



PRA Regulatory Digest

01 – 30 June 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

- [The Bank of England and PRA publish their Annual Reports for the year 1 March 2017 – 28 February 2018](#)
- [The Bank of England published 'Bank of England's approach to financial services legislation under the European Union \(Withdrawal\) Act'](#)
- [Resilience and continuity in an interconnected and changing world – speech by Lyndon Nelson](#)

News and speeches

- 27 June The Bank of England published '[Bank of England's approach to financial services legislation under the European Union \(Withdrawal\) Act](#)'
- The Bank published a statement following HM Treasury setting out its approach to onshoring financial services legislation under the European Union (Withdrawal) Act.
- 14 June The Bank of England and PRA publish their Annual Reports for the year 1 March 2017 – 28 February 2018
- The Bank of England and PRA published
- [Bank of England Annual Report and Accounts 1 March 2017-28 February 2018](#), which includes the PRA's financial statements.
 - [PRA Annual Report 1 March 2017-28 February 2018](#), which includes:
 - Foreword by the Governor
 - Report by the CEO
 - Annual report of the Prudential Regulation Committee to the Chancellor of the Exchequer
 - Review of 2017-18
 - The PRA Annual Competition Report – June 2018
- The consultation on the PRA Annual Report closes on Friday 28 September 2018.
- 13 June [Resilience and continuity in an interconnected and changing world – speech by Lyndon Nelson](#)
- In his speech, Lyndon Nelson takes us through the changes and advancements that have occurred in financial services during his 30 years in the City of London. Lyndon highlights the risks posed by cyber and other operational incidents, given the financial system's increasing reliance on technology and data. It is important for firms to have the ability to withstand, absorb and recover from operational incidents. He also speaks about the Authorities Response Framework, which ensures regulatory coordination in the event of a critical incident.
- Lyndon also makes reference to the upcoming Discussion Paper (joint with the Bank and Financial Conduct Authority) due for publication in early July.

Cross-cutting publications and updates

- 29 June [PS31/17 UPDATE 'Responses to CP18/17 Occasional Consultation Paper – Chapters 7 and 8'](#)
- The legislative framework for the PRA to implement EU Benchmark Regulations is now in place. As a result this PS has been updated to include the EU Benchmarking Regulations Instrument 2018 (see Appendix 8). There is no change in policy.
- 28 June [PS13/18 'Regulated fees and levies: rates proposals 2018/19'](#)
- This Policy Statement (PS) provides feedback to responses to [Consultation Paper \(CP\) 7/18](#)

[‘Regulated fees and levies: rates proposals 2018/19’](#). It sets out:

- the final fee rates and rules to recover the PRA’s Annual Funding Requirement (AFR) for the financial period 1 March 2018 to 28 February 2019;
- the ring-fencing implementation fee (RFIF) for the financial period 1 March 2018 to 28 February 2019; and
- final rules to implement changes to the Fees part of the rulebook.

This PS is relevant to all firms currently paying PRA fees or expecting to do so within the 2018/19 fee year.

The implementation date for the PRA periodic fees (2018/19) and other fees instrument 2018 is Thursday 28 June 2018.

[Letter from Sam Woods: Existing or planned exposure to crypto-assets](#)

Sam Woods writes to the CEOs of banks, insurance companies and designated investment firms to remind them of the relevant obligations under PRA rules, and to communicate the PRA’s expectations regarding firms’ exposure to crypto-assets.

27 June

[Financial Stability Report – June 2018](#)

The Bank of England has published the June 2018 Financial Stability Report. The PRA encourage readers working in, or with, PRA-regulated firms to particularly read the chapter on the Overview of risks to UK financial stability and the UK countercyclical capital buffer rate decision; Box 1 on The FPC’s tolerance for the disruption of financial services from cyber incidents and Box 3 on UK and international leverage ratio frameworks. The PRA is planning to issue a consultation paper on the leverage ratio, and the PRA, FCA and the Bank are planning to issue a discussion paper on operational resilience in the coming weeks.

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

Banking publications and updates

28 June

[PS14/18 ‘Changes to the PRA’s large exposures framework’](#)

This PS provides feedback to responses to [CP20/17 ‘Changes to the PRA’s large exposures framework’](#).

It contains updates to:

- PRA rules on Large Exposures;
- [Supervisory Statement \(SS\) 16/13 ‘Large exposures’](#); and
- [SS34/15 ‘Guidelines for completing regulatory reports’](#).

