

FINAL NOTICE

To: **Barents Reinsurance S.A., London Branch (Firm Reference Number: 769891)**

Date: 24 July 2025

1. Action

1.1. For the reasons set out in this Notice, the Prudential Regulation Authority (the “**PRA**”) has imposed a financial penalty on Barents Reinsurance S.A., London Branch (the “**Firm**”) of £2,550,000 for breaching:

1.1.1. PRA Fundamental Rule 6 (*A firm must organise and control its affairs responsibly and effectively*);

1.1.2. Rules 2.1 and 2.5, Reporting part of the PRA Rulebook; and

1.1.3. Rules 2.3 and 2.6, Conditions Governing Business (“**CGB**”) General Governance Requirements part of the PRA Rulebook

between 1 July 2021 to 31 October 2023 (the “**Relevant Period**”), or parts therein.

1.2. The Firm agreed to settle at an early stage of the PRA’s investigation (the “**Discount Stage**”), and qualified for a 30% discount pursuant to the PRA Settlement Policy. As a result, the financial penalty was reduced to £1,785,000.

2. Summary of reasons for the action

Firm and regulatory overview

- 2.1. Barents Reinsurance S.A. is a Luxembourg-based reinsurer that provides a range of reinsurance products to property and casualty insurers globally. It is authorised and regulated by the Commissariat aux Assurances (the “**CAA**”) as a reinsurance undertaking pursuant to the Solvency II Directive.
- 2.2. Prior to the United Kingdom’s exit from the European Union (“**EU**”) in 2020, Barents Reinsurance S.A. offered reinsurance services to customers in the UK without specific authorisation from the PRA (by ‘passporting’ into the UK). It did so via a branch in the UK.
- 2.3. Following the end of the Brexit transition period, the Firm entered the Temporary Permissions Regime (“**TPR**”) on 31 December 2020. From this point onwards it was considered by the PRA to be a third country branch with a deemed Part 4A permission (pure reinsurance).
- 2.4. This Notice distinguishes between the ‘**third country branch**’ in the UK, referred to as the ‘Firm’ and the Luxembourg ‘**third country branch undertaking**’, referred to as ‘Barents Reinsurance S.A.’
- 2.5. In advance of commencement of the TPR, the PRA had set out its expectations regarding the supervision of firms in the TPR by way of Supervisory Statements and letters to branch managers.
- 2.6. The Firm did not have to report branch-specific information to the PRA until 1 July 2021 and the effective date of certain other rules within the PRA Rulebook were delayed until April 2022.
- 2.7. In 2022 the Firm generated gross written premiums in excess of £90,000,000. This amounted to approximately 70% of the gross written premiums written by Barents Reinsurance S.A. in that year.
- 2.8. As of 31 October 2023, the Firm is in Supervised Run-Off (“**SRO**”) with a deemed Part 4A permission and is winding down its UK operations. Firms in

SRO can perform regulated activities for existing contracts but cannot write new business. Barents Reinsurance S.A. continues to operate in Luxembourg.

Reinsurance

- 2.9. The UK reinsurance market is the world's largest commercial and specialist reinsurance market, providing expertise in managing complex risks and serving global clients. The UK reinsurance market plays a vital role in the financial stability of the UK insurance industry, supporting insurers' ability to absorb large losses and fostering market innovation.
- 2.10. The PRA, through its rulebook and guidance, sets prudential requirements for reinsurance, including those for third country branches, focusing on solvency, risk management and other matters.

Breaches

- 2.11. During the Relevant Period, the Firm breached several parts of the PRA Rulebook, specifically:
- 2.11.1. PRA Fundamental Rule 6: The Firm failed to organise and control its affairs responsibly and effectively. There was inadequate preparation by the Firm for the regulatory impact of the UK's exit from the EU. Specifically, having become a third country branch on entering the TPR following the UK's withdrawal from the EU, the Firm failed to ensure that it complied, within a reasonable time, with certain rules set out in the PRA Rulebook that would apply to the branch given its new status. In addition, there was a failure by the Firm's management to ensure that certain Internal Audit recommendations were implemented in a timely manner, with the result that some matters were outstanding for several years. Timely implementation of these recommendations is likely to have resulted in significant improvements to the Firm's internal organisation and control framework. For much of the Relevant Period, the governance of the UK business was not proportionate to the nature,

scale and complexity of the branch's operations (which generated approximately 70% of Barents Reinsurance S.A.'s business);

2.11.2. Rules 2.1 and 2.5, Reporting part of the PRA Rulebook: The Firm failed to submit certain required regulatory reports during the period from 8 April 2022 to 24 April 2023 and did not have appropriate systems and structures to fulfil its reporting requirements; and

2.11.3. Rules 2.3 and 2.6, CGB General Governance Requirements part of the PRA Rulebook: The Firm failed to have in place a system of governance proportionate to its operations and lacked a business continuity plan that adequately took into account the UK business.

2.12. Except for the failure to submit regulatory reports, the substantive failings articulated above (and elsewhere in this Notice) did not result in any crystallised risk during the Relevant Period.

2.13. However, these breaches highlight failings in organisation and internal controls, governance, and regulatory compliance within the Firm during the Relevant Period.

3. Sanction

3.1. Taking into account the facts and matters in [Annex A](#) and the relevant factors set out in the PRA Penalty Policy, the PRA considers the Firm's breaches as summarised above and set out more fully in [Annex B](#) justify the imposition of a financial penalty of £2,550,000. That penalty was reduced by 30% to £1,785,000 because the Firm settled the matter with the PRA during the Discount Stage.

