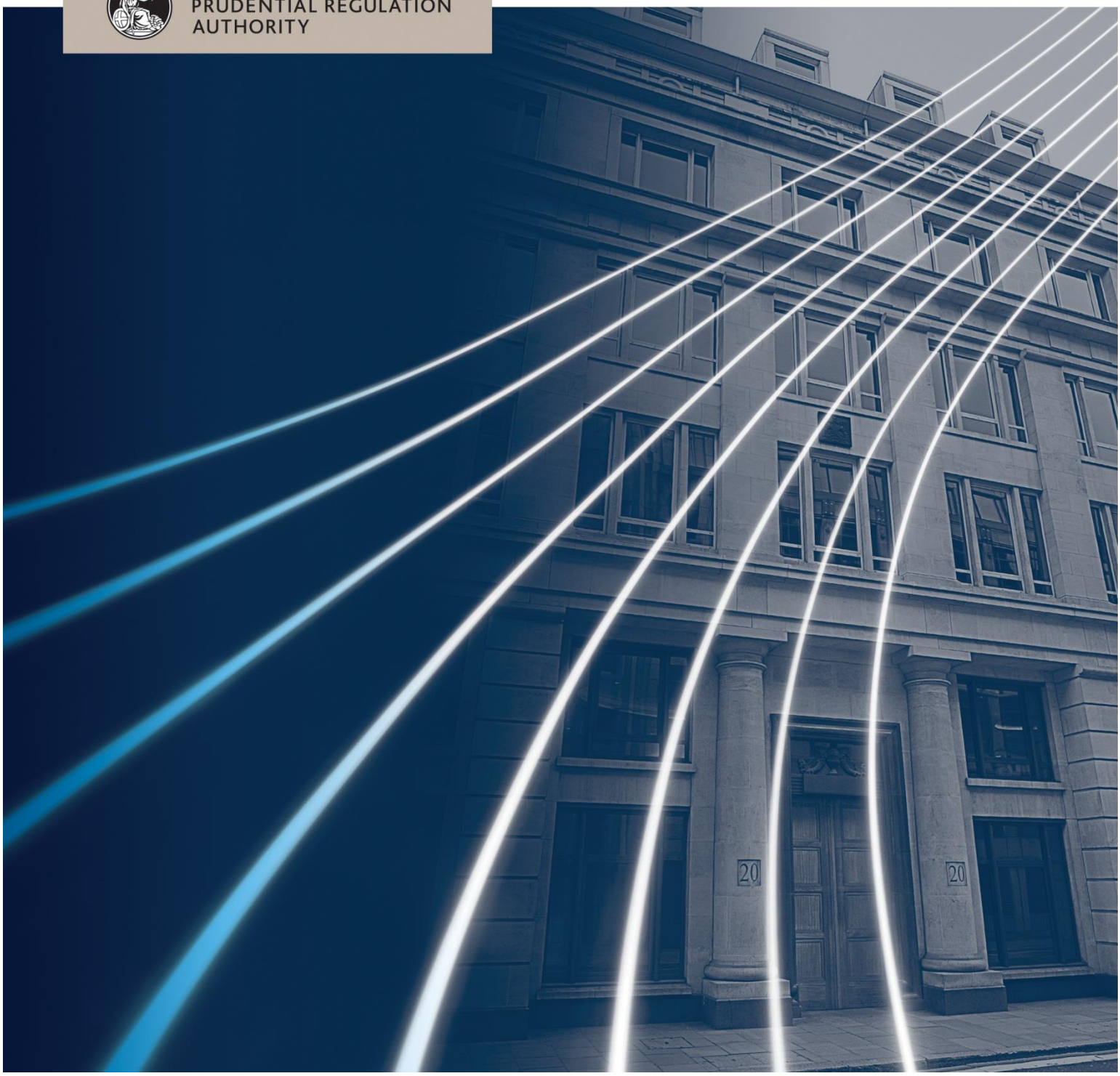
Policy Statement | PS20/16

The implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial market infrastructures

July 2016

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY



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This policy statement (PS) provides feedback on responses received to Consultation Paper (CP) 37/15 'The implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial markets infrastructures'. The appendices to this PS set out the final rules and supervisory statements to implement the proposals consulted on in CP37/15 and the near-final rules and supervisory statements set out in PS10/15 'The implementation of ring-fencing: legal structure, governance and the continuity of services and facilities'.

Contents

1 Overview

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback on responses received to Consultation Paper (CP) 37/15 'The implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial market infrastructures'.[1] The PRA's first consultation on ring-fencing, covering proposals in respect of legal structure, governance and the continuity of services and facilities (CP19/14) was published in October 2014, followed by the publication of PS10/15 in May 2015, which set out the PRA's near-final rules and supervisory statements on the matters consulted on in CP19/14.[2]

1.2 The appendices to this PS set out the final rules (see Appendix 1) and supervisory statement (see Appendix 2) to implement the proposals consulted on in CP37/15 and the near-final rules and supervisory statements set out in PS10/15. The appendices also include updated versions of certain PRA publications to incorporate changes in relation to the proposals consulted on in CP37/15, updated for the final policy in this PS (see Appendices 3 to 7).

1.3 Alongside this PS, the PRA has also published a further consultation on its proposed ring-fencing policy CP25/16 'The implementation of ring-fencing: reporting and residual matters'.[3] CP25/16 sets out the PRA's proposals in relation to the data it intends to collect in support of its obligations under the Financial Services and Markets Act 2000 (the Act) in respect of ring-fencing. CP25/16 also sets out the PRA's proposals in respect of residual ring-fencing policy matters which the PRA has identified following the publication of CP37/15.

1.4 The PRA has also published PS21/16 'Ensuring operational continuity in resolution' which may be relevant to banking groups required to implement ring-fencing.[4] PS21/16 sets out the PRA's final policy aimed at ensuring firms' operational arrangements facilitate continuity of critical services supporting functions critical to the economy in resolution, consulted on in CP38/15.[5]

1.5 This PS is relevant to banking groups that will be required by the Act to ring-fence their core activities. This includes both those groups with 'core' deposits – broadly those deposits from individuals and small businesses – in excess of £25 billion and those groups with growth plans which expect to exceed this threshold by the Government's implementation date of 1 January 2019. This PS will also be of interest to financial and other institutions, and customers who have dealings with these banking groups.[6]

1.6 The PRA is required by the Act to have regard to any representations made to the proposals in a consultation and to publish an account, in general terms, of those

