

General Prudential sourcebook

GENPRU TP 1

Application of GENPRU TP 1 to GENPRU TP 6 and other general provisions for insurers

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GENPRU TP 2 IPRU(INS) waivers

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GENPRU TP 3

Table: IPRU(INS) waivers

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GENPRU TP 4 Capital instruments

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GENPRU TP 5 Calls for supplementary contributions

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GENPRU TP 6 Implicit items waivers

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GENPRU TP 7
[deleted]

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GENPRU TP 8

Miscellaneous capital resources definitions for BIPRU firms

			Application
8.1	R		This section applies to a <i>BIPRU firm</i> .
[FCA]			
8.2	R		Any provision of this section that applies on a consolidated basis under <i>GENPRU TP 8.3R</i> applies to any <i>firm</i> to which <i>BIPRU 8 (Group risk - consolidation)</i> applies.
[FCA]			
			Consolidation
8.3	R		A provision of this section applies on a consolidated basis for the purpose of <i>BIPRU 8 (Group risk -consolidation)</i> to the extent that, and in the same way that, the provision in <i>BIPRU</i> to which it relates applies on a consolidated basis.
[FCA]			
			(2) the <i>building society</i> issued it before 18 November 2004; and
			Preference shares
8.7	R		A <i>BIPRU firm</i> may treat a <i>preference share</i> as eligible for inclusion within stage B of the <i>capital resources table</i> (Perpetual non-cumulative preference shares) if it would not otherwise be eligible if:
[FCA]			
		(1)	on 31 December 2006 the <i>firm</i> was subject to <i>IPRU(INV)</i> ;
		(2)	the <i>firm</i> issued it on or before 31 December 2006;
		(3)	as at 31 December 2006 the <i>firm</i> included it, and was entitled to include it, in the calculation of its capital resources under <i>IPRU(INV)</i> as capital of a type that corresponded to <i>tier one capital resources</i> ;
		(4)	it would have been eligible for inclusion within stage B of the <i>capital resources table</i> except for the fact that it does not meet <i>GENPRU 2.2.64 R (4)(b)</i> (Restrictions on mandatory <i>coupons</i> for <i>tier one capital</i>) or <i>GENPRU 2.2.109 R (1)</i> (Restrictions on mandatory <i>coupons</i> for perpetual non-cumulative <i>preference shares</i>) or both of those rules;
		(5)	the only reason that it does not meet <i>GENPRU 2.2.64 R (4)(b)</i> or <i>GENPRU 2.2.109 R (1)</i> is because a mandatory cash <i>coupon</i> is payable;
		(6)	the <i>firm</i> has the right not to pay the cash <i>coupon</i> if it is in breach of any of the <i>main BIPRU firm Pillar 1 rules</i> or to the extent that paying such <i>coupon</i>

			would result in a breach of any of those <i>rules</i> ; and
		(7)	any amount not paid under (6) does not accumulate.
8.9	R		Upper tier 2 instruments: Deferral of interest
[FCA]			A BIPRU firm may treat a <i>capital instrument</i> as eligible for inclusion within stage G of the <i>capital resources table</i> (Upper tier two capital) if it would not otherwise be eligible if:
		(1)	on 31 December 2006 the <i>firm</i> was subject to IPRU(INV);
		(2)	the <i>firm</i> issued it on or before 31 December 2006;
		(3)	as at 31 December 2006 the <i>firm</i> included it, and was entitled to include it, in the calculation of its capital resources under IPRU(INV) as capital of a type that corresponded to <i>upper tier two capital resources</i> ;
		(4)	it would have been eligible for inclusion within stage G of the <i>capital resources table</i> except for the fact that it does not meet GENPRU 2.2.177 R (2);
		(5)	the only reason that it does not meet GENPRU 2.2.177 R (2) is because a mandatory <i>cash coupon</i> is payable; and
		(6)	the <i>firm</i> has the right not to pay the <i>cash coupon</i> if it is in breach of any of the <i>main BIPRU firm Pillar 1 rules</i> or to the extent that paying such <i>coupon</i> would result in a breach of any of those <i>rules</i> .
8.11	R		Conversion ratio
[FCA]			GENPRU 2.2.138 R (2) (Tier one capital: Conversion ratio) does not apply to a <i>capital instrument</i> issued by a <i>firm</i> if:
		(1)	on 31 December 2006 the <i>firm</i> was subject to IPRU(INV);
		(2)	the <i>firm</i> issued it on or before 31 December 2006; and
		(3)	as at 31 December 2006 the <i>firm</i> included it, and was entitled to include it, in the calculation of its capital resources under:
		(a)	[deleted]
		(b)	IPRU(INV) as capital of a type that corresponded to <i>tier one capital</i> .
8.12	R		Legal opinions
[FCA]			GENPRU 2.2.118 R (Legal opinions for <i>innovative tier one capital</i>) does not apply to a <i>capital instrument</i> issued by a <i>firm</i> if:
		(1)	on 31 December 2006 the <i>firm</i> was subject to IPRU(INV);