The PRA and its expectations

3.2. Subject to certain safeguards, the PRA's view is that the ability of financial services firms to branch into other countries is an important component of an open world economy which in turn benefits the UK economy and furthers the PRA's secondary competitiveness and growth objective to facilitate the international competitiveness of the economy of the UK.

- 3.3. Amongst these safeguards is compliance by third country branches with relevant parts of the PRA Rulebook. Accordingly, the PRA expects branches to maintain proper governance, which is proportionate to the nature, scale and complexity of its operations. A firm's systems and controls must be sufficiently effective and embedded such that, for example, its risk management system is able to measure, monitor, manage and report on a continuous basis the risks to which the firm is, or could be, exposed. This is with a view to ensuring safety and soundness to aid financial stability and, for insurance firms, policyholder protection.
- 3.4. More generally, it is a fundamental expectation of the PRA that firms should be proactive and responsive in adapting to regulatory changes, particularly where these have been forewarned well in advance and where there have been significant PRA communications on the topic.
- 3.5. The PRA expects that firms will rectify any weaknesses identified by internal audits promptly. Where actioning such issues is delayed, this undermines the value of the internal audit function by limiting its ability to demonstrate impact and drive meaningful risk improvement.
- 3.6. As has been communicated by the PRA in numerous publications, accurate and timely regulatory reporting is essential for prudential supervision and identifying key risks.

4. Annexes, appendices and procedural matters

- 4.1. The structure of this Notice is as follows:
 - 4.1.1. **Annex A** - full particulars of the facts and matters relied on by the PRA in its decision-making process regarding the Firm;
 - 4.1.2. **Annex B** - the relevant regulatory requirements and the breaches;
 - 4.1.3. **Annex C** - the basis for the sanction the PRA has imposed;
 - 4.1.4. **Annex D** - important procedural matters;

- 4.1.5. **Appendix 1** - the definitions used in this Notice; and
- 4.1.6. **Appendix 2** - relevant statutory, regulatory and policy provisions applicable during the Relevant Period.

David Chaplin

Head of Legal, Enforcement and Litigation Division

For and on behalf of the PRA

ANNEX A: FACTS AND MATTERS RELIED UPON

1. Background

Corporate structure and business model

- 1.1 Barents Reinsurance S.A. is a Luxembourg-based reinsurer, authorised and regulated by the CAA as a reinsurance undertaking pursuant to the Solvency II Directive, specialising in energy, marine, property, financial lines and general liability.
- 1.2 Historically, Barents Reinsurance S.A. has been heavily reliant on business written by the Firm. From 2020, approximately 70% of the Barents Reinsurance S.A.'s business was written in the UK and attributable to the Firm. The majority of the Firm's business relates to risk located outside of the UK.

Passporting into the UK

- 1.3 Prior to the UK's withdrawal from the EU, financial services firms authorised in another European Economic Area ("EEA") member state to provide certain services were able to provide those services to customers in the UK without obtaining a separate authorisation from the PRA (referred to as 'passporting'). This could be undertaken on a cross-border basis or by way of the establishment of a branch within the UK. A branch forms part of a legal entity headquartered outside of the UK.
- 1.4 In accordance with Article 15(1) of the Solvency II Directive, Barents Reinsurance S.A. was permitted to offer reinsurance services to customers in the UK, without specific authorisation from the PRA.
- 1.5 In 2016, Barents Reinsurance S.A. informed the CAA of its plan to set up a branch in the UK, and the PRA was subsequently notified about its intentions to conduct certain classes of business in the UK under the Solvency II Directive.

- 1.6 From 28 February 2017, the Firm operated in the UK. Responsibility for the prudential supervision of the Firm was split between the home (CAA) and host (PRA) supervision teams.

Application of PRA Rules during the Temporary Permission Regime

- 1.7 Following the UK's withdrawal from the EU on 31 January 2020, the UK entered into a transition period which ended on 31 December 2020. From the end of the transition period, EEA authorised firms could no longer 'passport' into the UK from the EEA. They were instead (where appropriate) treated as 'third country branches'.
- 1.8 To ensure that EEA firms operating in the UK via a passport prior to this date were able to continue their activities in the UK for a limited period after the UK's withdrawal from the EU, the TPR commenced on 31 December 2020. The TPR was available to firms that had previously operated in the UK by way of a passport. Accordingly, the Firm entered into the TPR as a third country branch.
- 1.9 The effect of the TPR was that the Firm was deemed to have a Part 4A permission to continue to conduct its existing regulated activities in the UK and was therefore able to continue operating in the UK within the scope of its previous passport for up to three years from 31 December 2020 to 31 December 2023. Once in the TPR, the PRA had the same powers in relation to the Firm as if the Firm had applied for, and been granted, a Part 4A permission to conduct reinsurance business in the UK. The Firm's permissions under the TPR were limited to those it had immediately prior to commencement of the TPR.
- 1.10 Consequently, from 31 December 2020, all relevant parts of the PRA Rulebook applied to the Firm, including the PRA Fundamental Rules and the Third Country Branches Rules ("**TCB Rules**"), the latter engaging several parts of the PRA Rulebook of which certain rules were subject to certain transitional relief. This transitional relief included delaying the requirements for the Firm to report certain branch-specific information and submit regulatory reports until, respectively, July 2021 and April 2022.

