) as set out in the accelerated pathway application form.

- Consent to a standardised Scope of Permissions (SoP); which will list the contractual terms and conditions to be included in the above documentation (template of standardised SoP will be made available to applicants).
- Perform all background checks on SMF applicants, and share details with the PRA at submission of the application.

However, we appreciate that, due to the transactional nature of such transactions it may be the case that (1) final documentation or (2) the complete set of documentation will not always be available at the start of the application stage. We require:

- Executed copies of following documents:
  1. Certificate of Incorporation, Memorandum and Articles of Association
  2. Registered company number on the Companies House register
  3. Service Provider engagement letters (insurance manager, corporate services, account bank agreement, etc -please provide details below)
  4. SMF details and application forms
- Executed or near-final drafts of the following documents:
  1. Reinsurance (or Risk transfer) Agreement
  2. The initial purchaser agreement
  3. Trust Deed or Indenture (as appropriate)
  4. Deed of Charge and/or security (as appropriate)
  5. Custody agreement or Reinsurance Trust agreement (as appropriate)
  6. Prospectus or offering circular (as appropriate)
  7. Standardized Scope of Permission (SoP)
  8. The UK ISPV manager agreement
  9. The reset agent agreement (where applicable/indemnity);
  10. The claims reviewer agreement (where applicable/indemnity);
  11. The loss reserve specialist agreement (where applicable/indemnity);
  12. The calculation agent agreement (where applicable/non-indemnity);
  13. Any other service provider agreement (as applicable);
  14. Letter from the UK ISPV manager (or applicant) confirming that the UK ISPV manager has the appropriate UK FCA/PRA authorisation to undertake required activities or that authorisation is not required as the activities are unregulated; and
  15. Any other documents submitted as part of the application.

Applicants will be required to attest that all documentation will be completed and applied at the point of authorisation. Substantive changes following submission of the application are likely to extend the time needed for assessment. We understand that the transaction documents are legally executed after approval, and therefore some specific commercial terms may remain outstanding until the transaction closes. The applicant should identify where this is the case in the documentation prior to approval being granted and confirm they do not impact the mandatory authorisation conditions.

Further information on all of the above, including the application process, the authorisation itself, and the post-authorisation supervisory and reporting requirements can be found in the PRA's Statement of Policy and the FAQs on the [ISPV webpage](#).

# 1 Core Details

We need to know this information to contact the relevant individuals during our assessment, to enable efficient processing of the application and to update the Financial Services Register, the public record of authorised firms, upon approval.

## Applicant

### 1.1 Is the applicant acting on behalf of the proposed UK ISPV?

In the case of a standalone UK ISPV the entity may not have been established at the point of submitting an application, Therefore, pending its establishment, the sponsor of the proposed UK ISPV may apply on its behalf. The applicant should indicate the capacity in which it is acting and why the proposed UK ISPV cannot execute the application on its own behalf.

### 1.2 Principal place of business of applicant.

No additional notes.

## Contact for this application.

### 1.3 Contact details of the person we will get in touch with about this application.

No additional notes.

## Details of professional advisers

Applicants may seek professional advice in completing applications (e.g. a compliance consultant or lawyer). Questions 1.4 to 1.6 ask if the applicant has had such help, and if so, requests details of its adviser.

### 1.4 Has a professional adviser been used to help with this application?

No additional notes.

### 1.5 Name and contact details of professional adviser.

No additional notes.

### 1.6 Shall we copy all correspondence to the professional adviser?

Please note that while we will copy correspondence to the applicant's professional advisers, we will correspond with all relevant parties during the application and assessment process.

## Timings for this application

### 1.7 Does the applicant have a target date for authorisation to be considered (dd/mm/yy)?

The PRA will assess proposals to determine whether they qualify as an eligible accelerated pathway process application and the application is deemed complete with a decision provided within 10 working days from the date the application is received. Where effective pre-application engagement has taken place the 10 working day timeframe is more likely to be feasible.

Applications which are novel or more complex may require longer for additional review time. The official statutory deadline of remains 6 months for a complete application is explained in paragraph 2.19 of the PRA's Statement of Policy.

However, a decision is expected to be reached within a much shorter timeframe. More information on the pre-application stage, and how to submit a good quality application can be found on the [ISPV webpage](#).

Where the PRA is able to approve the application within the 10-day timeframe (e.g., such as in the case of some standardised cat bond vehicles) it shall let the applicant know at the earliest.

