

Application for Authorisation

Insurance Special Purpose Vehicle (ISPV) Application Form – Notes

Terms in this form

In this form we use the following terms:

- 'AMRE' refers to Aggregate Maximum Risk Exposure as defined in Article 1(44) of the Commission Delegated Regulation (EU) 2015/35;
- 'applicant' refers to the person or firm applying on behalf of the proposed 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 insurance or reinsurance undertaking which the ISPV assumes risk from;
- 'Delegated Regulation' refers to Commission Delegated Regulation (EU) 2015/35;
- 'FAQs' refers to the ISPV Frequently Asked Questions document found on the [ISPV webpage](#);
- 'FCA' refers to the Financial Conduct Authority;
- 'FSMA' refers to the Financial Services and Markets Act 2000;
- 'Implementing Regulation' refers to Commission Implementing Regulation (EU) 2015/462;
- '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 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;
- 'PCC' refers to a Protected Cell Company;
- 'PRA' refers to the Prudential Regulation Authority;
- 'Qualifying holding' has the meaning given in Article 13(21) of the Solvency II Directive;
- 'RAO' refers to Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);
- 'RTR' refers to the Risk Transformation Regulations 2017;
- 'Solvency II Directive' refers to Directive 2009/138/EC;
- 'SOP' refers to Scope of Permission;
- 'SS8/17' refers to the Supervisory Statement 8/17 'Authorisation and supervision of 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 an MISPV must meet are the same as those for a standalone ISPV, though in addition an MISPV must register as a PCC and comply with any rules applicable to MISPVs and PCCs. Therefore, unless otherwise indicated, all references made to "ISPV" in this form are equally applicable to MISPVs. In addition, all references made to Articles are to Articles in the Delegated Regulation, unless otherwise specified.

Introduction

Background

Entities wishing to operate in the United Kingdom as an 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.

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. More information can be found on the [ISPV webpage](#).

Relevant requirements

A full list of the relevant legal and policy material in relation to ISPVs is set out in Chapter 1 of the PRA's Supervisory Statement SS8/17.

The applicant must demonstrate it meets all the conditions for authorisation listed in Article 318 of the Delegated Regulation. Particular importance is placed on compliance with Articles 319-321 of the Delegated Regulation, which relate to the requirements on the ISPV to be 'fully funded', ensure 'effective risk transfer' and ensure subordination of the 'rights of the providers of debt or financing mechanisms'. Additionally, an MISPV must also demonstrate compliance with Article 7 of the Implementing Regulation.

In SS8/17 and the 'FCA Statement – authorising and supervising insurance special purpose vehicles' the PRA and FCA, respectively, outline their approach and expectations to authorising ISPVs, including the relevant parts of the PRA Rulebook and FCA Handbook, respectively, which must be met. Further, the ISPV must also meet the relevant provisions in the Risk Transformation Regulations 2017, and FSMA, including the PRA and FCA Threshold Conditions.

ISPV Application Form

Article 5 of the Implementing Regulation prescribes the information which must be included in an application for an ISPV. The ISPV Application Form includes this information, along with other 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.

ISPV Application Form – Notes

These notes intend to provide further guidance for applicants when completing and submitting an ISPV Application Form.

Documentation requirements

We would like applications to contain documentation which is as complete as possible. However, we appreciate that, due to the transactional nature of ILS 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. Applicants should discuss this with us to explain what is likely to be available and how this might affect the timing of the application.

In cases where final documentation is not available at the point of application, we are willing to consider receiving draft documentation provided that it is at an advanced stage and only relatively minor amendments are expected prior to the final documentation being submitted. 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. However, the applicant will need to identify where this is the case in the documentation prior to approval being granted.

In the cases where the complete set of documentation is not available at the point of application, we would anticipate discussing this with the applicant at the pre-application stage to understand which documents we can expect to receive at the point of application, and which at an agreed later date.

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 SS8/17 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 ISPV?

In the case of a standalone ISPV the entity may not have been established at the point of submitting an application, and in the case of an MISPV, the PCC entity may only be established upon authorisation. Therefore, pending the ISPV's incorporation, the sponsor of the proposed ISPV may apply on its behalf. The applicant should indicate the capacity in which it is acting and why the proposed 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

Some applicants seek professional advice in completing the application (e.g. from 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 exact timeframe varies from application to application, but we endeavour to reach a decision as quickly as possible. The official statutory deadline of 6 months for a complete application is explained in paragraph 2.19 of SS8/17; however the statement makes clear that in practice, a decision could be (and in many previous cases has been) reached within a much shorter timeframe (e.g. 6-8 weeks), where applications represent a relatively straightforward proposal and are supported by good quality documentation. In addition, where effective pre-application engagement has taken place the 6-8 week timeframe is more likely to be feasible. Applications which are novel or more complex may require longer than 8 weeks for additional review time. More information on the pre-application stage, and how to submit a good quality application can be found on the [ISPV webpage](#).

