BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

PRA110 reporting template and instructions: Q&As

(Version 4)

Contents

Introduction

The Prudential Regulation Authority ('PRA') consulted on a proposal to amend its rules to introduce a new liquidity reporting template (PRA110) in Consultation Paper (CP) 13/17 'Pillar 2 liquidity'[1] and, after reviewing responses and providing feedback, published the final template and associated reporting instructions in Policy Statement (PS) 2/18 'Pillar 2 liquidity'.[2] The PRA has received a number of additional questions from firms regarding the template and reporting instructions.

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.

The material in this document does not constitute new PRA policy. The Q&A process may prompt the PRA to consider whether an amendment should be made to the reporting instructions or rules.

Firms are encouraged to email questions to their PRA supervisor and copy in LiquidityPillar2ReportingProjectQueries@bankofengland.gsi.gov.uk.

Version 4 updates

This Q&A has been updated to include responses on questions related to:

- Monetisation (Q&A 1m);
- LCR weights (Q&As 3e (update) and f);
- Contingencies (Q&As 5c and d);
- Inflows (Q&A 6a);
- Counterbalancing capacity (Q&A 7a); and
- Time buckets (Q&As 8a and b).

New Q&As and updates to existing ones appear in *italics* and under the PRA110 row/column to which they refer, where possible.

1. Monetisation (rows 7240-7420)

a) Can you provide further clarity around the rationale for the monetisation rows?

Response: The monetisation rows are designed to assess the risk that firms may not be able to monetise sufficient non-cash HQLA rapidly enough, relative to their likely needs in stress. The rows are based on firms' intended (behavioural) monetisation of securities under stress. As set out in paragraph 2.29A of Supervisory Statement (SS) 24/15 'The PRA's approach to supervising liquidity and funding risks',[3] the monetisation rows are used for monitoring purposes and will not be included in the granular LCR stress scenario for the purposes of assessing compliance with the guidance outlined in paragraph 3.12 of SS24/15.

b) Can you provide further clarity around the rationale for the row 'Outflows which can be met by posting securities'?

Response: It is recognised that some outflows do not give rise to monetisation risk because they can be met by posting certain unmonetised securities. In performing the monetisation assessment, the amount of liquidity resources available on a given day must be increased by the amount of outflows (including those that are derivatives related) that can be met by posting unmonetised securities.

c) How frequently are firms required to update their modelling assumptions for the monetisation section?

Response: As set out in paragraph 2.29A of SS 24/15, firms should review their monetisation assumptions at least annually (in line with the refresh cycle of their ILAAPs). Firms may wish to consider a more frequent review if, for example, there is a significant change to their market access.

[1] July 2017: www.bankofengland.co.uk/prudential-regulation/publication/2016/pillar-2-liquidity.
[2] February 2018: www.bankofengland.co.uk/prudential-regulation/publication/2016/pillar-2-liquidity.
[3] February 2018: www.bankofengland.co.uk/prudential-regulation/publication/2015/the-pras-approach-to-supervising-liquidity-and-funding-risks-ss.

d) Does the monetisation section apply only to securities held in the LCR liquidity buffer or to all securities?

Response: The monetisation section refers only to securities eligible as HQLA under the LCR Delegated Act (DA). Monetisation of other securities could be included as part of a management action within a firm's liquidity contingency plan, but should not be included within the monetisation section of PRA110.

e) Should 'Outflows which can be met by posting securities' be based on contractual or behavioural flows (if the former, there is concern that this would require a contract-by-contract review)?

Response: Firms may treat an outflow as one which can be met by posting securities where the contractual terms of the outflow permit it, and to the extent the firm expects to hold the relevant security on the relevant date. If the information required for this assessment is not readily accessible, it should be assumed that behaviourally firms would meet outflows using cash.

f) Should the cash raised from maturing reverse repos be the full inflow from the transaction and not be subject to LCR inflow rates?

Response: As set out in paragraph 2.35 of PS 2/18, for the purposes of monetisation analysis, reverse repos of assets held within the liquidity buffer should be assumed to mature contractually, where the firm’s monetisation strategy includes contractual maturity of those reverse repos. Accordingly, this analysis should not be subject to LCR inflow rates or rollover assumptions.

g) Is it correct that the rows within the 'Cumulated Liquidity Resources Post Firm Actions' section are expected to be completed using formulas?

