



Institute
and Faculty
of Actuaries

Banking Reading List

Curated by Iain Allan

7 September 2020

Contents

1. Assessment of capital requirements and capital buffers	3
Common Equity Tier 1, Additional Tier 1 and Tier 2 capital.....	3
Internal Capital Adequacy Assessment Process (ICAAP)	3
2. Assessment of liquidity requirements and liquidity buffers	3
Liquidity requirements.....	3
Internal Liquidity Adequacy Assessment Process	3
3. Banking regulations.....	3
Basel regulations	3
EU regulations	4
UK regulations	4
4. Banking standards.....	4
5. Capital buffers	4
Regulatory buffers	4
Stress testing and the PRA buffer.....	4
6. Capital requirements	5
Credit risk	5
Market risk	5
Operational risk	5
Counterparty credit risk.....	5
Credit concentration risk.....	6
Interest rate risk in the banking book.....	6
Pension obligation risk.....	6
Group risk, including ring-fenced bank group risk.....	6
7. Climate change	6
8. Corporate governance.....	6
9. Expected credit losses	6
10. Future of regulation	7
11. Leverage ratio	7
12. Model risk management.....	7
13. MREL: Minimum requirement for own funds and eligible liabilities.....	7
14. Open Banking	7
15. Operational resilience.....	8
16. Price discrimination	8
17. Prudential regulation	9
18. Latest papers	9
Appendix: Covid-19 related regulations.....	10

1. Assessment of capital requirements and capital buffers

Common Equity Tier 1, Additional Tier 1 and Tier 2 capital

Basel III: A global regulatory framework for more resilient banks and banking systems, BCBS, December 2010 (rev June 2011), pages 12-28.

Basel III, Financial Stability Review, ECB, December 2010, page 125.

Internal Capital Adequacy Assessment Process (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP), PRA SS31/15, January 2020.

Pillar 2 Capital: Updating the Framework, PRA PS2/20, January 2020.

Conversion of Pillar 2A capital requirements from RWA percentage to a nominal amount, PRA, May 2020.

2. Assessment of liquidity requirements and liquidity buffers

Liquidity requirements

Basel III: A global regulatory framework for more resilient banks and banking systems, BCBS, December 2010 (rev June 2011), page 9 (Liquidity Coverage Ratio and Net Stable Funding Ratio).

Liquidity Coverage Ratio (LCR) - Executive Summary, BIS, April 2018.

Net Stable Funding Ratio (NSFR) - Executive Summary, BIS, June 2018.

Internal Liquidity Adequacy Assessment Process

The PRA's approach to supervising liquidity and funding risks, PRA SS24/15, December 2019.

3. Banking regulations

Basel regulations

International Convergence of Capital Measurement and Capital Standards, Basel Capital Accord, July 1988.

Amendment to the Capital Accord to incorporate Market Risks, Basel Committee on Banking Supervision, January 1996.

International Convergence of Capital Measurement and Capital Standards, Basel Committee on Banking Supervision, June 2006.

Basel III: A global regulatory framework for more resilient banks and banking systems, Basel Committee on Banking Supervision, December 2010 (rev June 2011).

Basel III: Finalising post-crisis reforms, Basel Committee on Banking Supervision, December 2017.

EU regulations

Capital Requirements Regulation (CRR), EU 575/2013.

Capital Requirements Directive (CRD), EU 2013/36.

UK regulations

PRA Rulebook

FCA Handbook

4. Banking standards

Changing banking for good, Report by Parliamentary Commission on Banking Standards, June 2013, Volume I.

5. Capital buffers

Regulatory buffers

Basel III: A global regulatory framework for more resilient banks and banking systems, BCBS, December 2010 (rev June 2011), pages 54-57 (capital conservation buffer) and pages 57-60 (countercyclical buffer).

Stress testing and the PRA buffer

A framework for stress testing the UK banking system, Bank of England, October 2013.

The Bank of England's approach to stress testing the UK banking system, Bank of England, October 2015.

Stress testing the UK banking system: key elements of the 2019 annual cyclical scenario, Bank of England, March 2019.

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 9.

6. Capital requirements

Credit risk

International Convergence of Capital Measurement and Capital Standards, BCBS, June 2006, pages 19-51 (standardised approach) and pages 52-119 (internal ratings-based approach).

High-level summary of Basel III reforms, BCBS, December 2017, pages 2-4 (standardised approach) and pages 5-6 (internal ratings-based approach).

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 2.

Market risk

International Convergence of Capital Measurement and Capital Standards, BCBS, June 2006, pages 166-190 (standardised measurement method) and pages 191-203 (internal models approach).

Fundamental review of the trading book: A revised market risk framework, BCBS, October 2013.

