

Bank of England

Prudential Regulation Authority

DIRECTION

Of: [insert firm address]

Ref: [number provided by PRA Authorisations team]

Date: [insert issue date]

PRA Rulebook version as in force at 31 December 2024

Powers

1. This direction is given by the *PRA* under section 138A of *FSMA*.
 - a. Section 138A(1) of *FSMA* provides that the *PRA* may, with the consent of a person who is subject to rules made by the *PRA*, direct that all or any of those rules are not to apply to that person or are to apply to that person with such modifications as may be specified in the direction issued by the *PRA*.
 - b. Section 138A(7)(b) of *FSMA* provides that the *PRA* may vary a direction given by it under section 138A of *FSMA* with the consent of the person to whom it relates. The *PRA* has decided to vary the direction [REFERENCE]¹ as set out in this direction.

Duration

2. This direction takes effect on 31 December 2024.
3. This direction ceases to have effect if any part of the rules listed in paragraph 5 of this direction are revoked or cease to apply to the firm (other than by virtue of this direction).

¹ In cases where this direction supersedes an existing direction, the reference number of the superseded direction will be inserted here in the direction as issued; otherwise this sentence will be deleted from the direction as issued.



Rules Waived

4. The *PRA* directs that the rules listed below are waived for the firm.

Part	Waived
Solvency II UK firms - Audit Committee	Rule 2.2
Solvency II UK firms - Conditions Governing Business	Rule 3.1(1A) to 3.12
Solvency II UK firms - External Audit	Rules 1 to 4
Solvency II UK firms - Minimum Capital Requirement	Rules 1 to 6
Solvency II UK firms - Reporting	Rules 3 to 6
Solvency II UK firms - Run-off Operations	Rules 1 to 4
Solvency II UK firms - Solvency Capital Requirement - General Provisions	Rules 1 to 5
Solvency II UK firms - Solvency Capital Requirement - Standard Formula	Rules 1 to 7

Rules Modified

5. The *PRA* directs that the rules listed below apply to the firm with the modifications shown (new text underlined, deleted text is struck through).

Rule	Modification
<p>Glossary – definition of small run off firm</p>	<p>means a <i>firm</i>:</p> <p><u>which is in any form of <i>insolvency proceedings</i> ; or</u></p> <p><u>was previously in any form of <i>insolvency proceedings</i> and is now subject to a scheme of arrangement pursuant to Part 26 or Part 26A of the Companies Act 2006</u></p> <p><u>OR</u></p> <p><u>If not in any form of <i>insolvency proceeding</i> either now or in the past:</u></p> <p>(1) whose <i>Part 4A permission for effecting contracts of insurance</i> has been cancelled as at the date on which the <i>firm</i> becomes a <i>small run-off firm</i>;</p> <p>(2) which has not effected any new <i>contracts of insurance</i> in the <i>12 months</i> before the date on which the <i>firm</i> becomes a <i>small run-off firm</i>;</p> <p>(3) which has not participated as a transferee in a transfer of insurance business under Part VII of <i>FSMA</i> in the <i>12 months</i> before the date on which the <i>firm</i> becomes a <i>small run-off firm</i>; and</p> <p>(4) the value of whose <i>technical provisions</i> is less than £25 million, as reported in each of the firm’s two most recent <i>annual reports and accounts</i> published before the date on which it becomes a <i>small run-off firm</i>.</p> <p>A <i>firm</i> remains a <i>small run-off firm</i> unless, after the date on which it becomes a <i>small run- off firm</i>, it:</p> <p>(1) has a <i>Part 4A permission for effecting contracts of insurance</i>;</p> <p>(2) effects a new <i>contract of insurance</i>; or</p> <p>(3) participates as a transferee in a transfer of insurance business under Part VII of <i>FSMA</i>.</p>
<p>Glossary – act as an Insolvency Practitioner</p>	<p><u>has the meaning given by section 388 of the Insolvency Act 1986</u></p>
<p>Glossary – Scheme Administrator</p>	<p><u>means the person named as scheme administrator on the court order filed in respect of a scheme of arrangement pursuant to Part 26 or Part 26A of the Companies Act 2006 in relation to the <i>firm</i></u></p>
<p>Glossary – Insolvency Practitioner</p>	<p><u>means a person appointed to (i) act as insolvency practitioner, (ii) act as a receiver or (iii) act in an equivalent role to either (i) or (ii) in any jurisdiction outside the United Kingdom [in relation to an insurer]</u></p>

