



PRA Regulatory Digest

1-30 September 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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News

- 29 September [PRA issues buy-to-let underwriting standards expectations](#)
- The PRA announced its [expectations of firms' underwriting standards](#) to apply to the buy-to-let market. It follows a [review of the buy-to-let market in 2015/2016](#). The PRA's actions are intended to bring all lenders up to prevailing market standards and guard against any slipping of underwriting standards during a period in which firms' growth plans could be challenged by the changing economic landscape and the impact of forthcoming tax changes. The publications are listed in 'Banking publications and updates' below.
- 28 September [Strengthening accountability, remuneration rules and whistleblowing](#)
- The PRA has published a package of final rules, guidance and proposals on accountability, remuneration and whistleblowing. Each of the PRA publications is listed on the [Bank's website](#). The Financial Conduct Authority's (FCA's) publications are available on [its website](#).
- 22 September [Resolving the climate paradox – speech by Mark Carney](#)
- The Governor considers the financial stability risks posed by climate change, and how building new markets in climate transition and green finance could help resolve these risks.
- [Financial Policy Committee \(FPC\) statement from its meeting, 20 September 2016](#)
- At its meeting on 20 September, the FPC reviewed developments since its meeting on 1 July and since the 23 June referendum on the United Kingdom's membership of the European Union. The FPC expects to maintain a UK countercyclical capital buffer (CCyB) rate at 0% until at least June 2017, absent any material change in the outlook. It also continues to support the clear supervisory expectation of the PRA Board that firms should not increase dividends and other distributions as a result of the UK CCyB rate being maintained at 0%. The FPC has also conducted its third annual assessment of the impact on financial stability of the Help to Buy: Mortgage Guarantee scheme. The Committee judges that, given the parameters used in the scheme, the scheme has not posed risks to financial stability and that, in current market conditions, its closure as planned at the end of the year would be unlikely to affect significantly the provision of finance.
- 20 September [Building the market infrastructure of tomorrow: CREST, RTGS and the Bank of England, 20 years on - speech by Andrew Hauser](#)
- In this speech, Andrew explores the history of the CREST payments system, which now processes around a quarter of a trillion pounds worth of payments every day. He also reflects on the lessons learned when CREST was built 20 years ago, how those lessons have been applied to the current strategic review of our real-time gross settlement (RTGS) system, and what lies ahead for securities market infrastructure.



