



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP13/19

Occasional Consultation Paper

June 2019



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Responses are requested by Wednesday 7 August 2019.

Please address any comments or enquiries to:

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1 Overview

1.1 This Consultation Paper (CP) proposes minor amendments to Prudential Regulation Authority (PRA) Rulebook Parts, supervisory statements (SSs), and the relevant templates and LOG files.

1.2 The chapters in this CP are relevant to different firms, as follows:

- Chapter 2 – all UK insurance firms within the scope of Solvency II, the Society of Lloyd’s, and firms that are part of a Solvency II group that will determine and classify capital instruments under the Solvency II own funds regime, together with their advisors;
- Chapter 3 – all insurance firms, insurance holding companies, and the Society of Lloyd’s;
- Chapter 4 – UK banks and UK designated investment firms with Capital Requirements Regulation (CRR) Internal Model Approach (IMA) permissions; and
- Chapter 5 – all Solvency II firms, including the Society of Lloyd’s.

1.3 The chapters contained in this CP, the Rulebook Parts, SSs, and relevant templates and LOG files they propose to change, and the appendices containing the draft policy, are listed in the table below.

Chapter	Rulebook Part/SS/ Template/LOG file	Appendix
2. Solvency II: The quality of capital instruments	SS3/15 ‘Solvency II: The quality of capital instruments’	1
3. Solvency II – minor updates to supervisory statements	SS8/14 ‘Subordinated guarantees and the quality of capital for insurers’	2
	SS2/15 ‘Solvency II: Own funds’	3
4. Regulatory Reporting – Discontinuation of FSA006	Reporting Part of the PRA Rulebook	4
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5. National Specific Templates (NSTs), internal model output templates and associated LOG files – minor updates, corrections and clarifications	Reporting Part of the PRA Rulebook	6
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The PRA's statutory obligations

1.4 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 CP will separately address the following obligations:

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

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

Responses and next steps

1.6 The consultation closes on Wednesday 7 August 2019.

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

1.8 During the consultation period, we will be issuing a Public Working Draft (PWD) of the taxonomy update to support collection of the proposed changes to National Specific Templates (NSTs), internal model output, market risk sensitivities (MRS) and standard formula (SF) reporting. The PWD will include the interaction of these changes with the draft EIOPA Taxonomy 2.4 changes. The PRA plans to give firms no less than three weeks to review the PWD.

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.

1.9 The proposals set out in chapters 2, 3 and 4 of this CP have been designed in the context of the current UK and EU regulatory framework. The PRA has assessed that the proposals will not be affected in the event that the UK leaves the EU with no implementation period in place.

1.10 As changes in Chapter 5 relate to reporting they should be read in conjunction with SS2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK's withdrawal from the EU'.⁹

Implementation

1.11 Pending consideration of the responses to the consultation, the proposed implementation dates are:

- on publication of the final policy for chapters 2-4; and
- on Saturday 30 November 2019 for Chapter 5.

⁹ April 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pr-a-approach-to-interpreting-reporting-and-disclosure-reqs-and-reg-trans-forms-ss>.

2 Solvency II – The quality of capital instruments

2.1 In this chapter, the PRA sets out proposals to update SS3/15 ‘Solvency II: The quality of capital instruments’¹⁰ to reflect changes in the Solvency 2 Regulations which were approved by the EU Parliament on 16 April 2019, and will come into effect 20 days after their publication in the Official Journal, which is expected shortly.¹¹

2.2 This chapter is relevant to all UK insurance firms within the scope of Solvency II (‘SII’), the Society of Lloyd’s, and firms that are part of an SII group that will determine and classify capital instruments under the SII own funds regime, together with their advisors.

Proposals

2.3 The PRA proposes to amend SS3/15 in order to reflect changes in the Solvency 2 Regulations which:

- (i) provide additional flexibility to firms regarding tax and regulatory calls in the first five years after issuance of an own fund item;¹² and
- (ii) clarify that an SII compliant restricted Tier 1 capital instrument may have terms which do not write down or convert in full if triggered by a three month breach of the solvency capital requirement (SCR), so long as the other two mandatory triggers have not been breached.¹³

2.4 To implement the above changes, the PRA would delete:

- (i) Chapter 2 of SS3/15 in its entirety, and the related reference to buyback exercises in Chapter 3; and
- (ii) the expectation that conversion or write-down would need to be done in its entirety from Chapter 4.

2.5 The PRA also proposes to delete extraneous and historical material from the SS to align with the current format and bring the SS up to date. The PRA considers that this will improve clarity for firms by allowing them to focus on the expectations within the SS.

2.6 The proposals in this chapter do not change the overall policy set out in SS3/15, except to remove the expectation noted in paragraph 2.4 (ii) above, which is no longer consistent with the SII regime.

2.7 The draft amendments to SS3/15 are set out in Appendix 1.

Statutory obligations

2.8 Following changes to the permitted features of capital instruments in the Solvency 2 regulation,

¹⁰ February 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-the-quality-of-capital-instruments-ss>.

¹¹ The amendments can be found at http://ec.europa.eu/finance/docs/level-2-measures/solvency2-delegated-regulation-2019-1900_en.pdf.

¹² Commission Delegated Regulation 2015/35 Article 71 paragraph 11, Article 73 paragraph 5 and Article 77 paragraph 5.

¹³ Commission Delegated Regulation 2015/35 Article 71 paragraph 5a and 6a.

the proposals in this chapter remove out-of-date and extraneous material from SS3/15, and amend the PRA's expectations regarding own funds so that they are consistent with the SII regime.

2.9 The PRA does not expect the proposals would have cost implications for firms, as they place no new expectations on firms. Instead, they provide firms with additional flexibility in their design of own fund instruments. In particular, they allow firms, if they choose to do so, greater flexibility regarding the ability to issue:

- (i) instruments that permit tax and regulatory calls without replacement in the first five years after issuance, so long as the relevant SII requirements are complied with; and
- (ii) restricted Tier 1 instruments which write down or convert partially (rather than fully) where the three month SCR trigger has been breached, so long as the other SII mandatory triggers have not also been breached.

2.10 The PRA does not expect the deletion of an expectation to have an adverse prudential impact; even where firms are taking advantage of the new flexibility they must still obtain permission from the PRA to redeem instruments.

2.11 When discharging its general functions in a way that advances its objectives, the PRA has, as a secondary objective, a duty, as far as reasonably possible, to act in a way that facilitates effective competition in markets for services provided by PRA-regulated firms carrying on regulated activities. The PRA does not expect the proposals would have any significant impact on competition.

2.12 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Two of the principles are of particular relevance:

- (i) The burden which is imposed on a person should be proportionate to the benefits expected to result. There are no additional costs or burdens placed on firms as a result of these proposals.
- (ii) The PRA should exercise its functions as transparently as possible. The aim of these proposals is to give clarity about changes to the PRA's policy and expectations as a result of the changing SII regime.

2.13 The PRA considers that the impact of the proposed policy changes on mutuals is expected to be no different from the impact on other firms.

2.14 HM Treasury has made recommendations to the Prudential Regulation Committee (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.¹⁴ The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 2.12 above.

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

¹⁴ 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.

3 Solvency II – minor updates to supervisory statements

3.1 In this chapter, the PRA sets out proposals to delete extraneous and historical material from two SSs to align with the current format and bring the SSs up to date.

