

Supervisory Statement | SS32/15

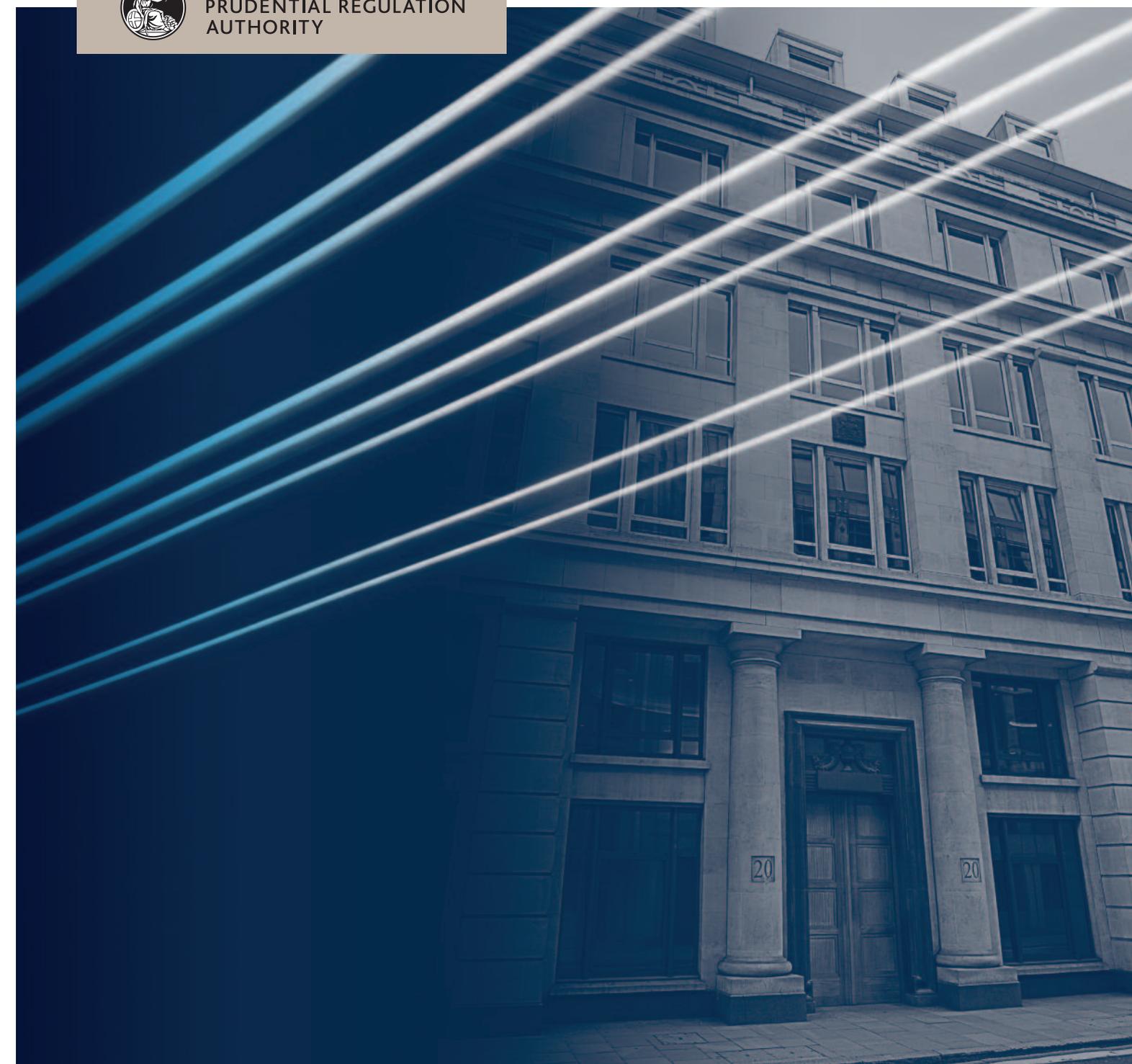
Pillar 2 reporting, including instructions for completing data items FSA071 to FSA082

July 2015

(Updated January 2016)



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



1 January 2018 - This Supervisory Statement has been updated, see:
<https://www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss>

Prudential Regulation Authority
20 Moorgate
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.
Registered in England and Wales No: 07854923



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1 Introduction

1.1 This supervisory statement is of interest to banks, building societies and Prudential Regulation Authority (PRA)-designated investment firms. It sets out the PRA's expectations of firms and provides further clarity on Pillar 2 reporting.

1.2 This supervisory statement should be read alongside the Policy Statement 17/15,⁽¹⁾ which includes the Reporting Pillar 2 part of the PRA Rulebook, and the Statement of Policy on Pillar 2.⁽²⁾

1.3 The reader is also referred to:

- Appendix 1: Guidance on terms used in data items FSA071 to FSA082;
- Appendix 2: Pillar 2 Reporting schedule; and
- Appendix 3: Instructions for completing data items FSA071 to FSA082.

