



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper | CP14/19

Pillar 2 liquidity: PRA110 reporting frequency threshold

June 2019



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The response will be assessed to inform our work as a regulator and central bank, both in the public interest and in the exercise of our official authority. We may use your details to contact you to clarify any aspects of your response.

The consultation paper will explain if responses will be shared with other organisations (for example, the Financial Conduct Authority). If this is the case, the other organisation will also review the responses and may also contact you to clarify aspects of your response. We will retain all responses for the period that is relevant to supporting ongoing regulatory policy developments and reviews. However, all personal data will be redacted from the responses within five years of receipt. To find out more about how we deal with your personal data, your rights or to get in touch please visit bankofengland.co.uk/legal/privacy.

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Responses are requested by Friday 27 September 2019.

Please address any comments or enquiries to:

Liquidity Team, Banking Policy TS03-CD

Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Email: CP14_19@bankofengland.co.uk.

Contents

1	Overview	1
2	Proposals	2
3	The PRA's statutory obligations	2
Appendices		5

1 Overview

1.1 In this consultation paper (CP), the Prudential Regulation Authority (PRA) sets out its proposal to amend the reporting frequency of the PRA110 reporting template (PRA110), when a firm is in stress.

1.2 The proposed rule would introduce a further threshold of total assets of £5 billion or above, calculated in accordance with Council Directive 86/635/EEC.¹ Firms above this threshold, that would otherwise report PRA110 monthly, would report on every business day if (and for as long as) there is a specific liquidity stress, or market liquidity stress in relation to the firm, branch, or group in question.

1.3 The proposals in this CP would make amendments to:

- the Regulatory Reporting Part of the PRA Rulebook (Appendix 1 and Appendix 2); and
- Supervisory Statement (SS) 24/15 ‘The PRA’s approach to liquidity and funding risk’ (Appendix 3).²

1.4 This CP is relevant to PRA-authorized UK banks, building societies, and PRA-designated UK investment firms, referred to collectively as ‘firms’ with total assets of £5 billion or above, calculated in accordance with Council Directive 86/635/EEC.

Background

1.5 PRA110 reporting will commence from Monday 1 July 2019.³ From this date, firms with total assets, calculated in accordance with Council Directive 86/635/EEC, equal to or greater than €30 billion on either an individual basis or UK consolidation group basis will be required to report on a weekly basis, unless there is a specific liquidity stress or market liquidity stress, in which case the PRA110 will be reported every business day. Firms with total assets less than €30 billion, calculated on the same basis, will report monthly, unless there is a specific liquidity stress or market liquidity stress, in which case the PRA110 will be reported weekly.

Purpose

1.6 Continuous access to timely and accurate liquidity data is critical to the effective supervision of firms given the speed with which liquidity risks can crystallise. Since the publication of the PRA110 reporting template, the PRA has reviewed the threshold on which the frequency of reporting in a specific liquidity stress or market liquidity stress is based. Following careful consideration, the PRA judges that access to liquidity data on every business day during a firm specific and/or market liquidity stress is critical to the effective supervision of firms with total assets equal to or above £5 billion.

1.7 The purpose of the proposed rule is to reduce the risk that the PRA does not have access

¹ <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:31986L0635>.

² June 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-approach-to-supervising-liquidity-and-funding-risks-ss>.

³ See Policy Statement (PS) 2/18 ‘Pillar 2 liquidity’, February 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2016/pillar-2-liquidity>, which introduced the PRA110 reporting template for implementation from Monday 1 July 2019, and PS13/19 ‘Pillar 2 liquidity: Updates to the framework’, June 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/pillar-2-liquidity-updates-to-the-framework>, which introduced an updated PRA110 reporting template, which will take effect from 1 January 2020.

to accurate and timely liquidity data for those firms that pose the greatest risks to the PRA's objective to promote the safety and soundness of firms it supervises.

1.8 This proposal would only represent a change to reporting requirements for firms equal to or above £5 billion and below €30 billion of total assets, and for these firms only when they are in stress.

Summary of proposals

1.9 The policy proposals included in this CP are:

- (i) the introduction of a further threshold for PRA110 reporting frequency; and
- (ii) to update SS24/15 paragraph 6.2A to align with the proposed PRA110 reporting frequency threshold.

Implementation

1.10 The proposed implementation date for the proposals in this CP is Friday 1 May 2020.

Responses and next steps

1.11 This consultation closes on Friday 27 September 2019. The PRA invites feedback on the proposals set out in this consultation. Please address any comments or enquiries to CP14_19@bankofengland.co.uk.

1.12 The proposals are based on the United Kingdom (UK) and European Union (EU) regulatory framework as it currently stands. The PRA has assessed that the proposals will be affected in the event that the UK leaves the EU with no implementation period in place. A second version of the proposed rules which includes the relevant changes relating to the UK's withdrawal from the EU is set out in Appendix 2.

