



## PRA Regulatory Digest

1-31 October 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

- [Sam Woods: news release and speech at Mansion House](#)
- [Working together for an 'ethical lift' across finance: new speeches](#)
- [PRA issues policy and a Modification by Consent relevant to Solvency II insurers](#)

### News

26 October [The revolution is over. Long live the revolution! - news release and speech by Sam Woods](#)

At the Mansion House City Banquet, Sam Woods gave his first speech as the Bank of England's Deputy Governor for Prudential Regulation and Chief Executive of the Prudential Regulation Authority (PRA). He welcomed the post-crisis revolution in regulatory standards and committed to completing their implementation, so that firms can adapt their business models to the new world.

20 October [Working together for an 'ethical lift' across finance: new speeches](#)

Bank of England Deputy Governor for Markets and Banking Minouche Shafik and Executive Director for UK Deposit Takers Supervision James Proudman spoke at the New York Federal Reserve's conference, 'Reforming Culture and Behaviour in the Financial Services Industry: Expanding the Dialogue'. They discussed this challenge from the perspective of market-wide reform and firm-level implementation respectively. Minouche explored the wide-ranging actions of the UK authorities after the Fair and Effective Markets Review (FEMR) to help reverse the tide of misconduct that had emerged across markets since the financial crisis. Within this broad theme, James explained how the PRA is implementing a regulatory framework around accountability and how this is applied to individual firms.

### Banking publications and updates

31 October [Bankstats article 'New statistical publication of aggregate regulatory capital data'](#)

This article announces the launch of a new quarterly statistical release of aggregate regulatory capital data on 16 December 2016. The release will present recent developments in levels of capital and risk-weighted assets since Q1 2014 for the UK banking sector, as well as more detailed breakdowns of the movements in different tiers of capital and risk exposure types. The aggregates will be compiled using data on levels of capital and risk-weighted assets as reported under CRD IV.

27 October [MiFID II: Responses to CP9/16 – PS29/16](#)

This PRA policy statement (PS) provides feedback to responses to Consultation Paper (CP) 9/16 'Implementation of MiFID II: Part 1'. It sets out final rules to transpose the Markets in Financial Instruments Directive (MiFID II) legislative package for: i) the extension of scope and harmonisation of the MiFID passporting regime in the Passporting Part of the PRA Rulebook; and ii) systems and controls for firms who undertake algorithmic trading and provide direct electronic access to trade venues in the new Algorithmic Trading Part of the PRA Rulebook. This PS is relevant to banks, building societies, PRA-designated investment firms and their qualifying parent undertakings, which for this purpose comprise financial holding companies and mixed financial holding companies, as well as credit institutions, investment firms and financial institutions that are subsidiaries of these firms.

20 October [PRA statement on the concept of 'durable link'](#)

This PRA [statement](#) clarifies the PRA's interpretation of the concept of 'durable link', which is important for ascertaining whether a holding of less than 20% in another undertaking is to be treated as a 'participation' for the purposes of the Capital Requirements Regulation (575/2013) (CRR). This in turn determines the correct capital treatment of the investment in the hands of the firm. In accordance with the CRR, the PRA requires firms to proportionally consolidate participation interests in other

undertakings while non-participatory significant investments must be deducted from regulatory capital, subject to specific thresholds.

- 18 October [PRA statement on feedback received during the consultation period for CP21/16 'Pillar 2 liquidity'](#)  
On 12 May 2016 the PRA published [CP21/16 'Pillar 2 liquidity'](#). The consultation closed on 12 August 2016; in total the PRA received 11 responses. This [statement](#) summarises the feedback received on the draft statement of policy, but does not provide final policy proposals. As noted in CP21/16, the PRA will publish a second CP covering a range of risks outlined in CP21/16 (mid-2017 on current plans). This second CP will include a cost benefit analysis on the entire proposed Pillar 2 framework. Until all Pillar 2 framework proposals are finalised, a cost benefit analysis cannot be completed, and therefore finalised proposals cannot be put forward. The feedback received on CP21/16 will feed into a cost benefit analysis and final PRA policy proposals published in the second CP.
- 17 October [Taxonomy 2.4.1.1](#)  
The Financial Conduct Authority issued a note on its [website](#) that Taxonomy 2.4.1.1 is available on GABRIEL for reporting period end dates on or after 30 September 2016.
- 10 October [New Bank Start-up Unit seminar](#)  
The PRA and FCA New Bank Start-up Unit (NBSU) held a seminar for those working in, and with, organisations thinking about becoming a bank in the United Kingdom, firms currently going through the bank authorisation process and recently authorised banks navigating the regulatory requirements. Slides from the seminar are available on the [NBSU webpages](#).
- 07 October [Waiver by consent of Continuity of Access rules](#)  
As part of the suite of reforms introduced during the transposition of the Deposit Guarantee Schemes Directive (DGSD), the PRA introduced rules in the Depositor Protection Part of the PRA Rulebook (DPP) requiring firms to put in place systems to ensure eligible depositors have continued access to Financial Services Compensation Scheme (FSCS)-covered deposits in resolution or insolvency by facilitating a transfer of such deposits (Continuity of Access). The unmodified rules require all firms subject to the Continuity of Access (CoA) rules in the DPP to meet these criteria by 1 December 2016. Since the introduction of CoA rules, the Bank's approach to resolution has evolved and the Bank has been assessing how this impacts the transfer of FSCS-covered deposits under CoA. An individual waiver process has always been published as available to firms based on factors listed in [Supervisory Statement \(SS\) 18/15](#), and the PRA now considers it appropriate also to offer a waiver by consent to a broader set of firms.
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- 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 webpages](#).

