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DRAFT STATUTORY INSTRUMENTS

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**2017 No.**

**The Risk Transformation Regulations 2017**

**PART 2**

**Authorisation and supervision of insurance risk transformation**

**Amendment of the Regulated Activities Order**

- 5.—(1) The Regulated Activities Order is amended as follows.  
(2) After article 12A (information society services and managers of UCITS and AIFs)(1) insert—

**“Transformer vehicles: insurance risk transformation**

**12B.** A transformer vehicle(2) does not carry on an activity of a kind specified by article 10 by assuming a risk from an undertaking, provided the assumption of the risk is a specified kind of activity falling within article 13A (transformer vehicles: insurance risk transformation).”(3).

- (3) After article 13 (application of sections 327 and 332 of FSMA) insert—

**“CHAPTER 3A**

**Insurance risk transformation**

**Transformer vehicles: insurance risk transformation**

**13A.** It is a specified kind of activity for a transformer vehicle to assume a risk from an undertaking where—

- (a) the undertaking assumes a risk under a contract of insurance (“the underlying risk”); and
- (b) the assumption of risk by the transformer vehicle has the legal or economic effect of transferring some or all of the underlying risk to the transformer vehicle.”.

- (4) After article 19 (risk-management)(4) insert—

**“Transformer vehicles: insurance risk transformation**

**19A.** A transformer vehicle does not carry on an activity of a kind specified by article 14 by assuming a risk from an undertaking, provided the assumption of the risk is a specified kind of activity falling within article 13A (transformer vehicles: insurance risk transformation).”.

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(1) Article 21A was inserted by [S.I. 2002/1776](#).  
(2) “Transformer vehicle” is defined in section 284A(1) of FSMA.  
(3) A transformer vehicle carrying on the activity specified in article 13A of the Regulated Activities Order is not a reinsurance undertaking for the purposes of the Solvency 2 Directive and does not require authorisation in accordance with Article 14 of that Directive.  
(4) Article 19 was amended by [S.I. 2006/3384](#).

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**Draft Legislation:** This is a draft item of legislation. This draft has since been made as a UK Statutory Instrument: The Risk Transformation Regulations 2017 No. 1212

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