Minimum capital requirements for market risk, BCBS, January 2016.

What does FRTB or Fundamental Review of trading book really mean? Finextra, January 2017.

Fundamental review of the trading book (FRTB), Accenture Consulting, 2017.

Minimum capital requirements for market risk, BCBS, January 2019 (rev. February 2019).

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 3.

The market risk framework: 25 years in the making, Speech by William Coen, BCBS, April 2018.

Fundamental Review of the Trading Book (FTRB), ICMA, March 2020.

Operational risk

International Convergence of Capital Measurement and Capital Standards, BCBS, June 2006, pages 144-156.

High-level summary of Basel III reforms, BCBS, December 2017, page 8.

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 4.

Proposed guidance for firms outsourcing to the 'cloud' and other third-party IT services, FCA GC15/6, November 2015.

Counterparty credit risk

Basel III: A global regulatory framework for more resilient banks and banking systems, BCBS, December 2010 (rev June 2011), pages 29-50 (including credit value adjustment (CVA))

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 5.

Credit concentration risk

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 6.

Interest rate risk in the banking book

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 7.

Pension obligation risk

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 8.

Group risk, including ring-fenced bank group risk

The PRA's methodologies for setting Pillar 2 capital, PRA, February 2020, Chapter 8A.

7. Climate change

Bank of England consults on its proposals for stress testing the financial stability implications of climate change, Bank of England, December 2019.

The 2021 biennial exploratory scenario on the financial risks from climate change, Bank of England, December 2019.

8. Corporate governance

The UK Corporate Governance Code, Financial Reporting Council, September 2014.

Corporate governance: Board responsibilities, PRA SS5/16, March 2016.

9. Expected credit losses

The implementation of IFRS 9 impairment requirements by banks, Global Public Policy Committee (GPPC), June 2016.

Actuaries Bringing Value to Banks by Implementing IFRS 9, IAA Banking Working Group, September 2017.

IFRS 9 in the 2018 stress test, Financial Stability Report, Bank of England, November 2018, Box 1.

10. Future of regulation

Our future Mission, FCA, October 2016, page 24 (A 'duty of care')

Discussion Paper on a duty of care and potential alternative approaches, FCA DP18/5, July 2018.

A duty of care and potential alternative approaches: summary of responses and next steps, FCA FS19/2, April 2019.

A Platform for Innovation, Speech by Mark Carney, Bank of England, April 2019.

Managing Machines: the governance of artificial intelligence, Speech by James Proudman, Bank of England, June 2019.

The future of regulation: AI for consumer good, Speech by Christopher Woolard, FCA, July 2019.

Regulation in a changing world, Speech by Christopher Woolard, October 2019.

A Guide for Ethical Data Science, IFoA/RSS, February 2020.

11. Leverage ratio

Basel III: A global regulatory framework for more resilient banks and banking systems, BCBS, December 2010 (rev June 2011), pages 61-63.

12. Model risk management

Guidance on Model Risk Management, Federal Reserve System SR 11-7, April 2011.

Enterprise-Wide Model Risk Management Guideline, OSFI (Canada), September 2017.

Model risk management principles for stress testing, PRA SS3/18, April 2018.

13. MREL: Minimum requirement for own funds and eligible liabilities

The minimum requirements for own funds and eligible liabilities (MREL) - buffers and Threshold Conditions, PRA SS16/6, November 2016.

The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL), Bank of England, June 2018.

14. Open Banking

Call for Input: Regulatory barriers to innovation in digital and mobile solutions, FCA, June 2015.

Feedback Statement on Call for Input: Regulatory barriers to innovation in digital and mobile solutions, FCA FS16/2, March 2016.

Implementation of the revised EU Payment Services Directive II, HM Treasury, July 2017

The Open Banking Standard, Payment Strategy Forum.

Call for Input: Open finance, FCA, December 2019.

15. Operational resilience

Building the UK financial sector's operational resilience, Bank of England DP01/18/PRA DP01/18/FCA DP 18/04.

Building operational resilience: impact tolerances for important business services and feedback to DP18/04, FCA CP19/32, December 2019.

Operational resilience and the evolution of the European banking sector, Deloitte, 2019.

16. Price discrimination

Our future Mission, FCA, October 2016, page 23, page 33.

Strategic Review of Retail Banking Business Models: Purpose and Scope, FCA, October 2017.

Guiding Principles and Action Points for General Insurance Pricing, ABI/BIBA, May 2018.

High-cost Credit Review: Overdrafts, FCA CP18/13, May 2018.

Strategic Review of Retail Banking Business Models, Progress report, FCA, June 2018, Chapter 5 and Annex 3 (current accounts) and Chapter 7 (mortgages).

Price discrimination in the cash savings market, FCA DP18/6, July 2018.

