



## PRA Regulatory Digest

1 – 30 June 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.

### Contents

[News](#)

[Cross-cutting publications and updates](#)

[Banking publications and updates](#)

[Insurance publications and updates](#)

[PRA open consultations](#)

[Also in the month](#)

[Bank Underground](#)

[KnowledgeBank](#)

[European and international developments](#)

### Top news and publications

- Financial Stability Report (FSR), June 2017
- Consultations by the FPC and PRA on changes to the UK leverage ratio framework relating to the treatment of claims on central banks – CP11/17
- Putting up a fence - speech by James Proudman
- The Bank of England's approach to operational resilience - speech by Charlotte Gerken
- Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms - CP8/17

### News

27 June [Financial Stability Report \(FSR\), June 2017](#)

The FSR sets out the Financial Policy Committee's assessment of the outlook for financial stability in the United Kingdom by identifying the risks faced by the UK financial system and weighing them against the resilience of the system. This report includes a section on [UK consumer credit](#) in which it refers to: a review by the PRA which found evidence of weaknesses in some aspects of underwriting and a reduction in resilience; and the PRA's and FCA's intention to publish, in July, their expectations of lenders in the consumer credit market.

### Cross-cutting publications and updates

22 June [Firm feedback: measuring the effectiveness of the PRA's approach – aggregated results 2017/18](#)

The PRA proactively seeks input from firms on the effectiveness and quality of its supervisory framework and approach. This has been obtained through several means including an annual feedback survey. The 2016/17 survey was completed by 125 firms through a process overseen by the oversight function and chaired by senior advisors so that independence is maintained.

14 June [Contingency planning for the UK's withdrawal from the European Union](#)

The PRA issued a reminder that responses are requested by Friday 14 July as set out in Sam Woods' letter to firms on Contingency planning for the UK's withdrawal from the European Union.

13 June [Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms - CP8/17](#)

In this consultation paper (CP), the PRA sets out proposed amendments and optimisations to the Senior Insurance Managers Regime (SIMR). It also includes a proposal to strengthen governance through requiring insurers to take steps to encourage board diversity. This CP also proposes consequential amendments to the Senior Managers Regime (SMR) forms following [Policy statement \(PS\) 12/17 'Strengthening accountability in banking and insurance: amendments and optimisations'](#). Chapters 2 and 3 of this CP are relevant to all Solvency II insurance firms (ie UK Solvency II firms, the Society of Lloyd's and Lloyd's managing agents, and third country (re)insurance branches), and to large non-Directive firms (large NDFs). Chapter 4 of this CP is relevant to banks, building societies, credit unions, and PRA designated investment firms (collectively known as Relevant Authorised Persons (RAPs)). For Chapters 2 and 3 the consultation closes on Friday 22 September 2017; and Chapter 4 closes on Monday 14 August 2017.

[The Bank of England's approach to operational resilience - speech by Charlotte Gerken, Director, Supervisory Risk Specialists](#)

In this speech, Charlotte Gerken discusses the Bank's approach to operational resilience. She shares some of the work we have underway and also touches on how our approach incorporates cyber resilience.



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

## Banking publications and updates

27 June

[Consultations by the FPC and PRA on changes to the UK leverage ratio framework relating to the treatment of claims on central banks – CP11/17](#)

This document contains two consultations. The first sets out the Financial Policy Committee's (FPC) proposed Recommendation to the PRA to exclude claims on central banks from the leverage exposure measure in the UK leverage ratio framework; and compensate for the resulting reduction in capital required by the leverage ratio framework, by increasing the minimum requirement from 3% to 3.25%. The second consultation sets out the PRA's proposals for implementing the FPC's proposed Recommendation – should it be adopted by the FPC. These consultations are relevant to PRA-regulated banks and building societies with retail deposits equal to or greater than £50 billion on an individual or a consolidated basis. The consultation closes on Tuesday 12 September 2017.

[Update on Capital+ reporting requirements, which includes a timetable of implementation activities for firms.](#)

The PRA published an [indicative timeline](#) for firms subject to Capital+ reporting requirements, which provides details of the onboarding activities for the Bank of England's Electronic Data Submission (BEEDS) portal leading up to firms' submission deadline. This follows the update published on 30 May advising firms that the BEEDS portal will be used to submit the relevant Capital+ returns.

23 June

[Guidelines for completing regulatory reports - SS34/15 UPDATE](#)

This supervisory statement (SS) was updated following [CP45/16 'Amendments to Notes for completion of the MLAR'](#), to include updated Notes for completing the Mortgage Lenders and Administrators Return (MLAR). The notes take effect on 1 July 2017.

