



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

2013

Checklist for Completing and Submitting Special Purpose Reinsurance Vehicle Applications under the Reinsurance Regulations (S.I. 380 of 2006)



Checklist

Notes:

- Complete all sections of this checklist.
- Insert the relevant section number, from the application, in the column of boxes entitled ‘Applicant’. (The last column is for Central Bank of Ireland use only).
- Where the checklist states ‘confirm’ a ‘√’ will be accepted as a confirmation.
- Where the required confirmation/documentation/information is not provided with/in the application, please refer to this in the covering letter indicating the proposed submission date thereof. (Delays in submitting required confirmations, documentation and/or information will delay the licensing timeframes). Please refer to the Guidelines on Completing and Submitting Licence Applications for timeframes for an applicant firm to be authorised.
- All documents to be submitted in English (or Irish if desired) only.

		Applicant	Central Bank Ireland
1.0 <u>Details of the Applicant</u>¹			
1.1	Supply full name and address.		
1.2	Provide the contact details of a principal who will accept receipt of any correspondence from the Central Bank of Ireland in respect of the licence application (i.e. name, address, telephone, fax and e-mail details).		
1.3	Provide contacts details of professional advisors in relation to the special purpose reinsurance vehicle insurance application (if applicable), (i.e. name, address, telephone, fax and e-mail details).		
1.4	Confirm that the Central Bank of Ireland can liaise with the named professional advisors in respect of the licence application.		
2.0 <u>Overview of Promoter/Cedant/Investors</u>			
2.1	Please provide details on the financial strength of promoter to include: a) Most recent Audited Accounts; b) Financial Rating;		
2.2	Please provide details on the financial strength of the cedant to include: a) Most recent Audited Accounts of both the cedant and its reinsurance group; b) Financial rating of the cedant and its ultimate parent/reinsurance group		
2.3	Please provide details of investors to include: a) Proposed investors; b) Professional status/expertise/qualification to assume the risk proposed.		
3.0 <u>Regulatory Supervision</u>			
3.1	Confirm that the cedant has obtained the prior consent of its home country supervisory authority (this confirmation may be provided during the application process but must be submitted with the final application at the latest).		

¹ The “applicant” or the “firm” refers to the entity seeking authorisation.

3.2 Provide contact name and contact details of the individual and department in the home country supervisory authority who has supervisory responsibility for the cedant (and provide same for contact at 3.1 above, if different).

--	--

4.0 Ownership Structure

The SPRV's ownership structure must be consistent with Section 38 of the Reinsurance Regulations.

4.1 Provide details of:

- a) All direct holders of shares or other interests in the applicant; and
- b) All indirect holders of shares/interests (where the holding/interest represents 10% or more of the capital or of the voting rights of the applicant or which makes it possible to exercise a significant influence over the management of the undertaking, i.e. qualifying shareholder).

4.2 Please complete Appendix 1 for all qualifying shareholders and please submit an Individual Questionnaire for all individual qualifying shareholders through our Online Reporting System. Please contact the Authorisation team who will arrange for the applicant to have access to the Online Reporting System.

--	--

4.3 Provide an overview of the SPRV structure and rationale for this structure.

--	--

5.0 Legal Structure

5.1 Confirm that the applicant will be registered in Ireland and subject to Irish law.

--	--

5.2 Outline the full legal structure of the applicant, i.e. limited company, unlimited company, trust etc.

--	--

5.3 Confirm the following documentation accompanies this checklist:

- a) A certified copy of the Certificate of the Incorporation of the applicant (and Certificate of Name Change if applicable). A certified document is one that is stamped, signed and dated as being a true copy of the original at a particular date in time by a party independent of the applicant.

--	--

Please note that the certification stamp must be present on the relevant document.

- b) A draft copy of the Memorandum and Articles of Association of the applicant. (The final copy will be required upon licensing of the applicant).

--	--

- c) Confirm that the objects in the Memorandum and Articles are limited to the business provided for in this application and in the reinsurance regulations.

--	--

5.4 Confirm that the undertakings shall not use intra-group SPRV (i.e. one where no element of finance is raised externally) to achieve a regulatory capital reduction at group level in the absence of any financing external to the group.

--	--

5.5 Confirm the SPRV meets the requirements of a "special purpose reinsurance vehicle" as per Regulation 3(1) of the reinsurance regulations.