- 1.11 The TCB Rules applied to Barents Reinsurance S.A. as to, amongst other things, governance and reporting. These requirements applied taking account only of the operations and activities effected by the Firm. Accordingly, upon entry into the TPR, the Firm would have needed to ensure it had, amongst other things, appropriate governance in accordance with expectations set out in the PRA Rulebook.
- 1.12 In the months before the TPR commenced, the PRA wrote to firms to remind them to ensure that they were operationally ready for entry into the TPR and to make final preparations for TPR.
- 1.13 The PRA also set out its expectations regarding the supervision of firms in the TPR by way of:
- 1.13.1 supervisory statements; and
 - 1.13.2 letters direct to TPR branch managers in October 2021, August 2022, and May 2023.¹
- 1.14 As these communications made clear, TPR firms were subject to, amongst other things, the TCB Rules, as well as the Fundamental Rules, and those parts of the PRA Rulebook concerning CGB and Reporting requirements. Accordingly, from 31 December 2020 the Firm should have taken steps to ensure that it:
- 1.14.1 had an appropriate governance structure (proportionate to the nature, scale and complexity of operations that generated the majority of Barents Reinsurance S.A.'s revenue); and
 - 1.14.2 was setting in train processes to ensure timely regulatory reporting at the end of the transitional relief referred to above.

Governance of the Firm

- 1.15 During much of the Relevant Period, and despite generating approximately 70% of Barents Reinsurance S.A.'s business, there was no formal governance of the Firm within the UK. Prior to the establishment of the UK

Branch Management Committee (“**UKBMC**”) in December 2022, the Firm was governed primarily by Barents Reinsurance S.A.’s executive committee in Luxembourg. Senior management within the Firm were, throughout the Relevant Period, members of the executive committee.

2. Internal controls

- 2.1 While there was some implementation of enhanced controls within the Firm throughout the Relevant Period, Barents Reinsurance S.A.’s internal audit function identified weaknesses in controls as well as cases where risk mitigation was inadequate or lacking across several business lines and functions. Such matters had a direct read across and impact on the Firm’s ability to organise and control its affairs responsibly and effectively.
- 2.2 During the Relevant Period, Barents Reinsurance S.A.’s internal audit function conducted twenty reviews, several of which were reviews considering the implementation of recommendations made by the internal audit function in reports which were dated prior to the Relevant Period (the “**Internal Audit Implementation Reports**”). The Internal Audit Implementation Reports found that a number of the recommendations made previously by the internal audit function remained outstanding or were recorded as only “partially implemented” as at the date of the Internal Audit Implementation Reports. A number of these outstanding recommendations related to the Firm, and were rated “High Risk” or “Critical” by the internal audit function.
- 2.3 Certain of the findings of the Internal Audit Implementation Reports relating to the Firm include:
 - 2.3.1 Data quality: Several weaknesses and limited quality control were identified concerning the accuracy of certain data in the Firm’s technical accounting process despite being flagged in a 2019 audit report.
 - 2.3.2 Policies and Procedures: It was identified that the Firm’s policies and procedures in various processes required a comprehensive review, with many outdated, in draft or non-existent. Furthermore, there was a need

for a defined process or control which resulted in a periodic review of policies and procedures.

2.3.3 Business Continuity Plan: The Internal Audit Implementation Reports identified that the Firm's business continuity plan had not been finalised despite being flagged in a 2018 audit report. While Barents Reinsurance S.A. had a business continuity plan in place, it did not adequately take into account the UK business.

2.3.4 Service Providers Management and Outsourcing: There were several recommendations outstanding, including the need to establish an operational due diligence procedure for material agreements and a reporting procedure of third-party management activities to the board.

2.4. In some cases, internal audit recommendations were outstanding for several years. The PRA acknowledges a significant number of "partially implemented" recommendations had been substantially progressed during the Relevant Period.

2.5. In addition to the extended period of time taken to fully implement the recommendations of the Internal Audit Implementation Reports, the Firm did not track the internal audit recommendations that were specific to the Firm separately from the recommendations that were actionable by Barents Reinsurance S.A.

3. Regulatory Reporting from 2022 onwards

3.1. As a consequence of the Firm entering into the TPR, it was granted transitional relief in relation to certain aspects of the TCB rule requirements. This relief included certain rules in relation to regulatory reporting, where the transitional relief extended to 15 months after the Firm entered the TPR.

3.2. Accordingly, the Firm was subject to the reporting requirements for third country branch undertakings as set out in Third Country Branches rule 9.1 from April 2022 and in PRA Supervisory Statement SS44/15. The reporting requirements required the Firm to submit, amongst other information, Regular

Supervisory Reports (“**RSR**”) and Quantitative Reporting Templates (“**QRT**”). Such reports include critical information which enables the PRA to assess the financial soundness at branch level of third-country undertakings.

- 3.3. The import of high-quality information being provided in a timely manner to the PRA was communicated to the market and to the Firm on a number of occasions.’
- 3.4. The Firm failed to submit two required regulatory reports during the period 8 April 2022 to 24 April 2023. Specifically, it failed to submit:
 - 3.4.1. the RSR due on 8 April 2022, which was not submitted until 6 February 2023 (and only following a request from the PRA to do so); and
 - 3.4.2. the QRT due on 6 April 2023, which was not submitted until 24 April 2023.
- 3.5. The reporting requirements also required the Firm to have in place appropriate systems and structures to enable it to fulfil the reporting requirements and a written policy approved by its governing body to ensure the ongoing appropriateness of the information submitted to the PRA.
- 3.6. A comprehensive regulatory reporting procedure approved by the governing body of the Firm was not put in place until 29 September 2023. Prior to this date, the Firm relied on a timetable to track reporting deadlines which did not prevent the missed and late submissions of the RSR and QRT in 2022 and 2023 respectively.