1 PRA Consultation Paper 37/15 'The implementation of ring-fencing: prudential requirements, intragroup arrangements and use of financial market infrastructures' October 2015: www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp3715.aspx.
2 PRA Consultation Paper 19/14 'The implementation of ring-fencing: legal structure, governance and the continuity of services and facilities' October 2014: www.bankofengland.co.uk/pra/Pages/publications/cp/2014/cp1914.aspx; and Policy Statement 10/15 'The implementation of ring-fencing: legal structure, governance and the continuity of services and facilities', May 2015: www.bankofengland.co.uk/pra/Pages/publications/ps/2015/ps1015.aspx.
3 PRA Consultation Paper 25/16 'The implementation of ring-fencing: reporting and residual matters' July 2016: www.bankofengland.co.uk/pra/Pages/publications/cp/2016/cp2516.aspx.
4 PRA Policy Statement 21/16 'Ensuring operational continuity in resolution' July 2016: www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2116.aspx.
5 PRA Consultation Paper 38/15 'Ensuring operational continuity in resolution' October 2015: www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp3815.aspx; and Addendum to CP38/15 'Ensuring operational continuity in resolution' December 2015: www.bankofengland.co.uk/pra/Pages/publications/cp/2015/cp3815update.aspx.
6 The PRA has a dedicated webpage on ring-fencing and structural reform, which includes background, key changes, a table summarising policy development and updates on implementation, see www.bankofengland.co.uk/pra/Pages/supervision/structuralreform/default.aspx.

representations and its response to them. Overall, the PRA does not consider that the responses received to CP37/15 necessitate significant changes to its proposals. The PRA has, however, made amendments to the proposed rules and supervisory statements consulted on in CP37/15 in light of feedback received, including to add further clarity. Each chapter of this PS describes the most important issues raised by respondents and notes the main areas where the PRA has made amendments to the proposals in CP37/15.

1.7 The policy contained in the underlying rules and supervisory statements has been designed in the context of the current UK and EU regulatory framework. It will come into effect on 1 January 2019. The PRA will keep the policy under review to assess what changes would be required due to intervening changes in the UK regulatory framework, including as a result of the referendum on 23 June 2016.

Firms' preparations for ring-fencing

1.8 The final rules and statements in the appendices to this PS, together with the final policy in PS21/16 and the proposals in CP25/16, provide banking groups that will be required to implement ring-fencing with the information they need to finalise their plans.

1.9 Firms required to implement ring-fencing, ie those which have core deposits in excess of the threshold of £25 billion, should continue to discuss their overall implementation of ring-fencing with their supervisors. Firms should also highlight any changes to their plans made as a result of this PS to their supervisors. Firms with growth plans which indicate they are likely to meet this threshold should discuss with their supervisors.

2 Legal structure and holdings of capital

2.1 In the near-final supervisory statement in PS10/15, the PRA set out its proposed policy on the legal structure of banking groups containing a ring-fenced body (RFB). This included the PRA's expectations that an RFB should not have ownership rights in an 'excluded activity entity', and vice versa.[1] In CP37/15, the PRA consulted on proposed updates to these expectations, including that its proposed expectations should apply not only to ownership rights but also to all capital instruments; and that its proposed expectations should also apply to ring-fenced affiliates in light of its proposal to form RFB sub-groups.[2]

Expectations of types of entity that an RFB may own or hold capital instruments in

2.2 A number of respondents requested that the PRA specify which types of entities it would object to an RFB or its ring-fenced affiliates owning, or holding capital instruments in.

2.3 The PRA's approach is to assess an RFB's holdings on a case-by-case basis, based on an assessment of the risks an entity may pose to the RFB's resilience and resolvability and the PRA's objectives. The PRA does not intend to pre-judge this assessment and specify the types of entities that would be consistent with its expectations. The PRA will keep its approach under review as firms provide further information about the entities they propose to include in their legal structures. The PRA has, however, amended the supervisory statement to clarify that it will take into account the exemptions and exceptions to the excluded activities and

1 An 'excluded activity entity' is defined in PS10/15 as an entity that undertakes activities that, if it were an RFB, would amount to activities that contravene a prohibition or are excluded activities under the Act.

2 An RFB sub-group is a sub-set of related group entities within a consolidated group, consisting of one or more RFBs and other legal entities, which is established when the PRA gives effect to Article 11(5) of the Regulation (EU) No 575/2013 (the Capital Requirements Regulation). A ring-fenced affiliate, in relation to an RFB, is an entity which is a member of an RFB sub-group which is not itself an RFB. See Chapter 3 of this PS for further detail on RFB sub-groups.

prohibitions specified in the Excluded Activities and Prohibitions Order (the Order) when performing this assessment.[1] The PRA will apply the same approach when assessing a ring-fenced affiliate's holdings.

2.4 In general, the PRA does not expect to object to an RFB or a ring-fenced affiliate owning a pension trustee company (provided the requirements in the Order in respect of such a holding are met). This expectation would, however, still be subject to an examination of the possible implications for the resilience and resolvability of the RFB and the PRA's objectives.

2.5 The PRA has also amended the supervisory statement to clarify that the policy applies only in respect of holdings in entities that are part of the 'group', as defined in the Act.[2] The PRA will assess holdings by an RFB or its ring-fenced affiliates in entities that are not part of the group against its general safety and soundness objective in relation to ring-fencing.

Expectations of types of entity that may own an RFB or hold an RFB's capital instruments

2.6 A number of respondents sought reassurance that an RFB's holding company would not be prohibited from undertaking activities necessary to its role as a holding company, for example hedging its risks, or lending to its group companies.

2.7 The PRA accepts that a holding company needs to be able to undertake particular activities necessary to its role as a holding company. The near-final supervisory statement in PS10/15 noted that an owner of an RFB may establish or maintain a non-European Economic Area (EEA) branch, have a participating interest in a non-EEA undertaking or have ownership stakes in an excluded activity entity.[3] The PRA has amended the supervisory statement to clarify that an owner of an RFB may also hold capital instruments in such entities, and may have an ownership interest or hold capital instruments in an entity where the holding does not qualify as a participating interest. The PRA has also amended the supervisory statement to clarify that it will take into account the exemptions and exceptions available to an RFB in the Order when assessing the activities of entities that own or hold capital instruments in an RFB or its ring-fenced affiliates. The PRA considers that these amendments clarify that the activities of a holding company of an RFB are not unduly restricted by its ring-fencing policy.

Definition of 'capital instruments'

2.8 One respondent suggested that the scope of the definition of 'capital instruments' used in the proposed supervisory statement was not sufficiently clear, suggesting that the term could be interpreted very broadly to include a wide range of instruments, including asset-backed securities. The PRA has therefore amended the supervisory statement to clarify that the term 'capital instruments' covers only those instruments designed to provide loss absorbency to the issuer, specifically those instruments which qualify towards the minimum requirement for own funds or eligible liabilities (MREL),[4] or which would qualify if the entity was a PRA-authorised person.

