



## PRA Regulatory Digest

01 – 30 April 2018

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

- [PRA Business Plan 2018/19](#)
- [CP7/18 'Regulated fees and levies: rates proposals 2018/19'](#)
- [The adequacy of PRA resource and the independence of PRA functions](#)

### Cross-cutting publications and updates

9 April

#### [Prudential Regulation Authority Business Plan 2018/19](#)

The PRA Business Plan was published on Monday 9 April. This sets out the PRA's strategy and workplan for the coming year along with the PRA's budget for 2018/19.

This year the PRA has published the strategy and business plan alongside the consultation on fees and levies for the year ahead (see below).

#### [CP7/18 'Regulated fees and levies: rates proposals 2018/19'](#)

This consultation paper (CP) sets out proposals for the PRA's fees and levies for 2018/19. The proposals include:

- the fee rates to meet the PRA's 2018/19 Annual Funding Requirement (AFR);
- amendments to the Ring-fencing Implementation Fee (RFIF) rules;
- amendments to the International Financial Reporting Standard (IFRS) 9 Implementation Fee rules;
- an amendment to the Model Maintenance Fee rules;
- amendments to the rules for determining fees for non-Directive general insurers and for all firms where data to calculate fees has not been reported;
- how the PRA intends to distribute a surplus from the 2017/18 AFR, the Ring-fencing Implementation Fee and the IFRS9 Implementation Fee; and
- how the PRA intends to distribute the retained penalties for 2017/18.

This consultation is relevant to all firms that currently pay PRA fees or are expecting to do so within the 2018/19 fee year.

The proposed implementation date for the proposals contained in this consultation is Sunday 1 July 2018.

This consultation closes on Monday 21 May 2018.

#### [The adequacy of PRA resource and the independence of PRA functions](#)

The PRA published its report alongside the letter '[The adequacy of PRA resource and the independence of PRA functions](#)' from Mark Carney, Governor of the Bank of England and Chair of the Prudential Regulation Committee (PRC), to the Chancellor of the Exchequer.

The PRC is required to report once a year to the Chancellor about the adequacy of resources allocated to the performance of PRA functions and the extent to which the exercise of PRA functions is independent of other Bank functions.

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

## Banking publications and updates

30 April

### [PS9/18 'Groups policy and double leverage'](#)

This Policy Statement (PS) provides feedback on responses to [CP19/17 'Groups policy and double leverage'](#), and also contains updates to;

- [SS31/15 'The Internal Capital Adequacy Assessment Process \(ICAAP\) and the Supervisory Review and Evaluation Process \(SREP\)'](#);
- [SOP 'The PRA's methodologies for setting Pillar 2 capital'](#); and
- [SS24/15 'The PRA's approach to supervising funding and liquidity risks'](#).

This PS is relevant to PRA-authorized UK banks, building societies, PRA-designated UK investment firms and their qualifying parent undertakings (QPU), as well as credit institutions, investment firms and financial institutions that are subsidiaries of these firms, regardless of their location.

The final rules, updated Supervisory Statements (SSs) and Statement of Policy (SoP) will come into effect from Tuesday 1 January 2019. Where practical and applicable, firms should continue to aim to incorporate the policy proposals in their Internal Capital Adequacy Assessment (ICAA) and Individual Liquidity Adequacy Assessment (ILAA) submissions ahead of full implementation.

### [PS8/18 'Pillar 2: Update to reporting requirements'](#)

This PS contains the final policy following [CP25/17 'Pillar 2: Update to reporting requirements'](#), along with:

- final rules amending the Glossary, Regulatory Reporting Part, Reporting Leverage Ratio Part, and Reporting Pillar 2 Part of the PRA Rulebook;
- final data item PRA111 available at [Regulatory report – banking sector](#)
- updated [SS32/15 'Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082, and PRA111'](#); and
- updated [SoP 'The PRA's methodologies for setting Pillar 2 capital'](#)

This PS is relevant to banks, building societies and PRA-designated investment firms.

The final rules, updated SS32/15 and updated SoP will take effect from Monday 1 October 2018.

