
EXPLANATORY NOTE

(This note is not part of these Regulations)

These Regulations make provision for transformer vehicles, within the meaning given by section 284A of the Financial Services and Markets Act 2001 (c. 8; section 284A was inserted by section 31 of the Bank of England and Financial Services Act 2016 (c. 14)). They are to be read with the Risk Transformation (Tax) Regulations 2017. Collectively, these Regulations facilitate and regulate the issue of insurance linked securities in the United Kingdom.

Prior to making these Regulations, the Treasury consulted on 1st March 2016 and 23rd November 2016. These consultations explain the background to these regulations, in particular how the issue of insurance linked securities operates. They can be found at:

<https://www.gov.uk/government/consultations/insurance-linked-securities-consultation>

<https://www.gov.uk/government/consultations/regulations-implementing-a-new-regulatory-and-tax-framework-for-insurance-linked-securities>

Part 2 of the Regulations makes provision for the authorisation and supervision of transformer vehicles which assume certain risks from insurance or reinsurance companies. A new regulated activity is introduced into the Financial Services and Markets Act 2000 (Regulated Activities) Order 2011 (S.I. 2001/544), which has the effect of bringing transformer vehicles carrying on that activity within the scope of regulation under the Financial Services and Markets Act 2000. An amendment to the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013 (S.I. 2013/556) means that this activity is a PRA regulated activity for the purposes of the Financial Services and Markets Act 2000.

Part 3 of these Regulations restricts the type of investors to whom transformer vehicles may issue investments.

Part 4 of these Regulations enables the creation of a new type of body corporate, called a “protected cell company”, for transformer vehicles. Protected cell companies are comprised internally of different parts which, whilst being part of a single legal entity, are segregated from each other. This enables the protected cell company to ring-fence different contractual arrangements, so that the liabilities of the protected cell company arising in respect of a contractual arrangement are only payable out of assets held by the protected cell company in respect of that arrangement.

A full impact assessment of the effect that this instrument will have on the costs of business and the voluntary sector is available from HM Treasury, 1 Horse Guards Road, London SW1A 2HQ.

Changes to legislation:

The Risk Transformation Regulations 2017 is up to date with all changes known to be in force on or before 02 September 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to :

- Regulations revoked by [2023 c. 29 Sch. 1 Pt. 2](#)