



PRA Regulatory Digest

1-31 March 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

- Alongside the Bank's [News Release](#), we published:
 - [A letter from Sam Woods, Deputy Governor for Prudential Regulation and CEO of the PRA, on 'Firms' preparations for the UK's withdrawal from the European Union: update following March 2018 European Council'](#)
 - [PS3/18 and SS1/18 'International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)
 - [PS4/18 and SS2/18 'International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)

News

28 March

[Update on the regulatory approach to preparations for EU withdrawal](#)

The foundation of the Bank of England's approach to preparations for EU withdrawal remains the presumption that there will continue to be a high degree of supervisory cooperation between the UK and the EU. This reflects the UK's financial system's role as both a national asset and a global public good, bringing shared risks as well as wide benefits.

The Bank has made clear that it would be difficult, ahead of March 2019, for all financial institutions to have completed all of the necessary steps required to mitigate the risks to the provision of financial services in the EU and the UK.

In light of the agreement at the EU Council, the Bank considers it reasonable for firms currently carrying on regulated activities in the UK by means of passporting rights, or the EU framework for central counterparties, to plan that they will be able to continue undertaking these activities during the implementation period in much the same way as now.

Cross-cutting publications and updates

29 March

[Responses to CP18/17 Occasional Consultation Paper – Chapters 2 to 6, 9 and 10](#)

This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Chapters 2 to 6, 9 and 10 of [Consultation Paper \(CP\) 18/17 'Occasional Consultation Paper'](#). It also includes the final rules and updated [Supervisory Statement \(SS\) 13/13 'Market risk'](#) (see banking, below), and SS36/15 '[Solvency II: life insurance product reporting codes](#)' (see insurance, below) as set out in the appendices.

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

This PS follows [CP 3/18 'Financial Services Compensation Scheme – Management Expenses Levy Limit 2018/19'](#) and sets out the final rules for the Financial Services Compensation Scheme (FSCS) Management Expenses Levy Limit (MELL) for 2018/19. The final rules will apply for the financial year ending 31 March 2019.

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

The Financial Conduct Authority (FCA) Board has also made its respective rule for the [2018/19 MELL](#).

28 March

[Firms' preparations for the UK's withdrawal from the European Union: update following March 2018 European Council](#)

Sam Woods, Deputy Governor and CEO, Prudential Regulation Authority wrote a letter to firms in preparation for the UK's withdrawal from the EU, following March 2018 European Council. See below for the final policy for [banks](#) and [insurers](#).

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](#).

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

Banking publications and updates

29 March

[SS13/13 'Market risk'](#)

This SS was updated following the publication of PS6/18 ['Responses to CP18/17 Occasional Consultation Paper – Chapter 2 to 6, 9 and 10'](#). This version of SS13/13 is effective from Friday 30 March 2018.

28 March

[PS3/18 and SS1/18 'International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)

This PS provides feedback on responses to [CP29/17 'International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#). The respondents supported the proposed approach set out in the CP with some requests for clarification.

The new [SS1/18 'International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#) replaces [SS10/14 'Supervising international banks: the Prudential Regulation Authority's approach to branch supervision'](#).

This statement is relevant to all PRA-authorized banks and designated investment firms not incorporated in the UK which form part of a non-UK headquartered group ('international banks') and which are operating in the UK through a branch, as well as any such firm looking to apply for PRA authorisation in the future.

The new approach comes into effect from 29 March 2018. For European Economic Area (EEA) firms currently branching into the UK under 'passporting' arrangements and intending to apply for PRA authorisation in order to continue operating in the UK after the UK's withdrawal from the European Union (EU), this approach will be relevant to authorisations for this purpose.

[Scenarios for banks and building societies not part of concurrent stress testing](#)

The PRA has published two stress test scenarios for use by banks and building societies that are not part of the annual concurrent stress testing exercise. These scenarios will be published together annually. They are a guide and, where relevant, a benchmark of severity for firms designing their own scenarios.