### [PS7/18 'Model risk management principles for stress testing'](#)

This PS provides feedback to responses to [CP26/17 'Model risk management principles for stress testing'](#). It contains the final [SS3/18 'Model risk management principles for stress testing'](#).

This PS is relevant to PRA-authorized banks, building societies and PRA-designated investment firms ('firms'). The PS is not relevant to credit unions and there is currently no proposal to extend the policy to insurance and reinsurance firms.

The expectations in SS3/18 will take effect from Friday 1 June 2018.

26 April

### [V1.0.1 of the financial statements XBRL utility](#)

The Bank published v1.0.1 of the financial statements XBRL utility that contains a fix for the commonly reported bug in v1.0.0, where the incorrect firm reference number (FRN) was being entered into the XBRL code.

25 April

### [Consultation on new messaging standard for UK payments: ISO 20022](#)

Together with many other countries, the UK payments industry (CHAPS, Faster Payments, Bacs) is moving to the new global standard for payments messaging: ISO 20022. Adopting this global standard has the potential to deliver significant long-term benefits to the economy. Many of the benefits stem from richer and more structured information. The common, flexible design will help facilitate further innovation and competition in the payments industry. It will also improve back office efficiency and resilience by aligning payments messaging both across the UK and internationally.

The Bank will be moving the UK's high value and time critical CHAPS payments to ISO 20022. This will be implemented as part of the programme to renew the current real-time gross settlement (RTGS) system. To date, the Bank has engaged across the domestic and international payments industry to develop interoperable and harmonised standards. However, the Bank is seeking broader input to shape the proposals.

In early June the Bank will be consulting on the contents of the message that will be used by CHAPS, Faster Payments and Bacs, as well as how we transition to the new standard for CHAPS payments.

For more information, or to register your firm, please contact us at [RTGSRenewal@bankofengland.co.uk](mailto:RTGSRenewal@bankofengland.co.uk) or visit the dedicated [webpage](#).

20 April

### [v3.0.0 of the Bank of England Banking XBRL taxonomy](#)

The Bank published v3.0.0 of the Bank of England Banking XBRL taxonomy, alongside related technical artefacts. This includes the taxonomy for ring-fencing which follows [Policy Statement 3/17 'The implementation of ring-fencing: reporting and residual matters – responses to CP25/16 and Chapter 5 of CP36/16'](#) published on Thursday 1 February 2017, and the taxonomy for Pillar 2 liquidity

(‘Pillar 2’) which follows [PS2/18 ‘Pillar 2 liquidity’](#) published on Friday 23 February 2018. Please note: the GABRIEL system will be used to collect Pillar 2 reporting data and the ring-fencing data.

The taxonomies for financial statements and Capital+ reporting are unchanged from v2.0.0 of the Bank of England Banking XBRL taxonomy.

18 April

#### [Firm feedback survey – smaller firms](#)

The PRA proactively seeks input from firms on the effectiveness and quality of its supervision framework approach. One of the ways the PRA does this is through the annual firm feedback survey. The survey gives PRA-authorized firms the opportunity to comment on their experience of being supervised. The largest firms that the PRA supervises receives the survey every year and each year a sample of the small and medium-sized firms are also invited to complete the survey. The firms included in the same for 2018 can expect to receive a notification on Wednesday 9 May 2018.

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

20 April

#### [CP11/18 ‘Solvency II: Changes to reporting format’](#)

In this CP, the PRA proposes changes to the file type and reporting format for a number of regular insurance reporting submissions in order to align with Solvency II Quantitative Reporting Templates and international data standards. In [PS2/15 ‘Solvency II: a new regime for insurers’](#), the PRA published National Specific Templates (NSTs) and accompanying LOG files. The templates are currently published in Excel format. In paragraph 12.13, the PRA said it expected to consult on moving to XBRL reporting and would consult on any change in reporting format.

The CP is relevant to all UK Solvency II firms, and the Society of Lloyd’s and its managing agents.

The PRA does not propose changes to the underlying content of the above reports. The PRA is consulting separately on the content of NSTs in [CP2/18 ‘Changes in insurance reporting requirements’](#) and internal model output (IMO) in [CP10/18 ‘Solvency II: Updates to internal model output reporting’](#).

This consultation closes on Friday 1 June 2018.

