



Basis of preparation for look through approach for Collective Investment

Undertakings – Template S.06.03

This note sets out the basis of preparation on which the PRA will accept look through reporting for “Collective Investment Undertakings” (CIUs) under S.06.03.

This note is relevant to all firms in scope of the ITS on Supervisory Reportingⁱ.

The PRA wishes firms to submit look-through reporting for CIUs under template S.06.03 as set out in the ITS on Supervisory Reporting. However, the PRA notes that EIOPA have recently issued a Q&Aⁱⁱ that states “by default all CIUs have to be subject to look-through as described in the reporting instructions” but that “specific situations might be discussed with the National Supervisory Authority” (see appendix for full text).

The PRA anticipate that firms may contact supervisors to discuss the scope of look through reporting on a case by case basis. To ensure those discussions are effective, firms are asked to first consider the following:

- Firms are responsible for interpreting whether their investments meet the legal definition of a CIUⁱⁱⁱ and should not expect supervisors to provide guidance.
- Firms should apply the concept of materiality provided for in the Delegated Regulations^{iv} in completing all applicable fields in template S.06.03.
- The PRA will accept look through reporting based on best available data and approximations, provided firms are able to demonstrate to supervisors if asked that the approximations are reasonable after taking materiality into account^v. In the PRA’s view, genuine constraints on data available to firms, including where the investee is listed and subject to market disclosure rules, should not result in firms breaching their reporting requirements.
- Best available data may include the most recent investor information available, where it is impracticable to get data as at the regulatory reporting reference date. Provided that data is not stale (for example, where the difference between dates is not more than, say, 3 months) and adjustments are made for any significant events or transactions in the intervening period.
- Where investments have been classified as equity for the purpose of calculating SCR, and firms have significant concerns over the data available for look through reporting, supervisors will discuss alternate approaches for reporting on a case by case basis.

Appendix: EIOPA Question and answer on template S.06.03

Q: It is stated in general comments, that the S.06.03 annex relates to quarterly and annual submission of information for groups and it should contain all collective investment undertakings in the undertaking's portfolio at the reporting date, and for each collective investment undertakings its assets should be grouped into underlying asset categories, taking also into consideration country of issue and currency and a look through approach. We would like to ask whether it is possible to exclude from the report these collective investment undertakings for which the highest risk margins (type II equities) have been applied in MCR/SCR calculation.

A: It should be noted that template S.06.03 does not only serve SCR supervision, but serves also the supervision of the prudent person principle for which a risk based approach is needed. By default all collective investment undertakings or investments packaged as funds have to be subject to look-through as described in the instructions document. Specific situations might be discussed with the National Supervisory Authority.

ⁱ Draft ITS on Templates for the submission of information to supervisory authorities articles 6(f), 10(c), 23(f) and 27(c) set out the reporting requirements in respect of investments held in collective investment undertakings.

ⁱⁱ See question 19 in the following: <https://eiopa.europa.eu/Publications/Guidelines/CP-14-052.xlsb>

ⁱⁱⁱ The definition of CIU per Commission Delegate Regulations (EC) 2015/35 refers to the definition of (i) an undertaking for collective investment in transferable securities (UCITS) in Article 1(2) of Directive 2009/65/EC of the European Parliament and of the Council; and of (ii) an alternative investment fund (AIF) as defined in Article 4(1)(a) of Directive 2011/61/EU of the European Parliament and of the Council.

^{iv} Article 305 of the Delegated Regulations gives a definition of materiality for use in supervisory reporting.

^v Note that, article 310(1) of the Delegated Regulations requires firms to document approximations used, and the reasons for them.