--	--

5.6	a) Confirm that the SPRV assumes risk from an undertaking through a reinsurance contract; or		
	b) Confirm that the SPRV assumes insurance risks from an undertaking transferred through a contract that is ‘reinsurance like’.		
6.0 Objectives and Proposed Operations			
6.1	In relation to the SPRV reinsurance contract clearly set out and/or provide:		
a)	Full details of the applicant’s proposed reinsurance business and SPRV contract;		
b)	The SPRV contract should include information about the identities and qualifications of: <ul style="list-style-type: none"> ▪ The ceding undertaking under the relevant SPRV contract; ▪ The persons (if any) who are or will be appointed to act as trustees of the SPRV’s assets. 		
c)	Provide overview of the effectiveness of risk transfer.		
d)	Details of aggregate limits and triggering events;		
e)	Nature of trigger, e.g. indemnity, modelled loss and detail in relation to the nature, level and treatment of basis risk;		
f)	A description of any terms and conditions for payments under the contract between the SPRV and the (re) insurance undertaking;		
g)	A description of any stress tests results (where applicable);		
h)	Actuarial review of underlying business/calculation agent’s report;		
i)	Rating agency’s pre-sale report on behalf of the SPRV;		
j)	Rationale for the proposal and the level of risk assumed.		
6.2	To demonstrate adherence to the “Fully Funded” requirement and satisfactory liquidity arrangements clearly set out and/or provide:		
a)	A schematic detailing the overall retrocession and funding structure;		
b)	A statement of how the SPRV is or will be fully funded.		
6.3	Summary financial projections based on the calculation agents report, premium contributions, expenses and investment income/charges;		
6.4	Provide the investment strategy of the SPRV.		
6.5	Provide details of the risk implications of the firm’s investment strategy;		
6.6	Provide details of investment authority and guidelines for assets held in Trust, along with details of any leverage permitted with these guidelines;		
6.7	Details relating to the potential use of financial guarantors on any of the tranches of notes to be issued;		
6.8	Details of intended hedging instruments, such as interest rate swaps or currency contracts;		

6.9	Details of SPRVs liquidity strategy including structure of waterfall, types of positions and noteholder withdrawal rules;		
6.10	Details of the use of trusts or other arrangements for holding the SPRVs assets and collateral.		
6.11	Demonstrate how the investors have a subordinated claim on SPRV assets.		
6.12	Provide an overview and confirmation that investors will not have recourse to assets of the ceding undertaking.		
6.13	A contingency plan explaining what will occur if: <ul style="list-style-type: none"> ▪ The fully funded principle is breached; ▪ A disagreement arises over whether a payment is due to the undertaking; ▪ A counterparty to a material transaction is unable to fulfil the terms of the transaction; and ▪ Any other matters that would materially affect the operation of the SPRV occur. 		
6.14	Legal documentation, please also provide:		
a)	Prospectus/Offering Circular or Private Placement Memorandum;		
b)	Summaries of all other agreements that form part of the vehicle structure, e.g. trustee agreements, indentures, swaps, calculation agent agreements.		
6.15	Potential conflicts of interest that may arise in respect of the interactions among the various parties into which the SPRV will enter (including any such conflict concerning the applicant/cession) undertaking must be disclosed.		
7.0	Organisation of the Applicant and Governance Arrangements		
7.1	Board of Directors. Provide details of the proposed board of directors and their activities to include propose frequency of board meetings.		
7.2	Applicant's Governance Arrangements. Provide details on how the SPRV meets its system of governance arrangements.		
7.3	Management: Provide details as to how the day-to-day management of the SPRV will be carried out.		
7.4	Provide list of persons who will carry out Pre-Approval Controlled Functions (PCF's) for the applicant firm (including PCF's that are outsourced) and the PCF function they will be performing.		
7.5	A completed 'Individual Questionnaire' must be completed for PCF's. The regulations identify senior positions as PCF's such as Chief Executive Officer, Director or Head Compliance, Risk and Internal Audit. The Individual Questionnaire must be completed through our Online Reporting System. Please contact the Authorisation team who will arrange for the applicant to have access to the Online Reporting System. Please refer to the 'Fitness and Probity' regime available on the Central Bank of Ireland's website for further information on PCF's and due diligence to be undertaken to assess a person's probity to perform a control function (CF) ² .		

