



PRA Regulatory Digest

1-31 August 2016

The PRA Regulatory 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.

Please note: Two new sections have been added to the Digest to:

- i) PRA open consultations closing in the coming month, together with a link to a list of all open consultations with the closing date and email address for responses; and
- ii) link to the Bank Underground blog.

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Top news and publications

- Bank of England cuts Bank Rate to 0.25% and introduces a package of measures designed to provide additional monetary stimulus
- PRA publishes PRA statement on the leverage ratio
- PRA rules on diversity within firms’ management body
- Solvency II: Remuneration requirements

News

04 August 2016

[Bank of England cuts Bank Rate to 0.25% and introduces a package of measures designed to provide additional monetary stimulus](#)

The Bank of England’s Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending 3 August 2016, the MPC voted for a package of measures designed to provide additional support to growth and to achieve a sustainable return of inflation to the target. This package comprises: a 25 basis point cut in Bank Rate to 0.25%; a new Term Funding Scheme to reinforce the pass-through of the cut in Bank Rate; the purchase of up to £10 billion of UK corporate bonds; and an expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total stock of these asset purchases to £435 billion. The last three elements will be financed by the issuance of central bank reserves.

[Financial Policy Committee statement and record from its policy meeting, 25 July 2016](#)

The Bank of England’s Financial Policy Committee (FPC) has decided to exclude central bank reserves from the exposure measure in the current UK leverage ratio framework, with immediate effect. In doing so, the FPC’s aim is to ensure that the leverage ratio does not act as a barrier to the effective implementation of policy measures that might lead to an increase in central bank reserves. To implement this decision to exclude central bank reserves, the FPC has made the following Recommendation to the PRA: *The FPC recommends to the PRA that, when applying its rules on the leverage ratio, it considers allowing firms to exclude from the calculation of the total exposure measure those assets constituting claims on central banks where they are matched by deposits accepted by the firm that are denominated in the same currency and of identical or longer maturity.*

Banking publications and updates

12 August 2016

[PRA rules on diversity within firms’ management body](#)

The PRA published a letter reminding all Capital Requirement Regulation (CRR) firms that they are required to comply with PRA rules to put in place a policy promoting diversity on the management body. The letter includes links to the General Organisational Requirements chapter of the PRA Rulebook, and the ‘EBA report on the benchmarking of diversity practices’ published in July.

04 August 2016

[PRA publishes PRA statement on the leverage ratio](#)

This PRA statement invites firms to apply for a temporary modification of the Leverage Ratio Part of the PRA Rulebook in response to a Recommendation from the FPC to the PRA in relation to the composition of the total exposure measure for the purposes of the leverage ratio. This modification is available to firms that are currently subject to the UK leverage ratio framework.

[PRA publishes letter to firms on the leverage ratio](#)

The PRA strongly encourages all firms subject to the leverage ratio to apply for this modification (details included in the PRA statement above); firms are able to apply with immediate effect. It is expected that directions will be issued automatically upon a firm providing its consent. On 29 September 2016 the PRA intends to publish a list of all firms that have consented to the rule modification, with that list subsequently being updated on a monthly basis as necessary.

[PRA publishes information on a modification by consent](#)

This modification by consent is available to all CRR firms that are subject to the Leverage Ratio Part of the PRA Rulebook, according to the requirements in Leverage Ratio rule 1.1.

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

For further information on structural reform visit the [Structural reform webpage](#).

For new banks, please see the [New Banks Start-up Unit webpage](#).

Insurance publications and updates

31 August 2016

[Scopes of responsibilities reminder](#)

The deadline for Solvency II firms to submit their Scopes of Responsibilities (SoRs) is Wednesday 7 September 2016. The key requirements for insurers submitting their SoRs are available on the [Strengthening accountability page](#) which provides links to information and details on how firms should submit SoRs and other forms.

12 August 2016

[Solvency II: Remuneration requirements – PS22/16](#)

This PRA policy statement (PS) provides feedback to responses on Consultation Paper (CP) 13/16 ‘Solvency II: Remuneration requirements’ and includes a final supervisory statement (SS) on the Solvency II remuneration requirements, and a Remuneration Policy Statement (RPS) reporting template for PRA Category 1 and 2 firms. This PS is relevant to all UK Solvency II firms including the Society of Lloyd’s and managing agents (‘Solvency II firms’). The Solvency II remuneration requirements are contained in Article 275 of the Commission Delegated Regulation (EU) 2015/35 (‘the Solvency II Regulation’) with guidance provided in the European Insurance and Occupational Pensions Authority (EIOPA) ‘Guidelines on system of governance’ finalised on 14 September 2015. The Solvency II Regulation is directly applicable to Solvency II firms, and as such it is for firms themselves to interpret the Solvency II Regulation correctly and ensure compliance. The PRA expects all Solvency II firms to comply with Article 275 of the Solvency II Regulation. The PRA, as the supervisory authority responsible for monitoring and enforcing compliance with Article 275, publishes the final SS to support compliance by setting out the PRA’s expectations of how compliance may be achieved, particularly by ‘significant insurers’ (PRA Category 1 and 2 firms).

[Solvency II: Remuneration requirements - SS10/16](#)

This SS is relevant to all Solvency II firms. The PRA expects firms to read this statement alongside all relevant European legislation. This SS provides guidance for significant (PRA Category 1 and 2) Solvency II firms in complying with the requirements in Article 275 of the Solvency II Regulation. It may also be used as a guide for smaller firms when reviewing their remuneration policies and practices against the Solvency II Regulation requirements. This statement does not set absolute requirements as these are contained in the directly applicable Solvency II Regulation which came into force on 1 January 2016. Category 1 and 2 firms unable to meet or exceed the PRA’s expectations (as set out in this SS) should inform their PRA supervisory contact.

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

For further information for non-Directive firms visit the [non-Directive firms webpage](#).

Cross-cutting publications and updates

For information on strengthening accountability visit the [Strengthening accountability webpage](#).

PRA open consultations – closing September 2016

05 September
2016

[Credit union regulatory reporting - CP24/16](#)

To view all open consultations as at 1 September 2016, please see [PRA open consultations](#).

Also in the month

16 August 2016

[Staff Working Paper No 608: Financial market volatility, macroeconomic fundamentals and investor sentiment](#)

[Staff Working Paper No. 609: The role of collateral in supporting liquidity](#)

11 August 2016

[Staff Working Paper No 606: Risk shocks close to the zero lower bound](#)

[Staff Working Paper No. 607: Contagion, spillover and interdependence](#)

04 August 2016

[Inflation Report, August 2016](#)

[Bank Rate cut and other new measures: what do they mean?](#)

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

Bank Underground

Bank Underground is a blog for Bank of England staff to share views that challenge – or support – prevailing policy orthodoxies. The views expressed here are those of the authors, and are not necessarily those of the Bank of England or its policy committees.

To view all Bank underground blogs, please see the [Bank Underground homepage](#).

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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