



PRA Regulatory Digest

1 – 28 February 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

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News

27 February

[Looking out for the policyholder – speech by Sam Woods](#)

In his speech at the Association of British Insurers (ABI), Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA, talks about the PRA's extensive package of reforms to make Solvency II work better in the United Kingdom. He also talks about the need to remember the policyholder and maintaining high standards of safety and soundness for UK insurers. A [News Release](#) was also published alongside the speech. Please also see the PRA's response to the Treasury Committee's inquiry into Solvency II below.

[PRA response to the Treasury Committee's inquiry into Solvency II](#)

This is a response to the Treasury Committee's report '[The Solvency II Directive and its Impact on the UK Insurance Industry](#)'. On 3 January 2018, Sam Woods set out his [initial thoughts](#) on the report's recommendations. In this response, as requested by the Committee, the PRA provides further detail on the areas discussed in that letter. Please also see Sam Woods' speech 'Looking out for the policyholder' above.

Cross-cutting publications and updates

28 February

[Changes to the SONIA benchmark on 23 April 2018](#)

We remind those responsible for market data at PRA-regulated firms that the date and time of the publication of the SONIA benchmark is changing on Monday 23 April 2018. This was confirmed by the Bank of England in a [News Release of 16 October 2017](#).

Friday 20 April 2018 will be the final day for which SONIA will be calculated and published by the WMBA using the current methodology. For the rate pertaining to Monday 23 April, SONIA will be calculated by the Bank using the reformed methodology and published at 9am on Tuesday 24 April; no data will be published on Monday 23 April.

Further information about the SONIA reforms is available in the [SONIA Key features and policies](#) document.

22 February

[PS31/17 'Responses to CP18/17 Occasional Consultation Paper – Chapters 7 and 8'](#)

The PRA has made the necessary changes for the implementation of IDD, on the basis of 1 October 2018 being confirmed. We consulted on this change in CP4/18 (see below). A new Rule Instrument has been included in an update to PS31/17 (Appendix 6).

12 February

[CP5/18 'Algorithmic trading'](#)

The PRA issued a [News Release](#) alongside CP5/18 'Algorithmic trading'

This CP sets out the PRA's proposed expectations regarding firms' governance and risk management of algorithmic trading. The CP is relevant to firms that engage in algorithmic trading and are subject to the rules in the Algorithmic Trading Part of the PRA Rulebook and Commission Delegated Regulation (EU) 2017/589. The draft supervisory statement (SS) would apply to all algorithmic trading activities of a firm including in respect of unregulated financial instruments such as spot foreign exchange (FX).

The PRA proposes that the algorithmic trading SS applies from Saturday 30 June 2018: this date aligns with the implementation of EBA revised guidelines on internal governance under Directive 2013/36/EU and joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU. This consultation closes on Monday 7 May 2018.

5 February

[CP4/18 'Insurance Distribution Directive: change to commencement date'](#)

In CP4/18 the PRA proposed to amend the effective dates of PRA rules related to the IDD following a proposal by the European Commission to postpone the application date of the IDD to 1 October 2018. The proposed changes do not represent a change in PRA policy, and the PRA does not consider that they will impact adversely on the firms to which they will apply.

This consultation closed on Monday 12 February 2018. [PS31/17](#) (see above) was published on Thursday 22 February following CP4/18. Firms should check the PS31/17 landing page on the PRA website for further updates and the PRA will communicate updates to firms as appropriate. Short Form A amendments still applied from 23 February 2018.

The European Commission's proposal to delay the application date of the IDD to 1 October 2018 is currently under consideration by the European Parliament and European Council.

In order to provide certainty for industry, HM Treasury [announced](#) that the Government will delay making The Insurance Distribution (Regulated Activities and Miscellaneous Amendments) Order 2018 until the outcome of this proposal has been confirmed. This is expected to be after 23 February 2018, the original application date of the directive. When the Order comes into force, the Financial Conduct Authority (FCA) will be able to finalise their rules (which were [published in near-final form](#) on 19 January 2018). Firms will then be required to comply with those rules from whatever date is ultimately agreed as the application date of the directive.

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

For information on Stress Testing visit the [Stress Testing webpage](#).

Banking publications and updates

23 February

[PS2/18 'Pillar 2 liquidity'](#)

This PRA PS provides feedback to responses to CP21/16 and CP13/17 'Pillar 2 liquidity'. It contains a final [Statement of Policy \(SoP\) 'Pillar 2 liquidity'](#) (Appendix 1); an updated [SS24/15 'The PRA's approach to supervising liquidity and funding risks'](#) (Appendix 2); a final [PRA110 template and reporting instructions](#) (Appendix 3); a final amendment to the Reporting Part of the PRA Rulebook (Appendix 4); and an updated [SS34/15 'Guidelines for completing regulatory reports'](#) (Appendix 5).

This PS is relevant to UK banks, building societies and PRA-designated investment firms, referred to collectively as 'firms' in this PS.