Legal status of the proposed ISPV

1.8 Principal place of business of proposed 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 ISPV will be uploaded to the Financial Services Register, and therefore these details will be in the public domain. The details uploaded include information on the 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 For an ISPV, please provide the Certification of Incorporation, Memorandum of Association, Articles of Association and the registered company number on the Companies House register. For an MISPV continue to Question 1.11.

As outlined in Question 1.1, in the case of a standalone ISPV the entity may not have been established at the point of submitting an application. Please explain if this is the case, or if there is another reason, and also outline when the applicant expects the requested information to be submitted. If relatively advanced draft documentation is available then this may be submitted as part of the application.

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

No additional notes.

1.11 For an MISPV, please enclose a completed Application Form for Registration of Protected Cell Companies (accessed via the [ISPV webpage](#)), and its Instrument of Incorporation.

As outlined in Question 1.1, in the case of an MISPV, the PCC entity can only be established upon authorisation. However, this should not prevent the requested documentation being submitted prior to approval. If this information is not available please provide a reason, and also outline when the applicant expects the requested information to be submitted. If relatively advanced draft documentation is available then this may be submitted as part of the application.

Pursuant to Regulation 21(2) of the RTR, where possible, please provide the FCA a statement signed by the solicitor or counsel of, or acting on behalf of, the proposed ISPV confirming that the Instrument of Incorporation satisfies the requirements of Regulation 19 of the RTR (see ISPV Application Form – Notes for more details). For an ISPV continue to Question 1.12.

Providing the FCA the relevant statement signed by the solicitor or counsel of, or acting on behalf of, the proposed ISPV will prevent unnecessary delays to the authorisation.

A person certifying the Instrument of Incorporation must fall within one of the categories:

“Counsel” means a person who is—

- a) a barrister within the meaning given in section 207 of the Legal Services Act 2007;
- b) a practising member of the faculty of advocates in Scotland; or
- c) a barrister who has been called to the bar in Northern Ireland and who holds a current practising certificate.

“Solicitor” means a person who is—

- a) a solicitor within the meaning given by section 207 of the Legal Services Act 2007;
- b) enrolled on the roll of solicitors kept under section 7 of the Solicitors (Scotland) Act 1980; or
- c) a solicitor within the meaning given by Article 3(2) of the Solicitors (Northern Ireland) Order 1976.

Section 207 of the Legal Services Act 2007 states that a “barrister” is an individual that has been called to the Bar by an Inn of Court, and is not disbarred by order of an Inn of Court. “Solicitor” means a solicitor of the Senior Courts, and “solicitor of the Senior Courts” suggests a person who has already completed their training contract and has been admitted as a solicitor of the Senior Courts and whose name is on the roll of solicitors.

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.

Communication with the supervisory authority of the cedant

- 1.15 Where possible, if the proposed cedant(s) of the ISPV will be domiciled in the EEA, provide details of the relevant contact at the supervisory authority responsible for 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 ISPV.**

This information is used in satisfying Article 9 of the Implementing Regulation.

If the cedant is unknown at the time of submitting the application the applicant should provide these details as soon as they become known. In the case of an MISPV these details must be submitted as part of the MISPV New Risk Assumption Notification Form (see the [ISPV webpage](#)).

2 Scope of Permission

In accordance with Regulation 7 of the RTR, as a standard part of the approval process for both a standalone ISPV and an MISPV, the PRA will impose a limitation on the FSMA 'Part 4A Permission', which will determine the scope of the regulated activities that the ISPV may carry on (referred to as the "Scope of Permission" or "SOP"). The SOP will set out:

- the regulated activity/activities the ISPV or MISPV is authorised to carry on; and
- any limitations attaching to it.

Type of ISPV

2.1 For which type of entity is the applicant seeking authorisation?

For an MISPV application, the applicant will need to include an Application Form for Registration of Protected Cell Companies alongside this application form. If the intention is to grant authorisation as an MISPV, the FCA will then incorporate the PCC. Once incorporated, then the PRA will authorise the vehicle. If the decision is to refuse authorisation, the FCA will not incorporate the PCC.