Banking publications and updates

- 30 September [CRD IV reporting](#)
- The FCA issued a note on its [website](#) that, due to a recent unexpected IT incident, it is unable to implement Taxonomy 2.4.1.1 which comes into effect on 1 October. The FCA is targeting either Monday 17 or Monday 24 October for the Taxonomy to be available on GABRIEL. Firms are encouraged to continue to use the Pre-Production Test Environment to prepare and test their T2.4.1.1 files; please email GABRIEL.TEST@fca.org.uk to gain access if needed. Please note: the resubmission of previously-submitted items is not impacted.
- 29 September [Underwriting standard for buy-to-let mortgage contracts – PS28/16](#)
- This Policy Statement (PS) provides feedback to the responses to [‘Underwriting standards for buy-to-let mortgage contracts’ - Consultation Paper \(CP\) 11/16](#), and the final [‘Underwriting standards for buy-to-let mortgage contracts’ - Supervisory Statement \(SS\) 13/16](#). This PS is relevant to all firms regulated by the PRA that undertake buy-to-let lending that is not already subject to FCA regulation.
- [Underwriting standard for buy-to-let mortgage contracts – SS13/16](#)
- This SS is relevant to all firms regulated by the PRA that undertake buy-to-let lending that is not already subject to FCA regulation. The PRA expects regulated firms to ensure that the standards contained in this SS are adopted by other firms undertaking buy-to-let lending within their groups.
- [A loan-level data collection for buy-to-let lending: details of phase 2 of the collection - BankStats](#)
- This article outlines details of phase 2 of the loan-level data collection for buy-to-let lending, to be implemented from 2018 Q1 data.
- 28 September [Buy-outs of variable remuneration – PS26/16](#)
- This PS provides feedback on responses to [‘Buy-outs of variable remuneration’ - CP2/16](#). The PS also includes final rules amending the Remuneration Part of the PRA Rulebook intended to ensure that the practice of buy-outs does not blunt the beneficial incentive effects of the existing rules on malus and clawback, or allow employees to avoid the proper consequences of their actions. This PS is relevant to banks, building societies and PRA-designated investment firms, including UK branches of non-European Economic Area (EEA) headquartered firms.
- [The PRA’s expectations on remuneration – CP33/16](#)
- In this CP, the PRA proposes to create a unified SS on remuneration. This will draw together the PRA’s existing SSs on proportionality, the application of malus and other elements of remuneration in relation to the Remuneration Part of the PRA Rulebook and set out additional expectations of firms. This CP is relevant to all Capital Requirements Regulation (CRR) firms and third country CRR firms in relation to their activities carried on from an establishment in the United Kingdom. Please address any comments or enquiries to CP33_16@bankofengland.co.uk by Monday 28 November 2016.
- [Strengthening individual accountability in banking – update to SS28/15](#)
- SS28/15 was updated alongside the publication of [‘Strengthening accountability in banking and insurance: PRA requirements on regulatory references \(part II\)’ - PS27/16](#). It sets out the PRA’s approach to strengthening individual accountability in banking. It applies to all Relevant Authorised Persons as defined in section 71A of the Financial Services and Markets Act 2000 (FSMA). This version of SS28/15 supersedes the update issued on 6 January 2016. Please note, SS28/15 is being consulted on as part of [‘Strengthening accountability in banking and insurance: amendments and optimisations’ - CP34/16](#), published on Wednesday 28 September 2016.
- 27 September [Implementing risk-based levies for the FSCS deposit class – PS25/16](#)
- This PS provides feedback on responses to [‘Implementing risk-based levies for the Financial Services Compensation Scheme deposits class’ - CP7/16](#). This PS is relevant to UK banks, building societies and credit unions as well as to overseas firms with PRA deposit-taking permission; and the Financial Services Compensation Scheme (FSCS), as the UK’s administrator of its Deposit Guarantee Scheme (DGS).
- [Implementing risk-based levies for the FSCS deposit class – Statement of policy](#)
- This statement of policy sets out the calculation methodology that the PRA uses, as the United Kingdom’s designated authority in respect of the DGS, to calculate the risk adjustment for DGS member contributions to the FSCS. This methodology will apply only to the calculation of compensation cost levies.
- 05 September [Responses to Chapter 5 of CP41/15 – amendment to the definition of credit unions – PS23/16](#)
- This PS provides feedback to responses to Chapter 5 of [‘Occasional Consultation Paper’ - CP41/15](#), and sets out final rules to amend the definition of ‘credit union’ in the PRA Rulebook Glossary. This PS is relevant to credit unions.

