



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP45/15

Pillar 2: Update to reporting data items and instructions

December 2015

Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.
Registered in England and Wales No: 07854923



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP45/15

Pillar 2: Update to reporting data items and instructions

December 2015

The Bank of England and the Prudential Regulation Authority (PRA) reserve the right to publish any information which it may receive as part of this consultation.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure, in accordance with access to information regimes under the Freedom of Information Act 2000 or the Data Protection Act 1998 or otherwise as required by law or in discharge of our statutory functions.

Please indicate if you regard all, or some of, the information you provide as confidential. If the Bank of England or the PRA receives a request for disclosure of this information, the Bank of England or the PRA will take your indication(s) into account, but cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system on emails will not, of itself, be regarded as binding on the Bank of England and the PRA.

Responses are requested by Monday 18 January 2015.

Please address any comments or enquiries to:

Stephanie Guigue
Pillar 2 Policy
Bank of England
Threadneedle Street
London
EC2R 8AH

Email: CP45_15@bankofengland.co.uk

Contents

1	Overview	5
2	Proposals under consultation	5
3	The PRA's statutory obligations	7
Appendices		9

1 Overview

Introduction

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) sets out proposed changes to data items FSA071 to FSA082 ('Pillar 2 data items') and to the Pillar 2 reporting instructions. This consultation is relevant to banks, building societies and PRA-designated firms ('firms').

1.2 The Pillar 2 data items and reporting instructions were first published in July 2015, in Policy Statement (PS) 17/15,¹ as part of the Reporting Pillar 2 Part of the PRA Rulebook² and Supervisory Statement (SS) 32/15.³

1.3 The Reporting Pillar 2 Part applies from 1 January 2016 and requires firms to report data using the Pillar 2 data items, alongside the submission of their Internal Capital Adequacy Assessment Process (ICAAP) assessment. This information, together with data already collected in other regulatory reports, supports the implementation of the new Pillar 2 capital framework. In particular, it allows the PRA to review a firm's ICAAP and to calculate capital benchmarks for Pillar 2 risks.

1.4 The PRA assesses that the proposals in this CP are relatively minor. They are intended to provide further clarity to aid the completion of the Pillar 2 data items and to facilitate their collection.

Responses and next steps

1.5 This consultation closes on Monday 18 January 2016. The PRA plans to publish a policy statement with finalised rules and an updated version of SS32/15 in January 2016.

1.6 The changes would apply from February 2016. From 1 January 2016 until this date, firms are required by Reporting Pillar 2 Part to report their data using the Pillar 2 data items at the same time as they submit their ICAAP assessment to the PRA. Firms may wish to start considering a process for using updated Pillar 2 data items in light of the changes being proposed by the PRA in this CP.

1.7 The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP45_15@bankofengland.co.uk.

2 Proposals under consultation

Pillar 2 data items

2.1 To facilitate submission of Pillar 2 data, the PRA proposes to include a 'General Information' header in all Pillar 2 data items. Firms will be required to indicate the:

- basis of their reporting – unconsolidated, solo consolidation, UK consolidation group or capital sub-group;

¹ PS17/15 'Assessing capital adequacy under Pillar 2', updated in August 2015; www.bankofengland.co.uk/pr/Pages/publications/ps/2015/ps1715update.aspx.

² PRA Rulebook CRR Firms: Reporting Pillar 2 instrument 2015 (PRA 2015/61).

³ 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss3215.aspx.

- submission number – firms should enter ‘1’ and increase this number by ‘1’ in case of resubmission;
- unique ‘firm reference number’ (FRN);
- name of the firm;
- reporting period start and end dates – these dates should coincide with the ICAAP assessment period. In particular, the reporting end date is the balance sheet end date used for purposes of the ICAAP assessment; and
- reporting currency – firms should report in the currency of their ICAAP, ie Pounds Sterling (GBP), US Dollars (USD), Euros (EUR), Canadian Dollars (CAD), Swiss Francs (CHF), Japanese Yen (JPY) or Swedish Krona (SEK).

2.2 In addition, the PRA proposes that firms should submit data items FSA071, FSA076, FSA077, FSA078, FSA079, FSA081 and FSA082 in an XML format. Firms may choose between the following methods for generating the XML:

- Method 1: a firm can automate the outputting of data from its own system by requesting an XSD file from its line supervisor; or
- Method 2: if a firm wishes to output the data manually, it should use the updated data items proposed in the CP. Once completed, the firm should right click any of the cells in the template and select ‘XML’ > ‘Export’. Alternatively, the firm can click on the ‘Export to XML’ tab on the ribbon, and select ‘Export’ to export an XML file.

2.3 The PRA also proposes to make the following changes in data item:

- FSA071, instead of reporting total Individual Capital Guidance (ICG) as a percentage of Pillar 1, firms should report their total ICG as a percentage of Pillar 1 risk-weighted assets (RWAs);¹ and
- FSA079, for geographic international concentration risk, the PRA proposes to replace ‘Euro area’ by ‘European (west) area’, which is in line with the Statement of Policy ‘The PRA’s methodologies for setting Pillar 2 capital’.²

Reporting instructions

2.4 The PRA proposes to update SS32/15 with the expectation that firms report numerical data in absolute values rounded to the nearest whole number in the reporting currency, rather than in millions.