		(2)	the <i>firm</i> issued the <i>capital instrument</i> on or before 31 December 2006; and
		(3)	[deleted]
		(4)	the <i>firm</i> included the <i>capital instrument</i> , and was entitled to include it, in the calculation of its capital resources under <i>IPRU(INV)</i> as capital of a type that corresponded to <i>tier one capital</i> .
8.13	R	The following <i>rules</i> :	
[FCA]		(1)	GENPRU 2.2.159 R (12) (Legal opinions for <i>tier two capital</i>);
		(2)	GENPRU 2.2.163 R (Legal opinions for <i>tier two capital</i> governed by a foreign law);
		(3)	GENPRU 2.2.181 R (Legal opinions for <i>upper tier two capital</i>); and
		(4)	GENPRU 2.2.244 R (Application of certain <i>rules</i> about <i>tier two capital</i> to <i>tier three capital</i>) so far as it applies the <i>rules</i> in (1) to (3);
		do not apply to a <i>capital instrument</i> issued by a <i>firm</i> if:	
		(5)	on 31 December 2006 the <i>firm</i> was subject to <i>IPRU(INV)</i> ;
		(6)	the <i>firm</i> issued the <i>capital instrument</i> on or before 31 December 2006; and
		(7)	as at 31 December 2006 the <i>firm</i> included the <i>capital instrument</i> , and was entitled to include it, in the calculation of its capital resources under <i>IPRU(INV)</i> as capital of the type that corresponds to:
		(a)	(where the <i>firm</i> disappplies the <i>rule</i> in (1) or (2)) <i>tier two capital</i> ; or
		(b)	(where the <i>firm</i> disappplies the <i>rule</i> in (3)) <i>upper tier two capital</i> ; or
		(c)	(where the <i>firm</i> disappplies the <i>rule</i> in (4)) <i>tier three capital</i> .
		Version of IPRU	
8.14	R	Any reference in this section to a type of capital in <i>IPRU</i> is to a type of capital in <i>IPRU</i> in the form <i>IPRU</i> was in on 31 December 2006.	
[FCA]		Eligibility	
8.15	G	If this section says that an item of capital is eligible for inclusion within a particular stage of the <i>capital resources table</i> this is still subject to the application of the <i>capital resources gearing rules</i> .	
[FCA]		Waivers and concessions	

8.16 [FCA]	G	<p>A reference to a <i>firm</i> being entitled to include <i>capital instruments</i> in the calculation of its capital resources under <i>IP-RU(INV)</i> at a particular level includes the <i>firm</i> being able to do this under a <i>waiver</i>.</p> <p>Combinations of provisions</p>
8.17 [FCA]	G	<p>A <i>firm</i> may combine the use of two or more of the provisions in this section.</p>

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GENPRU TP 8A

Further miscellaneous capital resources definitions for BIPRU firms

Application and interpretation

8A.1 R This section applies to a *BIPRU firm*. In this section a reference to 30 December 2010 means 23.59 on 30 December 2010.

