



## PRA Regulatory Digest

1-30 November 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

- The publication of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) review into the failure of HBOS
- The PRA fines Raphaels Bank £1,278,165 for outsourcing failures
- The PRA publishes a package of policy for both Solvency II and non-Solvency II insurance firms

### News

27 November 2015  
19 November 2015

[News Release - PRA fines Raphaels Bank £1,278,165 for outsourcing failures](#)

[News Release - Publication of the PRA and FCA review into the failure of HBOS](#)

The review was originally started by the former regulator, the Financial Services Authority (FSA) in order to analyse the causes of the firm's failure, and to draw out lessons for the future, for both the industry and the regulatory system as a whole. The review concludes that ultimate responsibility for the failure of HBOS rests with the board and senior management. They failed to set an appropriate strategy for the firm's business and failed to challenge a flawed business model which placed inappropriate reliance on continuous growth without due regard to risks involved. In addition, flaws in the FSA's supervisory approach meant it did not appreciate the full extent of the risks HBOS was running and was not in a position to intervene before it was too late.

### Banking publications and updates

30 November 2015  
25 November 2015  
13 November 2015

[CRD IV: Update on Scheduling of Financial Reporting \(FINREP\)](#)

[PRA publishes a modification by consent for the Contractual Recognition of Bail-In rule](#)

[Contractual stays in financial contracts governed by third-country law – PS25/15](#)

This policy statement (PS) provides feedback to responses to Consultation Paper 19/15. It sets out final rules intended to both reduce the risk of contagion from the failure of a relevant firm and support its orderly resolution. This PS is relevant to PRA-authorized banks, building societies, PRA-designated investment firms and their qualifying parent undertakings, which for this purpose comprise UK financial holding companies and UK mixed financial holding companies. The PS is also relevant to credit institutions, investment firms and financial institutions that are subsidiaries of those firms listed above. The Supervisory Statement 42/15 '[Contractual stays in financial contracts governed by third-country law](#)' was published alongside PS25/15.

[Internal Ratings Based \(IRB\) approaches – SS11/13 UPDATE](#)

The PRA updated this statement to remove expectations that have been superseded by decisions or technical standards adopted by the European Commission. Specifically, those expectations relating to third country equivalence have been deleted and expectations for the notification of changes to IRB rating systems have been amended.

11 November 2015  
09 November 2015

[CRD IV: Regulatory data filing rules](#)

[CRD IV: Bank of England's response to the European Commission consultation on the possible impact of the CRR and CRD IV on bank financing of the economy](#)

[CRD IV: Pillar 2 Voluntary requirements \(VREQ\) applications for G-SIIs](#)

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

### Insurance publications and updates

27 November 2015

[Solvency II: third-country insurance and pure reinsurance branches – SS44/15](#)

This supervisory statement replaces SS10/15 'Solvency II: third-country branches'. It is addressed to non-EEA insurance undertakings that have a UK branch (third-country branch undertakings). This includes non-EEA insurance undertakings that have a UK branch that solely carries out reinsurance activities (a third-country pure reinsurance branch). This statement was subject to public consultation in CP31/15 in August.

- 20 November 2015 [The prudential regime, and implementation of the Senior Insurance Managers Regime, for non-Solvency II firms – PS26/15](#)  
 This PS provides feedback on responses to CP26/15 and CP27/15. It also includes links to grandfathering forms for small and large non-Solvency II firms to be submitted to the regulators by 8 February 2016. This PS is relevant to those insurance firms that are not within the scope of Solvency II.
- [Non-Solvency II insurance companies – Capital assessments – SS43/15](#)  
 This SS is addressed to non-Solvency II insurance firms that are not friendly societies. This statement was consulted on in CP27/15 and expands on the PRA's general approach for insurers.
- [Capital extractions by run-off firms within the general insurance sector – CP42/15](#)  
 In this consultation paper (CP), the PRA proposes a supervisory statement that sets out the PRA's expectation of compliance with prudential provisions in the PRA Rulebook for run-off firms in the general insurance sector. The updates proposed to this statement reflect the changes to the PRA Rulebook that will occur when the new Solvency II and non-Directive firm regimes come into force on 1 January 2016. The updates to this draft statement do not represent a change in PRA policy but do set expectations of how the Own Risk and Solvency Assessment (ORSA) should be used when making decisions about whether to apply for a capital extraction. This consultation closes on Wednesday 20 January 2016.
- [Solvency II: external audit of the public disclosure requirement – CP43/15](#)  
 This CP is relevant to firms in scope of Solvency II including the Society of Lloyd's (insurers), auditors and those individuals or firms who are likely to use the Solvency and Financial Condition Report (SFCR). This CP sets out the PRA's proposal for a policy to require the external audit of elements of Pillar 3 disclosure under Solvency II and seeks feedback on the proposal, draft rules and draft supervisory statement. This consultation closes on Friday 19 February 2016.
- [Mutuality and with-profit funds: a way forward – SS1/14 UPDATE](#)  
 The PRA updated SS1/14 to reflect the changes to the PRA Rulebook that will occur when the new Solvency II and non-Directive firm regimes come into force on 1 January 2016. The updates to this statement do not represent a change in PRA policy. This update supplements the PRA's expectations set out in the original statement, published on 28 March 2014.
- [Valuation risk for insurers – SS9/14 UPDATE](#)  
 The PRA updated this supervisory statement to reflect the changes to the PRA Rulebook that will occur when the new Solvency II and non-Directive firm regimes come into force on 1 January 2016. This update supplements the PRA's expectations set out in the original statement, published on 22 August 2014.
- [Pension obligation risk: treatment under the Individual Capital Adequacy Standards \(ICAS\) for insurers – Legacy Supervisory Statement 5/13 DELETED](#)  
 On 20 November 2015 LSS 5/13 Pension obligation risk was deleted.
- 07 November 2015 [Solvency II: Update on applications for matching adjustment approval under Solvency II](#)  
 06 November 2015 [PRA Solvency II: Insurance Directors' update letter](#)  
 For further information on Solvency II visit the [Solvency II updates webpage](#).

## Cross-cutting publications

- 11 November 2015 [Occasional Consultation Paper – CP41/15](#)  
 This Occasional Consultation Paper (OCP) proposes miscellaneous and minor amendments to PRA rules and supervisory statements. The OCP chapters are: 1. Amendments to Rulebook Parts relevant to the Society of Lloyd's; 2. Amendments to SS13/13 on market risk; 3. Amendments to SS12/13 on counterparty credit risk; 4. Consequential amendments to the Senior Managers Regime (SMR) and the Senior Insurance Managers Regime (SIMR); 5. Amendments to definitions related to credit unions. Responses were requested by Wednesday 25 November for Chapter 1. Responses are invited by Monday 11 January 2016 for Chapters 4 and 5; and Thursday 11 February for Chapters 2 and 3.

## Also in the month

- 17 November 2015 [Treasury Select Committee Hearing – PRA Annual Accounts](#)  
 12 November 2015 [International Capital Standards for Insurers – speech by Victoria Saporta](#)  
 11 November 2015 [The Bank of England Open Forum](#)  
 10 November 2015 [The Outlook for Countercyclical Macroprudential Policy – speech by Sir Jon Cunliffe](#)  
 06 November 2015 [Staff Working Paper No. 562: International banking and liquidity risk transmission: lessons from the United Kingdom – Robert Hills, John Hooley, Yevgeniya Korniyenko and Tomasz Wieladek](#)  
 03 November 2015 [Governance and the role of Boards – speech by Andrew Bailey](#)  
[Solvency II: Approaching the try line – speech by Sam Woods](#)

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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