## Insurance publications and updates

- 25 October [Solvency II technical briefing](#)  
The PRA issued invitations to Solvency II firms, solution vendors and other industry stakeholders to a technical briefing on Thursday 17 November 2016. The focus will be on how to use the Solvency II national specific templates (NSTs) and standard formula (SF) templates for firm submissions and is aimed at individuals in firms and solution vendors responsible for the technical aspects of a firm's reporting. More information, including how to register, is available on the [PRA Solvency II national specific and standard formula templates briefing page](#).  
[Solvency II: Monitoring model drift and standard formula SCR reporting for firms with an approved internal model – SS15/16](#)  
This (SS) sets out the PRA's expectations of firms with an approved internal model, and provides further information on the PRA's approach to monitoring model drift and the reporting of standard formula Solvency Capital Requirement (SCR) information. The SS is relevant to UK solo insurance firms within the scope of Solvency II, including undertakings where the solo SCR is calculated by a group internal model, the Society of Lloyd's in respect of each of their syndicates, and in respect of outputs of the Lloyd's internal model.  
[Solvency II: Reporting of National Specific Templates – CP37/16](#)  
In this CP, the PRA proposes changes to NST file type and reporting format and presents a number of reporting clarifications and technical corrections relating to the accompanying NST LOG files. The CP is relevant to all UK Solvency II firms required to submit NSTs and to Lloyd's. Specifically the PRA proposes:  
(a) reporting for financial year-end 2017 onwards whereby firms submit NSTs in standard XBRL format;  
(b) transitional arrangements for financial year-end 2016 whereby firms submit NSTs in XBRL-enabled format or standard XBRL; and  
(c) updates to the NST LOG files to reflect changes in cell references, reporting clarifications and technical corrections.  
This consultation closes on Tuesday 6 December 2016.

### [Modification by Consent of Solvency II Reporting Rules for National Specific Templates](#)

To enable firms to submit NSTs in XBRL or XBRL-enabled Excel format, the PRA published a Modification by Consent to enable firms with a financial year ending on or after 30 June 2016 but before 19 December 2016 to have time to implement the proposed changes to the reporting format.

11 October [PRA Rulebook: Administration Instrument \(No. 1\) 2016](#)

Following consultation on this administration instrument, the PRA intends to make corrections to the PRA Rulebook. The corrections are not substantive and are not intended to change PRA policy.

10 October [Reporting instructions for non-Solvency II firms \(except friendly societies\) – SS14/16](#)

This SS sets out the PRA's expectations regarding the completion of the regulatory reporting requirements detailed in the Insurance Company – Reporting Part of the PRA Rulebook. This statement is applicable to insurance firms that are outside the scope of Solvency II and are not friendly societies (these firms are described as non-Directive insurance firms). The guidance on completing data items is set out in a series of appendices to this SS.

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

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

### Cross-cutting publications and updates

24 October [PRA Rulebook questionnaire](#)

The [PRA Rulebook website](#) launched in August 2015, and contains the PRA's requirements for firms. The PRA Rulebook replaced the Financial Services Authority (FSA) Handbook, which the PRA adopted following legal cutover (1 April 2013). Since its launch the PRA has continued to develop the website, and user feedback plays an important part in helping the PRA do this. Please take a few moments to complete this questionnaire, and help the PRA continue to develop the user experience of the PRA Rulebook website. The PRA is particularly interested to hear about users' experiences over the last three months (since August 2016). Please complete the questionnaire by 4 November 2016.

11 October [Occasional Consultation Paper – CP36/16](#)

This Occasional Consultation Paper (OCP) sets out proposed changes to the following Parts of the PRA Rulebook, existing and new SSs:

- Regulatory Reporting Part and draft SS 'Supervising international banks: the Prudential Regulation Authority's approach to branch supervision – liquidity reporting' (Chapter 2);
- Own Funds, Group Supervision, and Insurance Company – Capital Resources Parts (Chapter 3);
- SS13/13 'Market Risk' (Chapter 4);
- Ring-fenced Bodies and Notifications Parts, and the Rulebook Glossary (Chapter 5);
- Credit Unions Part and SS2/16 'The prudential regulation of credit unions' (Chapter 6); and
- External Audit Part (Chapter 7).

This OCP also consults on an administration instrument (see Appendix 12). This consultation is relevant to all PRA-authorised firms.

The consultation will close on:

- Tuesday 25 October 2016 for the administration instrument (Appendix 12);
- Monday 12 December 2016 for Chapter 5; and
- Wednesday 11 January 2017 for Chapters 2, 3, 4, 6 and 7.

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

### PRA open consultations – closing November 2016

09 November [PRA fees and FSCS levies for insurers: proposals for a transitional approach in 2017/18 - CP30/16](#)

28 November [The PRA's expectations on remuneration – CP33/16](#)

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

### Also in the month

21 October [Staff Working Paper No. 625: The levels of application of prudential requirements: a comparative perspective](#)

14 October [Future Forum 2016](#)

05 October [Uncertain times – speech by Ben Broadbent](#)

04 October [The economic outlook – speech by Michael Saunders](#)

03 October [Record of FPC Meeting held on 20 September 2016](#)

03 October [Stress testing results timetable – news release](#)

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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