



PRA Regulatory Digest

1-31 July 2015

This digest is for people interested in the UK financial services industry and highlights key regulatory news and publications delivered for the month. Readers are encouraged to continue to visit the Bank of England website throughout the month, '[subscribe to alerts](#)' and visit the [calendar](#) for upcoming news and publications.

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Top news and publications

- Prudential Regulation Authority announces changes to depositor and policyholder protection
- PRA publishes package of policy on assessing capital adequacy under Pillar 2
- Strengthening individual accountability in banking: responses to CP14/14, CP28/14 and CP7/15 – PS16/15
- Implementing a UK leverage ratio framework – CP24/15
- Adapting to Solvency II - speech by Sam Woods

News

- 3 July 2015 [Prudential Regulation Authority announces changes to depositor and policyholder protection](#)
The PRA announced changes to depositor and policyholder protection provided by the Financial Services Compensation Scheme (FSCS). For the majority of depositors currently covered by the FSCS, the existing level of deposit protection (£85,000) will be maintained for six months before changing to £75,000 after 31 December 2015.
Following this, on 31 July 2015, the PRA announced new rules to ensure depositors who may experience a decrease in the level of protection following the change to the FSCS deposit protection limit are given the opportunity to adjust to the new limit, without incurring any penalty or loss of interest – see [announcement published on 31 July 2015](#) for more details.
- 30 July 2015 [Megan Butler to be seconded to the Financial Conduct Authority](#)
Megan Butler, Executive Director of International Banks Directorate at the Bank of England, will undertake a twelve month secondment at the Financial Conduct Authority as Director of Supervision – Investment, Wholesale & Specialists. Megan will start the secondment on 1 September 2015. Sarah Breeden, currently Director of Major Overseas Banks Division, will take the role of acting Executive Director of International Banks Directorate until Megan's return.
- 29 July 2015 [PRA publishes package of policy on assessing capital adequacy under Pillar 2](#)
Policy statement 17/15 sets out the PRA's responses to the feedback CP1/15. It includes final rules, supervisory statements and a statement of policy: 'The PRA's methodologies for setting Pillar 2 capital'. The PS is relevant to banks, building societies and PRA-designated investment firms.
This policy statement was updated on 3 August 2015 – see PS17/15 [webpage](#) for more details.
- 27 July 2015 [Bank of England announces new appointments to the Prudential Regulation Authority Board](#)
The Bank of England announced two new appointments to the PRA Board. The Court of Directors of the Bank, with the approval of the Chancellor of the Exchequer, has appointed David Thorburn and Dr Norval Bryson as independent members of the Board, effective 1 September 2015.

Banking publications and updates

- 31 July 2015 [Depositor and dormant account protection – consequential amendments – PS18/15](#)
This policy statement provides feedback to responses to CP23/15 'Depositor and dormant account protection – consequential amendments'. It sets out final rules intended to advance the PRA's general objective of promoting the safety and soundness of firms by reducing the adverse effects the failure of PRA-authorized firms could be expected to have on the stability of the UK financial system. An updated version of SS18/15 'Depositor and dormant account protection' was also published.
- 29 July 2015 Two updates for CRD IV firms on:
i) [EBA update on the status of its final draft technical standards on additional liquidity monitoring metrics \(ALMM\)](#); and
ii) [interim LCR and interim intraday reporting](#).
- 20 July 2015 [CRD IV: Interim LCR reporting – SS29/15](#)
This supervisory statement sets out the specific liquidity coverage requirement (LCR) reporting arrangements which the PRA expects firms to follow on an interim basis in the period between 1 October 2015, the date the LCR standard applies in accordance with the European Commission's delegated act with regard to the LCR for credit institutions (the Delegated Act), and the introduction of mandatory reporting of the new LCR return following adoption of the amending implementing technical standard (ITS) on liquidity reporting by the Commission.

[CRD IV: update on GABRIEL reporting](#)

[Depositor and dormant account protection - SS18/15 UPDATE](#) - update to section 12 regarding the provision of the information sheet before 1 January 2016 and the requirement to notify depositors of the limit change. The PRA has updated this section to advise that firms discuss options with their supervisor (for example where they face challenges in meeting the relevant requirements).

