



## PRA Regulatory Digest

01 – 30 September 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.

### Contents

#### News

[Cross-cutting publications and updates](#)

[Banking publications and updates](#)

[Insurance publications and updates](#)

[PRA open consultations](#)

[Also in the month](#)

[Bank Underground](#)

[KnowledgeBank](#)

[European and international developments](#)

### Top news and publications

- Alongside a [news release](#), the PRA published '[Transition in thinking: The impact of climate change on the UK banking sector](#)'
- [CP20/18 'Strengthening accountability: implementing the extension of the SM&CR to insurers \(Part 2\)'](#) including a note on '[Redesignation of Senior Insurance Management Functions to Senior Management Functions, and the change-over to 'Statements of responsibilities' by insurers](#)'.

### News

26 September

[PRA review finds that 70% of banks recognise that climate change poses financial risks](#)

In its review published today, the PRA examines how climate change poses financial risks to banks and how banks are responding. See report in [banking sector](#) below.

### Cross-cutting publications and updates

28 September

[The Prescribed Persons \(Reports on Disclosures of Information\) Regulations 2017 - Annual Report 2017/8](#)

The Bank of England and PRA are both Prescribed Persons as defined by Parliament under The Public Interest Disclosure (Prescribed Persons) Order 2014. Since April 2017, all 'Prescribed Persons' are required to report in writing annually on workers (whistleblowing) disclosures they have received. The report covers the period 1 April 2017 to 31 March 2018.

19 September

['Firms' preparations for transition from LIBOR to risk-free rates'](#)

The Financial Conduct Authority (FCA) and PRA wrote to CEOs of major banks and insurers supervised in the UK asking for the preparations and actions they are taking to manage transition from LIBOR to alternative interest rate benchmarks. The purpose of the letters is to seek assurance that firms' senior managers and boards understand the risks associated with this transition and are taking appropriate action now so that firms can transition to alternative rates ahead of the end of 2021.

These letters were sent to the largest banks and insurers in the first instance. Firms that have not received a direct email from their supervision team linking to the letters are not within scope of this request, however we encourage all firms that currently rely on LIBOR to read and reflect on this letter. The continued participation and commitment of market participants to address the various challenges during this transition will be an essential part of the success of this collective effort. The Bank of England, PRA and FCA are grateful to firms for their engagement with this market-led transition effort to date.

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

### Banking publications and updates

28 September

[Liquidity Pillar 2 reporting – Q&As](#)

Following the publication of the final PRA110 template and associated reporting instructions in [Policy Statement \(PS\) 2/18 'Pillar 2 liquidity'](#), the PRA has received a number of additional questions from firms regarding the template and reporting instructions ahead of the start of interim reporting. The PRA has decided to publish answers to these questions ('Q&As') periodically, where questions received

highlight a need to clarify the reporting instructions or rules. This document is version 1 of the PRA110 Q&As and covers responses on questions related to monetisation rows.

The PRA is aware that firms are considering the forthcoming cessation of the waiver by consent (WBC) for Continuity of Access rules (Depositor Protection Part of the PRA Rulebook (DPP) 13.4-13.8 inclusive) and Continuity of Access reporting requirements (DPP 15.2-15.4 inclusive and 15.7). The WBC ends on 1 December 2019 – materials are currently available on the [Waivers and modifications of rules webpage](#). Firms that are subject to the WBC or other continuity of access waivers should wait for further communication from the PRA before instigating any planning or projects to implement continuity of access from 1 December 2019. The Bank of England and the PRA are still considering the appropriate approach and will ensure that firms have at least 18 months to implement changes should they be needed.

- 26 September ['Transition in thinking: The impact of climate change on the UK banking sector'](#)
- This PRA report examines the financial risks from climate change that impact UK banks, building societies and PRA-designated investment firms, assesses how banks are responding to these, and clarifies the PRA's supervisory approach.
- 19 September [EBA publishes final report on 'Guidelines on the management of interest rate risk arising from non-trading \('banking'\) book activities \(IRRBB\)'](#)
- The European Banking Authority (EBA) published its final report on Guidelines on the management of interest rate risk arising from non-trading ('banking') book activities (IRRBB) - one of the Pillar 2 risks specified in Capital Requirements Directive IV (CRD IV). The Guidelines will apply to firms from Sunday 30 June 2019. If firms have concerns about their ability to comply by the 2019 deadline, they should get in touch with their usual supervisory contacts. The Guidelines do not affect PRA published policy and reporting requirements on IRRBB, as set out in PRA Rules, SS, and Statements of Policy, which continue to apply. The Guidelines form part of a wider set of updated guidance by the EBA on the Pillar 2 framework, as published in the EBA's final guidance to strengthen the Pillar 2 framework.
- 12 September [CP19/18 'Regulatory reporting: EBA Taxonomy 2.9'](#)
- In this consultation paper (CP), the PRA sets out proposals to update certain PRA reporting requirements to reflect relevant proposals made by the European Banking Authority (EBA) in its open consultations on changes to the Implementing Technical Standards on Supervisory Reporting ('Supervisory Reporting ITS').
- This CP is relevant to UK banks and building societies. It is not relevant to PRA-designated UK investment firms, to UK branches of firms in other European Economic Area (EEA) countries and non-EEA countries, or to insurance firms.
- This CP should be read alongside the open EBA consultations on changes to the Supervisory Reporting ITS, as well as the Regulatory Reporting Part of the PRA Rulebook and [Supervisory Statement \(SS\) 34/15](#).
- This consultation closes on Wednesday 12 December 2018.
- 4 September [Updated SS34/15 'Guidelines for completing regulatory reports'](#)
- The hyperlinks in the appendices contents page, and Appendix 1 of SS34/15 have been updated. No other changes have been made to the document.
- 
- 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

