

PRA RULEBOOK: SOLVENCY II FIRMS: VALUATION INSTRUMENT 2015

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
 - (1) section 137G (the PRA’s general rules); and
 - (2) section 137T (general supplementary powers).
- B. 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

- C. In accordance with section 138J of the Act (consultation with the Financial Conduct Authority), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: Solvency II Firms: Valuation Instrument 2015

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on 1 January 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Valuation Instrument 2015.

By order of the Board of the Prudential Regulation Authority

17 March 2015

Annex

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

Part

VALUATION

Chapter content

- 1. APPLICATION**
- 2. VALUATION OF ASSETS AND LIABILITIES**

Links

1 APPLICATION

1.1 Unless otherwise stated, this Part applies to:

- (1) a *UK Solvency II firm*;
- (2) in accordance with Insurance General Application 3, the *Society*; and
- (3) in accordance with Insurance General Application 3, *managing agents*.

2 VALUATION OF ASSETS AND LIABILITIES

2.1 A *firm* must, except where otherwise provided, value:

- (1) assets at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- (2) liabilities at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

[Note: Art. 75(1) of the *Solvency II Directive*]

2.2 For the purposes of 2.1(2) when valuing liabilities no adjustment must be made to take account of the own credit standing of the *firm*.

[Note: Art. 75(1) of the *Solvency II Directive*]