This PS also contains a simplified worked example of the application of the large exposures (LE) limits at the level of the UK consolidated group.

This PS is relevant to PRA-authorized UK banks, building societies, PRA-designated UK investment firms and their qualifying parent undertakings, which for this purpose comprise financial holding companies and mixed financial holding companies, as well as credit institutions, investment firms and financial institutions that are subsidiaries of these firms, regardless of their location.

The changes to the rules and expectations took effect from Friday 29 June 2018.

15 June

[PS12/18 ‘Algorithmic trading’](#)

This PS provides feedback to responses to [CP5/18 ‘Algorithmic trading’](#). It contains the final SS5/18 ‘Algorithmic trading’

This PS is relevant to firms that engage in algorithmic trading and that are subject to the rules in the Algorithmic Trading Part of the PRA Rulebook (the ‘Algorithmic Trading Part’) and Commission Delegated Regulation (EU) 2017/589. The SS applies to all algorithmic trading activities of a firm including in respect of unregulated financial instruments such as spot foreign exchange (FX).

For non-EEA (‘third country’) firms operating in the United Kingdom through a branch, the PRA will continue to follow the approach set out in [SS1/18 ‘International banks: the Prudential Regulation Authority’s approach to branch authorisation and supervision’](#) and will continue to consider the home regulator’s approach to internal governance and controls. Third country firms are asked to note the PRA’s policy in this area, which will inform its risk appetite and assessment of critical functions performed, or intended to be performed, in the United Kingdom.

The expectations in SS5/18 took effect from Saturday 30 June 2018.

Any remediation work required by firms to meet the expectations after Saturday 30 June 2018 will be taken forward through the PRA’s normal supervisory activities.

13 June

[PS11/18 ‘Resolution planning: MREL reporting’](#)

The Bank of England (the Bank) published:

- [The Bank of England's approach to setting a minimum requirement for own fund and eligible liabilities \(MREL\)](#) – PS and Statement of policy (SoP)
- [Policy on valuation capabilities to support resolvability](#)
- [Indicative External MRELS](#)

The PRA also published its final policy to take effect from Tuesday 1 January 2019: [PS11/18 'Resolution planning: MREL reporting'](#); and [SS19/13 UPDATE 'Resolution planning'](#), including templates and guidance.

12 June

[Letter from Norval Bryson providing an update on the Independent Review of Co-operative Bank Supervision](#)

The PRA published a letter from Norval Bryson, the Senior Responsible Officer for the investigation on behalf of the PRA, providing a brief initial update to the Economic Secretary to the Treasury.

6 June

The Bank of England is consulting on a new messaging standard for UK payments. The major UK payments systems (CHAPS, Faster Payments and Bacs) are moving to the global messaging standard for payments, known as 'ISO 20022'.

[Find out more and participate in the consultation](#), please note the deadline for submissions is 18 July 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

29 June

In April 2018, the PRA published [CP11/18 'Solvency II: Changes in reporting format'](#).

In CP11/18 the PRA proposed to change the reporting format from Microsoft Excel workbooks to XBRL (eXtensible Business Reporting Language) standards for:

- National specific Templates (NSTs);
- Internal model outputs (IMO);
- Market risk sensitivities (MRS); and
- Standard formula reporting for firms with an approved internal model (SF.01, model drift).

The consultation period is now closed. In addressing the feedback received the PRA are keen to ensure firms have a sufficient period to implement proposed changes for year-end 2018 reporting (for year-ends 31 December 2018 onwards).

Visit the [Solvency II webpage](#) for the planned dates for availability of the required information.

In [CP27/17 'Solvency II: Internal models update'](#) the PRA planned to issue the final policy to take effect from June 2018. The policy is currently being finalised with a view to be published shortly.

6 June

The PRA published a [letter from Sam Woods](#) to the Chair of the Treasury Committee regarding the Solvency II risk margin.

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 July 2018

11 July

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

[CP9/18 'Solvency II: internal models – modelling of the volatility adjustment'](#)

13 July

[CP10/18 'Solvency II: updates to internal model output reporting'](#)

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

Also in the month

28 June

[Central Clearing and Resolution – learning some of the lessons of Lehmans](#) – speech by Jon Cunliffe

21 June

[New Economy, New Finance, New Bank](#) – speech by Mark Carney

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

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](#).

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