



PRA Regulatory Digest

1 - 30 November 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

- [Stress testing the UK banking system: 2017 results](#)
- [Financial Stability Report, November 2017](#)
- [PRA publishes framework for authorisation and supervision of Insurance Special Purpose Vehicles](#)
- [Bank rate increased to 0.5%](#)

News

28 November	Financial Stability Report, November 2017 The Bank published the Financial Stability Report. Stress testing the UK banking system: 2017 results The results of the stress tests of the UK banking system for 2017 was announced.
2 November	Bank Rate increased to 0.5% The Monetary Policy Committee (MPC) voted by a majority of 7-2 to increase Bank Rate by 0.25 percentage points, to 0.5%. The MPC voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. It also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.
1 November	PRA publishes framework for authorisation and supervision of Insurance Special Purpose Vehicles The PRA publishes its final approach and expectations in relation to the authorisation and supervision of Insurance Special Purpose Vehicles (ISPVs). The PRA has confirmed the approach it set out in July and provided additional guidance, largely to add clarity, in some other areas. See insurance section for publications

Cross-cutting publications and updates

6 November	Regulated fees and levies: Adjustment to rates for 2017/18 – PS27/17 This policy statement (PS) provides feedback to responses to Consultation Paper (CP) 17/17 'Regulated fees and levies: Adjustment to rates for 2017/18' . The only respondent to the CP noted the correct rates had already been invoiced to all firms. As a result, the rules will be implemented unchanged from the draft provided during the consultation process. This PS is relevant to all firms that currently pay PRA fees or are expected to do so within the 2017/18 fee year (1 March 2017 to 28 February 2018). PRA Rulebook: Administration Instrument (No.3) 2017 Following consultation on this administration instrument in CP18/17 , the PRA intends to make corrections to the PRA Rulebook. The corrections are not substantive and are not intended to change PRA policy. Such minor corrections are unlikely to impact on competition or on mutual societies (s.138K(2) Financial Service Markets Act (FSMA)) or give rise to any equality or diversity issues. Minor proposals are also unlikely to result in costs for firms, that will benefit from a more accurate Rulebook
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Banking publications and updates

- 17 November [The PRA published details of how people can make written statements to the PRA on ring-fencing transfer schemes \(RFTS\)](#)
- Persons alleging they would be adversely affected by the carrying out of an RFTS are entitled to be heard by the court if, before the final hearing, they file (or lodge in Scotland) their written statement with the court and serve copies on the PRA and the firm whose business is to be transferred (section 110(5) FSMA).
- The firms have provided further information on their websites about how persons can file their written statements, and by when this must be done. The deadlines will be different for each firm.
- RFTS purpose is to enable firms to restructure their businesses in order to comply with the ring-fencing requirements that will apply from 1 January 2019.
- More information about the PRA's approach to RFTS can be found in the [PRA Statement of Policy 'The implementation of ring-fencing: the PRA's approach to ring-fencing transfer schemes'](#).
- 10 November [Ring-fencing transfer schemes – dates for banks' court directions hearings](#)
- The PRA published updated details of banks' ring-fencing transfer scheme court dates on the dedicated [Structural Reform webpage](#).
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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

