



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY

Consultation Paper | CP3/20

# Occasional Consultation Paper – March 2020

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Responses are requested by Friday 26 June 2020.

**In light of current measures to help prevent the spread of COVID-19, please address any comments or enquiries by email to: [OCP.Responses@bankofengland.co.uk](mailto:OCP.Responses@bankofengland.co.uk).**

Alternatively, please address any comments or enquiries to:

Policy Delivery Team (MG07)  
Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

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## 1 Overview

1.1 In this Consultation Paper (CP), the Prudential Regulation Authority (PRA) sets out its proposals to make minor amendments to PRA rules, supervisory statements (SS), National Specific Templates (NSTs) and associated LOG files, and the market risk sensitivities data item and associated instructions.

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

- Chapters 2, 7 and 8 – PRA-authorized Capital Requirements Regulation (CRR) firms;
- Chapter 3 – non-Solvency II insurance firms;
- Chapter 4 – all Solvency II firms, including the Society of Lloyd’s;
- Chapter 5 – all PRA-authorized firms; and
- Chapter 6 – PRA-supervised firms that operate in the UK but are not UK-headquartered firms.

1.3 The chapters contained in this CP, the policy material they propose to change, and the appendices containing the draft amended policy, are listed in the table below.

Chapter	Policy Material	Appendix
2. Liquidity: Minor updates and amendments to instructions for completing PRA110	SS24/15 ‘The PRA’s approach to supervising liquidity and funding risks’	1
	Instructions for completing PRA110	2
3. Non-Solvency II: London interbank offered rate (LIBOR) updates for small insurers	The Insurance Company – Mathematical Reserves Part of the PRA Rulebook	3
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8.Securitisation: Updates to Significant Risk Transfer	SS9/13 'Securitisation: Significant Risk Transfer'	21

## The PRA's statutory obligations and duty to consult

1.4 The PRA has a statutory duty under the Financial Services and Markets Act 2000 (FSMA)<sup>1</sup> to consult when introducing new rules and, when not making rules, has a public law duty to consult widely where it would be fair to do so. When doing so, the PRA provides the following in relation to the proposed policy:

- a cost benefit analysis;<sup>2</sup>
- 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,<sup>3</sup> insurance objective (if applicable),<sup>4</sup> and secondary competition objective;<sup>5</sup>
- 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;<sup>6</sup> and
- a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons.<sup>7</sup>

1.5 The Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy as recommended by HM Treasury.<sup>8</sup>

1.6 The PRA is also required by the Equality Act 2010 to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies,<sup>9</sup> services and functions.

1.7 The relevant information can be found in each chapter.

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

## Implementation

1.9 Pending consideration of the responses to this consultation, the proposed implementation dates are on publication of the final policy.

## Responses and next steps

1.10 The consultation closes on Friday 26 June 2020.

<sup>1</sup> Section 138J of FSMA.

<sup>2</sup> Section 138J(2)(a) of FSMA.

<sup>3</sup> Section 2B of FSMA.

<sup>4</sup> Section 2C of FSMA.

<sup>5</sup> Section 2H(1) of FSMA.

<sup>6</sup> Sections 2H(2) and 3B of FSMA.

<sup>7</sup> Section 138K of FSMA.

<sup>8</sup> Section 30B of the Bank of England Act 1998 (Information about the PRC and the recommendations from HM Treasury are available at <https://www.bankofengland.co.uk/about/people/prudential-regulation-committee>).

<sup>9</sup> Section 149.

1.11 The PRA invites feedback on the proposals set out in this CP. Please address any comments or enquiries to [OCP.responses@bankofengland.co.uk](mailto:OCP.responses@bankofengland.co.uk).

1.12 The proposals set out in this CP have been designed in the context of the UK's withdrawal from the European Union and entry into the transition period, during which time the UK remains subject to European law. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework at the end of the transition period, including those arising once any new arrangements with the European Union take effect.

1.13 The PRA has assessed that the proposals would not need to be amended under the EU (Withdrawal) Act 2018 (EUWA). Please see PS5/19 'The Bank of England's amendments to financial services legislation under the European Union (Withdrawal) Act 2018'<sup>10</sup> for further details.

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<sup>10</sup> April 2019: <https://www.bankofengland.co.uk/paper/2019/the-boes-amendments-to-financial-services-legislation-under-the-eu-withdrawal-act-2018>.

## 2 Liquidity: Minor updates and amendments to instructions for completing PRA110

2.1 In this chapter, the PRA sets out proposals to remove redundant material, move certain expectations, align expectations with existing policy material and make the PRA's expectations clearer. These proposals would be made effective through updates to SS24/15, 'The PRA's approach to supervising liquidity and funding risks'<sup>11</sup> (Appendix 1), and the 'Instructions for completing PRA110'<sup>12</sup> (Appendix 2).

2.2 The proposed amendments relate to firms' management of liquidity risk and reporting liquidity information to the PRA.

2.3 This chapter is relevant to:

- Sections (i) to (iii) – CRR firms; and
- Section (iv) – CRR firms with total assets of £5 billion or more, calculated in accordance with Council Directive 86/635/EEC.

### Proposals

#### (i) Guidance on transition from ILAA/ILSA to ILAAP

2.4 In the 'Transition from ILAA/ILSA to ILAAP' section in Chapter 2 of SS24/15, the PRA sets out its expectation that all firms will have a management body approved Internal Liquidity Adequacy Assessment Process (ILAAP) document, replacing their existing Internal Liquidity Adequacy Assessment (ILAA) or Individual Liquidity Systems Assessment (ILSA) document, by the end of October 2016. Now that the transition period is complete, the PRA proposes to remove this section (paragraphs 2.7 to 2.12) from the SS.

2.5 However, the PRA considers two pieces of guidance in this section are still relevant for firms:

- 'Firms should also consider carefully the appropriateness of the liquid assets held, even where they are compliant with the Delegated Act, given that the Delegated Act permits a far wider range of eligible liquid assets than is eligible under BIPRU 12' (paragraph 2.10). The PRA proposes to move this to below the 'Managing the High Quality Liquid Asset (HQLA) buffer' section in Chapter 2 of the SS; and
- 'An overview of how the firm applies the Delegated Act in its LCR reporting may also be appropriate, including, if relevant, how the firm has interpreted the classifications of retail and operational deposits and the work undertaken annually in response to Delegated Act Article 23' (paragraph 2.12). The PRA proposes to move this to below the 'Producing an ILAAP document' section in Chapter 2 of the SS.

2.6 The PRA considers these changes would make the SS clearer by removing redundant material, but retaining two pieces of guidance that it still considers are relevant.

<sup>11</sup> March 2020: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-approach-to-supervising-liquidity-and-funding-risks-ss>.

<sup>12</sup> Currently available in Appendix 12 of SS34/15: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss>.

## (ii) Liquidity contingency plans

2.7 The PRA requires firms to maintain recovery plans and liquidity contingency plans.<sup>13, 14</sup> In the 'Liquidity contingency plan' section in Chapter 2 of SS24/15, the PRA states that firms 'do not have to develop a separate liquidity contingency plan [in addition to the recovery plan] but firms' arrangements must be cross-referenced, where appropriate, in the ILAAP document. In paragraph 2.93 of SS9/17, 'Recovery planning',<sup>15</sup> the PRA states that 'firms are strongly encouraged to combine their liquidity contingency plan...and their recovery plan into one integrated document'. The PRA expected that this integration would have taken place, where appropriate, by Sunday 30 June 2019.

2.8 The PRA proposes to align the expectation in SS24/15 regarding separate recovery and liquidity contingency plans with that of SS9/17. Aligning the two SSs would ensure consistency of PRA policy.

2.9 Appendix 1 of SS24/15 provides a suggestion for the structure and content of the ILAAP document. The PRA proposes to update the appendix to reflect that the liquidity contingency plan would be combined with the recovery plan, and not part of the ILAAP document.

## (iii) Consequential amendments from withdrawal of LSS2/13

2.10 Legacy Supervisory Statement (LSS) 2/13 'Collateral upgrade transactions and asset encumbrance'<sup>16</sup> was adopted by the PRA after legal cutover from the Financial Services Authority (FSA) in April 2013. It contained guidance for banks and insurance firms on managing the risks associated with long-term collateral upgrade transactions (ie those which are greater than one year). The LSS set out the PRA's expectations that firms notify the PRA if they enter into a transaction which materially improves the quality of some collateral for more than one year.

2.11 Following Policy Statement (PS) 18/19 'Liquidity risk management for insurers',<sup>17</sup> the PRA withdrew LSS2/13, superseding it with SS5/19, 'Liquidity risk management for insurers'.<sup>18</sup> As a consequence, the PRA's expectation that firms notify it of eligible transactions ceased to apply. In PS18/19, the PRA stated that it had also decided to withdraw the application of LSS2/13 to banks on the basis that the PRA receives sufficient information through other means.

2.12 The PRA proposes to update guidance contained in Appendix 1 of SS24/15, under 'Evaluation of liquidity needs in the short and medium term', with additional guidance to firms that use long-term collateral swap transactions to borrow liquid assets against non-liquid assets. Namely, they should assess the risk that the counterparty may seek to terminate the transaction before it matures and the liquidity they might need as a result.

## (iv) Clarifications on 'Instructions for completing PRA110'

2.13 The PRA previously consulted on making minor amendments to the 'Instructions for completing PRA110' (the Instructions).<sup>19</sup> Following PS30/18 'Regulatory Reporting: Responses to

<sup>13</sup> Rule 2.2 of the Recovery Plans Part of the PRA Rulebook.

<sup>14</sup> Rule 12.1 of the Internal Liquidity Adequacy Assessment Part of the PRA Rulebook.

<sup>15</sup> December 2017: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/recovery-planning-ss>.

<sup>16</sup> April 2013: <https://www.bankofengland.co.uk/prudential-regulation/publication/2013/collateral-upgrade-transactions-and-asset-encumbrance-expectations-in-relation-to-firms-risk-lss>

<sup>17</sup> September 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/liquidity-risk-management-for-insurers-ss>.

<sup>18</sup> September 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2019/liquidity-risk-management-for-insurers-ss>.

<sup>19</sup> Currently available in Appendices 11 and 12 of SS34/15: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss>.

CP16/18',<sup>20</sup> the PRA made these amendments to the Instructions, but not to the version applicable from Wednesday 1 January 2020. The PRA proposes to correct these discrepancies as set out below.