2 Reporting Pillar 2

2.1 In Reporting Pillar 2:

- '*significant firm*' means a deposit-taker or designated investment firm whose size, interconnectedness, complexity and business type give it the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on its business in an unsafe manner;
- '*illiquid risk*' refers to positions in the trading or available-for-sale books that are illiquid, concentrated or one-way. To this purpose, illiquid positions are those that cannot be liquidated or immunised within a ten-day period in a stressed market environment without materially affecting market prices. Firms will be expected to identify illiquid, concentrated and one-way positions using the firms' own criteria, methods and standards.

2.2 Firms are required under the Reporting Pillar 2 part of the PRA Rulebook to report Pillar 2 data to the PRA.

2.3 This information, together with data already collected in other regulatory reports, allows the PRA to assess a firm's Internal Capital Adequacy Assessment Process (ICAAP) and to calculate capital benchmarks for Pillar 2 risks. The data collection covers:

- the results of the Pillar 2 capital methodologies calculated by firms;

- data that are used by the PRA to process the Pillar 2A capital methodologies;
- data that allow supervisors to verify the calculation of the Pillar 2A capital methodologies; and
- data that provide additional information on the nature and scale of the Pillar 2 risks to which a firm is exposed.

2.4 If a firm has already reported by other means, for example via the Firms Data Submission Framework (FDSF), a data item that is specified in FSA080 for market risk, FSA072 and FSA073 for operational risk or FSA081 for pension risk, the firm is not required to submit it.

2.5 Firms may be asked to submit, on a case-by-case basis, further data where these are necessary to inform the PRA's Pillar 2 methodology and supervision of the firm. This may include:

- data on operational risk from firms that are not significant firms and are using a standardised approach to calculate their Pillar 1 capital requirement for operational risk;
- more granular pension risk data of the kind needed for FSA081 from all firms;
- data items FSA076⁽³⁾ and FSA077⁽⁴⁾ for credit risk. This is likely to occur where a supervisor judges that the standardised approach may underestimate credit risk. For example, this might include firms with significant exposures to sovereigns, high loan to value non-prime mortgages, credit cards and commercial real estate.

2.6 The content of additional reports may be tailored to the particular firm situation, with firms being given sufficient notice to comply.

2.7 The PRA has developed data items for firms to use when reporting Pillar 2 data. The data items and the related instructions should be read in conjunction with the Statement of Policy on Pillar 2A methodologies. Hyperlinks to data items and related instructions are available in Appendix 2 of this supervisory statement and on the PRA section of the Bank of England's website.⁽⁵⁾

2.8 Firms are required to return the data items in conjunction with their ICAAP submission. Frequency of submission will depend on the frequency of ICAAP submission though

(1) *Supervisory Statement SS31/15*, 'The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)', July 2015; www.bankofengland.co.uk/pr/Pages/publications/ss/2015/ss3115.aspx.

(2) *Statement of Policy*, 'The PRA's methodologies for setting Pillar 2 capital', July 2015; www.bankofengland.co.uk/pr/Pages/publications/sop/2015/p2methodologies.aspx.

(3) FSA076 is available at www.bankofengland.co.uk/pr/Documents/crddiv/fsa076.xls.

(4) FSA077 is available at www.bankofengland.co.uk/pr/Documents/crddiv/fsa077.xls.

(5) Data items and related instructions are available at www.bankofengland.co.uk/pr/Pages/regulatorydata/formscrdirms.aspx.

significant firms are required to submit relevant data items annually in any event. Firms that are not significant but that have permission from the PRA to use the Advanced Measurement Approach (AMA) must submit the relevant data items for operational risk on an annual basis, regardless of whether they are submitting an ICAAP, unless the data have already been reported to the PRA by other means.

Appendices

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- 1** [Guidance on terms used in data items FSA071 to FSA082](http://www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss)
(www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss)
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- 2** [Pillar 2 Reporting schedule](http://www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss)
(www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss)
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- 3** [Instructions for completing data items FSA071 to FSA082](http://www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss)

Name		Data items	Instructions
FSA071	Firm information and Pillar 2A summary	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA072	Pillar 2 Operational risk historical losses	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA073	Pillar 2 Operational risk historical loss details	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA074	Pillar 2 Operational risk forecast losses	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA075	Pillar 2 Operational risk scenario data	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA076	Pillar 2 Credit risk standardised approach wholesale	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA077	Pillar 2 Credit risk standardised approach retail	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA078	Pillar 2 Concentration risk minimum data requirements	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA079	Pillar 2 Concentration risk additional data requirements	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA080	Pillar 2 Market risk	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA081	Pillar 2 Pension risk	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss
FSA082	Pillar 2 Credit risk IRB retail	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss	www.bankofengland.co.uk/prudential-regulation/publication/2015/pillar2-reporting-including-instructions-for-completing-data-items-fsa071-to-fsa082-ss