

**LIQUIDITY REPORTING (MISCELLANEOUS AMENDMENTS)
INSTRUMENT 2011**

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 (“the Act”):
- (1) section 138 (General rule-making power);
 - (2) section 150(2) (Actions for damages);
 - (3) section 156 (General supplementary powers); and
 - (4) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 1 November 2011.

Amendments to the Handbook

- D. The Supervision manual (SUP) is amended in accordance with the Annex to this instrument.

Citation

- E. This instrument may be cited as the Liquidity Reporting (Miscellaneous Amendments) Instrument 2011.

By order of the Board
28 July 2011

Annex

Amendments to the Supervision manual (SUP)

In this Annex, underlining indicates new text and striking through indicates deleted text.

16.12.11 R The applicable *data items* referred to in SUP 16.12.4R are set out according to *firm* type in the table below:

Description of <i>data item</i>	<i>Firms</i> prudential category and applicable <i>data items</i> (note 1)							
	<i>BIPRU firms</i> (note 17)			<i>Firms</i> other than <i>BIPRU firms</i>				
	730K	125K and <i>UCITS investment firms</i>	50K	<i>IPRU (INV)</i> Chapter 3	<i>IPRU (INV)</i> Chapter 5	<i>IPRU (INV)</i> Chapter 9	<i>IPRU (INV)</i> Chapter 13	<i>UPRU</i>
...								
Daily Flows	FSA047 (Notes 26, 29, and 31 <u>and</u> 33)							
Enhanced Mismatch Report	FSA048 (Notes 26, 29, and 31 <u>and</u> 33)							
Liquidity Buffer Qualifying Securities	FSA050 (Notes 27, 30, and 31 <u>and</u> 33)							
Funding Concentration	FSA051 (Notes 27, 30, and 31 <u>and</u> 33)							
Pricing data	FSA052 (Notes 27, 30, and 31 <u>and</u> 33)							
Retail and corporate funding	FSA053 (Notes 27, 30, and 31 <u>and</u> 33)							
Currency Analysis	FSA054 (Notes 27, 30, and 31 <u>and</u> 33)							
Systems and Controls Questionnaire	FSA055 (Note <u>Notes</u> 28 <u>and</u> 33)							
...								
Note 1	...							

<u>Note 33</u>	<u>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an ILAS BIPRU firm. An ILAS BIPRU firm does not need to complete FSA055. A non-ILAS BIPRU firm must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</u>
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16.12.15 R The applicable *data items* referred to in SUP 16.12.4R according to type of *firm* are set out in the table below:

Description of data item	Firms' prudential category and applicable data items (note 1)							
	BIPRU			Firms other than BIPRU firms				
	730K	125K and UCITS investment firms	50K	IPRU (INV) Chapter 3	IPRU (INV) Chapter 5	IPRU (INV) Chapter 9	IPRU (INV) Chapter 13	UPRU
...								
Daily Flows	FSA047 (Notes 23, 26, and 28 and 30)							
Enhanced Mismatch Report	FSA048 (Notes 23, 26, and 28 and 30)							
Liquidity Buffer Qualifying Securities	FSA050 (Notes 24, 27, and 28 and 30)							
Funding Concentration	FSA051 (Notes 24, 27, and 28 and 30)							
Pricing data	FSA052 (Notes 24, 27, and 28 and 30)							
Retail and corporate funding	FSA053 (Notes 24, 27, and 28 and 30)							
Currency Analysis	FSA054 (Notes 24, 27, and 28 and 30)							
Systems and Controls Questionnaire	FSA055 (Note Notes 25 and 30)							
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Note 1	...							

