# Solvency II – Matching Adjustment

## Application Readiness Assessment Process (ARAP) Form

Firm name Click or tap here to enter text.

Firm reference number Click or tap here to enter text.

Date of ARAP submission Click or tap to enter a date.

The Prudential Regulation Authority (PRA) strongly encourages firms to participate in the PRA’s Application Readiness Assessment Process (ARAP) in advance of submitting a matching adjustment (MA) application. ARAP submissions should be sent to MAsubmissions@bankofengland.co.uk and the firm’s usual supervisory contact.

### Overview of proposed application

Firms should provide details of the proposed application below. Information in the ‘Summary of application’ box should provide a high-level overview of the application only. Firms are not expected to provide draft application documentation, nor any additional documentation as part of the ARAP submission. The PRA may request limited additional information during the course of the ARAP review where necessary. The information should allow the PRA to swiftly understand the proposed content and scope of the MA application, helping it to determine resourcing needs to review the application when received, and to provide a timely view to the firm regarding its readiness to submit an application.

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| Application type  | Choose an item. |
| Target application submission date  | Click or tap here to enter text. |
| Application safeguard(s) proposed | Choose an item. |

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| For change in scope applications only Indicate area(s) impacted by the proposed change(s)  | [ ]  Asset eligibility [ ]  Liability eligibility [ ]  Management of the MA portfolio [ ]  Matching  |
| Summary of application |
| For an initial MA application, please provide a high-level summary of the proposed application, including but not limited to:* a high-level description of the assets and liabilities proposed to be included in the MA application, including the asset types, asset and liability features, whether the application will include any securitised asset(s), and/or any asset(s) with highly predictable (HP) cash flows;
* where an internal securitisation is proposed to be included, details of the underlying assets and the firm’s assessment of their suitability to back the liabilities in the MA portfolio; the proposed structure and associated governance arrangements; how the reliability and efficacy of the asset restructuring are demonstrated; the reasons for the restructure; and how the firm is satisfied that the proposed level of MA benefit is appropriate;
* where an asset with HP cash flows is proposed to be included, confirmation of whether the firm proposes to use: (i) the standard Fundamental Spread (FS) additions[[1]](#footnote-2) methodology without modification; (ii) the standard FS additions methodology with a modification, or otherwise (iii) a high-level summary of the proposed more sophisticated FS additions methodology;
* where any safeguard is to be proposed, details of the safeguard and which asset(s) in the MA application it applies to, including any limits/restrictions. Please also set out the rationale for any proposed safeguard and the intended effect; and
* a description of the high-level approach to management of the portfolio, approach to assessing matching and approach to calculation of the MA. This should include any tests or metrics used to maintain suitable asset-liability matching.

For an application to vary an existing MA permission, please provide a high-level description of the proposed change(s) in scope, including but not limited to:* where new assets and/or liabilities are proposed, a high-level description of the assets and/or liabilities, including the asset types, asset and liability features, whether the application will include securitised asset(s), and/or any asset(s) with HP cash flows;
* where an internal securitisation is proposed to be included, details of the underlying assets and the firm’s assessment of their suitability to back the liabilities in the MA portfolio; the proposed structure and associated governance arrangements; how the reliability and efficacy of the asset restructuring are demonstrated; the reasons for the restructure; and how the firm is satisfied that the proposed level of MA benefit is appropriate;
* where an asset with HP cash flows is proposed to be included, confirmation of whether the firm proposes to use: (i) the standard FS additions methodology without modification; (ii) the standard FS additions methodology with a modification, or otherwise; (iii) a high-level summary of the proposed more sophisticated FS additions methodology;
* where any safeguard is to be proposed, details of the safeguard and which asset(s) in the MA portfolio it applies to, including any limits/restrictions. Please also set out the rationale for any proposed safeguard and the intended effect;
* any material changes to the management of the portfolio, approach to assessing matching, or approach to calculation of the MA; and
* any other change that the firm considers may give rise to the need for a variation of the existing MA permission.
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| Application readiness |
| Please provide a high-level summary of the work undertaken to prepare for the MA application submission to the PRA, including but not limited to: * details of any Board decision/discussion or other relevant governance processes;
* confirmation that the firm has assessed that the proposed application meets the relevant MA conditions and PRA expectations, and that appropriate documentary evidence to support the planned application is in place;
* where PRA expectations are not met, please set out why this is not considered to impact a firm’s assessment of eligibility with the MA conditions; and
* confirmation that operational processes and frameworks are in place to support credible plans to invest in new asset within 12 months of the PRA reaching a decision on the MA application.
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| Related applications |
| Please provide details of any applications, submitted by the firm or currently anticipated, that may be relevant to the regulatory balance sheet or capital requirements of the firm or group. This includes any other MA applications. |

1. See Matching Adjustment 8.2 [↑](#footnote-ref-2)