4. The 2023 Skilled Person Review

- 4.1. On 12 July 2023 the Firm was given notice, pursuant to section 166 of the Financial Services and Markets Act 2000 (as amended) (the “**Act**”), requiring it to provide the PRA with a Skilled Person report. This was issued on 13 October 2023 (the “**Skilled Person Report**”).
- 4.2. The Skilled Person Report considered the effectiveness of the Firm’s governance and oversight, and risk and controls.

- 4.3. While noting the ongoing remediation exercise within the Firm, it identified several areas of weakness where regulatory expectations were not being met by the Firm.

Governance and oversight

- 4.4. Amongst other things, the Skilled Person Report found that:
- 4.4.1. The Firm's historic governance arrangements did not align with regulatory requirements;
 - 4.4.2. The UKBMC meetings were not formally documented, and limited management information was presented;
 - 4.4.3. There was no evidence of Firm-specific management information; and
 - 4.4.4. The UKBMC decision making authority was not clearly documented.

Risk and controls

- 4.5. The Skilled Person Report found matters of concern relating to certain of the Firm's internal controls, including business continuity plans and outsourcing arrangements.
- 4.6. One quarter of the Skilled Person Report's findings were deemed to be of 'high significance'; which signified to the PRA that the Firm was at risk of committing regulatory breaches or failing to achieve organisational objectives.

5. Project Horizon remediation

- 5.1. In early 2023, in light of regulatory concerns, the Firm established a significant internal remediation project ("**Project Horizon**"). The scope of work involved in Project Horizon was broad, touching upon various aspects of the Firm's business. It involved the input of several external advisers.
- 5.2. The skilled person acknowledged that, by the time the Skilled Person Report was issued, the Firm had already taken a number of steps to address the issues identified in the Skilled Person Report through Project Horizon. The

Skilled Person Report also noted that further enhancements had been implemented following changes to the senior management of the Firm in July 2023.

6. Status of the Firm at the date of this Notice

- 6.1. The Firm entered SRO on 31 October 2023. The Firm continues to be supervised by PRA for the purpose of winding down its UK business in an orderly fashion and is not permitted to take on any new clients.
- 6.2. As of 31 October 2023, the Firm is servicing policies and not undertaking any underwriting activities, save for essential actions relating to the carrying out of policies written before that date.

ANNEX B: BREACHES AND FAILINGS

1. Breaches

1.1. During the Relevant Period, as a result of the facts and matters set out in Annex A to this Notice, the Firm breached the following PRA rules:

1.1.1. PRA Fundamental Rule 6 – A firm must organise and control its affairs responsibly and effectively from 1 July 2021 to 31 October 2023;

1.1.2. Rules 2.3 and 2.6, CGB General Governance Requirements part of the PRA Rulebook from 1 July 2021 to 12 July 2023; and

1.1.3. Rules 2.1 and 2.5, Reporting part of the PRA Rulebook from 1 April 2022 to, respectively, 24 April 2023 and 29 September 2023.

1.2. These rules are set out at Appendix 2.

2. The PRA's expectations

2.1. The PRA is open to international participation in the UK insurance market and recognises the benefits this can bring to the UK. It is the PRA's view that, subject to certain safeguards, the ability of financial services firms to branch into other countries is an important component of an open world economy, which in turn benefits the UK economy and furthers the PRA's secondary competitiveness and growth objective to facilitate the international competitiveness of the economy of the UK.

2.2. The PRA expects this openness to be accompanied by financial and operational resilience to support sustainable economic growth and the PRA's objectives. The PRA terms this 'responsible openness', and this has been informed, in part, by the supervisory lessons learned from the transition from EU passporting to a post-EU withdrawal third-country branch regime.¹

¹ See paragraphs 1.5 and 1.6 of [The PRA's approach to insurance branch authorisation and supervision](#).

- 2.3. Proper and proportionate governance, as well as timely and accurate regulatory reporting are essential for the PRA to advance its primary objective to promote the safety and soundness of PRA-authorised firms, as well as its insurance objective of contributing to the securing of an appropriate degree of protection for those who are or may become policyholders.

TPR preparations and PRA communications

- 2.4. Before the start of the TPR, the PRA wrote to EEA firms to remind them to make sure they were operationally ready for the TPR and to make final preparations. Furthermore, the PRA also wrote to firms after the TPR had commenced to remind them of the new regulatory framework. The PRA therefore expects EEA firms passporting into the UK to have been aware of, and prepared for, the new regulatory framework before it came into effect. The PRA also expects EEA firms to have continued to ensure compliance against the new regulatory framework. This is particularly the case given that for certain elements of the regulatory framework that were newly applicable to EEA firms, transitional relief was put in place.
- 2.5. The PRA expects firms to be proactive in their preparedness for upcoming regulatory change and to take appropriate action in response to PRA communications.

Governance and oversight

- 2.6. The PRA expects third country branches to comply fully with applicable parts of the PRA Rulebook.
- 2.7. The PRA Rulebook requires third country branches to have a sound and prudent system of governance that is proportionate to the nature, scale and complexity of operations.

Implementation of audit recommendations

- 2.8. The PRA expects that where internal audit identifies weaknesses in a firm's governance, controls and risk management, a firm's management will seek to remediate those weaknesses promptly. The PRA also expects firms to take a

holistic approach to remediation, proactively considering whether identified remedial activities could be usefully deployed to address similar risks elsewhere in the firm.