Underwriting of capital instruments

2.9 One respondent asked whether an excluded activity entity in the group could underwrite issuances of capital instruments that the PRA would expect it not to hold, ie issuances by an RFB or a ring-fenced affiliate. Given the nature of an underwriting arrangement is that the underwriter could be required to hold the instruments that are the subject of the agreement,

1 SI 2014/2080 The Financial Services and Markets Act 2000 (Excluded Activities and Prohibitions) Order 2014.
2 'Group' is defined in section 421 of the Act.
3 'Participating interest' is defined in section 421A of the Act.
4 See Article 45 of Directive 2014/59/EU.

the PRA expects group entities not to underwrite issuances of capital instruments that the PRA expects those entities not to hold.

3 Establishment of an RFB sub-group and application of requirements on a sub-consolidated basis

3.1 In CP37/15, the PRA consulted on a proposal to exercise the discretion in Article 11(5) of the Capital Requirements Regulation (CRR)[1] to establish RFB sub-groups, and to require an RFB to meet prudential requirements on a sub-consolidated basis in respect of its RFB sub-group. The PRA also proposed the circumstances in which it will establish an RFB sub-group and how it will go about determining the composition of an RFB sub-group. The PRA also proposed:

(i) an expectation that the composition of the RFB sub-group would align to the legal entity structure around the RFB, and contain related entities that share a common parent;

(ii) that RFB sub-groups would be relevant to the application of other elements of the PRA's ring-fencing rules and related policy; and

(iii) to apply certain specified rules ('relevant rules') not only to an RFB but also to 'relevant persons' in its RFB sub-group, which would be required to comply with relevant rules, and to ensure all ring-fenced affiliates complied with relevant rules.[2]

Membership of the RFB sub-group

3.2 Some respondents pointed out that the PRA's proposed expectation that the composition of an RFB sub-group should align to the legal entity structure of the RFB could preclude certain entities that are integral to the RFB's business from being included in the RFB sub-group where these entities are not part of the 'group', as defined under section 421 of the Act, for example securitisation vehicles.

3.3 The PRA has amended the supervisory statement to clarify that it will assess the appropriateness of the inclusion of an entity in the RFB sub-group against both the provisions of the CRR and the PRA's obligations under the Act in respect of ring-fencing. The PRA has also amended the supervisory statement to clarify that, although in general it expects alignment between the RFB sub-group and the RFB's group legal entity structure, it recognises that there are instances where this may not be possible or desirable. The PRA will determine the most appropriate approach to the application of its policy to such entities on a case-by-case basis.

3.4 Some respondents questioned whether the PRA's proposal that entities in an RFB sub-group should 'share a common parent' was intended to prevent an RFB or its ring-fenced affiliates from investing in an entity that does not meet the definition of a 'subsidiary undertaking' under the Act and therefore where the RFB is not the 'parent undertaking' of such an entity (eg a minority holding in a joint venture arrangement).[3] It is not the PRA's policy intention that all members of the RFB sub-group must necessarily be subsidiary undertakings of the entity which heads the RFB sub-group, and therefore the PRA has clarified this in the supervisory statement by removing the term 'common parent'.

1 Regulation (EU) No 575/2013.
2 'Relevant person' is defined in the Ring-fenced Bodies Part of the PRA Rulebook as: (1) a ring-fenced body; (2) any other firm that is a member of a sub-consolidation group; or (3) a ring-fenced holding company. 'Relevant rules' are also set out in the Ring-fenced Bodies Part.
3 'Parent undertaking' and 'subsidiary undertaking' are defined in section 420 of the Act.

3.5 One respondent questioned whether entities authorised by the Financial Conduct Authority (FCA) (FCA-authorised entities) could be included in the RFB sub-group. The PRA can confirm that, although the appropriate treatment of an entity would depend on the specifics of each individual case, in principle FCA-authorised entities would be treated no differently to other entities under the PRA's policy, and would be assessed against the same criteria in relation to their potential inclusion in an RFB sub-group.

Application of requirements to a parent undertaking of an RFB

3.6 Some respondents queried whether the PRA's proposals in CP37/15 sought to capture any UK holding company of an RFB as a relevant person, and therefore place obligations on it in respect of relevant rules. This was not the PRA's intention. The PRA's proposal was that only parent undertakings which are themselves members of the RFB sub-group would be captured as relevant persons by the PRA's proposals. The PRA has therefore amended the definition of 'ring-fenced holding company' to clarify that the definition does not include parent undertakings which are not themselves members of an RFB sub-group.

Application of requirements to banking groups with no excluded activity entities

3.7 A number of respondents asked for further clarification of how the PRA's ring-fencing rules and related policy would apply to UK banking groups with no excluded activity entities, and if in such cases the PRA would permit the RFB to treat other members of its group as if they were ring-fenced affiliates.

3.8 The PRA will apply its ring-fencing policy to all firms in scope of the policy in a manner it considers to be proportionate to achieve the outcomes set out by the group ring-fencing purposes of the Act, taking into consideration each firms' business model and legal entity structure.

3.9 The PRA has amended the supervisory statement to clarify that:

(i) where the PRA does not establish an RFB sub-group, an RFB could apply to the PRA for a modification to the PRA's ring-fencing rules so that requirements (and the PRA's related policy) are applied to the RFB's UK consolidated group as if it were an RFB sub-group;

(ii) the PRA will consider granting such rule modifications on a case-by-case basis, based on its judgement of the risks posed to the RFB's resilience and resolvability, the PRA's objectives and, in particular, provided the composition of the group meets the PRA's expectations on the composition of an RFB sub-group;

(iii) the PRA will assess the appropriateness of the composition of the group on an ongoing basis, as part of its supervision; and

(iv) the PRA expects that, where it permits a firm to meet the PRA's ring-fencing rules and related policy on a consolidated group basis, such a consolidated group should be headed by an RFB or a UK holding company.

4 Application of capital and liquidity standards to an RFB sub-group

4.1 In CP37/15, the PRA proposed that where it has exercised the discretion in Article 11(5) of the CRR to establish an RFB sub-group, an RFB would need to meet prudential requirements on a sub-consolidated basis in respect of its RFB sub-group, including the rules in the Individual Capital Adequacy Assessment Part of the PRA Rulebook (ICAA rules) and the Individual Liquidity Adequacy Assessment Part of the PRA Rulebook. The PRA also set out a number of

related proposals, including its proposal to set the systemic risk buffer (SRB) rate for an RFB on a sub-consolidated basis where an RFB sub-group is in place, and a proposal to expect that a UK parent of an RFB should not make use of double leverage to fund its investment in an RFB or its ring-fenced affiliates in its group.