The SoP 'Pillar 2 liquidity', the updated SS24/15 'The PRA's approach to supervising liquidity and funding risks', and the updated SS34/15 'Guidelines for completing regulatory reports' will take effect from Friday 23 February 2018.

The PRA template and reporting instructions and the Reporting Part of the PRA Rulebook will take effect from Monday 1 July 2019.

For more information and updates on regulatory reporting, including any public working drafts and taxonomies, please refer to [Regulatory reporting – banking sector](#).

[Updated versions of RFB001 to RFB008 instructions](#)

The PRA published updated versions of RFB001 to RFB008 instructions. The 'Units' section in each set of reporting instructions has been updated to clarify the precision required for reporting. The updated instructions can be found on [Regulatory reporting – banking sector](#).

22 February

[Ring-fencing transfer schemes – dates for banks' court hearings](#)

The PRA published updated details of bank's ring-fencing transfer scheme (RFTS) court dates and the case reference number for each scheme. For more information on how to service written statements (objections) to the PRA on RFTS, see [Written statements on the PRA on RFTS](#).

- 16 February [CP6/18 'Credit risk mitigation: Eligibility of guarantees as unfunded credit protection'](#)
- This CP sets out the PRA's proposed changes to SS17/13 'Credit risk mitigation' to clarify expectations regarding the eligibility of guarantees as unfunded credit protection under Part Three, Title II, Chapter 4 (Credit risk mitigation) of the Capital Requirements Regulation (575/2013) (CRR).
- The CP is relevant to all firms bound by the CRR. This consultation closes on Wednesday 16 May 2018.
- 7 February [Modification by consent of Fitness and Propriety 2.7](#)
- The PRA issued a modification by consent of Fitness and Propriety 2.7 so that firms subject to ring-fencing may apply to be exempt from having to obtain regulatory references from firms outside their group in respect of certain intragroup employee transfers linked to ring-fencing transfers.
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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

- 7 February [PS1/18 'Strengthening individual accountability in insurance: optimisations to the SIMR'](#)
- PS1/18 provides feedback to responses to Chapters 2 and 3 of [CP8/17 'Strengthening individual accountability in banking and insurance: optimisations to the SIMR and changes to forms'](#), it also provides final rules amending the Senior Insurance Managers Regime (SIMR) and an updated [SS35/15 'Strengthening individual accountability in insurance'](#).
- The updated [SS35/15](#) also incorporates the changes that were proposed in [CP14/17](#) to remove gender-based language and terminology from SS35/15, as none of the respondents included comments on those proposals.
- This PS is relevant to all Solvency II insurance firms (ie UK Solvency II firms; the Society of Lloyd's and managing agents; and third country (re)insurance branches), and to large non-Directive firms (large NDFs) (collectively referred to as 'insurers') - These are insurers out of scope of Solvency II for which the value of assets in respect of regulated activities, as included in their two most recent annual reports, is more than £25 million. Large non-Directive insurer is defined in the PRA Rulebook Glossary.
- The rule requiring insurers to have a diversity policy for their boards will become effective on Monday 9 April 2018; the rules to implement the optimisations to the SIMR will become effective on Monday 10 December 2018; and firms should submit the forms for the approval of individuals who will perform the Chief Operations function (SIMF24), or the Head of Large Business Area function (SIMF6), from Monday 10 December 2018.
- For more information visit the [Strengthening accountability webpage](#), which was updated this month.
- 5 February [Letter on review of Actuarial Function Reports in general insurance firms](#)
- The PRA published a letter from James Orr, Chief Actuary, General Insurance, that was sent to the Chief Actuary community to open an ongoing dialogue following the PRAs review of the Actuarial Function Reports (AFRs).
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- 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 March 2018

- 6 March [CP25/17 'Pillar 2: Update to reporting requirements'](#)
- [CP26/17 'Model risk management principles for stress testing'](#)
- 9 March [CP24/17 'Solvency II: Internal models – modelling of the matching adjustment'](#)
- 20 March [CP27/17 'Solvency II: Internal models update'](#)
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- To view all open consultations as at Thursday 1 March 2018 please see [PRA open consultations](#).

Also in the month

- 4 February [BoE deputy warns against 'bonfire of the regulations'](#) in interview with Caroline Binham and Patrick Jenkins at the Financial Times.
- 5 February [Bank of England's rising star looks to make Brexit mark](#). Sam Woods interviews with Caroline Binham and Patrick Jenkins at the Financial Times.
- 1 February PRA Homepage update
- Quick links are now available on the PRA homepage of the Bank of England website for PRA publications:
- [Consultation papers](#)
 - [Supervisory Statements](#)
 - [Policy Statements](#)
 - [Statement of Policy](#)
 - [Statements and reports](#)
 - [Letters](#)

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

The final guide on '[why we support competition in the banking sector](#)' was published at the end of January. This guide is the final in a series of three, the first being '[Why do we regulate banks](#)'? and the second '[what risks banks take](#)'.

In January the '[Financial Market Infrastructures](#)' guide was published. This guide explains what happens when you pay by card or retrieve cash from an ATM, in a jargon free way.

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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