<p><u>Glossary</u> – <u>Insolvency Proceedings</u></p>	<p><u>means:</u></p> <p>(1) <u>any proceedings under the Insolvency Act 1986 or Companies Act 2006 declaring a firm insolvent or winding up its business including, without limitation, administration, company voluntary arrangement, scheme of arrangement, receivership, administrative receivership, liquidation or sequestration; or</u></p> <p>(2) <u>any equivalent process in any jurisdiction outside the United Kingdom.</u></p>
<p>Audit Committee Rule 2.1</p>	<p>Subject to 2.3 a firm must have an audit committee which meets the criteria set out in 2.2 and which isThe Insolvency Practitioner or Scheme Administrator, as applicable, shall be responsible for performing the functions set out in 2.4.</p>
<p>Audit Committee Rule 2.4</p>	<p>A firm must ensure that its audit committee performs at least the following functions: The Insolvency Practitioner or Scheme Administrator, as applicable, must:</p> <p>(1) informs the governing body of the firm of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;</p> <p>(2) monitors the financial reporting process and make any changes necessary submits recommendations or proposals to ensure its integrity;</p> <p>(3) monitors the effectiveness of the firm’s internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the firm, without breaching its independence;</p> <p>(4) monitors the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account, where applicable, any findings and conclusions of the Financial Reporting Council Limited pursuant to Article 26(6) of the Statutory Audit Regulation;</p> <p>(5) reviews and monitors the independence of the statutory auditor or the audit firm in accordance with, where applicable, paragraphs 2(3), 2(4), 3, 4(1), 4(2), 5 to 8 and 10 to 12 of Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016 (SI 2016/XXX) and, where applicable, Article 6 of the Statutory Audit Regulation, and in particular the suitability of the provision of non-audit services to the firm in accordance with Article 5 of the Statutory Audit Regulation; and</p> <p>(6) isbe responsible for the procedure for the selection of the statutory auditor or audit firm and recommends the statutory auditor or the audit firm to be appointed, where applicable, in accordance with Article 16 of the Statutory Audit Regulation, except when Article 16(8) of the Statutory Audit Regulation is applied.</p>
<p>Conditions Governing Business Rule 2.1</p>	<p>A firm must ensure its governing bodyThe Insolvency Practitioner or Scheme Administrator, as applicable, is ultimately responsible for the firm’s compliance with the PRA rules, FSMA, and all applicable laws, rules, regulations and administrative provisions deriving from FSMA that apply to UK Solvency II firms.</p> <p>[Note: Art. 40 of the Solvency II Directive]</p>
<p>Conditions Governing Business Rule 3.1.1</p>	<p>3.1</p> <p>(1) A firm must establish, implement, and maintain an effective risk-management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks, at an individual and at an aggregated level, to which it is or could be exposed, and their interdependencies.</p>