### *Counterbalancing capacity*

2.14 In CP16/18, 'Regulatory reporting: occasional consultation paper',<sup>21</sup> the PRA consulted to remove a sentence from Section 3 of the Instructions ('Counterbalancing capacity'): 'The collateral flows should correspond to the contractual timings in the main SFT [Securities Financing Transactions] cash rows, ie no adjustments should be made for the 'of which' rows for neither counterparty type nor short positions'. The PRA confirmed the deletion of this sentence in PS30/18. The amendment was made to the version of the Instructions which was applicable at the time, but not to the version of the Instructions which became applicable from Wednesday 1 January 2020.

2.15 The PRA has reflected on this deletion and now proposes to re-instate this guidance on the basis that it is still correct and could be helpful to firms when completing the template.

### *Additional amendments not reflected in January 2020 version of the Instructions*

2.16 In PS30/18, the PRA published additional minor clarifying amendments to the version of the Instructions that were applicable at the time, but which were not reflected in the now current version applicable from Wednesday 1 January 2020. The PRA is not re-consulting on those changes, but for transparency is noting that it will correct the current version of the Instructions to include those amendments.

### *Consequential amendments to SS34/15, 'Guidelines for completing regulatory reports'*

2.17 The Instructions subject to the proposals above are contained in SS34/15.<sup>22</sup> As a result the PRA proposes to update the relevant appendices in SS34/15 with the link to the updated Instructions, subject to the outcome of this consultation. The PRA has not shown the draft amendments to SS34/15 in the appendices of this CP.

## **The PRA's duty to consult**

### **Cost benefit analysis**

2.18 The PRA considers that the amendments proposed would not materially affect the substance of any PRA policies, but rather relate to: (i) removing redundant material from published SSs, (ii) clarifying language to make the PRA's expectations clearer, and (iii) aligning the PRA's expectations between different SSs.

2.19 As such, the PRA expects that the proposals would cause minimal costs to firms.

2.20 The PRA considers that the proposals would make its expectations clearer, and therefore help firms meet the expectations.

### **Compatibility with the PRA's objectives**

2.21 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The PRA considers that the proposals in this chapter are compatible with this objective, as

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<sup>20</sup> December 2018, (page 2 of 2): <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/regulatory-reporting-occasional-consultation-paper>.

<sup>21</sup> July 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2018/regulatory-reporting-occasional-consultation-paper>.

<sup>22</sup> September 2019: <https://www.bankofengland.co.uk/prudential-regulation/publication/2015/guidelines-for-completing-regulatory-reports-ss>.

they clarify parts of the PRA's framework of instructions and expectations, and remove redundant material. The PRA considers that this would assist firms in understanding and meeting the PRA's expectations on funding and liquidity risks.

2.22 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-authorized persons. The PRA considers that the proposals in this consultation do not have a material impact on effective competition, as they do not materially change our expectations.

### Regulatory principles

2.23 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. One principle is particularly relevant, that the PRA should exercise its functions as transparently as possible. The proposals seek to make the PRA's expectations clear and consistent between published policy documents.

### Impact on mutuals

2.24 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.

### HM Treasury recommendation letter

2.25 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 2.23 above.

### Equality and diversity

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

### 3 Non-Solvency II: London interbank offered rate (LIBOR) updates for small insurers

3.1 In this chapter, the PRA sets out a proposal to replace a reference to LIBOR with Sterling Overnight Index Average (SONIA), as the risk-free rate benchmark. The proposal would be made effective through an update to Rule 18.4(2) under the Insurance Company – Mathematical Reserves Part of the PRA Rulebook (Appendix 3).

3.2 This chapter is relevant to non-Solvency II insurance firms.

#### Proposals

3.3 The PRA proposes to replace the reference to LIBOR with SONIA, in preparation for the expected discontinuation of LIBOR after the end of 2021.

#### Statutory Obligations

##### Cost benefit analysis

3.4 The PRA considers that the amendments proposed in this chapter would have a minor impact on firms. They do not materially affect the substance of any PRA policies, but rather they ensure the rules continue to apply as intended.

3.5 Due to the absence of term credit premia, SONIA is expected to be slightly lower than GBP LIBOR. The replacement of LIBOR with SONIA could result in a modest increase in the prudential requirements incorporated in the rule. However, as LIBOR is to be discontinued by end-2021, any impact would be limited between now and end-2021. In addition, the PRA understands that few firms would actually be impacted.

3.6 As such, the PRA expects that these proposed amendments would not result in significant additional costs to firms.

##### Compatibility with the PRA's objectives

3.7 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The PRA considers that the proposal in this chapter is compatible with this objective, as it would ensure the rules continue to apply as intended for non-Solvency II insurance firms.

3.8 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-authorized persons. The PRA considers that the proposals in this chapter do not have a material impact on effective competition, as they do not materially change our expectations.

##### Regulatory principles

3.9 In developing the proposal in this chapter, the PRA has had regard to the regulatory principles. Two principles are particularly relevant:

- that regulators use their resources in the most efficient and economical way, as the proposed amendment seeks to make the change to legislation as simple as possible while still maintaining its effect; and
- the PRA should exercise its functions as transparently as possible, as this update would seek to make the PRA's rules as transparent and clear as possible ahead of LIBOR being discontinued, giving firms ample time to demonstrate compliance with the rule.

### Impact on mutuals

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.

### HM Treasury recommendation letter

3.11 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 3.9 above.

### Equality and diversity

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

## 4 Solvency II Reporting: Minor updates, corrections and clarifications

4.1 This chapter sets out the PRA's proposals to make minor updates, corrections, and clarifications to National Specific Templates (NSTs) and associated LOG files, and the Market Risk Sensitivities (MRS) template and associated instructions. These templates will be made effective through an update to the Reporting Part of the PRA Rulebook and SS7/17 'Solvency II: Data collection of market risk sensitivities'.<sup>23</sup>

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

### Proposals

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

- National Specific Template NS.00 (template and LOG file);
- National Specific Template NS.07 (template and LOG file);
- National Specific Template NS.09 (LOG file);
- National Specific Template NS.10 (template and LOG file);
- MRS template and associated instructions;
- SS7/17 'Solvency II: Data collection of market risk sensitivities'; and
- the Reporting Part of the PRA Rulebook.

#### NS.00 (template and LOG file)

- In NS.00.01.01 the template and LOG files would be amended to be consistent with annotated templates. The 2018 annotated templates incorrectly included an additional row NS.07.02.01 which was numbered R0100, with rows for NS.08-NS.11 renumbered from R0100-R0130 to R0110-R0140. The row for NS.07.02.01 was deleted from the annotated template in 2019 but the annotated template row numbers for NS.08-NS.11 on which firms submitted 2018 year-end data have been kept unchanged as R0110-R0140; and
- In NS.00.02.01 the template and LOG files would be amended to be consistent with annotated templates. R0060 (type of undertaking), R0070 (regular/ad hoc submission) and R0090 (accounting standards) would be deleted in the template and LOG file. This information is not needed here as it duplicates information in the European Insurance and Occupational Pensions Authority (EIOPA) template S.01.02. These items have already been deleted from the annotated template.

#### NS.07 (template and LOG file)

*Template (The proposals would replace row references with text where possible and correct style errors)*

- Replaced row references with text in rows R0110, R0220, R0435 and R2100;

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<sup>23</sup> July 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/solvency-2-data-collection-of-market-risk-sensitivities-ss>.

- Amended brackets style in rows R0111, R0510;
- Amended text by changing 'Total incurred expenditure (discounted)' to 'Total expenditure incurred (discounted)' and amended brackets style in row R1310; and
- Amended brackets style and deleted 'i.e.' in row R1710.

*LOG file (The proposals would change labelling of items in the LOG file to be consistent with the template - underlining indicates new text and striking through indicates deleted text)*

- Amended the item entries and instructions for five cells:
  - R0110: Added text clarifying the meaning of the references to row entries in the instructions:
    - The premiums written – gross:
      - iv. Equals the sum of direct gross written premium plus accepted reinsurance gross written premium (ie R0111 +R0113)
      - v. Equals the sum of gross written premium for contracts of 12 months or less plus gross written premium for contracts of more than 12 months (ie R0120 + R0130 (where these rows are reported).
  - R0111: Added clarifying text in the instructions:
    - 'Includes new business premium reported in R0112'.
  - R1930, R1940, R1945:
    - amended item entries to make each one consistent with corresponding row entry in template.

#### NS.09 LOG file

- The LOG file clarifies that where there are subcategories they should be shown in descending order of size. The largest would therefore be shown as subcategory 1. This would enable the PRA to assess materiality of experience and any change in the valuation basis; and
- The LOG file clarifies that firms that use the Continuous Mortality Investigation (CMI) Mortality Projection Model should use the guidance provided with that model when describing longevity improvements in R0300-R0440 C0080. Most firms use this model and standardised reporting of the CMI parameters would support PRA analysis of the relative strength of basis between firms.

#### NS.10 (template and LOG file)

*Template (The proposals would replace row references with text where possible)*

- Deleted row references in rows R1170, R1180 and R1190 in Table 2; and
- Corrected row references in rows R0380 and R0660 in Table 1.

*LOG file (The proposal would correct row references in row titles in Table 1 and remove row references in row titles in Table 2 which are not required and are incorrect)*

- Added text clarifying that, in the case of future benefits and claims cash out-flows of zero, then zero is to be reported for the mean term in column C0100 of table 1; and

- Added some clarifying text to the LOG file and amended the item entries and instructions for seven cells:
  - R0380:
    - Deleted superfluous ‘)’ in item entry text
  - R1110, R1120 and R1130 clarified that:
    - These items which are proportions (expressed as a percentage) of a total are not reported if the overall total equals zero; and
    - If the overall total is greater than zero then each proportion (expressed as percentage) is reported and that the overall sum of these proportions must sum to 100%.
  - R1170, R1180 and R1190:
    - Amended item entry text for each to make consistent with corresponding row entry in template

## MRS (template and associated instructions)

### *Template*

- Update to the template to show the amended credit spread widening stresses in Sensitivity 6. The structure and number of data items in the template remains unchanged.