Application of the ICAA rules

4.2 The PRA proposed the following expectations in CP37/15:

(i) an RFB should have regard to the contents of relevant PRA supervisory statements and statements of policy in relation to the capital requirements of its RFB sub-group (including those in relation to concentration risk, and pension obligation risk);

(ii) an RFB should perform a full assessment of the risks and capital requirements of its RFB sub-group, and treat exposures to group entities that are not members of its RFB sub-group in the same way as it would if these were to a third party (and not simply apply a 'share-of-group' approach); and

(iii) an RFB should develop its stress testing capability, and be able to provide the PRA and the Bank of England with data required to perform or assess stress tests.

Concentration risk

4.3 One respondent suggested that the proposed application of the PRA's concentration risk methodology at the level of the RFB sub-group could lead to potential increases in capital requirements which could in turn have unintended consequences. For example, an RFB could be incentivised to invest its liquidity buffer in riskier assets in pursuit of diversification to mitigate against a higher capital requirement for concentration risk. This respondent suggested that the PRA should therefore only assess concentration risk at the level of the consolidated group or, alternatively, should reduce any SRB proportionally in relation to any concentration risk add-on.

4.4 The PRA has not made any changes to its proposals in response to this feedback. An important element of the PRA's ring-fencing policy is that an RFB performs a full assessment of the risks and capital requirements of the RFB sub-group and holds appropriate capital in respect of those risks.

UK value-added tax (VAT) groups

4.5 In CP37/15, the PRA proposed, in relation to the proposed requirement for an RFB to assess group risk as part of meeting the ICAA rules, that an RFB should pay particular attention to risks arising from arrangements where it has joint and several liability with other group members, such as those in respect of certain taxes.[1]

4.6 Several respondents asked the PRA to clarify that these proposed expectations would allow an RFB and its ring-fenced affiliates to be members of a UK VAT group with group entities that are not members of the RFB sub-group.

4.7 The PRA's expectations on group risk do not affect an RFB's ability to be a member of such a UK VAT group but, as set out in the supervisory statement, the PRA expects that where these

1 'Group risk' is defined in the ICAA rules as the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the same group or by risk which may affect the financial position of the whole group, including reputational contagion.

arrangements are in place, an RFB should assess the risks arising from any potential joint and several liability, and should appropriately manage those risks.

Pension obligation risk

4.8 Firms are required to assess pension obligation risk as part of meeting the ICAA rules. The PRA's expectations in relation to a firm's assessment of pension obligation risk as part of meeting the ICAA rules are set out in SS31/15 'The Internal Capital Adequacy Assessment process (ICAAP) and the Supervisory Review and Evaluation Process' (SREP).[1] These include an expectation that, where a firm calculates pension obligation risk at group level, it must allocate pension obligation risk capital to entities within the group.

4.9 In CP37/15, the PRA proposed that an RFB would need to assess pension obligation risk of its RFB sub-group as part of meeting the ICAA rules at the level of the RFB sub-group. The PRA proposed to apply the same approach when conducting its SREP for the RFB sub-group. The PRA also proposed to consider transitional arrangements for an RFB on a case-by-case basis.[2]

4.10 The PRA received several queries in relation to these proposals, including: whether an RFB should take into account the potential obligations for wider group pension liabilities in its assessment; whether an RFB could consider potential offsets from capital held in other group entities for pension risk when conducting its assessment; and whether the PRA expected an increase in overall group pension risk capital as a result of the RFB conducting its assessment.

Assessment of pension obligation risk at the level of the RFB sub-group

4.11 The PRA has amended the supervisory statement to clarify that it expects an RFB to conduct a full assessment of the pension obligation risk of its RFB sub-group. An RFB should assess this risk in the manner set out in SS31/15, and should consider group risk arising in respect of its pension arrangements fully and appropriately in this assessment.

4.12 The PRA has further amended the supervisory statement to clarify that it expects an RFB to consider all relevant factors when performing its assessment, including, but not limited to, its current share of group pension obligations, and its expected future share where it is making changes to its pension arrangements. However, an RFB's full assessment should not be limited to a simple allocation of a share of the group's pension obligation risk. A full assessment may well result in a higher capital requirement than if the RFB were to apply such a 'share-of-group' approach to its assessment, particularly in the period prior to 1 January 2026. This might be the case where, for example, an RFB has joint and several liability with group entities that are not members of the RFB sub-group, or where other guarantees, contributions or other arrangements are in place with group entities that are not members of the RFB sub-group.

4.13 An RFB may consider mitigating actions other than holding capital in its assessment of pension obligation risk. Where an RFB intends to rely on such actions, it should consider whether they would be affected by the acts or omissions of group entities outside the RFB sub-group, and how realistic these are likely to be in cases of stress.

Assessment of pension obligation risk for a banking group containing an RFB

4.14 The PRA has also amended the supervisory statement to clarify that it will apply its existing policy in assessing the pension obligation risk of a consolidated group containing an

1 PRA Supervisory Statement 31/15 'The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)' August 2015: www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss3115update.aspx.

2 SI 2015/547 The Financial Services and Markets Act 2000 (Banking Reform) (Pensions) Regulations 2015 restricts the ability of an RFB to be a party to certain types of pension arrangements relating to multi-employer schemes and shared liability arrangements from 1 January 2026.

RFB. The capital requirements for pension obligation risk at group level would therefore be unaffected by the RFB's assessment of the pension obligation risk of its RFB sub-group.

Pension obligation risk at entity level

4.15 The PRA has also amended the supervisory statement to clarify that it will continue to apply its existing policy outlined in SS31/15 that, where pension obligation risk capital is assessed at group level, firms must allocate the pension obligation risk capital to entities within the group in a way that adequately reflects the nature, level and distribution of the risks to which the group is subject.

4.16 The PRA has further amended the supervisory statement to clarify that, in respect of entities that are members of an RFB sub-group, the RFB should base this allocation on the pension obligation risk capital for the RFB sub-group.

Other comments received in relation to pension obligation risk

4.17 One respondent queried whether the PRA's proposed policy in respect of intragroup transactions and exposures (see Chapter 7 of this PS, in particular the 'general third party rule') requires an RFB to treat any potential liability for wider group pension liabilities as an exposure for the purposes of the large exposure limits during the period until 2026.[1] The PRA does not consider that the rules referred to redefine whether any particular arrangement creates an exposure for the purposes of the large exposure limits.

Internal risk models

4.18 As part of its assessment of responses received to CP37/15, the PRA has considered how its proposals interact with the granting of a permission to a firm under the CRR to use an internal risk model to calculate risk-weighted exposure amounts or own funds requirements (a CRR model permission).[2] Where the relevant conditions in the CRR are met, the PRA is required to grant the permission.

