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## SCHEDULES

### SCHEDULE 6

#### THRESHOLD CONDITIONS

##### Modifications etc. (not altering text)

**C1** Sch. 6 modified (3.9.2001) by [S.I. 2001/2507](#), [arts. 1\(1\), 3\(1\)](#); [S.I. 2001/2632](#), [art. 2\(2\)](#), [Sch. Pt. 2](#)

#### [<sup>F1</sup>PART 1D

##### PART 4A PERMISSION: CONDITIONS FOR WHICH THE PRA IS RESPONSIBLE IN RELATION TO INSURERS ETC.

##### Textual Amendments

**F1** Sch. 6 Pts. 1-1G substituted for Sch. 6 Pts. 1, 2 (1.4.2013) by [The Financial Services and Markets Act 2000 \(Threshold Conditions\) Order 2013 \(S.I. 2013/555\)](#), [arts. 1, 2\(2\)](#)

#### Introduction

- 4A. (1) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to the effecting or carrying out of contracts of insurance, the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4B to 4F.
- (2) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to managing the underwriting capacity of a Lloyd’s syndicate as a managing agent at Lloyd’s, the conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4C to 4F except for sub-paragraphs (5) (d) and (5)(e) of paragraph 4D which are not relevant for that purpose.
- (3) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to the arranging, by the Society, of deals in contracts of insurance written at Lloyd’s, the conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4C to 4F, subject to sub-paragraph (4).
- (4) Paragraph 4D has effect in relation to persons of the kind specified by sub-paragraph (3) as if—
- (a) for paragraph (d) and (e) of sub-paragraph (5) there were substituted—
- “(d) the effect that the carrying on of business by C might be expected to have on the stability of the UK financial

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- system or on those who are or may become policyholders of members of C;
- (e) the effect that the failure of C might be expected to have on the stability of the UK financial system or on those who are or may become policyholders of members of C;” and
- (b) sub-paragraph (6) were omitted.
- [<sup>F2</sup>(5) If the person concerned (“C”) carries on, or is seeking to carry on, regulated activities which consist of or include a PRA-regulated activity relating to an assumption of risk falling within article 13A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, the threshold conditions which are relevant to the discharge by the PRA of its functions in relation to C are the conditions set out in paragraphs 4B to 4F, subject to sub-paragraph (6).
- (6) Paragraphs 4B to 4F have effect in relation to persons of the kind specified by sub-paragraph (5) as if—
- [<sup>F3</sup>(a) the persons are undertakings, whether incorporated or not, other than an existing insurance or reinsurance undertaking, which assume risks from insurance or reinsurance undertakings and which fully fund their exposure to such risks through the proceeds of a debt issuance or any other financing mechanism where the repayment rights of the providers of such debt or financing mechanism are subordinated to the reinsurance obligations of such an undertaking;]
- [<sup>F4</sup>(b) the persons are not insurance undertakings;]
- (c) references to contracts of insurance are references to contracts for the assumption of risk; and
- (d) references to C’s policyholders are references to undertakings from whom C assumes a risk.]
- [<sup>F5</sup>(7) In paragraph (6)(a), references to undertakings which assume risks from insurance or reinsurance undertakings include references to undertakings which assume risks from third country insurance or reinsurance undertakings and Gibraltarian insurance or reinsurance undertakings; and for these purposes “third country insurance undertakings”, “third country reinsurance undertakings”, “Gibraltarian insurance undertakings” and “Gibraltarian reinsurance undertakings” have the same meaning as in the Solvency 2 Regulations 2015 (S.I. 2015/575), as amended under the European Union (Withdrawal) Act 2018 (see, in particular, regulation 2(1)).]

#### Textual Amendments

- F2** Sch. 6 para. 4A(5)(6) inserted (8.12.2017) by [The Risk Transformation Regulations 2017 \(S.I. 2017/1212\)](#), regs. 1(2), **4(2)(a)**
- F3** Sch. 6 para. 4A(6)(a) substituted (31.12.2020) by [The Financial Services and Markets Act 2000 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/632\)](#), regs. 1(3), **100(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F4** Sch. 6 para. 4A(6)(b) substituted (31.12.2020) by [The Financial Services and Markets Act 2000 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/632\)](#), regs. 1(3), **100(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F5** Sch. 6 para. 4A(7) inserted by [The Financial Services and Markets Act 2000 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/632\)](#), regs. 1(3), **100(c)** (as inserted by S.I. 2019/1233, regs. 1(3), **5(d)**); 2020 c. 1, Sch. 5 para. 1(1))

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### *Legal status*

- 4B. C must be—
- (a) a body corporate (other than a limited liability partnership),
  - (b) a registered friendly society, or
  - (c) a member of Lloyd's.