### *Instructions*

- Instructions to show the amended credit spread stresses and to clarify how stresses should be applied:
  - Sensitivity 2 (property prices) – clarify that this sensitivity should include investments with exposure to property as well as direct investments in property;
  - Sensitivity 6 (credit spread widening) - strengthen the stress and vary the stress by credit rating;
  - Sensitivity 7 (credit downgrade) – clarify that downgrades should be applied uniformly across all assets including reinsurance counterparties. Allow for rebalancing within the matching adjustment portfolio which are credible and practical post-stress. Internal model firms should also provide details of management actions taken when rebalancing the matching adjustment portfolio;
  - Volatility adjustment (VA) – amending the instruction to allow firms to change the size of VA as part of a sensitivity calculation; and
  - Notes – set out any adjustments to allow for the 16 year run-off when calculating TMTP pre cap in Balance Sheet C. Provide the PRA with commentary explaining significant changes in Own Funds, SCR and different stresses since the previous submission. Explain how financial instruments with exposure to property have been treated. Summarise the impact of rebalancing actions for the matching adjustment portfolio.

## Reporting Part of the PRA Rulebook

- Add rule 1A to Reporting 2.6 to require all firms to submit NS.00. Previously NS.00 was not covered by the Reporting Part of the PRA Rulebook but was included on the PRA website in the PRA reporting (National Specific Templates) section and in the annotated templates.

4.4 The proposed changes described in the paragraphs above are set out in Appendices 4 to 10. For market risk sensitivities, the hyperlinks in the Appendices to SS7/17 'Solvency II: Data collection of market risk sensitivities' will be updated but have not been included in the Appendices to this CP.

## Statutory Obligations

### Cost benefit analysis

4.5 The PRA considers that the amendments proposed in this chapter are all minor. The proposals do not result in additional information being required, and do not materially affect the substance of any PRA policies, but rather relate to corrections to remove inconsistencies and ambiguity.

4.6 The PRA does not consider there will be additional costs to change the status of NS.00 from an expectation to a rule because firms were already automatically including this template due to the inclusion of this template in the annotated templates for XBRL submission.

4.7 As such, the PRA expects that these proposed amendments would cause minimal costs to firms. The PRA considers that they would make the PRA's expectations clearer, and therefore help firms to meet the expectations.

### Compatibility with the PRA's objectives

4.8 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The proposals would ensure firms can clearly meet our expectations with the use of consistent and clear templates and associated LOG and instruction files. This would mean the PRA could continue to receive key information to support meeting its statutory objectives and supervise firms in an efficient manner.

4.9 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-authorized persons. The PRA considers that the proposals in this chapter do not have a material impact on effective competition, as they do not materially change our expectations.

### Regulatory principles

4.10 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Three principles are particularly relevant:

- that regulators use their resources in the most efficient and economical way. The proposals would enable firms to submit the correct information and improve the ability of Supervisors to interpret data correctly;
- that a burden should be proportionate to the benefits which are expected to result. The changes to the National Specific Templates are clarifications and will not impose a burden. There are some minor changes in the specification of Market Risk Sensitivity data. This data is only provided by the largest life insurers and the benefit of the changes will enhance our understanding of how the capital position of these firms varies under stress; and
- that the PRA should exercise its functions as transparently as possible. The proposals seek to make the PRA's expectations as transparent and clear as possible.

#### Impact on mutuals

4.11 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.

#### HM Treasury recommendation letter

4.12 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in the paragraph 4.10 above.

#### Equality and diversity

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

## 5 Senior Managers Regime: Application form updates

5.1 In this chapter, the PRA sets out proposals to make minor administrative changes and corrections to several Senior Managers & Certification Regime (SM&CR) forms (Appendices 12 and 13) to ensure our forms are accurate and aligned with changes proposed by the FCA. These changes do not alter the information required by the forms. The forms would be made effective through an update to the Senior Managers Regime Part of the PRA Rulebook (Appendix 11).

5.2 This chapter is relevant to all PRA-authorised firms.

### Proposals

5.3 In FCA CP20/04 Quarterly Consultation No 27<sup>24</sup> the FCA is proposing to delete the explanatory text relating to the allocation of responsibility for the Insurance Distribution Directive from Long Form A, Short Form A and Form E. The PRA is therefore proposing to delete the same text from these forms, to ensure alignment with the FCA.

5.4 The PRA is also proposing to delete the explanatory text referencing FCA guidance notes from six of the SM&CR forms. This will make effective the same amendments proposed by the FCA to these forms in FCA CP19/31 'Extending the Senior Managers Regime to Benchmark Administrators'.<sup>25</sup> The forms affected are:

- Long Form A;
- Short Form A;
- Form B;
- Form C;
- Form D; and
- Form E.

5.5 Finally, we propose to amend the Statement of Responsibilities form to ensure that credit unions can select the correct prescribed responsibilities as set out in the Non CRR Firms – Allocation of Responsibilities – Prescribed Responsibilities: Small Firms Part of the PRA Rulebook.

5.6 The PRA considers that these minor, administrative changes to PRA and FCA forms will make our rules and expectations clearer.

### Statutory Obligations

#### Cost benefit analysis

5.7 The PRA does not expect the proposals would have cost implications for firms, as they place no new expectations on firms. The proposals clarify the PRA's expectations, and therefore help firms to meet the expectations.

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<sup>24</sup> <https://www.fca.org.uk/publication/consultation/cp20-4.pdf>

<sup>25</sup> <https://www.fca.org.uk/publication/consultation/cp19-31.pdf>.

### Compatibility with the PRA's objectives

5.8 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The PRA considers that the proposals in this chapter are compatible with this objective, as they would enable firms to be able to better meet our expectations.

5.9 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-authorized persons. The PRA considers that the proposals in this consultation do not have a material impact on effective competition as they do not materially change our expectations.

### Regulatory principles

5.10 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. One principle is particularly relevant – that the PRA should exercise its functions as transparently as possible. The PRA considers that the proposals in this chapter are compatible with this principle as they seek to ensure that the relevant forms are usable, accurate and up-to date with the aim of improving the transparency of the information the PRA requires.

### Impact on mutuals

5.11 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.

### HM Treasury recommendation letter

5.12 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 5.10 above.

### Equality and diversity

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

## 6 Regulatory Reporting: Amendments to the Branch Return

6.1 In this chapter, the PRA sets out proposals to remove incorrect validations from Part 3 of the Branch Return Form template (Appendices 15 and 16). This change would be made effective through an update to the Regulatory Reporting Part of the PRA Rulebook (Appendix 18) and Appendix 13 of SS34/15 (Appendix 17).

6.2 This chapter is relevant to all PRA-supervised firms that operate in the UK but are not UK-headquartered firms.

### Proposals

6.3 The PRA proposes to remove incorrect validations from Part 3 of the Branch Return Form (the Form) published on Thursday 12 September 2019. Specifically, validation BRv011 should only apply to column 005 rather than all columns of Part 3. In addition, we are proposing to remove incorrect validations embedded in Part 3 of the template at Row 080, Columns 040, 050 and 060.

6.4 Additionally, the PRA proposes to remove the validations from within the Form itself and to present them separately on the regulatory reporting page for banks, building societies and investment firms on the PRA website.<sup>26</sup> The validations would no longer have the status of Rules. This proposed approach is consistent with that taken in respect of validations relating to other recent PRA reporting templates, such as Forms PRA101 – 107 for forecast data for UK banks and Forms RFB001 – RFB008 for ring-fenced banks.

### Statutory Obligations

#### Cost benefit analysis

6.5 There is no additional cost associated with removing validations. The PRA considers that the additional costs associated with presenting the validations to firms on the PRA website rather than including them in the form itself should be minimal.

6.6 The benefits include removing a contradiction between statements set out in the reporting instructions and what these embedded validations suggest, and the Form being more straightforward to complete. Removing the validation rules from the template would not affect the data that firms are required to submit.

#### Compatibility with the PRA's objectives

6.7 The PRA has a statutory objective to promote the safety and soundness of PRA-authorised persons. The PRA considers that the proposals in this chapter are compatible with this objective, as they would eradicate any confusion these incorrect validations could cause and the Form would be more straightforward to complete as a result.

6.8 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 in this consultation do not have a material impact on effective competition, as they do not materially change our expectations.

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<sup>26</sup> <https://www.bankofengland.co.uk/prudential-regulation/regulatory-reporting/regulatory-reporting-banking-sector/banks-building-societies-and-investment-firms>.

## Regulatory principles

6.9 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Three principles are particularly relevant:

- that regulators use their resources in the most efficient and economical way. The PRA considers that the proposals in this chapter are compatible with this principle as supervisors would not be required to respond to queries when firms identify these issues, and would not have to request resubmissions with the correct data;
- the principle of proportionality. The PRA considers that the proposals in this chapter are compatible with this principle as the costs of this change to firms would be minor. It would only require some small IT changes to those using IT solutions to complete the form; those who populate the form manually would be unaffected; and
- that the PRA should exercise its functions as transparently as possible. The PRA considers that the proposals in this chapter are compatible with this principle as they seek to ensure that the relevant forms are usable, accurate and up-to-date with the aim of improving the transparency of the information the PRA requires.

## Impact on mutuals

6.10 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.

## HM Treasury recommendation letter

6.11 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspects most relevant to the proposals are transparency and proportionality. These have been addressed in paragraph 6.9 above.

## Equality and diversity

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

## **7 Regulatory Reporting: Updates to SS34/15 and minor amendments to PRA101**

7.1 In this chapter, the PRA sets out proposals to rectify errors identified within versions of PRA101 and Capital+ (Appendix 19). This change would be made effective through an update to the Regulatory Reporting Part of the PRA Rulebook (Appendix 18), and in addition, minor presentational changes to SS34/15 (Appendix 20) to harmonise and remove references to historic templates.

7.2 This chapter is relevant to CRR firms.

### **Proposals**

7.3 The PRA proposes updates to rectify a minor discrepancy between the PRA101 template included in the PRA Rulebook and the UK Capital+ taxonomy. There is one cell (row 45 – first column, ‘Current Reporting Month’) which should be reported according to the Rulebook template, although it is not required under the corresponding taxonomy. The PRA proposes to grey out this cell to reflect that the PRA does not require this level of granularity for the purposes of supervision of the firms that report using this template.

7.4 The greying out of the cell would provide simplified reporting and reduce unnecessary burden, and ensure that the Rulebook template is aligned with the information that firms are currently reporting in practice. The hyperlink to the PRA101 template within SS34/15 would also be updated to reflect this change.

7.5 In the SS, the PRA proposes to remove references to historic templates that have been deleted and are no longer used for reporting purposes. This would ensure a consistent approach to deleted templates.

7.6 Appendix 11 and Appendix 12 in the SS include reporting templates and instructions for PRA110, for the transitional period and future reporting periods respectively. The PRA proposes merging these Appendices into one. This would be consistent with the presentation of other reporting templates elsewhere in the SS.