Regulated activities

2.2 Please confirm that the applicant is seeking permission for the proposed ISPV to carry on the regulated activity of insurance risk transformation.

See Article 13A of the RAO for definition of 'insurance risk transformation'. The definition is also set out in chapter 3A of the Risk Transformation Regulations 2017.

2.3 Please confirm that the applicant requests permission for the proposed ISPV to carry on the regulated activity of 'Agreeing to carry on a regulated activity'.

Given the regulated activity of insurance risk transformation is excluded from those activities outlined in PERG2.7.21 of the FCA Handbook, the applicant must also apply for the proposed ISPV to carry on the regulated activity of 'agreeing to carry on a regulated activity'.

2.4 Is the applicant intending for the proposed ISPV to carry on any ancillary activities?

No additional notes.

Limitation on the Scope of Permission

2.5 Please outline the key areas where the applicant is seeking flexibility, and hence would like the regulators to consider including in its SOP. Where applicable, please reference where this flexibility has been identified in the underlying transaction and/or other supporting documents.

Further information relating to the SOP can be found in SS8/17 and the FAQs on the [ISPV webpage](#).

3 Funding, Risk Transfer and Subordination

ISPVs must meet the applicable requirements related to fully funded, effective risk transfer and subordination of providers of debt or finance (i.e. investor), in particular Articles 319-321. In addition its investment strategy must be in line with Article 327.

As outlined in the previous Scope of Permission section, if the applicant wants flexibility regarding future transactions, this must be highlighted and the specifics of the flexibility documented in this form at the outset.

Note: The applicant may complete the requests in this section by filling in the relevant textboxes provided below or they may produce a supporting document and provide references to the relevant part(s) of that supporting document that correspond to each of the requests. Where the applicant considers a request is not applicable they must explain why.

Further information relating to specific potential transaction features can be found in SS8/17 and the FAQ on the [ISPV webpage](#).

Purpose of the ISPV

3.1 Describe the purpose for which the ISPV will be established and the proposed lifetime of the vehicle.

No additional notes.

Fully funded and solvency requirements – Article 319 and 326

This information is required for the PRA to assess the ISPV's compliance with Article 318(c), 318(h), 319, and 326.

Further information relating to specific potential transaction features can be found in SS8/17 and the FAQ on the [ISPV webpage](#).

3.2 Describe how, in accordance with Article 319, the contractual arrangements relating to the transfer of risk from a cedant(s) to the ISPV shall ensure the ISPV is at all times fully funded in accordance with Article 326.

This should include the following (*where applicable, provide references to the clauses in the relevant contractual agreements which give the legal effect of the responses provided*)

a) Aggregate maximum risk exposure (AMRE) – please provide:

(i) Where an ISPV uses different bank accounts to segregate the expense liabilities from the insurance liabilities, please provide details of the different bank accounts, including the purpose, investment strategy, where applicable, and pre- and post-enforcement priority of payments, where applicable, for each. For an MISPV this includes details of bank accounts in the core and the cell(s).

(iii) The applicant should consider stress and/or scenario tests. For example, how would the ISPV ensure it has at all times assets the value of which are equal to or exceed the AMRE:

- if the value of the assets used to meet the AMRE were to deteriorate – e.g. do limited recourse provisions or do top-up arrangements exist and how might these be relied upon;
- in the event of default, insolvency, bankruptcy or other credit event relating to one of the counterparties to the contractual arrangements; or
- where the ISPV is relying on investment income to fund future fees and expenses, where these items are included in the calculation of the AMRE.

b) Fully paid

c) Collateral arrangement/structure

d) Payout instructions

e) Loss payments

- f) Collateral releases to providers of debt or finance (i.e. investors)
- g) Limited recourse and non-petition provisions
- h) Off-balance sheet commitments
- i) Future premium
- j) Rating reports
- k) Other additional features

No additional notes.

Effective transfer of risk – Article 320

This information is required for the PRA to assess the ISPV's compliance with Article 318(a), 318(c) and 320.

Further information relating to specific potential transaction features can be found in SS8/17 and the FAQ on the [ISPV webpage](#).