## Legal status of the proposed UK ISPV

### 1.8 Principal place of business of proposed UK ISPV.

Once authorised, this address will appear on the firm's public entry on the Financial Services Register. In addition, other basic information about the UK ISPV will be uploaded to the Financial Services Register, and hence these details will be in the public domain. The details uploaded include information on the UK ISPVs permitted regulated activities, any approved persons, e.g. SMF directors, and other basic details. It may take up to one working day for this information to show on the register.

### 1.9 Please provide the Certification of Incorporation, Memorandum of Association, Articles of Association and the registered company number on the Companies House register.

For the accelerated pathway please confirm that the UK ISPV has been registered at Companies House. The PRA will deem applications incomplete where the UK ISPV has not been registered.

### 1.10 You must confirm that all details given above match Companies House records.

No additional notes.

### 1.11 Is the applicant Firm a body corporate?

If the applicant is not a body corporate more details must be provided about the corporate structure of the applicant

## History of applicant

### 1.12 Has the applicant ever submitted and had approved a similar application, to the extent the proposed cedant is the same, *and* the information included in the application form and its supporting transaction documents are substantially the same?

Where an application is sufficiently similar to a previous transaction that has been authorised, to the extent it is the same cedant and substantially the same transaction documentation, we will aim to leverage as far as possible any work done in the previous application. We would expect to discuss with the applicant the level of changes they envisage so we can focus our review as much as possible on the key changes.

### 1.13 Has the applicant ever been refused – or had revoked – any licence, membership, authorisation, registration or other permission granted by a financial services regulator or government body in the United Kingdom or overseas?

No additional notes.

### 1.14 Has the applicant ever, after having made an application to a regulatory body for any of the items below, decided not to proceed with it?

No additional notes.

### 1.15 Details of risks to be assumed by the UK ISPV

No additional notes

### 1.16 Where possible, if the proposed cedant(s) of the UK ISPV will not be domiciled in the UK, provide details of the relevant contact at the supervisory authority of the cedant(s), and a copy of any correspondence that notifies the supervisory authority of the cedant(s) concerning the intention to transfer risk to the UK ISPV.

No additional notes

## 2 Eligibility Criteria and Mandatory Contract Conditions

In order to qualify for the accelerated pathway authorisation process, UK ISPVs are required to meet certain eligibility criteria related to fully funded, effective risk transfer and subordination of providers of debt or finance (i.e., investor), in particular. In addition, its investment strategy must be in line with the requirements in the PRA rulebook.

### 2.1 Eligibility Criteria

The UK ISPV must meet these criteria to be eligible to apply via the accelerated pathway process.

### 2.2 Transaction Features

The UK ISPV is expected to have these features in order for the PRA and FCA to be able to make an accelerated pathway approval.

### 2.3 General Conditions

These general conditions apply to all UK ISPVs.

### 2.4 Contractual Arrangements

The UK ISPV must meet the requirements related to fully funded, effective risk transfer and subordination. In addition, its investment in assets must meet all relevant requirements.

Applicants may also wish to consider the notes for the UK ISPV application form to see what information may be needed to assess these conditions.

### 2.5 Governance and Risk Management

#### SYSC requirements

In assessing that SYSC requirements are met the following details must be provided regarding Internal controls (proportionate to the scope and scale of the operation)

- Oversight and accountability
- Risk framework
- Internal audit
- Management information / transaction monitoring / key performance indicators
- Conflicts of interest - monitoring

All individuals who are 'effectively running' the UK ISPV must satisfy the fit and proper criteria set out in the FCA Handbook and PRA Rulebook,

#### SMF 1 Head of the ISPV Role

- It has been agreed to combine the responsibilities of the SMF1, SMF2, SMF9, and SMF16 role. This will define the Head of the ISPV SMF1 as different than the usual definition for a SMF1 CEO role.
- For these applications, the applicant will complete Form A for the Head of the ISPV SMF1 which combines roles will be combined (e.g., SMF 1 CEO; SMF 2 CFO; SMF 9 Chair; and SMF 16 Oversight). SMF 3 will not apply if there is an overlap of responsibilities.

#### Definition of the SMF1 Head of the ISPV Role<sup>1</sup>

- The Head of ISPV function (ISPV SMF1) for a UK ISPV is the function of having responsibility for:
  - the conduct of all activities of the UK ISPV that are subject to the regulatory system; and
  - where the UK ISPV has a UK ISPV services provider, the conduct of all activities of the UK ISPV services provider that are subject to the regulatory system.

