

Policy Statement | PS8/18

Pillar 2: Update to reporting requirements

April 2018



BANK OF ENGLAND
PRUDENTIAL REGULATION
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Contents

1	Overview	5
2	Changes to draft policy	6
	Appendices	7

1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) contains the final policy following Consultation Paper (CP) 25/17 ‘Pillar 2: Update to reporting requirements’.¹ The PRA received no responses to the proposals in the CP.

1.2 This PS is relevant to banks, building societies and PRA-designated investment firms.

1.3 The appendices to this PS contain the:

- final rules amending the Glossary, Regulatory Reporting Part, Reporting Leverage Ratio Part, and Reporting Pillar 2 Part of the PRA Rulebook (Appendix 1);
- final data item PRA111 (Appendix 2);
- updated Supervisory Statement (SS) 32/15 ‘Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082, and PRA111’ (Appendix 3); and
- updated Statement of Policy (SoP) ‘The PRA’s methodologies for setting Pillar 2 capital’ (Appendix 4).

Background

1.4 In CP25/17, the PRA made the following proposals:

- a new data item (PRA111) to capture stress testing data currently included in firms’ Internal Capital Adequacy Assessment Process (ICAAP) documents;
- a reduction in the frequency of reporting of the data items in the Reporting Pillar 2 Part of the PRA Rulebook (‘Pillar 2 data items’) for some firms; and
- the consolidation of definitions in several reporting Parts of the PRA Rulebook into the Glossary.

1.5 Firms with total assets equal to or greater than £5 billion, at the relevant level of consolidation used as the basis of their ICAAP, should complete PRA111. The frequency of submission of PRA111 should be aligned with the frequency of the Supervisory Review and Evaluation Process (SREP) of individual firms and should be submitted at the same time a firm submits its ICAAP assessment to the PRA.

1.6 Firms with total assets less than £5 billion would only be requested to complete data item PRA111 on a case-by-case basis where the data are necessary to inform the PRA’s Pillar 2 methodology and supervision of the relevant firm.

Implementation

1.7 The final rules, updated SS32/15 and updated SoP in this PS will take effect from Monday 1 October 2018.

¹ December 2017: www.bankofengland.co.uk/prudential-regulation/publication/2017/pillar-2-update-to-reporting-requirements.

2 Changes to draft policy

2.1 Where the final rules differ from the draft in the CP in a way which is, in the opinion of the PRA, significant, the Financial Services and Markets Act 2000 (FSMA)¹ requires the PRA to publish details of the difference together with a cost benefit analysis, and a statement setting out in the PRA's opinion whether or not the impact of the final rule on mutuals is significantly different to the impact that the draft rule would have had on mutuals or the final rule will have on other PRA-authorized firms.

2.2 The PRA has included additional wording in Rule 2.9 of Reporting Pillar 2 to align it with the revised SoP and clarify that it applies to firms with total assets equal to or greater than £5 billion at the relevant level of consolidation used as the basis of their ICAAP (see Appendix 1). The PRA has also moved the definition of '*Supervisory Reporting ITS*' to the central Glossary as a consequential change resulting from the transfer of the '*total assets*' definition to the central Glossary.

2.3 The PRA has also made minor amendments to reflect a change in terminology from 'Firm Data Submission Framework (FDSF)' to 'Stress Testing Data Framework (STDF)' in paragraph 2.4 of SS32/15 and paragraphs 3.10, 3.11, 4.18, 7.30 and 8.20 of the SoP.²

2.4 The PRA considers that the changes are not significant, and will not increase the burden on firms (including mutuals) or have a differential impact on mutuals compared to other firms. Therefore, the PRA has not updated the cost benefit analysis from the CP, or provided an assessment of the impact on mutuals.

¹ Sections 138J(5) and 138K(4).

² The change in terminology was communicated to firms participating in the Bank's annual stress test at an event in September 2017.

Appendices

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- 1** PRA Rulebook: CRR Firms: Reporting Pillar 2 Amendment No. 1 Instrument 2018 available at:
www.bankofengland.co.uk/prudential-regulation/publication/2017/pillar-2-update-to-reporting-requirements

 - 2** PRA111 available at: www.bankofengland.co.uk/prudential-regulation/regulatory-reporting/regulatory-reporting-banking-sector

 - 3** Supervisory Statement 32/15 UPDATE 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082, and PRA111' available at:
www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss

 - 4** Statement of Policy UPDATE 'The PRA's methodologies for setting Pillar 2 capital' available at:
www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-methodologies-for-setting-pillar-2-capital