Regulatory reporting

- 2.9. The provision of complete, timely and accurate prudential data is a key component in the PRA's supervisory approach. The PRA relies on firms submitting sufficient data, of appropriate quality, to inform its judgements about key risks, to measure individual firms' compliance and performance and to feed into macro-prudential decisions.
- 2.10. Firms should take reasonable care to organise their affairs responsibly and effectively, with adequate systems and controls in place to mitigate and prevent delays in regulatory reporting. These systems and controls should be commensurate to the size and complexity of the firm and designed to mitigate against potential risks to the integrity of the firm's regulatory reporting.
- 2.11. Accurate and timely prudential data supports going-concern supervision and is crucial in identifying, monitoring and managing periods of when firms are under stress or recovering from such periods. A failure to provide accurate and timely regulatory data can indicate a range of weaknesses in a firm's ability to manage its business prudently. Experience shows that firms who do not produce timely, complete and accurate data during periods of relative stability are less likely to produce it in times of stress.

3. Failings

- 3.1. The Firm breached the following PRA Fundamental Rule, CGB General Governance Requirements and Reporting rules during the Relevant Period:

Fundamental Rule 6

- 3.2. During the Relevant Period, the Firm breached PRA Fundamental Rule 6 (*a firm must organise and control its affairs responsibly and effectively*) for the reasons set out below.

- 3.3. The Firm failed to adequately prepare for the impact of the UK's exit from the EU and the corresponding regulatory requirements that would apply upon it entering the TPR. The Firm failed to ensure, within a reasonable period after 31 December 2020, that it complied with all relevant parts of the PRA Rulebook. The PRA provided significant communications to the Firm, and the wider market, several years in advance of the 'transition period' such that the Firm had sufficient notice of the fact that, subject to certain transitional relief, all relevant parts of the PRA Rulebook would apply once the Firm entered the TPR and was deemed to be a third country branch. The Firm failed to take adequate steps to prepare for the new regulatory framework and therefore was in breach of Fundamental Rule 6. This is demonstrated in, amongst other things, the failure to improve the Firm's governance and regulatory reporting processes once it became a third country branch.

Internal controls

- 3.4. The Firm failed to fully implement a number of internal audit recommendations within a reasonable period of time. In some cases, internal audit recommendations were outstanding for several years. This demonstrates a failure to organise and control affairs responsibly and effectively, contrary to the expectations of Fundamental Rule 6.
- 3.5. Specifically, in relation to:
- 3.5.1. Data quality: The Firm failed to adequately address weaknesses in relation to the completeness and accuracy of certain data;
 - 3.5.2. Policies and Procedures: The Firm failed to ensure its policies and procedures were periodically reviewed and formally implemented, resulting in a number of policies being outdated, remaining in draft form or being non-existent;
 - 3.5.3. Business Continuity Plan: The Firm failed to ensure that an appropriate business continuity plan was finalised and implemented (despite being flagged in a 2018 audit report). Barents Reinsurance S.A. had a

business continuity plan in place, but this did not adequately take into account the UK business; and

- 3.5.4. Service Providers Management and Outsourcing: The internal audit findings on weak monitoring and governance over outsourced service providers highlighted significant vulnerabilities in managing third-party risks.
- 3.6. Following the Firm's entry into the TPR and from the start of the Relevant Period, the Firm's management failed to effectively implement all necessary controls identified in the Internal Audit Implementation Reports which were actionable by the Firm within a reasonable period of time. Certain of these recommendations had already been outstanding for a number of years. The PRA regards it as incumbent on the management of firms to ensure that internal audit recommendations are implemented expeditiously, particularly where they are rated high-risk or critical by the internal audit function.
- 3.7. Furthermore, the Firm's risk documentation was insufficiently detailed such that it did not capture all recommendations in the Internal Audit Implementation Reports which needed to be actioned by the Firm (as distinct from those recommendations to be actioned by Barents Reinsurance S.A.). Given the proportion of business that was written in London, this was contrary to Fundamental Rule 6 and the requirement that a firm's system of governance must be proportionate to the nature, scale and complexity of its operations in Rule 2.3 of CGB part of the PRA Rulebook.
- 3.8. The failings articulated above (and elsewhere in this Notice) did not result in any crystallised losses during the Relevant Period. However, because of the weaknesses in systems, structures and policies with respect to regulatory reporting, which crystallised in the breaches of the PRA reporting requirements (discussed below), the Firm did not organise and control its affairs responsibly and effectively in contravention of Fundamental Rule 6.

CGB rules: General Governance Requirements 2.3 and 2.6

- 3.9. During the Relevant Period, the Firm was required to comply with the following rules:
- 3.9.1. **CGB 2.3:** A firm's system of governance must be proportionate to the nature, scale and complexity of its operations; and
 - 3.9.2. **CGB 2.6:** A firm must take steps to ensure continuity and regularity in the performance of its activities, including the development of contingency plans.
- 3.10. The Firm breached rule 2.3 of the CGB requirements during the Relevant Period because, as approximately 70% of Barents Reinsurance S.A.'s business was written in the UK and attributable to the Firm, its governance structure and processes should have been more formalised and embedded to ensure proportionate oversight.
- 3.11. When the UKBMC was established in December 2022 and until July 2023:
- 3.11.1. It did not have a terms of reference. These were created after its establishment and only approved on 12 July 2023;
 - 3.11.2. Agendas and minutes were not prepared with sufficient detail to capture all of the essential discussions taking place during UKBMC meetings; and
 - 3.11.3. The management information presented was limited and not sufficiently specific to the Firm.
- 3.12. Accordingly, the absence of formal and embedded governance of the Firm was not proportionate to the nature, scale and complexity of the Firm's operations in the UK.
- 3.13. The Firm breached rule 2.6 during the Relevant Period because it did not have a business continuity plan as of November 2021. While a business continuity

plan was later prepared for the Firm, it remained unapproved until early 2023; however this did not give rise to a business continuity issue for the Firm.

