



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP25/17

Pillar 2: Update to reporting requirements

December 2017



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Responses are requested by Tuesday 6 March 2018.

Please address any comments or enquiries to:

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1 Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) proposes a:

- new data item (PRA111) to capture stress testing data currently included in firms' Internal Capital Adequacy Assessment Process (ICAAP) documents;
- reduction in the frequency of reporting of the data items in the Reporting Pillar 2 Part of the PRA Rulebook ('Pillar 2 data items') for some firms; and
- consolidation of definitions in several reporting Parts of the PRA Rulebook into the Glossary.

1.2 This CP is relevant to banks, building societies and PRA-designated investment firms ('firms').

1.3 The purpose of the first proposal to introduce PRA111 is to bring greater transparency, clarity, standardisation and comparability in stress test data provided alongside ICAAP documents. It would also decrease the operational risks associated with the manual capturing of stress test data for analysis.

1.4 The purpose of the second proposal to reduce the frequency of reporting of Pillar 2 data items for some firms is to make the PRA analysis of Pillar 2 risks more effective, and to take a more proportionate approach.

1.5 The proposed consolidation of the definitions in several reporting Parts is intended to make it easier for firms to use the PRA Rulebook.

1.6 The proposals in this CP would make changes to the following Parts of the PRA Rulebook (Appendix 1):

- Glossary;
- Regulatory Reporting;
- Reporting Leverage Ratio; and
- Reporting Pillar 2.

1.7 The PRA is also proposing to update the reporting instructions in Supervisory Statement (SS) 32/15 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082'¹ (Appendix 2) and the Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital (October 2017)'² (Appendix 3).

Background

1.8 There are two main areas that the PRA considers when conducting a Supervisory Risk and Evaluation Process (SREP) for a firm:

¹ January 2016: www.bankofengland.co.uk/pr/Pages/publications/ss/2017/ss3215update.aspx.

² October 2017: www.bankofengland.co.uk/pr/Pages/publications/sop/2017/p2methodologiesupdate2.aspx.

- (i) risks to the firm that are either not captured, or not fully captured, under the Pillar 1 requirements of the Capital Requirements Regulation (CRR);¹ and
- (ii) risks to which the firm may become exposed over a forward looking planning horizon (eg due to changes to the economic environment).

1.9 In accordance with the Pillar 2 methodologies set out in Statement of Policy (SoP) 'The PRA's methodologies for setting Pillar 2 capital',² in a SREP the PRA calculates capital benchmarks for those risks in light of the information included in a firm's ICAAP and the data reported in the Pillar 2 data items.

1.10 While the assessment of risks covered in paragraph 1.8(i) is facilitated by data provided in the Pillar 2 data items, firms' internal stress test data, which inform the assessment of risks covered in paragraph 1.8(ii), are only provided in an unstructured format in firms' ICAAP documents.

1.11 The PRA proposes to introduce an additional Pillar 2 data item (PRA111) to capture these stress test data in an electronic and standardised format. The PRA considers the data requested in the proposed data item should be readily available as part of firms' internal stress testing.

1.12 Firms are required to report relevant Pillar 2 data items to the PRA:

- (i) at the same time as they submit their ICAAP assessment;³
- (ii) on an annual basis if they are significant firms⁴ or if they are not significant firms but they have permission from the PRA to use the Advanced Measurement Approach (AMA);⁵ and
- (iii) on a regular basis that is proportionate to the nature, scale and complexity of their activity if they are not significant firms, are not using the AMA and do not submit their ICAAP assessment on an annual basis.⁶

1.13 The PRA proposes to modify Rule 3.2 of Reporting Pillar 2 to reflect that all firms that do not submit an ICAAP on an annual basis would only be required to submit the Pillar 2 data on a regular basis that is proportionate to the nature, scale and complexity of the firms' activities. While the PRA proposes to retain the flexibility in Rule 3.2 to request Pillar 2 data if necessary (and extend this to all firms), in general this will mean that firms would only be required to submit Pillar 2 data alongside their ICAAP documents in accordance with Rule 3.1.

