
DRAFT STATUTORY INSTRUMENTS

2017 No. 0000

FINANCIAL SERVICES AND MARKETS

The Risk Transformation Regulations 2017

*Made - - - - - ***
Coming into force in accordance with
regulation 1(2)*

THE RISK TRANSFORMATION REGULATIONS 2017

PART 1

1. Citation and commencement
2. Interpretation: general
3. Meaning of “group of cells”

PART 2

4. Amendment of FSMA
5. Amendment of the Regulated Activities Order
6. Amendment of the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013
7. Limitation on transformer vehicles’ activities
8. Disapplication of Part 12 of FSMA
9. Transformer vehicles which are not Solvency 2 special purpose vehicles

PART 3

10. Meaning of “qualified investor”
11. Investments to be offered only to qualified investors

PART 4

CHAPTER 1

12. Overview

CHAPTER 2

SECTION 1

13. Method of forming a protected cell company
14. Application to register a protected cell company
15. Application for permission to carry out a regulated activity
16. Applications for approval of persons
17. The name of a protected cell company
18. Particulars of directors
19. Instrument of incorporation: requirements
20. Instrument of incorporation: model articles
21. Requirements for registration
22. Representations against refusal of registration
23. Registration and certificates of incorporation
24. Registration: notification to appropriate registrar
25. Effect of registration

SECTION 2

26. Changes to name and registered office
27. FCA's approval for amendments to instrument of incorporation
28. Procedure when refusing approval of proposed amendment
29. Notification of appropriate registrar

SECTION 3

30. Register of protected cell companies
31. Registered numbers
32. Information on register
33. Directors: residential addresses and dates of birth
34. Delivery of documents to the FCA
35. Keeping of records by the FCA
36. Publication of register
37. Inspection of records kept by the FCA
38. Provision of information for publication on European e-Justice portal
39. Documents relating to Welsh protected cell companies
40. FCA's notice to resolve inconsistency on the register
41. Rectification of the register under court order

CHAPTER 3

42. The core
43. The cells
44. Assets, liabilities and obligations
45. Liabilities and obligations which are not incurred on behalf of a part
46. Records and accounts of assets, liabilities and obligations
47. Assets to be held in accordance with records and accounts
48. Segregation within a protected cell company

- 49. Third parties circumventing segregation
- 50. Set-off: modification of insolvency legislation

CHAPTER 4

- 51. Meaning of “records and accounts”
- 52. Movement of assets between cells
- 53. Movement of assets from a cell to core
- 54. Movement of liabilities and obligations
- 55. Procedure for moving an asset, liability or obligation
- 56. Reallocations pursuant to mistakes in the records and accounts

CHAPTER 5

- 57. Objects of a protected cell company
- 58. Offence of carrying on other activities
- 59. Creation of a cell
- 60. Assumption of risk: notification to PRA
- 61. Company seal: England and Wales, and Northern Ireland
- 62. Contracts: England and Wales, and Northern Ireland
- 63. Execution of documents: England and Wales, and Northern Ireland
- 64. Execution of documents: Scotland
- 65. Execution of deeds by attorney: England and Wales, and Northern Ireland
- 66. Official seal for share certificates
- 67. Alternative inspection location

CHAPTER 6

- 68. Creation of arrangements between cells
- 69. Creation of arrangements between cells: procedure
- 70. Arrangements between cells: amendment and cancellation
- 71. Arrangements between cells: enforcement
- 72. Arrangements between cells: records and accounts
- 73. Inspection of directors’ resolutions
- 74. Contracts between parts of a protected cell company

CHAPTER 7

- 75. Change of name
- 76. Change of address of registered office
- 77. Name and other particulars to appear in correspondence
- 78. Contracts
- 79. Terms implied into contracts
- 80. Reliance on the register
- 81. Capacity of protected cell company

CHAPTER 8

82. Requirement for a director
83. Directors' duties
84. Offence of failing to comply with certain duties
85. Directors' powers
86. Appointment
87. Removal
88. Notification to the FCA
89. Invalidity of certain transactions involving directors
90. Inspection of directors' service contracts

CHAPTER 9

SECTION 1

91. Types of shares
92. Nature of shares
93. Rights attaching to shares
94. Changes to rights attaching to shares
95. Amendments to the instrument of incorporation
96. Prohibition on bearer shares
97. Compensation
98. Restraint and ratification by shareholders
99. Contravention of regulation 91(4) or 93(3)

SECTION 2

100. Nominal value
101. Numbering of shares
102. Power of directors to allot shares
103. Sub-division or consolidation of shares
104. Redenomination of shares
105. Redenomination: supplementary
106. Acquisition and redemption of shares issued by a cell
107. Acquisition and redemption of shares issued by the core
108. Consequences of unlawful acquisition or redemption
109. Penalty for contravention of this Section

SECTION 3

110. Share certificates
111. Contents of share certificate
112. Evidence of title

SECTION 4

113. The register of shareholders
114. Contents of the register

- 115. Location
- 116. Index
- 117. Inspection
- 118. Power of court to rectify the register