7.7 The updates to the SS would avoid confusion for firms and reduce the risk that firms mistakenly use out-of-date reporting templates or instructions.

### **Statutory Obligations**

#### **Cost benefit analysis**

7.8 The PRA does not anticipate that the proposals to remove a minor discrepancy and to remove references to historic templates that are no longer used would give rise to any additional costs for firms.

7.9 The proposed changes would make reporting requirements and instructions simpler and clearer for firms.

#### **Compatibility with the PRA’s objectives**

7.10 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The PRA considers that the proposals in this chapter are compatible with this objective, as they would assist firms in understanding and meeting the PRA’s reporting requirements and expectations.

7.11 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-authorized persons. The PRA considers that the proposals in this consultation do not have a material impact on effective competition, as they do not materially change our expectations.

### Regulatory principles

7.12 In developing the proposals in this chapter, the PRA has had regard to the regulatory principles. Three principles are particularly relevant:

- That regulators use their resources in the most efficient and economical way. The PRA considers that the proposals in this chapter are compatible with this principle as by improving the clarity of reporting requirements, supervisors may be able to spend less time dealing with queries from firms on these requirements;
- The principle of proportionality. The PRA considers that the proposals in this chapter are compatible with this principle as they would improve clarity of the reporting requirements which would result in less burden for firms potentially including reduced errors and resubmissions; and
- That the PRA should exercise its functions as transparently as possible. The PRA considers that the proposals in this chapter are compatible with this principle as they seek to ensure that the relevant forms are usable, accurate and up-to-date with the aim of improving the transparency of the information the PRA requires.

### Impact on mutuals

7.13 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.

### HM Treasury recommendation letter

7.14 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 7.12 above.

### Equality and diversity

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

## 8 Securitisation: Updates to Significant Risk Transfer

8.1 In this chapter, the PRA sets out a proposal to clarify that non-sequential amortisation features constitute complex features in Significant Risk Transfer (SRT) transactions. This clarification would be made through an amendment to paragraph 2.8 of SS9/13 ‘Securitisation: Significant Risk Transfer’ (Appendix 21).<sup>27</sup>

8.2 This chapter is relevant to CRR firms.

### Proposal

8.3 In paragraph 2.8 of SS9/13, the PRA sets out its expectation that a firm should discuss with its supervisor at an early stage securitisation transactions that are material or have complex features.

8.4 After receiving several enquiries from firms, the PRA proposes to clarify that non-sequential amortisation features are an example of such complex features.

### Statutory Obligations

#### Cost benefit analysis

8.5 The PRA considers that the proposal in this chapter would provide greater certainty to market participants by giving one example of what the PRA considers to be a complex feature, but not materially affect the substance of PRA policy.

8.6 The PRA considers that the proposal would make its expectations clearer and that the benefits of the proposal in terms of clarity of PRA policy would exceed the costs, which are minimal.

#### Compatibility with the PRA’s objectives

8.7 The PRA has a statutory objective to promote the safety and soundness of PRA-authorized persons. The PRA considers that the proposal in this chapter is compatible with this objective, as it would ensure the expectations apply as intended for CRR firms.

8.8 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-authorized persons. The PRA considers that the proposal in this chapter does not have a material impact on effective competition.

#### Regulatory principles

8.9 In developing the proposal in this chapter, the PRA has had regard to regulatory principles. One principle is particularly relevant, that the PRA should exercise its functions as transparently as possible. The proposal seeks to make the PRA’s expectations as transparent and clear as possible to ensure consistent application by firms.

#### Impact on mutuals

8.10 The PRA does not consider that the impact on mutuals of the proposed changes will differ from the impact on other firms.

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<sup>27</sup> November 2018: <https://www.bankofengland.co.uk/prudential-regulation/publication/2013/securitisation-ss>

### HM Treasury recommendation letter

8.11 HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA considers that the aspect most relevant to the proposals is transparency. This has been addressed in paragraph 8.9 above.

### Equality and diversity

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

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## Appendix 1: Draft amendments to SS24/15 ‘The PRA’s approach to supervising liquidity and funding risks’

This appendix outlines proposed amendments to SS24/15. Underlining indicates new text and striking through indicates deleted text.

...

### 2 The Internal Liquidity Adequacy Assessment Process

...

#### Producing an ILAAP document

...

2.6A An overview of how the firm applies the Delegated Act in its LCR reporting may also be appropriate, including, if relevant, how the firm has interpreted the classifications of retail and operational deposits and the work undertaken annually in response to Delegated Act Article 23.

#### Transition from ILAA/ILSA to ILAAP

~~2.7 Most firms that were subject to Chapter 12 of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU 12) will have produced ILAA or an Individual Liquidity Systems Assessment (ILSA) document. The following guidance is intended to assist those firms in producing their ILAAP document. [Deleted]~~

~~2.8 Where ILAA or ILSA documents were fit for purpose under BIPRU 12, the PRA expects that they broadly align with the requirements of an ILAAP document, with some exceptions. A key exception is that firms will need to conduct an ILAAP on an individual basis and on a consolidated basis where firms need to comply with the LCR on that basis. The PRA expects firms will comply with the ILAA rules on an individual and on a consolidated basis to only produce one ILAAP document which should address the requirements at both individual and consolidated level. [Deleted]~~

~~2.9 There is also a greater focus in the ILAAP on whether firms have adequate stable funding over the medium to long term as distinct from liquidity risk which focuses on firms’ ability to meet their obligations in the short term. This may need to be reflected in the updated document. [Deleted]~~

~~2.10 Firms should also consider carefully the appropriateness of the liquid assets held, even where they are compliant with the Delegated Act, given that the Delegated Act permits a far wider range of eligible liquid assets than is eligible under BIPRU 12. [Deleted]~~

~~2.11 Firms do not need to transition their ILAA document to an ILAAP document immediately. The PRA would expect ILAAP documents to be updated and approved by the management body at the latest at the firm’s next annual ILAAP review date. The PRA expects that all firms will have a management body approved ILAAP document, replacing their existing ILAA or ILSA, by the end of October 2016. [Deleted]~~

~~2.12 An overview of how the firm applies the Delegated Act in its LCR reporting may also be appropriate, including, if relevant, how the firm has interpreted the classifications of retail and~~

operational deposits and the work undertaken annually in response to Delegated Act Article 23.  
[Deleted]

...

### Managing the High Quality Liquid Asset (HQLA) buffer

2.25 As part of their ILAAP, and within OLAR, firms should consider carefully the appropriateness of the liquid assets held, even where they comply with the Delegated Act, given that the Delegated Act permits a far wider range of eligible liquid assets than was eligible under BIPRU 12. ~~f~~Firms should also assess their ability to convert their buffers of liquid assets into cash in a short timeframe. The PRA would expect firms to set a risk appetite and framework which will govern the management and monitoring of their liquid asset portfolio. This includes having appropriate internal limits and controls to ensure that the ability to monetise HQLAs in stress is not limited in any way.

...

### Liquidity contingency plan

...

2.40 Chapter 12 of the ILAA rules set out the requirements a firm needs to meet in relation to its liquidity contingency plan. In addition, the PRA requires firms to prepare a recovery plan under the Recovery Plans part of the PRA Rulebook. ~~To the extent that the broader recovery plan addresses the requirements for liquidity contingency plans, firms do not have to develop a separate liquidity contingency plan. However, regardless of whether this was addressed in the liquidity contingency plan, or in the broader recovery plan, firms' arrangements must be cross-referenced, where appropriate, in the ILAAP document. These arrangements should also be informed by the results of firms' liquidity stress testing. The PRA expects to review these arrangements as part of its review of firms' liquidity management.~~

2.40A The PRA strongly encourages firms to combine their liquidity contingency plan (also known as a contingency funding plan) and their recovery plan into one integrated document. This would ensure that the firm has a coherent process for being alerted to and addressing a liquidity stress and helps to ensure a coherent risk management framework. The PRA recognises that there may be some instances when it is necessary to maintain separate documents (eg due to requirements of local regulators), but expects these to be exceptional and that any separate documents should be consistent with each other.

2.40B When integrating the two documents, firms should ensure that no content is lost which could hinder the response to a liquidity stress, particularly relating to the implementation of 'earlier stage' liquidity options. If a firm decides to maintain two different documents and processes, the recovery plan should clearly explain the rationale for doing so and how the two documents and processes interact in terms of indicators, recovery options and governance. These arrangements should also be informed by the results of firms' liquidity stress testing, as detailed in the ILAAP document. Regardless of firms' arrangements, they should be cross-referenced, where appropriate, in the ILAAP document. The PRA expects to review these arrangements as part of its review of firms' liquidity management.

...

## Appendices

### Appendix 1: Suggested structure and content of ILAAP document

Heading	Detail
...	
<b>Liquidity Risk Assessment</b>	
Evaluation of liquidity needs in the short and medium term	<p>In this section, firms should describe their liquidity profile at appropriate time horizons out to 12 months, the sources and uses on gross and net basis, and their activities undertaken to cover such liquidity needs in both BAU and stress. The firm should also describe any ways in which the LCR metric does not capture its liquidity risks within 30 days and how that risk will be managed. <u>Where firms use long-term collateral swap transactions to borrow liquid assets against non-liquid assets, firms should assess the risk that the counterparty seeks to terminate the transaction before it matures and the liquidity needs that may arise from this.</u> For further guidance, firms should refer to EBA Guidelines 2014/13, 'Evaluation of liquidity needs in the short and medium term', within Title 8.</p>
...	
<b>Risk management assessment (both liquidity and funding)</b>	
...	
Liquidity contingency plans	<p><del>In this section, firms should detail the policies, procedures and action plans for responding to severe disruptions in the firm's ability to fund itself. The plan should be that which is contained within their Recovery and Resolution Plan, and it should be either cross referenced or included within the ILAAP document. Guidance is provided in Supervisory Statement 18/13, 'Recovery Planning'. For further guidance, firms should refer to EBA Guidelines 2014/13, 'Liquidity contingency plans' within Title 8, and in SS24/15, 'Liquidity contingency plan'.</del></p> <p><u>The PRA strongly encourages firms to combine their liquidity contingency plan (also known as a contingency funding plan) and their recovery plan into one integrated document. If a firm decides to maintain two different documents (as set out in paragraph 2.40B of this SS), then it should include in its ILAAP document its reasons for doing so.</u></p>
...	

## Appendix 2: Draft amendments to Instructions for completing PRA110

This appendix outlines proposed amendments to ‘Instructions for completing PRA110’ (version with the effective date of Wednesday 1 January 2020). Underlining indicates new text and striking through indicates deleted text.