Response: No. The rows within the ‘Cumulative Liquidity Resources Post Firm Actions’ are a combination of items reported earlier i.e. the sum of rows 7340 to 7360, plus that amount of cash received from contractually maturing reverse repos of assets that form part of the firm’s liquidity buffer, and that the firm is assuming will not roll because this is part of a firm's monetisation strategy.

h) Is monetisation of open reverse repos assumed to occur through the ‘Inflows’ section (and therefore no further monetisation actions are required)?

Response: For the purposes of monetisation analysis, open reverse repos involving assets held within the liquidity buffer should be assumed to mature contractually on day 1, where the firm’s monetisation strategy includes termination of those reverse repos. The cash received should be reflected within the ‘Cumulative Liquidity Resources Post Firm Actions’ section (see Q&As 1(f) and 1(g)).

i) What stress scenario assumptions should be applied to the monetisation section (idiosyncratic or market-wide, what period)? Related to this, can you clarify what haircuts should be used in the 'Cash flows from HQLA monetisation actions' rows?

Response: Cash flows should reflect firms' own assessments of haircuts (or sale discounts) and speed of monetisation that would be likely to apply under the combined benchmark stress scenario.

j) Can you confirm that the set of validations (in XBRL taxonomy v3.0.0) should be row 7240 <= to rows 7390 + 7400 + 7410 (and not 7240 equals the sum of these rows)?

Response: Yes. In practice we would expect the amount reported in row 7240 to be less, as it is unlikely that all unmonetised HQLA will be usable as collateral.

k) Should the cashflows reported in the 'Monetisation actions' section include any interest receivable?

Response: As set out in paragraph 3 of 'PRA110 instructions'[4], firms should report in a manner consistent with not double counting inflows. If a firm follows a 'clean pricing' approach (i.e. it does not include accrued interest in the reported value of HQLA) then it may include the interest receivable in the inflows section. If a firm follows a 'dirty pricing' approach (i.e. it includes accrued interest in the reported value of HQLA) it should not include interest receivable in the inflows section (any interest due prior to monetisation should then be reflected in the monetisation section). It would be helpful for firms to include the pricing approach followed in their ILAAP.

l) For reporting monetisation actions relating to overnight repos that are to be rolled for the duration of the stress, would the PRA expect to see an inflow and outflow every day, or only at day 1 when the funding is initially raised?

Response: In this specific case, the cash and securities flows would only be reported in the column corresponding to the initial day of the transaction. On subsequent days the cash outflow (and security inflow) from the maturing overnight repo would be cancelled out by the cash inflow (and security outflow) from the new overnight repo. While the rollover would not be visible within the subsequent columns, firms should take into account the need to rollover short-term repo transactions in their monetisation assessments and reflect this in their ILAAPs, as set out in paragraph 2.29A of SS24/15.

m) For the monetisation of securities by outright sale (rows 7250-7280), how should the security flows be reported if these securities mature? Should the maturity of the securities be reported in these rows as well as the relevant rows on the counterbalancing capacity section?

Response: *For reporting HQLA securities monetised via outright sale (rows 7250-7280), if the security is sold prior to its maturity the sale should be reported as per the instructions for these rows. If a firm's monetisation strategy is to allow its holdings of HQLA securities to mature, it should treat the maturity as equivalent to a sale. The monetisation actions rows are used to provide additional information, therefore any reporting in this section should not change reporting in the rest of the template, including the counterbalancing capacity section.*

2. Technical implementation including corrections to template

a) Is the PRA planning to have an equivalent liquidity metric monitor ('LMM') tool for the PRA110?

Response: Yes. This will be released on the PRA website prior to full implementation of the return.

b) Will the PRA publish a utility to generate XBRL returns from Excel spreadsheets?

Response: The PRA has no plans at present to release such a utility.

c) Will there be any validations between the PRA110 and C.66 or LCR returns?

Response: No XBRL validations are planned at present between the above returns.

d) There is a discrepancy between the validations and the Excel template: rows 7250, 7290 and 7330 are greyed out in the template, but have sum validations assigned to them in the taxonomy. Can you clarify?

Response: The validations in the taxonomy are correct. The PRA intends to correct the Excel template to be consistent with the taxonomy in due course.

e) Row 6000's modelling has changed to remove dimensional element TMA:MA(x8). However we noticed that the above dimensional element is still present for this row's modelling in the taxonomy?

