



Institute
and Faculty
of Actuaries

IFoA Life Conference

Navigating the Waters: Liquidity Regulatory
Reporting

Agenda

- 1 Mapping the Regulatory waters
- 2 Measuring the depths: unpacking the requirements
- 3 Setting the sails: practical steps for implementation
- 4 From the helm: a bank's view on liquidity reporting
- 5 The ripple effect: beyond reporting



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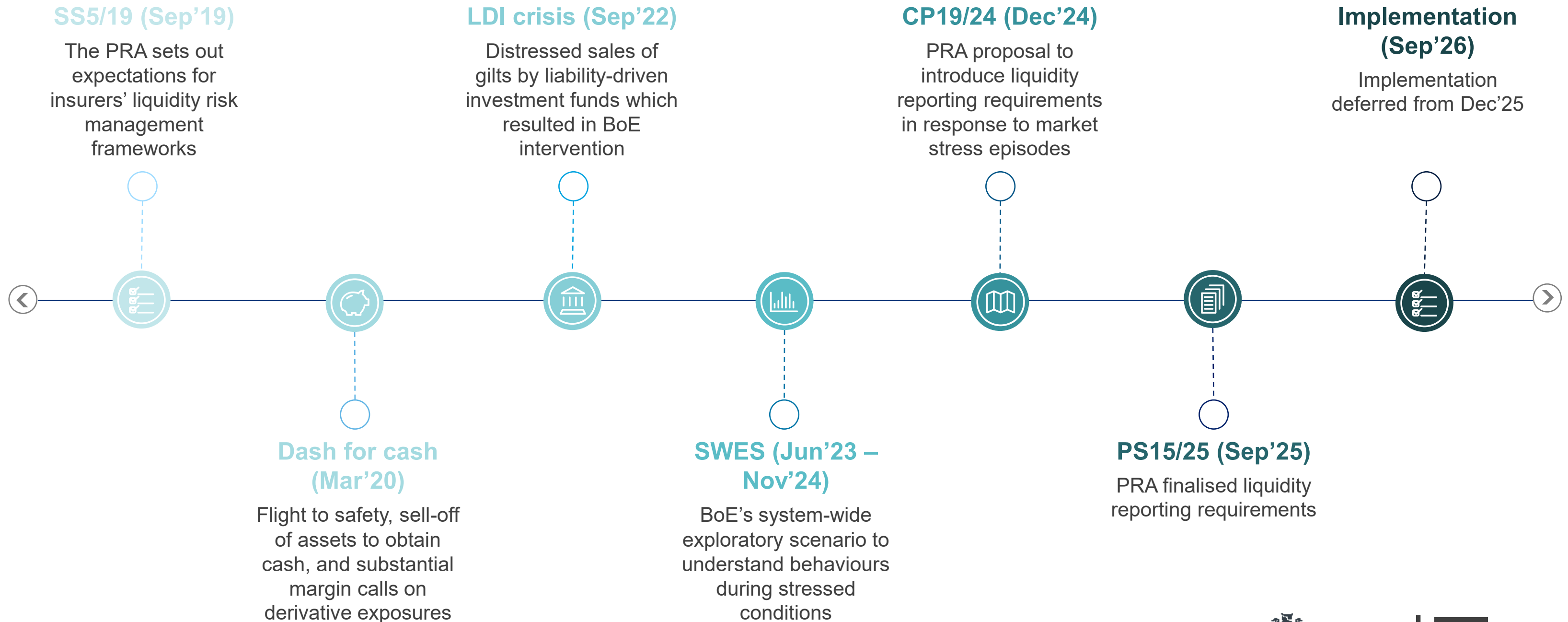
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1. Mapping the Regulatory waters

The forthcoming liquidity regulatory reporting requirements are fundamentally shaped by recent events



2. Measuring the depths: unpacking the requirements

The templates are designed to provide the PRA with timely, consistent, and comparable information

01

Cash flow mismatch

Monthly on T+10 and T+1 – incl. daily in stress

- Report on contractual and expected cash inflows and outflows, unencumbered assets, and certain contingent liquidity demands

Bank of England PRA					
LQ.01.01.01 Cash flow mismatch					
	In the month preceding the reporting date	Initial Stock	Up to 1 month	Greater than 1 month up to 2 months	Greater than 2 months up to 3 months
	C0010	C0120	C0240	C0250	C0260
Cash outflows & inflows					
Outflows					
Inflows					
Counterbalancing capacity					
Contingencies					
Memorandum items					

- Requires backward-looking data (1 month), forward-looking data (3 months), and granular information on unencumbered assets

02

Liquidity market risk sensitivities

Quarterly on T+30

- Report on the sensitivity of assets and collateral demands to changes in market conditions

Bank of England PRA						
LQR.02.01 Liquidity market risk sensitivities						
	Cash	UK government bonds	Highest quality tradeable assets excl. UK central govt	High quality tradeable assets	Investment grade corporate bonds (CQS 2&3)	Equities and other tradeable assets
	C0010	C0020	C0030	C0040	C0050	C0060
Sensitivity of counterbalancing capacity						
Margin on derivatives and securities financing transactions						
Other collateral needs						