- 3.3 Describe how, in accordance with Article 320, the contractual arrangements relating to the transfer of risk from the cedant(s) to the ISPV, and from the ISPV to the providers of debt or financing (i.e. investors) shall ensure (a) the transfer of risk is effective in all circumstances, (b) the extent of the risk transfer is clearly defined and incontrovertible.**

This should include the following (where applicable, provide references to the clauses in the relevant contractual agreements that transfer risk between the cedant(s) and the ISPV and the ISPV and the providers of debt or finance, which give the legal effect of the responses provided):

- a) Offering material
- b) Cedant(s)
- c) Originator(s)
- d) Form of the risk transfer
- e) Risk to be transferred
- f) Risk period, and any early termination events
- g) Post-risk period
- h) Commutation approach
- i) Independent third-party opinions

As per paragraph 2.12 of SS8/17, independent third party opinions obtained by the applicant may be useful to support demonstration of compliance with the Solvency II requirements. Where an applicant has obtained such opinions they should indicate this.

- j) No connected transactions
- k) Qualifies for risk-mitigation under SII

No additional notes.

Rights of the providers of debt or financing mechanism (i.e. investors) – Article 321

This information is required for the PRA to assess the ISPV's compliance with Article 318(c) and 321.

- 3.4 Describe how, in accordance with Article 321, the contractual arrangements relating to the transfer of risk from a cedant(s) to the ISPV, and from the ISPV to the providers of debt or financing shall ensure that (where applicable, provide references to the relevant clauses in the applicable contractual agreements which give the legal effect of any of the details included below):**

- a) the claims of the providers of debt or financing mechanisms are at all times subordinated to the reinsurance obligations of the ISPV to insurance or reinsurance undertaking;
- b) no payments are made to the providers of debt or financing, if following those payments the ISPV would no longer be fully funded;

- c) the providers of debt or finance to the ISPV have no rights of recourse to the assets of the insurance or reinsurance undertaking; and
- d) the providers of debt or finance to the ISPV have no rights to apply for the winding-up of the ISPV.

No additional notes.

Solvency requirements on investments – Article 327

This information is required for the PRA to assess the ISPV's compliance with Article 318(h) and 327.

3.5 Describe how the ISPV will invest its assets in accordance with Article 327.

This should include the following:

- a) Investment management
- b) Risk management
- c) Permitted investments
- d) Hedging instruments

No additional notes.

4 Systems of Governance

ISPVs must meet the applicable requirements related to fitness and propriety of individuals and shareholders, appropriate governance, systems and controls, as well as supervisory reporting, in particular Articles 322-325 of the Delegated Regulation.

As outlined in the previous Scope of Permission section, if the applicant wants flexibility regarding future transactions, this must be highlighted and the specifics of the flexibility documented in this form at the outset.

Note: the applicant may complete the requests in this section by filling in the relevant textboxes provided below or they may produce a supporting document and provide references to the relevant part(s) of that supporting document that correspond to each of the requests. Where the applicant considers a request is not applicable they must explain why.

Fit and proper requirements of persons who effectively run an ISPV – Article 322

This information is required for the PRA to assess the ISPV's compliance with Article 318(d), 318(f), 322 and 324.

We need to be satisfied that the ISPV will have staff of adequate quality, skills and experience at all levels. We will also consider the extent to which the members of the governing body have experience in the financial services industry.

What is an approved person?

An approved person is a person who is approved by the relevant regulator to perform a senior management function or a FCA controlled function at an authorised firm. To be approved, and continue to be approved, to perform a senior management function (SMF) or a FCA controlled function (CF), an individual must meet and maintain the criteria for approval (the 'fit and proper test') and then perform their relevant function(s) in line with the PRA Rulebook and FCA Handbook; and FCA's Code of Conduct (COCON).

Please be aware that once the vehicle is approved, the names of the approved SMF and/or CF individuals will be shown on the Financial Services Register: <https://register.fca.org.uk>.

What is a senior management function?

A senior management function is a function, relating to the carrying on of a regulated activity by a firm, which is specified by the PRA in the table of PRA senior management functions, under section 59 of FSMA 2000.

A full list of all the senior management functions and an explanation of each one can be found at:

PRA Functions: Insurance - Senior Insurance Management Functions Part of the PRA Rulebook

FCA Functions: SUP10A of the FCA Handbook

You should review the description of each senior management function and identify those that apply to the ISPV.

- 4.1 List below the names of the individuals who will perform the SMR functions required of an ISPV (SMF1, SMF2, SMF9), as well as those who will be performing any other applicable SMR functions. Also, please fill in the appropriate Form A application form (see Senior Managers Regime – Applications and Notifications Part of the PRA Rulebook) for each of the individuals nominated for a SMF role at the ISPV.**

The relevant SMR Form A application forms can be found [here](#).