...

### Part II: Instructions concerning specific rows

Row	Legal references and instructions
...	
260	<p><b>1.3 Liabilities not reported in 1.2, resulting from deposits received excluding deposits received as collateral</b></p> <p>Cash outflows arising from all deposits received with the exception of outflows reported in item 1.2 and deposits received as collateral. Cash outflows arising from derivative transactions shall be reported in items 1.4 or 1.5.</p> <p>Deposits shall be reported according to their earliest possible contractual maturity date. Deposits that can be withdrawn immediately without notice (‘sight deposits’) or <del>non-maturity</del> <u>non-maturing</u> deposits shall be reported both in the ‘overnight’ bucket and in the “Of which: open” column 6010.</p>
...	
670	<p><b>2.4 Derivatives amount receivables other than those reported in 2.3</b></p> <p>Total amount of contractual cash inflows resulting from derivatives receivables positions from the contracts listed in Annex II of Regulation (EU) No 575/2013 with the exception of inflows resulting from maturing FX swaps which shall be reported in item 2.3.</p> <p>The total amount shall include settlement amounts including unsettled margin calls as of the reporting date.</p> <p>The total amount shall be the sum of (1) and (2) as follows, across the various time buckets:</p> <p>...</p> <p>2. for cash and securities inflows and outflows related to derivatives for which there is no collateral agreement in place or where only partial collateralisation is required, a distinction shall be made between contracts that involve optionality and other contracts:</p> <p>...</p> <p>(b) flows related to other contracts than those referred to in point (a) shall be included by projecting the gross <u>contractual flows of cash in the respective time buckets</u> in lines 1.5 ‘derivatives cash- outflows’ and 2.4 ‘derivatives cash-inflows’ and the contractual flows of securities in the counterbalancing capacity of the maturity ladder, using the current market-</p>

	implied forward rates applicable on the reporting date where the amounts are not yet fixed.
...	
	<p><b>3 Counterbalancing capacity</b></p> <p>The 'Counterbalancing Capacity' of the maturity ladder shall contain information on the development of an institution's holdings of assets of varying degrees of liquidity, amongst which tradable assets and central bank eligible assets, as well as facilities contractually committed to the institution.</p> <p>For reporting at the consolidated level on central bank eligibility, the rules of central bank eligibility which apply to each consolidated institution in its jurisdiction of incorporation shall form the basis.</p> <p>...</p> <p>Columns 020 to 220 shall contain contractual flows in the counterbalancing capacity. Where an institution has entered into a repo transaction, the asset which has been repoed out shall be re-entered as a security inflow in the maturity bucket where the repo transaction matures. Correspondingly, the cash outflow following from the maturing repo shall be reported in the relevant cash outflow bucket in item 1.2. Where an institution has entered into a reverse repo transaction, the asset which has been repoed in shall be re-entered as a security outflow in the maturity bucket where the repo transaction matures. Correspondingly, the cash inflow following from the maturing repo shall be reported in the relevant cash inflow bucket in item 2.1. Collateral swaps shall be reported as contractual inflows and outflows of securities in the counterbalancing capacity section in accordance with the relevant maturity bucket in which these swaps mature.</p> <p><u>The collateral flows should correspond to the contractual timings in the main SFT cash rows, ie no adjustments should be made for the 'of which' rows for neither counterparty type nor short positions.</u></p> <p>...</p>
...	
1020	<p><b>3.8.2 Level 2B restricted use facilities</b></p> <p>The amount reported in item 3.8 which is <del>liquidity funding in</del> <u>from undrawn committed facilities in</u> accordance with Article 14 of Regulation (EU) No 2015/61.</p>

## **Appendix 3: Draft amendments to the Insurance Company – Mathematical Reserves Part of the PRA Rulebook**

### **PRA RULEBOOK: NON SOLVENCY II FIRMS INSURANCE COMPANY - MATHEMATICAL RESERVES INSTRUMENT [2020]**

#### **Powers exercised**

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

#### **Pre-conditions to making**

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

#### **PRA Rulebook: Non Solvency Firms: Insurance Company - Mathematical Reserves Instrument 2020**

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

#### **Commencement**

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

#### **Citation**

- F. This instrument may be cited as the PRA Rulebook Non Solvency Firms: Insurance Company – Mathematical Reserves Instrument 2020.

#### **By order of the Prudential Regulation Committee**

[DATE]

## Annex

### Amendments to the Insurance Company - Mathematical Reserves Part

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

...

#### REINSURANCE

---

...

18.3 For purposes of 18.2:

...

(2) *reinsurance* cash outflows need not to be valued provided that:

...

(b) the conditions in 18.4 are satisfied;

...

18.4 The conditions referred to in 18.3(2)(b) are that:

...

(2) the present value of the future *reinsurance* cash outflows that may be disregarded under 18.3(2) must not at any time exceed the value of the aggregate net cash inflows that have already been received by the *firm* under the contract of *reinsurance* accumulated at an assumed rate of ~~LIBOR~~ SONIA + 6% per annum.

...

## **Appendix 4: Draft amendments to the Reporting Part of the PRA Rulebook**

### **PRA RULEBOOK: SOLVENCY II: REPORTING (AMENDMENT) INSTRUMENT 2020**

#### **Powers exercised**

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

#### **Pre-conditions to making**

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

### **PRA Rulebook: Solvency II: Reporting (Amendment) Instrument 2020**

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

#### **Commencement**

- E. This instrument comes into force on 30 November 2020.

#### **Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II: Reporting (Amendment) Instrument 2020.

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.

#### REPORTING

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...

#### 2 Reporting to the PRA

...

2.6 Subject to 2.7, a *firm* falling within categories (1) to (7) must submit to the *PRA* the corresponding *national specific templates* on an annual basis:

(1) [Deleted]

(1A) All firms must submit template NS.00: Basic Information;

...

#### 8 National Specific Templates

8.0 NS.00 can be found [here](#).

...

8.7 NS.07 can be found [here](#) ~~here~~.

...

8.10 NS.10 can be found [here](#) ~~here~~.

...

**Appendix 5: Draft amendments to National Specific Template NS.00 – available at:**  
<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app5.xlsx>

**Appendix 6: Draft amendments to National Specific Template NS.07 – available at:**  
<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app6.xlsx>

**Appendix 7: Draft amendments to National Specific Template NS.10 – available at:**  
<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app7.xlsx>

## Appendix 8: Draft amendments to National Specific Templates LOG files

This appendix outlines proposed amendments to National Specific Templates LOG Files – NS.00, NS.07, NS.09 and NS.10. Underlining indicates new text and striking through indicates deleted text.

### 1. National Specific Template NS.00 – The following changes to the NS.00 LOG

#### National specific template Log NS.00 – Content of the submission & Basic Information

~~Content of the submission~~ **Content of the submission**

...

~~Basic Information~~ **Basic Information**

The Basic Information templates have the following entry points: NS.00.02.01 and NS.00.03.01. The requirements are specified in the table below.

...

NS.00.03.0~~3~~1 is applicable to firms containing with-profits sub-funds.

...

CELL(S)	ITEM	INSTRUCTIONS
N/A	NS.00.02.01 Basic information	
NS.00.02.01 R0060 C0010	Type of undertaking	Identify the type of the reporting undertaking. The following closed list of options shall be used to identify the activity of the undertaking: 1 – Composite undertakings 2 – Life undertaking 3 – Non Life undertakings This must be the same as the type of undertaking reported in the template S.01.02 as specified in the Implementing Technical Standard on Reporting <u>No longer required</u>
NS.00.02.01 R0070 C0010	Regular / ad-hoc submission	Identify if the submission of information relates to regular submission of information or ad-hoc. The following closed list of options shall be used: 1 – Regular reporting 2 – Ad hoc reporting <u>No longer required</u>
...		
NS.00.02.01 R0090 C0010	Accounting standards	Identification of the accounting standards used. The following closed list of options shall be used: 1 – The undertaking is using IFRS 2 – The undertaking is using local GAAP (other than IFRS) <u>No longer required</u>
...		
N/A	NSR.00.0 <del>4</del> <u>3</u> .01 Basic information – ring-fenced funds / with-profits funds	
...		

## 2. National Specific Template NS.07 – The following changes to the NS.07 LOG

...

**Instructions for individual items**

...

CELL(S)	ITEM	INSTRUCTIONS
...		
R0110 / C0015, C0110 to C0260, C0310 to C0340, C0610 to C0830, C1015, C1110 to C1260, C1310 to C1340, C1610 to C1830, C2015, C2110 to C2260, C2310 to C2340, C2610 to C2830, C3015, C3110 to C3260, C3310 to C3340, C3610 to C3830	Premiums written – gross	<p>Definition of premiums written provided in application of directive 91/674/EEC Article 35. Premiums written shall comprise all amounts due during the period in respect of insurance and accepted reinsurance contracts regardless of the fact that such amounts may relate in whole or in part to a later period.</p> <p>The premiums written – gross:</p> <p>...</p> <p>iv. Equals the sum of <u>direct gross written premium plus accepted reinsurance gross written premium (ie R0111 +R0113)</u>.</p> <p>v. Equals the sum of gross written premium for contracts of 12 months or less plus gross written premium for contracts of more than 12 months (ie R0120 + R0130 (where these rows are reported)).</p> <p>...</p>
R0111 / C0015, C0110 to C0260, C0610 to C0830, C1015, C1110 to C1260, C1610 to C1830, C2015, C2110 to C2260, C2610 to C2830, C3015, C3110 to C3260, C3610 to C3830	Premiums written - gross - direct	<p>The amount of premiums written reported in row R0110 that are in respect of insurance contracts arising from direct business (as opposed to accepted reinsurance contracts).</p> <p><u>Includes new business premium reported in R0112.</u></p>
...		
	Balance Sheet Information	
...		
R1930 / C0010, C1010, C2010, C3010	Best estimate <del>gross</del> plus technical provisions calculated as a whole <del>at end of the period – gross of reinsurance</del>	<p>This item is as reported in the Solvency II reporting templates at {S.02.01.01, (R0530 +R0540 +R0570 +R0580 +R0620 +R0630 +R0660 +R0670), C0010}</p> <p>Any transitional deduction to technical provisions is not included.</p>
R1940 / C0015, C1015, C2015, C3015	Best estimate - claim provision – gross of <u>reinsurance at end of the period</u>	<p>This item is as reported in the Solvency II reporting templates at {S.17.01.01, R0160, C0180}</p> <p>Any transitional deduction to technical provisions is not included.</p>

CELL(S)	ITEM	INSTRUCTIONS
R1945 / C0015, C1015, C2015, C3015	Best estimate - premium provision – <u>gross of reinsurance at end of the period</u>	This item is as reported in the Solvency II reporting templates at {S.17.01.01, R0060, C0180} Any transitional deduction to technical provisions is not included.

