



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP26/16

Occasional Consultation Paper

July 2016

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Responses to Chapters 2 – 6 are requested by Friday 21 October 2016.

Responses to the administration instrument (Appendix 7) are requested by Friday 5 August 2016.

Please address any comments or enquiries to:

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1 Overview

1.1 This Occasional Consultation Paper (OCP) sets out proposed changes to the following Prudential Regulation Authority (PRA) Rulebook Parts and supervisory statements (SS):

- SS24/15 - The PRA's approach to supervising liquidity and funding risks¹ (Chapter 2);
- Internal Liquidity Adequacy Assessment (ILAA) Part (Chapter 3);
- Regulatory Reporting Part and SS34/15 - Guidelines for completing regulatory reports² (Chapter 4);
- Conditions Governing Business Part (Chapter 5); and
- Capital Buffers Part and Leverage Ratio Part (Chapter 6).

1.2 This consultation is relevant to all PRA-authorised firms.

The PRA's statutory obligations

1.3 The PRA must comply with a number of statutory and public law obligations when making rules and determining the general policy and principles by which it performs its functions. Each chapter in this OCP will separately address the following obligations:

- The Financial Services and Markets Act 2000 (FSMA)³ requires the PRA, so far as reasonably possible, to act in a way that advances its objectives:
 - the general objectives to promote the safety and soundness of PRA-authorised persons, and for insurance, to contribute to ensuring that policyholders are appropriately protected; and
 - the secondary objective to facilitate effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities.
- To have regard to the Regulatory Principles⁴ and certify that the policy proposals accord with these.
- Provide an analysis of the costs together with an analysis of the benefits that will arise if the proposed rules are made or if, in the opinion of the PRA the costs or benefits cannot reasonably be estimated or it is not reasonably practicable to produce an estimate, include a statement of the PRA's opinion and an explanation of it.
- Where the PRA proposes a rule which would apply both to mutual societies, and other authorised persons, prepare a statement setting out its opinion whether or not the impact of the proposed rule on mutual societies will be significantly different.⁵

1 June 2015: www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss2415.aspx.

2 February 2016: www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss3415update.aspx.

3 s.138J(2) FSMA

4 s.2H FSMA

5 s.138K(2) FSMA

- The requirement of the Equalities Act 2010 to have due regards to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

1.4 The PRA has consulted the Financial Conduct Authority (FCA) on the proposals in this OCP.

Administration instrument

1.5 This OCP also consults on an administration instrument. An administration instrument is used to make minor corrections to PRA Rulebook provisions. The corrections are not substantive and are not intended to change PRA policy. The corrections will result in rule amendments.

1.6 In making this instrument, the PRA aims to ensure that rules are correct, presented clearly and contain up-to-date references. Accurate Rulebook provisions allow the PRA to act in a way that advances the safety and soundness of PRA firms, and regarding insurers, contributes to policyholder protection. For these reasons, the PRA believes that administration instruments are compatible with the requirement on the PRA to act in a way that advances its objectives.

1.7 The PRA consults with the FCA prior to undertaking consultations on administration instruments and ensures that proposed corrections are consistent with the regulatory principles. Such minor corrections are unlikely to impact on competition or on mutual societies or give rise to any equality or diversity issues. Minor proposals are also unlikely to result in costs for firms, who will benefit from a more accurate Rulebook.

Responses and next steps

1.8 The consultation for Chapters 2 – 6 closes on Friday 21 October 2016, and for the administration instrument on Friday 5 August 2016. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to OCP.responses@bankofengland.co.uk.

1.9 The policy contained in this CP has been designed in the context of the current UK and EU regulatory framework. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework, including changes arising once any new arrangements with the European Union take effect.

2 Central bank reserves and designation of a major stock index under the LCR

2.1 This chapter sets out proposed amendments to SS24/15 'The PRA's approach to supervising liquidity and funding risks'¹ to reflect the agreement between the PRA and the Bank of England ('the Bank') on the ability of firms to withdraw reserves held at the Bank for the purposes of Article 10 of the Commission Delegated Regulation (EU) 2015/61 (the 'Delegated Act'),² and to designate the Financial Times Stock Exchange 100 (FTSE 100) as a 'major stock index' for the United Kingdom under Article 12 of the Delegated Act.

Proposals

2.2 Article 10(1) (b) (iii) of the Delegated Act requires the conditions for withdrawal of central bank reserves to be specified in an agreement between the relevant competent authority and the central bank in order for such reserves to be eligible as Level 1 high quality liquid assets (HQLA). The PRA, as competent authority, proposes to amend SS24/15 to set out details of its agreement with the Bank acting in its capacity as the central bank.

2.3 Article 12(1) (c) of the Delegated Act affords discretion to the competent authority of each Member State to identify a major stock index. Firms' holdings of shares that form part of a major stock index identified as such by the competent authority shall be included as Level 2B HQLA for the purposes of the Delegated Act. The PRA proposes that the FTSE 100 be designated a major stock index, and to amend SS24/15 to reflect this.

2.4 The proposed amendments to SS24/15 are set out in Appendix 1.

The PRA's statutory obligations

2.5 The proposals in this chapter are compatible with the PRA's statutory objectives under the FSMA to promote the safety and soundness of firms. Amending SS24/15 to reflect the agreement between the PRA and the Bank provides greater confidence and transparency around firms' ability to withdraw reserves held at the Bank. Furthermore, by designating the FTSE 100 as a major stock index, the PRA will have greater confidence in firms' ability to monetise their liquid asset buffers during a stress. The PRA does not consider that the proposed amendment will either hinder or promote effective competition.

2.6 The PRA has made an assessment of reserves held in firms' primary reserve accounts, and in their reserve collateralisation accounts that are in excess of the minima required to pre-fund deferred net settlement payment systems, and considers that there will not be a significant increase in costs for firms as a result of the proposed amendment setting out details of its agreement with the Bank on the ability of firms to withdraw reserves held at the Bank. The PRA has therefore not produced a full cost-benefit analysis with respect to this amendment.

2.7 The PRA has also made an assessment of firms' current holdings of equities in their liquid asset buffers, and found these to be negligible. The PRA considers that there will not be a significant increase in costs for firms as a result of the proposal to designate the FTSE 100 a major stock index, and therefore the PRA has not produced a full cost-benefit analysis with respect to this proposal.