Implementation

1.14 Following consultation, the PRA will issue the final policy which it proposes to take effect from 1 October 2018.

1.15 The PRA proposes that the frequency of submission of PRA111 be aligned with the frequency of the SREP of individual firms. Relevant firms would need to submit PRA111 at the

1 (EU) No 575/2013.

2 October 2017: www.bankofengland.co.uk/pr/Pages/publications/sop/2017/p2methodologiesupdate2.aspx.

3 Rule 3.1 of the Reporting Pillar 2 Part of the PRA Rulebook.

4 Reporting Pillar 2 3.2(1).

5 Reporting Pillar 2 3.2(2).

6 Reporting Pillar 2 3.2(3).

same time as the firm submits its ICAAP assessment to the PRA (subject to Rule 3.2, as amended).

Responses and next steps

1.16 This consultation closes on 6 March 2018. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP25_17@bankofengland.co.uk.

2 Proposals

New data item for ICAAP stress testing

2.1 The PRA proposes to introduce an additional Pillar 2 data item (PRA111) to capture stress test data currently provided in firms' ICAAP documents, in an electronic and standardised format (Appendix 2).

Contents

2.2 The proposed information requested in PRA111 consists of base and stress scenario projections of the following:

- (i) macroeconomic variables and market drivers;
- (ii) key line items of the Profit or Loss statement;
- (iii) impairment and loss data;
- (iv) risk weighted assets (RWAs) and exposures;
- (v) capital resources and requirements;
- (vi) strategic management actions, including any adjustments due to restrictions on the Maximum Distributable Amount (MDA); and
- (vii) the PRA buffer calculation presented in the ICAAP.

2.3 The stress data to be provided in PRA111 would be those in the stress scenario in the ICAAP that firms deem appropriate to be used to size the PRA buffer.¹ The time horizon for the projections would represent the time horizon used by firms in their ICAAP, ie three to five years.

Scope

2.4 The PRA proposes that firms with total assets equal to or greater than £5 billion, at the relevant level of consolidation used as the basis of their ICAAP, would be required to complete PRA111.

2.5 The PRA's proposed threshold of £5 billion is consistent with the lowest threshold used in the PRA's Capital+ reporting. Firms with total assets less than £5 billion would only be requested to complete data item PRA111 on a case-by-case basis where the data are necessary to inform the PRA's Pillar 2 methodology and supervision of the relevant firm.

¹ Where a firm does not currently hold a PRA buffer, the PRA may in certain circumstances notify a firm that it should hold a PRA buffer as applicable.

Format

2.6 The format of PRA111 would be aligned to the Stress Test Data Framework (STDF) used for the Bank of England's (Bank's) annual concurrent stress test. But the level of granularity would be significantly reduced in order not to place undue burden on firms not participating in the Bank's annual concurrent stress test.

2.7 While the PRA proposes a standardised format to capture firms' stress test data, firms would still remain responsible for defining their own approach to ICAAP design and the stress test approach used in their ICAAP.

2.8 The PRA proposes web-based instructions for firms for the completion of PRA111, setting out the structure of the data item, enumerations permitted, definitions and data quality rules. The PRA proposes to provide these instructions in an HTML format to allow easier navigation between sections through a number of embedded links (see Appendix 2: draft amendments to Appendix 3 of SS32/15).

Modification of frequency of Pillar 2 reporting requirements

2.9 The PRA recognises that firms' Pillar 2 data items are analysed more effectively alongside firms' ICAAP documents. This is captured under Rule 3.1 of the Reporting Pillar 2 Part of the PRA Rulebook, which requires firms to submit the relevant Pillar 2 data items with their ICAAP documents. This CP proposes a modification to Rule 3.2 of Reporting Pillar 2 to:

- (i) remove the requirement for significant firms that do not submit an ICAAP on an annual basis to submit the relevant Pillar 2 data items annually;
- (ii) remove the requirement for firms that are not significant and that do not submit an ICAAP on an annual basis but that have permission from the PRA to use the AMA to submit the relevant Pillar 2 data items annually; and
- (iii) extend the requirement in Rule 3.2(3) of Reporting Pillar 2 (to submit the relevant Pillar 2 data items on a regular basis that is proportionate to the nature, scale and complexity of a firm's activities) to all firms that do not submit their ICAAPs on an annual basis.