- 21 September The PRA published a public working draft (PWD) of the standalone internal model output (IMO) and market risk sensitivities (MRS) taxonomy, alongside related technical artefacts, that will make up part of the Bank's insurance XBRL taxonomy. Firms and software vendors were invited to provide feedback on the data point modelling, annotated templates, validations, and XBRL taxonomy to [uktaxonomypwdfeedback@bankofengland.co.uk](mailto:uktaxonomypwdfeedback@bankofengland.co.uk) by Friday 28 September 2018. See the Taxonomy section on the [Regulatory Reporting – Insurance sector](#) webpage for more information.
- 17 September [CP20/18 'Strengthening accountability: implementing the extension of the SM&CR to insurers \(Part 2\)'](#)
- In this CP, the PRA sets out its proposed rules for some consequential changes, and minor administrative amendments, related to the extension of the Senior Managers and Certification Regime (SM&CR or 'the regime') to insurers (see Appendix).
- The CP should be read in conjunction with [PRA PS15/18 'Strengthening individual accountability in insurance: Extension of Senior Managers and Certification Regime to insurers'](#), and [Financial Conduct Authority \(FCA\) PS18/15 'Extending the Senior Managers and Certification Regime to insurers – Feedback to CP17/26 and CP17/41 and near final rules'](#), along with the proposals in [PRA CP18/18 'Strengthening accountability: implementing the extension of the SM&CR to insurers'](#).
- This CP is relevant to Solvency II insurers (ie UK Solvency II firms, the Society of Lloyd's and Lloyd's managing agents, and third country (re)insurance branches), insurance special purpose vehicles (ISPVs), large non-Directive firms (NDFs), small NDFs and Swiss general insurers.

This consultation closes on Wednesday 17 October 2018.

Alongside the consultation, the PRA published a note on [‘Redesignation of Senior Insurance Management Functions to Senior Management Functions, and the change-over to ‘Statements of responsibilities’ by insurers’](#).

[Joining the dots – the Actuarial Function, underwriting, capital and reserving](#)

The PRA published a letter to general insurance firms’ Chief Actuaries from James Orr, Chief Actuary, General Insurance, Prudential Regulation Authority.

10 September The FCA published information on what insurers may need to do in preparation for the extension of the Senior Managers & Certification Regime on Monday 10 December 2018, see ‘Timeframes’ on the [FCA’s Senior Managers and Certification Regime: insurers webpage](#). For information about PRA-led Senior Management Functions see [PRA SS35/15 ‘Strengthening individual accountability in insurance’](#).

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](#).

For new insurers, please see the [New Insurers Start-up Unit webpage](#).

### PRA open consultations – closing October 2018

1 October	<a href="#">CP18/18 ‘Strengthening accountability: implementing the extension of the SM&amp;CR to insurers’</a>
5 October	<a href="#">DP1/18 ‘Building the UK financial sector’s operational resilience’</a>
17 October	<a href="#">CP20/18 ‘Strengthening accountability: implementing the extension of the SM&amp;CR to insurers (Part 2)’</a>
23 October	<a href="#">CP16/18 ‘Regulatory reporting: occasional consultation paper’</a>
29 October	<a href="#">CP17/18 ‘Credit risk: the definition of default’</a>

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

### Also in the month

19 September	<a href="#">Folk wisdom – speech by Andy Haldane</a>
14 September	<a href="#">The future of work – speech by Mark Carney</a>
7 September	<a href="#">From the great moderation to the great recession and beyond – how did we get here and what lessons have we learned? – speech by Donald Kohn</a>

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

This month, KnowledgeBank includes guides on: [‘What is Financial Stability?’](#); [‘Is my money safe from cyber-attacks?’](#) and [‘What is insurance?’](#)

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

Send your comments on the Regulatory Digest to [PRA Communications](#).

For regular updates follow us on Twitter: [@bankofengland](#).

Find all PRA Regulatory Digests [here](#).