3.2 The SSs the PRA proposes to update, and the firms the proposals are relevant to are:

- (i) SS8/14 ‘Subordinated guarantees and the quality of capital for insurers’¹⁵ - all insurance companies and insurance holding companies; and
- (ii) SS2/15 ‘Solvency II: Own funds’ - UK SII firms and Society of Lloyd’s.¹⁶

Proposals

3.3 The PRA proposes to delete from SS8/14 the section on the analysis firms were expected to undertake related to subordinated guarantees, which was to be reported to their supervisory contact by 31 December 2014. This expectation is no longer relevant.

3.4 The PRA proposes to delete from SS2/15 the section on transitional arrangements for capital instruments as set out in Article 308b paragraphs 9 and 10 of the SII Directive. These expectations are no longer relevant, as no instruments issued since 6 February 2015 will have been eligible for transitional relief.

3.5 The draft amendments to SS8/14 and SS2/15 are set out in appendices 2 and 3 respectively.

3.6 The PRA considers that these updates will improve clarity for firms by allowing them to focus on the expectations in the SS.

Statutory obligations

3.7 The proposals in this chapter remove out-of-date and extraneous material from these supervisory statements in order to make the PRA’s expectations clearer.

3.8 These proposed deletions have no cost benefit implications, and have no effect on competition.

3.9 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Two of these principles are of particular relevance:

- (i) A burden which is imposed on a person should be proportionate to the benefits expected to result. There will be no costs to firms as a result of these proposals, instead they will result in clarity of policy and PRA expectations.
- (ii) That the regulators should exercise their functions as transparently as possible. These proposals aim to provide clarity regarding the expectations in the two SSs that are still relevant to firms.

3.10 The PRA considers that the impact of the proposed policy changes on mutuals is expected to be no different from the impact on other firms.

¹⁵ <https://www.bankofengland.co.uk/prudential-regulation/publication/2014/subordinated-guarantees-and-the-quality-of-capital-ss>.

¹⁶ <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-own-funds-ss>.

3.11 HM Treasury has made recommendations to the Prudential Regulation Committee (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.¹⁷ The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in the paragraph 3.9 above.

3.12 The PRA considers that the proposals do not give rise to equality and diversity implications.

¹⁷ Information about the PRC and the recommendations from HM Treasury are available on the Bank's website at <http://www.bankofengland.co.uk/about/Pages/people/prapeople.aspx>.

4 Regulatory reporting – discontinuation of FSA006 return

4.1 In this chapter, the PRA sets out proposals to discontinue the FSA006 return. This chapter is relevant to UK banks with Capital Requirements Regulation (CRR) Internal Model Approach (IMA) permissions.

4.2 The PRA recognises that the data contained in the FSA006 return is duplicated, as firms submit equivalent data to the PRA through their internal model permission process.

4.3 In December 2014, the PRA made a modification by consent (MBC) available to allow firms with a CRR IMA Permission not to submit FSA006, with an expiration date of 30 June 2019.

Proposals

4.4 The FSA006 return provides the PRA with Value at Risk (VaR) backtesting data. The PRA proposes discontinuing FSA006, and updating the Regulatory Reporting Part of the PRA Rulebook.

4.5 The PRA propose deleting all references to FSA006 from SS34/15 Guidelines for completing regulatory reports.¹⁸

4.6 The draft instrument removing FSA006 from PRA rules, and draft amendments to SS34/15 are set out in appendices 4 and 5 respectively.

The PRA's statutory obligations

4.7 The PRA considers that the proposals set out in this chapter will assist the PRA in advancing its general objective of promoting safety and soundness by clarifying its expectations of firms.

4.8 When discharging its general functions in a way that advances its objectives, the PRA has, as a secondary objective, a duty, as far as reasonably possible, to act in a way that facilitates effective competition in markets for services provided by PRA-regulated firms carrying on regulated activities. The PRA does not expect the proposals would have any significant impact on competition.

4.9 The PRA expects that these proposals will result in compliance costs decreasing as a result of the termination of the FSA006 return, since firms will no longer need to prepare, review and submit this return on a regular basis.

4.10 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. The principle of most relevance is that a burden which is imposed on a person should be proportionate to the benefits expected to result. It is not proportionate for the PRA to require the same information to be submitted in two different formats, and therefore the PRA is removing the FSA006 reporting requirement.

4.11 The PRA considers that the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

4.12 HM Treasury has made recommendations to the Prudential Regulation Committee (PRC) about aspects of the Government's economic policy to which the PRC should have regard when

¹⁸ <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss>.

considering how to advance the PRA's objectives and apply the regulatory principles.¹⁹ The PRA considers the most relevant recommendation is 'Innovation', which is encouraged by regulators taking a proportionate approach, as discussed in paragraph 4.10 above.

4.13 The PRA considers that the proposals do not give rise to equality and diversity implications.

¹⁹ Information about the PRC and the recommendations from HM Treasury are available on the Bank's website at <http://www.bankofengland.co.uk/about/Pages/people/prapeople.aspx>.

5 National Specific Templates (NSTs), internal model output templates and associated LOG files – minor updates, corrections and clarifications

5.1 This chapter sets out the PRA's proposals to make minor updates, corrections, and clarifications to National Specific Templates (NSTs), NST LOG files, internal model output templates and LOG files, and a related SS.

5.2 In 2018 the PRA published changes to the content of NSTs and internal model output templates, as well as a change in format from Excel to XBRL. This led to a number of inconsistencies that need addressing between the requirements, LOG files, and technical artefacts. Following the submission of year-end 2018 NSTs, and internal model output by Solvency II firms, the PRA is now consulting on minor changes, corrections, and clarifications for year-end 2019 submissions onwards.

5.3 This chapter is relevant to all Solvency II firms, including the Society of Lloyd's.

5.4 During the consultation period, we will be issuing a Public Working Draft (PWD) of the taxonomy update to support collection of the proposed changes to National Specific Templates (NSTs), internal model output, market risk sensitivities (MRS) and standard formula (SF) reporting. The PWD will include the interaction of these changes with the draft EIOPA Taxonomy 2.4 changes. The PRA plans to give firms no less than three weeks to review the PWD.

Proposals

5.5 This section sets out the PRA's proposals to amend the following:

National Specific Templates (NSTs):

- (i) NS.07 (template and LOG file);
- (ii) NS.08 (template and LOG file);
- (iii) NS.10 (LOG file);
- (iv) NS.11 (LOG file); and
- (v) Reporting Part of the PRA Rulebook.

Internal model output:

- (i) IM.00 (template and LOG file)
- (ii) IM.03 (template and LOG file)

Supervisory statement:

5.6 The PRA proposes updating SS25/15 'Solvency II: Regulatory reporting internal model outputs'²⁰ to formalise template IM.00 required to capture basic information when submitting IM.01, IM.02 or IM.03.

²⁰ <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/solvency2-regulatory-reporting-internal-model-outputs-ss>.

