



PRA Regulatory Digest

1 – 31 July 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

- Looking both ways – speech by Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA
- PRA Annual Report and Accounts 2017
- PRA Annual Competition Report 2017
- Strengthening individual accountability in insurance: extension of the Senior Managers and Certification Regime to insurers – CP14/17

News

- 26 July [Strengthening accountability: extension of the Senior Managers & Certification Regime to insurers](#)
- The PRA has published proposals to extend the Senior Managers and Certification Regime (SM&CR) to insurers. These proposals seek to implement a consistent but proportionate regulatory framework to strengthening individual accountability and promoting effective corporate governance for all PRA-regulated firms. For more information, see [Strengthening individual accountability in insurance: extension of the Senior Managers and Certification Regime to insurers – CP14/17](#).

Cross-cutting publications and updates

- 20 July [Responses to CP2/17 ‘Occasional Consultation Paper’ - PS19/17](#)
- This policy statement (PS) provides feedback to responses to [Consultation Paper \(CP\) 2/17 ‘Occasional Consultation Paper’](#). It also includes the final rules and updated [Supervisory Statement \(SS\) 34/15 ‘Guidelines for completing regulatory reports’](#) and [SS9/13 ‘Securitisation’](#). This PS is relevant to all PRA-authorized firms.
- 10 July [Looking both ways – speech by Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA](#)
- In this speech, Sam Woods reflects that we are living through “a vital moment” in the supervision of banks, building societies and insurers. Reflecting on the role of supervisors for more than a century, he says that today’s generation are alert to whether each of these firms – and the individuals running them – meet the intention, as well as the letter of, regulation.
- 6 July [PRA Annual Report and Accounts 2017](#)
- The Prudential Regulation Authority (PRA) Annual Report and Accounts is made under the Financial Services and Markets Act 2000 (FSMA) as amended by the Financial Services Act 2012 and the Bank of England and Financial Services Act 2016. It is made to the Chancellor of the Exchequer and covers the year ended 1 March 2017. The report covers the requirements of paragraph 19 of Schedule 1ZB of FSMA and includes foreword by the Chair; report by the Chief Executive; information about the Prudential Regulation Committee; the PRA strategy; a review of 2016/17; the business plan for 2017/18; and the Directors’ Report. The PRA’s audited accounts for the reporting period ended 1 March 2017 are included in the financial statements. Members of the public are invited to make representations to the PRA on areas set out on the annual report [webpage](#). The consultation closes on Friday 6 October 2017.
- [PRA Annual Competition Report 2017](#)
- The PRA’s second Annual Competition Report has been produced in response to a request from the Government in 2015 that the PRA should publish an annual report setting out how it is delivering against its secondary competition objective (SCO). There are two parts to this report: Part 1 sets out key policy areas in which the PRA has delivered against its SCO by facilitating effective competition. Part 2 summarises how



the PRA has continued the process of embedding the SCO into PRA policy and supervisory decision making and responded to the recommendations made by the Bank's Independent Evaluation Office in its 2016 review of the PRA approach to the SCO.

[Regulated fees and levies: rates for 2017/18 – PS17/17](#)

This PS provides feedback to responses to [CP4/17 'Regulated fees and levies: rates proposals 2017/18'](#). It sets out the final fee rates and rules to recover the PRA's Annual Funding Requirement, the ring-fencing implementation fee and the International Financial Reporting Standard (IFRS) 9 fee for the financial period 1 March 2017 to 28 February 2018. It also provides the final rules and an updated [SS3/16 'Fees: PRA approach and application'](#), to implement changes to the supervisory approach relating to Special Project Fees for restructuring and regulatory transaction fees. This PS is relevant to all firms that currently pay PRA fees or are expecting to do so within the 2017/18 fee year.