	<u>The Insolvency Practitioner or Scheme Administrator, as applicable, must have due regard to the risks that the <i>firm</i> faces and must have appropriate risk management to manage these risks.</u>
Conditions Governing Business Rule 6.1.1. (i)	contribute to the effective implementation of the risk-management system referred to in 3., in particular with respect to the risk modelling underlying the calculation of the SCR and MCR and to the <i>firm's</i> ORSA.
Reporting Rule 2.2	<p>2.2 The information referred to in <u>2.1</u> must:</p> <p>(1) be submitted in the applicable format or template (if any) provided in the Reporting Part, <u>subject to (a) and (b) below</u>; and</p> <p>(a) <u>a <i>firm</i> need not submit to the PRA any templates (as described in Chapter 2A) for any year in which the value of its gross undiscounted <i>claims provisions</i> are less than £100 million, as per the <i>firm's</i> most recent audited financial statements.</u></p> <p>(b) <u>a <i>firm</i>, the value of whose gross undiscounted <i>claims provisions</i> are £100 million or above, as per the <i>firm's</i> most recent audited financial statements, must only submit, on an annual basis, to the PRA the following templates (as described in Chapter 2A): IR.05.08, IR.05.09, IR.05.07, IR.18.02 and IR.19.02 – including a nil return, where not relevant, and</u></p> <p>(2) include at least the information necessary to enable the PRA to assess the matters set out below when performing the supervisory review process: (a) the <i>firm's</i> system of governance; (b) the business pursued by the <i>firm</i>; (c) the valuation principles applied by the <i>firm</i> for solvency purposes; and (d) the risks faced by the <i>firm</i>; (e) the risk management systems of the <i>firm</i>; and (f) the capital structure, capital needs and capital management of the <i>firm</i>, and</p> <p>(3) enable the PRA to make any appropriate decisions resulting from the exercise of their supervisory rights and duties.</p>
Reporting Rule 2.5	<p>A <i>firm</i> 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 <u>the Insolvency Practitioner or Scheme Administrator (as applicable)</u> ensuring the ongoing appropriateness of the information submitted by the <i>firm</i> to the PRA.</p> <p>[Note: Art. 35(5) of the <i>Solvency II Directive</i>]</p>
Reporting Rule 2.5A	<p>2.5A As part of the information referred to in 2.1, a <i>firm</i> is required to submit to the PRA on a regular basis:</p> <p>(1) the SFCR (if applicable) to be disclosed in accordance with Chapters 3 to 6, and/or Group Supervision 18, together with any equivalent information disclosed publicly under other legal or regulatory requirements to which the SFCR refers;</p> <p>(2) the following reports:</p> <p>(a) a report comprising the results of each ORSA performed, in accordance with Conditions Governing Business 3.12;</p>

	<p>(b) if the firm is a <i>third country branch undertaking</i>, a resolution report in accordance with Article 49 of Chapter 2A;</p> <p>(c) for firms using an <i>internal model</i>, the qualitative information supporting template QMC.01 in accordance with Article 6(3) of Chapter 2A;</p> <p>(d) for firms using an <i>internal model</i>, the qualitative analysis supporting template AoC.01 in accordance with Articles 19 and 35 of Chapter 2A; and</p> <p>(e) for firms with a <i>matching adjustment permission</i>, the <i>matching adjustment</i> asset and liability information templates MALIR 1–MALIR 7 in accordance with Articles 18A, 42A and 47A of Chapter 2A;</p> <p>...</p> <p>(3) annual, semi-annual and quarterly quantitative templates in accordance with <u>2.2(1)</u> and Chapters 2A and 7.</p>
Reporting Chapter Article 1 2A	<p><u>Article 1: APPLICATION</u></p> <p>1. <u>Subject to 2.2(1)</u>, Articles 6 to 21A of this Chapter <u>(where applicable)</u>, apply to <i>firms</i> other than <i>third country branch undertakings</i>.</p> <p>2. <u>Subject to 2.2(1)</u>, Articles 23 to 36 of this Chapter <u>(where applicable)</u>, apply to:</p> <p>(a) <i>firms</i> or, where applicable, <i>UK holding companies</i> which are part of a <i>group</i> falling within Group Supervision 2.1(1) or Group Supervision 2.1(2), which are required to report information on a <i>group</i> to the <i>PRA</i> under the Group Supervision Part; and</p> <p>(b) <i>firms</i> or, where applicable, <i>UK holding companies</i> which are part of a <i>group</i> under Group Supervision 2.1(3) in accordance with Group Supervision 20, which are required to report information on a <i>group</i> to the <i>PRA</i> under the Group Supervision Part.</p> <p>3. <u>Subject to 2.2(1)</u>, Articles 37 to 50 of this Chapter <u>(where applicable)</u>, apply to <i>third country branch undertakings</i> (other than <i>Swiss general insurers</i>).</p> <p>...</p>

Interpretation

6. Interpretative provisions (including definitions) of the *PRA Rulebook* apply to this direction in the same way they apply to the *PRA Rulebook*.

[Name]

[Area]
Prudential Regulation Authority