1 June 2015: www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss2415.aspx.

2 European Commission: 'Commission Delegated Regulation (EU) No2015/61 of 10 October 2014 to supplement EU Regulation (EU) No 575/2013 of the European Parliament and Council with regard to liquidity coverage requirement for Credit Institutions': <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32015R0061&from=EN>.

2.8 The PRA considers that two of the regulatory principles are of particular relevance to the proposals set out above:

- The principle that the regulators should exercise their functions as transparently as possible - the PRA is providing transparency by publishing its proposals; i) to amend SS24/15 to set out details of its agreement with the Bank on the ability of firms to withdraw reserves held at the Bank; and ii) to designate the FTSE 100 a major stock index, and to amend SS24/15 to reflect this.
- The principle that a restriction imposed on a firm should be proportionate to the expected benefits of that restriction - the PRA considers that the proposal to designate the FTSE 100 a major stock index is proportionate to the benefits to financial stability through provision of greater confidence in firms' ability to monetise their liquid asset buffers during a stress.

2.9 The PRA does not consider that the impact of the proposals on mutual societies will be significantly different from the impact on other firms.

2.10 The PRA does not consider that the proposals give rise to equality and diversity implications.

3 The application of the ILAA rules with regard to domestic liquidity sub-groups

3.1 This chapter sets out a proposed amendment to the ILAA Part of the PRA Rulebook, whereby the granting of a full Capital Requirements Regulation (CRR) Article 8(2)¹ permission to form a domestic liquidity sub-group automatically results in the ILAA rules applying at this level, and not at the level of individual legal entities.

3.2 The amendment would create an alignment between CRR Article 8(2) and ILAA 14 ('Application of this part on an individual basis and a consolidated basis'). The proposed changes are set out in Appendix 2.

3.3 This chapter is relevant to all UK banks, building societies and PRA-designated investment firms.

Proposal

3.4 CRR Article 8 allows the PRA to waive in full or in part the application of CRR Part Six² to an institution and to all or some of its subsidiaries in the European Union (EU) and supervise them as a single liquidity sub-group. Where waived in full, each firm within a sub-group is no longer required to meet its liquidity coverage requirement (LCR) under the LCR Delegated Act³ on an individual basis. Instead, these individual firms would be required to comply with the LCR as part of that single liquidity sub-group.

3.5 The LCR Delegated Act is supplemented by the ILAA Part, which applies on both an individual and a consolidated basis where the PRA is the consolidating supervisor. At present, the granting of a full CRR Article 8(2) permission to form a domestic liquidity sub-group does not result in the ILAA rules automatically being applied on the basis of that sub-group. Nor does it waive the requirement for a firm to comply with the ILAA rules on an individual basis. Instead, a firm can apply for a modification by consent (MBC) which, if granted by the PRA, applies the ILAA Part on the basis of its domestic liquidity sub-group.

3.6 The PRA proposes an amendment to ILAA 14 whereby the granting of a CRR Article 8(2) permission to waive in full the application of CRR Part Six automatically switches off a firm's obligation to comply with the ILAA rules on an individual basis, and instead applies those rules to the firm at the level of the domestic liquidity sub-group.

Statutory obligations

3.7 The PRA considers this proposal as compatible with the PRA's statutory objective to promote the safety and soundness of firms, by streamlining existing processes and ensuring a more efficient use of PRA resources in its supervision of firms. The PRA does not anticipate that there will be an impact on competition as a result of the proposal in this chapter.

3.8 The PRA considers that the regulatory principles of most relevance to the proposals are the need to use resources in the most efficient way - the policy proposal seeks to simplify existing processes - and the principle that the PRA exercise its functions as transparently as possible - the policy proposal is clearly set out for scrutiny by firms in this CP.

1 Article 8: Derogation to the application of liquidity requirements on an individual basis (Article 8(2): Domestic liquidity sub-groups, where all institutions are authorised in the same Member State).

2 Regulation (EU) No 575/2013

3 Commission Delegated Regulation (EU) 2015/61

3.9 The PRA considers there to be no costs to firms associated with the proposal, and that the burden on firms wishing to apply for the formation of a liquidity sub-group will be reduced. Therefore, a full cost-benefit analysis has not been provided.

3.10 The PRA does not consider that the impact of the proposal on mutual societies will be different from the impact on other firms.

3.11 The PRA has considered the equality and diversity issues that may arise from the proposals in this consultation. Overall, the PRA does not consider that the proposals in this consultation raise concerns with regards to equality and diversity issues.

4 Clarifications, corrections and consequential changes to PRA reporting rules and guidance notes

4.1 This chapter sets out proposals to clarify certain aspects of the Regulatory Reporting Part of the PRA Rulebook and SS34/15, 'Guidelines for completing regulatory reports'.¹ The proposals do not represent a change in PRA policy.

4.2 The proposals in this chapter are relevant to all PRA-authorized firms.

Clarifications to the Regulatory Reporting Part

4.3 The Regulatory Reporting Part sets out reporting requirements for PRA-regulated firms. Regulatory Reporting 7.1 lists the data items required to be submitted by firms of type Regulatory Activity Group 1, including data items FSA017 (interest rate gap report) and FSA045 (IRB portfolio risk). Regulatory Reporting 7.2 requires those data items to be submitted by firms on both a solo and consolidated basis. For clarity, the PRA proposes to apply Regulatory Reporting 7.1 footnote (2) ('firms that are members of a UK consolidation group must also submit this data item on a UK consolidation group basis') to the FSA017 and FSA045 data items.

4.4 Regulatory Reporting 7.1 footnote (1) that states 'when submitting the completed data item required, a firm must use the format of the data item set out in Chapter 18'. The PRA proposes to correct this reference so that it refers to Chapter 16. The PRA also proposes to delete Regulatory Reporting 7.1 footnote (6) and (19) where the related data items have been discontinued.

4.5 Regulatory Reporting 7.2 sets out the frequency at which the data items in Regulatory Reporting 7.1 must be submitted. To remove ambiguity over reporting frequencies, the PRA proposes a presentational change to the table in this rule to combine the columns 'individual consolidated UK banks and building societies' and 'unconsolidated: UK banks and building societies', such that there would be one column including both unconsolidated and individual consolidated reporting. In addition, the PRA proposes to correct some formatting errors in Regulatory Reporting 7.2 which occurred during the transition from the PRA Handbook to the PRA Rulebook.

4.6 When the PRA transposed the PRA Handbook into the PRA Rulebook in PS19/15,² in the rules, the links to data items hosted on the FCA website were maintained. The PRA has since made the data items available on the Bank of England's website, and proposes to update links in Regulatory Reporting 16 accordingly. The contents of the PRA forms are unchanged.