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

- 29 September [Dealing with a market-turning event in the general insurance sector – speech by Chris Moulder](#)
Speech on the background to the PRA's recent [CP](#) given by Chris Moulder, Director of General Insurance, at the Insurance Insider London 100.
- 28 September [Strengthening individual accountability in insurance – update to SS35/15](#)
SS35/15 was updated alongside the publication of '[Strengthening accountability in banking and insurance: PRA requirements on regulatory references \(part II\) - PS27/16](#)'. It sets out the PRA's approach to strengthening individual accountability in insurance. It is addressed to UK Solvency II insurance firms, third country insurance branches within the scope of the PRA's rules transposing the Solvency II Directive, and the Society of Lloyd's and managing agents. This version of SS35/15 supersedes the update issued on 13 August 2015. Please note, SS35/15 is being consulted on as part of '[Strengthening accountability in banking and insurance: amendments and optimisations](#)' - [CP34/16](#), published on Wednesday 28 September 2016.
- 21 September [Managing risk in a soft market – speech by David Rule](#)
Speech examining the risk posed to insurers by the current low-rate environment given by David Rule, Executive Director of Insurance Supervision, at the General Insurance Research Organisation conference in Dublin.
[Dealing with a market turning event in the general insurance sector - CP32/16](#)
In this CP, the PRA sets out a draft SS on its expectations of general insurance firms regulated by the PRA, in relation to significant general insurance loss events which might affect firms' solvency and future business plans. This CP is relevant to all PRA-regulated general insurance firms in scope of the Solvency II Directive, and to the Society of Lloyd's and managing agents ('Solvency II firms'). The draft SS sets out the PRA's expectations of how such firms, particularly those operating in the global speciality insurance and reinsurance market known as the London market, might plan for and respond to such an event. Please address any comments or enquiries to CP32_16@bankofengland.co.uk by Wednesday 21 December 2016.
[Solvency II: Changes to internal models used by UK insurance firms - SS12/16](#)
This SS is relevant to firms with an internal model approval under Solvency II. It may also be of interest to UK Solvency II firms seeking approval to use an internal model in the future and also to UK Solvency II firms that are part of EEA or non-EEA groups with a group internal model. This SS sets out the PRA's expectations in respect of firms applying for approval for a major change to their approved internal models (either an individual major change or major change triggered by an accumulation of minor changes) or an extension of scope to an approved internal model (eg to cover new business units or risks).
[Solvency II: updates to SS25/15 and SS26/15 – CP31/16](#)
This CP sets out proposed updates to both '[Solvency II: regulatory reporting, internal model outputs](#)' - [SS25/15](#), and '[Solvency II: ORSA and the ultimate time horizon](#)' - [SS26/15](#). This CP is relevant to non-life UK insurance firms within the scope of Solvency II and to the Society of Lloyd's in respect of each of their syndicates and in respect of outputs of the Lloyd's internal model. Please address any comments or enquiries to CP31_16@bankofengland.co.uk by Wednesday 21 December 2016.
- 09 September [PRA fees and FSCS levies for insurers: proposals for a transitional approach in 2017/18 – CP30/16](#)
In this CP the PRA sets out proposals for a one year transitional arrangement for insurance firms' PRA fees and FSCS levies for the 2017/18 fees year. The CP is relevant to insurance firms falling into the A3 (general insurance) and A4 (life insurance) fee blocks, FSCS levy classes B1 (general insurance) and C1 (life insurance), the FSCS (for the purposes of the FSCS levy only), the Society of Lloyd's and policyholders. This CP is in addition to the usual annual consultations of fees and the FSCS management expenses levy limit. Please address any comments or enquiries to CP30_16@bankofengland.co.uk by Wednesday 9 November 2016.
[Solvency II: external audit of the public disclosure requirement – PS24/16](#)
This PS provides feedback on responses received to '[Solvency II: external audit of the public disclosure requirement](#)' - [CP23/16](#). The PRA consulted in November 2015 in '[Solvency II: external audit of the public disclosure requirement](#)' - [CP43/15](#). An account of responses received to CP43/15 and how the PRA proposed dealing with those responses was given in CP23/16. In CP23/16, the PRA consulted on rules and an SS for external audit of the Solvency II public disclosure. The appendices to this PS set out the final rules and [SS11/16](#) to implement the proposals consulted on in CP23/16.
[Solvency II: external audit of the public disclosure requirement – SS11/16](#)
This SS is relevant to firms in scope of Solvency II, including the Society of Lloyd's, and the auditors of those firms. The SS reminds the governing body of its responsibilities in respect of the ongoing appropriateness of the information disclosed, and that it must approve the Solvency and Financial Condition Report (SFCR). It also sets out the level of assurance expected with respect to the external

audit requirement on the SFCR and the audit guidance that the PRA expects auditors to follow in auditing a firms' SFCR. It should be read alongside the External Auditors Part of the PRA Rulebook.

07 September [Deadline for insurers to submit their Scope of Responsibilities \(SoRs\)](#)
The deadline for insurers to submit their SoRs was Wednesday 7 September.

