

Bank of England PRA

Chapter 10

Instructions regarding reporting templates

IRR.22.03 – Matching adjustment calculation

General comments

This section relates to annual submission of information for individual entities.

This template shall be reported for each matching adjustment portfolio approved by the PRA.

The matching adjustment and its components in R0010-R0060 shall be expressed as a percentage.

	ITEM	INSTRUCTIONS
Z0030	Portfolio number	Indicate the number which is attributed by the undertaking, corresponding to the unique number assigned to each matching adjustment portfolio. This number has to be consistent over time and shall be used to identify the portfolio number in other templates.
Overall calculation of the matching adjustment		
C0010/R0010	Annual effective rate applied to the cash flows of the obligations	The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value in accordance with Valuation 2.1 of the portfolio of assigned assets.
C0010/R0020	Annual effective rate of the best estimate	The annual effective rate, calculated as the single discount rate that, where applied to the cash flows of the portfolio of insurance or reinsurance obligations, results in a value that is equal to the value of the best estimate of the portfolio of insurance or reinsurance obligations where the time value of money is taken into account using the basic risk-free interest rate term structure.
C0010/R0030	Probability of default used to de-risk assets cash flows	The probability of default corresponds to the amount expressed as a financial percentage used to adjust the assets cash flows of the assigned portfolio of assets pursuant to Matching Adjustment 4. 'De-risked assets cash flows' means 'expected

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		assets cash flows' as referred to in Matching Adjustment 4. This amount shall not include the increases reported in rows R0052 and R0054.
C0010/R0040	Portion of the fundamental spread not reflected when de-risking assets cash flows	Portion of the basic fundamental spread (as defined in chapter 5 of SS7/18) that has not been reflected in the adjustment to the cash flows of the assigned portfolio of assets as set out in Matching Adjustment 4. This amount shall not include the increase reported in rows R0052 and R0054.
C0010/R0052	Fundamental spread addition – highly predictable	Addition to the basic fundamental spread (as defined in chapter 5 of SS7/18) applied to reflect the risks arising from the uncertainties regarding the timing and amount of cash flows from assets with highly predictable cash flows in the matching portfolio as set out in Matching Adjustment 8.2 and chapter 5 of SS7/18.
C0010/R0054	Fundamental spread addition – other	Addition to the basic fundamental spread (as defined in chapter 5 of SS7/18) applied other than for assets with highly predictable cash flows to ensure the fundamental spread covers all risks retained by the firm, as set out in Matching Adjustment 4.17 and chapter 5 of SS7/18. This shall reflect retained risks not otherwise captured in R0030 to R0052.
C0010/R0056	Fundamental spread allowance	Total fundamental spread allowance. This is calculated as $R0030 + R0040 + R0052 + R0054$.
C0010/R0060	Matching adjustment to the risk free rate	Matching adjustment to the risk free rate for the reported portfolio. This is calculated as $R0010 - R0020 - R0056$.
Liabilities		
C0010/R0170	Duration	Measure equivalent to Macaulay duration for liabilities considering all cash flows of insurance or reinsurance obligations arising from portfolios where the matching adjustment has been used.