Reporting rules 2.1 and 2.5

3.14. During the Relevant Period, the Firm was required to comply with the following reporting rules:

3.14.1. **Reporting 2.1**: It had to submit to the PRA information which is necessary for the purposes of the PRA's supervision of the Firm during the period from 1 April 2022 to 24 April 2023; and

3.14.2. **Reporting 2.5**: It had to have in place appropriate systems and structures to fulfil the requirements in Reporting rules 2.1 to 2.4, as well as a written policy approved by its governing body ensuring the ongoing appropriateness of the information submitted by the Firm to the PRA, during the period from 1 April 2022 to 29 September 2023.

3.15. The reporting obligations help the PRA monitor the Firm's financial situation and ensure it meets its regulatory obligations.

3.16. The Firm breached Reporting rule 2.1 as it failed to submit the following regulatory returns as required:

3.16.1. Its RSR which was due on 8 April 2022. The Firm did not submit the report until 6 February 2023 (following a request from the PRA); and

3.16.2. Its year-end QRT which was due on 6 April 2023. It was filed with the PRA on 24 April 2023.

3.17. Breach of Reporting rule 2.1 occurred between 8 April 2022, upon the missing of the RSR deadline, and continued until the post-deadline filing of the QRT on 24 April 2023, a period of 12 months.

3.18. The Firm breached Reporting rule 2.5, which requires a firm to have in place appropriate systems and structures to fulfil its reporting requirements, as well as a written policy approved by its governing body ensuring the ongoing

appropriateness of the information submitted by the firm to the PRA. This is as a result of the inadequate systems and structures in place during the relevant period which resulted in the Reporting rule 2.1 breach.

- 3.19. This breach commenced from 8 April 2022 (the due date for the filing of the RSR, which was missed) and continued until the Firm's new regulatory reporting procedure, which was applicable to both the Firm and Barents Reinsurance S.A., was approved on 29 September 2023.

ANNEX C: SANCTION

1. On 30 January 2024 (and subsequently updated in November 2024), the Bank of England published a revised Approach to Enforcement which included a revised PRA penalty policy. However, when setting a fine, the PRA is required to have reference to the relevant penalty policy in place during the Relevant Period. The PRA's penalty policy which was in place during the Relevant Period is set out in '[The PRA's approach to enforcement: statutory statements of policy and procedure](#)' (September 2021), in particular in 'Chapter 2 – Statement of the PRA's policy on the imposition and amount of financial penalties under the Act' (the "**PRA Penalty Policy**"). Pursuant to paragraphs 12 to 36 of the PRA Penalty Policy, the PRA applies a five-step framework to determine the appropriate level of financial penalty.

Step 1: Disgorgement

2. Pursuant to paragraph 17 of the PRA Penalty Policy, at Step 1 the PRA seeks to deprive a person of any economic benefits derived from, or attributable, to the breach of its regulatory requirements, where it is practicable to ascertain and quantify them.
3. The PRA has not identified any economic benefit that the Firm derived from the breaches, including any profit made or loss avoided, which it would be practicable to ascertain or quantify. The PRA therefore does not require the disgorgement of any sum from the Firm.
4. The Step 1 figure is therefore **£0**.

Step 2: Seriousness of the breach

5. Pursuant to paragraph 18 of the Penalty Policy, at Step 2 the PRA determines a starting point figure for a financial penalty having regard to the seriousness of the breach by the firm, including any threat it posed or continues to pose to the advancement of the PRA's statutory objectives and the size and financial position of the firm.

6. Paragraph 19(a) of the Penalty Policy sets out that a suitable indicator of the size and financial position of the firm may include, but is not limited to, the firm's total revenue or its revenue in respect of one or more areas of its business. Paragraph 19(b) provides that, in those cases where the PRA considers that revenue is an appropriate indicator of the size and financial position of the firm, ordinarily it will calculate the firm's revenue during its last business year, which is the financial year preceding the date when the breach ended.
7. The Firm's revenue for the year ended 31 December 2022 was €103,504,922.91 (£91,788,165.64).² Where revenue is considered an appropriate indicator, the PRA will apply an appropriate percentage rate to the firm's relevant revenue to produce a Step 2 figure that properly reflects the nature, extent, scale and gravity of the breaches. Taking into account the fact that the Firm has been in SRO since 31 October 2023, the PRA does not consider revenue to be an appropriate indicator as a financial penalty based on a percentage of the Firm's 2022 revenue figures would result in a disproportionate penalty.
8. Pursuant to paragraph 19(a) of the PRA Penalty Policy, where the PRA has determined that revenue is not an appropriate indicator, it may use an appropriate alternative indicator.
9. The PRA has taken the following factors into account to determine the appropriate alternative indicator:
 - 9.1. The Firm had several substantive failings which persisted for a significant period of time. Had the Firm failed to meet its obligations in a timely manner, this could have posed a threat to the PRA's objectives of safety and soundness for all regulated firms;
 - 9.2. The PRA does not consider that the breaches were deliberate or reckless;

² The conversion rate applied here is €1 = £0.8868. This is the rate published on the Bank of England [website](#) as at 30 December 2022. No rate was published for 31 December 2022, the relevant date of the end of the accounting period, as it fell on a weekend. As such, the conversion rate of the previous business day has been used.