<sup>1</sup> Amendments to the Insurance – Senior Management Functions Part H chapter 12 – UK ISPVs

- A UK ISPV must have at least one person approved to perform the Head of the ISPV function.
- A UK ISPV is not required to have any person(s) approved to perform any of the other senior management functions.

### Responsibilities

- The ISPV SMF1 role will encompass all prescribed responsibilities:
  - (a) Obligations under the Senior Management Regime;
  - (b) Obligations under the Certification Regime;
  - (b1) Individual conduct rules for training and reporting;
  - (c) Responsibilities Map Requirements; and
  - (d) Financial Crime

### 2.6 Other requirements

- Any response in respect of Threshold conditions should consider the Threshold conditions as amended for ISPVs.
- The accelerated pathway approval process is based on the understanding that a standardized Scope of Permissions will be used, which will make the approval process easier. If a firm does not wish to use a standardized Scope of Permissions, it should bring this to the notice of the PRA at the earliest, ideally before even making the application.
- Any response in respect of the requirements in SYSC 13.9 of the FCA handbook should include details of the IT business continuity, the disaster recovery plans the applicant will put in place to ensure business continuity and details of any due diligence conducted on the outsourced provider.
- Details related to outsourcing should include the following:
  - ❖ **IT systems** - It is expected that firms will use existing IT systems provided by the applicant or “third-party service provider” that have been deemed fit for purpose, and the supplier will have appropriate business continuity and the disaster recovery plans. The firm should confirm that the systems have been deemed fit for purpose and the supplier has appropriate business continuity and the disaster recovery plans
  - ❖ **Outsourced arrangements** – a description of any key functions, where applicable, and any additional services that will be outsourced, including details on how the outsourced service provider was selected, and how the UK ISPV will ensure they remain appropriate throughout the term of their contract.
  - ❖ **Outsourcing oversight** – details of the responsibilities and reporting lines of the key functions and additional services, and resource allocated, as well as procedures and controls that will be implemented to ensure the effective provisions of each key function and additional service.
  - ❖ **Outsourcing of day-to-day management** – where the applicant will be outsourcing the day-to-day management of the UK ISPV to a service provider please provide written confirmation from the service provider confirming that either:
    - where the services provided constitute ‘regulated activities’ under FSMA, they have the relevant ‘Part 4A permission’ to carry out such regulated activities; or
    - the services provided do not constitute ‘regulated activities’ under FSMA.

This written confirmation may be a copy of an e-mail from the service provider to the applicant.

## 3 Required contractual terms and conditions

Section 5 of the application form sets out a detailed list of documents to be submitted as part of the application process and will be reflected in the Scope of Permission. Certain submitted documents need to have the following clauses as set out below. Please refer to the relevant clause and/or page in the relevant submitted document where this is contained.

Note: The applicant should complete the requests in this section by providing the documents needed and listed the cross reference to the relevant part(s) of that supporting document that correspond to each of the requests. Where the applicant considers a request is not relevant to the application they must explain why in the cross reference.

No additional notes

Draft for consultation



# 4 Compliance Arrangements

The applicant must have the appropriate compliance arrangements in place.

## Compliance procedures

- 4.1 Please confirm the applicant has in place documented compliance procedures that relate specifically to the regulated business for which it is seeking permission.**

No additional notes.

## Compliance monitoring programme

- 4.2 Please confirm the applicant has in place a documented compliance monitoring programme that relates specifically to its compliance procedures manual.**

No additional notes.

## Other information relevant to this application

- 4.3 Is there any other information which the applicant believes may be relevant to our assessment of this application?**

No additional notes.

## Financial crime

- 4.4 UK ISPVs should have appropriate policies and procedures to prevent financial crime. Please describe the steps the applicant has, or will, put in place to counter the risks that might be used by others to further financial crime. This includes any offence involving a) fraud or dishonesty; b) misconduct in, or misuse of information relating to, financial markets; or c) handling the proceeds of crime.**

No additional notes.

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# 5 Documents for this application

Please list which forms and documents are included in the application pack.

## Supporting Documentation

### 5.1 List below all the documents that are being sent with this application.

No additional notes.

### 5.2 Please provide any comments on supporting documents, including relevant cross references, if necessary.

No additional notes.

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## 6 Application fee

The applicant must send a BACS payment or cheque for the appropriate application fee in full with this application, otherwise the application will not be processed.

### Application fee

No additional notes.

### How to pay by BACS payment

No additional notes.

### How to pay by cheque

No additional notes.

Draft for consultation

# 7 Declaration

## Declaration

No additional notes.

## Who must sign the declaration?

No additional notes.

Draft for consultation