2.5 Where values correspond to percentages, these should be entered as decimal numbers up to 2 decimal places. For example, ‘70.00%’.

2.6 Comment boxes in data items FSA071, FSA076, FSA077, FSA078, FSA079, FSA081 and FSA082 are limited to 255 characters. Any additional information should be sent to the PRA via electronic means.

¹ Pillar 1 RWAs refer to the total risk exposure amount calculated in accordance with Article 92(3) of the Capital Requirements Regulation (575/2013) (CRR).

² July 2015; www.bankofengland.co.uk/prapublications/sop/2015/p2methodologies.aspx.

2.7 Finally, in the instructions to data item:

- FSA078, the PRA proposes to replace ‘Euro area’ by ‘European (west) area’ and to indicate that ‘Eastern Europe and Central Asia’ include the Russian Federation; and
- FSA081, the PRA proposes to specify that ‘effective date’ coincides with the ‘reporting period end date’. The PRA also suggests indicating that, in the column ‘Total’ of this data item, firms should report information at the entire firm level, without breaking it down into the individual defined benefit schemes.

3 The PRA’s statutory obligations

3.1 When making its rules, the PRA must meet a number of statutory obligations as set out in the Financial Services and Markets Act 2000. The proposed rules must be accompanied by:

- a cost benefit analysis;¹
- a statement considering the impact on mutuals;²
- an explanation for the PRA’s reasons for believing that making the proposed rules are compatible with:
 - its general objective, if applicable its insurance objective, and its secondary competition objective;³ and
 - the regulatory principles.⁴

3.2 The PRA is required by the Equalities Act 2010⁵ to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

Cost benefit analysis

3.3 This CP proposes new expectations on firms: the completion of a ‘General Information’ header in each Pillar 2 data item and the submission of data items FSA071, FSA076, FSA077, FSA078, FSA079, FSA081 and FSA082 in XML.

3.4 The PRA considers the costs of these proposals to be of minimal significance for firms as the additional information required should be readily available to them. Some firms may have to modify their internal systems and processes, but the costs incurred in doing so are not expected to be material because the proposed changes bring Pillar 2A reporting requirements into line with other PRA reporting requirements.⁶ By facilitating the collection of data, the proposals should ensure that the Pillar 2 capital framework is applied consistently across PRA-regulated firms.

Impact on mutuals

1 Section 138J(7) of FSMA.

2 Section 138K of FSMA.

3 Section 138J(2)(d) of FSMA.

4 Sections 2H and 3B of FSMA.

5 Section 149.

6 The proposed changes are in line with the PRA’s reporting requirements on the leverage ratio: FSA083 and FSA084.

3.5 FSMA requires that the PRA assesses whether, in its opinion, the impact of the proposed rules on mutuals will be significantly different from the impact on other firms, and if so, details of the difference.¹

3.6 In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

Compatibility with the PRA's objectives

3.7 By supporting the implementation of the new Pillar 2 capital framework, the proposals enhance the PRA's assessment of firms' capital adequacy in a more consistent and transparent manner. The PRA therefore believes these proposals are compatible with its objectives.

Regulatory Principles

3.8 The PRA considers that the regulatory principles of particular relevance to this CP are the need to use the resources of the PRA in the most efficient and economical way; and the principle that the PRA should exercise its functions as transparently as possible.

3.9 The proposed changes aim at facilitating the collection of the Pillar 2 data items, thereby contributing to the efficient use of the PRA's resources. In setting out its proposals for clarifying the Pillar 2 reporting instructions, the PRA also promotes transparency in the way it exercises its functions.

Equality and diversity

3.10 The PRA has performed an assessment of the policy proposals and does not consider that the proposals give rise to equality and diversity implications.

¹ Section 138K of FSMA.

Appendices

- 1 PRA Rulebook CRR Firms: Reporting Pillar 2 Amendment no. 1 – Instrument 2016**

- 2 Update to SS32/15: Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082.**

1 PRA Rulebook CRR Firms: Reporting Pillar 2 Amendment no. 1 – Instrument 2016

This document forms part of the Prudential Regulation Authority Consultation Paper 45/15, December 2015 available at

www.bankofengland.co.uk/pru/Pages/publications/cp/2015/cp4515.aspx.

PRA RULEBOOK: CRR FIRMS: REPORTING PILLAR 2 AMENDMENT NO. 1 INSTRUMENT 2016

Powers exercised

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 137G (The PRA’s general rules); and
 - (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Reporting Pillar 2 Amendment No. 1 Instrument 2016

- D. The PRA makes the rules in the Annex to this instrument.

Commencement

- E. This instrument comes into force on [DATE] 2016.

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Reporting Pillar 2 Amendment No. 1 Instrument 2016.