4.19 The PRA has updated the supervisory statement to clarify that an RFB with, or applying for, a CRR model permission will need to comply not only with the relevant conditions in CRR, but also relevant requirements in the PRA Rulebook, including the Operational Continuity Part, the Outsourcing Part and the Ring-fenced Bodies Part. An RFB will therefore need to meet all governance and risk management requirements surrounding its use of internal models. An RFB will also need to be able to take decisions independently from, and manage potential conflicts of interest with, the rest of its group, and have appropriate risk management resources in place, including in relation to its use of internal risk models.

4.20 The PRA has also set out that, where it expects an attestation of compliance with CRR requirements related to the use of an internal risk model by an RFB, this is to be carried out by a suitable senior manager within the RFB.

Waiving of prudential requirements on an individual basis

4.21 In CP37/15, the PRA proposed that an RFB would need to meet requirements on an individual basis in addition to any requirements it must meet on a sub-consolidated basis in respect of its RFB sub-group. The PRA also proposed that it will consider granting permissions for intragroup concessions to an RFB in respect of its transactions or exposures with ring-fenced affiliates (see Chapter 5 of this PS in relation to intragroup concessions).

1 See Article 395(1) CRR.
2 See CRR Articles 143(1), 151(4), 283, 312(2) and 363.

4.22 Some respondents suggested that, where requirements are applied on a sub-consolidated basis, the continued application of prudential requirements on an individual basis could be overly burdensome. These respondents suggested that the PRA should consider exercising the discretion under Article 7 of the CRR to grant an RFB a waiver to the application of requirements on an individual basis where the RFB is required to meet requirements on a sub-consolidated basis.[1]

4.23 Capital resources are not always freely transferable between entities in a group. Should a firm fail, its orderly resolution will be facilitated if individual legal entities hold capital commensurate with their risks. The PRA therefore expects capital to be located in the individual entities where it is needed.[2] Granting a waiver to an RFB under Article 7 of the CRR would go against this outcome, and the PRA therefore does not expect to grant such a waiver to an RFB or any other PRA-authorised person that is a member of its RFB sub-group.

Double leverage

4.24 In CP37/15, the PRA set out its proposed expectation that a UK parent of an RFB should not make use of double leverage to fund its investment in an RFB or its ring-fenced affiliates. A number of respondents agreed that the use of double leverage is likely to pose risks to the group ring-fencing purposes under the Act. However, some asked for more details. To provide additional clarity, the PRA is consulting further on its approach to double leverage (see Chapter 7 in CP25/16).

5 Intragroup concessions

5.1 In CP37/15, the PRA proposed its expectation not to grant a permission in relation to an intragroup large exposures exemption[3] or an intragroup liquidity permission[4] to an RFB, or to a PRA-authorised person that is a member of its RFB sub-group, in respect of transactions with or exposures to group entities that are not part of the RFB sub-group.

Intragroup large exposures permissions

5.2 One respondent asked whether the PRA expected to adopt the same approach in considering a permission for a large exposures exemption made by a group entity that is not part of the RFB sub-group in respect of its transactions or exposures to the RFB or its ring-fenced affiliates, ie whether the PRA intended its proposed expectations to be 'symmetric'. The PRA can confirm that this is the case, and has amended the supervisory statement accordingly. The PRA has also amended the existing supervisory statement on large exposures to clarify this (see Appendix 4).

Use of individual consolidation

5.3 One respondent asked for confirmation that the PRA would be prepared to grant an individual consolidation permission to an RFB, or a PRA-authorised person that is a member of its RFB sub-group, provided the relevant CRR conditions are met.[5] The PRA has updated the supervisory statement to clarify that it will consider applications for an individual consolidation

1 Article 7 CRR permits, but does not require, a competent authority to waive the application of certain prudential requirements on an individual basis provided the specified conditions are met.
2 See the PRA's approach to banking supervision at www.bankofengland.co.uk/publications/Pages/other/pra/supervisoryapproach.aspx.
3 See Article 113(6) CRR, Article 400(2)(c) CRR and the PRA Supervisory Statement 16/13 'Large exposures' July 2016 : http://www.bankofengland.co.uk/pra/Pages/supervision/structuralreform/suppmaterials.aspx.
4 See Article 8 CRR and Articles 29, 33(2) and 34 of European Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.
5 See Article 9 CRR.

permission against both the conditions for the exercise of the discretion in the CRR and in light of the ring-fencing obligations placed on the RFB or any other members of its group, and also the obligations placed on the PRA by the Act in relation to ring-fencing. The PRA has also amended the existing supervisory statement on groups to clarify this (see Appendix 3).

6 Distributions

6.1 In CP37/15, the PRA proposed rules requiring an RFB to notify it in advance of any distributions by an RFB or its ring-fenced affiliates to group entities that are not members of its RFB sub-group. These rules would enable the PRA to evaluate the impact of these intended distributions on the RFB's ability to continue to meet regulatory capital requirements on an individual and sub-consolidated basis, and to take any appropriate action if needed.

6.2 Some respondents asked for further details on the notification process, and how an RFB should engage with the PRA concerning proposed distributions. The PRA will consider the precise details of these processes in due course and will communicate further information as part of its implementation of ring-fencing.

7 Intragroup transactions and exposures

7.1 In CP37/15, the PRA proposed rules designed to support a key principle of ring-fencing: that an RFB interacts with the rest of its group outside the RFB sub-group as it would with third parties (the 'third party principle'). The PRA proposed Ring-fenced Bodies 3.5 of the PRA Rulebook (the 'general third party rule') which, together with rules in Ring-fenced Bodies 2 of the PRA Rulebook, requires an RFB and its ring-fenced affiliates to apply the same standards of management to exposures to, and arrangements with, group entities that are not members of the RFB sub-group as they would to a third party. The PRA also proposed more specific rules on arm's length requirements, netting arrangements, and collateral availability as well as expectations on large exposures and collateral management, which further support the general third party principle.

The third party principle and the general third party rule

Interpretation of the general third party rule

7.2 Several respondents asked for further clarity on the PRA's expectations in relation to the practical application of the proposed general third party and related rules.

7.3 The PRA has amended the supervisory statement to clarify that the rules do not prohibit intragroup transactions on the sole grounds that an RFB or its ring-fenced affiliates do not undertake similar transactions with third parties; and that the rules do not require an RFB or its ring-fenced affiliates to apply precisely the same policies and procedures to transactions with group entities that are not members of the RFB sub-group as they do to third party transactions. The supervisory statement clarifies that the PRA expects an RFB and its ring-fenced affiliates to apply the same standards of assessment, risk management, risk appetite and oversight of transactions with group entities that are not members of the RFB sub-group as they would to third parties.

7.4 Respondents also requested further clarity on the specific interaction between the general third party rule and arm's length rules. The general third party rule sets out requirements in respect of the treatment of intragroup counterparties, for example in relation to risk management, risk appetite and oversight. The arm's length rule covers the pricing, terms and documentation of individual transactions, with a specific focus on appropriate pricing, transparency and substitutability of transactions.