² <http://www.centralbank.ie/regulation/processes/fandp/Pages/IntroductiontoFitnessandProbity.aspx>

8.0 Risk Management

	Detailed information is required in respect of the following key functions:		
8.1	<p>Credit Risk</p> <ul style="list-style-type: none"> Please provide details of the procedures in place to ensure that SPRV monitors and reports to the Board of Directors counterparty credit risk and to exercise the contractual remedies available to the SPRV as set out in the various agreements; Provide details of the financial ratings of each counterparty to the SPRV; Provide details of the criteria for accepting/selecting these counterparties. 		
8.2	<p>Administrative and Accounting Procedures, internal controls and risk management techniques</p> <ul style="list-style-type: none"> Provide details of the administrative and accounting procedures, internal controls and risk management techniques that are proportionate to the nature, scale and complexity of the SPRV. Provide details of the persons who are providing or will provide management and other professional service (such as accounting) to the SPRV. 		
8.3	<p>Outsourcing</p> <ul style="list-style-type: none"> The information that should be provided to the Central Bank of Ireland in relation to outsourcing proposals should be consistent with regulatory principles Please provide full details of any outsourcing by the applicant. Copies of all service level agreements should be provided. (Transaction flow charts for the activities involving outsourcing may be required, i.e. details of the interrelationships of the various entities, timings, etc); The scope of activities to be outsourced should be described (outlining whether chain outsourcing is proposed); Confirm that the outsourcing service provider will provide the Central Bank of Ireland with access³ to data held by it (and premises) in order that the Central Bank of Ireland can properly carry out its supervisory functions. Please note that the Central Bank of Ireland will expect to sight a provision in ALL agreements in respect of this; Please provide details of how the outsourced activities will be monitored and controlled including details of key performance indicators used; Please provide details of termination of the agreement, rights and obligations of the outsourcing institution and outsourcing service provider. 		

³ Access should also be provided to allow the outsourcing institution’s compliance and internal audit department access to data and the external auditors full and unrestricted rights of inspection and auditing of that data.

9.0 Capital, Solvency and Financial Projections

- | | | | |
|-----|---|--|--|
| 9.1 | Provide full details in relation to the proposed capital, including size, growth, investor concentration, and management share of the capital base. | | |
| 9.2 | Any assets or rights of the SPRV held or controlled by the cedant should be separately identified from the non-securitised assets and rights of the cedant. | | |

10.0 Other

- | | | | |
|------|--|--|--|
| 10.1 | Confirmation that the Central Bank of Ireland shall be notified as soon as practicable of any material changes to the current business plan and application. | | |
| 10.2 | Provide any other information relevant to the application. | | |
| 10.3 | Confirmation that after authorisation, the SPRV shall, notify the Central Bank of Ireland of any subsequent material development that may give rise to possible breaches of the conditions underlying the decision on authorisation. | | |

Confirmation from Applicant and the service provider responsible for preparation of the SPRV application

We [the applicant/parent/shareholders] hereby confirm that we are responsible for the preparation of this checklist and supporting documents. We have delegated the completion of the checklist including the confirmations set out in (i) and (ii) below, to [service provider].

There is willingness and a capacity on the part of the applicant to comply with codes, prudential and legislative requirements applicable to special purpose reinsurance vehicles on a continuous basis.

Signed: _____

Name (in Print): _____

Title: _____

Name of Employer: _____

Date: _____

(i) The information set out in this checklist is correct and accurate

(ii) The checklist is completed in full

Signed _____

Name (in print) _____

Title _____

Name of Employer _____

Date _____

APPENDIX 1 – QUALIFYING SHAREHOLDERS

Please complete the relevant section below in relation to all qualifying shareholders. A qualifying shareholder, pursuant to, European Communities (Reinsurance) Regulations, 2006, means a direct or indirect holding in an undertaking which represents 10 per cent or more of the capital of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking.

(Copy the relevant section where necessary if more than one shareholder.)

(Where a (qualifying) shareholder does not meet one of the legal forms provided below, e.g. individual shareholders, please discuss the ownership structure with the Central Bank of Ireland in advance of submitting the application).

Shareholder – Company

Disclose name, address and registered number of Shareholder.

--

Where a shareholder is an incorporated entity, confirm that the company (i.e. shareholder) has submitted the following:

- a) Description of activities;
- b) Whether or not the company is regulated and if regulated, by which authority;
- c) Most recent audited accounts if applicable. If not available most recent management accounts should be submitted.
- d) Details of proposed interaction with the applicant;
- e) Written confirmation that the company is the *beneficial* owner of the shares;
- f) Details of any litigation (or known circumstances which might give rise to litigation) against the company currently outstanding or that has occurred in the last five years, except cases arising in the course of normal business activities.
- g) Details of any material written complaints made against the company by its clients or its former clients in the last five years which are awaiting determination by, or have been upheld by an ombudsman.
- h) Details of any significant events or information (for example, in relation to insolvency, reconstruction, civil or criminal investigations or proceedings, or financial services regulations) which would be relevant to our consideration of the company and the applicant’s firm application for authorisation.