Fair Pricing in Financial Services, FCA DP18/9, October 2018.

General Insurance Pricing Practices, Terms of reference, FCA MS18/1.1, October 2018.

Tackling the loyalty penalty, CMA, December 2018.

FCA sets out potential remedies to tackle concerns about general insurance pricing, FCA, October 2019.

Introducing a Single Easy Access Rate for cash savings, FCA CP20/1, January 2020.

17. Prudential regulation

The dog and the frisbee, Paper by Andrew Haldane, Bank of England, August 2012.

Constraining discretion in bank regulation, Paper by Andrew Haldane, Bank of England, June 2013.

18. Latest papers

For recent papers issued by the PRA see *Prudential regulation news and publications | Bank of England*

For recent papers issued by the FCA see *Publications | FCA*

For recent papers issued by the BCBS see *BCBS Publications*

Appendix: Covid-19 related regulations

Bank of England measures to respond to the economic shock from Covid-19, Bank of England, 11 March 2020: MPC reduces Bank Rate and launches new Term Funding Scheme with additional incentives for SMEs; FPC releases the UK countercyclical capital buffer; PRA issues supervisory guidance.

Joint letter to the UK banks from HM Treasury, the Bank of England, and the FCA, 25 March 2020: A number of decisions taken by the regulators will ensure that the financial system has the capacity to ensure the uninterrupted supply of credit to the firms and households that need it.

Covid 19: IFRS 9, capital requirements and loan covenants, PRA, 26 March 2020: Consistent and robust IFRS 9 accounting and the regulatory definition of default; Treatment of borrowers who breach covenants due to Covid-19; Regulatory capital treatment of IFRS 9; Next steps

Joint statement by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC) and Prudential Regulation Authority (PRA), 26 March 2020: Statement by the FCA allowing listed companies an extra two months to publish their audited annual financial statements; Guidance from the FRC for companies preparing financial statements in the current uncertain environment; Guidance from the FRC for firms seeking to overcome challenges in obtaining audit evidence

Governors and Heads of Supervision announce deferral of Basel III implementation to increase operational capacity of banks and supervisors to respond to Covid-19, BCBS, 27 March 2020: The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028.

IFRS 9 and covid-19, IFRS, 27 March 2020: Accounting for expected credit losses applying IFRS 9 *Financial Instruments* in the light of current uncertainty resulting from the Covid-19 pandemic.

PRA statement on deposit takers' approach to dividend payments, share buybacks and cash bonuses in response to Covid-19, PRA, 31 March 2020: PRA welcomes the decisions by the boards of the large UK banks to suspend dividends and buybacks until the end of 2020; PRA also expects banks not to pay any cash bonuses to senior staff, including all material risk takers.

Basel Committee sets out additional measures to alleviate the impact of Covid-19, BCBS Press release, 3 April 2020: The Committee notes that ECL frameworks are not designed to be applied mechanically. Banks should use the flexibility inherent in these frameworks to take account of the mitigating effect of the extraordinary support measures related to Covid-19.

Measures to reflect the impact of Covid-19, BCBS, 3 April 2020: Treatment of extraordinary support measures related to Covid-19; Expected credit loss accounting; Transitional arrangements for expected credit loss accounting.

Joint FCA and PRA statement Senior Managers and Certification Regime (SM&CR) and coronavirus (Covid-19): our expectations of dual-regulated firms, FCA/PRA, 3 April 2020: Notifications about changes in Senior Manager responsibilities; Temporary arrangements for Senior Management Functions (SMFs); Notifications about temporary arrangements; Allocating responsibility for coordinating firms' responses to coronavirus among SMFs;

Furloughing Senior Management Functions; Certification requirements for dual regulated firms.

FCA confirms temporary financial relief for customers impacted by coronavirus, FCA, 9 April 2020: Temporary payment freeze on loans and credit cards for up to three months; Arranged overdraft of up to £500 at zero interest for three months.

PRA decision on Systemic Risk Buffer rates, PRA, 9 April 2020: The PRA is today announcing its decision to maintain firms' Systemic Risk Buffer (SRB) rates at the rate set in December 2019 and will next reassess them in December 2021. Any decision on SRB rates taken in December 2021 would take effect from January 2023 in line with our policy. This decision is consistent with ensuring firms can continue lending to the real economy; as their balance sheets grow in response to Covid-19, they can be certain that it will not result in higher SRB capital requirements.

Covid-19 pandemic: Financial stability implications and policy measures taken, FSB, 15 April 2020: Overview and key messages; Financial stability implications; Policy action taken; Future work and international cooperation.