2.10 The PRA also proposes to reflect those changes by updating the reporting instructions in Supervisory Statement (SS) 32/15 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082'¹ (Appendix 2) and the Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital (October 2017)'² (Appendix 3).

2.11 The submission of firms' Pillar 2 data items allows the PRA to assess firms' ICAAP and to calculate capital benchmarks for Pillar 2 risks. The PRA considers the analyses of the Pillar 2 data items more effective alongside the narrative and qualitative information provided in firms' ICAAP documents. Regular or annual submissions of the Pillar 2 data items without an ICAAP submission are less useful from a capital benchmarking and peer comparison perspective, unless justified for specific supervisory purposes. The proposal in this CP to modify Rule 3.2 of Reporting Pillar 2 provides a more proportionate approach for firms that do not submit an annual ICAAP.

¹ January 2016: www.bankofengland.co.uk/pr/Pages/publications/ss/2017/ss3215update.aspx.

² October 2017: www.bankofengland.co.uk/pr/Pages/publications/sop/2017/p2methodologiesupdate2.aspx.

Consolidation of Glossary definitions

2.12 The proposed requirement for firms with total assets equal to or greater than £5 billion to complete data item PRA111 (Appendix 1, draft Rule 2.9 of Reporting Pillar 2) uses the definition of 'total assets' which includes the defined terms 'data item' and 'data element' also used in other Parts of the PRA Rulebook.

2.13 The PRA proposes to consolidate the definitions into the Glossary in order to make it easier for firms to navigate the PRA Rulebook.

3 The PRA's statutory obligations

3.1 In carrying out its policy making functions, the PRA is required to comply with several legal obligations.

3.2 Before making any rules, the Financial Services and Markets Act 2000 (FSMA)¹ requires the PRA to publish a draft of the proposed rules accompanied by:

- a cost benefit analysis;
- an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective,² insurance objective³ (if applicable), and secondary competition objective;⁴
- an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles;⁵ and
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.⁶

3.3 The Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy as recommended by HM Treasury.⁷

3.4 The PRA is also required by the Equality Act 2010⁸ 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

3.5 This CP proposes a new reporting requirement for firms with total assets equal to or greater than £5 billion (data item PRA111), a reduced frequency of data submissions for some firms not submitting ICAAPs on an annual basis, and consolidation of definitions used in the reporting Parts of the PRA Rulebook into the Glossary.

3.6 The PRA considered both one-off and ongoing costs for IT systems, management time and other relevant costs. The PRA considers the costs of the proposed data item PRA111 to be of

1 Section 138J of FSMA.

2 Section 2B of FSMA.

3 Section 2C of FSMA.

4 Section 2H(1) of FSMA.

5 Sections 2H(2) and 3B of FSMA.

6 Section 138K of FSMA.

7 Section 30B of the Bank of England Act 1998.

8 Section 149.

minimal significance for firms as the information required should already be readily available to firms. The PRA also expects the submission of data item PRA111 to reduce management and resource time for both the PRA and firms since the number of additional data requests and explanation of results in ICAAP documents would be reduced.

3.7 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 change brings stress testing reporting requirements in line with other Pillar 2 reporting requirements. By facilitating the collection of data, the proposal should ensure that the assessment of firms' stress results is consistent across PRA-regulated firms.

