

PRA RULEBOOK: ADMINISTRATION INSTRUMENT (No. 1) 2016**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);
 - (2) section 137T (general supplementary powers);
 - (3) section 316(1) (direction by a regulator);
 - (4) section 317 (the core provisions); and
 - (5) section 318 (exercise of powers through Council).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation 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: Administration Instrument (No. 1) 2016

- D. The rules in the Parts of the PRA Rulebook listed in column (1) below are amended in accordance with the Annexes to this instrument listed column (2).

(1)	(2)
LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS	A
LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – TRANSITIONAL PROVISIONS	B
INSURANCE COMPANY - OVERALL RESOURCES AND VALUATION	C
NON-SOLVENCY II FIRMS – GOVERNANCE	D
MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES	E
PUBLIC DISCLOSURE	F
REMUNERATION	G
FINANCIAL CONGLOMERATES	H
LLOYD’S	I
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Commencement

E. The Annexes to this instrument come into force on 12 October 2016.

Citation

F. This instrument may be cited as the PRA Rulebook: Administration Instrument (No. 1) 2016.

By order of the Board of the Prudential Regulation Authority

19 September 2016

Annex A

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Part

**LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME –
APPLICATIONS AND NOTIFICATIONS**

...

7 FORMS

- 7.1 (1) Form A (long form) may be found **here**.
(2) Form A (shortened form) may be found **here**.
(3) Form B may be found **here**.
~~(3)~~(4) Form C may be found **here**.
~~(4)~~(5) Form D may be found **here**.
~~(5)~~(6) Form E may be found **here**.
~~(6)~~(7) The *scope of responsibilities* form may be found **here**.

...

Annex B

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

Part

LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – TRANSITIONAL PROVISIONS

...

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING

...

- 6.3 (1) If, in relation to a *firm*, a *senior insurance management function holder* with *continued approval* also performs *FCA activities* on and from the *commencement date*, performance of the *senior insurance management function* will include the performance of those *FCA activities* provided that the *firm* has included details of the *FCA activities* in a *scope of responsibilities form* for that *senior insurance management function holder* which is provided to the *PRA* by 7 September 2016 in accordance with Large Non-Solvency II Firms – Key Function Holder – Notifications ~~6.35.3~~.

...

8 TRANSITIONAL ARRANGEMENTS FOR NEW SENIOR INSURANCE MANAGEMENT FUNCTIONS

...

- 8.2 Where an *approved person* or a *candidate* is intended to perform a *senior insurance management function* with effect from the *commencement date* but:

(1) in the case of an *approved person*, is not prior to the *commencement date* approved; or

(2) in the case of a *candidate*, is not to be approved

to perform a *controlled function* that is equivalent to the proposed *senior insurance management function* in accordance with 6, the *PRA* directs that the *firm* must not submit a *grandfathering notification* in respect of that *approved person* or *candidate* (as the case may be) but must instead submit a ~~*senior insurance management application*~~ *senior insurance management approval application* for the proposed *senior insurance management function* in accordance with Large Non-Solvency II Firms – Key Function Holder – Notifications 5.4.

...

Annex C

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Part

INSURANCE COMPANY - OVERALL RESOURCES AND VALUATION

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

securitisation risk

includes the risk that the *capital resources* held by a *firm* in respect of assets which it has ~~securitised~~securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

...

Annex D

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Part

NON-SOLVENCY II FIRMS – GOVERNANCE

...

4 GOVERNANCE FOR NON-DIRECTIVE FRIENDLY SOCIETIES

...

4.7 A *firm* must ensure that the systems of control and of inspection and reporting are adequate to enable the *governing body* to properly discharge:

(1) the duties imposed on it by or under ~~FMSA~~FSMA, the Friendly Societies Act 1992 or the Friendly Societies Act 1974; and

(2) the functions of direction of the affairs of the *friendly society* or *registered branch*.

...

Annex E

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Part

MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES

...

4 PAYMENTS

4.24.1 A *firm* or a *dormant account provider* (and, where applicable, the *Society*) must pay its share of a *MERS levy* in one payment.

~~46.34.2~~ A share of a *MERS levy* is due on, and payable within, 30 days of the date when the invoice is issued.

~~46.44.3~~ A *firm* or a *dormant account fund operator* (and, where applicable, the *Society*) must pay its share of a *MERS levy* by either direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard/American Express only).

4.24.4 The *FSCS* may reduce, remit or refund any overpaid amounts paid in respect of a *MERS levy* in respect of a particular period, due to a mistake of law or fact by a *firm*, a *dormant account fund operator* or, where applicable, the *Society*, provided that the claim is made by the *firm*, *dormant account provider* or, where applicable, the *Society* not more than two years after the beginning of the period to which the overpayment relates.

...

Annex F

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

Part

PUBLIC DISCLOSURE

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *CRR firm*.

1.2 In this Part, the following definitions shall apply:

average exposure measure

...

