

**PRA RULEBOOK: SOLVENCY II FIRMS: NON SOLVENCY II FIRMS: TRANSFORMER  
VEHICLES INSTRUMENT 2017**

**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 in A 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 by the PRA), 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: Non Solvency II Firms: Transformer Vehicles Instrument  
2017**

- D. The PRA makes the rules in Annex A, Annex B and Annex C to this instrument.

**Commencement**

- E. This instrument comes into force on [DATE].

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Non Solvency II Firms: Transformer Vehicles Instrument 2017.

**By order of the Prudential Regulation Committee**

[DATE].

## Annex A

### Amendments to the Glossary

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

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#### insurance risk transformation

means the regulated activity specified in Article 13A of the Regulated Activities Order (Transformer vehicles: insurance risk transformation).

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#### *insurance undertaking*

means an *undertaking* ~~(except for an ISPV)~~ or a *member*, that carries on *insurance business*, whether or not an *insurer*.

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#### *insurer*

means a *firm* with *permission* to *effect contracts of insurance* or *carry out contracts of insurance* ~~(other than an ISPV)~~.

...

#### *ISPV*

means:

- (1) a UK ISPV; or
- (2) ~~any other~~ undertaking that is a *Solvency II special purpose vehicle*.

...

#### *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 UK ISPV; and~~
- (3) ~~a third country branch undertaking.~~

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#### Solvency II special purpose vehicle

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

- (1) assumes risks from Solvency II undertakings; and

(2) fully funds its exposures to such risks through the proceeds of a debt issuance or some other financing mechanism where the repayment rights of the providers of such debt or other financing mechanism are subordinated to the undertaking's obligations to the Solvency II undertaking in respect of the risks referred to in (1).

[Note: Art. 13(26) of the Solvency II Directive]

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*UK ISPV*

means an *ISPV undertaking* with a *Part 4A permission to ~~effect contracts of insurance or carry out contracts of insurance~~ carry on the regulated activity of insurance risk transformation.*

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## Annex B

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

Part

# INSURANCE SPECIAL PURPOSE VEHICLES

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## Chapter content

1. APPLICATION AND DEFINITIONS
2. GENERAL PROVISIONS
3. SOLVENCY II REGULATIONS ~~SUK ISPVS WITH PART 4A PERMISSION~~
4. MULTI-ARRANGEMENT ISPVS
5. RESTRICTION OF ACTIVITIES
6. FORMS

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## 1 APPLICATION AND DEFINITIONS

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1.1 Unless otherwise stated, this Part applies to a *UK ISPV* (including a *UK ISPV* that is a *non-Solvency 2 transformer vehicle*).

1.2 In this Part, the following definitions shall apply:

*assumption of risk notification*

means a notification by a *UK protected cell company* of the assumption of a risk required under regulation 60 of the *Risk Transformation Regulations*.

*group of cells*

has the meaning given in regulation 3 of the *Risk Transformation Regulations*.

*group of cells notification form*

means the form in rule 6.2.

*inter-cell arrangement notification*

means a notification by a *UK protected cell company* of:

- (1) the creation of an arrangement within a *group of cells*, as required by regulation 69 of the *Risk Transformation Regulations*; or
- (2) the amendment or cancellation of an arrangement within a *group of cells*, as required by regulation 70 of the *Risk Transformation Regulations*.

*MISPV new risk assumption notification form*

means the form in 6.1.

*multi-arrangement special purpose vehicle*

has the meaning given in Article 2 of the Commission Implementing Regulation (EU) 2015/462.

*non-Solvency 2 transformer vehicle*

has the meaning given in regulation 9(1) of the *Risk Transformation Regulations*.

*Risk Transformation Regulations*

means the Risk Transformation Regulations 2017 (2017/[0000]).

*UK multi-arrangement ISPV*

means:

- (1) a *UK ISPV* that is a *multi-arrangement special purpose vehicle*; and
- (2) a *UK ISPV* that is a *non-Solvency 2 transformer vehicle* which assumes risks under more than one separate contractual arrangement from one or more *undertaking(s)*.

UK protected cell company

means a protected cell company formed under the *Risk Transformation Regulations*.

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**2 GENERAL PROVISIONS**

2.1 A UK ISPV must ensure that at all times:

(1) it is fully funded; and

(2) if it is a UK multi-arrangement ISPV, each group of cells (if any) is fully funded.

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**3 APPLICATION OF SOLVENCY II REGULATIONS TO UK ISPVS WITH PART 4A PERMISSION**

3.1 ~~[deleted] Where a UK ISPV has a Part 4A permission to effect contracts of insurance or carry out contracts of insurance as an ISPV in force prior to 1 January 2016, that Part 4A permission shall continue to have effect thereafter provided that the UK ISPV satisfies the requirements of the Solvency II Regulations that are relevant to ISPVs on that date.~~

3.1A A UK ISPV that is a non-Solvency 2 transformer vehicle must apply any relevant provision of the *Solvency II Regulations* as at 1 January 2016 in order to achieve the same effect as that provision of the *Solvency II Regulations* would have (that is, conforming with the requirements of the relevant provision) when applied to a *Solvency II special purpose vehicle*.

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**4 MULTI-ARRANGEMENT ISPVS**

4.1 This Chapter only applies to a UK multi-arrangement ISPV.

4.2 A UK multi-arrangement ISPV must be a UK protected cell company.

4.3 An assumption of risk notification must be submitted using the MISPV new risk assumption notification form.

4.4 An inter-cell arrangement notification must be submitted using the group of cells notification form.

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**5 RESTRICTION OF ACTIVITIES**

5.1 A UK ISPV must not engage in any activities other than *insurance risk transformation* and activities directly arising from *insurance risk transformation*.

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**6 FORMS**

6.1 The MISPV new risk assumption notification form can be found [here](#).

6.2 The group of cells notification form can be found [here](#).

## Annex C

### Amendments to the Change in Control Part

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

#### 1 APPLICATION AND DEFINITIONS

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

- (a) an *incoming firm*;
- (b) a *non-directive friendly society*; and
- (c) a UK ISPV.

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