



# Bank of England PRA

## Scope of Permission Notice

The table below shows the regulatory activities, as listed on the Financial Services Register, that XXX (FRN: XXX) has applied for:

Activity Name	Investment Instrument	Client Types
Insurance Risk Transformation (with the limitations* described in 'Limitation on the Scope of Permission' in Annex 1)	N/A	N/A
Agreeing to carry on a regulated activity	Limited to carrying on regulated activities	N/A

**\*Please note that the limitations on the Scope of Permission (SOP) will not be published in the Financial Services Register**

### Annex 1 – Limitation on the Scope of Permission

#### Limitation on the Scope of Permission (for "Insurance Risk Transformation")

Firm Name: XXXX ("UK ISPV")

Reference Number: XXXX

Date: XXXX

Regulation 7 of the Risk Transformation Regulations 2017 ("RTR") requires that, when the PRA gives permission under Part 4A of the Financial Services and Markets Act 2000 ("FSMA") for a transformer vehicle to carry on regulated activities, the PRA must exercise its discretion under Section 55F(4)(a) of FSMA to incorporate in the description of those regulated activities a limitation on the scope of the regulated activities which a transformer vehicle may carry on.

In accordance with section 55F(4)(a) of FSMA, the PRA therefore applies the following limitations:

#### 1. Contractual Terms and Transaction Documents

The activities of <name> are restricted to <define activity being undertaken> as outlined in the application dated <date of application> and must be documented based on and consistent with the contractual terms and conditions, as appended in Annex 2 of this SOP to be referred to herein as the Contractual Terms ("**Contractual Terms**").

The UK ISPV shall enter into transaction documents ("**Transaction Documents**") to reflect the Contractual Terms, and this may include adjustments to the language of the Contractual Terms

provided in each case any such adjustments do not adversely conflict with or undermine the substance of the Contractual Terms or otherwise result in non-compliance with any rule within the PRA Rulebook.

The Transaction Documents may not be amended in such a way that adversely conflicts with or undermines the substance of the Contractual Terms or result in non-compliance with any rule within the PRA Rulebook, which must not be executed unless approved by the PRA and FCA via a Variation of Permission ("**VOP**").

Any other ancillary agreements with third parties, e.g. external auditors, in each case must not conflict with the terms of the Transaction Documents nor contain any terms that adversely conflict with or undermine the substance of the Contractual Terms or result in non-compliance with any rule of the PRA Rulebook and including where security is given, conflict with the terms of the Deed of Charge.

The Transaction Documents to be entered into by the UK ISPV are:

[*Note: The list below is indicative only. It should reflect what the transaction actually covers and what was submitted as part of the application process and mentioned in the application form.*]

- a. a risk transfer agreement ("**Risk Transfer Agreement**");
- b. an investment agreement (e.g. Subscription Agreement or Note Purchase Agreement, as applicable) and/or a private placement memorandum ("**PPM**");
- c. a custody agreement or Reinsurance Trust agreement (as appropriate) ("**Custody Agreement**");

In respect of relevant arrangements only:

- a. the insurance manager agreement ("**IMA**");
- b. the corporate services agreement ("**CSA**");
- c. an account bank agreement ("**Account Bank Agreement**");
- d. a deed of charge and/or trust deed or similar arrangement under the applicable foreign law (the "**Deed of Charge**" and "**Trust Deed**"); OR
- e. an Indenture ("**Indenture**") or similar arrangement(s) under the applicable foreign law.]
- f. Any other documents submitted that are relevant to this transaction.

## **2. Investment policy**

Proceeds of the securities and premium payments received from the cedant (including any interim settlement amounts) will be invested in accordance with the investment policy outlined in the Policy Manual (defined below).

## **3. Outsourced service provider**

The UK ISPV's permission includes to the extent permitted by the Transaction Documents, the ability to appoint or replace:

(i) any appropriately qualified firm to provide corporate services or insurance management services to the UK ISPV provided that the terms of the CSA and IMA respectively comply with the requirements above in respect of incorporation of relevant Contractual Terms and provided that the UK ISPV shall use all reasonable endeavours to notify the PRA within 5 working days of the notice period being triggered in advance of any proposal to replace the Insurance Manager; and

(ii) any appropriately authorised banking institution or investment firm to provide services as security trustee, custodian, account bank, agent bank or investment manager in relation to the activities of the

UK ISPV as appropriate to the transaction and may do on such terms as are agreed between the parties, subject to compliance with the requirements set out above in respect of the incorporation of relevant Contractual Terms.

The sponsor shall make any such appointment or replacement of a service provider in accordance with its system of governance, as applicable from time to time.

#### **4. Policy Manual**

Changes to the Policy Manual that establish the use of the UK ISPV through written policies and procedures must be approved by the PRA and FCA via a VOP, before they are executed, if:

- (i) they are changes which could affect the compliance by the UK ISPV with any rule of the PRA Rulebook, specifically with 2.1 to 2.6, Chapter 2A, Chapter 2B, 2C.1 to 2C.5 and 2D.1 to 2D.3. of the UK ISPV part of the Rulebook; or
- (ii) they are changes that could affect the compliance with Part 4 of the RTR.

#### **5. Variation of this Scope of Permission**

A VOP shall be required for any changes outside the agreed parameters as outlined in this SOP.

#### **6. Miscellaneous**

References in this SOP to compliance with specific terms of the PRA Rulebook are without prejudice to the UK ISPV's obligations at law to comply with all applicable law and regulation including but not limited to other relevant terms of the PRA Rulebook and relevant terms of FSMA, the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, and the FCA Handbook of rules and guidance as applicable.

References in the SOP to a statutory provision and subordinate legislation includes a reference to the relevant statutory provision and subordinate legislation as modified or re-enacted or both from time to time.

#### **Annex 2- List of Contractual Terms**

[The transaction documents will have a number of terms which cover the commercial arrangement. It is expected as part of the UK ISPV's authorisation that certain terms will be required to be included within those transaction documents.] The specific wording of these terms should be shared with the PRA as part of the UK ISPV's application and must be included in the transaction documents (subject to the above conditions). These terms include

- a. The Collateral Structure (including release and expenses) – the collateral structure should be set out in the relevant clause(s) of the appropriate “Transaction Documents” e.g. Custody Agreement, Security Agreement(s) (if applicable), Trust Deed/Deed of Charge (if applicable), Indenture (if applicable);
- b. Risk Limit – the risk limit should be set out in the relevant clause(s) of the appropriate “Transaction Documents” e.g. Risk Transfer Agreement;
- c. Reinsurance/Business covered – the reinsurance/business covered should be defined and set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- d. An explanation of how the UK ISPV shall meet fully funded requirements. The relevant arrangement, including specifying the AMRE, should be defined and set out in the appropriate “Transaction Documents”;

- e. Subordination, Limited Recourse and Non-Petition Provisions – these should be defined and set out in the appropriate “Transaction Documents”;
- f. Settlement – the settlement arrangement should be defined and set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- g. Termination – the termination clause (including early termination clauses) should be set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- h. Term– the scheduled redemption date and [extension period(s)] [extended redemption date(s)] should be set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- i. Payment Priority – the priority of payments should be set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- j. Dispute Resolution – a dispute resolution mechanism should be set out in the relevant clause(s) of the appropriate “Transaction Documents”;
- k. Conditions Precedent to liability – the conditions precedent to liability should be set out in the relevant clause(s) of the appropriate “Transaction Documents”.

*[Note: If any of these terms are not considered relevant as part of this application, the applicant should explain within the application, why it does not appear within the application]. UK ISPV*

Draft for consultation