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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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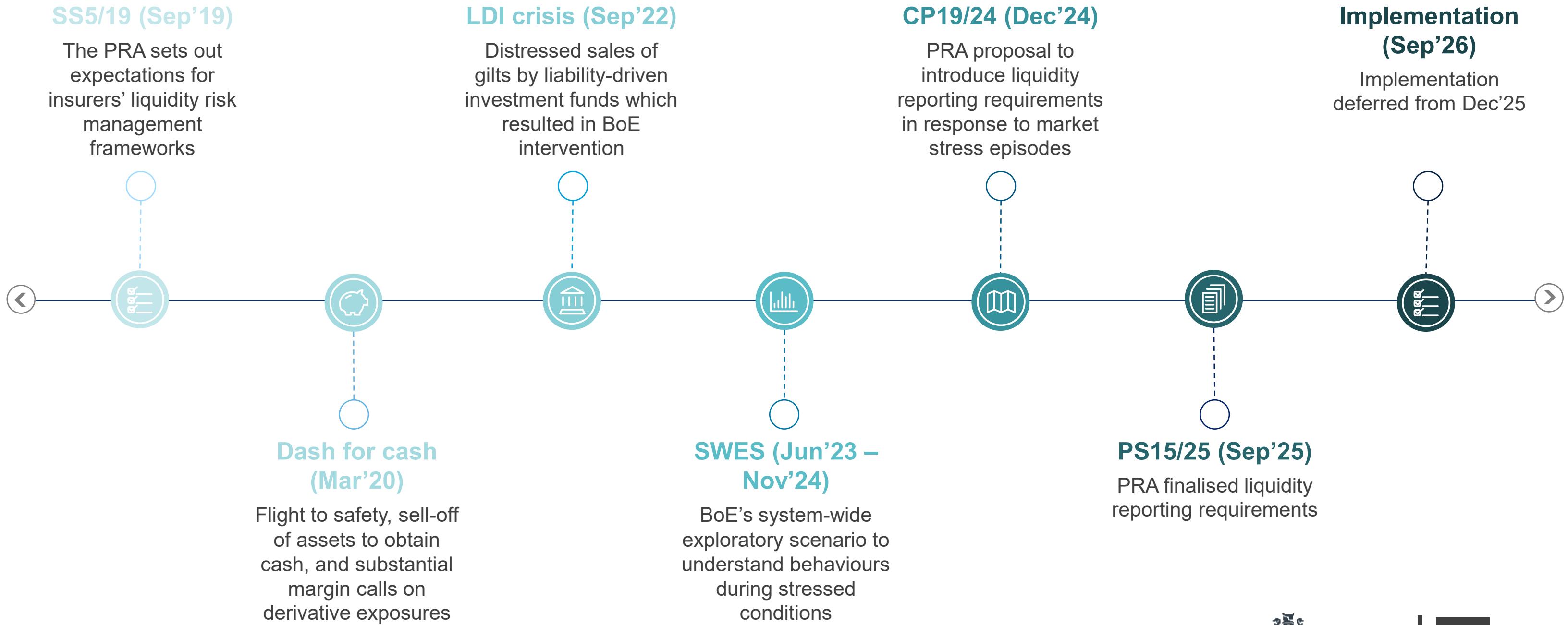
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1. Mapping the Regulatory waters

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
Cash outflows & inflows	C0010	C0120	C0240	C0250	C0260
Outflows					
Inflows					
Counterbalancing capacity					
Contingencies					
Memorandum items					

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 gov.	High quality tradeable assets	Investment grade corporate bonds (CQS 2&3)	Equities and other tradeable assets
Cash outflows & inflows	C0010	C0020	C0030	C0040	C0050	C0060
Sensitivity of counterbalancing capacity						
Margin on derivatives and securities financing transactions						
Other collateral needs						

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

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

- 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

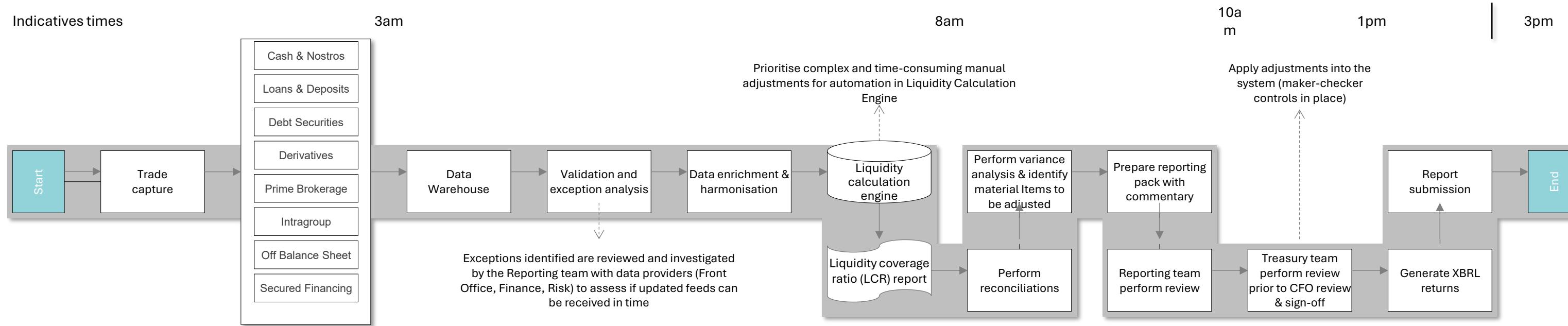
The key activities and challenges in implementing the new liquidity regulatory reporting requirements