3.8 The proposed HTML format of the instructions for completion of PRA111 may be novel for some firms. This may entail additional initial time to follow the instructions in completing the data item, compared to the pdf format used for instructions to other PRA data items. However, the PRA considers that this format would make them easier to read, navigate and digest and is consistent with instructions provided for Concurrent Stress Testing (CST). In addition, the possibility of searching for definitions and the consistency between data items and data quality rules, which would be achievable through this HTML format, would be difficult to achieve in a pdf format. The instructions would be accessible through any internet browser, which should not lead to additional costs for reporting firms.

3.9 The reduced frequency of the submission of Pillar 2 data items for some firms not submitting an ICAAP on an annual basis would further contribute to a reduction in management and resource time for the PRA and firms.

3.10 The PRA considers that the consolidation of definitions into the Glossary will have no impact on firms, but will make the PRA Rulebook easier for firms to use.

Compatibility with the PRA's objectives

3.11 In discharging its general function of making rules, the PRA must, so far as reasonably possible, act in a way that advances its general objective to promote the safety and soundness of the firms it regulates. Firms' stress test results help inform the setting of buffer capital for both macroprudential and microprudential purposes. The proposed data item PRA111 would facilitate the PRA's assessment of firms' stress testing and the setting of firms' PRA buffers, and supports the PRA's objective to promote the safety and soundness of firms. The reduced frequency of submission of Pillar 2 data items for some firms and the consolidation of definitions into the Glossary will not have an impact on the PRA's primary objective.

3.12 When discharging its general function in a way that advances its primary objectives, the PRA has, as a secondary objective, to act in a way that facilitates effective competition. The proposals in this CP set out in a transparent manner the stress test data required to ensure the assessment of firms' stress results is done in a consistent manner across PRA-regulated firms and without placing undue burden on firms with total assets less than £5 billion. Furthermore, the reduced frequency of submission of Pillar 2 data items for some firms not submitting an ICAAP on an annual basis supports the PRA's commitment to treat firms in a proportionate manner.

Regulatory principles

3.13 In developing the proposals in this CP, the PRA has had regard to the regulatory principles as set out in FSMA. 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, the principle that a burden which is imposed on firms should be proportionate to the benefits which are expected as a result, and the principle that the PRA should exercise its functions as transparently as possible.

3.14 The proposed changes aim to facilitate the PRA's collection of firms' stress test data and to reduce the frequency of data submissions for some firms not submitting an ICAAP on an annual basis, thereby contributing to the efficient use of the PRA's resources and to the proportionality principle. The proposed stress test reporting instructions and the definition consolidation also set out in a transparent manner the data required to ensure a consistent assessment of firms' stress results and make the PRA Rulebook clearer.

Impact on mutuals

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

HM Treasury recommendation letter

3.16 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles.¹ The aspect of the Government's economic policy most relevant to the proposals in this CP is competition. The PRA has set out this aspect in the 'Compatibility with the PRA's objectives' section above.

Equality and diversity

3.17 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 Information about the PRC and the recommendations from HM Treasury are available on the Bank's website at www.bankofengland.co.uk/about/Pages/people/prapeople.aspx.

Appendices

-
- 1 Draft Reporting Pillar 2 Instrument**

 - 2 Draft amendments to Supervisory Statement 32/15 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082'**

 - 3 Draft amendments to Statement of Policy 'The PRA's methodologies for setting Pillar 2 capital (October 2017)'**

Appendix 1: Draft Reporting Pillar 2 Instrument

PRA RULEBOOK: CRR FIRMS: REPORTING PILLAR 2 AMENDMENT [NO. X] INSTRUMENT [XXXX]

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. X] Instrument [XXXX]

- D. The PRA makes the rules in Annexes A to D 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: Reporting Pillar 2 Amendment [No. X] Instrument [XXXX].

By order of the Prudential Regulation Committee

[DATE]

Annex A

Amendments to the Glossary

In the Glossary of the PRA Rulebook insert the following new definitions.

...

data element

means a discrete fact or individual piece of information relating to a particular field within a *data item*.

data item

means one or more related *data elements* that are grouped together into a prescribed format and required to be submitted by a *firm*.

