



PRA Regulatory Digest

1-29 February 2016

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

- PRA and FCA statement on compliance with the EBA guidelines on Sound Remuneration Policies.
- PRA fines and bans Colin McIntosh, CEO of Millburn Insurance Company Limited, for serious regulatory breaches and also fines Millburn £2,863,066
- Reform of the Credit Unions sourcebook – PS4/16
- Strengthening accountability update: Implementation on 7 March

News

- 29 February 2016 [PRA and FCA statement on compliance with the EBA guidelines on Sound Remuneration Policies](#)
The Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) have notified the European Banking Authority (EBA) that the regulators will comply with all aspects of the EBA guidelines on Sound Remuneration Policies, except for the provision that the limit on awarding variable remuneration to 100% of fixed remuneration, or 200% with shareholder approval (the bonus cap), must be applied to all firms subject to the Capital Requirements Directive (CRD).
- 1 February 2016 [PRA fines and bans Colin McIntosh, CEO of Millburn Insurance Company Limited, for serious regulatory breaches and also fines Millburn £2,863,066](#)
The PRA imposed a £25,173 fine on Colin McIntosh, CEO of Millburn Insurance Company Limited ('Millburn') and banned him from holding any controlled functions at any PRA-authorized firm. The PRA also fined Millburn £2,863,066 for failing to run the business with due skill, care and diligence between 26 December 2010 and 18 September 2013.

Banking publications and updates

- 19 February 2016 [The PRA's approach to identifying other systemically important institutions \(O-SIIs\) – PS6/16](#)
This policy statement (PS) provides feedback to responses to CP39/15 'The PRA's approach to identifying other systemically important institutions (O-SIIs)'. The PS also contains a statement of policy on the PRA's approach to identifying O-SIIs and the PRA's 2015 list of UK firms designated as O-SIIs. This policy statement is relevant to all credit institutions, investment firms, EEA parent institutions, EEA parent financial holding companies and EEA parent mixed financial holding companies within the domestic financial sector at their highest level of consolidation in the United Kingdom.
- 15 February 2016 [Amendments to the PRA's rule on loan to income ratios in mortgage lending – CP6/16](#)
This consultation paper (CP) sets out the PRA's proposals for amendments to the Housing Part of the PRA Rulebook in respect of second and subsequent charge mortgage contracts. From 21 March 2016 second and subsequent charge mortgage contracts will fall under the definition of a regulated mortgage contract as part of the implementation of the Mortgage Credit Directive. The PRA's rule place a loan to income (LTI) flow limit on regulated mortgage contracts. This consultation paper proposes to amend the PRA's rules to maintain the PRA's current policy of excluding second and subsequent charge mortgage contracts from the loan to income limit, with the intention to consult subsequently on including these loans in the LTI flow limit when loan level data becomes available in the course of 2017. This CP is relevant to banks, building societies, friendly societies, industrial and provident societies, credit unions, PRA-designated investment firms, and overseas banks in relation to their UK branch activity. The consultation closes on Friday 11 March.
- 11 February 2016 [PRA response to the letter from Mr Sanders regarding Lloyds Banking Group](#)
- 1 February 2016 [Reform of the legacy Credit Unions sourcebook – PS4/16](#)
This PS provides feedback to responses to CP22/15 'Reform of the legacy Credit Unions sourcebook'. The PS also contains PRA final rules and Supervisory Statement 2/16 'The prudential regulation of credit unions' intended to be read in conjunction with the rule instrument, and FCA final rules and guidance. The PS also contains the FCA changes to the FCA Credit Unions Sourcebook (CREDS) as a result of the December 2014 consultation by the FCA on forms, transitional and consequential aspects of the new accountability framework for individuals working in banks, building societies, and credit unions (CP14/31).

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

Insurance publications and updates

- 24 February 2016 [Solvency II update: Day 1 reporting](#)
- 18 February 2016 [Solvency II: Internal model reporting codes and components – SS37/15 UPDATE](#)
SS37/15 was updated to provide the additional flexibility when assigning codes to internal model Solvency Capital Requirement components being reported. This supervisory statement sets out how the PRA expects firms to submit information using product reporting codes when applying to use an internal model or partial internal model.
- 15 February 2016 [Solvency II update: European Insurance and Occupational Pensions Authority \(EIOPA\) announced its plans to hold Europe-wide stress tests in 2016](#)
- 9 February 2016 [Solvency II update: the PRA issued three items of interest to Solvency II insurers](#)
- Solvency II Directors' letter 'Longevity risk transfers'
 - Solvency II: internal model approval process data review findings
 - PRA note – Directors' certificates for 2015/2016 PRA regulatory returns for insurers

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

Cross-cutting publications

- 29 February 2016 [Strengthening accountability update: Implementation on 7 March](#)
- 26 February 2016 [Internal governance of third country branches and response to CP3/16 – PS8/16](#)
This PS issues the final rules and a supervisory statement relating to the internal governance arrangements of UK branches of non-EEA banks and PRA-designated investment firms, known as 'third country branches'. Chapter 2 of this policy statement is relevant to all third country branches. Chapter 3 is relevant to all PRA-authorized firms. All the rules and supervisory statements set out in the appendices apply from 7 March 2016.
- 26 February 2016 [PRA Rulebook: Fees Part and responses to CP40/15 – PS7/16](#)
This PS provides feedback to responses to CP40/15 'The PRA Rulebook: Fees' and is relevant to all PRA-regulated firms. It includes Supervisory Statement 3/16 'Fees: PRA approach and application'. Fee rates shown in the final rules instrument are those in force at the date of the policy statement (ie for the 2015/16 fee year). Fee rates for 2016/17 will be subject to consultation in spring 2016.
- 15 February 2016 [Strengthening accountability in banking and insurance: Implementation of SM&CR and SIMR; and PRA requirements on regulatory references – PS5/16](#)
This PS provides feedback and includes the corresponding rules set out in CP36/15 'Strengthening accountability in banking and insurance: regulatory references' and CP41/15 'Occasional Consultation Paper'. It also includes the rules made by the FCA in respect of Swiss general insurers.
- 11 February 2016 [Complaints against the Regulators \(the Bank of England, the Financial Conduct Authority and the Prudential Regulation Authority\) – CP5/16](#)
This CP sets out changes to the Complaints Scheme to implement new legislative requirements. The consultation closes on 9 March 2016.
- 10 February 2016 [Strengthening accountability update: grandfathering deadline](#)

Also in the month

- 24 February 2016 [The UK Economy Post Crisis: A Series of Unfortunate Events? – speech by Jon Cunliffe](#)
- 17 February 2016 [The new Solvency II landscape – speech by Andrew Bulley](#)
- 12 February 2016 [Financial Stability Paper No. 36: Stitching together the global financial safety net – Edd Denbee, Carsten Jung and Francesco Paternò](#)
- 11 February 2016 [EU Economic and Financial Affairs Sub-Committee hearing on Completing Europe's Economic and Monetary Union - Andrew Bailey & Jon Cunliffe](#)
- 5 February 2016 [Internal Audit and supervisory expectations – building on progress - speech by Sasha Mills](#)
- 3 February 2016 [Treasury Select Committee Hearing – The Economic and financial costs and benefits of UK's EU membership - Andrew Bailey](#)

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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