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

30 September [H2 update of the 2016 stress test scenario](#)
The 2016 H2 stress test scenario is a roll forward of the key UK variables published in March.

29 September New versions of consolidated lists were published on the [Waivers and modifications of rules webpage](#), [CRR Permissions webpage](#) and [Solvency II approvals webpage](#).

28 September [Strengthening accountability in banking and insurance: amendments and optimisations – CP34/16](#)
In this CP, the PRA sets out three sets of proposed amendments and optimisations to the Senior Managers and Certification Regime (SM&CR) and Senior Insurance Managers Regime (SIMR). This CP is relevant to all PRA-regulated firms, although specific chapters or sections may be relevant to either Relevant Authorised Persons or insurers only. Please address any comments or enquiries to CP34_16@bankofengland.co.uk by Monday 9 January 2017. Note: this CP should be read in conjunction with FCA CPs 16/26 and 16/27 which contain the FCA's equivalent proposals for implementing the changes to the SM&CR introduced by the Bank of England and Financial Services Act 2016. See the [FCA's website](#) for its publications.
[Strengthening accountability in banking and insurance: PRA requirements on regulatory references \(part II\) – PS27/16](#)
This PS provides feedback to those responses relating to the proposals on regulatory references in '[Strengthening accountability in banking and insurance: regulatory references](#)' - CP36/15 that were not addressed in the first set of final policy in '[Strengthening accountability in banking and insurance: Implementation of SM&CR and SIMR - PS5/16](#)'; and PRA requirements on regulatory references'. This PS should be read in conjunction with FCA PS16/22 '[Strengthening accountability in banking and insurance: regulatory references](#)' which contains the FCA's equivalent final rules and guidance on regulatory references, as well as PRA [PS5/16](#). See the [FCA's website](#) for its publications.
[Whistleblowing in UK branches – CP35/16](#)
This CP proposes amendments to PRA rules to require UK branches of non-EEA deposit-takers and both EEA and non-EEA insurers, including reinsurers, to inform workers about the PRA and the FCA whistleblowing services. It also proposes requirements for non-EEA banking groups with both UK branches and subsidiaries. The proposals in this CP do not apply to UK branches of EEA deposit-takers. Please address any comments or enquiries to CP35_16@bankofengland.co.uk by Monday 9 January 2017.

16 September [A new RTGS service for the United Kingdom: safeguarding stability, enabling innovation](#)
The Bank of England is consulting on the next generation of its RTGS service. Responses to the consultation must be submitted by Monday 7 November 2016. The Bank is hosting industry briefings on the consultation paper on 4 and 11 October 2016. You can [register online to attend these events](#). See the [RTGS Strategy Review page](#) for more information including contact details.
For further information on strengthening accountability visit the [Strengthening accountability webpage](#).

PRA open consultations – closing October 2016

31 October [Residential mortgage risk weights – CP29/16](#)

28 October [Ensuring operational continuity in resolution: reporting requirements – CP28/16](#)
[The PRA's implementation of the systemic risk buffer – CP27/16](#)

21 October [Occasional Consultation Paper – CP26/16](#) (for Chapters 2-6)

07 October [The implementation of ring-fencing: reporting and residual matters – CP25/16](#)

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

Also in the month

28 September [A new RTGS service for the United Kingdom: a Platform 9¾ for sterling payments? – remarks by Andrew Hauser](#)

23 September [Rebuilding Trust through the 'FX Global Code': Reasons for optimism - speech by Chris Salmon](#)
[Staff Working Paper No. 617: Dis-integrating credit markets: diversification, securitization, and lending in a recovery](#)

21 September [Quarterly Bulletin 2016 Q3 – Stress testing of banks: an introduction](#)

08 September [Fintech: Opportunities for all?- remarks given by Victoria Cleland](#)

02 September [Staff Working Paper No. 614: A dynamic model of financial balances for the United Kingdom](#)

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

Bank Underground

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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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