



PRA Regulatory Digest

1 – 28 February 2017

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

- Prudential Regulation Committee replaces PRA Board on 1 March 2017
- PRA launches consultation on Pillar 2A capital framework
- Solvency II one year in – Speech by David Rule
- PRA imposes £17.85 million fine on The Bank of Tokyo-Mitsubishi UFJ Limited and £8.95 million fine on MUFG Securities EMEA plc
- FCA and PRA publish final changes to enhance enforcement decision-making processes

News

28 February	Prudential Regulation Committee replaces PRA Board on 1 March 2017
24 February	PRA launches consultation on Pillar 2A capital framework
21 February	Solvency II one year in – speech by David Rule
9 February	PRA imposes £17.85m fine on The Bank of Tokyo-Mitsubishi UFJ Limited and £8.925m on MUFG Securities EMEA plc
1 February	FCA and PRA publish final changes to enhance enforcement decision-making processes

Cross-cutting publications and updates

23 February	Responses to CP36/16 and correction to PS2/16 PIN rules – PS4/17 <p>This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback to responses, and final rules and supervisory statements (SS) to Consultation Paper (CP) 36/16 'Occasional Consultation Paper'. It also contains corrections to the Pre-Issuance Notification (PIN) rules for an administrative error in the final rules presented in PS2/16 'Amendments to the Pre-Issuance Notification regime'. This PS is relevant to all PRA-authorized firms.</p> <p>The appendices to this PS provide links to the final rules and SSs consulted on in the relevant chapters of the CP, which are outlined in the table on the PS4/17 webpage.</p>
16 February	Occasional Consultation Paper – CP2/17 <p>This Occasional Consultation Paper (OCP) sets out proposed changes to PRA rules and existing SSs. This consultation is relevant to all PRA-authorized firms. The chapters contained in this OCP, the Rulebook Parts and SSs they propose to change, and the appendices where the draft policy is set out, are listed in a table on the CP2/17 webpage.</p> <p>The consultation will close on Thursday 2 March 2017 for the administration instrument and Tuesday 16 May 2017 for all other chapters.</p>
7 February	Calculating risk based levies for the Financial Services Compensation Scheme deposits class – Statement of Policy UPDATE <p>The PRA updated footnotes in paragraph 3.8 of this statement of policy (SoP) to align with the data item references used in the amended credit unions quarterly return and annual return templates published in PS31/16 'Credit union regulatory reporting'.</p> <p>PRA reminds firms that requirements related to two aspects of the strengthening accountability regimes take effect on Tuesday 7 March</p> <p>On Tuesday 7 March 2017, the regulatory reference requirements made in PS27/16 'Strengthening</p>



[accountability in banking and insurance: PRA requirements on regulatory \(part II\)](#) become effective, and certain Senior Managers & Certification Regime – related Financial Conduct Authority (FCA) requirements such as the implementation of the ‘full’ Certification Regime and the rolling out of the Conduct Rules to a wider range of employees come into effect.

1 February

[Implementation of the Enforcement Review and the Green Report – PS2/17](#)

In this PS the FCA and PRA respond to comments received on joint [CP14/16 ‘Proposed Implementation of the Enforcement Review and the Green Report’](#) and explain what changes are being made to enforcement policies and processes. This PS will be of interest to all firms and individuals involved in providing financial services, as it builds on existing statements about our use of enforcement powers. Chapters 3 and 4 of this PS are on regulator co-operation and subject’s understanding and representations in the context of enforcement investigations. Chapters 2, 5 and 6 are FCA only.

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

Banking publications and updates

28 February

[The Bank publishes financial statements \(balance sheet and statement of profit or loss \(P&L\)\) XBRL taxonomy](#)

The Bank published v2.0.0 of the Bank of England Banking XBRL Taxonomy and related technical artefacts following [PS36/16 ‘Financial statements - responses to Chapter 3 of CP17/16’](#) and the feedback request published on 9 February. This version of the taxonomy, Data Point Model (DPM) dictionary, annotated templates and validation rules cover the requirements for financial statements as set out in PS36/16, which takes effect from 1 January 2018 as well as covering the requirements for Capital+ reporting as set out in [PS32/16 ‘Responses to Chapter 3 of CP17/16 - forecast capital data’](#), which takes effect from 1 October 2017. Please note v2.0.0 of the XBRL Taxonomy supersedes v1.0.0 published on 31 January 2017. Firms should not use the v.1.9.0 public working draft or v1.0.0 for reporting.

27 February

[Amendments to the PRA’s rules on loan to income ratios in mortgage lending – PS5/17](#)

PS5/17 provides feedback to responses to [CP44/16 ‘Amendments to the PRA’s rules on loan to income ratios in mortgage lending’](#) and sets out the final rules for the loan to income (LTI) flow limit to operate on a four-quarter rolling basis. This PS is relevant to banks, building societies, credit unions, PRA-designated investment firms, and overseas banks in relation to their UK branch activities and the UK subsidiaries of the above mentioned firms.

24 February

[Refining the PRA’s Pillar 2A capital framework – CP3/17](#)

CP3/17 sets out proposed adjustments to the PRA’s Pillar 2A capital framework which came into force on 1 January 2016. The PRA is proposing to refine its Pillar 2A approach for firms using the standardised approach (SA) for credit risk. The PRA is also proposing to consider the extent to which expected credit losses (ECL) in International Financial Reporting Standard (IFRS) 9 may already be covered by the SA Pillar 1 capital charge, and finally, the PRA is consulting on an update to its credit risk benchmark which is part of the Pillar 2A credit risk methodology, and on amendments to the Pillar 2 reporting rules. This CP is relevant to banks, building societies and PRA-designated investment firms.

