

Bank of England PRA

Matching Adjustment Asset and Liability Information Request Year End 2022: Q&A

This Q&A covers queries to assist firms with the completion of the MA Asset and Liability Information Request which was published on Friday 14 April 2023.

Please direct any additional queries to your usual supervisory contact or InsuranceData@bankofengland.co.uk.

1. Which firms fall within scope of the request?

All firms with, or seeking, MA approval are invited to complete the MA Asset & Liability Information Request.

2. My firm did not have MA approval at YE22 but is hoping to receive approval in the near future. Can it take part in the MA Asset and Liability Information Request?

Yes, please contact your supervisor and InsuranceData@bankofengland.co.uk.

3. How do I submit a response?

Participating firms are asked to submit responses through BEEDs.

4. a. What is the timeframe of the MA Asset & Liability Information Request?

Firms within the scope of the information request were contacted on Friday 14 April 2023 and have until Friday 23 June 2023 to submit a response.

b. I am going to miss the deadline, what should I do?

Please contact your supervisor and copy in InsuranceData@bankofengland.co.uk.

5. Are the MA Asset and Liability Information Request templates publicly available?

Please refer to the Bank of England's [website](#) for information on the MA Asset and Liability Information Request and the corresponding Excel template.

6. Should derivatives be included in the 'Promised Asset cf – for MA' worksheet?

We expect the 'Promised Asset cf – for MA' worksheet to include all assets in the MA Portfolio (MAP) and as such this includes derivatives and reinsurance. We note that derivatives are not shown as a separate 'Asset Class' and derivatives are used for different purposes by different firms. We would therefore give the following additional guidance for completion of the template:

Where a derivative is paired with another asset to create an MA eligible asset, it is preferable for the derivative and underlying asset to be shown together in a single line of the template. The cash flows and other associated information related to the combined asset should take account of the presence of the derivative, and it would be helpful if you could indicate the asset is a paired asset in column E where further detail is requested by stating 'paired with derivative'. If you have additional comments in column E, you can include in the cell both the additional comments and the note on derivative pairing.

If it is not possible to show paired assets in a single row of the template, then the underlying asset and derivative may be shown separately. The derivative assets should be categorised as 'Other assets' and a reference made in column E to the relevant paired asset. If possible, it would be helpful if you could include in column E a consistent identifier for each pair of assets to allow us to match them.

Grouped derivative exposures can either be shown combined in a single line of the template at an appropriate level of granularity (eg FX swaps by currency) or listed individually. In either case they should be categorised as 'other assets' stating 'grouped derivative exposures' in column E. More detail on how the grouping works can be provided if you consider it would be helpful to do so, and this may also be in the same cell in column E.

Where derivatives are used for any other purpose in the MAP eg to modify the duration of the portfolio, these derivative exposures should be shown in separate lines of the template. They too should be categorised as 'other assets' with any additional information around the nature and purpose of the exposure to be given in column E, also stating 'other derivatives'.

7. If derivatives are included, then we can't accurately reconcile our submission to QRT S06.02: list of assets – what should we do in this case?

Our overall aim is to capture all assets that are contained in the MAP. It is important that this includes assets such as reinsurance and derivatives as without them we have

an incomplete picture of the assets that give rise to the MA benefit reported by each firm.

We note that we are asking for asset exposures beyond those shown in S06.02, notably derivative and reinsurance exposures. We would still however, expect it to be possible to reconcile back to this QRT with any reconciliation starting from the amount of assets in the MAP (£m) as per S06.02 and then adding in further items not included in this QRT to get to the asset value (£m) as per the MA data request submission. We would welcome such a reconciliation to be provided in the relevant area of the 'Portfolio Outputs' worksheet and/or the additional free-form tab supplied for this purpose (if needed) as additional information to support your response.

8. How should inflation-linked asset cash-flows be shown?

Inflation-linked asset cash flows should be shown based on your best estimate assumptions regarding future inflation. The same is true also of any inflation-linked derivative exposures where the cash flows should be shown net based on projected future inflation.