Large exposure limits on intragroup exposures

7.5 In CP37/15, the PRA proposed an expectation that, as part of meeting the proposed general third party rule, an RFB and its ring-fenced affiliates should manage their overall exposure levels to group entities that are not members of the RFB sub-group as they would manage their exposure levels to third parties. One respondent argued for tighter limits on intragroup exposures than for third parties to ensure the effectiveness of the ring-fence. Another respondent sought clarity that the PRA was not expecting an RFB to apply lower large exposure limits to the rest of the group than the limit specified in the CRR, arguing that the restructuring activity associated with implementing ring-fencing could result in an RFB incurring significant intragroup exposures during the restructuring period which might take time to be managed down.[1]

7.6 The PRA does not consider any amendments to its proposals are necessary as a result of these comments. Firms will need to meet the requirements of ring-fencing in full from the Government's stated implementation date of 1 January 2019, and be in compliance with applicable CRR large exposure limits at all times. Where an RFB does not manage its intragroup exposures appropriately, the PRA will take action, including considering lowering large exposure limits, as specified in the CRR.[2]

Other intragroup transactions and exposures

Secured intragroup exposures

7.7 In CP37/15, the PRA set out its proposed expectations regarding how an RFB and its ring-fenced affiliates should approach the management of collateral received from other group members. One respondent sought confirmation that the PRA's proposed expectations did not seek to apply collateral management requirements in broader circumstances than required under the CRR, and that the PRA was not proposing to set expectations to a higher or contrary standard to the CRR or the EU regulation on derivatives, central counterparties and trade repositories (EMIR).[3] The PRA has amended the supervisory statement to provide such clarification.

Netting arrangements

7.8 In CP37/15, the PRA proposed rules requiring an RFB and its ring-fenced affiliates not to enter into netting arrangements that permit a counterparty to offset liabilities to the RFB or its ring-fenced affiliates against claims that the counterparty has on other group members outside the RFB sub-group in the event of default of one of the parties.

7.9 A number of respondents argued that the rule could make it difficult for a group to continue to offer particular types of products to customers, or could result in customers incurring additional costs to source collateral as a result of the banking group having increased overall exposures to them. Some respondents suggested that netting arrangements should be permitted, subject to appropriate limits.

7.10 The PRA has examined the impact of the proposed netting rule on customers. Information provided by respondents indicates that only a small proportion of customers would be affected, mainly those shared between an RFB and other parts of the banking group. Options are available to firms to decide whether customers and products are served by the RFB or other group entities (within legislative constraints) and to adapt products to comply with the rule. The PRA also considers the rule to be necessary to meet its obligations under the

1 See Article 395(1) CRR.
2 See Article 395(6) CRR.
3 Regulation No 648/2012 of 4 July 2012 on over-the-counter (OTC) derivatives, central counterparties and trade repositories.

Act to make rules for the group ring-fencing purposes. The PRA has therefore not made any changes to it.

7.11 Some respondents commented that meeting the requirements in relation to existing transactions (the 'back book') could be particularly onerous for an RFB and suggested that existing transactions should therefore be removed from the scope of the proposed rules.

7.12 The PRA does not consider that such an approach would be compatible with its obligations under the Act in respect of ring-fencing, as these obligations make no distinction between new and existing activities.

7.13 Several respondents queried if the netting rule would prevent an RFB from being a member of a UK VAT group that includes group entities that are not members of the RFB sub-group. The PRA does not consider membership of a UK VAT group to be a netting arrangement within the scope of the rule.

Availability of collateral

7.14 In CP37/15, the PRA proposed rules that an RFB and its ring-fenced affiliates must ensure that collateral would not cease to be available to them as a result of the acts, omissions or insolvency of group entities that are not members of the RFB sub-group. The PRA also proposed to expect that, where practicable, an RFB and its ring-fenced affiliates should avoid joint claims with group entities that are not members of the RFB sub-group on the same collateral provided by customers or counterparties. The PRA further proposed to expect that, where this was not feasible, an RFB and its ring-fenced affiliates should ensure that they have adequate policies and procedures in place to identify their share of any collateral, enable them to exercise their claims on the collateral, and access the collateral when required.

7.15 A number of respondents commented that the PRA's proposed expectation against the use of intragroup collateral sharing arrangements was unnecessarily restrictive and could have negative consequences for customers: having to post more collateral; incurring costs or logistical challenges from dividing existing collateral; or even becoming unable to receive certain services from a banking group. These respondents observed that firms already make use of collateral sharing arrangements with third parties (for example as part of syndicated loan arrangements) and suggested that an RFB and its ring-fenced affiliates should be permitted to make use of collateral sharing arrangements with other group entities provided robust protections of the sort used in third party collateral sharing arrangements are in place (eg use of an independent security trustee and robust inter-creditor agreements).

7.16 The PRA notes that an RFB's and its ring-fenced affiliates' collateral sharing arrangements with group entities that are not members of the RFB sub-group fall within the scope of the general third party and related rules. As a result, the RFB and its ring-fenced affiliates must apply the same standards of management to such intragroup arrangements as they would to similar arrangements with third parties. As part of meeting the rules in this context, an RFB and its ring-fenced affiliates should assess any arrangements with group entities that are not members of the RFB sub-group against their risk appetite, both in advance of putting in place the arrangement and at appropriate intervals thereafter, taking action as appropriate. In some cases, this could mean that the RFB and its ring-fenced affiliates should not enter into the arrangement on the proposed terms.

7.17 Taking the feedback provided to the CP into consideration, the PRA has amended the supervisory statement to remove the proposed expectation against the use of shared

collateral, but further clarified its expectations on the policies and procedures an RFB should have in place where it makes use of intragroup collateral sharing arrangements.

7.18 The PRA can also confirm, in response to queries received in response to CP37/15, that the collateral availability rule and related rules were not intended necessarily to restrict an RFB or its ring-fenced affiliates from undertaking the following activities: participating in loan syndications with third parties; taking a floating charge over a customer's assets; releasing security over assets so a customer can grant security to another member of the RFB's group; or taking a charge over customer assets which include a claim on an entity that is a member of the RFB's group but not a member of its RFB sub-group. The PRA can also confirm that the collateral availability rule and related rules are not intended to require that an RFB or its ring-fenced affiliates have preferred creditor status, although an RFB could make use of preferred status in its approach to meeting the rule.

7.19 To take into account these points, the PRA has made some clarificatory amendments to the collateral availability rule to focus its application on an RFB's share of any shared collateral.

Arm's length

7.20 In CP37/15, the PRA proposed a rule that an RFB must enter into transactions with all group members, including ring-fenced affiliates, only on arm's length terms. The PRA also proposed that ring-fenced affiliates must only transact with group entities that are not members of the RFB sub-group on arm's length terms, and that RFBs must put in place policies and procedures to give effect to these requirements, and ensure that these are subject to specific oversight by the RFB's governing body and internal audit function.

