

Appendix 1

PRA RULEBOOK: CRR, SOLVENCY II & NON-SOLVENCY II: NOTIFICATION OF THIRD-PARTY ARRANGEMENTS AND OPERATIONAL INCIDENT REPORTING INSTRUMENT 2024

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

PRA Rulebook: CRR, Solvency II & Non-Solvency II: Notification of Third Party Arrangements and Operational Incident Reporting Instrument 2024

- C. The PRA makes the rules in the Annexes to this instrument.

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Commencement

- D. This instrument comes into force on [dd/mm/yy].

Citation

- E. This instrument may be cited as the PRA Rulebook: CRR, Solvency II & Non-Solvency II: Notification of Third Party Arrangements and Operational Incident Reporting instrument 2024

By order of the Prudential Regulation Committee

[DATE]

Annex A

Glossary

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

...

material third party arrangement

means a *third party arrangement* which is of such importance that a disruption or failure in the performance of the product or service provided to the *firm* could:

- (1) pose a risk to:
 - (a) the *firm's* safety and soundness;
 - (b) in the case of an *insurer*, an appropriate degree of protection for those who are or may become the *firm's* policyholders; or
 - (c) where the *firm* is, or is controlled by, an *O-SII*, or is a *relevant Solvency II firm*, the stability of the *UK* financial system; or
- (2) cast serious doubt upon the *firm's* ability to satisfy the *threshold conditions*, the *Fundamental Rules*, the Operational Resilience Part, Insurance – Operational Resilience Part or the Operational Continuity Part of the *PRA* Rulebook.

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relevant Solvency II firm

means, in the Insurance - Operational Resilience Part, Notifications Part and the Regulatory Reporting Part, a *firm* which fulfils any of the following conditions:

- (1) the *firm's* annual gross written premium income exceeds £15 billion; or
- (2) the total of the *firm's* *technical provisions*, gross of the amounts recoverable from *reinsurance contracts* and *UK ISPVs*, as referred to in Technical Provisions 2.1 to 2.3 exceeds £75 billion,

determined on the basis of the average annual amount assessed across a rolling period of three years, calculated by reference to the *firm's* *accounting reference date*; and where the *firm* has been in existence for less than three years, the assessment will be made on the basis of the annual average amount for the period during which the firm has existed (calculated by reference to the *firm's* *accounting reference date*).

...

third party arrangement

means any arrangement whereby a *person* provides to a *firm* a product or service, whether or not the product or service:

- (1) is one which would otherwise be provided by the *firm* itself;
- (2) is provided directly or by a sub-contractor; or
- (3) is provided by a *person* within the same *group* as the *firm*.

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Annex B

Notifications Part

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

2 GENERAL NOTIFICATION REQUIRMENTS

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2.3 A *firm* must give the *PRA* notice of:

- (1) any proposed restructuring, reorganisation or business expansion which could have a significant impact on the firm's risk profile or resources, including, but not limited to:

...

- (e) ~~entering into, or significantly changing, a material outsourcing arrangement~~~~[deleted]~~;

...

2.3B A *firm* (except in the case of a *non-directive firm*) must give the *PRA* notice when entering into, or significantly changing, a *material third party arrangement* which, due to the risks, necessitates a high degree of due diligence, risk management or governance by the *firm*.

2.3C A *firm* must give the notice required in 2.3B by submitting Form M by electronic means.

2.3D Form M may be found here.

Annex C

Regulatory Reporting Part

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

1 APPLICATION AND DEFINITIONS

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1.2 In this part, the following definition shall apply:

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operational incident

means either a single event or a series of linked events which disrupts the firm's operations such that it:

- (1) disrupts the delivery of a service to an end user external to the firm; or
- (2) impacts the availability, authenticity, integrity or confidentiality of information or data relating or belonging to such an end user.

...

24 OPERATIONAL INCIDENT REPORTING

24.1 This Chapter applies only to:

- (1) a CRR firm;
- (2) a UK Solvency II firm;
- (3) in accordance with Insurance General Application 3, the Society, as modified by 26;
- (4) in accordance with Insurance General Application 3, managing agents, as modified by 26; and
- (5) a third country CRR firm in relation to the activities of its establishment in the UK.

Initial Report

24.2 A firm must submit, so far as it is aware, to the PRA the information specified in Reporting Fields Document, as soon as is practicable after the occurrence of an operational incident which could pose a risk to:

- (1) where the firm is, or is controlled by, an O-SII or is a relevant Solvency II firm, the stability of the UK financial system;
- (2) the firm's safety and soundness; or
- (3) in the case of an insurer, an appropriate degree of protection for those who are or may become the firm's policyholders.

Intermediate Report

24.3 A firm must, as soon as is practicable after any significant change in circumstances from that described in a report submitted under 24.2 or 24.3 (including the incident being resolved), so far as it is aware, submit to the PRA the information specified in Reporting Fields Document.

Final Report

Appendix 1

24.4 Within 30 working days or, where this is impracticable, as soon as is practicable but not exceeding 60 working days of the operational incident in 24.2 being resolved, a firm must provide the PRA with the information specified in Reporting Fields Document.

24.5 A firm must send the reports required under this Chapter to the PRA by electronic means.

24.6 The Reporting Fields Document may be found here.

25 MATERIAL THIRD PARTY ARRANGEMENTS REGISTER

25.1 A firm (except in the case of a credit union that has total assets of less than £50 million, a third country firm or a non-directive firm) must:

(a) maintain a register of information relating to its material third party arrangements; and

(b) submit such information as specified in the Material Third Party Arrangements Register annually to the PRA by electronic means.

25.2 The Material Third Party Arrangements Register may be found here.

26 LLOYD'S

26.1 Chapters 24 and 25 apply to the Society and managing agents separately.

Draft for consultation

Annex D

Insurance – Operational Resilience Part

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

1 APPLICATION AND DEFINITIONS

...

1.2 ...

relevant Solvency II firm

means a *firm* which fulfils any of the following conditions:

- (1) ~~the *firm's* annual gross written premium income exceeds £15 billion; or~~
- (2) ~~the total of the *firm's technical provisions*, gross of the amounts recoverable from *reinsurance contracts* and *UK ISPVs*, as referred to in Technical Provisions 2.1 to 2.3 exceeds £75 billion;~~

~~determined on the basis of the average annual amount assessed across a rolling period of three years, calculated by reference to the *firm's accounting reference date*; and where the *firm* has been in existence for less than three years, the assessment will be made on the basis of the annual average amount for the period during which the firm has existed (calculated by reference to the *firm's accounting reference date*).~~

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