<u>Note 30</u>	<u>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an ILAS BIPRU firm. An ILAS BIPRU firm does not need to complete FSA055. A non-ILAS BIPRU firm must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</u>
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16.12.22 R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

Description of <i>Data item</i>	<i>Firms' prudential category and applicable data item (note 1)</i>					
	<i>BIPRU 730k firm</i>	<i>BIPRU 125k firm and UCITS investment firm</i>	<i>BIPRU 50k firm</i>	<i>Exempt CAD firms subject to IPRU(INV) Chapter 13</i>	<i>Firms (other than exempt CAD firms) subject to IPRU(INV) Chapter 13</i>	<i>Firms that are also in one or more of RAGs 1 to 6 and not subject to IPRU(INV) Chapter 13</i>
...						
Daily Flows	FSA047 (Notes 16, 19, and 21 and 24)					
Enhanced Mismatch Report	FSA048 (Notes 16, 19, and 21 and 24)					
Liquidity Buffer Qualifying Securities	FSA050 (Notes 17, 20, and 21 and 24)					
Funding Concentration	FSA051 (Notes 17, 20, and 21 and 24)					
Pricing data	FSA052 (Notes 17, 20, and 21 and 24)					
Retail and corporate funding	FSA053 (Notes 17, 20, and 21 and 24)					
Currency Analysis	FSA054 (Notes 17, 20, and 21 and 24)					
Systems and Controls Questionnaire	FSA055 (Note Notes 18 and 24)					
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Note 1	...
Note 24	<u>FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an ILAS BIPRU firm. An ILAS BIPRU firm does not need to complete FSA055. A non-ILAS BIPRU firm must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.</u>

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16.12.25 R The applicable *data items* referred to in SUP 16.12.4R are set out according to type of *firm* in the table below:

Description of <i>data item</i>	<i>Firms' prudential category and applicable data item data item</i> (note 1)							
	<i>BIPRU</i>			<i>Firms other than BIPRU firms</i>				
	730K	125K	50K	<i>IPRU (INV) Chapter 3</i>	<i>IPRU (INV) Chapter 5</i>	<i>IPRU (INV) Chapter 9</i>	<i>IPRU (INV) Chapter 13</i>	<i>UPRU</i>
...								
Daily Flows	FSA047 (Notes 21, 24, and 26 <u>and 28</u>)							
Enhanced Mismatch Report	FSA048 (Notes 21, 24, and 26 <u>and 28</u>)							
Liquidity Buffer Qualifying Assets	FSA050 (Notes 22, 25, and 26 <u>and 28</u>)							
Funding Concentration	FSA051 (Notes 22, 25, and 26 <u>and 28</u>)							
Pricing data	FSA052 (Notes 22, 25, and 26 <u>and 28</u>)							
Retail and corporate funding	FSA053 (Notes 22, 25, and 26 <u>and 28</u>)							
Currency Analysis	FSA054 (Notes 22, 25, and 26 <u>and 28</u>)							
Systems and Controls Questionnaire	FSA055 (Note <u>Notes 23 and 28</u>)							
...								
Note 1	...							

Note 28	FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054 must be completed by an <i>ILAS BIPRU firm</i> . An <i>ILAS BIPRU firm</i> does not need to complete FSA055. A <i>non-ILAS BIPRU firm</i> must complete FSA055 and does not need to complete FSA047, FSA048, FSA050, FSA051, FSA052, FSA053 and FSA054.

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16 Annex 25G Guidance notes for data items in SUP 16 Annex 24R

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FSA047 Daily Flows

The purpose of this *data item* is to record details of an *ILAS BIPRU firm*'s liquidity flows. See further This guidance should be read in conjunction with the rules and guidance in SUP 16.12.4R.

Valuation

Except where outlined, a *firm* should follow the *FSA's rules and guidance* on valuation set out in *GENPRU 1.3*. A *firm* not subject to *GENPRU 1.3*, for example, an *incoming EEA firm*, should follow its applicable accounting standards.

All collateral, cash and related deposits segregated for the benefit of a *client* should be excluded from FSA047 irrespective of the accounting treatment used by the *firm*.

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Completion and submission to the FSA

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A ~~firm~~ *firm* should refer to the relevant Guidance Notes for FSA048 to complete the relevant *data elements* of this *data item*.

FSA047 time bands are defined by the reporting date and the application of the 'modified following' market convention, ignoring the existence of any non-settlement weekdays (bank holidays) in any currency.

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FSA048 Enhanced Mismatch Report

The purpose of this *data item* is to record details of an *ILAS BIPRU firm*'s liquidity mismatch positions. See further This guidance should be read in conjunction with the rules and guidance in SUP 16.12.4R.