7.21 Several respondents raised concerns with the PRA's proposed application of arm's length rules to transactions between an RFB and its ring-fenced affiliates and suggested that the proposals were burdensome, inconsistent with other aspects of PRA policy and not required by the Act. The PRA recognises the potential compliance burden of such a requirement, but also notes that were an RFB to manage its transactions with ring-fenced affiliates poorly this could lead to an excessive transfer of resources from the RFB which could, in extreme cases, put at risk the continuity of core activities.

7.22 A number of existing PRA requirements which an RFB is required to meet on an individual basis would, however, mitigate the risks arising from removal of the arm's length requirement between an RFB and its ring-fenced affiliates, including those in Fundamental Rules 2.1 to 2.8 of the PRA Rulebook.

7.23 The PRA has therefore amended the arm's length rule to cover only transactions undertaken by an RFB and its ring-fenced affiliates with group entities that are not members of the RFB sub-group, including transactions with the group's ultimate parent. The PRA has also amended the supervisory statement to remind RFBs of some of their existing obligations in the PRA Rulebook when undertaking intragroup transactions, including transactions with ring-fenced affiliates. Where the PRA has concerns that an RFB is not appropriately managing its transactions with its ring-fenced affiliates, the PRA will consider taking appropriate action.

7.24 Some respondents also suggested that the PRA should allow an RFB and its ring-fenced affiliates to use framework agreements to group together similar types of transactions or counterparties when meeting the arm's length rules. These respondents argued that such groupings help to remove duplication of common information and therefore reduce the cost burden of meeting the rule. Whilst the PRA acknowledges these benefits, the PRA also recognises the risk that grouping of transactions could become so aggregated that arm's

length requirements become meaningless, and so these should only be permitted provided appropriate safeguards are in place.

7.25 The PRA has therefore amended the supervisory statement to clarify that the use of frameworks is permitted provided these are implemented in a way which meets the PRA's rules, facilitates restructuring activity and allows the RFB and its ring-fenced affiliates, if required, to disaggregate balances to individual transactions and entities.

7.26 A number of respondents requested further detail on other related issues including the meaning of arm's length and the interaction of these rules with other requirements such as the PRA's operational continuity rules,[1] MREL proposals and existing tax practice. The PRA's view is that the meaning of arm's length is well-established and internationally recognised. As a result, the PRA does not intend to define the term but will rely on its ordinary meaning, which is consistent with the approach taken in the Act. The PRA also considers the arm's length rules to be consistent with the other areas mentioned above, but reminds firms that it is their responsibility to ensure compliance with each set of requirements.

7.27 In relation to the proposed requirements in CP37/15 relating to assessment by internal audit of certain aspects of an RFB's arm's length policies and procedures, some respondents argued that a requirement for a full assessment on a periodic basis by internal audit was onerous and that the scope of audit assessments should be risk-based. The PRA agrees that RFB's should consider the scope of this internal audit work in the context of their wider risk profile, but RFBs must ensure that the specific requirement for audit of arm's length policies and procedures is met.

7.28 The PRA has therefore amended the rules to clarify that a full assessment is not required annually, but that a programme of assessment over a cycle of up to three years is permitted, with at least some work performed and reported on annually. This should allow an RFB to integrate the work necessary to meet the rule with its overall internal audit strategy and work plan.

8 Financial market infrastructures (FMIs)

8.1 In CP37/15, the PRA consulted on its proposed policy in relation to an RFB's use of FMIs. The proposed policy was set out in a supervisory statement on the PRA's expectations for an RFB's use of inter-bank payment systems, central securities depositories (CSDs) and central counterparties (CCPs), and rules on an RFB's access to CSDs and CCPs. Most responses to the consultation supported the proposed policy approach and no issues were raised that the PRA considers necessitate substantive changes, though the PRA has made some amendments in the final rules and supervisory statements in response to feedback received, as set out below.

Participation in inter-bank payment systems

8.2 In CP37/15, the PRA proposed criteria for the 'exceptional circumstances' where an RFB may access an inter-bank payment system through an intermediary.[2] Some respondents requested clarity on the process the PRA would put in place when considering such a permission. An RFB seeking this permission should apply to the PRA using the indirect participation in inter-bank payment systems application form published on the PRA's website.[3]

1 See the Operational Continuity Part of the PRA Rulebook, and Appendix 1 to Policy Statement 21/16 'Ensuring operational continuity in resolution' July 2016: www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2116.aspx
2 Article 13(9) of the Order requires the PRA to publish a statement containing guidance on what is meant by 'exceptional circumstances' referred to in Article 13(2)(d) of the Order.
3 www.bankofengland.co.uk/pra/Pages/authorisations/structuralreform/indirect.aspx.

The PRA will assess individual applications on a case-by-case basis against the 'exceptional circumstances' criteria set out in the supervisory statement and the PRA's objectives.

Participation in CSDs and CCPs

Direct participation in CSDs and CCPs

8.3 In CP37/15, the PRA proposed an expectation that an RFB should participate in CSDs and CCPs directly where they have significant activity or where use of the system supports an important area of the RFB's business.

8.4 A number of respondents highlighted the additional costs and risks that can be associated with an RFB becoming a direct participant in CSDs and CCPs. The PRA accepts that direct participation in every CSD and CCP an RFB uses may be inappropriate. However, where the RFB has significant activity in the system, or where use of the system supports an important area of the RFB's business, direct participation is likely to be appropriate.

8.5 The PRA therefore expects an RFB to provide an analysis of the scale of its expected activity and the costs of direct participation. The PRA will assess these on a case-by-case basis and apply its expectation in a manner it considers to be proportionate to achieve the group ring-fencing purposes set out by the Act. The PRA considers that the proposed approach consulted on in CP37/15 reflects an appropriate balance of these considerations and has not amended this part of the supervisory statement.

Indirect participation in CSDs and CCPs

8.6 In CP37/15, the PRA proposed a rule that, where an RFB accesses a CSD or CCP through an intermediary, the RFB must use an individually-segregated account or (in the case of CCP access) a gross omnibus account. A number of respondents noted that it may not always be possible for an RFB to use these types of account, in particular outside of the EEA where market practices may be different. The PRA accepts this and has amended the proposed rules to require that, where an RFB accesses CCPs or CSDs outside the EEA, it must take steps necessary to deliver outcomes comparable to those which would be achieved by the rules in respect of CCPs and CSDs in the EEA.