The most [recent scenarios](#) were published on Wednesday 28 March 2018.

26 March

[Updates written statements to the PRA on RFTS](#)

The period for making a written statement to the court in relation to Barclay's RFTS ended on Friday 16 March, and Royal Bank of Scotland's RFTS ended Monday 26 March. The PRA's objections portal for these RFTSs has closed.

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'](#).

7 March

[Public working draft of v3.0.0 of Banking XBRL taxonomy](#)

The PRA published a public working draft (PWD) of v3.0.0 of the Bank of England Banking XBRL taxonomy, alongside related technical artefacts. This includes the taxonomy for Pillar 2 liquidity which follows [PS2/18 'Pillar 2 liquidity'](#) published on 23 February 2018 and the taxonomy for ring-fencing which follows [PS3/17 'The implementation of ring-fencing: reporting and residual matters - responses to CP25/16 and Chapter 5 of CP36/16'](#) published on 1 February 2017. The taxonomy, data point model (DPM) dictionary, annotated templates and validation rules represent the requirements for reporting of Pillar 2 data as set out in PS2/18 and for ring-fencing data as set out in PS3/17.

Firms and software vendors were invited to provide feedback on the PWD of the technical artefacts by Tuesday 20 March 2018. The PRA aims to publish the final v3.0.0 Bank of England XBRL taxonomy in April 2018. See the [Taxonomy section](#) on the reporting requirements webpage for more information. Please note: the GABRIEL system will be used to collect Pillar 2 reporting data and the ring-fencing data.

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 March [SS36/15 'Solvency II: life insurance product reporting codes'](#)
- This SS was updated following the publication of PS6/18 ['Responses to CP18/17 Occasional Consultation Paper – Chapter 2 to 6, 9 and 10'](#). This version of SS36/15 is effective from Friday 30 March 2018.
- 28 March [PS4/18 and SS2/18 'International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#)
- This PRA PS provides feedback to responses to [CP30/17 'International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#). One material change has been made to the draft SS following consultation.
- [SS2/18 'International insurers: the Prudential Regulation Authority's approach to branch authorisation and supervision'](#) introduces new factors to be considered alongside the PRA's current requirements for third-country branch authorisation. [SS44/15 'Solvency II: third-country insurance and reinsurance branches'](#) remains unchanged.
- This statement is relevant to all existing and prospective insurance firms carrying out regulated activities, but not headquartered, in the UK that are not able to benefit from passporting rights. The new SS does not apply to Swiss General Insurers, as defined in the PRA Rulebook, to which different requirements apply pursuant to the Swiss Treaty Agreement (No. 91/370/EEC).
- The new approach comes into effect from 29 March 2018. For European Economic Area (EEA) firms currently branching into the UK under 'passporting' arrangements and intending to apply for PRA authorisation in order to continue operating in the UK after the UK's withdrawal from the European Union (EU), this approach would be relevant to authorisations for this purpose.
- 5 March The PRA gave a presentation on PRA internal model outputs for general insurers. The following presentation slides used at the event are available below.
- [Feedback on data quality and expectations for YE2017](#)
 - [Potential changes to data collection YE2018](#)
- 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 April 2018

- 9 April [CP1/18 'Resolution planning: MREL reporting'](#)
- 13 April [CP2/18 'Changes in insurance reporting requirements'](#)
- To view all open consultations as at April 2018 please see [PRA open consultations](#).

Also in the month

- 28 March [CCPs' preparations for the UK's withdrawal from the European Union: update following March 2018 European Council](#)
- The PRA published Sir Jon Cunliffe's letter to Central Counterparties (CCPs), following the outcome of the EU Council.
- 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 Deflation and Financial market infrastructures in the two jargon free guides that were published in March. [Deflation: Why falling prices aren't always a bargain](#) and [Financial market infrastructures – what happens when you pay?](#)

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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