



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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INSURANCE LINKED SECURITIES PROJECT

I am writing to thank you for the support and advice that the London Market Group has provided to the Government's Insurance Linked Securities (ILS) project, and to confirm the Treasury's intention to complete the project.

London is the single biggest market for specialist risk in the world and is a global hub for insurance and reinsurance business. But this global business is evolving rapidly and the UK must innovate if London is to retain its uniquely important position in the market. That is why the Treasury responded to calls from industry to develop a bespoke regime for ILS in the UK – to help ensure that London remains the most competitive insurance and reinsurance hub in the world.

Alternative risk transfer techniques expand the capacity of the insurance and reinsurance markets, enabling risk to be managed more efficiently and effectively for businesses and consumers. With the right regulatory framework, I believe the UK can make a major contribution to the development and growth of alternative risk transfer. That is good news for the UK and for the global economy.

Over the past 18 months, the Treasury has worked closely with the Prudential Regulation Authority, the Financial Conduct Authority and the London Market Group's ILS Taskforce to develop the detailed regulations that will implement a new ILS regime in the UK. The regulations are now being finalised so they can be laid in Parliament before the summer recess, with a view to the regime coming into force in the autumn of this year. I look forward to working with you and London market colleagues to ensure the UK's new ILS regime is a success.

I am copying this letter to Malcolm Newman, Chair of the ILS Taskforce; Chris Beazley, Chief Executive Officer of the London Market Group; Sam Woods, Chief Executive Officer of the Prudential Regulation Authority; and Andrew Bailey, Chief Executive Office of the Financial Conduct Authority.

STEPHEN BARCLAY