9. How should cash/liquidity fund assets be shown?

There is no need to provide cash flows for these assets unless you assume for matching purposes that the assets generate cash flows beyond month 1. If you do make such an assumption you should explain this in column E.

10. Should small or medium-sized enterprises (SMEs) include special purpose vehicles (SPVs)?

The starting point is the underlying exposure and whether it would be categorised as an SME. If you have invested in a securitisation/SPV where the underlying exposures include investment in SMEs, then this type of investment should be shown as an SME exposure. SPVs in their own right are unlikely to be SMEs.

11. If there are asset exposures where the asset is in construction phase but there are associated guarantees that mean cash flows will be paid even if (for example) construction overruns, then is such an exposure a construction phase asset?

Yes. We are seeking to capture all assets where the cash flows to be received on the underlying asset exposure are dependent on successful and timely completion of a construction phase. If there are safeguards/guarantees in place that limit the exposure to the construction risk then this can be indicated (in column E of the 'Promised Asset

cf – for MA' template if possible); however, such assets would still be deemed to be in construction phase.

12. Should the MA benefit (£m) only be shown for Component A assets?

Our primary request is for the MA benefit (£m) to be shown in respect of assets that generate that benefit ie component A assets. If you are able to provide a corresponding figure for other assets (ie the MA benefit they would generate if they were in Component A), we would welcome such information but it is not essential.

13. If we normally present cash flows annually then are we required to re-state them as monthly cash flows or can we simply use the annual cash flows?

We would ask firms to provide the cash flow data on a monthly basis to ensure that there is consistency between cash flows and the overall metrics (eg yield, spread) for each asset. This is particularly pertinent for shorter duration assets.

14. Do we need to use the asset classifications set out in the template which in some cases (eg private placements) may involve reviewing asset prospectuses?

We would ask firms to provide asset classifications as accurately as possible and would ask that 'other assets' is only used as a last resort (except for assets such as derivatives, as set out above, or swaps or other asset types that do not conform to the definitions supplied). We note that the asset classifications have been slightly updated – primarily for additional clarification – since we ran the YE20 MAP data request, and we encourage firms to familiarise themselves with the updated classifications and associated definitions as set out in the 'Instructions' tab.

15. How should the field 'FS (%) with BBB cliff removed' (column AN of 'Promised Asset cf – for MA') be completed when the BBB adjustment is made at a portfolio level rather than a line by line asset level?

Where an asset is impacted by the BBB cliff then the 'FS (%)' for that asset should include any necessary adjustments made in respect of the BBB cliff and the 'FS (%) with BBB cliff removed' should reflect the FS with no adjustments for the BBB cliff. Where the BBB cliff calculation is not performed at individual asset level (eg if it is done at asset class or portfolio level) then an appropriate allocation method should be used to spread the impact of the BBB cliff across the affected asset lines. Any assumptions made in this regard should be detailed in the 'Assets – further info' tab.

16. How should a single asset which is notionally split across different components (A, B or C) of the MAP be reflected in the response?

Where an individual asset is split across different components of the MAP the asset should be appropriately split into different lines in the submission, detailing in column F ('Component A/B/C of the MAP') the component to which that portion of the asset relates. The relevant values and cashflows of each line should be adjusted in proportion to the ratio in which they are held.

17. Is there a difference between the options of 'fixed' and 'fixed – no early repayment option' under 'Cashflow type' (column AS of 'Promised Asset cf – for MA')?

Please consider the two fixity options of 'fixed' and 'fixed – no early repayment option' as equivalent when completing the Information Request. It would be preferable for each firm to choose one to use consistently throughout each submission but if they are used interchangeably within a submission they will be treated as having the same meaning in any analysis of the information provided.

18. If we have not completed or only partially completed an internal climate related analysis of assets in the MAP how should we complete the 'Climate Target / Green' field (column AD of 'Promised Asset cf – for MA')?

Please enter N for all assets for which you have no climate related classification. Please provide commentary on the 'Assets – further info' tab with the proportion of assets which are designated N but for which no analysis is available.