4.7 The proposed amendments to the Regulatory Reporting Part are set out in Appendix 3.

Amendments to SS34/15

4.8 In Policy Statement (PS) 15/16, 'Liquidity: switch from FSA returns to ALMM return', the PRA removed the requirement for firms to complete data items FSA050, FSA051, FSA052 and FSA053, in line with the introduction of EU requirements to report additional liquidity monitoring metrics (ALMM).³ The PRA now proposes to update SS34/15 Appendix 1, 'Guidelines for completing data items FSA001 to FSA053', to reflect this change and delete references to FSA050, FSA051, FSA052

1 February 2016: www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss3415update.aspx.

2 PRA Policy Statement 19/15 'The PRA Rulebook: Part 3' August 2015: www.bankofengland.co.uk/pr/Documents/publications/ps/2015/ps1915.aspx.

3 PRA Policy Statement 15/16 'Liquidity: switch from FSA returns to ALMM return' April 2016: www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps1516.aspx.

and FSA053, and to make other consequential changes where these data items are referenced in SS34/15.

4.9 The PRA also proposes to change the name used for FSA019 in SS34/15 to 'Pillar 2 information' to match the title of the data item.

4.10 The proposed changes to SS34/15 are set out in Appendix 4.

The PRA's statutory obligations

4.11 The PRA considers that the proposals in this chapter are compatible with the PRA's general objective to promote the safety and soundness of firms, as the purpose of the proposed rule is to enhance the quality of firms' submission and hence improve quality of data received by the PRA. The PRA does not consider that the proposed amendment will either hinder or promote effective competition.

4.12 Amendments proposed in this chapter are presentational only and are intended to clarify and remove any ambiguity around existing regulatory reporting submission requirements. There are no additional costs introduced by the above mentioned proposals.

4.13 The PRA considers that the regulatory principles of most relevance to the proposals are the need to use resources in the most efficient way - the proposals remove ambiguity in the PRA Rulebook, thereby making firms' reporting submissions more efficient, and the principle that the PRA exercise its functions as transparently as possible - the policy proposal will be clearly set out for scrutiny by firms in the proposed CP.

4.14 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.

4.15 The PRA has considered the equality and diversity issues that may arise from the proposals in this consultation. The PRA considers that the proposals in this consultation do not raise any concerns with regards to equality and diversity issues.

5 Lloyd's rules relating to actuarial opinions, reports and notifications

5.1 This chapter proposes changes to the rules in the Conditions Governing Business Part of the PRA Rulebook (CGB) in relation to the actuarial function of Lloyd's managing agents.

5.2 This chapter is relevant to the Society of Lloyd's (the 'Society') and managing agents.

Proposal

5.3 CGB 12.5 requires that the Actuarial Function (AF) of each managing agent, established in accordance with CGB 6.1 and 12.4, should review and provide an opinion on the adequacy of the technical provisions held by each syndicate managed by the managing agent in respect of general insurance business for each syndicate year (other than a closed year).

5.4 As a part of the Solvency II regime, the AF of the managing agent is also required by CGB 6.1, and rule 10.2 in the Solvency II Firms – Lloyd's Part of the Rulebook, to carry out detailed work on the Solvency II technical provisions in relation to each syndicate and each syndicate year, and to provide a written report annually to the governing body of the managing agent.

5.5 An equivalent requirement¹ to provide a written annual report to the governing body of the Society, applies in respect of the AF at the Society.

5.6 Since the Solvency II rules took effect on 1 January 2016, it has become apparent that the review of the technical provisions that is required by CGB 12.5 duplicates the work described above that is now carried out by the AF of each managing agent as part of the Solvency II regime.

5.7 In view of the level of assurance provided by the work of the AF of each managing agent and by the AF at the Society, and in order to minimise costs, the PRA now proposes to delete CGB 12.5, and to revise CGB 12.6 so that it is aligned more closely with the work being carried out by the AFs of managing agents. The proposed amendments to the Conditions Governing Business Part are set out in Appendix 5.

5.8 The purpose of the revised CGB 12.6 is to ensure that each managing agent informs both the Society and the PRA promptly of any concerns about the adequacy of the technical provisions, or of any material deficiencies, that are identified in the annual written report submitted to their governing body.

The PRA's statutory obligations

5.9 The PRA considers that the proposals set out in this chapter are compatible with its statutory objectives under FSMA: to promote the safety and soundness of PRA-authorized firms, and to contribute to ensuring that policyholders are appropriately protected, as the AF of each managing agent will continue to be responsible for the provision of a report each year on the technical provisions in relation to each syndicate, and will be required to inform both the Society and the PRA promptly of any concerns about the adequacy of the technical provisions, or of any material deficiencies that have been identified. The PRA considers that the proposed amendments will facilitate effective competition by ensuring the regulatory requirements for managing agents are aligned more closely with those for insurance firms.

¹ CGB 6.1 and Lloyd's 10.1

5.10 The more streamlined approach to the provision of information to the PRA provided by proposals in this chapter, is not expected to have a significant effect on costs for managing agents, the Society of Lloyd's, or the PRA, and will still ensure that the PRA receives the information needed for the purpose of its supervision of the Society of Lloyd's.

5.11 The PRA has taken particular note of the principle of proportionality with regard to this policy proposal, as well as the differences in the nature of, and objectives of, businesses carried on by different persons, by considering the specific features of the Lloyd's market. The proposed rule changes seek to make use of PRA resources in an efficient and transparent way, and recognise the responsibilities of senior insurance managers for compliance with regulatory requirements.

5.12 The proposed amendments could indirectly affect firms which are mutuals, if they transact business either with or through Lloyd's. The PRA does not consider that the impact of the proposals on mutuals will be significantly different from the impact on other firms.

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

6 Capital buffers and countercyclical leverage ratio buffer

6.1 This chapter proposes minor amendments to the Capital Buffers, Leverage Ratio and the Glossary Parts of the PRA Rulebook to clarify the calculations of the countercyclical capital buffer and the countercyclical leverage ratio buffer. The proposals are intended to clarify existing rules and do not represent a change to PRA policy.

6.2 This chapter is relevant to all CRR firms.

Proposal

6.3 Capital Buffers 3.1 sets out the calculation of a firm's countercyclical capital buffer. The PRA proposes to replace part of the calculation method in that rule with a definition for the institution-specific countercyclical capital buffer, making the calculation method clearer.