Valuation

Except where outlined, a *firm* should follow the *FSA's rules and guidance* on valuation set out in *GENPRU 1.3*. A *firm* not subject to ~~GENPRU~~ GENPRU 1.3, for example, an *incoming EEA firm*, should follow its applicable accounting standards.

All collateral, cash and related deposits segregated for the benefit of a *client* should be excluded from FSA048 irrespective of the accounting treatment used by the *firm*.

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Completion and submission to the FSA

A *firm* should complete this *data item* and report cash flows in the relevant time bands based on their residual contractual maturity. Asset flows should be entered according to their latest maturity. Liability cash flows should be entered according to their earliest possible date of outflow. Any flows or balances between entities included within the scope of the return should be eliminated in accordance with generally accepted accounting principles.

FSA048 time bands are defined by the reporting date and the application of the 'modified following' market convention, ignoring the existence of any non-settlement weekdays (bank holidays) in any currency.

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Part 1 Memo items

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4 Prior period's peak intra-day collateral used for UK settlement and clearing systems

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A *firm* should note that the amount to be reported in this *data element* should be the minimum amount of collateral it would have needed to post in order to meet its actual payment and settlement obligations as mandated by the requirements of the system(s) in question. It is not, therefore, the amount of collateral that was in fact posted by the *firm* which could include significant over-collateralisation.

Direct participation in settlement systems does not include intra-day floating charges associated with facilities provided by custodians to facilitate securities settlement.

5 Prior period's peak intra-day collateral used for settlement and clearing systems outside the UK

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A *firm* should note that the amount to be reported in this *data element* should be the minimum amount of collateral it would have needed to post in order to meet its actual payment and settlement obligations as mandated by the requirements of the system(s) in question. It is not, therefore, the amount of collateral that was in fact posted by the *firm* which could include

significant over-collateralisation.

Direct participation in settlement systems does not include intra-day floating charges associated with facilities provided by custodians to facilitate securities settlement.

Part 2 Security, transferrable whole-loan and commodity flows

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Repos, reverse repos, securities loans and collateral swaps:

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Tri-party repo and tri-party reverse repo transactions should be treated in the same manner as all other *repo* and *reverse repo* transactions ...

In the case of a tri-party reverse repo, where the collateral provider has an option over the nature of the collateral provided, firms should report the actual collateral held on the reporting date, then on the earliest effective date of substitution, report that collateral leaving and an inflow of substitution collateral on a “worst case” basis, and assume that position will then remain unchanged until the maturity date of the transaction. Repo transactions should be reported on the basis of the actual collateral posted for the direction of the transaction.

Where a *firm* enters into forward-starting reverse repo transactions...

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9 Own-name securities and transferrable whole-loans

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Any own-name securities or whole-loans that do not qualify for inclusion on line 9 should not be reported elsewhere in part 2. Any repo collateralised using own-name securities or whole-loans that do not qualify to be reported in part 2 should be reported as an unsecured borrowing in part 6.

10 High quality asset-backed securities

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53 SME deposits

A *firm* should report in this row all its deposits and account balances where the account holder is a *small or medium enterprise (SME)*. A ~~firm~~ *firm* should also report here deposits and account balances where the account holder is a partnership, ~~or~~ a sole trader, or a charity which would be ~~a small and medium-sized enterprise~~ an SME if it were a company.

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56 Client/brokerage free cash

A *firm* should report here all cash balances which it has received from its prime

brokerage/prime services *clients* and which are not segregated from the *firm's* own assets. A *firm* should not include ~~excess~~ derivatives margin cash in this row.

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57 Principal FX cash flows (including currency swaps)

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For example, if a *firm* was completing this *data item* to show its contractual assets and liabilities denominated in *US dollars* and it had transacted a forward foreign exchange contract to ~~sell~~ sell \$75m against the ~~purchase~~ purchase of an equivalent amount of another currency four months after the reporting date, it would enter -75,000 in column F and make no other entries.

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Part 10 Derivatives margining and exposure

Figures reported in rows 74 to 77 relate to any variation and initial margin given or received in respect of *derivative* transactions. A *firm* should report together figures for own account and client accounts but exclude any margin (cash or collateral) segregated for the benefit of a client and any subsequent placement of segregated margin.