2 Proposals

Amendment to PRA110 reporting frequency threshold

2.1 The PRA proposes to introduce a rule to require firms with total assets of £5 billion or above, calculated in accordance with Council Directive 86/635/EEC, to submit the PRA110 reporting template every business day in the event of a firm-specific liquidity stress or market liquidity stress.

Consequential amendment to SS24/15

2.2 As a consequence of the proposed change to the reporting frequency threshold, the PRA also proposes an update to SS24/15 (paragraph 6.2A) to align with the proposed threshold.

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)⁴ 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,⁵ insurance objective⁶ (if applicable), and secondary competition objective;⁷
- 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;⁸ and
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.⁹

3.3 The Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy as recommended by HM Treasury.¹⁰

3.4 The PRA is also required by the Equality Act 2010¹¹ 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 The PRA considers that the amendment to the PRA110 reporting frequency threshold could have an impact on the technology costs and business costs of firms.

3.6 The technological costs required by this proposal are judged as low. Firms affected by this proposal are required to have systems in place to report the PRA110 already. The incremental cost of this proposal will relate to system changes required to facilitate the ability to report on every business day, when they are in stress. However, firms are already required to have the capability to produce a weekly PRA110 report with a one-business day remittance period, suggesting that all firms impacted by this proposal should already have the technological capability to report on every business day.

3.7 The business costs of reporting, such as data validations and checking and sign-off of the regulatory report before submission to the PRA, will be higher than during normal frequency reporting. These costs will vary from firm to firm and will be dependent on the level of automation of these processes. However, the probability of a firm being on higher frequency reporting and encountering these business costs is very low based on past experience.

3.8 The PRA considers that there are strong prudential benefits to amending the PRA110 reporting frequency threshold. The amended threshold will ensure that the PRA can receive timely liquidity data from firms that pose the greatest risk to the PRA's advancement of its

⁴ Section 138J of FSMA.

⁵ Section 2B of FSMA.

⁶ Section 2C of FSMA.

⁷ Section 2H(1) of FSMA.

⁸ Sections 2H(2) and 3B of FSMA.

⁹ Section 138K of FSMA.

¹⁰ Section 30B of the Bank of England Act 1998.

¹¹ Section 149.

safety and soundness objective.

Compatibility with the PRA's objectives

3.9 The PRA has a statutory objective to promote the safety and soundness of PRA-authorised persons. The proposals set out in this CP will assist in this objective by ensuring the supervisor has access to timely and accurate liquidity data during firm-specific and/or market liquidity stress for those firms that pose the greatest risks to this objective.

3.10 When discharging its general function in a way that advances its primary objectives, the PRA has, as a secondary objective, a duty to facilitate effective competition in the markets for services provided by PRA-authorised persons. The PRA considers that the proposals will not impose material costs on firms so will not have an impact on effective competition.

Regulatory principles

3.11 In developing the proposals in this CP, the PRA has had regard to the regulatory principles set out in FSMA. In particular, two principles are relevant.

3.12 The principle that a burden imposed should be proportionate to the benefits expected to result: the PRA has considered changes needed to the PRA110 reporting frequency threshold and only made the changes necessary to support its objectives.

3.13 The principle that the PRA should exercise its functions as transparently as possible: making updates in an open manner as to why the PRA110 reporting frequency threshold update is necessary and proportionate.

Impact on mutuals

3.14 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.

HM Treasury recommendation letter

3.15 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. The PRA considers the most relevant recommendations are 'Innovation' and 'Competitiveness', which are supported by the PRA taking a proportionate approach to the proposals in this CP, as discussed in paragraph 3.12 above.

Equality and diversity

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

Appendices

-
- 1 Draft PRA RULEBOOK: CRR FIRMS: LIQUIDITY REGULATORY REPORTING AMENDMENT INSTRUMENT**

 - 2 Draft PRA RULEBOOK: CRR FIRMS: LIQUIDITY REGULATORY REPORTING AMENDMENT INSTRUMENT (EU EXIT)**

 - 3 Draft update to Supervisory Statement 24/15 'The PRA's approach to liquidity and funding risk'**

1 Draft PRA RULEBOOK: CRR FIRMS: LIQUIDITY REGULATORY REPORTING (AMENDMENT) (NO. 3) INSTRUMENT 2019

Powers exercised

- A. The Prudential Regulation Authority (the “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); and
- B. 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

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

PRA Rulebook: CRR Firms: Liquidity Regulatory Reporting (Amendment) (No.3) Instrument 2019

- D. The PRA makes the rules in the Annex.

Commencement of this instrument

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

Citation

- F. This instrument may be cited as PRA Rulebook: CRR Firms: Liquidity Regulatory Reporting (Amendment) (No. 3) Instrument 2019.

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Regulatory Reporting Part

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

7 REGULATED ACTIVITY GROUP 1

...