Please complete all sections of the relevant SMR application forms in particular please provide full details to the information requested in Section 6 of the SMR Form A application form.

Please note that although Form M notification forms are not required at the point of application for ISPV authorisation, any subsequent changes to NEDs or Key Function Holders post authorisation should be submitted to the PRA.

As described in paragraph 3.3 of SS8/17, the PRA takes a case-by-case approach to SMF applications. Provided an individual has the relevant skills and experience, it may be possible for them to perform more than one of the SMF roles. In addition, provided that there are no conflicts of interest; a SMF role could be held by a suitably senior employee or director of a third-party (such as an outsourced service provider).

4.2 Where the applicant requires additional FCA Controlled Functions list below the names of the individuals. Also, please fill in a ‘Form A – Application to perform controlled functions’ for each individual who will be performing a controlled function that is listed below and attach it to this application.

The relevant CF Form A application forms can be found on [here](#).

4.3 Please also provide information about the identity, qualification and relevant experience of all persons who will be employees of the ISPV (other than the SMR or controlled functions above), including details of persons who will be effectively running the ISPV (for more information on ‘effectively running’ see paragraph 3.1 of SS8/17) and those who will hold key function holder responsibilities. An individual may perform more than one key function.

All individuals who are ‘effectively running’ the ISPV must satisfy the fit and proper criteria set out in the Insurance – Fitness and Propriety Part of the PRA Rulebook. ‘Effectively running’ is described in paragraph 2.32 of SS35/15 ‘Strengthening individual accountability in insurance’ and in Solvency II EIOPA guidelines. It is normally expected to include all the members of the governing body as well as the senior management of the ISPV who are responsible for key decision making and for implementing the strategies and policies approved by the governing body.

Fit and proper requirements for qualifying holdings – Article 323

This information is required as part of PRA’s assessment of the ISPV’s compliance with Article 318(e) and 323, and in particular, to help us to understand who will control/own the ISPV and the relationships the ISPV may have with other individuals or entities.

4.4 Structure Chart

Provide a structure chart of the proposed ISPV’s ownership/equity structure and of any close links.

The term ‘Close Link’ has the meaning given in threshold condition 4F(3) (Effective Supervision) as set out in Schedule 6 (Part 1E) of FSMA.

If there will be any close links, outline whether they might prevent our effective supervision of the ISPV, and the business type of the close link.

No additional notes.

4.5 Provide an assessment of the applicable accounting consolidation requirements of the ISPV into a group.

In line with paragraph 11(c) of Annex 1 of the Implementing Regulations, the applicant should provide an assessment of the applicable accounting consolidation requirements of the ISPV into a group.

Where the ISPV is consolidated into a group the PRA will need to assess the specific circumstances for consolidation against the relevant requirements.

4.6 Qualifying holdings

The term ‘qualifying holding’ has the meaning of Article 13(21) of the Solvency II Directive

- a) For standalone ISPVs, describe the ISPVs framework for assessing the fitness and propriety of each shareholder that will meet the qualifying holding threshold as outlined in paragraph 3.9 of SS8/17. This should consider all of the criteria in Article 323(1)(a)-(d) of the Delegated Regulation.**
- b) For each shareholder that will meet the qualifying holding threshold as outlined in paragraphs 3.8 and, for an MISPV, also paragraph 3.10 of SS8/17, provide the following where applicable:**

- c) **If applying for an MISPV, and thus applying to register a PCC, will there be any arrangements within the MISPV/PCC which could enable shareholders in cells to exercise significant influence over it?**

No additional notes

Sound administrative and accounting procedures, adequate internal control mechanisms and risk management requirements – Article 324

This information is required for the PRA to assess the ISPV's compliance with Article 318(d), 318(f), 322 and 324.

- 4.7 Describe how the system of governance and management will be in accordance with Article 324(1).**

This should include the following:

- a) **Organisational chart**
- b) **Board composition**
- c) **Key functions and additional services**
- d) **Management Information**

No additional notes.

- 4.8 Describe how the ISPV's administrative and accounting procedures, internal control mechanisms and risk management systems will be in accordance with Articles 324(2) and 324(3).**

Taking into account the uses of the ISPV, this should include the following:

The applicant needs to provide sufficient information in relation to the written policies in order for the regulators to assess them against Article 324(2). As such, the applicant may wish to simply submit the written policies rather than describe them in this form.

- a) **Risk Management**
- b) **Internal Controls**
- c) **Administrative and account procedures**
- d) **Confirmation**

No additional notes.