Response: The taxonomy and change log are correct. The original problem was row 240 was missing dimensional element MA:(x8). Once this was added to the taxonomy, the element was removed from row 6000 because this row is subordinate to row 240 and therefore the element is inherited.

[4] February 2018: www.bankofengland.co.uk/prudential-regulation/regulatory-reporting/regulatory-reporting-banking-sector.

f) Columns for days 62 and 63 have references 7460 to 7500, which is inconsistent with the taxonomy version where the codes increase in increments of 10. Can you clarify?

Response: The column references in the taxonomy are correct. The PRA intends to correct the Excel template to be consistent with the taxonomy in due course.

g) Will there be a validation between derivatives rows 7210 and 350/360 (similarly 7220 and 660/670)?

Response: No validations are planned at present between these rows.

h) Is row 6640 ('of which: to other financial customers') meant to be a component of row 6630 ('of which: to credit institutions not for funding promotional loans), or a distinct component of row 1130 (liquidity facilities)?

Response: Row 6640 in the 'Counterbalancing Capacity' section should be reported in line with the reporting instructions, as a distinct component of row 1130, and not as a component of 6630. The PRA intends to correct the Excel template and the taxonomy, as well as item numbering and indentation in the reporting instructions, in due course.

i) Where should balances reported in the LCR return C.73 row 540 ('committed credit facilities to regulated institutions other than credit institutions') be reported?

Response: Outflows from committed credit facilities to regulated financial institutions other than credit institutions (corresponding to row 540 in the LCR return C.73) should be reported within row 6550, together with outflows from credit institutions not for funding promotional loans. The PRA intends to correct the Excel template and the taxonomy in due course, to amend the label for row 6550 to read: 'of which: Credit institutions not for funding promotional loans; or regulated financial institutions other than credit institutions'.

j) Where should balances reported in the LCR return C.73 row 870 ('other products and services: others') be reported?

Response: Outflows from 'other products and services: others' (corresponding to row 870 in the LCR return C.73 should be reported within row 6660 ('other off-balance sheet and contingent funding obligations'). The PRA intends to correct the reporting instructions in due course, to amend the instructions for row 6660 to read: 'Credit institutions shall report the amount of other off-balance sheet and contingent funding obligations referred to in Article 23(1) of Regulation (EU) 2015/61, and the amount of other products or services referred to in Article 23 (1) of Commission delegated regulation (EU) 2015/61 that are not captured in items 4.60.2 – 4.60.8.'

k) In the 'Contingencies' section what should be entered into the initial stock column for rows 6800-6870?

Response: The initial stock column for rows 6800-6870 ('outflows due to downgrade triggers', 1-8 notches) may be left blank. The PRA intends to correct the Excel template and the taxonomy to grey out these cells in due course.

l) The abbreviation for credit quality step (CQS) has been misspelled in certain rows of the PRA110. Will this be corrected?

Response: 'CQ' rather than the correct abbreviation for credit quality step (CQS) mistakenly appears in the labels for rows 210, 6110, 540, 6390, 890 and 7100 (the labelling for these rows in the instructions are correct). The PRA intends to correct the Excel template and the taxonomy in due course.

3. LCR weights (column 6000)

a) Can you provide guidance on what to report in the LCR weight column when the rows in PRA110 are not in the LCR template?

Response: When a row in PRA110 does not correspond to any rows in the LCR template, the LCR weight column can be left blank. This applies, for example, to rows 6830-6870, 6970-7000 and 7150-7220. When the PRA publishes the equivalent LMM tool (see Q&A 2(a)), firms will be able to refer to this for an indication of which PRA110 items are involved in the granular LCR stress scenario.

b) Is there a requirement to populate the LCR weight on total rows or sub-total rows?

Response: An LCR weight on total or sub-total rows is not necessary when an LCR weight has been reported for all relevant subordinate rows. For example, the LCR weight column in sub-total row 010 is not necessary, provided the LCR weight column is reported for subordinate rows 020-050. When the PRA publishes the equivalent LMM tool (see Q&A 2(a)), firms will be able to refer to this for an indication of which PRA110 items are involved in the granular LCR stress scenario.

c) How often should the blended average LCR weights be calculated (e.g. should they correspond to a particular LCR return or be calculated and rolled on a monthly basis)?