#### [CP10/18 ‘Solvency II: Updates to internal model output reporting’](#)

In this CP, PRA proposes updates to [SS25/15, ‘Solvency II: regulatory reporting, internal model outputs’](#), and [SS26/15, ‘Solvency II: ORSA and the ultimate time horizon – non-life firms’](#).

The CP is relevant to all UK Solvency II firms and the Society of Lloyd’s in respect of each of their syndicates and in respect of outputs of the Lloyd’s internal model.

The PRA proposes to amend the life, counterparty and non-life templates and the associated instructions (LOG files) in SS25/15 and SS26/15. These changes would take effect from Monday 31 December 2018 for financial year-end 2018 reporting onwards. The proposals follow the analysis of the year-end 2016 PRA internal model output request, feedback from individual firms and the [PRA’s package of insurance reporting reforms](#).

The PRA has also considered the [areas recommended for reform made by the Association of British Insurers \(ABI\) and discussed with the Treasury Select Committee](#).

This consultation closes on Friday 13 July 2018.

12 April

#### [Capital extractions by insurance firms in run-off](#)

The PRA published a letter to CEOs of insurance firms in run-off, to remind firms that they should closely consider [SS4/14 ‘Capital extractions by run-off firms within the general insurance sector’](#) when preparing a request for capital extraction for submission to the PRA.

11 April

#### [CP9/18 ‘Solvency II: Internal models – modelling of the volatility adjustment’](#)

This CP sets out the PRA’s proposal to consider applications from internal model firms that include a dynamic volatility adjustment (DVA). It sets out the PRA’s draft expectations of internal model firms when determining the risks that might arise from the DVA when calculating the solvency capital requirement (SCR).

This CP is relevant 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, volatility adjustment (VA) approval and which use a full or partial internal model to determine the SCR, together with UK Solvency II firms that may develop a full or partial internal model in future.

This consultation closes on Wednesday 11 July 2018.

#### [CP8/18 ‘Solvency II: external audit of the public disclosure requirement’](#)

In this CP the PRA sets out its proposal to amend the rule that requires the external audit of parts of the Solvency and Financial Condition Report (SFCR), under Rule 2 of the External Audit part of the PRA Rulebook. The SFCR is the key public disclosure under Solvency II.

This CP is relevant to all UK Solvency II firms (including mutuals), auditors and users of SFCRs.

This consultation closes on Wednesday 11 July 2018. The PRA proposes that any amendments would be effective for financial years ending on or after Thursday 15 November 2018.

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](#).

## PRA open consultations – closing May 2018

7 May	<a href="#">CP5/18 'Algorithmic trading'</a>
16 May	<a href="#">CP6/18 'Credit risk mitigation: Eligibility of guarantees as unfunded credit protection'</a>
21 May	<a href="#">CP7/18 'Regulated fees and levies: rates proposals 2018/19'</a>

To view all open consultations as at May 2018 please see [PRA open consultations](#).

## Also in the month

19 April	<a href="#">Five years of macro-prudential: Regulating the Square Mile for all 94,000 square miles – speech by Alex Brazier</a>
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Alex Brazier looks back at the creation of the Financial Conduct Authority, Prudential Regulation Authority and Finance Policy Committee. He explores how the financial system has become more resilient over the last five years. And he considers the challenges for the future including Brexit, household lending and the unbundling of banking services.

12 April	<a href="#">Monetary and macro-prudential policies: The case for a separation of powers - speech by Ben Broadbent</a>
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In this speech, Ben Broadbent examines the interactions between monetary and macro-prudential policy and argues in favour of continued separation of these two functions, albeit housed within the single Bank of England.

6 April	<a href="#">A Transition in Thinking and Action – speech by Mark Carney</a>
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Bank of England Governor Mark Carney, takes stock of the progress made in addressing climate-related financial risks since the Paris Agreement of late 2015. In particular, he considers how far there has been a transition in thinking and action.

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

In April KnowledgeBank published '[How is money created?](#)' guide. This guide explains how money is created in a jargon free way.

From [interest rates](#) and [inflation](#) through to [bank failures](#) and [financial crises](#), [KnowledgeBank](#) 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](#).

## Contact us

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