- 9.3. The Firm failed to implement, in a timely manner, a number of internal audit recommendations. In some cases, internal audit recommendations were outstanding for several years;
 - 9.4. The breaches revealed weaknesses across the Firm's organisation and controls and governance;
 - 9.5. The PRA attaches considerable importance to timely, accurate and complete submission by firms of reports required under the PRA's rules, and the Firm submitted reports late on two separate occasions; and
 - 9.6. The Firm also failed to adequately prepare for the UK's exit from the EU and the new regulatory framework which would apply once it entered into the TPR as a third country branch, despite the PRA's significant communications to the Firm, and the wider market, on the same.
10. Having taken into account the relevant factors and having had regard to the matters set out at Annexes A and B, the PRA considers that the appropriate Step 2 figure is **£3,000,000**.

Step 3: Adjustment for any aggravating, mitigating or other relevant factors

11. Pursuant to paragraph 24 of the Penalty Policy, the PRA may increase or decrease the Step 2 figure to take account of any factors which may aggravate or mitigate the breaches. These factors are set out at paragraphs 25 and 26 of the PRA Penalty Policy. Any such adjustment will normally be made by way of a percentage adjustment to the figure determined at Step 2.
12. The PRA considers that the following factors are relevant in determining whether such an adjustment should be made:
 - 12.1. The Firm cooperated with the PRA's investigation and made admissions as to PRA Rule breaches, including specific admissions as to breaches of certain of the CGB rules, Reporting rules and PRA Fundamental Rule 6, and agreed in principle to pay a regulatory penalty in advance of the Discount Stage;

- 12.2. The Firm does not have a previous disciplinary record in respect of the PRA's regulatory requirements. However, in relation to the Firm's supervisory history, the Firm had not adequately engaged with PRA's supervisors in connection with the preparation and submission of reports; and
- 12.3. The Firm has sought to remediate the weaknesses identified and has incurred substantive remediation costs to date.
13. Having taken into account the above factors, the PRA considers it is appropriate to reduce the Step 2 figure by 15%.
14. The Step 3 figures is therefore **£2,550,000**.

Step 4: Adjustment for deterrence

15. Pursuant to paragraph 27 of the PRA Penalty Policy, if the PRA considers the penalty following Steps 2 and 3 is insufficiently effective to deter the Firm or others from committing further or similar breaches, then the PRA may increase the penalty at Step 4 by making an appropriate adjustment to it.
16. The PRA considers that the Step 3 figure of **£2,550,000** represents a sufficient deterrent to the Firm and others, and so has not increased the penalty at Step 4.

Step 5: Application of any applicable reductions for early settlement or serious financial hardship

17. Pursuant to paragraph 30 of the PRA's Penalty Policy, where a firm claims that payment of a penalty determined by the PRA will cause them serious financial hardship (and the onus is on the firm or individual to satisfy the PRA that this would be the case), in exceptional circumstances the PRA may reduce the penalty. Although the Firm is currently in SRO, the Luxembourg undertaking, Barents Reinsurance S.A., continues its normal operations and has the ability to absorb a penalty.
18. Pursuant to paragraph 29 of the PRA's Penalty Policy, if the PRA and the firm upon whom a financial penalty is to be imposed agree the amount of the financial penalty and any other appropriate settlement terms, the PRA Settlement Policy

provides that the amount of the penalty which would otherwise have been payable may, subject to the stage at which a binding settlement agreement is reached, be reduced by 30% (as set out at paragraph 28 of the PRA Settlement Policy).

19. The PRA and the Firm reached an agreement to settle during the Discount Stage. Therefore, a 30% settlement discount applies to the Step 4 figure.
20. The Step 5 figure is therefore **£1,785,000**.

ANNEX D: PROCEDURAL MATTERS

1. Decision maker

- 1.1. The settlement decision makers made the decision, which gave rise to the obligation to give this Final Notice.
- 1.2. This Final Notice is given under and in accordance with section 390 of the Act.

2. Manner and time for payment

- 2.1. The Firm must pay the financial penalty in full to the PRA by no later than 15 August 2025. If all or any of the financial penalty is outstanding on 16 August 2025 – the day after the due date for payment – the PRA may recover the outstanding amount as a debt owed by the Firm and due to the PRA.

3. Publicity

- 3.1. Sections 391(4), 391(6A) and 391(7) of the Act apply to the publication of information about the matter to which this Final Notice relates. Under those provisions, the PRA must publish such information about the matter to which the Final Notice relates as the PRA considers appropriate. However, the PRA may not publish information if such publication would, in the opinion of the PRA, be unfair to the person with respect to whom the action was taken or prejudicial to securing an appropriate degree of protection to policyholders.

4. PRA contacts

- 4.1. For more information concerning this matter generally, please contact Press Office (Press@BankofEngland.co.uk).