15 July 2015 [Andrew Bailey letter - further information regarding Lloyds Banking Group Enhanced Capital Notes \(ECNs\) enquiries](#)

10 July [Implementing a UK leverage ratio framework – CP24/15](#)

On 1 July 2015, the Financial Policy Committee (FPC) directed the PRA to implement a UK leverage ratio framework. This consultation sets out how the PRA intends to achieve this. It is proposed that firms in scope will be required to meet a minimum leverage ratio requirement and to consider whether they hold an amount of Common Equity Tier 1 that is greater than or equal to their countercyclical leverage ratio buffer (CCLB), and if the firm is a Global Systemically Important Institution (G-SII), their G-SII additional leverage ratio buffer (ALRB). The consultation is relevant to PRA-regulated banks and building societies with consolidated retail deposits equal to or greater than £50billion. The consultation closes on Monday 12 October 2015.

[PRA statement on housing tools](#) - the PRA set out its intended implementation approach to FPC Directions on loan to value and debt to income ratio limits in the housing market.

7 July 2015 [Strengthening individual accountability in banking: responses to CP14/14, CP28/14 and CP7/15 – PS16/15](#)

This policy statement provides feedback on those aspects of CP14/14 Strengthening accountability in banking: a new regulatory framework for individuals which were not dealt with in PS3/15. It was published alongside Supervisory Statement 28/15 'Strengthening individual accountability in Banking' and a Statement of Policy 'Conditions, time limits and variations of approval'.

For further information on CRD IV visit the [CRD IV updates webpage](#).

Insurance publications and updates

30 July 2015 [Solvency II: update on expectations in relation to deferred tax](#)

24 July 2015 [Solvency II: update on matching adjustment](#)

23 July 2015 [Solvency II: applying EIOPA's Set 1 Guidelines to PRA-authorized firms - SS22/15 UPDATE](#) – This SS was amended to reflect, where relevant, that it applies to Lloyd's, including Lloyd's managing agents, rather than just the Society of Lloyd's.

[Solvency II: treatment of sovereign risk in the internal model – SS30/15](#)

This supervisory statement is of interest to UK insurance firms within the scope of Solvency II and to Lloyd's. The PRA expects firms to read this statement alongside all relevant European legislation and the Solvency Capital Requirement Parts of the PRA Rulebook.

14 July 2015 [Solvency II: Insurance Directors' update letter](#)

9 July 2015 [Adapting to Solvency II - speech by Sam Woods](#)

7 July 2015 [EIOPA published the second set of draft Implementing Technical Standards \(ITS\) and Guidelines for Solvency II](#)

For further information on Solvency II visit the [Solvency II updates webpage](#).

Cross-cutting publications

3 July 2015 **PRA published package of policy on depositor, dormant account and policyholder protection**

- [Depositor and dormant account protection – the protection limit - PS14/15](#)
- [Depositor and policyholder protection - technical amendments - PS15/15](#)
- [Depositor and dormant account protection- consequential amendments - CP23/15](#) - responses to CP23/15 and final policy were published in PS18/15 on 31 July 2015.
- [Supervisory statement - depositor and dormant account protection - SS18/15](#) (subsequently updated on [20 July 2015](#) and [31 July 2015](#)).

Letters sent to [banks and building societies](#) and [wholesale only](#) firms regarding the change to the FSCS deposit protection limit were published on the PRA section of the [Bank's website](#). Full details of the depositor and policyholder protection policy are available on the FSCS ['2015 updates'](#) webpage.

Also in the month

31 July 2015 [Credit union annual statistics - 2014](#)

30 July 2015 [Cyber in context - speech by Andrew Gracie](#)

24 July 2015 [Staff Working Paper No. 536: The impact of liquidity regulation on banks - Ryan N Banerjee and Hitoshi Mio](#)

23 July 2015 [TLAC and MREL: From design to implementation - speech by Andrew Gracie](#)

16 July 2015 [From Lincoln to Lothbury: Magna Carta and the Bank of England – speech by Mark Carney](#)

13 July 2015 [Bank Liabilities Survey 2015 Q2](#)

Readers may also find it useful to refer to other [Bank publications](#) and [speeches by Bank officials](#).

European and international developments

Readers are also referred to the websites for the [European Banking Authority](#), [European Insurance and Occupational Pensions Authority](#), [Basel Committee on Banking Supervision](#), [International Association of Insurance Supervisors](#), and [Financial Stability Board](#).

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