	Scope & regulatory requirements	Data requirements and sources	Solution design & development	Processes and controls	Implementation and go-live
Activities	<ul style="list-style-type: none">Identify scope at firm- and fund-level (RFF, MAP & remaining part)Document the line-by-line regulatory requirements and interpretations	<ul style="list-style-type: none">Define the data requirements on a line-by-line basisIdentify the data sources and availability of timely data	<ul style="list-style-type: none">Assess whether to use in-house or vendor reporting solutionDevelop/implement solution and utilise single data warehouse	<ul style="list-style-type: none">Design and document regulatory reporting processes and controlsDefine the operating model for reporting, review, and sign-off	<ul style="list-style-type: none">Perform user-acceptance testing and embed processes & controlsUtilise PRA testing windows to test submissions via BEEDS portal
Challenges	<ul style="list-style-type: none">Monitoring funds where value of derivatives is close to £500m thresholdPS15/25 change for L-MRS from solo-entity to fund-level reportingInterpretation required for some of the reporting instructions	<ul style="list-style-type: none">Data quality and consistency of data used for liquidity MI reportingAvailability of data for cash flow mismatch (short-form) template on T+1 basisData ownership, validation, and sign-off by data providers	<ul style="list-style-type: none">Leverage and extend in-house reporting solution for liquidity MI reportingImplement vendor reporting solution – new or consistent with Solvency IIKey considerations include cost, resources, timeline, & post go-live support	<ul style="list-style-type: none">Agreement on responsibility for reporting and submissionGovernance structure for regulatory interpretations and any future changesClarity of documentation of processes and controls to mitigate key-person risk	<ul style="list-style-type: none">Timeline to implementation should not be underestimatedConsistency of liquidity regulatory reporting with MI reportingExperience 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

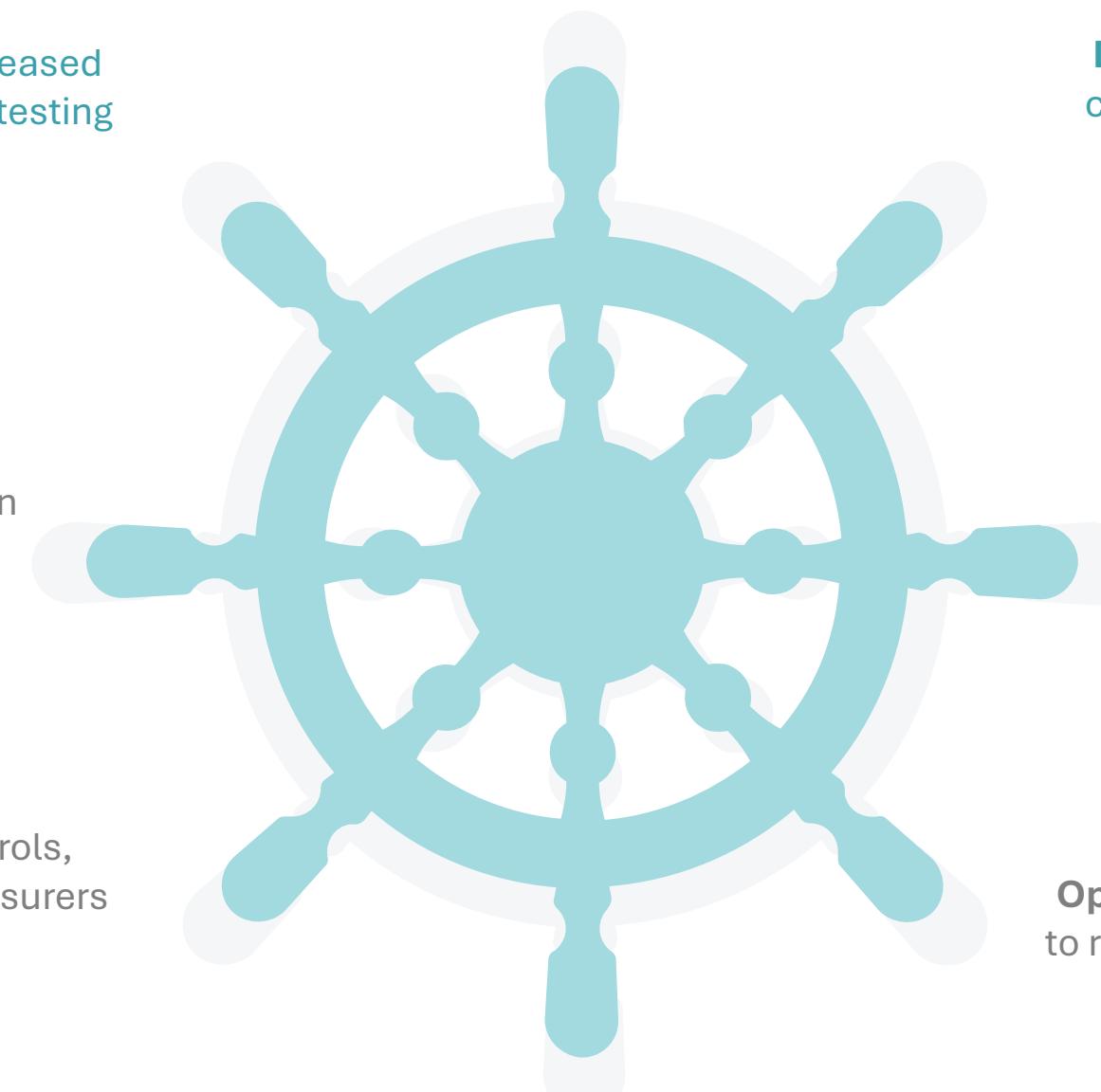
Liquidity SST capabilities: with improvements in data accuracy and timeliness, expect higher demands of liquidity modelling in stress

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

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

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

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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