SECTION 5

- 119. General
- 120. Meaning of “transfer documents”
- 121. Transfers
- 122. Certification of transfer
- 123. Joint shareholdings

SECTION 6

- 124. Meaning of “distribution”
- 125. Distributions to holders of shares in a cell
- 126. Distributions to holders of shares in the core
- 127. Persons holding investments in different parts of the protected cell company
- 128. Consequences of unlawful distribution

SECTION 7

- 129. Requirement to hold an annual general meeting
- 130. Election to dispense with annual general meetings

SECTION 8

- 131. Holding companies and subsidiaries: prohibition on shareholdings
- 132. Contracts between the protected cell company and shareholders
- 133. Information on capital subscribed

CHAPTER 10

- 134. Application
- 135. Resolutions
- 136. Shareholders acting informally (the *Duomatic* principle)
- 137. Written resolutions
- 138. Calling a shareholders’ meeting
- 139. Directors’ duty to call meetings required by members
- 140. Notice required of meeting
- 141. Accidental failure to give notice of resolution or meeting
- 142. Procedure at general meetings
- 143. Representation of corporations
- 144. Proxies
- 145. Records of meetings
- 146. Inspection of records

CHAPTER 11

- 147. Debentures
- 148. Transfers by a cell to a debenture holder
- 149. Consequences of unlawful transfer
- 150. Perpetual debentures
- 151. Enforcement of contract to subscribe for debentures
- 152. Debentures to bearer (Scotland)
- 153. Liability of trustees of debentures

CHAPTER 12

- 154. Creation of security interests
- 155. Registration of charges

CHAPTER 13

- 156. Meaning of “securities”
- 157. Prohibition on offering securities to the public
- 158. Meaning of “offer to the public”
- 159. Restraining order
- 160. Remedial orders
- 161. Validity of allotment etc not affected

CHAPTER 14

- 162. Meaning of “Companies Act regime”
- 163. Application of Companies Act regime
- 164. Relationship with regulation [46](#)
- 165. Application of Part 42 (statutory auditors) of the Companies Act 2006

CHAPTER 15

- 166. Insolvency of a cell
- 167. Insolvency of the core
- 168. Concurrent insolvency
- 169. Disapplication of other insolvency proceedings

CHAPTER 16

- 170. Meaning of “transfer scheme”, “transferor” and “transferee”
- 171. Meaning of “reference date”
- 172. Meaning of “affected parties”
- 173. Requirements on applicants
- 174. Application for fast track transfer
- 175. Application for court order sanctioning transfer scheme
- 176. Effect of fast track transfer

177. Effect of court order sanctioning transfer scheme

CHAPTER 17

178. Dissolution of a cell: procedure
179. Dissolution of a cell: effect on property and liabilities
180. Dissolution of a protected cell company
181. Restoration: applications to court
182. Restoration: who may apply
183. Restoration: when an application may be made
184. Decision on application for restoration
185. Effect of court order for restoration

CHAPTER 18

186. Offences by a body corporate
187. Jurisdiction and procedure in respect of offences

CHAPTER 19

188. Time period for giving notice to FCA
189. Imposition of further requirements by the FCA or PRA
190. Consequential amendments to legislation
191. Transitional provision: existing companies registered under the Companies Act 2006
Signature

SCHEDULE 1 — Welsh equivalents of English words and expressions

SCHEDULE 2 — Administration and liquidation of cells: modification of insolvency legislation

1. Duties and powers confined to the cell
2. General application of the insolvency legislation
3. Jurisdiction within the United Kingdom
4. Restrictions on applying for winding up
5. Appointment of administrator
6. Giving of notice
7. Part 24 of FSMA: references to “regulated activities” and “PRA-authorised person”
8. Further modifications to specific provisions of the Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989
9. Further modification to subordinate legislation

SCHEDULE 3 — Administration and liquidation of the core: modification of insolvency legislation

1. Meaning of “relevant office holder”
2. Duties and powers of a relevant office holder appointed in respect of the core

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*

3. General application of the insolvency legislation
4. Jurisdiction within the United Kingdom
5. Restriction on applying for winding up
6. Appointment of administrator
7. Giving notice
8. Dissolution
9. Part 24 of FSMA: references to “regulated activities” and “PRA-authorised person”
10. Further modification to specific provisions of the Insolvency Act 1986 and the Insolvency (Northern Ireland) Order 1989
11. Further modifications to subordinate legislation

SCHEDULE 4 — Consequential amendments to legislation

PART 1 — Consequential amendments to primary legislation

1. Stock Transfer Act 1963
2. Stock Transfer Act (Northern Ireland) 1963
3. Company Directors Disqualification Act 1986
4. Companies Act 2006

PART 2 — Consequential amendments to secondary legislation

5. The Company Directors Disqualification (Northern Ireland) Order 2002
6. Unregistered Companies Regulations 2009
7. Company, Limited Liability Partnership and Business (Names and Trading Disclosures) Regulations 2015

Explanatory Note