National Specific Templates

- (i) NS.07 (template – where required, the LOG file will be updated to ensure consistency)
- The contents of NS.07.02.01 is moved to NS.07.01.01, and NS.07.02.01 is removed to provide clarity to firms that NS.07 comprises of a single template with multiple tables with one associated LOG file.
 - Corrections of table IDs and titles to align with Solvency II Quantitative Reporting Templates (QRTs) conventions.
 - Addition of item {R0435, C0010} of 'Investment income and investment gains / (losses)'. This item is already included for columns C101, C2010, and C3010 but was missing from C0010.
 - A correction of the row title for R0435.
 - A reduction in burden whereby the reporting of 'number of risks written' in row R1710 and 'number of risks written new business' in row R1720 is only required for the following lines of business: medical expenses, income protection, personal motor, and personal property only. The PRA considers these lines to be the most important for the purpose of supervising new business churn.
 - A reduction in burden whereby for each line of business the reporting of 'sum insured in-force' in row R1730 is only required when the number of risks written in row 1710 is *not* reported due to a change in definition of 'sum insured in-force'.
 - Corrections to open and/or knockout items in rows R1930 and R1945 for columns C0010, C0015, C1010, C1015, C2010, C2015, C3010 and C3015 to align the template and LOG file.
- (ii) NS.07 (LOG file – in addition to any updates to ensure amendments to the template noted above)
- Clarification within the general comments section for when a 'zero' entry should be reported and when a 'blank' entry should be reported.
 - Correction to the instructions for row R0440.
 - Clarification for R1945 to state that any transitional deduction to technical provisions is not included.
- (iii) NS.08 (template – where required, the LOG file will be updated to ensure consistency)
- Change of title for column C0160 from 'rating agency' to 'Nominated ECAI' to align with Solvency II QRTs.
- (iv) NS.08 (LOG file - in addition to any updates to ensure amendments to the template noted above)
- A clarification to the definition of 'external rating' for column C0150.
 - Introduction of a closed list for reporting external credit assessment institutions (ECAI) to align with Solvency II QRTs.

(v) NS.10 (LOG file)

- Clarification within the general comments section relating to the claim types to be reported.

(vi) NS.11 (LOG file)

- Clarification within the general comments section on the types of claim that are not to be reported in the NS.11 template.

Internal model output

(i) IM.00 (template and LOG file)

- The PRA proposes to introduce template IM.00 and the accompanying LOG file. IM.00 captures basic information for the submission of IM.01, IM.02 and IM.03 as required for XBRL submission.

(ii) IM.03 (all)

- Minor corrections and changes to ensure consistency between templates, LOG files, and technical artefacts.
- Add a field for 'Line of business name' in IM.03.10.01 which was removed when implementing submissions via XBRL.

(iii) IM.03 (Cat risk)

- To include 'Western US' as a region for Direction insurance in IM.03.05.01 and MO.03.05.01 to correct a previous omission.
- To strikeout an empty row CAT300 within IM.03.05.01 to be consistent with the LOG file.
- To clarify that the geographic split of premiums should be 'written premium'.

5.7 The proposed changes described in the paragraphs above are set out in appendices 6-9.

Statutory obligations

5.8 The proposed changes, corrections, and clarifications ensures that the PRA can continue to receive key information to support it in meeting its statutory objectives and supervise firms in an efficient manner. The PRA does not consider that there will be an impact on competition as the changes are minor and are not expected to impact smaller firms in a manner that would be disproportionate compared to larger firms.

5.9 The PRA considers the proposals would have minimal new costs to firms to update their systems to accommodate the corrections and clarifications.

5.10 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Two of the principles of particular relevance are:

- (i) That regulators use their resources in the most efficient and economic way. These changes are necessary to ensure that firms can submit the information required and/or expected by the PRA.

- (ii) That the regulators should exercise their functions as transparently as possible. These proposals aim to provide clarity regarding year-end 2019 submissions onwards in respect of templates and LOG files.

5.11 The PRA considers that the impact of the proposed changes on mutuals is expected to be no different from the impact on other firms.

5.12 HM Treasury has made recommendations to the Prudential Regulation Committee (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.²¹ The PRA considers the aspects most relevant to the proposals are better outcome for consumers and transparency. This has been addressed in paragraph 5.10 above.

5.13 The PRA considers that the proposals do not give rise to equality and diversity implications.

²¹ Information about the PRC and the recommendations from HM Treasury are available on the Bank's website at <http://www.bankofengland.co.uk/about/Pages/people/prapeople.aspx>.

Appendices

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| 1 | Draft update to Supervisory Statement 3/15 'Solvency II: The quality of capital instruments' |
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| 2 | Draft update to Supervisory Statement 8/14 'Subordinated guarantees and the quality of capital for insurers' |
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| 3 | Draft update to Supervisory Statement 2/15 'Solvency II: Own funds' |
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| 4 | Draft CRR Firms: Regulatory Reporting Instrument |
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| 5 | Draft update to Supervisory Statement 34/15 'Guidelines for completing regulatory reports' |
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| 6 | Draft Regulatory Reporting Instrument |
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| 7 | Draft update to Supervisory Statement 25/15 'Solvency II: Regulatory reporting internal model outputs' |
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| 8 | Draft updates to National Specific Templates (NS.07), available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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| 9 | Draft updates to National Specific Templates (NS.08), available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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| 10 | Draft updates to National Specific Templates LOG files |
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| 11 | Draft updates to internal model output (IM.00) template, available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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| 12 | Draft updates to internal model output (IM.00) LOG File, available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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| 13 | Draft updates to internal model output (IM.03) template, available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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| 14 | Draft updates to internal model output (IM.03) LOG file, available at:
https://www.bankofengland.co.uk/prudential-regulation/publication/2019/occasional-consultation-paper |
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Appendix 1: Draft update to Supervisory Statement 3/15 ‘Solvency II: The quality of capital instruments’

This appendix outlines proposed amendments to [SS3/15 ‘Solvency II: The quality of capital instruments’](#). Underlining indicates new text and striking through indicates deleted text. Footnote numbering throughout the SS will be updated when the policy is finalised.

1 Introduction

...

1.2 ~~[Deleted]~~This statement clarifies the PRA’s expectations of the quality of capital instruments in the period prior to 1 January 2016, and after the commencement of Solvency II. By clarifying its expectations in relation to the quality of capital instruments, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law.

1.3 ~~[Deleted]~~This statement has been subject to public consultation²² and reflects the feedback that was received by the PRA.

1.4 ~~[Deleted]~~The PRA made clear in its approach to insurance supervision²³ that it expected firms issuing or amending capital instruments to anticipate the enhanced quality of capital required under Solvency II. Many firms engaged actively with their supervisors to meet these expectations. However, some firms encountered difficulty in applying some of the Solvency II concepts; this statement comments on a number of these concepts.

1.5 ~~[Deleted]~~As the Solvency II Regulations have now come into force, the cut-off date for the issue of instruments which will qualify for consideration under the own-fund transitionals has passed. Firms’ capital instruments will therefore need to meet all the Solvency II criteria. Firms should consider extending the scope of the legal opinions addressing compliance with the current GENPRU regime to cover compliance with the Solvency II requirements. This would provide firms and their supervisors with assurance that capital instruments would be compliant on 1 January 2016.

1.6 This supervisory statement covers the following topics:

- ~~—~~prohibition on redemption of instruments within five years of the date of issue;
- liability management and capital reduction;

PRA Consultation Paper 24/14 ‘Solvency II: further measures for implementation’, November 2014:

<https://www.bankofengland.co.uk/prudential-regulation/publication/2014/solvency-2-further-measures-for-implementation>.