8.7 One respondent queried whether the proposed rules were consistent with EU law, in particular Article 38 of the Central Securities Depositories Regulation (CSDR).[1] Article 38 includes a provision requiring participants in a CSD to offer their clients at least the choice between omnibus client segregation and individual client segregation. The PRA does not consider the proposed rules to be inconsistent with the CSDR as it does not affect the obligation on a participant to offer such account choices, but merely determines that RFBs should exercise that choice so as to use individually-segregated accounts.

Choice of intermediary where FMI access is indirect

8.8 A number of firms requested clarity on whether – in cases where an RFB is an indirect participant of an FMI – the PRA expects an RFB not to use an entity within its group as its intermediary. CP25/16, published 7 July 2016, consults on the PRA's proposed application of its existing policy to FMIs and FMI-related services and facilities.

1 Regulation (EU) No 909/2014.

9 Governance

9.1 In the near-final rules and supervisory statements in PS10/15, the PRA set out its proposed policy, including proposed rules and expectations, in relation to an RFB's governance arrangements. In CP37/15, the PRA proposed minor amendments to the near-final rules on governance published in PS10/15. In particular, the PRA proposed amendments to the near-final rules in light of its proposal to establish RFB sub-groups. Respondents did not raise any new or significant points in relation to the proposed rules on governance and the PRA has not made any amendments to these.

10 Continuity of services and facilities

10.1 In the near-final rules and supervisory statements in PS10/15, the PRA set out its proposed policy, including proposed rules and expectations, in relation to the arrangements that an RFB may make where it receives services and facilities from other group entities or third parties. In CP37/15, the PRA consulted on updates to its proposed policy, in particular to bring ring-fenced affiliates in scope of the policy in light of its proposal to establish RFB sub-groups.

10.2 Several respondents asked for further clarity on whether specific types of transactions would fall within the scope of the PRA's rules or expectations on 'services and facilities'. The PRA has amended the supervisory statement to clarify that it does not consider financial or commercial transactions (such as derivative transactions) to be 'services and facilities' and therefore these are not within the scope of its policy in relation to continuity of services and facilities. As noted above, CP25/16, published 7 July 2016, consults on the PRA's proposed application of its existing policy to FMIs and FMI-related services and facilities.

11 Compliance with ring-fencing obligations

Demonstration of compliance

11.1 In CP37/15, the PRA proposed a rule requiring an RFB to be able to demonstrate its compliance with every ring-fencing obligation and the extent to which it has acted, if it has chosen to do so, in accordance with guidance given by the PRA which relates to the operation of the ring-fencing obligations.[1] The PRA also proposed rules requiring an RFB to allocate certain compliance responsibilities to a specified relevant person, including the requirement to be able to demonstrate the extent to which RFBs and ring-fenced affiliates have acted in accordance with guidance given by the PRA relating to them.

11.2 Some respondents asked for further clarification on the details of how the PRA intended an RFB (or the specified relevant person) to meet the proposed requirements, including whether the PRA intended for the proposed rules in relation to guidance issued by the PRA to result in such guidance having the force of rules.

11.3 The PRA has amended the rule requiring the specified relevant person to demonstrate the extent to which RFBs and ring-fenced affiliates have acted in accordance with guidance to clarify that the requirement only relates to situations where the RFB or its ring-fenced affiliates have chosen to comply with such guidance. The rule does not, therefore, require compliance with guidance given by the PRA.

1 'Ring-fencing obligations' are defined in the Ring-fenced Bodies Part of the PRA Rulebook as any obligation, prohibition or other requirement imposed on an RFB by or under the Act by virtue of it being an RFB, including any statutory instrument made under the Act and any ring-fencing rule, but not including any rule made by the FCA.

11.4 One respondent asked for clarification on the definition of 'guidance' to which the rules refer. The rules refer only to guidance which has been given by the PRA and which relates to the operation of the ring-fencing regime, as it applies to RFBs and ring-fenced affiliates.

Exceptions to excluded activities and prohibitions

11.5 In CP37/15, the PRA consulted on proposed rules requiring an RFB to put in place policies specifying in detail where it will make use of certain exceptions permitted in the Order ('exceptions policies'). The PRA further proposed to require an RFB to operationalise the exceptions policies, including proposed requirements for internal reporting and oversight.

11.6 Some respondents commented that the proposed requirements would place unnecessarily granular obligations on an RFB and suggested that the proposed rules were therefore unduly burdensome and, in some cases, could be seen as going beyond what is required by the Order. It is not the PRA's intention to interfere with an RFB's ability to make proper use of exceptions under the Order; it is the Order that sets out the requirements for use of exceptions. An RFB must put in place appropriate policies and procedures where it makes use of permitted exceptions. In the PRA's view the use of this approach provides an RFB with sufficient flexibility on how to meet the requirements in the Order for use of exceptions. The PRA has included text in the final supervisory statement to clarify this further.

11.7 The PRA has assessed the proposed rules in light of the feedback received and has made the following amendments in the final rules:

- removed the requirement for an RFB to assess the purpose of a transaction on an ongoing basis, as the Order only requires this at inception;

- removed the requirement for the exceptions policies to set out how the RFB identifies and manages second order risks from exceptions transactions, but retained an expectation that an RFB should appropriately manage these; and

- removed the requirement for the exceptions policies to set out how the RFB uses reverse stress testing techniques in relation to exceptions transactions, as reverse stress tests should be applied to the RFB's entire business model.

11.8 One respondent commented that it was not necessary for internal audit to perform a full assessment of all exceptions policies annually. The PRA has amended the rules to clarify that a full assessment is not required annually, but that a programme of assessment over a cycle of up to three years is permitted, with at least some work performed and reported on annually. This should allow an RFB to integrate the work necessary to meet the rule with its overall internal audit strategy and work plan.

11.9 Some respondents commented that meeting the requirements in relation to existing transactions (the 'back book') could be particularly onerous for an RFB and suggested that existing transactions should therefore be removed from the scope of the rule. As noted in paragraph 7.12 the PRA does not consider that such an approach would be compatible with its obligations under the Act in respect of ring-fencing.

Appendices

1	**PRA Rulebook CRR Firms and Non-authorised Persons: Ring-fenced Bodies Instrument 2016 available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**
2	**Supervisory Statement 8/16 'Ring-fenced bodies (RFBs)' available at www.bankofengland.co.uk/pra/Pages/publications/ss/2016/ss816.aspx**
3	**Update to Supervisory Statement 15/13 'Groups' available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**
4	**Update to Supervisory Statement 16/13 'Large exposures' available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**
5	**Update to instructions for completing data item FSA078 'Pillar 2 Concentration risk minimum data requirements' available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**
6	**Update to 'Statement of Policy - The PRA's methodologies for setting Pillar 2 capital' available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**
7	**Update to 'Pillar 2 reporting schedule' available at www.bankofengland.co.uk/pra/Pages/publications/ps/2016/ps2016.aspx**