

Policy Statement | PS35/16
Responses to CP26/16

December 2016



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY



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This policy statement contains feedback, final rules and supervisory statements following Consultation Paper 26/16 'Occasional Consultation Paper'.

1 Overview

1.1 This Prudential Regulation Authority (PRA) policy statement (PS) provides feedback to responses to Consultation Paper (CP) 26/16 'Occasional Consultation Paper'.¹ It also contains final rules and updates Supervisory Statement (SS) 24/15 'The PRA's approach to supervising liquidity and funding risks'.

1.2 This PS is relevant to all PRA-authorized firms.

1.3 The appendices to this PS provide links to the final rules and SSs consulted on in CP26/16 as follows:

- Internal Liquidity Adequacy Assessment Part (Appendix 1);
- Conditions Governing Business Part (Appendix 2);
- Regulatory Reporting Part (Appendix 3);
- Capital Buffers Part and Leverage Ratio Part (Appendix 4); and
- SS24/15 UPDATE 'The PRA's approach to supervising liquidity and funding risks' (Appendix 5).

1.4 CP26/16 also consulted on changes to SS34/15, 'Guidelines for completing regulatory reports'. There were no responses to those proposals, and the changes are being implemented in PS36/16, 'Responses to Chapter 3 of CP17/16 - financial statements', which is also making changes to SS34/15. Readers should refer to that PS for the combined update to SS34/15.²

1.5 The PRA is required by the Financial Services and Markets Act 2000 (FSMA) to publish:

- a statement on the impact of rules on mutuals where the final rules differ from the draft of the proposed rule; and
- a cost benefit analysis of any changes to the consultation proposals which the PRA considers to be significant.

1.6 The PRA has made some minor adjustments to the rules consulted on in CP26/16 - in response to feedback (see Chapter 2) additional footnotes have been added to Regulatory Reporting 7.1, the definition for 'countercyclical capital buffer rate' has been deleted from Leverage Ratio 1.2 as it will no longer be used in that Part after the changes made in this PS, and some amendments have been made to correct formatting and referencing. The PRA considers that the changes made to the draft rules are not significant in terms of either the impact on mutuals or costs to firms.

1.7 The policy contained in this PS has been designed in the context of the current UK and EU regulatory framework. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework, including changes arising once any new arrangements with the European Union take effect.

¹ July 2016; www.bankofengland.co.uk/pr/Pages/publications/cp/2016/cp2616.aspx.

² December 2016; www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3616.aspx.

2 Feedback to responses

2.1 The PRA is required by FSMA to have regard to any representations made to the proposals in a consultation, to publish an account, in general terms, of those representations and its response to them, and to publish details of any significant differences in the rules as made.¹

2.2 The PRA received five responses to CP26/16. All respondents supported the proposed changes they referred to - in particular the proposals in relation to the actuarial function of Lloyd's managing agents were well received. However, the PRA received a suggestion for further clarification in Chapter 4 (regulatory reporting).

2.3 The respondent asked if the addition of footnote (2) in Regulatory Reporting 7.1 should be extended to the 'Annual report and accounts' and 'Annual report and accounts of the mixed-activity holding company' data items. They also suggested that, as some firms may be exempt from preparing annual reports and accounts under the Companies Act, that the footnote should also include the caveat, 'where appropriate'. The PRA agrees that this change would help clarify the reporting requirements attached to the two data items above, and has created new footnotes in Regulatory Reporting 7.1, 7.2, 9.2 and 9.3 to account for this.

¹ Section 138J of FSMA.

Appendices

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- 1 **PRA RULEBOOK: CRR FIRMS: INTERNAL LIQUIDITY ADEQUACY ASSESSMENT (AMENDMENT) INSTRUMENT 2016**, available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3516.aspx

 - 2 **PRA RULEBOOK: SOLVENCY II FIRMS: CONDITIONS GOVERNING BUSINESS (NO. 2) INSTRUMENT 2016**, available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3516.aspx

 - 3 **PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING (AMENDMENT) (NO.2) INSTRUMENT 2016**, available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3516.aspx

 - 4 **PRA RULEBOOK: CRR FIRMS: CAPITAL BUFFERS AND LEVERAGE (AMENDMENT) INSTRUMENT 2016**, available at:
www.bankofengland.co.uk/pr/Pages/publications/ps/2016/ps3516.aspx

 - 5 **SS24/15 - The PRA's approach to supervising liquidity and funding risks**, available at:
www.bankofengland.co.uk/pr/Pages/publications/ss/2016/ss2415update.aspx