²³ The Prudential Regulation Authority’s approach to insurance supervision, June 2014; available on the Bank of England’s website at <https://www.bankofengland.co.uk/news?NewsTypes=65d34b0d42784c6bb1dd302c1ed63653&Taxonomies=973f7bc68fd74abca30287f8a0a15fa3&Direction=Latest>.

- principal loss-absorbency mechanism for Tier 1 instruments subject to limitation ('restricted Tier 1');
- external restricted Tier 1 instruments which write down on trigger; and
- additional considerations for instruments intended to contribute to group own funds.

2 Prohibition on redemption prior to five years from date of issue **[Deleted]**

[This chapter has been deleted in its entirety]

~~2.1 — Under the General Prudential sourcebook (GENPRU of the PRA Handbook) firms are prohibited from redeeming an instrument under Tier 1 or Tier 2 prior to five years from the date of issue.²⁴ However GENPRU also provides²⁵ that firms may seek a waiver to redeem an instrument in the event of changes to the tax or regulatory treatment of an instrument within five years, where it would have been reasonable for firms to conclude at issue that such changes would not occur.²⁶ These calls prior to five years from issue are often referred to as tax calls, regulatory calls or more generally early calls.~~

~~2.2 — The corresponding provisions under Solvency II²⁷ prohibit calls prior to five years from issue, but do not include a waiver provision in respect of early calls. This difference in approach has attracted many questions from firms during the development of Solvency II.~~

~~2.3 — The Solvency II Regulations²⁸ provide that a transaction does not constitute a repayment or redemption of an instrument if it is:~~

- ~~• exchanged or converted into another instrument of the same or higher quality; or~~
- ~~• repaid or redeemed out of the proceeds of a new instrument of the same or higher quality.~~

~~2.4 — The PRA considers that this reflects an approach similar in nature to the current GENPRU rule on the 'meaning of redemption'.²⁹~~

~~2.5 — In order to satisfy the Solvency II provisions, the PRA expects firms to ensure that any terms or conditions relating to early calls make clear that this call could only occur when~~

- ~~• the instrument is exchanged or converted, or redeemed out of the proceeds of a new instrument of the same or better quality~~

~~The PRA expects that terms covering this matter should be drafted with clarity and transparency, making clear the need for prior supervisory approval of the call.~~

~~²⁴ GENPRU 2.2.70 and GENPRU 2.2.172 respectively.~~

~~²⁵ GENPRU 2.2.71 and 2.2.173.~~

~~²⁶ GENPRU 2.2.71.~~

~~²⁷ Articles 71(1)(f), 73(1)(c) and 77(1)(c) of Regulation 2015/35.~~

~~²⁸ Articles 71(2), 73(2) and 77(2) of Regulation 2015/35.~~

~~²⁹ GENPRU 2.2.77.~~

~~2.6 — The PRA considers that any instrument containing an early call option that only provides for redemption and therefore a reduction in capital resources, would not comply with the Solvency II provisions whatever the circumstances giving rise to that call.~~

3 Liability management and capital reduction

3.1 In recent years some firms have conducted ‘liability management’ exercises in which they have bought back some of their outstanding capital instruments. Firms have generally engaged with their supervisors prior to carrying out such exercises. In accordance with the relevant Solvency II provisions³⁰ the PRA expects that any means by which capital instruments are reduced, repaid or bought back (including share repurchases), will be subject to prior supervisory approval. The PRA also expects firms to ensure that any relevant terms and conditions in their capital instruments include the requirement for such prior supervisory approval. ~~Buyback exercises would also fall within the scope of the minimum period of five years from issue date described in paragraph 2.6.~~

...

4 Principal loss-absorbency mechanism

...

4.4 Once the trigger point is reached, the PRA expects the instrument with a PLAM to achieve the write-down or conversion required by the Solvency II Regulations so that the nominal or principal amount absorbs loss. ~~The PRA considers that the conversion or write down would need to apply to the total of the nominal or principal amount so that the instrument converts or is written down in its entirety.~~

...

³⁰ Articles 71(1)(h), 73(1)(d) and 77(1)(d) of Regulation 2015/35.

Appendix 2: Draft update to Supervisory Statement 8/14 ‘Subordinated guarantees and the quality of capital for insurers’

This appendix outlines proposed amendments to [SS8/14 ‘Subordinated guarantees and the quality of capital for insurers’](#). Underlining indicates new text and striking through indicates deleted text. Footnote numbering throughout the SS will be updated when the policy is finalised.

1 Introduction

Purpose of the statement

1.1 This supervisory statement applies to ~~all insurers (firms) authorised by the Prudential Regulation Authority (PRA) and may also be relevant to insurance holding companies and other entities in the same group, together with their advisors. The statement also looks ahead to Solvency II (SII), and is aimed at firms and groups within the scope of the SII Directive.¹ It is equally relevant for life insurers, general insurers and mutuals.~~

...

1.4 ~~[Deleted] This statement is an application of the connected transaction rules set out in GENPRU 2.2.65R and GENPRU 2.2.169R of the PRA Handbook and with effect from 1 January 2016, the PRA rule transposing Article 93 of the SII Directive.~~

1.5 ~~[Deleted] This statement has been subject to a public consultation² and reflects feedback that was received by the PRA. Some responses suggested alternative wording to make the statement clearer and these suggestions have been accepted where clarity would be improved. There is no change in policy intent.~~

Actions expected of firms ~~[Deleted]~~

1.6 ~~[Deleted] Firms should read this statement and take the relevant actions set out in Section 3. These actions are summarised below:~~

¹ Directive 2009/138/EC is more commonly known as the Solvency II Directive.

² PRA Consultation Paper CP9/14, ‘Subordinated guarantees and the quality of capital for insurers’, May 2014; www.bankofengland.co.uk/pru/Documents/publications/cp/2014/cp914.pdf.

- ~~by the end of September 2014, firms should inform their usual supervisory contact at the PRA if their capital structures involve the use of subordinated guarantees and whether they have made any adjustment to the tiering of their capital resources to reflect the existence of such guarantees;~~
- ~~if their capital structures involve the use of subordinated guarantees, firms should provide additional information relating to their use of subordinated guarantees to their usual supervisory contact by 31 December 2014. Depending on firm-specific circumstances, this information may take the form of:~~
 - (iii) ~~information as to how adjustments have been made, or will be made, to a firm's reporting of capital resources to reflect the existence of subordinated guarantees; or~~
 - (iv) ~~an independent legal opinion setting out the basis as to why no adjustment to a firm's reporting of capital resources is necessary where subordinated guarantees have been used; or~~
 - (v) ~~a detailed plan of a proposed restructuring or proposed changes to contractual terms that would address the issues raised by this statement, including the expected implementation date of that plan.~~

1.7 ~~[Deleted] Firms are expected to liaise with their usual supervisory contact at the PRA who will inform the firm whether any action is necessary for the purposes of year-end 2014 or 2015 reporting.³ Generally, the PRA expects any firms with relatively simple structures (see Figure A in Section 5 below) to have these accurately reflected in their year-end 2014 reporting. The PRA expects any further issues relating to the use of subordinated guarantees to be resolved by 31 December 2015.~~

Other considerations of scope

1.8 This statement relates only to structures where guarantees are being used to facilitate obtaining finance. The statement is written without prejudice to any other rules, including the Prudential sourcebook for Insurers (INSPRU) 1.5.13 R(1) of the PRA Rulebook Handbook which provides that 'a firm other than a pure reinsurer must not carry on any commercial business other than insurance business and activities directly arising from that business'.