6.4 The PRA also proposes to clarify in Leverage Ratio 4.1 that the calculation of the countercyclical leverage ratio buffer rate is also based on the institution-specific countercyclical capital buffer rate.

6.5 As a consequence of the above proposals, the PRA also proposes to create a definition for the institution-specific countercyclical capital buffer in the PRA Glossary.

6.6 The proposed changes are set out in Appendix 6.

The PRA's statutory obligations

6.7 The PRA considers that the proposals set out in this chapter are compatible with the PRA's statutory objectives to promote the safety and soundness of firms, as the changes are intended to enhance the clarity of the rules text. The PRA does not anticipate that there will be any impact on competition as a result of the proposal in this chapter as they do not constitute a change in current policy but are simply a clarification of the status quo.

6.8 The PRA considers that the regulatory principles of most relevance to the proposals are: the need to use resources in the most efficient way - the proposals remove ambiguity in the PRA Rulebook thereby making firms' reporting submissions more efficient; and the principle that the PRA exercise its functions as transparently as possible - the policy proposal will be clearly set out for scrutiny by firms in the proposed CP.

6.9 The amendments proposed in this OCP are intended to clarify and remove any ambiguity in the calculation of the countercyclical capital buffer and the countercyclical leverage ratio buffer. There are no additional costs introduced by the proposals.

6.10 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.

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

Appendices

1	Draft amendments to Supervisory Statement 24/15 - The PRA's approach to supervising liquidity and funding risks
2	Draft Internal Liquidity Adequacy Assessment instrument
3	Draft Regulatory Reporting (Occasional Amendment) instrument
4	Draft amendments to Supervisory Statement 34/15 – Guidelines for completing regulatory reports
5	Draft Conditions Governing Business (No. 2) instrument
6	Draft Capital Buffers and Leverage (Amendment) instrument
7	Draft Administration instrument

Appendix 1: Draft amendments to Supervisory Statement 24/15 - the PRA's approach to supervising liquidity and funding risks

The underlined text represents new text to be inserted after paragraph 2.35.

Eligibility of reserves held at the Bank of England

2.35A Delegated Act Article 10(1) (b) (iii) requires the conditions for withdrawal of central bank reserves to be specified in an agreement between the relevant competent authority and the central bank in order for such reserves to be eligible as Level 1 HQLA. An agreement between the PRA, as competent authority, and the Bank of England, acting in its capacity as the central bank, states that:

“All reserves held in firms’ primary reserve accounts, and in their reserve collateralisation accounts that are in excess of the minima required to pre-fund deferred net settlement payment systems, are withdrawable in times of stress. This is without prejudice to the Bank of England’s ability to set a minimum balance on a reserve account. Reserves subject to a minimum balance would not be withdrawable up to the amount of the minimum balance. In the event that the Bank of England set a minimum balance it would, other than in exceptional circumstances (for example in response to a Court order), notify the account holder.”

Eligibility of shares

2.35B For the purposes of Delegated Act Article 12(1) (c) (i), the PRA has identified the Financial Times Stock Exchange 100 (FTSE 100) as a major stock index for the United Kingdom.

Appendix 2: Draft Internal Liquidity Adequacy Assessment instrument

PRA RULEBOOK: CRR FIRMS: INTERNAL LIQUIDITY ADEQUACY ASSESSMENT (AMENDMENT) INSTRUMENT [YEAR]

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: Internal Liquidity Adequacy Assessment (Amendment) Instrument [YEAR]

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

Commencement

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

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Internal Liquidity Adequacy Assessment (Amendment) Instrument [YEAR].

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Internal Liquidity Adequacy Assessment Part

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

...

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

domestic liquidity sub-group

means the firms supervised by the PRA for liquidity purposes as if they formed a single entity as a result of a permission granted to those firms under Article 8(2) of the CRR.

...

14 APPLICATION OF THIS PART ON AN INDIVIDUAL OR DOMESTIC LIQUIDITY SUB-GROUP BASIS AND A CONSOLIDATED BASIS

14.1 ~~This Part applies to a firm on an individual basis whether or not it also applies to the firm on a consolidated basis.~~

(a) This Part applies to a firm on an individual basis unless (b) applies.

(b) Where the PRA has waived in full the application of Part Six of the CRR to a firm and to all or some of its subsidiaries pursuant to a permission granted under Article 8(2) of the CRR, a firm must comply with this Part at the level of its domestic liquidity sub-group.

(c) (a) and (b) apply to a firm whether or not this Part applies to the firm on a consolidated basis.

Additional Notes

[Note: Art 8(5) of the CRR and Art 109(1) of the CRD]

Appendix 3: Draft Regulatory Reporting (Occasional Amendment) instrument

PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING (AMENDMENT) 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”):
- (3) section 137G (The PRA’s general rules); and
 - (4) 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: Regulatory Reporting (Amendment) Instrument 2016

- D. The Regulatory Reporting Part of the PRA Rulebook is amended in accordance with the Annex to this instrument.

Commencement

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

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Regulatory Reporting (Amendment) Instrument 2016

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex

Amendments to the Regulatory Reporting Part

In this Annex new text is underlined and deleted text is struck through.

...

7 REGULATED ACTIVITY GROUP 1

7.1 The applicable *data items* referred to in the table in 6.1 are set out according to *firm* type in the table below:

RAG 1	Prudential category of <i>firm</i> , applicable <i>data items</i> and reporting format (1)					
	<i>UK bank</i>	<i>Building society</i>	<i>Non-EEA bank</i>	<i>EEA bank</i> that has <i>permission</i> to accept deposits and that has its registered office (or, if it has no registered office, its head office) outside the EU	<i>Credit union</i>	<i>Dormant account fund operator</i> (12)
Description of <i>data item</i>						
<i>Annual report and accounts</i>	No standard format	<u>N/A</u>	No standard format, but in English	<u>N/A</u>	<u>N/A</u>	No standard format
<i>Annual report and accounts of the mixed-activity holding company</i> (7)	No standard format	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Solvency	No standard format	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