Response: The blended average LCR weights should be calculated for each PRA110 return.

d) In calculating the LCR weights, should flows that are not captured by the LCR (e.g. forward starting repos that start and mature within 30 days) but that would be captured by PRA110 also be considered?

Response: Flows referring to contracts in place at the time of reporting PRA110 should be included in LCR weight calculations. Forward agreements should therefore be included with appropriate LCR weights. As set out in paragraph 20 of PRA110 instructions, a blended LCR weight reflects the average composition of flows reported in that PRA110 row within a 30-day horizon.

e) What should be reported in the LCR weight column against the collateral swap lines (rows 7010-7140)?

Response: The LCR weights reported for these rows should be the same as those reported in the secured funding sections for the corresponding level of collateral (e.g. for ‘Level 1 excluding covered bonds’ (row 7030), the collateral swap flow reported LCR weight should be '0.00'). For row 7010 (a sub-total row) an LCR weight is not required because component LCR weights are included below.

See example below for how the calculation methodology will work in the LMM tool equivalent to be published (see Q&A 2(a)):

Code	ID	Item	LCR weight	Initial stock	Overnight		Greater than overnight up to 2 days
						Of which: open	
			6000	010	020	6010	030
7010	60	Collateral swap flows:					
7020	60.1	Level 1 tradable assets			0		
7030	60.1.1	Level 1 excluding covered bonds	0.00		100		
7040	60.1.1.1	Of which: CQS 1	0.00		100		
7050	60.1.2	Level 1 covered bonds (CQS1)	0.07		-100		
7060	60.2	Level 2A tradable assets	0.15				-100
7070	60.3	Level 2B tradable assets					
7080	60.3.1	Level 2B ABS (CQS1)					
7090	60.3.2	Level 2B covered bonds (CQS1-6)					
7100	60.3.3	Level 2B: corporate bonds (CQ1-3)					
7110	60.3.4	Level 2B shares	0.50				100
7120	60.3.5	Level 2B public sector (CQS 3-5)					
7130	60.4	Other tradable assets					
7140	60.5	Other assets					

LCR weights should be reported as positive figures. The calculation methodology will use -(LCR weight) x collateral flow, which produces the correct net outcome when both legs are considered.

The example maturing collateral downgrade trade will be treated in the LCR as a net inflow.
(-0.00 x 100) + (-0.07 x -100) = +7

The example maturing collateral upgrade trade will be treated in the LCR as a net outflow.
(-0.15 x -100) + (-0.50 x 100) = -35

f) *<u>What should be reported in the LCR weight column against the other outflows line (row 370)? Should operating expenses be included the calculation of the weight?</u>*

Response: *In line with paragraph 20 of PRA110 instructions, a blended LCR weight should be reported for this row. For example, as per LCR DA Articles 28(2) and 31(10) the firms' own operating expenses should receive a 0% weighting, while any other liquidity outflows resulting from liabilities other than those referred to in Articles 23 to 31 should receive a 100% weighting, when calculating the blended weight.*

4. Memorandum items (rows 1200-1290 and 6970-7230)

a) <u>What should be reported in the 'Derivatives margining and exposures' rows (7150-7230) to avoid double counting with rows 360 and 670?</u>

Response: Rows 7150-7230 represent the current 'stock' of margin paid and received, whereas rows 360 and 670 represent known, contractual future inflows and outflows from derivatives as set out in the PRA110 instructions for those rows. There is therefore no double counting.

b) <u>Will the granular LCR stress calculation include some of the memorandum items, specifically collateral swaps (rows 7010-7140)?</u>

Response: Collateral swap lines will be used to assess firms' worst net liquidity positions under the stress scenarios and tools outlined in paragraphs 3.26 and 3.28 of Statement of Policy (SoP) 'Pillar 2 liquidity'.[5]

c) <u>Where should forward starting collateral swaps be reported?</u>

Response: Forward starting collateral swaps should be reported in the collateral swap rows 7010-7140 together with maturing collateral swaps.

[5] February 2018: www.bankofengland.co.uk/prudential-regulation/publication/2016/pillar-2-liquidity.

5. Contingencies (rows 1090-1120 and 6530-6960)

a) Is it correct that there is no requirement to report short positions covered by collateralised SFT (corresponding to row 360 in LCR return C.73) in the 'Contingencies' section of the PRA110?