...

total assets

means:

- (1) for a *firm* which is required to submit *data item* FSA001, the sum of the *firm's* assets as recorded at Cells 20A plus 20B of that *data item*;
- (2) for a *firm* which is required to submit *data item* template 1.01 of Annex III of the *Supervisory Reporting ITS*, the sum of the *firm's* assets as recorded at row 380 of that *data item*; or
- (3) for a *firm* which is required to submit *data item* template 1.01 of Annex IV of the *Supervisory Reporting ITS*, the sum of the *firm's* assets as recorded at row 380 of that *data item*.

...

Annex B

Amendments to the Regulatory Reporting 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:

...

data element

~~means a discrete fact or individual piece of information relating to a particular field within a *data item*.~~

...

total assets

means:

- (1) ~~for a *firm* which is required to submit *data item* FSA001, the sum of the *firm's* assets as recorded at Cells 20A plus 20B of that *data item*;~~
- (2) ~~for a *firm* which is required to submit *data item* template 1.01 of Annex III of the *Supervisory Reporting ITS*, the sum of the *firm's* assets as recorded at row 380 of that *data item*; or~~
- (3) ~~for a *firm* which is required to submit *data item* template 1.01 of Annex IV of the *Supervisory Reporting ITS*, the sum of the *firm's* assets as recorded at row 380 of that *data item*.~~

...

Annex C

Amendments to the Reporting Leverage Ratio 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:

...

~~*data element*~~

~~means a discrete fact or individual piece of information relating to a particular field within a *data item*.~~

~~*data item*~~

~~means one or more related *data elements* that are grouped together into a prescribed format and required to be submitted by a *firm*.~~

...

Annex D

Amendments to the Reporting Pillar 2 Part

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

...

2 PILLAR 2 REPORTING REQUIREMENTS

...

2.9 A firm with total assets equal to or greater than £5 billion must complete the data item PRA111.

3 SUBMISSION

...

3.2 ~~If a~~ A firm that does not submit an *ICAAP assessment* to the *PRA* on an annual basis must submit the data items it is required to complete by this Part to the PRA on a regular basis that is proportionate to the nature, scale and complexity of the firm's activities.:

- (1) ~~a significant firm must submit the data items it is required to complete by this Part to the PRA on an annual basis;~~
- (2) ~~a firm that is not significant but that has permission from the PRA to use the Advanced Measurement Approach must submit the data items it is required to complete by rule 2.3 to the PRA on an annual basis; and~~
- (3) ~~a firm that is not significant must submit the data items it is required to complete by this Part to the PRA on a regular basis that is proportionate to the nature, scale and complexity of the firm's activities.~~

...

4 DATA ITEMS

...

4.13 PRA111 can be found here.

Appendix 2: Draft amendments to Supervisory Statement 32/15 ‘Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082’¹

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

Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082, and PRA111

...

1 Introduction

...

1.3 The reader is also referred to:

- Appendix 1: Guidance on terms used in data items FSA71 to FSA082 and PRA111;

...

- Appendix 3: Instructions for completing data items FSA071 to FSA082, and PRA111.

2 Reporting Pillar 2

...

2.3 This information, together with data already collected in other regulatory reports, allows the PRA to assess a firm’s Internal Capital Adequacy Assessment Process (ICAAP) and to calculate capital benchmarks for Pillar 2 risks. The data collection covers:

- the results of the Pillar 2 capital methodologies calculated by firms;
- data that are used by the PRA to process the Pillar 2A capital methodologies;
- data that allow supervisors to verify the calculation of the Pillar 2A capital methodologies; ~~and~~

¹ Please note, the proposals in this appendix are shown on the version of SS32/15 that would be effective from 1 January 2018. The changes proposed would only be effective from 1 October 2018. These amendments would also affect the version of SS32/15 that would be effective from 1 January 2019 (See Annex for further details of changes to SS32/15).

- data that allow supervisors to assess firms' stress test results and facilitate the calculation of the PRA buffer; and
- data that provide additional information on the nature and scale of the Pillar 2 risks to which a firm is exposed.