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

Banking publications and updates

- 31 July [Capital+ reporting – update on Bank of England Electronic Data Submission \(BEEDS\) portal User Acceptance Testing \(UAT\)](#)
- The PRA provided an update on UAT for the BEEDS portal for Capital+ reporting. For firms with a reporting deadline in January and February 2018, the PRA intends to provide a UAT environment in November/early December 2017. The [indicative timeline](#) for BEEDS onboarding has been updated to reflect this. The PRA will confirm exact dates for UAT in September.
- 27 July [The minimum requirement for own funds and eligible liabilities \(MREL\) – buffers – CP15/17](#)
- This CP sets out the PRA's proposed expectations with regard to the relationship between MREL and buffer requirements, as well as the consequences of not meeting these. This CP is relevant to all PRA-regulated banks, building societies and PRA-designated investment firms. This consultation closes on Friday 29 September 2017.
- 20 July [Regulatory reporting: Responses to CP6/17 - PS20/17](#)
- This PS follows [CP6/17 'Regulatory reporting: occasional consultation paper'](#). It contains final rules, updated [SS34/15 'Guidelines for completing regulatory reports'](#), and updated templates and instructions. This PS is relevant to PRA-authorized UK banks, building societies, PRA-designated investment firms and non-European Economic Area (EEA) banks authorised to accept deposits through a branch in the United Kingdom.
- 13 July [Pillar 2 liquidity – CP13/17](#)
- This CP sets out the PRA's proposals on a cashflow mismatch risk (CFMR) framework and other PRA methodologies for assessing firms' liquidity risk, under the Pillar 2 liquidity framework. This CP also proposes updates to [SS24/15 'The PRA's approach to supervising liquidity and funding risks'](#) and [SS34/15 'Guidelines for completing regulatory reports'](#), draft reporting rule changes, and a draft reporting template and instructions relating to CFMR. This CP is relevant to UK banks, building societies and PRA-designated investment firms. This consultation closes on Friday 13 October 2017.
- 12 July [Pillar 2A capital requirements and disclosure – CP12/17](#)
- This CP sets out proposed adjustments to the PRA Pillar 2A capital framework. It is relevant to all banks, building societies and PRA-designated investment firms. This CP sets out proposals to change [SS31/15 'The Internal Capital Adequacy Assessment Process \(ICAAP\) and the Supervisory Review and Evaluation Process \(SREP\)'](#) and the [Statement of Policy \(SoP\) 'The PRA's methodologies for setting Pillar 2 capital'](#). This consultation closes on Thursday 12 October 2017.
- 6 July [IFRS 9: Changes to reporting requirements – PS18/17](#)
- This PS provides feedback to responses to [CP46/16 'IFRS 9: changes to reporting requirements'](#). It sets out final rules intended to update regulatory reporting requirements, and expectations, in light of the introduction of International Financial Reporting Standard 9 (IFRS 9) from 1 January 2018. This PS is relevant to UK banks and building societies. It is not relevant to PRA-designated UK investment firms, to UK branches of firms in other European Economic Area (EEA) countries and non-EEA countries, or to insurance firms. It should be read alongside the Regulatory Reporting Part of the PRA Rulebook. This PS contains the final amendments to the Regulatory Reporting Part of the PRA Rulebook and final amendments to [SS34/15 'Guidelines for completing regulatory reports'](#), which implements the proposals consulted on in the CP46/16.
- 5 July [Note following PRA seminar for Chairs of UK banks and building societies](#)
- 4 July [PRA statement on consumer credit](#)
- The PRA has undertaken a review of consumer credit lending, examining PRA-regulated firms' asset quality and underwriting practices for credit cards, unsecured personal loans and motor finance (the 'PRA Review'). This statement summarises the findings from the PRA Review, and outlines issues arising for PRA-regulated firms that provide consumer credit to consider and act upon.

- NB [British Bankers Association and Council of Mortgage Lenders now integrated into UK Finance](#)
- From 1 July 2017, the finance and banking industry operating in the UK is being represented by a new trade association, UK Finance. It represents around 300 firms in the UK providing credit, banking, markets and payment-related services. The new organisation has taken on most of the activities previously carried out by the British Bankers' Association, the Council of Mortgage Lenders, the Asset Based Finance Association, Financial Fraud Action UK, Payments UK and the UK Cards Association.
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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 webpage](#).