...

3 The PRA expects firms to provide evidence that they have properly assessed the quality of their capital [Deleted]

[This chapter has been deleted in its entirety]

3.1 ~~The PRA expects to be able to rely on the quality of a firm's capital resources. With corporate structures, capital instruments and the regulatory regime itself evolving over time, the potential for guarantee structures to undermine the quality of capital is significant. Firms are expected to provide evidence so that the PRA can make informed judgements.~~

³ ~~In preparation for this statement, the PRA carried out a survey of firms to determine the prevalence and treatment of these arrangements — participation in that survey does not replace the need to perform the actions detailed in this statement.~~

3.2 — By the end of September 2014, firms should inform their usual supervisory contact at the PRA if their capital structures involve the use of subordinated guarantees and whether they have made any adjustment to the tiering of their capital resources to reflect the existence of such guarantees.

3.3 — If firms do not have these capital structures in place, and are not considering using them, the PRA will expect confirmation by the end of September 2014. Category 4 and Category 5 firms are not expected to provide such confirmation unless it is specifically requested by the PRA.

3.4 — In cases where an adjustment to capital resources has been made, or will be made, in the firm's regulatory returns for year end 2014, the PRA expects firms to provide the following to their usual supervisory contact by 31 December 2014:

- the contractual terms governing the subordinated guarantee. Where the terms are incorporated in the terms of a capital instrument issued by a group entity or another firm, the contractual terms of that instrument and any related instruments should be provided; and
- information as to where in the firm's regulatory returns the adjustment has been, or will be made.

3.5 — In cases where a firm has made no adjustment to its capital resources and has no intention of making an adjustment, and is not proposing a restructuring or changes to contractual terms to change the impact of its subordinated guarantees, the PRA expects firms to provide the following to their usual supervisory contact by 31 December 2014:

- the contractual terms governing the subordinated guarantee. Where the terms are incorporated in the terms of a capital instrument issued by a group entity or another firm, the contractual terms of that instrument and any related instruments should be provided; and
- an independent legal opinion from a law firm to support their position. The legal opinion should address the economic substance of the structure as well as the legal form, and assess whether the capital instrument that is guaranteed is fulfilling its regulatory purpose (see paragraph 2.3).

3.6 — In cases where a firm has made no adjustment to its capital resources but is proposing a restructuring or changes to contractual terms to address the issue, the PRA expects firms to provide the following to their usual supervisory contact by 31 December 2014:

- the contractual terms governing the subordinated guarantee. Where the terms are incorporated in the terms of a capital instrument issued by a group entity or another firm, the contractual terms of that instrument and any
- a detailed plan of the proposed restructuring or changes to contractual terms including the expected implementation date of that plan, which should be no later than 31 December 2015. Firms should include a justification for their proposed date of implementation.

4 The PRA's assessment of information received-[Deleted]

[This chapter has been deleted in its entirety]

4.1 — The PRA is aware that the issues raised by this statement may take time to analyse and that firms may need to discuss issues with their usual supervisory contact.

~~4.2 — The PRA will assess the information received in accordance with the PRA's existing GENPRU rules, this statement and the likely impact of SII.~~

~~4.3 — Where the PRA disagrees with a firm's analysis, whether supported by an independent legal opinion or not, the PRA will communicate its expectation to firms that an adjustment to the reporting of capital resources should be made.~~

~~4.4 — Where firms have proposed a restructuring or changes to contractual terms and these have not been implemented to a standard that meets the PRA's expectations by 31 December 2015, the PRA will expect firms to make adjustments to their reporting of capital resources for year end 2015 and in subsequent years under SII. These adjustments would usually involve an amount of capital not qualifying as Tier 1.~~

5 Situations where the quality of capital is undermined by a guarantee

...

Table A Summary table of important actions and dates

[Table A is deleted]

Appendix 3: Draft update to Supervisory Statement 2/15 ‘Solvency II: Own funds’

This appendix outlines proposed amendments to [SS2/15 ‘Solvency II: Own funds’](#). Underlining indicates new text and striking through indicates deleted text. Footnote numbering throughout the SS will be updated when the policy is finalised.

1 Introduction

...

1.4 ~~[Deleted] This statement expands on the PRA’s general approach as set out in its insurance approach document⁴ and the Own Funds Part of the PRA Rulebook. By clearly and consistently explaining its expectations of firms in relation to the particular areas addressed, the PRA seeks to advance its statutory objectives of ensuring the safety and soundness of the firms it regulates, and contributing to securing an appropriate degree of protection for policyholders. The PRA has considered matters to which it is required to have regard, and it considers that this statement is compatible with the Regulatory Principles and relevant provisions of the Legislative and Regulatory Reform Act 2006. This statement is not expected to have any direct or indirect discriminatory impact under existing UK law.~~

1.5 ~~This statement has been subject to public consultation⁵ and reflects the feedback that was received by the PRA.~~

...

3 The transitional measures for own funds [Deleted]

[This chapter has been deleted in its entirety]

3.1 ~~— Article 308b (9) and (10) of the Solvency II Directive (the Directive) set out how regulatory capital items which could be used to meet capital requirements before 1 January 2016, but do not meet the criteria for available basic own funds, will be treated under Solvency II. These are referred to as the transitional measures for own funds in this statement.~~

3.2 ~~— Firms should not assume that all instruments issued before the cut-off date for the transitional measures automatically receive transitional treatment. The PRA expects firms to carry out their own analysis of instruments against the required features in the Solvency II Regulations and the transitional measures. The purpose is to determine which instruments can be classified as Solvency II compliant and those for which the transitional measures will be required.~~

3.3 ~~— This analysis should be carried out before 1 January 2016 in order that any necessary discussions with supervisors can take place, and that the firm can be clear as to the treatment of its~~

⁴ The Prudential Regulation Authority’s approach to insurance supervision, June 2014; www.bankofengland.co.uk/publications/Documents/prapproach/insuranceappr1406.pdf

⁵ PRA Consultation Paper CP16/14, ‘Transposition of Solvency II: Part 3’, August 2014; www.bankofengland.co.uk/pr/Documents/publications/cp/2014/cp1614.pdf

instruments, before Solvency II applies. It is important that firms consult the Solvency II Regulations as the PRA rules transposing the Directive do not contain all of the necessary requirements in order to apply the transitional measures. Firms will also be expected to comply with the EIOPA Guidelines that complement and clarify the Solvency II Regulations. Firms should note that the inclusion of an item in Tier 1 own funds under the transitional measures is subject to the effect of the limits on such items specified in the Solvency II Regulations.

3.4 — The operation of the transitional measures are summarised in Table A.

[Table A deleted]

3.5 — The PRA also expects firms to analyse the impact of the transitional measures on their current and projected capital position, instruments currently in issue, the ten-year transitional period and the incidence of call dates within that time.

3.6 — The PRA expects firms not to rely on capital instruments that are already subject to transitional measures under GENPRU. Such instruments are unlikely to provide adequate loss-absorbency, thereby running contrary to the PRA's objectives to promote the safety and soundness of firms and the securing of an appropriate degree of protection for policyholders. For this reason, the PRA has excluded from the scope of Own Funds 4.1 and 4.2 items that are only eligible for the treatment specified by virtue of GENPRU Transitional Provision 4 of the current PRA Handbook. Similarly, the PRA does not expect to renew existing waivers, relating to capital instruments, which expire before 1 January 2016.