- Changes in market conditions are defined and include changes in interest rates, exchange rates, inflation, bond spreads, credit spreads

03

Committed facilities

Annually on T+70

- Report on committed credit and liquidity facilities which are potentially useful contingency actions during a liquidity stress

Bank of England PRA							
LQ.03.01.01 Committed facilities							
LQ.03.01.01.01 Information on liquidity facilities							
Line identification	Facility ID code	Authorized borrower	Total committed	Total amount currently	Total amount otherwise	Secured / Unsecured	Maturity date
C0001	C0040	C0050	C0060	C0070	C0080	C0090	C0120
LQ.03.01.01.02 Information on lenders							
Facility ID Code	Counterparty Name	Counterparty Code and	External rating	Nominated ECAI	Counterparty group	Counterparty Group Code	
C0040	C0130	C0140	C0150	C0160	C0170	C0180	

- Requires all committed facilities received from 3rd parties with total amount greater than £10m (or equivalent)

Note: The above extracts are simplified versions of the reporting templates, showing only a selected number of rows and columns

3. Setting the sails: practical steps for implementation

The key activities and challenges in implementing the new liquidity regulatory reporting requirements

Scope & regulatory requirements

Data requirements and sources

Solution design & development

Processes and controls

Implementation and go-live

Activities

- Identify scope at firm- and fund-level (RFF, MAP & remaining part)
- Document the line-by-line regulatory requirements and interpretations

Challenges

- Monitoring funds where value of derivatives is close to £500m threshold
- PS15/25 change for L-MRS from solo-entity to fund-level reporting
- Interpretation required for some of the reporting instructions

- Define the data requirements on a line-by-line basis
- Identify the data sources and availability of timely data

- Data quality and consistency of data used for liquidity MI reporting
- Availability of data for cash flow mismatch (short-form) template on T+1 basis
- Data ownership, validation, and sign-off by data providers

- Assess whether to use in-house or vendor reporting solution
- Develop/implement solution and utilise single data warehouse

- Leverage and extend in-house reporting solution for liquidity MI reporting
- Implement vendor reporting solution – new or consistent with Solvency II
- Key considerations include cost, resources, timeline, & post go-live support

- Design and document regulatory reporting processes and controls
- Define the operating model for reporting, review, and sign-off

- Agreement on responsibility for reporting and submission
- Governance structure for regulatory interpretations and any future changes
- Clarity of documentation of processes and controls to mitigate key-person risk

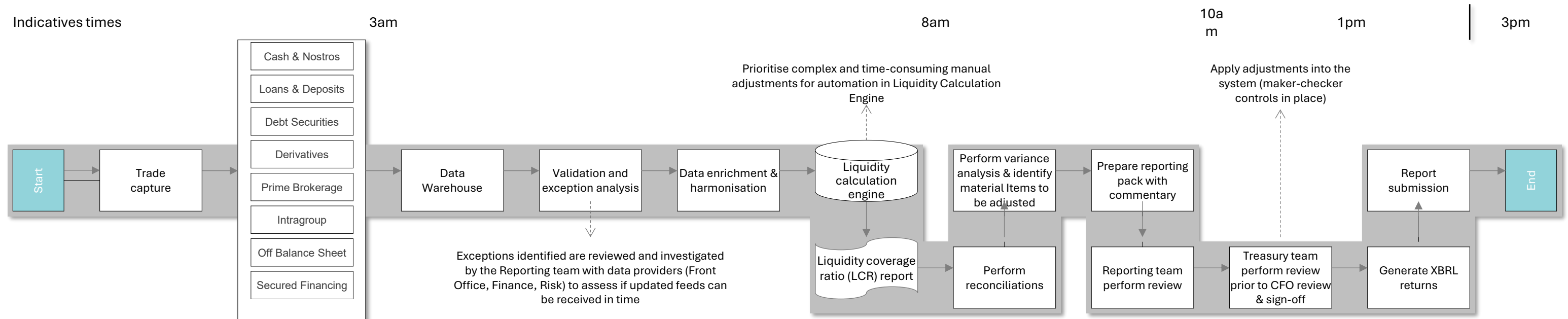
- Perform user-acceptance testing and embed processes & controls
- Utilise PRA testing windows to test submissions via BEEDS portal

- Timeline to implementation should not be underestimated
- Consistency of liquidity regulatory reporting with MI reporting
- Experience of liquidity regulatory reporting and PRA expectations

4. From the helm: a bank's view on liquidity reporting

Banks have spent more than a decade implementing and refining liquidity regulatory reporting

Illustrative process



Data sourcing

- Identify the earliest availability of data feeds
- Initiate data validation, enrichment, mapping and prioritise feeds

Data aggregation

- Aggregate data in single strategic platform
- Define data validation & exception rules to identify inconsistencies