### *Location of offices*

- 4C. (1) If C is a body corporate incorporated in the United Kingdom—
- (a) C's head office, and
  - (b) if C has a registered office, that office,
- must be in the United Kingdom.
- (2) If C is not a body corporate but C's head office is in the United Kingdom, C must carry on business in the United Kingdom.

### *Business to be conducted in a prudent manner*

- 4D. (1) The business of C must be conducted in a prudent manner.
- (2) To satisfy the condition in sub-paragraph (1), C must in particular have appropriate financial and non-financial resources.
- (3) To have appropriate financial resources C must satisfy the following conditions—
- (a) C's assets must be appropriate given C's liabilities, and
  - (b) the liquidity of C's resources must be appropriate given C's liabilities and when they fall due or may fall due.
- (4) To have appropriate non-financial resources C must satisfy the following conditions—
- (a) C must be willing and able to value C's assets and liabilities appropriately,
  - (b) C must have resources to identify, monitor, measure and take action to remove or reduce risks to the safety and soundness of C,
  - (c) C must have resources to identify, monitor, measure and take action to remove or reduce risks to the accuracy of C's valuation of C's assets and liabilities,
  - (d) the effectiveness with which C's business is managed must meet a reasonable standard of effectiveness, and
  - (e) C's non-financial resources must be sufficient to enable C to comply with—
    - (i) requirements imposed or likely to be imposed on C by the PRA in the exercise of its functions, and
    - (ii) any other requirement in relation to whose contravention the PRA would be the appropriate regulator for the purpose of any provision of Part 14 of this Act.
- (5) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) or (2) include—
- (a) the nature (including the complexity) of the regulated activities that C carries on or seeks to carry on;
  - (b) the nature and scale of the business carried on or to be carried on by C;
  - (c) the risks to the continuity of the services provided by, or to be provided by, C;

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- (d) the effect that the carrying on of the business of effecting or carrying out contracts of insurance by C might be expected to have on the stability of the UK financial system or on those who are or may become C’s policyholders;
  - (e) the effect that C’s failure or C being closed to new business might be expected to have on the stability of the UK financial system or on those who are or may become C’s policyholders;
  - (f) C’s membership of a group and any effect which that membership may have.
- (6) C is “closed to new business” for the purposes of this paragraph if C has ceased to effect contracts of insurance or has substantially reduced the number of such contracts which C effects.

### *Suitability*

- 4E. (1) C must be a fit and proper person, having regard to the PRA’s objectives.
- (2) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) include—
- (a) whether C has complied and is complying with requirements imposed by the PRA in the exercise of its functions, or requests made by the PRA relating to the provision of information to the PRA and, if C has so complied or is so complying, the manner of that compliance;
  - (b) whether those who manage C’s affairs have adequate skills and experience and have acted and may be expected to act with probity.

### *Effective supervision*

- 4F. (1) C must be capable of being effectively supervised by the PRA.
- (2) The matters which are relevant in determining whether C satisfies the condition in sub-paragraph (1) include—
- (a) the nature (including the complexity) of the regulated activities that C carries on or seeks to carry on;
  - (b) the complexity of any products that C provides or will provide in carrying on those activities;
  - (c) the way in which C’s business is organised;
  - (d) if C is a member of a group, whether membership of the group is likely to prevent the PRA’s effective supervision of C;
  - (e) whether C is subject to consolidated supervision required under any [F6relevant implementing provisions];
  - (f) if C has close links with another person (“CL”)—
    - (i) the nature of the relationship between C and CL,
    - (ii) whether those links are or that relationship is likely to prevent the PRA’s effective supervision of C, and
    - (iii) if CL is subject to the laws, regulations or administrative provisions of a [F7country or territory outside the United Kingdom] (“the foreign provisions”), whether those foreign provisions, or any deficiency in their enforcement, would prevent the PRA’s effective supervision of C.
- (3) C has close links with CL if—

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- (a) CL is a parent undertaking of C,
- (b) CL is a subsidiary undertaking of C,
- (c) CL is a parent undertaking of a subsidiary undertaking of C,
- (d) CL is a subsidiary undertaking of a parent undertaking of C,
- (e) CL owns or controls 20% or more of the voting rights or capital of C, or
- (f) C owns or controls 20% or more of the voting rights or capital of CL.]

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**Textual Amendments**

- F6** Words in Sch. 6 para. 4F(2)(e) substituted (31.12.2020) by [The Financial Services and Markets Act 2000 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/632\)](#), regs. 1(3), **101(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F7** Words in Sch. 6 para. 4F(2)(f)(iii) substituted (31.12.2020) by [The Financial Services and Markets Act 2000 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/632\)](#), regs. 1(3), **101(b)**; 2020 c. 1, Sch. 5 para. 1(1)

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