...

Appendix 4: Draft CRR FIRMS: REGULATORY REPORTING PART

PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING (AMENDMENT) (NO. [X]) INSTRUMENT 2019

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers 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: Regulatory Reporting (Amendment) Instrument (No. [X]) 2019

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

Commencement

- E. The Annex comes into force on [DATE].

Citation

- F. This instrument may be cited as the PRA RULEBOOK: CRR FIRMS: Regulatory Reporting (Amendment) Instrument (No. [X]) 2019

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Regulatory Reporting Part

This draft instrument reflects the proposed changes to the Regulatory Report Part of the PRA Rulebook under consultation in [CP6/19 'Pillar 2 liquidity: Updates to the framework'](#), without prejudice to the outcome of that consultation.

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 other than a ring-fenced body</i>	<i>Ring-fenced body</i>	<i>Building society</i>	<i>Non-EEA bank</i>	<i>EEA bank that has permission to accept deposits and that has its registered office (or, if it has no registered office, its head office) outside the EU</i>	[deleted.]	[deleted.]
Description of <i>data item</i>							
...							
Market Risk – supplementary [deleted.]	FSA006 (4) [deleted.]	FSA006 (4) [deleted.]	-	-	-	-	-
...							

...

(4) ~~Only applicable to firms with a CRR permission to use internal models in accordance with Part 3, Title IV, Chapter 5 of the CRR. [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>	<i>UK banks and building societies (on an unconsolidated or individual consolidated basis) (9)</i>	[deleted.]	<i>UK banks and building societies (on a UK consolidation group, defined liquidity group, domestic liquidity sub-group or sub-consolidation group basis, as applicable)</i>	Other members of RAG 1
...				
FSA006 [deleted.]	Quarterly [deleted.]	-	-	-
...				

- 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.

<i>RAG 1</i>						
<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually
...						
FSA006 [deleted.]	-	-	-	20 business days [deleted.]	-	-
...						

...

9 REGULATED ACTIVITY GROUP 3

...

- 9.2 The applicable *data items* referred to in the table in 6.1 for a *UK designated investment firm* are set out in the table below:

<i>RAG 3</i>	
Description of <i>data item</i>	Applicable <i>data items</i> (1)
...	
Market risk supplementary [deleted.]	FSA006 (3) [deleted.]
...	

- (3) ~~Only applicable to firms with a CRR permission to use internal models in accordance with Title IV, Chapter 5 of the CRR.~~ [deleted.]

...

- 9.3 The applicable reporting frequencies for submission of *data items* and periods referred to in 9.2 are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise.

<i>RAG 3</i>	
<i>Data item</i>	Reporting frequency
...	
FSA006 [deleted.]	Quarterly [deleted.]
...	

...

9.4 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 9.3, unless indicated otherwise.

<i>RAG 3</i>						
<i>Data item</i>	Daily	Weekly	Monthly	Quarterly	Half yearly	Annually
...						
FSA006 [deleted.]	-	-	-	20 <i>business days</i> [deleted.]	-	-
...						

16 DATA ITEMS AND OTHER FORMS

...

16.4 FSA006 can be found here. ~~[deleted.]~~

...

Appendix 5: Draft update to Supervisory Statement SS34/15 ‘Guidelines for completing regulatory reports’

This appendix outlines proposed amendments to [SS34/15 ‘Guidelines for completing regulatory reports’](#). Underlining indicates new text and striking through indicates deleted text.

...

Appendix 1 – Guidelines for completing data items FSA001 to FSA048 and PRA101 to PRA108

Name		Data item	Instructions
FSA001	Balance sheet (until 1 January 2018)	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa001-data-item.pdf	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa001-instructions.pdf
FSA002	Income statement (until 1 January 2018)	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa002-data-item.pdf	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa002-instructions.pdf
FSA005	Market risk	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa005-data-item.pdf	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa005-instructions.pdf
FSA006 [Deleted]	Market risk; supplementary data [Deleted]	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa006-data-item.pdf [Deleted]	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa006-instructions.pdf [Deleted]
FSA011	Building society liquidity	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa011-data-item.pdf	www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/fsa-data-items/fsa011-instructions.pdf

...

Appendix 6: Draft SOLVENCY II: REPORTING AMENDMENTS INSTRUMENT 2019

PRA RULEBOOK: SOLVENCY II: REPORTING AMENDMENTS INSTRUMENT 2019

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).

The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Pre-conditions to making

- B. 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: REPORTING AMENDMENTS INSTRUMENT 2019

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

Commencement

- D. This instrument comes into force on 30 November 2019.

Citation

- E. This instrument may be cited as the PRA Rulebook: SOLVENCY II: REPORTING AMENDMENTS INSTRUMENT 2019

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Reporting Part

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

8 NATIONAL SPECIFIC TEMPLATES

...

8.7 NS.07 can be found here ~~here~~.

8.8 NS.08 can be found here ~~here~~.

...

Appendix 7: Draft update to Supervisory Statement SS25/15 ‘Solvency II: Regulatory reporting internal model outputs’

This appendix outlines proposed amendments to [SS25/15 ‘Solvency II: regulatory reporting internal model outputs’](#). Underlining indicates new text and striking through indicates deleted text.

2 Reporting internal model outputs

...

2.4 Life insurance firms calculating their SCR using an approved internal or partial internal model should use the templates IM.00, IM_01 and IM_02 in Appendix 1 of this supervisory statement.

2.5 General insurance firms calculating their SCR using an approved internal model or partial internal model should use the templates IM.00 and IM.03.01 to IM.03.11 available on the ‘Regulatory reporting – insurance sector’ page of the Bank of England website.

...

Appendix 10: Draft updates to National Specific Templates LOG files

This appendix outlines proposed amendments to National Specific Templates LOG Files – NS.07, NS.08, NS.10 and NS.11. Underlining indicates new text and striking through indicates deleted text.

NS.07 LOG file – Business model analysis non-life

General Comments

....

Firms should complete the relevant tables ~~sub-templates~~ for each of the following periods:

- The ‘reporting period’ (ie the financial year ended on the reference date, the date identifying the last day of the reporting period) is reported on tables ~~sub-templates~~ NS.07.01.01.01 and ~~NS.07.02.01.01~~ NS.07.01.01.05.
- ‘Plan year 1’ (ie the first financial year following the ‘reporting period’) is reported on tables ~~sub-templates~~ NS.07.01.01.02 and ~~NS.07.02.01.02~~ NS.07.01.01.06.
- ‘Plan year 2’ (ie the second financial year following the ‘reporting period’) is reported on tables ~~sub-templates~~ NS.07.01.01.03 and ~~NS.07.02.01.03~~ NS.07.01.01.07.
- ‘Plan year 3’ (ie the third financial year following the ‘reporting period’) is reported on tables ~~sub-templates~~ NS.07.01.01.04 and ~~NS.07.02.01.04~~ NS.07.01.01.08.

....

The information reported on this template is to be as at the reference date. This means that the information reported for ‘Plan year 1’, ‘Plan year 2’, and ‘Plan year 3’ should be consistent with the firm’s most recent business plan approved by its Board at the reference date.