statement (8) format						
Balance sheet	FSA001(2)	FSA001(2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Income statement	FSA002 (2)	FSA002 (2)	FSA002	<u>N/A</u>	CQ;CY	<u>N/A</u>
Capital adequacy	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	CQ;CY	<u>N/A</u>
Market risk	FSA005((2),(3))	FSA005((2),(3))	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Market risk - supplementary	FSA006 (4)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Large exposures	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	CQ;CY	<u>N/A</u>
Large exposures between core UK group and non-core large exposure group	FSA018 (10)	FSA018(10)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Liquidity (other than stock)	<u>N/A</u>	FSA011	<u>N/A</u>	<u>N/A</u>	CQ;CY	<u>N/A</u>
Forecast data	FSA014 (9)	FSA014 (9)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Solo consolidation data	FSA016 (5)	FSA016 (5)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Interest rate gap report	FSA017 (2)	FSA017(2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
...Sectoral information, including arrears and impairment	FSA015 (2)	FSA015 (2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
IRB portfolio	FSA045 (2)	FSA045 (2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

risk	(11)	(11)				
Daily Flows	FSA047 ((13), (16) and (18))	FSA047 ((13), (16) and (18))	FSA047 ((13), (15), (16) and (18))	FSA047 ((13), (15), (16) and (18))	<u>N/A</u>	<u>N/A</u>
Enhanced Mismatch Report	FSA048 ((13), (16) and (18))	FSA048 ((13), (16) and (18))	FSA048 ((13), (15), (16) and (18))	FSA048 (Notes 13, 15, 16 and 18)	<u>N/A</u>	<u>N/A</u>

(1) When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in Chapter 48~~16~~.

...

(6) ~~This will be applicable to *firms* (other than building societies) that are members of a *UK consolidation group* on the reporting date. [deleted.]~~

...

(19) ~~This *data item* must be reported only in the currencies named in FSA052, so that liabilities in GBP are reported in GBP in rows 1 to 4, those in USD are reported in USD in rows 5 to 8, and those in Euro are reported in Euro in rows 9 to 12. Liabilities in other currencies are not to be reported. [deleted.]~~

7.2 The applicable reporting frequencies for submission of *data items* and periods referred to in 7.1 are set out in the table below according to *firm* type. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

RAG 1

<i>Data item</i>	Unconsolidated or Individual- Individual consolidated UK consolidated: UK banks and building societies [deleted.]	Individual- consolidated UK banks and building societies [deleted.]	Report on a <i>UK consolidation group</i> or, as applicable, defined <i>liquidity group</i> basis by <i>UK banks and building societies</i>	Other members of <i>RAG 1</i>
<i>Annual report and accounts</i>	Annually		<u>Annually</u>	Annually

<i>Annual report and accounts of the mixed-activity holding company</i>	Annually		<u>Annually</u>	<u>Annually</u>
Solvency statement	Annually		<u>N/A</u>	<u>N/A</u>
CQ	<u>N/A</u>		<u>N/A</u>	Quarterly
CY	<u>N/A</u>		<u>N/A</u>	Annually (1)
FSA001	Quarterly		Half yearly	<u>N/A</u>
FSA002	Quarterly		Half yearly	Half yearly
FSA005	Quarterly		Half yearly	<u>N/A</u>
FSA006	Quarterly		<u>N/A</u>	<u>N/A</u>
FSA011	Quarterly		<u>N/A</u>	<u>N/A</u>
FSA014	Half yearly		<u>Half yearly</u>	<u>N/A</u>
FSA015	Quarterly		Half yearly	<u>N/A</u>
FSA016	<u>Half yearly</u>	Half yearly <u>[deleted.]</u>	<u>N/A</u>	<u>N/A</u>
FSA017	Quarterly		Half yearly	<u>N/A</u>
FSA018	Quarterly		<u>N/A</u>	<u>N/A</u>
FSA045	Quarterly		Half yearly	<u>N/A</u>
FSA047	Daily, weekly, monthly or quarterly ((2), (3) and (6))		Daily, weekly, monthly or quarterly ((2), (5) and (6))	Daily, weekly, monthly or

			quarterly (2),(4) and (6))
FSA048	Daily, weekly, monthly or quarterly (2), (3) and (6))	Daily, weekly, monthly or quarterly (2), (5) and (6))	Daily, weekly, monthly or quarterly (2),(4) and (6))

...

(9) A firm which has an individual consolidation permission must submit data items FSA001, FSA002, FSA005, FSA011, FSA015, FSA017, FSA014 and FSA045 on an individual consolidated basis, and all other data items in this column on an unconsolidated basis. All other firms must submit all data items in this column on an unconsolidated basis.

...

- 7.3 The applicable due dates for submission referred to in the table in 6.1 are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in 7.2, unless indicated otherwise.

RAG 1						
<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually
<i>Annual report and accounts</i>	N/A	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	80 business days (1) 7 months (2)
<i>Annual report and accounts of the mixed-activity holding company</i>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	7 months
<i>Solvency statement</i>	N/A	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	3 months

CQ	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	1 month	<u>N/A</u>	<u>N/A</u>
CY	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	6 months
FSA001	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	45 <i>business days</i>	<u>N/A</u>
FSA002	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	45 <i>business days</i>	<u>N/A</u>
FSA005	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	45 <i>business days</i>	<u>N/A</u>
FSA006	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	<u>45 business days</u>	<u>N/A</u>
FSA011	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	15 <i>business days</i>	<u>N/A</u>	<u>N/A</u>
FSA014	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	30 <i>business days</i> (3); 45 <i>business days</i> (4)	<u>N/A</u>
FSA015	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	30 <i>business days</i>	45 <i>business days</i>	<u>N/A</u>
FSA016	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	30 <i>business days</i>	<u>N/A</u>
FSA017	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	45 <i>business days</i>	<u>N/A</u>
FSA018	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	45 <i>business days</i>	<u>N/A</u>	<u>N/A</u>

<i>and accounts</i>						<i>days</i>
<i>Annual report and accounts of the mixed-activity holding company</i>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	7 months
Solvency statement	N/A	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	3 months
FSA001	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	30 <i>business days</i> (1); 45 <i>business days</i> (2)	<u>N/A</u>
FSA002	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	30 <i>business days</i> (1); 45 <i>business days</i> (2)	<u>N/A</u>
FSA005	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	30 <i>business days</i> (1); 45 <i>business days</i> (2)	<u>N/A</u>
FSA006	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	<u>N/A</u>	<u>N/A</u>
FSA016	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	30 <i>business days</i>	<u>N/A</u>
FSA018	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	45 <i>business days</i>	<u>N/A</u>	<u>N/A</u>
FSA019	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	2 months

FSA045	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	30 <i>business days</i> (1); 45 <i>business days</i> (2)	<u>N/A</u>
FSA047	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one month (3)	<u>N/A</u>	<u>N/A</u>
FSA048	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	22.00 hours (London time) on the <i>business day</i> immediately following the last day of the reporting period for the item in question	15 <i>business days</i>	15 <i>business days</i> or one Month (3)	<u>N/A</u>	<u>N/A</u>

...

