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13 June 2014

Trial submission of materials to approve the application for a matching adjustment

On 1 April 2014, EIOPA published the 'Consultation Paper on the proposal for Implementing Technical Standards on the procedures to be followed for the approval of a matching adjustment' (MA ITS) which links to Articles 77b and 77c of the Omnibus II Directive. Firms that wish to comment on the MA ITS should send their responses to EIOPA before the deadline of 30 June 2014.

Firms that intend to use the matching adjustment following Solvency II implementation will need to apply for prior supervisory approval. The PRA is currently testing the process and materials needed to assess the applications and would appreciate firms' input to help inform this work. The PRA is, therefore, inviting all firms intending to apply for the MA to make a trial submission of the evidence required by the MA ITS. However the PRA will not be able to provide individual feedback to firms on their trial submission.

This exercise is important as the information firms provide will help the PRA to test the application process for the matching adjustment (within the constraints of the MA ITS); this will help ensure that when firms do formally apply for the matching adjustment they are able to follow a clear procedure and that the application proceeds as smoothly as possible. Furthermore, putting a trial submission together will also help firms in their preparations for the matching adjustment and will, in particular, indicate areas where supplying the information required may be challenging. Further communication in respect of the asset eligibility criteria has also been issued to firms today; this may be useful for firms when completing their trial submission.



Format of the trial submission

Firms which elect to help in this work should use the procedures in the draft MA ITS on a best efforts basis to prepare a trial submission to apply for matching adjustment approval.

If your firm intends to complete a trial submission for the matching adjustment please state your intention by email by **Friday 27 June 2014** to InsuranceData@bankofengland.co.uk using the subject heading:

<firm name> private matching adjustment approval process trial submission.

Trial submissions should be made by email by **Friday 19 July 2014** using the subject heading:

<firm name> private matching adjustment approval process trial submission

Submissions should be sent to InsuranceData@bankofengland.co.uk and copied to the firm's normal supervisory contact.

The PRA has compiled a set of questions and answers intended to provide clarity on the information required for this trial submission but if firms have any queries about this request, please contact Vanessa Leung at vanessa.leung@bankofengland.co.uk and Amy Mercer at amy.mercer@bankofengland.co.uk. Any wider questions on matching adjustment should continue to be directed to firms' normal supervisory contacts.

Next steps

The PRA will review all the submissions received. Although the PRA does not expect to request any further information from firms, for the purpose of this exercise, this may be needed if additional clarification on the content of the submission is required. It is anticipated that we will share the details of the application process with firms at the industry conference on 10 November 2014.

A handwritten signature in black ink, appearing to read 'Sid Malik', with a horizontal line underneath.

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Q&A

This Question and Answer section is intended to provide clarity on the information the PRA is seeking as part of the trial submission. This is not intended to provide any guidance on the PRA's interpretation of the MA ITS or any policy communications in respect of the matching adjustment and should not be treated as such.

Q: Is this a pre-application process?

A: No. The aim of the trial submission is for the PRA to understand the format and level of evidence firms are expecting to be submitting for their final matching adjustment applications. The PRA will not be making decisions on firms' eligibility for matching adjustment based on the information received in this trial submission exercise. For this reason, as noted in the main body of our communication, there will be no firm-specific feedback provided.

Q: Are firms expected to submit complete submissions?

A: Given the timescales we accept that trial submission material may not completely reflect a firm's planned formal application – and partial or indicative submissions are welcome. Clearly, the closer the trial submission can be to the expected formal application, the more useful the exercise will be to both firms and the PRA.

Q: Is there any specific requirement for firms to provide evidence?

A: The PRA requests that any evidence is provided under the headings of the MA ITS Articles so it is clear which evidence relates to which part of the MA ITS. For partial/incomplete submissions, firms should distinguish the areas where they will be able to provide evidence in the future but have been unable to do so in the timescales required for this exercise. If firms are finding difficulty in knowing what level of information to provide as part of the submission they should speak with their normal supervisory contact.

Q: Will the PRA provide firms with templates for the trial submission?

A: No. Firms are asked to make a trial submission based on the draft ITS.



Q: In respect of Article 3 of the MA ITS, should firms include assets which are currently held today, or should firms base our response on the portfolio that firms expect to hold at the point of submission?

A: Article 3(1)(a): For the purposes of Article 3(1)(a), where assets held on the balance sheet today are considered to meet the criteria for eligibility (and are expected to form part of the final portfolio) then please include these. The PRA would also find it helpful if firms could state where assets held on the balance sheet today are *not* considered to meet the criteria, and why firms believe this to be the case.

In addition, if the thinking is sufficiently developed on eligible assets that your firm intends to hold for the purpose of compliance with Solvency II but that are not currently held, then please include these in your response as if they were held today. The extent to which assets included in your response are and are not held today should be clearly stated in the submission.

Article 3(1)(b): For the purposes of Article 3(1)(b), please only include assets held today in the line-by-line asset information.

Article 3(1)(c): We assume responses to Article 3(1)(c) will not depend on the assets held, but if this is not the case, please follow the same approach as for Article 3(1)(a) in terms of the assets included.

Q: In respect of Article 5 (1) (a) of the MA ITS, should firms include assets which are currently held today, or should firms base a response on the portfolio that firms expect to hold at the point of submission?

A: Please follow the same approach as is used for your response to Article 3(1)(a).

Q: There is a lot of material to cover under Article 6. Given the limited timeframe and early stage of firm's development, are there any particular areas firms should focus on for the purpose of the exercise?

A: The PRA understand that some of the thinking around the information requested here might not be fully formed at this stage. The PRA would be particularly interested in responses to 6(1)(b) and 6(1)(e) to the extent that firms can provide these.



Q: On what basis should firms complete our response in respect of Article (6)(1)(e) for the purposes of this exercise?

A: The PRA is not prescribing a specific calculation methodology for the matching adjustment for the purposes of this exercise. However, firms may want to consider the matching adjustment calculation material set down in Part II of the [technical specification](#) published by EIOPA for the preparatory phase and the 2014 stress testing exercise. Regardless of the methodology applied, the basis for firm's matching adjustment calculation should be clearly stated.