If a firm carries on no business for a particular line of business, a zero should be entered for that line of business. A ‘blank’ should only be entered where information is not required for the item in question.

The income and expenditure items shall be reported on the same accounting basis as that used for the Solvency II Reporting template S.05.01.01.

The balance sheet and own funds items and solvency capital requirement items shall be reported on a Solvency II basis.

....

Instructions for individual items

CELLS	ITEM	INSTRUCTIONS
...		

CELLS	ITEM	INSTRUCTIONS
R0420 / C0010	Investment income	The amount required to be reported under directive 91/674/EEC Article 34 (III.3(a),(b))
R0430 / C0010	Realised and unrealised gains / (losses)	The amount required to be reported under directive 91/674/EEC Article 34 (III.3(c),(d) and III.5(b),(c))
<u>R0435 / C0010, C1010, C2010, C3010</u>	<u>Investment income and investment gains / (losses)</u>	<u>Derived as R0435 = Investment income (R0420) plus Realised and unrealised gains / (losses) (R0430)</u> <u>Regardless of whether an item in the above derivation is reported in the column in question. For example, if R0420 is not reported in column C1010, the instructions for R0420 are to be followed when deriving the amount to be reported at {R0435, C1010}.</u>
R0440 / C0010, C1010, C2010, C3010	Other earned income included in income statement	Include in this item any other income attributable to the period not included in rows R0210 and R0410 to R0430 above that the firm includes in its income statement (and not in its Other Comprehensive Income Statement). Other income attributable to the period not included in rows R0210 and R0410 to R0430 <u>R0435</u> that the firm would include in its Other Comprehensive Income Statement should be reported in row R1620. This would normally be the amount required to be reported under Directive 91/674/EEC Article 34 (III.7)
...		

CELLS	ITEM	INSTRUCTIONS
R1710 / C0110 to C0260, C1110 to C1260, C2110 to C2260, C3110 to C3260, C0120, C1120, C2120, C3120, C0130, C1130, C2130, C3130, C0140, C1140, C2140, C3140, C0141, C1141, C2141, C3141, C0150, C1150, C2150, C3150, C0151, C1151, C2151, C3151, C0170, C1170, C2170, C3170, C0240, C1240, C2240, C3240, C0250, C1250, C2250, C3250, C0260, C1260, C2260, C3260	Number of risks written in the period – direct	<p>The number of insurance contracts written in the period for direct (ie insurance) business.</p> <p><u>For the following lines of business number of risks written are to be reported for L&Bs:</u></p> <ul style="list-style-type: none"> • Medical expense insurance (columns C0110, C1110, C2110, C3110); • Income protection (columns C0120, C1120, C2120, C3120); • Workers compensation (C0130, C1130, C2130, C3130); • Motor vehicle liability – personal lines (C0140, C1140, C2140, C3140); • Motor vehicle liability – non personal lines (C0141, C1141, C2141, C3141); • Motor vehicle other – personal lines (columns C0150, C1150, C2150, C3150); • Motor vehicle other – non personal lines (C0151, C1151, C2151, C3151); • Property – personal lines (columns C0170, C1170, C2170, C3170); • Legal expenses (C240, C1240, C2240, C3240); • Assistance (C0250, C1250, C2250, C3250); • Miscellaneous financial loss (C0260, C1260, C2260, C3260) <p><u>For any column not referenced above, if sum insured in-force at row R1730 has been reported for that column, then the number of risks written need not be reported.</u></p>

CELLS	ITEM	INSTRUCTIONS
R1720 / C0110, C1110, C2110, C3110, C0120, C1120, C2120, C3120, C0130, C1130, C2130, C3130, C0140, C1140, C2140, C3140, C0141, C1141, C2141, C3141, C0150, C1150, C2150, C3150, C0151, C1151, C2151, C3151, C0170, C1170, C2170, C3170, C0240, C1240, C2240, C3240, C0250, C1250, C2250, C3250, C0260, C1260, C2260, C3260	Number of risks written in the period – direct – new business	<p>The number of insurance contracts written in the period for direct (ie insurance) new (as opposed to renewal) business, where the definition of ‘new business’ is what the firm uses for its internal management information purposes.</p> <p>Firms are expected to report number of risks written relating to new business for the lines of business:</p> <ul style="list-style-type: none"> • Medical expense insurance (columns C0110, C1110, C2110, C3210); • Income protection (columns C0120, C1120, C2120, C3120); • Motor <u>vehicle liability</u> - personal lines (columns C0140, C0141, C1140, C1141, C2140, C2141, C3140C3141); • <u>Motor vehicle other – personal lines</u> (columns C0150, C1150, C2150, C3150); • Property personal lines (columns C0170, C1170, C2170, C3170). <p>Firms may omit (leave blank) this item for other lines of business if the firm does not record new business for internal management information purposes for the line of business in question.</p>

CELLS	ITEM	INSTRUCTIONS
<p>R1730 / C0110 to C0260, C1110 to C1260, C2110 to C2260, C3110 to C3260</p> <p>C0160, C1160, C2160, C3160, C0180, C1180, C2180, C3180, C0190, C1190, C2190, C3190, C0200, C1200, C2200, C3200, C0210, C1120, C2120, C3120, C0220, C1220, C2220, C3220, C0230, C1230, C2230, C3230</p>	<p>Sum insured in-force at end of the period - direct</p>	<p>The <u>total</u> sum insured at end of the period <u>over all policies in the line of business in question</u> for direct (ie insurance) business <u>only</u>.</p> <p>The sum insured for a policy only looks at the main coverage of the policy per line of business, and means the highest amount that the insurer can be obliged to pay out on the policy for the line of business. This means:</p> <ul style="list-style-type: none"> • If the sum insured of the additional cover for “Theft” is lower than the sum insured of the main cover for “Fire and other damage” (both belonging to the same line of business), the highest sum insured must be taken. • If the risk has been accepted on a co-insurance basis, the insured sum indicates the maximum liability of the reporting non-life insurer. • In case of joint liability through co-insurance, the part belonging to a defaulting co-insurer must be included in the sum insured as well. <p><u>If number of risks written at row R1710 has been reported in a column, then the sum insured in-force need not be reported in that column.</u></p> <p>The sum insured is to be reported for the lines of business:</p> <ul style="list-style-type: none"> • Marine aviation and transport (C0160, C1160, C2160, C3160); • Fire and other damage to property insurance – non-personal lines (C0180, C1180, C2180, C3180); • Employers Liability (C0190, C1190, C2190, C3190); • Public & products liability (C0200, C1200, C2200, C3200); • Professional indemnity (C0210, C1210, C2210, C3210); • Other general liability (C0220, C1220, C2220, C3220); • Credit and suretyship insurance (C0230, C1230, C2230, C3230).
<p>...</p>		
<p>R1930 / C0010, C1010, C2010, C3010</p>	<p>Best estimate gross all business and end of the period</p>	<p>This item is as reported on the Solvency II reporting templates at <u>{S.02.01, (R0510 +R0600), C0010} {S.02.01.01, (R0530 +R0540 +R0570 +R0580 +R0620 +R0630 +R0660 +R0670), C0010}</u></p> <p>Any transitional deduction to technical provisions is not included.</p>