...

2.5 Firms may be asked to submit, on a case-by-case basis, further data where these are necessary to inform the PRA's Pillar 2 methodology and supervision of the firm. This may include:

- data on operational risk from firms that are not significant firms and are using a standardised approach to calculate their Pillar 1 capital requirement for operational risk; ~~and~~
- more granular pension risk data of the kind needed for FSA081 from all firms; ~~and~~
- data item PRA111 on stress testing.¹

...

2.8 Firms are required to return the data items in conjunction with their ICAAP submission. Frequency of submission will depend on the frequency of ICAAP submission ~~though significant firms are required to submit relevant data items annually in any event. Firms that are not significant but that have permission from the PRA to use the Advanced Measurement Approach (AMA) must submit the relevant data items for operational risk on an annual basis, regardless of whether they are submitting an ICAAP, unless the data have already been reported to the PRA by other means.~~

¹ Firms with total assets equal to or greater than £5 billion are required to submit this template in accordance with Rule 2.9 of the Reporting Pillar 2 Part of the PRA Rulebook.

Appendices

1 **Guidance on terms used in data items FSA071 to FSA082, and PRA111¹**

2 **Pillar 2 Reporting schedule**

3 **Instructions for completing data items FSA071 to FSA082, and PRA 111**

¹ The proposal is to update the title of this document only, as shown here.

Appendix 2 Pillar 2 Reporting schedule

Data items	Scope of population(*)	Group/individual entities	Reporting period/submission deadlines	Reporting frequency
Summary of P2 data items FSA071 - Firm information and P2 summary	All firms	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14); individual entities within a group on a case-by-case basis	In conjunction with ICAAP submission dates	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Operational Risk data items FSA072 - Pillar 2 OpR Historical losses FSA073 - Pillar 2 OpR Historical Loss Details FSA074 - Pillar 2 OpR Forecast Losses FSA075 - Pillar 2 OpR Scenario Data	Significant firms and firms with an AMA permission	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14); individual entities within a group on a case-by-case basis	In conjunction with ICAAP submission dates	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Credit Risk Standardised Approach data items FSA076 - Pillar 2 Credit Risk Standardised Approach Wholesale FSA077 - Pillar 2 Credit Risk Standardised Approach Retail	Firms using the Standardised approach on all or part of their books	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 2.7-2.8; individual entities within a group on a case-by-case basis	In conjunction with ICAAP submission dates	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Concentration Risk data items FSA078 - Pillar 2 Concentration Risk Minimum Data Requirements FSA079 - Pillar 2 Concentration Risk Additional Data Requirements	All firms	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14); individual entities within a group on a case-by-case basis	In conjunction with ICAAP submission dates	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Market Risk data item FSA080 - Pillar 2 Market Risk	Firms with significant illiquid risk in their trading or available for sale books	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14); individual entities within a group on a case-by-case basis	On a case-by-case basis	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Pension Risk data item FSA081 - Pillar 2 Pension Risk	All firms with defined benefit pension schemes	On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14); individual entities within a group on a case-by-case basis	In conjunction with ICAAP submission dates	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Credit Risk Internal Ratings Based Approach data item FSA082 - Pillar 2 Credit Risk IRB retail	Firms with an IRB permission for retail exposures	On an individual or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4	On a case-by-case basis - data as of 31/12	Significant firms annually; others on <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>
Stress Testing data item PRA111 – Stress Testing Templates	<u>Firms with assets equal to or greater than £5 billion</u>	<u>On an individual, sub-consolidated or consolidated basis in accordance with Pillar 2 Reporting 1.1-1.4 and Ring-fenced Bodies Part 18.1(14);</u>	<u>In conjunction with ICAAP submission dates</u>	<u>Significant firms annually; others on</u> <u>In line with ICAAP submission frequency. If frequency is not annual, on a regular and proportionate basis</u>

(*) The PRA may ask other firms to submit the data on a case-by-case basis

Appendix 3 Instructions for completing data items FSA071 to FSA082, and PRA111

...