- 10 November [Solvency II: Internal models – modelling of the matching adjustment – CP24/17](#)
- This CP seeks feedback on a [draft SS](#) setting out the PRA proposed expectations of firms regarding the application of the Solvency II matching adjustment (MA) within the calculation of the Solvency Capital Requirement (SCR).
- The CP is addressed to UK Solvency II firms and to the Society of Lloyd's and its managing agents. It is most relevant to firms with or seeking MA approval and which use a full or partial internal model to determine the SCR, together with UK Solvency II firms when making an assessment as to the appropriateness of the standard formula for their risk profile. This consultation closes on Friday 9 March 2018.
- [Procedure for the Enforcement Decision Making Committee - CP/EDMC2017](#)
- In this CP, the Bank of England (the Bank) sets out in detail how a new Enforcement Decision Making Committee (EDMC) will operate. The EDMC will strengthen the independence and robustness of the decision-making process by the Bank in any contested enforcement cases.
- This consultation will be of interest to authorised deposit-takers and insurance firms, their professional advisers, their auditors and actuaries, and approved persons within the Senior Managers Regime. This consultation will also be relevant to any other firms or individuals, who may be interested in the enforcement jurisdiction of the regimes operated under the auspices of the Bank, including: central counterparties, recognised payment systems, critical service providers and securities settlement systems. The consultation closes on Friday 2 February 2018.
- 9 November [Financial management and planning by insurers – CP23/17](#)
- In this CP, the PRA seeks views on a draft supervisory statement (SS) on effective financial management and planning by insurance firms and groups.
- This CP is relevant to all UK insurance firms, and groups, in scope of the Solvency II Directive, and to the Society of Lloyd's and managing agents ('insurers'). The consultation closes on Friday 9 February 2018.
- 3 November [Solvency II: Supervisory approval for the volatility adjustment – CP22/17](#)
- This CP sets out the PRA's proposals to clarify its expectations in respect of firms seeking approval to apply a volatility adjustment (VA) to insurance and reinsurance business. This CP is relevant to insurance and reinsurance companies using or intending to use the VA. This consultation closes on Friday 9 February 2018.
- 1 November [Authorisation and supervision of insurance special purpose vehicles – PS26/17](#)
- This PS provides feedback to responses to [CP42/16 'Authorisation and supervision of insurance special purpose vehicles'](#) and sets out the PRA's final approach and expectations in relation to the authorisation and supervision of insurance special purpose vehicles (ISPVs), subject to the Risk Transformation Regulations 2017 (RTR) being passed through Parliament. The PS includes [SS8/17](#)

[Authorisation and supervision of insurance special purpose vehicles](#), and is relevant to all parties who wish to apply to the PRA for, or have obtained authorisation as, an ISPV. It is also relevant to insurers and reinsurers seeking to use UK ISPVs as risk mitigation in accordance with Solvency II.

The PRA received sixteen responses to the CP. Chapter 2 summarise the responses, and provide the PRA's feedback and proposed final approach in light of the version of the RTR as laid before Parliament.

PRA open consultations – January 2018

4 January	Changes to the PRA's large exposures framework – CP20/17 Groups policy and double leverage – CP19/17
9 January	Occasional consultation paper – CP18/17 (Chapters 2-6, 9 and 10)
31 January	Solvency II: Matching adjustment – CP21/17

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

Also in the month

29 November	Turning back the tide – speech by Mark Carney Bank of England Governor, Mark Carney, reflects on what has happened since the Fair and Effective Markets Review. He assesses recent progress in building real markets for the good of the people and discusses the forward agenda for the important work of the FICC Market Standard Board (FMSB).
28 November	Systemic Risk Survey Results – 2017 H2 The Systemic Risk Survey is conducted by the Bank of England on a biannual basis, to quantify and track market participants' views of risks to, and their confidence in, the stability of the UK financial system. This report presents the results of the 2017 H2 survey, which was conducted between 12 September and 29 September.
20 November	Exchange of letters between the Governor and the Chancellor on the Term Funding Scheme The Chancellor agreed to authorise an increase in the total size of the Asset Purchase Facility (APF) of £25 billion to £585 billion, in order to accommodate expected usage of the Term Funding Scheme (TFS) by the end of the drawdown period. The risk control framework previously agreed with Treasury will remain in place.
15 November	Brexit and interest rates – speech by Ben Broadbent Ben Broadbent, Deputy Governor Monetary Policy, discusses the decision by the MPC to raise interest rates and the reasons surrounding this, including the referendum-related decline in sterling's exchange rate that has pushed up CPI inflation. 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 climate change, why does it matter to the Bank of England? And what are the risks to financial stability in simple, jargon-free terms. In October, we published '[Climate change: why it matters to the Bank of England](#)', and in November we published '[Climate change: what are the risks to financial stability](#)'.

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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