CELLS	ITEM	INSTRUCTIONS
R1940 / C0015, C1015, C2015, C3015	Best estimate gross claim provision at end of the period	This item is as reported on the Solvency II reporting templates at {S.17.01.01, (R0010 +R0160), C0180} Any transitional deduction to technical provisions is not included.
R1945 / C0015, C1015, C2015, C3015	Best estimate gross premium provision at end of the period	This item is as reported on the Solvency II reporting templates at {S.17.01.01, R0060, C0180} Any transitional deduction to technical provisions is not included.
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NS.08 LOG File – Business model analysis – financial guarantee insurers

General comments

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CELLS	ITEM	INSTRUCTIONS
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C0150	External rating	<p>Lowest <u>issue rating for the guarantee in force reported in C0010 at the reporting reference date as provided given by a nominated credit assessment institution (ECAI) an external rating agency.</u></p> <p><u>The rating reported here should ignore the effect of the guarantee provided by the firm.</u></p>
C0160	Rating agency Nominated ECAI	<p><u>Identify the rating agency giving the external rating above.</u></p> <p><u>Identify the credit assessment institution (ECAI) giving the external rating in C0150, by using the following closed list.</u></p> <p><u>In case of ratings issued by subsidiaries of the ECAI please report the parent ECAI (the reference is to ESMA list of credit rating agencies registered or certified in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies).</u></p> <p><u>In case a new Credit Rating Agency is registered or certified by ESMA and while the closed list is not up-dated please report "Other nominated ECAI".</u></p> <ul style="list-style-type: none"> • <u>Euler Hermes Rating GmbH (LEI code: 391200QXGLWHK9VK6V27)</u> • <u>Japan Credit Rating Agency Ltd (LEI code: 35380002378CEGMRVW86)</u> • <u>BCRA-Credit Rating Agency AD (LEI code: 747800Z0IC3P66HTQ142)</u> • <u>Creditreform Rating AG (LEI code: 391200PHL11KDUTTST66)</u> • <u>Scope Ratings AG (previously PSR Rating GmbH) (LEI code: 391200WU1EZUQFHDWE91)</u> • <u>ICAP Group SA (LEI code: 2138008U6LKT8VG2UK85)</u> • <u>GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH (LEI code: 391200OLWXCTKPADVV72)</u> • <u>ASSEKURATA Assekuranz Rating-Agentur GmbH (LEI code: 529900977LETWLJF3295)</u> • <u>ARC Ratings, S.A. (previously Companhia Portuguesa de Rating, S.A) (LEI code: 213800OZNIQMV6UA7D79)</u>

		<ul style="list-style-type: none"> • <u>AM Best Europe-Rating Services Ltd. (AMBERS) (LEI code: 549300VO8J8E5IQV1T26)</u> • <u>DBRS Ratings Limited (LEI code: 5493008CGCDQLGT3EH93)</u> • <u>Fitch France S.A.S. (LEI code: 2138009Y4TCZT6QOJO69)</u> • <u>Fitch Deutschland GmbH (LEI code: 213800JEMOT1H45VN340)</u> • <u>Fitch Italia S.p.A. (LEI code: 213800POJ9QSCHL3KR31)</u> • <u>Fitch Polska S.A. (LEI code: 213800RYJTJPW2WD5704)</u> • <u>Fitch Ratings España S.A.U. (LEI code: 213800RENFIIODKETE60)</u> • <u>Fitch Ratings Limited (LEI code: 2138009F8YAHVC8W3Q52)</u> • <u>Fitch Ratings CIS Limited (LEI code: 213800B7528Q4DIF2G76)</u> • <u>Moody's Investors Service Cyprus Ltd (LEI code: 549300V4LCOYCMNUVR81)</u> • <u>Moody's France S.A.S. (LEI code: 549300EB2XQYRSE54F02)</u> • <u>Moody's Deutschland GmbH (LEI code: 549300M5JMGHVTWYZH47)</u> • <u>Moody's Italia S.r.l. (LEI code: 549300GMXJ4QK70UOU68)</u> • <u>Moody's Investors Service España S.A. (LEI code: 5493005X59ILY4BGJK90)</u> • <u>Moody's Investors Service Ltd (LEI code: 549300SM89WABHDNJ349)</u> • <u>Standard & Poor's Credit Market Services France S.A.S. (LEI code: 54930035REY2YCDSBH09)</u> • <u>Standard & Poor's Credit Market Services Italy S.r.l. (LEI code: 54930000NMOJ7ZBUQ063)</u> • <u>Standard & Poor's Credit Market Services Europe Limited (LEI code: 549300363WVTTH0TW460)</u> • <u>CRIF S.p.A. (LEI code: 8156001AB6A1D740F237815600EAE45F55EE5B73)</u> • <u>Capital Intelligence Ratings Ltd (LEI code: 549300RE88OJP9J24Z18)</u> • <u>European Rating Agency, a.s. (LEI code: 097900BFME0000038276)</u> • <u>Axesora conocer para decidir SA (LEI code: 95980020140005900000)</u> • <u>Cerved Rating Agency S.p.A. (previously CERVED Group S.p.A.) (LEI code: 8156004AB6C992A99368)</u> • <u>Kroll Bond Rating Agency (LEI code: 549300QYZ5CZYXTNZ676)</u> • <u>The Economist Intelligence Unit Ltd (LEI code: 213800Q7GRZWF95EWN10)</u> • <u>Dagong Europe Credit Rating Srl (Dagong Europe) (LEI code: 815600BF4FF53B7C6311)</u> • <u>Spread Research (LEI code: 969500HB6BVM2UJDOC52)</u> • <u>EuroRating Sp. z o.o. (LEI code: 25940027QWS5GMO74O03)</u> • <u>HR Ratings de México, S.A. de C.V. (HR Ratings) (LEI code: 549300IFL3XJKTRHZ480)</u> • <u>Moody's Investors Service EMEA Ltd (LEI code: 54930009NU3JYS1HTT72)</u> • <u>Egan-Jones Ratings Co. (EJR) (LEI code: 54930016113PD33V1H31)</u> • <u>modeFinance S.r.l. (LEI code: 815600B85A94A0122614)</u> • <u>INC Rating Sp. z o.o. (LEI code: 259400SUBF5EPOGK0983)</u> • <u>Rating-Agentur Expert RA GmbH (LEI code: 213800P3OBSGWN2UE81)</u> • <u>- Other nominated ECAI</u>
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NS.10 LOG File – Projection of future cash flows (best estimate – non-life: liability claim types)**Purpose**

The purpose of this template is for insurance and reinsurance firms to report best estimate cash-flows relating to latent claim and other specified types of long-tail injury claim obligations of non-life business. The template provides information on the type and materiality of a firm's obligations for these latent claims and long-tail injury claims.

NS.11 LOG File – Non-life claim development information (general liability sub-classes)

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Latent claims and annuities stemming from non-life insurance obligations are to be excluded from this template. This relates to:

- ~~latent claims for which the gross best estimate claims provision is payments to policyholders~~ are reported in the national specific template NS.10 – ‘Solvency II Best Estimate Cash-Flows projection of future cash flows (best estimate – non-life: liability claim types)’ in the rows pertaining to latent claims; and
- ~~to non-life annuity claims reported to~~ Solvency II Reporting template S.12.01.01 S.16.01.01. However, ~~bodily injury claims (excluding that part settled by annuity) reported on NS.10 should be reported on this template.~~

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