

**MFSA**

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MALTA FINANCIAL SERVICES AUTHORITY

## **CONSULTATION DOCUMENT**

**Proposals for Amendment of  
Insurance Rule 32 of 2014**

**12<sup>th</sup> February 2015**

**Closing Date: 12<sup>th</sup> March 2015**

## 1. Introduction

This Consultation Document highlights the main changes to be carried out to Insurance Rule 32 of 2014 - Reinsurance Special Purpose Vehicles (hereinafter referred to as “the Insurance Rule”) to allow for the introduction of a prudential supervisory regime for Reinsurance Special Purpose Vehicles (“RSPV”) authorised by the MFSA up to the implementation of the Solvency II Directive.

The proposed amendments to the Insurance Rule circulated by the MFSA for the purpose of consultation are in draft form. Accordingly, these amendments are not binding and are subject to changes and revisions. It is important that persons involved in the consultation bear in mind these considerations.

The draft Insurance Rule is being issued for Consultation together with this Consultation document. Any comments and feedback are to be addressed to the Insurance and Pensions Supervision Unit. Interested parties are kindly requested to submit any comments by e-mail on [ipsu@mfsa.com.mt](mailto:ipsu@mfsa.com.mt) by not later than Thursday 12<sup>th</sup> March 2015.

Copies of this Consultation Document are available to download from the MFSA website.

## 2. Purpose

Following the publication of the Reinsurance Special Purpose Vehicles Regulations, 2013 (L.N. 452 of 2003) (hereinafter referred to as “the Regulations” ), the MFSA issued Insurance Rule 32 of 2014 applicable to undertakings carrying on business as a RSPV. It is being proposed to extend the application of this Insurance Rule to include other information that is required to be submitted to the MFSA for supervisory purposes. Primarily, the amendments will be reflected through the introduction of Schedules 4 and 5, and Annexes I to III to this Insurance Rule.

### 2.1 Annual Reporting

The proposed amendments require the RSPV to submit to the MFSA the following information:

- (a) together with a copy of its audited financial statements as required by the Regulations, RSPV’s are required to submit an auditor’s opinion to show that the RSPV may be viewed as a going concern at all times.

- (b) the submission of quantitative information, following the templates as set out in the draft Annex I to this Insurance Rule which is to be compiled in accordance with the instructions set out in the draft Annex II to this Insurance Rule.
- (c) the submission of qualitative information which *inter alia* includes: an adequate description of the bases, methods and assumptions used for the valuation of the assets and for the determination of the maximum risk exposure; details of any conflicts of interest between the RSPV, the ceding undertakings and the providers of debt or finance; details of any significant transactions entered into by the RSPV; information to demonstrate that the RSPV continues to be fully funded and information on any changes that could affect the RSPV's compliance with Regulations 4, 5 (1)(b)(vi) and 6 to 8 of the Regulations.

Where the RSPV arrangements were not subject to material changes affecting compliance during the relevant reporting period, the RSPV need not submit the qualitative information outlined above. Instead, the proposed amendments require the RSPV to submit a declaration by its directors in the form contained in draft Annex III to the Insurance Rule.

## **2.2 Discontinuance of the RSPV Contract**

Where the RSPV discontinues the RSPV contract before the actual end date of such contract, the proposed amendments require that if the RSPV discontinues its activities before the end of its first financial year, the RSPV is to submit the quantitative information as specified in paragraph 4.2.1 of Schedule 4 to the Insurance Rule if the information is significantly different at the date of discontinuance. If the RSPV discontinues its activities after the end of its first financial year, the RSPV should confirm to the MFSA that the content of the latest quantitative information provided to the MFSA is not significantly different from the position at the date of discontinuance. The discontinuance confirmation is to be submitted to the MFSA by not later than two weeks from the date of discontinuance of the RSPV contract.