Shareholder – Nominee Company

Disclose name, address and registered number of Shareholder.

--

Where a company holds 10% or more of the shares in an applicant firm on behalf of third parties, confirm that the company has submitted the following details relating to the proposed nominee holders of the shares:

- a) Documentation evidencing the fact that the nominee is the registered holder of the shares, i.e. certified copy of the share register;
- b) Documentation evidencing the ownership of the nominee company, i.e. certified copy of the share register;
- c) Audited accounts of the nominee company;
- d) Identity of the beneficial owners of the shares;
- e) Details regarding what object is intended to be served by using such a nominee company, rather than holding the shares directly; and
- f) Appropriate declarations in respect of the nominee holding the shares in trust for the beneficial owners, including formal confirmation from the nominee itself that the relevant declarations of trust remain valid and in force.

Shareholder – Trusts

Disclose name of Shareholder.

--

Where a shareholder is a trust, confirm that the trustees have submitted the following:

- | | |
|---|--------------------------|
| a) Documentation evidencing the fact that the trust is the registered holder of the shares, i.e. certified copy of the share register; | <input type="checkbox"/> |
| b) Copies of the trust deed and any other documentation constituting the trust or relating to the trust in some other way including any supplemental or ancillary deeds, documents or agreements or side letters; | <input type="checkbox"/> |
| c) Completed Individual Questionnaires through our Online Reporting System for the settlers of the Trusts; | <input type="checkbox"/> |
| d) Completed Individual Questionnaires through our Online Reporting System for the trustees of the Trusts; | <input type="checkbox"/> |
| e) Completed Individual Questionnaires through our Online Reporting System for the beneficiaries of the trusts (including details of age for minors) and those of all persons who are within the class of prospective beneficiaries; | <input type="checkbox"/> |
| f) Most recent audited accounts (if available) or other relevant financial information in relation to the trusts to include all assets and liabilities of the trust; | <input type="checkbox"/> |
| g) Purpose of the Trust; | <input type="checkbox"/> |
| h) A signed undertaking is required to ensure that the requirements of the legislation in relation to the shareholders are met on a continuous basis. The undertaking must contain provisions to provide the Central Bank of Ireland with | <input type="checkbox"/> |
| a) advance notice of any acquiring transactions or disposals | <input type="checkbox"/> |
| b) advance notice of any proposed change in the beneficiaries to the trust, the trust deeds, or the trust’s governing law; | <input type="checkbox"/> |
| c) and must be signed by all Shareholders including the trustee(s) and the applicant firm; and | <input type="checkbox"/> |
| d) any material changes in the Trust. | <input type="checkbox"/> |
| i) Legal opinion confirming the validity and efficacy of the undertakings as drafted to suit the circumstances of any particular shareholder trust. | <input type="checkbox"/> |
| j) Provide details of the source of the funds under the trustee’s control. | <input type="checkbox"/> |
| k) Provide the name(s) of the person (s) authorised to sign on behalf of the Trust. | <input type="checkbox"/> |
| l) Provide details of any limitations on the trustee’s power of investments. | <input type="checkbox"/> |

Shareholder – Partnerships

Disclose name, address and registered number of Shareholder.

--

Where a shareholder is a limited liability partnership (‘LLP’), confirm that the partners have submitted the following:

- | | |
|---|--------------------------|
| a) Description of the LLP itself (including names of general and limited partners and details of respective roles); | <input type="checkbox"/> |
| b) Descriptions of activities of the LLP; | <input type="checkbox"/> |
| c) Whether or not the LLP is regulated and by which authority; | <input type="checkbox"/> |
| d) Most recent audited accounts if applicable. If not available most recent management accounts; | <input type="checkbox"/> |
| e) Details of proposed interaction with applicant; | <input type="checkbox"/> |
| f) Written confirmation that the LLP is the beneficial owner of the shares; and | <input type="checkbox"/> |
| g) A copy of the partnership deed and any relevant agreement between the general and limited partners. | <input type="checkbox"/> |
| h) Completed Individual Questionnaire through our Online Reporting System for each partner in the Partnership. | <input type="checkbox"/> |
| i) If the partnership is not a LLP, please contact the Central Bank of Ireland. | <input type="checkbox"/> |

T +353 1 224 4000 F +353 1 894 4631 www.centralbank.ie insuranceauthorisation@centralbank.ie



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Bosca PO 11517, Duga Spencer, Baile Átha Cliath 1, Éire

PO. Box No 11517, Spencer Dock, Dublin 1, Ireland