Annex G

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Part

REMUNERATION

15.20 A *firm* must ensure that:

- (1) ...
- (2) any variable *remuneration* is subject to clawback, such that it is only awarded if an amount corresponding to it can be recovered from the individual by the *firm* if the recovery is justified on the basis of the circumstances described in 15.21(2) or ~~15.22~~15.23; and
- (3) ...

Annex H

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Part

FINANCIAL CONGLOMERATES

1 APPLICATION AND DEFINITIONS

...

1.4 In this Part, the following definitions shall apply:

...

applicable sectoral consolidation rules

means in respect of a *financial sector* the ~~PRA's~~PRA's *sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 8 of Annex 2 of this Part (Application of sectoral consolidation rules).

...

IFPRU investment firm

means an *investment firm*, as defined in article 4(1)(2) of the *CRR*, including a *collective portfolio management investment firm*, that satisfies the following conditions:

- (1) it is a *FCA-authorised firm*;
- (2) its head office is in the *UK*; and
- (3) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

IFPRU limited activity firm

means a *limited activity firm* that meets the following conditions:

- (1) it is an *FCA-authorised firm*;
- (2) its head office is in the *UK*; and
- (3) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

...

sectoral rules

means, in relation to a *financial sector*, the following rules and requirements relating to the prudential supervision of regulated entities within that *financial sector*:

- (1) for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (3);

...

- (7) references to the ~~PRA's~~PRA's sectoral rules are to sectoral rules in the form of rules.

...

5 ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUND MANAGERS

5.1 A *firm* must treat an *asset management company* and an *alternative investment fund manager* that is a member of a *financial conglomerate* of which that *firm* is a member:

- (1) ...

- (2) In the case of a *financial conglomerate* for which the *PRA* is the *coordinator*, a *firm* must allocate an *asset management company* and an *alternative investment fund manager*.

~~(1)(a)~~ ...

~~(2)(b)~~ to the *insurance sector* where a decision to that effect has been made by the *undertaking* in the *financial conglomerate* that is the group member referred to in Article 4(2) of the *Financial Conglomerates Directive*; or

~~(3)(c)~~ ...

- (3) The decision in (2):

~~(1)(a)~~ will apply to all *asset management companies* and all *alternative investment fund managers* that are members of the *financial conglomerate* from time to time;

~~(2)(b)~~ cannot be changed; and

~~(3)(c)~~ must be notified to the ~~PRA~~PRA without delay.

...

ANNEX 2 - CAPITAL ADEQUACY CALCULATIONS FOR FINANCIAL CONGLOMERATES

...

6 Table: PART 4: Definitions used in this Annex

Solo capital resources 6.2 ...

requirement: banking
sector and investment
services sector

- (4) If there is a *credit institution* in the *financial conglomerate*, the *solo capital resources requirement* for any *undertaking* in the *banking sector* or the *investment services sector* is, subject to (2) and (3), calculated in accordance with the *CRR* for calculating the *own funds requirements* ~~of a of a bank~~.

...

Solo capital resources
requirement: insurance
sector

- 6.4 (1) The *solo capital resources requirement* of an *undertaking* in the *insurance sector* is:
- (a) in respect of a *UK Solvency II firm*, the *SCR*;
 - (b) in respect of a *Solvency II undertaking* other than a *UK Solvency II firm*, the equivalent of the *SCR* as calculated in accordance with the *Solvency II EEA implementing measures* in the *EEA State* in which it has received authorisation in accordance with article 14 of the *Solvency II Directive*;
 - (c) in respect of a *third country insurance undertaking* or *third country reinsurance undertaking* ~~*third country reinsurance undertaking*~~ to which Group Supervision, 10.4(2) applies, the equivalent of the *SCR* as calculated in accordance with the applicable requirements in that *third country*;

...

Annex I

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Part

LLOYD'S

11 AUDITORS AND ACTUARIES DIRECTION

- 11.1 (1) ...
- (2) Regulations made by ~~the Treasury~~ HM Treasury under section 342(5) and section 343(5) of Part XXII of *FSMA* apply only to *actuaries* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*, in relation to the *long-term insurance business* of that *syndicate*.
- (3) ...
- ...

Annex J

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

Part

GLOSSARY

Article 12(1) relationship

means a relationship where ~~undertakings~~ are linked by a relationship within the meaning of Article 12(1) of Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC).

Article 12(1) relationship

means a relationship where ~~undertakings~~ undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.

...

insurance market activities

means a regulated activity relating to contracts of insurance written at Lloyd's.

...

subsidiary undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* of which another *undertaking* is its *parent undertaking*.

...

third country insurance undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as an insurance undertaking in accordance with Article 14 of the *Solvency II Directive* if its head office was situated in the *EEA*.

...

third country reinsurance undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as a *reinsurance* undertaking in accordance with Article 14 of the *Solvency II Directive* if its head office were situated in the *EEA*.

...