### 3. National Specific Template NS.09 – The following changes to the NS.09 LOG

CELL(S)	ITEM	INSTRUCTIONS
N/A	General Comment	... Where the assumptions vary by source of business within the products included in this template the firm should show the assumptions and experience for the largest 3 categories by number of policies, subject to individual lines meeting the credibility test above. Data is not required for subcategories 2 and 3 where the previous line(s) already cover at least 50% of the business for that product. <u>Subcategories should be shown in descending order of size, i.e. subcategory 1 is the largest.</u> ...
...		
C0080	Underlying table	Mortality / morbidity table, e.g. AM92. Where firms use a percentage of the table which varies by age firms should append 'adjusted' to the table name, e.g. AM92 adjusted. Firms should show 'reinsurer' where the basis uses the reinsurer's rates. <u>For annuitant mortality tables (R0300-R0440) firms should include the basis for future improvements. Where the CMI Mortality Projection Model is used for mortality improvements, provide a description consistent with latest guidance from the CMI, e.g. CMI 2018 G [L%; S=S%; A=A%]. Where an array of parameters is used in place of a single parameter, provide a single equivalent value where possible. Note changes to other Advanced parameters at a high level (without specifying equivalent values or full detail).</u>
...		

### 4. National Specific Template NS.10 – The following changes to the NS.10 LOG

...

#### Other information to be reported in columns

In column C0100 mean term of the future benefits and claims cash out-flows is to be reported. The mean term is based on undiscounted cash flows. Thus, for example, if a firm estimates a cash out-flow of 50 in year 3, 100 in year 5 and 70 in year 7, the mean term reported in C0100 would be :  $(3*50 + 5*100 + 7*70)/(50 + 100 + 70) = 5.18$  years and the sum of cash out-flows reported in ~~{C0050+C0060}~~ would be 220. In the case of future benefits and claims cash out-flows of zero, then zero is to be reported for the mean term in column C0100.

....

#### Items reported on the template

The first column of the next table identifies the items to be reported by identifying the columns and rows as shown in the template.

CELL(S)	ITEM	INSTRUCTIONS
...		
R1110 / C0310	Mesothelioma cancer proportion	Proportion (expressed as a percentage) of gross best estimate claim provision cash out-flows related to asbestos reported at {R0110, C0050} attributable to mesothelioma. This proportion may be derived on a best efforts basis. <u>If {R0110, C0050} = zero then this item is not reported</u>
R1120 / C0310	Non-mesothelioma cancer proportion	Proportion (expressed as a percentage) of gross best estimate claim provision cash out-flows related to asbestos reported at {R0110, C0050} attributable to non-mesothelioma cancer. This proportion may be derived on a best efforts basis. <u>If {R0110, C0050} = zero then this item is not reported</u>
R1130 / C0310	Non-cancer proportion	Proportion (expressed as a percentage) of gross best estimate claim provision cash out-flows related to asbestos reported at {R0110, C0050} attributable to non- cancer. This proportion may be derived on a best efforts basis. <u>If {R0110, C0050} = zero then this item is not reported</u> <u>If {R0110, C0050} is greater than zero then {(R1110 + R1120 + R1130), C0310} should equal 100%.</u>
R1170 / C0310	<u>Jurisdictions of</u> <del>B</del> bodily injury liability: <del>motor</del> insurance: <u>motor:</u> <u>non-UK</u> <u>jurisdictions</u>	List the legal jurisdictions included in the 'Bodily injury liability : insurance : motor : non-UK' claim type (R0640) (or in R0620 - 'Bodily injury liability : insurance : motor' claim type – if R0640 is not submitted).
R1180 / C0310	Claim types of <del>B</del> bodily injury liability: insurance: other <del>types of policy</del>	List the claim types included in the 'Bodily injury liability : insurance : other' claim type (R0660) (or in R0610 – the 'Bodily injury liability' claim type - if R0660 is not submitted).
R1190 / C0310	<u>Jurisdictions of</u> <del>M</del> medical malpractice: <u>other</u> <u>jurisdictions</u>	List the legal jurisdictions included in the 'Medical malpractice : other' claim type (R0740) (or in R0710 - 'Medical malpractice' claim type – if R0740 is not submitted).

**Appendix 9: Draft amendments to market risk sensitivities template – available at:**  
**<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app9.xlsx>**

## Appendix 10: Draft amendments to the Instructions to firms when completing the market risk sensitivities data item

Underlining indicates new text and striking through indicates deleted text.

### Instructions to firms when completing the market risk sensitivities data item

Section	Please provide the following:																		
Section 1: Balance sheet data	<p>...</p> <ul style="list-style-type: none"> <li>Balance sheet data for A, B and C are provided to allow for any TMP.</li> </ul> <p>...</p> <ul style="list-style-type: none"> <li>'Balance sheet C', should show only the change to the balance sheet assuming the TMTP had been recalculated as at the valuation date (eg 31 December 2017) given the balance sheet position. <u>In the supplementary note, please state whether the recalculated TMTP includes TMTP run-off since 31 December 2017 consistent with 'Balance Sheet B'.</u></li> </ul>																		
Section 2: Individual sensitivities to balance sheet date	<p>...</p> <p>Sensitivity 2) Property prices (commercial and residential) fall by 25%.</p> <p>Please make no adjustment to the stress to allow for any future movements already anticipated in the current balance sheet.</p> <p><u>Please include the impact of a fall in property and other financial instruments with underlying property exposure (such as Social Housing and mortgages).</u></p> <p>...</p> <p>Sensitivity 6) <del>Credit spreads (all ratings) rise by 100 bps.</del></p> <p><u>Credit spreads - firms should apply the following stresses to each rating for the credit spreads sensitivity.</u></p> <table border="1"> <thead> <tr> <th><u>Credit Rating</u></th> <th><u>Credit Quality Step</u></th> <th><u>Credit Spread increase</u></th> </tr> </thead> <tbody> <tr> <td><u>AAA</u></td> <td><u>0</u></td> <td><u>125 bps</u></td> </tr> <tr> <td><u>AA</u></td> <td><u>1</u></td> <td><u>175 bps</u></td> </tr> <tr> <td><u>A</u></td> <td><u>2</u></td> <td><u>250 bps</u></td> </tr> <tr> <td><u>BBB</u></td> <td><u>3</u></td> <td><u>300 bps</u></td> </tr> <tr> <td><u>BB and lower and unrated</u></td> <td><u>4+</u></td> <td><u>400 bps</u></td> </tr> </tbody> </table> <p>This should reflect a uniform widening across the curve <u>for a given credit rating</u>, assuming that EIOPA fundamental spreads are unchanged.</p> <p>...</p> <p>Sensitivity 7) Downgrade - the impact of 20% of assets by market value (both inside and outside the MA portfolio) downgrading from the current Credit Quality Step (CQS) to the next CQS.</p> <p><u>The downgrade of 20% of assets by market value should apply uniformly across all assets, including sovereign exposures, credit risky assets, and internally restructured assets. Participants should also apply the stress to exposures where the risk is related to the credit rating of a counterparty, e.g. reinsurance counterparties. For example, the stress should be applied assuming that a 20% of each credit risky asset in each credit rating bucket (AAA, AA, A, BBB, BB &amp; B) downgrades by one full rating (i.e. following the downgrade 80% of AAA rated assets remain AAA and 20% move to AA). In the case of counterparty exposures, participants could estimate the impact based on a linear interpolation between the liability side impact of (i) the base credit rating, and (ii) the impact of a 1 CQS downgrade.</u></p>	<u>Credit Rating</u>	<u>Credit Quality Step</u>	<u>Credit Spread increase</u>	<u>AAA</u>	<u>0</u>	<u>125 bps</u>	<u>AA</u>	<u>1</u>	<u>175 bps</u>	<u>A</u>	<u>2</u>	<u>250 bps</u>	<u>BBB</u>	<u>3</u>	<u>300 bps</u>	<u>BB and lower and unrated</u>	<u>4+</u>	<u>400 bps</u>
<u>Credit Rating</u>	<u>Credit Quality Step</u>	<u>Credit Spread increase</u>																	
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<u>A</u>	<u>2</u>	<u>250 bps</u>																	
<u>BBB</u>	<u>3</u>	<u>300 bps</u>																	
<u>BB and lower and unrated</u>	<u>4+</u>	<u>400 bps</u>																	