The proposed implementation date for the updated Pillar 2A capital framework is 1 January 2018. This consultation closes on Wednesday 31 May 2017.

[PRA holds IRB seminar for small and mid-tier banks and building societies](#)

The PRA held a seminar aimed at small and mid-tier banks and building societies considering applying for the Internal Ratings Based (IRB) approach to credit risk. This seminar is a follow-up to a review of the PRA’s approach to IRB applications from smaller firms that was published in the 2016 [Annual Competition Report](#). Attendees comprised firms who have indicated a serious interest in submitting an IRB application in the medium term. The PRA intends to repeat the seminar in the future for other interested parties.

17 February

[PRA publishes updated notes to help firms complete intraday liquidity returns](#)

The updates address common errors and inconsistencies found in the submissions of intraday liquidity reporting and supersede previous individual guidance. The PRA asks firms to have regard to the updated notes on the template going forward, including as the basis for their upcoming quarterly returns in March.

1 February

[The implementation of ring-fencing: reporting and residual matters – responses to CP25/16 and Chapter 5 of CP36/16 – PS3/17](#)

This PRA PS provides feedback on responses received to [CP25/16 ‘The implementation of ring-fencing: reporting and residual matters’](#). It also provides feedback on responses received to Chapter 5 ‘Ring-fencing – consequential and reporting amendments’ of [CP36/16 ‘Occasional Consultation Paper’](#). This PS is relevant to those banking groups that will be required by the Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services (Banking Reform) Act 2013 to ring-fence their ‘core activities’.

The appendices to this PS set out the final rules (Appendix 1) and supporting policy documents (Appendices 2-6) to implement the proposals consulted on in CP25/16. For the latest updates, background, information on implementation and policy development see the dedicated [‘Structural reform’ webpage](#).

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

- 28 February [PRA reminds firms to nominate a principle user for the Bank of England Electronic Data Submission \(BEEDS\) portal](#)
Non-Solvency II directive insurers are required to submit information to the PRA electronically. This was issued in [PS19/16 ‘Reporting requirements for non-Solvency II insurance firms’](#). Firms were contacted to nominate a principal user for the BEEDS portal. Further details are available on the [‘Non-Directive firms’](#) webpage.
- 16 February [PRA publishes updates to two supervisory statements and amendments to templates and LOG files for Solvency II insurers](#)
The PRA updated [SS25/15 ‘Solvency II: regulatory reporting, internal model outputs’](#) and [SS26/15 ‘Solvency II: ORSA and the ultimate time horizon – non-life firms’](#) following [CP31/16 ‘Solvency II: updates to SS25/15 and SS26/15’](#). SS25/15 and SS26/15 were updated along with templates and LOG files the PRA expects firms to use when submitting regulatory reports on their internal model outputs, which are available on the [Solvency II regulatory reporting webpage](#).
- 13 February [The European Insurance and Occupational Pensions Authority \(EIOPA\) taxonomy update comes into effect](#)
As part of its continual updates to Solvency II legislation, EIOPA issued taxonomy update v2.1.0 on 15 July 2016. This is to take effect for receipt of data with a reference date of 31 December 2016 and later. The PRA is implementing the taxonomy to be open for firms reporting Q4 data from 13 February 2017.

PRA open consultations – closing March 2017

- 2 March [Occasional Consultation Paper \(Chapter 1\) – CP2/17](#)
- 13 March [Amendments to Notes for completion of the MLAR – CP45/16](#)
[IFRS 9: changes to reporting requirements – CP46/16](#)
- 14 March [Solvency II: Matching adjustment – illiquid unrated assets and equity release mortgages – CP48/16](#)
- 15 March [Maintenance of the ‘transitional measure on technical provisions’ under Solvency II – CP47/16](#)

To view all open consultations as at 1 March 2017, please see [PRA open consultations](#).

Also in the month

- 22 February [Global pipes – challenges for systemic financial infrastructure – speech by Sir Jon Cunliffe](#)
[In experts we trust? – speech by Minouche Shafik](#)
- 21 February [From design to delivery: stability in the new retail payments infrastructure – speech by David Bailey](#)
- 15 February [Bank of England statement on the next steps following the discovery of traces of animal-derived products in £5 polymer banknotes](#)
- 10 February [Bank of England works with Anomali to improve threat intelligence capabilities](#)
- 9 February [Charlotte Hogg announced as Deputy Governor for Markets and Banking](#)
[Reflecting diversity, choosing inclusion – speech by Mark Carney](#)
- 8 February [Are firms underinvesting – and if so why? – Speech by Sir Jon Cunliffe](#)
[The financial system and productive investment: new survey evidence – Quarterly Bulletin 2017 Q1 pre-release article](#)

These items are selected from [Latest Bank of England news](#). Readers may also find it useful to refer to the [Statistics](#) and [Research](#) sections of the Bank’s website.

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](#).

KnowledgeBank

[KnowledgeBank](#) explains the economy, the financial system and the role of the Bank of England in simple, jargon-free terms. From [interest rates](#) and [inflation](#) through to [bank failures](#) and [financial crises](#), the site uses everyday examples and engaging visuals to bring economics to life.

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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