By order of the Board of the Prudential Regulation Authority
[DATE]

Annex

Amendments to the Reporting Pillar 2 Part of the PRA Rulebook

In Chapter 4, new text is underlined and deleted text is struck through. In the data items listed in Chapter 4, deleted text is not struck through and new text is not underlined.¹

...

4 DATA ITEMS

- 4.1 FSA071 can be found ~~here~~ [here](#).
- 4.2 FSA072 can be found ~~here~~ [here](#).
- 4.3 FSA073 can be found ~~here~~ [here](#).
- 4.4 FSA074 can be found ~~here~~ [here](#).
- 4.5 FSA075 can be found ~~here~~ [here](#).
- 4.6 FSA078 can be found ~~here~~ [here](#).
- 4.7 FSA079 can be found ~~here~~ [here](#).
- 4.8 FSA080 can be found ~~here~~ [here](#).
- 4.9 FSA081 can be found ~~here~~ [here](#).
- 4.10 FSA082 can be found ~~here~~ [here](#)

¹ Although deleted text is not struck through and new text is not underlined, the changes to the data items are not material and are described in this consultation paper.

2 Update to SS32/15: Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082.

This document forms part of the Prudential Regulation Authority Consultation Paper 45/15, December 2015 available at

www.bankofengland.co.uk/pr/Pages/publications/cp/2015/cp4515.aspx.

Update to SS32/15: Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082

In this Appendix, new text is underlined and deleted text is struck through.

The PRA proposes to replace the following data items and reporting instructions by new ones, accessible via the underlined hyperlinks below. Please note that the links are to versions accompanying the CP and will be updated when the PRA issues final policy in January 2016.

Form name	Description	Data items	Instructions
FSA071	Firm information and Pillar 2A summary	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa071.xls <u>www.bankofengland.co.uk/pr a/Documents/crdiv/fsa071cp. xltx</u>	www.bankofengland.co.uk/pr/Do cuments/cr div/fsa071instructions.pdf <u>www.bankofengland.co.uk/pr/Do cuments/crdiv/fsa071instructions cp.pdf</u>
FSA072	Pillar 2 Operational risk historical losses	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa072.xls <u>www.bankofengland.co.uk/pr a/Documents/crdiv/fsa072cp. xls</u>	www.bankofengland.co.uk/pr/Do cuments/cr div/fsa072instructions.pdf <u>www.bankofengland.co.uk/pr/Do cuments/crdiv/fsa072instructions cp.pdf</u>
FSA073	Pillar 2 Operational risk historical loss details	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa073.xls <u>www.bankofengland.co.uk/pr a/Documents/crdiv/fsa073cp. xls</u>	www.bankofengland.co.uk/pr/Do cuments/cr div/fsa073instructions.pdf <u>www.bankofengland.co.uk/pr/Do cuments/crdiv/fsa073instructions cp.pdf</u>
FSA074	Pillar 2 Operational risk forecast losses	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa074.xls <u>www.bankofengland.co.uk/pr a/Documents/crdiv/fsa074cp. xls</u>	www.bankofengland.co.uk/pr/Do cuments/cr div/fsa074instructions.pdf <u>www.bankofengland.co.uk/pr/Do cuments/crdiv/fsa074instructions cp.pdf</u>
FSA075	Pillar 2 Operational risk scenario data	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa075.xls <u>www.bankofengland.co.uk/pr a/Documents/crdiv/fsa075cp. xls</u>	www.bankofengland.co.uk/pr/Do cuments/cr div/fsa075instructions.pdf <u>www.bankofengland.co.uk/pr/Do cuments/crdiv/fsa075instructions cp.pdf</u>

Form name	Description	Data items	Instructions
FSA076	Pillar 2 Credit risk standardised approach wholesale	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa076.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa076cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa076instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa076instructions p.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/mappingforpillar2cr editriskdataitems.pdf
FSA077	Pillar 2 Credit risk standardised approach retail	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa077.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa077cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa077instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa077instructions p.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/mappingforpillar2cr editriskdataitems.pdf
FSA078	Pillar 2 Concentration risk minimum data requirements	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa078.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa078cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa078instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa078instructions p.pdf
FSA079	Pillar 2 Concentration risk additional data requirements	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa079.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa079cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa079instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa079instructions p.pdf
FSA080	Pillar 2 Market risk	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa080.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa080cp.xls	www.bankofengland.co.uk/pr a/De euments/cr div/fsa080instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa080instructions p.pdf
FSA081	Pillar 2 Pension risk	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa081.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa081cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa081instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa081instructions p.pdf
FSA082	Pillar 2 Credit risk IRB retail	www.bankofengland.co.uk/pr a/Documents /crdiv/fsa082.xls www.bankofengland.co.uk/pr a/Documents/crdiv/fsa082cp.xltx	www.bankofengland.co.uk/pr a/De euments/cr div/fsa082instructions.pdf www.bankofengland.co.uk/pr a/Do cuments/crdiv/fsa082instructions p.pdf