Name		Data items	Instructions
FSA082	Pillar 2 Credit risk IRB retail	www.bankofengland.co.uk/pradocuments/crdiiv/fsa08220160205.xltx	www.bankofengland.co.uk/pradocuments/crdiiv/fsa082instructions20160205.pdf

PRA data items

Name		Data items	Instructions
<u>PRA111</u>	<u>Stress testing Templates</u>	Consultation version available at http://www.bankofengland.co.uk/pradocuments/publications/cp/2017/cp2517template.xlsx	Consultation version available at http://www.bankofengland.co.uk/pradocuments/publications/cp/2017/cp2517app.zip

Annex SS32/15 updates

This annex details the changes that have been made to this SS following its initial publication in July 2015 following Policy Statement 17/15 'Assessing capital adequacy under Pillar 2'.¹

[2018

Text will be inserted when the policy is finalised following consultation.]

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1 www.bankofengland.co.uk/prs/Pages/publications/ps/2015/ps1715.aspx.

Appendix 3: Draft amendments to Statement of Policy ‘The PRA’s methodologies for setting Pillar 2 capital (October 2017)’

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

Section I: Pillar 2A methodologies

2 Credit risk

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Reporting

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2.16 To calibrate the Pillar 2 credit risk methodology the PRA collects data. Firms with permission to use the IRB approach for retail exposures are required by Reporting Pillar 2, 2.5 to submit data on retail exposures. Firms ~~that are in scope~~ are required to submit the data with their Internal Capital Adequacy Assessment Process (ICAAP) submissions. ~~Significant firms with permission to use the IRB approach must submit the data annually in any event.~~ *‘Significant firm’* means a deposit taker or designated investment firm whose size, interconnectedness, complexity and business type give it the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on its business in an unsafe manner.

3 Market risk

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Reporting

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3.11 Firms with significant illiquidity risk in their trading books are required by Reporting Pillar 2, 2.4 to submit data on market risk, unless those data have already been submitted as part of the FDSF programme. Firms that are in scope are required to submit the data with their ICAAP submissions. ~~Significant firms must submit the data annually in any event.~~

4 Operational risk

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Reporting

4.18 The PRA already collects information on operational risk historical losses from firms participating in the Firm Data Submission Framework (FDSF) programme. All significant firms and firms with AMA permission must report the data contained in the operational risk Pillar 2

data items in accordance with Reporting Pillar 2, 2.3, unless those data have already been submitted as part of the FDSF programme. Firms ~~that are in scope~~ are required to submit the data with their ICAAP submissions. 'Significant firm' means a deposit-taker or PRA-designated investment firm whose size, interconnectedness, complexity and business type give it the capacity to cause significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on its business in an unsafe manner. Significant firms and firms with AMA permission must submit the data annually in any event. The PRA may also request some firms that are not significant to report the same data and will notify the firms accordingly in advance of their submitting an ICAAP document.

Section II: Pillar 2B

9 The PRA buffer

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Reporting

9.35 All firms with total assets equal to or greater than £5 billion, at the relevant level of consolidation used as the basis of their ICAAP, must report the data in the stress testing Pillar 2 data items (PRA111) in accordance with Reporting Pillar 2, 2.9. Firms are required to submit the data with their ICAAP submissions. Firms with total assets less than £5 billion may be requested by supervisors to complete PRA111 on a case-by-case basis. The information in PRA111 includes information on firms' base and stress scenario projections used in the ICAAP.

Annex – statement of policy updates

This annex details the changes that have been made to this statement of policy following its initial publication on 29 July 2015 following Policy Statement 17/15 ‘Assessing capital adequacy under Pillar 2’.¹

[2018

Text will be inserted when the policy is finalised following consultation.]

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¹ www.bankofengland.co.uk/prs/Pages/publications/ps/2015/ps1715.aspx.