Insurance publications and updates

- 26 July [Strengthening individual accountability in insurance: extension of the Senior Managers and Certification Regime to insurers – CP14/17](#)
- In this CP, the PRA sets out its substantive proposals for the extension to all insurers of the Senior Managers & Certification Regime (SM&CR), that will be introduced by amendments to Financial Services and Markets Act 2000 (FSMA) through the Bank of England and Financial Services Act 2016. A key objective for the proposals in this paper is to strengthen the PRA's regulatory regime for insurers to ensure there is an effective governance system with a clear allocation of responsibilities within firms; as well as to ensure the individual accountability of senior managers and directors. In addition, the regime is intended to facilitate the recommendations in the Fair and Effective Markets Review by contributing to the fair and effective operation of markets. This consultation closes on Friday 3 November 2017. For more information, also see the [press release](#).
- 20 July [Update on insurance special purpose vehicles, following HM Treasury's release of its updated Risk Transformation Regulations 2017](#)
- 6 July [Changing risks and the search for yield on Solvency II capital - speech by David Rule, Executive Director of Insurance Supervision](#)
- In this speech, David Rule talks about the risks that insurers are taking and, where necessary, they are responding to them as Solvency II becomes business as usual. David then turns his attention to risks in the life and general insurance sectors and describes the supervisory work the PRA is doing in response.
- 5 July [Cyber insurance underwriting risk – PS15/17](#)
- This PS provides feedback to responses to [CP39/16 'Cyber insurance underwriting risk'](#). The PS also includes [SS4/17 'Cyber insurance underwriting risk'](#), which sets out the PRA's final expectations regarding the prudent management of cyber underwriting risk. This PS is relevant to all UK non-life insurance and reinsurance firms and groups within the scope of Solvency II including the Society of Lloyd's and managing agents.
- [Dealing with a market turning event in the general insurance sector – PS16/17](#)
- This PS provides feedback to responses, and the final [SS5/17, 'Dealing with a market turning event in the general insurance sector'](#), for [CP32/16 'Dealing with a market turning event in the general insurance sector'](#). This PS also provides responses, in the context of the CP proposals and policy on a market turning event (MTE), to recommendations made to the PRA set out in an industry White Paper published in January 2017. This follows an industry-sponsored dry run exercise simulating a \$200 billion catastrophic loss event that took place in November 2016 (see Chapter 3). This PS 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: matching adjustment - illiquid unrated assets and equity release mortgages – PS14/17](#)
- This PS provides feedback to responses to [CP48/16 'Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages'](#) and provides the final [SS3/17 'Solvency II: matching adjustment – illiquid unrated assets and equity release mortgages'](#), which sets out the PRA's expectations in respect of firms investing in illiquid, unrated assets within their Solvency II matching adjustment (MA) portfolios. This PS is relevant to life insurance and reinsurance companies holding or intending to hold unrated assets (including restructured equity release mortgages (ERMs)) in an MA portfolio.

PRA open consultations – closing August 2017

- 21 August [Compliance with the EBA's Guidelines on disclosure: Composition of collateral for exposures to counterparty credit risk – CP10/17](#)
- 14 August [Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms - CP8/17](#) (chapter 4)
- 7 August [Solvency II: Data collection of market risk sensitivities – CP7/17](#)
- To view all open consultations as at 1 August 2017, please see [PRA open consultations](#).

Also in the month

- 24 July ["Debt strikes back" or "The Return of the Regulator"? - speech by Alex Brazier](#)

19 July

[Bank of England extends direct access to RTGS accounts to non-bank payment service providers](#)

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

New KnowledgeBank guides this month include two guides on bank capital: [why do banks need shock absorbers](#) and [how much capital is enough?](#)

[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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