	<p>...</p> <p><del>Participants should not assume any change in the assets within the MA portfolio for the calculation of the technical provisions. Participants may assume rebalancing actions for the MA portfolio, which are credible and practical to be implemented in a post-stress environment, for the calculation of the technical provisions (TP).</del></p> <p>Internal model participants should use their existing methods of rebalancing the MA portfolio within the SCR calculation, <u>provided these have not been exhausted by the TP calculation post-stress.</u> They should also <del>explain their approach</del> <u>provide details of the management actions taken and clear justification of their ability to continue to support the level of MA assumed in stress.</u> Standard formula firms need not rebalance their MA portfolio.</p> <p>...</p>																												
Section 3:	...																												
Section 4: Management actions	<p>In the separate document for the scenarios specified in Section 2, please provide a narrative description of the following:</p> <p>(a) Potential management actions of the form identified in paragraph 3.5 of the PRA Supervisory Statement (SS) 7/16 'Solvency II: Data collection of market risk sensitivities'.<sup>28</sup> Please provide the level of stress at which the action is initiated and the estimated beneficial impact on solvency. Please also comment as to whether such management actions could be implemented irrespective of market conditions, or whether financial markets are assumed to function in an orderly way. <u>Firms should give consideration to whether the planned management actions in response to stressed scenarios are realistic, credible, consistent with regulatory expectations, and achievable.</u></p> <p>...</p>																												
Notes:	<p>The PRA expects the calculation basis of the information to be consistent with Solvency II data reported to the PRA as far as practicable.</p> <p><del>No allowance for a change in the size of the volatility adjustment should be made when calculating the sensitivities.</del></p> <p><u>Please allow the size of volatility adjustment to change for the best estimate liabilities calculation following the sensitivity (in particular for the credit spread sensitivity (sensitivity 6)). For the purpose of calculating the change in volatility adjustment following the sensitivity, please assume that the reference portfolio remains the same as the reference portfolio as at the valuation date. For example, as at 31 December 2019, following the credit spread sensitivity the increase in VA would be:</u></p> <table border="1"> <thead> <tr> <th></th> <th>[A]</th> <th>[B]</th> <th>[A] x [B]</th> </tr> </thead> <tbody> <tr> <td><u>Composition of the currency representative portfolio of assets other than central government and central banks bonds.</u></td> <td><u>GBP</u></td> <td><u>Increase in credit spread (bps)</u></td> <td><u>Weighted credit spread (bps)</u></td> </tr> <tr> <td><u>Finan_0</u></td> <td><u>12%</u></td> <td><u>125</u></td> <td><u>15.00</u></td> </tr> <tr> <td><u>Finan_1</u></td> <td><u>13%</u></td> <td><u>175</u></td> <td><u>22.75</u></td> </tr> <tr> <td><u>Finan_2</u></td> <td><u>27%</u></td> <td><u>250</u></td> <td><u>67.50</u></td> </tr> <tr> <td><u>Finan_3</u></td> <td><u>15%</u></td> <td><u>300</u></td> <td><u>45.00</u></td> </tr> <tr> <td><u>Finan_4</u></td> <td><u>2%</u></td> <td><u>400</u></td> <td><u>8.00</u></td> </tr> </tbody> </table>		[A]	[B]	[A] x [B]	<u>Composition of the currency representative portfolio of assets other than central government and central banks bonds.</u>	<u>GBP</u>	<u>Increase in credit spread (bps)</u>	<u>Weighted credit spread (bps)</u>	<u>Finan_0</u>	<u>12%</u>	<u>125</u>	<u>15.00</u>	<u>Finan_1</u>	<u>13%</u>	<u>175</u>	<u>22.75</u>	<u>Finan_2</u>	<u>27%</u>	<u>250</u>	<u>67.50</u>	<u>Finan_3</u>	<u>15%</u>	<u>300</u>	<u>45.00</u>	<u>Finan_4</u>	<u>2%</u>	<u>400</u>	<u>8.00</u>
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<u>Finan_4</u>	<u>2%</u>	<u>400</u>	<u>8.00</u>																										

<sup>28</sup> October 2017: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/solvency-2-data-collection-of-market-risk-sensitivities-ss>.

<u>Finan 5</u>	<u>0%</u>	<u>400</u>	<u>0.00</u>
<u>Finan 6</u>	<u>0%</u>	<u>400</u>	<u>0.00</u>
<u>Nonfinan 0</u>	<u>3%</u>	<u>125</u>	<u>3.75</u>
<u>Nonfinan 1</u>	<u>4%</u>	<u>175</u>	<u>7.00</u>
<u>Nonfinan 2</u>	<u>11%</u>	<u>250</u>	<u>27.50</u>
<u>Nonfinan 3</u>	<u>12%</u>	<u>300</u>	<u>36.00</u>
<u>Nonfinan 4</u>	<u>1%</u>	<u>400</u>	<u>4.00</u>
<u>Nonfinan 5</u>	<u>0%</u>	<u>400</u>	<u>0.00</u>
<u>Nonfinan 6</u>	<u>0%</u>	<u>400</u>	<u>0.00</u>
<b><u>Total</u></b>	<b><u>100%</u></b>	<b><u>N/A</u></b>	<b><u>236.50</u></b>

<u>Weighted average credit spread</u>	<u>236.50</u>
<u>Currency weights for "other assets"</u>	<u>28.1%</u>
<u>Multiplicative factor as set out in Article 77d of the Solvency II Directive</u>	<u>65%</u>
<b><u>Increase in VA (bps)</u></b>	<b><u>43</u></b>

*See above table*

Please explain in narrative form how approximations (eg to estimate changes to the risk margin) have been performed.

Please include an explanation for significant changes in Own Funds and SCR since the previous submission. Please also explain reasons for any significant changes in the sensitivities of the Own Funds and SCR to different stresses since the previous submission.

Sensitivities 2, 3, 4, 5, 6, 7 and 8 are described in more detail below:

- Sensitivity 2 tests the impact of a fall in property and other financial instruments with underlying property exposure (such as Social Housing and mortgages). Please provide supplementary information explaining how the impact on any financial instruments with underlying property exposure has been included in the property sensitivity.
- ...
- Sensitivity 7 involves downgrade of all assets. In the supplementary note, please provide a high-level summary of the impact of rebalancing actions for the MA portfolio, which are assumed for the technical provisions calculation.

...

## Appendix 11: Draft amendments to the Senior Managers Regime – Applications and notifications Part of the PRA Rulebook

### PRA RULEBOOK: SENIOR MANAGERS REGIME – APPLICATIONS AND NOTIFICATIONS AMENDMENT INSTRUMENT 2020

#### 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 59 (Approval for particular arrangements);
  - (2) Section 60 (Applications for Approval);
  - (3) Section 60A (Vetting of candidates by authorised persons);
  - (4) Section 61 (Determination of Applications);
  - (5) Section 62A (Changes to responsibilities of senior managers);
  - (6) Section 137G (The PRA’s general rules); and
  - (7) Section 137T (General supplementary powers).
- 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 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: Senior Managers Regime - Applications and Notifications Amendment Instrument 2020

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

Part	Annex
Senior Managers Regime – Applications and Notifications	A
Insurance – Senior Managers Regime – Applications and Notifications	B
Large Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications	C
Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications	D

#### Commencement

- E. This instrument comes into force on *[insert date]*

#### Citation

- F. This instrument may be cited as the PRA Rulebook: Senior Managers Regime - Application and Notifications Amendment Instrument 2020:

#### By order of the Prudential Regulation Committee

[DATE]

## Annex A

### Amendments to the Senior Managers Regime – Applications and Notifications Part

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

...

#### **2 APPLICATION TO PERFORM A PRA SENIOR MANAGEMENT FUNCTION**

---

...

2.7 ...

- (2) A *statement of responsibilities* must be in the form set out here~~here~~.

...

#### **8 FORMS**

---

8.1

- (1) Form A (long form) may be found here~~here~~.
- (2) Form A (shortened form) may be found here~~here~~.
- (3) Form B may be found here~~here~~.
- (4) Form C may be found here~~here~~.
- (5) Form D may be found here~~here~~.
- (6) Form E may be found here~~here~~.

...

## Annex B

### Amendments to the Insurance – Senior Managers Regime – Applications and Notifications Part

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

...

#### 7 FORMS

---

##### 7.1

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

...

## Annex C

### Amendments to the Large Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications Part

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

...

#### 7 FORMS

---

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

...

## Annex D

### Amendments to the Non-Solvency II Firms – Senior Managers Regime – Applications and Notifications Part

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

...

#### 7 FORMS

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

## Appendix 12: Draft amendments to Senior Managers Regime – Applications and notifications

This appendix outlines proposed amendments to 6 Senior Managers Regime Applications – Long Form A, Short Form A, Form B, Form C, Form D and Form E. Underlining indicates new text and striking through indicates deleted text.

### Amendments to Long Form A



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

~~The FCA has produced notes which will assist both the applicant firm and the candidate in answering the questions in this form. Please read these notes, which are available on both the FCA and PRA websites at: <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>~~

~~Both the applicant firm and the approved person will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.~~

...

Long Form A – Dual-regulated firms (including EED and third country firms)

...

#### Insurance distribution

Will the *candidate* be responsible for insurance distribution at the *firm*? YES  NO

~~(Note: Yes can only be selected if the individual is applying for a governing function (other than a non-executive director function))~~

...

## Amendments to Short Form A



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

The FCA has produced notes which will assist both the applicant firm and the candidate in answering the questions in this form. Please read these notes, which are available on the FCA website at:  
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant firm and the candidate will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.

...

Short Form A – UK relevant Authorised Persons and Third Country Relevant Authorised Persons only

...

### Insurance distribution

Will the *candidate* be responsible for insurance distribution at the *firm*?    YES        NO   

(Note: Yes can only be selected if the individual is applying for a governing function (other than a non-executive director function))

...

## Amendments to Form B



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

The FCA has produced notes which will assist both the applicant firm and the approved person in answering the questions in this form. Please read these notes, which are available on the FCA website at <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex4.html>

Both the applicant firm and the approved person will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.

Form B – Notice to withdraw an application to perform controlled functions (including senior management functions)

...

## Amendments to Form C



Application number  
(for FCA/PRA use only)

~~The FCA has produced notes which will assist both the applicant firm and the approved person in answering the questions in this form. Please read these notes, which are available on the FCA website at <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex5.html>~~

~~Both the applicant firm and the approved person will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.~~

Form C – Notice of ceasing to perform controlled functions including senior management functions

...

## Amendments to Form D



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Application number  
(for FCA/PRA use only)

~~The FCA has produced notes which will assist both the applicant firm and the approved person in answering the questions in this form. Please read these notes, which are available on the FCA website at <https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex6.html>~~

~~Both the applicant firm and the approved person will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.~~

Form D Notifications – Changes to personal information/application details and conduct breaches/disciplinary action related to conduct

...

## Amendments to Form E



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



FINANCIAL  
CONDUCT  
AUTHORITY

Application number  
(for FCA/PRA use only)

The FCA has produced notes which will assist both the applicant firm and the candidate in answering the questions in this form. Please read these notes, which are available on the FCA website at:  
<https://www.handbook.fca.org.uk/handbook/SUP/10C/Annex3D.html>

Both the applicant firm and the candidate will be treated by the FCA and PRA as having taken these notes into consideration when completing this form. Terms defined in either or both of the FCA Handbook or the PRA Rulebook are italicised and should be construed accordingly.

Form E – Internal transfer of a person performing a controlled function for dual regulated firms

...

### 4A.04 Insurance distribution

Will the *candidate* be responsible for insurance distribution at the *firm*?    YES        NO   

(Note: Yes can only be selected if the individual is applying for a governing function (other than a non-executive director function))

...

## Appendix 13: Draft amendments to the Statement of Responsibilities form

This appendix outlines proposed amendments to Statement of Responsibilities Form. Red outline indicates new tick box.

...

### 3.2 Prescribed Responsibilities

...

