



## PRA Regulatory Digest

1 – 31 January 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

- [CP2/18 'Changes in insurance reporting requirements'](#)
- [Transition disclosures for IFRS 9 'Financial Instruments'](#)
- [CP1/18 'Resolution planning: MREL reporting'](#)

### Cross-cutting publications and updates

18 January

[CP3/18 'Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19'](#)

This consultation is relevant to all PRA and FCA authorised firms, but contains no material of direct relevance to retail financial services consumers or consumer groups upon which they might need to act.

The MELL is the maximum amount which the FSCS may levy in a year without further consultation, and is proposed to be £77.7 million for 2018/19. This includes a management expenses budget of £72.7 million and an unlevied contingency reserve of £5 million. The proposed MELL limit of £77.7 million would apply from 1 April 2018, the start of the FSCS' financial year, to 31 March 2019.

This consultation closes on Friday 16 February 2018. Following this consultation, the PRA and the FCA will issue respective policy statements or equivalent Handbook notices (as appropriate) so that the final rules can be in place for 1 April 2018.

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

### Banking publications and updates

31 January

[Voluntary Requirement – Capital Buffers and Pillar 2](#)

As stated in [Supervisory Statement 31/15 'The Internal Capital Adequacy Assessment Process \(ICAAP\) and the Supervisory Review and Evaluation Process \(SREP\)'](#) (and as amended with effect from 1 January 2018 pursuant to [Policy Statement 30/17 'Pillar 2A capital requirements and disclosure'](#)), firms to which the CRR applies will be invited to apply for a voluntary requirement (VREQ) under section 55M of the Financial Services and Market Act 2000 preventing them from meeting their CRD IV combined buffer with any Common Equity Tier 1 capital maintained to meet their Total Capital Requirement.

The PRA will write to firms setting out its view of the amount and quality of Pillar 2A capital they should hold based on the ICAAP and the SREP, and include a VREQ application form. If firms agree, the PRA expects that they will apply for the imposition of the requirements set out in the updated VREQ - Capital Buffers and Pillar 2A Model Requirements by signing and returning the VREQ application form that supervisors will send to them.

As part of the VREQ application process, from 1 January 2018 firms are expected to also apply for a minor modification of 5.1 to 5.5. of the Capital Buffers Part of the PRA Rulebook. This is to avoid any confusion, given that Pillar 2A is a formal requirement, in the application of Maximum Distributable Amount trigger points under the rules (which do not include a Pillar 2A component) and as set by the VREQ (which do). The [Direction for modification by consent of 5.1 to 5.5 of the Capital Buffers Part of the PRA Rulebook](#) and [VREQ - Capital Buffers and Pillar 2A Model Requirements](#) published on Wednesday 31 January 2018 are available on the [Waivers and modification of rules webpage](#).

[Minor updates to PRA102 instructions and PRA103 instructions](#)

Minor updates have been made to [PRA102 instructions](#) and [PRA103 instructions](#). Following receipt of the first PRA102 and PRA103 returns and queries from firms, the PRA has provided more clarity in

the 'Reporting periods' section on which columns firms should complete. Expanded examples of reporting annual and semi-annual data are also included.

26 January

[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 PRA updated the list of firms that 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'](#).

17 January

[Follow-up to PRA Statement on consumer credit](#)

The PRA published a letter 'Follow-up to PRA Statement on consumer credit' from James Proudman (Executive Director, UK Deposit Takers Supervision) and Charlotte Gerken (Director, Supervisory Risk Specialists) to Chairs of relevant firms to communication key findings and action points following a review of consumer credit lending. The [PRA statement on consumer credit](#) was published 4 July 2017.

[Delays to the proposed introduction of PRA110 to 1 July 2019](#)

In [CP13/17 'Pillar 2 Liquidity'](#) the PRA proposed to introduce a new liquidity reporting template (PRA110) to support the cash flow mismatch risk (CFMR) framework. Having considered responses, the PRA has decided to postpone the proposed introduction of PRA110 by six months, from 1 January 2019 to 1 July 2019. The interim reporting, proposed to start in March 2018, is also delayed by 6 months to at earliest September 2018. As proposed in CP13/17, the PRA intends to terminate the FSA047 and FSA048 returns at the same time the PRA110 is implemented. In case of any delay in the implementation of the PRA110, the PRA will delay the proposed termination of the FSA047 and FSA048 returns. The FSA047 and FSA048 termination remains linked to the implementation of the PRA110.

11 January

[Transition disclosures for IFRS 9 'Financial Instruments'](#)

The PRA published a letter from Vicky Saporta, Executive Director, Prudential Policy Directorate, sent on 8 January 2018 to selected firms on transition disclosures for IFRS 9. The two letters from Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA, sent on [7 August 2017](#) and [25 November 2016](#) to selected firms were published on 22 January 2018.