Tier one capital

8A.2 R Until 31 December 2040 a *BIPRU firm* may treat a *capital instrument* as eligible for inclusion as *hybrid capital*, if it would not otherwise be eligible, if:

- (1) on 30 December 2010 the *BIPRU firm* was subject to *GENPRU*; and
- (2) as at 30 December 2010 the *BIPRU firm* included it, and was entitled to include it, at stage B or C of the calculation in the *capital resources table*.

8A.3 If a *BIPRU firm* treats a *capital instrument* as eligible for inclusion as *hybrid capital* under *GENPRU TP8A.2R*, then the *firm*:

- (1) if it included the *capital instrument* as *innovative tier one capital* as at 30 December 2010, must treat the *capital instrument* as *hybrid capital* included at stage C of the calculation in the *capital resources table*;
- (2) must apply the limit in *GENPRU 2.2.30AR (3)* to the aggregate of the *capital instruments* treated under (1) and the *hybrid capital* that is eligible under *GENPRU 2.2* for inclusion at stage C of the calculation in the *capital resources table*;
- (3) [deleted]
- (4) [deleted]
- (5) must not include *hybrid capital* at stage B2 of the calculation in the *capital resources table* under *GENPRU 2.2*, except as provided by *GENPRU TP8A.4R*, if and to the extent that the aggregate of the following exceeds the limit in *GENPRU 2.2.30AR (2)*
 - (a)
 - (b) *capital instruments* included at stage B of the calculation in the *capital resources table* as at 30 December 2010 and treated under *GENPRU TP8A.2R*;
- (6) if it includes *hybrid capital* at stage B2 of the calculation in the *capital resources table* under *GENPRU 2.2*, except as provided by *GENPRU TP8A.4R*, must include *capital instruments* treated under *GENPRU TP8A.2R* in the calculation of the limit in *GENPRU 2.2.30AR (2)*;
- (7) must not include *hybrid capital* at stage B1 of the calculation in the *capital resources table* under *GENPRU 2.2*, except as provided by *GENPRU TP8A.5R*, if and to the extent that the aggregate of the following exceeds the limit in *GENPRU 2.2.30AR (1)*:

		(a)	<i>capital instruments</i> included at stage C in the <i>capital resources table</i> under (1) and GENPRU 2.2; and
		(b)	
	(8)		if it includes <i>hybrid capital</i> at stage B1 of the calculation in the <i>capital resources table</i> under GENPRU 2.2, except as provided by GENPRU TP8A.5R, must include <i>capital instruments</i> treated under GENPRU TP8A.2R in the calculation of the limit in GENPRU 2.2.30AR (1).
8A.4	R		A BIPRU firm may include <i>hybrid capital</i> at stage B2 of the calculation in the <i>capital resources table</i> , notwithstanding GENPRU TP8A.3R(5), if the firm issued it after 30 December 2010 and:
		(1)	the <i>capital instrument</i> would otherwise be eligible for inclusion as <i>hybrid capital</i> at stage B2 of the calculation in the <i>capital resources table</i> under GENPRU 2.2; and
		(2)	the firm issued it in order to replace another <i>capital instrument</i> that the firm treated as <i>hybrid capital</i> under GENPRU TP8A.2R.
8A.5	R		A BIPRU firm may include <i>hybrid capital</i> at stage B1 of the calculation in the <i>capital resources table</i> , notwithstanding GENPRU TP8A.3R(7), if the firm issued it after 30 December 2010 and:
		(1)	the <i>capital instrument</i> would otherwise be eligible for inclusion as <i>hybrid capital</i> at stage B1 of the calculation in the <i>capital resources table</i> under GENPRU 2.2; and
		(2)	the firm issued it in order to replace another <i>capital instrument</i> that the firm treated as <i>hybrid capital</i> under GENPRU TP8A.2R.
8A.6	R		In relation to the <i>tier one capital resources</i> of a BIPRU firm, calculated at stage F of the calculation in the <i>capital resources table</i> (Total tier one capital after deductions):
		(1)	from 31 December 2020 until 30 December 2030:
		(a)	no more than 20% may be accounted for by items treated under GENPRU TP8A.2R as <i>tier one capital</i> ; and
		(b)	[deleted]
		(2)	from 31 December 2030 until 30 December 2040, no more than 10% may be accounted for by items treated under GENPRU TP8A.2R as <i>tier one capital</i> .
8A.7	R		BIPRU firms which do not comply by 31 December 2010 with the limits set out in GENPRU 2.2.29 R to GENPRU 2.2.30AR (3) must develop strategies and processes on the necessary measures to resolve this situation before the dates set out in GENPRU TP8A.6R.