Report production

- Liquidity Calculation Engine produces report
- Reporting team perform variance analysis and investigate

Review & submission

- Treasury team review reporting pack, variance analysis and commentary
- CFO performs review prior to sign-off and submission to regulator

5. The ripple effect: beyond reporting

Don't mistake SP15/25 for mere compliance – it signals the PRA's wider push on liquidity risk management

Liquidity reporting is not
an end in itself

Enhanced Stress Testing: Increased emphasis on liquidity in stress testing exercises

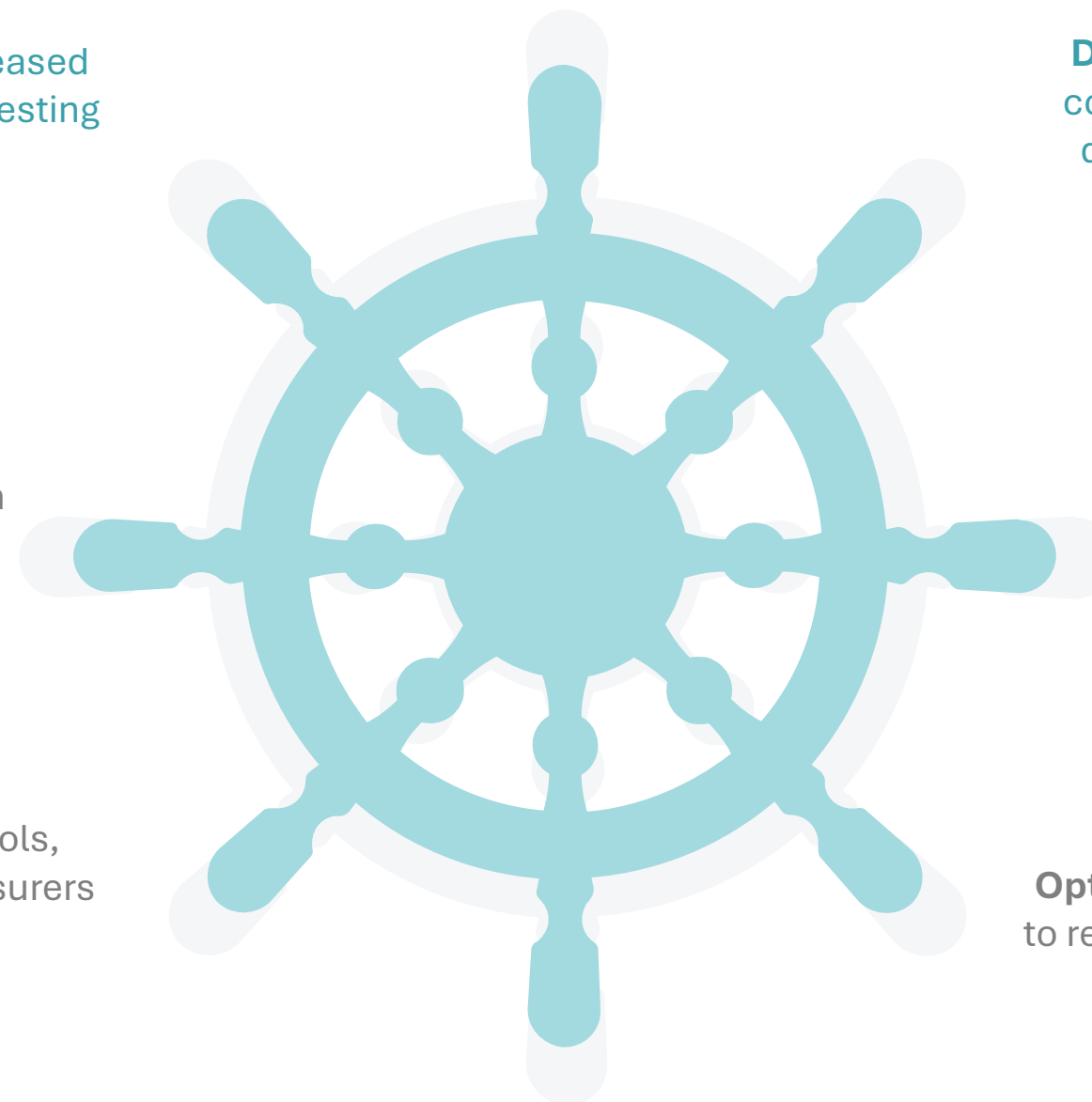
Deeper Scrutiny of Liquidity Risk: Expect a continued focus on liquidity risks, potentially drawing parallels from the banking sector's regulatory evolution

Liquidity SST capabilities: with improvements in data accuracy and timeliness, expect higher demands of liquidity modelling in stress

Data Enhancement: An impetus to address and rectify existing data weaknesses related to liquidity

Risk Appetite Optimisation: Better controls, processes, and reporting may enable life insurers to refine risk appetite and thresholds

Optimised Internal Reporting: A chance to review, streamline, and improve internal liquidity reporting metrics



Q&A



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Thank you

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