21 June

[Compliance with the EBA's Guidelines on disclosure: Composition of collateral for exposures to counterparty credit risk – CP10/17](#)

In this CP, the PRA sets out a proposal for the threshold for, and objective criteria to waive the requirement to disclose the template 'EU CCR5-B – Composition of collateral for exposures to CCR' (CCR5-B) of the European Banking Authority's (EBA's) Guidelines on disclosure requirements. This CP also sets out a proposal to remove SS11/14 'CRD IV: compliance with the EBA's Guidelines on disclosure of encumbered and unencumbered assets', to align with new EBA Regulatory Technical Standards (RTS). This CP is relevant to PRA-authorized institutions to which Part Eight of the Capital Requirements Regulation (CRR) applies. It is directly relevant to firms within the scope of the EBA Guidelines, which include global systemically important institutions (G-SIIs), other systemically important institutions (O-SIIs) and any other institution that has been opted into the scope of the EBA Guidelines on the basis of a supervisory decision. The consultation closes on Monday 21 August 2017.

[Recovery planning - CP9/17](#)

In this CP, the PRA proposes a new SS on recovery planning that would supersede SS18/13 'Recovery Planning' and that sets out additional expectations of firms. This CP also includes a proposal to clarify the PRA's expectations on the approach to recovery planning for groups containing a ring-fenced body (RFB), through a proposed update to SS8/16 'Ring-fenced Bodies (RFBs)'. This CP is relevant to UK banks, building societies, PRA-designated investment firms and qualifying parent undertakings ('firms') to which the Recovery Planning Part of the PRA Rulebook applies. The consultation closes on Thursday 21 September 2017.

19 June

[Residential mortgage risk weights – PS13/17](#) including [Internal Ratings Based \(IRB\) approaches – SS11/13 UPDATE](#)

This PRA PS provides feedback on responses to [CP29/16 'Residential mortgage risk weights'](#). The CP set out proposed changes to the calculation of risk-weighted capital requirements in relation to residential mortgage portfolios. This PS is relevant to banks and building societies that use the Internal Ratings Based (IRB) approach to calculate credit risk capital requirements for residential mortgages. This PS contains the final amendments to [SS11/13 'Internal Ratings Based \(IRB\) approaches'](#).

[Updated IRB Approach CRR Permission application pack](#)

[Remuneration Policy Statement notes update](#)

On 19 June 2017, the PRA updated the notes section of the Remuneration Policy Statement (RPS) Table 7 to notify firms that they may include information in relation to the malus applied to buy-out awards within Part C of the table 7, where appropriate.

- 16 June [Putting up a fence - speech by James Proudman, Executive Director of UK Deposit-Takers Supervision.](#)
- Speaking at the British Bankers' Association, James Proudman gives industry and other relevant stakeholders an overview of the implementation of ring-fencing. This includes information about ['What is ring-fencing?'](#).
- [Reminder of date for third-country firms to submit liquidity information](#)
- The PRA reminded firms that, as set out in [PS4/17 'Responses to CP36/16 and correction to PS2/16 PIN rules'](#) and [SS1/17 'Supervising international banks: the PRA's approach to branch supervision – liquidity reporting'](#), the PRA expects relevant third-country firms to submit liquidity information at the whole-firm level, based upon data which is reported to the firm's home state supervisor (HSS). The first submission, which will be based on the reporting period as at 30 June 2017, should be submitted by 30 July 2017, unless otherwise agreed.
- 12 June [Regulatory reporting: occasional consultation paper – CP6/17](#)
- This CP sets out proposals for minor amendments to the templates and reporting instructions for PRA101 to PRA103 (Capital+), PRA108, and the removal of the definition of 'whole-firm liquidity modification' from the PRA Rulebook. The proposals in relation to the Capital+ and PRA108 templates are relevant to PRA-authorized UK banks, building societies and PRA-designated investment firms. The removal of the definition of 'whole-firm liquidity modification' is relevant to non-EEA banks authorised to accept deposits through a branch in the United Kingdom. The consultation closes on Friday 7 July 2017.
- 6 June [Remuneration Policy Statement questionnaires update](#)
- The PRA updated the Remuneration Policy Statement (RPS) questionnaires and tables (with the exception of RPS Annex 1 – Malus, and RPS Tables 7 and 8) to reflect submission deadlines and document references. Other changes are:
- an amendment to question (D.i) within the RPS Level 1 questionnaire relating to the identification of Material Business Units (MBUs); and
  - additional notes on buy-outs within the notes section of the RPS tables.
- 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

- 22 June [Letter from David Rule: Analysis and observations from monitoring-the-market questionnaire](#)
- 12 June [Solvency II: Data collection of market risk sensitivities – CP7/17](#)
- This CP sets out the PRA's proposed expectations for the reporting of sensitivities of solvency positions to key market risks by firms with material exposure to market risk. This CP is relevant to Solvency II insurance and reinsurance firms holding, or intending to hold, material quantities of assets exposed to market risk. This consultation closes on Monday 7 August 2017.

## PRA open consultations – closing July 2017

- 7 July [Regulatory reporting: occasional consultation paper – CP6/17](#)
- To view all open consultations as at 3 July 2017, please see [PRA open consultations](#).

## Also in the month

- 20 June [A Fine Balance - speech by the Governor.](#)
- 16 June [Quarterly Bulletin 2017 Q2](#) including an article on ['The Bank's response to climate change'](#).
- 13 June [Insights into the future of cash - speech by Victoria Cleland](#)

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](#).

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## 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.

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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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