- 4.9 IT Systems – Provide responses to the following:**

We do not specify which IT systems the ISPV should use. The ISPV's regulated activities must be supported by IT services which are effective, resilient and secure and have been appropriately designed to meet expected future as well as current business needs.

The risks to the ISPV's proposed business as a result of the failure or error of its IT systems will be greater if the ISPV's IT system is complex and/or it is dependent on its IT systems. In such cases, we require additional information on the ISPV's planned IT systems, and the control framework for managing the risks. We need to be satisfied that the ISPV will have in place robust IT systems and the control framework for managing the risks posed by them from authorisation and on an ongoing basis. In addition, where a firm outsources critical or important IT and related functions, it remains fully responsible for carrying out all of its obligations under the regulatory system.

- 4.10 Outsourcing – will the applicant be outsourcing any key functions or additional services? If so, provide a written outsourcing policy and details of all outsourcing or sub-contracting arrangements, including:**

If the ISPV chooses to use an outsourced service provider for the delivery of critical services, it must comply with the General Outsourcing Requirements (SYSC 8.1 of the FCA Handbook and the Outsourcing Part of PRA Rulebook). The overall aim of these regulatory obligations is to ensure that operational risk is appropriately managed and the use of the outsourced service provider does not impair the ability of the PRA to regulate the ISPV. Where an ISPV outsources key or important operational functions or any

relevant services and activities, it remains fully responsible for discharging all of its obligations under the regulatory system and must comply with the following conditions:

1. the outsourcing must not result in the delegation by senior personnel of their responsibility;
2. the relationship and obligations of the ISPV towards its clients under the regulatory system must not be altered;
3. the conditions with which the ISPV must comply in order to be authorised, and to remain so, must not be undermined; and
4. none of the other conditions subject to which the ISPV's authorisation was granted must be removed or modified.

a) Outsourced arrangements

b) Outsourcing oversight

The ISPV must have adequate reporting lines and regular oversight in place to ensure that the outsourced service providers are operating in line with the outsourcing agreements, and that any breaches/issues of the outsourced service providers are reported appropriately. The ISPV needs to monitor and manage outsourced services to determine the ongoing appropriateness of the service provider, and prevent undue operational risk to the vehicle.

c) Outsourcing of day-to-day management

In line with the general prohibition (section 19 of FSMA), a person (including a firm) cannot carry out a regulated activity in the UK, or purport to do so, unless they are either an authorised person or an exempt person under FSMA. An authorised person can only carry out regulated activities for which they have been given specific 'Part 4A permission' by either the FCA or PRA (depending on the regulated activities carried on) under each regulator's respective authorisation process.

Anyone doing business in the UK should establish whether their proposed business requires them to apply for authorisation to carry on regulated activities. The activities and specified investments which constitute 'regulated activities' are set out generally under FSMA and are defined in the RAO which is secondary legislation under FSMA.

It is the responsibility of the outsourced service provider to satisfy themselves that they are not carrying on any regulated activity without the required 'Part 4A permission'. Similarly, it is for the applicant to have satisfied themselves that the outsourced service provider is not acting without the required permissions.

d) Copies or drafts of the key outsourcing agreements.

No additional notes.

Supervisory reporting – Article 325

This information is required for the PRA to assess the ISPV's compliance with Articles 318(g) and 325, and Articles 13-18 of the Implementing Regulation.

4.11 Date of the ISPV's financial year end (dd/mm).

Once authorised, this is the date that will be used to determine the timing of the ISPV's reporting to us in accordance with Article 325(4). If the ISPV is a limited company the date entered here must match that in the Companies House Registration.

4.12 Describe how the ISPV's planned supervisory reporting procedures will comply with the requirements of:

- a) Articles 325 and 326(3);**
- b) the specific reportable matters identified under Article 326(3);**
- c) Articles 13-18 of the Implementing Regulation; and**
- d) the reporting templates set out in Annexes II and III of the Implementing Regulation.**

No additional notes.

5

Compliance Arrangements

The applicant must have the appropriate compliance arrangements in place.

Compliance procedures

- 5.1 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

- 5.2 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

- 5.3 Is there any other information relevant to our assessment of this application?**

No additional notes.

Financial crime

- 5.4 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.

6

Documents for this application

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

Supporting Documentation

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

No additional notes.

6.2 Please provide any comments on supporting documents if necessary.

No additional notes.

7 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.

8 Declaration

Declaration

No additional notes.

Who must sign the declaration?

No additional notes.