APPENDIX 1: DEFINITIONS

The definitions below are used in this Notice:

1. **“Act”** means the Financial Services and Markets Act 2000 (as amended);
2. **“CAA”** means the Commissariat aux Assurances;
3. **“CGB”** means the Conditions Governing Business (part of the PRA Rulebook);
4. **“Discount Stage”** means the period during which a firm or individual may qualify to for a 30% reduction in financial penalty, pursuant to the PRA Settlement Policy by reaching a settlement at an early stage;
5. **“EEA”** means the European Economic Area;
6. **“EU”** means the European Union;
7. **“Firm”** means Barents Reinsurance S.A., London Branch;
8. **“Notice”** or **“Final Notice”** means this final notice, together with its Annexes and Appendices;
9. **“Internal Audit Implementation Reports”** means the reviews considering the implementation of recommendations by Barents Reinsurance S.A.’s Internal Audit function;
10. **“PRA Penalty Policy”** means ‘*The Prudential Regulation Authority’s approach to enforcement: statutory statements of policy and procedure September 2021 – Chapter 2 – Statement of the PRA’s policy on the imposition and amount of financial penalties under the Act*’;
11. **“PRA Rulebook”** means the Prudential Regulation Authority Rulebook;
12. **“PRA Settlement Policy”** means ‘*The Bank of England’s approach to enforcement: statements of policy and procedure (November 2024) – Annex 1, Chapter 10 - Statement of the PRA’s policy on enforcement statutory notices and*

the allocation of decision-making in uncontested cases, and settlement decision-making procedure and policy’;

13. “**PRA**” means the Prudential Regulation Authority;
14. “**Project Horizon**” means the internal remediation exercise established in early 2023;
15. “**QRT**” means the Quantitative Reporting Templates;
16. “**Relevant Period**” means the period from 1 July 2021 to 31 October 2023;
17. “**RSR**” means the Regular Supervisory Reports;
18. “**Skilled Person Report**” means the 2023 report issued, pursuant to Section 166 of the Act, into the Firm’s (i) governance and oversight; and (ii) risk and controls;
19. “**SRO**” means Supervised Run-Off;
20. “**TCB Rules**” means the Third Country Branches Rules;
21. “**Third Country Branch**” means a third country insurance branch or a third country pure reinsurance branch;
22. “**Third Country Branch Undertaking**” means (1) a third country insurance undertaking that has a third country insurance branch; or (2) a third country insurance undertaking or third country reinsurance undertaking that has a third country pure reinsurance branch.
23. “**TPR**” means the Temporary Permissions Regime;
24. “**Tribunal**” means the Upper Tribunal (Tax and Chancery Chamber);
25. “**UK**” means the United Kingdom; and
26. “**UKBMC**” means the UK Branch Management Committee.

APPENDIX 2: RELEVANT STATUTORY AND REGULATORY PROVISIONS

The PRA's objectives

1. The PRA has a general objective, set out in section 2B(2) of the Act, to promote the safety and soundness of PRA-authorised persons. Section 2B(3) of the Act provides that the PRA's general objective is to be advanced primarily by:
 - (a) seeking to ensure that the business of PRA-authorised persons is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and
 - (b) seeking to minimise the adverse effect that the failure of a PRA-authorised person could be expected to have on the stability of the UK financial system.
2. The PRA also has an insurance objective, set out in section 2C(2) of the Act, to contribute to the securing of an appropriate degree of protection for those who are or may be policyholders.

Section 206 – Disciplinary powers

3. Section 206 of the Act provides that: *'If the appropriate regulator considers that an authorised person has contravened a relevant requirement imposed on the person, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate'*.
4. The Firm is an authorised persons for the purposes of section 206 of the Act. Relevant requirements imposed on authorised persons include rules made under the PRA Rulebook, including the PRA's Fundamental Rules.

RELEVANT REGULATORY PROVISIONS

PRA's Fundamental Rules

5. The PRA has eight Fundamental Rules which apply to all PRA-authorised firms. These are high-level rules which collectively act as an expression of the PRA's

general objective of promoting the safety and soundness of regulated firms. The relevant PRA Fundamental Rule is as follows:

- 5.1. Fundamental Rule 6: 'A firm must organise and control its affairs responsibly and effectively.'

The relevant rules from the PRA Rulebook are as follows:

Third Country Branches

- 7.1 A third country branch undertaking must fulfil the following requirements in the CGB Part, as modified by 7.2 to 7.12:

[...]

- (2) CGB 2.2 to 2.6 (other than 2.2(3)(e));

- 9.1 A third country branch undertaking must fulfil the applicable requirements laid down in the Reporting Part.

CGB, General Governance Requirements

- 2.3 A firm's system of governance must be proportionate to the nature, scale and complexity of its operations; and
- 2.6 A firm must take reasonable steps to ensure continuity and regularity in the performance of its activities, including the development of contingency plans. To that end, the firm must employ appropriate and proportionate systems, resources and procedures.

Reporting, Reporting to the PRA

- 2.1 A firm must submit to the PRA information which is necessary for the purposes of the PRA's supervision of the firm; and
- 2.5 A firm must have in place appropriate systems and structures to fulfil the requirements set out in 2.1 to 2.4, as well as a written policy approved by

its governing body ensuring the ongoing appropriateness of the information submitted by the firm to the PRA.

RELEVANT POLICY

Approach to the supervision of insurers

6. *The Prudential Regulation Authority's approach to insurance supervision, April 2013* (as updated in July 2023) sets out the PRA's approach to banking supervision.

Approach to enforcement

7. *The Bank of England's approach to enforcement: statements of policy and procedure*, January 2024 (as updated in November 2024) sets out the PRA's approach to exercising its main enforcement powers under the Act.
8. The PRA's approach to the imposition of penalties is outlined in the PRA Penalty Policy; and the PRA's approach to settlement is outlined in the PRA Settlement Policy.