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GENPRU TP 8B

Miscellaneous capital resources definitions for BIPRU firms: Core tier one capital

Application

8B.1 R This section applies to a *BIPRU firm*.

Core tier one capital

8B.2 R A provision in this section applies on a consolidated basis for the purposes of BIPRU 8 (Group risk - consolidation) to a *UK consolidation group* to the extent that, and in the same manner that, the provision in *GENPRU* to which it relates applies on a consolidated basis.

8B.5 R A *BIPRU firm* may treat an ordinary *share* that has different voting rights to other ordinary *shares* issued by the *firm* as eligible for inclusion within stage A of the *capital resources table* (Core tier one capital) without making a notification of issue or change in voting rights to the *appropriate regulator* under GENPRU 2.2.83B R if:

- (1) on 30 December 2010 the *firm* was subject to *GENPRU*;
- (2) the *firm* issued the ordinary *share* on or before 30 December 2010 and the shareholders were bound by the differences in voting rights on or before 30 December 2010; and
- (3) as at 30 December 2010 the *firm* included the ordinary *share*, and was entitled to include it, in the calculation of *capital resources* under *GENPRU* as *permanent share capital*;

provided that by 30 June 2011 the *firm* provides the *appropriate regulator* with full details of the ordinary *shares*, their terms of issue and the differences in voting rights applicable to those ordinary *shares*.

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GENPRU TP 9
[deleted]

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GENPRU TP 10 Assets of former underwriting members

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GENPRU TP 11 PRU waivers

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GENPRU TP 12 Table: PRU waivers

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GENPRU TP 13 EEA pure reinsurers

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GENPRU TP 14
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GENPRU TP 16
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Schedule 1 Record keeping requirements

Sch 1 G

1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Subject of Record	Contents of record	When record must be made	Retention Period
GENPRU 1.2.60 R - GENPRU 1.2.61 R	<i>Firm's</i> assessment of its financial resources	(1) The major sources of risk the <i>firm</i> has identified (2) How the <i>firm</i> intends to deal with those risks (3) Details of the stress and scenario analyses carried out and the resulting financial resources estimated to be required	Not specified	At least three years
GENPRU 1.3.22 R	Valuation models for marking to model	Secure copy of <i>firm's</i> own valuation model	When model is in use	Not specified

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Schedule 2 Notification and reporting requirements

Sch 2 G

1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant notification requirements.

2 It is not a complete statement of those requirements and should not be relied on as if it were.

3 Table

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
GENPRU 1.5.19 R [PRA]	Intention to change maximum amount of <i>callable contribution</i>	Fact of intention and details of the change	Intention to change the maximum amount	Adequate advance notice, normally not less than 6 months
GENPRU 2.1.11 R [FCA] [PRA]	Breach or expected breach of GENPRU 2.1.13 R or <i>main BIPRU firm Pillar 1 rules</i>	Fact of breach or expectation of breach	Breach or expectation of breach	Immediately
[deleted]				
GENPRU 2.2.61B R [FCA] [PRA]	Intention to issue a <i>capital instrument</i> for inclusion in <i>capital resources</i>	Fact of intention and details of intended amount, issue date, type of investor, stage of capital, features of instrument and confirmation of compliance with <i>rules</i>	Intention to issue	One <i>month</i> prior to issue, unless exceptional circumstances prevent a <i>firm</i> adhering to a one- <i>month</i> period
GENPRU 2.2.61C R [FCA] [PRA]	Proposed changes to details of the issue of a <i>capital instrument</i> notified under GENPRU 2.2.61B R	Proposed change and all information required under GENPRU 2.2.61B R (1) to GENPRU 2.2.61B R (4)	Intention to change any details of the issue previously notified to the <i>appropriate regulator</i>	As soon as the changes are proposed
GENPRU 2.2.61D R [FCA] [PRA]	Proposed establishment of a debt securities program	All information required under GENPRU 2.2.61B R (1) to GENPRU 2.2.61B R (4)	Intention to establish	One month prior to first drawdown