#### 3.2.1 ...

FCA/PRA/Dual	Ref	Prescribed Responsibility (PR)	Large CRR firms <sup>29</sup>	Small CRR firms <sup>30</sup>	Third country CRR firms	Credit Unions	...
...							
Dual/PRA	AA	Responsibility for implementing (where applicable) and management of the <i>firm's</i> risk management policies and procedures		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	...
PRA	BB	Responsibility for managing the systems and controls of the <i>firm</i>		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	...
PRA	CC	Responsibility for managing the <i>firm's</i> financial resources		<input type="checkbox"/>		<input type="checkbox"/>	...
PRA	DD	Responsibility for ensuring the <i>governing body</i> is informed of its legal and regulatory obligations		<input type="checkbox"/>		<input type="checkbox"/>	...
...							

<sup>29</sup> ...

<sup>30</sup> ...

## **Appendix 14: Draft amendments to the Regulatory Reporting Part of the PRA Rulebook**

### **PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: BRANCH RULES (AMENDMENT) INSTRUMENT 2020**

#### **Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (3) (1) section 137G (The PRA’s general rules); and
  - (4) (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking 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: Non CRR Firms: Branch Rules (Amendment) Instrument 2020**

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

#### **Commencement**

- E. This instrument comes into force on *[insert date]*.

#### **Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Non CRR Firms: Branch Rules (Amendment) Instrument 2020.

#### **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.

...

#### **22 BRANCH RETURN REPORTING**

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...

22.3 The Branch Return Form can be found ~~here~~ here.

...

**Appendix 15: Draft amendments to the Branch Return Form – available at:**  
**<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app15.xlsx>**

## Appendix 16: Branch Return form validations

### Branch Return Validations

Part	Rows	Columns	Formula	Plain English
1	(r010)	(c010, 020, 030, 040, 050)	(c010) = sum(c020 – 50)	Total Assets equals the sum of total assets reported in each currency (GBP, USD, Euro, Other)
1	(r010, 030, 040, 050, 060, 070)	(c010)	(c010) = sum(r030 – 070)	Total Assets equals the sum of assets reported under each product category (Loans and advances, Derivatives, Debt securities, Equity instruments, Other assets)
1	(r080)	(c010)	(r080) = sum(r020 – 50)	Total Assets equals the sum of total liabilities reported in each currency (GBP, USD, Euro, Other)
1	(r090, 110, 120, 130)	(c010)	(c010) = sum(r090,110 – 130)	Total Liabilities equals the sum of liabilities reported under each product category: (Deposits, Debt securities issued, Derivatives, Other Liabilities)
2	(r010, 011, 020, 030)	(c010)	(r010) = sum(r011, 020, 030)	Total Deposits equals the sum of wholesale deposits - PRA definition, Smaller Companies deposits and Other deposits (i.e. retail).
2	(r011, 012, 013, 014, 015, 016)	(c010)	(r011) = sum(r012 – 016)	Wholesale deposits - PRA definition equals the sum of Central Banks, Credit Intuitions, Other Financial Corporations and Large Companies (Non-Financial Corporations) deposits
2	(r021, 031, 040)	(c020)	(r040) = sum(r021, 031)	This memo item equals the sum of Smaller Companies deposits held in transactional accounts and Other deposits (i.e. Retail) held in transactional accounts
2	(r021, 031, 040)	(c010)	(r060) = sum(r020, 030)	This memo item equals the sum of Smaller Companies deposits and Other deposits (i.e. Retail)
2	(r010, 011, 020, 030)	(c040)	(r010) = sum(r011, 020, 030)	Total number of clients or customers equals the sums of the numbers reported under wholesale deposits - PRA definition, Smaller Companies deposits and Other deposits (i.e. retail).
2	(r011, 012, 013, 014, 015, 016)	(c040)	(r011) = sum(r012 – 016)	The total number of clients or customers reported for Wholesale deposits - PRA definition equals the sum of those reported for Central Banks, Credit Intuitions, Other Financial Corporations and Large Companies (Non-Financial Corporations)
3	(r010, 020, 030, 040, 050, 060, 070, 080)	(c005)	(r080) = sum(r010 – 070)	For column 005, the Loans and Advances figure in row 80 is the sum of the values in the rows above
4	(r010, 020, 030, 040, 050, 060, 070)	(c010)	(r010) = sum(c020 – 070)	The total in row 10 is the sum of the figure given for each sector in the rows below
5	(r010, 020, 030, 040, 050, 060)	(c010, 020, 030, 040)	(r010) = sum(r020 – 060)	For each column, the total in row 10 is the sum of the figure given for each product category in the rows below

## Appendix 17: Draft amendments to SS34/15 ‘Guidelines for completing Regulatory Reports’

This appendix outlines proposed amendments to SS34/15. Underlining indicates new text and striking through indicates deleted text.

...

### Appendices

...

### Appendix 13 – Guidelines for completing Branch Return

Name	Data item	Instructions
Branch Return	<a href="https://www.bankofengland.co.uk/-/media/boe/files/prudentialregulation/regulatoryreporting/banking/branch-returntemplate-september-2019">https://www.bankofengland.co.uk/-/media/boe/files/prudentialregulation/regulatoryreporting/banking/branch-returntemplate-september-2019</a> [new link to be inserted on finalisation of policy]	<a href="https://www.bankofengland.co.uk/-/media/boe/files/prudentialregulation/regulatoryreporting/banking/branch-returnguidance-september-2019">https://www.bankofengland.co.uk/-/media/boe/files/prudentialregulation/regulatoryreporting/banking/branch-returnguidance-september-2019</a>

## **Appendix 18: Draft amendments to the Regulatory Reporting Part of the PRA Rulebook**

### **PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING (CAPITAL+) AMENDMENT INSTRUMENT 2020**

#### **Powers exercised**

- A. The Prudential Regulation Authority (“PRA”) makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
  - (5) (1) section 137G (The PRA’s general rules); and
  - (6) (2) section 137T (General supplementary powers).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rulemaking 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 (Capital+) Amendment Instrument 2020**

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

#### **Commencement**

- E. This instrument comes into force on *[insert date]*.

#### **Citation**

- F. This instrument may be cited as the PRA Rulebook: CRR Firms: Regulatory Reporting (Capital +) Amendment Instrument 2020.

#### **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.

#### 16 DATA ITEMS AND OTHER FORMS

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...

16.26 PRA101 can be found ~~here~~ here.

...

**Appendix 19: Draft amendments to PRA101 Template – available at:**

**<https://www.bankofengland.co.uk/prudential-regulation/publication/2020/-/media/boe/files/prudential-regulation/consultation-paper/2020/cp320app19.xlsx>**

## Appendix 20: Draft amendments to SS34/15 ‘Guidelines for completing regulatory reports’

This appendix outlines proposed amendments to SS34/15. Underlining indicates new text and striking through indicates deleted text.

### 1 Overview

...

1.4 The guidance on completing data items is set out in the following series of appendices:

Appendix	Data items	Description
1	<del>FSA001</del> <u>FSA005</u> to FSA048; PRA101 to PRA108.	Instructions for completing data items <del>FSA001</del> <u>FSA005</u> to FSA048 and PRA101 to PRA108.
...		

...

### 2 Integrated regulatory reporting

...

#### Appendix 1 - Guidelines for completing data items ~~FSA001~~ FSA005 to FSA048 and PRA101 to PRA108

...

FSA001	Balance sheet (until 1 January 2018)	<del>www.bankofengland.co.uk/media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa001-data-item.pdf</del> <u>[Deleted]</u>	<del>www.bankofengland.co.uk/media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa001-instructions.pdf</del> <u>[Deleted]</u>
FSA002	Income statement (until 1 January 2018)	<del>www.bankofengland.co.uk/media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa002-data-item.pdf</del> <u>[Deleted]</u>	<del>www.bankofengland.co.uk//media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa002-instructions.pdf</del> <u>[Deleted]</u>
...			
FSA014	Forecast data (until 1 January 2018)	<del>www.bankofengland.co.uk/media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa014-data-item.pdf</del> <u>[Deleted]</u>	<del>www.bankofengland.co.uk//media/boe/files/prudentialregulation/regulatoryreporting/banking/fsa-dataitems/fsa014-instructions.pdf</del> <u>[Deleted]</u>
...			
PRA110	Cash flow mismatch	See Appendix 11 and Appendix 12	See Appendix 11 and Appendix 12
...			

...

## Appendix 11 - Guidelines for completing data item PRA110 ~~(in force from 1 July 2019 to 31 December 2019)~~

Name		Data item	Instructions
PRA 110	Cash flow mismatch	<p><u>In force until 31 December 2019:</u></p> <p><a href="https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-dataitem.pdf">https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-dataitem.pdf</a></p> <p><u>In force from 1 January 2020:</u></p> <p><a href="https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-dataitem-jan-2020.pdf">https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-dataitem-jan-2020.pdf</a></p>	<p><u>In force until 31 December 2019:</u></p> <p><a href="https://www.bankofengland.co.uk//media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-instructionsdec2018.pdf">https://www.bankofengland.co.uk//media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-instructionsdec2018.pdf</a></p> <p><u>In force from 1 January 2020:</u></p> <p><a href="https://www.bankofengland.co.uk//media/boe/files/prudentialregulation/regulatory-reporting/banking/pr110-instructionsjan-2020.pdf">https://www.bankofengland.co.uk//media/boe/files/prudentialregulation/regulatory-reporting/banking/pr110-instructionsjan-2020.pdf</a></p>

## Appendix 12 - Guidelines for completing data item PRA110 [Deleted in its entirety]

Name		Data item	Instructions
PRA 110	Cash flow mismatch	<p><a href="https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-data-item-jan-2020.pdf">https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-data-item-jan-2020.pdf</a></p>	<p><a href="https://www.bankofengland.co.uk//media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-instructions-jan-2020.pdf">https://www.bankofengland.co.uk//media/boe/files/prudential-regulation/regulatory-reporting/banking/pr110-instructions-jan-2020.pdf</a></p>

...

## Appendix 21: Draft amendments to Supervisory Statement 9/13 ‘Securitisation: Significant Risk Transfer’

This appendix outlines proposed amendments to SS9/13. Underlining indicates new text and striking through indicates deleted text.

...

### 2 High-level Significant Risk Transfer considerations

...

2.8 The PRA does not operate a pre-approval process for securitisation transactions. The PRA nevertheless expects a firm to discuss with its supervisor at an early stage securitisation transactions that are material or have complex features, including any non-sequential amortisation. Where a firm claims a regulatory capital reduction from securitisation transactions in its disclosures to the market, the PRA expects such disclosures to include caveats making clear the risk of full or partial recharacterisation where this risk is material in the light of the PRA’s stated policy.

...