Q&A on the use of Liquidity and Capital Buffers, PRA, 20 April 2020: Banks' ability to use their buffers is key to ensuring banks can maintain and extend to households and businesses despite the uncertain economic conditions.

Financial support for businesses during coronavirus (Covid-19), GOV.UK, 27 April 2020: Paying your employees; Paying sick pay; Paying tax; Business rates relief; Business support grant funds; Support for the self-employed; Support for small and medium-sized businesses; support for large businesses.

Statement by the PRA on conversion of Pillar 2A capital requirements from RWA percentage to nominal amount, PRA, 7 May 2020: The PRA does not believe that RWAs are a good approximation for the evolution of the risks captured in Pillar 2A in a stress. The PRA believes that the most proportionate approach is to set Pillar 2A as a nominal amount between assessments.

Statement by the PRA on regulatory capital and IFRS 9 requirements for payment holidays, PRA, 22 May 2020: Treatment of payment deferrals, extensions to payment deferrals and exit from payment deferrals; Regulatory definition of default; Identifying whether a significant increase in credit or credit risk impairment has occurred for IFRS 9.

Q&A on Capital Requirements Regulation (CRR) requirements for property valuations, PRA, 29 May 2020: Expectations on monitoring and reviewing of property valuations; Approach if house price index (HPI) is unreliable or unavailable

Covid-19: IFRS 9 and capital requirements - Further guidance on initial and further payment deferrals, Letter from Sam Woods, PRA, 4 June 2020: Treatment of Covid-19 related payment deferrals under IFRS 9 and the Capital Requirements Regulation (CRR); Overview of previous PRA guidance covering initial payment deferrals; Initial payment deferrals; Borrowers that resume full payments at the end of a deferral period; Borrowers that do not resume full payments at the end of a deferral period.

Joint statement by the Bank and PRA on the ESRB recommendations for the restriction of distributions during the Covid-19 pandemic, Bank of England, 8 June 2020.

Mortgages and coronavirus: updated guidance for firms, PRA, 16 June 2020: Customers who have not yet had a payment deferral; Fair treatment of customers at the end of a

payment deferral period; Understanding customers' needs and circumstances at the end of a payment deferral period; Customers able to resume full payments; Repossessions.

Federal Reserve Board releases results of stress tests for 2020 and additional sensitivity analyses conducted in light of the coronavirus event, Press Release, Federal Reserve Board, 25 June 2020: Under the U- and W-shaped scenarios, most firms remain well capitalised but several would approach minimum capital levels.

Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020, amending Regulations (EU) 575/2013 and EU,2019/876 as regards certain adjustments in response to the COVID-19 pandemic, Office Journal of the European Union, 26 June 2020.

Statement on the regulatory treatment of the UK Coronavirus Business Interruption Loan Scheme (CBILS) and the UK Coronavirus Large Business Interruption Loan Scheme (CLBILS), PRA, 26 June 2020: Application of credit risk approaches; CRM eligibility of the schemes; Additional observations on CBILS scope of protection.

Statement by the PRA on the CRR 'Quick Fix' package, PRA, 30 June 2020: Transitional arrangements for capital impact of IFRS 9 Expected Credit Loss (ECL) accounting; Acceleration of certain CRR II measures, and a temporary prudential filter on certain unrealised gains and losses.

For recent papers issued by the PRA, see [Our response to Coronavirus \(Covid-19\): regulatory measures for PRA firms](#).



Institute and Faculty of Actuaries

DISCLAIMER The views expressed in this publication are those of invited contributors and not necessarily those of the Institute and Faculty of Actuaries. The Institute and Faculty of Actuaries do not endorse any of the views stated, nor any claims or representations made in this publication and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this publication. The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide actuarial advice or advice of any nature and should not be treated as a substitute for specific advice concerning individual situations. On no account may any part of this publication be reproduced without the written permission of the Institute and Faculty of Actuaries.

Beijing

14F China World Office 1 · 1 Jianwai Avenue · Beijing · China 100004
Tel: +86 (10) 6535 0248

Edinburgh

Level 2 · Exchange Crescent · 7 Conference Square · Edinburgh · EH3 8RA
Tel: +44 (0) 131 240 1300

Hong Kong

1803 Tower One · Lippo Centre · 89 Queensway · Hong Kong
Tel: +852 2147 9418

London (registered office)

7th Floor · Holborn Gate · 326-330 High Holborn · London · WC1V 7PP
Tel: +44 (0) 20 7632 2100

Oxford

1st Floor · Park Central · 40/41 Park End Street · Oxford · OX1 1JD
Tel: +44 (0) 1865 268 200

Singapore

163 Tras Street · #07-05 Lian Huat Building · Singapore 079024
Tel: +65 6906 0889

www.actuaries.org.uk

© 2020 Institute and Faculty of Actuaries