10 REGULATED ACTIVITY GROUP 4

...

10.4 The applicable due dates for submission referred to in the table in 6.1 are set out in the table below. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period set out in 10.3, unless indicated otherwise.

RAG 4						
Data item	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually

FSA 038	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	80 <i>business days</i>	<u>N/A</u>
FSA042	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	20 <i>business days</i>	<u>N/A</u>	<u>N/A</u>

...

16 DATA ITEMS AND OTHER FORMS

16.1 FSA001 can be found ~~here~~ [here](#).

16.2 FSA002 can be found ~~here~~ [here](#).

16.3 FSA005 can be found ~~here~~ [here](#).

16.4 FSA006 can be found ~~here~~ [here](#).

16.5 FSA011 can be found ~~here~~ [here](#).

16.6 FSA014 can be found ~~here~~ [here](#).

16.7 FSA015 can be found ~~here~~ [here](#).

16.8 FSA016 can be found ~~here~~ [here](#).

16.9 FSA017 can be found ~~here~~ [here](#).

16.10 FSA018 can be found ~~here~~ [here](#).

16.11 FSA019 can be found ~~here~~ [here](#).

16.12 FSA038 can be found ~~here~~ [here](#).

16.13 FSA042 can be found ~~here~~ [here](#).

16.14 FSA045 can be found ~~here~~ [here](#).

16.15 FSA047 can be found ~~here~~ [here](#).

16.16 FSA048 can be found ~~here~~ [here](#).

...

16.21 MLAR can be found ~~here~~ [here](#).

16.22 CQ can be found ~~here~~ [here](#).

16.23 CY can be found ~~here~~ [here](#).

16.24 Prudent Valuation Return can be found ~~here~~ [here](#).

Appendix 4: Draft amendments to Supervisory Statement 34/15 ‘Guidelines for completing regulatory reports’

In this appendix new text is underlined and deleted text is struck through.

1 Overview

..

1.4 The guidance on completing data items is set out in a series of appendices to this supervisory statement:

Appendix	Data items	Description
1	FSA001 to FSA05 348	Guidelines for completing data items FSA001 to FSA05 348
2	MLAR	Notes for completing Mortgage Lenders and Administrators Return
3a	CQ	Notes for completing the quarterly return for Credit Unions
3b	CY	Notes for completing the annual return for Credit Unions
4	Prudent Valuation	Guidelines for completing the prudent valuation return

...

Appendices

1 Guidelines for completing data items FSA001 to FSA05~~348~~

...

Appendix 1 - Guidelines for completing data items FSA001 to FSA05~~348~~, PV001, MLAR, CY & CQ

Name	Data item	Guidance
...		
FSA019	IRB portfolio risk Pillar 2 information	www.bankofengland.co.uk/prd/Documents/crdiv/fsa019jan2016.pdf
...		
FSA050	Liquidity buffer qualifying securities	www.bankofengland.co.uk/prd/Documents/crdiv/fsa050jan2016.pdf
FSA051	Funding concentration	www.bankofengland.co.uk/prd/Documents/crdiv/fsa051jan2016.pdf
FSA052	Pricing data	www.bankofengland.co.uk/prd/Documents/crdiv/fsa052jan2016.pdf

FSA053	Retail, SME and large enterprises type B	www.bankofengland.co.uk/prd/Documents/crdiv/fsa053jan2016.pdf	www.bankofengland.co.uk/prd/Documents/crdiv/fsa053instructionsjan2016.pdf
...			

Appendix 5: Draft Conditions Governing Business (No. 2) instrument

PRA RULEBOOK: SOLVENCY II FIRMS: CONDITIONS GOVERNING BUSINESS – (NO. 2) 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”):

- (5) section 137G (the PRA’s general rules); and
- (6) 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: Solvency II Firms: Conditions Governing Business (No. 2) Instrument 2016

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

Commencement

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

Citation

F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Conditions Governing Business (No. 2) Instrument 2016.

By order of the Board of the Prudential Regulation Authority

[DATE].

Annex

Amendments to the Conditions Governing Business Part

In this Annex new text is underlined and deleted text is struck through.

...

12 LLOYD'S

...

- 12.5 ~~The actuarial function of a managing agent must, in respect of each syndicate managed by the managing agent, carrying out general insurance business;~~
- ~~(1) review the technical provisions of each syndicate year (other than a closed year); and~~
- ~~(2) provide an opinion to the managing agent and the Society confirming that the technical provisions (before addition of the risk margin) for each syndicate year are no less prudent than the best estimate of the amounts required to be held (before addition of the risk margin) in accordance with Technical Provisions 2 to 12. [deleted]~~
- 12.6 The PRA and the Society must be informed promptly by the managing agent promptly of any concerns about the adequacy of the technical provisions, and any material deficiencies, identified in the annual written report to be submitted by the actuarial function to the governing body of that ~~if the managing agent becomes aware that the actuarial function of the managing agent will or may be unable to produce an unqualified opinion under 12.5(2).~~

Appendix 6: Draft Capital Buffers and Leverage (Amendment) instrument

PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS AND LEVERAGE (AMENDMENT) 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”):
- (7) section 137G (The PRA’s general rules); and
 - (8) 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: Capital Buffers and Leverage (Amendment) Instrument 2016

- D. The rules in the Parts of the PRA Rulebook listed in column (1) below are amended in accordance with the Annexes to this instrument listed column (2).

(1)	(2)
Capital Buffers	A
Leverage Ratio	B
Glossary	C

Commencement

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

Citation

- F. This instrument may be cited as the PRA Rulebook: CRR firms: Capital Buffers and Leverage (Amendment) Instrument 2016.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

Amendments to the Capital Buffers Part

In this Annex new text is underlined and deleted text is struck through.

...

3 COUNTERCYCLICAL CAPITAL BUFFER

Calculation of the countercyclical capital buffer

- 3.1 (1) A *firm* must calculate a *countercyclical capital buffer* of common equity tier 1 capital equal to its *total risk exposure amount* multiplied by ~~the weighted average of the countercyclical buffer rates that apply to exposures in the jurisdictions where the firm's relevant credit exposures are located~~ its institution-specific countercyclical capital buffer rate.

