

Addendum

Please note:

1. It is necessary to make changes to the Draft Handbook text as published in Appendix 1 of CP23/17: Rules relating to Securitisation in relation to the application of due diligence requirements and institutional investor delegation.
2. References to Occupational Pension Schemes (OPS) are made in the CP to indicate that such schemes will continue to be regulated by The Pensions Regulator. In addition, Paragraph 4.17 of the CP set out an exception to the new proposed rules on delegation. This exception would apply where an institutional investor that is subject to our rules delegated the investment decision to an OPS. However, the Draft Handbook text implied that the scope of the persons subject to this exception was wider than just OPS. The changes shown in the Annexes to this Addendum are consistent with this policy position as set out in the CP and should be inserted into the instrument as indicated. Any responses to CP23/17 should be made on the basis that the changes are made.
3. Whilst the policy intention and, consequently, the CBA set out in the CP has not changed, there will be a 3-week extension to the consultation period for respondents to consider the changes made by the Annexes. As a result, the consultation period for Chapter 4 (Due diligence requirements for institutional investors) has been extended until 20 November 2023; otherwise, the consultation period for CP23/17 will close on 30 October 2023.

Annex A

Amendments to the Glossary of definitions

In this Annex, any underlining or striking through represents the draft rules as they appear in CP23/17. Any bolding of text represents amendments to the draft rules within CP23/17, as detailed above.

...

<i>occupational pension scheme</i>	(a)	a scheme specified in Article 3(1) of <i>the Regulated Activities Order</i> (Interpretation)) which is, in summary, a pension scheme established for the purpose of providing benefits to people with service in employments of a prescribed description;
	<u>(1)</u>	
	<u>(2)</u>	<u>(in <i>SECN</i>) has the meaning in paragraph (c) of the definition of institutional investor in regulation 3(1) of the <i>Securitisation Regulations</i>.</u>

Annex B

Securitisation sourcebook (SECN)

In this Annex, all the text is new. Any underlining or striking through represents the amendments to the draft rules in CP23/17, as detailed above.

4 Due diligence

4.1 Application and interpretation

4.1.1 G This chapter applies to:

- (1) *institutional investors; and*
- (2) *sponsors,*

which are not *PRA-authorised persons* or ~~pensions investors~~ an occupational pension scheme.

4.1.2 R For the purposes of *SECN 4*, a “pensions investor” is an entity of a type identified in paragraph (c) or paragraph (d) of the definition of “institutional investor” in regulation 3(1) of the *Securitisation Regulations*. ~~[deleted]~~

...

4.4 Institutional investor delegation

4.4.1 R (1) If:

- (a) an *institutional investor* gives a managing party authority to make investment management decisions that might expose the *institutional investor* to a *securitisation* and instructs that managing party to fulfil any of the *institutional investor’s* obligations under *SECN 4* in connection with such investment management decision; and
- (b) the managing party does not properly fulfil those obligations,

the managing party will be responsible (to the exclusion of the *institutional investor*) for that failure to fulfil the *institutional investor’s* obligations delegated.

- (2) For the purposes of *SECN 4.4.1R(1)*, ‘managing party’ means an *institutional investor* other than a ~~pensions investor~~ an occupational pension scheme who accepts authority to make investment decisions on behalf of another *institutional investor* as contemplated in *SECN 4.4*.