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
GENPRU 2.2.61F R [FCA] [PRA]	Issue of <i>capital instruments</i> for inclusion in <i>capital resources</i> where instrument or facility previously notified to the appropriate regulator	All information required under GENPRU 2.2.61B R (1) to GENPRU 2.2.61B R (3) and confirmation no changes have been made to the terms of the instrument since a previous similar issue	Intention to issue	No later than date of issue
GENPRU 2.2.74 R [FCA] [PRA]	Intention to redeem <i>tier one instrument</i> included in <i>tier one capital resources</i>	Fact of intention and details of the <i>firm's</i> position after such redemption in order to show how it will meet the <i>capital resources requirement</i> , how it will have sufficient financial resources to meet the <i>overall financial adequacy rule</i> and, in the case of a <i>BIPRU firm</i> , how it will not otherwise suffer any undue effects to its financial or solvency conditions	Intention to redeem	At least one month prior to becoming committed to redeem
[deleted]				
[deleted]				
[deleted]				
[deleted]				
GENPRU 2.2.171 R [FCA] [PRA]	Proposal to amend a tier two instrument	Details of the proposed amendment	Proposal to amend	One month before amendment is due to take effect
GENPRU 2.2.174 R [FCA] [PRA]	Intention to repay (other than on contractual repayment date) <i>tier two instrument</i>	Fact of intention and details of the <i>firm's</i> position after such repayment in order to show how it will meet the <i>capital resources requirement</i> and how it will have sufficient financial resources	Intention to repay	Six <i>Months</i> (in the case of an <i>insurer</i>) or one <i>Month</i> (in the case of a <i>BIPRU firm</i>) prior to becoming committed to repayment

Handbook reference	Matter to be notified	Contents of notification	Trigger events	Time allowed
[deleted] [deleted]		to meet the <i>overall financial adequacy rule</i>		

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Schedule 3 Fees and other requirement payments

Sch 3 G

There are no requirements for fees or other payments in *GENPRU*.

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Schedule 4 Powers exercised

Sch 4.1 G
[deleted]

Sch 4.2 G
[deleted]

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Schedule 5 Rights of action for damages

Sch 5 G

1. The table below sets out the rules in *GENPRU* contravention of which by an *authorised person* may be actionable under section 138D of the Act (Actions for damages) by a person who suffers loss as a result of the contravention.

2. If a "Yes" appears in the column headed "For private person", the rule may be actionable by a private person under section 138D (or, in certain circumstances, his fiduciary or representative; see article 6(2) and (3)(c) of the Financial Services and Markets Act 2000 (Rights of Action) Regulations 2001 (SI 2001/2256)). A "Yes" in the column headed "Removed" indicates that the FCA has removed the right of action under section 138D(3) of the Act. If so, a reference to the rule in which it is removed is also given.

3. The column headed "For other person" indicates whether the rule may be actionable by a person other than a private person (or his fiduciary or representative) under article 6(2) and (3) of those Regulations. If so, an indication of the type of person by whom the rule may be actionable is given.

Chapter/ Appendix	Section/Annex	Right of action under section 138D		
		For private person	Removed	For other person
All rules in <i>GENPRU</i>		No	Yes - <i>GENPRU</i> 1.4.1 R	No

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Schedule 6 Rules that can be waived

Sch 6 G

The rules in *GENPRU* may be waived by the *appropriate regulator* under section 138A of the *Act* (Modification or waiver of rules). However, if the *rules* incorporate requirements laid down in European directives, it will not be possible for the *appropriate regulator* to grant a *waiver* that would be incompatible with the *United Kingdom's* responsibilities under those directives. It therefore follows that if a *rule* in *GENPRU* contains provisions which derive partly from a directive, and partly not, the *appropriate regulator* will be able to consider a *waiver* of the latter requirements only, unless the directive provisions are optional rather than mandatory.