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Part 11 Assets included in Part 2 held under re-hypothecation rights

Rows 78 to 89 relate to securities reported in Part 2 of this *data item*, held as *clients'* assets or net ~~derivatives~~ derivatives margin collateral received in relation to which the *firm* has re-hypothecation rights. Row 81 is intentionally left blank.

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FSA051 Funding Concentration

The purpose of this *data item* is to record details of an *ILAS BIPRU firm's* funding concentrations. ~~See further~~ This guidance should be read in conjunction with the rules and guidance in SUP 16.12.4R.

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Part 1 Wholesale deposits

In this part of the *data item* the *firm* should analyse and report the counterparties responsible for the 30 largest concentrations of deposits reported in lines 45 to 50 inclusive of FSA047 and FSA 048.

Part 2 Repo funding

In this part of the *data item* the *firm* should analyse and report the counterparties responsible for the 30 largest concentrations of repo funding as reported in Part 5 of FSA047 and FSA 048.

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FSA052 Pricing Data

The purpose of this *data item* is to record details relating to the average transaction volume of, and process which the *firm* pays for, certain of its wholesale liabilities. ~~See further~~ This guidance should be read in conjunction with the rules and guidance in SUP 16.12.4R.

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General

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(i) Cash deposits

A *firm* should report all fixed term cash deposits reportable in lines 45 to 49 of FSA047 and FSA048 in row 1 if denominated in GBP, in row 5 if denominated in USD or row 9 if denominated in EUR.

(ii) Senior unsecured securities

A *firm* should report all senior unsecured securities issued reportable in line 40 of FSA047 and FSA 048 in row 2 if denominated in GBP, in row 6 if denominated in USD or in row 10 if denominated in EUR.

(iii) Covered Bonds

A *firm* should report all covered bonds encumbering the *firm's* own assets the issuance of which would be reportable in line 43 of FSA047 and FSA 048 in row 3 if denominated in GBP, in row 7 if denominated in USD or in row 11 if denominated in EUR.

(iv) Asset-backed securities (including ABCP)

A *firm* should report all debt issued by the *firm's* SSPEs as reported on line 51 of FSA047 and FSA048. A *firm* should report such liabilities in row 4 if denominated in GBP, in row 8 if denominated in USD or in row 12 if denominated in EUR.

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Weighted Average Spread and Volume Analysis:

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For the purpose of reporting the average spread paid, a *firm* should report:

- (1) for an instrument with an original maturity of less than or equal to one year, the spread payable by the *firm* for that liability, if it were to have been swapped to the benchmark overnight index for the appropriate currency no later than close of business on the day of the transaction, and;
- (2) for an instrument with an original maturity in excess of one year, the spread at issuance were it to be swapped to the relevant benchmark floating three month LIBOR for GBP and USD and EURIBOR for EUR, no later than close of business on the day of the transaction.

For the purposes of calculating the average spread paid a *firm* should calculate the all-in cost in the currency of issue ignoring any FX swap, but including any premium or discount and fees payable or receivable, with the term of any theoretical or actual interest rate swap matching the term of the liability. The spread is the liability rate minus the swap rate.

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FSA054 Currency Analysis

The purpose of this *data item* is to record details of a *firm's* currency mismatches. ~~See further~~ This guidance should be read in conjunction with the rules and guidance in SUP 16.12.4R.

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Completion and submission to the FSA

A *firm* should complete this *data item* on a contractual basis based on an analysis of the *firm's* ~~balance sheet~~ cash flow and cash balances as reportable for FSA047 and FSA 048, combined (rows 1, and 18 to 23 and 25 to 56), based on the FSA047 and FSA048 reporting date closest to the FSA054 on the reporting date in question.

General

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In considering whether a *firm's* assets, liabilities or shareholders' equity are denominated in a specific currency, a *firm* should ignore the effect of any *derivatives*.

For example e.g., if a *firm* issues a liability in GBP and enters into a *derivative* to swap the cash flows of that liability to another currency, for the purposes of this *data item*, it should ~~would~~ be denominated in GBP.

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