8 January

[CP1/18 'Resolution planning: MREL reporting'](#)

In this CP, the PRA sets out its proposed expectations for reporting on the minimum requirement for own funds and eligible liabilities (MREL) through updates to [Supervisory Statement \(SS\) 19/13 'Resolution planning'](#).

The CP is relevant to PRA-authorized UK banks, building societies, UK designated investment firms and their qualifying parent undertakings (collectively referred to as 'firms'), to which the Resolution Pack Part of the PRA Rulebook applies. In particular, this would be most relevant to:

- firms notified by the Bank of England (the Bank) that they are likely to be subject to external interim and/or end-state MREL in excess of regulatory capital requirements as articulated in the [Bank's statement of policy on its approach to setting MREL \('MREL Statement of Policy'\)](#); and
- firms notified by the Bank that they are likely to be subject to internal interim and/or end-state MREL in excess of regulatory capital requirements, as proposed in the Bank's [CP on internal MREL published on 2 October 2017 \('Internal MREL CP'\)](#). Any references to the Internal MREL CP are to the proposals contained within it and do not therefore reflect finalised policy.

This consultation closes on Monday 9 April 2018.

3 January

[The second Markets in Financial Instruments Directive \(MiFID II\) implementation: forms](#)

The [ESMA template](#) and [MiFID Article 4 SMR Information Form](#) were both published. For more information on MiFID II, see the [FCA's website](#).

1 January

[SS8/13 'The Basel I floor'](#) no longer applicable.

In SS8/13 'The Basel I floor', the PRA set out its expectations relevant to firms using the Internal Ratings Based (IRB) approach or Advanced Measurement Approach (AMA) on the application of the Basel I floor requirement under CRR Article 500. Article 500 is a transitional provision that was in effect until 31 December 2017, and has now lapsed. Therefore the PRA's expectations, as set out in SS8/13, are no longer applicable. However, firms that wish to continue using this approach are still able to so, and should continue to enter the amount in Row 890 in the CA4 section (own funds requirements for Basel I floor).

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

- 17 January ['PRA internal model outputs for general insurers' briefing - Monday 5 March 2018](#)  
The PRA issued an invitation to a briefing taking place on Monday 5 March 2018 to general insurers who submit the internal model outputs to the PRA annually. As places are limited, one space per firm is being offered, with registration closing on Friday 16 February 2018. Information about the briefing on 'PRA internal model outputs for general insurers', including how to register, is available on the [Bank's event website](#).
- 11 January [CP2/18 'Changes in insurance reporting requirements'](#)  
This CP is the third and final consultation referred in the [News Release of 25 October 2017](#). The proposals in this CP have been developed by the PRA as part of its work on adjustments to the insurance prudential framework in light of experience following the UK's implementation of Solvency II, including areas recommended for reform by the Association of British Insurers (ABI) and discussed with the Treasury Committee.  
The CP is relevant to all UK Solvency II firms, Society of Lloyd's and its managing agents and mutuals. This consultation closes on Friday 13 April 2018.
- 8 January [BEEDS portal user guide](#)  
The Bank of England Electronic Data Submission (BEEDS) user guide has been updated to reflect system changes relevant to firms using the User Acceptance Testing (UAT) environment.  
[Solvency II filing manual update](#)  
The Bank of England has updated the [Solvency II XBRL filing manual](#) to help firms and software vendors create XBRL instance documents for Solvency II Pillar 3 reporting in light of the latest [EIOPA Solvency II Taxonomy 2.2.0 update](#) (the Bank will be adopting the Taxonomy 2.2.0 hotfix).  
This includes information about ad hoc submissions. All firms need to be aware of the potential use of the 'ad hoc submission' option in the basic information template {S.01.02, R0100} which will be fully functioning in the Solvency II Taxonomy 2.2.0. This will allow supervisors to request, receive and accept submissions including only specific template(s) or even selected data points. EIOPA has foreseen at least three special cases when ad hoc submissions may be required, see section 1.6.2 of the updated filing manual.

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 February 2018

- 9 February [CP22/17 'Solvency II: Supervisory approval for the volatility adjustment'](#)  
[CP23/17 'Financial management and planning by insurers'](#)
- 16 February [CP3/18 'Financial Services Compensation Scheme – Management Expenses Levy Limit'](#)
- 21 February [CP28/17 'Strengthening accountability: implementing the extension of the SM&CR to insurers and other amendments'](#)
- 27 February [CP29/17 'International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)  
[CP30/17 'International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)

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

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

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