Response: Yes. Information on short positions covered by collateralised securities financing transactions (SFTs) is collected elsewhere on the PRA110. For example, information is captured via the treatment of reverse repos (rows 6300-6440) and the treatment of collateral swaps (rows 7010-7140). Refer to the instructions for these rows for more information.

b) Should row 1140 ('Outflows due to downgrade triggers') be the sum of rows 6800-6820 (1-3 notches), 6800-6870 (1-8 notches), or something else?

Response: Row 1140 is not required to be the sum of rows 6800-6870 (1-8 notches downgrade). Firms should report as per the instructions for this row.

c) Where should credit/liquidity facilities within a group or an institutional protection scheme (IPS) be reported, if they are subject to preferential treatment under LCR DA Article 29?

***Response:** All credit/liquidity facilities should be reported within the relevant rows in section 4.1 ('Outflows from committed facilities'). There are no separate rows for facilities subject to preferential treatment under LCR DA Article 29. Where this results in outflows with different LCR weights being summarised within rows in section 4.1, firms should report blended LCR weights as per paragraph 20 of the PRA110 instructions.*

d) Should outflows from credit cards be reported in both row 1100 ('Committed credit facilities') and 6690 ('credit cards')?

***Response:** Outflows should not be double counted. Where firms are unsure whether their classification of undrawn credit card balances fall under committed credit facilities, they should align their approach to their LCR reporting – for further details see 'PRA LCR reporting clarifications'.*[6]

6. Inflows (rows 390-720 and 6290-6480 and 7470-7510)

a) Where should trade finance inflows be reported?

***Response:** Trade finance inflows should be reported within section 2.2 ('Monies due not reported in item 2.1 resulting from loans and advances granted to') based on the counterparty to the inflow. Where this results in inflows with different LCR weights being summarised within rows in section 2.2, firms should report blended LCR weights as per paragraph 20 of the PRA110 instructions.*

7. Counterbalancing capacity (rows 730-1080)

a) Can the PRA confirm that all HQLA, prior to the application of HQLA concentration caps as per LCR DA Article 17, should be reported in the PRA110?

***Response:** Firms should not apply concentration caps when reporting their HQLA in the counterbalancing capacity section. As outlined in paragraph 3.12 of SoP 'Pillar 2 liquidity', 'available liquidity will be calculated [under the granular LCR stress] with LCR haircuts applied and after applying the criteria as specified in Article 17 of Regulation (EU) No 2015/61'. When the PRA publishes the equivalent LMM tool (see Q&A 2(a)), firms will be able to refer to this for an indication of how concentration caps are applied in the calculation methodology.*

[6] September 2015: www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/crd-iv/liquidity-coverage-ratio-reporting-clarifications.

8. Time buckets (column 020 onwards)

a) *How should trades maturing overnight be reported if the reporting day is on a Friday: should these be reported as Monday (day 3, column '040') if this is when the trades mature contractually, or as Saturday (overnight, column '020')? Should the 'Of which: Open' column (6010) always be left blank where 'overnight' falls on a Saturday, since the former is a subset of the latter?*

Response: *As set out in paragraph 2 of PRA110 reporting instructions 'the contractual flows resulting from legally binding agreements and the residual maturity from the reporting date shall be reported according to the provisions of those legal agreements'. For example for items with a defined maturity date, if the date falls on a non-working day and the contractual provision or market convention for this eventuality is that the cash flow would occur on the next working day, it should be reported on the next working day. If a cash flow would actually take place on a non-working day because it occurs in a market open on a Saturday or public holiday, it should be reported on the non-working day. The 'Of which: open' column (6010) should be used to indicate balance sheet items without a defined maturity date, regardless of the date of reporting. As set out in paragraphs 12(c) and (d) of PRA110 reporting instructions 'all sight and non-maturing deposits […] and open repos or reverse repos and similar transactions which can be terminated by either party on any day […] shall be reported both as 'overnight' in column 020 and in the 'Of which: open' column 6010'.*

b) *Which time bucket should individual savings accounts (ISAs) be reported in?*

Response: *Instant access ISAs should be reported in the same time band as other instant access products. Balances from fixed-term ISA accounts should be reported according to the earliest date at which the firm could be required to transfer the balance to a different provider (unless the remaining term of the balance is sooner, in which case the earlier period should be used). For further guidance refer to deadlines on ISA transfers.*[7]

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[7] https://www.gov.uk/individual-savings-accounts/transferring-your-isa.