[Note: Art 130(1) (part) of the *CRD*]

(1A) A firm's institution-specific countercyclical capital buffer rate consists of the weighted average of the countercyclical buffer rates that apply to exposures in the jurisdictions where the firm's relevant credit exposures are located, calculated in accordance with (2).

- (2) In order to calculate the weighted average referred to in (1A), a *firm* must apply to each applicable *countercyclical buffer rate* its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to the *relevant credit exposures* in the jurisdiction in question, divided by its total *own funds* requirements for credit risk, specific risk, incremental default and migration risk that relates to all of its *relevant credit exposures*.

...

Annex B

Amendments to Leverage Ratio Part

In this Annex new text is underlined and deleted text is struck through.

...

4 COUNTERCYCLICAL LEVERAGE RATIO BUFFER

4.1 A firm must calculate a *countercyclical leverage ratio buffer* of common equity tier 1 capital equal to:

(1) the firm's ~~countercyclical capital buffer rate~~ institution-specific countercyclical capital buffer rate multiplied by 35% with the product expressed as a percentage rounded to the nearest tenth of a percentage; multiplied by

(2) the firm's *total exposure measure*.

...

Annex C

Amendments to Glossary Part

In the Glossary Part of the PRA Rulebook insert the following new definition:

institution-specific countercyclical capital buffer rate

has the meaning given in Capital Buffers 3.1(1A).

Appendix 7: Draft Administration instrument

PRA RULEBOOK: ADMINISTRATION INSTRUMENT (No. [X]) 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);
 - (2) section 137T (general supplementary powers);
 - (3) section 316(1) (direction by a regulator);
 - (4) section 317 (the core provisions); and
 - (5) section 318 (exercise of powers through Council).
- 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: Administration Instrument (No. [X]) 2016

- D. The rules in the Parts of the PRA Rulebook listed in column (1) below are amended in accordance with the Annexes to this instrument listed column (2).

(1)	(2)
LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS	A
LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – TRANSITIONAL PROVISIONS	B
INSURANCE COMPANY - OVERALL RESOURCES AND VALUATION	C
NON-SOLVENCY SII FIRMS – GOVERNANCE	D
NOTIFICATIONS	E
MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES	F
PUBLIC DISCLOSURE	G
REMUNERATION	H
FINANCIAL CONGLOMERATES	I

LLOYD'S	J
GLOSSARY	K

Commencement

E. The Annexes to this instrument come into force on [[DATE]].

Citation

F. This instrument may be cited as the PRA Rulebook: Administration Instrument (No. [X]) 2016.

By order of the Board of the Prudential Regulation Authority

[DATE]

Annex A

In this Annex new text is underlined and deleted text is struck through.

Part

LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS

...

7 FORMS

- 7.1 (1) Form A (long form) may be found **here**.
(2) Form A (shortened form) may be found **here**.
(3) Form B may be found **here**.
~~(3)~~(4) Form C may be found **here**.
~~(4)~~(5) Form D may be found **here**.
~~(5)~~(6) Form E may be found **here**.
~~(6)~~(7) The *scope of responsibilities* form may be found **here**.

...

Annex B

In this Annex new text is underlined and deleted text is struck through.

Part

LARGE NON-SOLVENCY II FIRMS – SENIOR INSURANCE MANAGERS REGIME – TRANSITIONAL PROVISIONS

...

6 TABLE OF EQUIVALENT FUNCTIONS FOR GRANDFATHERING

...

- 6.3 (1) If, in relation to a *firm*, a *senior insurance management function holder* with *continued approval* also performs *FCA activities* on and from the *commencement date*, performance of the *senior insurance management function* will include the performance of those *FCA activities* provided that the *firm* has included details of the *FCA activities* in a *scope of responsibilities form* for that *senior insurance management function holder* which is provided to the *PRA* by 7 September 2016 in accordance with Large Non-Solvency II Firms – Key Function Holder – Notifications ~~6.35.3~~.

...

8 TRANSITIONAL ARRANGEMENTS FOR NEW SENIOR INSURANCE MANAGEMENT FUNCTIONS

...

- 8.2 Where an *approved person* or a *candidate* is intended to perform a *senior insurance management function* with effect from the *commencement date* but:

(1) in the case of an *approved person*, is not prior to the *commencement date* approved; or

(2) in the case of a *candidate*, is not to be approved

to perform a *controlled function* that is equivalent to the proposed *senior insurance management function* in accordance with 6, the *PRA* directs that the *firm* must not submit a *grandfathering notification* in respect of that *approved person* or *candidate* (as the case may be) but must instead submit a ~~*senior insurance management application*~~ *senior insurance management approval application* for the proposed *senior insurance management function* in accordance with Large Non-Solvency II Firms – Key Function Holder – Notifications 5.4.

...

Annex C

In this Annex new text is underlined and deleted text is struck through.

Part

INSURANCE COMPANY - OVERALL RESOURCES AND VALUATION

1 APPLICATION AND DEFINITIONS

...

1.2 In this Part, the following definitions shall apply:

...

securitisation risk

includes the risk that the *capital resources* held by a *firm* in respect of assets which it has ~~securitised~~securitised are inadequate having regard to the economic substance of the transaction, including the degree of risk transfer achieved.

...

Annex D

In this Annex new text is underlined and deleted text is struck through.

Part

NON-SOLVENCY II FIRMS – GOVERNANCE

...

4 GOVERNANCE FOR NON-DIRECTIVE FRIENDLY SOCIETIES

...

4.7 A *firm* must ensure that the systems of control and of inspection and reporting are adequate to enable the *governing body* to properly discharge:

(1) the duties imposed on it by or under ~~FMSA~~FSMA, the Friendly Societies Act 1992 or the Friendly Societies Act 1974; and

(2) the functions of direction of the affairs of the *friendly society* or *registered branch*.

...

Annex E

In this Annex new text is underlined and deleted text is struck through.

Part

MANAGEMENT EXPENSES IN RESPECT OF RELEVANT SCHEMES

...

4 PAYMENTS

4.24.1 A *firm* or a *dormant account provider* (and, where applicable, the *Society*) must pay its share of a *MERS levy* in one payment.

~~46.34.2~~ A share of a *MERS levy* is due on, and payable within, 30 days of the date when the invoice is issued.

~~46.44.3~~ A *firm* or a *dormant account fund operator* (and, where applicable, the *Society*) must pay its share of a *MERS levy* by either direct debit, credit transfer (e.g. BACS or CHAPS), cheque, Maestro, Visa Debit or by credit card (Visa/Mastercard/American Express only).