7.2 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.

<u>RAG 1</u>				
<u>Data item</u>	<u>UK banks and building societies</u> (on an unconsolidated or individual consolidated basis) (9)	[deleted.]	<u>UK banks and building societies</u> (on a <u>UK consolidation group</u> , domestic liquidity sub-group or <u>sub-consolidation group basis</u> , as applicable)	Other members of <u>RAG 1</u>
...				
...				
PRA110	Daily, weekly or monthly (2) (13) (14)	-	Daily, weekly or monthly (2) (13) (14)	[deleted]
...				

...

(13) (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm*, *branch* or group in question.

(b) If the reporting frequency would otherwise be monthly, the item is to be reported ~~weekly~~:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or UK consolidation group basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and UK consolidation group basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm*, *branch* or group in question.

...

9 REGULATED ACTIVITY GROUP 3

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.

RAG 3	
Data item	Reporting frequency
...	
...	...
PRA110	Daily, weekly or monthly ((9) (10) (11))

...

10) (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

(b) If the reporting frequency would otherwise be monthly, the item is to be reported ~~weekly~~:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or *UK consolidation group* basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and *UK consolidation group* basis.

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

2 Draft PRA RULEBOOK: CRR FIRMS: LIQUIDITY REGULATORY REPORTING (AMENDMENT) (NO. 3) (EU EXIT) INSTRUMENT 2019

Powers exercised (EU Exit)

- A. The Prudential Regulation Authority (the “PRA”) being the appropriate regulator within the meaning of the Financial Regulators’ Powers (Technical Standards etc.) (Amendment etc.) (EU Exit) Regulations 2018 (“the Regulations”) having carried out consultations pursuant to regulation 5 of the Regulations and with the approval of the Treasury of the following instrument, makes the instrument in the exercise of the powers conferred by regulation 3 of the Regulations.

Powers exercised (other)

- B. The PRA makes this instrument also 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); and
- C. 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

- D. In accordance with section 138J (Consultation by the PRA) of the Act, the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of the proposed rules and had regard to representations made.
- E. A draft of this instrument has been approved by the Treasury, having been satisfied that it makes appropriate provision to prevent, remedy or mitigate any failure of retained EU law to operate effectively, or any other deficiency in retained EU law, arising from the withdrawal of the United Kingdom from the European Union.

PRA Rulebook: CRR Firms: Liquidity Regulatory Reporting (Amendment) (No. 3) (EU Exit) Instrument 2019

- F. The PRA makes the rules in the Annex.

Commencement of this instrument

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

Citation

- H. This instrument may be cited as PRA Rulebook: CRR Firms: Liquidity Regulatory Reporting (Amendment) (No. 3) (EU Exit) Instrument 2019.

By order of the Prudential Regulation Committee

[DATE]

Annex

Amendments to the Regulatory Reporting Part

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

7 REGULATED ACTIVITY GROUP 1

...

7.2 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				
Data item	UK banks and building societies (on an unconsolidated or individual consolidated basis) (9)	[deleted.]	UK banks and building societies (on a UK consolidation group, domestic liquidity sub-group or sub-consolidation group basis, as applicable)	Other members of RAG 1
...				
...				
PRA110	Daily, weekly or monthly (2) (13) (14)	-	Daily, weekly or monthly (2) (13) (14)	[deleted]
...				

...

(13) (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

(b) If the reporting frequency would otherwise be monthly, the item is to be reported:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or *UK consolidation group* basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and *UK consolidation group* basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

...

Note for consultees: The text in this Annex takes into account the changes suggested by the consultation as if they were made.

10 REGULATED ACTIVITY GROUP 3

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.

RAG 3	
Data item	Reporting frequency
...	
...	...
PRA110	Daily, weekly or monthly ((9) (10) (11))

...

10) (a) If the reporting frequency would otherwise be weekly, the item is to be reported on every *business day* if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

(b) If the reporting frequency would otherwise be monthly, the item is to be reported:

(i) every *business day* if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, equal to or greater than £5 billion on an individual basis or *UK consolidation group* basis; and

(ii) weekly if the *firm* has *total assets*, calculated in accordance with provisions implementing Council Directive 86/635/EEC, of less than £5 billion on both an individual basis and *UK consolidation group* basis,

if (and for as long as) there is a specific liquidity stress or market liquidity stress in relation to the *firm, branch* or group in question.

3 Draft update to Supervisory Statement 24/15 'The PRA's approach to liquidity and funding risk'

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

...

6 Reporting

...

6.2A The PRA considers that during times of stress, for example in accordance with Article 5 of Commission Delegated Regulation (EU) No 2015/61, it is appropriate for firms with:

- total assets equal to or above ~~€30~~ £5 billion to submit the PRA110 on a daily basis; and
- total assets below ~~€30~~ £5 billion to submit the PRA110 on a weekly basis.