4.24.4 The *FSCS* may reduce, remit or refund any overpaid amounts paid in respect of a *MERS levy* in respect of a particular period, due to a mistake of law or fact by a *firm*, a *dormant account fund operator* or, where applicable, the *Society*, provided that the claim is made by the *firm*, *dormant account provider* or, where applicable, the *Society* not more than two years after the beginning of the period to which the overpayment relates.

...

Annex F

In this Annex new text is underlined and deleted text is struck through.

Part

PUBLIC DISCLOSURE

1 APPLICATION AND DEFINITIONS

1.1 This Part applies to every *firm* that is a *CRR firm*.

1.2 In this Part, the following definitions shall apply:

average exposure measure

...

Annex G

In this Annex new text is underlined and deleted text is struck through.

Part

REMUNERATION

15.20 A *firm* must ensure that:

- (1) ...
- (2) any variable *remuneration* is subject to clawback, such that it is only awarded if an amount corresponding to it can be recovered from the individual by the *firm* if the recovery is justified on the basis of the circumstances described in 15.21(2) or ~~15.22~~15.23; and
- (3) ...

Annex H

In this Annex new text is underlined and deleted text is struck through.

Part

FINANCIAL CONGLOMERATES

1 APPLICATION AND DEFINITIONS

...

1.4 In this Part, the following definitions shall apply:

...

applicable sectoral consolidation rules

means in respect of a *financial sector* the ~~PRA's~~PRA's *sectoral rules* about capital adequacy and solvency on a consolidated basis applicable to that *financial sector* under the table in paragraph 8 of Annex 2 of this Part (Application of sectoral consolidation rules).

...

IFPRU investment firm

means an *investment firm*, as defined in article 4(1)(2) of the *CRR*, including a *collective portfolio management investment firm*, that satisfies the following conditions:

- (1) it is a *FCA-authorised firm*;
- (2) its head office is in the *UK*; and
- (3) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

IFPRU limited activity firm

means a *limited activity firm* that meets the following conditions:

- (1) it is an *FCA-authorised firm*;
- (2) its head office is in the *UK*; and
- (3) it is not excluded under IFPRU 1.1.5 in the *FCA Handbook*.

...

sectoral rules

means, in relation to a *financial sector*, the following rules and requirements relating to the prudential supervision of regulated entities within that *financial sector*.

- (1) for the purposes of 2.8, *EEA prudential sectoral legislation* for that *financial sector* together with, as appropriate, the rules and requirements in (3);

...

- (7) references to the ~~PRA's~~PRA's sectoral rules are to sectoral rules in the form of rules.

...

5 ASSET MANAGEMENT COMPANIES AND ALTERNATIVE INVESTMENT FUND MANAGERS

5.1 A firm must treat an *asset management company* and an *alternative investment fund manager* that is a member of a *financial conglomerate* of which that firm is a member:

- (1) ...

- (2) In the case of a *financial conglomerate* for which the *PRA* is the *coordinator*, a firm must allocate an *asset management company* and an *alternative investment fund manager*:

~~(1)(a)~~ ...

~~(2)(b)~~ to the *insurance sector* where a decision to that effect has been made by the *undertaking* in the *financial conglomerate* that is the group member referred to in Article 4(2) of the *Financial Conglomerates Directive*; or

~~(3)(c)~~ ...

- (3) The decision in (2):

~~(1)(a)~~ will apply to all *asset management companies* and all *alternative investment fund managers* that are members of the *financial conglomerate* from time to time;

~~(2)(b)~~ cannot be changed; and

~~(3)(c)~~ must be notified to the ~~PRA~~PRA without delay.

...

ANNEX 2 - CAPITAL ADEQUACY CALCULATIONS FOR FINANCIAL CONGLOMERATES

...

6 Table: PART 4: Definitions used in this Annex

Solo capital resources requirement: banking sector and investment services sector

6.2 ...

- (4) If there is a *credit institution* in the *financial conglomerate*, the *solo capital resources requirement* for any *undertaking* in the *banking sector* or the *investment services sector* is, subject to (2) and (3), calculated in accordance with the *CRR* for calculating the *own funds requirements of a of a bank*.

...

Solo capital resources requirement: insurance sector

6.4 (1) The *solo capital resources requirement* of an *undertaking* in the *insurance sector* is:

- (a) in respect of a *UK Solvency II firm*, the *SCR*;
- (b) in respect of a *Solvency II undertaking* other than a *UK Solvency II firm*, the equivalent of the *SCR* as calculated in accordance with the *Solvency II EEA implementing measures* in the *EEA State* in which it has received authorisation in accordance with article 14 of the *Solvency II Directive*;
- (c) in respect of a *third country insurance undertaking* or *third country reinsurance undertaking* ~~*third-country reinsurance undertaking*~~ to which Group Supervision, 10.4(2) applies, the equivalent of the *SCR* as calculated in accordance with the applicable requirements in that *third country*;

...

Annex I

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Part

LLOYD'S

11 AUDITORS AND ACTUARIES DIRECTION

- 11.1 (1) ...
- (2) Regulations made by ~~the Treasury~~ HM Treasury under section 342(5) and section 343(5) of Part XXII of *FSMA* apply only to *actuaries* appointed by a *managing agent* in respect of the *insurance business* of a *syndicate*, in relation to the *long-term insurance business* of that *syndicate*.
- (3) ...

...

Annex J

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Part

GLOSSARY

~~Article 12(1) relationship~~

~~means a relationship where *undertakings* are linked by a relationship within the meaning of Article 12(1) of Council Directive of 13 June 1983 on consolidated accounts (No 83/349/EEC).~~

Article 12(1) relationship

means a relationship where ~~undertakings~~ undertakings are linked by a relationship within the meaning of Article 12(1) of Directive 83/349 EEC.

...

insurance market activities

means a regulated activity relating to contracts of insurance written at Lloyd's.

...

subsidiary undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* of which another *undertaking* is its *parent undertaking*.

...

third country insurance undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as an insurance undertaking in accordance with Article 14 of the *Solvency II Directive* if its head office was situated in the *EEA*.

...

third country reinsurance undertaking

~~(in the Solvency II Firms Sector of the PRA Rulebook)~~ means an *undertaking* that has its head office outside the *EEA* and that would require authorisation as a *reinsurance* undertaking in accordance with Article 14 of the *Solvency II Directive* if its head office were situated in the *EEA*.

...